

DEPARTMENT/ DIVISION	City Manager's Office - Office of the City Clerk	REPORT NO.	R 108/2018
DATE PREPARED	07/13/2018	FILE NO.	
MEETING DATE	(mm/dd/yyyy) 08/13/2018		
SUBJECT	Municipal Accommodation Tax (MAT) – Implementation		

RECOMMENDATION

With respect to Report No. R 108/2018 (City Manager's Office – Corporate Strategic Services) the Implementation Plan for the Municipal Accommodation Tax as outlined in this Report is received for information;

AND THAT a new reserve fund “Municipal Accommodation Tax” be created to receive 50% of net revenues to provide funding to finance City infrastructure projects that promote tourism and that benefit residents and visitors;

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 Implementation Plan for the Municipal Accommodation Tax approved by City Council for implementation effective September 1, 2018, at a rate of 4%, and to establish a reserve fund to receive 50% of net revenues to provide funding to finance City infrastructure projects that promote tourism and that benefit residents and visitors.

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.

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).

The Municipal Accommodation Tax is estimated to generate \$2 million annually at the 4% rate approved by City Council.

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 net 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 and ratified by City Council on December 4, 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 MAT, consisting of the other 50% of net revenues, is unrestricted, in keeping with the spirit of the tax, Administration recommends the City’s portion be used to finance City infrastructure projects that promote tourism and that benefit residents and visitors.

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 accommodation 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.

Implementation Plan

Key elements to support effective implementation include:

By-Law 74/2018

Legal Services has finalized By-law 74/2018 to establish a Municipal Accommodation Tax for approval by City Council on August 13, 2018. The By-law establishes the rules for collection and enforcement of the Municipal Accommodation Tax, which City Council approved for implementation by resolution on June 4, 2018. The City will work with Accommodation Establishments to support their effective implementation of the Municipal Accommodation Tax with a grace period for compliance with the By-law for the first three months.

Accommodation Establishment Information Form

Financial Service has developed the Accommodation Establishment Information Form (Schedule A to By-law 74/2018) which accommodation providers will be required to complete and submit in order to generate a customer ID for the purposes of enforcing the By-law.

Tax Return Form

Financial Services has developed the Municipal Accommodation Tax Return form and instructions (Schedule B to By-law 74/2018) which will be mailed to Establishments the week of August 13, 2018.

Letter to Establishments

On June 20, 2018, a registered letter was sent to hotels, motels, hostels and short-term accommodators to advise that City Council had approved the implementation of the Municipal Accommodation Tax at a rate of 4%, effective September 1, 2018 (Attachment A).

Website

Corporate Communications and Tourism Thunder Bay will create a Municipal Accommodation Tax section on the new City website to include background, Frequently Asked Questions for Establishments and Guests (Attachments B & C), related Corporate Reports and Resolutions and the Letter to Establishments.

Other Communications

A Tourism Matters postcard featuring Thunder Bay's top tourism experiences and a link to FAQs on the Municipal Accommodation Tax will be sent to Establishments in August. Establishments will also be provided with FAQs for Guests to display at their front desks.

Tourism Entity Agreement

The proposed agreement with the eligible not-for-profit Tourism Entity is discussed in Report R109/2018.

FINANCIAL IMPLICATIONS

At the approved rate of 4%, the Municipal Accommodation Tax is estimated to generate \$2 million. The net revenues would be shared between the municipality and eligible 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 City's 50% of net revenues are proposed to be used to finance City infrastructure projects that promote tourism and benefit residents and visitors;

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 Marketing Fund 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 by City Council on December 4, 2017. 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

On June 4, 2018, City Council approved implementation of the Municipal Accommodation Tax at a rate of 4%, effective September 1, 2018.

CONCLUSION

It is concluded that a new reserve fund “Municipal Accommodation Tax ” be created to receive 50% of net revenues to provide funding to finance City infrastructure projects that promote tourism and benefit residents and visitors.

REFERENCE MATERIAL ATTACHED

- Attachment A – Letter to Establishments
- Attachment B – FAQs for Establishments
- Attachment C – FAQs for Guests

PREPARED BY: Ms. K. Lewis, Director – Corporate Strategic Services

THIS REPORT SIGNED AND VERIFIED BY: (NAME OF GENERAL MANAGER)	DATE:
Norm Gale, City Manager	July 31, 2018