

SEAC Update

Ross Jefferson, President and CEO
May, 2023



1. Background on hotel levy and uses
2. Impacts of the change in the hotel levy from 2 to 3%
3. Impacts of HRM's new rules for short term rentals (which will come in to effect in September 2023)

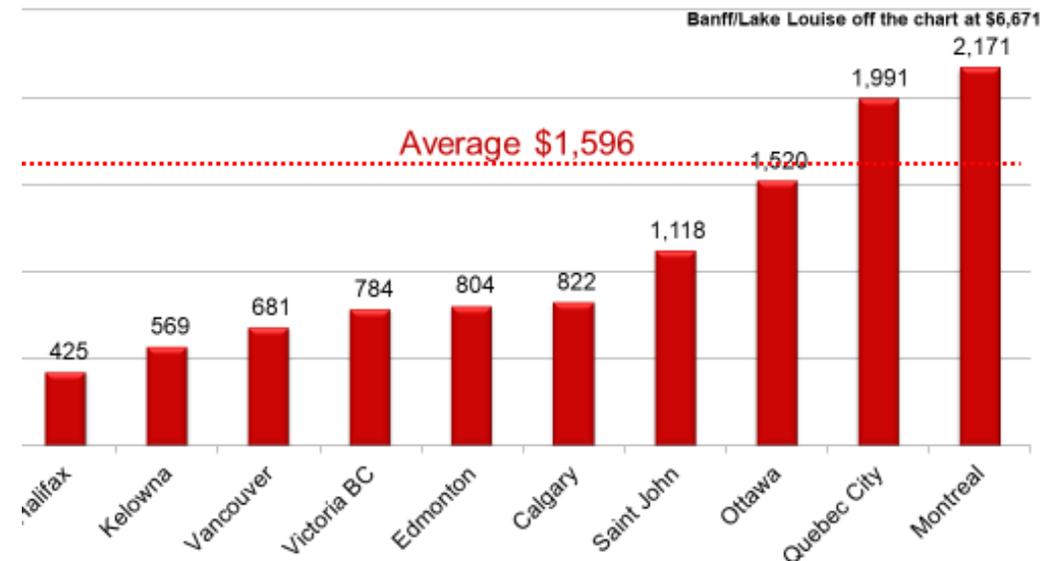
Background on Hotel Levy in Halifax

- Proposed by Hotel Association of Nova Scotia in 2001 in partnership with HRM
- Created in 2001 by the Provincial Act (Bill 94 – Halifax Regional Municipality Marketing Levy Act) Enabling HRM to collect this as a tax
 - 2% on properties > 20 rooms in size
- HRM By Law H-400 Respecting the Marketing Levy
 - 60% of funds collected to support Discover Halifax
 - 40% of funds collected to support special events (MLSER)

Benchmarking against competitors

- While Halifax was a leader in the first decade after its introduction of a hotel levy, it has fallen behind in the preceding decade.
- Net investments are compounded by “leveraged programs” at provincial and federal levels.
- Why? Despite Covid, Tourism is expected to remain one of the fastest growing industries in the world.

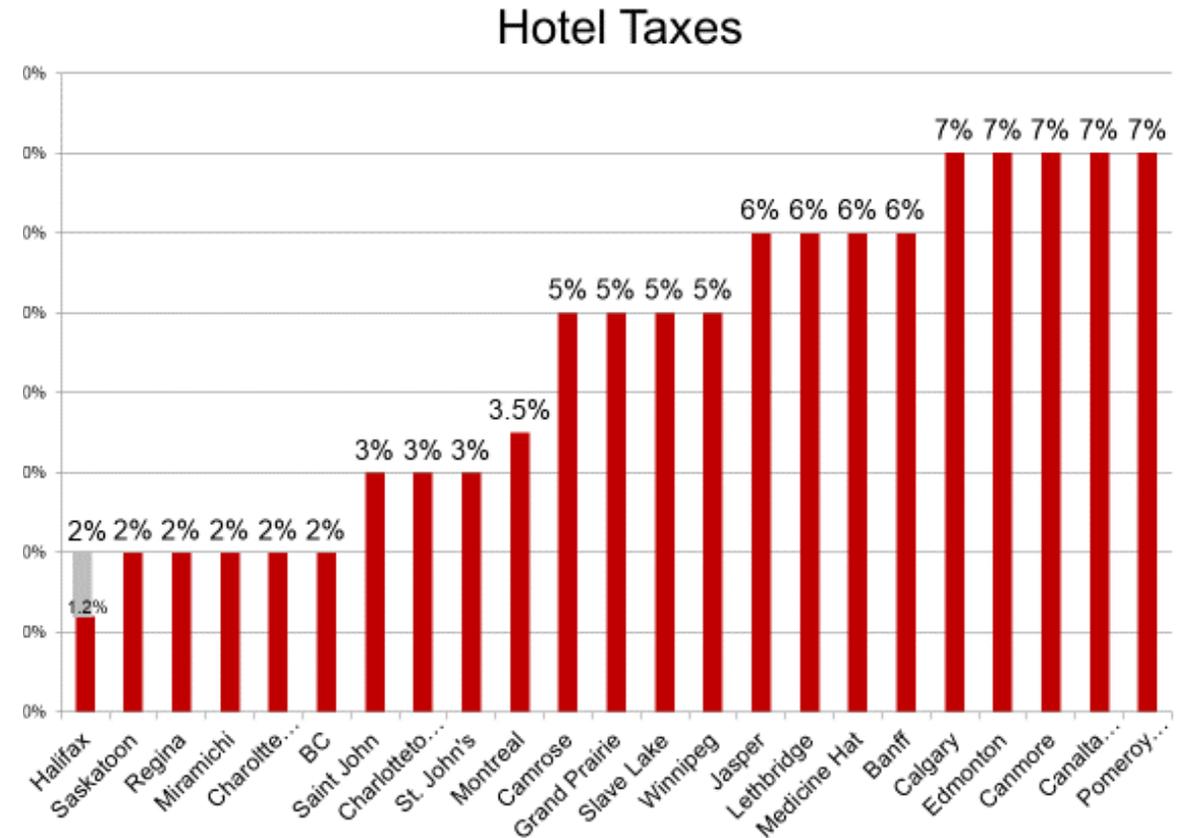
DMO Budget's on Per Room Basis (2016)



Note: Funding and delivery structures will differ significantly between regions and this snapshot analysis should be analyzed for differences in mandates and structures for each city. It may not be a full and accurate comparison as a result.

Benchmarking against competitors (2016 data)

- Since this time, many jurisdictions have increased their levies including a new levy introduced in NB (3.5%) and Ontario (4%).
- Sales Taxes are lower in Western Canada



Benchmarking against competitors



HANS / HRM Memorandum of Understanding

1. Change Provincial Legislation ([*Halifax Regional Municipality Marketing Levy Act*](#))
 - A. Increase cap on hotel levy (Currently capped at 2%)
 - B. Change the threshold of accommodations requiring to collect and submit from >20 rooms to all accommodations providers
2. Change the allocation amounts collected by the levy (from 60% to 65%) to the DMO and (from 40% to 35%) for the [*Marketing Levy Special Event Reserve \(MLSER\)*](#) [*Administration Order Number 2014-020-GOV*](#)
3. HRM to increase their contributions by a net \$1M (\$250k/year over 4 years)

Discover Halifax Core Programs

Current and NEW



Destination Marketing

+ \$950K
Marketing to Select National Markets



Visitor Experience



Meetings & Conventions Sales

New \$100K
Incentives for conferences deemed to have “strategic fit”



Destination Development

New \$625K
Dedicated Resource to support ITMP



Festivals & Events Support

New \$625K
Dedicated Resource to support festivals and events

MILSNR

- Expected Net Increase in funding of \$670K annually

Stat Pro Report – Transition from Shared Leadership Model to Dedicated Leadership

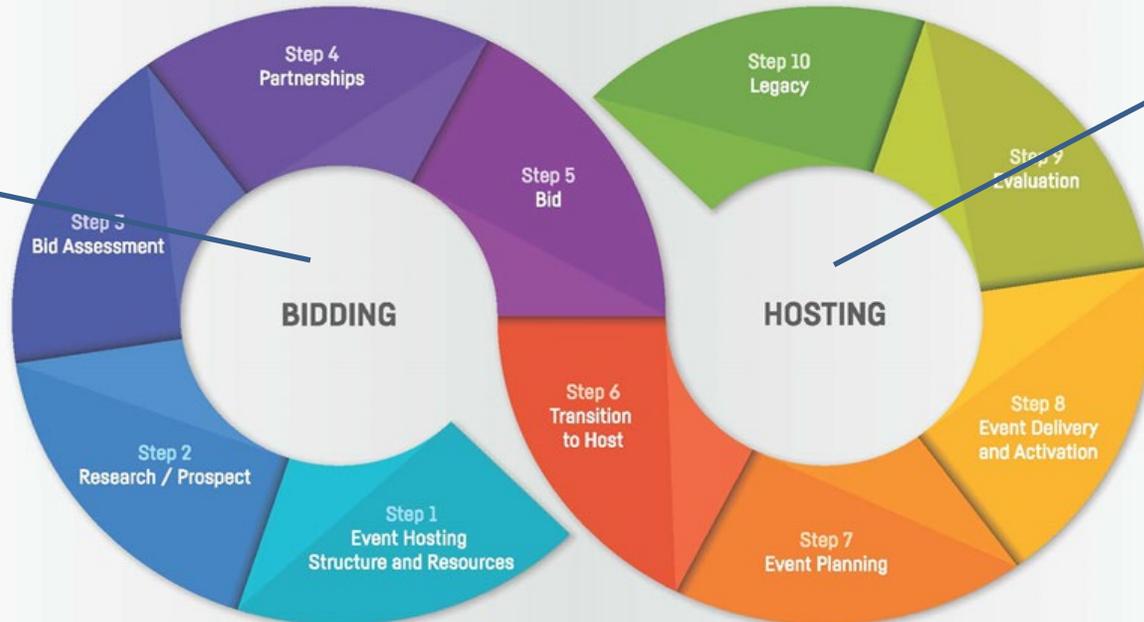


- *Completed by HRM in 2019*
- *49 Recommendations on improvements in the areas of:*
 - Event Hosting Structure and Resources
 - Strategy / Research / Prospecting
 - Bid Assessments
 - Partnerships
 - Bid Coordination and Development
 - Hosting
- ***Recommendations: “Establish an event / bid lead agency that ensures the full cycle can be delivered effectively”***

Stat Pro Report

Although several partners perform some of these services no single agency has responsibility for the destination. Discover Halifax was identified as the preferred agency for leading this

● CSTA SPORT TOURISM ROADMAP ●



Many of these steps are preformed by City Events Department and/or rights holders

Transferable Competencies from Convention Sales to Event Prospecting and Development



Robust CRM System integrated with hotels



Bidding & Marketing Competencies



Economic Impact Calculations integrated in CRM



Data for pre and post event evaluation



Destination Marketing – (Web, Print, Other)

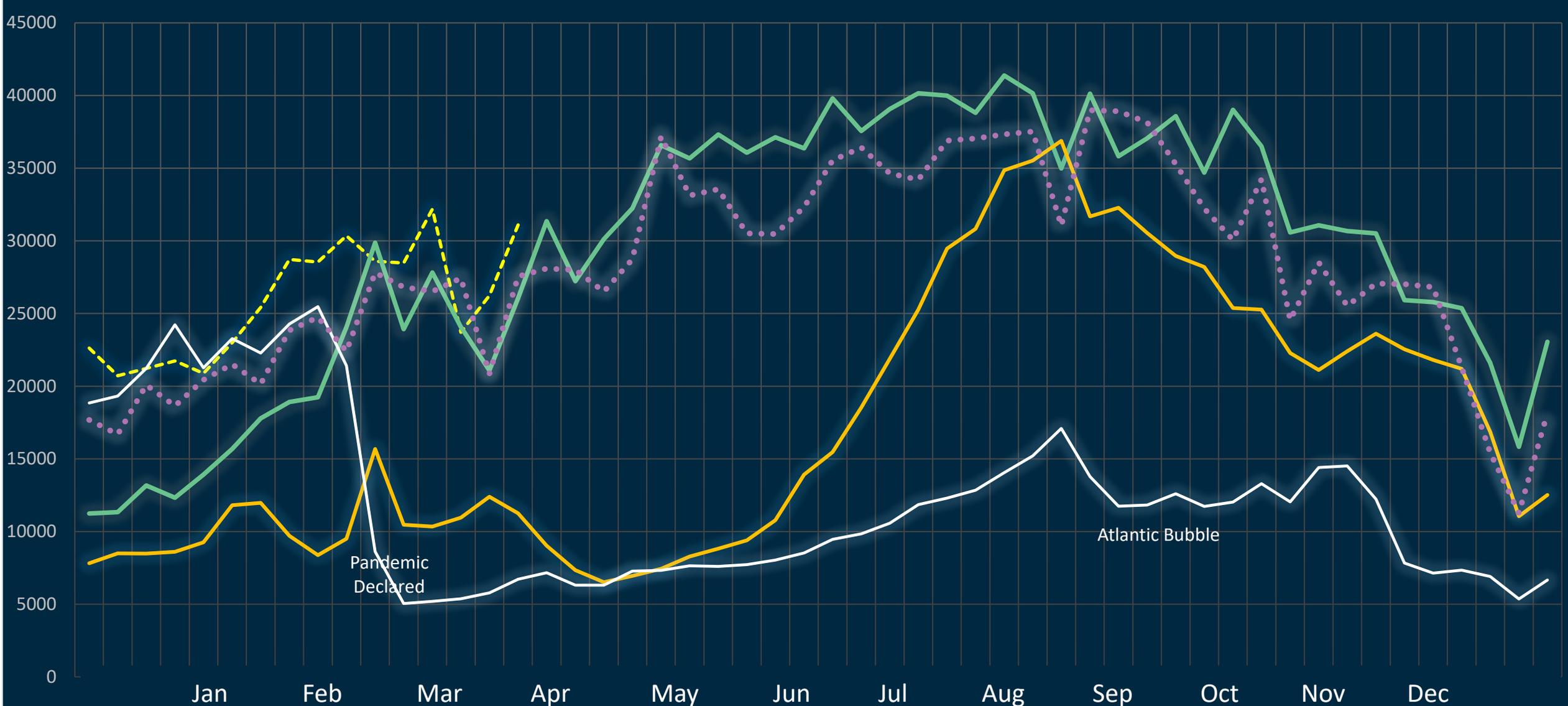


Opportunity for Shared
Services Offering

Marketing
Administration & Procurement
IT / Office / Processes

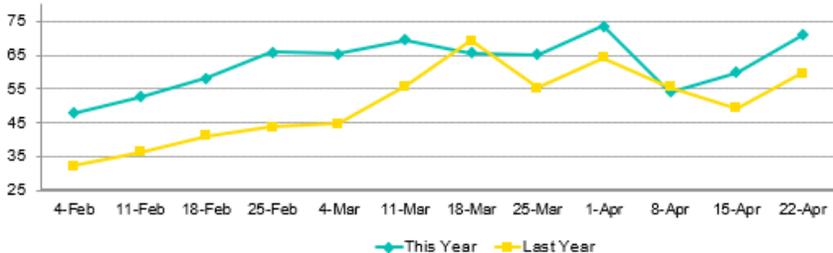
Rooms Sold Per Week Halifax

— 2023 — 2022 — 2021 — 2020 ••• 2019

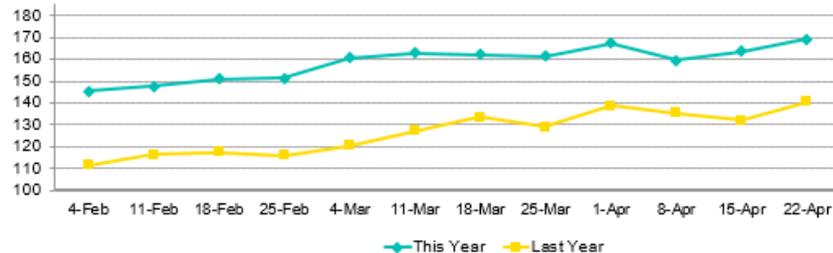


Daily Stats – By Regions in HRM

Weekly Occ (%) - Feb 04, 2023 to Apr 22, 2023



Weekly ADR - Feb 04, 2023 to Apr 22, 2023



	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Su	Mo	Tu	We	Th	Fr	Sa	Current Week													
Occupancy (%)	Mar						Apr																												
This Year	50.3	62.3	66.0	70.2	88.2	87.3	30.5	45.3	52.3	57.7	57.5	47.6	59.2	59.5	37.6	42.4	58.3	60.9	63.8	76.3	79.4	60.8	58.3	65.3	70.0	74.3	82.3	85.3	60.8	58.3	65.3	70.0	74.3	82.3	85.3
Last Year	39.5	46.5	50.4	56.6	77.3	88.7	30.0	40.9	41.7	46.4	52.5	62.7	67.1	77.4	38.6	44.0	45.9	47.0	45.2	63.9	60.7	38.5	42.1	52.3	56.9	58.9	80.6	88.2	38.5	42.1	52.3	56.9	58.9	80.6	88.2
Percent Change	28.8	34.0	31.0	24.0	13.2	-0.8	0.5	10.6	25.5	24.3	9.4	-24.1	-11.9	-23.2	-2.5	-3.4	26.9	29.6	41.3	20.3	30.7	57.9	38.3	26.1	23.2	26.0	2.2	-3.3	57.9	38.3	26.1	23.2	26.0	2.2	-3.3
ADR	Mar						Apr																												
This Year	155.12	153.06	153.37	161.56	173.53	177.23	178.34	156.74	163.81	160.88	159.86	160.63	157.85	157.58	152.74	155.38	162.55	163.73	162.39	166.74	171.65	164.63	160.25	162.06	168.55	168.73	175.21	179.91	164.63	160.25	162.06	168.55	168.73	175.21	179.91
Last Year	122.03	128.87	126.68	128.72	137.60	150.49	153.45	131.78	130.18	132.68	135.63	134.18	136.96	140.39	128.06	131.39	128.55	129.01	132.47	136.53	135.76	127.36	128.19	133.34	133.83	137.58	147.31	156.68	127.36	128.19	133.34	133.83	137.58	147.31	156.68
Percent Change	27.1	18.8	25.8	25.5	26.1	17.8	16.6	18.3	25.8	21.3	17.9	19.7	15.3	12.2	19.3	18.3	26.4	26.9	22.6	22.1	26.4	29.3	25.0	21.5	25.9	22.6	18.9	14.8	29.3	25.0	21.5	25.9	22.6	18.9	14.8
RevPAR	Mar						Apr																												
This Year	78.90	95.37	105.21	113.36	153.09	155.92	161.87	70.94	85.69	92.82	91.88	76.43	93.39	93.76	57.42	65.96	94.69	99.70	103.66	128.29	136.26	100.06	93.38	106.79	118.07	125.34	144.27	153.48	100.06	93.38	106.79	118.07	125.34	144.27	153.48
Last Year	48.19	59.92	63.84	72.84	107.25	133.42	138.14	53.91	54.27	61.57	71.22	84.09	91.97	108.71	49.37	57.77	59.02	60.64	59.83	87.28	82.45	49.02	54.03	69.67	76.10	81.09	118.69	138.25	49.02	54.03	69.67	76.10	81.09	118.69	138.25
Percent Change	63.7	59.2	64.8	55.6	42.7	16.9	17.2	31.6	57.9	50.8	29.0	-9.1	-13.8	16.3	14.2	60.4	64.4	73.3	47.0	65.3	104.1	72.8	53.3	55.2	54.6	21.6	11.0	104.1	72.8	53.3	55.2	54.6	21.6	11.0	
Supply	Mar						Apr																												
This Year	6,232	6,232	6,232	6,232	6,232	6,232	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257	6,257
Last Year	6,130	6,130	6,130	6,130	6,130	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155	6,155
Percent Change	1.7	1.7	1.7	1.7	1.7	1.3	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7	1.7
Demand	Mar						Apr																												
This Year	3,170	3,883	4,114	4,373	5,498	5,481	5,660	2,832	3,273	3,610	3,596	2,977	3,702	3,723	2,352	2,656	3,645	3,810	3,994	4,814	4,367	3,803	3,646	4,123	4,383	4,648	5,152	5,338	3,803	3,646	4,123	4,383	4,648	5,152	5,338
Last Year	2,421	2,850	3,089	3,469	4,778	5,457	5,541	2,518	2,566	2,856	3,232	3,857	4,193	4,766	2,373	2,706	2,826	2,893	2,780	3,935	3,738	2,369	2,594	3,216	3,500	3,628	4,959	5,431	2,369	2,594	3,216	3,500	3,628	4,959	5,431
Percent Change	30.9	36.2	33.2	26.1	15.1	0.4	2.1	12.5	27.6	26.4	11.3	-22.8	-10.4	-21.9	-0.9	-1.8	29.0	31.7	43.7	22.3	32.9	60.5	40.6	28.2	25.2	28.1	3.9	-1.7	60.5	40.6	28.2	25.2	28.1	3.9	-1.7
Revenue	Mar						Apr																												
This Year	491,717	594,319	655,662	706,483	954,075	971,707	#####	443,878	536,163	580,776	574,863	478,196	584,355	586,675	359,254	412,701	592,490	623,826	648,584	802,697	852,591	626,073	584,276	668,176	736,763	784,264	902,707	960,341	626,073	584,276	668,176	736,763	784,264	902,707	960,341
Last Year	295,430	367,285	391,310	446,537	657,454	821,197	850,280	331,820	334,030	378,938	438,344	517,544	566,055	669,122	303,887	355,545	363,277	373,234	368,258	537,232	507,479	301,712	332,534	428,830	468,390	499,192	730,521	850,907	301,712	332,534	428,830	468,390	499,192	730,521	850,907
Percent Change	66.4	61.8	67.6	58.2	45.1	18.3	19.1	33.8	60.5	53.3	31.1	-7.6	3.2	-12.3	18.2	16.1	63.1	67.1	76.1	49.4	68.0	107.5	75.7	55.8	57.7	57.1	23.6	12.9	107.5	75.7	55.8	57.7	57.1	23.6	12.9

Current Week	Run 28	Run MTD
71.0	64.7	63.0
59.6	57.2	56.5
19.0	13.1	11.6

Current Week	Run 28	Run MTD
163.32	165.41	165.56
140.56	136.94	137.06
20.5	20.8	20.8

Current Week	Run 28	Run MTD
120.20	106.99	104.28
83.83	78.31	77.38
43.4	36.6	34.8

Current Week	Run 28	Run MTD
43,799	175,046	137,654
43,085	172,215	135,410
1.7	1.6	1.7

Current Week	Run 28	Run MTD
-31,093	113,223	86,704
25,697	98,481	76,443
21.0	15.0	13.4

Current Week	Run 28	Run MTD
5,264,597	#####	14,354,471
3,612,027	#####	#####
45.8	38.9	37.0

American Assoc of Airport Executives

CDN Institute of Health Inspectors

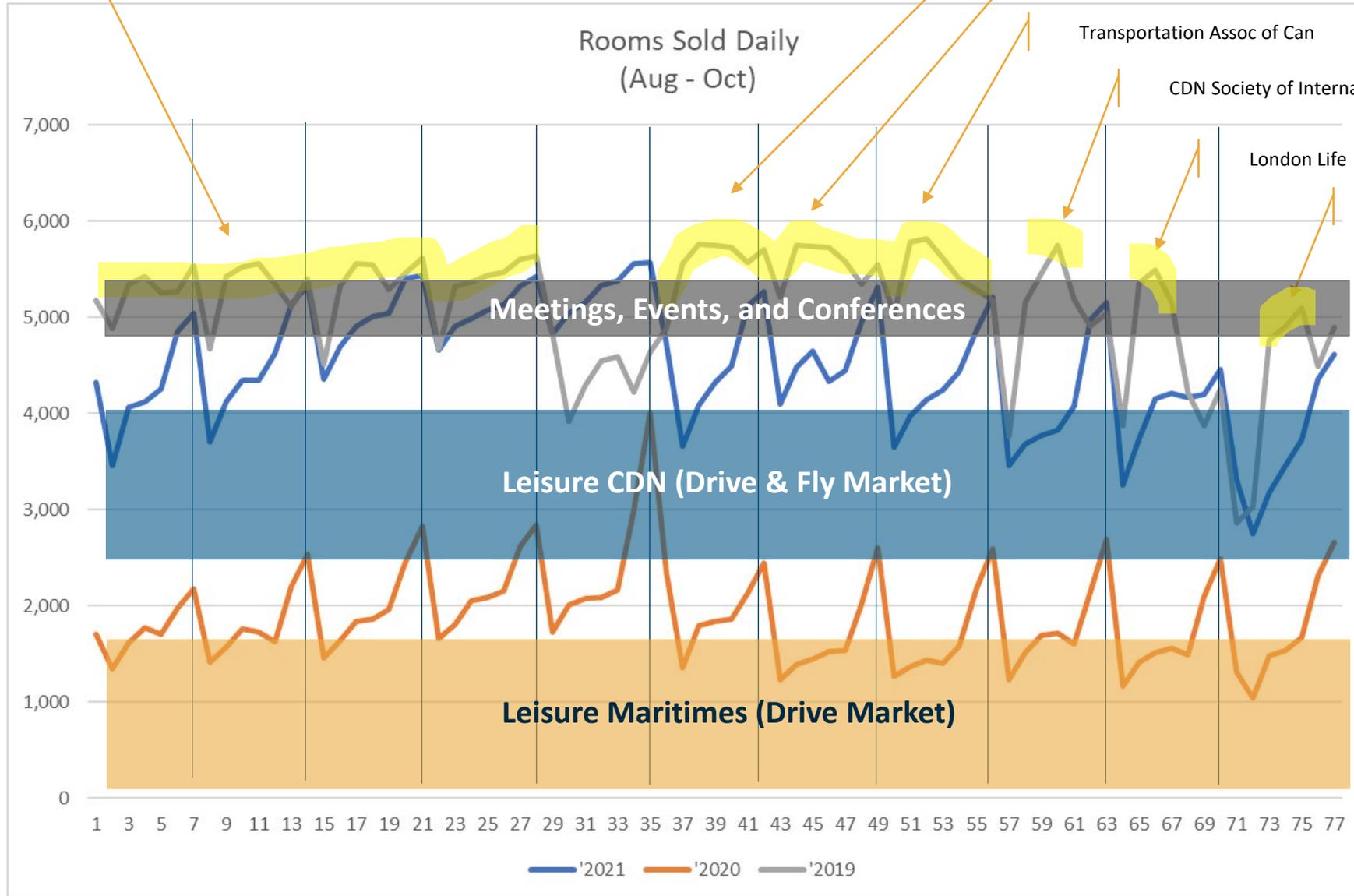
International Turnpike Assoc

Transportation Assoc of Can

CDN Society of Internal Medicine

London Life

CDN Welding Assoc



Preliminary Economic Impact Analysis on Proposed Regulations to Short Term Rentals

Prepared by: Discover Halifax

February 21, 2023

Background

Recommendation #22 in the Halifax Regional Integrated Tourism Master Plan

Municipal Changes Approved:

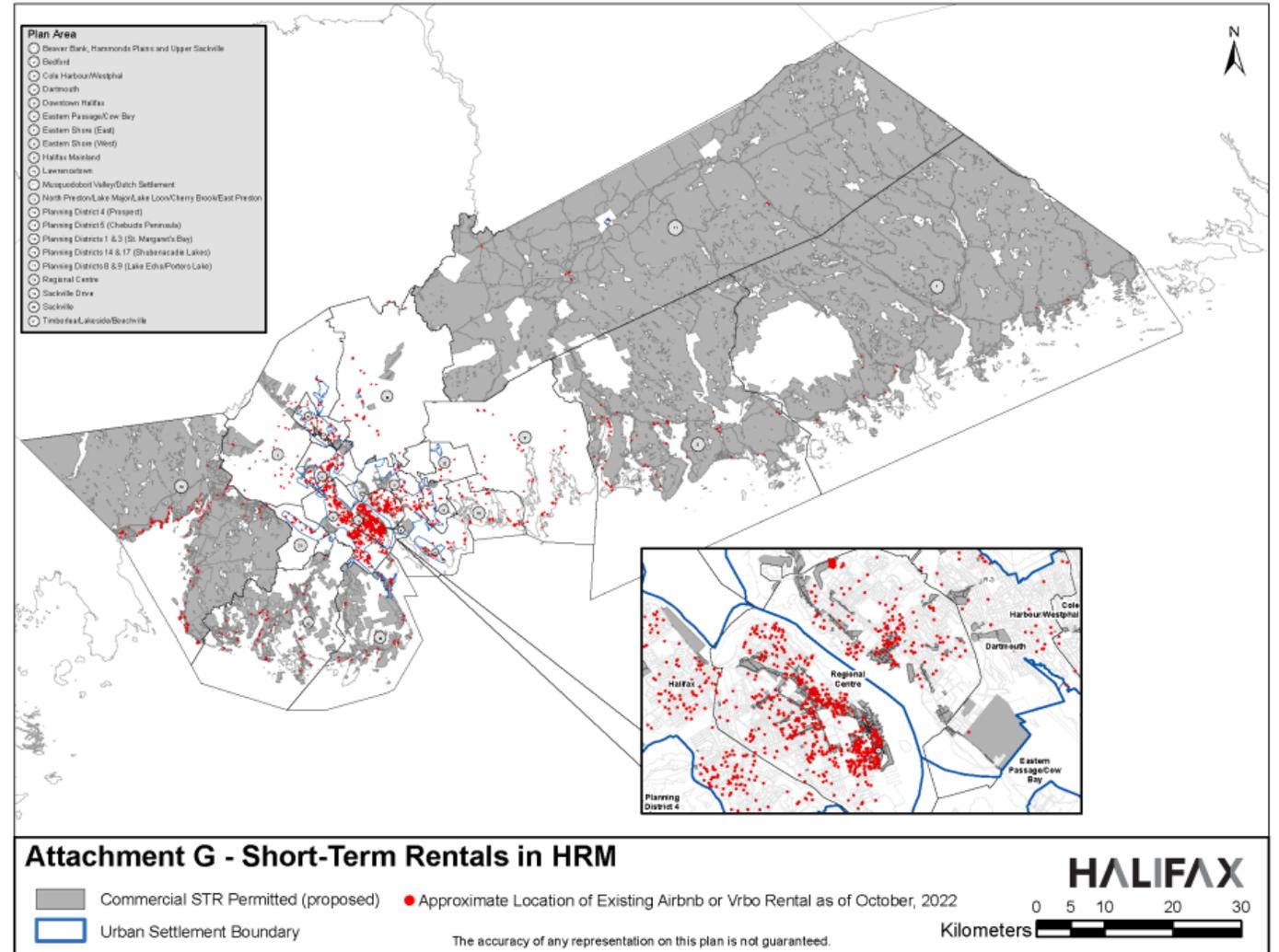
1. Require all STRs to register with the Municipality. This would include STRs that are located within the host's primary residence and STRs located in the host's secondary residence (cottage) or income property(ies);
2. Within residential zones/neighbourhoods, only permit STRs in the host's primary residences;
3. Within neighbourhoods where hotels or other types of tourist accommodations are already permitted, allow commercial STRs; and
4. Consider modified provisions for STRs in rural areas.
5. Implementation on September 1st

Provincial Legislation:

- Legislative amendments and regulations requiring all short-term rentals in the province to register by April 1, 2023, have been proclaimed.
- Under the updated regulations, all short-term rentals – including those within people's homes – must register annually with the Tourist Accommodations Registry and include their registration number in their online booking platform listings.

Impact

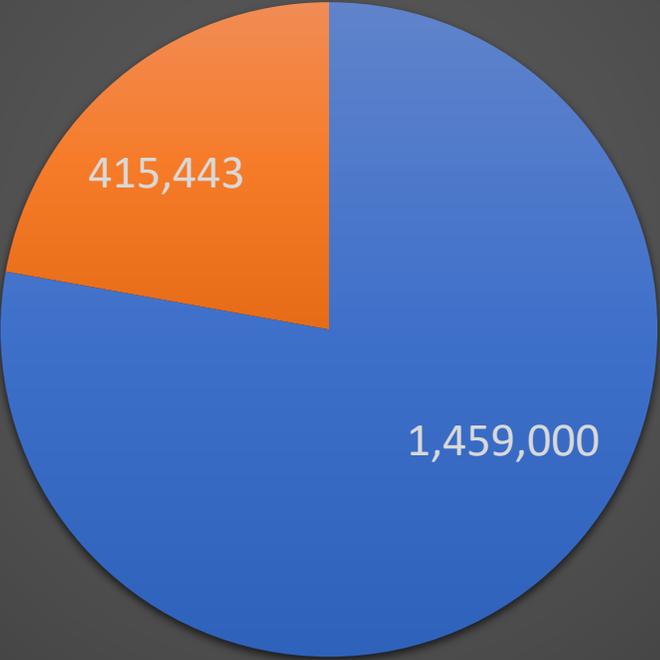
- 73% of properties fall outside of Commercial Zoning according to HRM Planning Department.



Comparison

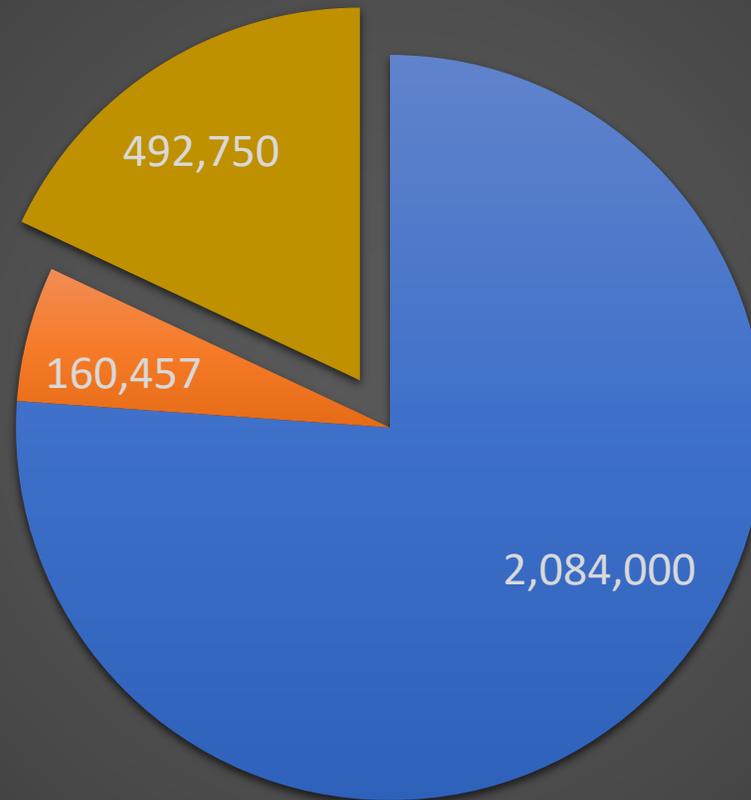
The Hollis Halifax - a DoubleTree Suites by Hilton Hotel	120
Residence Inn Halifax Downtown	92
Homewood Suites by Hilton Halifax-Downtown, Nova Scotia, Canada	135
The Barrington Hotel	200
The Prince George Hotel	203
Cambridge Suites Hotel Halifax	200
Four Points by Sheraton Halifax	177
	1127

Annual Demand for STRs or Hotels in HRM (2019)



■ Hotels ■ STRs

Potential Change in Supply as a Result of Policy Changes



■ Hotels ■ STRs inside commercial zones ■ STRs no longer qualifying as commercial STRs

Methodology: Role of Accommodations in Travel Selection

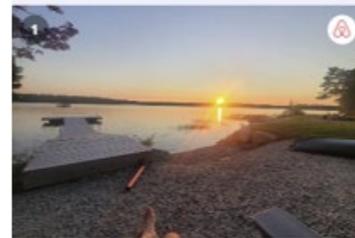
CASE A:

The destination or activity is the primary motivation for travel and the accommodation is primary a “means to an end”.



CASE B:

The accommodation and/or immediate surrounding experiences are the primary motivators for the selection of the accommodation.



5 bed - 3.5 bath - 9 guests

Lakeside Kingdom



5 bed - 4.5 bath - 12 guests

Spectacular South Shore Oceanfront Estate with Heated Indoor Swimming ...



5 bed - 5.5 bath - 10 guests

OCEAN BAY VIEW Luxury Guesthouse



3 bed - 2.5 bath - 15 guests

Owl & Otter

Methodology:

Measuring the Impacts
from Two Scenarios

01

Scenario A: Lack of
Inventory to Meet
Demand (Stock Out)

02

Scenario B:
Abandonment of
destination due to
lack preferred
accommodation type
or location

01

Scenario A: Lack of Inventory to Meet Demand (Stock Out)

- As availability of rooms decrease consumers find it increasingly difficult to find rooms in the general location and at the price point a consumer is searching for. As a result, many searches are abandoned before 100% occupancy is reached.
- Supply and Demand were analyzed for 2018 and 2019 to determine the frequency and size of “stock out” situations based on the assumption of STRs being reduced by 50%

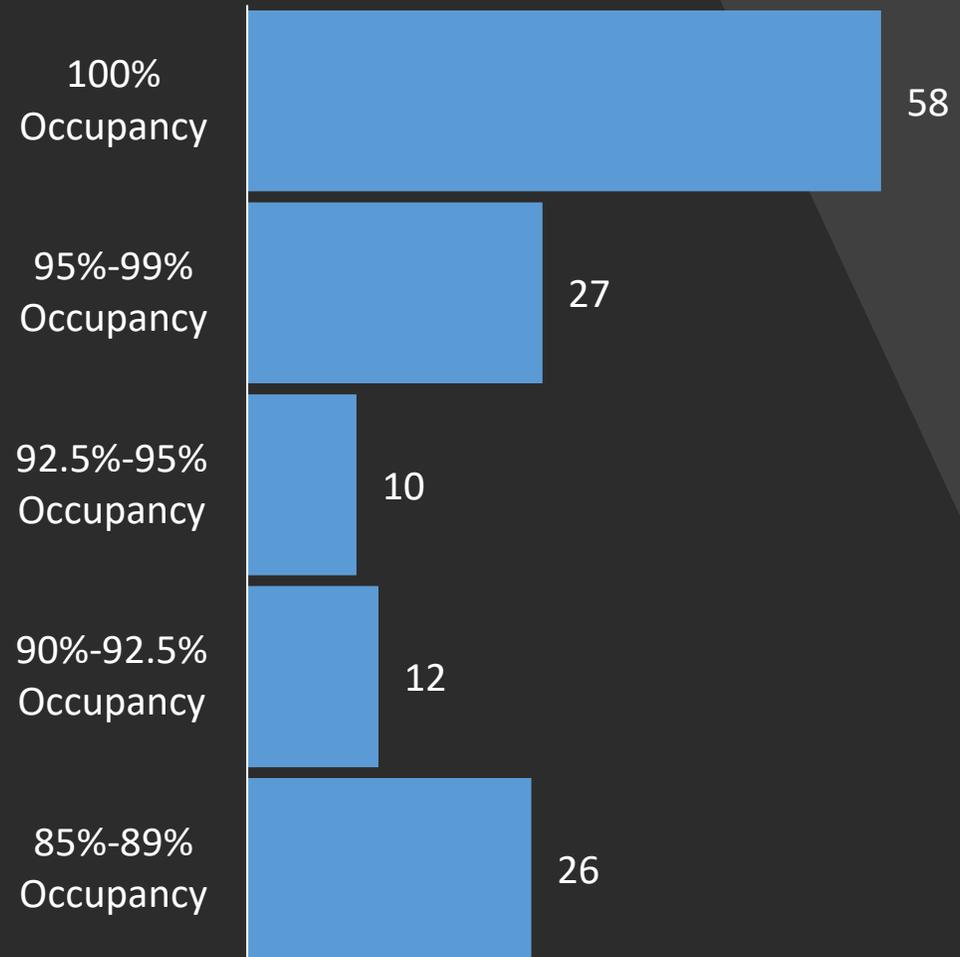
For this analysis the following assumptions were used:

<u>Occupancy</u>	<u>Abandonment Rate</u>
85% - 89%	10%
90% - 92.5%	25%
92.5% - 95%	50%
95% - 99%	90%
100%	100%

01

Scenario A: Lack of Inventory to Meet Demand (Stock Out)

Count of Days/Year Occupancy was Exceeded



01

Scenario A: Lack of Inventory to Meet Demand (Stock Out)

Conclusion: Scenario A “Stock Outs”

Total Estimated Decline in Rooms Sold	Total Value of Room Demand Lost	Total Value of Visitor Spending Lost
37,619	\$ 6,564,000	\$ 23,445,000

02

Scenario B:
Abandonment of
destination due to lack
preferred
accommodation type
or location

- Whereas in “Case A” the accommodations acts a “means to an end” to facilitate travel, in Case B the accommodations itself and/or the immediate surroundings are the considered the primary driver for the booking.
- Accommodations in this category typically include distinctive or differentiated features such as a private pool, access to coastal or water features, a special view, or a feature that is not readily available at other properties. For these reasons, removing of inventory from the destination may result in lost bookings.
- While there is some research in this area it is difficult to quantify or estimate the impacts of policy changes or reductions in supply. For our analysis we have assumed three scenarios of low impacts (10% abandonment), medium (25% abandonment), and high (40% abandonment).

02

Scenario B:
Abandonment of
destination due to lack
preferred
accommodation type
or location

Conclusion: Scenario B “Abandonment due to lack of choice in accommodations”

Total Estimated Decline in Rooms Sold		Total Estimated Value of Room Demand Lost	Total Estimated Value of Visitor Spending Lost
Low	14,964	\$ 2,914,000	\$ 10,407,000
Medium	37,411	\$ 7,285,000	\$ 26,017,000
High	59,857	\$ 11,655,000	\$ 41,627,000

01

Scenario A: Lack of Inventory to Meet Demand (Stock Out)

02

Scenario B: Abandonment of destination due to lack of availability of preferred accommodation type or location

Conclusion:
Total Estimated Impacts Annual
(Scenario A + Scenario B)

Total Estimated Decline in Rooms Sold		Total Estimated Value of Room Demand Lost		Total Estimated Value of Visitor Spending Lost	
Low	52,583	\$ 9,478,000		\$ 33,851,000	
Medium	75,030	\$ 13,849,000		\$ 49,462,000	
High	97,476	\$ 18,219,000		\$ 65,071,000	

01

Scenario A: Lack of Inventory to Meet Demand (Stock Out)

02

Scenario B: Abandonment of destination due to lack of availability of preferred accommodation type or location

Conclusion: Total Estimated Impacts Annual By Spending Category

	LOW	MEDIUM	HIGH
Accommodations	9,478,471	13,849,277	18,220,083
Food and Beverage	8,124,404	11,870,809	15,617,214
Transportation	7,447,370	10,881,575	14,315,780
Recreation and Entertainment	4,062,202	5,935,404	7,808,607
Retail and Other	4,739,235	6,924,639	9,110,042

01

Scenario A: Lack of Inventory to Meet Demand (Stock Out)

02

Scenario B: Abandonment of destination due to lack of availability of preferred accommodation type or location

Conclusion: Total Estimated Impacts Annual By Spending Category

	Low	Medium	High
Accommodations	\$ 9,478,471.00	\$ 13,849,277.00	\$ 18,220,083.00
Hotel Levy Loss @ 3%	\$ 284,354.13	\$ 415,478.31	\$ 546,602.49

* The impact of increased pricing on hotel rates has not been factored into these calculations and will offset these losses.

The background of the slide is a blurred image of a pen writing on a document. A line graph is visible, with a dotted line and a solid line. Numbers like '2.5' and '2.47' are scattered across the page. The overall color scheme is a muted blue-grey.

Supply Demand Imbalances Over Time

It is important to note that the estimated impacts provided in this analysis should decrease in time as supply catches up with demand and new properties are developed including hotels and STRs. This is especially true for the “stock out” situations however may be more difficult to replace authentic accommodations or STRs in distinct and unique regions.

Caveats and Limitations of Analysis

There are several assumptions and caveats with the analysis provided in this report. In particular, the following should be noted:

- Data on Short-Term Rentals is scraped from platforms and provided by Airdna.*
- Location of STRs are estimated by Airdna and may vary from current zoning jurisdictions*
- % of STRs located in primary residences are not known*
- The percentages of abandoned searches due to the property type (Scenario B) is only estimated*
- Historical analysis to predict the future*
- Spending estimates for STR vs Hotel visitors are assumed to be the same.*

Questions?