

THE MUNICIPALITY OF LAMBTON SHORES

Report CAO 04-2024

Council Meeting Date: March 19, 2024

TO: Mayor Cook and Members of Council

FROM: Steve McAuley, CAO

RE: Municipal Accommodation Tax

RECOMMENDATION:

THAT Report CAO 04-2024 regarding the “Municipal Accommodation Tax” be received; and

THAT staff be directed to request Tourism Sarnia-Lambton to prepare and present to Council a draft work plan for the potential use of monies generated through a Municipal Accommodation Tax; and

THAT staff be directed to prepare a draft agreement with Tourism Sarnia-Lambton for the use of MAT monies as an identified not-for-profit tourism entity.

SUMMARY

One of Council’s Strategic Priorities, under the heading of Growth and Economic Development, was the reconsideration of the Municipal Accommodation Tax (MAT). This reports requests direction from Council regarding the implementation of a MAT.

BACKGROUND

The idea of a MAT was considered during the previous term of Council both in December of 2019, and again in February of 2020. Ultimately no action was taken regarding implementing the MAT, however as noted above, the reconsideration of MAT was included in Council’s Strategic Priorities. As part of these previous meetings, a detailed analysis of MAT was presented to Council by Mr. Williams, Lambton Shores previous CAO, through written reports. These reports were fulsome reports on the details of a MAT and are attached for Council’s review. Although this report will not repeat the details contained in the previous reports, a summary of a MAT tax is presented as follows:

- Authority to levy this tax is granted through O. Reg. 435/17: Transient Accommodation Tax
- Applicable to any short-term accommodation i.e. hotel, motel, short term rentals
- Does NOT apply to campgrounds, restaurants, or other commercial activities

- Rate is set by the Municipality – typically 3-5%
- Revenue is split between a not-for-profit tourism entity and the Municipality
- The Municipal share has no requirements on how the money is spent
- Not-for profit share is intended for the promotion of tourism in the area
- Would require a by-law to implement MAT
- Would require an agreement between the Municipality and the not-for profit
- Can be collected by a third party at a cost paid to the third party.

In Lambton County, both the City of Sarnia and the Village of Point Edward have implemented a 4% MAT. Both have agreements with Tourism Sarnia-Lambton (TSL) as their not-for-profit tourism entity. In speaking with the Executive Director of TSL, Mr. Mark Perrin, he confirmed that in the case of the City of Sarnia, the funds collected through MAT were funneled back into tourism initiatives focused on the City, whereas in the case of the Village of Point Edward those funds were utilized to promote the entire County. In both cases, the collection of the tax was done through an agreement with the Ontario Restaurant Hotel & Motel Association (ORHMA). ORHMA is providing this collection services in many municipalities across Ontario who have implemented a MAT. The cost of this service is based on a small percentage of the gross tax collected which is paid to ORHMA.

During the previous Council discussions regarding MAT, one of the concerns raised the lack of any licensing program or even database that would identify short term rentals in Lambton Shores. The concern was that it would be difficult collecting the MAT from STRs and as such would create a unfair situation between hotel and motel owners and STR owners. Since that time, as Council is aware, a very robust licensing program has been put in place for Lambton Shores. Now in its second full year of operation we have approximately 430 licensed STR's in the Municipality. The implementation of MAT would require our current STR by-law to be amended to include provision for the requirement to remit, timelines for remittance, penalties for failure to remit etc., however the framework is certainly in place to enable the fair application of MAT to all STRs in the Municipality.

If Council is supportive of implementing a MAT for Lambton Shores, staff would suggest the following next steps:

- Confirm a work plan with TSL for the use of MAT revenue in Lambton Shores
- Negotiate the framework of an agreement with TSL
- Determine the appropriate mechanism for collection
- Negotiate third party collection agreement if necessary
- Prepare and pass appropriate by-laws
- Undertake a fulsome public education campaign

It is expected that if Council proceeds with MAT, the effective date would be January 1, 2025, this will give operators the opportunity to include the additional charge on bookings in 2025. Trying to institute the MAT earlier would be problematic for operators as many bookings for 2024 have already been placed.

ALTERNATIVES TO CONSIDER

Council is under no obligation to collect MAT. If Council was interested in collecting MAT, they could also direct staff to investigate other not-for-profit tourism entities that would be eligible to receive the tax. Staff have identified other municipalities who have created their own tourism entity. This would have to be done through a Municipal Business Corporation or Service Board that would operate independently from Council. Staff is not recommending this at this point until such time as Council has had a chance to understand and review a workplan from TSL.

RECOMMENDED ACTIONS

Staff are recommending Tourism Sarnia-Lambton to prepare and present to Council a draft work plan for the potential use of monies generated through a Municipal Accommodation Tax and an agreement be made with Tourism Sarnia-Lambton for the use of MAT monies as an identified not-for-profit tourism entity.

FINANCIAL IMPACT

Based on estimations completed in 2020 during the previous MAT discussion coupled with our understanding of the number of STR's we have with an average nightly rental rate of \$399, staff is expecting that a MAT in Lambton Shores would generate in excess of \$400,000. This amount would then be split between the Municipality and the not-for-profit agency. A small percentage of the gross revenue generated would be used for the collection of the tax.

CONSULTATION

Mr. Mark Perrin – Tourism Sarnia-Lambton
Mr. Tony Elenis - ORHMA