

## Request for Decision

### Municipal Accommodation Tax Update

Presented To: Finance and  
Administration  
Committee

Presented: Tuesday, Feb 11, 2020

Report Date Thursday, Jan 23, 2020

Type: Managers' Reports

#### Resolution

THAT the City of Greater Sudbury directs that the City's net portion of the Municipal Accommodation Tax be contributed to the "Tax Rate Stabilization Reserve" as outlined in the report entitled "Municipal Accommodation Tax Update", from the General Manager of Corporate Services, presented at the Finance and Administration meeting on February 11, 2020.

#### Relationship to the Strategic Plan / Health Impact Assessment

This report supports Council's strategic objective and goal of Economic Capacity and Investment Readiness by supporting the tourism sector and implementation of the Municipal Accommodation Tax to leverage the benefits it will provide for advancing the goals of the Tourism Strategy.

#### Report Summary

On June 9, 2018, the Finance and Administration Committee approved the final steps in the implementation of a Municipal Accommodation Tax (MAT) as of September 1, 2018. This report serves to provide an update on the work completed since that report and the financial results for the first 12 months of the MAT.

#### Financial Implications

If approved, the Municipal Accommodation Tax funds, estimated in the amount of \$1.1 million for 2019 be set aside in the Tax Rate Stabilization Reserve and be uncommitted and available for use since the related debt has not been secured.

In addition, any future year amounts above the required \$800,000 debt payment included in the KED financing plan approved in 2018 will also be uncommitted in the Tax Rate Stabilization Reserve.

#### Signed By

**Report Prepared By**

Jim Lister  
Manager of Accounting/Deputy  
Treasurer  
*Digitally Signed Jan 23, 20*

**Division Review**

Ed Stankiewicz  
Executive Director of Finance, Assets  
and Fleet  
*Digitally Signed Jan 23, 20*

**Financial Implications**

Apryl Lukezic  
Co-ordinator of Budgets  
*Digitally Signed Jan 23, 20*

**Recommended by the Department**

Kevin Fowke  
General Manager of Corporate  
Services  
*Digitally Signed Jan 28, 20*

**Recommended by the C.A.O.**

Ed Archer  
Chief Administrative Officer  
*Digitally Signed Jan 28, 20*



## **Background**

At the June 9, 2018 Finance and Administration Committee, the General Manager of Corporate Services presented a report entitled "Implementation of the City of Greater Sudbury's Municipal Accommodation Tax". As a result, staff were directed to:

1. Prepare the necessary by-laws.
2. Enter into a contribution agreement (an Eligible Tourism Entity Agreement or the ETE) with The City of Greater Sudbury Community Development Corporation (operating as the Greater Sudbury Development Corporation, or the GSDC). The contribution agreement was meant to:
  - o Govern the terms on which the MAT funding was to be provided
  - o Set out financial accountability measures to ensure that amounts paid to the ETE are used for the exclusive purpose of promoting tourism.
  - o Require the GSDC to establish a Tourism Development Subcommittee which included representation from the tourism sector and accommodation providers, as well as GSDC board members.
3. Enter into an agreement with Airbnb to collect the Municipal Accommodation Tax from its members and remit to the City of Greater Sudbury on their behalf.

This report serves to provide information regarding the items noted above. In addition, the report provides information on the financial results of the program for the first year of operation.

## **Progress since the June 9, 2018 Municipal Accommodation Tax report**

Staff from Economic Development, Legal and Finance collaborated to move the implementation of the Municipal Accommodation Tax "MAT" forward.

### **By-law preparation**

Staff prepared bylaw 2018-127 – A By-law of the City of Greater Sudbury to Establish the Municipal Accommodation Tax and it was passed July 10, 2018. The by-law includes the provisions noted in the February and June reports to Committee including:

- Delegation of Authority to the Treasurer
- MAT rate of 4%
- Exemptions as approved by Committee
- Assessment, enforcement, audit and interest provisions

## **Eligible Tourism Entity Agreement (ETE) between The City of Greater Sudbury and The City of Greater Sudbury Community Development Corporation (GSDC)**

The provincial legislation provides direction to each participating municipality to designate an organization to receive the portion of MAT proceeds to be dedicated to reinvestment into the tourism sector. In Greater Sudbury's case, Council designated the City of Greater Sudbury Community Economic Development Corporation (GSDC) as its Eligible Tourism Entity. The GSDC, as an existing non-profit board with an economic development mandate that has long encompassed tourism as a priority, took on the responsibility for the investment of the applicable funds for the purposes of promoting and growing the tourism industry in Greater Sudbury.

From the industry consultation phase of the implementation process there were concerns raised by accommodation providers. The key concerns included:

- How the funds will be spent and their ability to offer input into the GSDC process to maximize the return for the tourism sector.
- How there will be clear oversight and transparency in the management of the funds and ensuring there is comprehensive reporting on the investments and returns.

In April 2019 The City and GSDC signed the ETE based on the recommendations contained in previous reports to Committee. To address the concern raised by the tourism industry that their views might not be heard with respect to the use of the MAT funds, the ETE Agreement includes the establishment of a Tourism Development Committee.

Highlights of the ETE include guidance on:

- Governance - funds spent only for the promotion of tourism activities and tourism products
- The creation of a Tourism Development Committee (see below)
- Budget and work plan – including controls on level of spending requiring Council or the Treasurer's approval
- Calculation of MAT funds payable and definition of reasonable costs to be deducted from gross MAT revenue
- Reporting - The GSDC will submit an annual report to the City to include:
  - Activities engaged to promote tourism and products developed
  - Proposed activities for the next fiscal year

- Outcomes, including key performance indicators
- A term of five years, subject to two conditional additional terms of five years, including provisions for cancellation due to non-compliance.

### Tourism Development Committee

In order to ensure the GSDC makes informed investment decisions, a Tourism Development Committee (TDC) was established to bring together a focused group of tourism sector professionals. The GSDC worked with the city's newly developed hotel association, the Hotel and Accommodation Association of Sudbury (HAAS), to develop terms of reference and committee structure that includes three HAAS members, one retail member, one attraction member and two GSDC Board members. These members are committed to providing advice, recommendations, information and expertise that will provide for better planning and decision making related to the investment of the applicable MAT funds.

One of the first tasks the TDC completed was the review and refinement of a Tourism Strategy for the next 3 to 5 years. Having regard for the existing Community Economic Development Strategic Plan From the Ground Up, the TDC committee presented a document that recommended an improved tourism vision, new key values to guide decisions, and updated goals to reflect the current community priorities/opportunities; this document was endorsed by the GSDC Board at their meeting of May 8, 2019.

In addition to the development of the strategy and upon recommendation by the Committee, the GSDC has approved support to hire a dedicated staff person to lead the City's targeted efforts to attract meetings, conventions and sport tourism events to the community. This contracted staff position started in November 2019. The role will be required to track and report on leads generated, bid opportunities and results, and return on investment of marketing initiatives.

To date, the GSDC Board has also approved the TDC recommendation to provide support for joint marketing and promotions projects in collaboration with the City's Tourism and Culture team. One project is the development of new assets (photo, video and creative services) that are relevant to all markets and future campaign opportunities; other actions include focused projects such as the partnership with event sector-specific Ignite and Adrenalin Magazine as well as with Business Events Canada

to promote our meetings, conventions, sporting and events business assets. These projects started in Q4 of 2019 and will take place throughout 2020.

Finally, the GSDC has approved the TDC to develop and manage a tourism grant program based on the Community Economic Development (CED) Fund. The TDC is reviewing the application process and funding guidelines and working to ensure that adequate information is collected from applicants to evaluate the impact on tourism (number of visitors attracted and hotel rooms nights etc.). Once ready, the program information will be shared publicly, and applications will be accepted. The TDC will review and make recommendations to the GSDC for approval as done with the CED. The GSDC will be formally presenting the final summary of 2019 activities, an updated workplan and budget for 2020, to the Treasurer by the end of Q1 2020.

### **Agreement with Airbnb**

MAT applies to accommodations provided through Airbnb. Staff was successful in obtaining agreement with the Canadian office of Airbnb to collect the MAT at the platform level (i.e. at the point of booking online with the consumer). The agreement was signed in August 2018 with a start date of October 1, 2018 (one month later than the implementation of the MAT).

Any amounts collected by Airbnb are deducted from the monthly remittance reports from accommodation providers and are collected direct from Airbnb on a quarterly basis.

### **Financial Update**

Staff communicated with the accommodation providers regarding the administrative details of the MAT program and there was a communication strategy directed to the public regarding the benefits of the program.

With the passage of the by-law authorizing the MAT, Finance staff finalized a comprehensive MAT Policy and Procedure to guide the administration of the MAT program. The Policy and Procedure provides details on responsibilities, reporting by providers, remittances, collection, audit and issue resolution.

### City Costs

In accordance with Regulation 435/17 the City may deduct costs to administer and collect the MAT before distributing 50% of the revenue to the ETE. Administrative and

collection costs include staffing, development of forms, information technology, audit and legal costs.

A Business Case to convert part-time staffing to full time status for the administration of the MAT program was approved as part of the 2019 Budget process.

#### Financial Results for the First Year

The first Remittance Reports were due October 31<sup>st</sup>, 2018 with payment to be received by November 15<sup>th</sup>, 2018. Qualified providers could apply for a Quarterly Reporting and Remittance Program to reduce their administrative burden.

Period	09/18-12/18	01/19-8/19	09/18-08/19
Gross MAT Revenue	\$753,500	\$1,473,300	\$2,226,800
Net MAT	\$726,400	\$1,420,400	\$2,146,800
City Share	\$363,200	\$710,200	\$1,073,400
GSDC Portion	\$363,200	\$710,200	\$1,073,400

The above numbers indicate the MAT program has been more successful in revenue generation than previously anticipated. The extra funds will provide further investments into the local tourism industry beyond the original estimates of \$800,000 per year.

#### Audit

The City also has the right to audit providers to ensure accuracy of Remittance Reports. City staff has selected 16 providers to be audited to date. Ten of the audits are complete and six more are in progress. Audit financial differences have been minor, and the audit results communication letter is normally a small suggestion for improvement related to disclosure of the tax on invoices.

#### Net MAT Revenue Calculation and the Disposition of the City of Greater Sudbury's share

In the previous reports to committee on the MAT it was decided that the City share of be set aside in the Tax Rate Stabilization Reserve – Committed to fund the Event Centre debt payments in accordance with approved Council budgets.

The financing plan for the Event Centre (now known as the KED) approved in the 2018 budget required MAT funding in the amount of \$800,000 per year. There is the potential to continue to achieve funding above that level and based on the results of the first year of implementation there is a further \$273,000 of funds available for investment. Until such time as the debt is incurred there is not a need for the funds to be committed in the Tax Rate Stabilization Reserve and should be available for other investment. Staff

is proposing that all the MAT funds for 2019 be uncommitted in the Tax Rate Stabilization Reserve. In the fiscal year the debt is incurred, and beyond, staff proposes any MAT funds above the \$800,000 annual debt repayment be used to fund the Tax Rate Stabilization Reserve and be available for investment.

## **Resources cited**

By-law 2018-127 – City Council – A By-law of the City of Greater Sudbury to Establish the Municipal Accommodation Tax

<https://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&attachment=24308.pdf>

June 9, 2018 – Finance and Administration Committee – Implementation of the Municipal Accommodation Tax report

<http://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=5&id=1269>

February 6, 2018 – Finance and Administration Committee – Transient Accommodation Tax report

<http://agendasonline.greatersudbury.ca/index.cfm?pg=feed&action=file&agenda=report&itemid=5&id=1269>

Bill 127 – Stronger, Healthier Ontario Act (Budget Measures), 2017

[http://www.ontla.on.ca/web/bills/bills\\_detail.do?locale=en&BillID=4778&isCurrent=false&ParlSessionID=412&detailPage=bills\\_detail\\_the\\_bill](http://www.ontla.on.ca/web/bills/bills_detail.do?locale=en&BillID=4778&isCurrent=false&ParlSessionID=412&detailPage=bills_detail_the_bill)

Municipal Act, 2001

<https://www.ontario.ca/laws/statute/01m25>

Ontario Regulation 435/17 – Transient Accommodation Tax

<https://www.ontario.ca/laws/regulation/170435?search=litigation+guardian>