To: Mayor and Members of Council

Subject: Municipal Accommodation Tax (MAT) Implementation

Recommendation:

“THAT pursuant to the Manager of Economic and Strategic Initiatives Report ECDEV 2019-05 Council proceed with the implementation of a 4% Municipal Accommodation Tax for the City of Belleville to begin July 1, 2019, and that a Tourism Reserve Fund be established for the purposes of receiving and distributing the City of Belleville’s share of revenue from the Municipal Accommodation Tax, and that the pre-budget request as outlined in the report be approved.”

Strategic Plan Alignment:
The City of Belleville’s Strategic Plan identifies nine strategic themes. The recommendation in this report aligns with the “Tourism and Waterfront Revitalization” strategic theme to promote and support the development of attractions, events, facilities and services that will draw visitors to the community. It will also benefit the “Residential Development”, “Culture and Recreation”, and “City Centre Revitalization” themes by supporting the development of more business and tourism products in the City.

Background:
Since 2013, the Quinte Accommodations and Attractions Association (QAAA), a not-for-profit corporation, has been the acting local Destination Marketing Program (DMP), collecting a voluntary 2% Destination Marketing Fee (DMF) from the guests of certain hotels, with a portion of these funds allocated to support local tourism promotion efforts undertaken by the Destination Marketing Organization (DMO) Bay of Quinte Regional Marketing Board (BQRMB). To date this levy has been voluntary and has not involved all hotels in the City. In Ontario, DMPs and other tourism fees have traditionally been voluntary, industry-led initiatives that have been recognized by many accommodators and tourism operators as an effective means of supporting local tourism marketing and development efforts. In recent years it is estimated that approximately $225,000 has been collected annually from those accommodators that volunteered to charge the tax and the proceeds had been split between the BQRMB and Quintevation.

On November 23, 2017, the Province of Ontario issued the Transient Accommodation Regulation 435/17, which came into force December 1, 2017 and allows municipalities across Ontario to implement a Municipal Accommodation Tax (MAT). Under the Municipal Act, the regulation allows municipalities to implement a mandatory MAT for transient accommodations through a bylaw and set the tax rate associated with the MAT. In addition, the regulation allows
the municipality if they choose to enter into agreements with entities to collect the tax on their behalf, and prescribes a revenue sharing formula where proceeds are shared with the eligible local tourism DMP or a DMO. The Municipality may also decide to collect the MAT using their own resources and provide those funds directly to the DMO if no DMP exists.

On June 11, 2018, pursuant to Report ECDEV 2018-16, Council directed staff to proceed with the consultation process related to implementing a MAT for the City of Belleville. Invitations were sent to all accommodators and partners, including the Belleville Chamber of Commerce, BQRMB and QAAAA, for stakeholder meetings held on August 14, 2018, September 11, 2018 and March 4, 2019. Accommodators have been well represented at all three meetings and the stakeholder consultations have primarily focused on the collection rate, how the funds will be collected, partnership agreements and the distribution of revenue.

Proposal:
Based on industry and stakeholder feedback and best practices from other communities staff would like to make the following recommendation as it relates to implementing a MAT for the City of Belleville:

- That a 4% MAT be established on the purchase price of transient accommodation in the City of Belleville effective July 1, 2019.

Although one stakeholder requested a 3% MAT rate instead of the industry standard of 4%, the other accommodators in attendance agreed that the 4% rate would provide additional capacity to support and develop the local tourism sector and would be in line with what other communities are collecting.

Although, at the present time the City can set the MAT rate at any percentage up to a maximum of 4%, those communities that have gone forward to date have all implemented a 4% rate. The City of Quinte West is moving ahead recommending a 4% rate and staff are comfortable recommending that the Belleville rate be implemented at 4% to ensure consistency and to reduce any conflict/competition that might arise from establishing a rate that is different from our neighbouring communities. The Tourism Industry Association of Ontario (TIAO) has been advocating to the province that the rate be set at a mandatory 4% for any municipality that implements a MAT moving forward to avoid these conflicts. Although this has yet to be implemented by the Province, it may be something that is approved in the near future.

- That City Finance staff collect the MAT tax directly from individual stakeholders versus third party collection.

Finance staff have expressed interest in having the City collect the MAT directly. The MAT would be collected directly from all Belleville hotels and from other transient accommodators through AirBnB (most other accommodators would do the majority of their business through the AirBnB platform). Staff propose a monthly remittance through invoice and an online payment system that will allow the accommodators to easily remit the MAT they collect. Having the City collect and distribute the MAT will reduce collection and audit costs and will allow more of the funds collected to be used for tourism promotion and product development.

- That 50% of the revenue collected be provided to the BQRMB either directly or through the DMP.
If a DMP exists on the day the MAT is implemented, the City is required to provide them at minimum, with the amount of money they received before the mandatory MAT was implemented. That minimum amount would be approximately $225,000 annually and the remainder of the funds would come to the City ($675,000) to be used for tourism promotion. However, staff are proposing that the MAT funds be split 50/50 with the DMP which would mean an annual amount of $450,000 per year for Belleville and for the BQRMB. If no DMP exists at the time of implementation, the City is required to split the MAT funds 50/50 with the BQRMB directly.

The legislation stipulates that municipal bylaws implementing a transient accommodation tax must meet certain requirements, including setting out the manner in which it will be collected, and detailing the need for agreements with the DMP or DMO. Staff will draft for Council consideration, the required by-laws and agreements in advance of the July 1st implementation date for the proposed MAT.

Financial/Analysis:
Based on the number of hotel rooms and other accommodations in the City, staff conservatively estimate an annual collection of approximately $900,000. Assuming a MAT is collected for only 6 months in 2019, $450,000 could be collected this year. $225,000 would be retained by the City and $225,000 would be provided to the BQRMB either directly or through the DMP.

When it comes to the collection and allocation of funding, there are conditions prescribed in the regulation that determine how those funds can be spent:

- To be eligible to receive MAT revenue, a tourism entity must be a not-for-profit organization, whose mandate includes tourism promotion in Ontario or in a municipality (the BQRMB is a qualifying tourism entity).

- Revenue shared with an eligible tourism entity must be used for the exclusive purpose of promoting tourism. The regulations also require a municipality and tourism entity to enter into an agreement that deals with reasonable financial accountability matters to ensure that amounts paid to the entity are used for the exclusive purpose of promoting tourism.

Staff recommend that MAT funds retained by the City in 2019 (approximately $225,000) be used as detailed below. The reserve fund proposed would be held in place until such time as an Economic and Tourism Development Strategic Plan is established and approved by Council to direct the use of these funds.

Staff recommend the following distribution and pre-budget approval of funds for 2019:

<table>
<thead>
<tr>
<th>MAT Revenue (2019 est.)</th>
<th>$450,000</th>
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<tbody>
<tr>
<td>Remittance directly or indirectly to BQRMB</td>
<td>$225,000</td>
</tr>
<tr>
<td>Economic and Tourism Strategic Plan</td>
<td>$25,000</td>
</tr>
<tr>
<td>Tourism Reserve Fund*</td>
<td>$120,000</td>
</tr>
<tr>
<td>2019 Tourism Initiatives (kiosks, downtown promotion, tourism investment attraction)</td>
<td>$80,000</td>
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All stakeholders involved in the consultation process generally support the implementation of a MAT in Belleville as they anticipate a number of benefits. This levy ensures fairness across the
sector, by requiring every eligible accommodator who benefits from local marketing and
destination development efforts to contribute equally. The implementation of the MAT will also
give the City and region the capacity to compete with other communities who have/are
implementing a MAT to support tourism investment.

Conclusion:
The implementation of a MAT for the City of Belleville represents an excellent opportunity for the
City and its tourism partners and businesses to substantially market Belleville to tourists and
tourism businesses. It will allow the City to compete with other larger communities and will use
tax dollars generated from visitors to build our tourism sector and create jobs and investment in
Belleville. It is recommended that Council proceed with the implementation of a 4% Municipal
Accommodation Tax for the City of Belleville to begin July 1, 2019, and that a Tourism Reserve
Fund be established for the purposes of receiving and distributing the City of Belleville’s share
of revenue from the Municipal Accommodation Tax, and that the pre-budget request as outlined
in the report be approved.

Respectfully submitted,

Karen Poste,
Manager, Economic & Strategic Initiatives.