



ATTACHMENT 1

**TOURISM PROMOTION ENTITY
"TOURISM VAUGHAN CORPORATION"
BUSINESS CASE STUDY**

Prepared pursuant to Section 6 of Ontario Regulation 599/06
"Municipal Services Corporations"

Enabled by section 203(4) of the *Municipal Act, 2001*, S.O. 2001, c. 25 as amended

March 14, 2019

1.0 INTRODUCTION

City of Vaughan Mayor and Members of Council (“Council”) approved a Bylaw allowing the City to levy a four per cent Municipal Accommodation Tax (“MAT”) on the purchase of transient accommodations including hotels, motels, and bed and breakfasts in Vaughan, effective April 1, 2019. Council also approved a MAT for short-term rental accommodations, subject to a future decision on regulating this segment of the transient accommodation industry (including online home sharing platforms).

MAT will only be paid by visitors making accommodation bookings for a continuous period of 29 nights or less. The MAT will be collected by transient accommodation providers and remitted to the City. Pursuant to O. Reg 435/17, at least 50 per cent of the MAT revenues must be shared with a tourism promotion entity.

Therefore, The Corporation of the City of Vaughan (“City”) is proposing to establish a municipal service corporation (referred to below as the “Corporation” or “MSC”), named ‘Tourism Vaughan’ (if such name is available) to serve as the tourism promotion entity in Vaughan, Ontario.

It is important that an effective governance model for the Corporation be established to support the long-term sustainability and effectiveness of its mandate, funding, programs, infrastructure, and stakeholders.

Ontario Regulation 599/06 requires the City to prepare a business case study, to consult with the public about the proposal to establish the Corporation, and to obtain approval of the business case by Council Resolution or Bylaw.

The business case study presented herein fulfills the requirements of Ontario Regulation 599/06.

2.0 PURPOSE

The City proposes to incorporate a non-share capital Corporation under the *Corporations Act* (Ontario) with the City as the sole member.

Specifically, this business case

- (i) describes the need for, and foundational elements required to start-up and operate the Corporation; and

- (ii) constitutes the provincially required business case for the proposed Corporation, prepared pursuant to Section 6 of Ontario Regulation 599/06 “Municipal Services Corporations” made under section 203(4) of the *Municipal Act, 2001*, S.O. 2001, c. 25, as amended.

The following sections outline the jurisdiction, rationale, market research and analysis supporting the proposal for establishing a Corporation. After this discussion, the Corporation is described in relation to legislative and regulatory requirements. This business case study concludes with recommendations on required decisions.

3.0 JURISDICTION: LEGISLATIVE CONTEXT FOR ESTABLISHING THE CORPORATION

3.1 Municipal Accommodation Tax

Section 400.1 of the Municipal Act, 2001, c.25 provides that the council of a local municipality may pass by-laws imposing a tax in respect of the purchase of transient accommodation within the municipality. Amendments were introduced as part of the 2017 Provincial Budget and received Royal Assent on May 17, 2017.

On November 23, 2017 the Province of Ontario issued the Transient Accommodation Regulation 435/17 (the “Regulation”), which came into effect on December 1, 2017 and provides the necessary provisions for municipalities across Ontario to implement a mandatory Municipal Accommodation Tax (“MAT”) for transient accommodations through a Bylaw, including setting the tax rate applicable to transient accommodations.

Under the Regulation, municipalities without a destination marketing fee, like Vaughan, are required to share at least 50 per cent of the MAT revenue, net of reasonable costs of collecting and administering the tax, with one or more eligible tourism entities. Under the Province’s definition, an eligible tourism entity means a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality. Staff explored options for an eligible tourism entity and deemed that a Municipal Services Corporation would meet the Ontario MAT Regulation.

3.2 Municipal Services Corporation

A Municipal Service Corporation such as the one proposed herein may be established under Section 203 of the *Municipal Act, 2001*, and pursuant to Ontario Regulation 599/06 (“Regulation”).

3.3 Council Approvals and By-laws: City of Vaughan

On June 6, 2018 Council directed staff to consult with industry stakeholders on the potential implementation of a MAT in Vaughan, including information about the proposal to establish a Corporation. Industry stakeholder consultations took place throughout November 2018. Item No. 10 of Report No. 6 of the Finance, Administration and Audit Committee 2018, as approved by Council on June 19, 2018 (Confirming By-law #153-2018) (Attachment 1).

On January 29, 2019, Council approved the implementation of a MAT and a related by-law to levy a four per cent tax applicable to all hotels, motels, campgrounds, bed and breakfast organizations, and short-term rental (STR) accommodations with conditions, operating in the City of Vaughan.

Further, at an open meeting of the Finance, Administration and Audit Committee on January 21, 2019 Council received information about the proposal to establish a municipal service corporation called, "Tourism Vaughan"; and approved the creation of the Corporation, with direction to fulfill matters related thereto. Refer to Item No. 3 of Report No. 1 of Finance, Administration and Audit Committee 2019, as approved by Council on January 29, 2019 (Confirming Bylaw #10-2019). (Attachment 2)

On March 19, 2019 Council passed City of Vaughan By-law 029-2019 – Municipal Accommodation Tax – Hotels (Attachment 3).

4.0 RATIONALE: BENEFITS OF ESTABLISHING THE CORPORATION

The intended benefits of the Corporation are described in this section.

- (i) The Corporation satisfies the Province's requirement for a qualified local tourism organization that serves as a destination marketing organization and to make use of the 50 per cent allocation of the MAT tax revenues;
- (ii) The Municipal Services Corporation model provides a balance between autonomy of problem-solving and expeditious decision-making that results from having a separate legal entity with a board and management to carry out municipal objectives; and accountability, corporate responsibility, oversight and reasonable controls through the role of the sole member - the City;
- (iii) Allows for the private and not-for-profit sectors to share a common vision and direction for tourism and destination marketing. The proposed Corporation will rely on the funds generated from the approved Municipal Accommodation Tax (a

four (4) per cent tax levied on transient accommodation in Vaughan), and use community-based strategies to promote tourism and related community development investment in Vaughan;

- (iv) The Corporation shall have access to City resources and industry expertise in the areas of destination marketing and strategic tourism investment planning through the involvement of experienced stakeholders of the community, and with City staff and external resources;
- (v) The establishment of a Corporation leverages operational efficiencies (including rent, utilities and other operating costs) offered by the City resulting in net positive benefits of greater funding dedicated to marketing purposes; and
- (vi) The City, as sole member, will be responsible for selecting and electing the Board of Directors and any officers, and may establish a governance framework for decision-making, strategic planning, budget and business plans, and corporate policies.

In the absence of a Corporation, the City would have to allocate 50 per cent of MAT revenues, and responsibility for marketing Vaughan exclusively as an overnight tourist/business destination, to an external organization or agency, over which the City has no direct control or oversight, nor existed at the time of writing this Business Case Study.

5.0 MARKET RESEARCH AND ANALYSIS

5.1 Assessing the Vaughan Marketplace and Estimating the MAT Revenue

In August 2018, the City commissioned the firm of CBRE Travel and Leisure to undertake a Market and Municipal Accommodation Tax Revenue Assessment report. A final report was successfully completed and submitted to the City in September 2018.

The report determined that as of year-end 2018, the City was home to twelve (12) hotels and four (4) motels representing an inventory of 1,845 rooms. The Vaughan marketplace has the potential to realize future supply of 1,200 additional rooms, with approximately 500 rooms being constructed in the Vaughan marketplace during the first five-year projection period, according to the report.

With respect to total revenue potential from a 4 per cent MAT applied to transient accommodation purchases in Vaughan (including hotel/motels, and short-term rentals

including online home sharing platforms), CBRE estimated these figures to be on the order of \$3.3 million in year one, growing to approximately \$4.5 million in year five. Therefore, the revenue sharing model would require that the City receive 100 per cent of the MAT collected by transient accommodation providers and allocate 50 per cent to the Corporation. This represents \$1.65 million in the first full year growing to \$2.25 million by year five of the forecast period.

These MAT revenues serve as the primary income source for the Corporation.

5.2 Industry Consultations and Communication Planning

During November 2018, City staff implemented a comprehensive industry engagement and communication plan. Prior to commencing the industry consultation process, City staff prepared a communication plan, which included identification of audiences, key messages and tactics. The communication plan represented all phases of this project from industry engagement to implementation of the MAT.

E-mail or letter invitations for in-person or teleconference meetings were delivered to the owners and/or management of the sixteen (16) hotels and motels within Vaughan, Airbnb representatives, as well as five (5) non-profit business associations involved directly or indirectly with tourism in Vaughan.

City staff met with stakeholders regarding the implementation of a four per cent MAT, including sharing information about the proposal to establish the Corporation. The Vaughan Chamber of Commerce also hosted a hotel/motel industry roundtable meeting.

To facilitate discussion, staff provided each representative with an overview of the MAT, legislative background information, proposed administration process, proposed use of funds, proposed Corporation, and next steps.

The City facilitated constructive and positive discussion with all stakeholders. Although the MAT is a new tax, the industry recognized the business development and marketing opportunities that a new revenue source presented.

The dedicated funding for Vaughan-only tourism promotion, focused on promoting overnight stays, allowed stakeholders to envision future revenue-enhancing projects.

5.3 Industry Feedback

Given the MAT has become more prevalent in Ontario since 2017, including the Greater Toronto Area, there was consensus amongst industry stakeholders to support implementing a Vaughan-based MAT, provided:

- (i) The tax revenue is reinvested in Vaughan for the promotion of overnight stays
- (ii) The MAT rate be set at four per cent (4%) consistent with Mississauga, Toronto, Markham, Oakville and other jurisdictions in Ontario
- (iii) The MAT be applied to short-term rentals (e.g., online home sharing platforms) in the future.
- (iv) The hotel/motel industry (including business associations) have a strong voice in shaping the business development and marketing plans or activities of the new Corporation. Suggestions included directing strategies in the hotel/motel shoulder and low season.
- (v) The overall competitiveness of Vaughan's accommodation industry be positively impacted.
- (vi) The unencumbered revenues available at Council's discretion be invested in tourism-related city services and infrastructure to enhance visitor/guest experience.
- (vii) All stakeholders expressed an interest to be kept informed of the Council approval process and implementation process.
- (viii) Openness, transparency and accountability of the Corporation.
- (ix) All marketing strategies be applied on a City-wide basis benefitting all districts/geographies in Vaughan

Additional background information on the marketplace and tourism industry in Vaughan can be found in Attachment 4 – Frame of Reference.

Next, the proposed Corporation is discussed in detail.

6.0 THE CORPORATION

6.1 Mission Statement

To market and promote Vaughan as a tourism destination for tourists, visitors, and business travellers attending overnight and multi-day events including meetings and conferences, festivals, sporting and celebration events, business and leisure travel. With support from the hotel industry and short-term rental accommodation providers, tourism operators, meeting and planning industry, festival organizers, sports groups, entertainment, food, and retail establishments, community service organizations, and

the City of Vaughan's Economic and Cultural Development Department, the Corporation will research, develop and implement destination marketing and promotional programming to grow Vaughan's tourism industry.

A long-term branding strategy and marketing plan shall be developed within the initial two-year period.

6.2 Guiding Principles

The Corporation shall be guided by the following principles. They function as guideposts in future decision-making throughout the Corporation's lifecycle irrespective of any changes in leadership, goals, strategies and activities:

- (i) The Corporation will take a **leadership role** in promoting and marketing the Vaughan as a leading destination for tourism, leisure and business travel with an emphasis on promoting overnight stays.
- (ii) The Corporation is a **supportive partner** to the Vaughan Chamber of Commerce, Regional Tourism Organization(s), and other business, government and not for profit organizations in delivering programming that attracts greater spending and investments in Vaughan. In so doing, the Corporation will ensure that its **work is complementary** to work done by others.
- (iii) Existing hotel operators, tourism venues and affiliated service providers have tremendous insight and expertise, and they should have a **seat at the table**.
- (iv) The Corporation will undertake its work based on objective decision-making process that is **accountable and transparent**, resulting in **city-wide benefits**.
- (v) The Corporation will develop and implement tourism marketing strategies that reflect Vaughan's unique character, its cultural and built heritage, diverse ethnic communities, social and cultural traditions, recreational and sports assets, and business development opportunities.
- (vi) The Corporation will seek to **leverage the transit and infrastructure investments** made by the City, Region and Province to build exciting tourism offerings and a sense of place in key areas such as the Vaughan Metropolitan Centre, local village cores, and industrial-commercial areas.

6.3 Corporate Objects

It is proposed that the City incorporate a single Corporation for the delivery of the following specific economic development services:

- (i) Promotion of the City for the purposes of attracting tourists and visitors, thereby generating overnight stays and associated economic spin-offs;
- (ii) Collection and dissemination of information, i.e. to conduct targeted market research identifying tourism and business travel opportunities in Vaughan;
- (iii) Development of tourism promotion and business development strategic plans, i.e. to develop multi-year marketing plans and strategies that address Vaughan's strategic goals for a robust tourism and business destination;
- (iv) Provision of facilities for amusement or for conventions and visitors' bureaus, i.e. to support and facilitate the growth and development of local tourism sector by identifying and promoting opportunities for new tourism-related infrastructure and service investments (including attractions, public transit, information kiosks, community hubs, festivals and special events, conventions, etc.) that will generate positive economic growth in Vaughan; and
- (v) Counselling service to or encouraging the establishment and initial growth of tourism-related small businesses operating or proposing to operate in the City, i.e. to facilitate a high level of collaboration amongst the City's tourism industry, business organizations and the City.

6.4 Corporate Governance: Board and Sub-Committees

Council shall be responsible for appointing the Board of Directors ("Board") of the Corporation and may also from time-to-time appoint officers.

As can be seen in Attachment 2, on January 29, 2019 Council approved the following executive positions to serve as the start-up Board of the Corporation:

- (i) City Manager (or designate),
- (ii) Chief Financial Officer (or designate),
- (iii) Chief of Corporate Initiatives and Intergovernmental Relations (or designate),
and
- (iv) Regional and Ward Councillor Gino Rosati

Further, Council authorized the City Clerk, City Solicitor, Chief Financial Officer and Chief of Corporate Initiatives and Intergovernmental Relations, and his or her designate, to take all actions to give effect to the MAT, including establishing the Corporation.

Based on industry feedback (see above), a Strategic Advisory Sub-Committee comprising of hotel industry stakeholders and local business organizations shall be established by the Board to provide guidance and expertise related to the development of strategic marketing and business development plans.

Directors and officers of the Corporation are deemed to be members for the purposes of the *Municipal Conflict of Interest Act*. The Corporation is deemed to be a local board for certain limited purposes, including the purposes of the *Municipal Conflict of Interest Act*. Furthermore, the wholly-owned Corporation is deemed to be an institution for the purposes of the *Municipal Freedom of Information and Protection of Privacy Act*.

6.5 City Assistance to the Corporation

Pursuant to O. Reg 599/06 (15), the City shall provide the services of employees of or persons under contract with the City. More specifically, the Corporation shall receive assistance from two full-time City staff positions comprised of a Manager of Tourism, Arts and Cultural Development, and a Tourism Development Officer to assist the Board in managing and operating the Corporation. These City employees shall be funded at market value by the MAT. The above City staff positions were approved by Council as part of the 2019 Budget on February 20, 2019.

The initial headquarters of the Corporation shall be Vaughan City Hall located at 2141 Major Mackenzie Drive West, Vaughan, Ontario. The City shall assist the Corporation with office space, information technology, utilities, meeting rooms, use of equipment such as photo-copiers, communication/graphic design services, data/analytics, and small business counselling services below fair market value to minimize administration expenses, and to maximize strategy and program expenditures of the Corporation.

Treasury and procurement services to the Corporation may also be provided by the City at or below fair market value.

The City Treasurer shall prepare a statement of the value of any grant to the Corporation, or an estimate of the fair market value of any other assistance provided at less than fair market value to the Corporation.

The relationship between the City and the Corporation on matters of mutual interest, including City assistance to the Corporation, shall be managed by an Agreement.

6.6 Financial Management and Asset Transfer

The creation and management of an annual operating budget will be the responsibility of the Board and is subject to Council approval. The Corporation will be funded from the proceeds of the MAT (50 per cent tourism promotion share) approved by Council to take effect on April 1, 2019.

It is anticipated that the Corporation's share of the MAT revenue in the initial five-year period will be approximately \$1.65 - \$2.25 million annually (full operating year). As previously stated, annual revenue is anticipated to grow as transient accommodation capacity and rates increase over time (including short-term rental and online home sharing providers). A top-line budget for the first full operating year (2020) is presented in Attachment 5.

Under Section 7 of Regulation 599/06, the City is required to adopt and maintain policies on asset transfer to the Corporation, before the City transfers any assets to the Corporation.

Should the Corporation dissolve due to legislative or municipal by-law changes, the Agreement shall indicate wind-down instructions including the distribution of assets and liabilities of the Corporation. That is, the City shall manage the wind-down process pursuant to applicable laws, regulations, and contracts, and the City shall assume outstanding debt/liabilities and assets of the Corporation.

The fiscal year of the Corporation shall be the same as the City.

Financial management matters shall also be described within the Agreement.

6.7 Public Accountability and Reporting

The Board will provide Council with a multi-year business plan and financial statement as part of the City's annual budget approval process. The business plan will include the following:

- (i) The strategic objectives, priorities and business objectives;
- (ii) Revenue and expenditures anticipated in the coming year;
- (iii) Performance metrics for monitoring progress and accomplishments;
- (iv) An operating budget for the Corporation for the next financial year, including the current year actual, budget and variances.

Annually, the Board will present results of operations to Council including information regarding major business development activities and accomplishments.

The Board shall prepare Corporate Policies and Procedures or adopt the City's Policy and Procedures. The Corporation shall maintain a log of such documents and make them available to the Board, staff and the public.

The Corporation will be subject to audit by the City's Internal Auditor (or designate), as required.

The Board shall be required to conduct regular and open meetings, including an Annual General Meeting, pursuant to its Corporate By-law and the Agreement. An annual calendar of meeting dates of the Board and Committees shall be posted on the Corporation's website.

The above matters shall also be described in the Agreement, including provisions that restrict the Board's scope of authority to the extent desired by Council.

6.8 Assistance Prohibited and General Power to Make Grants

Without exception, the Corporation shall not have the power to assist directly or indirectly any manufacturing business or other industrial or commercial enterprise through the granting of bonuses for that purpose.

Moreover, the Corporation shall have the general power to make grants to any person, group or body, including a fund, subject to the Agreement and Section 107 of the *Ontario Municipal Act, 2001*.

6.9 Intellectual Property (IP) Assets

Trademarks, copyrights and other IP rights related to the Corporation shall be registered with the Canadian Intellectual Property Office (CIPO) pursuant to the *Trade-marks Act, 1985*, *Copyright Act, 1985* and other applicable legislation.

The City may register and own official marks of the Corporation and consent to the use of these marks by the Corporation through a Licensing Agreement or other similar document.

6.10 Legal Documents of the Corporation

External advisors to the City, City staff and the Board (as applicable) shall prepare, manage and communicate the following Corporate documents, and others as required:

- (i) Certificate of Incorporation, or Letters Patent, and supplemental amendments
- (ii) Corporate By-law(s) and Schedules
- (iii) Corporate Policies and Procedures
- (iv) Agreement, on matters of mutual interest between the City and the Corporation
- (v) Intellectual Property Certificates, including Trade-marks and Copyrights
- (vi) Other documents, such as Strategic Plans, Financial Statements, as required.

These documents shall be disclosed to the public via the Corporation's internal and external electronic communication systems, and in print form upon request.

7.0 CONCLUSION AND RECOMMENDATIONS

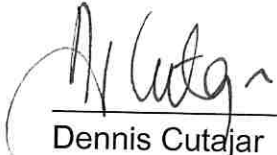
In conclusion, this Business Case Study was prepared to support the creation of the Corporation, as adopted by Council and pursuant to O. Reg 599/06. The objects of the Corporation include the planning and delivery of economic development services, focused solely on tourism-related promotion and business development within the municipal boundary of Vaughan, Ontario. The primary income source of the Corporation is 50 per cent of the Vaughan MAT, pursuant to applicable City By-law 029-2019 and Ontario Regulations.

Information about the proposal to establish the Corporation was widely communicated to stakeholders by the City, therefore it is reasonable to conclude that the public consultation requirements of the Regulation have been fulfilled (i.e., through industry consultations; through staff reports and presentations at open meetings of the City's Finance, Audit and Administration Standing Committee and Council; and, by way of a Council Resolution and Confirming By-law authorizing the creation of the Corporation approved in an open meeting).

This Business Case Study was circulated to the Ministry of Municipal Affairs and Housing staff and to applicable internal City Departments for comments.

It is recommended that this Business Case Study, and related research and analysis, be adopted by Council.

Business Case Study written by:



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Dated: 03/14/19

03/14/19

EXTRACT FROM COUNCIL MEETING MINUTES OF JUNE 19, 2018

Item 10, Report No. 6, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on June 19, 2018.

10 MUNICIPAL ACCOMMODATION TAX (MAT) – A FORWARD PLAN FOR THE CITY OF VAUGHAN

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Corporate Initiatives and Intergovernmental Relations and Chief Financial Officer and City Treasurer, dated June 6, 2018:

Recommendations

1. THAT, Council approve a Municipal Accommodation Tax (MAT) Consultation Program, as substantially presented in this report, including: market and fiscal assessment, industry engagement, governance options and corporate municipal implications; and
2. THAT, upon completion of the Municipal Accommodation Tax (MAT) Consultation Program staff be authorized to incorporate the findings of the Consultation Program, and proposed recommendations into the 2019 Budget Process.

THE CITY OF VAUGHAN

BY-LAW

BY-LAW NUMBER 153-2018

A By-law to confirm the proceedings of Council at its meeting on June 19, 2018.

The Council of The Corporation of the City of Vaughan ENACTS AS FOLLOWS:

1. THAT the actions of the Council at its meeting held on June 19, 2018 with respect to each recommendation contained in the Meeting Agenda of that date and in respect to each motion, resolution and other action taken by the Council at the said meeting, subject to all approvals required by law, are hereby adopted, ratified and confirmed.

2. THAT the Head of the Council or the Acting Head of the Council and the proper officers of the Municipality are hereby authorized and directed to do all things necessary to give effect to the said motions, resolutions and other actions and to obtain approvals where required, and, except where otherwise provided, the Head or Acting Head of the Council the Clerk and/or Treasurer are hereby authorized to execute all documents necessary in that behalf, and the said Clerk is hereby authorized and directed to affix the corporate seal of the Municipality to all such documents.

Enacted by City of Vaughan Council this 19th day of June, 2018.

Hon. Maurizio Bevilacqua, Mayor

Todd Coles, City Clerk

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 29, 2019

Item 3, Report No. 1, of the Finance, Administration and Audit Committee, which was adopted, as amended, by the Council of the City of Vaughan on January 29, 2019, as follows:

By approving that Regional Councillor Rosati serve on the Board of Directors of the Municipal Services Corporation, as the Council representative; and

By receiving communication C12, from Mr. Brian Shifman, Vaughan Chamber of Commerce, Edilcan Drive, Vaughan, dated January 25, 2019.

3. MUNICIPAL ACCOMMODATION TAX

The Finance, Administration and Audit Committee recommends:

- 1) That the recommendation contained in the following report of the Interim City Manager, the Chief Financial Officer and City Treasurer and the Deputy City Manager, Corporate Services, dated January 21, 2019, be approved, subject to deferring recommendation #7 to the Council meeting of January 29, 2019;
- 2) That Communication C1, presentation material entitled, "Municipal Accommodation Tax (MAT) and Tourism Destination Marketing Organization (DMO) in Vaughan, Ontario", be received; and
- 3) That the deputation of Mr. Dino Giuliani, Kleinburg Inn, Highway 27, Vaughan, be received.

Recommendations

1. That a four per cent (4%) Municipal Accommodation Tax (MAT) be implemented for paid overnight accommodations at hotels, motels, campgrounds, bed and breakfast organizations operating in the City of Vaughan, effective April 1, 2019;
2. That a four per cent (4%) Municipal Accommodation Tax (MAT) be implemented for short-term rental (STR) providers (including online home sharing platforms) operating in the City of Vaughan, subject to Council's future direction on short-term rentals;
3. That a new reserve fund "Municipal Accommodation Tax" be established for the financial sustainability management of the MAT revenues;
4. That the Chief Financial Officer and City Treasurer be authorized to make one or more payments in each fiscal year to one or more eligible tourism promotion entities, the total of which be equal to fifty per cent (50%) of Municipal Accommodation Tax revenue collected, net of a reasonable collection and administration fee;

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF JANUARY 29, 2019

Item 3, FAA Report No. 1 – Page 2

5. That the City Clerk be authorized to enter into an agreement with each eligible tourism entity respecting the financial accountability required to ensure that all Municipal Accommodation Tax amounts paid to the eligible tourism entity are used for the exclusive purpose of promoting tourism as required by Ontario Regulation 435/17;
6. That the City's portion of the Municipal Accommodation Tax revenue be directed to support investments, such as Vaughan-based placemaking, beautification, infrastructure and communications programming that support citizen/visitor/guest experience and tourism-related services, infrastructure development and services-in-kind for tournaments and other events using city assets, subject to the annual budget approval process;
7. That staff take all steps necessary to create a Municipal Services Corporation (MSC) pursuant to the Ontario *Municipal Act*, requirements of Ontario Regulation 599/06, and other applicable legislation and regulations in the Province of Ontario, and Canada; and, that the Municipal Services Corporation be called "Tourism Vaughan" with objectives of promoting tourism in the City of Vaughan; and, that The Corporation of the City of Vaughan serve as the sole shareholder of the Municipal Services Corporation; and, that the following executive positions be approved to serve as the start-up Board of Directors of the Municipal Services Corporation: City Manager (or designate), Chief Financial Officer (or designate), Chief of Corporate Initiatives and Intergovernmental Relations (or designate) and one member of Council;
8. That a by-law be brought to a future Council meeting to establish the City of Vaughan Municipal Accommodation Tax (Hotels/Motels), effective April 1, 2019; and
9. That the City Clerk, City Solicitor, Chief Financial Officer and Chief of Corporate Initiatives and Intergovernmental Relations and his or her designate be authorized and directed to take all actions to give effect to these resolutions.

THE CITY OF VAUGHAN

BY-LAW

BY-LAW NUMBER 010-2019

A By-law to confirm the proceedings of Council at its meeting on January 29, 2019.

The Council of The Corporation of the City of Vaughan ENACTS AS FOLLOWS:

1. THAT the actions of the Council at its meeting held on January 29, 2019 with respect to each recommendation contained in the Meeting Agenda of that date and in respect to each motion, resolution and other action taken by the Council at the said meeting, subject to all approvals required by law, are hereby adopted, ratified and confirmed.
2. THAT the Head of the Council or the Acting Head of the Council and the proper officers of the Municipality are hereby authorized and directed to do all things necessary to give effect to the said motions, resolutions and other actions and to obtain approvals where required, and, except where otherwise provided, the Head or Acting Head of the Council the Clerk and/or Treasurer are hereby authorized to execute all documents necessary in that behalf, and the said Clerk is hereby authorized and directed to affix the corporate seal of the Municipality to all such documents.

Enacted by City of Vaughan Council this 29th day of January, 2019.

Hon. Maurizio Bevilacqua, Mayor

Todd Coles, City Clerk

THE CITY OF VAUGHAN

BY-LAW

BY-LAW NUMBER XXX-2019

A By-law to enact a Municipal Accommodation Tax on the sale of Hotel Accommodation within the City of Vaughan.

WHEREAS section 400.1 of the *Municipal Act, 2001*, S.O 2001, c.25, (the "Act") provides that the Council of a local municipality may, by by-law, impose a tax in respect of the purchase of transient accommodation within the municipality;

AND WHEREAS pursuant to section 400.1 of the Act and the Ontario Regulation 435/17, the Council of The Corporation of the City of Vaughan wishes to establish the tax rate and to levy the tax on the purchase of Hotel Accommodation within the City of Vaughan;

AND WHEREAS pursuant to section 400.1(3) and 400.4 of the Act, Council can establish enforcement measures as Council considers appropriate if an amount assessed for outstanding tax, penalties or interest remains unpaid after it is due;

NOW THEREFORE the Council of the Corporation of the City of Vaughan ENACTS as follows:

DEFINITIONS

1. For the purpose of this By-law:

"Chief Financial Officer and City Treasurer" means the person appointed and designated as the City Treasurer;

"City" means The Corporation of the City of Vaughan;

"Council" means the Council of The Corporation of the City of Vaughan;

"Eligible Tourism Entity" has the meaning given to it in the Ontario Regulation 435/17, as

amended.

"Establishment" means the physical location, a building, or part of a building that provides Hotel Accommodation;

"Hotel Accommodation" means lodging in a room containing one or more beds in a hotel, motel, hostel, campground, bed and breakfast, club, condo hotel, or portion of a large multi-use complex used as a hotel, for a period of a minimum of 4 hours and a maximum of 29 consecutive nights.

"Municipal Accommodation Tax" or "MAT" means the tax imposed under this By-law;

"Provider" means a person or an entity that sells, offers for sale, or otherwise provides Hotel Accommodation, and includes agents, hosts or others who sell, offer for sale or otherwise provide Hotel Accommodation;

"Purchaser" means a person who purchases Hotel Accommodation;

"Purchase Price" means the price for which Hotel Accommodation is purchased, including the price paid, and/or other consideration accepted by the Provider in return for the Hotel Accommodation provided. Purchase Price does not include the goods and services tax imposed by the Government of Canada or by the Province of Ontario. Purchase Price also does not include fees and surcharges for ancillary services including food, beverages, entertainment, internet and telephone usage, unless such ancillary charges have not been separately itemized on the invoice for Hotel Accommodation;

APPLICATION OF TAX

2. A Purchaser shall, at the time of purchasing Hotel Accommodation, pay the Municipal Accommodation Tax in the amount of four (4) per cent of the Purchase Price of Hotel Accommodation.
 - a) For greater certainty, the continuous period referred to above, is not disrupted by the purchase of different rooms, suites, beds or other lodging in the same Establishment in the course of the continuous period.

EXEMPTIONS

3. The Municipal Accommodation Tax imposed under this By-law does not apply to:

- a) The Crown, every agency of the Crown in right of Ontario and every authority, board, commission, corporation, office, or organization of persons a majority of whose directors, members or officers are appointed or chosen by or under the authority of the Lieutenant Governor in Council or a member of the Executive Council;
- b) Every board as defined in subsection 1(1) of the *Education Act*;
- c) Every university or a college of applied arts and technology or post secondary institution whether or not affiliated with a university, the enrolments of which are counted for purposes of calculating operating grants entitlements from the Crown;
- d) Every hospital referred to in the list of hospitals and their grades and classifications maintained by the Minister of Health and Long-Term Care under the *Public Hospitals Act* and every private hospital operated under the authority of a license issued under the *Private Hospitals Act*;
- e) Every long-term care home as defined in subsection 2(1) of the *Long Term Care Homes Act, 2007* and hospices;
- f) Accommodations provided by a treatment center that receives provincial aid under the *Ministry of Community and Social Services Act*;
- g) Accommodations provided by house of refuge, or lodging for the reformation of offenders;
- h) Accommodations provided by a charitable or non-profit philanthropic corporation organized as shelters for the relief of the poor or for emergency;
- i) Every hotel or motel room used by the City or its agents for shelter purposes; and
- j) Accommodations supplied by employers to their employees in premises operated by the employer.

DELEGATION OF AUTHORITY

4. The City Clerk, or designate, is hereby delegated the authority to enter into agreements, including all necessary documents ancillary thereto, with an Eligible Tourism Entity(ies) that receives an amount of the MAT, respecting reasonable financial accountability matters, in order to ensure that the amount paid to the entity is used for the exclusive purpose of promoting tourism, and the agreements may provide for other matters, all in a form satisfactory to the City Solicitor.
5. The Chief Financial Officer and City Treasurer, or his or her designate, shall be responsible for the administration of this By-law, including but not limited to approvals, appeals, enforcement,

collection, and for instructing legal counsel to take such legal action as may be considered appropriate.

6. In administering this By-law, the Chief Financial Officer and City Treasurer, or his or her designate, may issue such interpretation bulletins and guidelines as the Chief Financial Officer, from time to time, determines necessary or advisable.

TAX COLLECTED AND STATEMENT SUBMITTED

7. A Provider shall collect the MAT from the Purchaser at the time the Hotel Accommodation is purchased.
8. The amount of the MAT shall be identified as a separate item or charge on a bill, receipt, invoice, or similar document issued by the Provider in respect of the Hotel Accommodation on which the tax is imposed and the item shall be identified as "Municipal Accommodation Tax".
9. A Provider shall have a one-time-only choice of whether to remit the MAT collected on a monthly or quarterly basis. Once the Provider has made a choice regarding the frequency of remittance, the Provider shall not be able to change the frequency of remittance.
10. If the Provider chooses to remit monthly, the Provider shall, on or before the last day of every month, remit to the City the amount of the MAT collected for the previous month and submit the monthly statements in the form required by the Chief Financial Officer and City Treasurer detailing the number of the Hotel Accommodations sold, the Purchase Price of each Hotel Accommodation, the MAT amount collected and any other information as required by the Chief Financial Officer and City Treasurer for the purposes of administering and enforcing this By-law.
11. If the Provider chooses to remit quarterly, the Provider shall, on or before April 30, July 31, October 31, and January 31 (of the following year), remit to the City the amount of the MAT collected for the previous three months and submit the monthly statements in the form required by the Chief Financial Officer and City Treasurer detailing the number of the Hotel Accommodations sold, the Purchase Price of each Hotel Accommodation, the MAT amount collected and any other information as required by the Chief Financial Officer and City Treasurer for the purposes of administering and enforcing this By-law.

INTEREST, PENALTIES AND FEES

12. A charge of 1.25 per cent of the amount of the MAT due and unpaid shall be imposed as a penalty for the non-payment of taxes on the first day of default based on the full occupancy of the Establishment unless the actual amount of the MAT owing can be determined by the City, in which case, the charge of 1.25 per cent of the actual amount of the MAT owing to the City shall be imposed.
13. Interest at the rate of 1.25 per cent of the amount of the MAT due and unpaid, shall be imposed monthly for the non-payment of taxes on the first day of each and every month and subsequent months following the first day of default until the MAT, including all charges and interest owing, is paid in full.
14. A fee shall be charged in respect of all payment remittances that are not honoured by the financial institution upon which it is drawn in an amount as set out in the City of Vaughan User Fee By-law, 396-2002, as amended.

ENFORCEMENT & LIENS

15. Upon default of payment, the City may bring an action for the recovery of the amount in any court in which a debt or money demand of a similar amount may be collected and every such action shall be brought and executed in and by the name of the City.
16. The use of any of the remedies provided by this section does not bar or affect any of the other remedies herein provided, and the remedies provided by this By-law for the recovery and enforcement of the payment of any amount required under this By-law are in addition to any other remedies existing at law, and no action or other proceeding in any way prejudices, limits or affects any lien, charge or priority existing under this chapter or at law in favour of the City.
17. The City may refer the collection of any tax payable or required to be remitted to a bailiff or collection agency.
18. The City may register a lien on any property in which the accommodation has been provided and for which tax remains owing.

AUDIT AND INSPECTION

19. Every Provider shall keep books of account, records, and documents. sufficient to furnish the City with the necessary particulars of sales of Hotel Accommodation, amount of MAT collected, and remittance for a period of no less than seven years.
20. The City, or its agent, may inspect and audit all books, documents, transactions, and accounts of the Providers and require the Provider(s) to produce copies of any documents or records required for the purposes of administering and enforcing this By-law.
21. The City may, for any purpose relating to the administration or enforcement of this By-law, serve on any person personally, by electronic communication, registered mail or by a courier service, a written demand for information or for the production on oath or otherwise of books, letters, accounts, invoices, financial statements, electronic and such other documents as the City considers necessary to determine compliance with this By-law.
22. Where it appears from an inspection, audit or examination of the books of account, records or documents that this By-law has not been complied with, the person making the inspection, audit or examination shall calculate the amount payable in such manner and form and by such procedure as the City considers adequate and expedient, and the City shall assess the amount payable.
23. A person in receipt of such a demand shall comply within the time specified on the demand.

DETERMINATION OF AMOUNT

24. The City may make a determination of an amount of tax required to be remitted, together with any interest imposed upon any tax outstanding, if a Provider responsible for the payment or remittance of tax fails to pay, as required.
25. The City may assess or reassess for any tax payable by the Provider within three years from the day the tax was remittable, except that where the City establishes that a Provider has made any misrepresentation that is attributable to neglect, carelessness or willful default, or has committed any fraud in supplying any information under this chapter, or in omitting to disclose any information, then the City may assess or reassess, for any time the City considers reasonable, the tax payable.

26. The City shall send by mail or registered mail or deliver by hand, a notice of the calculation made under section 18 or 19 to the Provider at the Providers' last known address, and that the amount determined is payable within 30 days from the date of mailing or delivery of the notice.
27. Liability to pay an amount is not affected by an incorrect or incomplete assessment or by the fact that no assessment has been made.
28. The City is not bound by any information delivered by or on behalf of a Provider responsible for the payment of tax and may, notwithstanding any information that has been delivered or if no information has been delivered, assess the tax payable.
29. This calculation, subject to being varied or adjusted due to an objection or appeal and subject to a recalculation, shall be deemed to be valid and binding despite any error, defect or omission in the assessment or in any proceeding related to it.

REFUNDS

30. Where a person has paid or remitted an amount that is not payable under this By-law, the City may, upon receipt of satisfactory evidence, make determination that the amount was wrongly paid or remitted, and if such a determination is made, the City shall refund or credit all or part of the amount, but no refund shall be made unless an application for such refund is made within 24 months after the payment date.
31. Where a person has, in accordance with this By-law, applied for a refund under this By-law and the person's claim is in whole or in part denied, the City shall deliver to such person by mail, a statement as such and the statement shall specify the denied amount and the reasons.

OFFENCES AND PENALTIES

32. Every person is guilty of an offence under this By-law who:
 - a. Makes, participates in, assents to or contributes in the making of false or deceptive statements in a report, statement, form or other document prepared, submitted or filed under or for the purposes of this By-law;

- b. Destroys, alters, mutilates, hides or otherwise disposes of any records or books of account, in order to evade payment or remittance of tax;
- c. Makes, assents to or contributes in the making of false or deceptive entries, or assents to or contributes in the omission to enter a material, in any records or books of account;
- d. Willfully, in any manner, evades or attempts to evade:
 - i. Paying tax;
 - ii. Remitting tax; or
 - iii. Otherwise complying with this By-law; or
- e. Conspires with any person to commit an offence described in Subsection 32 (a) through (e).

33. Any Provider who contravenes or fails to comply with any provision of this By-law, is guilty of an offence.

34. Any Provider who is guilty of an offence is liable as follows:

- a) Upon a first conviction, to a fine of not less than \$300 and not more than \$50,000 if the Provider is an individual, and \$500 and not more than \$100,000 if the Provider is a corporation.
- b) Upon a second or subsequent conviction for the same offence, to a fine of not less than \$500 and not more than \$100,000.
- c) Upon conviction for a continuing offence, to a fine of not less than \$100 and not more than \$100,00 for each day or part of a day that the offence continues. The total of the daily fines may not exceed \$100,000.
- d) Upon conviction for multiple offences, for each offence included in the multiple offences, to a fine of not less than \$100 and not more than \$10,000. The total of all fines for each included offence is not limited to \$100,000.

GENERAL

35. This By-law shall come into force and effect on April 1st, 2019.

36. If any section or portion of this By-law is found by a court of competent jurisdiction to be invalid, it is the intent of Council for the City that all remaining sections and portions of this By-law continue in force and effect.

37. This By-law may be referred to as "The Municipal Accommodation Tax (Hotel) By law".

Enacted by City of Vaughan Council this XXth day of XXXX, 2019.

Hon. Maurizio Bevilacqua, Mayor

Todd Coles, City Clerk

Authorized by Item No. 3 of Report No. 1
of the Finance, Administration and Audit Committee
Adopted by Vaughan City Council on
January 29, 2019

FRAME OF REFERENCE

The City of Vaughan is one of Canada's leading communities with a growing, diverse population; a robust business community; and a vibrant destination for visitors.

Vaughan's role as an Edge City establishes it as a gateway for goods, services, people and capital flowing into and out of the Greater Toronto Area. In addition to having the largest employment centre in York Region, Vaughan's more than 12,000 business establishments, provided employment for 222,000 people and contributed \$20.6 billion in real gross domestic product (GDP) in 2018.

Vaughan is the only municipality in the '905' region to have subway service. Opened in December 2017, the Toronto-York Spadina Subway extension connects Vaughan's downtown, the Vaughan Metropolitan Centre to downtown Toronto. The new subway service forms a spine or corridor connecting Vaughan to the nation's financial centre, leading research institutes, sports, tourism and entertainment venues.

According to the Conference Board of Canada, Vaughan's accommodation and food services industry accounted for \$294 million of the city's overall GDP in 2018, while arts, entertainment and recreation accounted for another \$150 million.

Vaughan's major tourism operators include Canada's Wonderland, Vaughan Mills, the McMichael Canadian Art Collection, the Kortright Centre for Conservation, LEGOLAND Discovery Centre, Reptilia, the mainstreets and village cores of Kleinburg, Thornhill, and Woodbridge. In addition to investments in hospitality, announcements of upcoming tourism attractions include [CREACTIVE](#), the first Cirque du Soleil family entertainment centre in Canada which is set to open at Vaughan Mills in 2019; the [Yukon Striker](#), the longest, fastest and tallest dive roller coaster in the world at Canada's Wonderland is set to open in 2019; and [Winterfest](#), also at Canada's Wonderland, boasts a new attraction with outdoor skating, daily tree lighting, live shows, access to select rides, and more, which will also open in Winter 2019.

These major operators collaborate and cooperate under the informal umbrella of the Vaughan Tourism Alliance, focused on promoting day-trips to their venues. Other regional tourism entities serving the Vaughan area includes Central Counties Regional Tourism Organization (Durham Region, York Region, Headwaters), and the York Region Arts Council. These organizations do not have business plans or funding allocated specifically to the promotion and business development of Vaughan as a destination for overnight stays.

Along with the accommodation and food industry, these best-of-class attractions are tremendous assets to Vaughan and surrounding areas – preserving and enhancing the City’s natural and cultural heritage; creating family entertainment, shopping and learning opportunities; and creating business opportunities that generate direct, indirect and induced impacts in the form of local spending, job creation and retention. As such their presence informs the development of the city’s Growth Management Strategy, the Vaughan Official Plan, the Active Together Master Plan, and the Creative Together Cultural Plan. Vaughan’s Economic Development Strategy also recognizes that placemaking and creating a vibrant tourism industry, contributes to Vaughan’s economic prosperity and future growth. The following principles emerged, demonstrating Vaughan’s values as an organization and a tourism destination:

1. Cultivate tourism, cultural and creative industry linkages in the City.
2. Use place-building and creative economy development as a means of enhancing efforts to attract knowledge workers.
3. Protect the economic vitality of Vaughan’s heritage districts and enhance the mix of retail opportunities to attract visitors.
4. Leverage Vaughan’s image as a welcoming community.

The Municipal Accommodation Tax provides an opportunity to enhance and strengthen the tourism industry at upper and lower tier municipalities across the Province.

Top-line Budget Forecast

Tourism Vaughan Budget Forecast, Jan 1, 2020

		2020 Budget
Estimated Reserve Balance (as at Dec 31, 2019)		\$1,100,000 ¹
REVENUES (MAT)		\$1,650,000
EXPENDITURES		\$1,650,000
Labour S+B		\$242,461
Administration		\$7,000
Strategy		\$150,000
Program		\$1,250,539

¹ Net of start-up costs of the Corporation in 2019: