

## **Destination Marketing Corporation Business Case**

Prepared pursuant to Section 6 of Ontario Regulation 599/06  
“Municipal Services Corporations”

Enabled by section 203(4) of the *Municipal Act, 2001*, S.O. 2001, c.25 as amended

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## **Background**

Markham is a prosperous and admired community with a high quality of life. Over the years, Markham has made strategic investments to build a well planned city guided by core values of: strong financial management; progressive planning focused on building complete communities; heritage preservation; environmental stewardship; thriving arts and culture; and meeting and often exceeding the needs and expectations of its diverse residents and businesses.

Markham's economic and business success has been guided by years of thoughtful planning, strategic policy initiatives and economic development programs that have embraced global diversity, a growing knowledge-based economy and opportunities to serve domestic and international markets. The City's economic strategy, *Markham 2020*, augmented our earlier focus on computer-based industry to include the convergence of Information Technologies and the life sciences, and a new focus on Digital Markham. The City's economic sector priorities now include professional and scientific services, fin-tech, and design. Most importantly, the City has implemented strategies to increase Markham's share of research and development activities, and we have invested in innovative and successful commercialization initiatives, such as ventureLAB and the Markham Convergence Centre.

In 2018 the City began to examine the need and opportunity to diversify and grow the local economy (and enhance local quality of life) by launching programs and strategic initiatives to grow the local tourism economy and foster Markham as a "Destination City". Markham's corporate strategy, *Building Markham's Future Together* and the City's Official Plan each point to a need to promote Markham as a destination city. Currently, there are many policies, initiatives and programs across city departments that reference destination attraction goals. For example, *Shared Places, Our Spaces*, Markham's Public Realm Strategy points to the importance of creating quality public spaces for residents to enjoy and as a means to attract talent to the City. The Flato Markham Theatre Strategy speaks to the competitive advantage of Markham's culturally diverse programming as a draw for visitors and as a differentiator for Markham. *A Vision for Sport Development*, Markham's Sport Strategy includes "raising the profile of Markham through Sport Tourism" as a key objective.

The following guiding principles demonstrate Markham's values as an organization and as a tourism/destination city.

1. Promote Markham through partnership and collaboration
2. Utilize digital tools and channels to promote the City and its competitive advantages
3. Leverage Markham's diversity as a distinction
4. Support sports tourism
5. Link parks, natural trail systems, cycling and pedestrian pathways with Markham attractions and events
6. Build well planned and complete communities with transit and pedestrian access to employment, amenities, public spaces and places
7. Preserve our heritage assets
8. Grow sustainably and consistent with Markham's GreenPrint Sustainability Plan
9. Adhere to responsible financial stewardship and good governance

The City is seeking to establish a Destination Marketing Corporation (actual name will be decided subject to availability and Council approval). This Business Case will outline the proposed objectives of the proposed Corporation, as well as many of the benefits that can be derived from creating such a Corporation to market and promote Markham as a tourist and visitor destination and to grow the local tourism economy.

### **Purpose**

The City of Markham proposes to incorporate a non-share capital corporation under the *Corporations Act* (Ontario) (“The Corporation”) with the City of Markham as sole member.

This document has been developed to provide information on a governance framework for the proposed Corporation. Specifically this document:

- a. sets out the objectives of the corporation, its mandate, guiding principles, governance structure, reporting activities and financial considerations; and
- b. constitutes the provincially required business case for the proposed Corporation, prepared pursuant to Section 6 of Ontario Regulation 599/06 “Municipal Services Corporations” made under section 203(4) of the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended.

The mission of the proposed Corporation will be to market and promote Markham as a remarkable destination for tourists, festival attendees, meeting and conference delegates, and business travelers. In partnership with the hotel industry, festival-event-conference-travel planners, attraction operators, cultural institutions, sports tourism promoters, entertainment and recreation providers, restaurants and related service businesses (to name just a few!), and the City of Markham, the Corporation will research, develop and implement a targeted marketing program to grow and enhance Markham’s tourism economy.

### **Guiding Principles**

Five Guiding Principles have been developed to inform and shape the actions and recommendations put forward in this Business Case. They will also function as the guidepost for all subsequent decision-making resulting from creation and implementation of the proposed Corporation. The following Guiding Principles will direct the Corporation throughout its lifecycle and in all circumstances, irrespective of changes in its goals, strategies, activities, or leadership. Accordingly, the Corporation will:

1. Consider itself a leader and strategic partner in the strengthening of Markham’s tourism economy. In doing so, it will partner with like-minded organizations to deliver results and will ensure that it is not duplicating work being done by others;
2. Make decisions with the best information available. In some cases, this means collecting and/or procuring the necessary information to make the most informed decision;

3. Recognize, embrace and promote the unique character, attributes and sense of place of Markham including its residents, communities, businesses, attractions, and its built and natural features;
4. Develop and implement marketing strategies that reflect and address Markham's competitive strengths and opportunities;
5. Promote developments and investments that increase and enhance Markham's attractiveness as a tourism destination and as an economic sector generating employment and taxable assessment;

### **Objectives**

It is proposed that the City of Markham incorporate a single corporation for the following economic development purposes:

- To develop and implement multi-year marketing plans that address Markham's strategic goals and objectives as a tourism destination;
- To support and facilitate the healthy and balanced growth of the local tourism sector by identifying and promoting opportunities to attract strategic investments and new infrastructure that will generate net positive economic growth in Markham;
- To conduct targeted economic and market research for purposes of identifying growth opportunities and developing competitive strategies;
- To facilitate a high level of marketing collaboration amongst Markham's tourism industry stakeholders;

### **Benefits of a Destination Marketing Corporation**

The advantages of the City of Markham establishing a Destination Marketing Corporation include:

- the establishment of a corporation satisfies the Province's requirement for a qualified local tourism organization to serve as a destination marketing organization and to make use of 50% of the MAT tax (hotel tax) revenues;
- the Municipal Services Corporation model provides a healthy balance between autonomy in problem-solving and expeditious decision-making that results from having a separate legal entity with a board and management to carry out municipal objectives; and accountability, corporate responsibility, and reasonable controls through the role of the sole member (the City);
- allows for the private and not-for-profit sectors to share a common vision and direction for Markham tourism economy and destination marketing. The proposed Corporation will rely on funds generated from the proposed "hotel tax" (a 4% tax levied on hotels and other

forms of short-term accommodations, if applicable, in Markham), and use community-based strategies to promote tourism and tourism industry investment in Markham;

- the establishment of a corporation will pull together resources and significant expertise in the area of destination marketing and strategic tourism planning through the involvement of experienced members of the community on the Board, and with City staff and external resources;
- City Council, as sole member, will be responsible for selecting and electing the Board of Directors, and may establish a governance framework for business plans, expenditures, and corporate policies.

In the absence of a Destination Marketing Corporation, the City would have to remit 50% of the annual MAT tax revenues and responsibility for marketing the City as a tourism destination to an external organization or agency, over which the City has no direct control.

### **Budget and Funding**

The creation and management of an annual operating budget will be the responsibility of the Corporation's Board of Directors, and be subject to City Council's approval. The Corporation will be funded from the proceeds of a Municipal Accommodation Tax (MAT) that is anticipated to be implemented by the City of Markham in January 2019. It is estimated that the Corporation's share of the MAT revenues in the initial 2-3 year period will be approximately \$1.3 million annually and is anticipated to grow as hotel room capacity increases. Additional revenue would also be generated if the City extends the MAT tax to cover Air BnB and other non-traditional transient overnight accommodations in Markham.

### **Public Accountability and Reporting**

The Corporation will provide the City with a multi-year business plan on an annual basis as part of the City's annual budget approval process. The business plan will include all of the following:

- the strategic objectives, priorities and business objectives, including all revenue and expenditures anticipated for the upcoming year;
- performance metrics for monitoring progress and accomplishments;
- an operating budget for the Corporation for the next financial year, including the current year actual, budget and variance.

The Corporation will present results of operations on a semi-annual basis, to City Council including information regarding major business developments resulting from the ongoing efforts of the Corporation.