

Date: 2023-02-28

Subject: **Municipal Accommodation Tax**

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Report Number: Corporate Support Services-2022-1002

Recommendations:

1. That the report from Laura Lukasik, Manager Tourism & Special Events, dated February 28, 2023, titled Municipal Accommodation Tax be received;
2. That Council approve a four per cent (4%) Municipal Accommodation Tax for paid overnight accommodations at hotels, motels, campgrounds, short term rental units (including online home sharing platforms) and bed and breakfasts operating in the City of Brampton, effective July 1, 2023;
3. That a policy be brought to Council at a future date to establish the “City of Brampton Municipal Accommodation Tax” effective July 1, 2023;
4. That a new reserve fund titled “Municipal Accommodation Tax” be established as a holding account for the revenue collected from the Municipal Accommodation Tax;
5. That the City Clerk be authorized to enter into an agreement with each eligible tourism accommodation and short term rental provider regarding the financial accountability required to ensure that all Municipal Accommodation Tax amounts paid to the City of Brampton are used for the exclusive purpose of promoting tourism as required by Ontario Regulation 435/17;
6. That the City of Brampton’s portion of the Municipal Accommodation Tax revenue be directed to support investments, such as Brampton-based place making, beautification, infrastructure and communications programming that support resident/visitor/guest experiences and tourism-related services, infrastructure development and sponsorships for Sport Tourism Events, Marquee Festivals and large-scale tourism activations, subject to the guidelines of the Tourism Sponsorship Program;

7. That staff be given approval to prepare a detailed work plan to support the creation a Municipal Services Corporation pursuant to the Ontario Municipal Act, requirements of Ontario Regulation 599/06, and other application legislation and regulations in the Province of Ontario, and Canada by July 1, 2024; and, that the Municipal Services Corporation with objectives of promoting tourism in the City of Brampton; and, that The Corporation of the City of Brampton serve as the sole shareholder of the Municipal Services Corporation; and, that the following executive positions be approved to serve as the start-up Board of Directors of the Municipal Service Corporation: Director, Strategic Communications, Tourism & Events, Manager Tourism and Events and one member of Council;
8. That the City Clerk, City Solicitor, Treasurer and Commissioner of Corporate Support Services, or designates, be authorized and directed to take all actions to give effect to these resolutions.

Overview:

- Brampton City Council approved the Brampton Tourism Strategy (CW193-2021) in April 2021 which included the implementation of the Municipal Accommodation Tax in Brampton.
- The majority of larger Ontario municipalities have implemented the Municipal Accommodation Tax (MAT) as per the guidelines established by the Province of Ontario's Bill 127 at a 4% tax rate (Attachment A).
- The City portion of the MAT revenue is to be allocated to tourism and tourism-related expenditures including but not limited to: Brampton-based place making, beautification, infrastructure and communications programming that supports citizen/visitor/guest experiences and tourism-related services, infrastructure development and services-in-kind for tournaments and other events using city assets, subject to the annual budget approval process.
- The remaining 50% of the tax revenue is to be directed to a destination marketing organization - which doesn't currently exist in Brampton. The establishment of a destination marketing organization as a municipal service corporation will be required. Until that time, tax revenue must be held in the reserve fund.
- Labour costs incurred by the City of Brampton for the collection of the tax are to be offset by MAT revenue collected.
- The funds collected from the Municipal Accommodation Tax will significantly support the implementation of the Brampton Tourism Strategy and the growth of the tourism sector in Brampton resulting in the creation of jobs and increased economic impact derived from tourism activity.

Background:

The Province of Ontario passed Bill 127: Stronger, Healthier Ontario Act (Budget Measures) 2017, which amended the Municipal Act, 2001 (the “Act”) to provide lower or single tier municipalities in Ontario with the authority to levy a transient accommodations tax. Bill 127 received Third Reading and Royal assent on May 17, 2017.

On November 23, 2017, the Province of Ontario issued the Transient Accommodation Regulation 435/17 (the “regulator”), which came into effect on December 1, 2017 and provides the necessary provisions for municipalities across Ontario to implement a mandatory Municipal Accommodation Tax for transient accommodations through a by-law, including the tax rate applicable to transient accommodations.

Experience Brampton Tourism Office staff had originally planned to come to Council to seek approval for the implementation of the Municipal Accommodation Tax to be effective January 1, 2021. The pandemic impacted this original timeline and of note, many municipalities put a hold on collecting the tax during this time. As a result, July 1, 2023, is the recommended implementation date.

Current Situation:

The Experience Brampton Tourism Office has been implementing the Brampton Tourism Strategy – a foundational document designed to guide and support the growth of our tourism and hospitality sectors.

A significant strategy recommendation is the implementation of the Municipal Accommodation Tax. The revenue generated by the tax will further support the implementation of the strategy and the ability to implement more robust plans to promote Brampton as a destination not only for residents and their visiting friends and relatives but also for tourists, defined as individuals travelling more than 40 kilometers to visit our city. Municipalities currently collecting the tax have utilized funds to re/brand tourism offices, develop strategies and marketing campaigns, offer visitor incentives and more.

At present, there are 14 hotels plus Sheridan College Davis Campus residence rooms for a total of 1,522 rooms in Brampton (Attachment B) and 49 short term rental units licensed by the City of Brampton as of March 10, 2023. Additional revenue will also be collected from online platforms including VRBO, AirBNB, etc. These numbers are all expected to increase as the tourism sector continues to recover from the pandemic.

A report titled *2022 State of the Ontario Tourism Industry Report*, authored by the Ontario Chamber of Commerce and the Tourism Industry Association of Ontario - <https://occ.ca/wp-content/uploads/State-of-the-Ontario-Tourism-Industry-Report->

[December-13-2022-FINAL.pdf](#) - notes that the tourism sector has been the most impacted by the pandemic and by all accounts, it will be the sector to recover last. Revenue from the Municipal Accommodation Tax will provide much needed support to the sector during this period of recovery.

The responsibility for the collection of the Municipal Accommodation Tax will be with the Experience Brampton Tourism Office. The Province of Ontario's Bill 127 sets out provisions so that labour costs incurred by a municipality to collect the Municipal Accommodation Tax are offset by the revenue earned from the tax. The Finance Division may be called upon to provide direction or best practices for the collection of MAT.

Detailed collection guidelines will be established as part of the policy. There may be a requirement for By-Law Services to assist with the collection of MAT payments although an environmental scan of municipalities currently collecting the tax have reported no significant issues have arisen to date.

Corporate Implications:

Financial Implications:

A new reserve fund, Municipal Accommodation Tax, will be required. An estimated \$1.7M is expected to be collected in the first year of the program. These revenues will be directed to the City of Brampton and will be deposited into the new reserve fund. Revenue collected is intended to fully offset the costs of running the MAT program. Indirect costs will be evaluated as they arise and included in a report back to Council if applicable.

50% of the tax revenues collected will remain in the newly established reserve fund and will be directed to a destination marketing organization - which doesn't currently exist in Brampton. The establishment of a destination marketing organization as a municipal service corporation will be required. Until that time, tax revenue must be held in the reserve fund.

Revenues remaining after factoring in operating expenditures and the 50% portion to a destination marketing organization, will be allocated to tourism-related initiatives including but not limited to: Brampton-based place making, beautification, infrastructure and communications programming that supports citizen/visitor/guest experiences and tourism-related services, infrastructure development and services-in-kind for tournaments and other events using city assets, subject to the annual budget approval process.

The Director of Strategic Communications, Tourism and Events in conjunction with the Manager of Tourism and Special Events will have final approval of the allocation of these funds.

Legal Implications:

The establishment of an incorporated municipal entity will be required to act in lieu of a destination marketing organization in Brampton and will be the intended recipient of 50% of MAT revenue as outlined in Bill 127.

Term of Council Priorities:

Implementation of the Municipal Accommodation Tax in Brampton aligns with the Term of Council Priority “Brampton is a City of Opportunities” as the tax revenue collected will support tourism activity which will ultimately result in additional employment opportunities and a great economic impact from the sector.

Conclusion:

Staff recommends the approval of a Municipal Accommodation Tax in Brampton, effective July 1, 2023 and the establishment of a destination marketing organization as a Municipal Services Organization, effective July 1, 2024, to support the growth of Brampton’s hospitality and tourism sectors.

Authored by:

Reviewed by:

Laura Lukasik, Manager, Tourism & Special Events

Jason Tamming, Director, Corporate Communications, Tourism & Events

Approved by:

Rick Conard, Interim Commissioner, Corporate Support Services

Attachments:

Attachment A – Ontario Municipalities Collecting MAT

Attachment B – Brampton Hotel Listing