

Municipality of Lakeshore - Report to Council

Community & Development Services

Economic Development



To: Mayor & Members of Council
From: Ryan Donally, Economic Development Officer
Date: March 3, 2021
Subject: Municipal Accommodations Tax (MAT) Report

Recommendation

Approve in principle, the imposition of Municipal Accommodations Tax (MAT) on appropriate properties;

Direct Administration to bring back a report recommending administrative procedures and prepare a draft by-law;

Direct Administration to include the concept of a Municipal Accommodations Tax in the public consultation for Short Term Rentals; and,

Direct Administration to send a letter to the Premier of Ontario in support of the proposal by Airbnb for the implementation of a common Municipal Accommodation Tax across all areas of the Province of Ontario, as presented in the March 23, 2021 report to Council.

Background

At the October 8, 2019 Council meeting, the following motion was passed:

457-10-2019

That Administration be directed to bring back a report regarding a MAT tax for fixed room short-term accommodation.

Comments

Council directed Administration to explore the imposition of a Municipal Accommodation Tax (MAT) on appropriate properties in October of 2019.

As the Holiday Inn Express & Suites Lakeshore is set to open in Spring of 2021, and a General Manager and Director of Sales has been hired, Administration is prepared to provide recommendations on this matter after consulting with key stakeholders.

Related to the MAT is the issue of MAT for Short Term Rentals (STR) through online booking sites. Administration is planning to include questions pertaining to MAT in the upcoming STR public engagement sessions (Spring 2021).

Legislation

The introduction of the Municipal Accommodations Tax (MAT) follows the Province of Ontario passing of [Bill 127: Stronger, Healthier Ontario Act \(Budget Measures\) 2017](#), which allows lower or single tier municipalities in Ontario to charge a mandatory MAT, often referred to as a “Hotel Tax.” The addition to the *Ontario Municipal Act, 2001* (the Act) and accompanying *Ontario Regulation 435/17, [Transient Accommodations Tax](#)* came into effect on December 1, 2017. A four percent (4%) Municipal Accommodations Tax is recommended under the legislation to be imposed on all transient accommodations including hotel, motel, inn, bed and breakfast, resorts, and short term rentals for stays of 30 days or less.

Short-term rentals (STRs) are loosely defined as individuals renting out their residence, or part thereof, for short periods of time. As per the legislation, a municipality must spend the proceeds of the MAT on tourism related promotion.

Current State of Short Term Rentals and MAT

Airbnb has stated in the attached report, [Ontario MAT Proposal, Airbnb](#) it will not enter into agreements with all 444 municipalities in Ontario to collect MAT. This was confirmed during a conversation with Nathan Rotman, Public Policy, Canada and the Northeast US, Airbnb.

A blanket agreement across all of Essex County cannot be created as each municipality must enter into its own agreement.

Airbnb does have individual agreements with the following larger municipalities: Windsor, Barrie, Brockville, Sudbury, Mississauga, Ottawa, Toronto, and Waterloo Region.

Airbnb is encouraging Ontario to pass legislation similar to that of [Quebec](#) and [British Columbia](#) whereby the province mandates a tax, which is collected by Airbnb, then distributed back to the appropriate regions based on rentals.

Airbnb has requested local municipalities to draft a letter of support, directed towards the appropriate provincial government agencies and officials requesting a ‘blanket MAT’ is imposed on all transient and short term rentals throughout the province of Ontario. While Lakeshore Council has yet to provide direction related to the status of short term rentals in Lakeshore, this letter would signify that Council is requesting that all short term accommodation options are being treated equally in regard to levies.

Recommendation 4 is proposed to support the proposal by Airbnb for an implementation of a common Municipal Accommodation Tax across all areas of Ontario.

Council may elect to pass by-laws to regulate short term rentals within the municipality. A MAT would apply to all short term rentals.

Regional Comparators

Administration contacted municipalities in the region on whether they are collecting Municipal Accommodation Tax and found the following:

	<u>MAT in place (Y/N)</u>	<u>Traditional hotel in Municipality (Y/N)</u>
Windsor	Y	Y
Tecumseh	N	N
Leamington	N	Y
Kingsville	N	Y
Essex	N	N
Amherstburg	N	N
Pelee Island	N	N
LaSalle	N	N
Chatham-Kent	N	Y
Sarnia	Y	Y
London	Y	Y

Proposed Exemptions¹:

To assist in implementation, a By-law would list accommodations that would be exempted from the payment of Municipal Accommodation Tax. The list of exemptions used in the City of Ottawa is as follows.

- Accommodations that are rented by the month, 30+ days
- 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*
- Every long-term care home as defined in subsection 2(1) of the *Long-Term Care Homes Act, 2007*, retirement home and hospices
- Accommodations paid for by a School Board as defined in subsection 1 (1) of the *Education Act*.
- Treatment centres that receive provincial aid under the Ministry of Community and Social Services Act
- Every house of refuge, or lodging for the reformation of offenders

¹ <https://ottawa.ca/en/living-ottawa/taxes/hotel-and-short-term-Accommodations-tax>

- Every charitable, non-profit philanthropic corporation organized as shelters for the relief of the poor or for emergency
- Every tent or trailer sites supplied by a campground, tourist camp or trailer park that is not listed on short term rental websites
- Every Accommodations supplied by employers to their employees in premises operated by the employer
- Every hospitality room in an establishment that does not contain a bed and is used for displaying merchandise, holding meetings, or entertaining

Analysis

Administration undertook consultation with various key stakeholders in the tourism and accommodation industry. The detailed comments are included in Attachment 1. From these conversations, it was found that there exists unanimous support of OHRMA, the local ORHMA representative, the General Manager of the Holiday Inn Express and Suites Lakeshore and the Owner of Iron Kettle Bed and Breakfast.

Stakeholders seek Council to create an 'equal playing field' related to the imposition of MAT on all short term stays, in traditional hotels or otherwise.

The potential revenue generated from MAT will fund the municipality's tourism product and tourism infrastructure development which will further grow the municipality's attractions, restaurants, retail, and services and products.

Based on best practice from other jurisdictions, Administration proposes the creation of a tourism advisory group, organized by the Economic Development Officer and comprised of tourism related stakeholders, to advise the Municipality as to the best use of the revenue generated from MAT to support tourism development in the municipality.

The establishment and enhancement of tourism efforts fits well with multiple strategic priorities of Council, including: 1.1 Promote Lakeshore as the premier place to live, work, and play in southern Ontario; 1.4 & 5.4 Encourage Economic Development and Tourism.

Conclusion

Based on the research undertaken, Administration recommends the passing of a by-law imposing a Municipal Accommodation Tax (MAT) at 4% of rental rate to all transient accommodations including hotel, motel, inn, bed and breakfast, resorts, and short-term rentals for stays of 30 days or less. If Council supports this recommendation in principle, Administration will bring back a report with details on the recommended process for Administration of the process of MAT with the necessary by-law.

Others Consulted

Tony Elenis, President & CEO, Ontario Restaurant Hotel and Motel Association

Stacy King, General Manager, Holiday Inn Express & Suites - Lakeshore,

Nathan Rotman, Public Policy, Canada and Northeast US, Airbnb

Benjamin Leblanc-Beaudoin, Owner, Iron Kettle Bed and Breakfast

Dharmesh Patel, Regional Chair Ontario Restaurant Hotel and Motel Association (ORHMA), General Manager, Quality Inn Leamington

Shannon Pavia, Municipality of Chatham Kent – Tourism

Lynnette Bain, Tourism Windsor Essex Pelee Island

Financial Impacts

As per the Transient Accommodations Tax regulation, the intent of the revenue generated is intended to “promote tourism” in the municipality. Fifty percent (50%) of revenue, less reasonable costs of collecting and administering the tax, is to be directed to an eligible tourism entity whose mandate includes the promotion of tourism in Ontario. If implemented, Tourism Windsor Essex Pelee Island (TWEPI) is the official Destination Marketing Organization (DMO) for the Municipality of Lakeshore and the County of Essex and would receive 50% of the revenue. The remaining funds would be held by the Municipality of Lakeshore and would be used exclusively for tourism related activities within the municipality.

Potential Revenue Model:

<u>Type</u>	<u>Assumptions</u>	<u>Annual Projected Guest Revenue</u>	<u>MAT (4%)</u>
Hotel	105 Rooms, 60% Occupancy, \$120 per night	\$ 2,759,400.00	\$ 110,376.00
Motels	20 rooms, 30% Occupancy, \$50 per night	\$ 109,500.00	\$ 4,380.00
Traditional B&B's	6 Rooms, 30% Occupancy, \$100 per night	\$ 65,700.00	\$ 2,628.00
Short Term Rentals	1664 nights, \$215 per night	\$ 357,760.00	\$ 14,310.40
TOTAL Annual MAT Revenue			\$ 131,694.40
TWEPI 50%			\$ 65,847.20
Lakeshore 50%			\$ 65,847.20

*** The revenue model is based on projected occupancy and rental rates. Data has been supported by either the hotel management, or secondary research. External factors (COVID-19, competition, etc.) may adjust actual revenues and subsequent MAT revenue.

As mentioned above, the total remitted MAT could be in the range of \$131,000 per year. Of this total 50% of the revenue would be re-allocated to Tourism Windsor Essex Pelee Island, and 50% would be maintained within the Municipality and earmarked specifically to tourism efforts and tourism development. Depending on the model of implementation, there will be staff time that would need to be allocated to collecting the MAT. As with any by-law, enforcement would be required. A process to provide for administering this program including processing remittances, providing for routine financial audits, verification of remittances and monitoring timing of remittances, would be required. This may lead to the need for additional staffing resources.

Alternatively, Council can direct Administration to procure a vendor such as Ontario Restaurant, Hotel and Motel Association (ORHMA) who could collect the tax on behalf of the Municipality for a fee. Based on the proposed revenue chart above, the anticipated annual fee for this service is expected to be approximately \$2,200 per year. The fee is based on the volume of MAT remittances and would be shared equally by TWEPI and the Municipality.

Attachments:

- 1 – Comments from stakeholders
- 2 – ORHMA's Direction to the Municipal Accommodation Tax
- 3 – Ontario MAT Proposal, Airbnb

Report Approval Details

Document Title:	Municipal Accommodations Tax Report .docx
Attachments:	- Appendix 1- Comments from Stakeholders.pdf - ORHMA's Direction to the Municipal Accommodation Tax.pdf - Ontario MAT proposal.pdf
Final Approval Date:	Mar 18, 2021

This report and all of its attachments were approved and signed as outlined below:

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