

DEPARTMENT/ DIVISION	City Manager-s Office – Corporate Strategic Services	REPORT NO.	R 51/2018
DATE PREPARED	03/22/2018	FILE NO.	
MEETING DATE	04/30/2018 (mm/dd/yyyy)		
SUBJECT	Municipal Accommodation Tax (MAT)		

RECOMMENDATION

With respect to Report No. R 51/2018 (City Manager’s Office – Corporate Strategic Services) we recommend that this Report be received;

AND THAT Administration be authorized to engage with the transient accommodation stakeholders and the broader business community on options for the implementation of the Municipal Accommodation Tax,

AND THAT Administration report back on the results of that consultation and provide options for implementation of a Municipal Accommodation Tax for Council’s consideration;

AND THAT any necessary by-laws be presented to City Council for ratification.

EXECUTIVE SUMMARY

The purpose of this report is to provide information on the legislative framework for the Municipal Accommodation Tax and seek approval to proceed with engagement with the transient accommodation sector and the broader business community on the possible implementation of a Municipal Accommodation Tax in the City of Thunder Bay.

The Municipal Accommodation Tax is a new revenue tool that Ontario municipalities can use to further promote tourism as an economic driver within their city boundaries and the province as a whole.

Subject to Council’s approval to proceed with the engagement, recommendations will be provided in a subsequent Report for Council’s consideration on the development, administration and proposed uses of the tax collected for the City of Thunder Bay as per the guidelines in the provincial regulation.

LINK TO STRATEGIC PLAN

Becoming our Best, the 2015-2018 Corporate Strategic Plan includes the following:

Goal 13: Premier visitor destination

Goal 15: Welcoming to world with globally enhanced image and identity

DISCUSSION

On December 1, 2017, the Transient Accommodation Regulation 435/17 came into force and provided the necessary authority for municipalities across Ontario to implement a Municipal Accommodation Tax (MAT).

Subject to Council's approval to proceed and the rate it sets, a Municipal Accommodation Tax is estimated to potentially generate between \$1.8 million at 3% to \$2.5 million at 4% annually.

Revenue Sharing

The Regulation prescribes how revenues are to be shared between the respective municipalities and designated eligible not-for profit tourism organization(s).

Fifty per cent of the revenues are to be remitted annually to one or more eligible not for profit tourism entity(ies). "Eligible tourism entity" is defined broadly in the Regulation as a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality. The Regulation defines Tourism promotion to include product development. For example, the Tourism Thunder Bay Product Development Guiding Document (2017-2021) was approved in principle by Committee of the Whole on November 27, 2017. The Guiding Document identified that, subject to Council's approval to proceed, this new revenue tool could generate significant funding annually for tourism product development support that could include:

- Sport and corporate event bid support and hosting
- Financial capital investments in large scale community tourism infrastructure
- Cultural event development and ongoing support
- Financial support program to incubate new product development

While the City's use of its share of the revenues, consisting of the other 50 per cent of taxes to be generated, is unrestricted, in keeping with the spirit of the tax, the City of Thunder Bay has a number of Council-approved plans that would contribute to Tourism product development that have no source of funding including the Wayfinding Plan and aspects of the Recreation and Facilities Master Plan.

The Municipal Accommodation Tax is a new revenue tool that Ontario municipalities can use to further promote tourism as an economic driver within their city boundaries and the province as a whole.

On May 17, 2017, in response to municipalities' request, the Province enacted Bill 127, Stronger, Healthier Ontario Act, 2017, providing single and lower-tier municipalities the authority to levy a transient accommodations tax (hotel tax). The Transient Accommodation Regulation 435/17 came into force on December 1, 2017, and provides the necessary provisions for municipalities across Ontario to implement a Municipal Accommodation Tax (MAT).

The Regulation applies if a municipality imposes a tax in respect of the purchase of transient accommodation in the municipality under section 400.1 of the Act.

Transient Accommodation

If implemented, the Municipal Accommodation Tax as per Regulation applies to all licensed transient fixed roof accommodators doing business within the boundaries of the City of Thunder Bay. The tax would apply to accommodations provided for a continuous period of 30 days or less in a hotel, motel, lodge, inn, bed and breakfast, dwelling unit or any place an accommodation is provided.

Online private short term accommodation platforms such as Airbnb and HomeAway would also be subject to the MAT with each marketing platform remitting on behalf of their accommodation providers on a monthly basis.

Exemptions

Campsites and campgrounds for RVs would be exempt, as are university and college residences. As per the Regulation, universities and college residences are exempt from the MAT at all times even during non-school use, even in the summer when they rent out the dorm rooms to other groups and travellers. Some municipalities in Ontario with university and college accommodations are asking the institutions to voluntarily remit when rooms are booked by transient travelers during non-school times.

Revenues generated from other hotel services such as meeting room rentals, food and beverage and room service, would be excluded from the MAT.

Legislation states that the accommodations at a university or a college of applied arts and technology or post-secondary institution are exempt. Other exemptions include other school board accommodations, hospitals, long-term care homes and hospices.

Stakeholder Engagement

Municipalities are encouraged to engage with accommodation stakeholders required to collect the tax to build awareness and seek input on how the proposed tax will be administered. This is to ensure the accommodation industry is prepared for the administration, process and timing of the implementation.

It is prudent to positively engage the accommodation sector mandated to collect the Municipal Accommodation Tax and provide them the opportunity for input on how the accommodation tax will be administered and how it will be spent for tourism promotion and tourism product development. The result expected is increased visitation and visitor spending within the City of Thunder Bay. The implementation of the tax will be a smoother process if accommodation providers see a benefit to them.

Members of the local hotel association have been consulted about a hotel tax over the past nine years including meetings in 2017, 2015 and 2014.

On January 30, 2018 staff attended a regularly scheduled meeting of local hotel association to provide an overview of the Regulation for the Municipal Accommodation Tax. Twelve member hotels were represented. A discussion resulted around the administrative process to implement, potential use of the funds around city tourism initiatives and the potential collection/enforcement of the tax. While the City has been engaging with the Hotel Association members in a positive light, it will be important that the independent properties are engaged and have an opportunity to participate in the consultation.

Subject to Council's approval to proceed with engagement with the transient accommodation sector and the broader business sector, Administration would work with the Hotel Association and the Chamber of Commerce to host an open house consultation in mid-May. Administration would report back on the results of that consultation and provide options for implementation of a Municipal Accommodation Tax for Council's consideration in late May or early June.

Tax Rate

Under the Regulation, the municipality has the authority to set the tax rate and effective date. Nine municipalities contacted including Sudbury and Sault Ste. Marie indicated they expect to implement a 4% tax rate.

It is estimated that there are 38 accommodation providers in Thunder Bay offering approximately 2300 guest rooms in conference hotels, hotels, motels and bed and breakfasts. There are an estimated 75+ Airbnb properties. A more detailed list needs to be compiled with a cross reference with business licenses from City Licensing and Enforcement.

Performance numbers show Thunder Bay's hotel sector as one with the highest occupancies in Ontario and Canada. The high occupancy rate and strong daily rate average of \$123/night have the potential to generate substantial revenues to enhance tourism promotion and tourism product development that will further increase visitation and increase visitor spending in our community.

FINANCIAL IMPLICATIONS

Depending on Council's decision on whether to proceed with the approval of the Municipal Accommodation Tax and the rate it sets, a Municipal Accommodation Tax is estimated to potentially generate between \$1.8 million at 3% to \$2.5 million at 4% annually. The revenues would be shared between the municipality and Tourism not-for-profit(s) for tourism promotion, which is defined to include product development.

The revenue could be a catalyst to attract business travelers for more meetings and conventions and participant visitors for additional sports and cultural events. For example, monies from the fund could be used for new or the enhancement of sports or cultural infrastructure that will provide the opportunity to host regional, provincial, national and international events.

The monies from the Municipal Accommodation Tax could be used as private sector investment to leverage provincial and federal funds for infrastructure development with tourism implications.

BACKGROUND

Destination Management Fees (DMF) or a Destination Marketing Tax has been a common revenue tool used globally to support tourism marketing and product development strategies. These funds are often collected through either a percentage or flat monetary fee on transient accommodations (hotels).

In Ontario, prior to December 1, 2017, 29 municipalities had industry led voluntary DMF programs, including Toronto, Ottawa, Niagara Falls and in Northern Ontario, Kenora, Sault Ste Marie and North Bay.

Thunder Bay is one of a number of Municipalities in Ontario that did not have a voluntary Destination Marketing Fee when the new Regulation was enacted on December 1, 2017.

Tourism Thunder Bay has been an advocate for a Thunder Bay hotel tax. Over the past nine years a number of attempts were made to establish a destination management fund in partnership with the accommodation sector but each time the matter was deferred by the Thunder Bay Hotel Association for further discussion or planning. The local hotel association is made up of approximately 14 properties, including the city's conference hotels and branded hotel chains.

The Tourism Thunder Bay Product Development Guiding Document (2017-2021) was approved in principle by Committee of the Whole on November 27, 2017, and ratified on December 4, 2018. The Guiding Document identified that, subject to Council's approval to proceed, the Municipal Accommodation Tax could generate significant funding annually for tourism development support that could include:

- Sport and corporate event bid support and hosting
- Financial capital investments in large scale community tourism infrastructure
- Cultural event development and ongoing support
- Financial support program to incubate new product development

CONCLUSION

It is concluded that Administration should be authorized to engage with the transient accommodation stakeholders and the broader business community on options for the implementation of the MAT. It is further concluded that Administration should report back on the results of that consultation and provide options for implementation of a Municipal Accommodation Tax for Council's consideration.

REFERENCE MATERIAL ATTACHED

None.

PREPARED BY: Karen Lewis, Director – Corporate Strategic Services, and John Cameron, Development Officer II, Tourism Thunder Bay

THIS REPORT SIGNED AND VERIFIED BY: (NAME OF GENERAL MANAGER) Norm Gale, City Manager	DATE: April 26, 2018
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