

## THE MUNICIPALITY OF LAMBTON SHORES

**Report CAO 09-2019**

**Council Meeting Date: December 3, 2019**

**TO:** Mayor Weber and Members of Council

**FROM:** Kevin Williams, CAO

**RE:** Municipal Accommodation Tax Update

**RECOMMENDATION:**

**THAT** Report CAO 09-2019 regarding the “Municipal Accommodation Tax Update” be received; and

**THAT** a 4% Municipal Accommodation Tax (MAT) for all short-term rental accommodations within the Municipality of Lambton Shores be implemented effective April 1, 2020; and

**THAT** 50% of the MAT revenue be remitted to Tourism Sarnia-Lambton as the eligible tourism not-for-profit; and

**THAT** staff be directed to prepare a by-law for MAT implementation; and

**THAT** staff be directed to create a Municipal Accommodation Tax Reserve Fund to segregate the Municipality’s portion of the Municipal Accommodation Tax revenue; and

**THAT** staff be authorized to enter into an agreement with the Ontario Restaurant Hotel & Motel Association (ORHMA) to collect the revenues on behalf of the Municipality; and

**THAT** staff be authorized to enter into other agreements required to administer and govern work to be funded from the MAT, including an agreement with Tourism Sarnia-Lambton for its share of revenues from MAT; and

**THAT** staff be directed to report back to Council at the end of 2020 on the progress and effectiveness of the new Municipal Accommodation Tax.

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### **SUMMARY**

This report is to supplement information provided to Council by Mark Perrin of Tourism Sarnia Lambton related to implementation of a Municipal Accommodation Tax (MAT) within Lambton County and more specifically within Lambton Shores. This report will outline the opportunities and challenges associated with implementing MAT in Lambton Shores and recommends the implementation of a 4% Municipal Accommodation Tax effective April 1, 2020.

## **BACKGROUND**

In 2017, the Province of Ontario passed Bill 127, Stronger, Healthier, Ontario Act 2017 that amended the Municipal Act, 2006. Bill 127 provides municipalities with the legislative authority to levy a tax on transient accommodations of 30 days or less. Ontario Regulation 435/17 allows each Ontario municipality that chooses to implement a transient accommodation tax to determine the types of short-term accommodation the levy would apply to, tax rate to be applied and accountability agreements necessary to ensure the use of tax revenue proceeds for the promotion of tourism. Accommodation rentals that are not short-term in nature (e.g. 30 consecutive nights or longer), are not eligible for application of the MAT.

Under the regulation, all single-tier and lower-tier municipalities now have the authority to put a municipal accommodation tax (MAT) in place. The MAT is not a requirement; rather, municipalities have the flexibility to decide if they want to put the tax in place.

The MAT would apply to hotels, motels, bed & breakfasts, and participants operating rental accommodations for room nights of less than 30 days. It is important to note that MAT can also be applied to other types of accommodations such as those promoted through AirBNB and VRBO website platforms. This includes rental “cottages”. MAT does not apply to campgrounds, restaurants, event venues or any other service associated with tourism and accommodation.

It is important to note that this is not a tax on the local service provider, but rather is a tax paid by the user of the accommodation and collected by the service provider much the same as sales tax. In a municipality such as Lambton Shores, this “user pay” charge could be used to offset the municipal costs of servicing the needs of visitors and the seasonal demands placed on bylaw, parking, beach, signage and garbage services without impacting the tax rate of residents.

The regulation requires that 50% of the revenue collected must be remitted annually to one or more eligible not for profit tourism entities whose mandate includes the promotion of tourism in Ontario or in a municipality, including product development. Tourism Sarnia-Lambton (TSL) is the designated not-for-profit tourism organization for the County of Lambton.

In Lambton County, Point Edward and Sarnia have both agreed to implement MAT, and 50% of the revenue from MAT will be remitted to Tourism Sarnia-Lambton. These communities make up a combined 78% of hotel/motel rooms in Lambton County. Lambton Shores accounts for 18%, and Petrolia, St. Clair and Plympton-Wyoming make up the 4% balance. When considering online private rentals, Point Edward and Sarnia make up a combined 34% of accommodations compared to 51% in Lambton Shores and the 15% balance from the rest of the County.

At its October 22, 2019 meeting, Council passed the following motion:

*19-1022-03*

*THAT the presentation from Tourism Sarnia-Lambton regarding a Municipal Accommodation Tax be received; and*

*THAT staff prepare a report outlining the opportunities and challenges of implementing a Municipal Accommodation Tax within Lambton Shores.*

A copy of Tourism Sarnia-Lambton's report from the October 22, 2019 meeting is attached for reference. (Attachment 1)

Implementation of MAT requires an enabling bylaw. The by-law for Point Edward MAT implementation is included for reference and closely follows the template established for other municipal jurisdictions. This format can also be applied in Lambton Shores. (Attachment 2)

The following sections present an outline of the opportunities and challenges of implementing MAT in Lambton Shores.

### ***Opportunities if MAT is implemented***

Tourism Sarnia-Lambton estimates that annual MAT revenues in Lambton Shores could be in the range of \$343,000. This could result in approximately \$171,500 per annum for Lambton Shores, with the other \$171,500 going toward the marketing, product development and promotional efforts of TSL.

There are no restrictions on the use of MAT funds for the municipality. However, in the spirit of implementing MAT, there are a number of tourism-related projects that could be accomplished with this revenue. Council has identified a number of tourism-related initiatives through its Strategic Priorities 2019-2022 that could be funded through the revenues realized through MAT. These projects include:

#### Infrastructure Improvements:

1. The Municipality will develop a strategy to expand parking capacity in Grand Bend.
2. The Municipality will consider opportunities for development of the Municipal Drive/Lions Park area of Grand Bend in order to improve operational access, public parking and recreational opportunities.
3. The Municipality will continue to invest in the development of its waterfront assets including consideration of improvements to the harbours and dockage.

#### Governance and Organizational Management:

1. The Municipality will maintain, and explore ways to expand the relationship with the County and its agencies, particularly in areas of marketing and economic development.
2. The Municipality will continue to promote the Lambton Shores brand in all physical, print and web-based forms.

As already identified, Council could allocate (a portion of) MAT revenue to ongoing expenses associated with providing and enhancing maintenance activities directly impacted by seasonal visitor use. Council could also allocate a portion of the MAT

revenue to provide financial support to events that attract visitors to the area, and especially those that seek to encourage growth during the shoulder seasons in the spring and fall. The list below includes a summary of some of the existing events that could be supported:

Grand Bend Beachfest, Canada Day activities, Silver Stick hockey tournaments, Sunset Summer Sounds and Wednesday Familiar Favourites concert series, Forest Fall Fair, Western Ontario Steam Threshers, Forest Legion Car Show, Poinsettia Tour and annual craft show, and the Forest Film Festival

This list is not exhaustive, but provides an idea of the many events in Lambton Shores that could be enhanced with additional funding. Funds could also be used to develop new events that could increase shoulder season tourism.

Council could consider investing MAT revenue in development of trails and other tourism-related infrastructure. The Lambton Shores “Feasibility Study and Preliminary Design for Port Franks and Ipperwash Trail Construction” identifies over \$2 million in trail development throughout these two communities. There are also recommendations throughout the Recreation and Leisure Services Master Plan (2018) that would be considered tourism-related expenditures such as consideration of public art installations and redesign of green spaces (parks).

Projects that can be funded through MAT create an opportunity to increase the profile of Lambton Shores and to promote and showcase the municipality. By creating a reserve fund to segregate the revenue from MAT, residents can benefit from increased services or improved infrastructure without having to pay for it through property taxes.

Collection of the MAT at this time would have no requirement for additional administration by the municipality. Council would need to pass a by-law enacting MAT for Lambton Shores. Once the by-law is in place, it is sent to AirBNB and VRBO. These organizations will collect MAT (4%) for the municipality, and remit directly to the municipality. The municipality would then send 50% of the remittance to TSL.

Additionally, there are a number of municipalities that have entered into agreements with the Ontario Restaurant Hotel & Motel Association (ORHMA) to collect MAT on their behalf. A separate agreement is required for ORHMA to collect the tax. ORHMA will collect from eligible accommodations including hotels, motels and bed and breakfasts. ORHMA will remit back to both the municipality and the tourism association. Registration with ORHMA is not required in order for this organization to collect the tax. It is noted that the by-law will be written to apply to all short term accommodation providers, whether they are recognized by ORHMA, or any specific online platform.

Staff have discussed the implementation of MAT with staff at Tourism Sarnia-Lambton (TSL). As the eligible tourism organization to receive the MAT revenue, TSL has indicated the following possible uses of MAT funds that would be of specific benefit to Lambton Shores:

- Promote an “extended” tourist season (spring and fall)
- Work to attract more tourism businesses to the municipality

- Further the existing marketing reach with new media platforms and materials
- Broaden awareness of the tourist demographic towards seasonal influence
- Support existing tourism businesses with ongoing development, training, workshops and partnership opportunities
- Aid in growing existing events, and securing / hosting new events within Lambton Shores

### ***Challenges with implementing MAT***

Council has received public correspondence with respect to the MAT. Should Council choose to move ahead with implementation of MAT, engagement of accommodation providers to obtain input on how MAT revenues can be directed for mutual benefit could be undertaken.

As Council is aware, there is a mix of accommodations in Lambton Shores. Although the by-law can be written to apply to all short term rental accommodations, at this time the collection mechanism is in place for only hotels, motels, bed and breakfasts, AirBNB and VRBO rentals. Property management (cottage rental) businesses operating outside of online platforms can collect MAT for their client properties. Implementation across this spectrum of short term accommodation providers will serve to “level the playing field” within the municipality.

As identified in the Grand Bend Chamber of Commerce correspondence to TSL dated November 20, 2019 (Attachment 3) there are a number of issues associated with short term rentals (cottages) in residential areas and Council may wish to consider developing a registry or licensing program for short term accommodations. Not only would this enable the municipality to identify and apply the MAT to these accommodations, it could be used as a mechanism to address the many associated concerns outlined in the Chamber’s letter. Staff suggest that this is a matter separate from the decision on whether or not to implement MAT and staff can develop a subsequent report to provide additional information to Council on what the licensing program could look like, how it would be implemented and regulated.

It should also be acknowledged that Lambton Shores shares its northern border with South Huron. There is no indication that South Huron and/or Huron County are in a position to implement MAT at this time. It could be argued that the additional 4% MAT applied to a Grand Bend accommodation would disadvantage the provider over an accommodation provider north of town; but, it could also be argued that the accommodation provider north of grand bend is in turn disadvantaged by not being able to realize any of the marketing and promotional benefits that will be enabled through the substantial Lambton County MAT revenues realized by TSL.

### **ALTERNATIVES TO CONSIDER**

Council may choose to not implement MAT, or choose a different date for implementation. Although this report recommends the establishment of a Municipal Accommodation Tax Reserve Fund until such time as funding becomes predictable and

a policy for its use is established, Council could choose to commit some amount of the anticipated revenue for a specific use at this time.

As noted throughout this report, implementation of MAT provides a number of opportunities for Lambton Shores to benefit from increased marketing and promotional activity as well as being in a position to invest in its tourism infrastructure, without requiring residents to pay for these increased benefits through property taxes.

## **RECOMMENDED ACTIONS**

The recommendation of this report is to follow the lead of Point Edward and Sarnia in supporting the TSL request that Lambton Shores implement a 4% Municipal Accommodation Tax that would apply to all short-term accommodations throughout the municipality. The recommendation is to implement MAT for April 1, 2020.

## **FINANCIAL IMPACT**

Based on the assumptions presented by Mark Perrin of TSL, implementation of the Municipal Accommodation Tax (MAT) could provide approximately \$343,000 in revenue, 50% of which would be remitted to Tourism Sarnia-Lambton, leaving Lambton Shores with an estimated \$171,500 in revenue per annum. This estimate will be validated through the first year of implementation. Notwithstanding the amount of revenue generated, staff recommends that the Lambton Shores portion of MAT receipts be carried in a Municipal accommodation Tax Reserve Fund until such time as Council can consider best use.

## **CONSULTATION**

Mark Perrin, Tourism Sarnia-Lambton  
Ashley Farr, Manager of Community Development

Attached:

1. Tourism Sarnia-Lambton – Lambton Shores MAT Report  
Copy of Lambton Shores MAT Calculation  
Municipal Act – Ontario Regulation 435-17 – Transient Accommodation Tax
2. 43 of 2019 – The Corporation of the Village of Point Edward MAT Bylaws
3. Letter to TSL re: Short Term Licensing and MAT