

CITY OF VAUGHAN

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.

Item:



Finance, Administration and Audit Committee Report

DATE: Monday, January 21, 2019

WARD(S): ALL

TITLE: MUNICIPAL ACCOMMODATION TAX

FROM:

Tim Simmonds, Interim City Manager

Michael Coroneos, Chief Financial Officer and City Treasurer

Nick Spensieri, Deputy City Manager, Corporate Services

ACTION: DECISION

Purpose

To seek Council approval to implement a Municipal Accommodation Tax (MAT) and a related by-law to levy a four per cent (4%) tax applicable to all hotels, motels, campgrounds, bed and breakfast organizations, and future short-term rental (STR) accommodations operating in the City of Vaughan. Secondly, to establish a new destination marketing organization (DMO) with the focus of promoting economic growth in Vaughan's transient accommodation and tourism industry.

Report Highlights

- In 2017, the Ontario Government passed legislation allowing municipalities in Ontario to collect a Municipal Accommodation Tax to undertake tourism-related activities.
- The MAT is a levy that is applied to overnight stays at accommodations including: hotels, motels, campgrounds, bed and breakfast organizations and short-term rentals.
- The growing tourism accommodation industry in Vaughan contributed \$300 million to the City's GDP in 2018 and employs about 12,000 people.
- Implementing a MAT will contribute to the growth and expansion of Vaughan's accommodation and tourism industry.
- One-on-one consultations with industry stakeholders and non-profit organizations in the Vaughan marketplace occurred during November 2018.
- Fifty percent (50%) of the MAT revenues is proposed to be shared with an eligible tourism destination marketing organization (DMO), and the other fifty per cent (50%) to be used at the discretion of Council.
- A Municipal Services Corporation (MSC) is proposed to be created with the sole purpose of operating as the tourism destination marketing organization for the City of Vaughan.

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;
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.

Background

In April 2017, the Province of Ontario passed Bill 127: *Stronger, Healthier Ontario Act* (Budget Measures) 2017, which amended the *Municipal Act* (the "Act") to provide lower or single tier municipalities in Ontario with the authority to levy a transient accommodations tax. Bill 127 received Third Reading and 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 for transient accommodations through a by-law, including setting the tax rate applicable to transient accommodations.

Council approved Item 10 of Report No. 6 of the Finance, Administration and Audit Committee, *Municipal Accommodation Tax (MAT) – a Forward Plan for the City of Vaughan* which directed staff to undertake a Consultation Program related to assessing the feasibility and implications of implementing this tax in the City of Vaughan; and to

report back on the findings of the consultation program and proposed recommendations for the 2019 Budget Process.

The Economic and Cultural Development Department completed a jurisdictional scan to determine which Ontario municipalities had implemented the MAT. At this time, fifteen municipalities have passed by-laws to implement the tax, including municipalities in the following municipalities in the Greater Toronto Area: Mississauga, Toronto, Markham, and Oakville. The valuable groundwork established by these municipalities has helped the City of Vaughan assess the feasibility and implications of implementing a MAT. For example, the industry consensus on a four per cent tax rate; governance models considered for a non-profit tourism entity; tax collection, auditing, enforcement, allocation of revenues, and short-term rentals are important elements that have been considered by other municipalities.

Short-Term Rental Accommodations (STR)

Currently the City of Vaughan does not specifically permit short-term rentals. Zoning By-law 1-88, as amended, permits a building or part of a building used for the purposes of providing temporary sleeping accommodation to the public only within a hotel. In parallel with the Comprehensive Zoning By-law review, staff is currently undertaking an in-depth study of short-term rentals and will be bringing forward recommendations to Council on options and a preferred approach in 2019.

Previous Reports/Authority

Council's previous consideration of this matter can be found at the following link:
[Item 10 of FAA Report 6: Municipal Accommodation Tax \(MAT\) - A Forward Plan for the City of Vaughan](#)

Analysis and Options

Strategic Alignment

This initiative aligns with key service priorities of the City of Vaughan including job creation and investment, good governance, and financial sustainability.

Projected Revenue Potential

Through the jurisdictional scan, it was determined that all municipalities participating in the MAT adopted a four percent (4%) rate for both hotels and STRs. In considering what a potential rate in Vaughan could be, the legislation does provide latitude for municipalities to set any rate. However, from a competitiveness and clarity standpoint, complying with the industry consensus rate creates a level playing field to not disadvantage Vaughan properties relative to other markets. Furthermore, a common

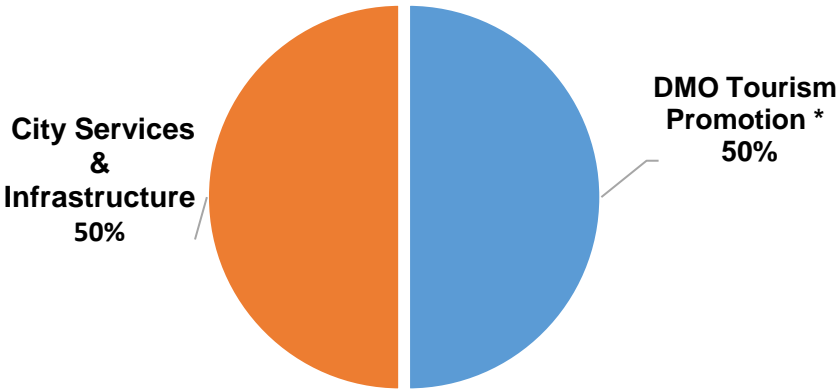
rate simplifies corporate contract negotiations and the collection and remittance process for hotel ownership groups that have properties across multiple jurisdictions.

In August 2018, staff retained CBRE Travel and Leisure Group (CBRE) to complete a Market Assessment of a municipal accommodation tax for Vaughan. The market assessment considered the historic performance of Vaughan’s 16 hotels and motels, and 230+ short-term rentals (entire home properties for 2018), as well as new properties entering the market in the next five years. Based on CBRE’s analysis, a four per cent accommodation tax applied to hotels and short-term rentals has been projected to generate \$2.4 million in 2019 (assuming an effective date of April 1, 2019), increasing to \$4.4 million by 2023, representing a 33% growth. A copy of the CBRE report has been included in this report (Attachment 1).

MAT Revenue Sharing

Regulation 435/17 prescribes that municipalities without a Destination Marketing Fee, like the City of Vaughan, are required to share at least 50% of the MAT revenue, net of reasonable costs of collecting and administering the tax, with one or more ‘eligible tourism entities’ (Table 1). Any eligible tourism organization which is provided revenue from MAT is required to use the funds for the exclusive purpose of promoting tourism which also includes development of tourism products.

Table 1: MAT Revenue-Sharing Model



** Less reasonable costs for collecting and administering the tax*

Applying the revenue-sharing formula to the potential MAT revenue, the partial year impact for 2019, based on an April start date, could be up to \$2.4 million, with \$1.2 million shared with an eligible tourism entity and the same amount may be retained by the municipality.

City's Portion of Revenue

The City's portion of the revenue is unrestricted. Based on the discussions with stakeholders, they prefer to see the funds allocated to City services and infrastructure that support the tourism industry by enhancing visitor and guest experience. Examples could include: capital improvements to City-owned indoor and outdoor facilities/open spaces, repairs, wayfinding, beautification activities and new construction of tourism-related facilities, communication programs and services-in-kind provided for tournaments and events using city assets.

Collection and Remittance of the MAT

MAT revenues are remitted by transient accommodation providers to the City on a monthly basis. Regulation requires the City to collect 100% of the MAT revenues and transfer at least 50% to a new destination marketing organization (DMO). The administration and implementation of the MAT will be handled by internal staff.

Communication Plan

Prior to commencing the industry consultation process, Strategic and Corporate Communications staff prepared a comprehensive 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.

Industry Consultation

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 that are involved directly or indirectly with tourism in Vaughan.

During November 2018, staff of the Economic and Cultural Development and Finance Departments met with the above stakeholders regarding the implementation of a four per cent (4%) Municipal Accommodation Tax. The Vaughan Chamber of Commerce also hosted a hotel/motel industry roundtable meeting. To facilitate the discussion, staff provided each representative with a copy of the presentation (Attachment 2) that provided an overview of the MAT, legislative background information, proposed administration process, proposed use of funds and next steps.

Industry Feedback

Staff 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.

Below is a summary of the industry feedback.

1. Introducing a MAT in Vaughan

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

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

2. Other suggestions and feedback:

- The new Vaughan DMO include in its plan, strategies to drive overnight stays during shoulder and low seasons such as attracting more weekend sports tournaments, new multi-day festivals and events; and corporate conventions and meetings.
- All marketing strategies be focused on a city-wide basis benefitting all properties.
- The business development and marketing activities of the new DMO complement the marketing strategies of tourism operators that promote day trips (such as Canada's Wonderland), and the internal marketing strategies for corporate banners.
- That the City's portion of the MAT revenues be invested in recreation centres, parks/sports fields, beautification, wayfinding, new tourism products such as City-run festivals and events and leveraging the City's communication channels in support of the tourism industry.

- The City consider allocating more than 50 per cent (50%) of the MAT revenue to the DMO.
- From a timing perspective, the City consider a later than April 1 start date to allow for corporate contracts to be renewed with the MAT included
- That the hotel industry has a voice in the DMO through its board of directors or strategic advisory committee to provide expertise and guidance with respect to business development and marketing programs. Furthermore that the composition of the strategic advisory committee be weighed towards hotel operators rather than tourism venues.
- Complaints from customers may occur. Request to the City to provide key messages and contact information.
- Not all of Vaughan's neighbours have implemented MAT, namely Brampton and Caledon thereby potentially creating an uncompetitive playing field in the short-term.
- Independent accommodation providers were concerned with absorbing the incremental implementation costs of collection and remittance. A quarterly remittance to the City is preferred.
- While a province-wide regulatory issue, staff heard concerns about the HST being charged on the four per cent (4%) MAT.
- Concern that the unencumbered City portion of the MAT revenues shall not benefit the accommodation/tourism industry.
- The lag between the collection of the MAT-Hotels and the MAT-Short-Term Rentals.

Governance Options for a Tourism Promotion Entity

Regulation 435/17 requires that at least fifty per cent (50%) of the revenues less reasonable administration costs, 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 three options for an eligible tourism entity: an internal City department; Central Counties Tourism (Regional Tourism Organization 6); and a new Municipal Service Corporation.

In the City department scenario, staff considered establishing a destination marketing business unit within the Economic and Cultural Development Department. However, detailed discussions with Ministry staff indicated that a municipal department does not qualify as an eligible tourism entity since a department does not have a separate governance structure and tourism promotion mandate independent from the municipality.

In considering the Central Counties scenario, there are advantages and disadvantages. Operating since 2010, Central Counties is an experienced tourism promotion organization with a service area that includes York and Durham Regions and the Hills of the Headwaters areas. Their core services are focused on general awareness

marketing across the regions they serve, with emphasis on visitor attraction, including day trips to tourism venues. This broad geographic area, and their general awareness marketing mandate makes managing a Vaughan-only business development and marketing function more challenging.

The third scenario included establishing a Municipal Service Corporation. It was determined that a Municipal Services Corporation would meet the Ontario MAT regulation for an eligible tourism entity, i.e. a non-profit entity whose mandate includes the promotion of tourism in a municipality. Under Ontario Regulation 599/06 governing Municipal Services Corporations, a business case must be prepared and submitted for ministry approval prior to registration as a corporation.

As well, staff shall fulfill the following requirements pursuant to Regulation 599/06:

Next Steps for Establishing a Municipal Services Corporation in Vaughan

In order to proceed with the establishment of a Municipal Service Corporation which is proposed to operate as the City of Vaughan's new destination marketing organization and be funded through fifty per cent (50%) of MAT revenues, an application must be made by the City of Vaughan to the Province of Ontario to incorporate a non-share capital corporation under the Corporations Act.

The application for incorporations must include the following information.

- Name of the Corporation
- Address of the Head Office
- First Directors
- Objectives of the Corporation
- Special Provisions

Staff requests authorization from Council to submit the application for incorporation with the information as follows:

- Name of the Corporation: Tourism Vaughan, or successor name as approved by Council.
- Address of the Head Office: 2141 Major Mackenzie Drive, Vaughan, Ontario
- First Directors: the initial incorporation including a transitional board comprised of the City Manager (or designate), Chief Financial Officer (or designate), Chief Corporate Initiatives and Intergovernmental Relations (or designate) and one member of Council.
- Objectives of the Corporation
 - To develop and implement multi-year business development and marketing plans, in collaboration with industry stakeholders, that address

Vaughan's goals as a tourism destination, including the promotion of overnight stays in Vaughan-based transient accommodations

- To support and facilitate growth of the local tourism sector by identifying and promoting opportunities to attract strategic investments and new infrastructure that generate positive economic impacts in Vaughan
- To conduct targeted economic and market research for purposes of identifying growth opportunities and developing competitive strategies
- To facilitate marketing collaborations amongst Vaughan's tourism industry stakeholders.
- Special provisions:
 - The corporation shall be carried on without the purpose for gain for its members, and any profits or other accretions to the corporation shall be used in promoting its objects.
 - A Strategic Advisory Committee shall be established comprising of members of Vaughan's accommodation industry and non-profit organizations such as the Vaughan Chamber of Commerce to provide expertise and guidance on business development and marketing initiatives.

Financial Impact

Costs associated with the consultation program (i.e., staff-time, market assessment) have been funded by the approved 2018 Economic and Cultural Development Department's operating budget.

A four per cent (4%) municipal accommodation tax rate applied to hotels and short-term rentals has been projected to generate \$2.4 million revenues in 2019 (April to December), increasing to \$4.4 million full year revenue by 2023. City's retained portion of the MAT revenue will be directed to support investments in Vaughan-based infrastructure and initiatives that support citizen/visitor/guest experience and tourism-related development, subject to the annual budgeting process.

Broader Regional Impacts/Considerations

During the industry consultation process, staff consulted with regional organizations including: Central Counties Tourism, York Region Arts Council, Markham Richmond Hill Vaughan Chinese Business Association, the Greater Toronto Hotel Association and Vaughan Chamber of Commerce. A copy of this report shall be forwarded to all stakeholders and the Ministry of Tourism, Culture and Sport.

Conclusion

In conclusion, staff recommend the approval of a MAT in Vaughan and establishing a

destination marketing organization to support the growth of Vaughan's accommodation and tourism industry.

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

Attachments

1. Vaughan Market Assessment of Municipal Accommodation Tax Revenue
2. Focus on Vaughan Accommodation Industry: New DMO and MAT presentation

Prepared by

Shirley Kam, Manager of Special Projects and Economic Development, ext. 8874

Maureen Zabiuk, Manager of Property Tax and Assessment, ext. 8268

Dennis Cutajar, Director of Economic and Cultural Development, ext. 8274

Dean Ferraro, Director of Financial Services/Deputy City Treasurer, ext. 8272

Rita Selvaggi, Interim Director of Financial Planning and Development Finance, ext. 8438

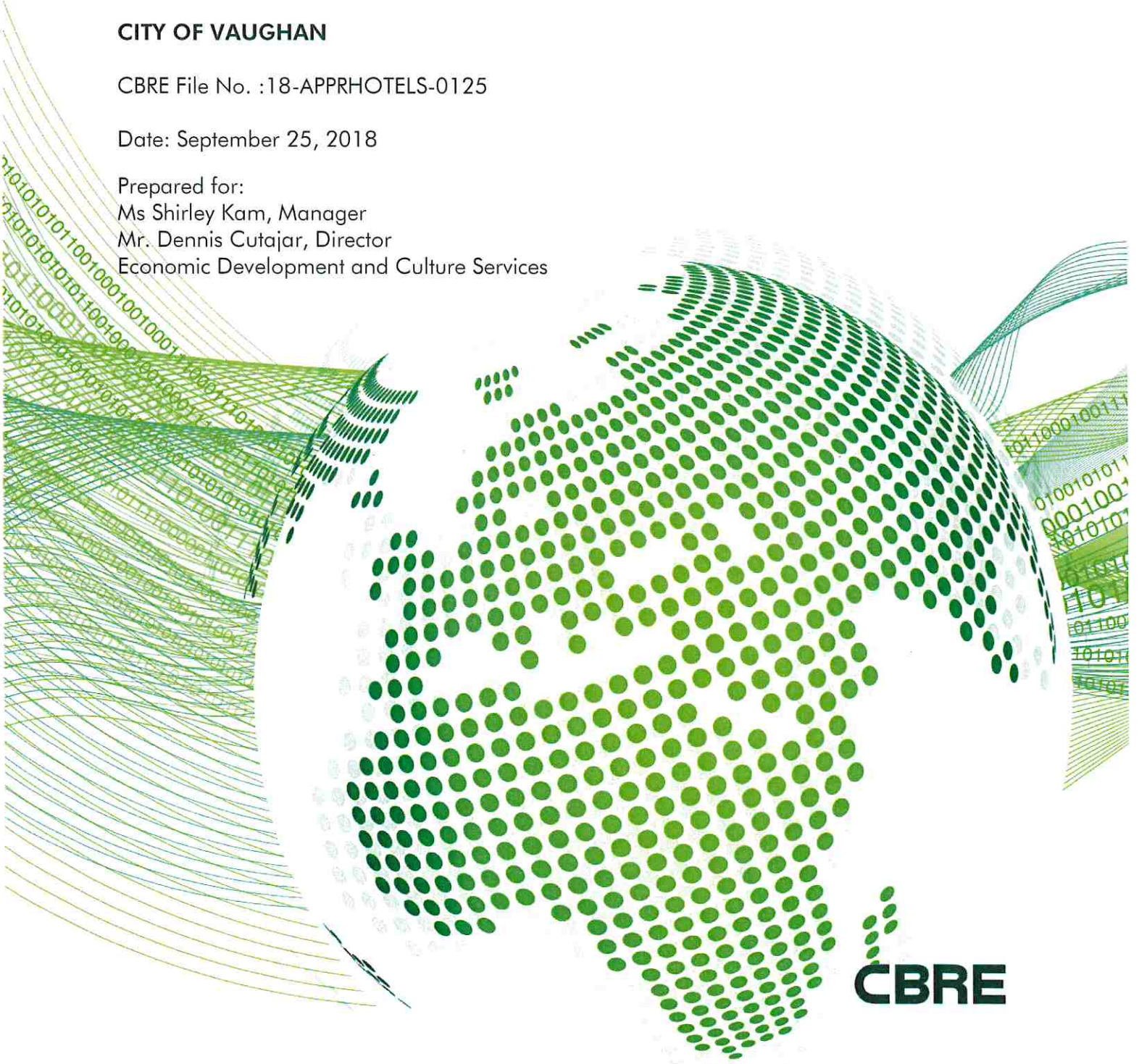
MARKET ASSESSMENT OF MUNICIPAL ACCOMMODATION TAX REVENUE

CITY OF VAUGHAN

CBRE File No. :18-APPRHOTELS-0125

Date: September 25, 2018

Prepared for:
Ms Shirley Kam, Manager
Mr. Dennis Cutajar, Director
Economic Development and Culture Services



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CBRE Tourism & Leisure Group

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September 25, 2018

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RE: Market Assessment of Municipal Accommodation Tax Revenue

Dear Ms Kam and Mr. Cutajar:

In accordance with the terms of our engagement, CBRE Tourism & Leisure Group ("CBRE") has completed the research and analysis relating to the market assessment of Vaughan's accommodation and short-term rental sector to determine the Municipal Accommodation Tax's revenue potential.

Based on our analysis, a 4% transient accommodation tax applied to hotels and short-term rentals has been projected to generate **\$3.3 million in 2019, increasing to \$4.4 million by 2023, representing a 33% growth.**

The report, in its entirety, including all assumptions and limiting conditions (in Appendix "A"), is an integral part of, and inseparable from, this letter.

Respectfully submitted,



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INTRODUCTION

INTRODUCTION

STUDY BACKGROUND

On November 23, 2017, the Province of Ontario issued the Transient Accommodation Regulation 435/17, which came into effect December 1, 2017 and provides the necessary provisions for municipalities across Ontario to implement a mandatory Municipal Accommodation Tax (MAT). The Municipal Accommodation Tax will replace the voluntary Destination Marketing Fee which has been collected by accommodation properties in the GTA.

In August 2018, the City of Vaughan retained the services of CBRE's Tourism & Leisure Group to undertake a market assessment of Vaughan's accommodation and short-term rental sector to determine the Municipal Accommodation Tax's revenue potential.

STUDY SCOPE AND WORKPLAN

In fulfilling our mandate, the following steps were undertaken in the study process:

- Held a conference call with Shirley Kam and Dennis Cutajar on August 1, 2018 to discuss the goals and objectives of the subject study and receive background data;
- Compiled an inventory of existing and future branded and independent hotels, including name of property, address and number of rooms for the City of Vaughan;
- Obtained and analyzed data compiled by Airdna (Airdna.co), which tracks Airbnb listings and revenue generated by Airbnb hosts. Airdna data includes a unique identifier for each host, as well as monthly nights available, nights rented, and the associated revenue for each property within the City of Vaughan;
- Utilizing CBRE Hotels database, analyzed the historic performance of the City of Vaughan's accommodation sector over the past 5 years;
- Utilized Airdna data to estimate the size and performance of short term rentals over the past 3 years;
- Identified and reviewed the status of proposed hotel developments planned for the City of Vaughan; and
- Estimated the potential tax revenues generated by applying a 4% tax to rooms revenue generated by Vaughan accommodations and short-term rentals, based on 2 scenarios:
 1. Projected Baseline Revenues assuming no hotel development over the next 5 years (2019 to 2023); and
 2. Projected Revenues assuming future hotel development over the next 5 years (2019 to 2023).



**HISTORIC ACCOMMODATION
MARKET ANALYSIS**

HISTORIC ACCOMMODATION MARKET ANALYSIS

CURRENT HOTEL INVENTORY

The City of Vaughan's accommodation sector is currently comprised of 16 hotels and motels, including 12 branded properties and 4 independent motels. The following table identifies the City's current accommodation inventory, including location, facilities and amenities offered, with a map showing the location of each property on the following page.

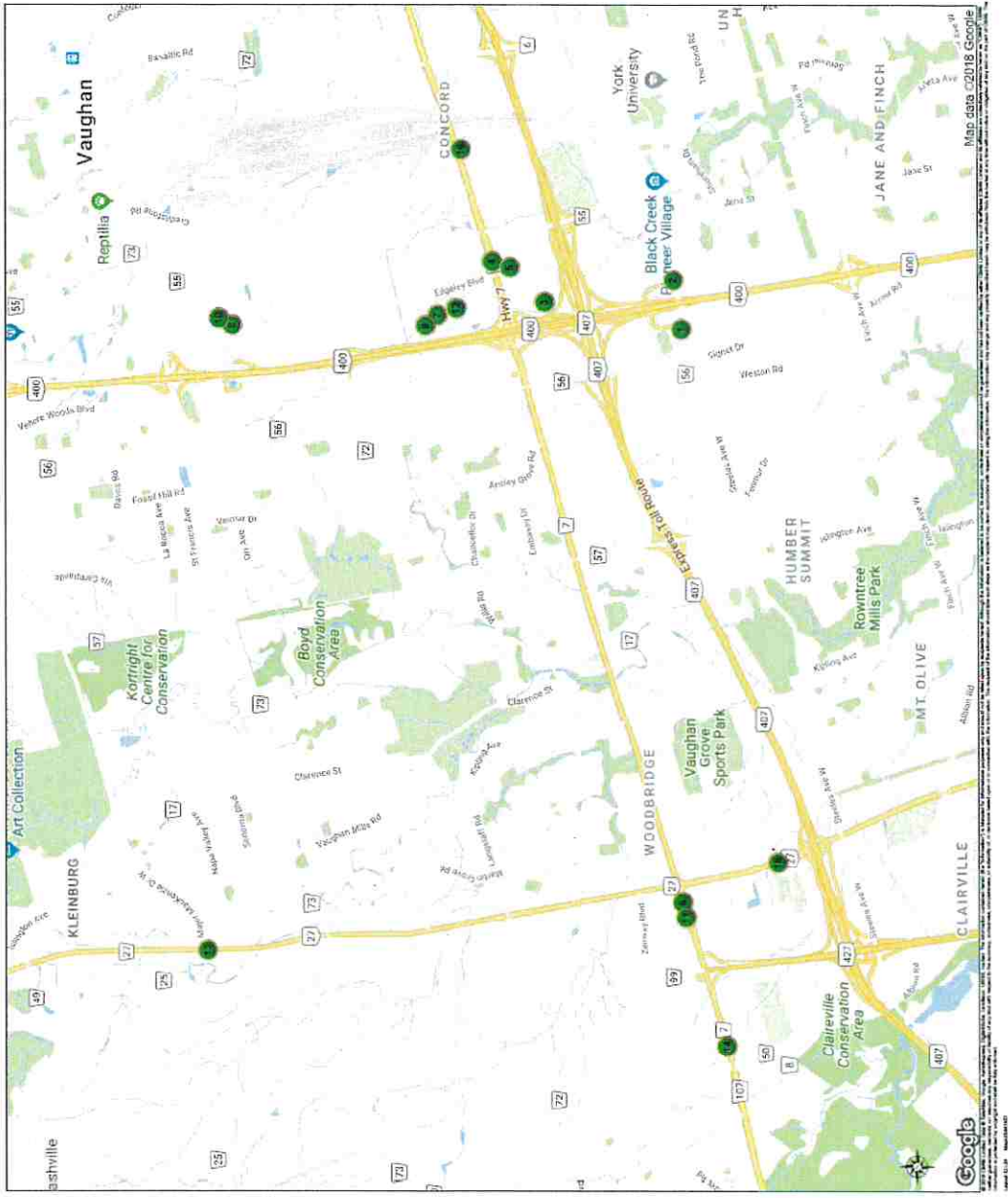
CITY OF VAUGHAN ACCOMMODATION MARKET

No.	Name	Location	Rooms	Type	Total Meeting Space (SF)	Meeting Space SF per Room	Restaurant	Lounge	Breakfast Servery	Swimming Pool	Fitness Centre	Business Centre
1	Extended Stay Deluxe	3600 Steeles Ave W	188	Extended Stay Hotel					x		x	x
2	Super 8 Motel Vaughan	3400 Steeles Ave W	85	Limited Service Hotel					x	x		x
3	Courtyard by Marriott Vaughan	150 Interchange Way	144	Full Service Hotel	1,108	8	x		x	x	x	x
4	Hilton Garden Inn Vaughan	3201 Hwy 7	155	Full Service Hotel	10,000	65	x	x	x	x	x	x
5	Residence Inn Toronto Vaughan	11 Interchange Way	132	Extended Stay Hotel	419	3			x	x	x	x
6	Holiday Inn Express Vaughan SW	6100 Hwy 7	125	Focused Service Hotel	1,976	16			x	x	x	x
7	Homewood Suites Toronto Vaughan	618 Applewood Crescent	140	Extended Stay Hotel	2,160	15			x	x	x	x
8	Novotel Toronto Vaughan Centre	200 Bass Pro Mills Dr	149	Full Service Hotel	4,594	31	x	x	x	x	x	x
9	Springhill Suites Toronto Vaughan	612 Applewood Crescent	175	Extended Stay Hotel	4,458	25	x		x		x	x
10	Aloft Vaughan Mills	151 Bass Pro Mills Dr	131	Focused Service Hotel	1,066	8		x		x	x	x
11	Element Vaughan Southwest	6170 Hwy 7	152	Extended Stay Hotel	3,500	23			x	x	x	x
12	Monte Carlo Inn Vaughan	705 Applewood Cres	132	Full Service Hotel	4,500	34	x	x	x		x	x
13	Kleinburg Inn	9770 York Regional Rd 27	28	Limited Service Hotel								
14	Vaughan Inn	6700 Hwy 7	51	Limited Service Hotel								
15	New Woodbine Motel	7242 Hwy 27	20	Limited Service Hotel								
16	Pinecrest Motel	2641 Hwy 7 W	37	Limited Service Hotel								

As of the end of 2017, the competitive accommodation market was comprised of 1,845 rooms or 673,425 available room nights.

4 HISTORIC ACCOMMODATION MARKET ANALYSIS

- 1 Extended Stay Deluxe
- 2 Super 8 Motel Vaughan
- 3 Courtyard by Marriott Vaughan
- 4 Hilton Garden Inn Vaughan
- 5 Residence Inn Toronto Vaughan
- 6 Holiday Inn Express Vaughan South-West
- 7 Homewood Suites Toronto Vaughan
- 8 Novotel Toronto Vaughan Centre
- 9 Springhill Suites Toronto Vaughan
- 10 Aloft Vaughan Mills
- 11 Element Vaughan Southwest
- 12 Monte Carlo Inn Vaughan
- 13 Kleinburg Inn
- 14 Vaughan Inn
- 15 New Woodbine Motel
- 16 Pinecrest Motel



HISTORIC ACCOMMODATION PERFORMANCE

Based on the information contained in the Trends database and CBRE Hotels research, the following presents the performance of the Vaughan accommodation market over the last several years.

Vaughan Accommodation Market Performance Results

Year	Rooms Available	% Change	Rooms Occupied	% Change	Occupancy	Change	ADR	% Change	RevPAR	% Change
2013	646,050	-	417,419	-	64.6%	-	\$121.01	-	\$78.19	-
2014	673,425	4.2%	473,573	13.5%	70.3%	5.7	\$122.78	1.5%	\$86.35	10.4%
2015	673,425		496,435	4.8%	73.7%	3.4	\$128.28	4.5%	\$94.56	9.5%
2016	673,425		519,168	4.6%	77.1%	3.4	\$132.84	3.6%	\$102.41	8.3%
2017	673,425		515,344	-0.7%	76.5%	-0.6	\$140.86	6.0%	\$107.80	5.3%
Compounded Annual Growth Rate	1.0%		5.4%		4.3%		3.9%		8.4%	
June 2017 YTD	333,945	-	245,711	-	73.6%	-	\$135.43	-	\$99.65	-
June 2018 YTD	333,945		233,222	-5.1%	69.8%	-3.7	\$145.54	7.5%	\$101.64	2.0%

Source: CBRE Hotels

- Supply in the competitive market has been fairly stable over the last five years with only the addition being the 152-room Element Vaughan Southwest which opened in mid-2013.
- Demand growth has averaged 4.7% per year over the historic period with occupancy growing from 64.6% in 2013 to 76.5% in 2017, an improvement of approximately 12 points.
- Over the historic period, ADR has grown by 16.4% to \$140.86 in 2017 an average of 3.9% per year driven by strong occupancy levels allowing operators to yield on rates.
- The solid demand and ADR growth has led to annual RevPAR growth which has averaged 8.4% per year from 2013 to 2017.
- Based on year-to-date performance, demand was down by 5.1%, while ADR improved by 7.5%.

HISTORIC AIRBNB PERFORMANCE

In estimating the historic performance of the short-term rental market in the City of Vaughan, CBRE examined data compiled by Airdna (Airdna.co), which tracks Airbnb listings and revenue generated by Airbnb hosts. The data covers the period from August 2015 to June 2018 and includes entire home listings, shared and private rooms. The analysis covers only active units on Airbnb and excludes units that did not have a single booking over the previous month (defined as being "inactive".) Units listed on Airbnb are categorized as:

Entire Home: The guest has complete and sole access to the entire unit during the stay;

Private Room: The guest has their own sleeping area, but shares access to the Unit common areas; and

Shared Room: The guest rents a common area, like an airbed in a living room.

Our analysis is primarily focused on information for **entire-home hosts**, where the guest has complete and sole access to the whole unit during their stay, as these listing are the most comparable to the competitive hotel market.

In 2015, the City of Vaughan had an average of 44 active units listed on Airbnb (entire-home, private rooms and shared rooms), with revenues of just under \$100,000. By 2017, the average number of active listings increased to 369, with revenues of just over \$2 million.

The City of Vaughan had an average of 158 active entire home properties listings in 2017¹, which represents approximately 43% of the total listings. Revenues generated by entire home listings totaled approximately \$1.5 million in 2017, or 76% of total revenues. Based on year-to-date performance, the average number of entire home listings increased to 231 properties, with revenues of \$1.2 million, representing 189% growth over the first six months of 2017.

Vaughan Airbnb Historic Performance Results

Year	Avg Entire Home Properties Listed	% Change	Avg Total Properties Listed	% Airbnb Inventory Entire Homes	Entire Home Revenue	% Change	Total Airbnb Revenue	% Entire Home Revenue
2015	25		44	56%	\$84,889		\$99,644	85%
2016	62	149%	139	44%	\$332,483	292%	\$453,966	73%
2017	158	156%	369	43%	\$1,526,627	359%	\$2,020,030	76%
June 2017 YTD	132		308	43%	\$400,754		\$563,876	71%
June 2018 YTD	231	74%	509	45%	\$1,160,175	189%	\$1,428,605	81%

Source: Airdna, CBRE Hotels analysis

¹ In 2017, the number of active Airbnb listings ranged from 117 listings in January to 172 in August and 198 listings in December, for an annual average of 158 listings.



PROPOSED HOTEL DEVELOPMENTS

PROPOSED HOTEL DEVELOPMENTS

Based on information provided by the City of Vaughan's economic and planning departments, and our general knowledge of the industry, the following 9 proposed hotel developments are currently identified for the City of Vaughan.

1. **Super 8 Motel Vaughan**, 3400 Steeles Avenue W.
 - 16-unit addition is currently under construction with the new rooms expected to enter the market in 2019.
2. **Hilton Garden Inn & Hampton Inn**, 6161 Applewood Cres.
 - Easton Group has plans to develop 2 hotels adjacent to the current Homewood Suites, with 220 rooms proposed to enter the market by 2021. To date, a site plan has been submitted to the City, which has not yet been approved.
3. **Hilton Garden Inn Redevelopment**, 3201 Highway 7 W.
 - Easton Group has plans to redevelop the site, including a condominium and hotel development. Plans call for the closure of the existing 155-room Hilton Garden Inn in 2021, followed by a 200-unit condominium development, with the hotel developed by 2024. The size and brand of the new built hotel has not been determined.
4. **Holiday Inn Express & Candlewood Suites**, Cityview Blvd.
 - A site-plan has been submitted to develop 2 hotels, comprising a total of 190 units, but has not yet been approved.
5. **Marriott Courtyard and Townplace Suites**, 8440 Highway 27
 - Plans call for the development of 2 hotels adjacent to LeJardin Banquet Centre. The 250-room development requires an OPA and Zoning bylaw amendment and will be going to public hearing in September 2018.
6. **Avid Hotels by IHD**, 6800 Highway 7
 - 120-room Avid Hotel development proposed.
7. **Importanne**, 7242 Highway 27
 - Plans call for the redevelopment of the 20-room New Woodbine Motel with a new build 105-room hotel. Zoning changes are required and a public hearing was held in June 2018, with a follow up report expected by Fall 2018.
8. **Hyatt, Canada's Wonderland**, Rutherford Road.
 - A site plan has been approved for a 203-room Hyatt hotel at the entrance to Canada's Wonderland.
9. **Promenade Mall Redevelopment**, 1 Promenade Cir. Thornhill
 - Liberty Development has plans to redevelop Promenade Mall to include retail, 3 residential towers, as well as a 28-storey mixed use building containing offices and a hotel.

Based on the 9 hotel projects identified, approximately **1,200 rooms are proposed to enter the City of Vaughan's hotel market over the next 5 years.** It should be noted that information regarding proposed hotel developments may vary once the City of Vaughan's planning department grants approvals or hotel development financing is finalized. While CBRE Hotels has made attempts to determine the level of new supply entering the market, it is impossible to determine every hotel that will be developed in the future, or when they will be completed. The only hotel development, which is currently under construction in the City of Vaughan is the 16-room addition to the Super 8 Vaughan, which is expected to enter the market in 2019.



**MUNICIPAL ACCOMMODATION TAX
POTENTIAL**

MUNICIPAL ACCOMMODATION TAX POTENTIAL

For the purposes of this analysis, we have estimated the annual tax revenue potential of implementing a 4% Municipal Accommodation Tax in the City of Vaughan based on 2 scenarios:

1. Projected Baseline Revenues

- Accounting for the opening of the Super 8 Vaughan 16-unit addition in 2019, with no further hotel developments or Airbnb units over the next 5 years (2019 to 2023); and

2. Projected Revenues with Further Supply Development

- Accounting for the opening of the Super 8 Vaughan 16-unit addition in 2019, with further hotel and Airbnb supply entering the market at a reasonable rate in order to maintain market occupancies in the low to mid 70% range.

PROJECTED BASELINE REVENUES

Hotel Sector

- In 2017, the City of Vaughan hotel market which was comprised of 16 properties with 1,844 rooms, achieved a market occupancy of 76.5% at an Average Daily Rate of \$140.86 for total room revenues in excess of \$72 million.
- Based on year-to-date performance, the Vaughan market is projected to achieve a 74% occupancy in 2018, with an ADR of \$150.73, generating just under \$75 million in room revenue.
- The opening of the 16-room expansion at the Super 8 Vaughan will result in a 1% growth in supply in 2019, with no further supply projected for the balance of the projection period.
- In 2019, the market ADR has been projected to increase by 5% to reach \$158.26, followed by 2% per annum for the balance of the projection period.
- Under the baseline scenario, no growth in demand levels has been projected resulting in a stabilized market occupancy of 75.1% over the projection period.
- Under the baseline scenario, the total annual Municipal Accommodation Tax has been projected at \$3.2 million in 2019, increasing to \$3.5 million by 2023, representing an 8% growth over the five-year projection period.

Airbnb Sector

- In 2017, the City of Vaughan Airbnb market which was comprised of 158 entire-home units generated revenues of \$1.5 million.

- Based on year-to-date performance, the Vaughan Airbnb market is projected to increase to 231 entire-home units, generating revenues of \$2.8 million by year-end 2018.
- Under the baseline scenario, we have held the number of entire-home units at 235, and increased revenues at 2% per annum for the projection period.
- By applying a 4% Municipal Accommodation Tax to entire-home Airbnb units, this sector has been projected to generate approximately \$118,000 in tax revenues for the City in 2019, increasing to \$128,000 by 2023.

Total Annual Tax Revenue Potential

- Under the baseline scenario, a 4% transient accommodation tax applied to hotels and short-term rentals has been projected to generate **\$3.3 million in 2019, increasing to \$3.6 million by 2023.**

CITY OF VAUGHAN HOTEL SECTOR
PROJECTED BASELINE REVENUES FROM A 4% MUNICIPAL ACCOMMODATION TAX

	2017 Actual	2018 F	2019	2020	2021	2022	2023
Rooms	1,845	1,845	1,861	1,861	1,861	1,861	1,861
% Growth		0.0%	0.9%	0.0%	0.0%	0.0%	0.0%
Annual Occupancy	76.5%	74.2%	75.1%	75.1%	75.1%	75.1%	75.1%
Average Daily Rate	\$140.86	\$150.73	\$158.26	\$161.43	\$164.66	\$167.95	\$171.31
% Growth		7.0%	5.0%	2.0%	2.0%	2.0%	2.0%
RevPar	\$107.80	\$111.88	\$118.80	\$121.17	\$123.60	\$126.07	\$128.59
Available Room Nights	673,425	673,425	679,265	679,265	679,265	679,265	679,265
% Growth		0.0%	0.9%	0.0%	0.0%	0.0%	0.0%
Occupied Room Nights	515,344	499,883	509,881	509,881	509,881	509,881	509,881
% Growth		-0.7%	2.0%	0.0%	0.0%	0.0%	0.0%
Rooms Revenue	\$72,593,700	\$75,345,000	\$80,694,500	\$82,308,400	\$83,954,600	\$85,633,700	\$87,346,300
% Growth		5.3%	3.8%	7.1%	2.0%	2.0%	2.0%
Projected Revenue from Proposed MAT @ 4%	\$2,904,000	\$3,014,000	\$3,228,000	\$3,292,000	\$3,358,000	\$3,425,000	\$3,494,000

CITY OF VAUGHAN AIRBNB SECTOR
PROJECTED BASELINE REVENUES FROM A 4% MUNICIPAL ACCOMMODATION TAX

	2017 Actual	2018 F	2019	2020	2021	2022	2023
Airbnb Properties	158	231	235	235	235	235	235
% Growth		46.2%	1.7%	0.0%	0.0%	0.0%	0.0%
Airbnb Revenues	\$1,526,600	\$2,849,000	\$2,956,300	\$3,015,400	\$3,075,700	\$3,137,200	\$3,199,900
% Growth		86.6%	3.8%	2.0%	2.0%	2.0%	2.0%
Per Property	\$9,662	\$12,333	\$12,580	\$12,831	\$13,088	\$13,350	\$13,617
Projected Revenue from Proposed MAT @ 4%	\$61,000	\$114,000	\$118,000	\$121,000	\$123,000	\$125,000	\$128,000

TOTAL PROJECTED BASELINE REVENUES FROM PROPOSED MAT	2017 Actual	2018 F	2019	2020	2021	2022	2023
	\$2,965,000	\$3,128,000	\$3,346,000	\$3,413,000	\$3,481,000	\$3,550,000	\$3,622,000
% Growth		5.5%	7.0%	2.0%	2.0%	2.0%	2.0%

Sources: CBRE Hotels Trends in the Hotel Industry database and Outlooks, AirDNA

PROJECTED REVENUES WITH FURTHER SUPPLY DEVELOPMENT

Hotel Sector

- The opening of the 16-room expansion at the Super 8 Vaughan will result in a 1% growth in supply in 2019.
- For the purposes of this analysis, we have accounted for the addition of 150 rooms to enter the market in 2021; 95 rooms to enter the market in 2022, and 200 rooms in 2023.
- In 2019, the market ADR has been projected to increase by 5% to reach \$158.26, followed by 3% per annum for the balance of the projection period.
- Under the development scenario, growth in demand levels have been projected at 5% per annum, as new supply enters the market, resulting in a market occupancy of 71.5% by 2023.
- Under the development scenario, the total annual Municipal Accommodation Tax has been projected at \$3.2 million in 2019, increasing to \$4.3 million by 2023, representing an 33% growth over the five-year projection period.

Airbnb Sector

- Under the development scenario, the entire-home units have been projected to increase at 5% per annum, increasing from 231 units in 2018 to 295 units by 2023.
- By applying a 4% Municipal Accommodation Tax to entire-home Airbnb units, this sector has been projected to generate approximately \$122,000 in tax revenues for the City in 2019, increasing to \$128,000 by 2023.

Total Annual Tax Revenue Potential

- Under the development scenario, a 4% transient accommodation tax applied to hotels and short-term rentals has been projected to generate **\$3.3 million in 2019, increasing to \$4.4 million by 2023, representing a 33% growth.**

CITY OF VAUGHAN HOTEL SECTOR
PROJECTED REVENUES FROM A 4% MUNICIPAL ACCOMMODATION TAX with DEVELOPMENT

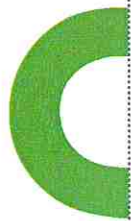
	2017 Actual	2018 F	2019 P	2020 P	2021 P	2022 P	2023 P
Rooms	1,845	1,845	1,861	1,861	2,011	2,106	2,306
% Growth		0.0%	0.9%	0.0%	8.1%	4.7%	9.5%
Annual Occupancy	76.5%	74.2%	75.1%	76.6%	74.4%	74.6%	71.5%
Average Daily Rate	\$140.86	\$150.73	\$158.26	\$163.01	\$167.90	\$172.94	\$178.12
% Growth		7.0%	5.0%	3.0%	3.0%	3.0%	3.0%
RevPar	\$107.80	\$111.88	\$118.80	\$124.81	\$124.91	\$129.00	\$127.41
Available Room Nights	673,425	673,425	679,265	679,265	734,015	768,690	841,690
% Growth		0.0%	0.9%	0.0%	8.1%	4.7%	9.5%
Occupied Room Nights	515,344	499,883	509,881	520,079	546,083	573,387	602,056
% Growth		-0.7%	2.0%	2.0%	5.0%	5.0%	5.0%
Rooms Revenue	\$72,593,700	\$75,345,000	\$80,694,500	\$84,777,600	\$91,687,000	\$99,159,500	\$107,241,000
% Growth		5.3%	3.8%	7.1%	5.1%	8.2%	8.2%
Projected Revenue from Proposed MAT @ 4%	\$2,904,000	\$3,014,000	\$3,228,000	\$3,391,000	\$3,667,000	\$3,966,000	\$4,290,000

CITY OF VAUGHAN AIRBNB SECTOR
PROJECTED REVENUES FROM A 4% MUNICIPAL ACCOMMODATION TAX with GROWTH

	2017 Actual	2018 F	2019 P	2020 P	2021 P	2022 P	2023 P
Airbnb Properties	158	231	243	255	267	281	295
% Growth		46.2%	5.0%	5.0%	5.0%	5.0%	5.0%
Airbnb Revenues	\$1,526,600	\$2,849,000	\$3,051,300	\$3,267,900	\$3,499,900	\$3,748,400	\$4,014,500
% Growth		86.6%	7.1%	7.1%	7.1%	7.1%	7.1%
Per Property Projected Revenue from Proposed MAT @ 4%	\$9,662	\$12,333	\$12,580	\$12,832	\$13,088	\$13,350	\$13,617
	\$61,000	\$114,000	\$122,000	\$131,000	\$140,000	\$150,000	\$161,000

TOTAL PROJECTED REVENUES FROM PROPOSED MAT WITH DEVELOPMENT							
	\$2,965,000	\$3,128,000	\$3,350,000	\$3,522,000	\$3,807,000	\$4,116,000	\$4,451,000
% Growth		5.5%	7.1%	5.1%	8.1%	8.1%	8.1%

Sources: CBRE Hotels Trends in the Hotel Industry database and Outlooks, AirDNA



APPENDIX "A"

Assumptions and Limiting Conditions

ASSUMPTIONS AND LIMITING CONDITIONS

1. This Advisory Report prepared by CBRE, is intended for the exclusive use of the City of Vaughan ("Client"), and is not intended to be prepared for, given to, or relied upon, by any other person or entity, without the express prior written consent of CBRE, and the individual(s) who authored the Advisory Report, unless specifically agreed to in writing, in an addendum to this Report.
2. It is assumed that all factual data furnished by the Client, property owner, owner's representative, or persons designated by the Client or owner to supply said data are accurate and correct unless otherwise specifically noted in the report. Unless otherwise specifically noted in the report, CBRE has no reason to believe that any of the data furnished contain any material error. Information and data referred to in this paragraph include, without being limited to, numerical street addresses, lot and block numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any material error in any of the above data could have a substantial impact on the conclusions reported. Thus, CBRE reserves the right to amend conclusions reported if made aware of any such error. Accordingly, the client-addressee should carefully review all assumptions, data, relevant calculations, and conclusions within 30 days after the date of delivery of this report and should immediately notify CBRE of any questions or errors. CBRE does not make any representation or warranty, express or implied, as to the accuracy or completeness of the information or the state of affairs of the real property furnished by the Client to CBRE and contained in any report prepared by CBRE.
3. The date to which any of the conclusions and opinions expressed in this report apply, is set forth in the Letter of Transmittal. Further, that the dollar amount of any opinion herein rendered is based upon the purchasing power of the Canadian Dollar on that date. This Advisory Report is based on market conditions existing as of the date of this report. Under the terms of the engagement, we will have no obligation to revise this report to reflect events or conditions which occur subsequent to the date of the report. However, CBRE will be available to discuss the necessity for revision resulting from changes in economic or market factors affecting the subject.
4. The conclusions, which may be defined within the body of this report, are subject to change with market fluctuations over time.
5. Any utilization projections or cash flows included in the analysis are forecasts of estimated future operating characteristics are predicated on the information and assumptions contained within the report. Any projections of income, expenses and economic conditions utilized in this report are not predictions of the future. Rather, they are estimates of current market expectations of future income and expenses. The achievement of the financial projections will be affected by fluctuating economic conditions and is dependent upon other future occurrences that cannot be assured. Actual results may vary from the projections considered herein. CBRE does not warrant these forecasts will occur. Projections may be affected by circumstances beyond the current realm of knowledge or control of CBRE.
6. Unless specifically set forth in the body of the report, nothing contained herein shall be construed to represent any direct or indirect recommendation of CBRE to build, buy, sell, or hold the properties. Such decisions involve substantial investment strategy questions and must be specifically addressed in consultation form.

7. The report has been prepared at the request of the Client, and for the exclusive (and confidential) use of the Client. The report may not be duplicated in whole or in part without the specific written consent of CBRE nor may this report or copies hereof be disclosed to third parties without said written consent, which consent CBRE reserves the right to deny. If consent is given, it will be on condition that CBRE will be provided with an Indemnification Agreement and/or Non-Reliance letter, in a form and content satisfactory to CBRE, by a party satisfactory to CBRE. Exempt from this restriction is duplication for the internal use of the client-addressee and/or transmission to attorneys, accountants, or advisors of the client-addressee. Also exempt from this restriction is transmission of the report to any court, governmental authority, or regulatory agency having jurisdiction over the party/parties for whom this Advisory Report was prepared, provided that this report and/or its contents shall not be published, in whole or in part, in any public document without the express written consent of CBRE which consent CBRE reserves the right to deny. Finally, this report shall not be advertised to the public or otherwise used to induce a third party to invest in the project, purchase the property or to make a "sale" or "offer for sale" of any "security". Any third party which may possess this report is advised that they should rely on their own independently secured advice for any decision in connection with investment or financing decisions. CBRE shall have no accountability or responsibility to any third party.
8. The maps, plans, sketches, graphs, photographs and exhibits included in this report are for illustration purposes only and are to be utilized only to assist in visualizing matters discussed within this report. Except as specifically stated, data relative to size or area of the subject and comparable properties has been obtained from sources deemed accurate and reliable. None of the exhibits are to be removed, reproduced, or used apart from this report.
9. No opinion is intended to be expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate advisors.
10. Acceptance and/or use of this report constitutes full acceptance of the Contingent and Limiting Conditions and special assumptions set forth in this report. It is the responsibility of the Client, or Client's designees, to read in full, comprehend and thus become aware of the aforementioned contingencies and limiting conditions. Neither the Advisor nor CBRE assumes responsibility for any situation arising out of the Client's failure to become familiar with and understand the same. The Client is advised to retain experts in areas that fall outside the scope of the real estate appraisal/consulting profession if so desired.
11. CBRE assumes that the subject property analyzed herein will be under prudent and competent management and ownership; neither inefficient nor super-efficient.
12. It is assumed that there is full compliance with all applicable federal, provincial, and local environmental regulations and laws unless noncompliance is stated, defined and considered in the report.
13. Because market conditions, including economic, social and political factors, change rapidly and, on occasion, without notice or warning, the herein, as of the effective date of this Advisory Report cannot be relied upon as of any other date without subsequent advice of CBRE.
14. Client shall indemnify and hold CBRE fully harmless against any loss, damages, claims, or expenses of any kind whatsoever (including costs and reasonable attorneys' fees), sustained or incurred by a third party as a result of the negligence or intentional acts or omissions of Client, and for which recovery is sought against CBRE by that third party.

**Vaughan Accommodation & Tourism Industry:
New DMO and MAT**
Industry Consultation – November 2018



Market Context in Vaughan



2018 Hotel/Motel Market Context:

- 12 branded hotel properties: 1,709 rooms
- 4 independent motel properties: 136 rooms
- Total available room nights: 673,425
- Estimated Total Room Revenues: \$75 million+

2018 Short-Term Rentals (STR) Context:

- Active entire home properties: 231
- Total Properties: 509
- Revenues from entire home listings: \$2.8 million+

Corporate, Sports, VFR Markets (Demand Generators):

- 12,000+ businesses, largest concentration in York Region, 3rd in GTA
- \$21 Billion Real GDP in Vaughan (35% Goods Producing: 65% Service)
- Proximity to Toronto Pearson, TTC Subway Connections, 400 Series Highways & Downtown Toronto
- Weekend Sports Market Opportunity
- Attractions in Vaughan and GTA

Vaughan Economic Development Context

- Home to strong hotel brands and operators; Expertise and experience of hoteliers, and local/regional business and industry associations
- Positive economic impact of accommodation and food industry (\$295 million contribution to Vaughan's GDP in 2018)
- Competitive forces:
 - Excellent demand generators
 - Market growth
 - Tech disruption, i.e., Online Home Sharing Platforms (Short Term Rentals-STR)
 - Increased sales and marketing efforts within the GTA (Mississauga, Markham, Toronto, Oakville)
 - New Municipal Accommodation Tax (MAT) Legislation in Ontario
- Desire to support the industry, businesses, increase jobs and investment in Vaughan
- Work with accommodation industry to focus on tourism promotion and overnight stays (heads in beds) and re-invest in the overall competitiveness of the accommodation, hospitality, tourism marketplace in Vaughan

Background – Key Dates (MAT)

Provincial Context

- May 17, 2017 – the Province enacted Bill 127 – Stronger, Healthier Ontario Act (Budget Measures) 2017; Lower or single tier municipalities now have the authority to levy a Transient Accommodation Tax (referred to as a Municipal Accommodation Tax “MAT”)
- December 1, 2017 – Provincial Regulation on Transient Accommodation (435/17) sets out rules for sharing of MAT revenues with eligible not-for-profit tourism organizations, including revenue sharing

GTA Municipal Context

- April 2018 – City of Toronto Began Collecting MAT
- April 2018 – City of Mississauga Began Collecting MAT
- January 1, 2019 – City of Markham Begins Collecting MAT
- January 1, 2019 – Town of Oakville Begins Collecting MAT
- June 2018 - City of Vaughan Council Decides to Initiate Industry Consultation on MAT

Network of MAT Stakeholders Accommodation Industry



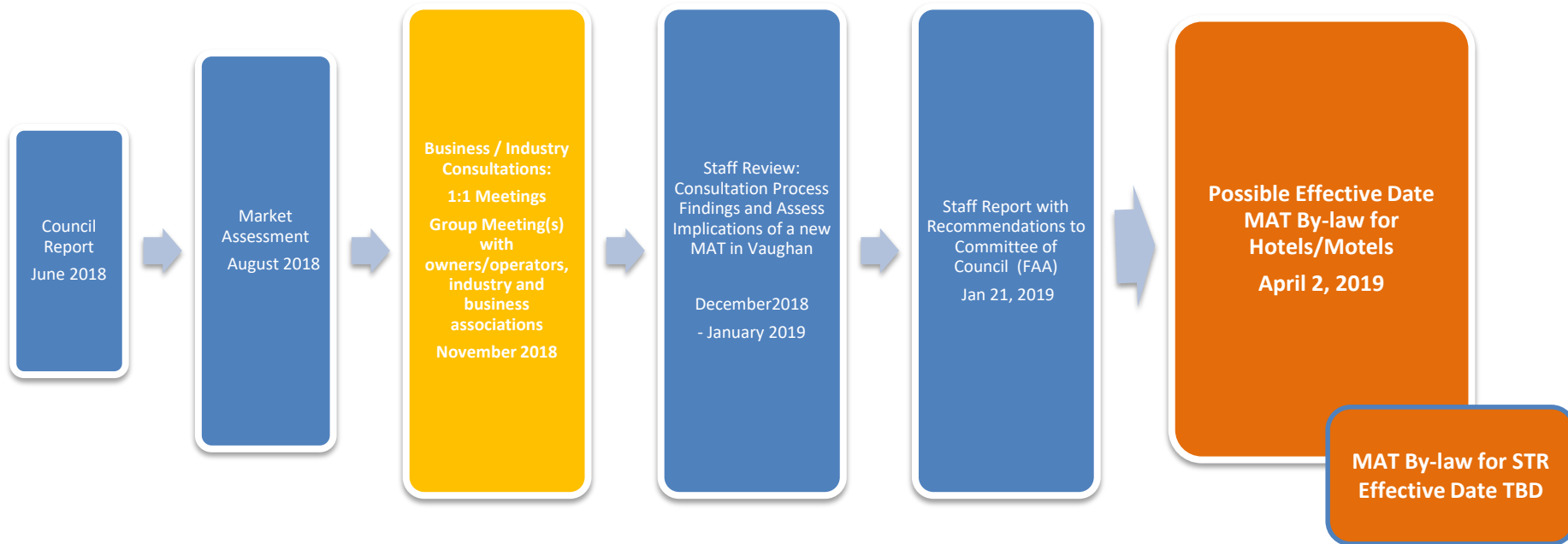
How does the MAT apply?

- Transient Accommodation (Hotels, Short-Term Rentals)
- MAT is a sales tax paid by the guest and charged as a percentage of the purchase price of transient accommodation.
- MAT is payable on the purchase price for the room portion of rental accommodations for stays of four hours or more, and less than 30 days in duration.
- Other services including meeting room rentals, food and beverage, room services, internet services, valet parking, laundry, etc. are exempt from the tax provided that they are itemized separately on the bill.
- HST is payable on MAT remittances.
- 15 Communities in Ontario have a MAT; 4% Tax Rate consistently applied in Ontario

Market Assessment of Municipal Accommodation Tax

	Scenario 1: Baseline Revenues Current Hotel/Motel Properties plus Super 8 expansion No additional hotel developments or Airbnb units	Scenario 2: Further Supply Development Current Hotel/Motel Properties plus Super 8 expansion Further hotel and Airbnb supply at reasonable rate (2020 - 2023)
2019	\$3.23 - \$3.35 million	\$3.23 - \$3.35 million
2020	\$3.29 - \$3.41 million	\$3.39 - \$3.52 million
2021	\$3.36 - \$3.48 million	\$3.67 - \$3.81 million
2022	\$3.43 - \$3.55 million	\$3.97 - \$4.12 million
2023	\$3.49 - \$3.62 million	\$4.29 - \$4.45 million

Timelines / Next Steps



Discussion Items

1. Competition (Neighbours are stepping-up their sales efforts, Online Home Sharing Platforms, Market Growth)
2. Focus on business: Develop co-operative Vaughan-based sales marketing strategy to increase overnight stays (heads in beds priority)
3. Seat at the table: Voice of accommodation industry in decision-making (DMO)
4. MAT Rate (4%) – Consensus; 50:50 Allocation Regulation
5. Collection/Remittances (If approved, effective April 2, 2019)
6. Status of zoning and licensing (online platforms)
7. Timing

Additional Resources

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Proposed Hotel Developments

1. Avid Hotel (by IHD) – 6800 Hwy. 7
2. Hilton Garden Inn / Hampton Inn – 616 Applewood Cres.
3. Holiday Inn Express & Candlewood Suites – Cityview Blvd.
4. Hilton Garden Inn Redevelopment – 3201 Hwy. 7
5. Importanne – 7242 Hwy. 27
6. Hyatt @ Canada's Wonderland – Rutherford Rd.
7. Marriott Courtyard / Townplace Suites @ Chateau LeJardin – 8440 Hwy. 27
8. Liberty Development @ Promenade Mall – 1 Promenade Circle
9. Super 8 Motel Vaughan Addition – 3400 Steeles Ave. W.

*Note the Market Assessment of MAT Revenues is based on submitted/approved site plans with the City as of August 1, 2018.