



The Corporation of the Municipality of Wawa

STAFF REPORT Director of Community Services and Tourism

| | |
|---------------------------------------|-------------------------------|
| Prepared By: Alex Patterson | Report No.: AP 2024-13 |
| COW Agenda Date: July 23, 2024 | File No.: C11 |

Subject

This report summarizes background information gathered on the Municipal Accommodation Tax (MAT) and community consultation results. A recommendation to implement the MAT effective April 1, 2025 and to pass an authorizing by-law at an upcoming Council Meeting in September is included.

Report Recommendation

THAT Staff Report AP 2024-13 be received and accepted by Council;

THAT the Council of the Corporation of the Municipality adopt a Municipal Accommodation Tax (MAT) with an effective start date of April 1, 2025.

THAT a By-law approving the MAT Tax and its requirements be prepared by the Clerk and considered by Council at a meeting in September 2024.

THAT staff be authorized to begin incorporation of a Wawa Tourism Municipal Services Corporation (WTC) in consultation with local accommodation operators and interested members of the community.

THAT a reserve fund be established in 2025 and that Staff bring forward a Municipal Accommodation Tax Reserve Fund Policy by the end of 2025 for Council approval.

Purpose of Report

The 2023 Wawa Strategic Plan sets the implementation of a MAT as a key priority. This strategic goal was further included in Wawa's Five-Year Tourism Strategy which set out the specific action of "establishing a tourism development fund by implementing a MAT program, [which includes] drafting a fund use plan that outlines how the MAT will be collected, who will manage funding, and how it will be used."

This Report summarizes the previous informational memos and presentations made to Council and community about the implementation of a MAT Tax in Wawa. This report makes a recommendation on the MAT its rate and date for implementation which will be included in a required MAT by-law and community feedback.

The Report also recommends a MAT rate of 4% for the community if implemented. The standard rate amongst major cities across Ontario is four percent, with others recently increasing the rate to 6% such as in Marathon.

Summary and Analysis

In 2017, the Provincial government granted authority to municipalities to impose a mandatory Municipal Accommodation Tax (MAT), which could apply to hotels, motels and other roofed accommodations that provide consecutive room night rentals for less than 30 days. This also includes bed and breakfasts or Airbnb rentals or short-term accommodations and permanent trailers in parks.

A MAT is a mandatory municipal tax paid on roofed accommodations and travellers must pay the amount that is stipulated by the municipality. The authority to implement the tax is granted through the Transient Accommodation Regulation 437/17 under section 400.1 of the Municipal Act, 2001. The regulation came into effect on December 1, 2017.

The majority of Municipalities in Ontario have implemented the MAT to retain and supplement tourism programs and services as well as local economic development and infrastructure without impacting local property taxes, an alternative source of revenue needed as government grants decline and property taxes increase to pay for essential services.

Council authorized staff to investigate a MAT Tax in Wawa and include community consultation in developing a recommendation for Council.

Community Consultation Sessions

Several consultation sessions and one-on-one meetings with accommodation businesses were held to ensure that the MAT tax benefits and impact was known to business and to provide those parties affected with opportunity for input in developing a MAT program.

Staff held two public consultation sessions, the first in the late fall of 2023 and the second in late winter of 2024. The first consultation session was well attended, and several accommodation operators requested more information including a cost/benefit analysis of the proposed program in relation to their business expenses. The second consultation session was much less attended and mostly focused on answering questions about the use of the MAT funds.

Overall, STR's seemed to trend neutral to positive towards a MAT program, whereas motels operators that attended appeared not in favour, mainly due to the perception that it would raise the costs of an overnight stay detracting tourists and take away operator profit.

The Director of CST also went door to door to motels that had not attended either session to receive feedback about the MAT. Generally, most appeared in favour of the MAT but not at the current time when operators purported that business was down at least 20% during the 2023-2024 winter season. Comments recorded at the consultation sessions are found in Appendix A.

June 2024 Public Council Meeting

About twelve persons representing the motel sector and short-term accommodation sector attended the meeting in June. A variety of comments were received both for and against the MAT such as;

- Mission Road Motels
 - Generally, not in favour of any program or room tax
- Highway 17 Motels
 - Generally, neutral but not in favour of the 2025 start date
- Short-Term Accommodations (STRs)
 - Generally, in favour of the MAT program
- Local Committees, EDTAC, residents
 - Generally, In favour of the MAT program

Not all motel owners/operators attended and only one STR owner. The main concerns shared at the meeting were with the timing proposed for the program to start in January 2025 with operators asking for a later start date of the program.

MAT Implementation – Required By-law

Staff recommends that the MAT be set at the standard 4%. While the legislation permits other communities to go up to 6%, staff feel that the more common 4% rate is competitive with other local markets and typical across the province. Staff also believes that a lower rate will not achieve the goals of the program and add another level of frustration to operators who may face an increase in the future.

The first step to implementation is a Council by-law. Should Council approve the recommendations in this report, a by-law will be brought forward to a Council Meeting in September. Council may consider advertising the date that the By-law will be considered (Sept 3rd or Sept 17th) in advance for opportunity for the community to provide final comment or attend the meeting.

Staff is further recommending that the MAT program be delayed from the original recommended implementation date of January 1, 2025, to April 1, 2025, to give local accommodation operators additional time to prepare for the implementation

of the MAT. This will also provide municipal staff additional time to hold more information session on the requirements and remittance schedule of the MAT.

Remittances will be quarterly, at the same time HST is remitted being April 1, July 1, October 1 and January 1, and it will be the responsibility of the registered owner to submit funds to the Municipality using forms provided. This can be done either electronically, or by using a paper form and cheque. The Municipality will follow existing policies when dealing with any delinquent accounts.

Municipal revenue received from the MAT will be placed in a reserve fund and be distributed to programs and activities annually during the municipal budget process as approved by Council.

MAT – Third Party Entity

The Municipality is required by the legislation to provide 50% of the program revenue to a third-party entity that must be a non-profit and with a tourism mandate.

If the MAT is approved, staff will work with tourism businesses to set-up a Wawa Municipal Services Tourism Corporation with a board comprised of Municipal Council members and those collecting the MAT revenue. This Corporation would be responsible for spending the MAT funds on tourism such as events, programs, staff and activities. Staff expect that it would take a few years to set-up this third-party entity and until this entity can be formed, the Municipality will hold the 50% of revenue in a dedicated reserve to be provided to the entity when requested.

Financial/Staffing Implications

It is projected the MAT revenues annually to be about \$300,000 based on conservative occupancy levels and seasonality of overnight stays in the area. This is an estimate as accurate overnight stays are unknown and may vary year to year.

Fifty per cent (50%) of the net revenue from the MAT will go to the municipality and directed into a reserve fund to be used towards tourism and economic development opportunities. The other fifty percent (50%) of the net revenue will go to a future Wawa Tourism Development Corporation (WTDC) to be formed.

The MAT funds will be used for tourism marketing, infrastructure improvements, TIC operations and related services and programs as determined by Council annually achieving the goal of attracting more overnight tourists and tourism spending in Wawa.

A reasonable percentage of the monies collected will be used to offset the costs of administering the MAT program. It will take staff time to collect and administer

the funds and enforcement of the MAT. Ongoing education will also be required to ensure compliance and understanding of the remittance schedule of the MAT.

The Wawa Tourism Corporation will have independence to make decisions about funding allocations and staff recommend creating a mandate for this Board that ensures it will support the five-year tourism plan, as well as building in a reporting requirement for an annual presentation to Council and the community about how funds from the MAT were used.

Policies Affecting Proposal

Wawa Strategic Plan and Wawa Five-Year Tourism Plan

Both of these plans identify the MAT as a goal and high priority of Council to implement. The MAT is an important funding source as provincial programs are being reduced in the tourism and infrastructure sectors. The MAT may also offset costs and ensure that tourists using the infrastructure are also paying for it.

Alternatives

Option 1: Do Nothing – Do Not Implement the MAT or Delay

This option would have Council direct staff to halt pursuing the MAT program further. As this program is an important revenue source as well as for many reasons included in the presentations to Council and the public. **Not Recommended.**

Option 2: Implement the 4% MAT – Effective January 1, 2025

This option would have Council direct staff to implement the MAT on the original timeline of January 1, 2025. Based on comments from accommodation operators stating more time was required, staff agree a later start date is desirable. **Not Recommended.**

Option 3: Implement the MAT – Effective April 1, 2025

This option would have the MAT implemented by by-law and begin April 1, 2025. **Recommended.**

Conclusion

The approval of this recommendation new funds for the community that do not affect the property taxes and are paid by outside residents. As costs for municipal operations such as the TIC Centre continue to rise it is necessary for the Municipality to consider alternate funding sources to continue to support tourism and economic diversification in Wawa.


Council will implement the recommendations as contained in its Strategic Plan and Five-Year Tourism Plan, support the tourism sector and community development through the implementation of the MAT program.

Attachments

Appendix A: Comments received at consultation sessions

Appendix B: Presentations provided at consultation sessions and public meetings

Appendix C: Letter of support from the Municipal EDTAC

| | |
|--|---|
| <p>Respectfully Submitted By:</p>  | <p>Prepared By: Alex Patterson, Director, Community Services and Tourism</p> |
|--|---|

MAT Consultation Session Notes – March 6 2024 @ 7pm

Alex Presentation

Open forum questions from group:

Glynis (Airbnb) - 50% stays with Municipality and 50% goes to LTO?

Alex (Director of tourism)- Yes, 50% has to go to someone other than us. Could go to an existing organization like AKTA but the trouble is that those options wouldn't guarantee that the entirety of the funding stays directly in our community. Creating an LTO makes sure the money is spent on Wawa.

Maury (CAO) – Each person who pays into this tax could ultimately sit on the board to decide and have a say where the money you collect might go

Jeff (Algoma Motel) - So the money has to stay in Wawa?

Yes

Jeff - What is the tourism budget?

\$120,000

Jeff - And so if you get \$200,000 from the MAT, that \$120,000 will be cut? Your budget will only go up to \$200,000 total.

Maury - No, the intention is for this to supplement the existing budget. But we can't speak for council, that would be council's decision.

Jeff thinks Conservative government will take away the authority to have a MAT. Would rather see a 2-3% tax base increase.

General group frustrations about already paying lots of taxes and businesses not seeing the benefits.

Alex - There have been some cuts, particularly to tourism. We are running out of funding options. Constantly have to find new funding opportunities

Mayor - This is money that's being left on the table if we don't take advantage. There used to be lots of grants that we depended on, and those are being taken away. The MAT is the tool we've been given instead. We have to make the decision as a community, whether we value tourism, events, etc. We're seeing the same situation with budget cuts and lack of funding in other departments as well.

Jeff – this needs to be brought to the community as a whole. And should be paid by the community

Maury adds that as a 1% tax increase equals \$50,000, so to generate the same amount that the MAT would generate (\$400,000), taxes would be raised 8%.

Ron (Wawa Motor Inn) speaks about not being able to forecast revenue, having to drop rates, how he won't be able to raise his rates because they'll go up 4% with the MAT. Speculates that it will start at 4% but next we'll want 8%. People will pass us by and stay in White River. Says we can't guarantee your income in a small town like this. Says we can't forecast MAT revenue for the following year, can't predict if it'll be snowy, etc. He's already paying the most taxes of any of the hotels and doesn't get anything from the Municipality for it.

Ray (Outdoorsman Motel) asks if this will offset taxes in a way that rebates local taxpayers?

Maury/Alex - No, this shifts the responsibility to tourists, it doesn't replace any portion of the tax base. There won't be a tax rebate.

Jeff says he commends us for what we're doing and will give us all the money he can, and he's telling us how to do it, but he's fed up. If we keep taxing him, he's done. We're not going to get any business in Wawa. The cost of running this program, or any program in Wawa, is the onus of the complete population, not just businesses. They're already taxed enough. He knows it's their customers paying, but it affects the business too.

Mayor says this is a tool that is meant to help municipalities in a certain area and the provincial government created it to help out in the current economic climate. In our 10 year plan we are raising our taxes 4% every year, and that is just to keep up, not to do anything new or extra.

Jeff says we're not representing the public's opinion, and claims to know that the public is against this.

Alex - they aren't involved yet, but there will be public consultations.

Sally (Your Room is Ready) asks why just keep this within accommodations, why not tax all the other businesses?

Alex - Municipal Act dictates very specifically what a Municipality can and cannot do. This is a new (2017) piece of legislation that says Municipalities can implement this specific tax.

Ray asks if all businesses in town need a business license? Do all Airbnbs have licenses?

Alex - Airbnbs don't have licenses at the moment but we are putting a system in place for that.

Ron asks if it's a done deal? Are they just being humored by consulting them but it really doesn't matter?

Alex - No, nothing has been set in stone. It's ultimately council's decision.

Why isn't council here?

Maury suggests having a public council meeting

Ron says he feels this is a done deal.

Alex explains we're bringing specifics because that's what was asked of us last time.

Maury asks if MAT funds could be used to refund businesses for the cost of collection?

Alex - We'll look into it. The Municipality likely can't but the LTO has more flexibility.

Discussion on LTO structure

Jeff supports LTO, regardless of MAT. Says this is absolutely needed.

Maury comments that we have the EDTAC committee and the EDC

Jeff – Businesses need to take part in tourism.

Ray wants cost benefit analysis of current tourism budget

Ray - How can we know what the return will be beforehand? In terms of spending on things like marketing.

Alex provided example of reviewing structure of signage program

Maury Question: If we handed you \$200 000 for the purpose of tourism, what's the first thing that should be done with it?

Ray – take care of run-down buildings

Ron – Start the beautification process at the goose, draw people into town. Monty (Beaver Motel) agrees.

Mayor wants free wifi downtown, super fast EV charger at far end of town to draw people into town

Jim (Your Room is Ready) – It's hard to say because there are so many unknowns with budget cuts and whatnot

Ron – we're losing sledders to Revelstoke. Town used to go to snowmobile shows and should be doing that again.

Manuela (Finance) – This is a big opportunity. Half the money stays with the LTO, which they strongly support. How do you get to your market? Your market isn't Wawa. This is how you get your ideas out there. People come here because they want to be here, they don't care about a fee on a hotel.

Maury provides updates, tearing down Magpie truckstop and Marina building. Pinewood motel on their radar but complicated.

Mayor reminds everyone that anything they want council to hear, put it in writing.

Jeff asks if the LTO could run the TIC

Alex – yes, technically it could

Next steps:

Survey the general public. Hold public council meeting.

Consultation – Door to Door

- White Fang Motel
 - Concerned about deterring possible customers
 - Understands the need but thinks it would be better to wait until the economy improves
 - Would like to see improvements to the community in beautification and recreation
- Best Northern Motel
 - Not the right time, already pays high property taxes
 - Would have been better a few years ago or when things pick up, slow year so far
 - Would like to focus the funds on getting more people to travel
- Parkway Motel
 - Doesn't want more tax
 - Economy right now is in trouble and we should wait for a boom to implement this
 - Need to take care of things in town such as the burnt-out motel / abandoned gas station
 - Wants to see more events and things that bring people into the community
- High Falls Motel
 - Very against price increases – has already had to drop prices to be competitive
 - Businesses often get compared to find the lowest price and people are targeting small increases as reasons not to stay
 - They have gone to the cheapest they can to attract customers
 - Feel that this is a cart before horse situation and more investment is needed upfront to improve the tourism economy before adding the MAT
 - Needs to be an increase in events and attractions that bring tourism
 - Needs to be more beautification efforts including taking care of abandoned buildings
 - Would like to see funds used to open the TIC longer in the season
 - Events have direct positive impact on the business
 - Need visual indications that the funds are being used, such as beautification and cultural improvements that are in the public eye.
 - Need to see a unified visual approach to the community

Wednesday May 22, 2024

Heidi McLaren

Chair, Economic Development & Tourism Advisory Committee

Committee of Council

Subject: Support for the Adoption of the Municipal Accommodation Tax (MAT) Madame Mayor and Councillors,

I am writing to you on behalf of the Economic Development and Tourism Advisory Committee (EDTAC) to express our unanimous support for the adoption of the Municipal Accommodation Tax (MAT) in Wawa. This tax represents a significant opportunity to raise and reinvest outside funds in our community; enhancing the promotion of our town, culture, activities, and events - while improving the quality of life for our residents.

Communities that have adopted MAT have seen substantial advantages. Notably, the tax has allowed these areas to reinvest significantly more money into fostering and promoting their local attractions and assets. This reinvestment not only drives tourism but also stimulates local economic growth, of which communities across Ontario, Canada and the globe, have achieved success. For example, Huntsville has reported that MAT is the greatest economic development tool they have seen in decades, enabling major investments in tourism without burdening property taxpayers. Similarly, Northern Ontario has leveraged MAT to support a tourism industry vital to our economy, welcoming millions of visitors and generating substantial revenue annually.

EDTAC firmly supports the implementation of MAT as a fair and equitable means to fund tourism development. The tax ensures that tourism pays for tourism, thereby creating a sustainable funding model that does not fall on the shoulders of property taxpayers, which will be supported and governed by the Tourism & Accommodations sector of our community. This approach aligns with our adopted Strategic Action Plan and will assist the Municipality of Wawa in fulfilling our mission and vision on behalf of our business community and residents.

We recommend that the Council adopt the Municipal Accommodation Tax to harness these benefits for Wawa and send a strong message about our dedication to economic development and the prosperity of our community.

Thank you for considering our recommendation. We appreciate the opportunity to be part of this process and look forward to seeing the positive impacts of MAT in Wawa.

Sincerely,

Heidi McLaren

Chair, Economic Development and Tourism Advisory Committee