

## THE MUNICIPALITY OF LAMBTON SHORES

Report CAO 01-2020

Council Meeting Date: February 11, 2020

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

**FROM:** Kevin Williams, CAO

**RE:** Municipal Accommodation Tax

**RECOMMENDATION:**

**THAT** Report CAO 01-2020 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 May 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) and AirBNB 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 Municipal Accommodation Tax Program; and

**THAT** staff be directed to develop a licensing program for Short Term Rentals and report back outlining the details of the licensing program.

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## **SUMMARY**

This report is provided at Council's request for more information related to the local implementation of a Municipal Accommodation Tax By-law to be used in support of tourism related initiatives in Lambton Shores. Council received and tabled CAO Report 09-2019 pending this follow up.

## **BACKGROUND**

At its December 3, 2019 meeting, Council received a report regarding the Municipal Accommodation Tax (MAT), which is attached to this report for reference.

Since the Council meeting in December, staff has had an opportunity to further research the Municipal Accommodation Tax and potential impacts to Lambton Shores. A number of considerations are discussed in the following sections.

### **Zoning**

Hotel and Motel accommodation providers operate within commercial zoning throughout Lambton Shores.

As Council is aware, there are also a number of existing dwellings throughout the Municipality that are operating as short term rentals (STRs). The Zoning By-law does not provide a distinction between dwellings used as STRs versus permanent residences. Therefore, STRs are operating within the parameters of the existing zone regulations. Council may choose to consider establishing a distinction between the uses in the Zoning By-law, which may ultimately impact the number of STRs but has no direct influence on Council's decision to implement MAT.

### **Hotels and Motels**

If MAT is implemented the Municipality would enter into an agreement with Ontario Restaurants and Hotels Management Association (ORHMA) to collect and remit MAT on behalf of the operators. Tourism Sarnia-Lambton (TSL) provided a list of hotels and number of rooms in Lambton Shores that has been included in previous reports.

By TSL's estimate, there are approximately 260 hotel rooms throughout the Municipality. This number will fluctuate depending on the operating status of some local establishments, but does provide an indication of the funds that Lambton Shores may expect if MAT is implemented. Occupancy rates are variable depending on numerous factors such as weather, facility location and amenities.

TSL has estimated that the average room per night rate for hotels and motels is \$125. The MAT allocation would therefore be, on average \$5.00 per night. To put this into perspective, day-use visitors to the Grand Bend Beach pay \$20 per day for parking to help cover costs associated with being a tourism destination.

## **Short Term Rentals (STRs)**

There are a variety of accommodations in Lambton Shores that would be defined as STRs including rental cottages/cabins, bed and breakfast establishments, and seasonal homes. For the purposes of MAT collection, STRs do not include long-term rentals (e.g. those dwellings being rented to a single tenant for 30 consecutive nights or longer), family-use cottages (e.g. those that are not profit-driven and/or advertised as rentals) or campsites.

Most Lambton Shores STRs are promoted through a variety of online platforms including AirBNB, VRBO, Rent Huron, Lake Huron Cottage Rentals, Cottages in Canada, Canada Stays, etc. There are also thirteen cottage businesses listed on the Sarnia-Lambton Economic Partnership Business Directory. TSL had estimated in its report that there are approximately 235 STRs in Lambton Shores, based on AirBNB and VRBO listings. Due to privacy restrictions through these sites, it is not possible to determine if the listings are unique listings, or if they are advertised on other websites in addition to AirBNB and VRBO.

At this time, AirBNB is working with municipalities to collect and remit MAT on behalf of its operators, which would work in a similar fashion to the agreement with ORHMA noted above. Other operators would be required to remit either individually, or through an agreement with the hosting agent (e.g. Rent Huron, Lake Huron Cottage Rentals, Cottages in Canada, Canada Stays, etc.). This obligation to remit is stipulated in the MAT by-law.

Hotels and motels are easily identifiable because of the rules and regulations they are required to follow. STRs are more difficult to identify, especially in the absence of a formalized organization such as ORHMA collecting MAT on their behalf.

Municipalities throughout the province are approaching the incorporation of STRs into the MAT program in different ways. Some are choosing to collect from STRs only through AirBNB, and have not identified a process for collecting from those STRs not advertising through AirBNB. Others are choosing to implement a licensing program to identify the STRs and to legitimize these business operations. A third option for including STRs would be to develop a voluntary registry for those operators listed on hosting websites other than AirBNB.

The development of a licensing program for STRs would be the most administratively demanding, but would yield the most inclusive results. A licensing program can in fact help to legitimize the business operation to potential visitors by ensuring fire inspections have been completed, and capacity has been considered through number of bedrooms, parking spaces and sanitary capacity of the STR. Through licensing, by-law concerns such as parking and noise may be pro-actively addressed.

Licensing of STRs provides the opportunity to address public safety and to arm STR owners/operators with information and education to legally and safely operate their

rental properties. By identifying owners of STR properties, Lambton Shores is presented with an opportunity to reduce the challenge of contacting absent landlords, and provide educational and promotional information directly to property-owners, thus enhancing the visitor experience.

Licensing also allows council to consider market saturation of STRs. Council may ultimately choose to determine how many STRs are included in a certain area, or how many new licenses are issued per year, much like what currently happens through the commercial zoning that applies to Hotels and Motels.

## **Surrounding Areas**

The Municipality of Bluewater and the Municipality of South Huron are located on the northern border of Lambton Shores. At this time, they have not implemented MAT and staff are not aware of any plans to do so. It is acknowledged that because it is located in South Huron, the Oakwood patrons would not have a MAT associated with their accommodation at that resort. That said, it must be noted that in lieu of MAT, the Oakwood Resort has implemented its own “Marketing Fee” that is equal to 4% of the accommodation charges. By means of explanation to their clients, the Oakwood website states:

*“The charge is used by the Resort to subsidize the destination sales and marketing efforts required by the Resort to remain competitive with jurisdictions that benefit from publically funded (Municipal Accommodation Tax) tourism marketing associations such as London, Niagara, Muskoka, and many others.”*

In Lambton County, both Sarnia and Point Edward have now implemented MAT. Mr. Perrin’s October 22, 2019 report to Council (Appended to Report CAO 09-2019) identifies many of the other municipalities across Ontario that have now implemented MAT as well.

## **Revenue Estimation**

Actual revenue generated through MAT implementation will not be known until after the first year of implementation. Until that time, Tourism Sarnia-Lambton (TSL) had provided an estimated revenue based on number of rooms and a 50% occupancy rate. Staff have updated the chart provided by TSL to include two additional revenue scenarios at 40% and 30% occupancy. Although an estimate, these figures do provide context to the general magnitude of revenue that can be generated.

Hotels/Motels	Avg. Per Night	Season Length	Occ Rate - 100%	Occ Rate - 50%	Occ Rate - 40%	Occ Rate - 30%	MAT	Occ Rate - 50%	Occ Rate - 40%	Occ Rate - 30%
260 Rooms	\$125 per night	365 days	\$ 11,862,500.00	\$ 5,931,250.00	\$ 4,745,000.00	\$ 3,558,750.00	4%	\$ 237,250.00	\$ 189,800.00	\$ 142,350.00
AirBNB										
235 Rentals	\$125 per night	180 days	\$ 5,287,500.00	\$ 2,643,750.00	\$ 2,115,000.00	\$ 1,586,250.00	4%	\$ 105,750.00	\$ 84,600.00	\$ 63,450.00
								\$ 343,000.00	\$ 274,400.00	\$ 205,800.00
							LS 50%	\$ 171,500.00	\$ 137,200.00	\$ 102,900.00
							TSL 50%	\$ 171,500.00	\$ 137,200.00	\$ 102,900.00

## **Uses for MAT Funds**

MAT funds provide a key opportunity to support visitor-related services. These may include supplementing existing operating costs such as additional lifeguards, and by-law services. MAT funds could also support capital investment into infrastructure such as trails, parks and beach. Another opportunity would be to consider the development of a fund to support new and existing events, with an emphasis for those taking place during the shoulder seasons (April – June and September – November) to help encourage year-round visitors. By providing funds for events through MAT, existing programs such as the Vibrancy and Community Grant program could be focused more to capital and community projects. In 2020, \$41,400 has been granted through these two programs to support events in Lambton Shores.

As Council is aware, 50% of MAT must go to the local DMO or other tourism marketing organization. In Lambton Shores' case, this organization is Tourism Sarnia-Lambton. TSL will be in a position to use its share of MAT funding to support TSL's six business units, including: conventions, cultural attractions, entertainment, leisure travel, product development and sports. Opportunities that could be funded include:

- The provision of Bid Requirement Funding for Major Events without additional Funding commitments being required from local Municipalities
- Enhanced promotion to drive increased visitations to Lambton County municipalities
- Support for Existing Major Local Events to Create a Greater Tourism Draw
- Support tourism related Product Development and Industry Growth

## **ALTERNATIVES TO CONSIDER**

1. Implement a MAT program and a short term rental accommodation licensing program.

Staff's recommendation is to implement MAT beginning May 1, 2020. MAT provides an opportunity for the Municipality to collect funds to help cover the cost of providing visitor services so that the burden of paying for these services does not fall solely on the residential tax base. Conversations with other municipalities that have implemented MAT suggest that the implementation of MAT has had no obvious negative impact on tourism to those communities.

In the first year, there would be no expectation to collect revenue on stays that have been fully pre-paid before May 1, however accommodation providers will be asked to provide data for the number of nights and revenue collected in order to assist in determining future year estimates.

Staff believe it is prudent to provide council with year-end status reports on the progress of MAT during the first two years of the program to report back on actual results and impacts.

If it is Council's desire to collect MAT from a broad range of short term rentals (STRs) and to seek to level the playing field of STR operations with hotels and motels, then a licensing program is appropriate. The licensing program can be developed and implemented throughout 2020. Staff will report back on the proposed licensing program, associated costs and impacts to existing operations. It is anticipated that the additional resources necessary to administer the licensing program will be recovered through licensing fees.

Staff can assist operators in the communication of MAT through rack cards, FAQ forms and through the municipal website.

## 2. Implement MAT without a licensing program

Council may choose to implement MAT as described above, without a licensing program for short term rentals. With this option, MAT could still be collected through STRs listed on AirBNB and the hotels and motels. AirBNB is the only STR accommodation website that is currently entering agreements with municipalities to collect and remit MAT. It is possible that other agreements could be arranged with other accommodation website hosts in the future.

This option would require minimal administration from Lambton Shores.

## 3. Do not implement MAT

Municipalities have the choice to implement MAT or to not implement MAT. MAT has the potential to provide an additional revenue stream for visitor services as Council deems appropriate, without solely relying on the residential tax base to pay for these services. It is staff's recommendation to implement MAT.

## **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 May 1, 2020.

## **FINANCIAL IMPACT**

The chart included in this report shows a variety of scenarios that the Municipality might expect if MAT is implemented, although the true financial impact is not known at this time. It is expected that additional staff will be required to implement a licensing program; however this cost is expected to be covered through the license fee.

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**

Will Nywening, Senior Planner  
Chris Martin, By-law Enforcement  
Lawrence Swift, Fire Chief  
Ashley Farr, Manager of Community Development

#### Attachments:

1. CAO Report 09-2019 Municipal Accommodation Tax
2. Draft Municipal Accommodation Tax Frequently Asked Questions