



Report to: General Committee

Report Date: April 23, 2018

SUBJECT: Municipal Accommodation Tax (MAT) Consultation

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

RECOMMENDATIONS:

- 1) THAT the report entitled Municipal Accommodation Tax (MAT) Consultation be received; and,
- 2) THAT Council receive the information and feedback obtained during the consultation process undertaken with stakeholders and the hotel industry regarding the four percent (4%) Municipal Accommodation Tax (MAT) in the City of Markham; and,
- 3) THAT Council approve a four percent (4%) Municipal Accommodation Tax on all Markham hotels with a target implementation date of January 1st, 2019; and,
- 4) THAT Council approve a four percent (4%) Municipal Accommodation Tax on all Short-term rental providers, subject to Council's future direction on short-term rental licensing requirements; and;
- 5) 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; and,
- 6) THAT staff be authorized and directed to do all things necessary to give effect to these resolutions.

PURPOSE:

The purpose of this report is to:

1. To inform Council of the feedback received during the consultation undertaken with stakeholders and the hotel industry regarding the potential of a 4% Municipal Accommodation Tax (MAT) in the City of Markham; and,
2. Request that Council a four percent (4%) Municipal Accommodation Tax on all Markham hotels with a target implementation date of January 1st, 2019; and,

3. Request that Council approve a four percent (4%) Municipal Accommodation Tax on all Short-term rental providers, subject to Council's future direction on short-term rental licensing requirements.

BACKGROUND:

On February 20th, 2018, Staff presented General Committee with the Municipal Accommodation Tax (MAT) Staff report, which provided an overview of the Province's new Transient Accommodation Tax legislation (referred to as Municipal Accommodation Tax (MAT)). The Staff report further provided Council with a summary of MAT programs implemented and/or considered in other municipalities.

At its meeting, Council directed Staff to undertake a consultation and engage with stakeholders and the hotel industry regarding the implementation of a four percent (4%) Municipal Accommodation Tax in the City of Markham and report back with the feedback obtained.

OPTIONS/ DISCUSSION:

During the month of March, Economic Growth, Culture & Entrepreneurship and Finance Staff met with stakeholders and the hotel industry regarding the four percent (4%) Municipal Accommodation Tax (MAT). Invitations were delivered to the owners and/or management of the sixteen (16) hotels in Markham, as well seven (7) non-profit business associations that are involved directly or indirectly with tourism in the City of Markham. To facilitate the discussion with stakeholders, staff provided each representative with a copy of a presentation (Appendix A) which provided an overview of the MAT, legislative background information, administration process, use of the funds and next steps.

Staff met in person with the following thirteen (13) organizations;

Hotels

1. Hilton Garden Inn Toronto/Markham - 300 Commerce Valley Dr. E.
2. Park Inn by Radisson - 555 Cochrane Dr.
3. Hilton Suites Toronto / Markham - 8500 Warden Ave.
4. Monte Carlo Inn Suites-Downtown Markham - 7255 Warden Ave.
5. Monte Carlo Inn-Markham Suites - 8900 Woodbine Ave.
6. Town Place Suites by Marriott - 7095 Woodbine Ave.
7. Courtyard by Marriott - 7095 Woodbine Ave.
8. Toronto Marriott Markham – 170 Enterprise Blvd.

Non-Profit Organizations

1. Central Counties Tourism
2. York Region Arts Council
3. Markham Board of Trade

4. Information Markham
5. Markham, Richmond Hill & Vaughan Chinese Business Association

There was overall consensus among the stakeholders in support of the four percent (4%) MAT, providing that the City align the implementation date of this initiative with Richmond Hill and Vaughan. Stakeholders appreciated the opportunity to meet and provide their feedback on the initiative. Many of the stakeholders expressed their willingness to participate in the new Markham Destination Marketing Organization in one form or another.

Below is a summary of the feedback received during the individual consultation meetings. The feedback received has been grouped into the following four themes;

1. MAT Implementation & Rate Feedback
2. MAT Administration Feedback
3. MAT Revenue Feedback
4. Markham Tourism Feedback

1. MAT Implementation & Rate Feedback

- Hoteliers suggested that the City consider an implementation date which is aligned with Richmond Hill and Vaughan. This would ensure no competitive advantage, and “level the playing field” for hotels on both sides of the municipal boundaries.
- Hoteliers requested that the City impose a 4% MAT on all short-term accommodation providers. They advised City staff that there are condominium units within proximity to hotels that offer short-term accommodations and should be subject to the tax.
- Stakeholders indicated implementing a similar or consistent MAT rate (i.e. 4%) to that used by other municipalities would be fair and make it easier to communicate to patrons, and in joint marketing material.
- Hoteliers indicated that they have pre-existing corporate contracts that may not include additional charge considerations. Hoteliers suggested contractual review would be undertaken to ensure MAT amounts can be included over and above the contracted daily room rate.
- Hoteliers indicated that they would need notify their third-party sales agents (i.e. Expedia / Trivago and travel agencies) to ensure the MAT is included in the purchase of accommodations going forward. Hoteliers indicated that advanced notice of the implementation date would provide an easier transition for this segment of their sales.

2. MAT Administration Feedback

- Hoteliers did not raise any concerns regarding the City proposed MAT self-reporting model, which is similar to the current HST remittance method use with CRA. Hotels would complete a Municipal Accommodation Tax (MAT) Return and remit the form along with the revenue to the City on a monthly basis.

- Hoteliers indicated that they would not have any technical and/or operational delays updating their respective Point of Sale (POS) Systems to incorporate the MAT as a separate line item on the patron's hotel bill.
- Hoteliers requested City Staff maintain open lines of communication with the controllers of each hotel for both the pre and post implementation period, to ensure optimal operational effectiveness.
- Stakeholders questioned who would be responsible for the credit card charges that will be incurred when the 4% MAT is included on the patron's invoice.
- Stakeholders suggested that the City provide some marketing support (i.e. signage, brochures, and FAQs) to hotels, which will assist their front-line staff to provide a clear and consistent explanation of the MAT to patrons.

3. MAT Revenue Feedback

- Stakeholders understand the benefit of the MAT revenue sharing and that 50% of MAT revenue will be directed towards the City's Life Cycle Replacement and Capital Reserve Fund and the remaining 50% of the MAT revenue will be directed to a new Markham Destination Marketing Organization, which would use the funds to promote major tourism in the City of Markham.
- Stakeholders indicated that while the current annual MAT revenue estimates of \$2.6M (\$1.3M City, \$1.3M tourism organization) will not transform the tourism landscape in Markham overnight, it is however, significant enough to formulate a strategy and partnerships which will foster additional interest in the City being an attractive destination for business and leisure activities.

4. Markham Tourism Feedback

- This segment of stakeholder consultations dominated the discussion on the current and preferred state of tourism and the goal of generating additional room stays for Markham Hotels.
- Hotel representatives provided information related to their cliental, occupancy, room pricing and the current state and/or makeup of the hotel industry in the City:
 - Many of the hoteliers indicated that on average, 70% of their rooms stays are attributed to the corporate business which are located in Markham and the remaining 30% of room stays was attributed to leisure and sports related activities (i.e. local sports tournaments, large events and attractions occurring in neighboring municipalities in Toronto, Richmond Hill and Vaughan).
 - Most hoteliers indicated that they currently experience an acceptable level of occupancy (i.e. 70 – 85%) during the months of April through November.
 - Hoteliers acknowledged additional demand for Markham hotels rooms would allow for increases in room rates and would further result in additional MAT revenue for both the City and the local tourism organization.
 - The remaining months of December through March are deemed the “low demand period” and as such, the average daily room prices are lowered during this period.

- During each consultation meeting, City Staff asked stakeholders “what tourism-related initiatives or strategies would be required to bolster the number of room stays and further generate additional interest in Markham as a destination.
- Stakeholders provided the following suggestions and/or strategies related to generating additional “stays” in Markham hotels;
 - A Conference Centre would be a marketable draw for large conventions, trade shows and would generate additional demand for Markham hotels and further benefit the existing tourism-related businesses in Markham. One stakeholder cautioned about the business viability of a convention centre.
 - Stakeholders indicated Markham could benefit from having a specific “draw, attraction, or amenity” (i.e. Theme Park, Casino, Outlet Mall, and a major hockey league team to complement Markham’s new professional Canadian Women’s Hockey League Team (Markham Thunder).
 - Stakeholders suggested that Markham tourism would benefit from implementing targeted marketing campaigns in China (Hong Kong, Beijing) and India.
 - Markham’s tourism strategy should piggyback on existing large-scale events that occur in neighboring municipalities (City of Toronto, Region of Durham, and the municipalities along the Highway 7 corridor). Stakeholders indicated that when a large scale event occurs nearby, many patrons elect to purchase more affordable accommodations at Markham hotels. It would be beneficial to have other events and attractions to encourage a few additional stays.
 - Markham should continue its efforts to attract and host large scale sporting tournaments, and/or matches with its state of the art facilities.
 - Incorporate “what we have” into the targeted marketing (i.e. Rouge National Park, Milne Park, Markham Fair, Main Street Unionville, wide range of restaurants and culinary options, City hosted festivals, proximity to Canada’s Wonderland, Toronto Zoo, CN Tower and Niagara Falls).
 - Stakeholders believe other sectors of the tourism market (i.e. restaurants and retail shops) have a vested interest in the partnership of enhancing Markham as a destination, as these sectors will be beneficiaries of the uplift in Markham tourism.

Short Term Accommodations

- The City is currently undertaking a comprehensive Zoning By-law review. As part of this review, the issue of regulating short term accommodations is being considered. The Development Services Committee is scheduled to receive a report from Staff on April 30th, 2018. Once this report is received, the City will be in better position to assess the viability of implementing a MAT on short term accommodations.

Next Steps

Consistent with the Provincial legislation, staff recommend that the City establish a Municipal Services Corporation to operate as Markham's Destination Marketing Organization and whose mandate will be to promote the City of Markham as a destination.

In support of the business case, Staff will hold a consultation engagement meeting in June 2018 at the Civic Centre. This meeting will provide an opportunity for members of the public to learn more about, and provide feedback on the staff recommended Destination Marketing Organization whose mandate will be to promote the City of Markham as a destination.

The meeting will be advertised in the Markham Economist & Sun and Thornhill Liberal, Social Media ads and on the City portal and EIB's.

Staff will report back to General Committee in September with the business case for the purpose of creating a Municipal Services Corporation (MSC), which will operate as the new Markham's Destination Organization.

FINANCIAL CONSIDERATIONS:

Not Applicable.

HUMAN RESOURCES CONSIDERATIONS:

Not Applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES:

Engaged, Diverse, and Thriving City
Stewardship of Money and Resources

BUSINESS UNITS CONSULTED AND AFFECTED:

Legal Services Department
Economic Growth, Culture, & Entrepreneurship
Legislative Services and Communications Department

RECOMMENDED BY:

2018-04-18

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Joel Lustig
Treasurer
Signed by: cxa

2018-04-18

X 

Stephen A. Chait, Ec.D, CMC
Director of Economic Growth, Culture & Entrepre...
Signed by: cxa

2018-04-18

X 

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa

2018-04-18

X 

Brian Lee, P.Eng
Commissioner, Development Services (A)
Signed by: cxa