

Market Performance and Economic Impact Assessment

Municipal Accommodation Tax Study for The Town of the Blue Mountains



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December 20, 2023

The Corporation of the Town of the Blue Mountains
32 Mill St., P.O. Box 310
Thornbury, ON NOH 2P0

Attn: Tim Hendry, Manager of Communications & Economic Development

RE: Market Performance and Economic Impact Assessment for Implementation of a Municipal Accommodation Tax on the Town of The Blue Mountains

Dear Mr. Hendry:

In accordance with the terms of our engagement, CBRE Tourism Consulting and CBRE Hotels (“CBRE”) are pleased to submit the attached Report on behalf of The Corporation of the Town of the Blue Mountains (“the Client”).

This report presents a summary of all study findings, accommodation inventory and estimated 2022-2023 performance, estimated potential MAT revenue for 2023-2028, and implications for implementing a MAT in the Town of The Blue Mountains. As described in this report, implementation of a 4% MAT on 1,825 available rooms in 2023 could generate \$4.0 Million in revenue for tourism initiatives in The Blue Mountains. Best practices and CBRE experience with Ontario’s tourism sector suggest that the Town consider investing in new tourism and infrastructure projects with the help of these revenues. The impacts of collecting a MAT would not only benefit the Town, but the greater Ontario Travel Region 7 and the Province of Ontario overall. Revenue collected in 2023 alone According to the Ministry of Tourism, Culture and Sport’s TREIM model, the additional \$4.0 Million generated in MAT funds could lead to economic impact equating to \$1.9 Million in direct GDP and \$943,000 in direct labour income, along with \$867,000 in direct taxes for Region 7 in \$2023.

Despite the potential economic benefits of a MAT, careful consideration needs to be applied to assess the current tourism landscape, given the existing 2% Destination Marketing Fee (also known as the Village Amenity Fee) already collected by the Blue Mountain Village Association on overnight accommodations. Through the scope of the study and understanding that MAT is only collected on overnight accommodation, which is a subset of the broader tourism industry, CBRE also assessed alternative options to MAT including an increase on commercial property taxes or introduction of business licensing, which could encourage unlicensed accommodation operators to contribute to the community.

The entire study, including all findings and conclusions, pertains only to the Town of the Blue Mountains, and is based on our knowledge and information with respect to current and projected economic data, sources of existing lodging data as compiled by CBRE, and the status of the competitive market as at the completion of our field work on December 14, 2023. Projected operating results herein are based on an evaluation of the present economy of the area, but do not consider or make provision for the effect of any sharp rise or decline in economic conditions.

We appreciate the opportunity to be of service.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Rebecca Godfrey". The signature is fluid and cursive, with a large initial "R" and "G".

Rebecca Godfrey, CMC, MBA
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Introduction

On November 23, 2017, the Province of Ontario issued the Transient Accommodation Regulation 435/17, which came into effect December 1, 2017, and provides the necessary provisions for municipalities across Ontario to implement a mandatory Municipal Accommodation Tax (MAT). The Municipal Accommodation Tax has since replaced the voluntary Destination Marketing Fee which was collected by accommodation properties in many Ontario jurisdictions.

In September 2023, the Corporation of the Town of The Blue Mountains (“the Client”) retained CBRE Tourism Consulting to undertake a Market Performance and Economic Impact Assessment for the Implementation of a Municipal Accommodation Tax. The purpose of this study is to:

- Understand the revenue potential of implementing a MAT on three primary types of accommodations:
 - Hotels, motels and inns
 - Commercial Resort Units (“CRUs”), including those registered in the Blue Mountain Village Association (known as VCRUs), and
 - Short-term accommodations (“STAs”)
- Conduct an Economic Impact Assessment to determine the future spinoff of additional MAT revenue for the Town and Province of Ontario, and the direct economic impact for the local tourism industry resulting from MAT funding support of new tourism projects; and
- Identify Blue Mountains’ competitiveness and growth potential, as well as potential risks associated with implementing a MAT.

To support the work program, CBRE leveraged several primary research tools:

- CBRE Hotels’ Trends in the Hotel Industry Database and Accommodation Supply databases.
 - CBRE maintains the only proprietary database on the accommodation industry in Canada. On a monthly basis, we obtain and monitor the rate and occupancy performance of over 2,000 properties, representing just under 60% of the Canadian accommodation industry’s room supply. CBRE also maintains a Supply Database, which tracks opening, expansions and proposed developments.
- SurveyMonkey.com
 - Using the SurveyMonkey platform, CBRE conducted a survey of accommodation providers, in order to complement and support See Transparent’s data in the capturing of 2022 and 2023 year-to-date performance data.
 - CBRE received 56 responses, out of which 32 surveys (57%) were completed, representing 156 guest rooms. The survey consisted of two parts:

- 1) Establishment description including accommodation category (Hotel, Motel, Bed and Breakfast, Short-Term Accommodation, or Commercial Resort Unit), 2022 and 2023 operation season, and establishment owner structure.
- 2) 2022 and 2023 accommodation performance including available guest rooms/units, occupied guest rooms/units, transient demand, room revenue and/or average daily rate, and supply forecast.
- See Transparent
 - See Transparent monitors active short-term rental listings from Airbnb, Vrbo, and Booking.com. In terms of supply, the data includes a unique identifier for each host as well as count of properties, total capacity, and host type for each property. See Transparent also provides monthly occupancy and average daily rate data at the property level. CBRE utilized data purchased through See Transparent for 2019, 2022, and year-to-date October 2023 to undertake a detailed analysis of historical CRU and STA performance in 2019 and 2022, as well as a forecast for 2023.

Our work program has involved the following steps:

- Utilized CBRE Hotels' accommodation supply database, client data and custom research to develop an inventory of fixed roof accommodation properties by property type;
- Estimated the annual 2022 performance of commercial fixed-roof accommodation properties using both CBRE Hotel's Trends in the Hotel Industry database and estimates;
- Utilized See Transparent's 2022 custom data to estimate the inventory and topline performance of entire home, shared room, and private room rentals available in the Town.
- Estimated 2022 Actual and 2023 Forecasted accommodation performance in the Town of the Blue Mountains, based on a combination of survey results, See Transparent data and CBRE's in-house Trends database;
- Estimated tax revenue generated by a 4.0% tax to accommodations in the Town of the Blue Mountains in 2024 through 2028;
- Estimated the Economic Impact of incremental revenue by applying a 4% MAT in 2023, utilizing visitation data for Ontario Travel Region 7 (Bruce Grey Simcoe) and applying inputs into Ontario's Tourism regional Economic Impact Model (TREIM);
- Assessed future accommodation supply based on Town Planning estimates and CBRE research;
- Conducted a review of MAT implementation status and best practices / lessons learned in Collingwood, Huntsville, Niagara-on-the-Lake and Prince Edward County;
- Provided insights into potential benefits and risk associated with MAT implementation; and
- Assessed other potential revenue options for the Municipality to consider for future destination marketing and destination development.

The subject Report summarizes all research and analysis for the Market Performance and Economic Impact Assessment for Implementation of a Municipal Accommodation Tax for the Town of the Blue Mountains.

The Blue Mountains Accommodation Inventory

The Town of the Blue Mountains Accommodation Supply Overview

In order to assess the 2022 actual and 2023 forecast performance of fixed-roof accommodation properties across the Town of the Blue Mountains, CBRE categorized each accommodation listing by property type. The following definitions summarize the five categories that were applied:

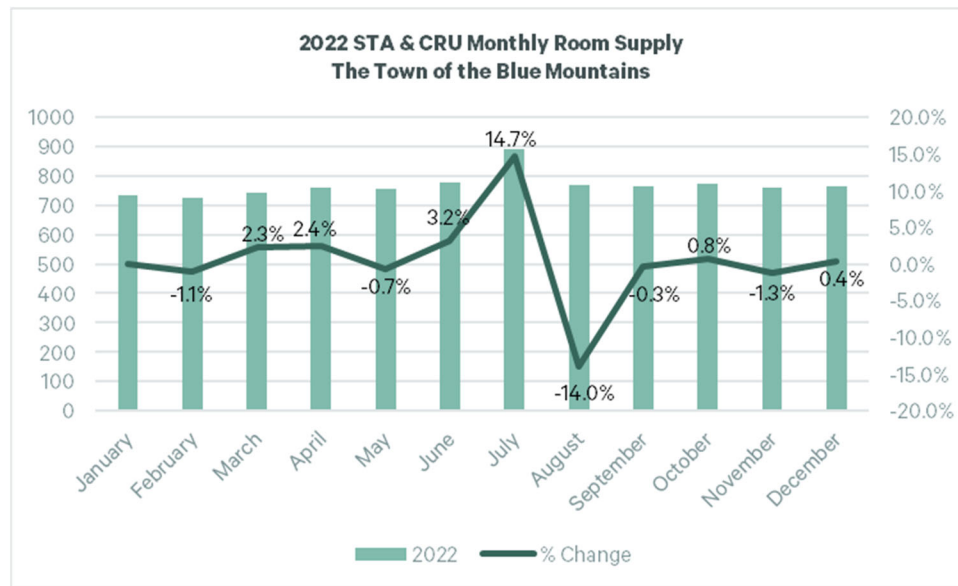
Category	Type	Definition
B&B	Commercial	Properties with 10 or less guestrooms offering breakfast included in rate.
Hotels/Motels	Commercial	Properties with 10 or more guestrooms, typically operated year-round.
Short-Term Accommodations (STA)	Private	Privately-owned properties offered through services such as Airbnb, Vrbo, and TripAdvisor and booked for less than 30 consecutive days.
Commercial Rental Unit (CRU)	Commercial	Professionally managed properties booked for less than 30 consecutive days.
Village Commercial Rental Unit (VCRU)	Commercial	Professional managed properties located in the village, registered with the Blue Mountain Village Association (BMVA), and booked for less than 30 consecutive days.

CBRE Hotels' databases, combined with See Transparent data and the Client-provided staff report entitled "Short Term Accommodation, Bed and Breakfast, Commercial Resort Units, Village Commercial Resort Units, Hotel, Motel, Trailer Park, Camp Ground (Resort Accommodations) Zoning By-law Update," identified 1,851 fixed-roof accommodation units available in the Town of the Blue Mountains in 2019. Omitting the impacts of COVID-19, which impacted a significant portion of the accommodation industry in 2020 and 2021, supply is estimated to have decreased by 38 units or 2% of 2019 levels to reach 1,813 units available in 2022. Room supply in The Town of the Blue Mountains increased by 12 units or less than 1% in 2023, which is still 26 units below 2019 levels, as shown in the table below. CRUs & STAs account for approximately 42-43% of the Town's Inventory, followed by VCRUs (41-42%), Hotels (12-13%), Motels (2%), and Bed & Breakfasts (1-2%).

Accommodation Units Available by Type in the Blue Mountains							
	2019 Room Supply	%	2022 Room Supply	%	2023 Room Supply	%	
VCRU	765	41%	765	42%	765	42%	
CRUs & STAs	795	43%	768	42%	780	43%	
Hotel (1 Property)	228	12%	228	13%	228	12%	
Motels (3 Properties)	34	2%	34	2%	34	2%	
Bed & Breakfast (5 Properties)	29	2%	18	1%	18	1%	
TOTAL	1,851	100%	1,813	100%	1,825	100%	

Source: CBRE Hotels, See Transparent, CBRE Research

Unlike hotel accommodations, where the supply of rooms remains static on a year-round basis, supply of STA and CRU accommodations can fluctuate dramatically month over month. The following chart shows that in 2022, the highest supply increase occurred in July, at 14.7%, followed by a significant decrease of 14.0% in August. Supply fluctuations ranged between 1.3% - 3.2% over the remaining months.



See Transparent categorizes units listed as follows:

- **Entire Home:** The guest has complete and sole access to the entire unit during the stay;
- **Private Room:** The guest has their own sleeping area, but shares access to the Unit common areas; and
- **Shared Room:** The guest rents a common area, like an airbed in a living room.

	2019	%	2022	%
Entire Home	771	97%	760	99%
Private Room	24	3%	7	1%
Total	795	100%	767	100%

Shared Rooms were excluded from this analysis. Of those 767 units available on average in 2022, 760 were entire home rentals (99% of total 2022 listings), while only 1% of listings or 7 rooms were private rooms. In comparison, 97% of the available units were entire homes, and the remaining 3% were private rooms in 2019.

Historical Airbnb Supply

In estimating the historic supply of the short-term rental market consisting of CRUs and STAs for the Town of the Blue Mountains, CBRE examined data compiled by See Transparent, which tracks Airbnb listings. Units listed in See Transparent are categorized by the following subtypes: Apartment, Bungalow, Chalet, Glamping, Guest House, House, Other, RV, Townhouse, and Villa. According to See Transparent’s unification rules, “Other” units could consist of Cars, Caves, Earth Houses, Lighthouses, Islands, Parking Spaces, Planes, Trains, and generally uncategorizable listings.

In 2019, the Town of the Blue Mountains had an average of 625 units available for rent on Airbnb. The majority of the available listings were apartments with 265 units (42.2%), followed by 172 chalets (27.5%), 72 houses (11.5%), and 39

townhouses (6.2%). Bungalows, RVs, and villas accounted for the least number of listings, ranging between 0.2-1.3%. In 2022, an average of 620 units were listed on Airbnb. Apartment listings made up most of the inventory with 275 units (44.4%), followed by 160 Chalets (25.9%), 95 Townhouses (15.4%), and 64 houses (10.4%). Glamping, Bungalows, RVs, and Villas account for the least number of listings, ranging between 0.2-1.5% of the total supply. The biggest change overall was the increased number of townhouses listed on Airbnb in 2022.

Airbnb Accommodation Units Available by Subtype - 2019 and 2022
Town of the Blue Mountains

RV	1	0.2%	1	0.2%
Villa	0	0.0%	1	0.2%
TOTAL	625		620	100%

Source: See Transparent

The Blue Mountains Competitive Accommodation Performance

The following table provided a summary of competitive accommodation market performance for the Town of the Blue Mountains in 2022 and 2023 (forecast), based on year-to-date September 2023 data.

Competitive Market Performance Results

Year	Rooms Available	% Change	Rooms Occupied	% Change	Occupancy	Pt. Change	ADR	% Change	RevPAR	% Change
2022	661,380	-	347,030	-	52.5%	-	\$304.18	-	\$159.60	-
2023	666,125	0.7%	357,580	3.0%	53.7%	1.2	\$285.03	-6.3%	\$153.01	-4.1%

Source: CBRE Hotels

As previously identified, the Town of the Blue Mountains' accommodation supply inventory is comprised of VCRUs, CRUs, STAs, hotels, motels, and bed & breakfasts.

Supply in the competitive market increased by 0.7%, driven by both STA and CRU additions. With travel continuing to return post-COVID, rooms occupied for the subject market is expected to increase by 3.0% by year-end 2023, resulting in a 1.2-point change in occupancy, from 52.5% to 53.7%.

After considerable increases in Average Daily Rate (ADR) in 2022, rates either held steady or started to decline in 2023, and ADR is expected to decline by 6.3% to \$285.03 by year-end 2023. As a result, revenue per available room (RevPAR) is expected to decline by 4.1% to reach \$153.01.

It should be noted that resort markets like Blue Mountains recovered more quickly post COVID than other Ontario destinations, from both an occupancy and rate perspective. The Ontario resort market achieved 47.2% occupancy in 2022 and \$273.70 in ADR. In comparison, the competitive Ontario hotel market achieved 62.9% occupancy in 2022, and is expected to reach 68.9% by year-end 2023, as urban markets finally began to regain demand post-COVID (up 11.0% over 2022). Rates also continued to increase in 2023, with ADR forecast to grow by 9.0% to reach \$195.41 by year-end 2023.

Historical Airbnb Inventory Performance

See Transparent tracks all rate and demand performance from Airbnb as the platform has the widest coverage of the short-term rental market (85.75% of the Town of the Blue Mountains).

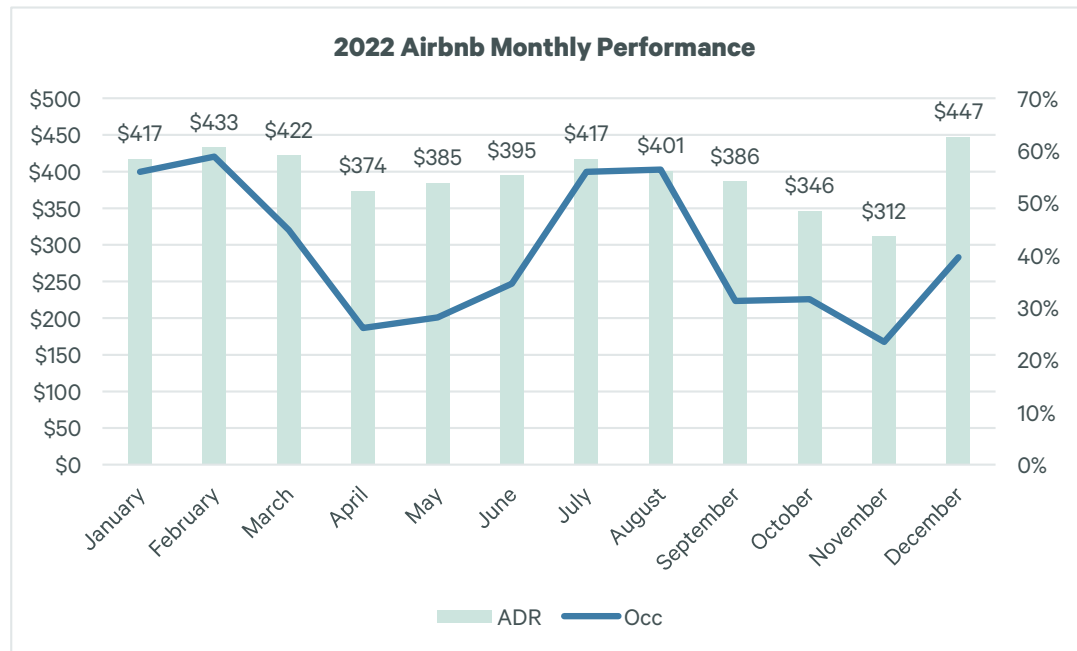
STA & CRU Supply Type - 2019 and 2022 Performance

The Town of the Blue Mountains

	ADR			Occ		
	2019	2022	% Change	2019	2022	Pt. Change
Entire Home	\$377.28	\$399.60	5.9%	41.5%	40.4%	-1.1%
Private Room	\$95.54	\$200.94	110.3%	47.8%	49.5%	1.7%
Total	\$236.41	\$397.45	68.1%	44.7%	40.6%	-4.1%

Source: CBRE, See Transparent

The supply of Entire Homes decreased slightly in 2022 from 771 to 760 available units. Average occupancy also declined from approximately 42% to 40%, while ADR increased by 6% from \$377.28 in 2019 to a high of \$399.60 in 2022. The number of Private Rooms listed on Airbnb also decreased considerably in 2022 (71%), nevertheless, demand for this product type continued, with occupancy levels increasing from about 48% in 2019 to reach 49.5% in 2022. In contrast to Entire Homes, the average ADR for Private Homes was much lower in 2019, reaching only \$95.54, but increased by over 110% to reach \$200.94 in 2022.



Source: CBRE, See Transparent

As previously identified, the Town of the Blue Mountains’ Airbnb inventory is comprised of CRU and STAs. During 2022, ADR and occupancy levels for Airbnb inventory fluctuated dramatically. The highest ADR of the 2022 occurred in December at \$447, despite the more modest occupancy rate of only 40%. January, February, July, and August recorded the highest occupancy levels, ranging between 56-59%, while still achieving ADR over the \$400 mark. November was relatively the weakest month in terms of overall performance, with the lowest ADR (\$312) and occupancy rate (23%).

Projected Market Performance 2023 - 2028

Competitive Market Supply Projections

It should be noted that information regarding proposed development may vary once the planning department grants approvals or development financing is finalized. While CBRE Hotels and the Town has made attempts to determine the level of new supply entering the market, it is impossible to determine every accommodation that will be developed in the future, when they will be completed or their potential impact on the MAT. The inherent risk of any future new supply has been implicitly considered in the selection of a stabilized occupancy level for the Town’s projections.

The Town’s Planning Department estimates that there will be 1,140 new accommodation units created within the next five years (2023-2028) and will be a mix of STAs, CRUs, and Bed & Breakfasts. The number of units is approximate and

rounded. It has been stressed that there are many factors that may impact whether or not an owner/developer will actually proceed.

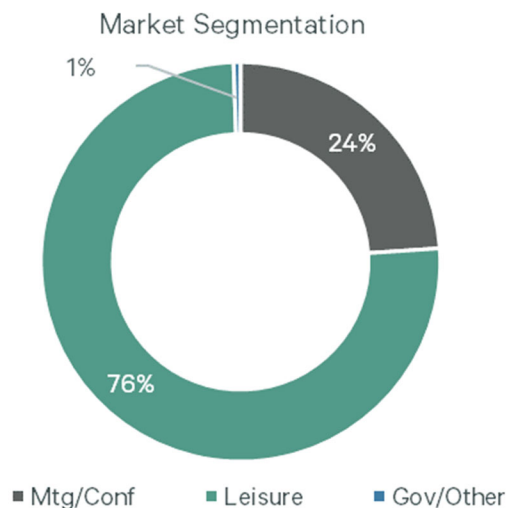
Taking into account Municipal approvals and financing considerations for development, CBRE has accounted for a net increase of 285 rooms to enter the competitive market over the 5-year projection period. This means that between the years of 2025 and 2028, there is a 25% probability that 285 rooms will enter the market, for overall supply growth of 16.8% over 2022 levels.

Market Occupancy and ADR Projections

The demand projections prepared for the Town of Blue Mountains' accommodation inventory are based on the economic outlook for the area, current market dynamics and anticipated changes in demand patterns throughout the projection period. The demand projections below consider these impacts, as well as historic and anticipated future factors impacting demand in the Town.

Market Segmentation

In most markets, overall demand varies based on the nature of travel. Accommodation demand for the competitive Blue Mountains market is typically generated by three different segments: Meeting/Conference, Leisure and Other. In 2022, Leisure travel made up 76% of the Town's overall accommodation demand, followed by Meetings/Conference segment (24%), and Government/Other Contracted Demand (1%).



Source: CBRE Hotels

LEISURE

Leisure travelers generally include vacationers or travelers passing through the area. This segment is typically attracted by a hotel's location relative to area attractions and/or venues where they are participating in events such as sports/recreational exhibitions and competitions. This segment can also include those visiting, but not staying with friends and relatives. Leisure demand also includes occupied rooms generated online through third party providers such as Expedia, Priceline, etc. and includes leisure groups such as sports teams and tour groups.

Demand from leisure travelers is typically generated throughout the year on weekends, during school/statutory holiday periods and in the summer months. Leisure travelers tend to have a high level of double occupancy and tend to pay the highest rates. The typical stay for leisure travelers is between one and four nights.

MEETING/CONFERENCE

In this segment, room demand is generated by sources travelling for the primary purpose of attending meetings and conferences. This segment includes corporate groups, associations and SMERF (social, military, educational, religious, and fraternal) groups. This segment is typically attracted by a hotel's in-house meeting facilities and/or their proximity to other public assembly venues and conference/convention facilities. Demand from corporate groups is typically generated between Sunday and Thursday nights.

Corporate groups tend to have a high level of single occupancy, while other groups tend to have more double occupancy. Associations and SMERF groups have a more varied occupancy pattern and often hold weekend meetings. This demand segment tends to be somewhat price sensitive. Meetings and conferences typically generate between one and three nights of guest room demand. Larger groups can often negotiate preferred/discounted room rates or discounts on their food and beverage charges and/or meeting room rental rates.

GOVERNMENT/OTHER

Government/Other demand includes demand generated by all levels of government. It can also include any construction and maintenance crew business that may be staying in the area with durations ranging from one night to several weeks/months. Indigenous travelers that qualify for federal government room rates are included within this segment. Finally, this segment also includes occupied room night demand generated by brand loyalty rewards redemptions or associate stays.

This segment is comprised of demand that is highly rate sensitive in comparison with the other market segments.

Market Demand Projections

The following summarizes our projections for future room demand by market segment.

Town of the Blue Mountains Market Demand Projections							
Projections by Segment	Actual 2022	Projection 2023	Year 1 2024	Year 2 2025	Year 3 2026	Year 4 2027	Year 5 2028
Corporate							
Mtg/Conf							
Occupied Room Nights	83,011	83,841	85,937	88,086	90,288	92,094	93,936
Demand Growth		1.0%	2.5%	2.5%	2.5%	2.0%	2.0%
Leisure							
Occupied Room Nights	262,066	269,246	282,708	303,911	326,705	343,040	360,192
Demand Growth		2.7%	5.0%	7.5%	7.5%	5.0%	5.0%
Gov/Other							
Occupied Room Nights	1,955	1,974	2,024	2,064	2,105	2,148	2,190
Demand Growth		1.0%	2.5%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels

All segments are expected to experience a demand growth ranging from 1.0% to 7.5% over the 5-year projection period. The Town of The Blue Mountains attracts the majority of its accommodation demand from the Leisure segment, which represented 76% of occupied room nights in 2022. The Leisure segment is expected to achieve the highest demand growth in the market at 2.7% in 2023, 5.0% in 2024, and 7.5% in 2025 as well as 2026, before dropping back to 5.0% for 2027 and 2028. The Meetings and Conference segment is forecast to experience 1.0% in 2023, followed by 2.5% growth

in demand between 2024 and 2026, before dropping to 2.0% in 2027-2028. The Government/Other segment is also expected to see 1.0% growth in 2023, and 2.5% in 2024, before stabilizing at 2.0% for the rest of the projection period. Overall demand is expected to grow 31.5% over 2022 levels.

Town of the Blue Mountains Projected Market Performance Summary

Market Projections	Actual 2022	Projection 2023	Year 1 2024	Year 2 2025	Year 3 2026	Year 4 2027	Year 5 2028
Total Demand							
Occupied room nights	347,032	355,061	370,669	394,061	419,098	437,281	456,318
Demand growth		2.3%	4.4%	6.3%	6.4%	4.3%	4.4%
Total Supply							
Available Room Nights	661,380	666,125	667,950	692,131	718,138	744,144	772,260
Supply Growth		0.7%	0.3%	3.6%	3.8%	3.6%	3.8%
Market Occupancy	52.5%	53.3%	55.5%	56.9%	58.4%	58.8%	59.1%
Market ADR	\$304.18	\$285.03	\$292.16	\$298.00	\$303.96	\$310.04	\$316.24
Market RevPar	\$159.61	\$151.93	\$162.13	\$169.66	\$177.39	\$182.19	\$186.86
Rate Growth		-6.3%	2.5%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels

Based on the year-to-date October 2023 performance and projected demand conditions through the balance of the year, demand growth is projected to be 2.3% for the full-year 2023. Although supply growth of just under 1% is anticipated, the market occupancy rate is still expected to improve to 53.3%. By 2028, occupancy levels are expected to be back to pre-COVID levels at 59.1%.

Market ADR is projected to decrease by 6.3% in 2023 but is expected to increase by 2.5% in 2024 with the continued impact of inflation and stabilize at 2.0% for the remainder of the projection period. In 2026, market ADR is projected to cross over the \$300 mark, reaching a high of \$316.24 in 2028.

Annual MAT Revenue Potential

Based on data from the CBRE Hotels' databases and See Transparent (short-term rental accommodation tracking), CBRE has projected the future revenues after applying a 4% MAT to the Town's accommodation supply. The following summarizes our projections for MAT revenues between 2023 and 2028.

The Town of the Blue Mountains MAT Projections							
	2022*	2023	2024	2025	2026	2027	2028
Accommodation Market Projections							
MAT-Applicable Units	1,812	1,825	1,825	1,896	1,968	2,039	2,116
Occupancy	52%	53%	55%	57%	58%	59%	59%
Average Daily Rate	\$304	\$285	\$292	\$298	\$304	\$310	\$316
Accommodation Revenue	\$105,559,752	\$101,203,700	\$108,293,690	\$117,430,395	\$127,389,190	\$135,574,454	\$144,306,153
Municipal Accommodation Tax Revenue							
MAT %		4%	4%	4%	4%	4%	4%
Total MAT Revenues		\$4,048,148	\$4,331,748	\$4,697,216	\$5,095,568	\$5,422,978	\$5,772,246
Tourism Entity (50%)		\$2,024,074	\$2,165,874	\$2,348,608	\$2,547,784	\$2,711,489	\$2,886,123
Town (50%)		\$2,024,074	\$2,165,874	\$2,348,608	\$2,547,784	\$2,711,489	\$2,886,123
MAT \$ Per Occupied Room Night		\$11.40	\$11.69	\$11.92	\$12.16	\$12.40	\$12.65

Source: CBRE

In 2023, the Town of The Blue Mountains' fixed-roof commercial accommodations are forecasted to generate an estimated \$101.2 million in topline room revenue. CBRE estimates that applying a 4% MAT tax on accommodation revenue will equate to approximately \$4.0 million in MAT revenue or \$11.40 fee per occupied room night. This MAT generated revenue is projected to reach approximately \$5.8 million or \$12.65 fee per occupied room night in 2028.

Municipalities that choose to implement a transient accommodation tax under the Municipal Act, 2001 are required to share a portion of their revenues from the tax with an "eligible tourism entity." Typically, a 50/50 revenue split is adopted by municipalities between the Town and the tourism entity or destination marketing organization (DMO). At 50% of MAT revenues, it is estimated that the Town will receive \$2.0 million in 2023, increasing to \$2.9 million by 2028. Based on best practices and CBRE experience with Ontario's tourism sector, it is recommended that the Town consider investing in new tourism and infrastructure projects with the help of these revenues.

Economic Impact Assessment of MAT Implementation

Ontario's Tourism Regional Economic Impact Model

Specific to Tourism, the Province of Ontario supports the use of the Tourism Regional Economic Impact Model (TREIM). TREIM is a regional economic impact model using the latest Ontario Input-Output Table and data from the Ontario Economic Accounts to estimate the Gross Domestic Products (GDP), the number of jobs, and the taxes generated from tourism-related activities in the province. The information produced by this model enables the evaluation of the significance or the impact of tourism on the local economy and the comparison of the tourism industry to other industries in terms of GDP, employment, and taxes. This **data analysis simulation tool** assists organizations in learning more about the economic impact of tourism in Ontario.

The model is capable of simulating tourism-related economic impacts, such as:

- economic impact of specific tourism events
- impacts on the supply side by tourism industry sector
- impacts by type of capital project for the chosen region

TREIM includes modules on:

- **Visitor Spending:** estimates the economic impact of tourism spending in a specific region and/or for a specific event. There are 17 built-in activity options, including festivals, golfing, casinos.
- **Operational Expenses:** estimates the economic impact of operating an ongoing business, such as an attraction, retail business, hotel, or restaurant.
- **Investment Expenditures:** estimates the economic impact of investing in or building a tourism facility such as an attraction, retail business, hotel, or restaurant.
- **Convention Centre Activity:** estimates the economic impact of a convention, including the spending of delegates and exhibitors as well as production costs.

For the purpose of the TRIEM model, a visitor is someone who takes:

- An overnight out-of-town trip, or
- An out-of-town same-day trip of 40 kilometres or more (one-way) away from their home.

The economic impacts generated through TREIM include estimates of the Direct, Indirect, and Induced impacts of tourism-related activities on:

- Gross Domestic Product (\$ Millions)
- Labour Income (\$ Millions)
- Employment (jobs)

TREIM also produces estimates of Direct and Total impacts of tourism-related activities on Federal, Provincial, and Municipal Tax Revenues.

TREIM Output Definitions

- **Direct Impact** refers to the impact generated in businesses or sectors that produce or provide goods and services directly to travelers, e.g., accommodations, restaurants, recreations, travel agents, transportation and retail enterprises etc.
- **Indirect Impact** refers to the impact resulting from the expansion of demand from businesses or sectors that directly produce or provide goods and services to travelers, to other businesses, or to other sectors.
- **Induced Impact** refers to the impact associated with the re-spending of labour income and/or profits earned in the industries that serve travelers directly and indirectly.
- **Gross Domestic Product (GDP)** is the value of goods and services produced by labour and capital located within a country (or region), regardless of nationality of labour or ownership. GDP is measured at market prices which include net indirect taxes on products. Tourism GDP refers to the GDP generated in those businesses that directly produce or provide goods and services for travelers.
- **Employment** refers to number of jobs, it includes full-time, part-time, seasonal, and temporary employment (based on the share of the year worked), for both employed and self-employed workers.
- **Federal tax revenues** include personal income tax, corporate income tax, commodity tax (GST/HST, gas tax, excise tax, excise duty, air tax and trading profits) and payroll deduction that is collected by the federal government.
- **Provincial tax revenues** include personal income tax, corporate income tax, commodity tax (PST/HST, gas tax, liquor gallonage tax, amusement tax and trading profits) and employer health tax that is collected by the Ontario provincial government.
- **Municipal tax revenues** include business and personal property and education taxes that are collected by the municipalities. Collection, however, does not follow immediately the consumption or production of goods and services in a municipality by visitors (as is the case with HST or personal income taxes). Rather, these taxes show the percent of the total property taxes collected by a municipality that can be attributed to tourism because of tourism's contribution to the economic activity of the municipality and hence its tax base.

Economic Impact of the Town of the Blue Mountains' MAT Implementation

To determine the economic impact of a 4% MAT implementation in 2023 for the Ontario Travel Region 7 (Bruce Grey Simcoe), CBRE has applied the following inputs and assumptions to Ontario's Tourism Regional Economic Impact Model (TREIM):

- Estimated 2023 MAT revenue for the Town of the Blue Mountains - \$4,048,148
- Applied MTCS visitor origin and visitor spending data trends, available for Ontario Travel Region 7 in 2012 and 2021, which are estimated at:
 - Ontario - 92.0%
 - Other Canada – 2.5%
 - US – 3.5%
 - Overseas – 2.0%
- Determined economic impacts for Ontario Travel Region 7 and the province of Ontario
- Induced impacts of household spending are included
- Induced impacts of business investment are included
- Local government property tax revenue impacts are included

The following table summarizes the impact of the MAT Implementation to Region 7 and the province.

Economic Impact of Blue Mountains' MAT Implementation 2023

		Region 7	Rest of Province	Total
Total Visitors' Spending		\$4,048,000	\$0	\$4,048,000
GDP	Direct	\$1,851,000	\$0	\$1,851,000
	Indirect	\$320,000	\$242,000	\$562,000
	Induced	\$467,000	\$257,000	\$724,000
	Total	\$2,637,000	\$499,000	\$3,136,000
Labour Income	Direct	\$943,000	\$0	\$943,000
	Indirect	\$208,000	\$150,000	\$359,000
	Induced	\$282,000	\$169,000	\$451,000
	Total	\$1,434,000	\$319,000	\$1,753,000
Employment (Jobs)	Direct	24	0	24
	Indirect	3	2	5
	Induced	3	2	5
	Total	30	4	34
Direct Taxes	Federal	\$356,000	\$0	\$356,000
	Provincial	\$479,000	\$0	\$479,000
	Municipal	\$31,000	\$0	\$31,000
	Total	\$867,000	\$0	\$867,000
Total Taxes	Federal	\$503,000	\$69,000	\$572,000
	Provincial	\$585,000	\$47,000	\$633,000
	Municipal	\$76,000	\$20,000	\$96,000
	Total	\$1,164,000	\$137,000	\$1,301,000

Source: TRIEM, with inputs from Ontario Ministry of Tourism, Culture, and Sport, CBRE Hotels, Statistics Canada & CBRE Estimates

- **Value Added Impacts:** A 4% MAT is expected to contribute an estimated \$1.9 million to Travel Region 7's Gross Domestic Product at the direct level, and a further indirect and induced impact of \$787,000. For the rest of the province, the indirect and induced GDP impacts totaled \$499,000, for a total GDP contribution of \$3.1 million.
- **Employment Impacts:** Visitor spending contributed approximately \$943,000 in direct labour income for the Region. Including indirect and direct impacts, this totals \$1.4 million in labour income. For the rest of the province, indirect and induced impacts equated to \$319,000.
- **Revenues to Government:** MAT implementation would contribute to total annual taxes of \$1.2 million, with approximately \$503,000 in Federal Taxes, \$633,000 in Provincial Taxes, and \$96,000 in Municipal Taxes, of which \$76,000 would be retained in Region 7.

Additional Benefits and Risks of MAT Implementation

Market Factors Affecting the Recovery of the Accommodation Sector

To implement a municipal accommodation tax (MAT) in the Town of the Blue Mountains, it's important to gain a comprehensive understanding of Canada's national investment and accommodation market characteristics, along with Ontario's tourism market outlook. This requires examining the investment market to understand factors that impact new supply developments, looking at the national accommodation market to assess market readiness and timing of recovery of the accommodation sector's major metrics including occupancy, ADR, and RevPAR, and exploring the tourism market to determine the accommodation sector's demand. This approach ensures that the implementation of a MAT aligns with broader tourism and economic trends.

National Investment Market Characteristics

Strengths

- Economic growth in Canada over the coming quarters is still expected to remain positive, albeit at lower levels, with no recession formally forecast by the Bank of Canada.
- The labour market remains resilient with continued growth and the unemployment rate holding relatively steady, increasing only modestly year-to-date.
- Industrial, food-anchored retail and multifamily assets continue to see stronger levels of investment activity, providing more transactional datapoints and conviction in pricing.
- Private capital continues to be the most active purchaser group in Canada that has kept investment volumes afloat.
- Demand for best-in-class office properties remains strong, with nine out of 10 Canadian markets experiencing stable or contracting downtown Class A vacancy rates in Q3 2023.
- While industrial availability rates have increased over recent quarters, the national average stands at 2.5% and remains low relative to the historic norm of 4.7%.
- Industrial construction activity eased further from record levels in Q3 2023, decreasing slightly quarter-over-quarter to 43.6 million sq. ft. while pre-leasing activity continues to slow.
- The pace of industrial rent growth slowed further in Q3 2023 but remains positive, rising 11.8% year-over-year and returning towards growth rates seen prior to the pandemic.
- Multifamily developers received a slight reprieve from higher costs in the form of a 100% rebate on the GST for new rental construction, which is expected to unlock thousands of additional units of rental housing across Canada over the coming years.

- Based on the Q3 2023 CBRE Canadian Cap Rate Survey, hotel cap rates held steady from the previous quarter this year. There was an uptick in hotel investment activity as many investors moved away from the short-term wait-and-see approach and began to target strategic acquisition opportunities. Cap rates held stable as upward pressure from the higher cost of debt has been offset by the hotel operating fundamentals outperforming annual budgets. This adjustment to new market conditions that investors are making will likely lead to an increase in transaction volumes in the latter half of 2023.

Weaknesses

- The Canadian economic outlook has weakened over recent months and Canada appears to be entering a period of slower growth while inflation continues to run hotter for a little longer.
- The Bank of Canada has cut its GDP growth projection for Q3 2023 nearly in half to 0.8% annualized and lowered the full year growth for 2024 from 1.8% to 1.2%.
- Inflation is projected to average 3.0% throughout 2024, up from the 2.5% previously forecast by the Bank of Canada and is expected to return to target in the second half of 2025.
- The current economist consensus is for interest rates to hold at 5.00% over the next few quarters before cuts are expected to begin sometime in mid-2024.
- Debt markets are proceeding with an abundance of caution and adjusting to higher bond yields as well as more restrictive credit conditions.
- The impact of elevated interest rates and tight credit conditions have slowed investment activity in Canada as the market enters an adjustment period and recalibration of asset pricing.
- Overall cap rates continued to steadily increase in Q3 2023, with the national average all-properties yield rising 17 basis points (bps) quarter-over-quarter to 6.45%.
- The national office vacancy rate increased 10 bps this quarter to 18.2%. Most of this increase was due to the suburbs where vacancy continued to climb.
- Outside of Calgary, most office markets have seen sublet options increase. On a year-over-year basis, six markets have seen sublet space as a percent of inventory increase, most notably in Toronto (+130 bps) and Vancouver (+90 bps).
- Industrial net leasing activity continued at a tempered pace compared to its blistering levels in recent years, with national net absorption easing slightly quarter-over-quarter to 3.1 million sq. ft. in Q3 2023.

The National Accommodation Market Overview & Outlook

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a “Global Pandemic” on March 11, 2020, caused heightened uncertainty in both local and global market conditions. The impact on the hospitality and tourism sector was swift and significant as many countries globally implemented strict travel restrictions, as well as a range of quarantine or proof of vaccination and “social distancing” measures effectively limiting both domestic and international travel. In Canada, on March 18, 2020, the Federal government implemented a ban on the entry to Canada of foreign nationals from all countries, except the United States. At the same time, it was announced that the Canada-U.S. border would be closed to all non-essential travel. These closures/limitations persisted for approximately 18 months.

After seeing RevPAR decline by 64% to just \$39 in 2020, the National accommodation market saw stronger than anticipated RevPAR recovery in 2021 with increased Leisure demand and once restrictions eased a slow return of some Corporate and Meeting/Conference business in the fall. The bulk of the gains came from occupancy improvements although there was moderate ADR growth as well. While there was a drag on Q1 2022 performance due to the Omicron wave and associated restrictions, RevPAR recovery accelerated sharply and led by 33% ADR growth and a 20-point increase in occupancy. As a result, overall RevPAR growth for the year was a robust 95%. Operators were able to drive significantly higher-than-expected ADR levels for myriad reasons including general economic inflationary conditions, very high levels of leisure demand due to pent-up travel desire and excess discretionary income, as well as both direct and indirect capacity constraints due to labour shortages in the hospitality, tourism and related industries.

The following presents CBRE Hotels most recent (September 2023) national forecast out to 2025.

	Indicator			Year Over Year Change				
	Occ	ADR	RevPAR	Supply	Demand	Occ	ADR	RevPAR
2019	65%	\$163	\$106	1.4%	1%	-1 pt	5%	5%
2020	30%	\$128	\$39	0.7%	-54%	-35 pts	-22%	-64%
2021	41%	\$135	\$56	0.5%	39%	11 pts	5%	45%
2022	61%	\$179	\$109	0.5%	48%	20 pts	33%	95%
2023F	65%	\$193	\$128	0.9%	10%	5 pts	8%	17%
2024F	67%	\$198	\$133	1.0%	2%	1 pt	3%	4%
2025F	68%	\$202	\$137	0.6%	2%	1 pt	2%	4%

Source: CBRE Hotels

National occupancy is expected to recover in 2023 to 2019 levels. Although nationally the industry saw a full recovery of RevPAR in 2022, many of the major metro markets were still being impacted by lower demand levels as not all segments (i.e., International Leisure, etc.) had returned to full capacity delaying the occupancy recovery. In 2024, the industry is expected to see the growth in all top line metrics moderate as additional demand returns and rate yield pressures soften. Over the next several years national occupancy is projected to run closer to 67% as the supply curve is still running at lower levels until the pipeline catches up with the demand recovery.

Ontario Tourism Market Overview

The Conference Board of Canada's travel statistics and forecasts show overnight visits in all forms of accommodation. Travel expenditure forecasts are prepared by the Conference Board utilizing data provided by Statistics Canada.

Ontario Travel Market Outlook - Overnight Visits

	2019	2020e	2021e	2022e	2023f	2024f	2025f	2026f	2027f
Total Visits ('000s)	45,663	25,979	27,304	40,423	45,614	47,892	50,229	52,060	53,455
% Change	0.0	-43.1	5.1	48.0	12.8	5.0	4.9	3.6	2.7
Domestic	35,454	24,274	25,018	34,162	37,430	38,595	39,885	41,162	41,945
% Change	0.0	-31.5	3.1	36.6	9.6	3.1	3.3	3.2	1.9
Business	2,759	968	1,052	1,771	2,368	2,434	2,558	2,670	2,781
% Change	0.0	-64.9	8.8	68.3	33.7	2.8	5.1	4.4	4.1
Pleasure	13,622	12,153	12,324	15,756	15,032	15,336	15,785	16,309	16,648
% Change	0.0	-10.8	1.4	27.8	-4.6	2.0	2.9	3.3	2.1
United States	6,739	1,200	1,816	4,579	5,541	6,185	6,896	7,197	7,579
% Change	0.0	-82.2	51.3	152.1	21.0	11.6	11.5	4.4	5.3
Overseas	3,470	505	470	1,682	2,643	3,112	3,449	3,700	3,931
% Change	0.0	-85.4	-6.8	257.5	57.2	17.7	10.8	7.3	6.2
Total Expenditures (\$M)	17,508	6,605	8,822	16,988	19,868	21,664	23,386	24,849	26,206
% Change	0.0	-62.3	33.6	92.6	17.0	9.0	7.9	6.3	5.5
Travel Price Index	1.1	-1.8	5.3	13.3	-2.1	2.7	2.0	2.0	2.0

Source: The Conference Board of Canada, Travel Market Outlook, Fall 2023

- **Overnight Province Visits:** Overall travel declined in 2020 largely due to the impacts of Covid-19, with significant restrictions on travel and visitation for both domestic and international sources. Overnight province visits dropped by more than 43% in 2020 and is estimated by the Conference Board to have improved by just 5.1% in 2021. The lifting of travel restrictions that commenced in 2021 and the reopening of the border to international overnight travelers are forecast by the Conference Board to lead to significant increases in 2022 and 2023. Total overnight province visits are forecast to return to 2019 levels in 2023.
- **Domestic Overnight Visits:** Canadian travelers comprise the largest share of overnight province visits. In 2019, domestic overnight visits to Ontario generated approximately 78% of the overall total. Due to international travel restrictions, domestic overnight visits represented over 90% of the annual totals in both 2020 and 2021. Overnight travel for “Pleasure” trip purposes generates the larger share of visits in comparison with those travelling overnight for “Business” purposes. Domestic travel levels are expected to return to 2019 levels in 2023.
- **USA Overnight Visits:** Overnight visits from residents of the United States generates the largest percentage of international visitation annually. USA overnight visits decreased by 82.2% in 2020. The reopening of the Canadian border in August 2021 is forecast to lead to strong annual growth in USA overnight visits in 2022 through 2024. Total USA overnight visits are projected to return to 2019 levels around 2025. The largest percentage of USA overnight visits are for Pleasure trips.
- **Overseas Overnight Visits:** This segment includes all international overnight visits from all countries except USA. Overseas overnight visits decreased by 85.4% in 2020 and an additional 6.8% in 2021. Total overseas visits are forecast to return to 2019 levels until 2025.
- **Overnight Expenditures:** Total expenditures for all overnight visits to Ontario combined for domestic and international sources was estimated at approximately \$17.51 billion in 2019. Total overnight expenditures are forecast to increase annually from 2022 onward and exceed 2019 levels in 2023.

Regional Market Overview

The Ontario Ministry of Tourism, Culture, and Sport tracks detailed tourism statistics for fifteen distinct tourism regions in Ontario, including visitor demographics and visitor spending. The Town of The Blue Mountains falls under Region 7: Bruce Peninsula, Southern Georgian Bay, and Lake Simcoe, data for which has been summarized in the table below.

Visitors to Region 7			
Bruce Peninsula, Southern Georgian Bay, Lake Simcoe			
	2019	2021	% Change
Origin of Visit (000s)			
Ontario	11,105	8,229	-25.9%
Other Canada	141	126	-10.3%
Total	11,246	8,356	-25.7%
Length of Stay (000s)			
Overnight	4,217	3,552	-15.8%
Same-Day	7,128	4,804	-32.6%
Total	11,345	8,356	-26.3%
Total Visitor Spend (000s)			
Overnight	\$1,141,392	\$921,027	-19.3%
Same-Day	\$586,502	\$316,495	-46.0%
Total	\$1,727,894	\$1,237,522	-28.4%
Visitor Spend Per Person			
Overnight	\$259	\$259	0.0%
Same-Day	\$82	\$66	-19.4%
Average	\$171	\$325	90.7%

Source: Ministry of Tourism, Culture and Sport

Visitation to Region 7 decreased from 11.2 million in 2019 to 8.4 million person visits in 2021. The majority of visitors to Region 7 continue to derive from within Ontario, despite the 26% drop in Ontario visitation in 2021. A more significant shift was identified in length of stay, with overnight visitation increasing from 37% to 43% of overall visits to Region 7.

The total overnight spend decreased from \$1.1 billion in 2019 to \$921 million (19% decline), but overnight visitor spend per person remained the same in both years at \$259, while same-day visitor spend, fell by 46% and same-day spend per person declined by 19%.

MAT Implementation Neighboring Communities Review

This section provides a review of MAT implementation considerations and key milestones for neighboring communities, including Huntsville, Collingwood, Niagara-on-the-Lake, and Prince Edward County.

Huntsville

Background

Huntsville By-Law 2019-123 approved the implementation of a 4% mandatory MAT and came into effect on April 1, 2019. Since that time, 30% of the net revenues collected through the MAT are retained by the Town of Huntsville and used for projects and initiatives that support tourism and economic development. The remaining 70% of net revenues are

directed towards the Huntsville Municipal Accommodation Tax Association (HMATA), a non-share capital corporation established in 2020 following the MAT implementation whose objective is the enhancement and promotion of tourism in Huntsville.

According to HMATA's long-term strategic plan approved on October 20th, 2022, five key strategic priorities have been identified:

- Establishment of a Huntsville Destination Marketing Organization
- Maturation of Huntsville as a four-season destination
- Strategic alignment between HMATA and Muskoka Tourism
- Advancement of the community visitor experience
- Establishment of a culture of sustainable tourism growth

Milestones

Since its implementation, MAT has yielded over \$4 million in revenue over a four-year period. An estimated \$2.5 million of this pool has been distributed to HMATA and has funded a number of projects including:

- **Hoya Robotics** – Funding for an off-season robotics tournament in fall 2023.
- **Group of Seven Outdoor Mural Gallery** – Funding to revamp the gallery's signage, brochures, and website, and add digital narration.
- **Campfire Sessions** – Funding to support a campfire/music attraction every weekend in the summer of 2023,
- **Muskoka Tourism** – Funding to support a CORUS radio campaign promoting Huntsville as a tourist destination.
- **Sandhill Nursery** – Funding to support the annual Sandhill Fall Festival in 2023
- **Huntsville Festival of the Arts** – Funding to support 2023 programming.
- **Ironman 70.3 Muskoka** – Funding to support the annual triathlon in 2023.
- **Canadian Association of Municipal Administrators** – Funding to support the 2023 CAMA national conference at Deerhurst Resort.
- **YMCA of Simcoe Muskoka** – Funding to support their 2023 job fair.
- **Knights of Columbus** – Funding to support the annual hockey tournament in 2022 and 2023.

Niagara-on-the-Lake

Background

Niagara-on-the-Lake (NOTL) approved a Municipal Accommodation Tax through Town Council into law on June 20th, 2022. The MAT has been implemented based on the following scale: starting July 21st, 2022, a rate of 2% MAT, moving to 3% MAT on January 1st, 2024, and increase to 4% on January 1st, 2025. The MAT funds generated are collected by the Town and kept in a separate reserve, until they are divided equally, after administration costs, between the designated Destination Marketing Organization "DMO"—Tourism NOTL—and the Town of NOTL.

Milestones

NOTL announced \$167,000 in earnings, starting July 1, 2022 (when the program came into effect) until September 30, 2022. CBRE has been assisting the Town to determine projections for 2023 and future years, however, these are considered confidential.

Based on concerns raised regarding the lack of vision MAT revenue utilization, a MAT Implementation Committee of Council has been elected. CBRE is also working with the Town's Tourism Strategy Committee to determine what potential projects and initiatives future funding can best support. In 2022, with the approval of the MAT By-law, Tourism NOTL was officially designated as the local Destination Marketing Organization (DMO) to collect and benefit from 50% of MAT revenue, with the Town retaining the other 50%. A number of projects have been raised for consideration for use of the Town's portion of funding, including but not limited to: Queen Street enhancements, Museum capital improvements, Shuttle Services between Fort George and the Heritage District.

Prince Edward County

Background

Prince Edward County implemented a Municipal Accommodation Tax on February 1, 2021. Within the County, 50% of generated funds remain with the municipality to support tourism infrastructure development and 50% are to be used to support tourism marketing and development. The municipality established a DMO, Visit the County, transferring responsibilities for tourism marketing and research to the organization. In 2021, prior to the introduction of the MAT, PEC developed 5 Pillars of the Prince Edward County Tourism Development Strategy that aligns with MAT spending: 1) Reducing over-tourism, 2) Building support, 3) Supporting regenerative tourism, 4) Strategic advances, and 5) Managing tourism. The PEC Tourism Strategy (2021) also includes the following MAT recommendations:

- Must take the pressure off residents in paying for additional costs related to tourism
- Incorporate a measure of community benefit when assessing MAT-funded projects
- Prioritize winter season events as these events face more organizational, volunteer, and funding-based roadblocks

Milestones

MAT implementation generated \$1.21 million in 2021 and \$1.42 million in 2022. The County's portion of MAT revenue has funded a number of projects including road construction, municipal park signage plan, municipal boat launch strategy including enhancements to the existing amenities, as well as tourism management plan for Wellington beach, Wellington boat launch, and the bulk water station.

In 2023, staff recommended a MAT increase of 2%, totaling 6%. PEC responded to accommodation fears by freezing MAT at 4% until 2026, addressing concerns about further disincentivizing overnight stays.

Collingwood

Background

Collingwood is a major commercial centre for northwest Simcoe County and northeast Grey County, with about one half of all business activity comprising entertainment, shopping and recreation services. Collingwood benefits economically from the surrounding visitor attractions, from beaches to downhill skiing, along with a strong base of accommodation and food services businesses, predominantly serving visiting Greater Toronto Area tourists, along with western Quebec and Montreal area.

In April 2023, Town Council approved a report to begin industry and public consultation on implementation of a MAT to better understand existing needs, challenges, and opportunities. The Town is also moving forward with a Short-Term Accommodation (STA) Licensing by-law to legalize short term rentals and establish conditions related to their use.

Milestones

In light of the important of tourism to Collingwood's economy, the Town is currently looking to develop MAT regulations in alignment with a new Tourism Strategy and Action Plan that can ensure the destination is positioned to ensure positive impacts of MAT revenue in future.

Collingwood's Manager of Economic Development estimates \$880,000 - \$1.4 million in revenue in Year 1.

Benefits Associated with MAT Implementation

Remaining Competitive

Approximately 50 Ontario municipalities have already instituted a MAT, leveraging the revenue to increase investments in tourism development without relying on additional payments from local businesses or residents. Without a similar revenue stream as other jurisdictions, the Town of the Blue Mountains may find difficulty in producing similar levels of tourism development and rebound the effects of COVID.

Correct Negative Externalities

MAT can correct negative externalities, such as the strain on public transportation, general infrastructure, and waste management by collecting fees on overnight accommodation, as opposed to residents. For example, the Town of the Blue Mountains released a Transportation Master Plan which identified challenges as a result of increased demand due to tourism, including traffic and parking constraints, seasonal demand fluctuations and winter weather conditions, which could be addressed using MAT funds. Other municipalities have utilized MAT funds for major infrastructure initiatives that benefit both tourists and residents, such as road construction in Prince Edward County, upgrading washroom and parking infrastructure in South Bruce Peninsula, and improving the Dunlop Street East Corridor in Barrie.

Tourism Regulatory and Revenue Tracking

Implementing a MAT can be a tool to encourage illegal operations to comply with regulations on short-term accommodations. Collecting the MAT will require an inventory of all accommodation properties, which in turn, will help the Town of Blue Mountains determine which STAs are regulated and unregulated year over year. MAT is the first step in the right direction to deter noncompliance, motivating accommodators to follow regulations and avoid penalties and fines. The funds generated by enforcement can then be used towards supporting tourism marketing and infrastructure investment.

Risks Associated with MAT Implementation

Tourist and Business Pushback

Some municipalities in Ontario have not implemented the Municipal Accommodation Tax because of internal fears of revenue loss. Tourists intending to visit the Blue Mountains may switch to day visits or be more inclined to stay overnight in surrounding areas to avoid paying MAT, thereby potentially leading to the risk of revenue loss for local accommodations. Additionally, new fees might incur some pushback from those in the local business community who fear lost tourists and resulting spend. The following are key examples of MAT pushback in other jurisdictions:

- The Town of South Bruce Peninsula included campsites in their MAT by-law. A petition was created in 2021 on Change.org hoping for Council to reconsider their decision. The reason for concern involved the rationale that camping is meant to be an economical way of going on vacation, charging those that are bringing their own accommodation to the campsite (e.g., tent, tent trailer or RV) is an unfair charge. The petition received 206 signatures from concerned business owners and constituents, but no action has been taken.
- As of 2023, The Town of Newmarket is currently exploring implementing the Municipal Accommodation Tax and intends to gather feedback from the local business community and residents. Several hoteliers have expressed skepticism and have factored in that neighboring towns like Aurora and Bradford do not have a MAT, and therefore offer significant competition for tourism dollars.
- In September 2019, Ottawa Valley hotel and resort operators launched a tax rebellion, a significant resistance against the implementation of MAT. As a rural community highly impacted by economic changes such as minimum wage hikes, concerns were raised about the potential loss of customers. The Chief Operating Officer of Calabogie Peaks organized a protest with 16 hotel owners by publicly resigning their memberships from the Ottawa Valley Tourist Association (OVTA), the local tourism organization with the intention to implement said MAT. Before the tax rebellion, OVTA had done its due diligence on the matter including the development of a 2018 MAT position paper, the coordination of information and feedback sessions, and 2019 presentations to OV municipalities before eventually taking an official position in support of the MAT in June 2019. To date, no municipality in the Ottawa Valley has implemented the MAT.

Destination Marketing Fee Considerations

The Blue Mountain Village Association (“BMVA”) has applied a 2% Destination Marketing Fee (DMF) on hotel room rates for all BMVA member accommodators since 1999. Unlike other destinations, BMVA also collects sales royalties on attractions, retail and food & beverage at 1% of sales. Of the total annual budget, 30% is collected through sales and royalties on attractions, retail and F&B, and another 30% from the DMF.

BMVA has a very robust mandate, which includes:

- **Destination Marketing**
- **Experience development and events**
- **Facilities & Operation**
 - Security
 - Landscaping, snow and garbage removal, repairing or replacing the Village infrastructure
 - Contributing to the Resort shuttle service

- Overseeing the operation of the Plunge! Aqua Centre
- Stewardship of the Millpond
- **Finance & Administration**
- Advocacy with all levels of government on behalf of members

BMVA has a robust capital planning requirement to maintain existing properties, which is predominantly funded through a property resale entry royalty fee. As such, part of their function has been investing in attractions that bring new markets to the area yet may not be more revenue generating for a private operator (such as a community Aqua Centre). BMVA has done notable work balancing resident and operator needs over the years since its inception and has also successfully developed many authentic products for the Town of The Blue Mountains. For the benefit of visitors, DMF funds help to support amenities such as events and animation, children’s activities, Visitor Information Centre, and shuttle service. The fees also support the various Association assets in the Village including public walkways, docks and trails, water play fountain, gardens, seasonal decorations, the Millpond, and playground.

If a new Municipal Accommodation Tax (MAT) were to be introduced to support tourism marketing and other related projects at the Town level, it might be necessary for the BMVA to discontinue the 2% DMF levy on accommodations, as a MAT can only be applied to commercial accommodation operations. BMVA could continue to collect a DMF on food and beverage establishments, however, the loss of funding could negatively impact the businesses and residents located in the Village with the potential of less revenue available to maintain and upgrade Village facilities

MAT Spending

It is our understanding that business stakeholders are currently voicing their concerns with regards to the potential implementation of a MAT and are seeking transparency on how the funds will be spent in the Town of the Blue Mountains. Stakeholders are requesting a clear understanding of how the funds will be allocated for tourism and infrastructure projects, which necessitates comprehensive planning and strategy documentation.

Stakeholders are also expressing concern about the use of MAT, given the perception that marketing efforts are already adequately carried out by BMVA and BMR, who have fully staffed marketing departments. This concern highlights the need for a thorough evaluation of the effectiveness of existing marketing strategies to ensure that MAT funds are allocated in a manner that maximizes their potential impact.

Municipal Accommodation Tax Alternatives

The Municipal Accommodation Tax has several advantages, but it also comes with risks that may discourage stakeholders, such as accommodators, from supporting this fee. It's worth noting that many municipalities, including the Town of the Blue Mountains, have limited options for increasing their revenue. Therefore, introducing the Municipal Accommodation Tax is a common solution. In case the MAT is not implemented, there are some alternatives to consider.

Optimized Destination Marketing Fees

The BMVA currently collects a 2% destination marketing fee on accommodations. If the Town decides not to implement a Municipal Accommodation Tax (MAT), the Town could consider seeking partnership with the Blue Mountain Village Association and optimize the DMF strategy by collaborating with all tourism businesses, including accommodations, restaurants, and attractions. For instance, a 2% DMF charge could be applied to a wider variety of tourism-related services and functions to contribute to a collective fund for town/region marketing. However, note that without jurisdictional involvement, the number of tourism businesses that volunteer could be less than anticipated.

Commercial Property Tax Rates

If the MAT is not implemented, the Town has an option to increase commercial property taxes. To determine the validity of this alternative, CBRE analyzed the commercial property tax rates of the same municipalities that were analyzed in the previous section: Huntsville, Niagara-on-the-Lake, Prince Edward County, and Collingwood. The following table demonstrates the municipalities' 2023 commercial property tax rates as a general number and as a percentage.

Municipality Commercial Property Tax Rate Analysis 2023	
	Rate
Town of the Blue Mountains	0.0187770
Collingwood	0.0214193
Prince Edward County	0.0182004
Niagara-on-the-Lake	0.0246163
Huntsville	0.0188930

Source: Municipality Websites

When compared to this municipality set, the Town of the Blue Mountains' commercial property tax rate is higher than Prince Edward County and Huntsville. The Town's tax rate is also lower than Collingwood and Niagara-on-the-Lake. Based on this assessment, a commercial property tax rate increase is possible. However, the Town should consider assessing potential economic impacts, competitiveness with other neighboring communities, and effects on local businesses.

Introduce Business Licensing

As it currently stands, the Town of the Blue Mountains does not require business licenses including those businesses that are tourism related. If the MAT is not implemented, the Town has an option to introduce business licensing. Introducing business license by-laws is possible and it is recommended to consider varying fees depending on category type and ensuring fees for renewal and administrative demands. However, the Town should consider assessing enforcement costs as well as business' potential difficulty in meeting complex requirements such as compliance. To determine the validity of this alternative, CBRE analyzed business license regulations of other neighbouring communities: Collingwood, Wasaga Beach, Meaford, Clearview, Springwater, Owen Sound, Barrie, and Orillia. The following table demonstrates the Town's neighboring communities' business license requirements.

Municipality Business Licence Requirements 2023

	Status for Tourism-Related Businesses*	License Fee	Renewal with Fee
Collingwood	Not Required		
Wasaga Beach	Required	\$224-1000	Required
Meaford	Not Required		
Clearview	Not Required		
Springwater	Not Required		
Owen Sound	Required	\$150	Not Required
Barrie	Required	Not Stated	Required
Orillia	Not Required		

Source: Municipality Websites

*Tourism-related businesses include but are not limited to restaurants, attractions, and entertainment.

Of the 8 communities analyzed, Wasaga Beach, Owen Sound, and Barrie require business licenses including those that are tourism related.

It is important to note that local municipalities like Wasaga Beach, Owen Sound, and Barrie primarily issue business licenses to ensure that businesses comply with zoning requirements. Funds generated from business license fees are typically used to support regulatory compliance efforts but can also fund various services and infrastructure projects such as maintaining public facilities, roads, and parks. The specific allocation of funds can vary depending on the municipality's priorities and needs.

Wasaga Beach

Wasaga Beach's fees vary based on the type of business with specific categories for Amusement Establishments, Food & Beverage Premises, and Tourist Establishments. Depending on the category, tourism-related businesses in Wasaga Beach vary between \$224 to \$1,000 for application fees, and \$196 to \$1,000 for renewal. The municipality also includes the administrative licensing fees such as Incomplete Application, Late Renewal, or Replacement of Business License.

Owen Sound

Businesses operating in the City of Owen Sound are required to obtain a business license for a fee of \$150. Interestingly, license renewal is not required and therefore, Owen Sound only receives revenue from applications.

Barrie

Barrie has included 60+ categories for business licenses in their by-laws some of which are tourism-related including accommodation, carnival, circus, recreational establishment, and restaurant. License fees include application and renewal fees as well as administrative fees in the event that there are duplicate licenses, change of name required or change of ownership.

Appendix A

Assumptions And Limiting Conditions

1. CBRE Limited, through its appraiser (collectively, “CBRE”) has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the “Report”), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the Canadian Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
 - I. Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
 - II. Existing improvements on the subject property conform to applicable local, provincial, and national federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
 - III. Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
 - IV. Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
 - V. No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any

- rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
- VI. There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
 - VII. All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, provincial, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
 - VIII. The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
 - IX. The subject property and its use, management, and operation are in full compliance with all applicable federal, provincial, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
 - X. The subject property is in full compliance with the Disabilities Act of the province. CBRE is not qualified to assess the subject property's compliance with the Province's Disabilities Act, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.
 - XI. All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.
 - XII. Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.
4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
 5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
 6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
 7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic

conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.

8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance.
11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.
13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

Thank you

For more information

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CBRE VALUATION & ADVISORY SERVICES