



# Municipal Regional District Tax Program INFORMATION RESOURCE

March 2024



## INTRODUCTION

The City of Nanaimo participates in the provincial government's Municipal Regional District Tax (MRDT) Program to raise funds in support of destination marketing efforts that aim to attract tourists to the community. The City's current five-year MRDT term expires at the end of 2024. In accordance with Program rules, the City must submit an application to Destination BC to renew participation for an additional five-year term, beginning 2025. Support for the application from Nanaimo's hotels, motels and other accommodation providers is critical to ensure that destination marketing efforts are not impacted.

The City recognizes that accommodation providers may have questions about the Program and the City's participation in it. This *Information Resource* booklet anticipates and addresses these questions.

## QUESTIONS TO CONSIDER

Questions to consider are set out and addressed as follows:

### ► What is the MRDT Program?

The MRDT Program was introduced in 1987 to help communities fund destination marketing and

management initiatives aimed at boosting tourism. Under the Program, BC's Ministry of Finance levies a 2% or 3% sales tax — the Municipal Regional District Tax — on the purchase price of all short-term accommodation sold within the designated accommodation area. The revenues are collected from overnight guests by hotels, motels and other accommodation providers, then remitted to the Ministry. The Ministry, in turn, forwards the funds to the local government or eligible not-for-profit organization that is identified as the Designated Recipient for the community. The Designated Recipient is responsible for ensuring that the funds are spent on approved destination marketing initiatives and programs, as set out in the provincially-endorsed *Five-Year Strategic Business Plan* and accompanying *Annual Tactical Plans* for the area.

### ► Where is the MRDT Program in effect?

The MRDT Program is a voluntary program for communities. A community that wishes to participate in and benefit from the MRDT must apply to join the Program either through the community's municipal government or — with the support of the municipality — its regional district or an eligible not-for-profit association.

Applications are submitted to Destination BC, the provincial Crown corporation that works to promote tourism across the province, and that is responsible for administering the MRDT Program.

In British Columbia the vast majority of communities that benefit from tourism participate in the Program. In the Central Kootenays, the Cowichan Valley, some parts of the Regional District of Nanaimo, the North Coast of BC, and on the Sunshine Coast, the MRDT is levied at a rate of 2%. In the City of Victoria, most of Metro Vancouver, Tofino, Squamish and Whistler, the Fraser Valley, the Okanagan, Kamloops, the Cariboo, Prince George, Revelstoke, Golden and some other parts of the province, the MRDT is levied at 3%.

Some form of overnight accommodation tax exists in every province across Canada and in many other jurisdictions outside of Canada. Rates ranging from 2% to 5% (even higher in some cases) are charged in many Canadian cities.<sup>1</sup>

➤ **What is the MRDT tax rate charged in Nanaimo?**

In Nanaimo, all hotels, motels and other providers of fixed-roof, short-term accommodation apply a 3% MRDT to the price of the accommodation (i.e., the room price) for stays of less than 30 days. The tax has been in place at 3% over the entire duration of Nanaimo's current five-year program, which started in early 2020. Under the previous five-year term the rate charged was 2%.

➤ **How much revenue is raised each year from the MRDT program in Nanaimo?**

The accompanying table shows the amounts raised each year since 2020 under the 3% MRDT rate. Two types of MRDT revenues are shown:

- General MRDT revenues collected on room sales at conventional hotels, motels and other registered places
- Online accommodation platform (OAP) revenues, which are the 3% tax revenues collected from online bookings arranged through marketing platforms (e.g., Airbnb)

**Annual MRDT Revenues  
2020-2024**

| Year         | Received by City    |                     |
|--------------|---------------------|---------------------|
|              | General MRDT        | OAP Revenue         |
| 2020         | \$ 418,718          | \$ 74,919           |
| 2021         | \$ 718,033          | \$ 134,947          |
| 2022         | \$ 1,001,775        | \$ 232,107          |
| 2023         | \$ 1,164,687        | \$ 317,738          |
| 2024 (est.)  | \$ 1,200,000        | \$ 350,000          |
| <b>Total</b> | <b>\$ 4,503,213</b> | <b>\$ 1,109,711</b> |

➤ **How is the revenue used?**

The OAP revenues are held by the City of Nanaimo and used to fund affordable housing projects, identified in an *Affordable Housing Plan* submitted to the Province each year. The General MRDT revenues must be used to support tourism marketing and destination management initiatives that are designed to increase local tourism revenue, overnight visitation and economic benefits.

➤ **Are other funds combined with MRDT revenues?**

MRDT revenues are intended to supplement rather than replace funds that local governments provide in support of destination marketing and management efforts. The City of Nanaimo provides annual funding, indexed to inflation, of \$750,000 (2024). These funds are paid to Tourism Nanaimo, which is the community's destination marketing and management organization (DMO), and the agency contracted by Nanaimo to deliver the City's tourism service.

Other funds to support destination marketing initiatives come from Destination BC through the Co-operative Marketing Partnership Program. These funds, which are estimated at \$250,000 for 2024, are used for initiatives run by Tourism Nanaimo in collaboration with other groups in the community (Tourism Nanaimo must match this funding using revenues from its other revenue sources). Small, application-based additional

<sup>1</sup> Research findings from Yellowknife Tourism ([yktourism.ca/sites/default/files/ctac.pdf](http://yktourism.ca/sites/default/files/ctac.pdf))

grants from federal and provincial sources are also provided to Tourism Nanaimo.

➤ **Why is the MRDT important for Nanaimo?**

The MRDT Program provides stable and secure funding to support ongoing investments in short-term, medium-term and long-term destination marketing and management programs that bring visitors to Nanaimo. The Program also provides revenue to support much-needed affordable housing initiatives in the community.

Efforts to bolster conferences and sport tourism are two significant targets of the General MRDT funds received under the Program. In 2022 and 2023, General MRDT revenues, bolstered by City funds and a \$100,000 investment from the province (to Tourism Nanaimo) through the Business and Conference Events Restart Fund, supported initiatives that helped to secure several large conferences and sporting events, including:

- BC Land Summit (600 delegates)
- International Pure Human Breakthrough Retreat (600 delegates)
- Nurse and Nurse Practitioner Conference (400 delegates)
- Indigenous Works Inclusion Conference (400 delegates)
- BC Squash Championships
- Coast Salish Games
- BC 55+ Games
- BC School Sports Track & Field Championships

The full list of conferences booked in 2023, including those that will take place in subsequent years, are expected to create an economic impact of \$3.35 million (2024 to 2027) through increased shoulder-season visitation, overnight bookings, restaurant activity, and engagement with local businesses. Spending associated with the sports events, and with ongoing leisure travel, will add to this impact.

It should be emphasized that all of the communities that compete with Nanaimo as destination spots for leisure, conference and sport event visitors are enrolled in the MRDT Program, and use General MRDT revenues to support their own destination marketing efforts targeted at these different sectors. A list of these other places

includes Penticton, Victoria, Vancouver, Kelowna, Kamloops, Prince George, Whistler and others.

➤ **Who is involved in Nanaimo's current MRDT Program?**

The City of Nanaimo, Nanaimo Hospitality Association and Tourism Nanaimo all have roles to play in the current MRDT Program.

**City of Nanaimo**

The City of Nanaimo is the Designated Recipient in the Program. In this role, the City:

- receives from the Ministry of Finance all General MRDT revenues and OAP revenues that are collected by accommodation providers and online platforms respectively
- accepts responsibility for ensuring that the funds are spent in accordance with the province's rules set out for the Program, and with the endorsed *Five-Year Strategic Business Plan, Annual Tactical Plans* and *Affordable Housing Plan*
- reports to the province on, and is accountable to the province for, the use of all MRDT funds received

**Nanaimo Hospitality Association**

The Nanaimo Hospitality Association (NHA) is the third-party administrator of the General MRDT revenues received by the City. The NHA was assigned this role by the City in 2014 for the first term of Nanaimo's program (2015-2020); in 2019, the organization was reassigned the role for the second (current) program term (2020-2025).

The NHA's role and authority as administrator is set out in an *MRDT Agreement* between the Association and the City. The *Agreement* involves the City and the NHA only — neither Destination BC nor the Ministry of Finance has any contractual relationship with the NHA.

**Tourism Nanaimo Society**

Tourism Nanaimo, which was formed as a not-for-profit, multi-stakeholder society, is the recognized DMO for Nanaimo. Tourism Nanaimo receives a negotiated portion of General MRDT revenues each year from the NHA to support destination

sales and marketing initiatives. The portion of total funds that flows to Tourism Nanaimo is modest (\$360,000 budgeted for 2024), particularly when compared to that which flows to DMOs in other centres that participate in the MRDT Program.

➤ **What is unique about the MRDT Program in Nanaimo?**

The involvement of the NHA — a single-sector association that exists to promote the interests of its members — as the third-party administrator of General MRDT funds makes Nanaimo's MRDT Program unique. In the vast majority of communities in British Columbia that participate in the MRDT Program, General MRDT revenues are administered by the multi-stakeholder, not-for-profit, and recognized community DMO.<sup>2</sup>

➤ **How are General MRDT revenues currently directed in Nanaimo?**

Each application to enrol in the MRDT Program must include a *Five-Year Strategic Business Plan* that sets out broad destination marketing goals that will be supported by MRDT funds. The General MRDT revenues received from the province must be used in accordance with the *Five-Year Plan*. The OAP revenues received must be used in support of affordable housing projects that are identified in annual *Affordable Housing Plans*.

The *Five-Year Strategic Business Plan* that supports Nanaimo's current 2020 to 2025 program term was prepared by Tourism Vancouver Island and the NHA (Tourism Vancouver Island preceded Tourism Nanaimo as the City's tourism contractor, and as the DMO for Nanaimo). Five goals are set out in the *Business Plan* for the General MRDT revenues:

- to collaboratively manage the destination through sales missions, industry events and other joint initiatives
- to grow visitor awareness of unique Nanaimo experiences

- to provide an extraordinary visitor experience, through initiatives such mobile visitor servicing
- to increase off-peak occupancy, through the promotion of sport tourism, conferences, business and leisure tourism opportunities
- to make data-driven, strategic marketing decisions

Each November during the MRDT term the City submits to Destination BC an *Annual Tactical Plan* for the following fiscal year that sets out the specific tactics and initiatives on which General MRDT funds will be spent in support of the goals. The *Annual Tactical Plan* forms the basis of the annual budget for General MRDT expenditures.

The *Annual Tactical Plans* and corresponding annual budgets for fiscal years 2021-22 and 2022-23 were prepared by Tourism Nanaimo following discussions with the NHA. Drafts of the *Tactical Plans* were submitted to and approved by the NHA, then passed to the City for submission to the province for final approval. Annual reporting of expenditures was completed by Tourism Nanaimo, approved by the NHA and reviewed with the City.

➤ **How does the MRDT Program benefit accommodation providers?**

The General MRDT funds received by the City are used to support destination marketing and management initiatives designed to bring overnight visitors to Nanaimo. As members of the local tourism industry, and as businesses that cater specifically to overnight visitors, Nanaimo's hotels, motels and other accommodation providers win when the MRDT Program is in place and generating revenues.

A portion of General MRDT funds is used to develop bids that are submitted by Tourism Nanaimo to event organizers for conferences and sport tourism events. Bids include a listing of the

administered by the Revelstoke Accommodation Association doing business as Tourism Revelstoke. In this case, however, the Association is also the designated DMO. In Nanaimo, the recognized DMO is Tourism Nanaimo.

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<sup>2</sup> Through its research the City has been unable to identify any examples of MRDT communities in which General MRDT revenues are administered by an accommodation sector association that is not also the designated DMO. In Revelstoke, the revenues are



total number of rooms in the community — that is, all rooms at all hotels, motels and other accommodation providers in Nanaimo. Event organizers are able to consider Nanaimo, in part, because they know that as larger properties fill, other properties will be in place to cater to visitors. All accommodation providers, large and small, benefit under this system.

Providers benefit, as well, from investments in centralized, targeted marketing initiatives aimed at building awareness of Nanaimo as a travel destination. Marketing initiatives that are funded using General MRDT revenues significantly bolster the marketing efforts of individual properties. Such efforts would have far less impact in visitor markets without the centralized, MRDT-funded investments.

Destination BC data show that the MRDT-supported marketing and management initiatives generate real returns to accommodation providers (and, indeed, to the broader tourism sector). The accommodation sector in Nanaimo recorded strong average daily room (ADR) rate figures in 2023, and strong revenue per available room (REVPAR). Recent investments using MRDT funds to expand the centralized destination sales office within Tourism Nanaimo are expected to strengthen these returns further in 2024 and in the years to follow.

➤ **Why is the City submitting an application now?**

Communities that choose to participate in the MRDT Program must renew their participation every five years. Renewal takes the form of a full application that requires the support of accommodation providers and tourism stakeholders, and that must be submitted at least six (6) months before the end of the current Program term. Nanaimo's new term would begin on January 1, 2025.

➤ **What change is the City proposing to make going forward?**

The City strongly believes that the General MRDT revenues generated through the MRDT Program are instrumental in helping to position Nanaimo as destination for leisure, conference and sport tourism. The City will be submitting an application to the province to renew Nanaimo's participation

in the Program for a new five-year term, beginning January 1, 2025.

Council has determined that the City will develop and submit its application on its own, without the assistance of the NHA. Council has also determined that the City will not renew its separate *Agreement* with the NHA to administer General MRDT funds once the current *Agreement* expires on March 31, 2025.

The decision to proceed without the NHA is based on a number of reasons:

- *Tourism Nanaimo* — In 2014 and again in 2019, when the City was preparing its submissions to participate in previous MRDT Program terms, Tourism Nanaimo did not exist as a strong, well-supported agency on which the City could rely to manage General MRDT revenues. Today the situation is significantly different. Tourism Nanaimo today is a multi-stakeholder, not-for-profit society with a membership and board of directors that are representative of all key groups in Nanaimo's tourism industry, including the accommodation sector. Tourism Nanaimo is the primary tourism agency in Nanaimo, recognized by the City, Destination BC, Destination Canada, tourism operators and stakeholders as the community's DMO.

In the City's view, Tourism Nanaimo, as the DMO, should be responsible for administering all General MRDT revenues. The City will formally approach Tourism Nanaimo to seek the DMO's involvement as administrator of these public tax dollars in the new Program term.

- *Reduced Duplication* — The City of Nanaimo provides indexed funding each year, over and above General MRDT revenues, to support destination tourism activities. In 2024, the City's contribution is approximately \$750,000. The City contracts Tourism Nanaimo to administer these funds. Tourism Nanaimo is also the agency that receives grant funding from Destination BC,

Destination Canada and others to assist in marketing programs.<sup>3</sup>

Tourism Nanaimo spends the bulk of the City and Destination BC grant revenues on destination marketing initiatives. A small portion of the funds is used for Tourism Nanaimo's administration and overhead costs, including salaries, office space and equipment, travel costs, membership fees and event charges, and other items that are needed to enable the DMO to operate.

The majority of General MRDT revenues is held and spent by the NHA on tourism-related initiatives. A portion of these revenues is spent on NHA overhead, including the salary for the Executive Director and other administration expenses.

The NHA's administration and overhead expenses funded by General MRDT revenues would not be incurred if all General MRDT funding were consolidated with the City's annual contributions, grant monies and other revenues under Tourism Nanaimo. The current duplication in administration costs would change.

- *Transfer of Resources* — Under the terms of the *MRDT Agreement* with the City, the NHA is expected to share a portion of General MRDT funds with "a third-party service provider" that is in place to execute marketing initiatives. Tourism Nanaimo is the third-party service provider. The funds provided to Tourism Nanaimo are used to leverage Destination BC grants and, in so doing, maximize marketing investments. In 2022 the NHA and Tourism Nanaimo established a funding agreement to support destination sales initiatives focused on meetings, events and sport tourism. The amount of funding provided annually to Tourism Nanaimo by the NHA is decided by the NHA Board. Neither the City nor Tourism Nanaimo has the ability to

consolidate General MRDT revenues with the City's funding and other revenue sources available to Tourism Nanaimo.

- *Best Practice* — The City is unable to find any other MRDT communities that use a local hospitality industry association, or another single-focus industry association, to administer General MRDT public tax dollars. In all other communities across the province, MRDT revenues are administered by local governments or recognized multi-stakeholder DMOs.<sup>4</sup>

### ► **How would consolidation of Tourism funding under Tourism Nanaimo make a difference?**

Going forward, there is an opportunity for the City to fully support, and to direct all tourism-related resources to, Tourism Nanaimo. Such a course of action would address the following concerns:

- *One Brand* — Tourism Nanaimo produces destination marketing campaigns using City funding, Co-op Marketing grants, and the portion of General MRDT revenues that is transferred to the DMO by the NHA. The NHA uses the General MRDT funds it keeps to produce other marketing campaigns. Despite efforts to work as "Team Nanaimo" through the DMO, differences in the brands and messages presented to targeted tourism markets are evident and have the potential to cause confusion. Consolidation of all tourism funds under the DMO would eliminate this potential and optimize the power of a single Nanaimo brand.
- *One Voice* — Tourism Nanaimo, as the recognized DMO for Nanaimo, is a member of the BC Destination Marketing Organization Association and the Tourism Industry Association of BC. Both of these Associations facilitate advocacy for the tourism industry on important issues such as labour shortages, economic recovery and short-term rentals. In discussions on these

<sup>3</sup> As the DMO, only Tourism Nanaimo is eligible to receive these other funds.

<sup>4</sup> As noted in footnote 3, in Revelstoke the administration of General MRDT revenues is assigned

to the Revelstoke Accommodation Association. This Association, however, does business as Tourism Revelstoke, which is the community's recognized DMO.

and other matters, Nanaimo needs to be at the table with one voice, represented by Tourism Nanaimo and its multi-sector board.

- *Coordinated Marketing* — Under the current model with two agencies active in marketing efforts, marketing investments for Nanaimo are not fully coordinated. The NHA chooses which of Tourism Nanaimo's campaigns to support, and continues to invest in other initiatives without Tourism Nanaimo. Confusion in the marketplace is one result of this sub-optimal coordination; another is an inability to accurately measure and report on activities and impact. Activity and impact reports are required by funders, including Destination BC, and can impact subsequent investments
- *Investment in Data* — Market data are critical in the design of successful strategic marketing initiatives. Using General MRDT revenues, the NHA invests in key tourism data platforms (e.g., AirDNA, STR, PRIZM). Tourism Nanaimo separately purchases some of its own data using public funds, and obtains other information from tourism industry partner organizations.

A consolidation of public funds — the annual City contribution, all General MRDT revenues, and Destination BC grants — under Tourism Nanaimo would address the concerns identified here. Consolidation through Tourism Nanaimo would enable Nanaimo to be marketed under one brand, represented at key decision-making tables by one voice, and promoted through strategic and coordinated marketing campaigns that are informed by the most relevant tourism data. Consolidation, in short, would enable Nanaimo to optimize the benefits it receives from the MRDT Program.

## STAKEHOLDER ENGAGEMENT

General MRDT revenues help to make possible tourism development and marketing initiatives that position Nanaimo as a destination for leisure, conference and sport visitors. Increased visitation creates economic and other benefits for Nanaimo's hotels and motels, cultural attractions, restaurants and shops, the

transportation sector, adventure providers and others. The broader community also benefits from tourism and the investments made to promote it.

The City needs to build support among all beneficiaries for its MRDT Program renewal application. Support from accommodation providers is particularly important — indeed, without support from hotels, motels and other accommodation providers, the City cannot apply to renew its participation in the Program. An end to the Program in Nanaimo would mean an end to all General MRDT revenues that help to bring overnight visitors to Nanaimo.

From the end of March to early May 2024, the City and its partners will be reaching out to accommodation providers and other tourism stakeholders to explain the MRDT Program and its importance to Nanaimo, to answer questions, and to seek declarations of support. The City will:

- meet with each hotel, motel and other accommodation provider
- host an information session for accommodation providers and other tourism stakeholder groups to learn about the MRDT Program, to review the *Five-Year Strategic Business Plan* that will form part of the City's MRDT application, and to present the actual application