

Municipal Accommodation Tax (MAT)

General Committee, February 20th, 2018

AGENDA

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1. BACKGROUND

- May 17, 2017 - the Province enacted Bill 127, Stronger, Healthier Ontario Act (Budget Measures) 2017
 - “A local municipality may, by by-law, impose a tax in respect of the purchase of transient accommodation in the municipality”
- Lower or single tier municipalities now have the authority to levy a Transient Accommodations Tax (referred as a Municipal Accommodation Tax “MAT”)
- November 23, 2017 – Province issued a Regulation setting out rules for sharing of MAT revenue with eligible not-for-profit tourism organizations

1. BACKGROUND con't

- The regulation prescribes the following revenue sharing rules;
 1. Municipalities with an existing Destination Marketing Fee (DMF) program are required to share the MAT with a tourism organization in an amount that matches the revenue raised by the existing (DMF)
 - (examples: Toronto, Ottawa, Mississauga, Niagara Falls)
 2. Municipalities without a DMF program would be required to share at least 50% of the MAT revenue with a tourism organization.
 - (example: City of Markham)

2. OTHER MUNICIPAL MAT PROGRAMS

City of Toronto

- Toronto had a voluntary Destination Marketing Fee (DMF) of 3% in which the GTHA administered on behalf of Tourism Toronto
- On January 24th, 2018, Toronto City Council approved the 4% MAT for both hotel accommodations and short-term rentals effective April 1st, 2018 and July 1st, 2018
- MAT revenue will be shared Tourism Toronto in accordance with the legislation
- Greater Toronto Hotel Association (GTHA) will administer the MAT for the City

City of Mississauga

- Mississauga had a voluntary Destination Marketing Fee (DMF) of 3% in which the GTHA administered on behalf of Tourism Toronto
- On February 7th, 2018, Mississauga City Council approved the 4% MAT for both hotel accommodations and on short-term rentals effective April 1st, 2018
- Mississauga will administer the MAT internally

2. OTHER MUNICIPAL MAT PROGRAMS con't

City of Ottawa

- Ottawa had a voluntary Destination Marketing Fee (DMF) of 3% in which the Ottawa/Gatineau Hotel Association administered on behalf of Ottawa Tourism
- On November 27th, 2017, Ottawa City Council endorsed a 4% a Municipal Accommodation Tax, effective January 1st, 2018 on both hotel accommodations and on short-term rentals
- The OGHA will continue to administer the MAT on behalf of the City and Ottawa Tourism.

City of Niagara Falls

- On November 28th, 2017, Niagara Falls Council endorsed a 4% hotel tax and directed staff to report back with an implementation plan effective April 1st, 2018
- City staff will report back to Council in early 2018 with further details of the MAT

3. STAKEHOLDER CONSULTATION

- During the month of March, staff propose to consult with stakeholders and the hotel industry regarding the potential of a 4% Municipal Accommodation Tax (MAT)
- The consultations will provide stakeholders with an overview of the MAT, administration process, use of the funds, and provide an opportunity for input
 - Staff will meet with the 13 hotels individually
 - Staff will hold a public consultation meeting at the Civic Centre
 - The meeting will be advertised in;
 - The Markham Economist & Sun and Thornhill Liberal; and,
 - Social Media; and,
 - City Website and EIBs

4. MAT REVENUE

The legislation prescribes that at least 50% of the MAT revenue must be provided to a non-profit tourism agency

Create a New Markham Tourism Organization

- Section 203 of the *Municipal Act* allows municipalities to establish Municipal Service Corporation (MSC) for municipal purposes
 - Staff recommend that the City create a MSC whose primary mandate will include the promotion of tourism
 - Council can appoint the Board, and direct that 50% of the MAT revenue be shared with the new Markham Tourism Organization. This option will also provide Council with further oversight and input on how the funds are to be spent

4. MAT REVENUE con't

The remaining 50% of revenue collected by the City has no restrictions, however it may be important to stakeholders to see these funds benefiting tourism-related initiatives and infrastructure projects

- Staff recommend 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

4. MAT REVENUE con't

- The City of Markham currently has 13 hotels ranging from 83 to 502 rooms per hotel, for a total of 2,350 hotel rooms
- Due to the proximity of Mississauga and Toronto hotels, utilizing a comparable rate of 4% would maintain competitiveness amongst all hotels within the GTA.
- A 4% MAT on Markham Hotels would generate approximately \$2.6 million in revenue annually
 - The \$2.6 million would be shared as follows
 - \$1.3M City,
 - \$1.3M New Markham Tourism Organization

5. NEXT STEPS

1. Consult with the 13 Hotels individually regarding the potential of a MAT in Markham
2. Hold a MAT public consultation meeting at the Civic Centre
3. Report back to General Committee in May/June with;
 - a) The feedback received during the Stakeholder Consultation process; and,
 - b) Further information on the business case of creating a Municipal Service Corporation (MSC), which will operate as the new Markham Tourism Organization; and,
 - c) Further information on the potential implementation of a 4% Municipal Accommodation Tax (MAT) in the City of Markham

6. RECOMMENDATIONS

1. THAT the report “Municipal Accommodation Tax” be received; and,
2. 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,
3. THAT the City’s portion of the Municipal Accommodation Tax (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 existing and future tourism related infrastructure; and,
4. 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 Organization; and

6. RECOMMENDATIONS

5. THAT subsequent to the consultation with stakeholders, staff report back to Council with further details related to the potential implementation of a Municipal Accommodation Tax (MAT) in the City of Markham; and
6. THAT staff be authorized and directed to do all things necessary to give effect to this resolution.