

**Report from** Economic Development and Government Relations, Director

**Date of Report:** June 5, 2019

**Date of Meeting:** June 17, 2019

**Report Number:** EDTS-B021-2019

**File:** 10.57.99

**Subject:** Municipal Accommodation Tax

## Recommendation

That Council direct staff to engage with stakeholders and the local hotel industry regarding the potential of a Municipal Accommodation Tax in the City of St. Catharines; and

That subsequent to the consultation with stakeholders, staff report back to Council with further details related to the potential implementation of a Municipal Accommodation Tax in the City of St. Catharines.

## Background

At its meeting of May 22, 2019, the Budget Standing Committee (BSC) approved a request directing staff to investigate a municipal accommodation tax (including hotels, Airbnb and Bed & Breakfast properties). This report provides an overview of the Province's Transient Accommodation Tax legislation, the estimated impact on the City of St. Catharines, along with a summary of MAT programs implemented and/or considered in other municipalities.

## Report

In April 2017 the Province of Ontario passed Bill 127: *Stronger, Healthier Ontario Act* (Budget Measures) 2017, which amended the *Municipal Act* (Act) to provide lower or single-tier municipalities in Ontario with the authority to levy a transient accommodations tax, referred to in this report as a Municipal Accommodation Tax (MAT). MAT serves as a new revenue tool that Ontario municipalities can use to further promote tourism as an economic driver within their city boundaries and the province as a whole. Bill 127 received Third Reading and Royal Assent on May 17, 2017. On November 23, 2017, the Province of Ontario enacted Ontario regulation 435/17 (the "regulation") which came into force December 1, 2017. The regulation prescribes the necessary provisions for municipalities to implement a Municipal Accommodation Tax for transient accommodations through a by-law and set a tax rate for accommodations of 29 consecutive nights or less.

The legislation states that municipalities that adopt a hotel tax and have an existing Destination Marketing Fee (DMF) program in place are required to share the hotel tax revenue with the appropriate not-for-profit tourism organization in an amount that

matches the total revenue generated by the existing DMF program. Where such a program does not exist for a municipality (such as St. Catharines), at least 50% of the hotel tax revenue is to be shared with the respective eligible tourism entity, either the Regional Tourism Organization (Tourism Partnership of Niagara) or a not-for-profit tourism organization (to be established).

With respect to St. Catharines, at least 50% of the revenue generated must be shared with the eligible tourism entity. The City of St. Catharines would be required to administer the collection of the proposed fee. The regulation also provides exemptions for properties owned by the Crown, universities, colleges, post-secondary institutions, hospitals, long-term care homes and other exemptions as approved by Council.

In late 2017, and again in 2018, staff met with local hotel accommodation partners to discuss implementing a MAT. At that time, the operators were consumed with the impacts of the rapid changes to Ontario's minimum wage (Bill 148 now repealed), and as a result, this additional levy was seen as an uncompetitive increase in a sector that was finally rebounding following decades of significant decline. As part of the research for a MAT, staff will continue consultations with local hotel accommodation partners this summer regarding implementing a MAT in the City of St. Catharines.

## **Accommodations in St. Catharines**

St. Catharines offers a mix of lodgings ranging from hotel / motel to short term accommodations, such as Airbnb and seasonal university residence accommodations. Hotel and motel rooms in the city account for 642 purpose-built rooms. Brock University offers seasonal accommodations / short-term rental in eight residence complexes on campus. Under the MAT, Brock University would not be required to collect the MAT but could still choose to voluntarily participate. According to information supplied by Airbnb, the company has 285 active hosts in St. Catharines. Under the City's current Zoning-By-Law, short term accommodations (such as Airbnb and Vacations By Rental Owners) fall under the hotel definition, which is not permitted in a residential area. The issue of regulating short-term accommodations will need to be addressed before assessing the viability of implementing a MAT on these types of accommodations.

## **Who's collecting the MAT**

Currently, Niagara Falls is the only municipality in Niagara to implement a mandatory MAT, calculated at a rate of \$2 per night of occupancy of transient accommodation, which became effective January 1, 2019. Niagara-on-the-Lake Council is again reviewing the feasibility of imposing a tax on all hotel rooms and bed and breakfast rentals. While Niagara Falls has implemented a flat rate of \$2, most of the City's municipal comparators have imposed a 4% tax rate – including Windsor, Barrie, Waterloo, Hamilton, London and Kingston.

## **Financial Implications**

The implementation of a Municipal Accommodation Tax has the ability to create new revenue stream to promote tourism in St. Catharines, strengthening the City's ability to attract and offer major event opportunities as well as new business.

The St. Catharines lodging market tends to perform at approximately 50% average annual occupancy and with an Average Daily Rate (ADR) of approximately \$120. The application of a \$2 MAT (in-line with Niagara Falls) is projected to generate gross revenues of \$234,330. Alternatively, if St. Catharines were to implement a 4% MAT, the projected gross revenue would equal \$562,392. At the time of writing this report, the costs of establishing and monitoring a MAT program have not been determined.

## **Relationship to Strategic Plan**

The investigation and implementation of the MAT supports the following Strategic Plan goals under the Economic Sustainability Pillar:

- Attract public and private investment, support local businesses and provide excellent customer service to demonstrate we are open for business
- Develop partnerships to enhance the economic vitality of the community

## **Conclusion**

Travel tourism is one of the largest and fastest growing economic sectors in the world, and despite continued global uncertainties, increases in global travel revenue have actually exceeded GDP growth in recent years. The tourism sector is a major component of the Council-approved economic development strategy. Tourism generates significant and positive economic activity in St. Catharines, which is maximized when visitors choose to stay overnight and directly affects jobs in the accommodation, retail, restaurant and event venue sectors. The implementation of a MAT has the ability to help develop new strategies and partnerships fostering additional interest and investment in St. Catharines as an attractive destination.

### **Prepared, Submitted and Approved by:**

Brian York

Director, Economic Development and Government Relations