



Town of Newmarket
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Municipal Accommodation Tax: Implementation of a Program Staff Report to Council

Report Number: 2024-43

Department(s): Recreation & Culture

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

Meeting Date: June 17, 2024

Recommendations

1. That the report entitled Municipal Accommodation Tax (MAT) – Implementation of a Program dated June 17, 2024 be received; and,
2. That the implementation of a MAT Program (as outlined in the report), at a 4% levy to all hotel and short-term rental operators, beginning January 1st, 2025, be approved; and,
3. That a Town reserve fund be established for the municipal portion of revenues. that are to be then re-invested into community initiatives through the annual budget process; and,
4. That staff report back on the establishment of a Municipal Services Corporation (MSC) to promote and invest in Newmarket as a tourism destination; and,
5. That Council provide delegated authority to the Director of Finance or her designate to authorize all necessary staffing and to do all things necessary to successfully operate this new program; and,
5. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Executive Summary

This report provides background information, and results of public consultation. The report provides the legislative framework for the development of a MAT Program.

Staff are recommending the implementation of a MAT Program at a 4% levy. Staff are further recommending the development of Town reserve for the 50% portion of net revenues allocated to the Town of Newmarket. These funds would be re-invested into community initiatives established annually through the budget process.

Staff have explored options for the 50% of net revenues to be allocated to a tourism-based organization. Like the majority of municipalities in Ontario that have implemented a MAT Program, staff are recommending the development of a Municipal Services Corporation to allocate the funds required to be designated for a non-profit tourism entity. This organization must be promoting tourism in the municipality. Staff will report back in September with more details on the development of an MSC.

Both implementation of the MAT Program, and the development of an MSC are recommended for a January 1st, 2025 start date.

Purpose

The purpose of this report is the following:

- To remind Council 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, particularly since the last report in June, 2023
- 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 provide Council with and seek endorsement of recommendations around implementation of a MAT program in Newmarket

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. In the legislation, eligible tourism entity means a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality. Further, any amounts paid to the eligible tourism entity must be used by the eligible tourism entity for the exclusive purpose of promoting tourism. The remaining 50% of MAT revenue can be allocated to the municipality at the discretion of Council.

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.

Consideration of a MAT program was paused during the COVID -19 pandemic. In early 2023, a new staff working group was formed to explore the implementation of a MAT Program. A report was brought forward in June 2023, recommending that further work be done including public consultation.

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. Most Municipalities began (and remain) with a rate of 4%.

Municipal Comparisons

When staff began to research the MAT in 2022, there were 45 municipalities across Ontario that have formally implemented a MAT program. A review completed in 2024, shows that at least 58 municipalities in Ontario now levy a MAT. 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. Most programs in the province initially established a levy rate of 4%. Some, including Ottawa and Kingston have already increased their rate to 5%. The Cities of Toronto and Mississauga have recently increased their rate to 6%.

See appendix A for a list of all known municipalities that have implemented a MAT program. Please note that many municipalities are considering this program and this list may not capture the most recent municipalities to implement a program.

Financial Implications for Newmarket

Should Newmarket implement a MAT program, the revenue generation would support advancing important community initiatives, large scale events, and other destination marketing opportunities. The result will be positive economic spin-off for the local business community. With the existing and forecasted hotels, as well as the current inventory of Airbnb (or other similar short-term accommodations), it is projected that approximately \$600,000 could be collected annually. Note: as per program

requirements – there would be a 50/50 revenue split between Town and a tourism based organization.

This rate was calculated by taking an average “rack rate” multiplied by occupancy rates for each hotel and anticipated occupancy rates for the new hotel. This occupancy rate was determined through occupancy rate data obtained by Central Counties Tourism. Please note that some hotel operators have expressed concern that these revenues are overstated. Primarily, hotels often rent rooms at a rate lower than what is advertised (the rack rate). Further, rentals through third party booking agencies such as booking.com take a commission on rooms rented through their platform, though a MAT program would tax based on the rate pre-payment of commissions. Additionally, hotel operators have expressed that since the time these figures were calculated, occupancy rates have been declining across the industry.

Public Consultation

A number of initiatives were completed to engage and connect with key interested parties. The following chart outlines the groups consulted, methods of consultation and key findings. It is important to note that the primary focus of this initial consultation was to determine whether a MAT Program would be viable in Newmarket. Should Council proceed with the implementation of a MAT Program more consultation will occur around the mechanics of program development.

Group	Consultation Method	Key Findings
Hotel Operators	Offered opportunity to provide feedback and/or have individual meeting – initially only operator set up a follow up meeting.	<p>Operators are concerned. Their concerns include: the creation of a competitive price disadvantage, particularly if neighbouring municipalities do not implement a MAT Program; concern that the MAT is implemented on full fee even though many bookings are through third party platforms; don't see how they will benefit with current limited overnight tourism in Newmarket; contend that revenues are possibly overstated but the perceived impact on their potential rentals is significant.</p> <p>The other significant concern raised by operators is the increasing competition of the hotel market in surrounding communities. Within the next two years there will be additional 300 to 400 rooms added in Aurora</p>

		and Bradford. At this point in time, neither of these municipalities have a MAT Program.
Airbnb Operators	Online Survey	Short term rental operators expressed a diversity of feedback. Many were concerned about additional fees/taxes impacting their ability to attract visitors and wanted to ensure a fair application of the tax across hotels and short-term rental operators. 50% expressed that they did not have enough demand for stays to expand their income and 1/3 were supportive of a destination marketing organization focused on Newmarket. STR operators indicated visitors were staying with them for a variety of reasons including supporting family in hospital, visiting family and friends and business. Operators did express that more visits occurred on summer weekends. .
Business Community	Presentation and Discussion with Newmarket Economic Development Advisory Committee (NEDAC)	Group was very supportive with no concerns expressed. The feeling of business professionals is that the fee would not persuade people from travelling to a specific hotel; most people expect a MAT now; that it would provide an excellent source of revenue to implement vital event focused initiatives that could benefit the entire community both from a community development and economic development perspective.
Sports Groups	Online Survey	This was a very generic survey to determine if they felt there was a greater market for sport tourism – all groups expressed that they are not really utilizing sport tourism opportunities to their fullest potential.

Implementing a MAT Program

Staff are recommending that a MAT Program be implemented with a 4% levy – to be implemented effective January 1st, 2025. This program would apply to all hotel and short-term rentals that are less than 28 days in duration.

It is further recommended that the program be implemented through a self-submission process whereby, operators are expected to remit payment quarterly, based on their own calculations of 4% of total rental revenues. The Town would reserve the right to

audit submissions. This provides the least administrative intensive process while also providing maximum flexibility to operators.

The MAT legislation does stipulate that 50% of net revenues must be split between the Municipality and a Tourism based organization. Staffing and administrative costs incurred by the municipality can be deducted from total revenues before payment is made to a designated tourism-based organization. Staff and administrative costs are provided in the budget implications and human resource considerations sections of the report.

It is further recommended that the municipal portion of revenues be allocated to a reserve fund to be re-invested annually back into the community as determined through the annual budget process.

Tourism Based Organization

At least 50% of net revenues must be allocated to an eligible tourism-entity whose mandate is the promotion of tourism. This could be an already existing organization or could be the creation of a Municipal Services Corporation to receive the funds. Many municipalities that have implemented a MAT Program have allocated funds to an MSC. A small number have chosen to direct the money to the regional based tourism organization while others have elected to support their local Chamber of Commerce.

Staff are recommending the creation of an MSC to receive the non-municipal portion of revenues. The broad mandate of the organization would be to support events and activities that have the potential to bring tourists to the community.

A MSC is a corporation whose shares are owned by a municipality, or a municipality and one or more other public-sector entities. A MSC can only provide a system, service or thing that the municipality could provide. MSCs are required to receive permission from a municipality to operate in its geographic boundaries. The Town can create a MSC under the provisions of the Municipal Act, section 203 and Ontario Regulation 599/06 Municipal Services Corporations.

Ontario Regulation 599/06 requires municipalities to complete the following steps before creating an MSC: develop a business case study for the proposed MSC; consult with the community about the plan to create the proposed MSC – should Council proceed with the development of an MSC, extensive consultation around the operation of that MSC will occur; adopt and maintain policies with respect to the transfer of assets.

A Municipal Services Corporation must be governed by an arm's length board. The board composition is at the discretion of the municipality and may include some Members of Council, as long as elected members do not represent the majority of board members.

Staff are further recommending that a follow up report be completed in September, that further details the following for Council: resourcing plan; board member composition including recruitment process; business case study; and public consultation plan. It is believed that staff would be able to implement recommendations for a January 1st, 2025 time period to coincide with the recommended implementation date of the MAT Program.

Conclusion

The Municipal Accommodation Tax is an important new catalyst to single and lower tier municipalities to expand destination marketing and event delivery in a significant way.

Through detailed research, the Town of Newmarket has a broad understanding of the legislation and municipal comparisons.

The Town of Newmarket is embarking on a period of significant investment in recreation and cultural based infrastructure including the Mulock Park, a new Pickleball facility and a new Tennis facility. The Mulock Park will be home to the Art Gallery of Ontario's only satellite exhibition space, as well as a host of new events, programs and venues (ie. skate trail, conservatory, public art, etc.) that have significant tourism potential. The new pickleball and tennis facilities add viable sport tourism opportunities. The addition of the Ice Lounge on Main Street and the continued growth and development of Main Street also serves as a catalyst for significant tourism opportunity.

A MAT Program, as proposed, capitalizes on this period of unprecedented growth and provides a strong marketing vehicle to ensure these assets and developments are leveraged for support beyond the borders of Newmarket, bringing with it a variety of economic benefits that support Council's Priority of Community and Economic Vibrancy.

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 Discussion Section.

Human Resource Considerations

During the “Rev it Up” Review, it was suggested by the consultants (Strategy Corp) that a MAT Program, as outlined, could be implemented by one staff person, reporting through the Finance Department. A formal job description would need to be developed and evaluated to determine the appropriate salary for a single staff person.

Budget Impact

As was noted previously in the report, potential revenues could be approximately \$600,000 annually. This number does not reflect revenues from Airbnb bookings. There are currently 80 Airbnb units registered in the Town of Newmarket. Staff are comfortable with revenue projections of \$600,000 recognizing potential concerns identified by the hotel operators when factoring in revenues to be earned through Airbnb. Staffing costs could be deducted from this amount with the remainder to be split evenly between a Municipal Services Corporation and the Town.

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

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

	Municipality
1.	Barrie, City of
2.	Belleville, City of
3.	Brantford, City of
4.	Brockville, City of
5.	Burlington, City of
6.	Cambridge, City of
7.	Cochrane, Town of
8.	Cornwall, City of
9.	Dryden, City of
10.	Fort Frances, Town of
11.	Gananoque, Town of
12.	Gravenhurst, Town of
13.	Greater Sudbury, City of
14.	Guelph, City of
15.	Hamilton, City of
16.	Hearst, Town of
17.	Huntsville, Town of
18.	Kapuskasing, Town of
19.	Kenora, City of
20.	Kingston, City of
21.	Kirkland Lake, Town of
22.	Lincoln, Town of
23.	Kitchener, City of
24.	London, City of
25.	Marathon, Town of
26.	Markham, City of
27.	Mississauga, City of
28.	Niagara Falls, City of
29.	Niagara-on-the-Lake, Town of
30.	North Bay, City of
31.	North Bruce Peninsula, Municipality of
32.	North Dumfries, Township of,
33.	Oakville, Town of
34.	Orillia, City of
35.	Oshawa, City of
36.	Owen Sound, City of
37.	Ottawa, City of
38.	Peterborough, City of
39.	Point Edward, Village of
40.	Port Colborne, City of
41..	Prince Edward, County of

42.	Quinte West, City of
43.	Red Lake, Municipality of
44.	Sarnia, City Of
45.	Sault Ste. Marie, City of
46.	Sioux Lookout, Municipality of
47.	South Bruce Peninsula, Town of
48.	Stratford, City of
49.	Terrace Bay, Township of
50.	Thunder Bay, City of
51.	Timmins, City of
52.	Toronto, City of
53.	Vaughan, City of
54.	Waterloo, City of
55.	Wellesley, Township of
56.	Wilmot, Township of
57.	Windsor, City of
58.	Woolwich, Township of