

Finance, Administration and Audit Committee Report

DATE: Monday, April 01, 2019

WARD(S): ALL

**TITLE: MUNICIPAL SERVICES CORPORATION (MSC) – TOURISM
PROMOTION ENTITY IN VAUGHAN**

FROM:

Tim Simmonds, Interim City Manager

Nick Spensieri, Deputy City Manager, Corporate Services

Michael Coroneos, Chief Financial Officer and City Treasurer

ACTION: DECISION

Purpose

As part of the implementation process of the approved Municipal Accommodation Tax (MAT), this Report presents a Business Case Study (Attachment 1) to establish a Municipal Services Corporation (MSC), to be named: “Tourism Vaughan” (or an equivalent name). This MSC shall be the recipient of 50 per cent of the MAT, dedicated to promoting Vaughan’s transient accommodation and tourism industry.

Report Highlights

- On January 29, 2019 Council approved the Municipal Accommodation Tax and the creation of a Municipal Services Corporation to be the tourism promotion entity in Vaughan.
- The Municipal Services Corporation would act as the qualified local tourism promotion entity and make use of the 50 per cent allocation of the Municipal Accommodation Tax revenues, all as approved by Council.
- As a Municipal Services Corporation, Tourism Vaughan would provide a dedicated Vaughan-focused tourism marketing and promotion governance and program delivery structure.
- The MSC allows for the private and not-for-profit sectors to share a common vision and direction for the transient accommodation and tourism industry.

Recommendation

1. That, the Business Case Study for the establishment of a Municipal Services Corporation (i.e., tourism promotion entity), as substantially presented in Attachment #1 of this report, be approved.

Background

On January 29, 2019 Council approved and adopted Item No. 3 of Report No. 1 of Finance, Administration and Audit Committee: *Municipal Accommodation Tax*.

Ontario Regulation 435/17, which sets out the revenue-sharing model for the Municipal Accommodation Tax (MAT), requires that at least 50 per cent of the revenues from the MAT be dedicated to tourism promotion and development of tourism products by an eligible tourism entity.

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 recommended that the Municipal Services Corporation met the needs of Vaughan.

Staff was directed to complete a Business Case Study for a Municipal Service Corporation as the destination marketing corporation required as part of the Municipal Accommodation Tax revenue-sharing model.

Previous Reports/Authority

[Council Extract - Municipal Accommodation Tax](#)

Analysis and Options

A Business Case Study is required to fulfill the requirements of Ontario Regulation 599/06 governing Municipal Services Corporations

Municipal Act, 2001, *Ontario Regulation 599/06* provides the legislative framework for Municipal Services Corporations. Under s.6 of the Regulation, municipalities shall adopt a Business Case Study for the MSC before using its powers. Accordingly, staff prepared a Business Case Study which includes the purpose of the MSC, rationale, market research, objects, corporate governance framework, financial management, public accountability and reporting. Attachment 1 is the Business Case Study.

Subject to availability, the Municipal Services Corporation shall be called Tourism Vaughan. The City of Vaughan will be the sole member in this not-for-profit corporation. Operating out of Vaughan City Hall, located at 2141 Major Mackenzie Drive in Vaughan,

Ontario, the Interim Board as appointed by Council include: the City Manager, Chief Financial Officer, Chief of Corporate Initiatives and Intergovernmental Relations (or their designates) and Regional Councillor Gino Rosati as the interim Board.

The purpose and objectives of the MSC would include the following:

- (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.

An Agreement governing the relationship between the City and the MSC will be prepared outlining the economic development services being delivered by the MSC, terms and conditions for the transfer of the 50 per cent of revenues generated from the MAT, and other matters.

Public Consultation for the proposal to establish a Municipal Services Corporation has been completed

Section 8 of *O. Regulation 599/06* also requires that a municipality consult with the public about the proposal to establish the MSC. This requirement was met through the City's MAT consultation process. During November 2018 Economic and Cultural Development and Finance staff met with all sixteen existing hotel and motel properties, Airbnb along with five non-profit business associations involved directly or indirectly with

tourism in Vaughan. Staff discussed a proposal to establish a Municipal Services Corporation as the City's preferred option for a tourism promotion entity. Attachment 2 was a presentation that was delivered to stakeholders.

The City established a project webpage (www.vaughan/MAT) and posted information about the MSC including the Council Extract and Frequent Asked Questions.

The MAT approval report outlining the proposal to create a MSC was presented in public to Finance, Audit and Administration Committee on January 21, 2019, and the minutes of this meeting were adopted by Council on January 29, 2019 in public session.

Furthermore, on March 8, 2019 staff provided a further update on the MSC at a MAT Stakeholder Briefing Session held at City Hall. Presentation materials as shown in Attachment 3 were tabled at the Industry Briefing Session.

Next Steps

The City will retain an external professional advisory services firm to establish and organize the MSC and prepare the Agreement.

Following the establishment of the MSC, the Board will establish a Strategic Advisory Sub-Committee comprising of hotel industry stakeholders and local business organizations to provide guidance and expertise related to the development of strategic marketing and business development plans.

Financial Impact

The Business Case Study was completed by City staff. Further, the funding source for external professional advisory services required to establish the MSC is the Municipal Accommodation Tax that came into effect on April 1, 2019.

Broader Regional Impacts/Considerations

Staff will continue to update the transient accommodation industry, non-profit, and business stakeholders and the Region of York on the progress and status of the proposed tourism promotion entity in Vaughan. Stakeholders will be invited to join the Strategic Advisory Sub-Committee when operational. City staff has also participated in the Provincial consultation process regarding its review of Ontario's Tourism Strategy.

Conclusion

The Business Case Study was prepared to support the creation of the Municipal Services Corporation, intended to be named Tourism Vaughan. 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.

Information about this proposal to establish the Corporation, has been widely communicated to stakeholders by the City through staff reports, presentations and meetings.

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

Therefore, it is recommended that this Business Case Study be adopted by Council.

For more information, please contact: Dennis Cutajar, Director of Economic and Cultural Development, ext. 8274.

Attachments

1. Tourism Vaughan Corporation Business Case Study, March 14, 2019
2. Vaughan Accommodation and Tourism Industry: New DMO and MAT presentation, November 2018
3. Vaughan Accommodation and Tourism Industry: New DMO and MAT Industry Briefing, March 8, 2019

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