



Staff Report

Administration – Communications

Report To: COW_Finance_Admin_Fire_Community_Services
Meeting Date: July 8, 2024
Report Number: FAF.24.067
Title: Council Direction to Preliminary Proceed with the Implementation of Municipal Accommodation Tax
Prepared by: Tim Hendry, Manager of Communications and Economic Development

A. Recommendations

THAT Council receive Staff Report FAF.24.067, entitled “Council Direction to Preliminary Proceed with the Implementation of Municipal Accommodation Tax”;

AND THAT Council receive the draft Municipal Accommodation Tax By-law as included in Attachment #1 to this report, and directs staff to schedule a Public Meeting on September 10, 2024, to receive comments from the public regarding the draft By-law;

AND THAT Council acknowledges that the Town’s Notice Policy (POL.COR.07.03), requires 21 days’ notice of this Public Meeting, and that notice of the public meeting will be posted to the Town website on August 20, 2024;

AND THAT Council receive the draft Town Use of MAT Funds Policy as included in Attachment #2 to this report, and directs staff to make the draft policy available on the project webpage to receive feedback from the public and stakeholders throughout Summer 2024;

AND THAT Council approves the Blue Mountain Village Association as the Town’s official Destination Marketing Organization and confirms that if Municipal Accommodation Tax is implemented, the Blue Mountain Village Association will be deemed as the eligible tourism entity that will receive a portion of the collected revenue based on a revenue sharing agreement between the Town and the Blue Mountain Village Association that will be brought forward to Council in a future staff report;

AND THAT Council approves a project budget at an upset limit of \$80,000 to be temporarily funded through working capital and directs staff to finalize the request-for-proposal process by awarding the Tourism and Marketing Strategy Request-for-Proposal 2024-30-P-ADM contract to the successful bidder as determined through the formal evaluation process.

B. Overview

This report provides Council with an update regarding the Municipal Accommodation Tax (MAT) project. The report provides an overview of the draft MAT By-law and draft Town Use of MAT Funds Policy and recommends that a Public Meeting be scheduled to receive public and stakeholder comments.

In addition, the report provides details regarding the preliminary agreement discussions between the Town and the Blue Mountain Village Association (BMVA). The report also provides Council with an update regarding the Tourism and Marketing Strategy Request-for-Proposal that was issued by the Town.

C. Background

The Province of Ontario has granted municipalities the authority to implement a Municipal Accommodation Tax (MAT) on transient accommodations. The funds collected are intended to promote tourism and support tourism-related activities and projects. MAT came into effect on December 1, 2017, and is governed by [O. Reg. 435/17: Transient Accommodation Tax](#). The regulation outlines the rules and procedures for the collection and remittance of the tax.

In June 2023, staff presented [FAF.23.092 “Municipal Accommodation Tax Review and Stakeholder Engagement Plan”](#). The report was approved by Council and provided a detailed plan to engage community and industry stakeholders through consultation sessions. The report also committed the Town to completing an economic impact analysis and a feasibility review of structure and governance options related to MAT.

In January 2024, staff presented [FAF.24.004 “Municipal Accommodation Tax Project Update”](#). The report provided a detailed overview of MAT implementation considerations based on feedback gathered through the first phase of the project. The report included two key deliverables that are linked below:

1. [MAT Research Project Report – Bannikin](#)
2. [MAT Economic Impact Assessment – CBRE Tourism Consulting](#)

Since the January meeting, staff have actively worked to address the feedback received from the public, accommodation providers, and tourism industry stakeholders. This work has led to the creation of the draft Municipal Accommodation Tax By-law and the Town Use of MAT Funds Policy that are being presented as part of this report. In addition, staff have continued to research and identify MAT best practices from municipalities throughout the Province. Recently, staff have had very productive discussions with the City of Hamilton, City of Burlington, City of Owen Sound, City of Oshawa, Prince Edward County and Niagara-on-the-Lake.

D. Analysis

The following section of this staff report has been divided into four parts:

Part 1 - Draft Municipal Accommodation Tax By-law & Public Meeting

Part 2 - Draft Town Use of MAT Funds Policy

Part 3 - Official Destination Marketing Organization & Eligible Tourism Entity

Part 4 - Tourism and Marketing Strategy Request-for-Proposal

#1 - Draft Municipal Accommodation Tax By-law & Public Meeting

Staff have created a draft MAT By-law, which is included in Attachment #1 to this report. The By-law includes details relating to the collection of MAT revenue from applicable accommodation providers, including exemptions and penalties. The By-law has been developed in accordance with provincial regulations and is consistent with other municipalities in Ontario.

The formal process to implement MAT requires Council approval of the By-law. Before the By-law can be considered by Council, a public meeting must be held to receive public and stakeholder feedback. Through this report, staff recommend that a public meeting be scheduled for Tuesday, September 10, 2024.

In addition to the formal public meeting, staff have started to engage with and receive industry feedback through working with the Blue Mountain Short Term Accommodation Association (BMSTA). Over the summer, staff will continue to engage the BMSTA and their membership to meet with accommodation providers to answer questions.

The following chart outlines the key considerations that staff reviewed when creating the draft By-law. The considerations are based on feedback from accommodation providers and are not meant to encompass every comment received; rather, they are meant to demonstrate the level of understanding and consideration that went into drafting the MAT By-law.

Summary of Comments Received	Town Response
<p>MAT Tax Rate Respondents urged the Town to consider a lower tax rate or to phase the tax in over time.</p>	<p>The draft By-law recommends that the tax rate be set at four (4%) percent. This rate was set to be consistent with other tourism destinations throughout Ontario and to ensure that the Town is collecting sufficient funds to re-invest into supporting, managing and growing tourism without increasing the burden on the tax base.</p> <p>The recommendation for 4% is also based on visitor-based assessment research conducted as part of Phase 1, which found that accommodation tax rates in Ontario were below the North American average. In addition, the economic impact assessment conducted as part of Phase 1 also concluded that accommodation market performance is stabilizing and is expected to strengthen through increased domestic and international overnight travel.</p>

Summary of Comments Received	Town Response
	<p>Of note, some destinations in Ontario have increased MAT rates to 6%, including Toronto, Mississauga, and Barrie. Ottawa and Kingston have increased to 5%.</p>
<p>Tax Burden only on Accommodations Respondents shared concerns that MAT is only burdening accommodation providers and that the tax should be extended to other visitor-facing businesses.</p>	<p>The Ontario Regulation (O. Reg 435/17) only allows Municipalities to collect the tax on overnight transient accommodation. It is important to note that the tax can only be applied to the purchase of accommodation and does not apply to incidental fees and charges unrelated to the purchase of accommodation, such as room service, laundry services, parking, etc.</p> <p>MAT alternatives, such as increasing the general commercial tax rate and implementing business licensing, were explored through the economic impact assessment project but were not considered viable revenue-generation tools and were not recommended based on the risk of the Town remaining competitive in business retention and attraction efforts.</p>
<p>Implementation Date Respondents urged the Town to consider delaying the implementation of MAT until the economy and overnight accommodation levels stabilize.</p>	<p>The draft By-law recommends that the implementation date to start collecting MAT is Monday, January 6, 2025.</p> <p>The date is recommended based on three factors.</p> <ol style="list-style-type: none"> 1. The Town received feedback from accommodation providers who indicated that implementation should not be scheduled one week before or after Christmas due to peak tourism demands and technical considerations within property management system software. 2. The Town discussed with other municipalities that the implementation of MAT should be aligned with the start of the new year to support visitor awareness and understanding of the new tax. 3. The economic and accommodation performance data provided in the economic impact assessment report concluded that local accommodation market performance is expected to strengthen through increased domestic and international travel.

Summary of Comments Received	Town Response
<p>Need for Proactive Enforcement Respondents shared concerns about the Town’s enforcement of non-licensed short-term accommodations.</p>	<p>The draft MAT By-law does not specifically address the enforcement of non-licensed or ‘illegal’ short-term accommodations. Town staff understand the concerns shared and are actively working on an enforcement plan that will be presented at a future meeting.</p>
<p>Fair Administration Between STAs and CRUs Respondents expressed concerns related to the different standards for STA’s and CRU’s and emphasized that both should be treated equally and subject to MAT (if approved)</p>	<p>The draft MAT By-law includes a broad and all-encompassing definition for ‘accommodation’ that was written to include both short-term accommodations (STA’s) and commercial resort units (CRU’s). In addition, both Short-Term Rental Accommodations and Commercial Resort Units are defined and identified within the By-law.</p>
<p>Review STA Licensing Program & STA Licensing Fee Respondents expressed concern related to STA licensing fees and further costs imposed by the approval of MAT.</p>	<p>The draft MAT By-law and draft Policy does not specifically address this matter. Staff are aware of the concerns and comments made and are working to conduct a review of STA Licensing Fees. More information will be presented to Council at a future meeting.</p>
<p>MAT Funds Should not Replace Existing Tourism Support Respondents indicated that the Town should not use future MAT revenue to offset general operating budgets related to supporting tourism.</p>	<p>The draft Policy ‘Town Use of MAT Funds’, outlines specific guidelines and details regarding how funds from the Town’s portion of MAT revenue will be directed toward tourism-supportive initiatives and the goal of the policy is supported by five key funding principles.</p> <p>In addition, the draft Policy includes a list of ineligible funding examples as related to the Town’s delivery of core business operations.</p>
<p>MAT Collection Through Third-Party Booking Platforms Respondents asked about the role of third-party booking platforms such as AirBNB and VRBO in collecting and remitting MAT from guests on</p>	<p>At the time of writing this report, staff are having active discussions with AirBNB and Expedia/VRBO to confirm the collection and remittance process.</p> <p>AirBNB has confirmed that its booking system allows accommodation providers to add the MAT tax rate as a percentage charged to the subtotal. This is ideal, as it does not require providers to factor the cost of MAT into the base rental rate. In addition, AirBNB has offered to co-host</p>

Summary of Comments Received	Town Response
<p>behalf of the accommodation provider.</p>	<p>accommodation provider webinars to answer collection, remittance and reporting questions.</p> <p>In addition, staff are exploring various options to manage the collection and remittance of MAT revenue from accommodation providers.</p>
<p>Town/Industry Collaboration into the Management and Use of MAT Funds Respondents indicated a strong desire for the Town and Eligible Tourism Entity to work collaboratively with accommodation providers and tourism industry stakeholders.</p>	<p>Although not addressed within the draft By-law, the Town strongly supports industry-focused collaboration related to the management and use of MAT funds. The Town is committed to establishing a tourism industry advisory committee to provide insight and make recommendations to support the work of the Eligible Tourism Organization.</p>
<p>MAT Communications If MAT is approved, respondents asked for the Town to take the lead on developing visitor-facing communications materials such as FAQ's.</p>	<p>The draft by-law or policy does not address communication material to support the implementation of MAT.</p> <p>Staff understand the need for visitor-facing communication material to be ready before MAT is implemented. If approved, staff will work with accommodation providers to develop and provide the necessary material.</p>

#2 - Draft Town Use of MAT Funds Policy

[O. Reg. 435/17: Transient Accommodation Tax](#) outlines two revenue-sharing scenarios and formulas for municipalities to follow. Regardless of the applicable revenue-sharing scenario, the Town will retain a portion of the collected MAT funds for its own use as directed by Council.

Understanding that the intent of the MAT Regulation is to support tourism and based on the number of comments received related to the Town's use of MAT funds, staff have created a draft policy, which is included in Attachment #2 to this report.

The draft Policy was created based on the recommendation of the MAT Research Report which concluded that the Town should consider identifying, committing to, and communicating the planned uses of MAT revenue with residents and accommodation/tourism industry stakeholders.

The draft Policy includes guidelines and details regarding how funds from the Town's portion of MAT revenue will be directed toward tourism-supportive initiatives and how the funds will be used in an accountable, transparent, and responsible manner. The goal of the policy is further supported by five key funding principles as detailed below:

1. to support investment into tourism-related infrastructure to help more effectively manage tourism;
2. to support projects and initiatives that result in measurable improvements to Town services that enhance and improves the management of tourism and visitor experiences;
3. to pursue the goals and implement recommendations as outlined in the Town's Tourism and Economic Development Strategies, as amended from time to time;
4. to support the creation of tourism product development to bring new and innovative products, experiences, and services to the Town of The Blue Mountains tourism market;
5. to support the promotion of the Town of The Blue Mountains as a leading destination for tourism, leisure and business travel with an emphasis on promoting overnight stays;

In addition, the draft Policy also references the creation of a MAT Reserve Fund and includes a list of ineligible funding examples as related to the Town's delivery of core business operations for items such as:

- a) Salaries Wages and Benefits (with exceptions)
- b) Operating Costs of Public Works Road Maintenance and Repair
- c) Operating Costs of Existing Municipal Facilities

Although the Policy is not subject to a formal Public Meeting, staff feel it is important to receive feedback from accommodation providers and tourism industry stakeholders. Over the summer, staff will share the draft Policy with accommodation providers to answer questions and address concerns.

#3 - Official Destination Marketing Organization & Eligible Tourism Entity

[O. Reg. 435/17: Transient Accommodation Tax](#) outlines two revenue-sharing scenarios and formulas for municipalities to follow.

- **If a destination marketing program exists when the tax comes into effect**
Under this scenario, municipalities are required to share MAT revenue with the appropriate not-for-profit tourism organization in an amount that matches the total revenue generated by the existing destination marketing program.
- **When a destination marketing program does not exist when the tax comes into effect**
Municipalities are required to share at least 50 percent of MAT revenue with the respective regional tourism organization or a not-for-profit tourism organization.

Further, the Regulation provides the following two definitions:

- **"eligible tourism entity"** means a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality;
- **"destination marketing program"** means 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;

Based on the revenue-sharing models provided within the Regulation, staff conducted a review to determine if any destination marketing programs currently exist within the Town. Through the review and through confirmation by legal counsel, staff have identified that the Blue Mountain Village Association (BMVA) currently administers a destination marketing program through the collection of the two percent (2%) Village Amenity Fee that is charged on overnight transient accommodation. In addition, the BMVA is a non-profit entity that meets the definition of an Eligible Tourism Entity as defined within the Regulation.

Through ongoing discussions, the BMVA has expressed an interest in partnering with the Town to administer MAT and to receive a portion of the revenue collected as required by the Regulation. Town staff are working with the BMVA to develop an agreement that will be brought before Council for approval in Fall 2024.

Based on the above, the recommendation is for Council to approve the BMVA as the Town's official Destination Marketing Organization and to confirm that if Municipal Accommodation Tax is implemented, that the BMVA will be deemed as the eligible tourism entity to receive a portion of the collected revenue based on a revenue sharing agreement.

#4 - Tourism and Marketing Strategy Request-for-Proposal

In the previous MAT staff report, [FAF.24.004 "Municipal Accommodation Tax Project Update"](#), Council approved a recommendation directing staff to apply for grants to support the development of a tourism and destination strategy. Under this direction, staff submitted a grant application for the Federal Tourism Growth Program. Although a funding announcement has not been made, staff remain hopeful that the Town's application will be successful. Irrespective of the grant funding announcement or a formal Town decision related to MAT, in the last report, staff emphasized the need for a formal strategy to help guide and support tourism in the Town and that the strategy needs to be co-developed with industry in order to be effective.

Based on this, staff developed and issued a formal request-for-proposal (RFP) process with the intent to hire a tourism consultant to develop a detailed tourism strategy for the Town. The Tourism and Marketing Strategy RFP (2024-30-P-ADM) closed with seven (7) bids. The Town's project team reviewed and evaluated the bid submissions in accordance with the Town's purchasing process. Through the evaluation, a successful bidder was determined based on achieving the highest overall score. Staff are recommending that Council approves a budget with an upset limit of \$80,000, and directs staff to finalize and award the Tourism and Marketing Strategy RFP to the successful bidder.

Staff recommend that the funding to support the Strategy be approved by Council through working capital until the status of the Town's grant application is confirmed. If the grant application is unsuccessful, then the cost of the Strategy could be supported by the Town's share of future MAT revenue or through general taxation. Staff will keep Council informed about the funding status of the strategy and the status of the Federal grant application through future staff reports. A copy of the Tourism and Marketing Strategy RFP document that was issued is available on the [Town's Bids & Tenders](#) webpage.

E. Strategic Priorities

1. Communication and Engagement

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

2. Organizational Excellence

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

3. Community

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

4. Quality of Life

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

F. Environmental Impacts

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

G. Financial Impacts

If approved, the award of the Tourism and Marketing Strategy RFP (2024-30-P-ADM) in the amount of an \$80,000 upset limit is recommended to be temporarily funded by working capital. If the Town's Federal grant application is unsuccessful, then the cost of the Strategy could be supported by the Town's share of future MAT revenue or through other revenue sources such as general taxation or reserves.

H. In Consultation With

Shawn Everitt, Chief Administrative Officer

I. Public Engagement

The topic of this Staff Report will be the subject of a Public Meeting and/or a Public Information Centre in accordance with the following schedule:

- July 8, 2024 Committee of the Whole – Initial staff report FAF.24.067 “Council Direction to Preliminary Proceed with the Implementation of Municipal Accommodation Tax” with the recommendation to proceed to public consultation;

- July 15, 202 Council – recommendation from Committee of the Whole considered by Council
- August 20, 2024 - Public Meeting Notice posted
- September 10, 2024 - Public Meeting
- October 7, 2024 Committee of the Whole – Follow up report to the Public Meeting, attaching comments received in response to the Public Meeting;
- October 21, 2024 Council – recommendation from Committee of the Whole considered by Council, and related By-law, if any

Any comments regarding this report should be submitted to Tim Hendry, Manager of Communications & Economic Development Tim Hendry, Manager of Communications & Economic Development, communications@thebluemountains.ca.

J. Attached

1. Draft Municipal Accommodation Tax By-law
2. Draft Use of Municipal Accommodation Tax and Reserve Fund Policy

Respectfully submitted,

Tim Hendry
Manager of Communications & Economic Development

For more information, please contact:
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Report Approval Details

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Attachments:	- Attachment-1-Draft-Municipal-Accommodation-Tax-By-law.pdf - Attachment-2-Draft-Use-of-Municipal-Accommodation-Tax-and-Reserve-Fund-Policy.pdf
Final Approval Date:	Jun 27, 2024

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

Tim Hendry - Jun 26, 2024 - 4:37 PM

Shawn Everitt - Jun 27, 2024 - 7:31 AM