Minutes – Executive Policy Committee – October 17, 2023

Report – Standing Policy Committee on Finance and Economic Development – October 11, 2023

Item No. 1 Destination Marketing Reserve Fund – Revisions for Short Term Rentals

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Finance and Economic Development and submitted the following to Council:

1. That the purpose of the Destination Marketing Reserve Fund be revised to provide funding to support organizations, projects, City programs, and special events that encourage tourists to visit Winnipeg.

2. That the funding allocation be revised as previously approved on September 20, 2018 for the Destination Marketing Reserve Fund as follows:

    A. That a grant be provided annually to Economic Development Winnipeg in an amount equal to the greater of $2.0 million or 35 percent of the annual Accommodation Tax revenue, excluding accommodation tax generated from short-term rentals, which grant shall be used solely to fund Economic Development Winnipeg's annual operating costs.

    B. That a grant of $1.5 million be provided annually to the Winnipeg Convention Centre Corporation, which grant shall be used solely to fund the Winnipeg Convention Centre's annual operating costs.

    C. That up to 37.5 percent of the annual Accommodation Tax revenue, excluding accommodation tax generated from short-term rentals, be set aside within the Destination Marketing Reserve Fund to fund future capital works for the Winnipeg Convention Centre.

    D. That 100 percent of the annual Accommodation Tax revenue from short-term rentals be set aside within the Destination Marketing Reserve Fund to fund any expenses or shortfalls incurred in the General Revenue Fund related to the Short-Term Rental Program.

Report – Standing Policy Committee on Finance and Economic Development – October 11, 2023

EXECUTIVE POLICY COMMITTEE RECOMMENDATION (continued):

E. That the Destination Marketing Reserve Fund is to fund any expenses incurred in the General Revenue Fund to administer the Accommodation Tax.

F. That the remainder of the funds, net of the above, be paid to Economic Development Winnipeg for the Special Event Marketing Fund.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Report – Standing Policy Committee on Finance and Economic Development – October 11, 2023

DECISION MAKING HISTORY:

Moved by Councillor Browaty,

That Rule 10(3) of The Procedure By-law No. 50/2007 be suspended in order that the following item, which was received less than four business days preceding the committee meeting, be considered by Committee.

Carried

Moved by Councillor Browaty,

That the recommendation of the Standing Policy Committee on Finance and Economic Development be concurred in and forwarded to Council.

Carried

STANDING COMMITTEE RECOMMENDATION:

On October 11, 2023, the Standing Policy Committee on Finance and Economic Development concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: Destination Marketing Reserve Fund – Revisions for Short Term Rentals

Critical Path: Standing Policy Committee on Finance and Economic Development – Executive Policy Committee – Council

AUTHORIZATION

Author	Department Head	CFO	CAO
T. Yanchishyn	T. Austin	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

An amendment to expand the purpose of the Destination Marketing Reserve Fund and funding allocation formula to capture short-term rental accommodations (STRAs) is being proposed.

The amendments proposed clarify how the accommodation tax collected from STRAs is to be used. In summary, it can be used to fund costs related to the short-term rental accommodation (STRA) regulatory program software costs, shortfall in Community Services of the licensing and by-law enforcement program, or future unanticipated costs of this program that may be incurred by any department. Any remaining funds will be held within the Reserve for use of the short-term rental regulatory program or until such time as Council determines an alternate use of the funds.

RECOMMENDATIONS

1. That the purpose of the Destination Marketing Reserve Fund be revised to provide funding to support organizations, projects, City programs, and special events that encourage tourists to visit Winnipeg.

2. That the funding allocation be revised as previously approved on September 20, 2018 for the Destination Marketing Reserve Fund as follows:

    A. That a grant be provided annually to Economic Development Winnipeg in an amount equal to the greater of $2.0 million or 35 percent of the annual Accommodation Tax revenue, excluding accommodation tax generated from short-term rentals, which grant shall be used solely to fund Economic Development Winnipeg's annual operating costs.

    B. That a grant of $1.5 million be provided annually to the Winnipeg Convention Centre Corporation, which grant shall be used solely to fund the Winnipeg Convention Centre's annual operating costs.

C. That up to 37.5 percent of the annual Accommodation Tax revenue, excluding accommodation tax generated from short-term rentals, be set aside within the Destination Marketing Reserve Fund to fund future capital works for the Winnipeg Convention Centre.

D. That 100 percent of the annual Accommodation Tax revenue from short-term rentals be set aside within the Destination Marketing Reserve Fund to fund any expenses or shortfalls incurred in the General Revenue Fund related to the Short-Term Rental Program.

E. That the Destination Marketing Reserve Fund is to fund any expenses incurred in the General Revenue Fund to administer the Accommodation Tax.

F. That the remainder of the funds, net of the above, be paid to Economic Development Winnipeg for the Special Event Marketing Fund.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

Only City Council has the authority to change the purpose of a Reserve, and how funds are distributed in the Destination Marketing Reserve Fund

IMPLICATIONS OF THE RECOMMENDATIONS

There are no immediate financial or administrative implications of the Recommendations of this Report.

If Council approves the amending by-laws related to the STRA regulatory program (zoning, by-law enforcement and accommodation tax), the Destination Marketing Reserve Fund will collect additional accommodation tax revenue from short-term rentals beginning in 2024. This revenue will be used to offset any shortfalls in revenues to offset the cost of administering the short-term rental program including software, by-law enforcement and accommodation tax collection. The accommodation tax collected will be held in the Reserve separate from other funding to be used towards future costs related to short term rentals.

Appendix A provides a preliminary high-level estimate of the revenues and expenses that may result from the short-term rental program within the Destination Marketing Reserve Fund.

HISTORY/DISCUSSION

On October 22, 2008, City Council established the Destination Marketing Reserve Fund, the purpose of which was to provide funding to support organizations, projects and special events that encourage tourists to visit Winnipeg.

A formula for the distribution of Accommodation Tax revenue to the Winnipeg Convention Centre, Economic Development Winnipeg and the Special Events Marketing Fund was also approved.

On September 20, 2018, City Council approved a revision to the formula for the distribution of Accommodation tax as follows, which is still in force:

A. That a grant be provided annually to Economic Development Winnipeg in an amount equal to the greater of $2.0 million or 35% of the annual Accommodation Tax revenue, which grant shall be used solely to fund Economic Development Winnipeg's annual operating costs.

B. That a grant of $1.5 million be provided annually to the Winnipeg Convention Centre Corporation, which grant shall be used solely to fund the Winnipeg Convention Centre's annual operating costs.

C. That up to 37.5% of the annual Accommodation Tax revenue be set aside within the Destination Marketing Reserve Fund to fund future capital works for the Winnipeg Convention Centre.

D. That the Destination Marketing Reserve Fund is to fund any expenses incurred in the General Revenue Fund to administer the Accommodation Tax.

E. That the remainder of the funds, net of the above, be paid to Economic Development Winnipeg for the Special Event Marketing Fund.

The short-term rental regulatory program is expected to be approved this fall which will include expanding the accommodation tax to be applied to this type of accommodation, as well as creating a by-law enforcement program. Therefore, the purpose and distribution formula for the funds within the Reserve requires revisions to ensure clarity on use of the funds.

Purpose

The purpose of the Reserve would need to be expanded to provide funding for "City programs." City programs is intended to include the short-term rental accommodations (STRA) Regulatory Program, and any associated costs or shortfalls.

The new purpose is therefore recommended to be revised as follows:

To provide funding to support organizations, projects, City programs, and special events that encourage tourists to visit Winnipeg.

Funding Allocation

A revision to the funding allocation to ensure any accommodation tax revenue collected from short-term rentals is held in the reserve to support the STRA regulatory program and not included in the percentages allocated to other organizations.

The funding formula is recommended to be revised as follows:

A. That a grant be provided annually to Economic Development Winnipeg in an amount equal to the greater of $2.0 million or 35% of the annual Accommodation Tax revenue, excluding accommodation tax generated from short-term rentals, which grant shall be used solely to fund Economic Development Winnipeg's annual operating costs.

B. That a grant of $1.5 million be provided annually to the Winnipeg Convention Centre Corporation, which grant shall be used solely to fund the Winnipeg Convention Centre's annual operating costs.

C. That up to 37.5% of the annual Accommodation Tax revenue, excluding accommodation tax generated from short-term rentals, be set aside within the Destination Marketing Reserve Fund to fund future capital works for the Winnipeg Convention Centre.

D. That 100% of the annual Accommodation Tax revenue from short-term rentals be set aside within the Destination Marketing Reserve Fund to fund any expenses or shortfalls, including salaries, incurred in the General Revenue Fund related to the Short-Term Rental Program.

E. That the Destination Marketing Reserve Fund is to fund any expenses, including salaries, incurred in the General Revenue Fund to administer the Accommodation Tax.

F. That the remainder of the funds, net of the above, be paid to Economic Development Winnipeg for the Special Event Marketing Fund.

Costs related to the STRA program are anticipated to be incurred in multiple departments and therefore item D above refers to the General Revenue Fund to provide authority for any tax-supported department to receive a transfer to cover costs incurred related to the short-term rental program.

The following are examples of the anticipated items requiring funding from the Reserve related to the short-term rental program.

- Software purchases, licensing and maintenance incurred by the Innovation and Technology Department to enable the collection of accommodation tax, license fees, and administration of the by-law enforcement program.

- The By-law enforcement program has been designed to be cost neutral to the City with License Fee revenue set to cover the costs of new Full Time Equivalents (FTEs) and administrative costs. However, any shortfall of revenues over expenses that occurs in any year in the Community Services Department related to short term rental regulatory program will be covered by the Destination Marketing Reserve Fund.

Any unused funding from short-term rentals will be accumulated and tracked separately from other funds in the Reserve. Should all funding not be required, City Council can approve an alternate use or funding formula once the short-term rental program has been well established.

FINANCIAL IMPACT

Financial Impact Statement

Date: September 1, 2023

Project Name:

Destination Marketing Reserve Fund – Revisions for Short Term Rentals

COMMENTS:

There is no immediate financial impact associated with the recommendations of the report. However, once Council approves the by-laws associated with the short-term rental program it is anticipated that funding may accumulate in this reserve (see Appendix A). This funding will be kept separate in the reserve for any future costs related to short-term rentals and can be potentially reallocated by Council in the future once the short-term rental program is established and revenue and costs more accurately known.

Randy Bernard

Randy Bernard, CPA, CMA
Manager of Finance & Administration (Campus)
Corporate Finance Department

CONSULTATION

This Report has been prepared in consultation with:

- Community Services Department
- Innovation and Technology Department

OURWINNIPEG POLICY ALIGNMENT

Leadership and Good Governance: Policy 1.8 – Accountable Revenue Generation

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Climate Action Plan (CAP), and it was determined that the CAP is not applicable to this specific report.

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS) and its Goals and Objectives, and it was determined that the PRS is not applicable to this specific report.

SUBMITTED BY

Department: Assessment and Taxation Department
Division: Taxation and Finance
Prepared by: Tanis Yanchishyn
Date: September 6, 2023

Attachments:

Appendix A – Destination Marketing Reserve Financial Projection – Short Term Rentals

APPENDIX A – DESTINATION MARKETING RESERVE FUND PROJECTION – SHORT TERM RENTAL COMPONENT ONLY

DESTINATION MARKETING FUND RESERVE - SHORT TERM RENTALS			
Revenues	**2023**	**2024**	**2025**
Accommodation tax revenue	$0	$750,000	$900,000
Expenditures	**2023**	**2024**	**2025**
Collection of Accommodation Tax - Salaries	$0	$73,000	$75,000
Software	$60,000	$122,000	$77,000
Office Setup Costs	$0	$5,000	$0
Projected Deficit Licensing program	$15,000	$22,000	$0
Total Estimated Expenditures	**$75,000**	**$222,000**	**$152,000**
Projected Surplus/(Deficit)	**($75,000)**	**$528,000**	**$748,000**

Note: 2023 costs will be funded as an advance against the 2024 Accommodation Tax Revenue. There is sufficient funding in the Reserve to accommodate this advance.