



Staff Report

Administration – Communications

Report To: COW-Finance, Admin, Fire, Legal, Community Services
Meeting Date: June 26, 2023
Report Number: FAF.23.092
Title: Municipal Accommodation Tax Review and Stakeholder Engagement Plan
Prepared by: Tim Hendry, Manager of Communications and Economic Development

A. Recommendations

THAT Council receive Staff Report FAF.23.092, entitled "Municipal Accommodation Tax Review and Stakeholder Engagement Plan";

AND THAT Council direct staff to further investigate the implementation of Municipal Accommodation Tax, including community and industry stakeholder consultation sessions and report back by November 2023 with a summary of the findings including an economic impact analysis and a feasibility review of structure and governance options;

AND THAT Council supports funding to an upset limit of \$40,000 from the 2023 Operating Budget to review and evaluate Municipal Accommodation Tax.

B. Overview

The purpose of this staff report is to provide Council with an outline of the proposed project work plan that will be used to review and gather information regarding Municipal Accommodation Tax. The report also seeks input and direction from Council to proceed with further investigation to review Municipal Accommodation Tax, including community and industry stakeholder consultation and engagement.

C. Background

At the May 8, 2023 Council Meeting, Council passed the following resolution related to staff report [FAF.23.053 Municipal Accommodation Tax and Vacant Homes Tax Update](#).

THAT Council receive Staff Report FAF.23.053, entitled "Municipal Accommodation Tax and Vacant Homes Tax Update";

AND THAT Council direct staff to not proceed with the Vacant Homes Tax for 2024 implementation, Carried.

THAT, with respect to Staff Report FAF.23.053, entitled "Municipal Accommodation Tax and Vacant Homes Tax Update" Council direct staff to bring forward a report by the end of June 2023 with detailed background information related to the potential implementation of a Municipal Accommodation Tax, including a robust stakeholder consultation plan, Carried.

D. Analysis

Municipal Accommodation Tax (MAT) is a tax levied on the purchase of transient accommodations within a municipality. The funds collected through the tax are used to promote tourism and to support tourism-related activities and projects. MAT came into effect on December 1, 2017 and is governed by [O. Reg. 435/17: Transient Accommodation Tax](#). The regulation outlines the rules and procedures for the collection and remittance of the tax.

The regulation provides municipalities with discretion to determine the types of short-term accommodation the tax would apply to, such as short-term accommodations, hotels/motels, campgrounds, overnight mooring, etc. The regulation does not provide a definition of transient accommodation; however, it is generally accepted that transient accommodation is defined as overnight stays of 29 days or less. In addition, the regulation does not provide guidelines related to the amount or percentage of the levied tax rate, although through review, most municipalities have set the tax rate at 4%.

It is important to note that the tax can only be applied to the purchase of accommodation and does not apply to incidental fees and charges unrelated to the purchase of accommodation, such as room service, laundry services, parking, etc.

Revenue Collection

The tax is collected by the accommodation provider when the guests book or check-in for their visit. All collected funds are required to be remitted to the municipality on a regular basis. The regulation provides two models related to the requirements to share MAT revenue with an eligible tourism entity. Each model outlines a revenue-sharing formula that must be followed.

The first revenue model applies if a destination marketing program exists in the municipality on the day before the tax comes into effect. In this instance, the regulation provides a revenue-sharing formula that considers a number of factors such as revenues collected, the number of days the MAT has been in effect that calendar year, etc. The formula contains multiple variables that need to be considered.

The second revenue model applies if a destination marketing program does not exist in the municipality on the day before the tax comes into effect. In this instance, the revenue collected is split equally (50/50) between the Town and the eligible tourism entity.

Based on the above revenue-sharing models, the Town retains a portion of the revenue, which can be used in any manner the municipality deems appropriate. The other portion of the revenue must be given to an '*eligible tourism entity*', which is defined in the regulation as a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a

municipality. The act further outlines that the eligible tourism entity must use the funds for the exclusive purpose of promoting tourism which also includes the development of tourism products.

As part of the review process, the Town will conduct research and undertake a due diligence process to evaluate the revenue-sharing models. Information will be provided to Council through a future staff report.

MAT Across Ontario

Throughout Ontario, approximately 47 municipalities have implemented MAT (see table below). Following the direction provided by Council, staff began a preliminary high-level review to gather information about MAT by contacting a number of municipalities that have implemented MAT. Municipalities included Gravenhurst, Gananoque, Huntsville, Thunder Bay, Sarnia, Guelph, South Bruce Peninsula, Hamilton, Prince Edward County, Ottawa, Kingston, Stratford and Niagara-on-the-Lake.

Through discussions, each municipality provided valuable insight into the process and key considerations that formed the foundation of their respective MAT programs. A key observation is that there is no one-size-fits-all approach to implementing MAT. In each case, every municipality tailored the review and implementation process to match the unique characteristics of their respective community and partnerships.

The information provided below is a high-level summary of the valuable insight and information provided by other Municipalities. The basis of this information will help guide and inform stakeholder discussions.

- Give the process the time that it requires – MAT should not be a rushed decision as it requires a clear vision, strategy and support from multiple stakeholders;
- Accommodation and tourism industry stakeholder feedback and engagement is essential to ensure a successful and collaborative process;
- Ensure that the Town's vision for implementing MAT is aligned with the objectives and goals of the local tourism industry;
- Ensure that the Town's vision for implementing MAT and for promoting tourism is well understood and supported by residents and stakeholders;
- Establish a clear understanding and manage expectations regarding how the Town's share of MAT revenue will be used;
- Establish a clear and transparent process related to the portion of MAT revenue that will be provided to the eligible tourism entity for the purposes of promoting tourism;
- Develop a collaborative Destination Marketing Plan to guide tourism marketing decisions and consider creating a Municipal Accommodation Tax Advisory Committee;
- Develop clear MAT FAQ's and information sheets that can be provided to local accommodation providers and overnight guests; and
- Do not phase in the implementation of MAT – it should be applied consistently to all transient accommodation providers equally to ensure fairness.

List of Municipalities with MAT

Municipality	Population
City of Toronto	2,794,356
City of Ottawa	1,017,449
City of Mississauga	717,961
City of Hamilton	569,353
City of London	543,551
City of Markham	338,503
City of Vaughn	323,103
City of Kitchener	256,885
City of Windsor	229,660
City of Oakville	213,759
City of Burlington	186,948
City of Barrie	147,829
City of Guelph	143,740
City of Cambridge	138,479
City of Kingston	132,485
City of Waterloo	121,436
City of Thunder Bay	108,843
City of Brantford	104,688
City of Niagara Falls	94,415
City of Peterborough	83,651
City of Sault Ste. Marie	76,731
City of Sarnia	72,047
City of North Bay	71,736
City of Belleville	55,071
City of Cornwall	47,845
City of Quinte West	45,560
City of Orillia	33,411
City of Stratford	33,232
City of Timmins	28,874
Township of Woolwich	26,999
Prince Edward County	25,704
City of Brockville	22,116
Township of Wilmot	21,429
Town of Huntsville	21,147
City of Port Colborne	20,033
Niagara-on-the-Lake	19,088
Town of Gravenhurst	13,157
Township of Wellesley	11,318

Municipality	Population
Township of North Dumfries	10,619
South Bruce Peninsula	9,137
Town of Fort Frances	7,466
City of Dryden	7,338
Sioux Lookout	5,839
Town of Gananoque	5,383
Town of Hearst	4,794
Municipality of North Bruce Peninsula	4,404
Town of Marathon	3,138

Stakeholder Engagement Plan

As referenced within the recommended motion of the report, staff acknowledge and support the need to undergo a comprehensive and collaborative stakeholder engagement process to evaluate the feasibility of MAT. The stakeholder engagement plan will use a variety of feedback collection methods to gain perspectives from various audiences. For the purposes of evaluating MAT, four primary stakeholder groups have been identified:

1. **Accommodation Providers** – E.g. Hotels, Motels, Commercial Resort Units, Campgrounds, Licensed Short Term Accommodation providers, and Industry Associations such as The Blue Mountains Short Term Accommodation Owners Association;
2. **Tourism Organizations & Operators** – E.g. Blue Mountain Village Association, South Georgian Bay Tourism, RT07 and Grey County Tourism/Economic Development;
3. **Local Business Associations** – E.g. Blue Mountain Village Association, South Georgian Bay Tourism, Thornbury Business Improvement Area, Clarksburg Village Association, The Blue Mountains Chamber of Commerce and Blue Mountains Short Term Accommodation Owners Association; and
4. **Residents** – E.g. Residents of the Town of The Blue Mountains.

The following chart outlines the engagement plan for each of the primary stakeholder groups:

Stakeholder Group	Engagement Plan
Accommodation Providers	<ul style="list-style-type: none"> - Interviews and facilitated workshops will be conducted with accommodation providers to obtain direct feedback and to identify important considerations. Staff acknowledge and support that multiple meetings will be needed throughout the review process.
Tourism Organizations	<ul style="list-style-type: none"> - Individual interviews will be conducted with each tourism organization to understand perspectives related to MAT and the requirement to use a portion of the MAT revenue for the exclusive purpose of promoting tourism.
Business Associations	<ul style="list-style-type: none"> - As representatives of the local business community, the Town will host group workshop discussions with executives from the five business associations.
Residents	<ul style="list-style-type: none"> - To gain the perspective of local residents, the Town will launch a public survey to assess public support related to MAT and the investment into supporting and promoting tourism.

Economic Assessment

Understanding the economic benefits and impacts of MAT is essential to the review process. Unlike other mandatory forms of taxation, MAT revenue is market driven by tourism demand and is subjective to market factors such as seasonal demand, weather patterns, inflation, travel restrictions (e.g. COVID -19), etc. In addition, consideration should be given to assess market readiness, market competitiveness, hotel/motel sector growth projections and to identify potential pitfalls and risks associated with the implementation of MAT.

Understanding the need and complexities of the economic assessment, staff recommend that Council consider approval of the recommended budget within this staff report of which a portion of the funds will be used to hire an experienced consultant to conduct a detailed economic assessment related to MAT.

Tourism Support and Alignment

The MAT regulation provides very clear direction that the portion of revenue provided to the eligible tourism entity must be used for the exclusive purpose of promoting tourism which also includes the development of tourism products. This is a very important aspect related to the implementation of MAT for Council, residents and all stakeholders to understand.

Through the review and evaluation of MAT, the stakeholder engagement plan listed above will include data gathering and opportunities for stakeholders to share their perspectives regarding the support to actively promote and grow tourism and invest into tourism-related and supportive infrastructure.

Destination Marketing Plan

A key consideration provided through discussions with other municipalities is the need to have an industry-aligned strategy/action plan to guide the marketing and tourism promotion efforts that will be undertaken as a result of the MAT revenue. Most municipalities that staff talked to have developed a broad Tourism Strategy or a more focused Destination Marketing Plan to this effect. At a high-level review, staff estimate the cost of this work to be approximately \$40,000 and would require the services of an experienced tourism or destination development consulting firm. This work would provide the Town and eligible tourism entity with a comprehensive, actionable and measurable plan to promote tourism aligned with the requirements of the MAT regulation.

The decision to proceed or not with the development of a Destination Marketing Plan would be presented to Council following the formal decision related to the implementation of MAT.

Evaluation and Implementation Timeline

Staff acknowledges and supports the need for a thorough and detailed review and evaluation process. The timeline below was created to provide a rough/draft timeline related to the potential implementation of MAT. The date in which the MAT could come into effect can be adjusted to reflect Council direction.

- **June – October 2023:** Legal Review, Stakeholder Engagement & Economic Assessment
- **November 2023:** Summary report of findings presented to Committee of the Whole
- **January 2024:** Follow up report to Council seeking formal direction on the implementation MAT and the consideration of a Destination Marketing Plan

If MAT is approved, the following timeline was developed as a rough/draft timeline regarding implementation:

- **February – June 2024:** Development of a Destination Marketing Plan to support and guide implementation
- **Summer 2024:** MAT By-law presented for Council approval
- **Fall 2024:** MAT Comes into Effect (Exact date TBD by Council direction)

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders.

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

4. Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

F. Environmental Impacts

No environmental impacts are anticipated as a result of this report.

G. Financial Impacts

Staff are looking to invest approximately \$40,000 to complete a review and due diligence process related to MAT. This funding will be spent on legal advice, stakeholder facilitation, governance and structure review and an economic impact review. This funding will come from the 2023 operating budget.

Through this research process staff will be looking to estimate the revenue projects for the MAT. This will give Council and the public an idea on the additional revenues that will be available for tourism promotion and what the amount retained by the Town will be.

Staff are looking at a 2024 Q3 implementation which will impact on the 2024 budget with the full impacts being felt in the 2025 budget.

H. In Consultation With

Shawn Everitt, Chief Administration Officer

Ruth Prince, Director of Finance and IT Services

Sam Dinsmore, Deputy Treasurer

I. Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Tim Hendry, Manager of Communications and Economic Development communications@thebluemountains.ca.

J. Attached

N/A

Respectfully submitted,

Tim Hendry
Manager of Communications and Economic Development

For more information, please contact:
Tim Hendry, Manager of Communications and Economic Development
communications@thebluemountains.ca
519-599-3131 extension 282

Report Approval Details

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Attachments:	
Final Approval Date:	Jun 16, 2023

This report and all of its attachments were approved and signed as outlined below:

Shawn Everitt - Jun 16, 2023 - 9:19 AM