

# Corporate Report

<b>DEPARTMENT/ DIVISION</b>	City Manager's Office - Office of the City Clerk	<b>REPORT NO.</b>	R 109/2018
<b>DATE PREPARED</b>	07/13/2018	<b>FILE NO.</b>	
<b>MEETING DATE</b>	08/13/2018 (mm/dd/yyyy)		
<b>SUBJECT</b>	Municipal Accommodation Tax (MAT) – Designated Entity		

## **RECOMMENDATION**

With respect to Report No. R 109/2018 (City Manager’s Office – Corporate Strategic Services) we recommend approval of the designation of Thunder Bay Community Economic Development Commission (CEDC) as the entity to receive 50% of net revenues from the Municipal Accommodation Tax collected by the City;

AND THAT the City Manager, or designate, will develop agreements including all necessary documents ancillary thereto, with CEDC respecting reasonable financial accountability matters in order to ensure the amount paid to the CEDC is used for the exclusive purpose of promoting tourism, and the agreement may provide for other matters, all in a form satisfactory to Legal Services;

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

## **EXECUTIVE SUMMARY**

Subject to Council’s transfer of the management responsibilities of Tourism Thunder Bay to CEDC (Report R107/2018), the purpose of this Report is to designate the Thunder Bay Community Economic Development Commission as the eligible tourism entity to receive 50% of net revenues from the Municipal Accommodation Tax collected by the City.

The funds must be used for the exclusive purpose of tourism promotion, which is defined to include tourism product development.

## **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***

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

### ***Revenue Sharing***

Ontario Transient Accommodation Regulation 435/17 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.

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 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

### ***Why Designate CEDC as the Entity?***

The Thunder Bay Community Economic Development Commission was incorporated in 2006 as a not for profit. Its purpose is to promote economic development. Tourism is one of the most significant economic drivers for Thunder Bay.

There are many benefits to designating CEDC, operating with Tourism Thunder Bay as a department, as the entity to receive net revenues from the Municipal Accommodation Tax. Key elements of the rationale to designate CEDC include the following:

- The combined economic development/tourism model has proven successful in other Northern Ontario communities such as Sault Ste. Marie and Sudbury.
- This model avoids duplication of administrative functions and maximizes human resource capacity and succession planning for economic development.

- This model furthers one strong voice for tourism promotion and product development.
- Tourism Thunder Bay is the recognized Destination Marketing Organization by various Provincial bodies.
- The CEDC is a not-for-profit entity led by a CEO reporting to an independent, largely private sector, Board of Directors. Its purpose is to promote economic development.
- Tourism is a significant driver for economic development.
- This model supports effective use of shared resources. For example, the Entrepreneur Centre, which operates out of CEDC, is available to support tourism businesses that may also be supported by Tourism Thunder Bay staff.

### ***Tourism Entity Agreement***

As previously noted, the City is required to share the net MAT collected with an Eligible Tourism Entity. The Thunder Bay Community Economic Development Commission is expanding its objectives to more clearly include tourism and the development of tourism products as part of its mandate, as required by the legislation. Subject to Council's approval of Report R107/2018, Tourism Thunder Bay will become a department of CEDC.

As the designated Eligible Tourism Entity, the CEDC will be responsible for investing its share of the net MAT revenues into the City of Thunder Bay tourism sector to fulfill the primary objective of bringing more visitors to the City each year. To implement this, an agreement will be entered into with the CEDC in accordance with Regulation 435/17 and By-law 74/2018. The proposed By-law authorizes the City Manager, or designate, to enter into this agreement.

The agreement will govern the terms on which the MAT funding will be provided and set out financial accountability measures to ensure that amounts paid to the Eligible Tourism Entity are used for the exclusive purpose of promoting tourism, which includes product development.

In keeping with consultation in May where industry asked for a voice in the use of the MAT funds, the proposed agreement will require the CEDC to establish a sub-committee such as a Tourism Investment Advisory Board, appointed by the CEDC, which includes representation from the tourism sector and accommodation providers, as well as CEDC.

The Advisory Board will review and collaborate on a framework to recommend to the CEDC Board an updated tourism strategy designed to guide tourism promotion and marketing, product development and guide the expenditure of the funds generated by the MAT and paid to the CEDC.

As part of the financial responsibility measures, and in keeping with Regulation 435/17, to ensure the funds are used only for the promotion of tourism activities and tourism products, the Agreement will also require annual reporting to City Council regarding the expenditure of the MAT funds and the impact on the tourism industry.

### ***Ongoing CEDC Planning***

In preparation for the designation, subject to Council's approval, the Thunder Bay Community Economic Development Commission has met with a planning team including the Thunder Bay Hotel Association and Thunder Bay Chamber of Commerce to develop a model for a Tourism Investment Advisory Board for consideration by the CEDC Board. That model includes seven voting members appointed by the CEDC Board as follows:

Recommended by their organizations for a three-year term (up to two terms)

- (One) private sector representative of the CEDC Board
- (Two) Thunder Bay Hotel Association Members – one hotel and one motel
- (One) Thunder Bay Chamber of Commerce representative from tourism-related industry including restaurant / retail / or small business

Appointed by the CEDC Board for a two-year term (up to two terms) from submissions following an advertised invitation to submit nominations

- (One) representative of Attractions or Events
- (One) representative of Financial Services Sector (e.g., accounting or banking)
- (One) representative of Community Tourism Partner (e.g., transportation, tourism support services)

Ex-Officio (non-voting)

- CEO – CEDC
- Manager – Tourism Thunder Bay

The Advisory Board, once formalized and appointed by CEDC, will hold visioning and planning meetings to review and collaborate on a framework to recommend to the CEDC Board an updated tourism strategy. This strategy will be designed to guide tourism promotion and marketing, product development and guide the expenditure of the funds generated by the MAT and paid to the CEDC.

### ***FINANCIAL IMPLICATIONS***

At the approved rate of 4%, the Municipal Accommodation Tax is expected to generate approximately \$2 million annually. The net revenues would be shared between the municipality and CEDC. The CEDC must use its portion of the revenues 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 in Report R108/2018 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**

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.

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

**CONCLUSION**

It is concluded that the Thunder Bay Community Economic Development Commission should be designated as the entity to receive 50% of net revenues from the Municipal Accommodation Tax collected by the City.

It is further concluded that the City Manager or designate should develop all agreements and necessary documents with the CEO of the CEDC which will ensure financial accountability for funds collected and their use for the exclusive purpose of promoting tourism. All agreements and documentation will be created and approved in a form and content satisfactory to the City Solicitor.

**REFERENCE MATERIAL ATTACHED**

None

**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