



ECONOMIC AND CREATIVE DEVELOPMENT MEMORANDUM

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TO: MAYOR J. LEHMAN AND MEMBERS OF COUNCIL

FROM: S. SCHLICHTER, DIRECTOR OF ECONOMIC AND CREATIVE DEVELOPMENT

**NOTED: A. MILLER, RPP, GENERAL MANAGER OF INFRASTRUCTURE AND GROWTH
MANAGEMENT**

M. PROWSE, CHIEF ADMINISTRATIVE OFFICER

**RE: BACKGROUND INFORMATION CONCERNING TOURISM BARRIE AND THE 2020
MUNICIPAL ACCOMMODATION TAX (MAT)**

DATE: MAY 4, 2020

The purpose of this Memorandum is to provide members of Council with background information to inform considerations related to the request from Tourism Barrie through Mayor Lehman's Office to retain the full (100%) Municipal Accommodation Tax for January through September, 2020. The request is attached in Appendix 'A'.

Tourism Barrie Impact and Request

Tourism Barrie is asking for the City of Barrie's consideration to allow Tourism Barrie to keep 100% of the January to September Municipal Accommodation Tax (MAT) collected. Tourism Barrie has made the request for revenue to execute marketing campaigns, maintain the websites, the wages of three staff members, and to complete their Three Year Strategic Plan and Sales & Marketing Plan.

Acting as the City's destination marketing organization (DMO), Tourism Barrie's funding model is typical of most DMO's who derive a majority of their funding from an accommodation tax or levy that is supplemented by investments of their members in marketing efforts. A majority of their revenue source is connected to the accommodation sector and is leveraged to create platforms, programs and sales and marketing opportunities for businesses of all sizes. DMO's also develop positive brand positioning for the overall destination that they represent.

Tourism Barrie has identified that it would not survive the summer and have to shut down operations and renege on outstanding commitments in destination marketing and management programs if it were not to receive the funding support from 100% of the MAT from January through to September.

Context

COVID-19 Impact on Tourism Sector

The tourism sector has been severely impacted by COVID-19. Results from a survey conducted by the Tourism Industry Association of Ontario (TIAO) - March 30th to April 3rd indicated the following:

- 59% of tourism businesses across Ontario have closed temporarily
- More than 21% are at risk of closing permanently in the next three months
- 59% think they will still be closed temporarily in 3 month's time
- 38% of tourism businesses have laid off staff; of those, 42% have laid off up to 100% of their staff
- 66% of tourism businesses have seen a drop in sales/revenue in March 2020 compared to March 2019. Of those, nearly 41% have seen a decrease in sales/revenue of more than 50% for March 2020.

- 52% of seasonal tourism businesses at this time feel that they be unable to open for the summer season

Barrie Hotel Occupancy

Occupancy rates and room rates have been drastically reduced in Barrie. Tourism Barrie has reported that in March 2020 Barrie hotel occupancy was down 36.7% over 2019 and that April's occupancy rates could be reduced single digits.

Considerations for Responding to Tourism Barrie Request to Retain MAT Funding:

Other Ontario Municipalities:

Municipal responses to COVID-19 and fiscal measures related to treatment of the MAT are evolving. Staff, as well as Tourism Barrie have been reaching out to other municipalities identify response measures.

The City of Toronto, Windsor and Mississauga have deferred the collection of MAT from hoteliers for periods of time of approximately 90 days. This may be a strategy for the City to contemplate for local hoteliers to leverage immediate cash flow. There have been no requests noted to date to Economic & Creative Development from hoteliers, and the issue was not identified in a recent call with local hoteliers and Tourism Barrie regarding impacts of the pandemic. Pursuing this measure could negatively impact Tourism Barrie and their ability to operate based on their reliance on MAT funds for operations.

The City of Vaughan has announced a temporarily suspension of their MAT, and the City of Kingston has made a commitment to leverage approximately \$700,000 from their development fund comprised of MAT funding to support tourism recovery. Details on the allocation of Kingstons' funds are to be announced.

City of Barrie Tourism Reserve Account:

The City of Barrie collected \$ 605,382.35 for 2019 net of collection admin fees paid to Tourism Barrie in 2019. This is a combination of MAT collected both by Tourism Barrie and Airbnb - \$48,852.38 (8%) Airbnb, \$556,529.97 (92%) Tourism Barrie.

There were several commitments made from the Tourism Reserve through the budget process for 2019 and 2020. Reserve balance and reserve commitments are as follows:



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Balance MAT Reserve Dec 31, 2019			394,169.00
	Budget	Actuals	Outstanding
BD1001 - Tourism Master Plan	110,000.00	44,241.00	65,759.00
EN1167 - Dunlop Street East Corridor Improvements - Toronto to Mulcaster	345,000.00	0	345,000.00
RP1149 - Waterfront Park Furnishings	30,000.00	0	30,000.00
Total Capital Commitments			- 440,759.00
Intake #369 Downtown Countdown Programming Supplier Increases			20,300.00
Intake #371 Winterfest Programming Enhancement			20,300.00
Waterfront Operational Enhancements			12,500.00
#356 Event Safety and Security Review and Implementation			36,705.86
Total Operating Commitments			- 89,805.86

Total commitments of the Tourism Reserve account for 2020 total \$530,564.86, resulting in a net hard cost variance of approximately (136,395.86) assuming all spending is realized in 2020. Further, current Council direction for the reserve (18-G-150) contemplates maintaining a balance in the Tourism Reserve Fund of \$100,000 for rate stabilization.

Fiscal considerations for City of Barrie:

1. Staff have confirmed that the fiscal commitments identified for 2020 are expected to be substantially completed. One exception exists for the Operational Waterfront Enhancements, which was to support additional staffing needs for off-hours cleaning of the waterfront and waterfront parks areas. As seasonal staffing have not been hired, this expense will not be incurred.
2. Should Tourism Barrie be provided 100% MAT from January through September, the City will need to make up approximately \$125,000 - \$225,000 (pending maintenance of rate stabilization) of shortfall in City commitments for the reserve. Pending on speed of economic recovery of the tourism and accommodations sector, there is a risk that the the October – December (Q4) remittance will not achieve the fiscal commitments of the reserve and another Municipal funding source would need to be identified.
3. Airbnb remittances are remitted directly to the City of Barrie and are also shared with Tourism Barrie at 50%. These fees will contribute to the 2020 commitments of the Tourism Reserve. Based on 2019 remittances, Airbnb accounted for approximately 8% of total MAT contributions to the City. Airbnb accommodations have been equally impacted by COVID-19, and as such, revenue projections are quite low.
4. The fee to Tourism Barrie to collect the MAT on our behalf would be a payable expense. Calculation is 2% of total MAT, not to exceed \$25,000 indexed annually to CPI. The inclusion of the fee should be considered within the 100% MAT allocation to Tourism Barrie.

Estimates on MAT Calculations for 2020:

1. Based on 2019 MAT collections, the City had budgeted to receive \$720,000 in MAT revenue in 2020.
2. Tourism Barrie, in January and February has collected \$174,165 in MAT revenue. \$83,600 is payable to the City (50%, less 2% collection fee). An additional estimated \$24,000 is expected for March as the City's 50% share of the MAT. First quarter remittance from Tourism Barrie is not due to the City until May 31st per the current payment schedule.

3. Tourism Barrie projections for April – June (Q2) total \$51,000 in collected MAT. \$24,480 is payable to the City (50%, less 2% collection fee). Given Tourism Barrie collects core accommodation data from hoteliers and third-party independent reporting, we are relying on their estimates for the purposes of this exercise.
4. Projections for Q3 are very difficult to estimate. Pending the lift of stay-at-home measures, consumer confidence and overall health of the community. Staff took a conservative level of tourism activity assuming some restrictions are lifted for July – September. City staff have estimated monthly MAT projections for this period to be slightly more conservative than March, 2020, at \$40,000/month. This would total \$120,000 over the quarter, with the City's portion being approximately \$57,600.
5. ***Total potential actual lost revenue to City based on estimates and assumptions above for January – September: \$189,680***
6. If we apply the same 92%/8% ratio to make an estimate of Airbnb remittances – City revenue portion of Airbnb would be estimated at \$16,494 for Q1-Q3, 2020.
7. Projections for Q4, 2020 have not been estimated as market conditions are unknown. Any estimate would be highly conservative and remain similar to Q3 estimates at this stage.

Role of Tourism in Recovery

The tourism sector impacts retail, downtown, attractions, food & beverage, in addition to accommodation. According to Tourism Barrie, In Barrie, the economic impact of the visitor economy for 2018 was 69.4 million dollars.

Engagement is ongoing with this sector through Tourism Barrie, and Invest Barrie will be consulting with this sector directly in partnership with Tourism Barrie as part of the development of a recovery plan.

When the time is appropriate, destination sales and marketing efforts will be critical to building consumer confidence and positioning Barrie as a destination in order to rebuild the local travel and tourism industry and businesses.

Additional Considerations

Should Council contemplate Tourism Barrie retaining 100% of the MAT funds from January through September 2020 as requested, additional considerations include:

- The provision of a detailed plan as to how the City portion of the MAT funds will be utilized to stimulate the economy in alignment with ECD and stakeholders;
- Alignment with Economic & Creative Economy Department work, without overlap. For example, webinars/programming with the Small Business Centre
- Commitment to marketing messaging that is aligned and coordinated with our service level delivery and City messaging overall related to public gatherings during and post COVID;
- Identification of key projects they have commitment to and associated funding and how the continuation of those programs is appropriate in the COVID recovery context;
- Commitment to seek additional funding support, where appropriate (ie. Provincial/Federal, etc.)
- Contribution maximum. For example, should MAT revenues reach a certain threshold, that there be an upper limit to the portion of MAT we committed to Tourism Barrie in order for the City to meet its commitments.
- Payment of MAT collection fee would be inclusive of the 100% MAT.



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APPENDIX A

Request from Tourism Barrie

From: Kathleen Trainor [<mailto:ktrainor@tourismbarrie.com>]
Sent: Thursday, April 09, 2020 4:44 PM
To: Jeff Lehman <Jeff.Lehman@barrie.ca>; Office of the Mayor <OfficeoftheMayor@barrie.ca>
Cc:
Subject: Tourism Barrie COVID19 Recovery

Dear Mayor Lehman,

On behalf of the board of directors and the tourism industry, I would like to thank you for your leadership, work, and the support you are providing to the businesses in the City of Barrie. Tourism Barrie is committed to assisting you in developing strategies to move forward once this pandemic has subsided.

We are also writing to ask for your consideration to allow Tourism Barrie to keep 100% of the January to September Municipal Accommodation Tax (MAT) collected. Tourism Barrie requires the revenue to execute marketing campaigns, maintain the websites, and the wages of two staff members. Without the top-up of funding, Tourism Barrie will be bankrupt before the summer arrives and have to shut down operations.

January and February's MAT revenues totals are \$132, 572.80. March's occupancy was down to 37% occupancy and an Average Daily Rate (ADR) of \$62.09; therefore, we estimate MAT revenues at \$30,000.00. April through to June's occupancy are projected (in Barrie and across Ontario) to reach only 10% with an ADR of \$50.00; therefore, the MAT revenues collected will not exceed \$7,000 per month. We estimate the MAT revenues from January to June will not exceed \$183,500,000.00, and Tourism Barrie's 50% will total around \$91,000.00. Regrettably, spread over the next six months will only be approximately \$15,200.00 per month in incoming revenue to Tourism Barrie, which just covers our reduced basic operating costs but does not provide for any money for destination marketing campaigns. In addition to covering all the destination marketing expenses incurred in January and February, which exceed \$49,000.00.

To reduce costs and ride out the pandemic, Tourism Barrie has permanently laid off one staff and is temporarily laying off two more staff members. The remaining two employees have taken a 20% pay cuts, which has driven the operating costs down to about \$15,000.00 per month.



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Without receiving 100% of the MAT revenues through to September, Tourism Barrie will not be able to keep the organization viable or employ staff beyond July 2020. We are most concerned with covering the costs associated with operating the websites and communication systems and paying the remaining staff to support the tourism industry and maintain destination marketing services through the summer. We are investigating all Federal and Provincial COVID-19 subsidies to assist Tourism Barrie through this devastation of the tourism industry.

We are currently working on a short-term recovery plan to pick up some leisure tourism business for July through to September. We are working with many Barrie tourism businesses to pool our resources in executing collaborative marketing campaigns to promote Barrie to the domestic markets seeking an economical and short vacation with their families this summer.

As President of the Destination Marketing Association of Canada, I have had the good fortune to be working with Destination Canada and the top 30 destinations on advocacy for the industry and discuss recovery plans for tourism across Canada. I will be taking their best practices and recommendations to implement effective and targeted marketing campaigns to stretch our marketing dollars to the fullest for Barrie. Tourism Barrie will have both a short term and long term recovery plans, which Floor13, consultants completing Barrie's Tourism Master Plan, have offered to assist us in completing.

The board of directors and I would be pleased to discuss funding alternatives to keep Tourism Barrie operational until we can see hotel occupancy exceed forty percent. You can reach anytime or by email. Thank you again for your time and consideration of funding alternatives for Tourism Barrie and we look forward to hearing from you.

Cc'd Tourism Barrie's Executive Committee – Board of Directors
Sincerely,

Kathleen Trainor
Executive Director
705-739-9444 ext 103
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Meetings & Events...Go to meetinbarrie.ca
Sports & Tournaments...Go to sportbarrie.ca
Winter will be back ...Go to winterfun.ca
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