



## Town of Huntsville Staff Report

**Meeting Date:** December 19, 2017

**To:** General Committee

**Report Number:** DEV-2017-226

**Confidential:** No

**Author(s):** Derrick Hammond, Director of Development Services

**Subject:** Transient Accommodation Tax Backgrounder

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### Report Highlights

An overview of a recent amendment to the Municipal Act and associated Regulation, which authorizes the Town to impose a Transient Accommodation Tax.

### Recommendation

**That:** Committee hereby confirms its desire to impose a Transient Accommodation Tax within the Town of Huntsville;

**And That:** Staff are authorized to engage with other municipalities and industry stakeholders and report back on potential options for the implementation and administration of a transient accommodation tax within the Town of Huntsville.

### Background

#### General:

At the November 30th meeting of Committee, two delegations, one from the Muskoka Tourism Marketing Agency and the other from the Huntsville Hoteliers Association, encouraged Committee to implement a new taxation tool recently unveiled by the Province, the Transient Accommodation Tax. Each delegate also expressed it's view as to how the tax could be collected and associated funds allocated.

#### Legislation:

The authority for the Town to levy a Transient Accommodation Tax comes from recently enacted amendments to the Municipal Act, as well as a new Regulation (435/17). To impose such a tax, the Municipal Act requires the Town to pass a by-law which:

- i) states the subject of the tax to be imposed;
- ii) states the tax rate or the amount of tax payable;
- iii) states the manner in which the tax is to be collected, including the designation of any persons or entities who are authorized to collect the tax as agents for the municipality and any collection obligations of persons or entities who are required to collect the tax.

The by-law may also provide for:

- i) exemptions from the tax;
- ii) rebates of tax;
- iii) penalties for failing to comply with the by-law;
- iv) interest on outstanding taxes or penalties;
- v) the assessment of outstanding tax, penalties or interest;
- vi) audit and inspection powers;
- vii) the establishment and use of dispute resolution mechanisms;
- viii) the establishment and use of such enforcement measures as the council of the municipality considers appropriate if an amount assessed for outstanding tax, penalties or interest remains unpaid after it is due, including measures such as garnishment, the seizure and sale of property and the creation and registration of liens; and
- ix) such other matters as the council of the municipality considers appropriate.

The legislation provides Council the flexibility to determine if the collection of taxes and the administration and enforcement of the by-law imposing the taxes should be undertaken by the Town, or by an agent, which would have to be identified in the by-law. Where the latter option is chosen, the legislation authorizes the Town to enter into an agreement with that person or entity, including the Crown.

Interestingly, the legislation restricts the tax from being levied against agencies or organizations which may have transient accommodation facilities within their operations, such as the Crown, school boards, colleges and universities, hospitals, long term care facilities and any other that may be prescribed in regulation by the Province.

#### Ontario Regulation 435/17:

The implementing regulation which is now in effect, also provides flexibility to municipality's wishing to use this taxation tool. However, it contains several mandatory requirements including:

- i) that for each full or partial year that the Town collects the tax, it must make payment(s) to an "eligible tourism entity". An "eligible tourism entity" is defined as a non-profit entity whose mandate includes the promotion of tourism in Ontario or in the municipality;
- ii) the amount of the Transient Accommodation Tax funds to be paid to an (one or more) eligible tourism entity(ies) is 50% of the remaining tax revenue after the Town deducts its reasonable costs of collecting and administering the tax for that fiscal year;
- iii) the Transient Accommodation Tax funds paid to an eligible tourism entity must be used by that entity for the exclusive purpose of promoting tourism; and
- iv) the municipality and each eligible tourism entity receiving Transient Accommodation Tax funds must enter into an agreement respecting reasonable financial accountability matters in order to ensure that amounts paid to the entity are used for the exclusive purpose of promoting tourism. The regulation also indicates that the agreement may provide for other matters.

## **Discussion**

### Linkages:

The authority to use this tool is timely as there has been recent Council interest in establishing an Economic Development Strategy and working collaboratively with the Huntsville Lake of Bays Chamber of Commerce and the Business Improvement Area on a marketing brand initiative. The linkages of tourism marketing and promotion, which is the main aim of this new financing tool, are clear.

### Considerations:

Both the legislation and regulation contain provisions that recognize that there are municipalities across the province which have existing partnerships with a Destination Marketing Organization (DMO), which collects a Destination Marketing Fee (DMF) for the purpose of promoting tourism within a geographical area. Ottawa, Burlington, Mississauga and Toronto are examples of municipalities where there is or has been an existing program. The legislation and regulation also recognize and provide for those municipalities where no such structure or program currently exists. As the Regulation just took effect on December 1st, at this time, there does not appear to be any municipalities who have not had a DMF or a DMO indicating that they will be using this tool. However, a few municipalities that have an existing DMF and DMO (Toronto, Mississauga - see Appendix I) have identified that they intend on using the tool.

As there is no DMF within Muskoka or the Town, use of this taxation tool would result in the establishment of a new program which requires the careful consideration and development of an enabling by-law and administrative model which could achieve Council's tourism promotion goals. At a minimum, it would appear that the by-law and administrative system would need to address the following considerations:

- i) identification of the transient accommodation providers to be taxed (resorts, hotels, motels, bed and breakfasts (bandb), air bandb etc.);
- ii) the establishment of a tax rate;
- iii) the method by which and who collects (Town/agent) the tax;
- iv) how eligible tourism entity partners will be identified and selected;
- v) collaboration and consensus on tourism marketing promotion goals, objectives and programs between the Town and eligible tourism entity partners;
- vi) the amount of the tax revenue the eligible tourism entity partners will receive;
- vii) transparent accountability measures to which eligible tourism entity partners will be subject; and
- viii) if deemed desirable, identification of municipal/community tourism related projects, and programs to which a portion of the tax revenue could fund; and
- ix) enforcement of the by-law.

### Next Steps:

Following the Huntsville Hoteliers Association encouragement to implement this tax in Huntsville, should Committee wish to pursue the establishment of such a program, it will be important for staff to reach out to other more experienced municipalities to identify alternative administrative models and evaluate their merits. In this regard, the Town is fortunate to have a staff member with experience in the operation of a successful DMO. Our Manager of Recreation & Leisure Services (Community

Services), Simone Babineau, has experience working with Tourism Burlington and valuable municipal and industry contacts.

Further collaboration with industry stakeholders will be required respecting the identification of the transient accommodation providers to be taxed as well as the establishment of a tax rate. Once there is consensus on the model, the transient accommodation providers and the tax rate, it will be important that the by-law and subsequent agreements contain clear roles and rules and as a result, legal assistance will likely be required in its drafting.

## **Operational**

Anticipated revenues or fees for this program are not yet known.

## **Council Strategic Direction / Relevant Policies / Legislation / Resolutions**

### **Town of Huntsville Strategic Vision - 2017 and Beyond**

#### *Economic Development*

GOAL #1: Collaborate with private sector and the broader community to create an economic development strategy that will diversify and strengthen the year round economy, and guide investment of time and resources

- Develop a brand strategy to market Huntsville as an ideal place to live and work
- Identify opportunities and tools that would help ensure a vibrant downtown

Ontario Regulation 435/17

**Respectfully Submitted:** Derrick Hammond, Director of Development Services

**Manager Approval (if required):** \_\_\_\_\_

**Director Approval:** \_\_\_\_\_

**CAO Approval:** Denise Corry, CAO