



Report

**City of Merritt
Committee of the Whole
November 5, 2019**

File Number: 6900

To: Scott Hildebrand, Chief Administrative Officer
From: Will George, Economic Development & Tourism Manager
Date: October 31, 2019
Subject: Tourism in Merritt and the Nicola Valley

RECOMMENDATION:

THAT the Committee recommend to Council that staff work with Merritt & Nicola Valley Destination Marketing Society (MNVDMS) towards re-establishing the MRDT in the City of Merritt;

AND THAT the Committee recommend to Council that MNVDMS be designated as the 'eligible entity' to receive program funds under the terms of the Provincial Sales Tax Act (i.e. as per the program terms of the Municipal and Regional District Tax (MRDT) program).

Background:

The City of Merritt Tourism Department (Tourism Merritt) is currently the official tourism organization to manage, create and promote tourism in Merritt and the Nicola Valley. The Merritt & Nicola Valley Destination Marketing Society ("MNVDMS") is a non-profit group of hotel owners and community members who, since 2012, have collected a tourism levy (voluntary Destination Marketing Fee).

In the City of Merritt's 2018 Tourism Asset Inventory, the consultant observed the following challenges and made recommendations regarding Tourism program delivery in Merritt:

- "The completed process of reviewing tourism and tourism promotion activities in Merritt and the Nicola Valley summarized **a lack of understanding from residents, local businesses and industry stakeholders on roles, responsibilities and activities developed and delivered by both Tourism Merritt (City of Merritt) and**

Merritt & Nicola Valley Destination Marketing Society (MNVDMS). With limited resources and increased competition from other destinations, a strategy needs to identify the designated official DMO and areas of collaboration and efficiency within Merritt and the Nicola Valley. Where there is leadership, resources and effective practices implemented, a long-term tourism vision for Merritt and the Nicola Valley can be effective and successful". -pg. 22

- "Proactively collaborate to efficiently leverage tourism opportunities in Merritt and the Nicola Valley. **In particular, define the roles and responsibilities of Tourism Merritt and MNVDMS** and communicate to tourism industry stakeholders to ensure that efforts are streamlined, thereby avoiding any duplication and ensuring that current gaps can be addressed. Working cooperatively allows organizations to use their financial and human resources most effectively."
- **Action: #2** *Establish an effective destination leadership model to ensure a recognized destination management/marketing organizational structure ie. Tourism Merritt – pg. 44*

Over the past months, City of Merritt staff and the MNVDMS have discussed a collaborative approach to address the concerns raised in this report. In an effort to eliminate potential duplication of work in the local tourism industry and improve trust and relationships with community partners, City staff has worked with MNVDMS to propose a potential tourism solution to Council.

Destination Fees Collected

Currently, 7 of the 16 hotels/motels in Merritt are collecting a volunteer destination marketing fee of 2%. In Merritt there is a diverse mix of 16 fixed roof hotels and motels equal to approximately 525 rooms this includes 6 branded properties, 10 independent, 7 resorts/lodges/ranches and 2 B&B's.

The hotel/motels currently collecting the destination marketing fee include:

- Best Western Plus
- Comfort Inn
- Quality Inn
- Super 8
- Knights Inn
- Merritt Desert Inn
- Ramada Merritt

In 2018/19, MNVDMS collected a total of \$123,170, which includes late/owed fees from the previous fiscal year.

In 2019/20, MNVDMS estimates that a total of \$115,000 would be collected if the existing model were to continue.

History of the MRDT in Merritt

- **Aug. 1999- 2003** - Nicola Valley Tourism Association formed as a partnership between the City of Merritt, Chamber of Commerce, Community Futures Development Corporation, and the Upper and Lower Nicola Indian Bands. The city and CFDC made a cash contribution, the other entities offered up in-kind donations, and the total budget for each of the first two years was \$50,000.
- **2004-2012** - MRDT collected through the City of Merritt
 - The City of Merritt administered the funds and provided funds to the Merritt Hotel Association following reports received. The hotel tax that was collected by the hoteliers of Merritt, was remitted to the Province and then deposited (less a provincial admin fee) to the City of Merritt. A cheque was issued to the Merritt Hotel/Motel Association for the net amount.
- **May 2007 – October 2008** - The Tourism and Economic Development Committee (TED) operated through funded and distributed the MRDT. The TED was reinstalled in 2016 but without access to funding and ran until 2018, the committee has not been re-established following the 2018 municipal election.
- **Aug. 25, 2009** - City Council adopted the Hotel Room Additional Tax Levy Bylaw #2089 at a regular council meeting
 - “The funds paid to the City of Merritt under provisions of the regulation shall be applied to tourism marketing, programs, facilities and projects.”
- **2011** - \$80,000 collected in MRDT from visitor stays in the community.
- **2012** – The City of Merritt and the Merritt Hotel Association did not agree upon how the MRDT was being delivered, reporting metrics and voting rights for the MRDT. The Merritt Hotel Association requested to hold the majority of votes and the administration of funds. The MRDT was not renewed for Merritt in 2012 onward.
- **June 13th, 2012** - Merritt and Nicola Valley Destination Marketing Society (Tourism Nicola Valley) was incorporated under the Society Act. 13 local hotels currently opting in to pay fee (tourism levy).
- **February 12th, 2019** - Council directs staff at the Regular Council Meeting to renew the Visitor Services Network Program through Destination British Columbia, designating “The Merritt Visitor Centre at the Baillie House” as the primary location for face-to-face visitor services and the tourism department for the City of Merritt (Tourism Merritt) as the primary location for online and other visitor services.

Further Background Information

The City of Merritt currently has an adopted and active Hotel Room Tax Levy bylaw #2129 currently allowing 2% to be collected by the city and used to fund tourism marketing, programs, facilities and projects. This bylaw can be used as a template if the City wishes to pursue the 3% hotel tax and create a new bylaw.

For a breakdown of the difference between a Destination Marketing Fee (“DMF”) and the Municipal and Regional District Tax (“MRDT”), see Schedule “B” attached.

The program requirements for the MRDT program are attached as Schedule “C”.

For a description of tourism delivery models utilized by other communities, see Schedule “D” attached.

Destination Marketing: Theoretical Delivery Models

There are many different models for communities to deliver tourism services. Some are delivered in-house, while others are contracted out through organizations such as the local Chamber of Commerce or a tourism organization. The board structures of these organizations differ depending on the community as well. Below are some examples of Tourism models that staff considered when coming to the recommendation of making MNVDMS the Eligible Entity:

1. City of Merritt as the Eligible Entity;
2. MNVDMS as the Eligible Entity and the City of Merritt to recognize the MNVDMS as a Destination Marketing Organization;
3. MRDT to flow through the City of Merritt with a contract with the MNVDMS to provide marketing services;
4. MRDT to flow to the City of Merritt with the City of Merritt to provide marketing services;
5. MRDT to flow to the MNVDMS with the MNVDMS to provide marketing services
6. New organization created to deliver Visitor Services for the Nicola Valley;
7. The City of Merritt Tourism and Economic Development Committee (similar to 2007 – 2008) would function as a community committee to manage and distribute the MRDT;
8. The City of Merritt to continue to provide Visitor Services as per 2019 and establish partnerships wherever possible on a per project basis.

Moving Forward

MNVDMS has indicated a strong desire to work with the City of Merritt to re-establish the MRDT in Merritt, though MNVDMS has made it clear that the only solution that would be acceptable to its members is the designation of MNVDMS as the “eligible entity” to collect MRDT funds.

While this does prevent the exploration of other models of collaborative tourism delivery in Merritt and the Nicola Valley, City staff are amenable to exploring this option, so long as Council has sufficient participation in tourism decisions (likely through participation on the MNVDMS Board) and receives frequent, high quality reporting.

It may be possible for the City to pursue the establishment of an MRDT without the support of MNVDMS, but this approach is not recommended as it is far less likely to be successful and would create further division where we are trying to promote collaboration.

The projected process time for a community to start collecting the MRDT is approximately 1 year. The City of Merritt has had a contract in place since 2018 with a consultant to help our community review the MRDT and coordinate with community stakeholders, and this consultant will help expedite this process.

Options / discussion

1. THAT the Committee recommend to Council that staff work with Merritt & Nicola Valley Destination Marketing Society (MNVDMS) towards re-establishing the MRDT in the City of Merritt;

AND THAT the Committee recommend to Council that MNVDMS be designated as the 'eligible entity' to receive program funds under the terms of the Provincial Sales Tax Act (i.e. as per the program terms of the Municipal and Regional District Tax (MRDT) program).

2. That the City of Merritt to continue to provide Tourism and Visitor Services in 2019 and establish partnerships wherever possible on a per project basis.
3. That Council takes this report for information

Financial / Risk Implications:

Financial considerations for Council to assess include staff time, consultant fees, the cost of creating a 5-year strategic plan and 1-year action plan (required to apply for the MRDT). The potential financial benefit may include the possible increase of between \$100,000 - \$400,000 in the Nicola Valley tourism industry plus increased tourism spending and visitation.

Strategic Plan Reference:

The below tourism related tactics are identified in the NOW section of Council's Strategic Priorities:

- #3. Economic Development Strategy: Review / Direction
- #4. Airport Master Plan: Review / Direction
- #6. Downtown Revitalization Plan: Terms of Reference

The following tourism related items are listed in the NEXT section of Council's Strategic Priorities:

- Communication Strategic Plan: Framework
- Official Community Plan Review: Terms of Ref.
- Marketing Strategy: Review

Others Consulted:

Amber Papou, Merritt & Nicola Valley Destination Marketing Society

Attachments:

Schedule "A" - Merritt Tourism Industry Infographic

Schedule "B" – DMF vs. MRDT

Schedule "C" – MRDT Program Requirements

Schedule "D" – Alternate Tourism delivery models

Respectfully submitted,

Will George

Economic Development, Communications and Tourism Manager