

TO:	CHAIR AND MEMBERS CORPORATE SERVICES COMMITTEE MEETING ON FEBRUARY 19, 2019
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	GRAND THEATRE – MUNICIPAL ACCOMMODATION TAX FUNDING REQUEST

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer:

- (a) The following report regarding the Grant Theatre’s request for Municipal Accommodation Tax (MAT) funding from the Tourism Infrastructure Reserve Fund **BE RECEIVED** for information;
- (b) Further requests for funding from the Tourism Infrastructure Reserve Fund **BE DEFERRED** pending Civic Administration’s report on a process for future allocations from the Tourism Infrastructure Reserve Fund.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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“Request for Funding – 2019 Juno Awards,” Corporate Services Committee, December 11, 2018, Agenda Item #2.3:
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=55743>

“Municipal Accommodation Tax – Required Agreements and By-laws,” Strategic Priorities and Policy Committee, June 25, 2018, Agenda Item #2.2:
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=46809>

“Municipal Accommodation Tax – Implementation,” Strategic Priorities and Policy Committee, May 7, 2018, Agenda Item #3.3:
<https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=44075>

“Transient Accommodation Tax,” Strategic Priorities and Policy Committee, January 29, 2018, Agenda Item #3: <https://pub-london.escribemeetings.com/filestream.ashx?DocumentId=38877>

BACKGROUND

The Municipal Accommodation Tax (MAT) was implemented in London on October 1, 2018. Fifty percent of the net MAT revenues will be allocated to Tourism London as the City’s “eligible tourism entity for the exclusive purpose of promoting tourism” in accordance with Ontario Regulation 435/17. The other fifty percent of the net MAT revenues remain with the City of London, noting that the use of these funds is not restricted by Provincial regulation. For the first 3 months ending December 31, 2018, net MAT revenues after collection fees have totaled approximately \$822,000. The City of London’s share of approximately \$411,000 has been contributed to the Tourism Infrastructure Reserve Fund in accordance with Council direction, with the other half allocated to Tourism London. The following table summarizes MAT revenues for the 3 months ending December 31, 2018:

(\$000's)	October	November	December	TOTAL	AVERAGE
Total MAT Revenues	325	314	212	851	284
Less: Collection Costs*	(24)	(3)	(2)	(29)	(10)
Less: Audit Costs**	(0)	(0)	(0)	(0)	(0)
Net MAT Revenues	301	311	210	822	274
Tourism London Share (50%)	150.5	155.5	105	411	137
City of London Share (50%)***	150.5	155.5	105	411	137

* 1% of monthly remittances plus \$20,000 one-time fee per agreement with Ontario Restaurant Hotel & Motel Association (ORHMA).

** Costs associated with audits of accommodation providers were not incurred in 2018, however it is expected that audit costs will be incurred in future years.

** Contributed to the Tourism Infrastructure Reserve Fund.

DISCUSSION

Council-Approved Allocations from the Tourism Infrastructure Reserve Fund

On December 18, 2018, Council approved the allocation of \$150,000 from the Tourism Infrastructure Reserve Fund to construct temporary outdoor infrastructure surrounding Budweiser Gardens for the 2019 Juno Awards, including a red carpet viewing area, fan zone, and media staging area.

Additionally, through the 2019 Budget Update process, the Strategic Priorities and Policy Committee (SPPC) approved Budget Amendment #7, a \$2 million funding request from the London Children's Museum to support the relocation of the Children's Museum to 100 Kellogg Lane, subject to Council approval on February 12, 2019. Of this \$2 million total funding allocation, \$500,000 is to be funded from the Tourism Infrastructure Reserve Fund, subject to Council approval. It is anticipated that this draw will not be required until 2020 or 2021 as the London Children's Museum progresses towards their anticipated move in 2022.

Assuming average monthly total MAT revenues net of collection fees of \$250,000 (50% of which will be allocated to Tourism London), the balance in the Tourism Infrastructure Reserve Fund can be estimated as:

Tourism Infrastructure Reserve Fund (\$000's)	2018	2019	2020	2021
Opening Balance	0	411	1,761	2,761
Estimated Contributions	411	1,500	1,500	1,500
Approved Drawdowns				
- 2019 Juno Awards		(150)		
- London Children's Museum			(500)	
Estimated Ending Balance	411	1,761	2,761	4,261

Grand Theatre Request

The Grand Theatre has requested \$2 million from the Tourism Infrastructure Reserve Fund. This request is a component of an \$8 million renovation project that will result in renovations to the following areas of the Grand Theatre:

- Spriet Stage – fly system, sound system, stage lighting, house lighting, special effects automation, video projection, and additional safety infrastructure for working at heights;
- McManus Stage – new seating, sound system, stage lighting, house lighting, and conversion into a “theatre lab”;
- Building Envelope/Infrastructure – replace 4 of 7 roofs, window replacements and sealing, and reconfiguration of stage door entrance;
- Box Office – reconfigure and modernize, with street facing access;
- Lobby – reconfigure and modernize, with the addition of two lobby stages and changes to the stairs and street entrance;
- Wardrobe and Props – expansion of the wardrobe into the unused space above the prop shop, reconfiguration of the prop shop;
- Artist Spaces – renovate and modernize two rehearsal halls, Green Room and dressing rooms.

The Grand Theatre has applied for a \$4 million Canada Cultural Spaces Fund federal grant, and has also identified \$2 million of private donations, subject to municipal matching. Due to the timing of the Theatre’s season, which runs from September to May, some equipment will be purchased and installed in summer 2019, with the majority of the work scheduled for summer 2020. In order to accommodate this schedule, the Grand Theatre has requested a funding commitment by spring 2019, with funding to be provided by spring 2020. The urgency to receive a funding commitment from the City is to leverage the municipal contribution to secure federal grant funding and private donations.

The Tourism Infrastructure Reserve Fund by-law outlines the intended uses of the fund:

“[...] to fund initiatives/projects that support tourism, including but not limited to the following:
a. Fund tourism related infrastructure projects;
b. Finance new projects and improve venue capacity and sustainability in order to strengthen London’s ability to attract major tourism related events; and
c. Leverage private sector and government capital investment to support initiatives that encourage tourism infrastructure development.”

The Grand Theatre has indicated that they estimate that approximately 10%, on average, of their attendees are visitors from outside of London. In addition, the Grand Theatre has recently partnered with various productions to bring attention to London as a cultural destination, including:

- Partnering with the American Conservatory Theatre (A.C.T.) in San Francisco to bring *A Thousand Splendid Suns* to London;
- Partnering with Fuel Productions in England to bring the *Barbershop Chronicles* to London, the only Canadian stop on their North American tour; and
- Next season, the Grand Theatre will partner with Covent Garden Productions in England and Mirvish Productions in Toronto to produce the North American premiere of Emma Donoghue’s *Room*.

Based on limited experience with MAT revenues, it is unlikely that sufficient funds will be available in the Tourism Infrastructure Reserve Fund to fund a request of this magnitude until 2020. Should Council wish to support the Grand Theatre’s request for funding, the following funding sources, in addition to the Tourism Infrastructure Reserve Fund, could be considered:

Funding Source	Projected 2019 Ending Balance*
Economic Development Reserve Fund	\$16,400,000
Community Investment Reserve Fund	\$775,000

* As of January 1, 2019. Excludes any commitments subsequent to this date (e.g. 2019 Budget Update process).

Process for Future Allocation of Funding from the Tourism Infrastructure Reserve Fund

Civic Administration is currently developing various options for a process for future allocations from the Tourism Infrastructure Reserve Fund. This process will consider:

- The portion of MAT revenues to be retained to fund tourism-related projects within the City of London capital plan and the portion to be made available (through an application process) to external organizations supporting tourism in the city;
- Whether there should be multiple streams (e.g. annual funding, multi-year funding, etc.) or a singular stream of funding available;
- An efficient intake process to accept applications for funding from the Tourism Infrastructure Reserve Fund.

A report outlining these options is expected to be brought forward for consideration in the 2nd quarter of 2019. Until that time, it is recommended that additional requests for funding from the Tourism Infrastructure Reserve Fund be deferred. This will provide an opportunity to obtain further experience and accumulate a reasonable balance in the Tourism Infrastructure Reserve Fund, and is consistent with the City’s general practice to not make a commitment from a reserve fund until a sufficient balance is available to fund the commitment.

SUMMARY

The City of London implemented the Municipal Accommodation Tax on October 1, 2018. Half of the net proceeds of the MAT are allocated to Tourism London, with the other half retained by the City of London and contributed to the Tourism Infrastructure Reserve Fund to fund initiatives/projects that support tourism. As of the end of 2018, the balance in the Tourism Infrastructure Reserve Fund is approximately \$411,000. Two allocations totalling \$650,000 are currently expected to be disbursed in 2019 and 2020.

The Grand Theatre has requested a \$2 million contribution to support their \$8 million renovation project in order to leverage potential federal funding and private donations. Should Council wish to support the Grand Theatre's request, appropriate funding sources would include the Tourism Infrastructure Reserve Fund, Economic Development Reserve Fund, and Community Investment Reserve Fund. Civic Administration is currently developing options for a process for future allocations of funding from the Tourism Infrastructure Reserve Fund, with a report expected in the 2nd quarter of 2019. In the meantime, Civic Administration recommends that any further requests from the Tourism Infrastructure Reserve Fund be deferred until the future allocation methodology is determined.

SUBMITTED BY:	RECOMMENDED BY:
KYLE MURRAY, CPA, CA DIRECTOR, FINANCIAL PLANNING & BUSINESS SUPPORT	ANNA LISA BARBON, CPA, CGA MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER