



Report to: General Committee

Date: September 4<sup>th</sup>, 2018

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SUBJECT: Incorporation of a Destination Marketing Corporation

PREPARED BY: Stephen Chait, Director, Economic Growth, Culture & Entre.  
Shane Manson, Senior Manager, Revenue & Property Tax

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**RECOMMENDATIONS:**

1. THAT the report “Incorporation of a Destination Marketing Corporation” be received; and,
2. THAT Council approve the Destination Marketing Corporation Business Case; and,
3. THAT staff be authorized to apply for incorporation of a Municipal Services Corporation which will operate as the City of Markham’s new destination marketing organization; and,
4. THAT Council approve the appointment the City Solicitor, Treasurer, and the Director of Economic Growth, Culture & Entrepreneurship as the initial Directors of the new Municipal Services Corporation; and,
5. THAT staff be authorized and directed to do all things necessary to give effect to this resolution.

**BACKGROUND:**

In April, 2017 the Province of Ontario passed Bill 127: *Stronger, Healthier Ontario Act* (Budget Measures) 2017, which amended the *Municipal Act* (the “Act”) to provide 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”). Bill 127 received Third Reading and Royal Assent on May 17, 2017.

On November 23, 2017, the Province of Ontario enacted Ontario regulation 435/17 (the “regulation”) which came into force December 1, 2017. The regulation prescribes the necessary provisions for municipalities to implement a Municipal Accommodation Tax for transient accommodations through a bylaw and set a tax rate for accommodations of 29 consecutive nights or less.

In February, 2018 Markham Council authorized and directed staff to take the following actions:

- That staff be authorized to engage with stakeholders and the hotel industry regarding the potential of a 4% Municipal Accommodation Tax (MAT) in the City of Markham; and,

- That the City's portion of the MAT revenue be directed towards the Life Cycle Replacement and Capital Reserve Fund as a funding source to support the replacement and rehabilitation requirements of the City's tourism-related infrastructure; and,
- That staff be directed to develop the business case for the purpose of creating a Municipal Services Corporation (MSC), which will operate as the City of Markham's new tourism and destination marketing organization; and,
- That subsequent to the consultation with stakeholders, staff report to Council with further details related to the implementation of a MAT tax in the City of Markham.

In April, 2018, Markham Council approved the following:

- A 4% Municipal Accommodation Tax on all Markham hotels with a implementation date of January 1, 2019; and,
- A 4% Municipal Accommodation Tax on all short-term rental providers, subject to Council's future direction on short-term rental licensing requirements; and,
- That staff report back with the business case for the purpose of creating a Municipal Services Corporation (MSC), which will operate as the City of Markham's new destination marketing organization, and report back to Council in September 2018.

#### **OPTIONS/ DISCUSSION:**

As directed by Council, a Business Case for the establishment of the Destination Marketing Corporation has been developed by Staff. (see Appendix)

On August 14, 2018 staff held a "Municipal Accommodation Tax Information Open House", attended by 25 persons at the Markham Civic Centre. Sixteen (16) of the attendees were executives from the local hotels and tourism industry. At the session, Staff provided an overview of the Municipal Accommodation Tax, including highlights of the Destination Marketing Corporation Business Case.

Questions received from the attendees include the following:

- How will tax-exempt (greater than 29 consecutive nights) customers be refunded the tax?
- How will the City spend its 50% share of MAT revenue?
- What will the new corporation be permitted to spend its 50% share of MAT revenue?
- What are the City's tourism and destination goals and strategies?
- Who will be appointed to serve as Directors of the new corporation?
- Will the corporation's meetings be open to the public?

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City staff facilitated a constructive and positive discussion regarding all of these questions. Meeting attendees expressed interest in learning more about the new corporation and requested to be kept informed regarding the formation of the corporation, its by-laws, and access to its meetings and decisions. Staff advised attendees that these questions will be discussed further with Council and that answers will be provided in a future report.

In order to proceed with the establishment of a Municipal Services Corporation which will operate as the City of Markham's new destination marketing organization and be funded through 50% of the Municipal Accommodation Tax revenue, an application must be made by the City of Markham to the Province of Ontario to incorporate a non-share capital corporation under the Corporations Act. The application for incorporation must include the following information:

- Name of the Corporation
- Address of the Head Office
- First Directors
- Objects of the Corporation
- Special Provisions

Staff request authorization from Council to submit the application for incorporation with the information as follows:

- Name of the Corporation: A numbered company. This will be replaced with a brand name to be approved by Council in 2019.
- Address of the Head Office. 101 Town Centre Blvd., Markham ON
- First Directors: The initial incorporation including the City Solicitor, Treasurer and Director of Economic Growth, Culture and Entrepreneurship
- Objectives of the Corporation.
  - To develop & implement multi-year marketing plans that address Markham's goals as a tourism destination
  - To support & facilitate growth of the local tourism sector by identifying & promoting opportunities to attract strategic investments and new infrastructure that will generate net positive growth in Markham
  - To conduct targeted economic and market research for purposes of identifying growth opportunities and developing competitive strategies
  - To facilitate a high level of marketing collaboration amongst Markham's tourism industry stakeholders.
- Special provisions. "The corporation shall be carried on without the purpose of gain for its members, and any profits or other accretions to the corporation shall be used in promoting its objects".

## **FINANCIAL CONSIDERATIONS**

A 4% Municipal Accommodation Tax (MAT) on all Markham hotels is estimated to generate approximately \$2.6 million in revenue annually.

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The City will contribute 50% of the net MAT revenue with new Municipal Services Corporation which will operate as the City of Markham's new tourism and destination marketing organization.

The remaining MAT revenue (50%) collected by the City will be directed towards the Life Cycle Replacement and Capital Reserve Fund as a funding source to support the replacement and rehabilitation requirements of the City's existing and future tourism related infrastructure.

**HUMAN RESOURCES CONSIDERATIONS**

None

**ALIGNMENT WITH STRATEGIC PRIORITIES:**

Engaged, Diverse and Thriving City  
Stewardship of Money and Resources

**BUSINESS UNITS CONSULTED AND AFFECTED:**

Legal Services Department  
Legislative Services and Communications Department

**RECOMMENDED:**


2018-08-22

X 

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Shane Manson  
Acting, Treasurer  
Signed by: cxa

2018-08-22

X 

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Stephen Chait  
Director of Economic Growth, Culture & Entrepre...  
Signed by: cxa

2018-08-22

X 

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Trinela Cane  
Commissioner, Corporate Services  
Signed by: cxa

2018-08-22

X 

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Arvin Prasad  
Commissioner, Development Services  
Signed by: cxa

Appendix: [Destination Marketing Corporation Business Case](#)