



SUBJECT: Municipal Accommodation Tax (MAT)

TO: Environment, Infrastructure & Community Services Cttee.

FROM: Recreation, Community and Culture Department

Report Number: RCC-12-22

Wards Affected: All

File Numbers: 125-01

Date to Committee: July 7, 2022

Date to Council: July 12, 2022

Recommendation:

Approve the implementation of a Municipal Accommodation Tax at a rate of 4% effective October 1, 2022 as outlined in recreation, community and culture department report RCC-12-22; and

Approve the Municipal Accommodation Tax (MAT) bylaw XX-2022 substantially in the form attached as Appendix A to recreation, community and culture department report RCC-12-22 and in a form satisfactory to the Executive Director of Legal Services and Corporation Counsel; and

Approve Option 3 as outlined in recreation, community and culture department report RCC-12-22 to implement and direct funds; and

Approve the City MAT Reserve Fund bylaw XX-2022 for the City portion of Municipal Accommodation Tax substantially in the form attached as Appendix B to recreation, community and culture department report RCC-12-22 and in a form satisfactory to the Executive Director of Legal Services and Corporation Counsel; and

Approve the Tourism MAT Reserve Fund bylaw XX-2022 for the Tourism portion of Municipal Accommodation Tax substantially in the form attached as Appendix C to recreation, community and culture department report RCC-12-22 and in a form satisfactory to the Executive Director of Legal Services and Corporation Counsel; and

Approve the single source engagement for collection of the Municipal Accommodation Tax to Ontario Restaurant Hotel & Motel Association (ORHMA) for the duration of the contract, including any city approved extensions or amendments; and

Authorize the Director of Recreation Community and Culture to enter into an agreement, subject to the satisfaction of the Chief Financial Officer and the Executive Director of Legal Services and Corporation Counsel, with the Ontario Restaurant Hotel & Motel Association (ORHMA) for the collection of the Municipal Accommodation Tax.

PURPOSE:

Vision to Focus Alignment:

- Increase economic prosperity and community responsive city growth
 - Support sustainable infrastructure and a resilient environment
 - Building more citizen engagement, community health and culture
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Background and Discussion:

The Province of Ontario has granted municipalities the authority to implement a tax on accommodations. This tax could generate an estimated \$450,000 to \$700,000 annually to start and \$750,000 to \$1,000,000 annually post-pandemic, to support tourism initiatives and increase economic benefit within the City of Burlington.

In November 2019 Council considered the implementation of a Municipal Accommodation Tax (MAT) and the following recommendation was approved:

Table report CM-23-19 regarding the establishment of a Municipal Accommodation Tax in Burlington and report back to Committee in early 2020 to provide recommendations related to implementation and the associated bylaw.

A follow up report was planned for Q1 2020. This report was paused due to the start of the pandemic and concerns for the potential impact this additional fee could have on the tourism industry due to the pandemic.

The initial MAT report (CM-23-19) highlighted the legislation, revenue sharing formulas, collection options, and inclusion of short-term rentals. It outlined options for Council's consideration; ranging from not approving MAT for Burlington to implementing MAT and using these funds for tourism or municipal purposes. The report recommended further investigating options 2 and 3 as outlined in report CM-23-19.

Since the discussion in November 2019, 40 municipalities are now collecting or are in the process of collecting MAT. Oakville, Mississauga, Toronto, Vaughan, Waterloo, and Prince Edward County are collecting MAT in our immediate area. Hamilton and Niagara Falls are still collecting their existing Destination Marketing Funds; however, they are both in talks with the municipalities for the implementation of MAT.

After two long years of an economic downturn due to the global pandemic, the businesses in Burlington are facing a long road to recovery. This coupled with the discontinuation of Destination Marketing Funds several years ago has put us at a competitive disadvantage with adjacent communities. The implementation of MAT is crucial to bringing awareness to Burlington as a travel destination, developing products for residents and visitors to enjoy, and executing the City of Burlington's Vision to Focus and Tourism Burlington's Strategic Plan.

Strategy/process

Implementation of MAT bylaw

A staff working group with members from Tourism Burlington, the Recreation, Community and Culture Department, and Finance have led this initiative. A review of municipal best practices for collection options, accounting and reporting responsibilities, use of the tourism and the municipal portion of the funds, and preparation of the bylaw took place in 2020. The bylaw was reviewed based on the original report CM-23-19 and the options considered below.

Short-term rentals were also reviewed in consultation with other municipalities, and the Ontario Restaurant Motel & Hotel Association. We are not considering short-term rentals MAT at this time as this requires a review of zoning bylaws. This will be considered as a second phase for the Municipal Accommodation Tax in the city.

The bylaw attached as Appendix A outlines the details pertaining to the collection of MAT revenue from applicable accommodation providers, including exemptions and penalties. The bylaw has been developed in accordance with provincial regulations and is consistent with other municipalities in Ontario.

Collection of Funds

Staff consulted other municipalities that have implemented the Municipal Accommodation Tax. Most municipalities either collect MAT themselves by allocating staff resources to the task or retain a third party. Several municipalities have an agreement with the Ontario Restaurant Hotel & Motel Association (ORHMA) for the collection of the Municipal Accommodation Tax revenues on their behalf. Under this model, ORHMA assists accommodation providers and municipal staff with setting up the system and training staff. ORHMA collects the tax from the accommodation providers and then remits the revenues to the municipality. ORHMA receives an administrative fee (1.8%) which is deducted from the gross tax revenue collected before disbursement to the municipality.

The benefits of having ORHMA collect these fees are their expertise in MAT and its legislation, they offer a developed and tested collection process, they provide

reconciliation tools, and they are familiar with hotel/motel properties, as many of them are members of ORHMA.

The municipalities contacted who have agreements with ORHMA were very satisfied with the set-up, tools, customer service, and reporting provided by the association. Staff determined this option would be the most cost-effective, efficient, and easiest to implement.

Upon approval of the MAT Bylaw #XX-XXX, the city would enter into an agreement with ORHMA for the collection of the Municipal Accommodation Tax revenue from accommodation providers in the City of Burlington.

Accommodation providers will remit the 4 per cent MAT collections to ORHMA monthly. ORHMA will reconcile the MAT collection and remit the funding less the administrative fee to the City of Burlington including associated reporting requirements.

Options Considered

Through report CM-23-19, Council supported reviewing Option 2 and Option 3, related to the direction of funds. Those options are briefly summarized below:

Option 2: Implement the MAT and direct 100% of funds to tourism-related destination development initiatives as follows:

- a. Fifty per cent of the funds are provided to Tourism Burlington for enhanced tourism promotion and development (as per regulation).
- b. Direct the 50 per cent municipal portion of the funds to destination development and tourism-related initiatives.

Option 3: Implement the MAT and direct funds as follows:

- a. Fifty per cent of the funds are provided to Tourism Burlington for tourism promotion and development (as per regulation).
- b. The municipal portion of the funds (50 per cent) is used for city initiatives that have some correlation to tourism such as recreation, culture, collaborative marketing, event hosting, wayfinding, product development, etc.

After a detailed review, the recommendation from staff is to implement the MAT and direct funds in accordance with Option 3, allowing for clear yet flexible options for the use of funds.

Tourism Burlington Portion of Municipal Accommodation Tax Revenue

Before the initial Municipal Accommodation Tax report went to Council, a survey was collected by stakeholders. The survey requested input on the following tactics should MAT be implemented: leisure and culinary, festivals and events, sports bids, marketing

and media relations, group tour sales, product development, and meeting sales. The survey was completed by 27 industry representatives and served as support to a stakeholder consultation session held on January 16, 2020, which involved over 30 participants. At the end of the session, the group identified the following MAT revenue funding priorities which are grouped into four focus areas: Destination Development, Incentives, Collaborative Marketing and Media Relations, and Research/Feasibility Studies (Appendix D).

The Tourism Burlington portion of the MAT revenue (50 per cent of total tax revenues collected minus administration costs and fees) will be allocated to a Tourism MAT Reserve Fund, as outlined in Appendix C, and used to support tourism-related projects/initiatives that attract visitors to Burlington. The projects will include marketing campaigns, market research, incentive programs, and destination development initiatives. A portion of the funds may be used to fund contract staff resources required to implement new initiatives.

Principles:

- To be a steward of the destination by marketing and managing all actions of the organization on behalf of our tourism stakeholders;
- To increase awareness and visitation to Burlington through destination marketing and product development; while enhancing Burlington's national and international profile as a destination of choice for visitors;
- To facilitate, collaborate, and ensure industry growth;
- To become more competitive in the meetings and incentive travel, sports tourism, leisure travel, and group tour markets;
- To provide economic recovery to tourism and hospitality businesses;
- To attract new corporate sales business for hotels and attractions.

Criteria:

- Tourism projects and initiatives will take place in Burlington.

Refer to Appendix D for further details.

City of Burlington Portion of Municipal Accommodation Tax Revenue

The city's portion of Municipal Accommodation Tax revenue (50 per cent of total collected minus administration costs) will be allocated to the City MAT Reserve Fund as outlined in Appendix B. This fund will support projects and initiatives that result in measurable improvements to city services that enhance tourist experiences and increase their visitation.

Principles:

- To improve visitor and resident experiences in Burlington through increasing the infrastructure and tourism capacity of the City to foster a positive destination image.
- To enhance Burlington's national and international profile as the best city to live in Canada through placemaking and place branding initiatives.

Criteria:

- Enable the City to increase investment in tourism-related initiatives that promote, position and brand Burlington as a competitive destination.

Examples:

- Develop, expand or upgrade a city facility that leaves a legacy with long lasting tangible benefits (funding should not be used for regular facility updates, maintenance or regulatory compliance requirements).
- Implementation of Burlington branding initiatives.
- City Master Wayfinding Signage new signs, updates.
- Creative placemaking that animates public spaces through public art or similar initiatives and brings visitors and the community together to celebrate and be inspired.
- Burlington gateway signages on major highways, and or a signature sign.
- Interpretative storyboards and/or kiosks – promoting routes, trails, experiences.
- Collaborative Marketing.
- Enabling and enhancing visitor participation in experiencing mega events such as Olympic Games, Super Bowl or World Championships of popular sports.

Refer to Appendix D for further details.

Financial Matters:

Total Financial Impact

The estimate of potential revenue was based on current room occupancy statistics and average daily room rates. The current industry-wide tax rate of a 4 per cent tax was applied to the occupancy number. The MAT could potentially generate between \$450,000 to \$700,000 annual in the short term with the potential to generate between \$750,000 to \$1,000,000 per annum in the longer term. As indicated above, these

revenue estimates do not include revenue from short-term rentals such as Airbnb and Bed & Breakfast accommodations which could be included in the future (Phase 2).

Source of Funding

The municipal accommodation tax is generated from purchasers of hotel/motel accommodations in Burlington.

Other Resource Impacts

The service agreement between Tourism Burlington and the City of Burlington will be updated to incorporate the items approved in RCC-12-22, which will require resources from the Recreation, Community and Culture, and Legal.

Climate Implications

The City declared itself a sustainable development community back in 1990 and continues its efforts to improve the local environment, from Lake Ontario to the Niagara Escarpment. However, despite these efforts, council declared a climate emergency in 2019, recognizing the impact that climate change is having and will continue to have on our community. Tourism Burlington, local providers and community groups work together to achieve environmental goals, such as being a leader in waste reduction and diversion with the assistance of BurlingtonGreen at Canada's largest Ribfest event and promoting Burlington as an active transportation destination known for walking, hiking and cycling. Tourism Burlington will continue to encourage its partners to support the City's efforts to mitigate greenhouse gas emissions and improve resiliency through actions, such as promoting sustainable transportation (i.e., cycling, carpooling, transit, etc.), waste reduction and diversion initiatives and preparing for warmer, wetter, and wilder weather for outdoor events to improve resiliency. Burlington has a goal to become a net carbon neutral community by 2050 which will require collective action by all community sectors to achieve.

Engagement Matters:

The local tourism industry has been engaged on this matter since 2019. Businesses were consulted in various settings, including meetings, surveys, and a stakeholder session. This informed the recommendations on how MAT revenues could be applied to increase visitation and economic impact. A supplementary meeting was held with Burlington accommodation providers for input into the collection process for MAT.

Conclusion:

MAT revenue is currently supporting 40 or more destinations in Ontario to provide growth for the tourism industry which continues to contribute to economic growth and development across the province. Tourism and Hospitality were the hardest hit sectors during the pandemic, and they will take the longest to recover. Our competing regions east and west of Burlington have implemented MAT. The incremental revenue MAT provides will be used to expand tourism opportunities, increase visitation to Burlington, stimulate the local economy, support destination development, sports tourism, meetings and conferences, and group travel recruitment. The MAT revenue will elevate the community for residents and employees that work and play in Burlington.

Respectfully submitted,

Kristene Smith

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Appendices:

- A. Municipal Accommodation Tax Bylaw # _____
- B. Municipal Accommodation Tax City Reserve Fund Bylaw # _____
- C. Municipal Accommodation Tax Tourism Reserve Fund Bylaw # _____
- D. MAT Fund Criteria

Notifications:

Burlington Hotel Association, Jason Stoner

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Report Approval:

All reports are reviewed and/or approved by the Department Director, the Chief Financial Officer, and the Executive Director of Legal Services & Corporation Counsel.