



Staff Report

Administration – Communications

Report To: COW_Finance_Admin_Fire_Community_Services
Meeting Date: January 15, 2024
Report Number: FAF.24.004 REVISED
Title: Municipal Accommodation Tax Project Update
Prepared by: Tim Hendry, Manager of Communications and Economic Development

A. Recommendations

THAT Council receive Staff Report FAF.24.004, entitled "Municipal Accommodation Tax Project update";

AND THAT Council directs staff to continue to explore the feasibility and considerations of implementing a Municipal Accommodation Tax through the preparation of a follow-up report specific to governance and administrative considerations based on feedback gathered through the Phase 1 Stakeholder and Public Engagement process.

AND THAT Council acknowledges that at this time, no formal decisions regarding Municipal Accommodation Tax have been made and that staff will be seeking a formal decision regarding Municipal Accommodation Tax following the additional information being brought forward as referenced;

AND THAT Council directs staff to proceed with applying for grant opportunities to support the development of a tourism and destination strategy and to report back to Council regarding the outcome of the grant application.

B. Overview

This report provides Council with an update regarding the Municipal Accommodation Tax project. The report provides an overview of the community and industry stakeholder consultation sessions and a summary of the research report and economic impact analysis report.

C. Background

At the June 26, 2023 Committee of the Whole meeting, staff presented report [FAF.23.092 "Municipal Accommodation Tax Review and Stakeholder Engagement Plan"](#). The report outlined the community and industry stakeholder consultation plan and outlined various considerations related to the potential implementation of a Municipal Accommodation Tax within the Town of The Blue Mountains.

As a reminder, Municipal Accommodation Tax (MAT) is a tax levied on the purchase of transient accommodations within a municipality. The tax is collected by the accommodation provider when guests book or check-in for their visit. All collected funds are required to be remitted to the municipality on a regular basis. The funds collected through the tax are used to promote tourism and to support tourism-related activities and projects. As detailed by the [Provincial Regulation](#) and the revenue-sharing models, the Town will retain a portion of the revenue, which can be used to support tourism 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.

To support the project, the Town retained the services of Bannikin Travel and Tourism to lead the detailed research portion of the MAT evaluation and review project and the services of CBRE Tourism Consulting to conduct the associated economic impact analysis. The cost related to this work was authorized by Council, through staff report [FAF.23.092](#).

D. Analysis

The Municipal Accommodation Tax (MAT) project began in early 2023 through a staff-led effort to understand the relevant context, opportunities and challenges related to MAT. Bannikin and CBRE Tourism Consulting were engaged in Q4 2023 to lead and assist with a more detailed and thorough analysis based on their expertise.

The final reports from Bannikin (Attachment #1) and CBRE Tourism Consulting (Attachment #2) are attached to this staff report for information. The remainder of this staff report has been divided into four sections to provide a high-level summary of the findings.

Part 1 – Municipal Accommodation Tax Research

Part 2 – Review of Public and Stakeholder Consultation

Part 3 – Review of Economic Impact Analysis

Part 4 – Considerations and Next Steps

Part 1 – Municipal Accommodation Tax Research

Leading up to staff report [FAF.23.092](#), Town staff conducted a high-level review of Municipal Accommodation Tax (MAT) throughout Ontario. At the time of writing the initial report, 47 municipalities had implemented MAT. Most recently, it is estimated that over 50 municipalities have implemented MAT through the additions of the City of Owen Sound, Town of Lincoln, and Kirkland Lake. During the initial review process, staff talked to many municipalities to learn about the context, challenges and opportunities they faced and to gain a more thorough understanding of the best practices related to MAT structure and implementation. In addition, staff had discussions with related organizations, including the Tourism Industry Association of Ontario (TIAO) and various hotel associations throughout the province.

To deepen the understanding of the considerations and best practices related to MAT, the Town retained Bannikin Travel and Tourism to conduct a detailed assessment and establish a strong understanding of the context, challenges, opportunities, and social and economic

implications of implementing and administering a MAT. Through their work, Bannikin reviewed various research, reports, studies and best practices from Municipalities throughout Ontario. In addition, Bannikin completed a review of two comparator municipalities – City of Kingston and City of Victoria in British Columbia. Through this work, Bannikin developed a list of considerations, best practices and recommendations for the Town to follow should the decision be made to implement MAT. Full details of the research process and a summary of the findings are included in Attachment #1 to this staff report.

Part 2 – Review of Stakeholder Consultation and Public Engagement

In addition to the detailed research, Bannikin also led the stakeholder consultation and public engagement process. Conducted throughout Q4 2023, the consultation process included four primary activities to engage accommodation providers, tourism operators, local businesses and residents:

1. **Role of Tourism Survey** – A public survey was developed for residents and, local business owners and tourism operators to share their feedback and perspectives on tourism and MAT. A total of 366 residents and 37 industry members responded to the survey. The survey results are summarized in Attachment #1 to this staff report.
2. **Accommodation Provider Survey** – A dedicated survey was created and sent directly to accommodation providers, including Short Term Accommodations (STAs), Commercial Resort Units (CRUs), Hotels, Motels, Campgrounds and Rental Management Companies). The survey was divided into two parts, with the first part related to general feedback about the accommodation industry and MAT, and the second part focused on accommodation provider-specific data such as occupancy rates and average daily rates, which were used to help inform the economic impact assessment work being completed by CBRE Tourism Consulting. A total of 136 accommodation providers responded to the survey. The results of the survey are summarized within Attachment #1 to this staff report.
3. **Accommodation Industry Table Talks** – To further engage accommodation providers in a more in-depth setting, two (2) in-person and one (1) virtual table talk sessions were held with fourteen (14) attendees at the in-person sessions and ten (10) attendees at the virtual session for a total of 24 participants. The discussion involved open dialogue questions around attendees' general understanding of a Municipal Accommodation Tax, possible strengths and weaknesses of implementing a MAT in the Town of The Blue Mountains, opportunities and challenges that would come with a MAT, and additional concerns and areas of inquiry to further clarify.
4. **Key Stakeholder Interviews** – To gain perspective into the local tourism and accommodation sector and to gain insight from experts within the field of destination marketing and MAT, Bannikin conducted 11 key stakeholder interviews. These interviews were confidential, in-depth discussions with various individuals that are experts within their respective fields. The range of expertise included tourism, accommodation, destination marketing and government.

A detailed summary of the stakeholder consultation and public engagement efforts are included in Attachment #1 to this staff report.

Part 3 – Review of Economic Impact Analysis

To understand and quantify the economic impact of MAT, CBRE Tourism Consulting was retained to conduct a detailed economic impact analysis and revenue estimate and forecasting study based on the Town implementing a 4% MAT.

As identified in the report (Attachment #2 to this staff report), implementing a 4% MAT on 1,825 available rooms would generate approximately \$4.0 Million in annual revenue. This is based on historical market performance data provided by the CBRE Hotel Industry Database, short-term accommodation data provided through a third-party service provider, and data provided directly to CBRE by local accommodation providers. Although the Economic Impact Assessment report shows a clear 50/50 split of MAT revenue, it's important to highlight that the split of the annual revenue between the Town and the eligible tourism entity still needs to be determined and will be based on the revenue-sharing requirements of the Provincial MAT regulation.

The research from CBRE estimates that there are 1,825 accommodation units within the Town of The Blue Mountains. This includes a mix of short term accommodations (STA), commercial resort units (CRUs), village commercial resort units (VCRUs), hotels, motels and bed and breakfasts. Data from 2023, estimates that the occupancy rate was 53% with an average daily rate of \$285.00.

The report also compares historical market performance data from 2019 to 2022/2023 in an effort to understand the impact and level of recovery as a result of the pandemic. In addition, the report provides accommodation supply projections based on current and anticipated development applications for units that would be subject to MAT. The report estimates that an additional 291 will be brought online within the next five years, increasing the estimated annual MAT revenue to \$5.8 Million. It is important to highlight that supply projections are only estimates and that many factors contribute to whether or not a development project moves forward to completion.

The report concludes with a high-level overview of alternative revenue options, including an optimized destination marketing fee, commercial property tax rates and business licensing as a means for the Town to generate revenue. The scope of the work undertaken by CBRE Tourism Consulting did not include a full-scale assessment of the alternate revenue options. If Council is interested in exploring these options, staff will provide this information through future staff reports.

Part 4 – Considerations and Next Steps

Through the efforts and feedback received during the research and evaluation project and with the benefit of learning about MAT from many municipalities throughout Ontario, staff have gained a strong understanding of the best practices and next steps that should be followed to

formally develop the draft governance, structure and administrative framework for a MAT program.

If Council wishes to proceed in reviewing the feasibility of MAT, staff are recommending that a follow-up report be prepared to detail the specifics related to the governance, structure and administrative procedures of a MAT program. This process would allow staff the time to develop draft policies, procedures and by-laws that would be required. This work would include a framework related to governance and structure options, policies related to the use of MAT funds, collection/remittance procedures, and more.

In addition to the recommendation related to the follow-up report, staff have included a recommendation within the motion of this staff report seeking Council support for developing a Tourism and Destination Strategy for the Town and community. This direction is supported by best practices and expert advice provided by both Bannikin and CBRE Tourism Consulting. Although additional details need to be flushed out, it's clear that irrespective of a formal decision regarding MAT, there is a need for a formalized strategy to help guide and support tourism in the Town and that the strategy needs to be co-developed with industry in order to be effective. The recommendation for Council to support the development of a Tourism and Destination Strategy at this point in the process is related to a current opportunity for staff to apply for a Federal grant that is available, which if obtained, would provide significant funding to help support this work.

In closing, staff would like to acknowledge that although there is still a significant amount of work ahead to design the draft framework of the MAT program for the Town, the work completed throughout the Phase 1 Research and Evaluation project has been instrumental in understanding where to focus efforts and to establish strong and positive relationships within the local accommodation and tourism industry. Staff would like to acknowledge and express gratitude to the Blue Mountain Short Term Accommodation Association, Blue Mountain Village Association, South Georgian Bay Tourism, Regional Tourism Organization 7, Tourism Industry Association of Ontario, accommodation providers, key stakeholders and residents that made time to participate and contribute to the research and evaluation project.

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

Through staff report [FAF.23.092](#), Council approved \$40,000.00 from the 2023 Operating Budget to review and evaluate Municipal Accommodation Tax.

To date, \$39,812.50 has been spent on the research, public and stakeholder engagement sessions and data collection that has been required and necessary to support the first phase of the review process.

In addition, \$4,675 was spent on general strategic advice provided by Minto Schneider from MMGY NextFactor – a leading consulting firm specializing in travel and tourism. This was funded through the general Economic Development operating budget.

If Council wishes to proceed, an additional budget will need to be allocated to support the development and legal review of the draft policies, procedures and by-laws related to a MAT program's governance, structure and administrative procedures. Staff will provide Council with full costing details in a future staff report if direction to proceed is provided.

H. In Consultation With

Shawn Everitt, Chief Administrative Office

Sam Dinsmore, Action Treasurer and Director of Finance

Minto Schneider, MMGY NextFactor

Bannikin Travel and Tourism

CBRE Tourism Consulting

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 & Economic Development communications@thebluemountains.ca.

J. Attached

1. MAT Research Project Report – Bannikin
2. MAT Economic Impact Assessment – CBRE Tourism Consulting

Respectfully submitted,

Tim Hendry
Manager of Communications & Economic Development

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

Report Approval Details

Document Title:	FAF.24.004 Municipal Accommodation Tax Research and Engagement Follow Up.docx
Attachments:	- Attachment-1-MAT-Research-Project-Report-Bannikin.pdf - Attachment-2-MAT-Economic-Impact-Assessment-CBRE-Tourism-Consulting-.pdf - Attachment-3-Bannikin-MAT-Research-Project-Presentation - Attachment-4-CBRE-TBM-MAT-Study-Presentation
Final Approval Date:	Jan 5, 2024

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

Tim Hendry - Jan 5, 2024 - 4:43 PM

Shawn Everitt - Jan 5, 2024 - 4:44 PM