



The Corporation of the Town of Milton

Report To:	Council
From:	Glen Cowan, Chief Financial Officer/Treasurer
Date:	July 22, 2019
Report No:	CORS-041-2019
Subject:	Municipal Accommodation Tax
Recommendation:	<p>THAT the Town of Milton not proceed with the introduction of a Municipal Accommodation Tax (MAT) at this time;</p> <p>AND THAT a copy of this report be circulated to the Milton Chamber of Commerce, Halton Region, the Hamilton Halton Brant Regional Tourism Association, as well as the hotels located within the Town of Milton.</p>

EXECUTIVE SUMMARY

- The *Municipal Act, 2001* and Ontario Regulation 435/17 provide the authority for municipalities to establish and collect a MAT
- For municipalities such as Milton that do not have a Destination Marketing Program, at least 50% of the net proceeds (after the reasonable costs of collecting and administering the tax are deducted) must be paid to an eligible tourism entity.
- Several municipalities have adopted a MAT to date with common characteristics of the programs including a MAT rate established at 4% on stays of less than 30 days, as well as cost sharing between the municipality and the eligible tourism entity at 50% of the net proceeds for each.
- Economic Development and Finance staff have undertaken consultation with stakeholders with a summary of the resulting feedback being provided herein.
- Should Council wish to pursue a MAT, a detailed implementation plan will need to be created and presented for Council approval along with the required by-law.

REPORT

Background

This report has been prepared in response to the following Council resolution (Res. 021-19) that was passed as part of the 2019 Budget process:



The Corporation of the Town of Milton

THAT staff undertake consultation with stakeholders regarding the Municipal Accommodation Tax funding tool that is available to municipalities and report back to Council by the second quarter of 2019.

The authority to implement a Municipal Accommodation Tax (MAT) on short term rentals was granted to municipalities through the 2017 Provincial Budget. Part VII.1 of *the Municipal Act, 2001* and Ontario Regulation 435/17 authorize the establishment and collection of the MAT.

Discussion

Legislative Overview

The legislation allows municipalities to impose a tax on transient accommodation through a municipal by-law. That by-law must include, amongst other items, information pertaining to any exemptions, penalties or interest, audit and inspection, as well as the collection process. Properties that are exempt from the MAT must include Crown agencies, school boards, universities, colleges, hospitals and long term care homes as defined in the Act.

Through regulation the Province also differentiates requirements for municipalities between those that have an established Destination Marketing Program (DMP) at the time the MAT comes into effect and those that don't. For municipalities such as Milton that do not have a DMP, at least 50% of the net proceeds (after the reasonable costs of collecting and administering the tax are deducted) must be paid to an eligible tourism entity. Any amount paid to such an entity must be used for the exclusive purpose of promoting tourism. The municipality must enter into an agreement with the eligible tourism entity in order to ensure financial accountability for the funds provided.

Any provider of transient accommodation within the municipality is required to collect the tax and shall identify on every invoice created a separate line item for the amount of the MAT.

Municipal Comparators

A scan of the Municipal sector has been undertaken to provide some context to the degree to which municipalities have implemented a MAT and their related methodology.



The Corporation of the Town of Milton

Examples of municipalities that had a DMP in effect at the time the MAT came into effect that have implemented a MAT include Toronto, Ottawa, Niagara Falls and Mississauga.

Examples of municipalities that did not have a DMP but have implemented an MAT include Oakville, Markham, Windsor, Barrie and Vaughan. These municipalities appear to be relatively consistent in the following respects:

- the MAT rate is set at 4%
- applies to all short term accommodation below 30 days
- the proceeds (after administration costs) are shared on a 50%/50% basis between the eligible tourism entity and the municipality

The city of Burlington (along with its destination marketing organization (DMO) - Tourism Burlington) is currently assessing the MAT with a report expected in late 2019.

In the city of Hamilton a destination marketing fee of 3% has been implemented on a voluntary basis by the industry association, with proceeds being used to attract conferences and visitors to the area.

Milton-specific Context

As part of the Economic Growth goal in the Town's current Strategic Plan, one of the action items related to defining the Town's role in Tourism (including sport-tourism, agri-tourism, eco-tourism, etc.). Funding was approved through the 2016 Capital Budget for the development of a tourism strategy. Through CORS-060-18 the Town reallocated funding from this study in order to directly contribute towards the Giant's Rib GeoPark initiative that is being undertaken by Conservation Halton as that project has the potential to have a significant role not only in tourism but for the residents of our community. The Mattamy National Cycling Centre (MNCC) also generates tourism locally, including the hosting of international events, which the Town has involvement in by way of being owner of the facility. Halton Region's Economic Development Department has recently introduced a cycling tourism initiative that aims to promote track events and road cycling in Milton to visitors, dovetailing with the MNCC. Otherwise, the Town's Economic Development programs do not currently allocate resources or serve a direct role in tourism generation.

Within Milton there is Escarpment Country™, which is a registered trademark and marketing initiative of the Milton Chamber of Commerce. This tourism partnership, launched in 1998, and brings together a group of farms, businesses and organizations that are committed to protecting and preserving this area for future generations, as well as showcasing its beauty and bounty for visitors to share and enjoy. Their current promotion includes the development of an on-line visitors guide. Partners of Escarpment Country as noted on their website include Conservation Halton, Woodbine



The Corporation of the Town of Milton

Mohawk Park, MNCC, the Milton Downtown BIA, as well as a variety of attractions and establishments.

There is also the Hamilton Halton Brant Regional Tourism Association (HHBRTA), which is an independent, industry-led, not-for-profit organization responsible for working with tourism partners to enhance and grow this region's tourism products and marketing activities. As part of the 2009 Tourism Competitiveness Study, the Province of Ontario approved the formation of a new regional tourism structure. A total of 13 Regional Tourism Organizations (RTOs) were developed in Ontario and HHBRTA originated as RTO 3. HHBRTA services include supporting product and experience development, identifying opportunities, working with and supporting operators, and coordinating destination awareness.

The Town of Milton currently has 4 hotels with approximately 316 rooms available for rent. Accommodations are also available in the Town through providers on sites such as Airbnb. Strictly using the 316 rooms available at hotels with assumptions pertaining to average daily rates, a 60% occupancy and a 4% MAT, potential annual MAT revenues might be in the order of \$375,000. This is a gross revenue estimate prior to administration cost and allocation of revenue between an eligible tourism entity and the Town.

Stakeholder Consultation

In May 2019, Town staff from Economic Development and Finance held a meeting for stakeholders to solicit feedback on a potential MAT. Invitations were sent directly to known stakeholders and a notice of the meeting was posted on the Town's website. Feedback and input was received from the Chamber of Commerce, Conservation Halton and one of Milton's local attraction providers. The discussion through this engagement included:

- although a primary focus of the funding provided to the tourism entity will be promotion and advertisement, consideration for transportation options related to key attractions or events may be beneficial
- given the potential size of funding available, promotion and advertising will likely need to be targeted (vs. broader promotion) in order to be effective
- consideration of attracting additional activity/volume during non-peak periods (example – weekdays) would be most beneficial as peak periods are already very busy

There was also discussion in areas such as the type of tourism Milton attracts (sports, family/friends, etc.), the experience in peer municipalities with the DMF and MAT, as well as on a variety of the details that would be subject to further review should Milton proceed to the next step of a potential implementation (example: details of a potential agreement between the Town and a tourism entity and governance of the utilization of the MAT proceeds).



The Corporation of the Town of Milton

Following the stakeholder consultation, staff also followed up with separate engagement of the HHBRTA as well as several of the hotel operators within Milton.

Through the discussions with the HHBRTA it was noted that there is an opportunity within Milton to provide better service and support to event organizers and create connections in the planning process, as well as to develop strategies to increase the economic activity generated from first-time and repeat visits. It was also noted that opportunities also exist to leverage any funding generated through the MAT with funding from other sources. The HHBRTA is currently working with several of Milton's neighbouring municipalities, including in at least one case in the planning for utilization of MAT proceeds.

Feedback received through the discussions with representatives of Milton's hotels included:

- A 4% rate seems high, both from the perspective of affordability and price inelasticity of consumers, as well as relative to the expected benefits from the resulting marketing enhancements.
- Given the cost of promotion and relative to the size competing campaigns, the extent of potential benefit of the MAT seems limited given the magnitude of funding expected to be raised.
- Concern related to the additional administration created in order to track/remit the MAT, especially in relation to the amount of total funding anticipated.
- The benefits provided by DMO's such as Tourism Burlington were noted, due to their full-time staffing, support services and digital outreach.
- Concern with respect to ensuring an equal playing field with respect to the application of any potential tax with other short term rental market providers.
- It was also noted that currently the activity at the hotels in Milton is largely business driven (vs. leisure), therefore the non-peak period during which the hotels would benefit from increased volumes is different than the non-peak indicated by the operators of attractions within the Town.

Administrative Considerations

Should Council choose to further pursue the establishment of a MAT, a detailed implementation plan will be created and presented for Council approval along with the required by-law. Considerations to be addressed may include:

- The collection methodology of the MAT by the accommodation provider from the purchaser, likely at the time the purchase price of the accommodation is paid
- The Town's collection methodology of the MAT from providers, potentially via a monthly remittance process



The Corporation of the Town of Milton

- Further information reporting that may be required from accommodation providers either at time of remittance or within other time frames as subsequently determined
- The interest or penalty process to be utilized in instances of non-payment of MAT amounts from the provider to the Town
- The resolution process to be utilized in the event of a dispute in the amount or timing of MAT payable by an accommodation provider
- The audit and inspection process to be utilized to ensure the accuracy of the MAT collected from vendors within specified time periods
- Further collection processes that may be considered to remedy outstanding MAT balances, potentially including collection through property taxation, recovery through court of an appropriate jurisdiction, or collection agency
- The rate at which the MAT will be applied
- The eligible tourism entity (or entities) to which a share of MAT proceeds will be distributed
- The allocation of MAT proceeds between the Town and the eligible tourism entity (entities)
- Non-compliance with the municipal by-law and resulting remedies
- Confidentiality of information, including adherence to *Municipal Freedom of Information and Protection of Privacy Act, 1990*.

As part of this review the Town will also need to consider the process related to the short term rental market (i.e. providers through Airbnb, Homeaway, Vrbo, etc.)

Recommendation

Staff are recommending that at this time the Town not proceed with the implementation of a MAT. This recommendation was arrived at with consideration for the feedback received through consultations, including the concerns related to the potential benefits relative to the additional administration and costs associated with introducing the program. As the Town continues to grow, and at such time where there is a strong desire from all of the tourism industry stakeholders within Milton to proceed with a MAT, staff do believe that it may be worthwhile to revisit the consideration of a MAT within Milton.

Should Council wish to proceed with further development of an implementation plan for a MAT, the following resolution could be considered to initiate next steps:

THAT staff be directed to develop a detailed implementation plan to introduce a Municipal Accommodation Tax (MAT) in the Town of Milton beginning in the year 2020, and report back to Council by the end of 2019;



The Corporation of the Town of Milton

AND THAT as part of the development of the implementation plan, staff undertake further consultation with stakeholders.

AND THAT a copy of this report be circulated to the Milton Chamber of Commerce, Halton Region, the Hamilton Halton Brant Regional Tourism Association, as well as the hotels located within the Town of Milton.

Financial Impact

The MAT represents a new revenue tool available to municipalities, especially with respect to funding tourism-oriented programs. Depending on the activity rate within the Town for short term accommodation, revenues of several hundred thousand dollars a year could be generated through the implementation of a MAT, with at least 50% (after administrative costs) needing to be directed towards and eligible tourism entity.

Should Council wish to further pursue this funding tool, the detailed implementation plan developed will further outline the related administrative costs and potential uses for the funding generated. An eligible tourism entity will also need to be selected to undertake the tourism generating activity as prescribed in the legislation.

Respectfully submitted,

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For questions, please
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Attachments

None

CAO Approval
Andrew Siltala
Acting Chief Administrative Officer