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**REPORT TO ELECTORAL AREAS COMMITTEE
MEETING OF WEDNESDAY, FEBRUARY 14, 2024**

SUBJECT Municipal and Regional District Tax: Designation of Southern Gulf Islands Tourism Partnership Society as the Designated Destination Management Organization

ISSUE SUMMARY

The Southern Gulf Islands Tourism Partnership (SGITP) has requested a letter of support from the CRD Board to be re-designated by Destination BC as the Destination Management Organization (DMO) for the Southern Gulf Islands (SGI) and Salt Spring Island (SSI) Electoral Areas (EAs) for another five years. The SGITP has been operating as the DMO to levy the three percent Municipal and Regional District Tax (MRDT) under the accommodation provisions of the Provincial Sales Tax Act since 2019.

BACKGROUND

The MRDT program is enabled by the Provincial Sales Tax Act to impose a tax of up to three percent on the purchase price of accommodation in a specified geographic area (“designated accommodation area”) on behalf of a “designated recipient.”

Under this program, the SGITP is the designated recipient of the MRDT, and SSI and SGI EAs comprise one designated accommodation area. SGITP has been the DMO for SSI and SGI since 2019, and the Economic Development services for each of the EAs have contributed annual funding, as is required by Destination BC to demonstrate the tax is incremental to existing funding sources.

The purpose of the MRDT program is to assist designated recipients to fund tourism marketing, programs and projects. Affordable housing is a permissible use of funds to help address local housing needs. Designated recipients have the flexibility to define, identify, and fund affordable housing initiatives that they deem appropriate to meet local needs in consultation with the local government. Over the last five years, the Southern Gulf Islands Tourism Partnership has collaborated with CRD and the island communities in both EAs to support housing solutions. The SGITP has committed to funding the CRD’s new Rural Housing Program, starting with a \$100k funding contribution in 2024.

ALTERNATIVES

Alternative 1

The Electoral Areas Committee recommends to the Capital Regional District Board:
That the CRD Board Chair write a letter of support for Destination BC to designate the Southern Gulf Islands Tourism Partnership as the Destination Marketing Organization for the next five years for the Southern Gulf Islands and Salt Spring Island Electoral Areas as the designated accommodation area.

Alternative 2

The Electoral Areas Committee recommends to the Capital Regional District Board:
That staff be requested to return with additional information.

IMPLICATIONS

Financial Implications

The MRDT application requires the eligible entity to provide evidence that the funds from the tax are incremental to other sustained funding. The Salt Spring Island Local Community Commission (LCC) and the Southern Gulf Islands Community Economic Sustainability Commission (SGI CESC) have earmarked funds for the SGITP over the next 5-years.

The SGITP has been successful in leveraging additional grants and co-op funding to the EAs in support of the hospitality sector, as well as community needs related to housing and transportation. The SGITP has committed \$100k to CRD to support the Rural Housing Program in 2024 (to be secured through an Memorandum of Understanding which is currently in process). SGITP has indicated similar funding could be on-going over the next 5 years, in addition to other investments in housing solutions for the two EAs.

Intergovernmental Implications

The SGITP as the designated DMO must provide a letter of support confirming that the CRD has been consulted and agrees with the tax being imposed within the designated area. The SGITP has been working with staff and commissioners from each of the SSI and SGI EAs to ensure thorough understanding of the request, of the track record of the SGITP over the last five years, and of the SGITP's next five year strategic plan. The SSI LCC and the SGI CESC have each passed resolutions to recommend the CRD Board designate the SGITP as the DMO for the next five years:

On January 16, 2024, the SGI CESC passed the following resolution:

In recognition of the positive work of the Southern Gulf Islands Tourism Partnership, it follows that the SGI CESC supports a CRD Electoral Areas Committee recommendation that the CRD Board designate that organization as the Destination Management and Marketing Organization for the application of the MRDT accommodation tax in the Southern Gulf Islands Electoral Area for the next five years and provide a letter of support.

On February 01, 2024, the SSI LCC passed the following resolutions:

That the LCC support the renewed designation of the Southern Gulf Islands Tourism Partnership (SGITP) as the recipient of Municipal and Regional District (MRDT) tax revenues for another five-year period beginning in September 2024, subject to SGITP committing to devote the full amount of Online Accommodation Platform (OAP) MRDT revenues to affordable housing initiatives, except for an instance when there was a severe unanticipated decline in other MRDT revenues or a significant change in the programs the SGITP is supporting, to the extent that it could compromise the SGITP's ability to deliver its core marketing programs.

That the Local Community Commission recommend to Southern Gulf Islands Tourism Partnership the following:

- *That approximately \$100,000 of online MRDT be allocated annually to the CRD rural housing program, approximately \$50,000 for the Housing Now program, subject to changes over time in these programs and changes in online MRDT revenue.*
- *That \$100,000 of online MRDT (OAP) revenue in 2024 be allocated to SGITP's existing \$200,000 capital reserve for housing.*
- *That best efforts be made to ensure an equitable distribution of MRDT-related funding between electoral areas.*

Accommodation Sector

In addition to demonstrating local government support, the “eligible entity” applying for the MRDT must also demonstrate a majority of accommodation providers in the area support the tax to be imposed. The SGITP is actively consulting with the SGI and SSI accommodation sector and tourism industry stakeholders to document their support for another five year term.

Social, Environmental, and Economic Implications

The destination management provided by SGITP uses branding that upholds island values of culture and environment, and aims to create a visitor economy with a net positive benefit for the region. The SGITP has two seasonal marketing campaigns:

- (1) Encouraging shoulder and off-season travel that better supports local businesses through slow periods; and
- (2) communicating responsible behaviour for visitors already coming in the summer.

The SGITP has data to indicate that there has been a shift in visitors to off-peak months which suggests the SGITP's work is achieving its intended impact.

CONCLUSION

The Southern Gulf Islands Tourism Partnership (SGITP) has been operating as the Destination Management Organization (DMO) to collect the three percent Municipal and Regional District Tax (MRDT) on accommodations in the Salt Spring Island and Southern Gulf Islands Electoral Areas since 2019. In order to be designated by Destination BC to be the DMO for an additional five years, the SGITP has requested a letter of support from the CRD Board.

RECOMMENDATION

The Electoral Areas Committee recommends to the Capital Regional District Board:
That the CRD Board Chair write a letter of support for Destination BC to designate the Southern Gulf Islands Tourism Partnership as the Destination Marketing Organization for the next five years for the Southern Gulf Islands and Salt Spring Island Electoral Areas as the designated accommodation area.

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