

## Staff Report

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**Report To:** Community Development, Tourism and Culture Advisory Committee

**Report From:** Pamela Coulter, Director of Community Services  
Brent Fisher, Manager of Community & Business Development

**Meeting Date:** March 11, 2022

**Report Code:** CS-22-027

**Subject:** Municipal Accommodation Tax – Preliminary Report

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### Recommendations:

THAT in consideration of Staff Report CS-22-027 respecting Municipal Accommodation Tax, the Community Development, Tourism and Culture Advisory Committee recommends that City Council request staff to initiate the process outlined in table 1 in this report starting with consultation with hotel/motel operators, short term accommodators and stakeholders.

### Strategic Plan Alignment:

[Strategic Plan](#) Priority: This report supports the delivery of Core Service

### Highlights:

- Council requested that staff bring forward a report in 2022 on the potential for a Municipal Accommodation Tax;
- A Municipal Accommodation Tax (MAT) is a fee or tax levied on short-term and overnight accommodation. It applies to transient accommodation which includes hotels, motels, short-term rentals including Online Home Sharing platforms as well as campgrounds.
- Funds collected under the tax must be allocated based on 50 per cent to be shared with an eligible tourism entity and used

exclusively to tourism initiatives. The additional 50 per cent can be used by the municipality at its discretion for city services and infrastructure but is generally earmarked for capital-related improvements to placemaking initiatives that would enhance a tourist's visit to the city and also benefit local residents.

- A licensing bylaw for short-term rental accommodation as well as an amendment to the City's Zoning Bylaw would be required along with the approval of a Municipal Accommodation Bylaw;
- Consultation with stakeholders is required in advance of approving any MAT Bylaw.

## **Background:**

At a Special Meeting on November 12, 2021, Council approved the following:

S-211112-005

*"THAT in consideration of the draft 2022 Capital Budget, City Council directs staff to bring forward a report in 2022 on the potential for a municipal accommodation tax for short-term accommodations of 30 days or less, including potential ways for the funds generated to be utilized in the capital budget."*

The purpose of this report is to describe:

1. Legislative Authority and What is a Municipal Accommodation Tax (MAT)
2. Why collect this fee and what can funds collected be used for?
3. Eligible Not-for-Profit Tourism Entity
4. Other communities who have adopted a MAT
5. Licensing of Short-Term Rental Accommodation and Zoning Bylaw Considerations
6. Consultation with stakeholders
7. Collection of the MAT
8. Estimated revenue potential
9. Next steps that would be involved in establishing a MAT in the City of Owen Sound.

## **Analysis:**

### ***1. Legislative Authority and What is a Municipal Accommodation Tax (MAT)***

The Ontario Municipal Act, 2001, s. 400.1 provides that the council of a local municipality may by bylaw, impose a tax in respect of the purchase of transient accommodation within the municipality. A sample of the bylaw is attached.

On December 1, 2017 the Province of Ontario enacted the Transient Accommodation Regulation (O. Reg 436/17) which provides the necessary provisions for municipalities across Ontario to implement a Municipal Accommodation Tax (MAT).

A Municipal Accommodation Tax (MAT) is a fee or tax levied on short-term and overnight accommodation. It applies to transient accommodation which includes hotels, motels, short-term rentals including Online Home Sharing platforms as well as campgrounds.

A MAT is charged as a percentage of the rental fee of the accommodation; most communities impose the provincial maximum of 4 per cent. The fee generally applies to stays of 30 nights or less.

The legislation exempts colleges and universities from being subject to the tax. Normally the municipal bylaw that is enacted locally also provides exemptions for entities such as: the Crown, hospitals, universities and colleges, long-term care, treatment facilities, an emergency shelter, group homes, etc. The exemptions would be clearly established in the Bylaw to enact a MAT. In addition, the fee does not apply to other services at the accommodation such as meeting room rentals, food and beverages, room service, etc.

### ***2. Why collect this fee and what can funds collected be used for (revenue sharing requirements)?***

The provincial government enacted the enabling legislation respecting an accommodation tax to provide municipalities with an additional revenue tool to support tourism and to provide for consistency across municipalities and ensure accountability and transparency.

The Act is prescriptive in terms of how funds collected under a MAT program can be used. 50 per cent of funds are to be shared with an eligible tourism entity and used exclusively to promote tourism in the

area, including the promotion of overnight stays. This can include City operating dollars relating to tourism, community development and similar initiatives. The other 50 per cent of funds can be used by the municipality at its discretion for city services and infrastructure but is generally earmarked for capital-related improvements to placemaking initiatives that would enhance a tourist's visit to the city and benefit local residents. The City-wide parks five-year capital program supported by the tax is estimated at \$3.6 million and the 2022 operating budget is projected to be \$1.88 million.

As a regional hub with accommodations and services that allow visitors to utilize Owen Sound as a "base camp" for their travels throughout Grey-Bruce, Tourism is an important employment and economic driver in the City. In June 2021, the Grey County Manager of Tourism [presented a report](#) to the City's Community Development, Tourism & Culture Advisory Committee, outlining several key visitor insights:

- The top five activities tourists are interested in within the Province include Hiking, Natural Attractions, Local Food and Drink, Nature Parks and Marine/Wildlife
- In 2019 (the last full travel year), according to an Environics Study, Owen Sound's River District and Harbour Front averaged 4,950 visitors per day while Grey County as a whole averaged 50,825 visitors per day. A visitor is considered someone outside of a 40 km radius of a geofenced area.

In 2019, \$1.7 billion was spent by visitors to the RTO7 region, with over \$333 million of that total being on accommodations alone.

The MAT enables the City to increase investment in tourism marketing without further contributions from local taxpayers. The MAT is a revenue source that would see visitors help pay for the use of infrastructure, programs, and services in the municipality. The funds can also be used to upgrade existing infrastructure or services that would benefit visitors. This could include capital parks and downtown projects like future phases of the Downtown River Precinct. The final determination of the 50 per cent would be determined by a not-for-profit entity.

### ***3. Eligible Not-for-Profit Tourism Entity***

As noted, 50% of the funds generated through the program are to be shared with an eligible not-for-profit tourism entity. Where an

organization does not already exist, the municipality may opt to form a not-for-profit corporation. This would be done by the City solicitor.

The composition of an NFP could include council members, an appointee of the Chamber, and public appointees. A further report to Committee would establish the composition. Staff would work with the City solicitor to undertake the necessary preparations for the NFP Corporation. This would need to be in place prior to the commencement of any revenue collection through the tax.

#### ***4. Other communities in Ontario who have adopted a MAT***

More than 16 municipalities in the province have adopted a MAT including South Bruce Peninsula. The list also includes Ottawa, Toronto, London, Waterloo Region, Windsor, Vaughan, Oakville, Kingston, Barrie, and Sudbury.

#### ***5. Licensing of Short-Term Rental Accommodation and Zoning Bylaw Considerations***

In order to establish a MAT in this community that would apply equitably to hotels and motels that pay a commercial tax rate with other short-term rentals such as online home-sharing platform type providers, most communities enacting MAT also implement licensing to regulate the use. Licensing short-term rentals will have the added benefit of helping the City understand the housing stock dedicated to short-term rentals which removes stock from the housing market.

In addition, an update to the Comprehensive Zoning Bylaws usually accompanies this type of initiative to define the use (short-term rental accommodation) and create provisions relating to the use.

The City's Zoning Bylaw does not currently address short-term rental accommodations. If the Committee determines to proceed with investigating MAT, the Planning & Heritage Division will be requested to review how consideration for short-term rental accommodation fits within the City's Zoning Bylaw.

The short-term rental market has grown over the last several years. At any given time, there are 20-50 short-term rentals available in Owen Sound on Airbnb, which includes a mix of apartments, townhomes, and single-unit residential homes. While these uses can provide additional income for homeowners, they also impact the character of neighbourhoods and impact the housing market as the trend for

homeowners to purchase a second home for the purpose of a short-term rental unit only continues to grow. Licensing would create rules and regulations to ensure compatibility with neighbourhoods and ensure that those renting the spaces are provided with safe accommodations under the Ontario Building Code.

If the City wishes to proceed further, the Clerks division should be requested to initiate such a licensing bylaw.

Many communities that have adopted a licensing program use a third-party service provider to administer and enforce such a bylaw. South Bruce Peninsula has contracted with Harmari to provide this service.

## **6. Consultation**

In establishing the provincial regulation, the province did undertake broad consultation within the tourism sector.

Prior to establishing a MAT through a local bylaw, consultation with local hotels and motel owners/operators should be undertaken along with industry stakeholders such as the County of Grey, RTO7, Chamber of Commerce, Hotel Associations, and short-term rental accommodation providers.

Key messages that would be part of the consultation with stakeholders would include:

- A Municipal Accommodation Tax is a modern tool that municipalities can leverage to offset the tax burden placed on residents for replacement, enhancement, and addition of tourism infrastructure;
- The City is considering establishing a MAT and we are looking for feedback;
- That the funds generated would be 50 per cent shared with an eligible tourism entity and used exclusively to promote tourism in the area, including the promotion of overnight stays with the other 50 per cent of funds used by the municipality at its discretion for city services and infrastructure such as placemaking initiatives that would enhance a tourist's visit to the city and also benefit local residents.
- This revenue tool will enhance tourism promotion, develop marketing campaigns, strategies and partnerships to attract tourism;
- The collection of the fee would be streamlined using a reporting tool designed to make collection and administration by operators easy with ongoing support through the municipality.

## **7. Collection of the MAT**

The MAT is a mandatory fee once a bylaw is approved by a local municipality. The details on the collection are established in the Bylaw. The fee must be paid to the provider when paying for a booking. The fee collected must then be remitted to the municipality.

Looking at other bylaws, the bylaws usually provide that the municipal treasurer is responsible to administer the bylaw to collect the MAT and making decisions under the bylaw including establishing procedures, forms, documents, etc.

The provider is required to include on each bill for a booking the MAT, identified as a separate item. HST is payable on the MAT amount.

At the end of each month, the provider is required to remit a report with the municipality setting out the MAT required and collected in the prior month, and within 15 days remit the amount to be charged and collected.

Some municipal bylaws provide for quarterly reporting and collection: January 31, April 30, July 31, and October 31.

Normally the forms for remittance are on the website and can be filled and submitted electronically. Sample forms are shown in Attachment 2.

The Bylaw will provide for assessment in the event of failure to pay and for audit and inspection. The amount may be adjusted by the treasurer as a result of an audit. Amounts past due can be added to the tax roll for collection.

The bylaw can provide for offences for non-collection or payment under Provincial Offences.

In some cases, municipalities elect to retain a third party to undertake the administration and collection.

The Ontario Restaurant Hotel and Motel Association (ORHMA) provides for the collection of the MAT, with a 5% administration fee on overall collection.

With respect to short-term rentals, a company such as Harmari could be obtained. The cost is typically \$25,000 annually and provides for such

services as short-term rental online registration software, monitoring/reporting software, and 24/7 call centre for complaints.

## **8. Estimated revenue potential**

The Ministry of Heritage, Sports, Tourism and Culture provides historical visitor data for the RT07 region. Region 7 includes much of Bruce-Grey-Simcoe. A three-year average prior to 2020 for occupancy rates in the RT07 region is 59.7 per cent. Given that Owen Sound is very much a four-season destination, it is reasonable to use a 60 per cent occupancy rate as a baseline.

According to the same report, the average daily rate for accommodations is \$134.93. This includes roofed accommodations (hotels/motels), campgrounds, and short-term accommodations where licensed.

432 rooms in Owen Sound x 365 nights

= a potential 157,680 room nights in a year.

At a 60 per cent occupancy potential room nights are 94,608

94,608 room nights at an average \$134.93 per night = \$12,765,457.40

Total Revenue hotels and motels X MAT of 0.04 % = \$510,618.30

### *Campgrounds*

\$270,000 (2021 revenue at Harrison Park) x 0.04% = \$10,800

\$510,618.30 + \$10,800 = \$521,418.30

ORHMA Collection - \$521,418.30 x 0.05% = \$26,070.91

Short Term Licensing Contractor - \$25,000

Remaining to split 50/50 with NFP - \$470,347.39 or \$235,173.70 each.

These numbers provide an overview only for contextual purposes based on regional data available. It would take several years to establish a consistent baseline for planning and analysis purposes.



## 9. Next Steps

A multi disciplinary staff team will be required to support the further research, consultation, reporting, drafting of bylaws and establishment of policies and procedures if the Committee supports moving forward to further research and evaluate a MAT.

Table 1:

Action	Lead	Timeline
<p>Prepare information for consultations with hotel, motel and other stakeholders including Grey County, Chamber of Commerce, RT07 etc.</p> <p>Undertake consultations</p> <p>Report back to Committee on consultation feedback</p>	<p>B. Fisher</p> <p>P. Coulter</p>	<p>Q2 2022</p>
<p>Undertake research and report relating toward establishing licensing bylaw for short term rental accommodations</p> <p>Prepare bylaw</p> <p>Approve bylaw respecting licensing</p> <p>Third party administration – RFP process</p>	<p>Clerks</p> <p>Potential support from 3<sup>rd</sup> party administrator</p>	<p>Q3 2022 – Q1 2023</p>
<p>Assess how short-term rentals should be addressed in the City's Zoning By-law</p> <p>Prepare technical report</p> <p>Public meeting</p> <p>Recommendation report</p>	<p>A. Cann</p>	<p>Q2-4 2022</p>

Amend zoning bylaw		
Undertake research and report regarding administration of MAT through a third party	B. Fisher	Q3 2022
Prepare draft MAT bylaw	P. Coulter with support from solicitor or third-party expert	Q4 2022
Prepare remittance policies, processes etc.	Corporate Services with support from third party	Q2 2023
Website page creation	B.Fisher	Q2 2023
Establish Not-For-Profit corporation	City solicitor with support from Coulter and other staff	Q 3 2023
Enact MAT bylaw	Council	Q2 2023
MAT in effect		January 1, 2024

Grey County Economic Development staff will be available as a resource to work with City as they move through this project, providing available data and assisting to gather intel from colleagues who have implemented a MAT.

### **Financial Implications:**

Once the MAT is fully established it is estimated that a potential gross total annual revenue of \$510,618.30 (excluding AirBnB) would be expected.

After costs relating to collection and administration, it is estimated that there would be \$470,347.39.

50 per cent or approximately \$235,173 would be dedicated to Tourism efforts and \$235,173 would be directed to placemaking-type initiatives. There would be staff time required to support the program and to deliver the tourism efforts that are identified and supported by the Not-for-Profit Corporation.

Other municipalities have elected to engage third parties for licensing and administration of the MAT and this would be researched in further detail with information coming back to Committee in a subsequent report as noted above. Any third party would be retained through an RFP process consistent with the City's Purchasing Bylaw.

There would be legal costs associated with establishing the Incorporated Non-For-Profit Corporation. A preliminary estimate would be \$2-5,000.

A high-level estimate for third-party administration, based on the above data would be approximately \$50,000 for both the MAT and short-term rental accommodation licensing.

There will be a significant investment of staff time (Director, Community & Business Development Manager, Clerk, Manager of Planning) along with Committee and Council. Once up and operating, the program will generate revenue. Costs relating to administration and collection are expected to be self-financing.

Further information will be provided on the 2 issues relating to short-term rental licensing and administration of MAT through third parties will come forward to Committee.

### **Communication Strategy:**

The first step identified is engagement of the hotel and motel operators as well as other stakeholders such as Grey County and the Chamber of Commerce along with short-term rental operators.

A web page would be dedicated to the project with FAQs and other information and all staff reports on the issue.

Any amendment to the City's Zoning Bylaw would require a public process as prescribed under the Planning Act.

### **Consultation:**

City Clerk, Manager of Planning & Heritage, Director of Corporate Services.

### **Attachments:**

1. MAT Bylaw Sample – Town of South Bruce Peninsula
2. Municipal Accommodation Tax Report Form

### 3. RT07 Visitor Statistics

**Prepared and Recommended by:**

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**Reviewed by:**

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Tim Simmonds, City Manager

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