



Staff Report

Strategic Initiatives

Report To: Council Meeting
Meeting Date: January 27, 2025
Report Number: SI.25.002
Title: Municipal Accommodation Tax Revenue Sharing Agreement
Prepared by: Tim Hendry, Director of Strategic Initiatives

A. Recommendations

THAT Council receive Staff Report SI.25.002, entitled “Municipal Accommodation Tax Revenue Sharing Agreement”;

AND THAT Council authorizes the Mayor and Clerk to execute the revenue sharing agreements with the Blue Mountain Village Association serving at the Town’s Destination Marketing Organization and as the eligible tourism entity as defined in O. Reg. 435/17: Transient Accommodation Tax.

AND THAT Council acknowledges that through the execution of the revenue-sharing agreements, the Blue Mountain Village Association will receive a maximum of 50% of the total revenue, less Town administrative expenses, collected under the Municipal Accommodation Tax program enacted under By-law 2024-74 for the purposes of tourism promotion.

B. Overview

The report seeks Council approval to enter into a revenue-sharing agreement with the Blue Mountain Village Association as related to the implementation of Municipal Accommodation Tax.

C. Background

The Ontario regulation governing Municipal Accommodation Tax (O. Reg. 435/17: Transient Accommodation Tax), requires that revenue collected through the tax must be shared with an *eligible tourism entity* as defined in the regulation.

The regulation outlines two revenue-sharing scenarios and formulas for municipalities to follow. Staff report [FAF.24.067](#), presented in July 2024, summarized the Town’s requirement to enter into a revenue-sharing agreement with the Blue Mountain Village Association as they are a non-profit entity that currently administers a destination marketing program through the collection of the two percent (2%) Village Amenity Fee that is charged on overnight transient accommodation.

Based on the above understanding, Council approved the following recommendation as part of the larger motion included within the staff report:

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;

*Moved by: Councillor McKinlay
Seconded by: Councillor Porter
Carried (6 to 0)*

D. Analysis

Over the past year, the Town has been actively working with the Blue Mountain Village Association to develop and negotiate a revenue-sharing agreement.

The discussions have been extremely positive, with both organizations bringing innovative ideas and approaches forward related to tourism management, destination development and tourism promotion/marketing.

Through external legal counsel, two revenue-sharing agreements have been created:

- 1) Statutory Funds – Revenue Sharing Agreement**
- 2) Tourism Promotion Funds – Revenue Sharing Agreement**

The Statutory Funds Revenue Sharing Agreement is related to the amount that the Town is legally required to provide to the BMVA on an annual basis as required by Ontario Regulation. The agreement also includes an amount of additional funds that will be provided on an annual basis to reconcile payment based on performance. Under this agreement, the BMVA will be required to meet various financial accountability measures, including the presentation of an annual report.

The Tourism Promotion Funds Revenue Sharing Agreement is related to the amount that the Town will extend to the BMVA as the Town's Destination Marketing Organization. The Tourism Promotion Funds will equal an amount up to a maximum of fifty-percent (50%) of the overall funds collected through the MAT program, less costs that are deducted related to the Town's administration of the MAT program. These funds will be dedicated to tourism promotion activities supporting the entire Town of The Blue Mountains community. Under this agreement, the BMVA will be required to meet various financial accountability measures, including the presentation of an annual budget and work plan. The agreement also includes the requirement for the BMVA to form an industry-led tourism advisory committee comprised of tourism operators and accommodation providers.

For additional clarity, it's important to highlight that the agreement states that the total revenue shared with the BMVA shall never exceed the total amount of revenue from the MAT received by the Town.

At a high level, the [Economic Impact Assessment](#) completed in January 2024 by CBRE Tourism Consulting, as presented through report [FAF.24.004](#), indicated that implementing a 4% Municipal Accommodation Tax on available rooms would generate approximately \$4 Million in annual revenue. This estimate was based on historical market performance data provided by the CBRE Hotel Industry Database, short-term accommodation data provided through a third-party service provider, and data provided directly to CBRE by local accommodation providers.

Using the estimated Municipal Accommodation Tax revenue and based on the proposed 50/50 split through the revenue sharing agreements, the Town will retain \$2 Million and \$2 Million will be shared with the Blue Mountain Village Association, less administrative expenses. It's important to note that the actual Municipal Accommodation Tax revenue collected will vary and depend on tourism visitation levels and external market factors.

Staff would also like to highlight that the proposed term of the revenue sharing agreements is for a three (3) year term, at which point, the agreements will be reviewed and considered for renewal.

In addition to the revenue-sharing agreements, staff would like to take the opportunity of this report to provide Council and the public with an update on three key items related to the implementation of Municipal Accommodation Tax:

- 1. Preparation and Implementation of the Tax**
- 2. Update on the Tourism Strategy**
- 3. Update on the Town Use of MAT Funds Policy**

Preparation and Implementation of the Tax

Following the approval of the Municipal Accommodation Tax By-law by Council in late November 2024, staff provided written notice to accommodation providers regarding the implementation of the tax. Throughout December, staff offered one-on-one support to local accommodation providers to answer questions and concerns. Staff also worked with representatives from the Blue Mountain Short Term Accommodation Association and the Blue Mountain Village Association to ensure that the information reached accommodation providers within their respective networks. In addition, staff worked with representatives from Airbnb, Expedia and other online travel agency websites to inform them of the new tax and implementation date.

The Municipal Accommodation Tax By-law formally came into effect on Monday, January 6, 2025. Staff are continuing to work with accommodation providers to answer questions and to address concerns.

In addition, staff have also proceeded with the implementation of the Short Term Rental and Municipal Accommodation Tax software. It's expected that the software will be fully functional in early 2025.

Update on the Tourism Strategy

Work to complete the tourism and marketing strategy is progressing very well. The project is on schedule and within budget. A formal strategy update presentation was provided as a [deputation to Council](#) on Monday, December 9, 2024 by the lead consultant, Bannikin. The next phase of strategy development will include additional industry and public meetings to review and validate the draft recommendations. When ready, the strategy will be presented to Council for formal consideration.

Update on the Town Use of MAT Funds Policy

Following the approval of the [Town Use of MAT Funds Policy](#) by Council on Monday, November 18, 2024; staff are actively working to develop the evaluation criteria that will be used to support the policy. The evaluation criteria will be presented to Council in Q2 2025. As a reminder, the evaluation criteria/framework will be used to assess projects and opportunities against the funding principles as outlined within the approved policy.

E. Strategic Priorities

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 direct environmental impacts are anticipated as a result of this report.

G. Financial Impacts

The 4% Municipal Accommodation Tax is estimated to generate approximately \$4 Million in annual revenue. Based on the proposed 50/50 split through the revenue sharing agreements, the Town will retain \$2 Million and \$2 Million will be shared with the Blue Mountain Village Association, less administrative expenses.

Administrative expenses related to the Municipal Accommodation Tax program will be deducted from the gross revenue collected. As a result, the program does not have any direct impact on taxation.

For additional clarity, it's important to highlight that the agreement states that the total revenue shared with the BMVA shall never exceed the total amount of revenue from the MAT received by the Town.

It's important to note that the actual Municipal Accommodation Tax revenue collected will vary and depend on tourism visitation levels and external market factors.

All funds collected through the tax will be held in a reserve fund in accordance with the By-law. Financial reports will be brought forward to Council through the annual financial reporting and budget processes.

H. In Consultation With

Will Thomson, External Legal Counsel
Senior Management Team

I. Public Engagement

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

J. Attached

None.

Respectfully submitted,

Tim Hendry
Director of Strategic Initiatives

For more information, please contact:
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Report Approval Details

Document Title:	SI.25.002 Municipal Accommodation Tax Revenue Sharing Agreement.docx
Attachments:	
Final Approval Date:	Jan 16, 2025

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

Tim Hendry - Jan 16, 2025 - 11:20 AM