

FINANCE, ADMINISTRATION AND AUDIT COMMITTEE – JANUARY 21, 2019

COMMUNICATIONS

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Item

C1. Presentation material.

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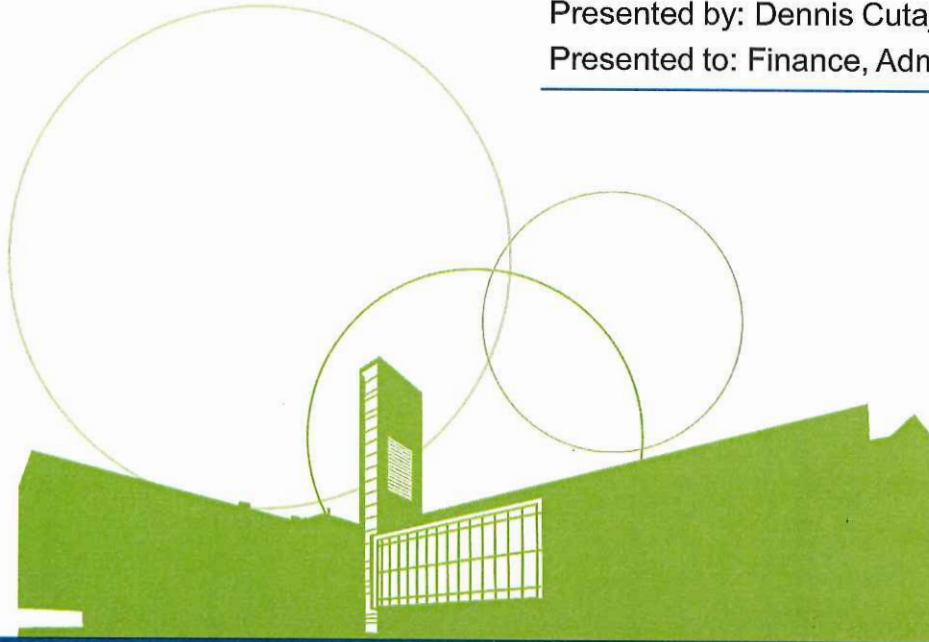
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Municipal Accommodation Tax (MAT) and Tourism Destination Marketing Organization (DMO) in Vaughan, Ontario

Presented by: Dennis Cutajar, Director Economic and Cultural Development
Presented to: Finance, Administration and Audit Committee, January 21, 2019



Purpose

1. To present findings of the staff review (per Council Resolution)
2. To establish a new Municipal Accommodation Tax (“MAT”) in Vaughan, Ontario
3. To create a Vaughan-Focused Tourism Destination Marketing Organization (“DMO”)

What is a MAT? and How does it apply?

- MAT is a mandatory sales tax paid by guests staying at an accommodation
- Applies to Transient Accommodation (including Hotels, Motels, Short-Term Rentals including Online Home Sharing Platforms, and other transient accommodation)
- Charged as a percentage of the purchase price of the accommodation
- For stays less than 30 days in duration, or 29 nights
- Provider (accommodation) remits MAT to the municipality monthly, or as agreed
- Exemptions: Meeting room rentals, food and beverage, room services, internet services, valet parking, laundry, etc.
- MAT Revenue Sharing: At least 50% to Tourism Promotion; balance to the City

Legislative Context

Ontario Municipal Act, 2001

- Section 400.1 of the Municipal Act, 2001, S.O 2001, c.25, provides that the council of a local municipality may pass by-laws imposing a tax in respect of the purchase of transient accommodation within the municipality.

Ontario Regulation 435/17: Transient Accommodation Tax

- Pursuant to section 400.1 of the Act and the Ontario Regulation 435/17, Council may establish a tax rate and to levy on the purchase of transient accommodation within the municipality.

Municipality: Role of Council

- Approve and implement Municipal Accommodation Tax Bylaw(s)
- Authorize Municipal Services Corporation for the Tourism Promotion Entity (Destination Marketing)

Who has approved a MAT in Ontario?

- 16+ municipalities in Ontario
- In the Greater Toronto Area (GTA):
 - City of Toronto (April 2018)
 - City of Mississauga (April 2018)
 - City of Markham (January 1, 2019)
 - Town of Oakville (January 1, 2019)
- 4% - MAT rate set by all municipalities to date

The Vaughan Opportunity

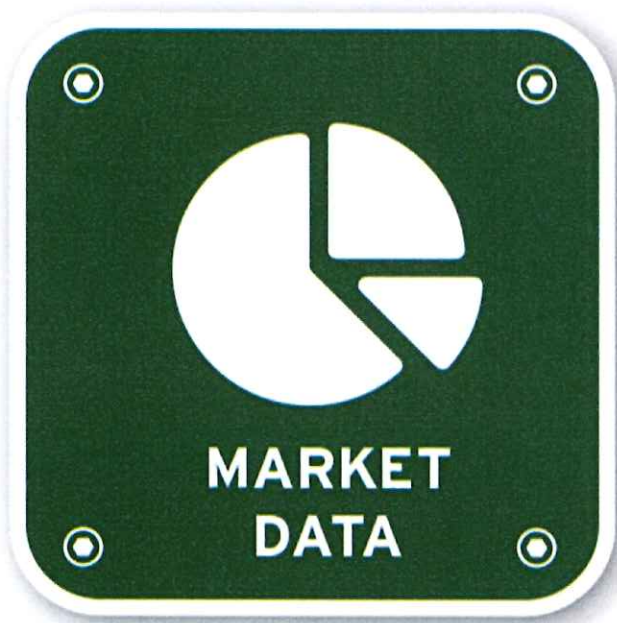
1. Attract more overnight stays, and associated economic spin-offs in Vaughan
2. New revenue source for the City of Vaughan to invest in:
 - Tourism Promotion (50% of MAT revenues); and
 - City services and infrastructure (50% of MAT revenues), at Council discretion

Staff Approach to Review and Assess a Vaughan MAT

- | | |
|--------------------|---|
| Spring 2018 | Council Approval to Investigate a MAT; formed Project Team |
| Summer 2018 | 1. Assessed Market & Economic Development Data
2. Estimated Tax Revenue Potential of Accommodation Sector (CBRE) |
| Fall 2018 | 3. Industry Engagement
4. Corporate Administration Review
5. Governance & Legal: Municipal Services Corporation for the DMO |
| Winter 2019 | 6. Developed Recommendations
7. Report to Council
8. Council Approvals |

Findings of this review are presented in next slides

1. Economic Development and Market Context in Vaughan



2018 Hotel/Motel Market Context:

- 12 branded hotel properties: 1,709 rooms
- 4 independent motel properties: 136 rooms
- Total available room nights: 673,425
- Estimated Total Room Revenues: \$75 million+

2018 Short-Term Rentals (STR) Context:

- Active entire home properties: 231
- Total Properties: 509
- Revenues from entire home listings: \$2.8 million+

Demand Generators in Vaughan: Corporate, Sports, Visitor Family Relatives Markets:

- 12,000+ businesses, largest concentration in York Region
- \$21 Billion Real GDP in Vaughan (\$295M from tourism sector)
- Proximity to Toronto Pearson, TTC Subway Connections, 400 Series Highways & Downtown Toronto
- Weekend Sports Market Opportunity
- Attractions in Vaughan and GTA

2. Revenue Potential in Vaughan: Municipal Accommodation Tax

	Scenario 1: Baseline Revenues Current Hotel/Motel Properties plus Super 8 expansion No additional hotel developments or Airbnb units	Scenario 2: Further Supply Development Current Hotel/Motel Properties plus Super 8 expansion Further hotel and Airbnb supply at reasonable rate (2020 - 2023)
2019	\$3.23 - \$3.35 million	\$3.23 - \$3.35 million
2020	\$3.29 - \$3.41 million	\$3.39 - \$3.52 million
2021	\$3.36 - \$3.48 million	\$3.67 - \$3.81 million
2022	\$3.43 - \$3.55 million	\$3.97 - \$4.12 million
2023	\$3.49 - \$3.62 million	\$4.29 - \$4.45 million

3. Industry Engagement (November 2018)

Approaches

- Face to Face or Telephone Meetings with all hotel, motel properties in Vaughan
- With industry and business associations
- VCC roundtable discussion
- Teleconference with Airbnb officials
- Dedicated web pages on City site
- Information kits to each stakeholder



3. What we heard... Consensus Findings

- MAT revenue should be invested in Vaughan for the promotion of overnight stays
- MAT rate be set at 4% consistent with Mississauga, Toronto, Markham, Oakville and other jurisdictions
- MAT be applied to short-term rentals (e.g., including online home sharing platforms) in the future
- Industry has a strong and insightful voice at the table (New DMO). e.g., promote shoulder and low season
- Competitiveness of Vaughan's accommodation industry be positively impacted – see results
- City's share of MAT be invested in tourism-related services and infrastructure to promote guest experience
- Industry be kept informed
- Openness, transparency and accountability of the DMO
- Marketing strategies benefit all districts/geographies in Vaughan

4. Corporate Administration Review

1. MAT Rate: 4%
2. Effective Start Date: April 1, 2019
3. City collects 100% of MAT (in-house; reasonable costs charged to tourism share)
4. Revenue Sharing (50% to Tourism Promotion Entity; and 50% to City Services)
5. Budget Requirements
 - Establish Dedicated Reserve Account(s)
 - Staffing (2 positions funded by MAT to manage DMO, and Board)
 - Allocation of City's 50% share (priorities determined through annual budget process; approved by Council)
6. City Bylaws: (1) MAT (Hotels/Motels), and (2) Future MAT (Short-Term Rental) Bylaw

5. Municipal Services Corporation (DMO)

1. **City is Sole Shareholder; Focused Objectives on Tourism Promotion Only**
2. **Composition of Start-up Board of Directors:**
 1. City Manager (or designate)
 2. Chief Financial Officer (or designate)
 3. Chief of Corporate Initiatives and Intergovernmental Relations (or designate) and
 4. One member of Council
3. **Duration of Start-up Board: up to 24 months**
4. **Role of Start-up Board:**
 1. Serve as first Directors of the Corporation (Letters Patent)
 2. Establish Corporate By-law, and relevant Policy and Procedures
 3. Legal Agreement(s) with City on matters of mutual interest
 4. Oversight on the strategy, business affairs, transactions and operations of the Corporation
 5. Start-up the Accommodation Industry Stakeholders Advisory Committee
5. **Transition to Full-Time Board of Directors: 18-24 months**

Next Steps

- Council approval of staff recommendations
- Council approval of MAT Bylaw (Hotels/Motels)
- Staff informs industry of Council decision
- Staff implements corporate administration and Municipal Services Corp. requirements
- Separate Report on Short-Term Rentals Study (Building Standards and Bylaw/Licensing)
- Collection of MAT (Hotels/Motels) commences on April 1, 2019