

Tofino Ratepayers Association



March 4, 2020 Re: MRDT Backgrounder

To the Members of the Tofino RPA

There is a discussion going on in Tofino, but you won't likely read about it in the Westerly news. You won't see it on an agenda at a council meeting. It is unlikely to come up in meetings about amending the OCP. You are unlikely to hear about it at the pub or in the surf. This discussion is about the future of Tofino in a crucial way, yet there is no official public discussion. It is about the MRDT. The subject deserves a higher profile. It should be the stuff of public information circulars and debates, but it is not.

So, what is the MRDT? Officially it is defined as the Municipal and Regional District Tax. Sounds very bureaucratic but it is quite simple. It used to be referred to as the Bed Tax, because every hotel, motel, lodge etc. charges an increased sales tax for every accommodation bill. It has always been 2% but more recently 3%. The money goes to the Provincial government and comes back to the District of Tofino to be given to the local organization known as "Tourism Tofino". You can look them up on google. The board consists primarily of the larger Tofino tourism operators, plus some other relevant local agencies and interests.

What do they do with the money? Primarily they promote tourism for Tofino. Originally the scheme was seen as a way for local tourist operators to organize themselves and fund their own promotion, through a separate pool of funds, without the inconsistencies of going, cap in hand, to local or provincial governments every year for grants etc. They can raise the moneys themselves through a tax on their customers and get on with it.

How has it worked out? This has worked really well for boosting tourism and increased visitation. The tourism sector of the Tofino economy has shot ahead. And Tofino is recognized far and wide as a desirable place to visit. Who can argue with its success? And really it is the tourists themselves that have paid for it.

More recently the rate has been increased to 3%. The additional 1% is being used to quickly pay off the capital costs of the Tourism Info center along the highway behind Cox Bay.

One thing I have left out, so far, is that the MRDT is an arrangement requiring three signatories. The Province through the ministry of Tourism, Tofino through the District Council, and the tourist Industry through Tofino Tourism. The current arrangement runs until the end of 2021. And this is where the subject gets more interesting. All three parties must agree to continue forward.

What are the terms of the arrangement going forward?

It has been projected that the cost of the Tourist info center will have been covered by the end of the year 2020. Should the MRDT revert to 2% and continue on as before? Some people have suggested that it should remain at 3% and that 1 of the 3% go to the District of Tofino to help pay down its own capital cost projects, particularly the borrowing costs associated with the Sewage Treatment facility. For this to happen all three of the signatories will have to be convinced that this is a reasonable way to go.

What are the arguments that might come into play on this decision?

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It would be fair to say that tourism is a significant contributor to the demand for infrastructure. Water and sewer are precious commodities in the summer, particularly when tourists significantly outnumber residents. Perhaps the tourists should contribute more directly to Tofino's capital infrastructure projects through the MRDT. Just as they have done in the last few years in funding the Tourism Info Center Project for Tourism Tofino.

The alternatives to using the MRDT to paying down Tofino's costs, are for certain, more property taxes. For business as well as the homeowner, the contribution the MRDT could make seems a less expensive route for both. Business would have to generate increased revenues to cover increased taxes.

But there are other options available to council which may be more unsavoury to the business sector. Most municipalities with the success and vibrancy of the Tofino commercial sectors pay commercial property taxes at a rate higher to the residential rate, than is currently charged in Tofino. Tofino currently charges commercial property tax at 3 times the residential rate. That may sound high, but many municipalities charge a good deal more, up to 50% more than Tofino. So, 4.5 times the residential rate. There is plenty of reason for those rates to apply in Tofino and there will be some pressure on council to "get with it" but this may also be avoided with a reasonable deal on the MRDT.

Some in the tourist sector as well as the private property owner, may argue "What is the use of giving more money to that bunch of rascals at city hall, who already get too much of our money as it is?" To whom I would suggest, firstly, to join the Tofino RPA if you haven't already, and secondly, that may be a good point but not the point we are dealing with today.

It seems to me MRDT has the most likelihood of softening significant tax increases for everyone.

It will likely save Tofino Taxpayers approx. \$500,000.00 now and more going forward on an annual basis. The mechanism already exists, it is cheap to implement, and the Province has been a willing partner in the past. Willing to make changes, and should be willing again, with a cohesive proposal.

If Tourism Tofino cannot support a sharing of the MRDT to offset the costs of running a Tourist town then they will come off as an unreliable partner to the community and the Council, who must govern for the interests of all.

If the District does not stand up for the interests of the broader community it claims to represent, it will come off as acquiescing to the tourism Industry, "a special interest." While saddling the residents with an unfair burden by way of tax.

If there is no deal struck. We all lose. But in the absence of any deal, the tourist sector will lose the most.

It would be far better to approach the Province with a consensus amongst local interests and this is what Council should be pursuing between the tourist sector and the community at large. But to do this we need some public involvement.

Let me diverge for a moment.

In the last year or so, vacation rentals in Tofino have begun collecting the 3% MRDT from their guests. These monies are apparently going back to the District earmarked for "Affordable Housing". I don't do

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Vacation Rental myself so I can't say for certain, but I don't recall any community discussion around this. It seems reasonable enough for VR's to collect this tax from their guests but unlike Tourism Tofino they seem to have had no input into its end use, and no say. Regardless of whether you are a fan of VR's or not, affordable housing proposals of the District or not, this is off. The Tofino RPA supports more collaborative effort than this brief history exhibits. What is to become of the VR's 3% MRDT if Tourism Tofino goes back to 2% and where should that money go? And who is signing off on the MRDT on behalf of the VR's? See paragraph #1 above.

I am surprised that the VR sector does not seem to have an organization to represent its own interests and point of view.

In regard to the MRDT I am leery of the current proceedings or rather the lack thereof. I am leery of a deal negotiated in anything less than the clear light of day and an informed public.

Please comment on, and or correct, any part of this, to the author, or the Tofino RPA. If your reception is positive, I hope to use it for broader circulation. Or as the basis of a public petition.

Please share this information with your friends and neighbours. Please ask your councillors and Mayor to respond.

Cheers Jack Gillie