

HALIFAX

Hotel Association of Nova Scotia Proposal: Tourism Marketing and Event Leadership for HRM

Presentation for Community Planning and
Economic Development Standing Committee

February 17, 2022

History of Hotel Levy

Relationship to HANS and Discover Halifax

In **March 2001**, with support from HRM and HANS, the Halifax Regional Municipality Marketing Levy Act, S.N.S. 2001, c. 51, (the “Act”) was enacted by the Province of Nova Scotia, allowing a maximum marketing levy of 2% to raise funds to be used by HRM’s Council to promote the Halifax Regional Municipality (the “Municipality”) as a tourist destination.

In **April 2001**, HRM adopted By-Law H-400, the Marketing Levy By-law, to establish a marketing levy rate of 1.5%.

In **August 2001**, a Memorandum of Understanding (MOU) was entered into by HRM and the Hotel Association of Nova Scotia (HANS). Discover Halifax's (DH) formation as HRM's DMO, was triggered by this MOU.

In **2006**, HRM amended By-Law H-400, the Marketing Levy By-law, to increase the rate of the marketing levy from 1.5% to 2.0%, the maximum allowable under the Act.

In **January 2014**, HRM Council endorsed a service level agreement with Discover Halifax, HRM’s destination marketing organization, to define the scope of activities to be undertaken by DH, and the funding of those activities, including the proportional share of the marketing levy to be allotted with 60% to DH and 40% to HRM to fund special events.

Municipal Role in Support of Major Events

Major Events Attraction Roles and Responsibilities

In **2008**, the Municipality retained a consultant to undertake stakeholder consultation, identify the benchmarks and best practices in major event hosting strategies from selected municipalities.

In **2010** HRM Major Events Hosting Strategy states “*support organizations to attract and host large-scale special events within the Halifax Regional Municipality through grants*”.

The role of HRM as funder of major events is governed through Administrative Order 2014-020 GOV Respecting Marketing Levy Special Events Grants and the Marketing Levy Special Events Reserve (MLSER) Business Case administered by staff through recommendations to the Special Events Advisory Committee.

Currently, HRM receives 40% of the total revenue generated from the hotel tax levy for the purposes of supporting tourism and economic development by funding special events, and 60% supports the operation of DH.

In the past Major Events Attraction is taken on by multiple stakeholders.

In **2016** HRM initiated a review of roles and responsibilities of industry stakeholders in tourism and event tourism.

In **2019** HRM with CSTA, participated in an analysis of the city’s attraction and hosting capabilities.

HANS Funding Request

In February 2017, executive members of HANS appeared before the Community Planning and Economic Development Standing Committee (CPED) to give a presentation entitled *“Economic Growth Through Partnerships”*

On March 1, 2017, correspondence was received from the President of HANS to the Chair of CPED outlining their request regarding Tourism Marketing and Event Leadership for HRM. The letter outlined a number of requests, summarized as:

- HRM increase funding to DH by \$1.5M annually to support destination marketing and the creation of a lead agency for selling events in HRM;
- If HRM provides increased funding, HANS will support a 1% increase to the hotel levy from 2% to 3% and generating \$1.5M;
- that the additional \$3M be split based on the current 60/40 split between HRM and DH;
- HRM to designate DH as the lead agency for selling events.

Benchmarking DMO Services



2016 Performance Benchmarking Report for Canadian Destination Marketing Organisations

23 Participating DMO's



Our competitive set:

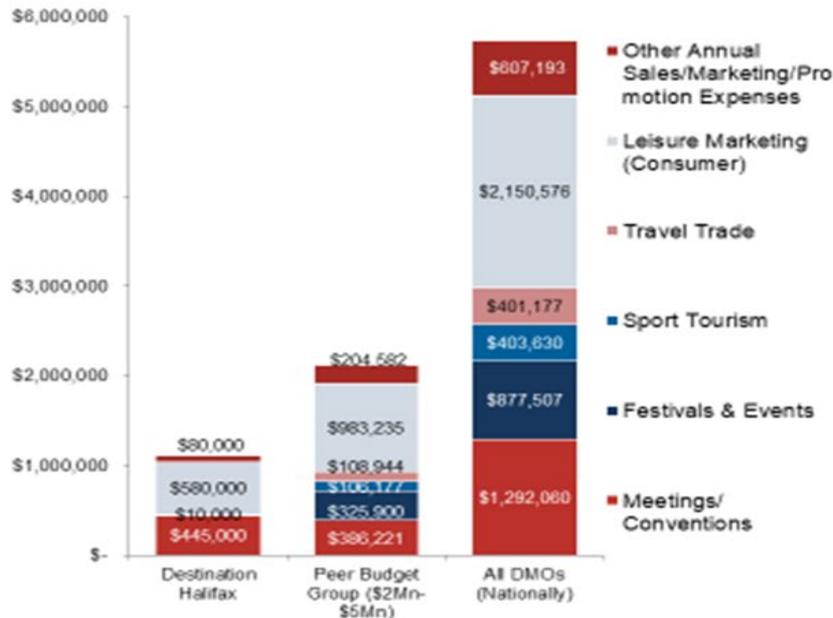
- Richmond
- Kelowna
- Saskatoon
- Winnipeg
- Outaouais

Budget Category

- ≥ \$5Mn
- \$2Mn - <\$5Mn
- < \$2Mn

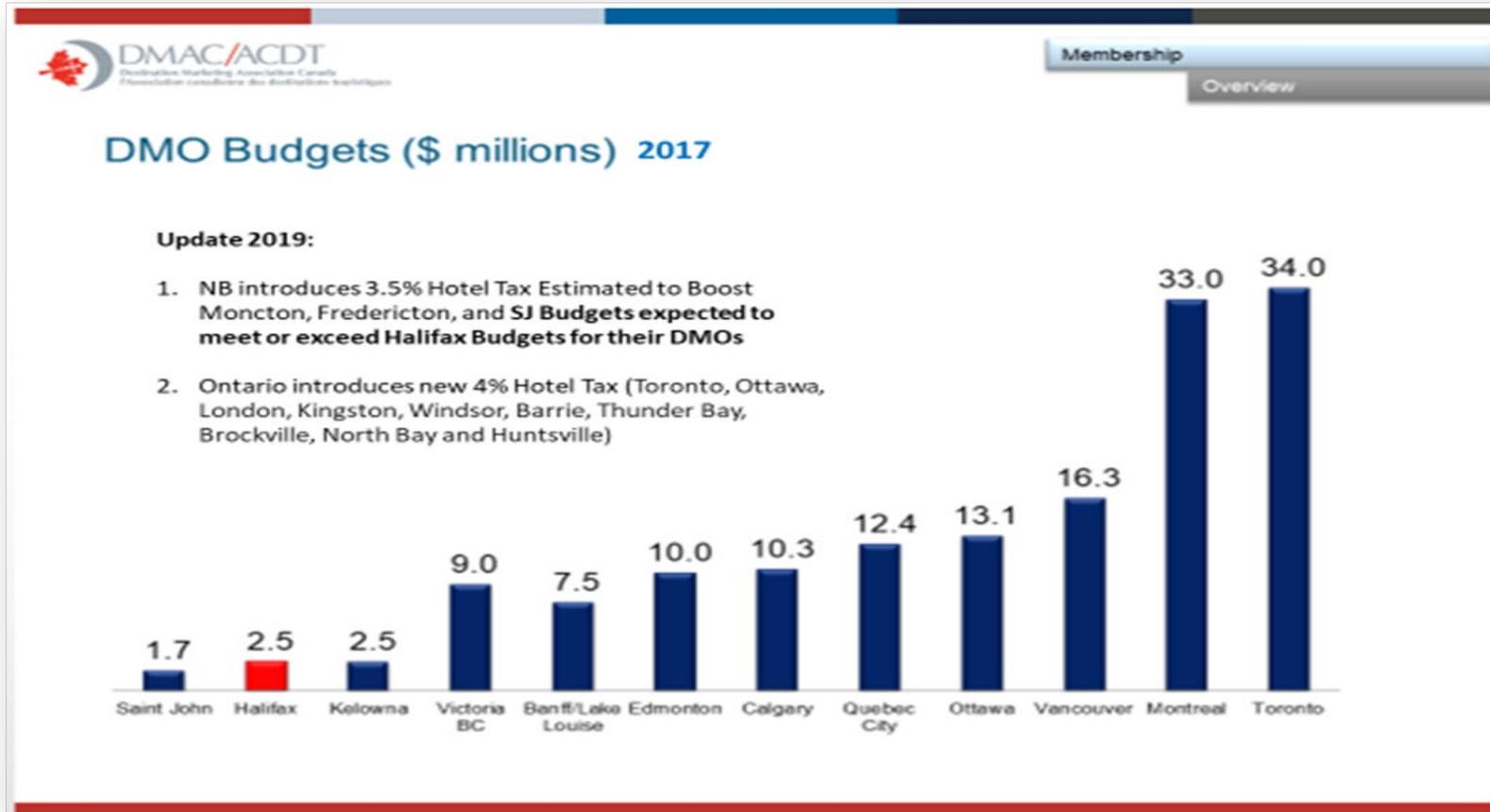
Study Findings

SALES, MARKETING & PROMOTIONS PROGRAM EXPENSES BY FUNCTION (ACTUAL FUNDS)



- Destination Halifax is investing significantly less in Marketing compared to its peer group.
- Nationally, the average DMO investment in Festivals, Events and Sports is approximately \$1.3M where DH has no investment
- Destination Halifax is not investing in Travel Trade

National DMO Budget Comparison

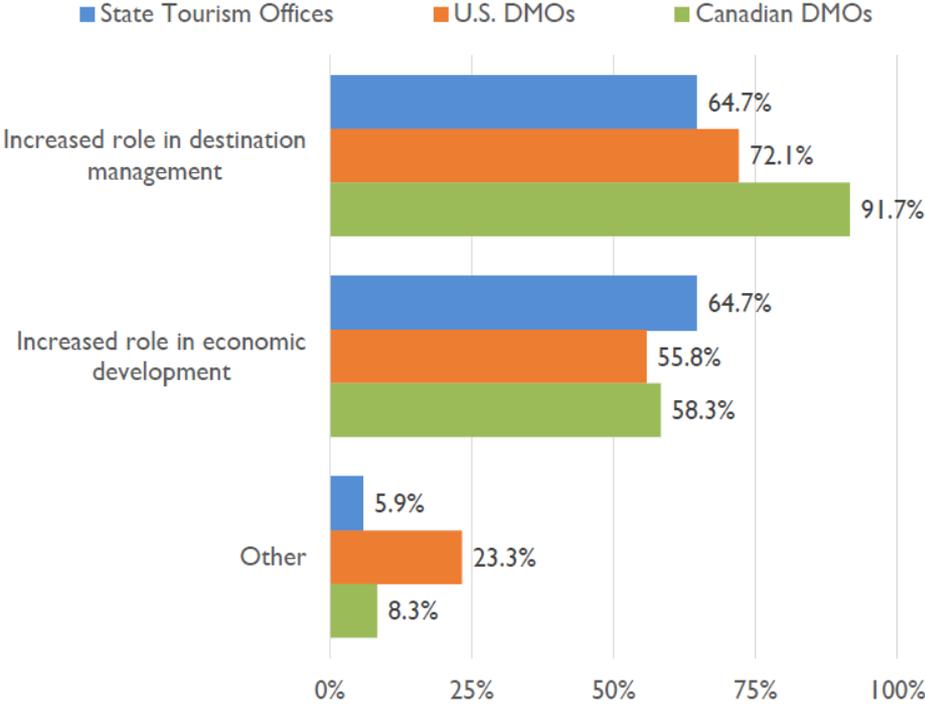


2020 Benchmarking Update



Increased Role In Economic Development

Changes Being Reviewed



Over 90 percent of Canadian DMOs surveyed who are reviewing organizational changes are examining having an increased role in destination management in the future. More than seven-in-ten U.S. DMOs who are reviewing organizational changes are doing the same.

About two-thirds of State Tourism Offices who are reviewing organizational changes anticipate an increased role in both destination management and economic development.

Over half of city/regional level destination marketing organizations in Canada and the U.S. are looking at an increased role in economic development.

Question: What changes to your organization are being reviewed? (check all that apply)

MOU

Expanding Investments

The MOU is predicated on a principle of matching an industry to increase investment in events attraction, as well as destination development, destination marketing and meeting and conference incentives.

4 Key Investment Areas (Proposed):

- Destination Marketing (Leisure) EXISTING
- Events (Major Events Attraction) NEW
- Expanding our Influence (Destination Development) – Currently focused on Sales and Marketing only
- Conference Incentives - NEW

Proposed Municipal Funding Framework

- The proposed framework to match funds to the increase in the levy is identified as a culminative approach with the provision of an increase to the supplementary grant to DH.
- The first increase of \$250,000 was released in the 2021/2022 fiscal. In order to deliver HRM's financial commitment the source and levels of the HRM Funds required have been identified, an increase to the supplementary grant of \$250,000 per year from general revenues for a period of four years (2021/2022-2024/2025) and,
- Funds collected under the marketing levy from non-hotel sources less any administrative costs subject to HRMMLA Amendments and amendments to By-Law H-400. (Funds of at least \$500K have been estimated)

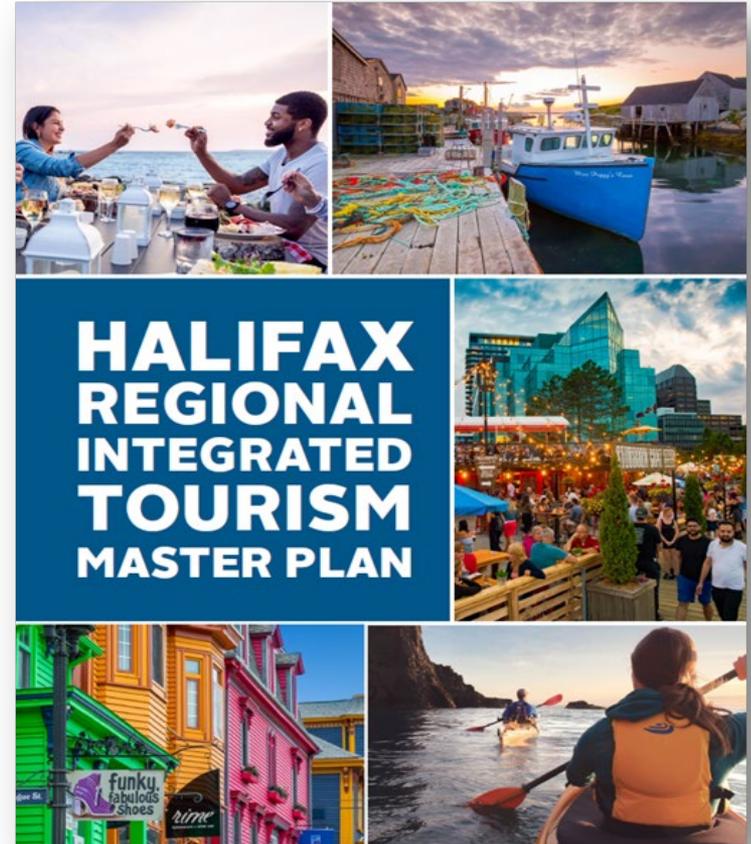
Proposed Funding Framework

Fiscal Year	2020/2021 (baseline)	2021/2022	2022/2023	2023/2024	2024/2025	2025/2026
Operating Cost Centre	\$393,000	\$643,000	\$893,000	\$1,143,000	\$1,393,000	\$1,393,000
Funding Increase (non-levy) Associated with MOU outcomes		\$250,000	\$250,000	\$250,000	\$250,000	

Recover, Rebuild, Evolve

For the Halifax Regional Integrated Tourism Master Plan to accomplish its goals and recover post COVID-19:

- Vibrant downtowns must be re-established through strategic delivery of major events
- The HRM Major Events Hosting Strategy must be renewed with resources and mandate for implementation that relies on a “collective impact model” for implementation
- The action to develop new destination management programs and enhancement of existing programs will position Halifax as a leader in the competitive field of Destination marketing and Event Tourism



Recommendation

It is recommended that Community Planning and Economic Development Standing Community recommend that Halifax Regional Council:

- 1.** authorize the Chief Administrative Officer to execute a non-binding Memorandum of Understanding with the Hotel Association of Nova Scotia (“HANS”), a society formed under the Societies Act (Nova Scotia) substantially in the form provided in Attachment 1;

- 2.** include funding for Discover Halifax (DH) to support the delivery of enhanced destination marketing and management programs as part of the Municipality’s 2022/2023 budget planning process for consideration during the Budget Adjustment List (BAL) debate in March 2022 with a cumulative contribution to be phased over three years as follows:
 - a) \$250,000 in fiscal 2022/2023 budget;
 - b) \$250,000 in fiscal 2023/2024 budget; and
 - c) \$250,000 in fiscal 2024/2025 budget;

- 3.** subject to amendments by the Province of Nova Scotia to the Halifax Regional Municipality Marketing Levy Act (HRMMLA) respecting the cap on the marketing levy and the extension of the marketing levy to operations of less than 20 rooms or rental units, direct the Chief Administrative Officer to initiate the process to amend By-law H-400 to implement the amendments to the HRMMLA as necessary; and,

- 4.** authorize the Chief Administrative Officer, or his designate, to negotiate and execute a Service Level Agreement on behalf of the Municipality with Discover Halifax, including the terms and conditions set out in Table 2 of the discussion section of this report, and otherwise acceptable to the Chief Administrative Officer.