

Regular Session Council Staff Report



To: Mayor Richardson and Members of Council
Meeting Date: September 26, 2023
Date Council Decision Required:
Prepared By: Jessica Walters, Clerk, Legislative Services
Presented By: Jessica Walters, Clerk, Legislative Services
Subject: Municipal Accommodation Tax
Report Number: SR-292-2023

Staff Recommendation:

That Council receive for information the Municipal Accommodation Tax report;
And further that Council provide direction to staff with respect to one of the options outlined in the report.

Background Information and Discussion:

In 2017, the *Municipal Act, 2001* was amended to allow municipalities to levy a Transient / Municipal Accommodation Tax (MAT). This tax is levied as a direct tax on short term accommodations (typically defined as under 30 days) and is paid by the customer to the service provider (typically hotels, motels, and short term accommodations like Airbnbs). The possibility of implementing a MAT has been discussed informally at past meetings of Council, and is being raised for discussion in advance of the 2024 budget. A growing number of municipalities have embraced the MAT as an additional revenue stream that can be used to support local tourism efforts without burdening taxpayers.

Area Scan

The following MATs have been implemented in the region:

- Belleville - 4% MAT - by-law in effect July 1, 2019
- Brighton - 5% MAT proposed - by-law not yet in effect
- Gananoque - 4% MAT - by-law effective December 31, 2019
- Kingston - 4% MAT - by-law in effect August 1, 2018
- Prince Edward County - 4% MAT - by-law in effect February 1, 2021
- Quinte West - 4% MAT - by-law in effect July 1, 2019

It is important to note that, while not required, a discussion about licensing short term accommodations (STAs) so that MAT revenue can be equally applied to them will likely be a natural outcome of any effort to implement a MAT for traditional lodging operators. The STA licensing status of the above communities is:

- Belleville - STA licensing in effect March 28, 2022
- Brighton - STA licensing in effect April 12, 2022
- Gananoque - STA licensing in effect December 17, 2019
- Kingston - STA licensing in effect June 1, 2021

- Prince Edward County - STA licensing in effect June 25, 2019
- Quinte West - STA licensing proposed, not yet in effect.

Discussion

There are pros and cons to the implementation of a MAT. While the program can help provide stable funding for tourism strategies, it does place an administrative burden on the operators who will be collecting, reporting on and remitting the tax revenue. Municipal staff will also be required to audit and enforce the program, which will have an operational impact. There may be a perception of competitive disadvantage, or of losing the competitive advantage of being one of the municipalities in our region that does not currently levy this fee. And if the levy is only applied to hotels and motels, and not to STAs, there may be an argument that those operators are being placed at a competitive disadvantage.

If the Town were to implement a MAT, an agreement would also need to be entered into with an eligible non-profit tourism entity. The most likely candidate for this role would be the Bay of Quinte Regional Marketing Board, who already provide tourism promotion services to the Town and are the designated entity for Belleville and Quinte West's MAT programs.

Alternative Options and Implications:

1. Direct staff to investigate implementing a MAT for the Town of Greater Napanee, including undertaking public and industry consultations, with the results of the consultation and potential implementation strategy to be reported to Council in Q1 of 2024.
2. In addition to Option 1, direct staff to investigate and report back on the costs, timelines, and impacts of licensing STAs.
3. Status Quo - do not pursue either a MAT or STA licensing at this time, and continue to monitor the local situation.

Financial Implications:

A MAT has the potential to bring a new revenue stream in to the municipality, although it may also bring new expenses if it is paired with a program to license (and therefore collect the MAT) from Short Term Accommodations. Using the 2022 CBRE data, Bay of Quinte Regional Marketing has estimated that a 4% MAT in Greater Napanee could generate approximately \$180,000 per year from hotel and motel stays. Per provincial regulation, 50% of the net revenue would need to be given directly to a non-profit tourism partner for tourism marketing purposes. The other 50% would remain with the Town. Assuming 10% in costs to administer the program, this could generate around \$81,000 in new revenue for local use.

Based on timelines for implementation seen in neighboring municipalities, staff believe that if Council were to signal an intent to implement a MAT during the upcoming budget deliberation period, the Town could realistically budget to start collecting this revenue in 2025. With current staffing, a target of July 1, 2024 would be ambitious, and a target of January 1, 2024 would be impossible.

If Council wanted to include STAs in a MAT program from the beginning, work should be undertaken in 2024 to begin the processes of regulating and licensing STAs, which would incur additional expenses. A more detailed financial estimate can be presented to Council at a future date, if desired.

Operational Implications:

The exact workload impact is unknown, but Finance staff would be required to collect and report on the MAT remittances under this program. During the implementation and initial roll out, staff time would also be required for providing information and assistance to local accommodation operators.

complying with the by-law. In order to ensure a high level of compliance and program success, consideration should also be given to enforcement mechanisms and capacity.

Community Implications:

Implementing a MAT would allow for a substantially increased investment into local tourism promotion, leading to a positive result for the business community. Currently, the Town invests \$25,000 per year with the Bay of Quinte marketing contract, and relies primarily on the efforts of the upper tier to drive tourism.

Legislative Implications:

Section 400.1 to 400.6 of the *Municipal Act, 2001*, grants municipalities the authority to impose a transient accommodation tax by by-law. O. Reg. 435/17, Transient Accommodation Tax, requires municipalities who impose such a tax to enter into a revenue sharing agreement with one or more eligible tourism entities so that 50% of the revenue is directed exclusively towards efforts to promote local tourism. The decision on how to allocate the remaining 50% is not specifically legislated, although it is generally understood that the funds should align in some way with the purpose for which they are raised, which is to support tourism.

Should the Town explore a MAT, Council may wish to consider establishing a policy to govern how the MAT revenue will be used. For example, the Town of Gananoque has established a [Tourism Advisory Board](#) of stakeholders in the accommodations industry to provide recommendations on how the municipal MAT revenue is allocated during each budget. Prince Edward County also [conducted public and industry consultation](#) on the use of its MAT funds prior to implementation.

Public Engagement/Communication Implications:

While national hotel brands may already have experience with MATs, local operators may not. Staff anticipate that engagement and communication will be the areas of the program requiring the greatest staff resources.

Strategic Priorities Advanced:

- Fostering Economic Growth

Strategic Priorities Explanation:

The proceeds of a MAT program would be used to invest in increased tourism and growth of the municipality.

Jessica Walters, Clerk

Approved - 19 Sep 2023

Michael Nobes, General Manager - Growth & Expansion

Approved - 19 Sep 2023

Brandt Zätterberg, Deputy CAO / General Manager - Community & Corporate Services

Approved - 19 Sep 2023

Shannon Kennelly, Deputy Clerk

Approved - 20 Sep 2023