



Report to: General Committee

Meeting Date: June 11, 2019

SUBJECT: Destination Marketing Organization Update

PREPARED BY: Shane Manson, Senior Manager, Revenue & Property Tax
Stephen Chait, Director of Economic Growth, Culture & Entrepreneurship

RECOMMENDATION:

1. That the report “Destination Marketing Organization Update” be received; and,
2. That Council approve naming the City of Markham’s recently incorporated non-share capital corporation “Destination Markham Corporation”; and,
3. That Council approve a Board of Directors composition of nine (9) Directors, which will be comprised of six (6) independent Directors and three (3) non-independent Directors (being the Mayor and two (2) members of Council); and,
4. That Council approve the advertising cost of the Board of Directors recruitment process to a maximum of \$20,000, which will be funded from the DMO’s share of 2019 MAT revenue; and,
5. That Staff be authorized to establish a Nominating Committee comprised of the Mayor and two (2) Members of Council to identify suitable candidates for the Board of Directors of the Destination Markham Corporation; and,
6. That Staff report back to Council in the fall of 2019 with recommendations for the selection of the six (6) independent Director positions; and further,
7. That staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to provide Council with an update on the recently incorporated non-share capital corporation (the “Corporation”) which was established to operate as the City of Markham’s Destination Marketing Organization (referred to in this report as “DMO”), and the recommended next steps.

BACKGROUND:

In April, 2017 the Province of Ontario passed legislation that provided lower or single tier municipalities in Ontario with the authority to levy a transient accommodations tax (referred to in this report as a Municipal Accommodation Tax “MAT”). The legislation further prescribed that at least fifty per cent (50%) of the MAT revenue be allocated to a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality.

In February 2018, Council approved that the City's portion of the Municipal Accommodation Tax (MAT) revenue (50%) be directed towards the Life Cycle Replacement and Capital Reserve Fund as a funding source to support the replacement and rehabilitation requirements of the City's tourism-related infrastructure and, that staff be directed to develop the business case for the purpose of creating a Municipal Services Corporation (MSC), which will operate as the City of Markham's New Tourism Organization

In April, 2018, Council approved the implementation of a 4% Municipal Accommodation Tax on all Markham hotels effective January 1, 2019, and requested that Staff report back with a business case for the purpose of creating a Municipal Services Corporation (MSC), which will operate as the City of Markham's new Destination Marketing Organization (DMO).

In September, 2018, Council approved the Destination Marketing Corporation Business Case and authorized Staff to complete the incorporation of the DMO, with the City Solicitor, Treasurer, and the Director of Economic Growth, Culture & Entrepreneurship being appointed as the initial Directors of the Corporation.

On December 27, 2018, the Letters Patent were issued for the incorporation of a non-share capital corporation (not for profit) which will operate as the City's DMO. The incorporation was completed utilizing a placeholder name for the Corporation. The objectives of the Corporation include the following;

- To promote tourism in the City of Markham
- Develop & implement multi-year marketing plans that address Markham's goals as a tourism destination
- Support & facilitate growth of the local tourism sector by identifying & promoting opportunities to attract strategic investments and new infrastructure that will generate net positive growth in Markham
- Conduct targeted economic and market research for purposes of identifying growth opportunities and developing competitive strategies
- Facilitate a high level of marketing collaboration amongst Markham's tourism industry stakeholders
- To encourage the establishment and growth of small businesses or any class of them

The implementation of the 4% Municipal Accommodation Tax commenced January 1, 2019, and to date the City has received remittances totaling \$1,018,954 for the months of January through April 2019 from the sixteen (16) hotels located in Markham. The original 2019 MAT revenue forecast was estimated to be \$2.6 million, however staff have revised the 2019 forecast to approximately \$3,000,000 based on the remittances received to date.

The City will contribute 50% of the net MAT revenue to the new Corporation, which will operate as Markham's new tourism organization. The remaining MAT revenue (50%) collected by the City will be directed towards the Life Cycle Replacement and Capital

Reserve Fund as a funding source to support the replacement and rehabilitation requirements of the City's existing and future tourism-related infrastructure.

OPTIONS/ DISCUSSION:

The next phase in the establishment of the City's DMO is to:

1. Select the Corporation's name; and,
2. Select the Corporation's Board of Directors

1. Corporation Name

Staff are recommending that the current placeholder name of the Corporation be changed to "Destination Markham Corporation" (DMC). This is a well-established brand name that captures the essence and intent of the Corporation, which is to promote and market the City of Markham as a four season destination, with the goal of enhancing the overall growth of the City's tourism economy with increased visitation and visitor-related spending. The City has been using Destination Markham as a theme and brand for the past two years.

Staff have completed a NUANS search of "Destination Markham Corporation" which is currently valid and available (and gives the City priority) until August 8, 2019. With Council's approval, Staff will proceed with the Corporation name change.

2. Board of Directors

Staff are recommending the Corporation be governed by a Board of Directors that consist of nine (9) Directors who will be responsible for the overall stewardship and management of the Corporation. Staff are recommending that the Board of Directors composition be comprised of six (6) independent Directors and three (3) non-independent Directors (*being the Mayor and two (2) members of Council*).

Staff are developing the plan for the advertisement and recruitment process to source potential candidates for the six (6) independent Director positions. The goal of the recruitment process is to attract candidates from tourist related industries (hotels, film/arts, sports, food/beverage) and other industries, who have a broad range of skill sets (including business, financial, legal, and marketing), which will ensure an effective and diverse Board of Directors with the necessary skill and experience to achieve the objects of the Corporation.

Staff are recommending that a Nomination Committee be struck, composed of the Mayor and two (2) Members of Council, to present Council with a short list of potential Director candidates for Council's consideration and approval.

FINANCIAL CONSIDERATIONS

Staff anticipate the cost of the recruitment process to be in the range of \$18,000 - \$20,000, due to the costs associated with print and digital advertisements, which are required to source qualified candidates from a broad range of industry sectors and with a range of

appropriate skill sets. Staff is recommending this cost be funded from the DMO's share of 2019 MAT revenue.

HUMAN RESOURCES CONSIDERATIONS

None

ALIGNMENT WITH STRATEGIC PRIORITIES:

Engaged, Diverse, and Thriving City

Stewardship of Money and Resources

BUSINESS UNITS CONSULTED AND AFFECTED:

Economic Growth, Culture & Entrepreneurship

Legal Services Department

RECOMMENDED BY:

Joel Lustig
Treasurer

Trinela Cane
Commissioner, Corporate Services

Stephen Chait
Director of Economic Growth,
Culture & Entrepreneurship

Arvin Prasad
Commissioner, Development Services

ATTACHMENTS:

none