

Committee of the Whole (2) Report

DATE: Wednesday, May 20, 2020

WARD(S): ALL

**TITLE: EXTENSION OF MUNICIPAL ACCOMMODATION TAX
SUSPENSION IN RESPONSE TO COVID-19**

FROM:

Mary Reali, Deputy City Manager, Community Services
Michael Coroneos, Deputy City Manager, Corporate Services and Chief Financial Officer

ACTION: DECISION

Purpose

To obtain Council approval to extend the suspension of the Municipal Accommodation Tax (MAT) in support of the Tourism and Accommodation industry in Vaughan. Since Council approval to suspend the MAT from March 17-June 1, 2020, the City's Economic and Cultural Development Department (ECD) inclusive of the Tourism Vaughan Corporation (TVC) has received feedback from the accommodations community regarding extension of the suspension period. This brief and recommendation is based on that feedback in addition to a financial analysis of projected revenue loss.

Report Highlights

- The global COVID-19 pandemic continues to cause significant disruption to the accommodations industry.
- Based on conversations with operators, Vaughan-based accommodations are running between 5% and 15% occupancy.
- The City of Vaughan supported the hotels and motels through suspension of the MAT from March 17-June 1, 2020 and has opportunity to continue this support beyond June 1 by continuing to suspend the MAT bylaws until September 1, 2020.

Recommendation

1. That the Municipal Accommodations Tax (Hotel) Bylaw 029-2019 and the Municipal Accommodations Tax Short Term Rental Bylaw 183-2019, be amended to continue to suspend the collection of the four per cent Municipal Accommodation Tax (MAT) by transient accommodation providers in Vaughan, until September 1, 2020.

Background

On March 17, 2020 Vaughan City Council approved suspension of the MAT for the period of March 17-June 1, 2020 in response to COVID-19 pandemic to support the accommodations and tourism industries.

ECD and TVC have continued to engage with local hoteliers to provide support and gather feedback on the status of their operations and outcomes of previous support measures such as suspension of the MAT. Cancellations of reservations and bookings continue to be exponential while new business is minimal with properties informally reporting an average occupancy rate of 10 per cent, if not lower.

There are several challenges facing the tourism industry as a result of the global pandemic. Although solutions to most challenges are outside the jurisdiction of the local municipality, City of Vaughan can continue supporting the local accommodation industry by extending the suspension of the four per cent Municipal Accommodation Tax (MAT) until September 1, 2020.

This measure is meant to continue providing support and stimulus to the local economy while easing strain for local accommodation providers as they continue to manage the repercussions from the global COVID-19 pandemic.

Despite the devastation this sector is experiencing, the accommodations industry has demonstrated its support to the local community in partnership with the TVC by way of offering special rates for essential workers and making donations to local charities and relief efforts.

In this report, staff have provided a financial analysis of projected revenue loss and impacts to the TVC Inaugural 2020 Business Plan and Budget.

Previous Reports/Authority

[Bylaw 029-2019 \(Municipal Accommodation Tax\)](#)

[Bylaw 183-2019 \(Municipal Accommodation Tax – Short Term Rental\)](#)

[City of Vaughan MAT](#)

[Special Committee of the Whole Report - CITY OF VAUGHAN ECONOMIC MEASURES IN RESPONSE TO THE GLOBAL NOVEL CORONA VIRUS \(COVID-19\) PANDEMIC](#) (March 17, 2020)

[TVC Inaugural Budget and Business Plan 2020](#)

Analysis and Options

The suspension of the MAT has supported guests in Vaughan's accommodations. Frontline and essential workers make up a large part of the current guest lists in Vaughan's accommodations.

The TVC has gathered feedback from local hoteliers to understand the outcomes of support measures enacted by the City to date, mainly the suspension of MAT from March 17-June 1. Their positive response to the initial suspension is consistent with comment that due to low occupancy rates the tax collected during this pandemic would be minimal. Also of note was recognition that while the tax relief does not directly support their bottom line or provide them with additional liquidity, it does support those staying in their facilities which include essential workers. Collectively the local hoteliers have requested that the suspension continue until the market begins to show signs of recovery.

Thirteen of the sixteen hotel/motel properties in Vaughan are currently open for business and are running on severely reduced operations with skeleton staff.

Of the remaining properties, one has been appointed as a Designated Isolation Site (DIS), appointed under the order pursuant to section 7 of the Quarantine Act. The two remaining properties are closed until end of May and early July. Of those in operation, two were previously closed and re-opened after introduction of the Canada Emergency Wage Subsidy (CEWS). The operational properties have informally reported occupancy rates of 10 per cent on average, and that meetings and events business has completely halted until July.

The City of Vaughan is asking accommodations to submit occupancy data, despite the suspension of financial clauses of the MAT.

Staff have requested that hotels continue to submit occupancy data during the suspension period in order to shape the City's tourism recovery plan and monitor the continuing impact COVID-19 is having on the tourism industry. The first data report will be available end of May and shared with Council via the daily COVID-19 Council Memo Update.

Financial Impact

Suspending the MAT would result in a loss of revenue to the City and TVC for both encumbered and unencumbered collections. However, as the hotels are not running at normal sales levels for this time of year, the loss of projected revenue is inevitable.

The following Table outlines projected budget revenue against lost revenue due to lower volumes during COVID-10 based on a ten per cent estimated average occupancy rate, and the difference of the two totaling the foregone revenue due to suspension of MAT.

Budgeted 2020 MAT revenues are based on a top line estimate using MAT projections provided by a Market and Municipal Accommodation Tax Revenue Assessment report conducted by CBRE Travel and Leisure submitted to the City of Vaughan in September 2018.

Projections are shown for three suspension periods: (1) approved and implemented term of March 17-June 1, (2) current recommended extended suspension term of June 2-September 1, and (3) a possible future suspension term of September 2-December 31.

TABLE 1: Projected MAT Revenue Loss – Encumbered and Unencumbered

Suspension Period (2020)	2020 Budgeted Revenue	Lost Revenue due to COVID-19 (Lower volumes)	Foregone Revenue due to Suspension of MAT*
March 17th - June 1st	\$586,823.67	\$528,141.30	\$58,682.37
June 2nd - Sept 1st	\$1,109,018.52	\$998,116.67	\$110,901.85
Sept 2nd - Dec 31st	\$1,354,326.72	\$1,218,894.05	\$135,432.67
Total	\$3,050,168.91	\$2,745,152.02	\$305,016.89
<i>*based on 10% occupancy rate of 2020 revenue projections</i>			

Based on Table 1, due to low volumes during the COVID-19 pandemic lost budgeted revenue is estimated at \$2,745,152.02 between March 17 to December 31, 2020 assuming occupancy rates remain on average at 10 per cent of budgeted levels.

It is estimated that extending the current MAT suspension term (March 17-June 1) until September 1 will result in total foregone revenue loss of \$169,584.22 cumulatively for the City and TVC and based on current occupancy rates.

Extension beyond September 1 will be re-evaluated in August, however for information, data is included in Table 1 identifying additional \$135,432.67 foregone revenue if occupancy rates remain at an average of 10 per cent and collections are suspended until December 31.

The TVC 2020 Budget and Business Plan outlined a robust prudent expenditure in 2020 to set the stage for a full year of programming in 2021 through recommendations identified in the pending Destination Master Plan. Thus, despite projected revenue losses, the TVC will be able to deliver on its 2020 objectives through the eight (8) key activities outlined in the plan with the addition of a COVID-19 resiliency lens. Financial impacts for the TVC's 2021+ budgets will be considered during the Destination Master Plan development process with an added scope of post-pandemic resiliency for the industry.

Broader Regional Impacts/Considerations

Other GTA municipalities have moved to take similar actions since the onset of the pandemic.

The City of Markham, for example, has suspended the MAT from April 1, 2020 to December 31 and Mississauga has deferred remittance only. Toronto has not made amendments to their MAT remittance or collection, however, does not operate within a Municipal Service Corporation model.

Conclusion

The COVID-19 pandemic continues to present international, national, provincial and local governments with unprecedented challenges. The ECD and TVC have contributed support measures that mitigate some of the negative effects of the pandemic on the local accommodation providers and tourism industry.

Continuing to suspend collection and remittance of MAT will help the accommodation sector and tourism industry that have been critically affected by COVID-19.

Enacting this recommendation will provide continued relief to the accommodations sector, and tourism industry, and demonstrate to the local business community and consumers that the City of Vaughan is committed to ensuring the well-being of citizens and the economy.

The best tools the City of Vaughan has to support this devastated industry is its advisory services, and temporarily adjusting policies that directly affect the operations of businesses and the local economic climate in general.

For more information, please contact:

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Attachments

None.

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