

4. MUNICIPAL ACCOMMODATION TAX UPDATE

MISE À JOUR DE LA TAXE MUNICIPALE SUR L'HÉBERGEMENT

COMMITTEE RECOMMENDATION

That Council approve the administrative updates to the Municipal Accommodation Tax By-law 2017-401 as further described in this report.

RECOMMANDATION DU COMITÉ

Que le Conseil approuve les mises à jour d'ordre administratif au Règlement sur la taxe municipale sur l'hébergement (2017-401), selon les modalités exposées dans le présent rapport.

DOCUMENTATION/DOCUMENTATION

1. Deputy City Treasurer's report, Revenue, Corporate Services Department dated 26 April 2019 (ACS2019-CSD-REV-0003).

Rapport de la Trésorière municipale adjointe, Recettes, Direction générale des services organisationnels, daté le 26 avril 2019 (ACS2019-CSD-REV-0003).

2. Extract of draft Minutes, Finance and Economic Development Committee, 10 May 2019.

Extrait de l'ébauche du procès-verbal, Comité des finances et du développement économique, le 10 mai 2019.

**Report to
Rapport au:**

**Finance and Economic Development Committee
Comité des finances et du développement économique
7 May 2019 / 7 mai 2019**

**and Council
et au Conseil
22 May 2019 / 22 mai 2019**

**Submitted on April 26, 2019
Soumis le 26 avril 2019**

**Submitted by
Soumis par:**

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Ward: CITY WIDE / À L'ÉCHELLE DE LA VILLE File Number: ACS2019-CSD-REV-0003

SUBJECT: Municipal Accommodation Tax Update

OBJET: Mise à jour de la taxe municipale sur l'hébergement

REPORT RECOMMENDATION

That the Finance and Economic Development Committee recommend that Council approve the administrative updates to the Municipal Accommodation Tax By-law 2017-401 as further described in this report.

RECOMMANDATION DU RAPPORT

Que le Comité des finances et du développement économique recommande au Conseil d'approuver les mises à jour d'ordre administratif au Règlement sur la taxe municipale sur l'hébergement (2017-401), selon les modalités exposées dans le présent rapport.

BACKGROUND

The 2017 Ontario Budget granted authority to Ontario municipalities to impose a mandatory Municipal Accommodation Tax, which would apply to hotels, motels, bed & breakfasts, participants operating a common platform for individual accommodators, and all other accommodators with a roof renting consecutive room nights of under 30 days. Municipalities that enacted the Municipal Accommodation Tax who had an existing Destination Marketing Fee (DMF) program at the time were required to revenue share an amount equivalent to what was raised from the DMF with the local non-profit tourism entity who previously received such revenues. For municipalities without such a program, at least 50 percent of the Municipal Accommodation Tax revenue was to be allocated to the appropriate eligible tourism entity.

On November 23, 2017, the Province of Ontario issued the Transient Accommodation Regulation 435/17, which came into force December 1, 2017 and provides the necessary provisions for municipalities across Ontario to implement a Municipal Accommodation Tax (MAT). On December 13, 2017, Ottawa City Council approved the adoption of a mandatory Municipal Accommodation Tax of four percent (4%) effective January 1, 2018 in the City of Ottawa. Bed and Breakfasts, who qualify, are exempted from the MAT.

The Municipal Accommodation Tax (MAT) replaced the voluntary Destination Marketing Fee (DMF) and supports Ottawa Tourism's ongoing sales, marketing and destination development efforts.

DISCUSSION

The City of Ottawa has authorized the Ottawa Gatineau Hotel Association (OGHA) to collect the tax and to administer the transition of the funds to Ottawa Tourism for the purposes of promoting and growing the tourism industry in Ottawa. The funds are used to promote Ottawa as well as to support product development and tourism growth. The City has also successfully entered into an agreement with Airbnb to collect and they have remitted the MAT as of August 1, 2018, on bookings made through its platform. Between August 1st and December 31st, the City received \$423,000 from Airbnb's MAT collection.

The MAT is applicable to all accommodation stays under 30 days at hotels, motels, individual accommodators using a common platform marketplace service, as well as other accommodators not included in the exemption list. This list includes exemptions provided under the provincial Regulation, as well as those approved by Ottawa City Council, exempting traditional Bed & Breakfast operators.

The implementation of the MAT on January 1, 2018 was followed by a successful first year of collection. In 2018, the Municipal Accommodation Tax generated \$14.9M to support product development and tourism sales and marketing through Ottawa Tourism. Overall compliance with local accommodators was high at 98% throughout the first year of implementation.

Ottawa Tourism Update

Since the implementation of the MAT, Ottawa Tourism has made several strategic investments with MAT funding resulting in positive impacts for local tourism in Ottawa. MAT funds received by Ottawa Tourism in 2018 were invested as follows:

- 75% directed to Sales and Marketing activities including administration, marketing, communication, travel trade, marketing and events and meeting incentives.
- 25% directed to Destination Development activities including destination development, major events and convention development.

The investments are detailed below.

Economic Impact of Tourism Study

In January 2019, Ottawa Tourism completed the Economic Impact of Tourism Study. The study was made possible through MAT funds. The study describes the importance of tourism to Ottawa's economy at various levels including social and economic and assists in creating champions for the continued development of Ottawa as a travel destination.

Findings of the study, by the numbers:

- 30,640 full-time jobs with employees earning \$1 billion in direct wages and salaries, and 43,570 total jobs including direct, indirect, and induced
- \$1.4 billion in gross domestic product (GDP) or over \$3.8 million in GDP generated each day because of Ottawa's visitor economy
- \$3 billion in economic output
- \$755 million in taxes generated by the visitor economy every year, which contribute to provincial and federal government services

Other takeaways:

- The study demonstrates that tourism plays a major role in the Ottawa economy.
- The tourism sector impacts everyone, creating jobs in local restaurants, shops, attractions and museums.
- The visitor economy is a major economic generator for Ottawa and the surrounding region.
- The visitor economy is a direct contributor to local employment and the region's economy through the ongoing operations and activities of different tourism related businesses.
- The industry employs a significant number of people in our community, with 43,570 total jobs (including direct, indirect, and induced) and is the second largest private sector employer.
- The industry is an economic booster, bringing out-of-town money to the community by visitors who are injecting dollars into the region's economy to the tune of \$2.2 billion in visitor spending in an average year.

MAT Enables Ottawa Tourism's Strategic Plan 2018 to 2022

Ottawa Tourism is guided by the goals identified in their Strategic Plan in all their business units, marketing and sales decisions, and destination development initiatives.

Ottawa Tourism's goals are as follows:

- Ottawa delivers top niche experiences in Canada
- Ottawa is recognized as the best "all-Canadian" city by visitors
- Ottawa leads domestic market share growth
- Ottawa has increased in international market share by 10%
- Meetings/conventions and major events: Ottawa hosts 44 major meetings and 26 major events per year

Ottawa Tourism Marketing Impacts

In 2017, the Ottawa Tourism's Marketing department allocated \$650,000 from their overall budget to the Destination Canada/US consumer campaign. These campaigns are designed to attract visitors to Ottawa from the international market. In 2018, Ottawa Tourism invested MAT funding in Destination Canada's consumer campaigns internationally, as such:

- United States – \$500,000
- United Kingdom – \$100,000
- France – \$75,000
- Germany – \$25,000
- China – \$50,000

In 2018, Ottawa Tourism set aside \$150,000 for international opportunities that could present themselves through the year. This resulted in additional investments in China, the United Kingdom and France. The \$900,000 investment in the international market showcases Ottawa prominently in these countries. It also compliments joint campaigns that Ottawa Tourism has participated in with Destination Canada through its Travel Trade Department. This investment also aligns with their strategic objective of increasing international visitation by 10% by 2022. In 2019, with MAT funding, Ottawa Tourism's investment in Destination Canada and other international campaigns will increase to \$1,085,000.

Ottawa Tourism's data-supported decision making

Over the last few years, Ottawa Tourism has become an intensely data-driven organization. They have increased their capacity to gather and understand data through the newly developed position of a Business Intelligence Analyst. Following our Ottawa 2017 sesquicentennial celebrations, Ottawa was able to avoid the phenomenon of “Major Event Hangover”, often observed in other markets following the delivery of multiple major events marking an anniversary. Take for example Quebec City: the spike in visitation in 2008 during its 400th anniversary was followed by a sharp decline in 2009 and several years of climbing back to reach pre-2008 levels of visitation in subsequent years. This could have occurred in Ottawa, but data-driven decisions, strategic investments in sales and marketing, partnerships with partners in the tourism industry, and aggressive marketing of Ottawa's tourism products by Ottawa Tourism all contributed to our ability to sustain strong tourism numbers following 2017. While 2018 visitation numbers are not fully tabulated, numbers show an increase from 2016 (10.12 million visitors) to 2017 (11.1 million visitors), followed by a nominal decline to 11 million visitors (approximately) in 2018.

Ottawa Tourism Travel Trade Achievements

The Travel Trade team has built strong and effective relationships with tour operators and travel trade partners. The increased funding through MAT has allowed them to undertake more aggressive sales activities and increase visitor packages sold for Ottawa by tour operators in impressive ways as follows:

- 725 leads, an increase of 136 leads over 2017
- 406 familiarization tour participants, an increase of 24 over 2017
- 19 new or expanded itineraries, an increase of 6 over 2017

Meetings and Conventions Sales Achievements

- 304 conferences confirmed since implementation of the MAT in 2018
- 317 leads sent out
- 94,378 delegates confirmed
- 52 major events confirmed since implementation of the MAT
- \$51.59 million in estimated economic impact

Destination Development Initiatives

- MAT has enabled a stable funding source for Ottawa Tourism's destination development efforts since the implementation of the MAT
- over \$1,000,000 is being allocated annually to the Destination Development Fund
- over 72 destination development initiatives across the city have been funded, set into motion and at varying stages of development

Destination development initiatives include:

- product development such as niche experiences, rural tourism expansion, Indigenous tourism development, cycling routes, new festivals or expansion of existing festivals
- planning and deployment of pedestrian wayfinding systems
- workforce development such as customer servicing training, workshops and networking for Ottawa's frontline tourism industry staff

Tourism is one of the best opportunities available to increase the local economy in Ottawa to the benefit of its residents and businesses, and it is something Ottawa Tourism can grow deliberately through strategic investments and campaigns.

MAT By-law Administrative Updates

Early in 2019, staff reviewed the implementation and results of the first year, including the supporting Municipal Accommodation Tax By-law, as well as benchmarking against other municipalities who have implemented the MAT. The first year of the MAT implementation was successful, with an overall 98% compliance rate. While there are processes in place to deal with non-compliance, staff are recommending some minor changes to the by-law as noted below, including an update in revenue definition in the by-law to provide clarity for no-shows and cancellations, which do occur in the industry.

There are two items that are currently not addressed in the MAT By-law that should be:

1. assessment of MAT where an accommodator has not reported these amounts; and
2. a formal dispute resolution mechanism, as a last resort for an accommodator wishing to contest the amount that must be remitted.

Staff are recommending some minor administrative updates to the by-law as follows:

- Provide in the Penalties and Interest section delegated authority to the Deputy City Treasurer, Revenue to assess the Municipal Accommodation Tax to be paid or remitted where an accommodator has failed to report. The by-law currently requires payment of non-remitted taxes, and the delegation is consistent with practices put in place by other municipalities who have implemented the tax.
- Add a section where the City may establish formal dispute resolution mechanisms it considers appropriate. This is a requirement in the legislation and will be consistent with other municipalities who have implemented the tax. The by-law will formalize the dispute resolution mechanism in place today. Collectors may dispute MAT amounts or issues by written notification to the OGHA. If OGHA is unable to resolve the dispute, the dispute resolution authority rests with the Deputy Treasurer, Revenue.
- Update definitions section in the by-law to include the no show and cancellation definition in the by-law providing the necessary clarity that the MAT will apply on the cost of accommodations and not administrative cancellation fees.

These housekeeping amendments provide the necessary regulatory authority for MAT non-compliance and any disputes that may arise.

RURAL IMPLICATIONS

There are no rural implications of this report.

CONSULTATION

No consultation is required. Changes to the Municipal Accommodation Tax by-law will be communicated to the collectors after the by-law is amended.

COMMENTS BY THE WARD COUNCILLOR(S)

This is a City-wide report.

LEGAL IMPLICATIONS

There are no legal impediments to approving the recommendations in this report.

RISK MANAGEMENT IMPLICATIONS

There are no risk implications relating to this report.

FINANCIAL IMPLICATIONS

There are no financial implications relating to this report.

ACCESSIBILITY IMPACTS

There are no accessibility impacts relating to this report.

TERM OF COUNCIL PRIORITIES

This meets Council's priority with respect to Financial Responsibility and Economic Prosperity to Promote Ottawa.

SUPPORTING DOCUMENTATION

There is no supporting documentation.

DISPOSITION

Upon approval, City Clerk and Solicitor's office will place the required amending by-law on the agenda of Council for enactment.