



Subject: Municipal Accommodation Tax

To: Council

From: Chief Administrative Office

Report Number: 2022-48

Meeting Date: March 22, 2022

Recommendation:

That Chief Administrative Office Report 2022-48 be received;

That Council commit, in principle, to implement a Municipal Accommodation Tax (MAT) of no more than 4% on the purchase of transient accommodation at campsites/campgrounds effective January 1, 2023;

That the Manager of Strategic Initiatives be directed to draft and bring forward a MAT by-law, an agreement between the Corporation of the City of Port Colborne and Niagara's South Coast Tourism Association, a Municipal Accommodation Tax Reserve Policy, and a procedure for collecting and remitting a MAT to a future meeting of Council for consideration; and

That the Manager of Strategic Initiatives be directed to further engage campsite/campground businesses on the implementation and collection of a MAT in the City of Port Colborne.

Purpose:

The purpose of this report is to affirm Council's commitment to implement a 4% Municipal Accommodation Tax (MAT) on campsites/campgrounds in Port Colborne effective January 1, 2023.

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 all the necessary provisions for lower-tier and single-tier

municipalities in Ontario to implement a Municipal Accommodation Tax (MAT). Municipalities are not required to implement a MAT.

Once imposed, however, the MAT becomes mandatory and can only be applied to providers of transient or short-term accommodation on overnight stays of 29 consecutive nights or less. Purchases unrelated to or not consisting of accommodations, even if occurring on the same property (e.g. consumption of food and beverage at a restaurant), are not subject to the MAT. Certain fees and charges related to the purchase of accommodations may be considered applicable.

Since being introduced by the Province, an estimate of more than 40 municipalities across Ontario and two municipalities in the Niagara Region (i.e., Niagara Falls and Niagara-on-the-Lake) have implemented a MAT as a way to promote tourism, develop tourism products, and support tourism growth. As a whole, the MAT has drawn criticism and praise. The most common for and against arguments are summarized below.

Praise	Criticism
<ul style="list-style-type: none"> • The MAT creates a new source of revenue for municipalities to use to support tourism promotion and development without drawing on or increasing the residential tax base. 	<ul style="list-style-type: none"> • An increase in accommodations prices may deter customers from staying overnight and make the destination less competitive overall.
<ul style="list-style-type: none"> • The implementation of a MAT on overnight stays only — relative to the total cost of a trip or vacation — is not excessive enough to significantly decrease consumer demand. 	<ul style="list-style-type: none"> • A tax will cause accommodation providers to raise prices and, depending on supply and demand, absorb some of the effects of decreased occupancy.
<ul style="list-style-type: none"> • Implementation levels the tourism playing field in Ontario since many municipalities have already applied the MAT. 	<ul style="list-style-type: none"> • A tax will create more administrative costs for both accommodation providers and program administrators.

With regards to criticism, the Ontario municipalities that implemented a MAT haven't reported seeing the negative effects on destination competitiveness that critics had first predicted. Destinations in the United States and Europe have levied taxes on tourism long before Ontario did, with popular spots being the most resilient despite their tax rates ranging from 8% to 18%. Typically, more than 80% of the total tax is paid by the guest and the remaining 20% is absorbed by the accommodation provider.

The biggest criticism about the MAT has been how revenues from the tax will be spent by the municipalities that collect them. Regulation 435/17 states that the total amount of revenue received by the municipality from the tax must be shared with an "eligible tourism entity", which is defined as a non-profit organization "whose mandate includes

the promotion of tourism in Ontario or in a municipality.” The Province enacted the Regulation with a revenue-sharing model in place to ensure the money generated from tourism goes directly back into promoting and developing tourism.

Discussion:

As much as destinations act to promote their offerings, support stakeholders, and generate visitation in a very competitive market, one might think that they are also doing a disservice to themselves by imposing taxes on tourism. Industry sources speculate that there may be 40 different types of tourism taxes imposed worldwide. Many of these tax measures are used to collect revenue that helps reduce the fiscal burden on local residents who, through their own taxes, pay for the same community resources, public spaces, and general infrastructure that visitors consume and enjoy. Even though studies on this topic are rather scarce, research conducted in Europe suggests tourists are more willing to pay an additional tax when it is perceived as fair and earmarked specifically for improving tourism experiences.

The importance of attracting visitors to Port Colborne is visible in the City’s 2020-2023 Strategic Plan and Economic Development Strategic Plan: 2018-2028. Presently and historically, the City’s efforts to attract visitors and service their needs — through events, marketing, communications, information centres, etc. — have been funded from the property tax levy. Recognizing that municipalities like Port Colborne are constantly under pressure to deliver value for taxpayer dollars, the provincial government has provided an alternative means of funding tourism that doesn’t rely on property tax revenue or take away from financing core municipal services.

Although Regulation 435/17 does not cap the dollar amount or the percentage of the Transient Accommodation Tax, most municipalities in the province have not exceeded either 4% or \$2 on each overnight stay of 29 consecutive nights or less. Of these two options, staff recommend implementing a 4% MAT in Port Colborne. The Regulation doesn’t define “transient accommodation”, therefore the municipality can determine the types of accommodations to apply the MAT, bearing in mind an exemption to properties owned by the Crown, post-secondary institutions, long-term care homes, and other exemptions approved by Council.

In light of the devastating effects that the COVID-19 pandemic has had on the accommodations sector, staff recommend an initial exemption of the MAT to Port Colborne’s motels, bed & breakfasts, inns, and similarly operated establishments. Brief consultations with a few local operators confirmed that the timing of a tax, even if imposed next year, would not be appropriate right now. Out of empathy for the struggles this industry continues to endure, staff agree that supporting small businesses has to remain a priority.

A type of accommodations that has shown to be very resilient to the pandemic, even going so far as to experience unanticipated booking increases, is publicly and privately-owned campsites/campgrounds. For this reason, and not arbitrarily, staff believe it would be suitable to enact a by-law, effective January 1, 2023, stipulating:

That every Purchaser who uses, possesses or has the right to the use or possession of a tent, trailer, vehicle, recreational vehicle or other structure on a campsite or in a campground for dwelling, lodging or sleeping purposes, regardless of whether the tent/trailer/vehicle/recreational vehicle/structure is brought to the campsite/campground by the Purchaser or if it is existing on the campsite or in the campground and available for rent, shall pay to the Provider, at the time of purchase, the Municipal Accommodation Tax in the amount of four per cent (4%) of the Purchase Price for a continuous period of 29 nights or less.

According to information received from the City's Development and Legislative Services Department, there are two private businesses in the City operating with a trailer camp licence: Sherkston Shores Beach Resort & Campground and Pleasant Beach Campground. A closer inspection of these two businesses revealed that transient campsites make up around 19% and 15% respectively of their total accommodations inventory.

Pending Council's approval of the recommendations in this report, and the possibility that a MAT is applied only to campsites/campgrounds in 2023, staff intend to return to Council in Q2 2023 with a new report to consider amending the by-law to remove the exemption for other transient accommodation providers like motels, bed & breakfasts, inns, and multi-unit short-term rentals starting January 1, 2024.

The projected annual gross revenue from the application of a 4% MAT on campsites/campgrounds in Port Colborne is approximately \$100,000. Regulation 435/17 affirms that, when no destination marketing program exists, at least 50% of this revenue, less the municipality's reasonable costs of collecting and administering the tax, must be shared with an eligible tourism entity. Niagara's South Coast Tourism Association (NSCTA) is the municipality's eligible tourism entity. The City's 2021 and 2022 levy budgets have supported this entity through a \$30,000 annual allocation under the "Boards & Committees" category. Continual funding of the NSCTA from the levy budget will no longer be necessary once, as required by the Regulation, the City and the NSCTA enter into an agreement ensuring accountability that the amounts paid to the NSCTA will be used for the exclusive purpose of promoting tourism.

As for the municipality's 50% share of MAT revenue, the Regulation does not address or limit in any way how that revenue may be used or spent. In keeping with the rationale behind why the Province originally issued the Regulation, staff believe

the City's waterfront centre project represents a key piece of tourism infrastructure that would benefit from financing through a MAT. The project aligns very well with the City's plans to revitalize the waterfront and develop it into an attractive focal point for tourists both arriving on cruise ships and visiting from out-of-town/region. The creation of a Municipal Accommodation Tax Reserve, and supporting Municipal Accommodation Tax Reserve Policy, will ensure the City's MAT revenue stays earmarked solely for the waterfront centre project.

Internal Consultations:

Economic Development & Tourism Services and Corporate Services staff consulted with colleagues in the Development and Legislative Services Department regarding the proposed MAT. All departments will continue to work together to achieve conformity between a MAT and the City's existing licensing regime.

Financial Implications:

Implementation of a 4% MAT on campsites/campgrounds in Port Colborne is projected to gross approximately \$100,000 in annual revenue. This amount was calculated using information on the number of (tent, trailer, vehicle, or RV) sites, nights sold based on an assumed occupancy rate and a standard operating season, and an average daily accommodation rate.

On every bill, receipt, invoice, or similar document used for the purchase of transient accommodation at a campsite/campground, the provider will list a separate item and show the MAT rate along with the amount of tax calculated and charged. The provider will have a duty to report to the City on the amounts collected during the reporting period, whether that is determined to be monthly, quarterly, or annually. The format of the remittance report will be established by the Director of Corporate Services/Treasurer. The Municipal Act, 2001, permits the MAT by-law to provide for penalties for failing to comply with the by-law, interest on outstanding taxes or penalties, audit requirements, and enforcement measures as appropriate, for amounts remaining unpaid.

Since the current number of campsites/campgrounds in Port Colborne is two, the proposed collection model is not expected to create additional administrative costs for the City. The Director of Corporate Services/Treasurer will create a Municipal Accommodation Tax Reserve and an associated policy specifying that the collected MAT revenue is to be shared 50/50 between the City and the NSCTA. The City's 50% share will be fully allocated to the waterfront centre project.

Public Engagement:

Economic Development & Tourism Services staff met with Sherkston Shores Beach Resort & Campground and Pleasant Beach Campground. Staff will further engage these two businesses and report back to Council with more information on their standpoint regarding the implementation of a MAT.

After consulting a few bed & breakfast and inn operators about the MAT, the feedback received suggests small accommodation providers in Port Colborne need more time to focus on recovery and a return to pre-pandemic customer and staffing levels. Citing reasons similar to what has been voiced by providers in Niagara-on-the-Lake, staff will monitor the situation for the rest of 2022 and increase public engagement efforts when appropriate.

Strategic Plan Alignment:

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

- Attracting Business Investment and Tourists to Port Colborne
 - City-Wide Investments in Infrastructure and Recreational/Cultural Spaces
 - Value: Financial Management to Achieve Financial Sustainability
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Conclusion:

The City's approach to implementing a Municipal Accommodation Tax (MAT), as presented herein, is gradual and not as sweeping as the one taken by many other municipalities in Ontario. The tax represents an opportunity to source new revenue that can be used for tourism promotion and development. Most of all, it allows the City to achieve the goal of attracting visitors to Port Colborne without having to continuously draw on the levy budget and resident taxpayers for funding support. Imposing a MAT of no more than 4% on the purchase of transient accommodation at campsites/campgrounds is the start of a strategic solution to bring about tourism growth.

Respecting the concerns of small businesses and accommodation providers that need more time to recover, campsites/campgrounds were decided on because they haven't been affected by the COVID-19 pandemic nearly as much as other providers. Staff plan to return to Council with a new report about the MAT, in Q2 2023, presumably, when the pandemic's impacts have further subsided. This report will propose the inclusion of motels, bed & breakfasts, inns, and multi-unit short-term rentals under the MAT by-law starting January 1, 2024.

Respectfully submitted,

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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.