HALIFAX
REGIONAL MUNICIPALITY

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Halifax Regional Council
June 11, 2002
July 9, 2002

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:
George McLellan, Chief Administrative Officer

Dan English, Deputy Chief Administrative Officer

DATE: June 4, 2002

SUBJECT: **Amendment to By-Law H-400 - Hotel 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 By-Law to collect a tax based on hotel room sales.
3. January 15, 2002, Council approved in principal By-Law H-400.
4. February 12, 2002, Council approved By-Law H-400.
5. March 19, 2002, Presentations at Council expressing concern over the implementation of the tax on properties containing 20 to 99 rooms.
6. April 23, 2002, Presentation by Peter O'Brien seeking changes to the existing levy.
7. May 14, 2002, Notice of Motion for an amendment to By-Law H-400.

RECOMMENDATION

It is recommended that Council approve First Reading of Amendment H-401 to By-Law H-400 - Marketing Levy (Attachment #1) and further, that Council set the date of July 9, 2002 for the public hearing and Second Reading.

BACKGROUND

On the advice of the Tourism Industry, Council sought and received enabling legislation from the province to implement a By-Law to collect a tax on accommodation properties with 20 or more rooms. The purpose of the tax is to fund incremental tourism marketing initiatives for HRM.

Subsequent to the passage of the By-Law in February 2002, Council heard representation by representatives of properties containing 20 to 100 rooms. This group requested a By-Law amendment to delay full implementation of the tax until April 1st, 2004 for the 20 to 100 room group. A delay would enable them to prepare themselves through product analysis and development as well as allowing time for input to the design of marketing programs to be enabled by the tax.

Delaying the implementation of the tax on the 20 to 100 room group has received the agreement of the Hotel Association of Nova Scotia (HANS) and the Tourism Industry Association of Nova Scotia (TIANS). As well, Destination Halifax, the Destination Management Organization (DMO) established to manage the marketing initiatives, is also in agreement.

Council felt this direction was compelling and directed to proceed to the By-Law amendment process.

DISCUSSION

Information previously presented to Council indicated the value that Staff placed on the agreement of the Tourism Industry (TIANS/HANS/DMO). Staff, therefore, recommended the amendment.

There were no dissenting voices during the Public Hearing process for the passage of the original By-Law; there will be opportunity again during the public hearing process for the proposed amendment.

The proposed amendment has surfaced a concern by the Park Place Ramada Plaza Hotel in Burnside. The Ramada (with over 100 rooms) is geographically adjacent to another property with fewer than 100 rooms. The Ramada feels the amendment would establish an unfair competitive disadvantage as its customers would be charged the additional 1.5% tax, while their competition's customers would be exempt. This issue was raised by Councillor Smith at the Regional Council meeting on May 14, 2002.

Staff has no information or research to confirm, deny or quantify this situation. It is noted that no matter where a room number cut-off is chosen, there are those who would fall below it and thus create a similar situation. This will also be true in April 2004 when the room number cut-off reduces to 20 or more rooms from 100 or more rooms.

In the case of the Park Place Ramada Plaza Hotel, it may be argued that this is a unique case. This property is geographically separated from properties of similar size. The property may serve a very price sensitive clientele, in which case, the 1.5% tax might play a role in a custormer's buy decision. Conversely, it may be that the property is attractive because of its "full service" status and amenities and, therefore, the 1.5% tax would be less a factor in a customer's buy-decision.

An opportunity exists during the Public Hearing to hear from the property owner concerning this issue.

BUDGET IMPLICATIONS

Moving the application of the levy from 20 rooms or more to 100 rooms or more, reduces revenues by approximately $84,000. This will cause an adjustment in the budgeted amounts available for transfer to the DMO as well as a corresponding reduction in those funds to be retained by HRM for the Special Events Reserve.

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 take no action. The By-Law would continue to affect all properties with 20 rooms and more.

2) Council could amend the By-Law and adjust the number of rooms to something greater than 20. This action would have both positive and negative ramifications. On one hand, revenues would increase and thereby increase the marketing resources of the DMO. The negative impact would be in finding an acceptable number based on a supportable criteria.

3) Council could raise the room number from 20 to 100 and raise the taxing rate from 1.5% to 2% as allowed for in the enabling legislation. This would improve the revenue as well as satisfy those who are requesting the change from 20 to 100. However, it should be recognized that this may cause confusion in the marketplace and impose yet another technology change on those properties with 100 rooms or greater.

ATTACHMENTS

1. Proposed By-Law H-401 Amendment

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.

Report Prepared by: Lewis M. Rogers, Director, Tourism, Culture & Heritage

Report Approved by:

Lewis M. Rogers, Director, 490-5978

ATTACHMENT # 1

HALIFAX REGIONAL MUNICIPALITY

BY-LAW NUMBER H-401

RESPECTING MARKETING LEVY

BE IT ENACTED by the Council of the Halifax Regional Municipality under the authority of the *Halifax Regional Municipality Marketing Levy Act* as follows:

1. By-Law H-400, the Marketing Levy By-Law is amended by adding immediately following clause subsection (1) of Section 4 thereof, the following subsection:

(2) This By-Law and the marketing levy imposed hereby shall not apply to accommodations containing fewer than 100 rooms until April 01, 2004.

EXPLANATORY NOTE

1. This Clause will have the effect of exempting hotels, motels and similar accommodations from the application of the By-Law and therefore the necessity to register pursuant to the By-Law and collect and remit the marketing levy prior to April 01, 2004. No further amendments to the By-Law will be required to extend the applicaton and effect of the By-Law to those facilities on that date.