



Report to Council Municipal Accommodation Tax

Date: September 20, 2018

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At the regular meeting of the Economic Development Advisory Committee on September 10th, 2018, the matter of Municipal Accommodation Tax was discussed. The following are a list of recommendations arising from the discussion of the matter, which the Committee requested be sent to Council for their consideration.

Background and Legislative Authority to Impose a Municipal Accommodation Tax

The Ontario Budget of 2017 provided municipalities with a new tool to support tourism development and marketing through the Transient Accommodation Regulation 435/17. This allowed municipalities to impose a Municipal Accommodation Tax (MAT).

The tax rate for each MAT is determined by the municipalities, but can be no greater than four percent (4%). The MAT may replace a voluntary Destination Marketing Fee (DMF) in those jurisdictions that previously had a one (example Thunder Bay).

The Municipal Accommodation Tax can be charged to guests by any accommodation provider who provides accommodation for less than 30 days. These include; hotels, motels, bed and breakfasts, resorts, outposts, floating lodges, AirBNB's, tent and trailer sites, and individual accommodators.

Those exempt from the Municipal Accommodation Tax include school boards, universities and colleges, post-secondary institutions, hospitals, long-term care homes/hospices, accommodations provided as shelter, and any other accommodator which the municipality deems exempt.

Under Regulation 435/17, the municipalities' portion, which is fifty percent (50%) of the total revenue raised from the Municipal Accommodation Tax, is unrestricted. The remaining fifty percent (50%) must go to a not-for-profit organization promoting tourism.

Sample of Room Tax Rates in other Jurisdictions

Ontario:

City of Ottawa (4%)
City of Thunder Bay (4%)
Sudbury (4%)
Mississauga (4%)
Kingston (4%)
Toronto (4%)
Cornwall (4%)
Markham (4%)
Barrie (4%)
Niagara Falls (4%) (pending)

Brockville (4%)
Sault Ste. Marie (4%)
St. Catharines (4%)
Hamilton (3%)
Windsor (4%)
North Bay (4%)
Kenora (4%)
Sioux Lookout (4%)
Cochrane (4%)
London (4%)

Manitoba:

Winnipeg (5%)
Flin Flon (5%)
Thompson (5%)
The Pas (5%)
Brandon (5%)
Dauphin (5%)
Portage La Prairie (5%)

Alberta:

Calgary (3%)
Edmonton (3%)
Jasper (2%)
Canmore (3%)
Lethbridge (2%)
Medicine Hat (2%)
Camrose (1%)
Slave Lake (1%)

Saskatchewan:

Regina (2%)
Saskatoon (2%)
Prince Albert (2%)

Quebec:

Province of Quebec (3.5%)

East Coast:

City of St. John's (4%)
Miramichi (2%)
Charlotte County (2%)
Halifax Regional Municipality (2%)
City of Charlottetown (3%)

British Columbia:

Victoria (3%)
Vancouver (3%)
Kelowna (3%)
Kamloops (3%)

Minnesota:

Bloomington (7%)
Minneapolis (3% fewer than 50 rooms, 5.625% 50 or more rooms)
Duluth (5.5%)
Rochester (4%)
St. Paul (3.0% fewer than 50 rooms, 6.0% 50 more rooms)
St. Cloud (5%)
Towns of Tofte, Lutsen, and Schroeder (2%)
Winona (1%)
Roseville (2%)
Two Harbours (1%)
Newport (4.0% facilities with 25 or more rooms)
Giant's Ridge (2%)
Marshall (4.5%)
International Falls (3%)

Financial Projections for Fort Frances Municipal Accommodation Tax Revenue

Ontario and NWO Occupancy (Most recent for each quarter)

Quarter	Occupancy Rate Ontario	Occupancy Rate NWO
Q1	58%	57%
Q2	71%	74%
Q3	81%	86%
Q4	66%	62%
Average	69%	50%

Estimated Fort Frances Occupancy

Quarter	Occupancy Rate at \$120 Average night	Gross Sales	Occupancy Rate at \$60 Average night	Revenue
Q1	65%	\$1,544,400	50%	\$ 72,900
Q2	75%	\$1,801,800	70%	\$103,194
Q3	80%	\$1,943,040	70%	\$104,328
Q4	70%	\$1,700,160	60%	\$ 89,424
Revenue @4%	4%	\$ 279,576	62.5%	\$ 14,794

AirBNB and informal and Camp MTA Revenue **\$3,500**

Total Annual Revenue is Conservatively Approx. **\$300,000**

Uses for Revenue from Municipal Accommodation Tax

50% towards Destination Marketing / Tourism

- Fort Frances Tourism Information Center
- Marketing and promotion
- Rainy Lake Square programing
- Wayfinding Signage

50% towards Infrastructure and Development

- Fund to assist small festivals, sporting tournaments and events
- Studies and reports related to tourism development
- Rainy Lake Square, Parks and waterfront development
- Shevlin Woodyard Economic Development feasibility study
- Beautification projects

ADDITIONAL CONSIDERATIONS

a) Possible Reduction in Total Room Night Demand

Price Elasticity of Demand: The demand for any product or service may change in response to a price change. Increasing taxes (or any price inflation) could cause a reduction in demand. For travellers this could lead to consideration of other options, reducing stays or staying further away.

b) i) Accommodation rates in Fort Frances vs. International Falls

As at September 18, 2018

Fort Frances Accommodation (above 2 star Expedia rating) - (rates \$119 to \$144)
\$144(room rate) +\$18.72 (hst)+ \$5.76 (MAT)+ (.86¢ hst on MAT) = \$169.30 CDN

Similar US Hotel International Falls

\$164.33(room rate) + \$16.11 (MN taxes and room tax) = \$180.44 CDN

b) ii) Cost in Fort Frances vs Fishing/Hunting Holiday Package Rates

Travellers who cross the border in Fort Frances are typically attending a destination holiday at a fishing/hunting camp.

To compare rates in Fort Frances vs rates currently charged at 2 sample camps on Rainy Lake

Camp One

Cabin only \$804 pp per week - (each per person) x2 = \$1,608 \$229 per night plus tax
Full American Plan with boat - \$312pp per night plus tax

Camp Two

2 days of fishing and accommodation/food pp \$1,622 \$811 per night plus tax

c) Accommodation Industry Health Data

Room tax reporting will provide the Town with real time data that will provide valuable insight into the health of the accommodation industry in Fort Frances, and the relative success of promotional strategies.

d) Barriers to Development

Fort Frances currently has records lower than average room rates and higher than average occupancy rates. This should make Fort Frances an attractive location for a hotel expansion. The two major barriers for hotel corporations that have been consistently expressed to the RRFDC as a reason for reluctance to invest are: **a)** distance from current operations; **b)** concern that room occupancy is tied to mine development and thus concerns about mine life/single industry. Increasing total tourism marketing will allow us to create a more verifiable, stable, longer term occupancy pattern.

Recommendation:

- That Council adopt a Municipal Accommodation Tax (MAT) on January 1, 2019 which implements a four percent (4%) tax on all accommodation that is less than 30 days in the Town of Fort Frances.
- That the bylaw reflect that Bed and Breakfasts and American Plan Lodges may charge the Municipal Accommodation Tax on only seventy five percent (75%) of the room rate, understanding that the other twenty five percent (25%) of the rate is considered a meal cost.
- That Council name an internal auditor who will regularly inspect and verify remittances.
- That Council set out an interest charge, remittance schedule and fine schedule.
- That Council direct staff to request a verifiable list of current reservations made on or before September 24, 2018 for the period of January 1, 2019 to August 31, 2019 and these reservations be deemed grandfathered out of the MAT Tax. This list is to be provided no later than October 24, 2018.
- That Council allow for a compensation (one time) fund of up to \$10,000 to be used as a grant to any hospitality establishment who must upgrade or purchase new software to charge or remit taxes.
- That Council designate the Rainy River Future Development Corporation as the Town's partner as the Designated Marketing Organization.
- That Council target the 50% municipal portion to generalized economic development activities and tourism infrastructure programming and partnerships.