



Report to: General Committee

Meeting Date: October 18, 2021

SUBJECT: Municipal Accommodation Tax Reinstatement

PREPARED BY: Shane Manson, Senior Manager, Revenue & Property Tax

RECOMMENDATION:

1. That the report entitled Municipal Accommodation Tax 2022 be received; and,
2. That Council authorize the reinstatement of the 4.0% Municipal Accommodation Tax effective April 1st, 2022; and,
3. That staff be directed to notify all Hotel accommodation providers of the April 1st, 2022 reinstatement date; and further,
4. That staff be authorized to and directed to do all things necessary to give effect to this resolutions.

PURPOSE:

The purpose of this report is to obtain the approval of Council for the reinstatement of the Municipal Accommodation Tax effective April 1st, 2022 on all hotels in the City of Markham.

BACKGROUND:

In April, 2017 the Province of Ontario passed legislation that provided lower or single tier municipalities in Ontario with the authority to levy a transient accommodations tax (referred to in this report as a Municipal Accommodation Tax “MAT”). In April, 2018, Council approved the implementation of a 4.0% Municipal Accommodation Tax on all Markham hotels effective January 1, 2019.

The MAT revenue collected serves as a dedicated source of funding for the tourism marketing and promotions of the Destination Markham Corporation (DMC). The revenue also supports the City’s Life Cycle Replacement and Capital Reserve Fund as a funding source of the replacement and rehabilitation of the City’s tourism-related infrastructure.

As a direct result of the COVID-19 pandemic, purchased accommodation has been impacted as a result of travel restrictions, event cancellations and self-isolation requirements. In March 2020, in support of Markham’s accommodation properties, Markham Council approved the suspension of the MAT from April 1st – December 31st, 2020. In November 2020, Council further approved to extend the suspension for the full 2021 remittance year.

OPTIONS/ DISCUSSION:

As the provincial economy began to reopen over the summer, City staff consulted with local accommodations operators to gain insight on industry performance and gather their general sentiment on the possible reinstatement of the MAT for the 2022 remittance year. Staff have also reviewed the broader regional status of MAT collection of know programs.

Currently 15 of the 6 accommodations properties in Markham are open for business. The closed property, Courtyard by Marriott is located at 65 Minthorn Crt. and is adjacent to Residence Inn Marriott which is operated under the same corporate umbrella. Management of these two locations indicated that Courtyard will remain closed until market conditions and consumer confidence improve and necessitate the reopening.

Figure 1 below provides a comparison summary of both the average Hotel Occupancy (2019 – 2021) for all hotels in York Region and the City of Markham. The 2019 pre-COVID average occupancy level of (74.1%) for York Region hotels was slightly outpaced by the (76.3%) average experienced by the 16 hotels in Markham. For 2020, prior to the announcement of the provincial lockdown, Markham hotels had an average occupancy level of 56.6% for the 1st quarter versus the 54.6% experienced by York Region hotels.

Figure 1: Summary of Hotel Occupancy (2019 – 2021)

Period	2019 Occupancy Levels			2020 Occupancy Levels			2021 Occupancy Levels		
	York Region	City of Markham	% Difference (Markham vs. York)	York Region	City of Markham	% Difference (Markham vs. York)	York Region	City of Markham	% Difference (Markham vs. York)
January	59.2%	61.1%	3.1%	60.2%	59.1%	-1.8%	28.4%	24.2%	-14.7%
February	65.9%	60.5%	-8.1%	65.6%	61.4%	-6.3%	36.8%	24.4%	-33.7%
March	64.2%	64.3%	0.2%	37.9%	49.1%	29.6%	39.3%	28.8%	-26.7%
April	72.7%	75.1%	3.2%	20.0%			39.2%	27.2%	-30.6%
May	76.9%	84.0%	9.2%	21.9%			38.9%	29.9%	-23.3%
June	82.5%	85.5%	3.6%	27.1%			43.7%	34.3%	-21.5%
July	83.2%	90.5%	8.7%	33.9%				46.2%	
August	88.3%	90.8%	2.9%	40.9%	MAT Suspended Occupancy data not collected				
September	81.0%	82.1%	1.4%	40.0%					
October	79.9%	84.0%	5.1%	39.9%					
November	76.1%	74.7%	-1.8%	35.7%					
December	59.4%	62.9%	5.9%	29.8%					
Average	74.1%	76.3%	2.9%	54.6%	56.6%	3.7%	37.7%	28.1%	-25.4%

Avg. based on Jan - Mar.

Avg. excludes July.

Note York Region Hotel Occupancy information provided by Central Counties Tourism
Markham Hotel Occupancy information from the Municipal Accommodation Tax Program

As a measure to support Markham hotel operators, Markham Council suspended the collection of the MAT from April 1st – December 31st, 2020 and as such, occupancy information was not collected for the remaining three quarters. However, through discussions with representatives from the Markham hotels, many have indicated that the occupancy levels were lower than the Regional averages illustrated above for April through December 2020.

In November 2020, Council extended the suspension of the MAT until December 31st, 2021 and subsequently Markham hoteliers agreed to assist staff with providing monthly occupancy data for purposes of market assessment and recovery planning throughout the 2021 calendar year. As noted in figure 1 above, the average occupancy of Markham hotels is gradually rising each month and is currently at 28.1% through July, compared to the average occupancy rate of 37.7% for York Region. Some select properties have seen

occupancy rates as high as 40 – 55 per cent throughout 2021, due to an uptake in both business travel and personal leisure.

MAT Reinstatement Feedback

The majority of hotel management have indicated that pre-pandemic, the MAT did not deter the vast majority guests from booking a rooms, however it may have been a consideration for some group / event bookings at properties located near borders of other local municipalities that do not charge a MAT.

In soliciting feedback on the possible reinstatement of the MAT for the 2022 remittance year, the general consensus was that the City should hold off until the spring of 2022. This was primarily driven by three common themes; 1. Possibility of a fourth wave, 2. Roll-out / adoption of the vaccine passport and 3. Typical slow-period through the winter months.

In addition, hoteliers requested that they be provided a couple of months' advance notice should the MAT be reinstated, as they require some additional time to update marketing material for guest awareness in advance of making reservations, along with point of sale system programming.

Figure 2: Status of Other Municipal MAT Programs

A survey of other known municipalities that impose MAT indicates that currently Markham is the only municipality to opt to suspend the collection of MAT in 2021. Toronto and Ottawa did not offer any form of relief for their MAT program. Vaughan Council approved to suspend the MAT from March 2020 until September 1, 2020. The City of Mississauga deferred collection of the MAT for the months of March, April and May in 2020 by 90 days and set penalty and interest charges to zero in order to assist hoteliers with cash flow.

Municipality	2021 MAT Status	MAT %
City of Toronto	Collecting	4%
City of Mississauga	Collecting	4%
City of Ottawa	Collecting	4%
City of Huntsville	Collecting	4%
City of Barrie	Collecting	4%
City of Vaughan	Collecting	4%
<i>City of Markham</i>	<i>Suspended</i>	<i>4%</i>

Staff Recommendation

Staff recommend that Council approve the reinstatement of the Municipal Accommodation Tax (MAT) effective April 1st, 2022 on all Markham Hotels. The revenue delivered through the MAT serves as a dedicated source of funding for the tourism marketing and promotions which facilitates both the City and Destination Markham Corporation's (DMC) goal of driving visitors into the community and aid with the local economic recovery in the

Markham. Should Council approve the reintroduction of the MAT effective April 1st, 2022 for all Markham hotels, Staff will prepare a draft by-law and bring forward to the following Markham Council agenda.

FINANCIAL CONSIDERATIONS

N/A

HUMAN RESOURCES CONSIDERATIONS

N/A

ALIGNMENT WITH STRATEGIC PRIORITIES:

N/A

BUSINESS UNITS CONSULTED AND AFFECTED:

N/A

RECOMMENDED BY:

Joel Lustig
Treasurer

Trinela Cane
Commissioner, Corporate Services

ATTACHMENTS:

N/A