



Corporate *NO: R153*

Report *COUNCIL DATE: July 9, 2001_*

REGULAR COUNCIL			
TO:	Mayor & Council	DATE:	July 5, 2001
FROM:	Manager, Economic Development	FILE:	0042-040
SUBJECT:	Proposed Additional 2% Hotel Room Tax (AHRT)		

RECOMMENDATION

- 1) That By-law No. 14441 (attached as Appendix I), which introduces an additional 2% Hotel Room Tax in Surrey effective December 1, 2001, be introduced and given first, second and third readings.
- 2) That an application be made to the Lieutenant Governor in Council through the Provincial Ministry of Finance, to implement an additional 2% Hotel Room Tax in accordance with By-law No. 14441.
- 3) That the proceeds of the additional 2% Hotel Room Tax received by the City, be allocated to the Surrey Tourism & Convention Association.
- 4) That the GVRD be informed of the City's intention to introduce an additional 2% Hotel Room Tax, effective December 1, 2001.
- 5) That the Surrey Tourism & Convention Association Business Plan (attached as Appendix II) as approved by the Surrey Tourism & Convention Association Board June 21, 2001, be received.

INTENT

Surrey's new Tourism & Convention Association is pursuing the implementation of a 2% hotel room tax in Surrey. The revenue collected from this tax would specifically provide funds to market tourism and facilitate programs and projects by the Association. As well, 10% of the annual funding allocation would be set aside for capital developments of future tourism related projects. This report seeks Council's endorsement to introduce the 2% hotel room tax in Surrey on behalf of the hoteliers. This report represents both the process and form as discussed with the Provincial Consumer Taxation office.

BACKGROUND

The Hotel Room Tax Act allows local jurisdictions (including Regional Districts) to implement an additional 2% room tax over and above the existing 8% room tax. The proceeds from the additional 2% tax are turned over from the Province to the City on a monthly basis and then passed on to a local tourism promotions agency.

Introduction of the 2% hotel room tax will generate significant revenues and will have a positive impact on tourism opportunities in Surrey, will provide the ability to market our city to the world and facilitate the development of tourism related capital projects. The support of the hotel industry is premised on the strength of these marketing activities towards increasing the number of rooms occupied. It is estimated that with the current inventory of 1,446 existing hotel rooms, existing occupancy and average room rates, the 2% hotel room tax can generate \$300,000 per annum.

The Association's current plan calls for:

- .. 10% of the funds to be deposited in a Fund established for the development of a capital project or projects for the enhancement of tourism, and which project or projects are mutually agreed between the "Association" and the City.

- .. The remainder of the funds to be used by the Association for tourism marketing, programs and projects.

- .. Surrey Tourism & Convention Association will strike a Finance Committee to evaluate on an annual basis, the allocation of the funds, and the annual report will be forwarded to Council.

PROCESS

Subsequent to approval of the application by the Lieutenant Governor in Council, this tax is collected by the Province

through the existing hotel room tax collection system which is administered by the Consumer Taxation Branch. This tax must be collected by each hotel on all sales of accommodation taking place on or after the effective date.

The provincial processing time is generally 3-4 months and it is anticipated that the tax would be effective by December 1, 2001.

The Consumer Taxation Branch will directly contact all operators of accommodation in the City of Surrey in which the additional 2% tax will apply, to provide information on procedures for collection of the tax. The tax collected is then remitted to the municipality on a monthly basis. The City will then disburse those funds collected to the Surrey Tourism & Convention Association. An administration fee of \$20 per hotel, per month is charged by the Province to recover the additional costs incurred for collection and administration of the tax prior to distribution of the monies to the City. The City also has the option to charge an administrative processing fee. In canvassing 6 other municipalities that have the additional 2% tax, the majority (5 out of 6 canvassed) do not deduct any administrative processing fees and it has not been included as a requirement hereunder.

CONCLUSION

Proceeds generated from introduction of an additional 2% hotel tax are to be used for tourism marketing programs and projects. The Surrey Tourism & Convention Association is seeking Council's endorsement of the By-law to implement same and that the application be made to the Lieutenant Governor in Council through the Provincial Ministry of Finance. The Association has met Provincial Legislation which requires 51% agreement of the established hoteliers representing 51% of the hotel rooms. Continued signatures of hoteliers are being solicited prior to application to the Ministry of Finance. Support currently represents 88% of hotel rooms and 70% of hotels which well surpasses minimum support requirements. Accommodation sector support document (attached as Appendix III) for information.

Linda Hepner

Manager, Economic Development

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Attachments

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