



Town of Newmarket  
395 Mulock Drive P.O. Box 328,  
Newmarket, Ontario, L3Y 4X7

Email: [info@newmarket.ca](mailto:info@newmarket.ca) | Website: [newmarket.ca](http://newmarket.ca) | Phone: 905-895-5193

## **Municipal Accommodation Tax: Background & Public Consultation Staff Report to Council**

Report Number: 2023-49

Department(s): Recreation & Culture

Author(s): Colin Service, Director, Recreation & Culture

Meeting Date: June 26, 2023

### **Recommendations**

1. That the report entitled Municipal Accommodation Tax – Background and Public Consultation be received; and,
2. That the public consultation strategy as outlined in the report be approved; and,
3. That staff report back in the 4<sup>th</sup> quarter with recommendations around a Municipal Accommodation Tax reflective of the consultation undertaken; and,
4. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

### **Purpose**

The purpose of this report is the following:

- To provide a full understanding of the legislative framework of a Municipal Accommodation Tax (MAT)
- To provide background on what actions have been taken in Newmarket with respect to the development of a MAT program
- To provide an overview of how MAT programs have been implemented by other municipalities throughout Ontario
- To provide a high-level understanding of the potential financial benefits of a MAT program in Newmarket
- To request Council endorsement on a public consultation plan and next steps

## **Background**

On November 23, 2017, the Province of Ontario enacted Ontario Regulation 435/17 “Transient Accommodations Tax” (MAT Regulation) which prescribes the necessary provisions for municipalities to implement a Municipal Accommodation Tax. The MAT regulation requires 50% of MAT revenue be paid to one or more eligible tourism entities. The remaining 50% of MAT revenue can be allocated to the municipality at the discretion of Council.

Many municipalities began research and exploration of implementation of a MAT Program. Many municipalities with a significant hotel presence began implementing the tax as early as 2018/2019.

Throughout 2019, a cross section of staff in Newmarket conducted significant research into the development of a MAT program. This research included preliminary discussion with current hotel operators, in early 2020. The hotel operators expressed some concern to the implementation of a program - primarily they cited the lack of a tax in York Region indicating that it would place Newmarket hotels at a financial disadvantage.

Around the time this feedback was received, the COVID-19 Pandemic began. Focus shifted to pandemic response and further exploration of a MAT program was paused.

Given the current economic climate and financial pressures facing municipalities across the province, a significant number of municipalities have now implemented a MAT program.

## **Discussion**

### **Legislative Framework Highlights**

Under Ontario Regulation 435/17, all single tier and lower tier municipalities have the authority to put a Municipal Accommodation Tax in place. Upper tier municipalities (Regional or County Governments) do not have the authority to put a tax in place.

Municipalities have the flexibility to determine the design of the tax, including the tax rate. All municipalities that have implemented a MAT program have determined a rate of 4% of the total accommodation cost.

The municipal accommodation tax authority allows the municipality to determine the types of short-term accommodation in which the tax would apply. The tax can only apply to accommodation that is short-term in nature. That means a local municipality could apply the tax to hotel accommodation only, or it could choose to apply the tax to other types of short-term accommodation, including transient accommodation offered through services such as Airbnb, or other accommodation that is short-term in nature.

## **Municipal Comparisons**

As of 2022, there were 45 municipalities across Ontario that have formally implemented a MAT program. Within York Region, the Cities of Markham and Vaughan have both implemented a MAT program. Both of their programs were implemented in 2019. There is a wide variability in terms of size and geographic location among those municipalities that have already implemented a MAT Program. All MAT programs in the province have established a levy rate of 4%. See appendix A for a complete list of all municipalities that have implemented a MAT program.

For the municipalities that have implemented a Municipal Accommodation Tax, their respective Councils were faced with two crucial decision points:

- Whether to distribute 50% of revenues to an existing tourism-based organization or to create their own Municipal Services Corporation focused on tourism
- How to allocate the 50% of revenues that are retained within the Municipality

## **Financial Implications for Newmarket**

Should Newmarket implement a MAT program, the revenue generation has the potential to be significant. With the existing and forecasted hotels, as well as the current inventory of AirBNB (or other similar short term accommodations), it is projected that over \$600,000 could be collected annually – that revenue would be split evenly between the Town and a tourism based organization.

## **A Focus on Tourism**

In addition to the positive financial implications for the Town, there are significant ancillary benefits for the business community and hospitality sector. Newmarket could develop its own Municipal Services Corporation, as most municipalities have, that could package and leverage the many assets on offer within the community – Newmarket is uniquely positioned both geographically and with urban density creating a vibrant energy. There is tremendous potential to draw tourists in to experience the exceptional events, partake in a strong culinary scene and enjoy the natural beauty. Creation of Newmarket focused tourism experiences could be leveraged to coincide with traditionally slow periods for the hospitality sector. With an award winning vibrant downtown core, a roster of best in class events and current and coming facilities and attractions (including the Mulock Park and AGO presence within the Mulock House), a MAT program will provide the necessary resources to properly promote this and reap the ensuing economic benefits within the hospitality sector.

## **Public Consultation Plan**

Staff are recommending that we reengage with the hospitality sector through individual discussions with hotel operators and engagement of short-term rental providers through online survey. These conversations and surveys will seek to solicit feedback about concerns while also gathering information about what a successful MAT Program could look like for the hospitality sector. All feedback gathered will be shared within the follow up report.

In addition to the hospitality sector, it is important take actively engage the broader business community. This will include individual conversations with the Chamber of Commerce and BIA and surveys for their membership, again seeking feedback on their respective views of a successful MAT Program.

## **Next Steps**

Staff are only seeking Council authorization to conduct consultation with the hotel and short-term rental providers, and business community at this time.

In the fall, staff will bring back a report to Council which will address the following, should a MAT program be implemented:

1. Whether the funding will go towards an existing tourism-based organization or a Municipal Services Corporation. This will include detailed analysis of a potential agreement with an external organization, or specific operating details of a Municipal Services Corporation.
2. Detailed options will be presented on how to allocate the funding at the discretion of Council.
3. Projected timelines of implementation of a MAT program.

## **Conclusion**

There are few mechanisms available to municipalities to create new revenues. The Municipal Accommodation Tax is one of the few new tools to be developed and available to all single and lower tier municipalities. Given the financial challenges facing all municipalities, it is imperative that thoughtful consideration be given to this tool.

Through detailed research, the Town of Newmarket has a broad understanding of the legislation and municipal comparisons. The piece missing in that understanding is how best to work with the hospitality sector to implement such a program. Staff are seeking to close that loop by engaging in a consultation process this summer with a report back in the fall.

## **Business Plan and Strategic Plan Linkages**

This initiative aligns with Council's Strategic Priority of community and economic vibrancy. It is an initiative that has the potential to enhance the overall financial situation of the municipal organization while providing the foundation for creation of a vibrant, culturally rich and diverse community.

## **Consultation**

This report was developed through the contributions of a working team with representatives from Economic Development, Legislative Services, Legal, Finance, Corporate Communications and Recreation & Culture. The public consultation considerations were outlined in the previous section.

## **Human Resource Considerations**

None at this time.

## **Budget Impact**

There are no budget impacts at this time. The follow up report will contain detailed financial analysis and implications.

## **Attachments**

Appendix A – List of Municipalities that have implemented a MAT Program

## **Approval**

Colin Service, Director, Recreation & Culture

Esther Armchuk, Commissioner, Corporate Services

Ian McDougall, CAO

## **Contact**

For further information, please contact Colin Service at [cservice@newmarket.ca](mailto:cservice@newmarket.ca)

## Appendix 1: List of Municipalities in Ontario with a Municipal Accommodation Tax

	Municipality
1.	Barrie, City of
2.	Belleville, City of
3.	Brockville, City of
4.	Cambridge, City of
5.	Cochrane, Town of
6.	Cornwall, City of
7.	Dryden, City of
8.	Fort Frances, Town of
9.	Gananoque, Town of
10.	Greater Sudbury, City of
11.	Hearst, Town of
12.	Huntsville, Town of
13.	Kapuskasing, Town of
14.	Kenora, City of
15.	Kingston, City of
16.	Kitchener, City of
17.	London, City of
18.	Marathon, Town of
19.	Markham, City of
20.	Mississauga, City of
21.	Niagara Falls, City of
22.	North Bay, City of
23.	Oakville, Town of
24.	Orillia, City of
25.	Oshawa, City of
26.	Ottawa, City of
27.	Peterborough, City of
28.	Point Edward, Village of
29.	Prince Edward, County of
30.	Quinte West, City of
31.	Red Lake, Municipality of
32.	Sarnia, City Of
33.	Sioux Lookout, Municipality of
34.	South Bruce Peninsula, Town of
35.	Stratford, City of
36.	Terrace Bay, Township of
37.	Thunder Bay, City of
38.	Timmins, City of
39.	Toronto, City of
40.	Vaughan, City of
41.	Waterloo, City of

42.	Wellesley, Township of
43.	Wilmot, Township of
44.	Windsor, City of
45.	Woolwich, Township of