

# Town of The Blue Mountains

## Municipal Accommodation Tax Research Report

banikin

BEYOND TRAVEL & TOURISM

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# Acronyms

The below list includes the key acronyms used across this report:

- BMVA – Blue Mountain Village Association
- CRU - Commercial Resort Unit
- DMO – Destination Marketing/Management Organization
- MAT – Municipal Accommodation Tax
- SGBT – South Georgian Bay Tourism
- STA – Short-term accommodations and short-term rentals
- VAF – Village Amenity Fee
- VBA – Visitor-based Assessment

## Executive Summary

Bannikin was engaged to conduct primary and secondary research into the feasibility and related considerations for a potential Municipal Accommodations Tax (MAT) for the Town of The Blue Mountains. The project launched in early-October 2023 with the final research report submitted to Town staff on January 4<sup>th</sup>, 2024.

The research methodology for the project included:

- Key documentation and resources review
- Resident and Industry “Role of Tourism” survey
- Accommodation provider survey
- Desk research into the context of MAT in Ontario
- Comparator research into MAT governance models
- Key stakeholder interviews
- Accommodation provider table talks (two in-person, one virtual)

The results and analysis of the research and engagement activities have been organized into three (3) areas: 1) Stakeholder Relations and Communications, 2) Governance and Management, and 3) Planning and Investments for MAT Revenue.

Overall, the adoption and implementation of a MAT is a revenue tool available to the Town of The Blue Mountains. The area’s strong reputation as a four-season destination, unique tourism assets, and proximity to major urban centres and visitor markets mean that tourism is an important and recognized contributor to the local economy and a MAT

**A MAT includes implications for how the Town can build up or damage its relations with accommodation providers and the broader base of tourism stakeholders**

presents the potential to tap into one industry within the tourism sector, namely the accommodation industry, to raise revenue for tourism marketing, management, and development.

Importantly, there are contextual factors and stakeholder perceptions that must be considered and addressed before deciding on the potential adoption and timing of a MAT. These are explored in more detail through the Stakeholder Relations and Communications, Governance and Management, and Planning and Investments for MAT revenue. Key factors are then summarized in the strengths, weaknesses, opportunities, and challenges that are presented in the “Considerations.”

Furthermore, a MAT includes implications for how the Town can build up or damage its relations with accommodation providers and the broader base of tourism stakeholders. Initial steps taken by the Town to look into a MAT as a tax-revenue generation opportunity, with the intent of covering its bases and carrying out required due diligence reflect well on the process. Moving forward, it will serve the Town well to ensure that next steps are pursued with this continued level of attention to the engagement of relevant stakeholders, rather than rushed to make a work-back date for adoption.

Recommendations to guide the way forward, if a MAT is adopted, are included in the conclusion. The recommendations are presented along the three main areas of research discussed: 1) Stakeholder Relations and Communications; 2) Governance and Management; and 3) Planning and Investments for MAT Revenue.

Some of the recommendations stand regardless of whether a MAT is implemented, whereas others provide guidance on how to strategically move forward with a MAT, if this is the decision made by Town Council.

Focus Area 1: Stakeholder Relations and Communications	
Recommendations	<ol style="list-style-type: none"> <li>1. Prioritize building relationships and trust with accommodation providers through the existing short term accommodation licensing program and representative organizations (incl. Establish communication process with accommodation providers via their representative organizations).</li> <li>2. Clarify how STA fees and MAT are different (incl. Communicate any changes or adjustments directly with industry to build trust and inform transparency).</li> <li>3. Review STA regulation protocols and processes to ensure uniform and consistent enforcement.</li> <li>4. Engage with accommodation representatives across the design, structuring and development, and adoption of a MAT.</li> <li>5. Determine how resident feedback and stakeholder involvement will inform the management and use of MAT revenue. Identify, commit to, and communicate the planned uses of MAT revenue, and details on the governance/oversight process as part of by-law design and adoption through audience-specific communications.</li> <li>6. Identify and develop resources for industry to understand the collection process, remittance, and review of MAT (e.g., FAQ page, Q&amp;A webpage, reporting back timeline and resources).</li> <li>7. Craft messaging that supports accommodations in communicating about the tax to their customers and ensure that visitors have information on the need for and purpose of a MAT.</li> <li>8. Explore and formalize collaborative marketing approaches with other marketing partners across the region to build regional collaboration and avoid duplication of tourism development and marketing work.</li> </ol>

## Focus Area 2: Governance and Management

### Recommendations

1. Avoid rushing the approval, adoption, and by-law drafting for the sake of getting access to revenue as this can risk buy-in and future trust-based relationships needed for cooperation and compliance.
2. Confirm the not-for-profit tourism marketing entity with whom revenue would be shared (incl. potential to support the entity in evolving their work to focus on dedicated tourism marketing and development for the Town of The Blue Mountains).
3. Confirm how CRUs fit into STA licensing process. (Ideally before charging STAs a MAT, so that details around CRUs that qualify for MAT are clarified and included in how the by-law is structured and revenue collected).
4. Review STA licensing program to streamline and align STA licensing fee and related costs with the potential MAT, before implementing the MAT.
5. Identify what, if any, types of transient accommodation use would be exempt from the tax as part of drafting the by-law (e.g., medical patients requiring overnight accommodation outside of healthcare facilities, visiting fire fighters, etc.).
6. Establish a clear and transparent collaboration and revenue sharing agreement with the identified tourism entity that outlines mutual expectations, roles and responsibilities, planned use of MAT revenue (incl. areas of investment) and monitoring and evaluation processes (e.g., Guiding Principles, Memorandum of Understanding, Partnership Agreement, or other).
7. Confirm if a gradual/phased-in implementation across different types of accommodations based on existing infrastructure and resources for fee collection is feasible and beneficial (e.g., Kingston led with hotel/motels, and then introduced STAs into the process).
8. Explore and confirm if and how third-party booking platform, such as Airbnb and Vrbo, can collect and remit the potential MAT from guests on behalf of its hosts to the MAT administrators. (If not, confirm what type of payment platform needs to be evolved or developed to facilitate the most seamless MAT collection from guests and remittance from hosts).
9. Identify and co-establish any supportive governance body to inform collaboration between the Town and the tourism entity partner and facilitate industry-input into management and use of MAT funds (e.g., advisory committee).
10. Use high level accounting to track compliance to avoid expenses going into full auditing of accommodation providers, leading with conversation first (i.e., need to show that large portion of MAT is not going solely into collection and enforcement).

Focus Area 3: Planning and Investments for MAT Revenue	
Recommendations	<ol style="list-style-type: none"> <li>1. Develop a tourism strategy for the Town of The Blue Mountains that identifies further needs for tourism development, management, and marketing and acts as the guiding document for the municipality's portion of MAT revenue investments (incl. Conducting additional research into visitor segments and market demands).</li> <li>2. Establish a MAT revenue reserve fund, accompanied by an acceptable use/allocation policy or guiding principles for the use of MAT funds that are developed with input from tourism entity partner and local tourism partners (incl. industry representatives).</li> <li>3. Prioritize and communicate commitment to use of MAT funds to support tourism needs, opportunities, and growth to foster increased trust, transparency, and collaboration with industry.</li> <li>4. Invest municipal portion of MAT funds to support tourism management and development and address main concerns shared by industry and residents (incl. lack of parking and infrastructure, congested roads and lack of public transportation, lack of public infrastructure (e.g., parks and washrooms), among others).</li> <li>5. Explore ways to facilitate financial contribution or increased distribution of revenue generation among non-accommodation visitor-facing businesses. (e.g., voluntary destination marketing program or membership scheme for DMO).</li> <li>6. Share back and celebrate investment of MAT funds that corresponds to industry needs and would represent a benefit to them (e.g., local shuttle for guests).</li> <li>7. Identify and transparently communicate where any portion of MAT revenue that would not be used for tourism purposes is being spent and why.</li> <li>8. Explore and pursue tourism development and marketing collaboration at a regional level through MAT funds. (e.g., Collaborative marketing campaigns or cross-regional product development).</li> </ol>

## Part 1: Introduction

### Project Overview

Bannikin was engaged with the goal of conducting primary and secondary research into the feasibility and related considerations for a potential Municipal Accommodations Tax for the Town of The Blue Mountains. The project launched in early-October 2023 with the final research report submitted to Town staff on January 4<sup>th</sup>, 2024.

At the onset, project objectives were co-drafted and confirmed by the project team, which was made up of Bannikin staff and the lead from the Town, as follows:

1. To build awareness amongst stakeholders about the purpose, structure, and potential uses of a MAT within the context of the town.
2. To gather perspectives and feedback from accommodation providers, tourism organizations, and residents in the town to inform MAT structure, implementation, and future use.
3. To investigate, understand, and recommend viable and innovative MAT governance and potential revenue management model(s) to implement in collaboration with relevant partners.
4. To align, create, and take advantage of economies of scale across research and engagement activities, including with the separate but highly related MAT Economic Impact Assessment project and the upcoming destination management plan.
5. To establish a strong understanding of the context, challenges, opportunities, as well as social and economic implications of implementing and administering a MAT.

### Methodology

The project team used a combination of primary and secondary research methods. The methodology was designed to meet the needs outlined in the original "Request for Proposals" and aligns with the objectives mentioned above.

The project began with a review of key documentation and resources provided by the Town, which set a clear foundation for the project and established a shared understanding of the background and context surrounding this work.

Between Monday, November 6<sup>th</sup> and Monday, November 27<sup>th</sup>, 2023, a survey entitled "Role of Tourism" was disseminated to residents and the tourism industry. Specifically, non-accommodation tourism businesses were targeted through this outreach. The survey was promoted by the Town's Communications Division through a variety of methods including a community wide mailout, press release, dedicated website page, social media postings and direct promotion to local community groups. The survey included ten (10) open and closed questions. A total of 366 residents responded to the survey and 37 industry members.

Across the same period, an accommodation provider survey was also disseminated, receiving a total of 136 completed responses. The link to the questionnaire was shared directly with accommodation providers by email and the link was also shared directly with



local rental management companies, the Blue Mountains Short Term Accommodation Association, Blue Mountain Resort, and the Blue Mountain Village Association (BMVA) for promotion to their members. At the end of the survey, participants were directed to a parallel survey targeting accommodation providers being run by CBRE to inform the economic impact assessment project. The survey included eight (8) questions, mixing open and closed questions.

Two additional forms of desk research were undertaken by the project team, research into the context of MAT in Ontario and comparator research into two destinations, which looked at MAT governance models. Since the context of the Town of The Blue Mountains is unique in Ontario, the project team decided to look beyond provincial boundaries for interesting accommodation tax governance models such as the one in Victoria, British Columbia. The City of Kingston was selected as the other comparator because of the stakeholders involved in the governance and administration of the MAT. More specifically, the research into Kingston sought to better understand how the local accommodation provider association, which previously collected a fee, works with the City and the tourism organization.

A total of 11 key stakeholder interviews were also conducted. Interviewees were selected based on their professional understanding of tourism, both locally and regionally, and their expertise within the accommodation, tourism, and local government sectors, and included organizational representatives with experience implementing MATs, local and regional tourism organization representatives, accommodation provider representatives (incl. rental management representatives), local politicians and Council members.

To further engage accommodation providers, 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 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.

## Report Overview

This MAT Research Report is divided into four (4) parts. **Part 1** "Introduction" provides an overview of the project including details around the methodological approach and details on how the research report is structured. **Part 2**, "Background and Context" outlines the background and context relevant to this project. Specifically, it reviews how MATs are governed in Ontario generally and then reviews local factors relevant to MAT implementation. **Part 3**, "Findings and Discussion" presents findings from across the research process across three main areas: Stakeholder Relations and Communications, Governance and Management, and Planning and Investments for MAT Revenue. The report wraps up with **Part 4**, "Conclusion", which lays out the Strengths, Weaknesses, Opportunities, and Challenges associated with MAT implementation in the Town of The Blue Mountains, along with key recommendations for moving forward. The report also includes an Appendix that provides a summary of all the research which informed this report, presented by research method.

## Part 2: Background and Context

### Municipal Accommodation Tax Overview

The Municipal Accommodation Tax (MAT), also known as a transient accommodation tax, hotel tax, lodging tax, or tourist tax, etc. is a type of visitor-based assessment (VBA). VBAs are funding mechanisms that have increased in popularity across the world and have been a focus of the research and advocacy work led by the Tourism Industry Association of Canada (TIAC). In 2023, TIAC published a study that outlines how VBAs are common mechanisms that can “enable destinations to be more competitive in attracting visitors and building benefits through the visitor economy.” (TIAC, 11). In Ontario VBAs are legislated as MATs and subject to parameters outlined in the provincial legislation. As found by research conducted by Town of The Blue Mountains’ staff prior to this project, there are over fifty (50) municipalities in Ontario that have implemented a MAT since 2017.

**Please note that for consistency, this report refers to and discusses MATs, and as such the term MAT is used over the broader VBA.**

There is a lack of data specific to MATs in Canada or Canadian destinations because they have not been consistently legislated and do not have a long history across the country. There is more data from Europe and the United States, where these types of taxes have been in place longer.

Overall, academic research has found that visitor willingness to pay tourism taxes is highly destination-specific, relating to the preferences of the specific visitor segments a destination attracts and the strength of consumer demand for the destination and its unique product. In other words, when destinations offer something unique or particularly valuable to visitors, they will be more willing to absorb increased costs (Heffer-Flaata et al., 756; Cetin et al., 1).

Beyond the interactions between visitor and the range of tourist taxes across different destinations, there is also the impact of these taxes on operators. In the case of accommodation taxes, while the MAT is structured to be paid by visitors purchasing overnight and short-term accommodation, the legal implications and economic burden is shared by providers of short-term accommodation and their guests. One US-based study found that a lodging tax often results in the accommodator provider raising the room rate. This decision may then have impacts on how much an accommodation manager/owner is able to increase the room rates and how to factor the price of tax in these decisions (Hudson et al., 206). This in turn has relevant implications for how the tax can serve as a source of consistent and sizeable revenue for municipalities, which depend on the accommodation industry remaining competitive within their regional context.

Importantly, this report does not include detailed study of the finances and projections for MAT revenue generation, which would help in painting a clearer picture of the potential impact on accommodation providers’ finances. Findings presented above and through the rest of the report need to be considered closely with the study into MAT’s potential financial implications.

## Governance in Ontario

A MAT in Ontario is outlined in the Municipal Act (2001) section 400.1 and Ontario Regulation 435/7 as a tax to be adopted and governed at the local level rather than at the provincial or territorial level. In other words, a MAT is a type of tax that a single-tier or lower-tier municipality can choose to implement, in a case-by-case basis.

The Ontario legislation leaves it to the discretion of a local municipality's Council to design its MAT. This includes the drafting of the by-law and the definition of certain parameters not outlined in the provincial legislation such as, defining what types of transient accommodations' guests are subject to the tax, confirming who is responsible for collecting the MAT, how the collection and spending of MAT revenue are carried out, and confirming what not-for-profit organization or body to work with for the purpose of the mandated revenue sharing.

An important detail included in the Ontario legislation is that revenue generated through a MAT must be shared with an eligible not-for-profit tourism entity who will receive at least 50% of MAT revenue generated and use it for tourism marketing and promotion. An eligible tourism entity is not directly defined by the provincial legislation, but depending on the local context this may be a local Destination Marketing/Management Organization (DMO), a Regional Tourism Organization, or another type of not-for-profit tourism organization whose mandate "includes the promotion of tourism in Ontario or in a municipality".

The distribution and use of MAT funds is subject to revenue-sharing parameters within the legislation depending on whether a "destination marketing program exists when [the] tax [is] imposed" or "no destination marketing program exists when [the] tax [is] imposed." Destination marketing programs refer to existing membership or fee-collection mechanisms where providers of transient accommodation pay a portion of their revenue to a non-profit entity, which then uses the revenue generated for the promotion of tourism. In the case of Town of The Blue Mountains, the Blue Mountains Village Association's Village Amenity Fee (VAF) is a type of destination marketing program.

Where no destination marketing program exists when the tax is imposed, the legislation requires that at least 50% of the funds collected through a MAT, on a year-by-year basis, be provided to an eligible tourism entity. However, this is only applicable in the case of the Town if the tourism entity partner does not have a destination marketing program.

Instead, the relevant scenario for the Town of The Blue Mountains is one where a destination marketing program exists before the implementation of a MAT, the legislation requires that the eligible tourism entity must be paid at least as much as the amount it received through the administration and collection of the destination marketing program during the fiscal year that ended before the MAT came into effect. Importantly, this is the case if the tourism entity collecting and administering the pre-MAT destination marketing program is also identified as the not-for-profit that will receive the non-municipal portion of MAT revenue and in doing so agrees to end the pre-MAT destination marketing program and move forward with revenue from a MAT as the replacement source of funds for its tourism marketing and development activities

As a result of the revenue sharing structures, municipalities have discretion over a certain portion of the MAT revenue, which may not exceed 50% and is subject to the revenue-

sharing parameters. However, most research reviewed, including the TIAC report, outlines that funds coming from a MAT should be used primarily for tourism-related purposes. What's more, examples encountered in the research show that some Ontario municipalities have opted to protect MAT revenue for tourism-purposes only. For instance, in Ottawa the total amount of MAT revenue, including the City's share, is transferred to the tourism partners in the revenue-sharing agreement. As such, there is flexibility with how the sharing of MAT revenue is structured at the local level and this can be used to ensure a successful collaboration dynamic between the Town and tourism partners.

## Local Background and Context

The Town of The Blue Mountains has been investigating the potential for new tax-revenue options, and as part of this a potential MAT, since early 2023. In April 2023, after initial research and presentations by staff, Council expressed unanimous support for exploring the background and context of a MAT and directed staff to move forward with a preliminary review. Parallel to the Town of The Blue Mountains' MAT research and engagement efforts, the neighbouring Town of Collingwood has moved forward with public consultations as they consider adopting a MAT.

Importantly, the Town of The Blue Mountains has established systems and processes related to transient accommodations within its boundaries that could support future MAT infrastructure. Below is a brief description of some key and related mechanisms, organizations, and relationships that are relevant and should be considered in-line with the potential MAT.

**Short-term accommodations (STA):** Locally any property rented for less than 30 days classifies as a STA through By-law 2021-70, which regulates STAs (this includes purpose-built commercial resort accommodation or CRUs). By-law 2021-71 was also passed to implement an Administrative Monetary Penalty System (AMPS) for infractions by licensees. Notably, the Town's efforts to manage STAs pre-date the 2021 by-laws with the STA Program and Policies from 2011. Regulations around STAs were put in place to manage the uncontrolled growth of STAs so that their benefits and contributions as part of the accommodation industry could be ensured while mitigating any challenges for residents and tourism stakeholders. As part of the STA licensing process, there are application, registration, and inspection fees, among others, that an STA owner must pay as a one-time, annual, or biannual fee. As of the time of research, the Town has approximately 330 licensed STAs.

**"I already pay property tax on multiple units, and I do not use most of the services (transport, education, etc.) that are paid by that tax, and my units provide revenue and employment for the town."**

*Accommodation Survey Respondent*

**Property Taxes:** The Town of The Blue Mountains collects property taxes from all properties within its boundaries. Funds collected from property taxes are used to ensure the Town's capacity to provide local services, including but not limited to road repairs, parks and trails maintenance, fire services, etc. Property tax rates are presented by assessment/tax class, which are available on the Town's website.

**Blue Mountain Village Association and Village Amenity Fee:** The Town of The Blue Mountains is home to Blue Mountain Resort and Blue Mountains Village. All common areas and facilities in the Blue Mountains Village are managed and maintained by the Blue Mountains Village Association (BMVA). The BMVA was established as a not-for-profit entity by a special legislation from the Legislative Assembly of Ontario (Bill Pr14, Blue Mountain Village Association Act, 1999). The legislation outlines the BMVA's mandate and outlines the membership (incl. financial) requirements with the BMVA for property holders within Blue Mountains Village. The legal framework outlining the BMVA's mandate influences the Town's consideration of implementing a MAT. More specifically, the BMVA currently administers a Village Amenity Fee (VAF) within the Blue Mountains Village. The VAF or "Rental Royalty fee" of 2% is applicable to all lodging (i.e., accommodation provider) members. Importantly, moving forward there is a need to consult further documents and information on how the VAF is structured and administered.

**South Georgian Bay Tourism:** South Georgian Bay Tourism (SGBT) is an In-Destination Education Organization. Its operations are funded by yearly monetary contributions from the five municipalities it markets and supports, including the Town of The Blue Mountains. The organization was established in the 1970's as a not-for-profit entity and works to market tourism businesses and experiences within the region. Currently it is focused on in-destination education by coordinating regional visitor services, creating in-destination content and fulfilment, and developing routes and bundles of experiences.

## Considerations

Although the context around a MAT and tourism in the Town of The Blue Mountains is complex, which this report attempts to break down and explain, some considerations stand out and should be used to inform decision-making on the applicability and feasibility of a MAT for the Town of The Blue Mountains.

First, given the geographic proximity between the Town of The Blue Mountains and the Town of Collingwood, and the mobility of visitors between the two, maintaining open communications between the two municipalities as they navigate the potential adoption of a MAT is key. This is so that potential implementations can be supportive of each other rather than increase pressures on industry members and harm visitor understandings of the MAT.

Moving forward and as MAT implementation is considered, it will be important for the Town to review and adjust, as needed and appropriate, the number of administrative processes and total amount of fees that accommodation providers are subject to. This is particularly relevant in the case of STAs.

The Town of The Blue Mountains is in a unique and complex position when contemplating a MAT due the types of available accommodation, related policies, and existence of at least two potential tourism entities, being the BMVA and SGBT. Additionally, the BMVA's Village Amenity Fee (VAF) presents a pre-standing destination marketing program and would need to be made whole if the BMVA were to be the tourism entity partner.

## Part 3: Findings and Discussion

The following section provides a summary and discussion of the findings from the research. These have been structured and presented as three main areas to support informed decision making.

Please note, the full research summary report is included as appendices A to F at the end of this report for further reference.

### Stakeholder Relations and Communications

#### Introduction

The research underlines the importance of the Town of The Blue Mountains maintaining positive relations and open communications related to the potential implementation of a MAT. This would include communicating the processes related to research, decision-making, and potential implementation to key audiences.

The Town of The Blue Mountains has diverse audiences with whom communication about potential MAT implementation is relevant, including residents, accommodation providers, other tourism businesses, partners, and visitors. Distinct approaches may be needed to communicate with each group, and efforts should be made to determine the most effective way of building and maintaining meaningful relationships.

#### Discussion of the Research

Across the research, the importance of transparency and accountability related to potential MAT implementation, especially around the rationale for a MAT and how funds would be used, was made clear. Municipalities in Ontario and beyond have addressed similar concerns by publicly outlining criteria and priorities for how, where, and when MAT funds are spent and developing communication strategies for various audiences.

The City of Kingston, for example, took several notable steps. Firstly, their MAT funds are only used to implement strategies identified in their Integrated Destination Strategy or their Integrated Marketing Plan, with fund use being approved by either the committee overseeing the Development Fund or the committee overseeing funds for marketing and promotion. Both committees include the three key players, including the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners.

Similarly, Victoria, British Columbia's version of a MAT (the Municipal Regional District Tax

or MRDT) is spent in accordance with their 5-year Strategic Business Plan, which was developed with engagement from the City of Victoria, the District of Saanich, and other key tourism stakeholders. Another example of how municipalities can be transparent and accountable with respect to MAT comes from the Town of Huntsville, which developed a "MAT Budget Principles" policy to ensure funds from the Municipal Portion for the MAT are used for

**"The town should be transparent and show how much revenue it brings in from tourism and how much it spends to support tourism currently before raising new taxes."**

*Accommodation Survey Respondent*



a pre-approved list of potential uses. Developing a Tourism Strategy for the Town of The Blue Mountains would build transparency and accountability by identifying the best uses of MAT funds for all stakeholders and communicating this to the public. At the very least a set of stakeholder-informed, and publicly available criteria for MAT spending is needed for the Town of The Blue Mountains.

To ensure shared understanding around the MAT, the three key players involved in Kingston's MAT implementation share information about the MAT with relevant audiences. Tourism Kingston has a webpage on MAT for visitors and another for accommodation providers, the City of Kingston provides a webpage with information for visitors, accommodation providers, including STAs, and Kingston Accommodation Partners shares general information on their website about MAT economic impact, the number of visitors to the area, and number of room nights for hotels and the visitor economy. A quarterly report is also submitted to municipal Council to monitor the impacts of the MAT on the destination. An example of an innovative communication channel that encourages open dialogue is the City of Owen Sound's "open public question" tool on their website where stakeholders can submit questions about the MAT and the City responds to them directly. Something like this could be useful in the Town of The Blue Mountains to increase general understanding around a potential MAT amongst different audiences, including residents and industry.

**"Many tourists are here for day trips and use the free amenities here without paying for anything."**

*Resident Survey Respondent*

Through the key stakeholder interviews, a challenge related to MAT implementation mentioned several times was securing buy-in for tourism from residents, especially around perceptions that residents may feel there is no need to attract more tourists. This challenge was investigated via the "Role of Tourism Survey" disseminated as part of this project, which found that 46% of resident respondents said the municipality does not need any more visitors. However, other residents identified the spring (48%) and fall (47%) as good times to attract more visitors. An important part of growing resident buy-in for tourism generally is recognizing the contributions of tourism to the town and making sure that the sort of tourism that is developed clearly benefits residents as well as visitors. As it relates to a potential MAT, this means prioritizing uses of MAT funds that support this.

The community engagements undertaken during the research phase of this project, including the online survey and table talks, showed strong opposition to a potential MAT from accommodation providers. Areas of concern, especially amongst Short Term Accommodation providers included:

1. **Concerns with how MAT would be spent, the abundance of fees, and feelings that accommodators would be forced to absorb the cost of MAT.** These concerns were expressed via comments such as "how much of these taxes would be used for increasing demand into the area vs being spent on administration for tax collection", "why should overnight stay guests bear the burden of a tax that benefits local residents, day use visitors, non-tourism related businesses and transients?" and "The tax will end up coming out of our pocket as tourism is down this year and we've had to reduce our pricing."

2. **Concerns visitors will go somewhere else due to additional cost, and sentiment that inflation and economic context mean now is not the right time for a MAT.** These concerns were expressed via sentiment such as “we feel that currently people’s budgets are tight and that additional taxes will encourage people to explore other options for travel” and “MAT should be scrapped due to the downturn on the economy”.
3. **Marketing is already sufficient as is,** expressed via comments such as “I believe that the Blue Mountain Village Association and other ski hills already market the area enough,” and “BMVA already does a great job. BMR as well. Both organizations have full marketing departments and are professionals.”
4. **General negative sentiment** expressed via comments like “this is a bad idea”

There is a need to improve relations and build trust between the Town of The Blue Mountains and accommodation providers. During the table talks, accommodation providers mentioned a lack of transparency around how various Town funds have been used in the past, including STA licensing fees. There was also a lack of awareness around how the municipality funds tourism today, and how MAT funds would potentially be used in the future. Accommodation providers did not understand why the Town was interested in implementing a MAT at this moment and called for a strategy or business plan outlining how MAT funds would be used and how this would benefit their businesses. They reiterated that Council is disconnected with the realities of accommodation providers and not interested in supporting their businesses. They also mentioned concerns with the level of service and communications they currently receive from the municipality.

**Research shows that tourists are more willing to pay taxes earmarked for improving in their experiences**

Related to the above, accommodation providers declared that the general attitude of the community and industry needed to shift to be more supportive of tourism. This feedback

underlines the need for a dedicated effort to strengthen relationships between the municipality and accommodation providers, specifically STAs. If a decision is made to proceed with a MAT, the Town will need to address these issues when exploring MAT governance structures and show accommodation providers how their concerns informed the final decision.

Another key audience for MAT communications is visitors. Research shows that tourists are more willing to pay taxes earmarked for improving in their experiences than they would be to pay fees that relate to building destination sustainability, for example (Cetin et al., 1). Accounting for such visitor preferences will be important for the Town of The Blue Mountains to consider when drafting visitor-facing communications around a MAT. Part of this will be equipping accommodation providers with the tools they need to speak with visitors effectively and positively around a MAT, whether that is sample copy, fact sheets, or something else.

Several concerns expressed during engagements differentiated the experience of hotels and STAs. Specifically, STAs were concerned about incompatibility between booking platforms and MAT collection. They also mentioned receiving messages about discounting fees or moving the booking offline to avoid fees and felt that the MAT would further increase these requests. Research from the United States found that when communicating around taxes to customers, hotels coped by ensuring that “visitors are



well informed, taxes are clear in invoices, and that consumer understands that hotels have control over rates but not taxes" (Hudson et al., 211).

Partners are another audience with whom successful communication is essential. This was called out specifically in the key stakeholder interviews, where clear communications with partners was identified as a both a potential challenge and opportunity related to MAT implementation. Partnerships are key to any MAT implementation, and these should be based on mutual-respect, trust, and open communications. Specifically, this may mean having clear Memorandums of Understanding and scheduled check-ins.

## Considerations for Decision-Making

Building and maintaining strong stakeholder relations with various audiences including residents, accommodation providers, other tourism businesses, partners, and visitors should be a top priority when considering whether to move forward with a MAT. MAT implementation is complex and would require collaboration with various partners, making strong relationships essential.

Specifically, a foundational element to meaningful community engagement is showing how feedback received from stakeholders informed direction. For the Town of The Blue Mountains, this means sharing the outcomes of this research with those who contributed to its development and communicating how their insights directly influenced decision-making. If the Town decides to move forward with implementing a MAT this will require a communications plan to connect with different audiences and address any concerns they have when developing the structure and governance model of the MAT.

## Governance and Management

### Introduction

An essential component of any MAT implemented by a municipality is its governance and management, or in other words, the process of making and enforcing decisions and managing these decisions over time. In the context of the Town of The Blue Mountains, this refers to the way a potential MAT would be structured, implemented, and managed. This includes things like outlining the implementation timeline, formalizing collaborations and partnerships, establishing mechanisms to strengthen trust and transparency, and clarifying logistical approaches to collecting a MAT.

### Discussion of the Research

Through engagements with accommodation providers, especially STAs, there was a concern over the timing of implementing a MAT. This was primarily due to the economic situation, as well as other industry challenges, such as lack of staff, and attainable housing. Key stakeholders also reiterated concerns about the health of the economy and expressed that now is not the time to be implementing a MAT.

Related to the above, accommodation providers, particularly STAs, proposed a phased approach to implementing a MAT given the current economic situation, but also their concerns of their being an unequal playing field with other accommodation providers, including illegal STAs, and Commercial Resort Units (CRUs). Particularly with CRUs, STAs felt they were not held to the same standard, nor were CRUs required to pay a licensing

fee. In the context of the City of Kingston and the City of Victoria, both originally did not include STAs as subject to the MAT and the Municipal Regional District Tax (MRDT), but instead, phased them in a few years after the MAT had been implemented. This may be a relevant consideration for the Town as it would allow for the collection and administration details of a MAT to be explored and confirmed with different types of accommodation providers. That said, taking a phased approach to implementing a MAT across different types of accommodations also runs the risk of furthering the perception that different types of accommodation providers are subject to inconsistent or uneven fees and taxes.

**“We must also ensure that we are not using the money to duplicate services that are already being provided by the BMVA, RTO7, and South Georgian Bay Tourism.”**

*Accommodation Survey Respondent*

Key stakeholders reinforced the importance of collaboration between industry, partners, and the Town to develop shared priorities. This could take several forms that complement each other, such as having a guiding document of principles or tourism strategy as well as setting up a strong MAT review/investment advisory group for collective/informed decision-making. Interestingly, the City of Kingston also developed two committees made up of the main tourism stakeholders to oversee the use of MAT funds for marketing, and destination development.

Accommodation providers and key stakeholders also had questions on who would administer the MAT funds, how the MAT would logistically be collected from overnight visitors, how accommodation providers would be audited, and if there would be any exemptions to the MAT. Specifically, key stakeholders highlighted the importance of clarifying which entity would administer the marketing and promotion portion of MAT funds. Particularly, they were concerned about unnecessary additional organizational layers or silos being created depending on the entity but also that funds would not be used for the whole municipality and instead focus on specific areas of the town.

**“In Ontario legislation is not strong enough, Municipalities can be well positioned through Council to support accountable and successful implementation of MAT but then change their position as new Councils come in.”**

*Key Stakeholder Interviewee*

Additionally, key stakeholders highlighted the need to align the MAT with the existing Village Amenity Fee and avoid duplication of charges.

Since the provincial MAT legislation provides flexibility for how a MAT is designed and managed at the local level, there is room to design this in a way that accounts for and takes full advantage of the existing infrastructure and tools used by the municipality and its future tourism entity

partner. For instance, the City of Kingston, in collaboration with Kingston Accommodation Providers (KAP), and Tourism Kingston, developed a two-year Service Level Agreement that outlines how all three entities would work together as well as their respective roles and responsibilities with the MAT. Through this, it was decided that the municipality would collect the MAT from STAs while KAP would collect the MAT from all other accommodation types, as they previously had the infrastructure to collect fees through the former collection of their Destination Marketing tax/levy.

Additionally, accommodation providers highlighted the concern of needing to collect the MAT themselves as it would require additional time, as well as the possible need to use a new booking platform to administer the MAT. This is due to platforms such as Airbnb that may or may not collect local taxes like a MAT directly depending on the STA's location and jurisdiction. Airbnb implemented several tax agreements across Ontario for the collection of a 4% MAT in October of 2018. Not all Ontario municipalities that have adopted a MAT have a standing agreement with Airbnb, and as such the Town of The Blue Mountains along with its key stakeholders would need to investigate the potential of striking an agreement with Airbnb and other platforms for the collection of the potential MAT. Key stakeholders reinforced this point by highlighting the importance of clarifying the process for collecting MAT funds before implementation.

Accommodation providers were unclear on how industry would be accountable for MAT funds, or in other words, how industry would be audited. Similarly, key stakeholders also highlighted the importance of clarifying MAT industry accountability. In the context of the City of Kingston, the financial information reported is compared with the accommodation indicators they collect to determine if the amounts are in alignment with the reports. If there is an unusual amount, they set up a meeting to understand the reasoning. Although there is an option to conduct an audit on an accommodation, the cost as well as time spent is considered high. Something the City of Kingston highlighted is that the relationship with the accommodation providers is one of trust, meaning they look for solutions beyond an audit.

**Not all Ontario municipalities that have adopted a MAT have a standing agreement with Airbnb.**

Some accommodation providers suggested that those renting their primary home should not be required to collect the MAT, since they saw themselves as different than someone with multiple properties. Similarly, other accommodation providers suggested some booking types should be exempt from the MAT such as corporate events, charitable organizations, and educational-based overnight stays to name a few. One particularly interesting exemption from the MAT in the City of Kingston was short-term medical accommodations. These were out-of-town individuals who had a medical appointment in Kingston, were on a roster with the Kingston Health Science Centre, and provided proof of medical appointment to the property owner. For the City of Victoria, exemptions included First Nation individuals or Bands on First Nation lands, as well as members of the diplomatic or consular corps.

## Considerations for Decision-Making

When considering a MAT, the first key consideration is around who the best tourism entity partner is. Notably, this must be an organization that has the capacity, capabilities, and connections to market, promote, and the potential lead or support product development initiatives for tourism. By identifying the tourism entity revenue-sharing partner, the Town can then move forward with exploring the design of the potential MAT by-law with input and feedback from the revenue sharing partner. Across the design of the by-law, elements such as the revenue-sharing parameters, roles and responsibilities, monitoring and evaluation, and communication processes can be designed with partner input and buy-in. In this way, getting the process going as a true partnership.

Other key considerations include the specific timing and potential phased approach of implementing a MAT. Additionally, and as already discussed in this report, clarifying and addressing concerns highlighted by accommodation providers; particularly around the perceived unequal playing field due to the STA licensing fees and standards will be important. Finally, to build trust there is a need to clarify and communicate with accommodation providers around the collection, administration, and auditing processes of a MAT, as well as identify the exemptions, if any, and the tourism entity that would administer the marketing and promotion portion of the MAT.

## Planning and Investments for MAT Revenue

### Introduction

The potential uses of MAT funds were investigated and discussed with all stakeholders engaged. The Ontario legislation presents MAT as a tax-revenue tool and outlines important parameters for the design of local by-laws; however, it leaves out key details around the permitted use of MAT funds.

### Discussion

First, to better understand the context in which a MAT could be implemented, including the perceptions of and appetite for tourism, stakeholders were asked more general questions about tourism.

Residents and industry members shared their observations about tourism in the Town of The Blue Mountains over the last 12 months, including their perceptions of tourism's impacts and needs. Resident and industry observations largely focused on increased traffic and strains on existing roads and infrastructure, a lack of alternative or different modes of transportation and cross-town connections (e.g., shuttles, cycling infrastructure), a concern over the demand for and availability of parking, and a lack of public infrastructure such as a public parks and washrooms.

When it comes to the potential use of MAT funds, key stakeholders mentioned the importance of both funds for tourism marketing and for the development/maintenance of infrastructure that is connected to tourism. This corresponds with findings from the review of documents and studies, that stressed the importance and benefit of using MAT funds to support tourism instead of more discretionary and non-tourism uses by the municipalities (Watts, 27-30). The use of MAT funds to finance tourism marketing and development is partially mandated through provincial legislation via the revenue sharing requirements. That said, and as already presented in this report, clarity and transparency in outlining and demonstrating how MAT funds are being spent would be beneficial to ensuring efficient and consistent use of funds and building buy-in among stakeholders (incl. accommodation providers and visitors).

This last point is key for the Town as many of the stakeholders engaged through this research expressed strong reservations and at times outright opposition to the adoption of a MAT. Through the surveys conducted, 32% of non-accommodation industry

**"Tourism has already been greatly reduced due to inflation and high interest rates. This would be another kick in the teeth for consumers."**

*Accommodation Survey Respondent*

respondents said they did not want a Municipal Accommodation Tax as they felt it would discourage visitation to the municipality while most accommodation providers surveyed expressed overwhelming concern over the potential of a MAT.

Among the accommodation providers, many STA owner/operators mentioned that they have experienced significant declines in occupancy rates; meaning revenues have decreased while costs remain. They see a proposed MAT as another tax that would reduce competitiveness since the price for overnight accommodation would likely increase when considering the MAT and other fees. The review of academic articles found that while the MAT is structured to be paid by visitors purchasing overnight and short-term accommodation, the legal implications and economic burden is shared by providers of short-term accommodation and their guests. For accommodation providers, this has additional impacts on the amount they can increase their rates when factoring in a MAT.

Beyond initial perceptions of a MAT, it is also important to appreciate the specific opportunities being identified by stakeholders as they point to areas of focus for the future of tourism, including ways in which MAT funds could be leveraged.

The accommodation providers surveyed identified several opportunities that may come from MAT, with a focus on benefits to their business and the tourism industry in the town. The top three opportunities include:

1. Increased marketing and promotion of the whole Town of The Blue Mountains as a tourism destination (52%),
2. Funding to support product and experience development, incl. events and festivals (44%), and
3. Funding to improve hard and soft infrastructure connected to their business (e.g., sidewalks, roads, lighting, garbage/recycling bins, public furniture, etc.).

Beyond the marketing and product related opportunities shared by accommodation providers surveyed, those accommodation providers that participated in the table talks

**“[The Town] is only a good candidate if those moving the tax forward are doing so because they want to grow visitation to the town generally. We can make the region a more holistic tourism destination. How do we breathe life into the smaller towns?”**

*Key Stakeholder Interviewee*

identified additional opportunities. These include, developing a comprehensive strategy that looks to drive specific objectives (incl. how to incentivize visitors to stay longer), improving infrastructure (e.g., roads, wayfinding, sewage), improving access to affordable housing for hospitality and tourism staff, and providing access to the Blue Mountain Village shuttle bus to all accommodation providers.

Beyond echoing what residents, industry, and accommodation providers shared, key stakeholders also identified broader opportunities for a MAT including:

1. Using marketing to disperse visitors across the whole of the Town as well as the four seasons.
2. Supporting social issues facing the community to support local resident experience. (e.g., affordable housing for tourism and hospitality workers, ongoing Truth and Reconciliation with Indigenous peoples, etc.)

3. Beautifying and activating public spaces (e.g., cultural heritage conservation, public furniture, plant/tree maintenance, etc.)
4. Developing/ strengthening service infrastructure e.g., garbage/recycling cans, wayfinding signage, public washrooms, etc.)
5. Communicating with residents and industry members about tourism in the town.
6. Developing and supporting climate change initiatives and adaptations for tourism.

Some examples of how Kingston has leveraged MAT revenue include, Visitor Information Centre expansion, developing an Integrated Destination Strategy and Culinary Tourism Strategy, activating the Love Kingston Marketplace spring and summer programs, developing the Fresh Made Daily brand and KINGSTON sign, ongoing sales and marketing, attracting prestige curling events to Kingston, and supporting the Kingston Film Office to attract and support media production.

## Considerations for Decision Making

Outside of the potential uses for MAT revenue presented, it is imperative that a decision to adopt a MAT is accompanied by a commitment and plan that outlines how the portions of the MAT collected by the revenue-sharing partners will be reinvested to support the tourism industry, and more specifically the accommodation providers who facilitate the collection of a MAT from visitors. This does not mean that MAT funds should only be used to market and promote the destination. On the contrary, MAT revenue should also support tourism development, which includes product and experience development, as well as installing and maintaining the soft and hard infrastructure that enables tourism activity in the town.



## Part 4: Conclusion

### Considerations

Considerations to inform Council's upcoming decision around a potential MAT, as well as the process that would follow are organized as the strengths, weaknesses, opportunities, and challenges. The points noted are a collection of select key insights gathered across the research and although focused on the consideration of a MAT, they can also inform other future tourism development and planning initiatives.

### Strengths, Weaknesses, Opportunities, Challenges

#### Strengths

- Key tourism assets in and around the town (incl. Blue Mountain Village and Blue Mountains Resort) act as strong attractors that drive visitation to the area and make the town a unique destination in Ontario.
- Strong foundation of existing first-time and return visitors (approximately 2.5+ million per year) along with strategic location close to major urban centres in Southern Ontario.
- Town is one of the largest centres for accommodation in the nearby area, with a range of transient accommodation types.
- Tourism is recognized as one of the main economic drivers in the town (both by government and public).
- Industry and residents perceive tourism to contribute to jobs for people in the region and having an overall positive impact on the local economy.
- Established systems and processes related to transient accommodations within the Town's boundaries could support MAT infrastructure.
- Infrastructure and mechanisms in place from non-municipal organizations and potential MAT implementation partners could support roll-out and management of MAT.
- BMVA is recognized by industry and key stakeholders as already doing a good job with marketing the Village as a destination.
- Town has moved forward with necessary due diligence to better understand local context, build awareness of the potential MAT, and explore best-models and ways forward.

#### Weaknesses

- Likely price increase to accommodations based on operator need to absorb and offset part of the cost to customers.
- Proximity to Toronto (2hr) means that visitors may choose day trips rather than overnight stays when faced with higher accommodation prices and increased taxes.
- Concentration of accommodations within one area of the municipality (Village) may affect perceived fairness of how marketing dollars are spent.
- Local tourism sector's post-COVID recovery is still ongoing, with 2023 seeing drop in visitation from local and regional travellers.
- Industry and resident perceptions of tourism not contributing to the protection of the natural environment and assets.

- Residents are much less supportive of attracting and welcoming more visitors across the year, which may have implications for increased destination marketing efforts.

### Opportunities

- Number of municipalities adopting MATs (in Ontario and across the world) is increasing, so consumer and operator exposure to the tax is likely to grow.
- Lack of clarity in provincial legislation allows for drafting of destination-specific by-law and details.
- Establish cooperation agreement with not-profit partner that outlines mutual expectations, roles, and responsibilities, planned use of funds, and monitoring and evaluation processes and tools for marketing and management of whole destination.
- Prioritize and clearly commit use of MAT funds for tourism needs, opportunities, and growth to foster increased trust and transparency.
- Identify and clearly communicate what portion of funds, if any, would not be used for tourism purposes and why.
- Clearly communicate how MAT-revenue would be used to support and develop tourism so that it benefits accommodation providers and improves the resident- and visitor-experience (incl. differentiating between the use of MAT funds and STA licensing fees).
- Confirm the implementation timeline, after required information, buy-in, and resources are secured.
- Invest into product development and tourism marketing that diversifies tourism activity and disperses visitors across the Town, the broader region, and the four seasons.
- Improve the tourism product, whether through better visitor amenities, wayfinding, or other services.
- Invest MAT funds to address main concerns shared by industry and residents: incl. lack of parking and infrastructure, congested roads and lack of public transportation, lack of public infrastructure (e.g., parks and washrooms), among others.
- Improve and increase collaboration and communication with accommodation providers across the design and implementation of the potential MAT (e.g., supporting accommodation providers with messaging for visitors to show that they have control over rates but not taxes).
- Review and recalibrate overall taxes and fees that accommodation providers are subject to, particularly STAs.
- Cooperate with neighbours on potential implementation of a MAT (e.g., Town of Collingwood).

### Challenges

- Existence of two potential not-for-profit entities with which the Town could collaborate for revenue sharing (BMVA and SGBT).
- BMVA is a well-funded and industry led DMO, with perceived risk of losing autonomy and organizational health if political process begins to influence or put pressure on its work through MAT revenue sharing.



- Lack of clarity around future relationship with and role of SGBT as regional DMO, when MAT funds would preferably fund Town of The Blue Mountains-focused marketing and development activities.
- Perception of non-equitable tax burden solely on accommodation, based on nature and structure of provincial legislation.
- Negative sentiment toward potential MAT implementation among accommodation providers and apprehension to motives for exploring and potentially adopting a MAT (i.e., perception of cash-grab by local government).
- Accommodation provider discontent and perceived misalignment on reasons why the Town needs to license STA and the benefit STAs provide (incl. lack of understanding of background and context of STA licensing).
- Potential overlap of fees and overcharging of accommodation providers with introduction of a MAT (e.g., STA registration and other fees)
- High concern among accommodation providers for decreased demand for their business due to increased cost to guests.
- Concern among accommodation providers on misuse of MAT funds for things that do not impact their business or the tourism industry (incl. lack of trust and transparency of MAT funds use).
- A new type of tax may require a new system or process for revenue collection.
- Current economic context and anxieties around it, including inflation, rising interest rates, and less disposable income impacting accommodation provider revenues.
- Lack of clarity around Airbnb's willingness and capacity to collect and remit accommodation taxes from customers to municipality on behalf of accommodation providers and lack of clarity about how willing other platforms would be to do this.
- Potential increased regional competition for overnight guests from destination without a MAT based on pricing and fees.
- Lack of available data and understanding of MAT's potential impact on visitor demand for overnight accommodation.
- Lack of clarity and uniform implementation of MAT at the provincial level has created a landscape of widely divergent local by-laws.
- Number of municipalities adopting MATs (in Ontario and across the world) is increasing, so regional competition is likely to grow, as funds are invested into destination management and marketing.
- Potential that costs for overnight visitors will increase at the same time as visitation rates to the destination are dropping.

## Guiding Recommendations

The following guiding recommendations have been co-developed by the Bannikin team in collaboration with Town of The Blue Mountains staff.

Please note, the recommendations draw from all the research conducted, including the research outlined in the appendices, and have been created to inform the potential adoption of a MAT at the Town of The Blue Mountains, if this is decided by Council. As such, they outline the steps recommended and required for successful implementation along three related but not mutually exclusive areas of 1) Stakeholder Relations and Communications, 2) Governance and Management, and 3) Planning and Investments for MAT Revenue.

Additionally, some of the recommendations apply to tourism more broadly and could be used to inform other future tourism development initiatives such as the development of a tourism strategy.

## Stakeholder Relations and Communications

1. Prioritize building relationships and trust with accommodation providers through the existing short term accommodation licensing program and representative organizations (incl. Establish communication process with accommodation providers via their representative organizations).
2. Clarify how STA fees and MAT are different (incl. Communicate any changes or adjustments directly with industry to build trust and inform transparency).
3. Review STA regulation protocols and processes to ensure uniform and consistent enforcement.
4. Engage with accommodation representatives across the design, structuring and development, and adoption of a MAT.
5. Determine how resident feedback and stakeholder involvement will inform the management and use of MAT revenue. Identify, commit to, and communicate the planned uses of MAT revenue, and details on the governance/oversight process as part of by-law design and adoption through audience-specific communications.
6. Identify and develop resources for industry to understand the collection process, remittance, and review of MAT (e.g., FAQ page, Q&A webpage, reporting back timeline and resources).
7. Craft messaging that supports accommodations in communicating about the tax to their customers and ensure that visitors have information on the need for and purpose of a MAT.
8. Explore and formalize collaborative marketing approaches with other marketing partners across the region to build regional collaboration and avoid duplication of tourism development and marketing work.

## Governance and Management

1. Avoid rushing the approval, adoption, and by-law drafting for the sake of getting access to revenue as this can risk buy-in and future trust-based relationships needed for cooperation and compliance.
2. Confirm the not-for-profit tourism marketing entity with whom revenue would be shared (incl. potential to support the entity in evolving their work to focus on dedicated tourism marketing and development for the Town of The Blue Mountains).
3. Confirm how CRUs fit into STA licensing process. (Ideally before charging STAs a MAT, so that details around CRUs that qualify for MAT are clarified and included in how the by-law is structured and revenue collected).
4. Review STA licensing program to streamline and align STA licensing fee and related costs with the potential MAT, before implementing the MAT.
5. Identify what, if any, types of transient accommodation use would be exempt from the tax as part of drafting the by-law (e.g., medical patients requiring overnight accommodation outside of healthcare facilities, visiting fire fighters, etc.).
6. Establish a clear and transparent collaboration and revenue sharing agreement with the identified tourism entity that outlines mutual expectations, roles and

responsibilities, planned use of MAT revenue (incl. areas of investment) and monitoring and evaluation processes (e.g., Guiding Principles, Memorandum of Understanding, Partnership Agreement, or other).

7. Confirm if a gradual/phased-in implementation across different types of accommodations based on existing infrastructure and resources for fee collection is feasible and beneficial (e.g., Kingston led with hotel/motels, and then introduced STAs into the process).
8. Explore and confirm if and how third-party booking platform, such as Airbnb and Vrbo, can collect and remit the potential MAT from guests on behalf of its hosts to the MAT administrators. (If not, confirm what type of payment platform needs to be evolved or developed to facilitate the most seamless MAT collection from guests and remittance from hosts).
9. Identify and co-establish any supportive governance body to inform collaboration between the Town and the tourism entity partner and facilitate industry-input into management and use of MAT funds (e.g., advisory committee).
10. Use high level accounting to track compliance to avoid expenses going into full auditing of accommodation providers, leading with conversation first (i.e., need to show that large portion of MAT is not going solely into collection and enforcement).

## Planning and Investments for MAT Revenue

1. Develop a tourism strategy for the Town of The Blue Mountains that identifies further needs for tourism development, management, and marketing and acts as the guiding document for the municipality's portion of MAT revenue investments (incl. Conducting additional research into visitor segments and market demands).
2. Establish a MAT revenue reserve fund, accompanied by an acceptable use/allocation policy or guiding principles for the use of MAT funds that are developed with input from tourism entity partner and local tourism partners (incl. industry representatives).
3. Prioritize and communicate commitment to use of MAT funds to support tourism needs, opportunities, and growth to foster increased trust, transparency, and collaboration with industry.
4. Invest municipal portion of MAT funds to support tourism management and development and address main concerns shared by industry and residents (incl. lack of parking and infrastructure, congested roads and lack of public transportation, lack of public infrastructure (e.g., parks and washrooms), among others).
5. Explore ways to facilitate financial contribution or increased distribution of revenue generation among non-accommodation visitor-facing businesses. (e.g., voluntary destination marketing program or membership scheme for DMO).
6. Share back and celebrate investment of MAT funds that corresponds to industry needs and would represent a benefit to them (e.g., local shuttle for guests).
7. Identify and transparently communicate where any portion of MAT revenue that would not be used for tourism purposes is being spent and why.
8. Explore and pursue tourism development and marketing collaboration at a regional level through MAT funds. (e.g., Collaborative marketing campaigns or cross-regional product development).

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## Appendices

### Appendix A: MAT Background and Context

#### History and Context Review

The Municipal Accommodation Tax (MAT), also known as a transient accommodation tax, hotel tax, or lodging tax is a type of visitor-based assessment (VBA). According to the Tourism Industry Association of Canada's (TIAC) 2023 "The Importance of Visitor-based Assessments to Canada's Economy" report, visitor-based assessments are funding mechanisms that have increased in popularity across the world and "enable destinations to be more competitive in attracting visitors and building benefits through the visitor economy." The TIAC report outlines that:

Funds raised by VBAs are collected from visitors as a user pay system and not from residents or businesses directly. They consist of an additional visitor cost charged against the accommodation room rate, although some jurisdictions apply the levy to other sectors of the industry. (TIAC, 11)

As such, VBAs are common mechanisms to fund needed investments in tourism through tourism economic activity. Additionally, the TIAC report outlines three types of VBAs: 1) Municipal legislated accommodation tax, 2) Provincial legislated accommodation tax, 3) Voluntary (non-legislated) destination marketing fee (DMF). Within the context of Ontario, which is further outlined in the next section, VBAs are legislated as Municipal Accommodation Taxes and subject to certain parameters as per the provincial legislation.

There is a lack of data specific to Canada or Canadian provinces and territories because VBAs have not been consistently legislated and do not have a long history across the country. There is more data about VBAs in Europe and the United States, where these types of taxes have been in place longer. For instance, the only research report found by the project team about MATs in Ontario, "Alternative Revenue Generation in Ontario Municipalities: The Utilization of Municipal Accommodation Tax (MAT)" by Hayley Watts from Western University, published in 2021 found that just over 10% of all eligible Ontario municipalities had implemented a MAT (Watts, 32). For further insight into the types of resources and articles reviewed, please refer to the report's bibliography.

For this report, the term MAT or accommodation tax will be used across the discussion, rather than the broader Visitor-based Assessment.

#### Governance in Ontario

In Ontario, MATs are structured as a "Municipal legislated accommodation tax" as a possible legislation for single-tier or lower-tier municipalities to implement through the Municipal Act (2001) section 400.1. Therefore, the MAT in Ontario is a tax that each municipality can choose to implement, in a case-by-case basis, instead of being implemented at the provincial/territorial level such as in Alberta or British Columbia.

In Ontario, the provincial legislation leaves it to the discretion of a local municipality's Council to design its MAT. This includes the drafting of the by-law and the definition of



certain parameters not outlined in the provincial legislation such as, defining what types of transient accommodations' guests are subject to the tax, as well as confirming who is responsible for collecting the MAT and how this is done.

An important detail included in the Ontario legislation is that revenue generated through a MAT must be shared with an eligible tourism entity. An eligible tourism entity is not directly defined by the provincial legislation, but depending on the local context this may be a local Destination Marketing/Management Organization, a Regional Tourism Organization, or another type of not-for-profit tourism organization whose mandate "includes the promotion in Ontario or in a municipality".

The distribution and use of MAT funds is subject to revenue-sharing parameters within the legislation depending on whether a "destination marketing program exists when [the] tax imposed" or "no destination marketing program exists when [the] tax imposed." A destination marketing program is defined as a "program under which one or more providers of transient accommodation in a municipality agree to pay a portion of their revenue to a non-profit entity [...] to be used by an eligible tourism entity in promoting tourism." Destination marketing programs include destination marketing fees or in the case of Town of The Blue Mountains, the Blue Mountains Village Association's Village Amenity Fee.

For the first instance, where a destination marketing program exists before the implementation of a MAT, the legislation requires that the eligible tourism entity must be paid at least as much as the amount it received through the administration and collection of the destination marketing program during the fiscal year that ended before the MAT came into effect.

For the second scenario, where no destination marketing program exists when the tax is imposed, the legislation requires that at least 50% of the funds collected through a MAT, on a year-by-year basis, be provided to an eligible tourism entity.

As a result of this second revenue sharing structure, municipalities have discretion over a certain portion of the MAT revenue, which may not exceed 50% and is subject to the revenue-sharing parameters. Although the municipality has discretion over a percentage of MAT funds, to be determined in the design of the local MAT, most research reviewed, including the TIAC report, outlines that funds coming from a MAT should be used for tourism-related purposes. This was supported by the 2021 study on Ontario municipalities that had implemented a MAT, which found that most municipalities with a MAT were planning to use the revenue for tourism only or for tourism and other purposes, with only five smaller municipalities that were unclear about the intended use of MAT funds outside of tourism (Watts, 32).<sup>1</sup>

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<sup>1</sup> The Watts study discusses MAT funds as being spent on "tourism only", "tourism and other" or "other only. Within these categories, spend for tourism purposes includes tourism marketing, soft and hard infrastructure development connected to tourism activities, and tourism product development. "Other" refers to discretionary spending of MAT funds by certain municipalities where the purpose is not directly connected or transparently presented as being connected to tourism nor presented as unique revenue within municipal budgets (Watts, 27-30).

## Visitor Demand and Behaviour

Academic research into the impacts of tourism taxes, and accommodation taxes specifically, on visitor demand and behaviour is limited and highly case specific. There is also a gap when it comes to post-pandemic studies that consider recent shifts in the macro-factors affecting the tourism landscape today, from the economic context to shifts in social consciousness and environmental awareness. This means that there are limitations in terms of how relevant the academic body of literature will be to the Town of the Blue Mountains in determining whether to move forward with a MAT.

Overall, academic research has found that visitor willingness to pay tourism taxes is highly destination-specific, relating to the preferences of the specific visitor segments a destination attracts and the strength of consumer demand for the destination and its unique product. In other words, when destinations offer something unique or particularly valuable to visitors, they will be more willing to absorb increased costs. For example, a paper exploring price elasticity for European destinations, found that Spanish cities, especially those that target the sun-and-beach segment can easily be substituted one for the other by potential visitors. Whereas, Italian destinations, which focus less on beach tourism, have stronger market power and their visitor numbers can better withstand increases in travel costs (Heffer-Flaata, p756). The same held true in Istanbul, a destination known for attracting cultural tourists, found that the “majority of surveyed respondents reported that their travel decisions would not be negatively affected even if the total cost of their vacation increased by one third” (Cetin, 1).

For the Town of Blue Mountains, conducting market research to understand the destination’s market strength and level of substitutability may not be enough to predict whether a MAT would reduce visitor demand for overnight accommodations. Geographic proximity to key markets, means that there is also a risk that visitors may choose to do a day trip rather than stay overnight. Research from the United States found that other cost-saving behaviours undertaken by visitors include “staying at less expensive hotels, spending less on shopping and entertainment, and visiting during the off-season (Hotel Interactive, 2011).” (Hudson, 206)

It is worth noting that, although a tax can make a destination less competitive when it does not have enough market power, if used strategically, the revenue from a tax can also increase competitiveness and market power through improving the tourism product, whether that is through improving visitor amenities, wayfinding, or other services (Heffer-Flaata p750). Since natural attractions are often an important part of a tourism product, the availability of these resources over time can be linked to tourism’s long-term potential (Do Valle, p. 1408). However, research shows that not all visitors will want to take on the costs of environmental protection. Therefore, focussing only on visitor behaviour in the face of an increased cost may not provide accurate projections. It is also important to consider how competitiveness and market strength can be developed through the use of tourist taxes. Additional ways in which MAT revenue can be leveraged to support tourism in a destination are included in the case-study narratives included in the “Comparator Research” section of this report.

When it comes to communicating tourist taxes to visitors, tourists are more willing to pay taxes earmarked for improving in their experiences than they would be to pay for fees that relate to building destination sustainability (Cetin, 1). This aligns with research conducted in Portugal, which found that “typical sun and beach tourists presented a



below average willingness to pay the accommodation taxes earmarked for environmental conservation compared to “environmental steward tourists” (p. Do Valle, 1415). Accounting for these visitor preferences will be important for the Town of The Blue Mountains when drafting any visitor-facing communications around a MAT. However, it is unclear if these visitor preferences have shifted since the COVID-19 pandemic, since more recent research is not available (including data specific to the Town of The Blue Mountains). Research from the United States found that when communicating around taxes to customers, hotels coped by ensuring that “visitors are well informed, taxes are clear in invoices, and that consumer understands that hotels have control over rates but not taxes” (Hudson, 211).

### Operator Impacts and Considerations

Beyond the interactions between visitor and the range of tourist taxes across different destination, there is also the impact of these taxes on operators. In the case of accommodation taxes, while the MAT is structured to be paid by visitors purchasing overnight and short-term accommodation, the legal implications and economic burden is shared by providers of short-term accommodation and their guests. One US-based study found that a lodging tax often results in the accommodator provider raising the room rate. This decision may then have impacts on how much an accommodation manager/owner is able to increase the room rates later and how to factor the price of tax in these decisions. However, the study presented that through an overview of accommodations in eight US case studies, about 86% of the total tax is paid by the guest while about 14% of the total must be absorbed by the industry, either through lower room rates or reduced occupancy. (Hudson, 206). This in turn has relevant implications for how the tax can serve as a source of consistent and sizeable revenue for municipalities, which depend on the accommodation industry remaining competitive within their regional context.

Importantly, this report does not include detailed study of the finances and projections for MAT revenue generation, which would help in painting a clearer picture of the potential impact on accommodation providers' finances. Findings presented above and through the rest of the report need to be considered closely with the study into MAT's potential financial implications.

### Local Background and Context

The Town of The Blue Mountains has been investigating the potential implementation of a Municipal Accommodation Tax (MAT) since early 2023. From the beginning, the Town's consideration of a MAT occurred in tandem with considerations of a Vacant Homes Tax (VHT) and potential disposition of land, toward exploring different tax-revenue options available to Council.

Towards exploring the potential of a visitor-based tax, a report to Council was prepared by Ruth Prince, Director Finance & Information Technology Services at the Town of The Blue Mountains in April 2023, which included background information on the role and purpose of a MAT in Ontario. This Staff Report provided preliminary findings on the applicability and feasibility of both a MAT and a VHT. Findings included that a MAT may be a more feasible tax as it can be adopted and implemented by lower-tier municipalities, like the Town of The Blue Mountains. Meanwhile, a VHT would require approval from the Minister of Finance and the involvement of Grey County to oversee its decision, design,

implementation, and use. Additionally, the staff report showed that there may not be a high enough number of vacant houses in The Town of The Blue Mountains to meet the criteria for the potential tax. As such, the staff report recommended that the Town move forward with exploring a MAT rather than a VHT.

Following the April presentation, Council expressed unanimous support for exploring the background and context of a MAT and directed staff to move forward with a preliminary review. The findings of this preliminary review were presented to Council through a staff report on June 26, 2023. Importantly, the staff report was based on research and informed by key stakeholder and tourism partners. For example, the Blue Mountains Village Association (BMVA) delivered a presentation to the Town of The Blue Mountains' Committee of the Whole in April 2023 identifying a need for the Town to fully investigate other revenue tools and conduct necessary due diligence and consultations to understand the revenue generation possibilities and the management structures needed for successful MAT implementation.

Since then, Town Staff have moved forward with the required research and engagement by working with Bannikin to conduct primary and secondary research into the context for and perceptions of a MAT in the Town of The Blue Mountains to inform Council's decision on potentially adopting a MAT, including identifying next steps for potential implementation. The Town has also been working with CBRE on the financial forecasting and economic impact analysis for the potential MAT.

Additionally, parallel to the Town of The Blue Mountains' MAT research and engagement efforts, the neighbouring Town of Collingwood has moved forward with public consultations as they consider adopting a MAT. Collingwood is also moving forward with an STA Licensing by-law to legalize and regulate the use of STAs. Given the geographic proximity between the two municipalities, and the mobility of visitors between the two, it is key for the Town of The Blue Mountains to maintain open communications with the Town of Collingwood so that the potential implementations of MATs in both municipalities can be supportive of each other rather than increase pressures on industry members and visitor-understanding stemming from the potential taxes and supportive or related legislative structures.

#### Relevant Legislative, Policy, and Fee Landscape

Although The Town of The Blue Mountains does not have a MAT, it has established systems and processes related to transient accommodations within its boundaries that could support future MAT infrastructure. Additionally, infrastructure and mechanisms in place by other non-municipal organizations should be considered for their role in informing or directly supporting potential MAT infrastructure.

#### **Short-term Accommodations**

On August 23, 2021, the Town of The Blue Mountains officially classified any property rented for less than 30 days as a Short-Term Accommodation (STA) through By-law 2021-70, which regulates STAs (this includes purpose-built commercial resort accommodation or CRUs). By-law 2021-71 was also passed in August 2021 to implement an Administrative Monetary Penalty System (AMPS) for infractions by licensees.

As of 2023, the Town has 330 licensed STAs. As part of the STA licensing process, there are application, registration, and inspection fees, among others, that an STA owner must pay as a one-time, annual, or biannual fee. Additionally, the Town keeps a GIS map of all licensed STAs, with vast majority being in the Blue Mountain Village area and few others across different parts of the Town. Information for these fees and additional STA resources is communicated by the Town via its website: [Short Term Accommodation Licensing | Town of The Blue Mountains, ON](#).

The abovementioned by-laws are part of the existing infrastructure for STA licensing and regulation. Although these current by-laws were passed in 2021, the Town's efforts to manage STAs pre-date the 2021 by-laws with the STA Program & Policies from 2011, the first Licensing By-law Update in 2014, and subsequent supporting materials such as interpretation policies.

Moving forward and as MAT implementation is considered, it will be important for the Town to review and adjust, as needed and appropriate, the number of administrative process and total amount of fees that STAs are subject to.

### **Property Taxes**

The Town of The Blue Mountains also collects property taxes from all residents within its boundaries. Funds collected from property taxes are used to ensure the Town's capacity to provide local services, including but not limited to road repairs, parks and trails maintenance, fire services, etc. Property tax rates are presented by assessment/tax class, which are available on the Town's website. To collect funds, the Town issues two tax bills each year, each bill having two instalments, and property tax payers can pay the Town through a variety of ways such as pre-authorized payments, in-person at the Finance reception desk, by mail, email, or phone, etc. ([Property Taxes | Town of The Blue Mountains, ON](#))

Since accommodation providers in the Town of The Blue Mountains are all subject to property taxes, these need to be considered as part the overall cost landscape that they are subject to. Beyond this, it will be important to identify or differentiate how the services and infrastructure funded by property taxes differ from those funded by the potential MAT.

### **Village Amenity Fee**

The Town of The Blue Mountains is home to the Blue Mountains Village, a resort within its municipal boundaries. Importantly, all common areas and facilities in the Blue Mountains Village are managed and maintained by the Blue Mountains Village Association (BMVA).

The BMVA was established as a not-for-profit entity by a special legislation from the Legislative Assembly of Ontario (Bill Pr14, Blue Mountain Village Association Act, 1999). The legislation outlines the BMVA's mandate and outlines the requirement for "all persons having a real property interest in the Blue Mountain Village to be members of the Association and to be bound by its by-laws and to give the Association a right to enforce members' financial obligations to the Association by registering a lien against their real property located in the Blue Mountain Village." As such, Bill PR14, Blue Mountain Village Association Act, 1999 is an important part of the regulatory infrastructure influencing the potential implementation of a MAT in The Town of The Blue Mountains.

As noted above, the legal framework outlining the BMVA's mandate influences the Town's consideration of implementing a MAT. More specifically, the BMVA currently administers a Village Amenity Fee (VAF) within the Blue Mountains Village. The VAF or "Rental Royalty fee" of 2% is applicable to all lodging (i.e., accommodation provider) members as outlined below (*italics used for emphasis and added by report authors*):

*The lodging member and Blue Mountain Resort, or other Rental Managers, each pay 1% of the gross rental revenues earned from the property. This fee is charged to the paying guests, collected and remitted by Blue Mountain Resort on behalf of the member to the BMVA. Members utilizing other rental managers in the area or those who rent their property privately are responsible for submitting the 2% fee directly to the BMVA.*

## Appendix B: Comparator Profiles

### Kingston, Ontario

#### Key Takeaways

- ❑ MAT funds are used for tourism marketing/promotion, sales, and product development, with 35% of funds going to a Development Fund and 65% going to marketing and promotion.
- ❑ There is a two-year Service Level Agreement between the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners (KAP) on how they will work together and their roles and responsibilities with the MAT.
- ❑ MAT collection is done by the City of Kingston for STRs, and by KAP for all other accommodations.
- ❑ The inclusion of STRs in the MAT came two (2) years after the MAT was first implemented in 2018.
- ❑ A unique exception to the MAT is short-term medical accommodations for those from out-of-town for a medical appointment in Kingston on the roster with the Kingston Health Science Centre with proof of medical appointment.
- ❑ MAT funds are used to implement strategies in the Integrated Destination Strategy or the Integrated Marketing Plan, with fund use approved by either the committee overseeing the Development Fund or the committee overseeing funds for marketing and promotion. Both committees include the three key players, including the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners (KAP).
- ❑ MAT funds were used to develop Kingston's Integrated Development Strategy and the Culinary Tourism Strategy.
- ❑ Information targeting both industry members and visitors is easy to find and explains what a MAT is, its purpose, use, and how it is collected.
- ❑ The municipality will begin increase the MAT to 5% in January 2024.

#### Destination Marketing Landscape

Kingston, Ontario's destination marketing/management organization (DMMO) is Tourism Kingston. It is separate from the City of Kingston and overseen by a Board of Directors.

Destination marketing is primarily done by Tourism Kingston, but also by Kingston Accommodation Partners (KAP), Kingston's leading voice for the accommodation sector.

Tourism Kingston is a well-established DMMO with an Integrated Destination Strategy and Integrated Marketing Plan. These plans guide destination development and marketing amongst the three main players of tourism in Kingston, which includes the City of Kingston, Tourism Kingston, and KAP. Like in the Town of the Blue Mountains with the BMVA Village Amenity Fee, a Destination Marketing Fee of 3% was collected by KAP prior to municipal accommodation tax (MAT) legislation, which contributed to a Destination Marketing Fund, and needed to be accounted for prior to implementing the MAT on August 1, 2018. Another similarity between the destinations is Kingston's goal of dispersing tourism opportunities from major tourism assets to other parts of the destination. Kingston is also in the process of becoming a GreenStep Certified destination.

### MAT Collection & Remittance

The City of Kingston collects the MAT from short-term rental accommodations (STRs), while KAP collects the MAT from all other accommodation types, as they previously had the infrastructure to collect fees through their former collection of the Destination Marketing tax/levy. Accommodations subject to the MAT include hotels, motels, inns, bed & breakfasts, resorts, hostels, and short-term rentals. It is important to note, STRs, were not originally included in the list, but added to the by-law in January 2021. The MAT is 4% plus 13% Harmonized Sales Tax (HST) on all room stays less than 30 days. Fees such as valet parking, laundry service, continental breakfast, etc. are exempt from the MAT. However, the MAT is planned to increase by 1% starting January 1, 2024, plus 13% HST, meaning the City of Kingston will have a MAT of 5% plus 13% HST.

MAT does not apply to certain types of accommodations, including colleges of applied arts and technology, and post-secondary institutions, as long as the student is registered at and attending the institution. However, post-secondary institutions in the destination have voluntarily applied the MAT to overnight stays. They provide overnight accommodations at underutilized residences in the summer season and recognize the value tourism brings to their institutions. Additionally, hospitals, long-term care homes, houses of refuge or lodges for the reformation of offenders, and treatment centres are exempt. Of particular interest, short-term medical accommodations are also exempt, meaning an out-of-town individual that has a medical appointment in Kingston and is on the roster with the Kingston Health Science Centre and provides proof of medical appointment to the property owner does not pay a MAT. Other exemptions include shelters, tents or trailer sites supplied by a campground, tourist camps or trailer parks, accommodations supplied by the employer to their employees on the premises operated by the employer, and "hospitality rooms in an establishment that does not contain a bed and is used for displaying merchandise, holding meetings or entertaining." Finally, accommodations with no receipt of payment or other consideration that are incidental to and normally associated with the permitted residential use of the dwelling unit or short-term medical accommodations.

The MAT is directly collected by accommodation providers and all accommodations except STRs, remit to KAP on the 20<sup>th</sup> of each month by way of cheque or electronic funds transfer (EFT). This was done to leverage the existing mechanisms and infrastructure KAP had from previously collecting a Destination Marketing Fee. However, STRs remit to the City of Kingston every quarter with payment due one (1) month after the last day of the

quarter (e.g., Quarter 1: January 1 – March 31, remittance is due by April 30<sup>th</sup>). This is done through a city webpage that required STRs to include their STR license number, postal code, total dollar value of rental fees collected in the quarter, and an email address for STR to receive a receipt.

A municipal by-law exists that enacts the MAT in the City of Kingston, along with a two-year Service Level Agreement between the three (3) main parties, the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners that outlines the roles and responsibilities of each party for the MAT. The municipal by-law states that accommodation providers are required to: keep and retain books of account, records, and documents sufficient to furnish the city and its tax collection agents with the necessary particulars of sales of accommodation, and the amount of levy collected and remittance. It also mentions a penalty along with interest will be charged on the unpaid amount of a MAT instalment on the first (1<sup>st</sup>) day of default, as well as additional fee charges to any remittance made by cheque that is not honoured by the financial institution.

The three key stakeholders, as well as major hotels, have their own processes of auditing. More specifically, KAP compares financial information reported with the accommodation indicators they collect to determine if the amounts reported by their accommodation providers is in alignment with their reports. If there is an unusual amount, KAP does not do an audit on the accommodation provider but instead sets up a meeting to understand the reasoning behind unusual amounts. Although there is an option to conduct an audit on an accommodation, the cost as well as time spent is considered high. As noted during an interview conversation with a Tourism Kingston representative, the relationship between KAP and its accommodation providers is one of trust, meaning they try to find solutions without needing to undertake an audit. Similarly, the city trusts what STRs are reporting. However, like KAP, high-level calculations can be made based on the number of rooms available, months in operation, and the amount of income reported to identify any anomalies.

### MAT Distribution & Uses

The distribution of Kingston's MAT is divided with 35% going to a Development Fund and 65% going to marketing and promotion. However, because KAP previously collected a DMF, \$1.6 million of MAT funds must be escalated annually to KAP, which is the 2017 baseline amount. This amount is to make KAP "whole" as the provincial legislation mandates, and is usually taken from the 65%; however, if this amount is less than the \$1.6 million, funds from the Development Fund are used to allocate the full amount to KAP. Additionally, the Service Level Agreement states that additional fund will be provided to KAP for incremental costs related to MAT collection given the increased number of accommodations mandated to collect the MAT.

Specifically, the Development Fund is used to finance product development, major events, attractions, and strategic initiatives to advance the implementation of the Integrated Destination Strategy (2019). Specific decisions made about these funds are authorized through a committee which includes representatives from the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners. One example of fund use includes funding any operational deficit of Kingston Penitentiary over the term of the proposed lease with the Federal Government and the City of Kingston. Other examples include funding incentives to attract new airline carriers and additional flights to the local airport,



airport expansion, conference centre operations, Visitor Information Centre expansion, the Integrated Destination Strategy and Culinary Tourism Strategy, and the Love Kingston Marketplace spring and summer programs.

The marketing and promotion funds are spent on marketing initiatives outlined in the Integrated Marketing Plan in consultation with the Marketing Committee, which similar to the Development Fund Committee, includes representatives from the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners. In accordance with the Service Level Agreement, both KAP and Tourism Kingston receive funds for marketing and promotion. One example of fund use includes developing the Fresh Made Daily brand, KINGSTON sign, ongoing sales and marketing, attracting prestige curling events to Kingston, and supporting Kingston Film Office to attract and support media production.

Below are the MAT funds raised since its implementation in the City of Kingston in 2018:

- 2018 (5 months): \$1,355,048
- 2019: \$2,870,761
- 2020: \$1,362,000
- 2021: \$1,965,000
- 2022: \$2,954,000

#### Resources & Monitoring

All three key players share information on the MAT to relevant audiences. Tourism Kingston provides a webpage on MAT for visitors and another for accommodation providers. The City of Kingston provides a webpage with information for visitors, accommodation providers, and STRs. KAP provides general information on their website about MAT economic impact, the number of visitors to the area, and number of room nights for hotels and the visitor economy. Interestingly, no information was available on the connection between MAT implementation and changes to consumer demand in the destination. However, the destination has not seen any decrease in visitation, excluding impacts of COVID-19, since the implementation of the MAT. Instead, they have seen increased occupancy. Additionally, to monitor the impacts of the MAT on the destination, a quarterly report is submitted to municipal Council.

## Victoria, British Columbia

#### Key Takeaways

- Municipal Regional District Tax (MRDT) funds are used for tourism marketing, programs and projects, with online accommodation platform MRDT funds going to affordable housing, specifically the City of Victoria's Housing Reserve Fund.
- A 5-year Strategic Business Plan was developed with engagement from the City of Victoria, the District of Saanich, and other key tourism stakeholders, that outlines how the MRDT funds are to be used in the next five years.
- A Destination Marketing Fee (DMF) of 1% is still charged on accommodation purchases in specific accommodations in the City of Victoria.
- The province regulates and collects the MRDT from accommodation providers directly, and distributes the funds to a designated recipient, such as DGV, which is very different from the Ontario context.

- MRDT funds for use in capital projects need to be approved by the province which is different from the Ontario context.
- A unique exception to the MRDT in British Columbia is for First Nation individuals or Bands on First Nation lands.
- Information on MRDT is primarily shared by Destination British Columbia instead of local tourism organizations.

### Destination Marketing Landscape

Victoria, British Columbia's current destination marketing/management organization (DMMO) is Destination Greater Victoria (DGV), also known as Greater Victoria Visitors & Convention Bureau. It is separate from the City of Victoria and is a member-based not-for-profit organization with a Board of Directors.

The equivalent of a Municipal Accommodation Tax (MAT) in British Columbia is a Municipal Regional District Tax (MRDT), which different to Ontario, is enacted directly from provincial legislation versus a municipal by-law. Before the MRDT, the City of Victoria had a Destination Marketing Fee (DMF) of 1% collected by the Victoria Hotel Destination Marketing Association, which is still in effect and in addition to the MRDT.

The area represented by Destination Greater Victoria includes the City of Victoria and the District of Saanich. DGV was approved by the province as the designated recipient of the MRDT funds on January 1, 2017. This deepened the relationship between DGV and the City of Victoria to take on the sales and marketing of the Victoria Conference Centre, which is a major municipal asset. Overall, the MRDT is 3% on all purchases of taxable accommodations in the City of Victoria and the District of Saanich as well as 8% PST and 5% GST. However, as mentioned previously, an additional 1% DMF applies on accommodation purchases at approximately 19-21 hotels in the City of Victoria.

Overall, a key benefit mentioned by DGV about the MRDT is the ability to attract year-round meeting and conference events, which are booked more than 1-2 years in advance. This is due to the consistent revenue received each year through the MRDT. It has also helped to stabilize staffing at DGV and develop a positive organizational culture and competencies.

### MAT Collection & Remittance

In British Columbia, the province collects the MRDT from accommodations. The entities involved with the MRDT at the provincial level include the Ministry of Finance, Ministry of Tourism, Art and Culture, and Destination British Columbia. The province directly collects the MRDT from accommodation providers, except online accommodation platforms (i.e., Airbnb). In the case of online accommodation platforms, they collect the MRDT directly and send it to the province. The province then forwards the MRDT to the designated recipient monthly, less administrative fees.

A designated recipient is an entity that has applied and been approved by the province to receive the funds after fulfilling certain requirements. Requirements of note include the need to develop a 5-year Strategic Business Plan with 1<sup>st</sup> year tactical details (also known as a 5-year MRDT Agreement) with support from stakeholders, proof that the funds are incremental and not replacing other sources of funding, and evidence of consultation



with the local government. Additional information on specific requirements can be found on the “Destination British Columbia’s MRDT Program Requirements” (2021) [PDF document](#).

The designated recipient is eligible to receive the MRDT funds for a 5-year period, after which it would need to reapply to the province. There is no restriction on the number of times a designated recipient can reapply to renew their status as a designated recipient. The MRDT applies to all short-term accommodation providers in a destination accommodation area which can be 1) a whole municipality, but not a portion of a municipality, 2) a whole regional district or a portion of a regional district, and 3) a combination of municipalities and portions of regional districts.

There are some accommodations exempt from the MRDT, including those with a gross revenue of less than \$2,500 from the accommodation in the previous 12 months that reasonably estimates a guestimate of less than \$2,500 in the next 12 months. Similarly, if the price of a unit of accommodation is \$30 or less per day, or \$210 or less per week, these are also exempt. Another exemption is accommodation of 27 days or more provided to the same person continuously, such as industrial, religious, or charitable organizations in some cases, in tents, in hospitals, assisted living residences, and long-term care facilities, and some other particular cases. Of interest, First Nation individuals or Bands on First Nation lands are exempt from the MRDT, as well as members of the diplomatic or consular corps.

### MAT Distribution & Uses

Like the Ontario legislation, the British Columbia Regulation 93/2013: Designated Accommodation Area Tax Regulation outlines how MRDT funds can be used, including tourism marketing, programs and projects, with some designated recipients authorized to use the revenue for other purposes. However, tourism marketing, programs or projects under the MRDT should contribute to the increase of local tourism revenue, visitation, and economic benefits. Additionally, spending related to affordable housing initiatives must assist communities to address local needs related to affordable housing. The legislation mentions that proposals for capital spending beyond affordable housing, such as new tourism facilities or infrastructure are only given considerations on special circumstances and must be included in the 5-year Strategic Business Plan submitted to the province, with demonstrated local stakeholder support for the province to authorize the use of MRDT funds. Key principles to promote coordinated and efficient use of MRDT funds, include:

- ❑ Effective tourism marketing, programs and projects.
- ❑ Effective local-level stakeholder support and inter-community collaboration.
- ❑ Coordinated marketing that complements broader provincial marketing strategies and tactics.
- ❑ Fiscal prudence and accountability.

All MRDT funds are received by DGV for use in accordance with the 5-year Strategic Business Plan. Interestingly, as part of the 2017 MRDT Agreement, DGV agreed to make a \$1 million contribution to building the David Foster Harbour Pathway, with a matching contribution from the City of Victoria. Specific funding received from online accommodation platforms (i.e., Airbnb), is also received by DGV, but directed to the City of Victoria to support the municipality’s Housing Reserve Fund. The city created the fund

to provide grants to assist with developing and retaining affordable housing for households with low and moderate incomes, and to facilitate affordable rental housing and/or affordable home-ownership projects. Both DGV and the City of Victoria are working together to enhance the availability of affordable accommodation for hotel and hospitality industry workers who fit the eligibility criteria for the fund program.

Below is the amount of MRDT funds raised from 2019-2021 in the City of Victoria and the District of Saanich in 2017:

- 2019: \$5,855,081
- 2020: \$1,953,696
- 2021: \$3,466,009 (Plus \$633,915 from Online Accommodation Platforms)

### Resources & Monitoring

Information on the MRDT is primarily provided by Destination British Columbia, with limited information provided by the City of Victoria or Destination Greater Victoria. Additionally, reporting on the use of MRDT funds is done annually to the province as part of the requirement to be a designated recipient of the MRDT.

## Other Examples in Ontario

As found by research conducted by Town of The Blue Mountains' staff prior to this project, there are over fifty (50) municipalities in Ontario that have implemented a MAT since 2017. Although many have taken similar approaches to the MAT, some components of their approach are valuable to note as the Town of the Blue Mountains considers moving forward with MAT implementation. The following are seven (7) municipalities with interesting considerations that have been identified across the various research methods:

- The City of Owen Sound provided stakeholders with an "open public question" tool on their website where stakeholders can submit questions about the MAT to the city, and the city would respond to them directly.
- The Town of Huntsville developed a "MAT Budget Principles" policy that is meant to ensure funds from the Municipal Portion for the MAT are used for a list of potential new tourism infrastructure such as wayfinding signage, biking or hiking/walking trail, and capital investment in a new tourism attraction or facility.
- The Town of Gravenhurst formed a volunteer board comprised of tourism stakeholders to manage 60% of MAT net funds for tourism promotion and development, with a specific focus on attracting more visitors, while the rest of the 40% of MAT net funds would be retained by the town.
- The City of Sarnia faced difficulties within the first year of implementing a MAT. Specifically, the relationship between the city and Tourism Sarnia-Lambton broke down and the city removed Tourism Sarnia-Lambton as the designated not-for-profit organization receiving 50% of MAT funds. Instead, the Economic Development office in the city received the 50% of MAT funds and established a grant program.
- The City of Cambridge specifically directed staff to create a MAT reserve fund to segregate the city's 40% portion of the MAT funds. The staff report specifically said it was important for funds to be segregated and used only for approved municipal

purposes to demonstrate transparency and accountability to the hospitality industry. Interestingly, the Region of Waterloo and its seven lower-tier municipalities is one of the few examples where revenue sharing was done with the upper-tier municipality. All municipalities get 40%, the Region of Waterloo gets 10%, and the Waterloo Region Tourism Marketing Corporation or Explore Waterloo Region gets 50% as an eligible tourism entity. Potential uses for the city's portion of funds are identified in the council-approved reserve fund policy. However, some examples include market research, sports and cultural tourism infrastructure, bid and grant funding for international, national, and provincial-scale events, major festival and event expansion/development, sports/festival/event infrastructure, and additional staff resources to support tourism efforts.

- The City of Ottawa along with the Ottawa Gatineau Hotel Association and Tourism Ottawa developed an agreement that outlined the framework of how the MAT would function in the municipality. In the agreement, the governance structure, administration of MAT, and tax fairness are clearly outlined. Of particular interest is that the agreement also included thirteen (13) guiding principles to guide the three entities' working relationship.
- The City of Orillia was the first of five municipalities that fund Orillia and Lake Country Tourism to implement a MAT. Since Orillia is the only one that implemented MAT early on, they established an MOU with Orillia Lake Country Tourism, where Orillia contributes to the DMO's regional work through a part of the contribution funds regional promotion, and part funds specific initiatives for the municipality.
- Another regional collaboration involves Discover Muskoka and the municipalities of Bracebridge, Gravenhurst, and Huntsville, who each contribute the same percentage to Discover Muskoka for regional tourism marketing.

## Appendix C: Key Stakeholder Interview Analysis

### Overview

A total of 11 key stakeholders were identified by the Town of The Blue Mountains (incl. a representative of one of the comparator destinations), as informed by recommendations from Bannikin. The key stakeholders were selected based on their professional understanding of tourism, both locally and regionally, and their expertise within the accommodation, tourism, and local government sectors.

- Organizational representatives with experience implementing MATs
- Local and regional tourism organization representatives
- Accommodation provider representatives (incl. Rental Management representatives)
- Local politicians and Council members

**Note on analysis:** Interviews were conducted virtually as semi-structured conversations, which have been anonymized through the analysis narrative presented. Interviewee responses were disaggregated based on the ideas or concepts included in their answers, and then reorganized and regrouped based on shared topic or theme. As such, the total number of responses analyzed does not directly correspond to the total number of interviewees.

## Awareness and knowledge of a MAT

Interviewees were asked to share the extent to which they are aware of a MAT in Ontario and any previous exposure or experience they have had with MATs. Based on interviewee responses, the majority were very familiar (n=4) or familiar (n=4) with the MAT while only two (n=2) were less/somewhat familiar.

Before more detailed discussions on the MAT, interviewees were asked to share how they understand a MAT, including what it is and how it can be applied across Ontario. 9 out of the 10 interviewees shared their understanding of a MAT. Overall, informant responses demonstrated understanding of MATs and the key aspects of their structure as set out by the Ontario legislation. The most highlighted aspect of a MAT was that its funds are meant to further tourism activity and improve experience (incl. marketing and development) (n=5). Within this, informants referred to both the potential use of MAT funds for tourism marketing and the development/ maintenance of infrastructure that is connected to tourism activity.

Following interviewees' sharing of how they understood a MAT, Bannikin interviewers further contextualized by sharing the below:

A Municipal Accommodation Tax is a tax that is collected on overnight accommodations booked for less than 30 days, which includes but is not limited to hotels, motels, bed and breakfasts and other short-term rentals. The tax is paid for by the guest and is collected by the accommodation provider through the booking or check-in/check-out process. The funds collected through the tax are used to promote tourism and to support tourism-related activities and projects accessed by visitors and locals such as roads, transit, beaches, parks and natural areas, culture, and recreation.

## Potential Implementation of a MAT

### Relevancy

Key informants were asked to identify what reasons make a MAT a relevant consideration for the Town of The Blue Mountains as well as what reasons make it a less relevant consideration.

When sharing why a MAT is a relevant consideration, responses highlighted the following top three relevant reasons:

1. Chance to promote the whole area of the municipality and properly promote different types of tourism to disperse people across, encouraging visitation and its benefits throughout the whole community (n=5)
2. Potentially significant sum of money and capacity to pool/share resources for tourism marketing and promotion (n=5)
3. Increased regional competition in ability to reach and attract same markets as MAT is implemented by neighbours and others across Ontario. (n=4)

Other reasons perceived as making a MAT relevant include that a MAT can be used to improve the Town as a destination and fill in infrastructure gaps/needs, which are influenced by tourism traffic (for the municipality) (n=3); that the MAT represents a potential mechanism that will encourage collaboration (incl. shared-marketing) (n=3); and

that Town of The Blue Mountains is already a tourism destination that would likely be able to benefit from a large number of visitors paying a MAT (n=3). From the responses provided, the potential use of a MAT for marketing, promoting, and developing tourism and the destination stands out as a common theme.

When sharing why a MAT is a less relevant consideration, the topmost identified reasons are:

1. BMVA has strong model that allows it to be a well-funded and industry led DMO, with risk of losing autonomy and organizational health through MAT and municipal involvement (n=3)
2. Potentially redundant as there are already investments into destination marketing and activities that the MAT would cover (n=2)
3. Non-equitable tax burden solely on accommodations (n=2)
4. Would increase costs for overnight visitors among dropping rates of visitation to the destination (n=2)
5. Need to determine whether it is financially beneficial and viable based on accommodation stock and potential revenue (n=2)

Other reasons shared include that several residents are opposed to attracting more visitors (n=1); the rising inflation and potential impacts on businesses/optics of the current context (n=1); and the risk of municipal/political coopting of funds once instituted (i.e., lack of industry consultation) (n=1).

Notably, there are two common threads among the reasons why MAT is a less relevant consideration, and which should inform any future decisions and communications around the potential adoption of a MAT. The first is that the BMVA and their Village Amenity Fee have been already delivering on some of the intended purpose of the MAT. The second is a concern over the current context for visitation in Town of The Blue Mountains, including the state of the economy and recent accommodation rates.

### Opportunities and Challenges

Respondents were asked to reflect on the context that surrounds tourism in the Town of The Blue Mountains and share what specific opportunities exist for implementing a MAT. The opportunities pulled from the analysis have been sorted based on theme.

#### **Non-marketing/ Local stakeholder Benefit:**

1. Invest in/support tourism initiatives/ experiences/ investments other than marketing (n=7)
2. Invest in/ support tourism development across whole municipality (n=3)
3. Invest in/ support social issues facing community and support local resident experience (n=3)
4. Use visitor dollars to take financial pressure to maintain/ develop tourism away from residents (n=2)
5. Prioritize MAT funds to address needs of accommodation providers first, and then broader tourism industry (n=1)

#### **Tourism Marketing and Promotion**

1. Establish, align, and communicate tourism development and marketing strategic direction (n=5)
2. Marketing and dispersion - Use development and marketing to disperse people across the Town (and seasons) (i.e., beyond the Village) (n=5)
3. Invest MAT funds to make/ maintain TBM and its brand as a competitive destination (n=3)
4. Have a full, dedicated (and autonomous) DMO that market and promotes the whole Town and takes on bigger areas of work (incl. tourism marketing and product development) (n=3)

#### **Governance and Operations:**

1. Commitment and transparency to spend MAT funds to grow tourism (n=4)
2. Encourage participation and shared priority setting with industry (n=4)
3. Set up a strong MAT review/investment advisory for collective/ informed decision making (n=3)
4. Clarify MAT fund collection process (n=2)

When asked to identify what specific challenges they see for implementing a MAT, informants identified the following. The challenges pulled from the analysis have been sorted based on theme.

#### **Administration, Accountability, and Transparency:**

1. Accountable, justified, and transparent use of MAT funds (n=5)
2. MAT collection process and industry accountability (n=3)
3. Using MAT to mitigate tourism concerns (n=1)

#### **Stakeholder Relations and Buy-in:**

1. Tourism industry stakeholder buy-in and implementation in their operations (n=5)
2. Community (i.e., resident buy-in) (n=5)
3. Sharing needed information with visitors, residents, and industry (n=1)

#### **Collaboration and Duplication:**

1. Figuring out best DMO-partner and avoiding silos and unnecessary organizational layers (n=4)
2. Collaboration dynamic and success amongst partners (n=3)
3. Existing Village Amenity Fee in place already funding good work in the Village (n=2)
4. Losing competitiveness as a destination through inappropriate use of funds or lack of cooperation/respect (n=1)

#### **Outside Factors:**

1. Current state of the economy and timing for implementation (n=1)
2. Weak Ontario MAT legislation in ensuring consistent political accountability in use of MAT funds through changing Councils (n=1)
3. Regional context and working with neighbouring municipalities who may or may not have MAT (n=1)



## Appendix D: Accommodation Provider Survey Analysis

### Overview

To gather insights and feedback from accommodation providers around the potential of a MAT in the Town of The Blue Mountains an online survey was made available from Tuesday, November 7, 2023, to Sunday, November 26, 2023. The link to the questionnaire was shared directly with accommodation providers by email and the link was also shared directly with local rental management companies, the Blue Mountains Short Term Accommodation Association, and the Blue Mountain Village Association for promotion to their members. At the end of the survey, participants were directed to a parallel survey targeting accommodation providers being run by CBRE to inform the economic impact assessment project.

The survey included eight (8) questions, mixing open and closed questions. 168 respondents participated with 136 participants completing the survey, the vast majority of which (62.50%) identified as providing short term accommodations (STAs), followed by commercial residential units (CRUs) at 20.24%, hotels (10.12%), bed and breakfasts (2.38%), and motel (0.60%), with other at 4.17%.

78.70% of respondents classified their businesses as independently owned and 18.45% said they were part of a franchise or larger brand. 2.98% were unsure of the ownership model.

**Note:** Across the survey and regardless of the question, the “other” option was overwhelmingly used by respondents to share their concerns and opposition to a MAT. Several respondents expressed frustration at questions around any opportunities related to a potential MAT. The “other” responses have been reviewed, consolidated, themed, and presented in this Research Summary Report alongside the most relevant question.

### Challenges and Opportunities

When asked to select from a list the risks and/or challenges they see for their business and the tourism industry in the Town of The Blue Mountains with a MAT charged to customers and collected on overnight accommodation bookings, the top three responses were:

1. Decreased demand for my business due to increased cost to guests (90%),
2. Misuse of MAT funds for thing that don't impact my business or the tourism industry (incl. lack of transparency of MAT funds use) (58%), and
3. Reduced competitive advantage to other accommodations in neighbouring municipalities (48%).

These responses align with the open-ended comments from across the survey, where concerns and opposition to a MAT can be grouped into four main areas:

5. **General negative sentiment** expressed through comments such as “I see no advantages” and “this is a bad idea”



6. **Concerns with how MAT would be spent, abundance of fees, feeling that accommodators would be forced to absorb the cost of the MAT.** These concerns were expressed through comments such as “just another tax grab”, “how much of these taxes would be used for increasing demand into the area vs being spent on administration for tax collection”, “this seems like double dipping”, “why should overnight stay guests bear the burden of a tax that benefits local residents, day use visitors, non-tourism related businesses and transients?” “If someone isn’t declaring their income and is renting privately, how are they going to be made to pay” and “The tax will end up coming out of our pocket as tourism is down this year and we’ve had to reduce our pricing. Customers will not tolerate additional fees.”
7. **Concerns visitors will go somewhere else due to additional cost, and sentiment that inflation and economic context mean now is not the right time for a MAT.** These concerns were expressed through sentiment such as “we feel that currently people’s budgets are tight and that additional taxes will encourage people to explore other options for travel,” “Will just make visiting the area even more unaffordable than it already is” and “MAT should be scrapped due to the downturn on the economy”.
8. **Marketing is already sufficient as is, no need for more,** expressed through comments such as “I believe that the Blue Mountain Village Association and other ski hills already market the area enough,” and “BMVA already does a great job. BMR as well. Both organizations have full marketing departments and are professionals.”

Reflecting on and addressing these concerns will be essential as the Town of The Blue Mountains considers whether to implement a MAT. If a decision is made to proceed, the Town will need to address these issues when justifying the decision, determining the governance structure of the MAT, and communicating with accommodation providers around this.

Although the majority of survey responses expressed overwhelming concern against the potential of a MAT, when asked what advantages and/or opportunities they saw for their business and the tourism industry in the Town of The Blue Mountains with a MAT charged to customers and collected on overnight accommodation bookings, the top three responses were:

4. Increased marketing and promotion of Town of The Blue Mountains as a tourism destination (52%),
5. Funding to support product and experience development, incl. events and festivals (44%), and
6. Funding to improve hard and soft infrastructure connected to my business (e.g., sidewalks, roads, lighting, garbage/recycling bins, public furniture, etc.).

Note: 59% of respondents selected “other” largely to express opposition to the MAT.

## Use of MAT Funds

Accommodation providers were also asked how potential MAT funds would be best spent. When asked, if they were leading infrastructure development to support tourism in the Town of The Blue Mountains, where they see the most potential for Municipal Accommodation Tax revenues to be invested. Two answers tied for first place:

1. Public space beautification, and activations (e.g., facade repairs, cultural heritage conservation, public furniture, plant/tree maintenance, walkable spaces, pop-up activities, etc.) (43%)
2. Improvements on trails and water routes (43%)

"Built infrastructure development (e.g., public parking, road improvements, water/wastewater capacity, etc.)" was selected by 38.97% of respondents. Additional responses brought up in the comments mentioned opportunities to focus on cycling infrastructure, publicly accessible activities on the slopes, as well as indoor tourism spaces like shopping malls and water parks. There were also several comments underlining a preference for spending MAT dollars on marketing rather than infrastructure. Several respondents felt that infrastructure costs should be covered by other funding streams.

When asked, if they were leading tourism in the Town of the Blue Mountains, where they see the most potential for Municipal Accommodation Tax revenues to be invested, 136 respondents answered. The top responses were:

- Tourism product and experience development (incl., events, festivals, walking tours, etc.) (58%)
- Marketing and communication efforts to attract and inform visitors (54%).

Comments around marketing initiatives came up several times across the survey, especially as it relates to not duplicating efforts, through statements such as "We must also ensure that we are not using the money to duplicate services that are already being provided by the BMVA, RTO7, and South Georgian Bay Tourism."

There is a striking connection between the accommodator concerns around MAT and the opportunities they see. Both underline the importance of maintaining or growing visitor numbers. By far, the top risk mentioned by accommodation providers around MAT implementation is the possibility of losing visitors. At the same time, the key opportunity, and suggestions for how to use MAT funds centre on using marketing to attract more visitors. Perhaps unsurprisingly, a key priority for accommodation providers is ensuring that occupancy rates are high.

When asked about specific or special considerations that the Town of The Blue Mountains should be aware of if implementing and/or applying the MAT? (e.g., eligibility of corporate bookings, complimentary rooms, etc.), most of the responses reiterated concerns expressed previously across the survey. However, some specific concerns were brought up including around:

- How the collection of fees would be integrated into booking platforms,
- How by forcing visitors to spend more money on accommodations they will have less budget available to spend across their visit,
- Discrepancies in how a MAT would potentially affect small vs. large accommodation providers, and
- Possible exemptions for different kinds of bookings whether, corporate, event, charitable organizations, educational, etc.

Overall, there was strong opposition to the potential of a MAT from the accommodation providers who responded to the survey. If a decision is made to move forward with a MAT, it will be important to address these concerns to increase buy-in.

## Appendix E: Accommodation Provider Table Talk Analysis

### Overview

To further engage accommodation providers, 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. The discussion involved 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. Through the conversations, five (5) general areas of discussion emerged. These include general MAT context, revenue management, visitor relations, community & industry relations, governance, and potential uses.

### General MAT Context

Overall, accommodation providers were unclear as to why the Town of the Blue Mountains was interested in implementing a MAT at this moment. Some mentioned there was no need for additional funds to pay for tourism marketing and promotion, or tourism-related infrastructure because people already came to the municipality without marketing, and property taxes paid for needed infrastructure in tourism. Others were concerned with the timing of a MAT, particularly given the current economic situation. Some proposed implementing it in 2-3 years. There were also concerns about unexpected increases in the MAT beyond 4% in the coming years.

A key point that stood out was the importance of accommodation providers having a clear understanding, through a strategy or business plan, of how the MAT funds would be used and how it would benefit their businesses. Some specifically mentioned wanting hard numbers to show the benefit to them. Another key point that stood out was the concern from STAs on the increased number of fees they need to pay to remain legal accommodation providers. There was a strong concern this would burden STAs, and cause many to become illegal. Suggestions were made to use the fines collected from illegal STAs to pay for things a MAT fund would potentially finance.

### MAT Revenue Management

A main point that was clear throughout the discussions was the distrust some accommodation providers had toward the municipal government and council. Many particularly mentioned the lack of transparency of how different funds have been used in the past, including STA licensing fees. For this reason, there was a significant concern that the MAT funds would not be used for tourism development and the benefit of accommodation providers, particularly STAs, but instead, for other means. There was a lack of clarity on how the municipality currently funds tourism, and how potential MAT funds would be used in the future.

Other concerns included who would administer the MAT funds, and how the MAT would logistically be collected from overnight visitors. Specifically, there was a concern about accommodation providers needing to collect the MAT themselves as it would require additional time taken out of their busy day, as well as a possible need to use a new platform to administer the MAT. This is due to platforms such as Airbnb that may or may not collect local taxes like a MAT depending on the STA's location and jurisdiction.<sup>2</sup> There were fears that if the platform did not have an additional place to include the MAT, they would have to find ways to charge the tax that would create negative visitor experiences since they would have the perception of it being a "hidden tax". Finally, some suggested that accommodation providers renting their primary home should not be required to collect the MAT, since they see themselves as different than someone with multiple properties.

## Visitor Relations

Another key concern was the increased cost a MAT would incur on visitors. Some suggested visitors would prefer to visit for the day and drive back to their homes rather than stay overnight. Other suggested visitors would rather stay in Collingwood because it would be cheaper than the Town of the Blue Mountains. As a result, this would have an impact on the volume of traffic and safety in the municipality due to a lack of alternative modes of transportation between the two municipalities. Another concern was that the MAT would only impact overnight visitors, even though a significant number of visitors are day-trippers who come to use different facilities and infrastructures but leave at night. One particular concern differentiated between the experience of hotels and STA owners. Specifically, STAs mentioned receiving messages about discounting fees or moving the booking offline to avoid fees and felt that the MAT would further increase these requests.

## Community & Industry Relations

A concern, particularly for STAs, was how the MAT would discourage new STAs to emerge in the municipality. They felt this new tax, along with the STA license and other measures were punitive. As a result, they said more STAs would become illegal since the cost of being legally licensed was becoming too high. However, if the MAT was implemented, everyone was clear they needed to get something out of it.

Related to this, accommodation providers underlined that the attitude of community and industry needed to shift in support of tourism. They noted that many homeowners don't want visitors in the community, nor the existence of STAs. STAs felt the community and municipal council viewed them as bad/negative; however, this needed to change because they provide a unique experience that is different from a hotel and other types of accommodations available in the Town of the Blue Mountains. They reiterated that the

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<sup>2</sup> Airbnb implemented several tax agreements across Ontario for the collection of a 4% MAT in October of 2018. Not all Ontario municipalities that have adopted a MAT have a standing agreement with Airbnb, and as such the Town of The Blue Mountains along with its key stakeholders would need to investigate the potential of striking an agreement with Airbnb and other platforms for the collection of the potential MAT. ([Airbnb signs multiple tax agreements in Ontario](#))

municipal council seems to be disconnected with the realities of accommodation providers, and are not interested in support their businesses, but instead, interested in getting more money. They also mentioned they're very concerned with the level of service and communications they are currently receiving from the municipality.

Accommodation providers were also concerned about the potential MAT implementation due to the current economic situation, as well as other industry challenges, such as the lack of staff, and attainable housing options. They also mentioned many have seen significant declines in occupancy rates meaning revenues have decreased, but costs remain. As a result, some accommodation providers, viewed a proposed MAT to be another tax they would need to take on instead of the visitor pay since the total costs of the accommodation with a MAT and other fees would not be as competitive. STAs mentioned fees on certain platforms used are already high.

## Governance

A key concern brought up by STAs was the current unequal playing field of accommodation providers. Specifically, they mentioned how others do not need to comply and pay for a similar STA license, and as a result, are at a better advantage. Some examples given were related to Commercial Resort Units. Additionally, some STAs highlighted they pay these fees but do not receive anything in return, particularly around the lack of public services such as a sewer system, and other amenities. STAs particularly felt Commercial Resort Units should be required to be at the same standard and pay a similar license fee as STAs and use those funds to invest in tourism before implementing a MAT. Additionally, STAs said that before considering implementing a MAT, illegal STAs should also be addressed.

Because of the existing lack of trust and transparency between accommodation providers and the Town of the Blue Mountains, many didn't feel there was a visible benefit to implementing a MAT. However, some accommodation providers suggested off-setting the STA license fee with MAT collection, meaning the cost of the STA license fee would be deducted from the MAT collected in the year.

Some areas that required additional clarity and consideration included the following:

- How would accommodation providers be audited? People will not report real earnings, and/or will go underground.
- What is the relationship of the Blue Mountain Village Association fee and the MAT?
- There should be a board of directors made up of key stakeholders, including STAs, other accommodation providers, and major attractions in the municipality, to oversee the use of MAT funds.

## Potential Uses

Despite the concerns and lack of trust that the MAT funds would be used for tourism at all, as well as being used across the municipality, and benefit accommodation providers, especially STA, some potential uses were suggested including the following:

- Strategy Development: Developing a comprehensive strategy that is looking to drive specific objectives, including how to incentivize visitors to stay longer.

- Marketing/Promotion: Marketing the larger area not just the Blue Mountain Village on social media, and using collective marketing to reduce costs, and develop a common story to tell about the destination.
- Experience Development: Develop unique events, indoor experiences, and high-quality experiences.
- Infrastructure Development: Improve public safety (e.g., road signage & wayfinding, lighting, sidewalks, etc.), develop sewage infrastructure to increase housing in existing residential areas (e.g., Tyrolean Lake), and construct attainable housing for hospitality and tourism staff.
- Service Access: Provide access to the Blue Mountain Village shuttle bus, and increase the number of shuttles and stops, and providing access to beaches, BMVA discounts, etc. (without having to pay more) to all accommodation providers.

## Appendix F: Role of Tourism (Resident/Industry) Survey Analysis

### Overview

To gather insight and feedback from residents in the Town of the Blue Mountains and industry members other than accommodation providers in Town's tourism sector, an online survey titled, "Role of Tourism Survey" was shared from Monday, November 6 to Monday, November 27. The survey was promoted by the Town's Communications Division through a variety of methods including a community wide mailout, press release, dedicated website page, social media postings and direct promotion to local community groups.

The survey included ten (10) open and closed questions. In total, the survey received 403 responses from both industry and residents. Specifically, 37 industry members and 366 residents responded. However, the number of responses for each question fluctuated. Additionally, after the survey was live for a week, a "none of the above" option was included to multiple choice questions on Monday, November 13<sup>th</sup> to as an adjustment to initial feedback from industry and resident respondents.

The below narrative highlights inputs and key findings gathered through the industry/resident survey that can help inform priority areas for tourism developed, based on the use, interest, and needs identified by industry and residents.

### Industry

Of the 37 industry member responses, 30% identified living in the Blue Mountains Village, while another 30% identified not living in the Municipality of the Blue Mountains. Others identified living in Clarksburg, Red Wing, Craighleith, Kolapore, and Lora Bay.

When asked about their relationship to the Town of the Blue Mountains, 68% identified they own and/or operate a visitor-facing business in the municipality, while the other 32% identified they work at or volunteer for an organization that is involved with tourism in the municipality.



Industry respondents primarily identified being 35 and older with 27% identifying they were 55-64 years old, 24% identifying as being 65+ years old, 22% identifying being 35-44 years old, and 11% identifying as being 45-54 years old.

### Residents

Of the 366 resident responses, 27% identified living in Thornbury, followed by 21% from Blue Mountain Village, 20% from Craighleith, 14% (n=52) from Clarksburg, and 9% from Lora Bay. None identified living in Castle Glen, Egypt, Gibraltar, Kolapore, Loree or Sandhills.

Like industry member responses, resident respondents primarily identified being 35 and older with 48% identifying as 65+ years old, followed by 26% identifying being 55-64 years old, 13% identifying as being 45-54 years old, and 7% identifying being 35-44 years old.

When asked about their relationship to the Town of the Blue Mountains, 86% identified they are full-time residents, while 14% identified they are part-time/seasonal residents in the municipality.

## Tourism in the Town of the Blue Mountains

### Tourism Benefits

Overall, both industry members and residents' responses identified the same top eight (8) activities they have engaged with in the past 12 months in the Town of the Blue Mountains. The top five (5) most-selected activities include:

1. Enjoyed a meal or beverage at a restaurant, brewery, or café (97% industry & 94% residents).
2. Used a trail for recreation & leisure (e.g., cycling, hiking, snowshoeing, snowmobiling, cross-country skiing, etc.) (77% industry & 89% residents).
3. Purchased goods or food & beverage products (e.g., farmers' market, public market, farmgate shop, art studio, craft shop, etc.) (81% industry & 88% residents).
4. Attended a local community event (58% industry & 75% residents).
5. Used the bay, lake, river, or other waterway for recreation & leisure (e.g., swimming, paddleboarding, canoeing, kayaking, boating, fishing, etc.) (77% industry 72% residents).

The above present an overview of the type of tourism-related activities that are more pertinent to and sought out by residents of the municipality, which can inform areas of potential investment, development, and marketing for locals' participation in tourism moving forward.

To understand the level of agreement industry members and residents have on specific statements related to the role of tourism in the Town of the Blue Mountains, a five-point scale was used with one (1) being strongly disagree, and five (5) being strongly agree. Both industry members and residents agreed with the same top four (4) benefits of tourism. However, respondents disagreed, particularly residents, that "tourism supports the protection of the natural environment and assets" (3.28/5 industry & 2.6/5 residents). This insight can help to inform areas of focus for tourism development and communications since there may be a need to further improve aspects of tourism such as how it protects the natural environment, and/or a need to better inform stakeholders of how tourism is improving or mitigating impacts to the natural environment.



Overall, the top four (4) benefits of tourism identified by industry members and residents include:

1. Tourism creates jobs for people in the community/region (4.5/5 industry & 4.31/5 residents).
2. Tourism benefits The Blue Mountains economy (4.58/5 industry & 4.27 residents).
3. Tourism supports local businesses and organizations (4.48/5 industry & 4.23 residents).
4. Tourism has an overall positive impact on the local economy throughout the year (4.42/5 industry & 4.03/5 residents).

When asking both industry members and residents if they believe the Town of the Blue Mountains should welcome more visitors, both agreed to welcome more visitors in the spring (74% industry & 48% residents), followed by the fall (74% industry & 47% residents). Notably, as seen in the discrepancy between the percentages of industry and residents who responded, it is evident that residents are much less supportive of attracting and welcoming more visitors across the year. This is underlined by the fact that 46% of resident respondents who said the municipality does not need any more visitors. Understanding and addressing this sentiment from both industry members and residents will help to inform future tourism strategy development work.

### Tourism Needs

In the last 12 months, industry members and residents observed different things about tourism in the Town of the Blue Mountains. Specifically, industry members identified six (6) key observations, including the following:

1. Lack of parking, including affordable parking spots (26%).
2. Lack of infrastructure, including parks, and washrooms (16%).
3. Lack of alternative modes of transportation and related infrastructure, including sidewalks, bike paths, and bike parking (11%).
4. Increased traffic and needed road improvements (11%).
5. Need for attainable housing (5%).
6. Lack of outdoor asset management, especially hiking trails, paddling spots, and bike paths (5%).

Importantly, 32% of industry respondents specifically said they did not want a Municipal Accommodation Tax, as they felt it would discourage visitation to the municipality.

In comparison, residents observed eleven (11) key observations, including the following:

1. Increased traffic, especially on Highway 26, Mountain Road, Thornbury, Craighleith, Grey 19 and Jozo Weider (32%).
2. Parking concerns, including lack of parking spots in the Blue Mountain Village, trailheads, and at the beaches, as well as concerns over paid/unpaid parking, and enforcement of accessible parking use (20%).
3. Lack of infrastructure, including public washrooms, roads, lighting on trails and roads, outdoor spaces like parks, trails, green spaces, sewer and water systems, recreational facilities, accessible infrastructure, signage, and infrastructure maintenance (17%).

4. Need for alternative modes of transportation and related infrastructure, especially for pedestrians moving from the Blue Mountain Village to Collingwood, Grey Road 19, and Jozo Weider, on Thornbury's main street, and along Highway 26; as well as cycling infrastructure such as dedicated bike lanes, extended shoulders, parking; also shuttle services especially between Collingwood, the Blue Mountain Village, and Thornbury; and trail maintenance and improvements (17%).
5. Concern with overcrowding, especially on trails, parks, and beaches, and at the Blue Mountain Village, as well as during weekends and in the summer (13%).
6. Increased garbage, especially on trails, main streets, beaches, and Ravenna, as well as the need for garbage/recycling bins at the beaches (10%).
7. Increased burden on residents, especially the cost of living, and loss of the unique sense of place, and a need to provide special benefits to residents (10%).
8. Disrespectful visitors, including misuse of natural and cultural assets and facilities, and lack of spending at local businesses (10%).
9. Need for attainable/affordable housing, especially for hospitality and tourism workers (8%).
10. Need for environmental conservation, including the flora and fauna at the beaches, conservation areas, and trail (5%).
11. Increased burden on emergency services, including the Collingwood Hospital, and healthcare staff (3%).

Understanding current observations from industry members and residents can help inform where funding is needed for tourism development moving forward, including where MAT funds could potentially be used for not only a better visitor experience but also a resident experience.

## Potential Municipal Accommodation Tax

Overall, both industry members and residents agreed with the top four (4) potential infrastructure development uses of revenue generated from a Municipal Accommodation Tax. These include the following:

1. Public space beautification, and activations (e.g., facade repairs, cultural heritage conservation, public furniture, plant/tree maintenance, walkable spaces, pop-up activities, etc.) (47% industry & 50% residents).
2. Built infrastructure development (e.g., public parking, road improvements, water/wastewater capacity, etc.) (37% industry & 55% residents).
3. Service infrastructure development (e.g., garbage/recycling cans, dog waste disposal stations, wayfinding signage, public washrooms, public Wi-Fi access, etc.) (43% industry & 44% residents).
4. Accessibility and inclusivity through tourism (e.g., affordable housing for tourism and hospitality workers, ongoing efforts for Truth and Reconciliation with Indigenous peoples, etc.) (43% industry & 42% residents).

When asked where is the most potential for revenue from the Municipal Accommodation Tax to be invested, both industry members and residents highlighted the same five (5) areas of investment. These include the following:

1. Tourism product and experience development (incl., events, festivals, walking tours, etc.) as their main area of investment (67% industry & 56% residents).

2. Communications with residents and industry members about tourism in the municipality (43% industry & 36% residents).
3. Climate change initiatives for tourism (23% industry & 35% residents).
4. Marketing and communication efforts to attract and inform visitors (50% industry & 34% residents).
5. Regular and ongoing tourism industry research (27% industry & 22% residents).

These insights can help prioritize current tourism development needs for the future, as well as identify which actions should receive financing first from potential MAT funds.

Development of the Town of The Blue Mountains Municipal Accommodation Tax Research and Feasibility Project was facilitated by Bannikin team members Camilo Montoya-Guevara, Caroline Morrow, and James Arteaga, with the invaluable input and support from Tim Hendry, Manager of Communications & Economic Development at the Town of The Blue Mountains.

