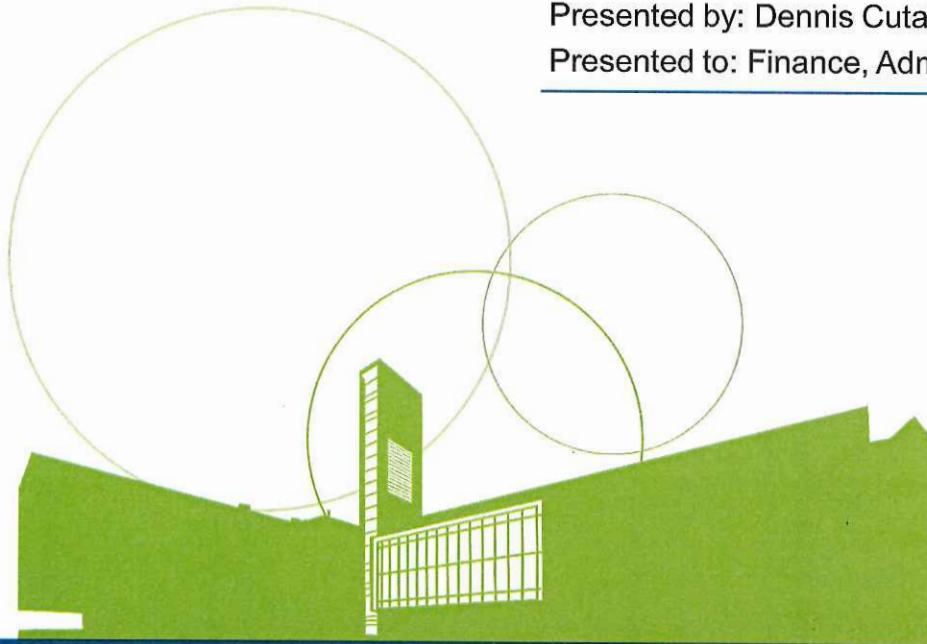


Municipal Accommodation Tax (MAT) and Tourism Destination Marketing Organization (DMO) in Vaughan, Ontario

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Presented to: Finance, Administration and Audit Committee, January 21, 2019



Purpose

1. To present findings of the staff review (per Council Resolution)
2. To establish a new Municipal Accommodation Tax (“MAT”) in Vaughan, Ontario
3. To create a Vaughan-Focused Tourism Destination Marketing Organization (“DMO”)

What is a MAT? and How does it apply?

- MAT is a mandatory sales tax paid by guests staying at an accommodation
- Applies to Transient Accommodation (including Hotels, Motels, Short-Term Rentals including Online Home Sharing Platforms, and other transient accommodation)
- Charged as a percentage of the purchase price of the accommodation
- For stays less than 30 days in duration, or 29 nights
- Provider (accommodation) remits MAT to the municipality monthly, or as agreed
- Exemptions: Meeting room rentals, food and beverage, room services, internet services, valet parking, laundry, etc.
- MAT Revenue Sharing: At least 50% to Tourism Promotion; balance to the City

Legislative Context

Ontario Municipal Act, 2001

- Section 400.1 of the Municipal Act, 2001, S.O 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.

Ontario Regulation 435/17: Transient Accommodation Tax

- Pursuant to section 400.1 of the Act and the Ontario Regulation 435/17, Council may establish a tax rate and to levy on the purchase of transient accommodation within the municipality.

Municipality: Role of Council

- Approve and implement Municipal Accommodation Tax Bylaw(s)
- Authorize Municipal Services Corporation for the Tourism Promotion Entity (Destination Marketing)

Who has approved a MAT in Ontario?

- 16+ municipalities in Ontario
- In the Greater Toronto Area (GTA):
 - City of Toronto (April 2018)
 - City of Mississauga (April 2018)
 - City of Markham (January 1, 2019)
 - Town of Oakville (January 1, 2019)
- 4% - MAT rate set by all municipalities to date

The Vaughan Opportunity

1. Attract more overnight stays, and associated economic spin-offs in Vaughan
2. New revenue source for the City of Vaughan to invest in:
 - Tourism Promotion (50% of MAT revenues); and
 - City services and infrastructure (50% of MAT revenues), at Council discretion

Staff Approach to Review and Assess a Vaughan MAT

Spring 2018	Council Approval to Investigate a MAT; formed Project Team
Summer 2018	1. Assessed Market & Economic Development Data 2. Estimated Tax Revenue Potential of Accommodation Sector (CBRE)
Fall 2018	3. Industry Engagement 4. Corporate Administration Review 5. Governance & Legal: Municipal Services Corporation for the DMO
Winter 2019	6. Developed Recommendations 7. Report to Council 8. Council Approvals

Findings of this review are presented in next slides

1. Economic Development and 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+ |

Demand Generators in Vaughan: Corporate, Sports, Visitor Family Relatives Markets:

- 12,000+ businesses, largest concentration in York Region
- \$21 Billion Real GDP in Vaughan (\$295M from tourism sector)
- Proximity to Toronto Pearson, TTC Subway Connections, 400 Series Highways & Downtown Toronto
- Weekend Sports Market Opportunity
- Attractions in Vaughan and GTA

2. Revenue Potential in Vaughan: Municipal Accommodation Tax

	Scenario 1: Baseline Revenues	Scenario 2: Further Supply Development
	Current Hotel/Motel Properties plus Super 8 expansion No additional hotel developments or Airbnb units	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

3. Industry Engagement (November 2018)

Approaches

- Face to Face or Telephone Meetings with all hotel, motel properties in Vaughan
- With industry and business associations
- VCC roundtable discussion
- Teleconference with Airbnb officials
- Dedicated web pages on City site
- Information kits to each stakeholder



3. What we heard... Consensus Findings

- MAT revenue should be invested in Vaughan for the promotion of overnight stays
- MAT rate be set at 4% consistent with Mississauga, Toronto, Markham, Oakville and other jurisdictions
- MAT be applied to short-term rentals (e.g., including online home sharing platforms) in the future
- Industry has a strong and insightful voice at the table (New DMO). e.g., promote shoulder and low season
- Competitiveness of Vaughan's accommodation industry be positively impacted – see results
- City's share of MAT be invested in tourism-related services and infrastructure to promote guest experience
- Industry be kept informed
- Openness, transparency and accountability of the DMO
- Marketing strategies benefit all districts/geographies in Vaughan

4. Corporate Administration Review

1. MAT Rate: 4%
2. Effective Start Date: April 1, 2019
3. City collects 100% of MAT (in-house; reasonable costs charged to tourism share)
4. Revenue Sharing (50% to Tourism Promotion Entity; and 50% to City Services)
5. Budget Requirements
 - Establish Dedicated Reserve Account(s)
 - Staffing (2 positions funded by MAT to manage DMO, and Board)
 - Allocation of City's 50% share (priorities determined through annual budget process; approved by Council)
6. City Bylaws: (1) MAT (Hotels/Motels), and (2) Future MAT (Short-Term Rental) Bylaw

5. Municipal Services Corporation (DMO)

- 1. City is Sole Shareholder; Focused Objectives on Tourism Promotion Only**
- 2. Composition of Start-up Board of Directors:**
 1. City Manager (or designate)
 2. Chief Financial Officer (or designate)
 3. Chief of Corporate Initiatives and Intergovernmental Relations (or designate) and
 4. One member of Council
- 3. Duration of Start-up Board: up to 24 months**
- 4. Role of Start-up Board:**
 1. Serve as first Directors of the Corporation (Letters Patent)
 2. Establish Corporate By-law, and relevant Policy and Procedures
 3. Legal Agreement(s) with City on matters of mutual interest
 4. Oversight on the strategy, business affairs, transactions and operations of the Corporation
 5. Start-up the Accommodation Industry Stakeholders Advisory Committee
- 5. Transition to Full-Time Board of Directors: 18-24 months**

Next Steps

- Council approval of staff recommendations
- Council approval of MAT Bylaw (Hotels/Motels)
- Staff informs industry of Council decision
- Staff implements corporate administration and Municipal Services Corp. requirements
- Separate Report on Short-Term Rentals Study (Building Standards and Bylaw/Licensing)
- Collection of MAT (Hotels/Motels) commences on April 1, 2019