

Halifax Regional Council  
March 26, 2002

**TO:** Mayor Kelly and Members of Halifax Regional Council

**SUBMITTED BY:**

  
George McLellan, Chief Administrative Officer

  
Dan English, Deputy Chief Administrative Officer

**DATE:** 26 March 2002

**SUBJECT:** Marketing Levy

**ORIGIN**

1. October 10, 2000 HRM Council approval to seek enabling legislation for a Hotel Room Tax to fund incremental tourism marketing for HRM.
2. July 8, 2001 Council approval to draft a bylaw to collect a tax based on hotel room sales.
3. January 15, 2002 Council approved in principal Bylaw H-400.
4. 12 February 2002, Council approved Bylaw H-400
5. 19 March 2002, Presentations at Council expressing concern

**RECOMMENDATION**

It is recommended that :

- 1) implementation of the marketing levy continue as originally authorized; and,
- 2) the entire Destination Marketing Organization (DMO) concept, including Board structure, be revisited and evaluated by staff after three years of operation; and,
- 3) the board of the DMO provide for at least one representative in the 20 to 100 room category located outside the downtown core of Halifax/Dartmouth; as well as three HRM representatives (the Mayor, a Member of Council and the CAO or designate).

## **BACKGROUND**

Over the past several years, staff have been working with tourism industry representatives toward the development of a Destination Management Organization (DMO) which would be funded through a special tax levied on hotel/motel rooms. This was done to improve the competitiveness of HRM in a highly competitive tourism arena. Many other destinations (our competition) have had this tax for some time and market their communities aggressively.

It is estimated that tourist expenditures in HRM are approaching \$600 million annually and employment figures are in excess of 15,000 jobs and growing. Tourism expenditures in HRM represent approximately 50% of those in the province. Tourism is a major economic force in HRM.

Through the standard Council process, enabling legislation to levy the tax was sought and received from the Province. Council proceeded through the bylaw and public hearing process to final approval of By-law H400, as the HRM vehicle to levy and collect the tax.

## **DISCUSSION**

Presentations made at Council on 19 March 2002, surfaced several issues which were not voiced during the Law Amendments or Public Hearings processes.

Council has requested that staff provide discussion on the issues that were raised. Staff has grouped these concerns into themes of similar nature in order to address them appropriately.

### *1) Benefits of incremental marketing efforts provided by the tax:*

Concern: Strong concern was expressed that the tax and resulting incremental marketing expenditures would be used only to the benefit of the larger properties in the downtown area (Halifax/Dartmouth).

Response: The mandate of the Destination Marketing Organization is inclusive of all of HRM. Marketing efforts are directed toward selling the destination, not a particular hotel or group of hotels.

It is recognized that a marketing plan will need to be prepared and approved that addresses the needs of the entire community. The reality of financial resources will impose strict discipline on which markets are chosen for development. It is the board and staff of the DMO who will provide the analysis and direction for the marketing expenditures. These will be reviewed by HRM staff and Council will have approval authority.

2) *DMO Board Representation:*

Concern: Smaller properties (20 to 100 rooms) outside the downtown core areas of Halifax/Dartmouth should have representation on the DMO Board

Response: The final structure for the DMO has not been finalized as yet. As funding partners, HRM will have three seats (the Mayor, a Member of Council, and the CAO or designate), NS Tourism & Culture and the WTCC will have one each. At this stage, seven other seats are being discussed.

When formally approved, the DMO will be a registered association and must provide a succession plan for the board to ensure there is annual opportunity for change in representation. It is staff's opinion that representation should be determined based on: 1) best and brightest marketers, and; 2) along industry sectoral lines (hotels, transportation, attractions, culture, events etc.) Hotel representation should be inclusive of all properties, not just larger ones. This issue has been well communicated to the DMO and they have agreed to at least one representative in the 20 to 100 room category located outside the Halifax/Dartmouth core areas.

There are several checks and balances to ensure all industry voices are heard. The DMO must provide a budget and business plan to HRM Tourism, Culture and Heritage for eventual approval by Council. The public sector representatives on the Board have a responsibility to listen and react appropriately.

The DMO will not obtain enough money through the tax to support its necessary marketing activities without leveraging additional resources through partnerships and memberships. This imposes the necessity to be appropriately responsive to all segments of the tourism industry in order to build those partnering relationships.

Staff suggest the entire concept, including Board structure, be revisited and evaluated after three years of operation.

3) *By-Law and Tax Implementation Process - Communications*

Concern: Better communication should have been provided on this issue. HRM should have notified all hotels/motels of the tax.

Response: Staff have been working with representatives of the industry for some time. It is the industry that are the proponents of the tax. Letters of support were obtained by the Hotel Association of Nova Scotia from several tourism industry associations.

Both the provincial legislative and the HRM By-law procedures actively solicit public input and are advertised as a matter of standard process. Newspaper articles and TV spots also highlighted the tax initiative.

The by-law and public hearing process is a standard legal process that requires public advertisement. Personal notification on this particular issue would have stepped away from the standard process and set a precedent that HRM would find difficult to maintain in the future.

4) *All accommodation should be taxed - only those with over 100 rooms should be taxed.*

Concern: Both sides of this issue were presented.

Response: The provincial enabling legislation excludes those properties with fewer than 20 rooms from the tax. HRM cannot extend the tax to this group.

Hotels with 100 rooms and greater are concentrated in downtown Halifax/Dartmouth. The tax is meant to provide incremental marketing to position all of HRM as a tourism destination. While taxing the 20 to 100 room properties still does not provide blanket coverage across HRM, it does provide a larger collection net to better justify the scope of the HRM wide mandate.

If 100 rooms was to be cut off, HRM would consist of two tourism regions. One would have approximately \$1 million to go to market, the other would have nothing.

5) *City Staff are at fault*

Concern: Presenters expressed dissatisfaction with the actions of HRM Staff in communicating with them on this issue and in inaccuracies in the information provided to them.

Response: As mentioned previously, staff have been working with industry representatives throughout the process. Tourism Industry associations were consulted through these representatives and letters of support provided.

The advertised public hearing process and Law Amendments process attracted only one dissenting voice. To have communicated with each individual tourism industry operator would have been outside of standard process.

Staff have reviewed the information provided on the subject and is comfortable with its correctness. It may be that the presenters were reacting to information provided by the DMO and assumed it was authored by HRM staff.

6) *Collecting the tax puts undue expense and hardship on smaller properties.*

Concern: Presenters voiced concern in two areas: 1) Time allowed for reprogramming their cash systems to collect the tax, and 2) the commitment of time to make the remittance.

Response: The DMO has offered help to smaller properties by providing IT resources, where available in larger properties, or providing transfer of information from those who have already programmed the change - "business helping business."

The collection and remittance process for the tax follows standard GST/HST guidelines. A letter which explains the tax has been provided to operators for the information of their guests. As well, HRM has provided a "General Information and Guidelines" booklet and a dedicated contact person to answer specific questions and provide general assistance.

It should also be noted that the properties collecting the tax, will benefit from the incremental marketing it is meant to fund.

### **BUDGET IMPLICATIONS**

The tax and its distribution have been accounted for in the 2002/03 Tourism, Culture and Heritage budget and approved by Council.

Once proclaimed, the enabling legislation will become law. Staff, in conjunction with the DMO, will proceed with the collection as per the by-law unless directed otherwise by Council.

### **FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN**

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

### **ALTERNATIVES**

1) Council could decide to maintain the status quo. This would continue to disadvantage the economic growth of the community by negating an incremental funding source in a highly competitive market place. This is not the recommended alternative.

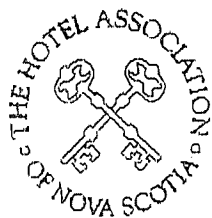
2) Council could decide to collect the tax and operate the DMO internally. This decision would be in opposition to the desire of the private sector to determine their own marketing priorities and accept accountability for success/failure. This is not the recommended alternative.

### **ATTACHMENTS**

1) Letter from Mr. Paul Stackhouse, President, Hotel Association of Nova Scotia

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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Hotel  
Association  
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and  
Tourism Industry  
Association of  
Nova Scotia



March 25, 2002

Dan English  
Deputy Chief Administrative Officer  
Halifax Regional Municipality  
P.O. Box 1749  
Halifax, NS  
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Dear Dan:

As a follow up to our meeting yesterday the Steering Committee responsible for the establishment of the Destination Halifax organization convened to revisit the proposed Board composition. In light of discussions with Mayor Kelly, George MacLellan and yourself we propose to designate two (2) of the industry representative seats to be for **Non-Urban** members from any sector. I have enclosed a copy of the current Board composition proposal, which reflects this change, for your review.

Further, the Hotel Association of Nova Scotia (HANS) and the Steering Committee agree with the HRM staff recommendation to revisit the MOU between HANS and the HRM following the initial three (3) years of operation of Destination Halifax. We would however like the opportunity to meet with you to clarify the basis for a review of the MOU.

Finally, I want to reinforce the importance of moving forward with the implementation of the Tourism Marketing Levy on April 1, 2002. Most accommodations operators have already programmed their property management systems and notified their customers in anticipation of the Levy being implemented as planned. In addition, delaying the implementation of the Levy would mean a lost opportunity to collect the much needed marketing dollars that will be used to sell our destination. I urge you to encourage Mayor Kelly to request that the proclamation of the provincial enabling legislation proceed immediately so that we can begin the collection of the Levy on April 1<sup>st</sup>.

Please feel free to contact me directly at 497-2984 if you require additional information or you wish to provide feedback.

Yours truly,

Paul Stackhouse, CHA  
President, Hotel Association of Nova Scotia  
and  
Chair, Destination Halifax Steering Committee

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### **BOARD COMPOSITION**

- 1) The Board is composed of thirteen (13) members:
  - a) The Chief Administrative Officer of the Halifax Regional Municipality, or their designate
  - b) Two (2) members of the HRM Council
  - c) The President of the Hotel Association of Nova Scotia
  - d) The President of Trade Centre Limited
  - e) The Deputy Minister of the Nova Scotia Department of Tourism and Culture, or their designate
  - f) Two (2) Non-Urban representatives from any sector of the Tourism industry within the HRM
  - g) plus five (5) representatives from any sector of the Tourism industry at-large from within the HRM
  - h) CEO (ex-officio)

### **EXECUTIVE COMMITTEE**

- 1) The Executive Committee shall be composed of the following members of the Board:
  - a) Chair
  - b) Vice-Chair
  - c) Treasurer
  - d) Secretary
  - e) Past-Chair
  - f) CEO (ex-officio)
- 2) The Executive Committee shall carry out the duties and responsibilities, as prescribed in the By-Laws, between regularly scheduled Board meetings.
- 3) The Executive Committee is empowered, on matters having time constraints, to make decisions on behalf of the Board.
- 4) These issues must be presented to the Board at their next regularly scheduled meeting.

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- 5) Members cannot delegate their representation.

### **BOARD APPOINTMENTS**

- 1) Appointments of industry representatives to inaugural Board shall be for a one (1) year term and all industry members shall be eligible for reappointment.
- 2) With the exception of the appointment of the inaugural Board, appointments to the Board shall be for a two year term, with a maximum of two (2) consecutive terms for any one member as recommended by the Nominating Committee.

### **BOARD MEMBER QUALIFICATIONS**

- 1) To effectively carry out its function Board members should collectively represent a variety of backgrounds and skills. All members of the industry who are appointed to the Board should be:
  - a) Members of Destination Halifax;
  - b) Recognized as respected leaders in the industry;
  - c) Be owners, operators or senior managers of tourism industry related businesses;
  - d) Be supportive of and participate in Destination Halifax programs;
  - e) Be committed to give the necessary time to the Board to ensure its effectiveness;
  - f) In addition, the collective skills and experience of Board members should include:
    - i) Visionaries with the ability to see the big picture
    - ii) Knowledge of the use of research
    - iii) Marketing training/experience
    - iv) Understanding of the planning process
    - v) Communications experience/training
    - vi) Experience in directly operating a business

### **BOARD MEMBER REPLACEMENT**

- 1) During the appointed term of office of the Board any vacancy may be filled by the Board to ensure that the Board has full representation.



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- 2) The vacancy shall be filled by a recommendation of the Nominating Committee in not more than 90 days of the declared vacancy.
- 3) The Nominating Committee will make its recommendation to the Board for approval and appointment.

### **BOARD NOMINATING COMMITTEE**

- 1) The Board shall create a Nominating Committee made up of the following personnel:
  - a) the Past-Chair of the Board will Chair the Nominating Committee;
  - b) one (1) member of the Executive Committee;
  - c) two (2) additional representatives, selected from the Board by the Chair of the Nominating Committee.
  - d) CEO (ex-officio)
- 2) It will be the responsibility of the Nominating Committee to:
  - a) ensure that advertising is conducted and the preparation of a list of potential Board members is prepared (following the criteria as laid out in the By-Laws) to replace any Board vacancies as they occur;
  - b) receive and review all applications for perspective new Board members;
  - c) make recommendations to the Board to fill any seat declared vacant on the Board;
  - d) make recommendations for Board membership upon completion of any member's term of office;
  - e) recommendations of the Nominating Committee must be ratified by the Board.