

Municipal Accommodation Tax (MAT)

Committee of the Whole Presentation

June 17, 2024

Background



- ❑ ***In June, 2023 Council was presented with a preliminary background report. Council directed staff to conduct public consultation.***

Why a MAT?



- ❑ ***Increased tourism***
- ❑ ***Elevate special event offerings (e.g. Ice Lounge on Main, Mullock Park, the AGO @ Mullock, NewRoads Performing Arts Centre, etc)***
- ❑ ***Assist in creating additional community infrastructure to grow sport tourism (e.g. pending pickleball courts, new tennis centre, continued trail growth, etc)***

What is MAT?



- ❑ ***MAT – Municipal Accommodation Tax - is a revenue tool that the provincial government has given single tier and lower tier Ontario municipalities to further promote tourism as an economic driver.***
- ❑ ***Since its inception in 2017 approximately 47 municipalities in Ontario have put MAT in place. In York Region, Vaughan and Markham have an established MAT. Others in YR are reviewing it.***

What is MAT?



- ❑ ***For Ontario municipalities that choose to institute a MAT tax, short term rental operators (e.g. hotels, Airbnb, etc) must collect and remit a MAT on rental revenues. This tax is paid by the end user customer as part of their final bill at checkout. The Municipality has the authority to determine the rate. Most established a rate of 4%, but some have increased to 5% and some have increased to 6%.***

As an example, a \$150 room rate before other applicable taxes would mean a \$6 MAT on the final bill at check out.

HST is payable on the total bill (including MAT) so the total additional cost to the end user customer in this example would be \$6.78.

What is MAT?



The total revenue collected by a municipality through a MAT program must be divided equally between the Municipality and an “eligible tourism entity”. An “eligible tourism entity” is a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a specific region or municipality in Ontario.

Under the Municipal Act, Municipalities have the option of establishing a Municipal Services Corporation (MSC) with a tourism mandate OR they may direct 50% of the MAT revenues to an already established non-profit tourism entity such as a regional tourism organization (e.g. Central Counties Tourism)

Note: Most municipalities that have implemented a MAT program have established a MSC focused on tourism as an economic driver.

What is MAT?



□ *Revenue Mix:*

50% of MAT revenues must be directed to this non-profit tourism entity to advance the tourism mandate of the entity.

and

50% are discretionary funds for the municipality.

Staff are recommending the development of a Municipal Services Corporation to allocate the funds required to be designated for a non-profit tourism entity. Staff are also recommending 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.

Process and Engagement



- ❑ ***Cross corporate project team established. Strategic Leadership Team Liaison: Commissioner of Corporate Services. Project Lead: Director of Recreation and Culture.***

Project team includes representation from Economic Development, Recreation and Culture, Finance, Legislative Services and Corporate Communications.

Process and Engagement



- ❑ ***Project team: Researched other jurisdictions best practices, initial engagement with Council.***
- ❑ ***Consultation included: reach out to all hotel operators with an invitation to meet individually (only one operator initially met with the town); online survey of Airbnb operators; presentation and discussion with the Newmarket Economic Development Advisory Council (NEDAC); and a survey of Sport User Groups.***

Process and Engagement



- ❑ ***Of most significance: 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. 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***

Financial Impact



- ❑ ***Preliminary estimates: approx. \$600,000 MAT forecasted annually with the 50% to tourism entity and 50% to municipality***

The Community Benefits



*Examples of where MAT would be **re-invested** in the community:*

- Tourism related marketing efforts*
- Special event attraction and hosting of new/bigger community events, concerts, etc*
- Facility improvements, expansions, new projects to help drive sport tourism (e.g. pickleball facility and tennis centre designed and built to a size/scope to influence sport tourism opportunities)*
- Other municipal initiatives as identified in the future*

Questions