



PORT COLBORNE

Subject: By-law to establish a Municipal Accommodation Tax

To: Council

From: Corporate Services Department

Report Number: 2024-175

Meeting Date: November 12, 2024

Recommendation:

That Corporate Services Department Report 2024-175 be received;

That By-law No. 7015/53/22 – Being a by-law to establish a Municipal Accommodation Tax be repealed as of December 31, 2024;

That a new by-law to establish a Municipal Accommodation Tax, attached as Appendix A to this report, be brought forward and take effect on January 1, 2025;

That the new by-law to establish a Municipal Accommodation Tax only apply to new bookings after January 1, 2025, bookings made and paid for before January 1, 2025 will be exempt;

That a new by-law and agreement between the City of Port Colborne and an eligible tourism entity, Niagara's South Coast Tourism Association, be brought forward;

That the Treasurer be authorized to make one or more payments in each fiscal year to Niagara's South Coast Tourism Association, and that the payment total is to be equal to 50 per cent (50%) of the Municipal Accommodation Tax revenue collected, net the reasonable fees and costs of collecting and administering the tax; and

That the Treasurer be delegated the authority to implement and administer the by-law, to collect the Municipal Accommodation Tax, and to take all actions and make all decisions, including any and all enforcement measures, required under the by-law.

Purpose:

This report proposes a new by-law to establish a Municipal Accommodation Tax and recommends repealing the current MAT by-law at the end of the year.

Background:

On November 23, 2017, the Province of Ontario issued Regulation 435/17, Transient Accommodation Tax, under the Municipal Act, 2001. This Regulation, which took effect on December 1, 2017, includes the necessary provisions for lower-tier and single-tier municipalities in Ontario to implement the tax – better known as the Municipal Accommodation Tax (MAT). The Regulation allows municipalities to set the tax rate and choose the types of accommodation that would be subject to the MAT.

The concept of implementing the MAT was first presented to Council during their regular meeting on March 22, 2022. Council committed in principle, at this meeting, to implement a 4% MAT on the purchase of transient accommodation at campsites/campgrounds. Council received a new staff report on August 9, 2022, recommending that the 4% MAT also be applied to boat slips at Sugarloaf Marina and become effective on September 1, 2022.

Both reports to Council advised against applying the MAT to all types of accommodation because the effects of the COVID-19 pandemic were still being felt by the hospitality and tourism industry. Staff recommended that Council wait for the pandemic's impacts to subside before contemplating an expanded application of the MAT.

It is estimated that more than 50 municipalities in Ontario have implemented the MAT.

The purpose of levying a MAT on the accommodations sector is to generate funding from overnight stays to support tourism promotion and economic growth. Although this tax is levied on the local visitor economy, it inherently contributes to the revitalization of the same economy through a reinvestment of the generated revenue. One of the main benefits of having the MAT in Port Colborne is that it provides the City and its strategic tourism partner, Niagara's South Coast Tourism Association (NSCTA), with a sustainable stream of funding to stimulate tourist visitation and job creation.

Discussion:

Since implementing the MAT two years ago, its application to campsites/campgrounds and boat slips has produced a total of approximately \$70,000 in annual revenue. Municipalities are required to share a minimum of 50% of all MAT revenue with an eligible tourism entity, which, in the City's case has been the NSCTA (refer to Appendix B for the new by-law and agreement, which will supersede the previous versions). The municipality can use its portion of the MAT revenue as it sees fit, and the City has been using its revenue towards the costs associated with hosting the Canal Days Marine Heritage Festival.

Staff believe that, starting January 1, 2025, an application of the MAT to all types of accommodation in Port Colborne will give the City and the NSCTA stable financial resources to invest more in tourism promotion and tourism-related development. For the

past two years, the level of investment in these two areas has been low due to the very limited revenue generated from campsites/campgrounds and boat slips.

The City's new tourism strategy supports expanding the application of the MAT in order to achieve the goals outlined in the strategy's tactical plan. If the City and NSCTA are not afforded the financial means to achieve these goals, Port Colborne's development as a tourism destination will, at best, progress at a slow pace. Moreover, by not seeking to generate additional funding for tourism through an accommodation tax, the only other available funding sources would be the local tax base, and to some extent, provincial and federal taxes (pending the availability of tourism grants). In staff's opinion, it would be unreasonable to expect Port Colborne residents to fund the City's tourism initiatives, either minimally or substantially, when a mechanism like the MAT can shift greater responsibility to tourists.

The new by-law to establish a Municipal Accommodation Tax, attached as Appendix A to this report, maintains the 4% rate and applies it per room, per night for a period of 30 consecutive days or less at:

lodging, whether in a hotel, motel, motor hotel, campground, campsite, recreation vehicle, park model recreation vehicle, mobile home park, trailer park, lodge, inn, resort, hostel, bed and breakfast, short-term rental accommodation, boat or boat house, dwelling or dwelling unit, commercial resort unit, or other establishment providing lodging.

Staff consulted other municipalities that have implemented the MAT, and most either retain a third party or collect the tax themselves by allocating staff resources to the task. In terms of a third party, 26 municipalities in Ontario have contracted the Ontario Restaurant Hotel and Motel Association (ORHMA) for MAT collection services. Staff recommend that the ORHMA be designated as the City's MAT collection agent. Key advantages to using the ORHMA for MAT collection is their proven process, experience, proximity to the industry, and online remittance system as well as their reasonable service fees. Municipalities that have partnered with the ORHMA have consistently expressed satisfaction with their tools, customer service, and reporting methods.

Upon approval of the new MAT by-law, the City would enter into an annual contract with the ORHMA for the collection of the MAT from accommodation operators in Port Colborne. To accommodate the majority of operators, who are likely to be short-term rentals (STRs) without the resources necessary to complete monthly remittances, all accommodation operators will be permitted to remit on a quarterly basis.

An example of a sample quarterly report is provided in Appendix C.

Internal Consultations:

Comments and feedback were limited to staff in the Corporate Services Department.

The City's procurement officers confirmed that, according to the City's procurement policy, the ORHMA's service fees (as described below and estimated to be less than \$25,000 annually) meet the low-value procurement threshold.

Financial Implications:

The 2025 Levy (Operating) Budget forecasts that \$340,000 in funding would be generated from a new MAT by-law and the expansion of the MAT's coverage to include all types of accommodation. The financial implications of continuing under the current MAT by-law would be a -\$270,000 adjustment to the 2025 Levy (Operating) Budget due to a decrease in projected revenue, which would negatively affect the City's Programs, Grants and Activities (PGA) and the NSCTA's entitlement to 50% of the MAT revenue for their programs and activities.

The chart below shows that the 2025 Levy (Operating) Budget also contains a five-year projection for MAT revenue, with a 3% increase in revenue year-over-year. As per O. Regulation 435/17, an eligible tourism entity like the NSCTA is entitled to 50% of this revenue, less both the City's costs and the ORHMA's fees for collecting the MAT.

| 2025 | 2026 | 2027 | 2028 | 2029 |
|---------|------------|------------|------------|------------|
| 340,000 | 350,200.00 | 360,800.00 | 371,600.00 | 382,800.00 |

Staff have adopted a conservative approach to these revenue projections, recognizing that a large part of MAT revenue would come from STR accommodations. Fueled by MAT revenue investments in tourism promotion and economic growth, it is anticipated that even more MAT revenue could be generated in the future.

As described earlier in this report, staff recommend partnering with the ORHMA for MAT collection services. In addition to a one-time set-up fee of \$3,000, the ORHMA will receive ongoing administrative fees (1.8% for traditional accommodations like hotels and motels, and 5.0% for non-traditional accommodations like STRs) in exchange for their services, which is deducted from the gross tax revenue collected before disbursement to the City. In addition to comments already made regarding the benefits of using the ORHMA, staff determined that outsourcing MAT collection to the ORHMA would be the most cost-effective, efficient, and easiest to implement.

Corporate Services staff will assist the City Treasurer in implementation, administration, and continual monitoring of the program.

Public Engagement:

A public survey was announced in a media release on October 17, 2024. This survey sought input from both Port Colborne accommodation operators and residents about the

potential effects of expanding the MAT's scope. The survey closed on October 30, 2024, was completed by 77 people (15 accommodation operators and 62 residents), and a mix of positive (42%) and constructive (58%) feedback had been received.

It is important to acknowledge that approximately a quarter of the criticism about the MAT stemmed from a misunderstanding that the tax would apply to Port Colborne residents (see excerpts in the chart below). The likelihood of residents paying the MAT is minimal to non-existent. Residents would only be subject to the MAT if they paid to stay overnight in Port Colborne at a type of accommodation that is designated as taxable under the MAT by-law.

| MAT Misconceptions Among Residents |
|--|
| "Property taxes in Port Colborne are disproportionately high for some and most citizens can't bear additional tax burden." |
| "I think we are already taxed to the max on everything, when will enough be enough." |
| "We do not need to pay more taxes." |
| "Residents should not pay extra so Airbnbs, etc. can operate in town." |
| "This city charges far too much for property tax and water already. Let's not add more taxes." |
| "People don't want to pay more. Period." |
| "Stop taxing residents, visitors, etc. to stay in our community." |
| "We need to cut taxes. We are way over taxed now." |
| "Tax the visitors, not the residents." |
| "Just what we need more tax. We are taxed to death now." |
| "I feel Port Colborne residents currently pay far too much tax for the scant services provided." |
| "Cut all taxes, think about the elderly and those on fixed incomes." |

Respondents who were in favour of expanding the MAT had the following to say:

- MAT revenues will reduce the burden on local residents to fund initiatives designed to promote tourism and support economic growth;
- MAT revenues will support tourism-related initiatives that directly or indirectly benefit both residents and visitors or tourists; and
- Applying the MAT to all types of accommodation will ensure fairness among all operators.

Respondents who voiced concerns about the consequences of expanding the MAT had the following to say:

- Applying the MAT to all types of accommodation could discourage visitors from staying overnight in Port Colborne, and instead they may choose to stay in destinations without the MAT;
- Keeping the MAT as limited to only campsites/campgrounds and boat slips will continue to unfairly target the tourists who stay overnight at these locations;

- The City should be transparent regarding its share and use of MAT revenue;
- MAT revenues will not significantly contribute to the City's and NSCTA's efforts to promote tourism and support economic growth; and
- The MAT will affect the operator's profit margins, potentially resulting in minimal or no profit.

As noted in Report 2022-48 from March 22, 2022, some of this feedback is commonly expressed by opponents of the MAT. There is minimal evidence linking the MAT to decreased tourism in any of the Ontario municipalities with the MAT, and tourists don't appear to be choosing destinations based on the presence or absence of the MAT.

In preparation for a new MAT by-law to take effect, staff in Communications and Corporate Services, in partnership with the ORHMA, will launch a public awareness and education campaign during the remainder of 2024 and into 2025 to assist accommodation operators with the onboarding, collection, and remittance processes.

Strategic Plan Alignment:

The initiative contained within this report supports the following pillars of the strategic plan:

- Welcoming, Livable, Healthy Community
- Economic Prosperity

Conclusion:

The purpose of applying the MAT to all types of accommodations in Port Colborne is to have a sustainable stream of funding for tourism promotion and development, and to ensure that more tourists are sharing in the cost of these activities. Under the current MAT by-law, not only are a small number of tourists subject to paying the MAT but the revenue generated from the tax has been limiting in its ability to support economic growth through tourism.

With a tourism strategy and tactical plan in place, an active City-led destination marketing organization in the NSCTA, and a commitment from the City to transparent and responsible MAT revenue investment, the conditions are optimal for expanding the application of the MAT starting in 2025.

Appendices:

- a. By-law to establish a Municipal Accommodation Tax

- b. By-law to authorize an Agreement between The Corporation of the City of Port Colborne and Niagara's South Coast Tourism Association
- c. Sample MAT remittance report

Respectfully submitted,

Greg Higginbotham
Tourism & Strategic Projects Coordinator
905-228-8064
Greg.Higginbotham@portcolborne.ca

Bryan Boles
Director of Corporate Services/Treasurer
905-228-8018
Bryan.Boles@portcolborne.ca

Report Approval:

All reports reviewed and approved by the Department Director and also the City Treasurer when relevant. Final review and approval by the Chief Administrative Officer.