

TO:	CHAIR AND MEMBERS STRATEGIC PRIORITIES AND POLICY COMMITTEE MEETING ON MAY 7, 2018
FROM:	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
SUBJECT:	MUNICIPAL ACCOMMODATION TAX - IMPLEMENTATION

RECOMMENDATION

That, on the recommendation of the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to implementing the new Municipal Accommodation Tax (formerly “transient accommodation tax”):

- a) That a four percent (4%) Municipal Accommodation Tax (MAT) on the purchase price of transient accommodation in the City of London **BE ADOPTED** effective October 1, 2018;
- b) That Civic Administration **BE DIRECTED** to bring back the required by-laws and agreements referenced in c) through f) below for approval by Municipal Council prior to implementation of the Municipal Accommodation Tax;
- c) That the key principles included in Appendix A with respect to establishing a tax on the purchase of municipal accommodation in the City of London **BE ENDORSED**, noting that these key principles will be included in the by-law;
- d) That Civic Administration negotiate an agreement with the Ontario Restaurant Hotel & Motel Association (ORHMA) for the collection of the Municipal Accommodation Tax in the City of London and that the key principles included in Appendix B **BE ENDORSED**, noting these key principles will be included in an agreement between the Corporation of the City of London and ORHMA;
- e) That the key principles included in Appendix C with respect to the use and monitoring of funds from the Municipal Accommodation Tax received by Tourism London, as the eligible tourism entity in the City of London, **BE ENDORSED**, noting these key principles will be included in an agreement between the Corporation of the City of London and Tourism London; and
- f) That the key principles included in Appendix D for the establishment of a new reserve fund for the purposes of receiving and distributing the City’s net 50% share of revenue from the Municipal Accommodation Tax, **BE ENDORSED**, noting that these key principles will be incorporated into a reserve fund by-law.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- Community & Protective Services Committee, May 1, 2018, Agenda Item #2.1, Short Term Accommodations
- Corporate Services Committee, April 3, 2018, Agenda Item #5.2, Request for Proposal – Host for AMO Annual Conference 2021, 2023
- Strategic Priorities & Policy Committee, January 29, 2018, Agenda Item #3, Transient Accommodation Tax

BACKGROUND

On January 29, 2018, the Strategic Priorities & Policy Committee received a report on establishing a tax on the purchase of transient accommodation in the City of London. The report noted the following:

- That the 2017 Provincial Budget granted municipalities the authority to implement a tax on transient accommodations, should they choose to do so.
- Relevant Provincial legislative changes came into effect December 1, 2017 for the purpose of ensuring that those communities that invest in the tourism sector can continue to grow and maintain its upward momentum as a significant contributor to economic growth and development.
- Section 400.1 of the Municipal Act, 2001 provides that a municipality may by way of a by-law, impose a tax with respect to the purchase of transient accommodations. The by-law must include the subject of the tax to be imposed; the tax rate or the amount of tax payable; and 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 that person or entity.
- The by-law may also provide for: exemptions from the tax; rebates of tax; penalties for failing to comply with the by-law; interest on outstanding tax; penalties or interest; audit and inspection powers; dispute resolution mechanisms; and enforcement measures.
- The legislation allows London to raise additional revenues which, net of the reasonable costs of collecting and administering the tax, are to be shared (50/50) with an “eligible tourism entity” defined as a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality which are required to use the funds for tourism promotion and development. Tourism London was proposed to be the eligible tourism entity in the City of London.
- The legislation requires that an agreement be entered into with the eligible tourism entity to ensure that any amounts paid are used exclusively for tourism promotion and development and that reasonable financial accountability is maintained.
- A 2016 Economic Impact Study, developed in partnership with the Conference Board of Canada, concluded that:
 - London’s tourism and hospitality sector contributes an estimated \$738 million of spending by both same-day and overnight visitors to London.
 - London is host to nearly 2.1 million overnight visitors and an estimated 4.5 million day visitors annually.
 - Nearly 8,200 full-year jobs are supported by tourism in London, representing 3.3% of local employment.

On January 30, 2018, Municipal Council resolved:

That, on the recommendation of the Board of Directors and the General Manager of Tourism London, and the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to a tax on transient accommodation:

- a) *the implementation of a 4% tax on transient accommodation in London BE ENDORSED;*
- b) *the Civic Administration, in conjunction with Tourism London, BE DIRECTED to report back with the necessary documentation in order to implement the transient accommodation tax, including all necessary by-laws and agreements;*
- c) *the Civic Administration BE REQUESTED to report back with suggested methods and practices for determining the allocation of the funds the City would realize through the implementation of a transient accommodation tax and, further, Tourism London BE REQUESTED to prepare and present a business case for additional funds associated with the transient accommodation tax;*

it being noted that the Strategic Priorities and Policy Committee heard a verbal delegation from J. Winston, General Manager, Tourism London, and received a communication dated January 15, 2018, from the London Convention Centre Board of Directors, with respect to this matter.

Purpose of Report

The purpose of this report is to seek approval to implement a four percent (4%) Municipal Accommodation Tax (MAT) on the purchase price of transient accommodation in the City of London. The effective date of October 1, 2018 was chosen to allow sufficient time for Civic Administration to complete and bring back to Municipal Council for approval the necessary by-laws and agreements to implement the tax. The time is also required for the collection agent to implement the proposed collection system with all the providers of accommodation in the City of London who will be required to collect and remit the MAT.

This report also seeks direction for Civic Administration to bring back the by-laws and agreements that are required prior to implementation of the MAT program. The key principles for these by-laws and agreements, included in appendices A through D, are recommended for endorsement. This approach allows Municipal Council the opportunity to provide input on these key principles before they are incorporated into the final by-laws and agreements that Civic Administration will bring forward to a future committee meeting for final approval.

Municipal Accommodation Tax By-law

Part XIII.1 of the *Municipal Act, 2001* and Regulation 435/17 provides that a municipality may, by way of bylaw, impose a tax with respect to the purchase of transient accommodations. The *Municipal Act, 2001* provides that the by-law may provide for the tax rate but does not specify the percentage or flat amount of the MAT. The *Municipal Act, 2001* also permits the by-law to provide for exemptions from the tax, penalties for failing to comply with the by-law, interest on the outstanding taxes or penalties, audit requirements, and enforcement measures as appropriate, for amounts remaining unpaid. **Appendix A** outlines the key principles to be included in the by-law establishing a tax on the purchase of municipal accommodation in the City of London.

It is recommended that Committee and Council approve a four percent (4%) MAT which would be mandatory in the City of London. Discussion with other municipalities that are considering or have already adopted the MAT indicate that many have approved or are considering a four percent rate. The following notable entities are exempt by regulation from collecting the MAT: accommodation at a university or college, hospitals, long-term care homes, treatment centres that receive provincial aid, lodging for reformation of offenders, shelters for the relief of the poor or emergency, and tent or trailer sites.

Short-term rentals are currently the subject of a review by Development & Compliance Services to address licensing, zoning and taxation. Short-term rentals occur in dwelling types such as detached houses, townhouses, and apartment buildings and are operated by owner occupants, tenants, property investors and management companies. Short-term rentals are often listed on internet platforms such as Airbnb, Homeaway, Vacation Rentals by Owner (VRBO), Craigslist and Kijiji. Bed and Breakfasts operate from an operator's principal residence and would therefore be treated as a short-term rental rather than as a hotel. Short-term rentals will be included as an exemption from collecting the MAT for the initial implementation. Whether short-term rentals remain exempt from the MAT will be evaluated as part of the licensing discussion. A by-law amendment would be required should short term rentals become taxable in the future.

Collection of the Municipal Accommodation Tax

Civic Administration has been in discussions with the Ontario Restaurant Hotel & Motel Association (ORHMA) to act as the agent for the City of London for the collection of funds from the Municipal Accommodation Tax. All costs for collection and administration of the tax will be funded from the tax proceeds. It is recommended that the City of London enter into an agreement with ORHMA as its collection agent for a two year period and that Civic Administration continue negotiations of the key principles proposed by ORHMA included in **Appendix B** to be brought forward for Municipal Council approval. These principles include the proposed approach, privacy, roles and responsibilities for both parties, communications and notifications requirements, financial reconciliation, refunds, liabilities, and reporting and auditing requirements. The agreement will also include termination provisions and rights on termination.

Civic Administration are recommending that ORHMA act as the agent for the City since it will provide for ease of implementation by October 1, 2018 and be most cost effective. ORHMA has experience with collecting similar taxes in other municipalities, already has a relationship with the accommodation providers and has a system already developed. This is consistent with the approach taken by other municipalities such as Ottawa, Toronto and Mississauga.

Distribution of Revenues from the Municipal Accommodation Tax (MAT)

The implementation of a four percent (4%) tax on transient accommodation in London is estimated to generate between approximately \$2 and \$4 million per annum. This is based on the current information made available on existing occupancy levels and daily room rate, excluding entities noted as being exempt from the tax.

There are conditions prescribed in the Regulation that set out the required revenue sharing. The municipality is required, where no destination marketing program currently exists, to transfer 50% of the net revenues from the tax to an “eligible tourism entity for the exclusive purpose of promoting tourism”. An eligible tourism entity is defined as “a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality”. The other 50% of the net MAT revenues would remain with the City of London and the use of these funds is not restricted by Provincial regulation.

The non-profit entity in the City of London with an exclusive mandate to promote tourism is Tourism London. The designation of Tourism London as the eligible tourism entity is consistent with how other municipalities have implemented the MAT. There are other tourism related entities in the City, but none with an exclusive mandate of promoting tourism and these other entities already work closely in conjunction with Tourism London where their mandates connect.

Tourism London would be required to continue to work with other tourism related entities, including transferring MAT funds as appropriate, to broaden tourism promotion activities. Establishing these relationships would be included in the agreement between the City and Tourism London on the use of MAT funds. With a mandatory MAT in place, Tourism London would benefit from greater certainty and capacity to attract more major events and conventions.

An excellent example of this type of partnership came forward less than one month ago when a proposal was brought forward by Tourism London and the London Convention Centre to host the AMO conferences in 2021 and 2023. The concept of using MAT revenues for this initiative was included in the following resolution from Council dated April 11, 2018.

That, on the recommendation of the General Manager, Tourism London, the following actions be taken with respect to the Association of Municipalities Ontario's (AMO) Annual Conferences for 2021 and 2023:

a) Tourism London BE AUTHORIZED to submit a proposal for London to host the AMO Annual Conference for 2021 and 2023, which would include:

- i) hosting and financing the Incoming Host Reception;*
- ii) hosting and financing the Welcome Reception;*
- iii) identification of a Host Coordinator and an Internal Project Management Team to oversee study tours, volunteers, host sponsorships, and other key areas;*
- iv) providing shuttle buses between hotels and the main venue;*
- v) providing study tour and companions' program buses; and*
- vi) providing civic greetings to delegates from the Mayor;*

it being noted that the estimated cost to host the 2021 and 2023 AMO Annual Conferences is approximately \$140,000, which will be funded by Tourism London and the London Convention Centre; it being further noted that should the Municipal Accommodation Tax (MAT) be approved by Municipal Council in 2018, these costs would be eligible to be funded through the MAT; and

b) the Mayor BE REQUESTED to provide a letter to Tourism London, to accompany Tourism London's above-noted proposal, that indicates the Municipal Council's endorsement of the proposal to host the AMO Annual Conference for 2021 and 2023.

Municipal Council will want to closely monitor the use of the MAT revenues that are legislated to be transferred to an eligible tourism entity. The monitoring of outcomes related to the new MAT implementation would be much easier if there was just one entity responsible and accountable for the revenue. The administration related to the transfer of funds would also be easier and less costly with just one entity. The Regulation also requires the City to enter into a financial agreement that outlines reasonable financial accountability over matters in order to ensure that amounts paid to the local tourism entity are used for the exclusive purpose of promoting and developing tourism. Controls and measures for monitoring and administration would be included in the agreement between the City and Tourism London on the use of MAT funds, as required by Provincial legislation. See **Appendix C** for the key principles to be included in this agreement.

Funding for Tourism London

The operating budget for Tourism London is approximately \$2.0 million and is shown in the chart below.

Tourism London 2016-2019 Multi-Year Budget

	2016 Revised Budget	2017 Revised Budget	2018 Revised Budget	2019 Revised Budget	Avg Multi-Year Revised Budget
Personnel Costs	1,255,901	1,279,149	1,295,850	1,293,784	1,281,171
Administrative Expenses	16,600	16,850	17,101	17,356	16,977
Financial Expenses	11,300	11,311	11,322	11,333	11,317
Purchased Services ⁽¹⁾	477,460	484,915	492,185	499,599	488,540
Materials & Supplies	14,700	14,878	14,971	15,198	14,937
Vehicle & Equipment	6,562	6,740	6,874	7,011	6,797
Other Expenses ⁽²⁾	363,254	368,708	374,242	379,858	371,516
Recovered Expenses	0	0	0	0	0
Government Grants & Subsidies	0	0	0	0	0
User Fees ⁽³⁾	(178,300)	(178,342)	(178,385)	(178,342)	(178,342)
Other Municipal Revenues	(6,500)	(6,598)	(6,697)	(6,883)	(6,670)
Total	1,960,977	1,997,611	2,027,463	2,038,914	2,006,241

(1) includes advertising and promotions

(2) includes direct sales and other promotions

(3) includes revenue from membership contributions to offset some of the expenses incurred in Purchased Services and Other Expenses

Approximately 65% of the budget is for personnel costs; 25% for purchased services and 20% for other expenses, some of which is offset by user fees (10%). The expenditures included as part of the approved budget are consistent and ongoing expenditures. It is anticipated that revenue from the MAT program could be variable from year to year. Some years will be better, depending on the economy and the number and type of tourism events that take place each year. During poor economic times, funding for ongoing costs in the Tourism London operating budget would be at risk. Furthermore, poor economic periods may require additional spending to get out of the economic downturn.

Placing revenues from the MAT into a separate fund is the best way to mitigate these fluctuations. MAT revenues maintained in a separate fund instead of included within the operating budget, would be available for any additional required stimulus spending. Civic Administration does not believe that it is prudent to fund ongoing costs with MAT revenues which can fluctuate from year to year until annual revenue experience is known. Should Council wish to consider reducing Tourism London's annual operating funding, it should do so after there is some historical experience with annual MAT revenues.

Members of the London Hotel Association are essential partners with the City of London in the MAT program. Although these parties will be required to collect and remit the tax, they support the program because they recognize the benefits that the additional funding for tourism promotion will provide. However, the London Hotel Association may not be supportive if the funding generated by the MAT program is not used for incremental activities.

One of Tourism London's key objectives is to attract major events and conventions to London. Bid fees or financial subsidies are often required to secure these events and conventions. In the past, when Tourism London has experienced a surplus in their operations, they have made contributions to a reserve allowing them to contribute to these bid fees or financial subsidies.

When sufficient Tourism London reserve funding was not available, Tourism London has requested a financial contribution from the City of London for bid fees. These fees were funded, or authorized to be funded, from taxpayer supported sources such as the Operating Budget Contingency Reserve. Going forward, it is recommended that such fees be funded from Tourism London's share of the Municipal Accommodation Tax. This would relieve the taxpayer funding these fees and allow better financial planning within the contingency reserve.

The following chart shows bid fees supported by the City of London since 2006.

Event	Amount
2019 Juno Awards	\$500,000
2019 World Junior Hockey Championship ⁽¹⁾	\$500,000
2014 Memorial Cup	\$100,000
2013 World Figure Skating Championship	\$500,000
2011 Brier (Canadian Men's Curling Championship)	\$100,000
2006 Tournament of Hearts (Canadian Women's Curling Championship)	\$100,000
Total	\$1,800,000

(1) not required because bid was not successful

Tourism Entity 50% Portion of Municipal Accommodation Tax

Civic Administration reviewed the letter from Tourism London to the Strategic Priorities & Policy Committee dated April 20, 2018. Civic Administration generally agrees with their objectives and proposed expenditures and that the funds be placed into a separate reserve. Tourism London suggests that this separate reserve be set up as the Tourism Promotion Development Fund. The establishment of a separate fund and the use of the funds would be set out in the agreement between the City of London and Tourism London (see **Appendix C**).

MAT revenues would be used to expand opportunities for Tourism London's three business units: Sports, Conventions and Leisure Travel (Culture & Entertainment). Expenditures would be intended to increase visitations, enhance London's national and international profile, support product development and industry growth, and fund bid requirements for major events without additional funding from the City of London.

A key use for MAT revenues would be to satisfy bid fees or financial subsidies for major events and conventions. These guarantees are often required in the bidding process and Tourism London believes that in the past they have lost out on bids to host major events due to a lack of funding for bid fees. As noted above, in the past, Tourism London has requested funding for bid fees from the City of London, which has been drawn from taxpayer supported contingency reserves. Additional funding from the MAT program would allow Tourism London to be more competitive in securing events and conventions for the City without burdening London taxpayers.

Promotion and development expenditures like the ones suggested to be supported by Tourism London's share of MAT revenues can also be "lumpy"; substantial in some years and minimal in other years. These variable expenses are best supported from a separate fund rather than from regular annual operating budgets.

Tourism London suggests that the Tourism London Board will determine the use of funds received from the MAT. They also suggest a management committee, consisting of members of the Tourism London Board, would develop an allocation plan for the funds, review and approve all expenditures, and prepare an annual report on the use of the funds. Spending initiatives would include measures with specific indicators of success and economic impact. Civic Administration supports controls such as these and would suggest they are built into the agreement between the City of London and Tourism London on the use of funds derived from the MAT. Should Council wish to have greater control over the use of these funds, they could decide to establish Councillor representation on the management committee and/or include greater controls be added to the agreement.

Municipal 50% Portion of Municipal Accommodation Tax

The City's proceeds from the Municipal Accommodation Tax are unrestricted. Funds are expected to be variable from year to year and will require experience of collection to determine the variability.

Historically, the taxpayer supported budget has funded improvements to tourism infrastructure such as the London Convention Centre and Budweiser Gardens. In the future, through the use of funds from the MAT, dedicated financial support raised through tourism will be available to

fund new and improved tourism infrastructure that will generate additional economic impact for London without impacting the City's tax levy. Recent examples of infrastructure investments that could have been fully or partially funded from the City of London's portion of revenues from the MAT include:

Event / Entity	Activity	Amount
2013 World Figure Skating Championship ⁽¹⁾	Supporting infrastructure	\$2,600,000
Grand Theatre	One time capital funding	\$100,000
Back-to-the-River Design Competition	Funding for competition	\$250,000
2011 Brier (Canadian Men's Curling Championship)	Rent a portable dehumidification system	\$25,000
BMO Centre – Original Building 2011	City's contribution	\$4,600,000
BMO Centre – Expansion 2016	City's contribution	\$800,000
Budweiser Gardens	Basketball court for London Lightning	\$50,000
Total		\$8,425,000

(1) legacy and non-legacy capital projects (lighting improvements downtown; improvements to market lane; LONDON gateway signage at Wellington/York; lighted planters; banners)

These investments were funded from taxpayer supported sources (e.g. Operating Budget Contingency Reserve, Economic Development Reserve Fund, capital levy). Going forward, these type of expenditures would be funded from the City's portion of the MAT revenues.

Civic Administration recommends that the City of London's 50% portion of revenues from the MAT be placed in a reserve fund that could be called a **Tourism Infrastructure Reserve Fund (TIRF)**. Funding would be used for tourism related infrastructure projects. This capital/infrastructure focused fund would enhance London's ability to finance new projects and improve venue capacity and sustainability in order to strengthen London's ability to attract major event opportunities and support economic activity. The key principles included in **Appendix D** will be incorporated into a reserve fund by-law for the TIRF which will be presented to Council for approval prior to implementation.

Funding from the TIRF could be used as incremental capital to "upscale" or enhance a facility already included in the planned capital budget to make that facility viable for hosting a major event. A vibrant event landscape is critical not only to London's tourism sector but to the quality of life of all Londoners.

This reserve fund could also act as a catalyst to leverage private sector and government capital investment to support initiatives that encourage infrastructure development and to attract and leverage other sources of investment in tourism that align with the City's and Tourism London's strategic objective, that being to increase visitations to London. The TIRF would ensure the City is in a position to respond quickly to tourism infrastructure development opportunities that arise, and would mitigate the need to draw from alternative sources of financing that could be used for other important initiatives and thereby alleviate future pressures on the tax rate.

The establishment of the TIRF would mitigate future reliance on the tax supported funding that would otherwise have been required to support new projects or improvements to existing venue capacity. Annual allocations from the TIRF would be approved in the City's capital budget. Funding would support important service improvements in the capital budget, the percentage of which has been declining in recent years while capital funding has been focused on lifecycle renewal and growth projects. The average Service Improvement capital budget in the 2016-2019 Multi-Year Budget is 9.5% versus an average of 21.3% in the four previous years (2012 – 2015).

Retaining the City of London portion of MAT revenues in a reserve fund allows for prudent capital planning. These funds will be incorporated into the capital budget at a conservative rate to account for the variability in revenue. Recommendations for the use of funds would be brought forward for Municipal Council approval during budget deliberations.

In 2018, the Parks and Recreation Master Plan will be introduced to Municipal Council. Examples of potential capital projects expected to be included in the Parks and Recreation Master Plan that could be enhanced with funding from the TIRF include:

- Enlarging a planned soccer field to adhere to FIFA standards to enable the City to attract national or international soccer events;
- Enhancing a planned track and field stadium to attract national or international track and field events;
- Augmenting a planned rowing facility to attract national or international rowing events; and,
- Enhancing a planned community centre, arena and gymnasium facility that may attract provincial volleyball and basketball events.

Funding from the TIRF could also be used to fund arts and culture infrastructure investments that also promote tourism. The music industry in London is strong and grants or loans to improve music facilities would further grow the City's music scene. Examples of projects that could be fully or partially funded by the TIRF include:

- Budweiser Gardens expansion
- Convention Centre upgrades and possible expansion
- Centennial Hall expansion and or upgrades
- Proper, professional portable staging for festivals and events
- Development of culture, music and entertainment districts
- Affordable studio and recording space for artists (included in the Culture Plan)
- Civic history space, including archives
- Matching funding to encourage bars, restaurants and community venues to install proper staging equipment (microphones, speakers, lighting etc.)
- Victoria Park bandshell upgrades
- Sound mitigation studies in outdoor venues (Labatt Park, Victoria Park, Harris Park, Western Fair etc.)
- Grand Theatre capital requirements
- Amphitheatre at the Forks of the Thames
- Museum London improvements
- Improve funding for the City's Capital Grants Program

Funding from the TIRF could also be used for "way-finding" infrastructure to guide visitors to the City to tourism destinations. This could include enhancements to the 401/402 gateways and way-finding signage into and around the City.

CONCLUSION

This report requests Municipal Council approval for the implementation of a four percent (4%) tax (MAT) on municipal accommodation within the City of London effective October 1, 2018. The report also seeks endorsement of key principles to be included in a by-law to establish this tax.

Civic Administration has been negotiating with the Ontario Restaurant Hotel & Motel Association (ORHMA) to act as the agent for the collection of MAT funds on behalf of the City of London. Civic Administration will bring forward an agreement with ORHMA for Municipal Council's approval based on the key principles outlined in this report.

The MAT program is estimated to generate between \$2 million and \$4 million in annual revenue. Provincial legislation requires that 50% of the net annual MAT revenues be transferred to an "eligible tourism entity" with the exclusive mandate to promote tourism in the municipality. The other 50% of net annual revenues remains with the City of London.

Civic Administration recommends that Tourism London be designated as the eligible tourism entity to receive 50% of the MAT revenues with controls over the use of these funds embedded in an agreement between the City and Tourism London. Civic Administration will bring forward the agreement for Municipal Council's approval based on the key principles outlined in this report.

Finally, key principles outlined in the report for a new reserve fund for the MAT revenue retained by the City will be incorporated into a reserve fund by-law which will be presented to Municipal Council for approval.

PREPARED BY:	RECOMMENDED BY:
ALAN DUNBAR MANAGER, FINANCIAL PLANNING & POLICY	ANNA LISA BARBON MANAGING DIRECTOR, CORPORATE SERVICES AND CITY TREASURER, CHIEF FINANCIAL OFFICER
CONCURRED BY:	
MARTIN HAYWARD CITY MANAGER	

Attachments:

Appendix A: Key Principles to be included in the By-law to Establish a Municipal Accommodation Tax (MAT)

Appendix B: Key Principles to be included in the Agreement between the Corporation of the City of London and the Ontario Restaurant Hotel & Motel Association (ORHMA)

Appendix C: Key Principles to be included in the Agreement between the Corporation of the City of London and Tourism London Regarding the Distribution and Use of Funding Generated from the Municipal Accommodation Tax

Appendix D: Key Principles of the Tourism Infrastructure Reserve Fund By-law

APPENDIX A

Key Principles to be included in the By-law to Establish a Municipal Accommodation Tax (MAT)

Authority

1. Section 400.1 of the Municipal Act, 2001 provides that a municipality may by way of a by-law, impose a tax with respect to the purchase of municipal accommodations.

Subject of Tax and Tax Rate Payable

1. The MAT is a sales tax paid by the guest.
2. The MAT is charged at a rate of 4% of the purchase price of transient accommodation.
3. The effective date of the MAT will be October 1, 2018.
4. Charges for ancillary services such as food, room service, mini bar use etc. are exempt if itemized separately.

Exemptions

MAT will not apply to the following types of transient accommodation:

1. Universities, colleges and school boards;
2. The Crown and agencies of the Crown;
3. Hospitals, long-term care homes and treatment centres;
4. Short-term rentals, including bed & breakfast accommodators and entities listing on internet platforms such as Airbnb and Vacation Rentals by Owner (VRBO);
5. Lodging for reformation of offenders
6. Shelters for the relief of the poor or for emergency; and
7. Every tent or trailer site supplied by a campground, tourist camp or trailer park.

Tax Collection

1. The Ontario Restaurant Hotel & Motel Association (ORHMA), as agents for the municipality, shall collect the MAT from providers of transient accommodation (Providers).
2. Providers shall collect the MAT at the time the accommodation is purchased.
3. The amount of the MAT shall be identified as a separate item on the invoice.
4. Providers shall remit monthly to the City's designated collection agent and submit the monthly statements in the form required by the City.

Refunds

1. The City or its agent may issue a refund upon receipt of satisfactory evidence that the amount was wrongly paid or remitted.

Interest & Penalties

1. Penalties and interest at the rate applicable to overdue property taxes (1.25%) shall be payable monthly by the providers of transient accommodation.
2. All MAT penalties and interest that are past due may be transferred to the tax collectors' roll of the City.
3. A fee shall be charged in respect of all remittances made by cheque that are not honoured by the financial institution.
4. Every person who contravenes any provision of the by-law is guilty of an offence and subject to fines.

Audit Requirements

1. Providers of transient accommodation shall keep records sufficient to furnish auditors with the necessary particulars of sales and the amount of MAT collected and remitted.
2. ORHMA may inspect and audit all records as required.
3. ORHMA, as agents for the municipality, will be responsible for independent audits of the Providers with the cost to be funded by the MAT.

APPENDIX B

Key Principles to be included in the Agreement between the Corporation of the City of London and the Ontario Restaurant Hotel & Motel Association (ORHMA)

General

1. The Municipal Accommodation Tax (MAT) applies to a sales tax on hotel accommodation.
2. The City of London is seeking to retain the Ontario Restaurant Hotel & Motel Association (ORHMA) to act as its collection agent under a fee for service contract, for all properties subject to the tax within the City of London.

Proposed Approach

1. The ORHMA would collect the MAT on behalf of the City of London utilizing the ORHMA's existing network.
2. The ORHMA would also be responsible for remitting amounts collected to the City of London, and for accounting and auditing of collections and remittances.

Privacy

1. The *Municipal Freedom of Information and Protection of Privacy Act* (MFIPPA) will govern all activities.

Roles and Responsibilities of London and ORHMA in Setting up MAT Collection System

City of London	ORHMA
<ul style="list-style-type: none">• Provide detailed design of the MAT• Obtain Council approval of the design• Enact detailed by-law• Participate in Privacy Impact Assessment• Provide detailed reporting requirements• Develop public communications strategy	<ul style="list-style-type: none">• Co-lead development of business requirements based on City's design to allow for collection of MAT• Lead monthly revenue remittance process• Provide input to the communications plan• Prepare and issue notifications to properties subject to MAT

Key Responsibilities

1. MAT will be collected by the ORHMA through its existing service network.
2. Hotel operators will be required to collect the MAT and remit to the ORHMA according to the requirements and forms established by the ORHMA for remittance on a monthly basis.
3. All taxes collected by the ORHMA under the collection agreement are to be remitted by the ORHMA to the City on a monthly basis.
3. Remittance will be accompanied by a monthly report indicating the average number of rooms available, the average daily rate, total room charges for the month, the total tax collected and remitted, and any other details required by the City of London.
4. Hotel operators must remit the MAT to the ORHMA by electronic transfer, cash, certified cheque or by any other method deemed acceptable by the City of London.
5. The City of London is responsible for remittances to Tourism London.
6. The City of London remains responsible for remittances of any applicable taxes.

Communications and Notification Requirements

1. The ORHMA will be responsible to distribute information, notifications and communication materials to entities subject to payment of the MAT.
2. All such materials and communications will be developed by the City of London, and/or jointly with the ORHMA.
3. All communications and materials distributed under the MAT program must be approved in advance by the City of London.
4. The City may also undertake to issue its own communications.

Effective Date and Term

1. The effective date of the agreement is the same as the effective date of the MAT by-law.
2. The service agreement with the ORHMA to act as the City's MAT administration agent will specify an initial term of two years, with a right to renew annually, for a further two one-year periods.
3. Either party may terminate the service agreement without cause, by providing not less than xx days' notice of its intention to terminate.

Financial Reconciliation

1. The MAT collected will be separated from the ORHMA's revenues and expenditures and deposited into a designated City of London account.
2. The ORHMA will perform daily financial reconciliation of amounts collected and investigate and rectify any financial anomalies.
3. The ORHMA will perform a payment transfer to the City of London on a monthly basis.
4. The ORHMA shall invoice the City for services provided under the service agreement.

Refunds

1. The administration, approval and issuance of any refunds collected under the MAT will be the responsibility of the City.

Reporting Requirements

1. The ORHMA will provide the City of London with reports on a monthly/yearly basis to support various City functions related to the MAT including reconciliation, refund verification and auditing.
2. The following reports will be produced by the ORHMA and made available electronically to the City.

Monthly Reconciliation Report:

Detailed reconciliation reports identifying the number of transactions and MAT revenue collected by the ORHMA and submitted to the City.

Monthly Refund Report:

The ORHMA will send the City a monthly report to support refunds processed.

Audit Reports:

All audit findings, reports and summaries shall be provided, unaltered and completely, to the City.

ORHMA Liability

1. The ORHMA agrees to assume liability for its failure to report, and/or remit the correct amount collected of the MAT, and the City shall impose penalties for such failure.
2. The ORHMA shall not be liable to the City for any unremitted MAT funds owed by the individual hotel entities that remain unpaid.
3. The ORHMA will collaborate with the City to pursue collection methods as directed the City.

Audit Requirements

1. The ORHMA is required to engage an auditor to undertake an internal audit concerning ORHMA's MAT financial operations.
2. The audit of financial operations shall be undertaken not less frequently than annually following year end.
3. The costs of conducting audits shall be at ORHMA's expense.
4. All audit findings, reports and summaries shall be provided, unaltered and completely, to the City within 10 days of receipt by the ORHMA.
5. The independent audits of the individual hotel entities subject to the MAT will be at the discretion of the City of London.
6. In all instances, the City reserves the right to engage an independent auditor for its purposes, to audit, without limitation, the ORHMA's operations as they concern the MAT or the collection of the MAT by the ORHMA, and/or for compliance with the City's by-law.

ORHMA's Estimate of Costs to Provide Collections

1. The ORHMA to act as the City of London's agent, under a fee for service contract, to collect and remit the MAT for all properties subject to the tax within the City of London.
2. Fee for service rendered to ORHMA will not exceed:
 - i) A one-time fee of \$xx.xx plus 13% HST, for a total of \$xx.xx; and
 - ii) Quarterly Fee of an amount equals to xxx percentage (x%) of the Monthly Remittances to the City.
3. The above fees shall include labour, profit, other overhead, materials, equipment, licences and any/all other operational costs and fees associated with the services.
4. The City shall not be responsible for any additional costs. Labour or direct expenses incurred by the ORHMA over and above this amount shall not be charged to the City.
5. Any additional fees or expenses must be pre-authorized in writing by the City Treasurer before the ORHMA undertakes any additional work.

APPENDIX C

Key Principles to be included in the Agreement between the Corporation of the City of London and Tourism London Regarding the Distribution and Use of Funding Generated from the Municipal Accommodation Tax

- 1) 50% of the proceeds from the Municipal Accommodation Tax, net of the reasonable costs of collecting and administering the tax, shall be deposited into a separate fund controlled by Tourism London (the Fund).
- 2) The monies in the Fund shall be used by Tourism London to:
 - a) Expand opportunities for Tourism London's three business units: Sports, Conventions and Leisure Travel (Culture & Entertainment).
 - b) Pursue the following objectives and outcomes:
 - i) increase visitations to the City of London;
 - ii) enhance London's national and international profile;
 - iii) support product development and industry growth;
 - iv) fund bid requirements for major events without additional funding from the City of London; and
 - v) to become more competitive with other provincial and national cities in Canada.
- 3) Tourism London would be required to establish relationships with other tourism related entities in the City, including sharing revenues from the MAT, for the promotion of tourism in the City of London.
- 4) The Tourism London Board will determine the distribution of funds from the Fund and approve the associated business and strategic marketing plans.
 - a) A Management Committee consisting of members of the Tourism London Board would oversee the following:
 - i) The collection, disbursement and accounting of the Fund in consultation with City administration.
 - ii) Review and approval of all expenditures from the Fund in consultation with the Board.
 - iii) Develop a funding allocation plan in support of Tourism London's strategic marketing plan.
 - iv) Prepare an annual report to City administration and Tourism London members on expenditures and initiatives that have received monies from the Fund.
 - v) Direct the hiring of professionals (e.g. auditors, lawyers) as required to assist in the management of the Fund.
 - vi) Endorse and set priorities to generate incremental business and approve the application of funds.
 - vii) Establish geographic priorities.
- 5) The Tourism London Board will provide an annual audited statement of MAT expenditures to the City of London (as part of the financial statements) in accordance with terms of the agreement.

APPENDIX D

Key Principles of the Tourism Infrastructure Reserve Fund By-law

- 1) 50% of the proceeds from the Municipal Accommodation Tax, net of the reasonable costs of collecting and administering the tax, shall be deposited into a Tourism Infrastructure Reserve Fund (TIRF) controlled by the City of London.
- 2) The monies in the TIRF shall be used by the City of London to:
 - a) Fund tourism related infrastructure projects.
 - b) Finance new projects and improve venue capacity and sustainability in order to strengthen London's ability to attract major event opportunities.
 - c) Leverage private sector and government capital investment to support initiatives that encourage infrastructure development and to attract and leverage other sources of investment in tourism.
- 3) Municipal Council will approve distribution of funds with the approval of the capital budget.
- 4) The Managing Director, Corporate Services and City Treasurer, Chief Financial Officer may invest the monies in the TIRF in such securities as are permitted under subsection 418(1) of the Municipal Act, 2001, as amended, and may consolidate funds with other reserve funds for the purpose of investment, provided that earnings accrue to and form part of the TIRF.