

NO: R072

COUNCIL DATE: April 22, 2024

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## REGULAR COUNCIL

TO: **Mayor & Council** DATE: **April 15, 2024**

FROM: **General Manager, Social Infrastructure & Community Investments** FILE: **6750-01**  
**General Manager, Parks, Recreation & Culture**  
**General Manager, Finance**

SUBJECT: **Updated Governance and Funding Model for Tourism in Surrey**

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## RECOMMENDATION

The Social Infrastructure & Community Investments Department, the Parks, Recreation & Culture Department and the Finance Department recommend that Council:

1. Receive this report for information;
2. Endorse the conditions for renewal for the Municipal and Regional District Tax, as described in this report; and
3. Endorse the new revenue distribution model, as described in this report.

## INTENT

The purpose of this report is to provide Council with information on the Municipal and Regional District Tax ("MRDT") and to seek Council endorsement of the renewal conditions and the amended MRDT distribution model which includes a 0.4% allocation to the City.

## BACKGROUND

The MRDT was established in 1987 by the provincial government with the aim of bolstering funding for local tourism initiatives, programs, and projects. The tax is intended to help grow BC revenues, visitation and amplify BC's tourism marketing efforts. The MRDT program is jointly administered by the Ministry of Finance, Ministry of Tourism, Arts and Culture, and Destination BC.

The MRDT comprises of a levy of up to three percent on the sales of short-term accommodation within designated areas of British Columbia, including hotels, motels, resorts, bed and breakfasts, and on-line accommodation providers ("OAPs") such as Airbnb and VRBO.

The MRDT is remitted by accommodation providers to the Province. The Province subsequently provides the funds to the designated recipient of the MRDT, which in this case is the City of Surrey. The City then remits funds to Discover Surrey, the City's official Destination Marketing Organization ("DMO") which is responsible for promoting Surrey as a tourist destination, and to the Surrey Hotel and Motel Association (the "SHMA"), the industry association representing accommodation providers in Surrey. The roles and responsibilities of each organization are further described in Appendix "I".

In Surrey, the MRDT rate is 3% of the total purchase price of accommodation. Under Section 240 of the *Provincial Sales Tax Act*, the City is authorized as the designated recipient to receive the tax revenues collected by the Province and allocate these funds towards destination promotion initiatives. Presently, the distribution of the 3% MRDT revenue is allocated as follows:

- 2% is allocated to Discover Surrey for the implementation of tourism marketing strategies;
- 0.8% is designated to SHMA to boost hotel stays in Surrey;
- 0.2% is retained by the Province to support their destination development fund; and
- 0.0% is retained by the City.

While the City does not currently retain any of the MRDT funds for its own use, the City is still responsible to the Province for the appropriate and eligible use of the funds as the designated recipient. As such, the City is responsible for reviewing and approving Discover Surrey and the SHMA's strategic plans and financial statements before submitting them to the Province each year as part of its regulatory compliance requirements.

## DISCUSSION

Since the current five-year MRDT agreement came into effect on May 1, 2020, annual MRDT revenues have increased significantly from \$1.4 million in 2021 to \$2.6 million in 2023. This increase in revenue is due to an increase in post-pandemic travel as well as a reduction in the number of hotels and available rooms in Surrey, increasing average room rates across the City. In addition, the OAP portion of the MRDT drastically grew during this period. This considerable increase in revenue has resulted in carryover surpluses of over \$800,000 as of the end of 2023, despite City staff encouraging Discover Surrey and the SHMA to identify strategic uses for the excess funds and draw down the significant surplus.

The City is committed to investing in tourism and to supporting the success of the MRDT program. With the current MRDT agreement concluding on May 31, 2025, Discover Surrey and the SHMA have approached the City seeking a renewal for an additional five years. (See Appendix "II"). Staff has identified the need to collaborate with Discover Surrey and SHMA to streamline the renewal process, enhance governance compliance, and incorporate the retention by the City of a small portion of the MRDT funds to support City-led initiatives to increase tourism in Surrey.

Since 2020, the MRDT revenue has rapidly increased, making Discover Surrey and the SHMA among the largest business organizations regulated by the City. As the designated recipient, the City is responsible for reporting compliance and appropriate utilization of MRDT funds in

accordance with permissible uses. With the projected increase in MRDT revenue in Surrey, the City is proposing various amendments to provide appropriate governance and oversight.

The provincial submission deadline for renewing the MRDT for a further five years is December 1, 2024, as described in Appendix “III”. In recent months, City staff have engaged in extensive consultations to establish the conditions of renewal with accommodation providers represented by the SHMA and the Board of Directors of Discover Surrey. Renewal conditions will mandate enhanced governance and introduce a new funding distribution model as described below.

### **Conditions of MRDT Renewal**

The MRDT in Surrey is set out in the *Municipal and Regional District Tax Bylaw, 2019, No. 19858* (the “MRDT Bylaw”). Staff propose the following two MRDT Bylaw amendments as mandatory conditions of renewal. The details of the two amendments are further discussed in Appendix “IV.”

**1. Amendment 1- Mandatory MRDT governance and compliance:**

- Includes clarifying the MRDT renewal process with defined roles and responsibilities of the City, Discover Surrey and SHMA;
- Replacing the Council representative on the Discover Surrey Board with City staff to play an oversight, advisory and compliance role for the Board;
- Securing funding for a City of Surrey Tourism and Reporting Coordinator position for a five-year term to support the City with reporting compliance and stakeholder relations; and
- Requiring both the SHMA and Discover Surrey to submit a letter requesting the City to renew the MRDT Bylaw every five years.

**2. Amendment 2- Support for sports tourism and major tourism development opportunity:**

- Includes securing funding for a City of Surrey Sports Tourism Program Coordinator position for a five-year term; and
- Attracting major events and business conferences and conducting tourism economic assessments.

### **New MRDT Distribution Model**

To facilitate the implementation of the two proposed MRDT Bylaw amendments, staff recommend establishing a revised funding distribution model in Surrey. Under the proposed model, the 3% MRDT will be allocated as follows:

- 1.8% to Discover Surrey;
- 0.6% to the SHMA;
- 0.4% to the City; and
- 0.2% to be retained by the Province.

Based on financial projections provided by the SHMA, the City anticipates receiving approximately \$1.7 million in MRDT revenue between 2025 and 2030 to support City-led tourism initiatives such as enhancing Sports Surrey programming, developing feasibility assessments for entertainment venues such as esports facilities, as well as attracting business events to Surrey.

On March 22, 2024, staff met and presented these conditions of renewal to accommodation providers represented by SHMA. Accommodation providers have agreed to the principles of the conditions, and they will be required to gather support for the renewal on or before July 31, 2024.

Should Council endorse these renewal conditions, they will be included as municipal requirements within the MRDT Bylaw during the renewal process. Staff anticipate bringing forward the proposed bylaw amendments for Council endorsement in October 2024.

### **Legal Services Review**

Legal Services has reviewed this report.

### **CONCLUSION**

The Social Infrastructure & Community Investments Department, the Parks, Recreation & Culture Department and the Finance Department seek Council endorsement of the conditions for renewal and new revenue distribution model of the MRDT revenue.

Terry Waterhouse  
General Manager,  
Social Infrastructure & Community Investments

Laurie Cavan  
General Manager,  
Parks, Recreation & Culture

Kam Grewal  
CFO / General Manager,  
Finance

Appendix "I": Roles and Responsibilities between the City of Surrey, Discover Surrey, and SHMA  
Appendix "II": Discover Surrey and Surrey Hotel and Motel Association Letter Requests to Renew  
Municipal and Regional District Tax

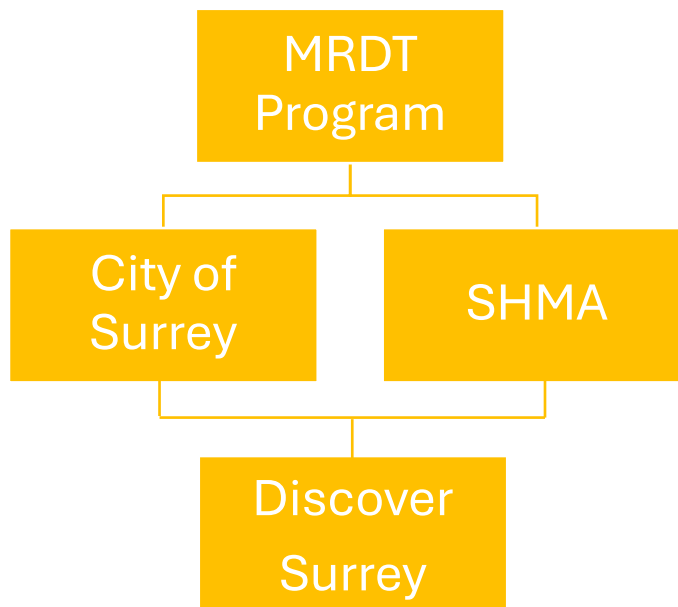
Appendix "III": Timeline of the Municipal and Regional District Tax Process

Appendix "IV": City of Surrey Municipal and Regional District Tax Renewal Conditions

**Roles and Responsibilities between the City of Surrey, Discover Surrey, and Surrey Hotel and Motel Association**

**Province of BC**

- Levies the tax in the City of Surrey as part of the PST collection
- **Provides MRDT funds to the designated recipient**
- Ensures reporting compliance and proper use of funds by designated recipient.



**Designated Recipient**

- **Establishes Tourism Bylaw**
- Civic Tourism priorities
- Ensures Tourism Partner governance compliance
- Destination development

**Hotel Association**

- Represents majority accommodation providers
- **Guarantees 50+1% support for MRDT and collect accommodation provider support signatures**

**Destination Marketing Organization**

- **City approved Destination Marketing Organization (5-year renewal term)**
- Executes Surrey's tourism marketing plan
- Destination Promotion



April 08, 2024

Mayor and Council  
City of Surrey  
13450 104 Avenue, Surrey, BC

Dear Mayor and Council,

**Re: Surrey Hotel and Motel Association Confirmation as the Representative Entity for Local Accommodation Providers in Surrey.**

The Surrey Hotel and Motel Association (SHMA) was formed in 2016 under the Province of BC Societies Act. The association represents the hotel and motel community as a unified voice to the City of Surrey, tourism partners, and external stakeholders. Representing all hotels and motels, the association's purpose is to increase the visibility of the hotel community, promote Surrey as a destination, and attract group stays and visitors to increase room nights in Surrey involving sporting events, arts and culture events, City events, and business conventions.

To become a member of the association, accommodation providers must hold a valid business license as a hotel or motel located in the municipality of Surrey, and are represented by an executive members of the hotel or motel to participate in member meetings and the upcoming MRDT renewal process. To ensure the majority representation of accommodation providers in Surrey, the association actively engages with the membership, and collaborates with the City of Surrey and Discover Surrey to review the accuracy of and updates the list of accommodation providers that collect Municipal and Regional District Tax ("MRDT") provided by the Ministry of Finance.

Membership engagement for the renewal has commenced and will continue throughout the entire renewal process. It is the intent by way of a resolution of the Board of Directors, that this letter confirms that the Surrey and Hotel Motel Association (SHMA) has the endorsement of its membership to represent the majority interest of local accommodation providers who are eligible to declare support for the MRDT within the City of Surrey.

The SHMA understands that for the purpose of the renewal of the MRDT in Surrey, the City of Surrey will be requiring the SHMA to administer the collection of support (attached) from its membership on or before July 31, 2024.

Thank you,

A handwritten signature in black ink, appearing to read "John Kearns", is written over a faint, larger version of the same signature.

John Kearns, Chair

Surrey and Hotel Motel Association

**Timeline of Surrey’s Municipal and Regional District Tax Process**

<b>Date</b>	<b>Action Item</b>
January 18, 2024	Discover Surrey initiates the 5-year Strategic Plan and One-Year Tactical Plan for renewal
February 23, 2024	City of Surrey begins negotiation with local accommodation providers/SHMA
March 22, 2024	Present the conditions of renewal to accommodation providers/SHMA
April 22, 2024	Bring forth MRDT Renewal Conditions to Council
June 30, 2024	Complete Memorandum of Understanding between City of Surrey, Discover Surrey, and Surrey Hotel and Motel Association
July 31, 2024	Complete the “Accommodation Sector in Support of Municipal and Regional District Tax Form”
August 26, 2024	Discover Surrey to submit 5-year strategic plan and application documents to the City of Surrey
October 7, 2024	Bring forth new Municipal and Regional District Tax bylaw to Council
October 21, 2024	Third reading of Municipal and Regional District Tax bylaw by Council
December 1, 2024	Renewal application submission to Destination BC



## City of Surrey Municipal and Regional District Tax Renewal Conditions

The City of Surrey is the Designated Recipient of the provincial Municipal and Regional District Tax (“MRDT”) Program, which has a deadline of December 1, 2024 for submitting a renewal application. To facilitate this renewal, the City of Surrey is required to establish a new tourism bylaw that governs the tourism framework and interests.

As a condition of renewal, the City will be introducing the following changes to the MRDT program as well as enacting a new bylaw to clarify roles and responsibilities between the City, the Surrey Hotel & Motel Association (“SHMA”), and Discover Surrey as well as outlining mandatory governance and compliance measures. Additionally, to support Surrey Council’s vision to grow tourism opportunities in Surrey, the new bylaw will include a new MRDT distribution formula.

### Proposed MRDT Funding Formula:

Province of BC	SHMA	Discover Surrey	City of Surrey (NEW)
0.2%	0.6%	1.8%	0.4%

### Conditions of Renewal

Conditions	Description
<b>Amendment 1: Mandatory MRDT Governance and Compliance Amendments</b>	<b>Clarifying MRDT Renewal Process</b> The City will standardize roles and responsibilities of the City, the SHMA, and Discover Surrey as they pertains to the renewal of the MRDT.
	<b>Discover Surrey &amp; SHMA Board Governance &amp; Compliance</b> The City will require new members of both the SHMA and Discover Surrey Boards to receive governance training. The City will also be replacing the Council representative on the Discover Surrey Board with two non-voting staff representatives.
	<b>Tourism and Reporting Coordinator</b> The funding will allow the City to hire a coordinator to compile reporting information regularly from partners as well as coordinate activities amongst tourism stakeholders. <u>Note: Discover Surrey will remain responsible for developing and submitting annual financial reports and strategic plans to the City.</u>
<b>Amendment 2: Support for Sports Tourism and Major Tourism Development Opportunities</b>	<b>Sports Tourism Program Coordinator</b> The funding will allow the City to hire a sports tourism coordinator dedicated to identifying and attracting events that augment tourism in the city.
	<b>Major Special Events and Business Conferences Fund</b> The City will establish funding mechanisms to support the attraction of national and international events, signature City events and major business conferences and meetings with a focus on tourism shoulder seasons.
	<b>Economic Feasibility Assessments for Tourism Amenities</b> The City will conduct economic feasibility assessments for destination supporting assets and leverage this information to attract private capital investment.