



Staff Report

Administration – Communications

Report To: COW_Finance_Admin_Fire_Community_Services
Meeting Date: January 15, 2024
Report Number: FAF.24.004 REVISED
Title: Municipal Accommodation Tax Project Update
Prepared by: Tim Hendry, Manager of Communications and Economic Development

A. Recommendations

THAT Council receive Staff Report FAF.24.004, entitled "Municipal Accommodation Tax Project update";

AND THAT Council directs staff to continue to explore the feasibility and considerations of implementing a Municipal Accommodation Tax through the preparation of a follow-up report specific to governance and administrative considerations based on feedback gathered through the Phase 1 Stakeholder and Public Engagement process.

AND THAT Council acknowledges that at this time, no formal decisions regarding Municipal Accommodation Tax have been made and that staff will be seeking a formal decision regarding Municipal Accommodation Tax following the additional information being brought forward as referenced;

AND THAT Council directs staff to proceed with applying for grant opportunities to support the development of a tourism and destination strategy and to report back to Council regarding the outcome of the grant application.

B. Overview

This report provides Council with an update regarding the Municipal Accommodation Tax project. The report provides an overview of the community and industry stakeholder consultation sessions and a summary of the research report and economic impact analysis report.

C. Background

At the June 26, 2023 Committee of the Whole meeting, staff presented report [FAF.23.092 "Municipal Accommodation Tax Review and Stakeholder Engagement Plan"](#). The report outlined the community and industry stakeholder consultation plan and outlined various considerations related to the potential implementation of a Municipal Accommodation Tax within the Town of The Blue Mountains.

As a reminder, Municipal Accommodation Tax (MAT) is a tax levied on the purchase of transient accommodations within a municipality. The tax is collected by the accommodation provider when guests book or check-in for their visit. All collected funds are required to be remitted to the municipality on a regular basis. The funds collected through the tax are used to promote tourism and to support tourism-related activities and projects. As detailed by the [Provincial Regulation](#) and the revenue-sharing models, the Town will retain a portion of the revenue, which can be used to support tourism in any manner the municipality deems appropriate. The other portion of the revenue must be given to an 'eligible tourism entity', which is defined in the regulation as a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality.

To support the project, the Town retained the services of Bannikin Travel and Tourism to lead the detailed research portion of the MAT evaluation and review project and the services of CBRE Tourism Consulting to conduct the associated economic impact analysis. The cost related to this work was authorized by Council, through staff report [FAF.23.092](#).

D. Analysis

The Municipal Accommodation Tax (MAT) project began in early 2023 through a staff-led effort to understand the relevant context, opportunities and challenges related to MAT. Bannikin and CBRE Tourism Consulting were engaged in Q4 2023 to lead and assist with a more detailed and thorough analysis based on their expertise.

The final reports from Bannikin (Attachment #1) and CBRE Tourism Consulting (Attachment #2) are attached to this staff report for information. The remainder of this staff report has been divided into four sections to provide a high-level summary of the findings.

Part 1 – Municipal Accommodation Tax Research

Part 2 – Review of Public and Stakeholder Consultation

Part 3 – Review of Economic Impact Analysis

Part 4 – Considerations and Next Steps

Part 1 – Municipal Accommodation Tax Research

Leading up to staff report [FAF.23.092](#), Town staff conducted a high-level review of Municipal Accommodation Tax (MAT) throughout Ontario. At the time of writing the initial report, 47 municipalities had implemented MAT. Most recently, it is estimated that over 50 municipalities have implemented MAT through the additions of the City of Owen Sound, Town of Lincoln, and Kirkland Lake. During the initial review process, staff talked to many municipalities to learn about the context, challenges and opportunities they faced and to gain a more thorough understanding of the best practices related to MAT structure and implementation. In addition, staff had discussions with related organizations, including the Tourism Industry Association of Ontario (TIAO) and various hotel associations throughout the province.

To deepen the understanding of the considerations and best practices related to MAT, the Town retained Bannikin Travel and Tourism to conduct a detailed assessment and establish a strong understanding of the context, challenges, opportunities, and social and economic

implications of implementing and administering a MAT. Through their work, Bannikin reviewed various research, reports, studies and best practices from Municipalities throughout Ontario. In addition, Bannikin completed a review of two comparator municipalities – City of Kingston and City of Victoria in British Columbia. Through this work, Bannikin developed a list of considerations, best practices and recommendations for the Town to follow should the decision be made to implement MAT. Full details of the research process and a summary of the findings are included in Attachment #1 to this staff report.

Part 2 – Review of Stakeholder Consultation and Public Engagement

In addition to the detailed research, Bannikin also led the stakeholder consultation and public engagement process. Conducted throughout Q4 2023, the consultation process included four primary activities to engage accommodation providers, tourism operators, local businesses and residents:

1. **Role of Tourism Survey** – A public survey was developed for residents and, local business owners and tourism operators to share their feedback and perspectives on tourism and MAT. A total of 366 residents and 37 industry members responded to the survey. The survey results are summarized in Attachment #1 to this staff report.
2. **Accommodation Provider Survey** – A dedicated survey was created and sent directly to accommodation providers, including Short Term Accommodations (STAs), Commercial Resort Units (CRUs), Hotels, Motels, Campgrounds and Rental Management Companies). The survey was divided into two parts, with the first part related to general feedback about the accommodation industry and MAT, and the second part focused on accommodation provider-specific data such as occupancy rates and average daily rates, which were used to help inform the economic impact assessment work being completed by CBRE Tourism Consulting. A total of 136 accommodation providers responded to the survey. The results of the survey are summarized within Attachment #1 to this staff report.
3. **Accommodation Industry Table Talks** – To further engage accommodation providers in a more in-depth setting, two (2) in-person and one (1) virtual table talk sessions were held with fourteen (14) attendees at the in-person sessions and ten (10) attendees at the virtual session for a total of 24 participants. The discussion involved open dialogue questions around attendees' general understanding of a Municipal Accommodation Tax, possible strengths and weaknesses of implementing a MAT in the Town of The Blue Mountains, opportunities and challenges that would come with a MAT, and additional concerns and areas of inquiry to further clarify.
4. **Key Stakeholder Interviews** – To gain perspective into the local tourism and accommodation sector and to gain insight from experts within the field of destination marketing and MAT, Bannikin conducted 11 key stakeholder interviews. These interviews were confidential, in-depth discussions with various individuals that are experts within their respective fields. The range of expertise included tourism, accommodation, destination marketing and government.

A detailed summary of the stakeholder consultation and public engagement efforts are included in Attachment #1 to this staff report.

Part 3 – Review of Economic Impact Analysis

To understand and quantify the economic impact of MAT, CBRE Tourism Consulting was retained to conduct a detailed economic impact analysis and revenue estimate and forecasting study based on the Town implementing a 4% MAT.

As identified in the report (Attachment #2 to this staff report), implementing a 4% MAT on 1,825 available rooms would generate approximately \$4.0 Million in annual revenue. This is based on historical market performance data provided by the CBRE Hotel Industry Database, short-term accommodation data provided through a third-party service provider, and data provided directly to CBRE by local accommodation providers. Although the Economic Impact Assessment report shows a clear 50/50 split of MAT revenue, it's important to highlight that the split of the annual revenue between the Town and the eligible tourism entity still needs to be determined and will be based on the revenue-sharing requirements of the Provincial MAT regulation.

The research from CBRE estimates that there are 1,825 accommodation units within the Town of The Blue Mountains. This includes a mix of short term accommodations (STA), commercial resort units (CRUs), village commercial resort units (VCRUs), hotels, motels and bed and breakfasts. Data from 2023, estimates that the occupancy rate was 53% with an average daily rate of \$285.00.

The report also compares historical market performance data from 2019 to 2022/2023 in an effort to understand the impact and level of recovery as a result of the pandemic. In addition, the report provides accommodation supply projections based on current and anticipated development applications for units that would be subject to MAT. The report estimates that an additional 291 will be brought online within the next five years, increasing the estimated annual MAT revenue to \$5.8 Million. It is important to highlight that supply projections are only estimates and that many factors contribute to whether or not a development project moves forward to completion.

The report concludes with a high-level overview of alternative revenue options, including an optimized destination marketing fee, commercial property tax rates and business licensing as a means for the Town to generate revenue. The scope of the work undertaken by CBRE Tourism Consulting did not include a full-scale assessment of the alternate revenue options. If Council is interested in exploring these options, staff will provide this information through future staff reports.

Part 4 – Considerations and Next Steps

Through the efforts and feedback received during the research and evaluation project and with the benefit of learning about MAT from many municipalities throughout Ontario, staff have gained a strong understanding of the best practices and next steps that should be followed to

formally develop the draft governance, structure and administrative framework for a MAT program.

If Council wishes to proceed in reviewing the feasibility of MAT, staff are recommending that a follow-up report be prepared to detail the specifics related to the governance, structure and administrative procedures of a MAT program. This process would allow staff the time to develop draft policies, procedures and by-laws that would be required. This work would include a framework related to governance and structure options, policies related to the use of MAT funds, collection/remittance procedures, and more.

In addition to the recommendation related to the follow-up report, staff have included a recommendation within the motion of this staff report seeking Council support for developing a Tourism and Destination Strategy for the Town and community. This direction is supported by best practices and expert advice provided by both Bannikin and CBRE Tourism Consulting. Although additional details need to be flushed out, it's clear that irrespective of a formal decision regarding MAT, there is a need for a formalized strategy to help guide and support tourism in the Town and that the strategy needs to be co-developed with industry in order to be effective. The recommendation for Council to support the development of a Tourism and Destination Strategy at this point in the process is related to a current opportunity for staff to apply for a Federal grant that is available, which if obtained, would provide significant funding to help support this work.

In closing, staff would like to acknowledge that although there is still a significant amount of work ahead to design the draft framework of the MAT program for the Town, the work completed throughout the Phase 1 Research and Evaluation project has been instrumental in understanding where to focus efforts and to establish strong and positive relationships within the local accommodation and tourism industry. Staff would like to acknowledge and express gratitude to the Blue Mountain Short Term Accommodation Association, Blue Mountain Village Association, South Georgian Bay Tourism, Regional Tourism Organization 7, Tourism Industry Association of Ontario, accommodation providers, key stakeholders and residents that made time to participate and contribute to the research and evaluation project.

E. Strategic Priorities

1. Communication and Engagement

We will enhance communications and engagement between Town Staff, Town residents and stakeholders.

2. Organizational Excellence

We will continually seek out ways to improve the internal organization of Town Staff and the management of Town assets.

3. Community

We will protect and enhance the community feel and the character of the Town, while ensuring the responsible use of resources and restoration of nature.

4. Quality of Life

We will foster a high quality of life for full-time and part-time residents of all ages and stages, while welcoming visitors.

F. Environmental Impacts

No environmental impacts are anticipated as a result of this report.

G. Financial Impacts

Through staff report [FAF.23.092](#), Council approved \$40,000.00 from the 2023 Operating Budget to review and evaluate Municipal Accommodation Tax.

To date, \$39,812.50 has been spent on the research, public and stakeholder engagement sessions and data collection that has been required and necessary to support the first phase of the review process.

In addition, \$4,675 was spent on general strategic advice provided by Minto Schneider from MMGY NextFactor – a leading consulting firm specializing in travel and tourism. This was funded through the general Economic Development operating budget.

If Council wishes to proceed, an additional budget will need to be allocated to support the development and legal review of the draft policies, procedures and by-laws related to a MAT program's governance, structure and administrative procedures. Staff will provide Council with full costing details in a future staff report if direction to proceed is provided.

H. In Consultation With

Shawn Everitt, Chief Administrative Office

Sam Dinsmore, Action Treasurer and Director of Finance

Minto Schneider, MMGY NextFactor

Bannikin Travel and Tourism

CBRE Tourism Consulting

I. Public Engagement

The topic of this Staff Report has not been the subject of a Public Meeting and/or a Public Information Centre as neither a Public Meeting nor a Public Information Centre are required. However, any comments regarding this report should be submitted to Tim Hendry, Manager of Communications & Economic Development communications@thebluemountains.ca.

J. Attached

1. MAT Research Project Report – Bannikin
2. MAT Economic Impact Assessment – CBRE Tourism Consulting

Respectfully submitted,

Tim Hendry
Manager of Communications & Economic Development

For more information, please contact:
Tim Hendry, Manager of Communications & Economic Development
communications@thebluemountains.ca
519-599-3131 extension 282

Report Approval Details

Document Title:	FAF.24.004 Municipal Accommodation Tax Research and Engagement Follow Up.docx
Attachments:	- Attachment-1-MAT-Research-Project-Report-Bannikin.pdf - Attachment-2-MAT-Economic-Impact-Assessment-CBRE-Tourism-Consulting-.pdf - Attachment-3-Bannikin-MAT-Research-Project-Presentation - Attachment-4-CBRE-TBM-MAT-Study-Presentation
Final Approval Date:	Jan 5, 2024

This report and all of its attachments were approved and signed as outlined below:

Tim Hendry - Jan 5, 2024 - 4:43 PM

Shawn Everitt - Jan 5, 2024 - 4:44 PM

Town of The Blue Mountains Municipal Accommodation Tax Research Report

bannikin

BEYOND TRAVEL & TOURISM

January 2024



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Acronyms

The below list includes the key acronyms used across this report:

- BMVA – Blue Mountain Village Association
- CRU - Commercial Resort Unit
- DMO – Destination Marketing/Management Organization
- MAT – Municipal Accommodation Tax
- SGBT – South Georgian Bay Tourism
- STA – Short-term accommodations and short-term rentals
- VAF – Village Amenity Fee
- VBA – Visitor-based Assessment

Executive Summary

Bannikin was engaged to conduct primary and secondary research into the feasibility and related considerations for a potential Municipal Accommodations Tax (MAT) for the Town of The Blue Mountains. The project launched in early-October 2023 with the final research report submitted to Town staff on January 4th, 2024.

The research methodology for the project included:

- Key documentation and resources review
- Resident and Industry “Role of Tourism” survey
- Accommodation provider survey
- Desk research into the context of MAT in Ontario
- Comparator research into MAT governance models
- Key stakeholder interviews
- Accommodation provider table talks (two in-person, one virtual)

The results and analysis of the research and engagement activities have been organized into three (3) areas: 1) Stakeholder Relations and Communications, 2) Governance and Management, and 3) Planning and Investments for MAT Revenue.

Overall, the adoption and implementation of a MAT is a revenue tool available to the Town of The Blue Mountains. The area’s strong reputation as a four-season destination, unique tourism assets, and proximity to major urban centres and visitor markets mean that tourism is an important and recognized contributor to the local economy and a MAT

A MAT includes implications for how the Town can build up or damage its relations with accommodation providers and the broader base of tourism stakeholders

presents the potential to tap into one industry within the tourism sector, namely the accommodation industry, to raise revenue for tourism marketing, management, and development.

Importantly, there are contextual factors and stakeholder perceptions that must be considered and addressed before deciding on the potential adoption and timing of a MAT. These are explored in more detail through the Stakeholder Relations and Communications, Governance and Management, and Planning and Investments for MAT revenue. Key factors are then summarized in the strengths, weaknesses, opportunities, and challenges that are presented in the “Considerations.”

Furthermore, a MAT includes implications for how the Town can build up or damage its relations with accommodation providers and the broader base of tourism stakeholders. Initial steps taken by the Town to look into a MAT as a tax-revenue generation opportunity, with the intent of covering its bases and carrying out required due diligence reflect well on the process. Moving forward, it will serve the Town well to ensure that next steps are pursued with this continued level of attention to the engagement of relevant stakeholders, rather than rushed to make a work-back date for adoption.

Recommendations to guide the way forward, if a MAT is adopted, are included in the conclusion. The recommendations are presented along the three main areas of research discussed: 1) Stakeholder Relations and Communications; 2) Governance and Management; and 3) Planning and Investments for MAT Revenue.

Some of the recommendations stand regardless of whether a MAT is implemented, whereas others provide guidance on how to strategically move forward with a MAT, if this is the decision made by Town Council.

Focus Area 1: Stakeholder Relations and Communications	
Recommendations	<ol style="list-style-type: none"> 1. Prioritize building relationships and trust with accommodation providers through the existing short term accommodation licensing program and representative organizations (incl. Establish communication process with accommodation providers via their representative organizations). 2. Clarify how STA fees and MAT are different (incl. Communicate any changes or adjustments directly with industry to build trust and inform transparency). 3. Review STA regulation protocols and processes to ensure uniform and consistent enforcement. 4. Engage with accommodation representatives across the design, structuring and development, and adoption of a MAT. 5. Determine how resident feedback and stakeholder involvement will inform the management and use of MAT revenue. Identify, commit to, and communicate the planned uses of MAT revenue, and details on the governance/oversight process as part of by-law design and adoption through audience-specific communications. 6. Identify and develop resources for industry to understand the collection process, remittance, and review of MAT (e.g., FAQ page, Q&A webpage, reporting back timeline and resources). 7. Craft messaging that supports accommodations in communicating about the tax to their customers and ensure that visitors have information on the need for and purpose of a MAT. 8. Explore and formalize collaborative marketing approaches with other marketing partners across the region to build regional collaboration and avoid duplication of tourism development and marketing work.

Focus Area 2: Governance and Management

Recommendations

1. Avoid rushing the approval, adoption, and by-law drafting for the sake of getting access to revenue as this can risk buy-in and future trust-based relationships needed for cooperation and compliance.
2. Confirm the not-for-profit tourism marketing entity with whom revenue would be shared (incl. potential to support the entity in evolving their work to focus on dedicated tourism marketing and development for the Town of The Blue Mountains).
3. Confirm how CRUs fit into STA licensing process. (Ideally before charging STAs a MAT, so that details around CRUs that qualify for MAT are clarified and included in how the by-law is structured and revenue collected).
4. Review STA licensing program to streamline and align STA licensing fee and related costs with the potential MAT, before implementing the MAT.
5. Identify what, if any, types of transient accommodation use would be exempt from the tax as part of drafting the by-law (e.g., medical patients requiring overnight accommodation outside of healthcare facilities, visiting fire fighters, etc.).
6. Establish a clear and transparent collaboration and revenue sharing agreement with the identified tourism entity that outlines mutual expectations, roles and responsibilities, planned use of MAT revenue (incl. areas of investment) and monitoring and evaluation processes (e.g., Guiding Principles, Memorandum of Understanding, Partnership Agreement, or other).
7. Confirm if a gradual/phased-in implementation across different types of accommodations based on existing infrastructure and resources for fee collection is feasible and beneficial (e.g., Kingston led with hotel/motels, and then introduced STAs into the process).
8. Explore and confirm if and how third-party booking platform, such as Airbnb and Vrbo, can collect and remit the potential MAT from guests on behalf of its hosts to the MAT administrators. (If not, confirm what type of payment platform needs to be evolved or developed to facilitate the most seamless MAT collection from guests and remittance from hosts).
9. Identify and co-establish any supportive governance body to inform collaboration between the Town and the tourism entity partner and facilitate industry-input into management and use of MAT funds (e.g., advisory committee).
10. Use high level accounting to track compliance to avoid expenses going into full auditing of accommodation providers, leading with conversation first (i.e., need to show that large portion of MAT is not going solely into collection and enforcement).

Focus Area 3: Planning and Investments for MAT Revenue

Recommendations

1. Develop a tourism strategy for the Town of The Blue Mountains that identifies further needs for tourism development, management, and marketing and acts as the guiding document for the municipality's portion of MAT revenue investments (incl. Conducting additional research into visitor segments and market demands).
2. Establish a MAT revenue reserve fund, accompanied by an acceptable use/allocation policy or guiding principles for the use of MAT funds that are developed with input from tourism entity partner and local tourism partners (incl. industry representatives).
3. Prioritize and communicate commitment to use of MAT funds to support tourism needs, opportunities, and growth to foster increased trust, transparency, and collaboration with industry.
4. Invest municipal portion of MAT funds to support tourism management and development and address main concerns shared by industry and residents (incl. lack of parking and infrastructure, congested roads and lack of public transportation, lack of public infrastructure (e.g., parks and washrooms), among others).
5. Explore ways to facilitate financial contribution or increased distribution of revenue generation among non-accommodation visitor-facing businesses. (e.g., voluntary destination marketing program or membership scheme for DMO).
6. Share back and celebrate investment of MAT funds that corresponds to industry needs and would represent a benefit to them (e.g., local shuttle for guests).
7. Identify and transparently communicate where any portion of MAT revenue that would not be used for tourism purposes is being spent and why.
8. Explore and pursue tourism development and marketing collaboration at a regional level through MAT funds. (e.g., Collaborative marketing campaigns or cross-regional product development).

Part 1: Introduction

Project Overview

Bannikin was engaged with the goal of conducting primary and secondary research into the feasibility and related considerations for a potential Municipal Accommodations Tax for the Town of The Blue Mountains. The project launched in early-October 2023 with the final research report submitted to Town staff on January 4th, 2024.

At the onset, project objectives were co-drafted and confirmed by the project team, which was made up of Bannikin staff and the lead from the Town, as follows:

1. To build awareness amongst stakeholders about the purpose, structure, and potential uses of a MAT within the context of the town.
2. To gather perspectives and feedback from accommodation providers, tourism organizations, and residents in the town to inform MAT structure, implementation, and future use.
3. To investigate, understand, and recommend viable and innovative MAT governance and potential revenue management model(s) to implement in collaboration with relevant partners.
4. To align, create, and take advantage of economies of scale across research and engagement activities, including with the separate but highly related MAT Economic Impact Assessment project and the upcoming destination management plan.
5. To establish a strong understanding of the context, challenges, opportunities, as well as social and economic implications of implementing and administering a MAT.

Methodology

The project team used a combination of primary and secondary research methods. The methodology was designed to meet the needs outlined in the original "Request for Proposals" and aligns with the objectives mentioned above.

The project began with a review of key documentation and resources provided by the Town, which set a clear foundation for the project and established a shared understanding of the background and context surrounding this work.

Between Monday, November 6th and Monday, November 27th, 2023, a survey entitled "Role of Tourism" was disseminated to residents and the tourism industry. Specifically, non-accommodation tourism businesses were targeted through this outreach. The survey was promoted by the Town's Communications Division through a variety of methods including a community wide mailout, press release, dedicated website page, social media postings and direct promotion to local community groups. The survey included ten (10) open and closed questions. A total of 366 residents responded to the survey and 37 industry members.

Across the same period, an accommodation provider survey was also disseminated, receiving a total of 136 completed responses. The link to the questionnaire was shared directly with accommodation providers by email and the link was also shared directly with

local rental management companies, the Blue Mountains Short Term Accommodation Association, Blue Mountain Resort, and the Blue Mountain Village Association (BMVA) for promotion to their members. At the end of the survey, participants were directed to a parallel survey targeting accommodation providers being run by CBRE to inform the economic impact assessment project. The survey included eight (8) questions, mixing open and closed questions.

Two additional forms of desk research were undertaken by the project team, research into the context of MAT in Ontario and comparator research into two destinations, which looked at MAT governance models. Since the context of the Town of The Blue Mountains is unique in Ontario, the project team decided to look beyond provincial boundaries for interesting accommodation tax governance models such as the one in Victoria, British Columbia. The City of Kingston was selected as the other comparator because of the stakeholders involved in the governance and administration of the MAT. More specifically, the research into Kingston sought to better understand how the local accommodation provider association, which previously collected a fee, works with the City and the tourism organization.

A total of 11 key stakeholder interviews were also conducted. Interviewees were selected based on their professional understanding of tourism, both locally and regionally, and their expertise within the accommodation, tourism, and local government sectors, and included organizational representatives with experience implementing MATs, local and regional tourism organization representatives, accommodation provider representatives (incl. rental management representatives), local politicians and Council members.

To further engage accommodation providers, two (2) in-person and one (1) virtual table talk sessions were held with fourteen (14) attendees at the in-person sessions and ten (10) attendees at the virtual session for a total of 24 participants. The discussion involved questions around attendees' general understanding of a Municipal Accommodation Tax, possible strengths, and weaknesses of implementing a MAT in the Town of The Blue Mountains, opportunities and challenges that would come with a MAT, and additional concerns and areas of inquiry to further clarify.

Report Overview

This MAT Research Report is divided into four (4) parts. **Part 1** "Introduction" provides an overview of the project including details around the methodological approach and details on how the research report is structured. **Part 2**, "Background and Context" outlines the background and context relevant to this project. Specifically, it reviews how MATs are governed in Ontario generally and then reviews local factors relevant to MAT implementation. **Part 3**, "Findings and Discussion" presents findings from across the research process across three main areas: Stakeholder Relations and Communications, Governance and Management, and Planning and Investments for MAT Revenue. The report wraps up with **Part 4**, "Conclusion", which lays out the Strengths, Weaknesses, Opportunities, and Challenges associated with MAT implementation in the Town of The Blue Mountains, along with key recommendations for moving forward. The report also includes an Appendix that provides a summary of all the research which informed this report, presented by research method.

Part 2: Background and Context

Municipal Accommodation Tax Overview

The Municipal Accommodation Tax (MAT), also known as a transient accommodation tax, hotel tax, lodging tax, or tourist tax, etc. is a type of visitor-based assessment (VBA). VBAs are funding mechanisms that have increased in popularity across the world and have been a focus of the research and advocacy work led by the Tourism Industry Association of Canada (TIAC). In 2023, TIAC published a study that outlines how VBAs are common mechanisms that can “enable destinations to be more competitive in attracting visitors and building benefits through the visitor economy.” (TIAC, 11). In Ontario VBAs are legislated as MATs and subject to parameters outlined in the provincial legislation. As found by research conducted by Town of The Blue Mountains’ staff prior to this project, there are over fifty (50) municipalities in Ontario that have implemented a MAT since 2017.

Please note that for consistency, this report refers to and discusses MATs, and as such the term MAT is used over the broader VBA.

There is a lack of data specific to MATs in Canada or Canadian destinations because they have not been consistently legislated and do not have a long history across the country. There is more data from Europe and the United States, where these types of taxes have been in place longer.

Overall, academic research has found that visitor willingness to pay tourism taxes is highly destination-specific, relating to the preferences of the specific visitor segments a destination attracts and the strength of consumer demand for the destination and its unique product. In other words, when destinations offer something unique or particularly valuable to visitors, they will be more willing to absorb increased costs (Heffer-Flaata et al., 756; Cetin et al., 1).

Beyond the interactions between visitor and the range of tourist taxes across different destinations, there is also the impact of these taxes on operators. In the case of accommodation taxes, while the MAT is structured to be paid by visitors purchasing overnight and short-term accommodation, the legal implications and economic burden is shared by providers of short-term accommodation and their guests. One US-based study found that a lodging tax often results in the accommodator provider raising the room rate. This decision may then have impacts on how much an accommodation manager/owner is able to increase the room rates and how to factor the price of tax in these decisions (Hudson et al., 206). This in turn has relevant implications for how the tax can serve as a source of consistent and sizeable revenue for municipalities, which depend on the accommodation industry remaining competitive within their regional context.

Importantly, this report does not include detailed study of the finances and projections for MAT revenue generation, which would help in painting a clearer picture of the potential impact on accommodation providers’ finances. Findings presented above and through the rest of the report need to be considered closely with the study into MAT’s potential financial implications.

Governance in Ontario

A MAT in Ontario is outlined in the Municipal Act (2001) section 400.1 and Ontario Regulation 435/7 as a tax to be adopted and governed at the local level rather than at the provincial or territorial level. In other words, a MAT is a type of tax that a single-tier or lower-tier municipality can choose to implement, in a case-by-case basis.

The Ontario legislation leaves it to the discretion of a local municipality's Council to design its MAT. This includes the drafting of the by-law and the definition of certain parameters not outlined in the provincial legislation such as, defining what types of transient accommodations' guests are subject to the tax, confirming who is responsible for collecting the MAT, how the collection and spending of MAT revenue are carried out, and confirming what not-for-profit organization or body to work with for the purpose of the mandated revenue sharing.

An important detail included in the Ontario legislation is that revenue generated through a MAT must be shared with an eligible not-for-profit tourism entity who will receive at least 50% of MAT revenue generated and use it for tourism marketing and promotion. An eligible tourism entity is not directly defined by the provincial legislation, but depending on the local context this may be a local Destination Marketing/Management Organization (DMO), a Regional Tourism Organization, or another type of not-for-profit tourism organization whose mandate "includes the promotion of tourism in Ontario or in a municipality".

The distribution and use of MAT funds is subject to revenue-sharing parameters within the legislation depending on whether a "destination marketing program exists when [the] tax [is] imposed" or "no destination marketing program exists when [the] tax [is] imposed." Destination marketing programs refer to existing membership or fee-collection mechanisms where providers of transient accommodation pay a portion of their revenue to a non-profit entity, which then uses the revenue generated for the promotion of tourism. In the case of Town of The Blue Mountains, the Blue Mountains Village Association's Village Amenity Fee (VAF) is a type of destination marketing program.

Where no destination marketing program exists when the tax is imposed, the legislation requires that at least 50% of the funds collected through a MAT, on a year-by-year basis, be provided to an eligible tourism entity. However, this is only applicable in the case of the Town if the tourism entity partner does not have a destination marketing program.

Instead, the relevant scenario for the Town of The Blue Mountains is one where a destination marketing program exists before the implementation of a MAT, the legislation requires that the eligible tourism entity must be paid at least as much as the amount it received through the administration and collection of the destination marketing program during the fiscal year that ended before the MAT came into effect. Importantly, this is the case if the tourism entity collecting and administering the pre-MAT destination marketing program is also identified as the not-for-profit that will receive the non-municipal portion of MAT revenue and in doing so agrees to end the pre-MAT destination marketing program and move forward with revenue from a MAT as the replacement source of funds for its tourism marketing and development activities

As a result of the revenue sharing structures, municipalities have discretion over a certain portion of the MAT revenue, which may not exceed 50% and is subject to the revenue-

sharing parameters. However, most research reviewed, including the TIAC report, outlines that funds coming from a MAT should be used primarily for tourism-related purposes. What's more, examples encountered in the research show that some Ontario municipalities have opted to protect MAT revenue for tourism-purposes only. For instance, in Ottawa the total amount of MAT revenue, including the City's share, is transferred to the tourism partners in the revenue-sharing agreement. As such, there is flexibility with how the sharing of MAT revenue is structured at the local level and this can be used to ensure a successful collaboration dynamic between the Town and tourism partners.

Local Background and Context

The Town of The Blue Mountains has been investigating the potential for new tax-revenue options, and as part of this a potential MAT, since early 2023. In April 2023, after initial research and presentations by staff, Council expressed unanimous support for exploring the background and context of a MAT and directed staff to move forward with a preliminary review. Parallel to the Town of The Blue Mountains' MAT research and engagement efforts, the neighbouring Town of Collingwood has moved forward with public consultations as they consider adopting a MAT.

Importantly, the Town of The Blue Mountains has established systems and processes related to transient accommodations within its boundaries that could support future MAT infrastructure. Below is a brief description of some key and related mechanisms, organizations, and relationships that are relevant and should be considered in-line with the potential MAT.

Short-term accommodations (STA): Locally any property rented for less than 30 days classifies as a STA through By-law 2021-70, which regulates STAs (this includes purpose-built commercial resort accommodation or CRUs). By-law 2021-71 was also passed to implement an Administrative Monetary Penalty System (AMPS) for infractions by licensees. Notably, the Town's efforts to manage STAs pre-date the 2021 by-laws with the STA Program and Policies from 2011. Regulations around STAs were put in place to manage the uncontrolled growth of STAs so that their benefits and contributions as part of the accommodation industry could be ensured while mitigating any challenges for residents and tourism stakeholders. As part of the STA licensing process, there are application, registration, and inspection fees, among others, that an STA owner must pay as a one-time, annual, or biannual fee. As of the time of research, the Town has approximately 330 licensed STAs.

"I already pay property tax on multiple units, and I do not use most of the services (transport, education, etc.) that are paid by that tax, and my units provide revenue and employment for the town."

Accommodation Survey Respondent

Property Taxes: The Town of The Blue Mountains collects property taxes from all properties within its boundaries. Funds collected from property taxes are used to ensure the Town's capacity to provide local services, including but not limited to road repairs, parks and trails maintenance, fire services, etc. Property tax rates are presented by assessment/tax class, which are available on the Town's website.

Blue Mountain Village Association and Village Amenity Fee: The Town of The Blue Mountains is home to Blue Mountain Resort and Blue Mountains Village. All common areas and facilities in the Blue Mountains Village are managed and maintained by the Blue Mountains Village Association (BMVA). The BMVA was established as a not-for-profit entity by a special legislation from the Legislative Assembly of Ontario (Bill Pr14, Blue Mountain Village Association Act, 1999). The legislation outlines the BMVA's mandate and outlines the membership (incl. financial) requirements with the BMVA for property holders within Blue Mountains Village. The legal framework outlining the BMVA's mandate influences the Town's consideration of implementing a MAT. More specifically, the BMVA currently administers a Village Amenity Fee (VAF) within the Blue Mountains Village. The VAF or "Rental Royalty fee" of 2% is applicable to all lodging (i.e., accommodation provider) members. Importantly, moving forward there is a need to consult further documents and information on how the VAF is structured and administered.

South Georgian Bay Tourism: South Georgian Bay Tourism (SGBT) is an In-Destination Education Organization. Its operations are funded by yearly monetary contributions from the five municipalities it markets and supports, including the Town of The Blue Mountains. The organization was established in the 1970's as a not-for-profit entity and works to market tourism businesses and experiences within the region. Currently it is focused on in-destination education by coordinating regional visitor services, creating in-destination content and fulfilment, and developing routes and bundles of experiences.

Considerations

Although the context around a MAT and tourism in the Town of The Blue Mountains is complex, which this report attempts to break down and explain, some considerations stand out and should be used to inform decision-making on the applicability and feasibility of a MAT for the Town of The Blue Mountains.

First, given the geographic proximity between the Town of The Blue Mountains and the Town of Collingwood, and the mobility of visitors between the two, maintaining open communications between the two municipalities as they navigate the potential adoption of a MAT is key. This is so that potential implementations can be supportive of each other rather than increase pressures on industry members and harm visitor understandings of the MAT.

Moving forward and as MAT implementation is considered, it will be important for the Town to review and adjust, as needed and appropriate, the number of administrative processes and total amount of fees that accommodation providers are subject to. This is particularly relevant in the case of STAs.

The Town of The Blue Mountains is in a unique and complex position when contemplating a MAT due the types of available accommodation, related policies, and existence of at least two potential tourism entities, being the BMVA and SGBT. Additionally, the BMVA's Village Amenity Fee (VAF) presents a pre-standing destination marketing program and would need to be made whole if the BMVA were to be the tourism entity partner.

Part 3: Findings and Discussion

The following section provides a summary and discussion of the findings from the research. These have been structured and presented as three main areas to support informed decision making.

Please note, the full research summary report is included as appendices A to F at the end of this report for further reference.

Stakeholder Relations and Communications

Introduction

The research underlines the importance of the Town of The Blue Mountains maintaining positive relations and open communications related to the potential implementation of a MAT. This would include communicating the processes related to research, decision-making, and potential implementation to key audiences.

The Town of The Blue Mountains has diverse audiences with whom communication about potential MAT implementation is relevant, including residents, accommodation providers, other tourism businesses, partners, and visitors. Distinct approaches may be needed to communicate with each group, and efforts should be made to determine the most effective way of building and maintaining meaningful relationships.

Discussion of the Research

Across the research, the importance of transparency and accountability related to potential MAT implementation, especially around the rationale for a MAT and how funds would be used, was made clear. Municipalities in Ontario and beyond have addressed similar concerns by publicly outlining criteria and priorities for how, where, and when MAT funds are spent and developing communication strategies for various audiences.

The City of Kingston, for example, took several notable steps. Firstly, their MAT funds are only used to implement strategies identified in their Integrated Destination Strategy or their Integrated Marketing Plan, with fund use being approved by either the committee overseeing the Development Fund or the committee overseeing funds for marketing and promotion. Both committees include the three key players, including the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners.

Similarly, Victoria, British Columbia's version of a MAT (the Municipal Regional District Tax

or MRDT) is spent in accordance with their 5-year Strategic Business Plan, which was developed with engagement from the City of Victoria, the District of Saanich, and other key tourism stakeholders. Another example of how municipalities can be transparent and accountable with respect to MAT comes from the Town of Huntsville, which developed a "MAT Budget Principles" policy to ensure funds from the Municipal Portion for the MAT are used for

"The town should be transparent and show how much revenue it brings in from tourism and how much it spends to support tourism currently before raising new taxes."

Accommodation Survey Respondent

a pre-approved list of potential uses. Developing a Tourism Strategy for the Town of The Blue Mountains would build transparency and accountability by identifying the best uses of MAT funds for all stakeholders and communicating this to the public. At the very least a set of stakeholder-informed, and publicly available criteria for MAT spending is needed for the Town of The Blue Mountains.

To ensure shared understanding around the MAT, the three key players involved in Kingston's MAT implementation share information about the MAT with relevant audiences. Tourism Kingston has a webpage on MAT for visitors and another for accommodation providers, the City of Kingston provides a webpage with information for visitors, accommodation providers, including STAs, and Kingston Accommodation Partners shares general information on their website about MAT economic impact, the number of visitors to the area, and number of room nights for hotels and the visitor economy. A quarterly report is also submitted to municipal Council to monitor the impacts of the MAT on the destination. An example of an innovative communication channel that encourages open dialogue is the City of Owen Sound's "open public question" tool on their website where stakeholders can submit questions about the MAT and the City responds to them directly. Something like this could be useful in the Town of The Blue Mountains to increase general understanding around a potential MAT amongst different audiences, including residents and industry.

"Many tourists are here for day trips and use the free amenities here without paying for anything."

Resident Survey Respondent

Through the key stakeholder interviews, a challenge related to MAT implementation mentioned several times was securing buy-in for tourism from residents, especially around perceptions that residents may feel there is no need to attract more tourists. This challenge was investigated via the "Role of Tourism Survey" disseminated as part of this project, which found that 46% of resident respondents said the municipality does not need any more visitors. However, other residents identified the spring (48%) and fall (47%) as good times to attract more visitors. An important part of growing resident buy-in for tourism generally is recognizing the contributions of tourism to the town and making sure that the sort of tourism that is developed clearly benefits residents as well as visitors. As it relates to a potential MAT, this means prioritizing uses of MAT funds that support this.

The community engagements undertaken during the research phase of this project, including the online survey and table talks, showed strong opposition to a potential MAT from accommodation providers. Areas of concern, especially amongst Short Term Accommodation providers included:

1. **Concerns with how MAT would be spent, the abundance of fees, and feelings that accommodators would be forced to absorb the cost of MAT.** These concerns were expressed via comments such as "how much of these taxes would be used for increasing demand into the area vs being spent on administration for tax collection", "why should overnight stay guests bear the burden of a tax that benefits local residents, day use visitors, non-tourism related businesses and transients?" and "The tax will end up coming out of our pocket as tourism is down this year and we've had to reduce our pricing."

2. **Concerns visitors will go somewhere else due to additional cost, and sentiment that inflation and economic context mean now is not the right time for a MAT.** These concerns were expressed via sentiment such as “we feel that currently people’s budgets are tight and that additional taxes will encourage people to explore other options for travel” and “MAT should be scrapped due to the downturn on the economy”.
3. **Marketing is already sufficient as is,** expressed via comments such as “I believe that the Blue Mountain Village Association and other ski hills already market the area enough,” and “BMVA already does a great job. BMR as well. Both organizations have full marketing departments and are professionals.”
4. **General negative sentiment** expressed via comments like “this is a bad idea”

There is a need to improve relations and build trust between the Town of The Blue Mountains and accommodation providers. During the table talks, accommodation providers mentioned a lack of transparency around how various Town funds have been used in the past, including STA licensing fees. There was also a lack of awareness around how the municipality funds tourism today, and how MAT funds would potentially be used in the future. Accommodation providers did not understand why the Town was interested in implementing a MAT at this moment and called for a strategy or business plan outlining how MAT funds would be used and how this would benefit their businesses. They reiterated that Council is disconnected with the realities of accommodation providers and not interested in supporting their businesses. They also mentioned concerns with the level of service and communications they currently receive from the municipality.

Research shows that tourists are more willing to pay taxes earmarked for improving in their experiences

Related to the above, accommodation providers declared that the general attitude of the community and industry needed to shift to be more supportive of tourism. This feedback

underlines the need for a dedicated effort to strengthen relationships between the municipality and accommodation providers, specifically STAs. If a decision is made to proceed with a MAT, the Town will need to address these issues when exploring MAT governance structures and show accommodation providers how their concerns informed the final decision.

Another key audience for MAT communications is visitors. Research shows that tourists are more willing to pay taxes earmarked for improving in their experiences than they would be to pay fees that relate to building destination sustainability, for example (Cetin et al., 1). Accounting for such visitor preferences will be important for the Town of The Blue Mountains to consider when drafting visitor-facing communications around a MAT. Part of this will be equipping accommodation providers with the tools they need to speak with visitors effectively and positively around a MAT, whether that is sample copy, fact sheets, or something else.

Several concerns expressed during engagements differentiated the experience of hotels and STAs. Specifically, STAs were concerned about incompatibility between booking platforms and MAT collection. They also mentioned receiving messages about discounting fees or moving the booking offline to avoid fees and felt that the MAT would further increase these requests. Research from the United States found that when communicating around taxes to customers, hotels coped by ensuring that “visitors are

well informed, taxes are clear in invoices, and that consumer understands that hotels have control over rates but not taxes" (Hudson et al., 211).

Partners are another audience with whom successful communication is essential. This was called out specifically in the key stakeholder interviews, where clear communications with partners was identified as a both a potential challenge and opportunity related to MAT implementation. Partnerships are key to any MAT implementation, and these should be based on mutual-respect, trust, and open communications. Specifically, this may mean having clear Memorandums of Understanding and scheduled check-ins.

Considerations for Decision-Making

Building and maintaining strong stakeholder relations with various audiences including residents, accommodation providers, other tourism businesses, partners, and visitors should be a top priority when considering whether to move forward with a MAT. MAT implementation is complex and would require collaboration with various partners, making strong relationships essential.

Specifically, a foundational element to meaningful community engagement is showing how feedback received from stakeholders informed direction. For the Town of The Blue Mountains, this means sharing the outcomes of this research with those who contributed to its development and communicating how their insights directly influenced decision-making. If the Town decides to move forward with implementing a MAT this will require a communications plan to connect with different audiences and address any concerns they have when developing the structure and governance model of the MAT.

Governance and Management

Introduction

An essential component of any MAT implemented by a municipality is its governance and management, or in other words, the process of making and enforcing decisions and managing these decisions over time. In the context of the Town of The Blue Mountains, this refers to the way a potential MAT would be structured, implemented, and managed. This includes things like outlining the implementation timeline, formalizing collaborations and partnerships, establishing mechanisms to strengthen trust and transparency, and clarifying logistical approaches to collecting a MAT.

Discussion of the Research

Through engagements with accommodation providers, especially STAs, there was a concern over the timing of implementing a MAT. This was primarily due to the economic situation, as well as other industry challenges, such as lack of staff, and attainable housing. Key stakeholders also reiterated concerns about the health of the economy and expressed that now is not the time to be implementing a MAT.

Related to the above, accommodation providers, particularly STAs, proposed a phased approach to implementing a MAT given the current economic situation, but also their concerns of their being an unequal playing field with other accommodation providers, including illegal STAs, and Commercial Resort Units (CRUs). Particularly with CRUs, STAs felt they were not held to the same standard, nor were CRUs required to pay a licensing

fee. In the context of the City of Kingston and the City of Victoria, both originally did not include STAs as subject to the MAT and the Municipal Regional District Tax (MRDT), but instead, phased them in a few years after the MAT had been implemented. This may be a relevant consideration for the Town as it would allow for the collection and administration details of a MAT to be explored and confirmed with different types of accommodation providers. That said, taking a phased approach to implementing a MAT across different types of accommodations also runs the risk of furthering the perception that different types of accommodation providers are subject to inconsistent or uneven fees and taxes.

“We must also ensure that we are not using the money to duplicate services that are already being provided by the BMVA, RTO7, and South Georgian Bay Tourism.”

Accommodation Survey Respondent

Key stakeholders reinforced the importance of collaboration between industry, partners, and the Town to develop shared priorities. This could take several forms that complement each other, such as having a guiding document of principles or tourism strategy as well as setting up a strong MAT review/investment advisory group for collective/informed decision-making. Interestingly, the City of Kingston also developed two committees made up of the main tourism stakeholders to oversee the use of MAT funds for marketing, and destination development.

Accommodation providers and key stakeholders also had questions on who would administer the MAT funds, how the MAT would logistically be collected from overnight visitors, how accommodation providers would be audited, and if there would be any exemptions to the MAT. Specifically, key stakeholders highlighted the importance of clarifying which entity would administer the marketing and promotion portion of MAT funds. Particularly, they were concerned about unnecessary additional organizational layers or silos being created depending on the entity but also that funds would not be used for the whole municipality and instead focus on specific areas of the town.

“In Ontario legislation is not strong enough, Municipalities can be well positioned through Council to support accountable and successful implementation of MAT but then change their position as new Councils come in.”

Key Stakeholder Interviewee

Additionally, key stakeholders highlighted the need to align the MAT with the existing Village Amenity Fee and avoid duplication of charges.

Since the provincial MAT legislation provides flexibility for how a MAT is designed and managed at the local level, there is room to design this in a way that accounts for and takes full advantage of the existing infrastructure and tools used by the municipality and its future tourism entity

partner. For instance, the City of Kingston, in collaboration with Kingston Accommodation Providers (KAP), and Tourism Kingston, developed a two-year Service Level Agreement that outlines how all three entities would work together as well as their respective roles and responsibilities with the MAT. Through this, it was decided that the municipality would collect the MAT from STAs while KAP would collect the MAT from all other accommodation types, as they previously had the infrastructure to collect fees through the former collection of their Destination Marketing tax/levy.

Additionally, accommodation providers highlighted the concern of needing to collect the MAT themselves as it would require additional time, as well as the possible need to use a new booking platform to administer the MAT. This is due to platforms such as Airbnb that may or may not collect local taxes like a MAT directly depending on the STA's location and jurisdiction. Airbnb implemented several tax agreements across Ontario for the collection of a 4% MAT in October of 2018. Not all Ontario municipalities that have adopted a MAT have a standing agreement with Airbnb, and as such the Town of The Blue Mountains along with its key stakeholders would need to investigate the potential of striking an agreement with Airbnb and other platforms for the collection of the potential MAT. Key stakeholders reinforced this point by highlighting the importance of clarifying the process for collecting MAT funds before implementation.

Accommodation providers were unclear on how industry would be accountable for MAT funds, or in other words, how industry would be audited. Similarly, key stakeholders also highlighted the importance of clarifying MAT industry accountability. In the context of the City of Kingston, the financial information reported is compared with the accommodation indicators they collect to determine if the amounts are in alignment with the reports. If there is an unusual amount, they set up a meeting to understand the reasoning. Although there is an option to conduct an audit on an accommodation, the cost as well as time spent is considered high. Something the City of Kingston highlighted is that the relationship with the accommodation providers is one of trust, meaning they look for solutions beyond an audit.

Not all Ontario municipalities that have adopted a MAT have a standing agreement with Airbnb.

Some accommodation providers suggested that those renting their primary home should not be required to collect the MAT, since they saw themselves as different than someone with multiple properties. Similarly, other accommodation providers suggested some booking types should be exempt from the MAT such as corporate events, charitable organizations, and educational-based overnight stays to name a few. One particularly interesting exemption from the MAT in the City of Kingston was short-term medical accommodations. These were out-of-town individuals who had a medical appointment in Kingston, were on a roster with the Kingston Health Science Centre, and provided proof of medical appointment to the property owner. For the City of Victoria, exemptions included First Nation individuals or Bands on First Nation lands, as well as members of the diplomatic or consular corps.

Considerations for Decision-Making

When considering a MAT, the first key consideration is around who the best tourism entity partner is. Notably, this must be an organization that has the capacity, capabilities, and connections to market, promote, and the potential lead or support product development initiatives for tourism. By identifying the tourism entity revenue-sharing partner, the Town can then move forward with exploring the design of the potential MAT by-law with input and feedback from the revenue sharing partner. Across the design of the by-law, elements such as the revenue-sharing parameters, roles and responsibilities, monitoring and evaluation, and communication processes can be designed with partner input and buy-in. In this way, getting the process going as a true partnership.

Other key considerations include the specific timing and potential phased approach of implementing a MAT. Additionally, and as already discussed in this report, clarifying and addressing concerns highlighted by accommodation providers; particularly around the perceived unequal playing field due to the STA licensing fees and standards will be important. Finally, to build trust there is a need to clarify and communicate with accommodation providers around the collection, administration, and auditing processes of a MAT, as well as identify the exemptions, if any, and the tourism entity that would administer the marketing and promotion portion of the MAT.

Planning and Investments for MAT Revenue

Introduction

The potential uses of MAT funds were investigated and discussed with all stakeholders engaged. The Ontario legislation presents MAT as a tax-revenue tool and outlines important parameters for the design of local by-laws; however, it leaves out key details around the permitted use of MAT funds.

Discussion

First, to better understand the context in which a MAT could be implemented, including the perceptions of and appetite for tourism, stakeholders were asked more general questions about tourism.

Residents and industry members shared their observations about tourism in the Town of The Blue Mountains over the last 12 months, including their perceptions of tourism's impacts and needs. Resident and industry observations largely focused on increased traffic and strains on existing roads and infrastructure, a lack of alternative or different modes of transportation and cross-town connections (e.g., shuttles, cycling infrastructure), a concern over the demand for and availability of parking, and a lack of public infrastructure such as a public parks and washrooms.

When it comes to the potential use of MAT funds, key stakeholders mentioned the importance of both funds for tourism marketing and for the development/maintenance of infrastructure that is connected to tourism. This corresponds with findings from the review of documents and studies, that stressed the importance and benefit of using MAT funds to support tourism instead of more discretionary and non-tourism uses by the municipalities (Watts, 27-30). The use of MAT funds to finance tourism marketing and development is partially mandated through provincial legislation via the revenue sharing requirements. That said, and as already presented in this report, clarity and transparency in outlining and demonstrating how MAT funds are being spent would be beneficial to ensuring efficient and consistent use of funds and building buy-in among stakeholders (incl. accommodation providers and visitors).

This last point is key for the Town as many of the stakeholders engaged through this research expressed strong reservations and at times outright opposition to the adoption of a MAT. Through the surveys conducted, 32% of non-accommodation industry

“Tourism has already been greatly reduced due to inflation and high interest rates. This would be another kick in the teeth for consumers.”

Accommodation Survey Respondent

respondents said they did not want a Municipal Accommodation Tax as they felt it would discourage visitation to the municipality while most accommodation providers surveyed expressed overwhelming concern over the potential of a MAT.

Among the accommodation providers, many STA owner/operators mentioned that they have experienced significant declines in occupancy rates; meaning revenues have decreased while costs remain. They see a proposed MAT as another tax that would reduce competitiveness since the price for overnight accommodation would likely increase when considering the MAT and other fees. The review of academic articles found that while the MAT is structured to be paid by visitors purchasing overnight and short-term accommodation, the legal implications and economic burden is shared by providers of short-term accommodation and their guests. For accommodation providers, this has additional impacts on the amount they can increase their rates when factoring in a MAT.

Beyond initial perceptions of a MAT, it is also important to appreciate the specific opportunities being identified by stakeholders as they point to areas of focus for the future of tourism, including ways in which MAT funds could be leveraged.

The accommodation providers surveyed identified several opportunities that may come from MAT, with a focus on benefits to their business and the tourism industry in the town. The top three opportunities include:

1. Increased marketing and promotion of the whole Town of The Blue Mountains as a tourism destination (52%),
2. Funding to support product and experience development, incl. events and festivals (44%), and
3. Funding to improve hard and soft infrastructure connected to their business (e.g., sidewalks, roads, lighting, garbage/recycling bins, public furniture, etc.).

Beyond the marketing and product related opportunities shared by accommodation providers surveyed, those accommodation providers that participated in the table talks

“[The Town] is only a good candidate if those moving the tax forward are doing so because they want to grow visitation to the town generally. We can make the region a more holistic tourism destination. How do we breathe life into the smaller towns?”

Key Stakeholder Interviewee

identified additional opportunities. These include, developing a comprehensive strategy that looks to drive specific objectives (incl. how to incentivize visitors to stay longer), improving infrastructure (e.g., roads, wayfinding, sewage), improving access to affordable housing for hospitality and tourism staff, and providing access to the Blue Mountain Village shuttle bus to all accommodation providers.

Beyond echoing what residents, industry, and accommodation providers shared, key stakeholders also identified broader opportunities for a MAT including:

1. Using marketing to disperse visitors across the whole of the Town as well as the four seasons.
2. Supporting social issues facing the community to support local resident experience. (e.g., affordable housing for tourism and hospitality workers, ongoing Truth and Reconciliation with Indigenous peoples, etc.)

3. Beautifying and activating public spaces (e.g., cultural heritage conservation, public furniture, plant/tree maintenance, etc.)
4. Developing/ strengthening service infrastructure e.g., garbage/recycling cans, wayfinding signage, public washrooms, etc.)
5. Communicating with residents and industry members about tourism in the town.
6. Developing and supporting climate change initiatives and adaptations for tourism.

Some examples of how Kingston has leveraged MAT revenue include, Visitor Information Centre expansion, developing an Integrated Destination Strategy and Culinary Tourism Strategy, activating the Love Kingston Marketplace spring and summer programs, developing the Fresh Made Daily brand and KINGSTON sign, ongoing sales and marketing, attracting prestige curling events to Kingston, and supporting the Kingston Film Office to attract and support media production.

Considerations for Decision Making

Outside of the potential uses for MAT revenue presented, it is imperative that a decision to adopt a MAT is accompanied by a commitment and plan that outlines how the portions of the MAT collected by the revenue-sharing partners will be reinvested to support the tourism industry, and more specifically the accommodation providers who facilitate the collection of a MAT from visitors. This does not mean that MAT funds should only be used to market and promote the destination. On the contrary, MAT revenue should also support tourism development, which includes product and experience development, as well as installing and maintaining the soft and hard infrastructure that enables tourism activity in the town.

Part 4: Conclusion

Considerations

Considerations to inform Council's upcoming decision around a potential MAT, as well as the process that would follow are organized as the strengths, weaknesses, opportunities, and challenges. The points noted are a collection of select key insights gathered across the research and although focused on the consideration of a MAT, they can also inform other future tourism development and planning initiatives.

Strengths, Weaknesses, Opportunities, Challenges

Strengths

- Key tourism assets in and around the town (incl. Blue Mountain Village and Blue Mountains Resort) act as strong attractors that drive visitation to the area and make the town a unique destination in Ontario.
- Strong foundation of existing first-time and return visitors (approximately 2.5+ million per year) along with strategic location close to major urban centres in Southern Ontario.
- Town is one of the largest centres for accommodation in the nearby area, with a range of transient accommodation types.
- Tourism is recognized as one of the main economic drivers in the town (both by government and public).
- Industry and residents perceive tourism to contribute to jobs for people in the region and having an overall positive impact on the local economy.
- Established systems and processes related to transient accommodations within the Town's boundaries could support MAT infrastructure.
- Infrastructure and mechanisms in place from non-municipal organizations and potential MAT implementation partners could support roll-out and management of MAT.
- BMVA is recognized by industry and key stakeholders as already doing a good job with marketing the Village as a destination.
- Town has moved forward with necessary due diligence to better understand local context, build awareness of the potential MAT, and explore best-models and ways forward.

Weaknesses

- Likely price increase to accommodations based on operator need to absorb and offset part of the cost to customers.
- Proximity to Toronto (2hr) means that visitors may choose day trips rather than overnight stays when faced with higher accommodation prices and increased taxes.
- Concentration of accommodations within one area of the municipality (Village) may affect perceived fairness of how marketing dollars are spent.
- Local tourism sector's post-COVID recovery is still ongoing, with 2023 seeing drop in visitation from local and regional travellers.
- Industry and resident perceptions of tourism not contributing to the protection of the natural environment and assets.

- Residents are much less supportive of attracting and welcoming more visitors across the year, which may have implications for increased destination marketing efforts.

Opportunities

- Number of municipalities adopting MATs (in Ontario and across the world) is increasing, so consumer and operator exposure to the tax is likely to grow.
- Lack of clarity in provincial legislation allows for drafting of destination-specific by-law and details.
- Establish cooperation agreement with not-profit partner that outlines mutual expectations, roles, and responsibilities, planned use of funds, and monitoring and evaluation processes and tools for marketing and management of whole destination.
- Prioritize and clearly commit use of MAT funds for tourism needs, opportunities, and growth to foster increased trust and transparency.
- Identify and clearly communicate what portion of funds, if any, would not be used for tourism purposes and why.
- Clearly communicate how MAT-revenue would be used to support and develop tourism so that it benefits accommodation providers and improves the resident- and visitor-experience (incl. differentiating between the use of MAT funds and STA licensing fees).
- Confirm the implementation timeline, after required information, buy-in, and resources are secured.
- Invest into product development and tourism marketing that diversifies tourism activity and disperses visitors across the Town, the broader region, and the four seasons.
- Improve the tourism product, whether through better visitor amenities, wayfinding, or other services.
- Invest MAT funds to address main concerns shared by industry and residents: incl. lack of parking and infrastructure, congested roads and lack of public transportation, lack of public infrastructure (e.g., parks and washrooms), among others.
- Improve and increase collaboration and communication with accommodation providers across the design and implementation of the potential MAT (e.g., supporting accommodation providers with messaging for visitors to show that they have control over rates but not taxes).
- Review and recalibrate overall taxes and fees that accommodation providers are subject to, particularly STAs.
- Cooperate with neighbours on potential implementation of a MAT (e.g., Town of Collingwood).

Challenges

- Existence of two potential not-for-profit entities with which the Town could collaborate for revenue sharing (BMVA and SGBT).
- BMVA is a well-funded and industry led DMO, with perceived risk of losing autonomy and organizational health if political process begins to influence or put pressure on its work through MAT revenue sharing.

- Lack of clarity around future relationship with and role of SGBT as regional DMO, when MAT funds would preferably fund Town of The Blue Mountains-focused marketing and development activities.
- Perception of non-equitable tax burden solely on accommodation, based on nature and structure of provincial legislation.
- Negative sentiment toward potential MAT implementation among accommodation providers and apprehension to motives for exploring and potentially adopting a MAT (i.e., perception of cash-grab by local government).
- Accommodation provider discontent and perceived misalignment on reasons why the Town needs to license STA and the benefit STAs provide (incl. lack of understanding of background and context of STA licensing).
- Potential overlap of fees and overcharging of accommodation providers with introduction of a MAT (e.g., STA registration and other fees)
- High concern among accommodation providers for decreased demand for their business due to increased cost to guests.
- Concern among accommodation providers on misuse of MAT funds for things that do not impact their business or the tourism industry (incl. lack of trust and transparency of MAT funds use).
- A new type of tax may require a new system or process for revenue collection.
- Current economic context and anxieties around it, including inflation, rising interest rates, and less disposable income impacting accommodation provider revenues.
- Lack of clarity around Airbnb's willingness and capacity to collect and remit accommodation taxes from customers to municipality on behalf of accommodation providers and lack of clarity about how willing other platforms would be to do this.
- Potential increased regional competition for overnight guests from destination without a MAT based on pricing and fees.
- Lack of available data and understanding of MAT's potential impact on visitor demand for overnight accommodation.
- Lack of clarity and uniform implementation of MAT at the provincial level has created a landscape of widely divergent local by-laws.
- Number of municipalities adopting MATs (in Ontario and across the world) is increasing, so regional competition is likely to grow, as funds are invested into destination management and marketing.
- Potential that costs for overnight visitors will increase at the same time as visitation rates to the destination are dropping.

Guiding Recommendations

The following guiding recommendations have been co-developed by the Bannikin team in collaboration with Town of The Blue Mountains staff.

Please note, the recommendations draw from all the research conducted, including the research outlined in the appendices, and have been created to inform the potential adoption of a MAT at the Town of The Blue Mountains, if this is decided by Council. As such, they outline the steps recommended and required for successful implementation along three related but not mutually exclusive areas of 1) Stakeholder Relations and Communications, 2) Governance and Management, and 3) Planning and Investments for MAT Revenue.

Additionally, some of the recommendations apply to tourism more broadly and could be used to inform other future tourism development initiatives such as the development of a tourism strategy.

Stakeholder Relations and Communications

1. Prioritize building relationships and trust with accommodation providers through the existing short term accommodation licensing program and representative organizations (incl. Establish communication process with accommodation providers via their representative organizations).
2. Clarify how STA fees and MAT are different (incl. Communicate any changes or adjustments directly with industry to build trust and inform transparency).
3. Review STA regulation protocols and processes to ensure uniform and consistent enforcement.
4. Engage with accommodation representatives across the design, structuring and development, and adoption of a MAT.
5. Determine how resident feedback and stakeholder involvement will inform the management and use of MAT revenue. Identify, commit to, and communicate the planned uses of MAT revenue, and details on the governance/oversight process as part of by-law design and adoption through audience-specific communications.
6. Identify and develop resources for industry to understand the collection process, remittance, and review of MAT (e.g., FAQ page, Q&A webpage, reporting back timeline and resources).
7. Craft messaging that supports accommodations in communicating about the tax to their customers and ensure that visitors have information on the need for and purpose of a MAT.
8. Explore and formalize collaborative marketing approaches with other marketing partners across the region to build regional collaboration and avoid duplication of tourism development and marketing work.

Governance and Management

1. Avoid rushing the approval, adoption, and by-law drafting for the sake of getting access to revenue as this can risk buy-in and future trust-based relationships needed for cooperation and compliance.
2. Confirm the not-for-profit tourism marketing entity with whom revenue would be shared (incl. potential to support the entity in evolving their work to focus on dedicated tourism marketing and development for the Town of The Blue Mountains).
3. Confirm how CRUs fit into STA licensing process. (Ideally before charging STAs a MAT, so that details around CRUs that qualify for MAT are clarified and included in how the by-law is structured and revenue collected).
4. Review STA licensing program to streamline and align STA licensing fee and related costs with the potential MAT, before implementing the MAT.
5. Identify what, if any, types of transient accommodation use would be exempt from the tax as part of drafting the by-law (e.g., medical patients requiring overnight accommodation outside of healthcare facilities, visiting fire fighters, etc.).
6. Establish a clear and transparent collaboration and revenue sharing agreement with the identified tourism entity that outlines mutual expectations, roles and

responsibilities, planned use of MAT revenue (incl. areas of investment) and monitoring and evaluation processes (e.g., Guiding Principles, Memorandum of Understanding, Partnership Agreement, or other).

7. Confirm if a gradual/phased-in implementation across different types of accommodations based on existing infrastructure and resources for fee collection is feasible and beneficial (e.g., Kingston led with hotel/motels, and then introduced STAs into the process).
8. Explore and confirm if and how third-party booking platform, such as Airbnb and Vrbo, can collect and remit the potential MAT from guests on behalf of its hosts to the MAT administrators. (If not, confirm what type of payment platform needs to be evolved or developed to facilitate the most seamless MAT collection from guests and remittance from hosts).
9. Identify and co-establish any supportive governance body to inform collaboration between the Town and the tourism entity partner and facilitate industry-input into management and use of MAT funds (e.g., advisory committee).
10. Use high level accounting to track compliance to avoid expenses going into full auditing of accommodation providers, leading with conversation first (i.e., need to show that large portion of MAT is not going solely into collection and enforcement).

Planning and Investments for MAT Revenue

1. Develop a tourism strategy for the Town of The Blue Mountains that identifies further needs for tourism development, management, and marketing and acts as the guiding document for the municipality's portion of MAT revenue investments (incl. Conducting additional research into visitor segments and market demands).
2. Establish a MAT revenue reserve fund, accompanied by an acceptable use/allocation policy or guiding principles for the use of MAT funds that are developed with input from tourism entity partner and local tourism partners (incl. industry representatives).
3. Prioritize and communicate commitment to use of MAT funds to support tourism needs, opportunities, and growth to foster increased trust, transparency, and collaboration with industry.
4. Invest municipal portion of MAT funds to support tourism management and development and address main concerns shared by industry and residents (incl. lack of parking and infrastructure, congested roads and lack of public transportation, lack of public infrastructure (e.g., parks and washrooms), among others).
5. Explore ways to facilitate financial contribution or increased distribution of revenue generation among non-accommodation visitor-facing businesses. (e.g., voluntary destination marketing program or membership scheme for DMO).
6. Share back and celebrate investment of MAT funds that corresponds to industry needs and would represent a benefit to them (e.g., local shuttle for guests).
7. Identify and transparently communicate where any portion of MAT revenue that would not be used for tourism purposes is being spent and why.
8. Explore and pursue tourism development and marketing collaboration at a regional level through MAT funds. (e.g., Collaborative marketing campaigns or cross-regional product development).

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Appendices

Appendix A: MAT Background and Context

History and Context Review

The Municipal Accommodation Tax (MAT), also known as a transient accommodation tax, hotel tax, or lodging tax is a type of visitor-based assessment (VBA). According to the Tourism Industry Association of Canada's (TIAC) 2023 "The Importance of Visitor-based Assessments to Canada's Economy" report, visitor-based assessments are funding mechanisms that have increased in popularity across the world and "enable destinations to be more competitive in attracting visitors and building benefits through the visitor economy." The TIAC report outlines that:

Funds raised by VBAs are collected from visitors as a user pay system and not from residents or businesses directly. They consist of an additional visitor cost charged against the accommodation room rate, although some jurisdictions apply the levy to other sectors of the industry. (TIAC, 11)

As such, VBAs are common mechanisms to fund needed investments in tourism through tourism economic activity. Additionally, the TIAC report outlines three types of VBAs: 1) Municipal legislated accommodation tax, 2) Provincial legislated accommodation tax, 3) Voluntary (non-legislated) destination marketing fee (DMF). Within the context of Ontario, which is further outlined in the next section, VBAs are legislated as Municipal Accommodation Taxes and subject to certain parameters as per the provincial legislation.

There is a lack of data specific to Canada or Canadian provinces and territories because VBAs have not been consistently legislated and do not have a long history across the country. There is more data about VBAs in Europe and the United States, where these types of taxes have been in place longer. For instance, the only research report found by the project team about MATs in Ontario, "Alternative Revenue Generation in Ontario Municipalities: The Utilization of Municipal Accommodation Tax (MAT)" by Hayley Watts from Western University, published in 2021 found that just over 10% of all eligible Ontario municipalities had implemented a MAT (Watts, 32). For further insight into the types of resources and articles reviewed, please refer to the report's bibliography.

For this report, the term MAT or accommodation tax will be used across the discussion, rather than the broader Visitor-based Assessment.

Governance in Ontario

In Ontario, MATs are structured as a "Municipal legislated accommodation tax" as a possible legislation for single-tier or lower-tier municipalities to implement through the Municipal Act (2001) section 400.1. Therefore, the MAT in Ontario is a tax that each municipality can choose to implement, in a case-by-case basis, instead of being implemented at the provincial/territorial level such as in Alberta or British Columbia.

In Ontario, the provincial legislation leaves it to the discretion of a local municipality's Council to design its MAT. This includes the drafting of the by-law and the definition of

certain parameters not outlined in the provincial legislation such as, defining what types of transient accommodations' guests are subject to the tax, as well as confirming who is responsible for collecting the MAT and how this is done.

An important detail included in the Ontario legislation is that revenue generated through a MAT must be shared with an eligible tourism entity. An eligible tourism entity is not directly defined by the provincial legislation, but depending on the local context this may be a local Destination Marketing/Management Organization, a Regional Tourism Organization, or another type of not-for-profit tourism organization whose mandate "includes the promotion in Ontario or in a municipality".

The distribution and use of MAT funds is subject to revenue-sharing parameters within the legislation depending on whether a "destination marketing program exists when [the] tax imposed" or "no destination marketing program exists when [the] tax imposed." A destination marketing program is defined as a "program under which one or more providers of transient accommodation in a municipality agree to pay a portion of their revenue to a non-profit entity [...] to be used by an eligible tourism entity in promoting tourism." Destination marketing programs include destination marketing fees or in the case of Town of The Blue Mountains, the Blue Mountains Village Association's Village Amenity Fee.

For the first instance, where a destination marketing program exists before the implementation of a MAT, the legislation requires that the eligible tourism entity must be paid at least as much as the amount it received through the administration and collection of the destination marketing program during the fiscal year that ended before the MAT came into effect.

For the second scenario, where no destination marketing program exists when the tax is imposed, the legislation requires that at least 50% of the funds collected through a MAT, on a year-by-year basis, be provided to an eligible tourism entity.

As a result of this second revenue sharing structure, municipalities have discretion over a certain portion of the MAT revenue, which may not exceed 50% and is subject to the revenue-sharing parameters. Although the municipality has discretion over a percentage of MAT funds, to be determined in the design of the local MAT, most research reviewed, including the TIAC report, outlines that funds coming from a MAT should be used for tourism-related purposes. This was supported by the 2021 study on Ontario municipalities that had implemented a MAT, which found that most municipalities with a MAT were planning to use the revenue for tourism only or for tourism and other purposes, with only five smaller municipalities that were unclear about the intended use of MAT funds outside of tourism (Watts, 32).¹

¹ The Watts study discusses MAT funds as being spent on "tourism only", "tourism and other" or "other only. Within these categories, spend for tourism purposes includes tourism marketing, soft and hard infrastructure development connected to tourism activities, and tourism product development. "Other" refers to discretionary spending of MAT funds by certain municipalities where the purpose is not directly connected or transparently presented as being connected to tourism nor presented as unique revenue within municipal budgets (Watts, 27-30).

Visitor Demand and Behaviour

Academic research into the impacts of tourism taxes, and accommodation taxes specifically, on visitor demand and behaviour is limited and highly case specific. There is also a gap when it comes to post-pandemic studies that consider recent shifts in the macro-factors affecting the tourism landscape today, from the economic context to shifts in social consciousness and environmental awareness. This means that there are limitations in terms of how relevant the academic body of literature will be to the Town of the Blue Mountains in determining whether to move forward with a MAT.

Overall, academic research has found that visitor willingness to pay tourism taxes is highly destination-specific, relating to the preferences of the specific visitor segments a destination attracts and the strength of consumer demand for the destination and its unique product. In other words, when destinations offer something unique or particularly valuable to visitors, they will be more willing to absorb increased costs. For example, a paper exploring price elasticity for European destinations, found that Spanish cities, especially those that target the sun-and-beach segment can easily be substituted one for the other by potential visitors. Whereas, Italian destinations, which focus less on beach tourism, have stronger market power and their visitor numbers can better withstand increases in travel costs (Heffer-Flaata, p756). The same held true in Istanbul, a destination known for attracting cultural tourists, found that the “majority of surveyed respondents reported that their travel decisions would not be negatively affected even if the total cost of their vacation increased by one third” (Cetin, 1).

For the Town of Blue Mountains, conducting market research to understand the destination’s market strength and level of substitutability may not be enough to predict whether a MAT would reduce visitor demand for overnight accommodations. Geographic proximity to key markets, means that there is also a risk that visitors may choose to do a day trip rather than stay overnight. Research from the United States found that other cost-saving behaviours undertaken by visitors include “staying at less expensive hotels, spending less on shopping and entertainment, and visiting during the off-season (Hotel Interactive, 2011).” (Hudson, 206)

It is worth noting that, although a tax can make a destination less competitive when it does not have enough market power, if used strategically, the revenue from a tax can also increase competitiveness and market power through improving the tourism product, whether that is through improving visitor amenities, wayfinding, or other services (Heffer-Flaata p750). Since natural attractions are often an important part of a tourism product, the availability of these resources over time can be linked to tourism’s long-term potential (Do Valle, p. 1408). However, research shows that not all visitors will want to take on the costs of environmental protection. Therefore, focussing only on visitor behaviour in the face of an increased cost may not provide accurate projections. It is also important to consider how competitiveness and market strength can be developed through the use of tourist taxes. Additional ways in which MAT revenue can be leveraged to support tourism in a destination are included in the case-study narratives included in the “Comparator Research” section of this report.

When it comes to communicating tourist taxes to visitors, tourists are more willing to pay taxes earmarked for improving in their experiences than they would be to pay for fees that relate to building destination sustainability (Cetin, 1). This aligns with research conducted in Portugal, which found that “typical sun and beach tourists presented a

below average willingness to pay the accommodation taxes earmarked for environmental conservation compared to “environmental steward tourists” (p. Do Valle, 1415). Accounting for these visitor preferences will be important for the Town of The Blue Mountains when drafting any visitor-facing communications around a MAT. However, it is unclear if these visitor preferences have shifted since the COVID-19 pandemic, since more recent research is not available (including data specific to the Town of The Blue Mountains). Research from the United States found that when communicating around taxes to customers, hotels coped by ensuring that “visitors are well informed, taxes are clear in invoices, and that consumer understands that hotels have control over rates but not taxes” (Hudson, 211).

Operator Impacts and Considerations

Beyond the interactions between visitor and the range of tourist taxes across different destination, there is also the impact of these taxes on operators. In the case of accommodation taxes, while the MAT is structured to be paid by visitors purchasing overnight and short-term accommodation, the legal implications and economic burden is shared by providers of short-term accommodation and their guests. One US-based study found that a lodging tax often results in the accommodator provider raising the room rate. This decision may then have impacts on how much an accommodation manager/owner is able to increase the room rates later and how to factor the price of tax in these decisions. However, the study presented that through an overview of accommodations in eight US case studies, about 86% of the total tax is paid by the guest while about 14% of the total must be absorbed by the industry, either through lower room rates or reduced occupancy. (Hudson, 206). This in turn has relevant implications for how the tax can serve as a source of consistent and sizeable revenue for municipalities, which depend on the accommodation industry remaining competitive within their regional context.

Importantly, this report does not include detailed study of the finances and projections for MAT revenue generation, which would help in painting a clearer picture of the potential impact on accommodation providers' finances. Findings presented above and through the rest of the report need to be considered closely with the study into MAT's potential financial implications.

Local Background and Context

The Town of The Blue Mountains has been investigating the potential implementation of a Municipal Accommodation Tax (MAT) since early 2023. From the beginning, the Town's consideration of a MAT occurred in tandem with considerations of a Vacant Homes Tax (VHT) and potential disposition of land, toward exploring different tax-revenue options available to Council.

Towards exploring the potential of a visitor-based tax, a report to Council was prepared by Ruth Prince, Director Finance & Information Technology Services at the Town of The Blue Mountains in April 2023, which included background information on the role and purpose of a MAT in Ontario. This Staff Report provided preliminary findings on the applicability and feasibility of both a MAT and a VHT. Findings included that a MAT may be a more feasible tax as it can be adopted and implemented by lower-tier municipalities, like the Town of The Blue Mountains. Meanwhile, a VHT would require approval from the Minister of Finance and the involvement of Grey County to oversee its decision, design,

implementation, and use. Additionally, the staff report showed that there may not be a high enough number of vacant houses in The Town of The Blue Mountains to meet the criteria for the potential tax. As such, the staff report recommended that the Town move forward with exploring a MAT rather than a VHT.

Following the April presentation, Council expressed unanimous support for exploring the background and context of a MAT and directed staff to move forward with a preliminary review. The findings of this preliminary review were presented to Council through a staff report on June 26, 2023. Importantly, the staff report was based on research and informed by key stakeholder and tourism partners. For example, the Blue Mountains Village Association (BMVA) delivered a presentation to the Town of The Blue Mountains' Committee of the Whole in April 2023 identifying a need for the Town to fully investigate other revenue tools and conduct necessary due diligence and consultations to understand the revenue generation possibilities and the management structures needed for successful MAT implementation.

Since then, Town Staff have moved forward with the required research and engagement by working with Bannikin to conduct primary and secondary research into the context for and perceptions of a MAT in the Town of The Blue Mountains to inform Council's decision on potentially adopting a MAT, including identifying next steps for potential implementation. The Town has also been working with CBRE on the financial forecasting and economic impact analysis for the potential MAT.

Additionally, parallel to the Town of The Blue Mountains' MAT research and engagement efforts, the neighbouring Town of Collingwood has moved forward with public consultations as they consider adopting a MAT. Collingwood is also moving forward with an STA Licensing by-law to legalize and regulate the use of STAs. Given the geographic proximity between the two municipalities, and the mobility of visitors between the two, it is key for the Town of The Blue Mountains to maintain open communications with the Town of Collingwood so that the potential implementations of MATs in both municipalities can be supportive of each other rather than increase pressures on industry members and visitor-understanding stemming from the potential taxes and supportive or related legislative structures.

Relevant Legislative, Policy, and Fee Landscape

Although The Town of The Blue Mountains does not have a MAT, it has established systems and processes related to transient accommodations within its boundaries that could support future MAT infrastructure. Additionally, infrastructure and mechanisms in place by other non-municipal organizations should be considered for their role in informing or directly supporting potential MAT infrastructure.

Short-term Accommodations

On August 23, 2021, the Town of The Blue Mountains officially classified any property rented for less than 30 days as a Short-Term Accommodation (STA) through By-law 2021-70, which regulates STAs (this includes purpose-built commercial resort accommodation or CRUs). By-law 2021-71 was also passed in August 2021 to implement an Administrative Monetary Penalty System (AMPS) for infractions by licensees.

As of 2023, the Town has 330 licensed STAs. As part of the STA licensing process, there are application, registration, and inspection fees, among others, that an STA owner must pay as a one-time, annual, or biannual fee. Additionally, the Town keeps a GIS map of all licensed STAs, with vast majority being in the Blue Mountain Village area and few others across different parts of the Town. Information for these fees and additional STA resources is communicated by the Town via its website: [Short Term Accommodation Licensing | Town of The Blue Mountains, ON](#).

The abovementioned by-laws are part of the existing infrastructure for STA licensing and regulation. Although these current by-laws were passed in 2021, the Town's efforts to manage STAs pre-date the 2021 by-laws with the STA Program & Policies from 2011, the first Licencing By-law Update in 2014, and subsequent supporting materials such as interpretation policies.

Moving forward and as MAT implementation is considered, it will be important for the Town to review and adjust, as needed and appropriate, the number of administrative process and total amount of fees that STAs are subject to.

Property Taxes

The Town of The Blue Mountains also collects property taxes from all residents within its boundaries. Funds collected from property taxes are used to ensure the Town's capacity to provide local services, including but not limited to road repairs, parks and trails maintenance, fire services, etc. Property tax rates are presented by assessment/tax class, which are available on the Town's website. To collect funds, the Town issues two tax bills each year, each bill having two instalments, and property tax payers can pay the Town through a variety of ways such as pre-authorized payments, in-person at the Finance reception desk, by mail, email, or phone, etc. ([Property Taxes | Town of The Blue Mountains, ON](#))

Since accommodation providers in the Town of The Blue Mountains are all subject to property taxes, these need to be considered as part the overall cost landscape that they are subject to. Beyond this, it will be important to identify or differentiate how the services and infrastructure funded by property taxes differ from those funded by the potential MAT.

Village Amenity Fee

The Town of The Blue Mountains is home to the Blue Mountains Village, a resort within its municipal boundaries. Importantly, all common areas and facilities in the Blue Mountains Village are managed and maintained by the Blue Mountains Village Association (BMVA).

The BMVA was established as a not-for-profit entity by a special legislation from the Legislative Assembly of Ontario (Bill Pr14, Blue Mountain Village Association Act, 1999). The legislation outlines the BMVA's mandate and outlines the requirement for "all persons having a real property interest in the Blue Mountain Village to be members of the Association and to be bound by its by-laws and to give the Association a right to enforce members' financial obligations to the Association by registering a lien against their real property located in the Blue Mountain Village." As such, Bill PR14, Blue Mountain Village Association Act, 1999 is an important part of the regulatory infrastructure influencing the potential implementation of a MAT in The Town of The Blue Mountains.

As noted above, the legal framework outlining the BMVA's mandate influences the Town's consideration of implementing a MAT. More specifically, the BMVA currently administers a Village Amenity Fee (VAF) within the Blue Mountains Village. The VAF or "Rental Royalty fee" of 2% is applicable to all lodging (i.e., accommodation provider) members as outlined below (*italics used for emphasis and added by report authors*):

The lodging member and Blue Mountain Resort, or other Rental Managers, each pay 1% of the gross rental revenues earned from the property. This fee is charged to the paying guests, collected and remitted by Blue Mountain Resort on behalf of the member to the BMVA. Members utilizing other rental managers in the area or those who rent their property privately are responsible for submitting the 2% fee directly to the BMVA.

Appendix B: Comparator Profiles

Kingston, Ontario

Key Takeaways

- MAT funds are used for tourism marketing/promotion, sales, and product development, with 35% of funds going to a Development Fund and 65% going to marketing and promotion.
- There is a two-year Service Level Agreement between the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners (KAP) on how they will work together and their roles and responsibilities with the MAT.
- MAT collection is done by the City of Kingston for STRs, and by KAP for all other accommodations.
- The inclusion of STRs in the MAT came two (2) years after the MAT was first implemented in 2018.
- A unique exception to the MAT is short-term medical accommodations for those from out-of-town for a medical appointment in Kingston on the roster with the Kingston Health Science Centre with proof of medical appointment.
- MAT funds are used to implement strategies in the Integrated Destination Strategy or the Integrated Marketing Plan, with fund use approved by either the committee overseeing the Development Fund or the committee overseeing funds for marketing and promotion. Both committees include the three key players, including the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners (KAP).
- MAT funds were used to develop Kingston's Integrated Development Strategy and the Culinary Tourism Strategy.
- Information targeting both industry members and visitors is easy to find and explains what a MAT is, its purpose, use, and how it is collected.
- The municipality will begin increase the MAT to 5% in January 2024.

Destination Marketing Landscape

Kingston, Ontario's destination marketing/management organization (DMMO) is Tourism Kingston. It is separate from the City of Kingston and overseen by a Board of Directors.

Destination marketing is primarily done by Tourism Kingston, but also by Kingston Accommodation Partners (KAP), Kingston's leading voice for the accommodation sector.

Tourism Kingston is a well-established DMMO with an Integrated Destination Strategy and Integrated Marketing Plan. These plans guide destination development and marketing amongst the three main players of tourism in Kingston, which includes the City of Kingston, Tourism Kingston, and KAP. Like in the Town of the Blue Mountains with the BMVA Village Amenity Fee, a Destination Marketing Fee of 3% was collected by KAP prior to municipal accommodation tax (MAT) legislation, which contributed to a Destination Marketing Fund, and needed to be accounted for prior to implementing the MAT on August 1, 2018. Another similarity between the destinations is Kingston's goal of dispersing tourism opportunities from major tourism assets to other parts of the destination. Kingston is also in the process of becoming a GreenStep Certified destination.

MAT Collection & Remittance

The City of Kingston collects the MAT from short-term rental accommodations (STRs), while KAP collects the MAT from all other accommodation types, as they previously had the infrastructure to collect fees through their former collection of the Destination Marketing tax/levy. Accommodations subject to the MAT include hotels, motels, inns, bed & breakfasts, resorts, hostels, and short-term rentals. It is important to note, STRs, were not originally included in the list, but added to the by-law in January 2021. The MAT is 4% plus 13% Harmonized Sales Tax (HST) on all room stays less than 30 days. Fees such as valet parking, laundry service, continental breakfast, etc. are exempt from the MAT. However, the MAT is planned to increase by 1% starting January 1, 2024, plus 13% HST, meaning the City of Kingston will have a MAT of 5% plus 13% HST.

MAT does not apply to certain types of accommodations, including colleges of applied arts and technology, and post-secondary institutions, as long as the student is registered at and attending the institution. However, post-secondary institutions in the destination have voluntarily applied the MAT to overnight stays. They provide overnight accommodations at underutilized residences in the summer season and recognize the value tourism brings to their institutions. Additionally, hospitals, long-term care homes, houses of refuge or lodges for the reformation of offenders, and treatment centres are exempt. Of particular interest, short-term medical accommodations are also exempt, meaning an out-of-town individual that has a medical appointment in Kingston and is on the roster with the Kingston Health Science Centre and provides proof of medical appointment to the property owner does not pay a MAT. Other exemptions include shelters, tents or trailer sites supplied by a campground, tourist camps or trailer parks, accommodations supplied by the employer to their employees on the premises operated by the employer, and "hospitality rooms in an establishment that does not contain a bed and is used for displaying merchandise, holding meetings or entertaining." Finally, accommodations with no receipt of payment or other consideration that are incidental to and normally associated with the permitted residential use of the dwelling unit or short-term medical accommodations.

The MAT is directly collected by accommodation providers and all accommodations except STRs, remit to KAP on the 20th of each month by way of cheque or electronic funds transfer (EFT). This was done to leverage the existing mechanisms and infrastructure KAP had from previously collecting a Destination Marketing Fee. However, STRs remit to the City of Kingston every quarter with payment due one (1) month after the last day of the

quarter (e.g., Quarter 1: January 1 – March 31, remittance is due by April 30th). This is done through a city webpage that required STRs to include their STR license number, postal code, total dollar value of rental fees collected in the quarter, and an email address for STR to receive a receipt.

A municipal by-law exists that enacts the MAT in the City of Kingston, along with a two-year Service Level Agreement between the three (3) main parties, the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners that outlines the roles and responsibilities of each party for the MAT. The municipal by-law states that accommodation providers are required to: keep and retain books of account, records, and documents sufficient to furnish the city and its tax collection agents with the necessary particulars of sales of accommodation, and the amount of levy collected and remittance. It also mentions a penalty along with interest will be charged on the unpaid amount of a MAT instalment on the first (1st) day of default, as well as additional fee charges to any remittance made by cheque that is not honoured by the financial institution.

The three key stakeholders, as well as major hotels, have their own processes of auditing. More specifically, KAP compares financial information reported with the accommodation indicators they collect to determine if the amounts reported by their accommodation providers is in alignment with their reports. If there is an unusual amount, KAP does not do an audit on the accommodation provider but instead sets up a meeting to understand the reasoning behind unusual amounts. Although there is an option to conduct an audit on an accommodation, the cost as well as time spent is considered high. As noted during an interview conversation with a Tourism Kingston representative, the relationship between KAP and its accommodation providers is one of trust, meaning they try to find solutions without needing to undertake an audit. Similarly, the city trusts what STRs are reporting. However, like KAP, high-level calculations can be made based on the number of rooms available, months in operation, and the amount of income reported to identify any anomalies.

MAT Distribution & Uses

The distribution of Kingston's MAT is divided with 35% going to a Development Fund and 65% going to marketing and promotion. However, because KAP previously collected a DMF, \$1.6 million of MAT funds must be escalated annually to KAP, which is the 2017 baseline amount. This amount is to make KAP "whole" as the provincial legislation mandates, and is usually taken from the 65%; however, if this amount is less than the \$1.6 million, funds from the Development Fund are used to allocate the full amount to KAP. Additionally, the Service Level Agreement states that additional fund will be provided to KAP for incremental costs related to MAT collection given the increased number of accommodations mandated to collect the MAT.

Specifically, the Development Fund is used to finance product development, major events, attractions, and strategic initiatives to advance the implementation of the Integrated Destination Strategy (2019). Specific decisions made about these funds are authorized through a committee which includes representatives from the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners. One example of fund use includes funding any operational deficit of Kingston Penitentiary over the term of the proposed lease with the Federal Government and the City of Kingston. Other examples include funding incentives to attract new airline carriers and additional flights to the local airport,

airport expansion, conference centre operations, Visitor Information Centre expansion, the Integrated Destination Strategy and Culinary Tourism Strategy, and the Love Kingston Marketplace spring and summer programs.

The marketing and promotion funds are spent on marketing initiatives outlined in the Integrated Marketing Plan in consultation with the Marketing Committee, which similar to the Development Fund Committee, includes representatives from the City of Kingston, Tourism Kingston, and Kingston Accommodation Partners. In accordance with the Service Level Agreement, both KAP and Tourism Kingston receive funds for marketing and promotion. One example of fund use includes developing the Fresh Made Daily brand, KINGSTON sign, ongoing sales and marketing, attracting prestige curling events to Kingston, and supporting Kingston Film Office to attract and support media production.

Below are the MAT funds raised since its implementation in the City of Kingston in 2018:

- 2018 (5 months): \$1,355,048
- 2019: \$2,870,761
- 2020: \$1,362,000
- 2021: \$1,965,000
- 2022: \$2,954,000

Resources & Monitoring

All three key players share information on the MAT to relevant audiences. Tourism Kingston provides a webpage on MAT for visitors and another for accommodation providers. The City of Kingston provides a webpage with information for visitors, accommodation providers, and STRs. KAP provides general information on their website about MAT economic impact, the number of visitors to the area, and number of room nights for hotels and the visitor economy. Interestingly, no information was available on the connection between MAT implementation and changes to consumer demand in the destination. However, the destination has not seen any decrease in visitation, excluding impacts of COVID-19, since the implementation of the MAT. Instead, they have seen increased occupancy. Additionally, to monitor the impacts of the MAT on the destination, a quarterly report is submitted to municipal Council.

Victoria, British Columbia

Key Takeaways

- Municipal Regional District Tax (MRDT) funds are used for tourism marketing, programs and projects, with online accommodation platform MRDT funds going to affordable housing, specifically the City of Victoria's Housing Reserve Fund.
- A 5-year Strategic Business Plan was developed with engagement from the City of Victoria, the District of Saanich, and other key tourism stakeholders, that outlines how the MRDT funds are to be used in the next five years.
- A Destination Marketing Fee (DMF) of 1% is still charged on accommodation purchases in specific accommodations in the City of Victoria.
- The province regulates and collects the MRDT from accommodation providers directly, and distributes the funds to a designated recipient, such as DGV, which is very different from the Ontario context.

- MRDT funds for use in capital projects need to be approved by the province which is different from the Ontario context.
- A unique exception to the MRDT in British Columbia is for First Nation individuals or Bands on First Nation lands.
- Information on MRDT is primarily shared by Destination British Columbia instead of local tourism organizations.

Destination Marketing Landscape

Victoria, British Columbia's current destination marketing/management organization (DMMO) is Destination Greater Victoria (DGV), also known as Greater Victoria Visitors & Convention Bureau. It is separate from the City of Victoria and is a member-based not-for-profit organization with a Board of Directors.

The equivalent of a Municipal Accommodation Tax (MAT) in British Columbia is a Municipal Regional District Tax (MRDT), which different to Ontario, is enacted directly from provincial legislation versus a municipal by-law. Before the MRDT, the City of Victoria had a Destination Marketing Fee (DMF) of 1% collected by the Victoria Hotel Destination Marketing Association, which is still in effect and in addition to the MRDT.

The area represented by Destination Greater Victoria includes the City of Victoria and the District of Saanich. DGV was approved by the province as the designated recipient of the MRDT funds on January 1, 2017. This deepened the relationship between DGV and the City of Victoria to take on the sales and marketing of the Victoria Conference Centre, which is a major municipal asset. Overall, the MRDT is 3% on all purchases of taxable accommodations in the City of Victoria and the District of Saanich as well as 8% PST and 5% GST. However, as mentioned previously, an additional 1% DMF applies on accommodation purchases at approximately 19-21 hotels in the City of Victoria.

Overall, a key benefit mentioned by DGV about the MRDT is the ability to attract year-round meeting and conference events, which are booked more than 1-2 years in advance. This is due to the consistent revenue received each year through the MRDT. It has also helped to stabilize staffing at DGV and develop a positive organizational culture and competencies.

MAT Collection & Remittance

In British Columbia, the province collects the MRDT from accommodations. The entities involved with the MRDT at the provincial level include the Ministry of Finance, Ministry of Tourism, Art and Culture, and Destination British Columbia. The province directly collects the MRDT from accommodation providers, except online accommodation platforms (i.e., Airbnb). In the case of online accommodation platforms, they collect the MRDT directly and send it to the province. The province then forwards the MRDT to the designated recipient monthly, less administrative fees.

A designated recipient is an entity that has applied and been approved by the province to receive the funds after fulfilling certain requirements. Requirements of note include the need to develop a 5-year Strategic Business Plan with 1st year tactical details (also known as a 5-year MRDT Agreement) with support from stakeholders, proof that the funds are incremental and not replacing other sources of funding, and evidence of consultation

with the local government. Additional information on specific requirements can be found on the “Destination British Columbia’s MRDT Program Requirements” (2021) [PDF document](#).

The designated recipient is eligible to receive the MRDT funds for a 5-year period, after which it would need to reapply to the province. There is no restriction on the number of times a designated recipient can reapply to renew their status as a designated recipient. The MRDT applies to all short-term accommodation providers in a destination accommodation area which can be 1) a whole municipality, but not a portion of a municipality, 2) a whole regional district or a portion of a regional district, and 3) a combination of municipalities and portions of regional districts.

There are some accommodations exempt from the MRDT, including those with a gross revenue of less than \$2,500 from the accommodation in the previous 12 months that reasonably estimates a guestimate of less than \$2,500 in the next 12 months. Similarly, if the price of a unit of accommodation is \$30 or less per day, or \$210 or less per week, these are also exempt. Another exemption is accommodation of 27 days or more provided to the same person continuously, such as industrial, religious, or charitable organizations in some cases, in tents, in hospitals, assisted living residences, and long-term care facilities, and some other particular cases. Of interest, First Nation individuals or Bands on First Nation lands are exempt from the MRDT, as well as members of the diplomatic or consular corps.

MAT Distribution & Uses

Like the Ontario legislation, the British Columbia Regulation 93/2013: Designated Accommodation Area Tax Regulation outlines how MRDT funds can be used, including tourism marketing, programs and projects, with some designated recipients authorized to use the revenue for other purposes. However, tourism marketing, programs or projects under the MRDT should contribute to the increase of local tourism revenue, visitation, and economic benefits. Additionally, spending related to affordable housing initiatives must assist communities to address local needs related to affordable housing. The legislation mentions that proposals for capital spending beyond affordable housing, such as new tourism facilities or infrastructure are only given considerations on special circumstances and must be included in the 5-year Strategic Business Plan submitted to the province, with demonstrated local stakeholder support for the province to authorize the use of MRDT funds. Key principles to promote coordinated and efficient use of MRDT funds, include:

- Effective tourism marketing, programs and projects.
- Effective local-level stakeholder support and inter-community collaboration.
- Coordinated marketing that complements broader provincial marketing strategies and tactics.
- Fiscal prudence and accountability.

All MRDT funds are received by DGV for use in accordance with the 5-year Strategic Business Plan. Interestingly, as part of the 2017 MRDT Agreement, DGV agreed to make a \$1 million contribution to building the David Foster Harbour Pathway, with a matching contribution from the City of Victoria. Specific funding received from online accommodation platforms (i.e., Airbnb), is also received by DGV, but directed to the City of Victoria to support the municipality’s Housing Reserve Fund. The city created the fund

to provide grants to assist with developing and retaining affordable housing for households with low and moderate incomes, and to facilitate affordable rental housing and/or affordable home-ownership projects. Both DGV and the City of Victoria are working together to enhance the availability of affordable accommodation for hotel and hospitality industry workers who fit the eligibility criteria for the fund program.

Below is the amount of MRDT funds raised from 2019-2021 in the City of Victoria and the District of Saanich in 2017:

- 2019: \$5,855,081
- 2020: \$1,953,696
- 2021: \$3,466,009 (Plus \$633,915 from Online Accommodation Platforms)

Resources & Monitoring

Information on the MRDT is primarily provided by Destination British Columbia, with limited information provided by the City of Victoria or Destination Greater Victoria. Additionally, reporting on the use of MRDT funds is done annually to the province as part of the requirement to be a designated recipient of the MRDT.

Other Examples in Ontario

As found by research conducted by Town of The Blue Mountains' staff prior to this project, there are over fifty (50) municipalities in Ontario that have implemented a MAT since 2017. Although many have taken similar approaches to the MAT, some components of their approach are valuable to note as the Town of the Blue Mountains considers moving forward with MAT implementation. The following are seven (7) municipalities with interesting considerations that have been identified across the various research methods:

- The City of Owen Sound provided stakeholders with an “open public question” tool on their website where stakeholders can submit questions about the MAT to the city, and the city would respond to them directly.
- The Town of Huntsville developed a “MAT Budget Principles” policy that is meant to ensure funds from the Municipal Portion for the MAT are used for a list of potential new tourism infrastructure such as wayfinding signage, biking or hiking/walking trail, and capital investment in a new tourism attraction or facility.
- The Town of Gravenhurst formed a volunteer board comprised of tourism stakeholders to manage 60% of MAT net funds for tourism promotion and development, with a specific focus on attracting more visitors, while the rest of the 40% of MAT net funds would be retained by the town.
- The City of Sarnia faced difficulties within the first year of implementing a MAT. Specifically, the relationship between the city and Tourism Sarnia-Lambton broke down and the city removed Tourism Sarnia-Lambton as the designated not-for-profit organization receiving 50% of MAT funds. Instead, the Economic Development office in the city received the 50% of MAT funds and established a grant program.
- The City of Cambridge specifically directed staff to create a MAT reserve fund to segregate the city's 40% portion of the MAT funds. The staff report specifically said it was important for funds to be segregated and used only for approved municipal

purposes to demonstrate transparency and accountability to the hospitality industry. Interestingly, the Region of Waterloo and its seven lower-tier municipalities is one of the few examples where revenue sharing was done with the upper-tier municipality. All municipalities get 40%, the Region of Waterloo gets 10%, and the Waterloo Region Tourism Marketing Corporation or Explore Waterloo Region gets 50% as an eligible tourism entity. Potential uses for the city's portion of funds are identified in the council-approved reserve fund policy. However, some examples include market research, sports and cultural tourism infrastructure, bid and grant funding for international, national, and provincial-scale events, major festival and event expansion/development, sports/festival/event infrastructure, and additional staff resources to support tourism efforts.

- The City of Ottawa along with the Ottawa Gatineau Hotel Association and Tourism Ottawa developed an agreement that outlined the framework of how the MAT would function in the municipality. In the agreement, the governance structure, administration of MAT, and tax fairness are clearly outlined. Of particular interest is that the agreement also included thirteen (13) guiding principles to guide the three entities' working relationship.
- The City of Orillia was the first of five municipalities that fund Orillia and Lake Country Tourism to implement a MAT. Since Orillia is the only one that implemented MAT early on, they established an MOU with Orillia Lake Country Tourism, where Orillia contributes to the DMO's regional work through a part of the contribution funds regional promotion, and part funds specific initiatives for the municipality.
- Another regional collaboration involves Discover Muskoka and the municipalities of Bracebridge, Gravenhurst, and Huntsville, who each contribute the same percentage to Discover Muskoka for regional tourism marketing.

Appendix C: Key Stakeholder Interview Analysis

Overview

A total of 11 key stakeholders were identified by the Town of The Blue Mountains (incl. a representative of one of the comparator destinations), as informed by recommendations from Bannikin. The key stakeholders were selected based on their professional understanding of tourism, both locally and regionally, and their expertise within the accommodation, tourism, and local government sectors.

- Organizational representatives with experience implementing MATs
- Local and regional tourism organization representatives
- Accommodation provider representatives (incl. Rental Management representatives)
- Local politicians and Council members

Note on analysis: Interviews were conducted virtually as semi-structured conversations, which have been anonymized through the analysis narrative presented. Interviewee responses were disaggregated based on the ideas or concepts included in their answers, and then reorganized and regrouped based on shared topic or theme. As such, the total number of responses analyzed does not directly correspond to the total number of interviewees.

Awareness and knowledge of a MAT

Interviewees were asked to share the extent to which they are aware of a MAT in Ontario and any previous exposure or experience they have had with MATs. Based on interviewee responses, the majority were very familiar (n=4) or familiar (n=4) with the MAT while only two (n=2) were less/somewhat familiar.

Before more detailed discussions on the MAT, interviewees were asked to share how they understand a MAT, including what it is and how it can be applied across Ontario. 9 out of the 10 interviewees shared their understanding of a MAT. Overall, informant responses demonstrated understanding of MATs and the key aspects of their structure as set out by the Ontario legislation. The most highlighted aspect of a MAT was that its funds are meant to further tourism activity and improve experience (incl. marketing and development) (n=5). Within this, informants referred to both the potential use of MAT funds for tourism marketing and the development/ maintenance of infrastructure that is connected to tourism activity.

Following interviewees' sharing of how they understood a MAT, Bannikin interviewers further contextualized by sharing the below:

A Municipal Accommodation Tax is a tax that is collected on overnight accommodations booked for less than 30 days, which includes but is not limited to hotels, motels, bed and breakfasts and other short-term rentals. The tax is paid for by the guest and is collected by the accommodation provider through the booking or check-in/check-out process. The funds collected through the tax are used to promote tourism and to support tourism-related activities and projects accessed by visitors and locals such as roads, transit, beaches, parks and natural areas, culture, and recreation.

Potential Implementation of a MAT

Relevancy

Key informants were asked to identify what reasons make a MAT a relevant consideration for the Town of The Blue Mountains as well as what reasons make it a less relevant consideration.

When sharing why a MAT is a relevant consideration, responses highlighted the following top three relevant reasons:

1. Chance to promote the whole area of the municipality and properly promote different types of tourism to disperse people across, encouraging visitation and its benefits throughout the whole community (n=5)
2. Potentially significant sum of money and capacity to pool/share resources for tourism marketing and promotion (n=5)
3. Increased regional competition in ability to reach and attract some markets as MAT is implemented by neighbours and others across Ontario. (n=4)

Other reasons perceived as making a MAT relevant include that a MAT can be used to improve the Town as a destination and fill in infrastructure gaps/needs, which are influenced by tourism traffic (for the municipality) (n=3); that the MAT represents a potential mechanism that will encourage collaboration (incl. shared-marketing) (n=3); and

that Town of The Blue Mountains is already a tourism destination that would likely be able to benefit from a large number of visitors paying a MAT (n=3). From the responses provided, the potential use of a MAT for marketing, promoting, and developing tourism and the destination stands out as a common theme.

When sharing why a MAT is a less relevant consideration, the topmost identified reasons are:

1. BMVA has strong model that allows it to be a well-funded and industry led DMO, with risk of losing autonomy and organizational health through MAT and municipal involvement (n=3)
2. Potentially redundant as there are already investments into destination marketing and activities that the MAT would cover (n=2)
3. Non-equitable tax burden solely on accommodations (n=2)
4. Would increase costs for overnight visitors among dropping rates of visitation to the destination (n=2)
5. Need to determine whether it is financially beneficial and viable based on accommodation stock and potential revenue (n=2)

Other reasons shared include that several residents are opposed to attracting more visitors (n=1); the rising inflation and potential impacts on businesses/optics of the current context (n=1); and the risk of municipal/political coopting of funds once instituted (i.e., lack of industry consultation) (n=1).

Notably, there are two common threads among the reasons why MAT is a less relevant consideration, and which should inform any future decisions and communications around the potential adoption of a MAT. The first is that the BMVA and their Village Amenity Fee have been already delivering on some of the intended purpose of the MAT. The second is a concern over the current context for visitation in Town of The Blue Mountains, including the state of the economy and recent accommodation rates.

Opportunities and Challenges

Respondents were asked to reflect on the context that surrounds tourism in the Town of The Blue Mountains and share what specific opportunities exist for implementing a MAT. The opportunities pulled from the analysis have been sorted based on theme.

Non-marketing/ Local stakeholder Benefit:

1. Invest in/support tourism initiatives/ experiences/ investments other than marketing (n=7)
2. Invest in/ support tourism development across whole municipality (n=3)
3. Invest in/ support social issues facing community and support local resident experience (n=3)
4. Use visitor dollars to take financial pressure to maintain/ develop tourism away from residents (n=2)
5. Prioritize MAT funds to address needs of accommodation providers first, and then broader tourism industry (n=1)

Tourism Marketing and Promotion

1. Establish, align, and communicate tourism development and marketing strategic direction (n=5)
2. Marketing and dispersion - Use development and marketing to disperse people across the Town (and seasons) (i.e., beyond the Village) (n=5)
3. Invest MAT funds to make/ maintain TBM and its brand as a competitive destination (n=3)
4. Have a full, dedicated (and autonomous) DMO that market and promotes the whole Town and takes on bigger areas of work (incl. tourism marketing and product development) (n=3)

Governance and Operations:

1. Commitment and transparency to spend MAT funds to grow tourism (n=4)
2. Encourage participation and shared priority setting with industry (n=4)
3. Set up a strong MAT review/investment advisory for collective/ informed decision making (n=3)
4. Clarify MAT fund collection process (n=2)

When asked to identify what specific challenges they see for implementing a MAT, informants identified the following. The challenges pulled from the analysis have been sorted based on theme.

Administration, Accountability, and Transparency:

1. Accountable, justified, and transparent use of MAT funds (n=5)
2. MAT collection process and industry accountability (n=3)
3. Using MAT to mitigate tourism concerns (n=1)

Stakeholder Relations and Buy-in:

1. Tourism industry stakeholder buy-in and implementation in their operations (n=5)
2. Community (i.e., resident buy-in) (n=5)
3. Sharing needed information with visitors, residents, and industry (n=1)

Collaboration and Duplication:

1. Figuring out best DMO-partner and avoiding silos and unnecessary organizational layers (n=4)
2. Collaboration dynamic and success amongst partners (n=3)
3. Existing Village Amenity Fee in place already funding good work in the Village (n=2)
4. Losing competitiveness as a destination through inappropriate use of funds or lack of cooperation/respect (n=1)

Outside Factors:

1. Current state of the economy and timing for implementation (n=1)
2. Weak Ontario MAT legislation in ensuring consistent political accountability in use of MAT funds through changing Councils (n=1)
3. Regional context and working with neighbouring municipalities who may or may not have MAT (n=1)

Appendix D: Accommodation Provider Survey Analysis

Overview

To gather insights and feedback from accommodation providers around the potential of a MAT in the Town of The Blue Mountains an online survey was made available from Tuesday, November 7, 2023, to Sunday, November 26, 2023. The link to the questionnaire was shared directly with accommodation providers by email and the link was also shared directly with local rental management companies, the Blue Mountains Short Term Accommodation Association, and the Blue Mountain Village Association for promotion to their members. At the end of the survey, participants were directed to a parallel survey targeting accommodation providers being run by CBRE to inform the economic impact assessment project.

The survey included eight (8) questions, mixing open and closed questions. 168 respondents participated with 136 participants completing the survey, the vast majority of which (62.50%) identified as providing short term accommodations (STAs), followed by commercial residential units (CRUs) at 20.24%, hotels (10.12%), bed and breakfasts (2.38%), and motel (0.60%), with other at 4.17%.

78.70% of respondents classified their businesses as independently owned and 18.45% said they were part of a franchise or larger brand. 2.98% were unsure of the ownership model.

Note: Across the survey and regardless of the question, the “other” option was overwhelmingly used by respondents to share their concerns and opposition to a MAT. Several respondents expressed frustration at questions around any opportunities related to a potential MAT. The “other” responses have been reviewed, consolidated, themed, and presented in this Research Summary Report alongside the most relevant question.

Challenges and Opportunities

When asked to select from a list the risks and/or challenges they see for their business and the tourism industry in the Town of The Blue Mountains with a MAT charged to customers and collected on overnight accommodation bookings, the top three responses were:

1. Decreased demand for my business due to increased cost to guests (90%),
2. Misuse of MAT funds for things that don't impact my business or the tourism industry (incl. lack of transparency of MAT funds use) (58%), and
3. Reduced competitive advantage to other accommodations in neighbouring municipalities (48%).

These responses align with the open-ended comments from across the survey, where concerns and opposition to a MAT can be grouped into four main areas:

5. **General negative sentiment** expressed through comments such as “I see no advantages” and “this is a bad idea”

6. **Concerns with how MAT would be spent, abundance of fees, feeling that accommodators would be forced to absorb the cost of the MAT.** These concerns were expressed through comments such as “just another tax grab”, “how much of these taxes would be used for increasing demand into the area vs being spent on administration for tax collection”, “this seems like double dipping”, “why should overnight stay guests bear the burden of a tax that benefits local residents, day use visitors, non-tourism related businesses and transients?” “If someone isn’t declaring their income and is renting privately, how are they going to be made to pay” and “The tax will end up coming out of our pocket as tourism is down this year and we’ve had to reduce our pricing. Customers will not tolerate additional fees.”
7. **Concerns visitors will go somewhere else due to additional cost, and sentiment that inflation and economic context mean now is not the right time for a MAT.** These concerns were expressed through sentiment such as “we feel that currently people’s budgets are tight and that additional taxes will encourage people to explore other options for travel,” “Will just make visiting the area even more unaffordable than it already is” and “MAT should be scrapped due to the downturn on the economy”.
8. **Marketing is already sufficient as is, no need for more,** expressed through comments such as “I believe that the Blue Mountain Village Association and other ski hills already market the area enough,” and “BMVA already does a great job. BMR as well. Both organizations have full marketing departments and are professionals.”

Reflecting on and addressing these concerns will be essential as the Town of The Blue Mountains considers whether to implement a MAT. If a decision is made to proceed, the Town will need to address these issues when justifying the decision, determining the governance structure of the MAT, and communicating with accommodation providers around this.

Although the majority of survey responses expressed overwhelming concern against the potential of a MAT, when asked what advantages and/or opportunities they saw for their business and the tourism industry in the Town of The Blue Mountains with a MAT charged to customers and collected on overnight accommodation bookings, the top three responses were:

4. Increased marketing and promotion of Town of The Blue Mountains as a tourism destination (52%),
5. Funding to support product and experience development, incl. events and festivals (44%), and
6. Funding to improve hard and soft infrastructure connected to my business (e.g., sidewalks, roads, lighting, garbage/recycling bins, public furniture, etc.).

Note: 59% of respondents selected “other” largely to express opposition to the MAT.

Use of MAT Funds

Accommodation providers were also asked how potential MAT funds would be best spent. When asked, if they were leading infrastructure development to support tourism in the Town of The Blue Mountains, where they see the most potential for Municipal Accommodation Tax revenues to be invested. Two answers tied for first place:

1. Public space beautification, and activations (e.g., facade repairs, cultural heritage conservation, public furniture, plant/tree maintenance, walkable spaces, pop-up activities, etc.) (43%)
2. Improvements on trails and water routes (43%)

“Built infrastructure development (e.g., public parking, road improvements, water/wastewater capacity, etc.)” was selected by 38.97% of respondents. Additional responses brought up in the comments mentioned opportunities to focus on cycling infrastructure, publicly accessible activities on the slopes, as well as indoor tourism spaces like shopping malls and water parks. There were also several comments underlining a preference for spending MAT dollars on marketing rather than infrastructure. Several respondents felt that infrastructure costs should be covered by other funding streams.

When asked, if they were leading tourism in the Town of the Blue Mountains, where they see the most potential for Municipal Accommodation Tax revenues to be invested, 136 respondents answered. The top responses were:

- Tourism product and experience development (incl., events, festivals, walking tours, etc.) (58%)
- Marketing and communication efforts to attract and inform visitors (54%).

Comments around marketing initiatives came up several times across the survey, especially as it relates to not duplicating efforts, through statements such as “We must also ensure that we are not using the money to duplicate services that are already being provided by the BMVA, RTO7, and South Georgian Bay Tourism.”

There is a striking connection between the accommodator concerns around MAT and the opportunities they see. Both underline the importance of maintaining or growing visitor numbers. By far, the top risk mentioned by accommodation providers around MAT implementation is the possibility of losing visitors. At the same time, the key opportunity, and suggestions for how to use MAT funds centre on using marketing to attract more visitors. Perhaps unsurprisingly, a key priority for accommodation providers is ensuring that occupancy rates are high.

When asked about specific or special considerations that the Town of The Blue Mountains should be aware of if implementing and/or applying the MAT? (e.g., eligibility of corporate bookings, complimentary rooms, etc.), most of the responses reiterated concerns expressed previously across the survey. However, some specific concerns were brought up including around:

- How the collection of fees would be integrated into booking platforms,
- How by forcing visitors to spend more money on accommodations they will have less budget available to spend across their visit,
- Discrepancies in how a MAT would potentially affect small vs. large accommodation providers, and
- Possible exemptions for different kinds of bookings whether, corporate, event, charitable organizations, educational, etc.

Overall, there was strong opposition to the potential of a MAT from the accommodation providers who responded to the survey. If a decision is made to move forward with a MAT, it will be important to address these concerns to increase buy-in.

Appendix E: Accommodation Provider Table Talk Analysis

Overview

To further engage accommodation providers, two (2) in-person and one (1) virtual table talk sessions were held with fourteen (14) attendees at the in-person sessions and ten (10) attendees at the virtual session. The discussion involved questions around attendees' general understanding of a Municipal Accommodation Tax, possible strengths, and weaknesses of implementing a MAT in the Town of the Blue Mountains, opportunities and challenges that would come with a MAT, and additional concerns and areas of inquiry to further clarify. Through the conversations, five (5) general areas of discussion emerged. These include general MAT context, revenue management, visitor relations, community & industry relations, governance, and potential uses.

General MAT Context

Overall, accommodation providers were unclear as to why the Town of the Blue Mountains was interested in implementing a MAT at this moment. Some mentioned there was no need for additional funds to pay for tourism marketing and promotion, or tourism-related infrastructure because people already came to the municipality without marketing, and property taxes paid for needed infrastructure in tourism. Others were concerned with the timing of a MAT, particularly given the current economic situation. Some proposed implementing it in 2-3 years. There were also concerns about unexpected increases in the MAT beyond 4% in the coming years.

A key point that stood out was the importance of accommodation providers having a clear understanding, through a strategy or business plan, of how the MAT funds would be used and how it would benefit their businesses. Some specifically mentioned wanting hard numbers to show the benefit to them. Another key point that stood out was the concern from STAs on the increased number of fees they need to pay to remain legal accommodation providers. There was a strong concern this would burden STAs, and cause many to become illegal. Suggestions were made to use the fines collected from illegal STAs to pay for things a MAT fund would potentially finance.

MAT Revenue Management

A main point that was clear throughout the discussions was the distrust some accommodation providers had toward the municipal government and council. Many particularly mentioned the lack of transparency of how different funds have been used in the past, including STA licensing fees. For this reason, there was a significant concern that the MAT funds would not be used for tourism development and the benefit of accommodation providers, particularly STAs, but instead, for other means. There was a lack of clarity on how the municipality currently funds tourism, and how potential MAT funds would be used in the future.

Other concerns included who would administer the MAT funds, and how the MAT would logistically be collected from overnight visitors. Specifically, there was a concern about accommodation providers needing to collect the MAT themselves as it would require additional time taken out of their busy day, as well as a possible need to use a new platform to administer the MAT. This is due to platforms such as Airbnb that may or may not collect local taxes like a MAT depending on the STA's location and jurisdiction.² There were fears that if the platform did not have an additional place to include the MAT, they would have to find ways to charge the tax that would create negative visitor experiences since they would have the perception of it being a "hidden tax". Finally, some suggested that accommodation providers renting their primary home should not be required to collect the MAT, since they see themselves as different than someone with multiple properties.

Visitor Relations

Another key concern was the increased cost a MAT would incur on visitors. Some suggested visitors would prefer to visit for the day and drive back to their homes rather than stay overnight. Other suggested visitors would rather stay in Collingwood because it would be cheaper than the Town of the Blue Mountains. As a result, this would have an impact on the volume of traffic and safety in the municipality due to a lack of alternative modes of transportation between the two municipalities. Another concern was that the MAT would only impact overnight visitors, even though a significant number of visitors are day-trippers who come to use different facilities and infrastructures but leave at night. One particular concern differentiated between the experience of hotels and STA owners. Specifically, STAs mentioned receiving messages about discounting fees or moving the booking offline to avoid fees and felt that the MAT would further increase these requests.

Community & Industry Relations

A concern, particularly for STAs, was how the MAT would discourage new STAs to emerge in the municipality. They felt this new tax, along with the STA license and other measures were punitive. As a result, they said more STAs would become illegal since the cost of being legally licensed was becoming too high. However, if the MAT was implemented, everyone was clear they needed to get something out of it.

Related to this, accommodation providers underlined that the attitude of community and industry needed to shift in support of tourism. They noted that many homeowners don't want visitors in the community, nor the existence of STAs. STAs felt the community and municipal council viewed them as bad/negative; however, this needed to change because they provide a unique experience that is different from a hotel and other types of accommodations available in the Town of the Blue Mountains. They reiterated that the

² Airbnb implemented several tax agreements across Ontario for the collection of a 4% MAT in October of 2018. Not all Ontario municipalities that have adopted a MAT have a standing agreement with Airbnb, and as such the Town of The Blue Mountains along with its key stakeholders would need to investigate the potential of striking an agreement with Airbnb and other platforms for the collection of the potential MAT. ([Airbnb signs multiple tax agreements in Ontario](#))

municipal council seems to be disconnected with the realities of accommodation providers, and are not interested in support their businesses, but instead, interested in getting more money. They also mentioned they're very concerned with the level of service and communications they are currently receiving from the municipality.

Accommodation providers were also concerned about the potential MAT implementation due to the current economic situation, as well as other industry challenges, such as the lack of staff, and attainable housing options. They also mentioned many have seen significant declines in occupancy rates meaning revenues have decreased, but costs remain. As a result, some accommodation providers, viewed a proposed MAT to be another tax they would need to take on instead of the visitor pay since the total costs of the accommodation with a MAT and other fees would not be as competitive. STAs mentioned fees on certain platforms used are already high.

Governance

A key concern brought up by STAs was the current unequal playing field of accommodation providers. Specifically, they mentioned how others do not need to comply and pay for a similar STA license, and as a result, are at a better advantage. Some examples given were related to Commercial Resort Units. Additionally, some STAs highlighted they pay these fees but do not receive anything in return, particularly around the lack of public services such as a sewer system, and other amenities. STAs particularly felt Commercial Resort Units should be required to be at the same standard and pay a similar license fee as STAs and use those funds to invest in tourism before implementing a MAT. Additionally, STAs said that before considering implementing a MAT, illegal STAs should also be addressed.

Because of the existing lack of trust and transparency between accommodation providers and the Town of the Blue Mountains, many didn't feel there was a visible benefit to implementing a MAT. However, some accommodation providers suggested off-setting the STA license fee with MAT collection, meaning the cost of the STA license fee would be deducted from the MAT collected in the year.

Some areas that required additional clarity and consideration included the following:

- How would accommodation providers be audited? People will not report real earnings, and/or will go underground.
- What is the relationship of the Blue Mountain Village Association fee and the MAT?
- There should be a board of directors made up of key stakeholders, including STAs, other accommodation providers, and major attractions in the municipality, to oversee the use of MAT funds.

Potential Uses

Despite the concerns and lack of trust that the MAT funds would be used for tourism at all, as well as being used across the municipality, and benefit accommodation providers, especially STA, some potential uses were suggested including the following:

- Strategy Development: Developing a comprehensive strategy that is looking to drive specific objectives, including how to incentivize visitors to stay longer.

- Marketing/Promotion: Marketing the larger area not just the Blue Mountain Village on social media, and using collective marketing to reduce costs, and develop a common story to tell about the destination.
- Experience Development: Develop unique events, indoor experiences, and high-quality experiences.
- Infrastructure Development: Improve public safety (e.g., road signage & wayfinding, lighting, sidewalks, etc.), develop sewage infrastructure to increase housing in existing residential areas (e.g., Tyrolean Lake), and construct attainable housing for hospitality and tourism staff.
- Service Access: Provide access to the Blue Mountain Village shuttle bus, and increase the number of shuttles and stops, and providing access to beaches, BMVA discounts, etc. (without having to pay more) to all accommodation providers.

Appendix F: Role of Tourism (Resident/Industry) Survey Analysis

Overview

To gather insight and feedback from residents in the Town of the Blue Mountains and industry members other than accommodation providers in Town's tourism sector, an online survey titled, "Role of Tourism Survey" was shared from Monday, November 6 to Monday, November 27. The survey was promoted by the Town's Communications Division through a variety of methods including a community wide mailout, press release, dedicated website page, social media postings and direct promotion to local community groups.

The survey included ten (10) open and closed questions. In total, the survey received 403 responses from both industry and residents. Specifically, 37 industry members and 366 residents responded. However, the number of responses for each question fluctuated. Additionally, after the survey was live for a week, a "none of the above" option was included to multiple choice questions on Monday, November 13th to as an adjustment to initial feedback from industry and resident respondents.

The below narrative highlights inputs and key findings gathered through the industry/resident survey that can help inform priority areas for tourism developed, based on the use, interest, and needs identified by industry and residents.

Industry

Of the 37 industry member responses, 30% identified living in the Blue Mountains Village, while another 30% identified not living in the Municipality of the Blue Mountains. Others identified living in Clarksburg, Red Wing, Craigeith, Kolapore, and Lora Bay.

When asked about their relationship to the Town of the Blue Mountains, 68% identified they own and/or operate a visitor-facing business in the municipality, while the other 32% identified they work at or volunteer for an organization that is involved with tourism in the municipality.

Industry respondents primarily identified being 35 and older with 27% identifying they were 55-64 years old, 24% identifying as being 65+ years old, 22% identifying being 35-44 years old, and 11% identifying as being 45-54 years old.

Residents

Of the 366 resident responses, 27% identified living in Thornbury, followed by 21% from Blue Mountain Village, 20% from Craighleith, 14% (n=52) from Clarksburg, and 9% from Lora Bay. None identified living in Castle Glen, Egypt, Gibraltar, Kolapore, Loree or Sandhills.

Like industry member responses, resident respondents primarily identified being 35 and older with 48% identifying as 65+ years old, followed by 26% identifying being 55-64 years old, 13% identifying as being 45-54 years old, and 7% identifying being 35-44 years old.

When asked about their relationship to the Town of the Blue Mountains, 86% identified they are full-time residents, while 14% identified they are part-time/seasonal residents in the municipality.

Tourism in the Town of the Blue Mountains

Tourism Benefits

Overall, both industry members and residents' responses identified the same top eight (8) activities they have engaged with in the past 12 months in the Town of the Blue Mountains. The top five (5) most-selected activities include:

1. Enjoyed a meal or beverage at a restaurant, brewery, or café (97% industry & 94% residents).
2. Used a trail for recreation & leisure (e.g., cycling, hiking, snowshoeing, snowmobiling, cross-country skiing, etc.) (77% industry & 89% residents).
3. Purchased goods or food & beverage products (e.g., farmers' market, public market, farmgate shop, art studio, craft shop, etc.) (81% industry & 88% residents).
4. Attended a local community event (58% industry & 75% residents).
5. Used the bay, lake, river, or other waterway for recreation & leisure (e.g., swimming, paddleboarding, canoeing, kayaking, boating, fishing, etc.) (77% industry 72% residents).

The above present an overview of the type of tourism-related activities that are more pertinent to and sought out by residents of the municipality, which can inform areas of potential investment, development, and marketing for locals' participation in tourism moving forward.

To understand the level of agreement industry members and residents have on specific statements related to the role of tourism in the Town of the Blue Mountains, a five-point scale was used with one (1) being strongly disagree, and five (5) being strongly agree. Both industry members and residents agreed with the same top four (4) benefits of tourism. However, respondents disagreed, particularly residents, that "tourism supports the protection of the natural environment and assets" (3.28/5 industry & 2.6/5 residents). This insight can help to inform areas of focus for tourism development and communications since there may be a need to further improve aspects of tourism such as how it protects the natural environment, and/or a need to better inform stakeholders of how tourism is improving or mitigating impacts to the natural environment.

Overall, the top four (4) benefits of tourism identified by industry members and residents include:

1. Tourism creates jobs for people in the community/region (4.5/5 industry & 4.31/5 residents).
2. Tourism benefits The Blue Mountains economy (4.58/5 industry & 4.27 residents).
3. Tourism supports local businesses and organizations (4.48/5 industry & 4.23 residents).
4. Tourism has an overall positive impact on the local economy throughout the year (4.42/5 industry & 4.03/5 residents).

When asking both industry members and residents if they believe the Town of the Blue Mountains should welcome more visitors, both agreed to welcome more visitors in the spring (74% industry & 48% residents), followed by the fall (74% industry & 47% residents). Notably, as seen in the discrepancy between the percentages of industry and residents who responded, it is evident that residents are much less supportive of attracting and welcoming more visitors across the year. This is underlined by the fact that 46% of resident respondents who said the municipality does not need any more visitors. Understanding and addressing this sentiment from both industry members and residents will help to inform future tourism strategy development work.

Tourism Needs

In the last 12 months, industry members and residents observed different things about tourism in the Town of the Blue Mountains. Specifically, industry members identified six (6) key observations, including the following:

1. Lack of parking, including affordable parking spots (26%).
2. Lack of infrastructure, including parks, and washrooms (16%).
3. Lack of alternative modes of transportation and related infrastructure, including sidewalks, bike paths, and bike parking (11%).
4. Increased traffic and needed road improvements (11%).
5. Need for attainable housing (5%).
6. Lack of outdoor asset management, especially hiking trails, paddling spots, and bike paths (5%).

Importantly, 32% of industry respondents specifically said they did not want a Municipal Accommodation Tax, as they felt it would discourage visitation to the municipality.

In comparison, residents observed eleven (11) key observations, including the following:

1. Increased traffic, especially on Highway 26, Mountain Road, Thornbury, Craigleith, Grey 19 and Jozo Weider (32%).
2. Parking concerns, including lack of parking spots in the Blue Mountain Village, trailheads, and at the beaches, as well as concerns over paid/unpaid parking, and enforcement of accessible parking use (20%).
3. Lack of infrastructure, including public washrooms, roads, lighting on trails and roads, outdoor spaces like parks, trails, green spaces, sewer and water systems, recreational facilities, accessible infrastructure, signage, and infrastructure maintenance (17%).

4. Need for alternative modes of transportation and related infrastructure, especially for pedestrians moving from the Blue Mountain Village to Collingwood, Grey Road 19, and Jozo Weider, on Thornbury's main street, and along Highway 26; as well as cycling infrastructure such as dedicated bike lanes, extended shoulders, parking; also shuttle services especially between Collingwood, the Blue Mountain Village, and Thornbury; and trail maintenance and improvements (17%).
5. Concern with overcrowding, especially on trails, parks, and beaches, and at the Blue Mountain Village, as well as during weekends and in the summer (13%).
6. Increased garbage, especially on trails, main streets, beaches, and Ravenna, as well as the need for garbage/recycling bins at the beaches (10%).
7. Increased burden on residents, especially the cost of living, and loss of the unique sense of place, and a need to provide special benefits to residents (10%).
8. Disrespectful visitors, including misuse of natural and cultural assets and facilities, and lack of spending at local businesses (10%).
9. Need for attainable/affordable housing, especially for hospitality and tourism workers (8%).
10. Need for environmental conservation, including the flora and fauna at the beaches, conservation areas, and trail (5%).
11. Increased burden on emergency services, including the Collingwood Hospital, and healthcare staff (3%).

Understanding current observations from industry members and residents can help inform where funding is needed for tourism development moving forward, including where MAT funds could potentially be used for not only a better visitor experience but also a resident experience.

Potential Municipal Accommodation Tax

Overall, both industry members and residents agreed with the top four (4) potential infrastructure development uses of revenue generated from a Municipal Accommodation Tax. These include the following:

1. Public space beautification, and activations (e.g., facade repairs, cultural heritage conservation, public furniture, plant/tree maintenance, walkable spaces, pop-up activities, etc.) (47% industry & 50% residents).
2. Built infrastructure development (e.g., public parking, road improvements, water/wastewater capacity, etc.) (37% industry & 55% residents).
3. Service infrastructure development (e.g., garbage/recycling cans, dog waste disposal stations, wayfinding signage, public washrooms, public Wi-Fi access, etc.) (43% industry & 44% residents).
4. Accessibility and inclusivity through tourism (e.g., affordable housing for tourism and hospitality workers, ongoing efforts for Truth and Reconciliation with Indigenous peoples, etc.) (43% industry & 42% residents).

When asked where is the most potential for revenue from the Municipal Accommodation Tax to be invested, both industry members and residents highlighted the same five (5) areas of investment. These include the following:

1. Tourism product and experience development (incl., events, festivals, walking tours, etc.) as their main area of investment (67% industry & 56% residents).

2. Communications with residents and industry members about tourism in the municipality (43% industry & 36% residents).
3. Climate change initiatives for tourism (23% industry & 35% residents).
4. Marketing and communication efforts to attract and inform visitors (50% industry & 34% residents).
5. Regular and ongoing tourism industry research (27% industry & 22% residents).

These insights can help prioritize current tourism development needs for the future, as well as identify which actions should receive financing first from potential MAT funds.

Development of the Town of The Blue Mountains Municipal Accommodation Tax Research and Feasibility Project was facilitated by Bannikin team members Camilo Montoya-Guevara, Caroline Morrow, and James Arteaga, with the invaluable input and support from Tim Hendry, Manager of Communications & Economic Development at the Town of The Blue Mountains.



Market Performance and Economic Impact Assessment

Municipal Accommodation Tax Study for The Town of the Blue Mountains



CBRE Limited
Valuation & Advisory Services
145 King St. W., Suite 1100
Toronto, ON M5H 1J8
Tel 416 362 2244
Fax 416 362 8085
www.cbre.ca

CBRE File No. 23-APPRHOTELS-0071

December 20, 2023

The Corporation of the Town of the Blue Mountains
32 Mill St., P.O. Box 310
Thornbury, ON NOH 2P0

Attn: Tim Hendry, Manager of Communications & Economic Development

RE: Market Performance and Economic Impact Assessment for Implementation of a Municipal Accommodation Tax on the Town of The Blue Mountains

Dear Mr. Hendry:

In accordance with the terms of our engagement, CBRE Tourism Consulting and CBRE Hotels (“CBRE”) are pleased to submit the attached Report on behalf of The Corporation of the Town of the Blue Mountains (“the Client”).

This report presents a summary of all study findings, accommodation inventory and estimated 2022-2023 performance, estimated potential MAT revenue for 2023-2028, and implications for implementing a MAT in the Town of The Blue Mountains. As described in this report, implementation of a 4% MAT on 1,825 available rooms in 2023 could generate \$4.0 Million in revenue for tourism initiatives in The Blue Mountains. Best practices and CBRE experience with Ontario’s tourism sector suggest that the Town consider investing in new tourism and infrastructure projects with the help of these revenues. The impacts of collecting a MAT would not only benefit the Town, but the greater Ontario Travel Region 7 and the Province of Ontario overall. Revenue collected in 2023 alone According to the Ministry of Tourism, Culture and Sport’s TREIM model, the additional \$4.0 Million generated in MAT funds could lead to economic impact equating to \$1.9 Million in direct GDP and \$943,000 in direct labour income, along with \$867,000 in direct taxes for Region 7 in \$2023.

Despite the potential economic benefits of a MAT, careful consideration needs to be applied to assess the current tourism landscape, given the existing 2% Destination Marketing Fee (also known as the Village Amenity Fee) already collected by the Blue Mountain Village Association on overnight accommodations. Through the scope of the study and understanding that MAT is only collected on overnight accommodation, which is a subset of the broader tourism industry, CBRE also assessed alternative options to MAT including an increase on commercial property taxes or introduction of business licensing, which could encourage unlicensed accommodation operators to contribute to the community.

The entire study, including all findings and conclusions, pertains only to the Town of the Blue Mountains, and is based on our knowledge and information with respect to current and projected economic data, sources of existing lodging data as compiled by CBRE, and the status of the competitive market as at the completion of our field work on December 14, 2023. Projected operating results herein are based on an evaluation of the present economy of the area, but do not consider or make provision for the effect of any sharp rise or decline in economic conditions.

We appreciate the opportunity to be of service.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Rebecca Godfrey". The signature is fluid and cursive, with a large initial "R" and "G".

Rebecca Godfrey, CMC, MBA
Senior Vice President
Valuation & Advisory Services
Phone: (647) 943-3743
Email: rebecca.godfrey@cbre.com

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Introduction

On November 23, 2017, the Province of Ontario issued the Transient Accommodation Regulation 435/17, which came into effect December 1, 2017, and provides the necessary provisions for municipalities across Ontario to implement a mandatory Municipal Accommodation Tax (MAT). The Municipal Accommodation Tax has since replaced the voluntary Destination Marketing Fee which was collected by accommodation properties in many Ontario jurisdictions.

In September 2023, the Corporation of the Town of The Blue Mountains (“the Client”) retained CBRE Tourism Consulting to undertake a Market Performance and Economic Impact Assessment for the Implementation of a Municipal Accommodation Tax. The purpose of this study is to:

- Understand the revenue potential of implementing a MAT on three primary types of accommodations:
 - Hotels, motels and inns
 - Commercial Resort Units (“CRUs”), including those registered in the Blue Mountain Village Association (known as VCRUs), and
 - Short-term accommodations (“STAs”)
- Conduct an Economic Impact Assessment to determine the future spinoff of additional MAT revenue for the Town and Province of Ontario, and the direct economic impact for the local tourism industry resulting from MAT funding support of new tourism projects; and
- Identify Blue Mountains’ competitiveness and growth potential, as well as potential risks associated with implementing a MAT.

To support the work program, CBRE leveraged several primary research tools:

- CBRE Hotels’ Trends in the Hotel Industry Database and Accommodation Supply databases.
 - CBRE maintains the only proprietary database on the accommodation industry in Canada. On a monthly basis, we obtain and monitor the rate and occupancy performance of over 2,000 properties, representing just under 60% of the Canadian accommodation industry’s room supply. CBRE also maintains a Supply Database, which tracks opening, expansions and proposed developments.
- SurveyMonkey.com
 - Using the SurveyMonkey platform, CBRE conducted a survey of accommodation providers, in order to complement and support See Transparent’s data in the capturing of 2022 and 2023 year-to-date performance data.
 - CBRE received 56 responses, out of which 32 surveys (57%) were completed, representing 156 guest rooms. The survey consisted of two parts:

- 1) Establishment description including accommodation category (Hotel, Motel, Bed and Breakfast, Short-Term Accommodation, or Commercial Resort Unit), 2022 and 2023 operation season, and establishment owner structure.
- 2) 2022 and 2023 accommodation performance including available guest rooms/units, occupied guest rooms/units, transient demand, room revenue and/or average daily rate, and supply forecast.
- See Transparent
 - See Transparent monitors active short-term rental listings from Airbnb, Vrbo, and Booking.com. In terms of supply, the data includes a unique identifier for each host as well as count of properties, total capacity, and host type for each property. See Transparent also provides monthly occupancy and average daily rate data at the property level. CBRE utilized data purchased through See Transparent for 2019, 2022, and year-to-date October 2023 to undertake a detailed analysis of historical CRU and STA performance in 2019 and 2022, as well as a forecast for 2023.

Our work program has involved the following steps:

- Utilized CBRE Hotels' accommodation supply database, client data and custom research to develop an inventory of fixed roof accommodation properties by property type;
- Estimated the annual 2022 performance of commercial fixed-roof accommodation properties using both CBRE Hotel's Trends in the Hotel Industry database and estimates;
- Utilized See Transparent's 2022 custom data to estimate the inventory and topline performance of entire home, shared room, and private room rentals available in the Town.
- Estimated 2022 Actual and 2023 Forecasted accommodation performance in the Town of the Blue Mountains, based on a combination of survey results, See Transparent data and CBRE's in-house Trends database;
- Estimated tax revenue generated by a 4.0% tax to accommodations in the Town of the Blue Mountains in 2024 through 2028;
- Estimated the Economic Impact of incremental revenue by applying a 4% MAT in 2023, utilizing visitation data for Ontario Travel Region 7 (Bruce Grey Simcoe) and applying inputs into Ontario's Tourism regional Economic Impact Model (TREIM);
- Assessed future accommodation supply based on Town Planning estimates and CBRE research;
- Conducted a review of MAT implementation status and best practices / lessons learned in Collingwood, Huntsville, Niagara-on-the-Lake and Prince Edward County;
- Provided insights into potential benefits and risk associated with MAT implementation; and
- Assessed other potential revenue options for the Municipality to consider for future destination marketing and destination development.

The subject Report summarizes all research and analysis for the Market Performance and Economic Impact Assessment for Implementation of a Municipal Accommodation Tax for the Town of the Blue Mountains.

The Blue Mountains Accommodation Inventory

The Town of the Blue Mountains Accommodation Supply Overview

In order to assess the 2022 actual and 2023 forecast performance of fixed-roof accommodation properties across the Town of the Blue Mountains, CBRE categorized each accommodation listing by property type. The following definitions summarize the five categories that were applied:

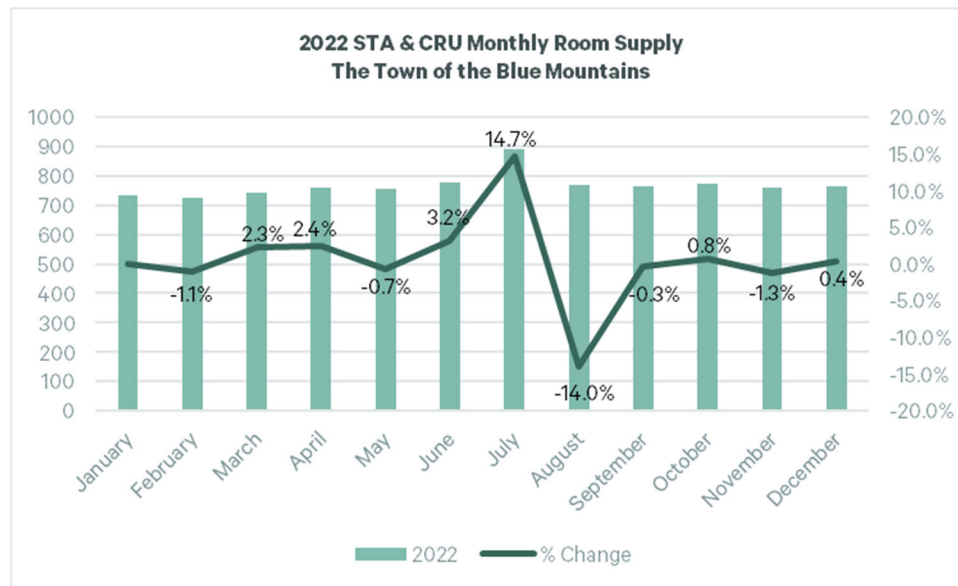
Category	Type	Definition
B&B	Commercial	Properties with 10 or less guestrooms offering breakfast included in rate.
Hotels/Motels	Commercial	Properties with 10 or more guestrooms, typically operated year-round.
Short-Term Accommodations (STA)	Private	Privately-owned properties offered through services such as Airbnb, Vrbo, and TripAdvisor and booked for less than 30 consecutive days.
Commercial Rental Unit (CRU)	Commercial	Professionally managed properties booked for less than 30 consecutive days.
Village Commercial Rental Unit (VCRU)	Commercial	Professional managed properties located in the village, registered with the Blue Mountain Village Association (BMVA), and booked for less than 30 consecutive days.

CBRE Hotels' databases, combined with See Transparent data and the Client-provided staff report entitled "Short Term Accommodation, Bed and Breakfast, Commercial Resort Units, Village Commercial Resort Units, Hotel, Motel, Trailer Park, Camp Ground (Resort Accommodations) Zoning By-law Update," identified 1,851 fixed-roof accommodation units available in the Town of the Blue Mountains in 2019. Omitting the impacts of COVID-19, which impacted a significant portion of the accommodation industry in 2020 and 2021, supply is estimated to have decreased by 38 units or 2% of 2019 levels to reach 1,813 units available in 2022. Room supply in The Town of the Blue Mountains increased by 12 units or less than 1% in 2023, which is still 26 units below 2019 levels, as shown in the table below. CRUs & STAs account for approximately 42-43% of the Town's Inventory, followed by VCRUs (41-42%), Hotels (12-13%), Motels (2%), and Bed & Breakfasts (1-2%).

Accommodation Units Available by Type in the Blue Mountains							
	2019 Room Supply	%	2022 Room Supply	%	2023 Room Supply	%	
VCRU	765	41%	765	42%	765	42%	
CRUs & STAs	795	43%	768	42%	780	43%	
Hotel (1 Property)	228	12%	228	13%	228	12%	
Motels (3 Properties)	34	2%	34	2%	34	2%	
Bed & Breakfast (5 Properties)	29	2%	18	1%	18	1%	
TOTAL	1,851	100%	1,813	100%	1,825	100%	

Source: CBRE Hotels, See Transparent, CBRE Research

Unlike hotel accommodations, where the supply of rooms remains static on a year-round basis, supply of STA and CRU accommodations can fluctuate dramatically month over month. The following chart shows that in 2022, the highest supply increase occurred in July, at 14.7%, followed by a significant decrease of 14.0% in August. Supply fluctuations ranged between 1.3% - 3.2% over the remaining months.



See Transparent categorizes units listed as follows:

- **Entire Home:** The guest has complete and sole access to the entire unit during the stay;
- **Private Room:** The guest has their own sleeping area, but shares access to the Unit common areas; and
- **Shared Room:** The guest rents a common area, like an airbed in a living room.

	2019	%	2022	%
Entire Home	771	97%	760	99%
Private Room	24	3%	7	1%
Total	795	100%	767	100%

Shared Rooms were excluded from this analysis. Of those 767 units available on average in 2022, 760 were entire home rentals (99% of total 2022 listings), while only 1% of listings or 7 rooms were private rooms. In comparison, 97% of the available units were entire homes, and the remaining 3% were private rooms in 2019.

Historical Airbnb Supply

In estimating the historic supply of the short-term rental market consisting of CRUs and STAs for the Town of the Blue Mountains, CBRE examined data compiled by See Transparent, which tracks Airbnb listings. Units listed in See Transparent are categorized by the following subtypes: Apartment, Bungalow, Chalet, Glamping, Guest House, House, Other, RV, Townhouse, and Villa. According to See Transparent’s unification rules, “Other” units could consist of Cars, Caves, Earth Houses, Lighthouses, Islands, Parking Spaces, Planes, Trains, and generally uncategorizable listings.

In 2019, the Town of the Blue Mountains had an average of 625 units available for rent on Airbnb. The majority of the available listings were apartments with 265 units (42.2%), followed by 172 chalets (27.5%), 72 houses (11.5%), and 39

townhouses (6.2%). Bungalows, RVs, and villas accounted for the least number of listings, ranging between 0.2-1.3%. In 2022, an average of 620 units were listed on Airbnb. Apartment listings made up most of the inventory with 275 units (44.4%), followed by 160 Chalets (25.9%), 95 Townhouses (15.4%), and 64 houses (10.4%). Glamping, Bungalows, RVs, and Villas account for the least number of listings, ranging between 0.2-1.5% of the total supply. The biggest change overall was the increased number of townhouses listed on Airbnb in 2022.

Airbnb Accommodation Units Available by Subtype - 2019 and 2022
Town of the Blue Mountains

RV	1	0.2%	1	0.2%
Villa	0	0.0%	1	0.2%
TOTAL	625		620	100%

Source: See Transparent

The Blue Mountains Competitive Accommodation Performance

The following table provided a summary of competitive accommodation market performance for the Town of the Blue Mountains in 2022 and 2023 (forecast), based on year-to-date September 2023 data.

Competitive Market Performance Results

Year	Rooms Available	% Change	Rooms Occupied	% Change	Occupancy	Pt. Change	ADR	% Change	RevPAR	% Change
2022	661,380	-	347,030	-	52.5%	-	\$304.18	-	\$159.60	-
2023	666,125	0.7%	357,580	3.0%	53.7%	1.2	\$285.03	-6.3%	\$153.01	-4.1%

Source: CBRE Hotels

As previously identified, the Town of the Blue Mountains' accommodation supply inventory is comprised of VCRUs, CRUs, STAs, hotels, motels, and bed & breakfasts.

Supply in the competitive market increased by 0.7%, driven by both STA and CRU additions. With travel continuing to return post-COVID, rooms occupied for the subject market is expected to increase by 3.0% by year-end 2023, resulting in a 1.2-point change in occupancy, from 52.5% to 53.7%.

After considerable increases in Average Daily Rate (ADR) in 2022, rates either held steady or started to decline in 2023, and ADR is expected to decline by 6.3% to \$285.03 by year-end 2023. As a result, revenue per available room (RevPAR) is expected to decline by 4.1% to reach \$153.01.

It should be noted that resort markets like Blue Mountains recovered more quickly post COVID than other Ontario destinations, from both an occupancy and rate perspective. The Ontario resort market achieved 47.2% occupancy in 2022 and \$273.70 in ADR. In comparison, the competitive Ontario hotel market achieved 62.9% occupancy in 2022, and is expected to reach 68.9% by year-end 2023, as urban markets finally began to regain demand post-COVID (up 11.0% over 2022). Rates also continued to increase in 2023, with ADR forecast to grow by 9.0% to reach \$195.41 by year-end 2023.

Historical Airbnb Inventory Performance

See Transparent tracks all rate and demand performance from Airbnb as the platform has the widest coverage of the short-term rental market (85.75% of the Town of the Blue Mountains).

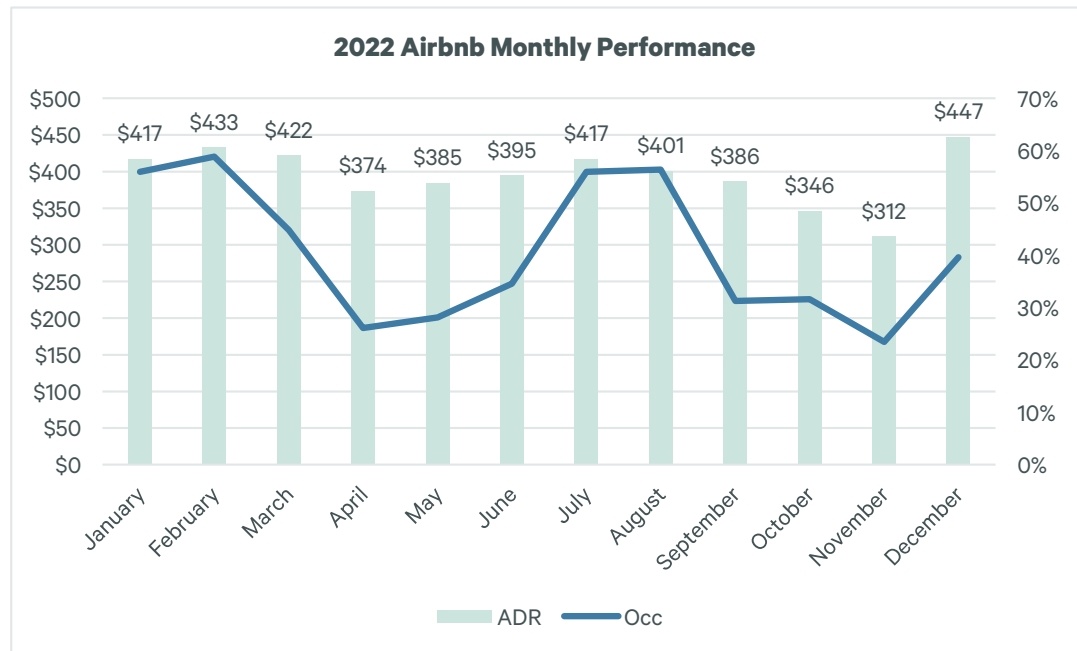
STA & CRU Supply Type - 2019 and 2022 Performance

The Town of the Blue Mountains

	ADR			Occ		
	2019	2022	% Change	2019	2022	Pt. Change
Entire Home	\$377.28	\$399.60	5.9%	41.5%	40.4%	-1.1%
Private Room	\$95.54	\$200.94	110.3%	47.8%	49.5%	1.7%
Total	\$236.41	\$397.45	68.1%	44.7%	40.6%	-4.1%

Source: CBRE, See Transparent

The supply of Entire Homes decreased slightly in 2022 from 771 to 760 available units. Average occupancy also declined from approximately 42% to 40%, while ADR increased by 6% from \$377.28 in 2019 to a high of \$399.60 in 2022. The number of Private Rooms listed on Airbnb also decreased considerably in 2022 (71%), nevertheless, demand for this product type continued, with occupancy levels increasing from about 48% in 2019 to reach 49.5% in 2022. In contrast to Entire Homes, the average ADR for Private Homes was much lower in 2019, reaching only \$95.54, but increased by over 110% to reach \$200.94 in 2022.



Source: CBRE, See Transparent

As previously identified, the Town of the Blue Mountains’ Airbnb inventory is comprised of CRU and STAs. During 2022, ADR and occupancy levels for Airbnb inventory fluctuated dramatically. The highest ADR of the 2022 occurred in December at \$447, despite the more modest occupancy rate of only 40%. January, February, July, and August recorded the highest occupancy levels, ranging between 56-59%, while still achieving ADR over the \$400 mark. November was relatively the weakest month in terms of overall performance, with the lowest ADR (\$312) and occupancy rate (23%).

Projected Market Performance 2023 - 2028

Competitive Market Supply Projections

It should be noted that information regarding proposed development may vary once the planning department grants approvals or development financing is finalized. While CBRE Hotels and the Town has made attempts to determine the level of new supply entering the market, it is impossible to determine every accommodation that will be developed in the future, when they will be completed or their potential impact on the MAT. The inherent risk of any future new supply has been implicitly considered in the selection of a stabilized occupancy level for the Town’s projections.

The Town’s Planning Department estimates that there will be 1,140 new accommodation units created within the next five years (2023-2028) and will be a mix of STAs, CRUs, and Bed & Breakfasts. The number of units is approximate and

rounded. It has been stressed that there are many factors that may impact whether or not an owner/developer will actually proceed.

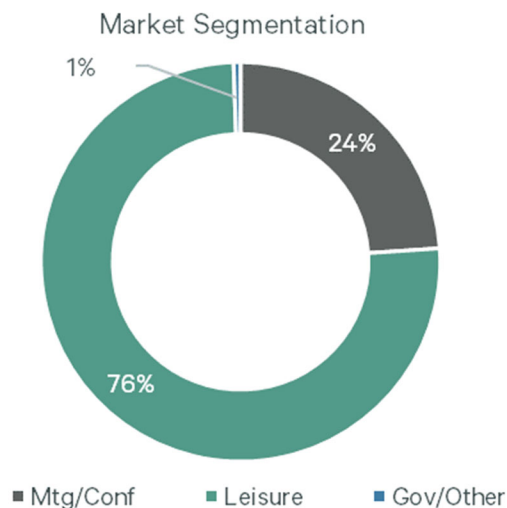
Taking into account Municipal approvals and financing considerations for development, CBRE has accounted for a net increase of 285 rooms to enter the competitive market over the 5-year projection period. This means that between the years of 2025 and 2028, there is a 25% probability that 285 rooms will enter the market, for overall supply growth of 16.8% over 2022 levels.

Market Occupancy and ADR Projections

The demand projections prepared for the Town of Blue Mountains' accommodation inventory are based on the economic outlook for the area, current market dynamics and anticipated changes in demand patterns throughout the projection period. The demand projections below consider these impacts, as well as historic and anticipated future factors impacting demand in the Town.

Market Segmentation

In most markets, overall demand varies based on the nature of travel. Accommodation demand for the competitive Blue Mountains market is typically generated by three different segments: Meeting/Conference, Leisure and Other. In 2022, Leisure travel made up 76% of the Town's overall accommodation demand, followed by Meetings/Conference segment (24%), and Government/Other Contracted Demand (1%).



Source: CBRE Hotels

LEISURE

Leisure travelers generally include vacationers or travelers passing through the area. This segment is typically attracted by a hotel's location relative to area attractions and/or venues where they are participating in events such as sports/recreational exhibitions and competitions. This segment can also include those visiting, but not staying with friends and relatives. Leisure demand also includes occupied rooms generated online through third party providers such as Expedia, Priceline, etc. and includes leisure groups such as sports teams and tour groups.

Demand from leisure travelers is typically generated throughout the year on weekends, during school/statutory holiday periods and in the summer months. Leisure travelers tend to have a high level of double occupancy and tend to pay the highest rates. The typical stay for leisure travelers is between one and four nights.

MEETING/CONFERENCE

In this segment, room demand is generated by sources travelling for the primary purpose of attending meetings and conferences. This segment includes corporate groups, associations and SMERF (social, military, educational, religious, and fraternal) groups. This segment is typically attracted by a hotel's in-house meeting facilities and/or their proximity to other public assembly venues and conference/convention facilities. Demand from corporate groups is typically generated between Sunday and Thursday nights.

Corporate groups tend to have a high level of single occupancy, while other groups tend to have more double occupancy. Associations and SMERF groups have a more varied occupancy pattern and often hold weekend meetings. This demand segment tends to be somewhat price sensitive. Meetings and conferences typically generate between one and three nights of guest room demand. Larger groups can often negotiate preferred/discounted room rates or discounts on their food and beverage charges and/or meeting room rental rates.

GOVERNMENT/OTHER

Government/Other demand includes demand generated by all levels of government. It can also include any construction and maintenance crew business that may be staying in the area with durations ranging from one night to several weeks/months. Indigenous travelers that qualify for federal government room rates are included within this segment. Finally, this segment also includes occupied room night demand generated by brand loyalty rewards redemptions or associate stays.

This segment is comprised of demand that is highly rate sensitive in comparison with the other market segments.

Market Demand Projections

The following summarizes our projections for future room demand by market segment.

Town of the Blue Mountains Market Demand Projections							
Projections by Segment	Actual 2022	Projection 2023	Year 1 2024	Year 2 2025	Year 3 2026	Year 4 2027	Year 5 2028
Corporate							
Mtg/Conf							
Occupied Room Nights	83,011	83,841	85,937	88,086	90,288	92,094	93,936
Demand Growth		1.0%	2.5%	2.5%	2.5%	2.0%	2.0%
Leisure							
Occupied Room Nights	262,066	269,246	282,708	303,911	326,705	343,040	360,192
Demand Growth		2.7%	5.0%	7.5%	7.5%	5.0%	5.0%
Gov/Other							
Occupied Room Nights	1,955	1,974	2,024	2,064	2,105	2,148	2,190
Demand Growth		1.0%	2.5%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels

All segments are expected to experience a demand growth ranging from 1.0% to 7.5% over the 5-year projection period. The Town of The Blue Mountains attracts the majority of its accommodation demand from the Leisure segment, which represented 76% of occupied room nights in 2022. The Leisure segment is expected to achieve the highest demand growth in the market at 2.7% in 2023, 5.0% in 2024, and 7.5% in 2025 as well as 2026, before dropping back to 5.0% for 2027 and 2028. The Meetings and Conference segment is forecast to experience 1.0% in 2023, followed by 2.5% growth

in demand between 2024 and 2026, before dropping to 2.0% in 2027-2028. The Government/Other segment is also expected to see 1.0% growth in 2023, and 2.5% in 2024, before stabilizing at 2.0% for the rest of the projection period. Overall demand is expected to grow 31.5% over 2022 levels.

Town of the Blue Mountains Projected Market Performance Summary

Market Projections	Actual 2022	Projection 2023	Year 1 2024	Year 2 2025	Year 3 2026	Year 4 2027	Year 5 2028
Total Demand							
Occupied room nights	347,032	355,061	370,669	394,061	419,098	437,281	456,318
Demand growth		2.3%	4.4%	6.3%	6.4%	4.3%	4.4%
Total Supply							
Available Room Nights	661,380	666,125	667,950	692,131	718,138	744,144	772,260
Supply Growth		0.7%	0.3%	3.6%	3.8%	3.6%	3.8%
Market Occupancy	52.5%	53.3%	55.5%	56.9%	58.4%	58.8%	59.1%
Market ADR	\$304.18	\$285.03	\$292.16	\$298.00	\$303.96	\$310.04	\$316.24
Market RevPar	\$159.61	\$151.93	\$162.13	\$169.66	\$177.39	\$182.19	\$186.86
Rate Growth		-6.3%	2.5%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels

Based on the year-to-date October 2023 performance and projected demand conditions through the balance of the year, demand growth is projected to be 2.3% for the full-year 2023. Although supply growth of just under 1% is anticipated, the market occupancy rate is still expected to improve to 53.3%. By 2028, occupancy levels are expected to be back to pre-COVID levels at 59.1%.

Market ADR is projected to decrease by 6.3% in 2023 but is expected to increase by 2.5% in 2024 with the continued impact of inflation and stabilize at 2.0% for the remainder of the projection period. In 2026, market ADR is projected to cross over the \$300 mark, reaching a high of \$316.24 in 2028.

Annual MAT Revenue Potential

Based on data from the CBRE Hotels' databases and See Transparent (short-term rental accommodation tracking), CBRE has projected the future revenues after applying a 4% MAT to the Town's accommodation supply. The following summarizes our projections for MAT revenues between 2023 and 2028.

The Town of the Blue Mountains MAT Projections							
	2022*	2023	2024	2025	2026	2027	2028
Accommodation Market Projections							
MAT-Applicable Units	1,812	1,825	1,825	1,896	1,968	2,039	2,116
Occupancy	52%	53%	55%	57%	58%	59%	59%
Average Daily Rate	\$304	\$285	\$292	\$298	\$304	\$310	\$316
Accommodation Revenue	\$105,559,752	\$101,203,700	\$108,293,690	\$117,430,395	\$127,389,190	\$135,574,454	\$144,306,153
Municipal Accommodation Tax Revenue							
MAT %		4%	4%	4%	4%	4%	4%
Total MAT Revenues		\$4,048,148	\$4,331,748	\$4,697,216	\$5,095,568	\$5,422,978	\$5,772,246
Tourism Entity (50%)		\$2,024,074	\$2,165,874	\$2,348,608	\$2,547,784	\$2,711,489	\$2,886,123
Town (50%)		\$2,024,074	\$2,165,874	\$2,348,608	\$2,547,784	\$2,711,489	\$2,886,123
MAT \$ Per Occupied Room Night		\$11.40	\$11.69	\$11.92	\$12.16	\$12.40	\$12.65

Source: CBRE

In 2023, the Town of The Blue Mountains' fixed-roof commercial accommodations are forecasted to generate an estimated \$101.2 million in topline room revenue. CBRE estimates that applying a 4% MAT tax on accommodation revenue will equate to approximately \$4.0 million in MAT revenue or \$11.40 fee per occupied room night. This MAT generated revenue is projected to reach approximately \$5.8 million or \$12.65 fee per occupied room night in 2028.

Municipalities that choose to implement a transient accommodation tax under the Municipal Act, 2001 are required to share a portion of their revenues from the tax with an "eligible tourism entity." Typically, a 50/50 revenue split is adopted by municipalities between the Town and the tourism entity or destination marketing organization (DMO). At 50% of MAT revenues, it is estimated that the Town will receive \$2.0 million in 2023, increasing to \$2.9 million by 2028. Based on best practices and CBRE experience with Ontario's tourism sector, it is recommended that the Town consider investing in new tourism and infrastructure projects with the help of these revenues.

Economic Impact Assessment of MAT Implementation

Ontario's Tourism Regional Economic Impact Model

Specific to Tourism, the Province of Ontario supports the use of the Tourism Regional Economic Impact Model (TREIM). TREIM is a regional economic impact model using the latest Ontario Input-Output Table and data from the Ontario Economic Accounts to estimate the Gross Domestic Products (GDP), the number of jobs, and the taxes generated from tourism-related activities in the province. The information produced by this model enables the evaluation of the significance or the impact of tourism on the local economy and the comparison of the tourism industry to other industries in terms of GDP, employment, and taxes. This **data analysis simulation tool** assists organizations in learning more about the economic impact of tourism in Ontario.

The model is capable of simulating tourism-related economic impacts, such as:

- economic impact of specific tourism events
- impacts on the supply side by tourism industry sector
- impacts by type of capital project for the chosen region

TREIM includes modules on:

- **Visitor Spending:** estimates the economic impact of tourism spending in a specific region and/or for a specific event. There are 17 built-in activity options, including festivals, golfing, casinos.
- **Operational Expenses:** estimates the economic impact of operating an ongoing business, such as an attraction, retail business, hotel, or restaurant.
- **Investment Expenditures:** estimates the economic impact of investing in or building a tourism facility such as an attraction, retail business, hotel, or restaurant.
- **Convention Centre Activity:** estimates the economic impact of a convention, including the spending of delegates and exhibitors as well as production costs.

For the purpose of the TRIEM model, a visitor is someone who takes:

- An overnight out-of-town trip, or
- An out-of-town same-day trip of 40 kilometres or more (one-way) away from their home.

The economic impacts generated through TREIM include estimates of the Direct, Indirect, and Induced impacts of tourism-related activities on:

- Gross Domestic Product (\$ Millions)
- Labour Income (\$ Millions)
- Employment (jobs)

TREIM also produces estimates of Direct and Total impacts of tourism-related activities on Federal, Provincial, and Municipal Tax Revenues.

TREIM Output Definitions

- **Direct Impact** refers to the impact generated in businesses or sectors that produce or provide goods and services directly to travelers, e.g., accommodations, restaurants, recreations, travel agents, transportation and retail enterprises etc.
- **Indirect Impact** refers to the impact resulting from the expansion of demand from businesses or sectors that directly produce or provide goods and services to travelers, to other businesses, or to other sectors.
- **Induced Impact** refers to the impact associated with the re-spending of labour income and/or profits earned in the industries that serve travelers directly and indirectly.
- **Gross Domestic Product (GDP)** is the value of goods and services produced by labour and capital located within a country (or region), regardless of nationality of labour or ownership. GDP is measured at market prices which include net indirect taxes on products. Tourism GDP refers to the GDP generated in those businesses that directly produce or provide goods and services for travelers.
- **Employment** refers to number of jobs, it includes full-time, part-time, seasonal, and temporary employment (based on the share of the year worked), for both employed and self-employed workers.
- **Federal tax revenues** include personal income tax, corporate income tax, commodity tax (GST/HST, gas tax, excise tax, excise duty, air tax and trading profits) and payroll deduction that is collected by the federal government.
- **Provincial tax revenues** include personal income tax, corporate income tax, commodity tax (PST/HST, gas tax, liquor gallonage tax, amusement tax and trading profits) and employer health tax that is collected by the Ontario provincial government.
- **Municipal tax revenues** include business and personal property and education taxes that are collected by the municipalities. Collection, however, does not follow immediately the consumption or production of goods and services in a municipality by visitors (as is the case with HST or personal income taxes). Rather, these taxes show the percent of the total property taxes collected by a municipality that can be attributed to tourism because of tourism's contribution to the economic activity of the municipality and hence its tax base.

Economic Impact of the Town of the Blue Mountains' MAT Implementation

To determine the economic impact of a 4% MAT implementation in 2023 for the Ontario Travel Region 7 (Bruce Grey Simcoe), CBRE has applied the following inputs and assumptions to Ontario's Tourism Regional Economic Impact Model (TREIM):

- Estimated 2023 MAT revenue for the Town of the Blue Mountains - \$4,048,148
- Applied MTCS visitor origin and visitor spending data trends, available for Ontario Travel Region 7 in 2012 and 2021, which are estimated at:
 - Ontario - 92.0%
 - Other Canada – 2.5%
 - US – 3.5%
 - Overseas – 2.0%
- Determined economic impacts for Ontario Travel Region 7 and the province of Ontario
- Induced impacts of household spending are included
- Induced impacts of business investment are included
- Local government property tax revenue impacts are included

The following table summarizes the impact of the MAT Implementation to Region 7 and the province.

Economic Impact of Blue Mountains' MAT Implementation 2023

		Region 7	Rest of Province	Total
Total Visitors' Spending		\$4,048,000	\$0	\$4,048,000
GDP	Direct	\$1,851,000	\$0	\$1,851,000
	Indirect	\$320,000	\$242,000	\$562,000
	Induced	\$467,000	\$257,000	\$724,000
	Total	\$2,637,000	\$499,000	\$3,136,000
Labour Income	Direct	\$943,000	\$0	\$943,000
	Indirect	\$208,000	\$150,000	\$359,000
	Induced	\$282,000	\$169,000	\$451,000
	Total	\$1,434,000	\$319,000	\$1,753,000
Employment (Jobs)	Direct	24	0	24
	Indirect	3	2	5
	Induced	3	2	5
	Total	30	4	34
Direct Taxes	Federal	\$356,000	\$0	\$356,000
	Provincial	\$479,000	\$0	\$479,000
	Municipal	\$31,000	\$0	\$31,000
	Total	\$867,000	\$0	\$867,000
Total Taxes	Federal	\$503,000	\$69,000	\$572,000
	Provincial	\$585,000	\$47,000	\$633,000
	Municipal	\$76,000	\$20,000	\$96,000
	Total	\$1,164,000	\$137,000	\$1,301,000

Source: TRIEM, with inputs from Ontario Ministry of Tourism, Culture, and Sport, CBRE Hotels, Statistics Canada & CBRE Estimates

- **Value Added Impacts:** A 4% MAT is expected to contribute an estimated \$1.9 million to Travel Region 7's Gross Domestic Product at the direct level, and a further indirect and induced impact of \$787,000. For the rest of the province, the indirect and induced GDP impacts totaled \$499,000, for a total GDP contribution of \$3.1 million.
- **Employment Impacts:** Visitor spending contributed approximately \$943,000 in direct labour income for the Region. Including indirect and direct impacts, this totals \$1.4 million in labour income. For the rest of the province, indirect and induced impacts equated to \$319,000.
- **Revenues to Government:** MAT implementation would contribute to total annual taxes of \$1.2 million, with approximately \$503,000 in Federal Taxes, \$633,000 in Provincial Taxes, and \$96,000 in Municipal Taxes, of which \$76,000 would be retained in Region 7.

Additional Benefits and Risks of MAT Implementation

Market Factors Affecting the Recovery of the Accommodation Sector

To implement a municipal accommodation tax (MAT) in the Town of the Blue Mountains, it's important to gain a comprehensive understanding of Canada's national investment and accommodation market characteristics, along with Ontario's tourism market outlook. This requires examining the investment market to understand factors that impact new supply developments, looking at the national accommodation market to assess market readiness and timing of recovery of the accommodation sector's major metrics including occupancy, ADR, and RevPAR, and exploring the tourism market to determine the accommodation sector's demand. This approach ensures that the implementation of a MAT aligns with broader tourism and economic trends.

National Investment Market Characteristics

Strengths

- Economic growth in Canada over the coming quarters is still expected to remain positive, albeit at lower levels, with no recession formally forecast by the Bank of Canada.
- The labour market remains resilient with continued growth and the unemployment rate holding relatively steady, increasing only modestly year-to-date.
- Industrial, food-anchored retail and multifamily assets continue to see stronger levels of investment activity, providing more transactional datapoints and conviction in pricing.
- Private capital continues to be the most active purchaser group in Canada that has kept investment volumes afloat.
- Demand for best-in-class office properties remains strong, with nine out of 10 Canadian markets experiencing stable or contracting downtown Class A vacancy rates in Q3 2023.
- While industrial availability rates have increased over recent quarters, the national average stands at 2.5% and remains low relative to the historic norm of 4.7%.
- Industrial construction activity eased further from record levels in Q3 2023, decreasing slightly quarter-over-quarter to 43.6 million sq. ft. while pre-leasing activity continues to slow.
- The pace of industrial rent growth slowed further in Q3 2023 but remains positive, rising 11.8% year-over-year and returning towards growth rates seen prior to the pandemic.
- Multifamily developers received a slight reprieve from higher costs in the form of a 100% rebate on the GST for new rental construction, which is expected to unlock thousands of additional units of rental housing across Canada over the coming years.

- Based on the Q3 2023 CBRE Canadian Cap Rate Survey, hotel cap rates held steady from the previous quarter this year. There was an uptick in hotel investment activity as many investors moved away from the short-term wait-and-see approach and began to target strategic acquisition opportunities. Cap rates held stable as upward pressure from the higher cost of debt has been offset by the hotel operating fundamentals outperforming annual budgets. This adjustment to new market conditions that investors are making will likely lead to an increase in transaction volumes in the latter half of 2023.

Weaknesses

- The Canadian economic outlook has weakened over recent months and Canada appears to be entering a period of slower growth while inflation continues to run hotter for a little longer.
- The Bank of Canada has cut its GDP growth projection for Q3 2023 nearly in half to 0.8% annualized and lowered the full year growth for 2024 from 1.8% to 1.2%.
- Inflation is projected to average 3.0% throughout 2024, up from the 2.5% previously forecast by the Bank of Canada and is expected to return to target in the second half of 2025.
- The current economist consensus is for interest rates to hold at 5.00% over the next few quarters before cuts are expected to begin sometime in mid-2024.
- Debt markets are proceeding with an abundance of caution and adjusting to higher bond yields as well as more restrictive credit conditions.
- The impact of elevated interest rates and tight credit conditions have slowed investment activity in Canada as the market enters an adjustment period and recalibration of asset pricing.
- Overall cap rates continued to steadily increase in Q3 2023, with the national average all-properties yield rising 17 basis points (bps) quarter-over-quarter to 6.45%.
- The national office vacancy rate increased 10 bps this quarter to 18.2%. Most of this increase was due to the suburbs where vacancy continued to climb.
- Outside of Calgary, most office markets have seen sublet options increase. On a year-over-year basis, six markets have seen sublet space as a percent of inventory increase, most notably in Toronto (+130 bps) and Vancouver (+90 bps).
- Industrial net leasing activity continued at a tempered pace compared to its blistering levels in recent years, with national net absorption easing slightly quarter-over-quarter to 3.1 million sq. ft. in Q3 2023.

The National Accommodation Market Overview & Outlook

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organization as a “Global Pandemic” on March 11, 2020, caused heightened uncertainty in both local and global market conditions. The impact on the hospitality and tourism sector was swift and significant as many countries globally implemented strict travel restrictions, as well as a range of quarantine or proof of vaccination and “social distancing” measures effectively limiting both domestic and international travel. In Canada, on March 18, 2020, the Federal government implemented a ban on the entry to Canada of foreign nationals from all countries, except the United States. At the same time, it was announced that the Canada-U.S. border would be closed to all non-essential travel. These closures/limitations persisted for approximately 18 months.

After seeing RevPAR decline by 64% to just \$39 in 2020, the National accommodation market saw stronger than anticipated RevPAR recovery in 2021 with increased Leisure demand and once restrictions eased a slow return of some Corporate and Meeting/Conference business in the fall. The bulk of the gains came from occupancy improvements although there was moderate ADR growth as well. While there was a drag on Q1 2022 performance due to the Omicron wave and associated restrictions, RevPAR recovery accelerated sharply and led by 33% ADR growth and a 20-point increase in occupancy. As a result, overall RevPAR growth for the year was a robust 95%. Operators were able to drive significantly higher-than-expected ADR levels for myriad reasons including general economic inflationary conditions, very high levels of leisure demand due to pent-up travel desire and excess discretionary income, as well as both direct and indirect capacity constraints due to labour shortages in the hospitality, tourism and related industries.

The following presents CBRE Hotels most recent (September 2023) national forecast out to 2025.

	Indicator			Year Over Year Change				
	Occ	ADR	RevPAR	Supply	Demand	Occ	ADR	RevPAR
2019	65%	\$163	\$106	1.4%	1%	-1 pt	5%	5%
2020	30%	\$128	\$39	0.7%	-54%	-35 pts	-22%	-64%
2021	41%	\$135	\$56	0.5%	39%	11 pts	5%	45%
2022	61%	\$179	\$109	0.5%	48%	20 pts	33%	95%
2023F	65%	\$193	\$128	0.9%	10%	5 pts	8%	17%
2024F	67%	\$198	\$133	1.0%	2%	1 pt	3%	4%
2025F	68%	\$202	\$137	0.6%	2%	1 pt	2%	4%

Source: CBRE Hotels

National occupancy is expected to recover in 2023 to 2019 levels. Although nationally the industry saw a full recovery of RevPAR in 2022, many of the major metro markets were still being impacted by lower demand levels as not all segments (i.e., International Leisure, etc.) had returned to full capacity delaying the occupancy recovery. In 2024, the industry is expected to see the growth in all top line metrics moderate as additional demand returns and rate yield pressures soften. Over the next several years national occupancy is projected to run closer to 67% as the supply curve is still running at lower levels until the pipeline catches up with the demand recovery.

Ontario Tourism Market Overview

The Conference Board of Canada's travel statistics and forecasts show overnight visits in all forms of accommodation. Travel expenditure forecasts are prepared by the Conference Board utilizing data provided by Statistics Canada.

Ontario Travel Market Outlook - Overnight Visits

	2019	2020e	2021e	2022e	2023f	2024f	2025f	2026f	2027f
Total Visits ('000s)	45,663	25,979	27,304	40,423	45,614	47,892	50,229	52,060	53,455
% Change	0.0	-43.1	5.1	48.0	12.8	5.0	4.9	3.6	2.7
Domestic	35,454	24,274	25,018	34,162	37,430	38,595	39,885	41,162	41,945
% Change	0.0	-31.5	3.1	36.6	9.6	3.1	3.3	3.2	1.9
Business	2,759	968	1,052	1,771	2,368	2,434	2,558	2,670	2,781
% Change	0.0	-64.9	8.8	68.3	33.7	2.8	5.1	4.4	4.1
Pleasure	13,622	12,153	12,324	15,756	15,032	15,336	15,785	16,309	16,648
% Change	0.0	-10.8	1.4	27.8	-4.6	2.0	2.9	3.3	2.1
United States	6,739	1,200	1,816	4,579	5,541	6,185	6,896	7,197	7,579
% Change	0.0	-82.2	51.3	152.1	21.0	11.6	11.5	4.4	5.3
Overseas	3,470	505	470	1,682	2,643	3,112	3,449	3,700	3,931
% Change	0.0	-85.4	-6.8	257.5	57.2	17.7	10.8	7.3	6.2
Total Expenditures (\$M)	17,508	6,605	8,822	16,988	19,868	21,664	23,386	24,849	26,206
% Change	0.0	-62.3	33.6	92.6	17.0	9.0	7.9	6.3	5.5
Travel Price Index	1.1	-1.8	5.3	13.3	-2.1	2.7	2.0	2.0	2.0

Source: The Conference Board of Canada, Travel Market Outlook, Fall 2023

- **Overnight Province Visits:** Overall travel declined in 2020 largely due to the impacts of Covid-19, with significant restrictions on travel and visitation for both domestic and international sources. Overnight province visits dropped by more than 43% in 2020 and is estimated by the Conference Board to have improved by just 5.1% in 2021. The lifting of travel restrictions that commenced in 2021 and the reopening of the border to international overnight travelers are forecast by the Conference Board to lead to significant increases in 2022 and 2023. Total overnight province visits are forecast to return to 2019 levels in 2023.
- **Domestic Overnight Visits:** Canadian travelers comprise the largest share of overnight province visits. In 2019, domestic overnight visits to Ontario generated approximately 78% of the overall total. Due to international travel restrictions, domestic overnight visits represented over 90% of the annual totals in both 2020 and 2021. Overnight travel for “Pleasure” trip purposes generates the larger share of visits in comparison with those travelling overnight for “Business” purposes. Domestic travel levels are expected to return to 2019 levels in 2023.
- **USA Overnight Visits:** Overnight visits from residents of the United States generates the largest percentage of international visitation annually. USA overnight visits decreased by 82.2% in 2020. The reopening of the Canadian border in August 2021 is forecast to lead to strong annual growth in USA overnight visits in 2022 through 2024. Total USA overnight visits are projected to return to 2019 levels around 2025. The largest percentage of USA overnight visits are for Pleasure trips.
- **Overseas Overnight Visits:** This segment includes all international overnight visits from all countries except USA. Overseas overnight visits decreased by 85.4% in 2020 and an additional 6.8% in 2021. Total overseas visits are forecast to return to 2019 levels until 2025.
- **Overnight Expenditures:** Total expenditures for all overnight visits to Ontario combined for domestic and international sources was estimated at approximately \$17.51 billion in 2019. Total overnight expenditures are forecast to increase annually from 2022 onward and exceed 2019 levels in 2023.

Regional Market Overview

The Ontario Ministry of Tourism, Culture, and Sport tracks detailed tourism statistics for fifteen distinct tourism regions in Ontario, including visitor demographics and visitor spending. The Town of The Blue Mountains falls under Region 7: Bruce Peninsula, Southern Georgian Bay, and Lake Simcoe, data for which has been summarized in the table below.

Visitors to Region 7				
Bruce Peninsula, Southern Georgian Bay, Lake Simcoe				
	2019	2021	% Change	
Origin of Visit (000s)				
Ontario	11,105	8,229	-25.9%	
Other Canada	141	126	-10.3%	
Total	11,246	8,356	-25.7%	
Length of Stay (000s)				
Overnight	4,217	3,552	-15.8%	
Same-Day	7,128	4,804	-32.6%	
Total	11,345	8,356	-26.3%	
Total Visitor Spend (000s)				
Overnight	\$1,141,392	\$921,027	-19.3%	
Same-Day	\$586,502	\$316,495	-46.0%	
Total	\$1,727,894	\$1,237,522	-28.4%	
Visitor Spend Per Person				
Overnight	\$259	\$259	0.0%	
Same-Day	\$82	\$66	-19.4%	
Average	\$171	\$325	90.7%	

Source: Ministry of Tourism, Culture and Sport

Visitation to Region 7 decreased from 11.2 million in 2019 to 8.4 million person visits in 2021. The majority of visitors to Region 7 continue to derive from within Ontario, despite the 26% drop in Ontario visitation in 2021. A more significant shift was identified in length of stay, with overnight visitation increasing from 37% to 43% of overall visits to Region 7.

The total overnight spend decreased from \$1.1 billion in 2019 to \$921 million (19% decline), but overnight visitor spend per person remained the same in both years at \$259, while same-day visitor spend, fell by 46% and same-day spend per person declined by 19%.

MAT Implementation Neighboring Communities Review

This section provides a review of MAT implementation considerations and key milestones for neighboring communities, including Huntsville, Collingwood, Niagara-on-the-Lake, and Prince Edward County.

Huntsville

Background

Huntsville By-Law 2019-123 approved the implementation of a 4% mandatory MAT and came into effect on April 1, 2019. Since that time, 30% of the net revenues collected through the MAT are retained by the Town of Huntsville and used for projects and initiatives that support tourism and economic development. The remaining 70% of net revenues are

directed towards the Huntsville Municipal Accommodation Tax Association (HMATA), a non-share capital corporation established in 2020 following the MAT implementation whose objective is the enhancement and promotion of tourism in Huntsville.

According to HMATA's long-term strategic plan approved on October 20th, 2022, five key strategic priorities have been identified:

- Establishment of a Huntsville Destination Marketing Organization
- Maturation of Huntsville as a four-season destination
- Strategic alignment between HMATA and Muskoka Tourism
- Advancement of the community visitor experience
- Establishment of a culture of sustainable tourism growth

Milestones

Since its implementation, MAT has yielded over \$4 million in revenue over a four-year period. An estimated \$2.5 million of this pool has been distributed to HMATA and has funded a number of projects including:

- **Hoya Robotics** – Funding for an off-season robotics tournament in fall 2023.
- **Group of Seven Outdoor Mural Gallery** – Funding to revamp the gallery's signage, brochures, and website, and add digital narration.
- **Campfire Sessions** – Funding to support a campfire/music attraction every weekend in the summer of 2023,
- **Muskoka Tourism** – Funding to support a CORUS radio campaign promoting Huntsville as a tourist destination.
- **Sandhill Nursery** – Funding to support the annual Sandhill Fall Festival in 2023
- **Huntsville Festival of the Arts** – Funding to support 2023 programming.
- **Ironman 70.3 Muskoka** – Funding to support the annual triathlon in 2023.
- **Canadian Association of Municipal Administrators** – Funding to support the 2023 CAMA national conference at Deerhurst Resort.
- **YMCA of Simcoe Muskoka** – Funding to support their 2023 job fair.
- **Knights of Columbus** – Funding to support the annual hockey tournament in 2022 and 2023.

Niagara-on-the-Lake

Background

Niagara-on-the-Lake (NOTL) approved a Municipal Accommodation Tax through Town Council into law on June 20th, 2022. The MAT has been implemented based on the following scale: starting July 21st, 2022, a rate of 2% MAT, moving to 3% MAT on January 1st, 2024, and increase to 4% on January 1st, 2025. The MAT funds generated are collected by the Town and kept in a separate reserve, until they are divided equally, after administration costs, between the designated Destination Marketing Organization "DMO"—Tourism NOTL—and the Town of NOTL.

Milestones

NOTL announced \$167,000 in earnings, starting July 1, 2022 (when the program came into effect) until September 30, 2022. CBRE has been assisting the Town to determine projections for 2023 and future years, however, these are considered confidential.

Based on concerns raised regarding the lack of vision MAT revenue utilization, a MAT Implementation Committee of Council has been elected. CBRE is also working with the Town's Tourism Strategy Committee to determine what potential projects and initiatives future funding can best support. In 2022, with the approval of the MAT By-law, Tourism NOTL was officially designated as the local Destination Marketing Organization (DMO) to collect and benefit from 50% of MAT revenue, with the Town retaining the other 50%. A number of projects have been raised for consideration for use of the Town's portion of funding, including but not limited to: Queen Street enhancements, Museum capital improvements, Shuttle Services between Fort George and the Heritage District.

Prince Edward County

Background

Prince Edward County implemented a Municipal Accommodation Tax on February 1, 2021. Within the County, 50% of generated funds remain with the municipality to support tourism infrastructure development and 50% are to be used to support tourism marketing and development. The municipality established a DMO, Visit the County, transferring responsibilities for tourism marketing and research to the organization. In 2021, prior to the introduction of the MAT, PEC developed 5 Pillars of the Prince Edward County Tourism Development Strategy that aligns with MAT spending: 1) Reducing over-tourism, 2) Building support, 3) Supporting regenerative tourism, 4) Strategic advances, and 5) Managing tourism. The PEC Tourism Strategy (2021) also includes the following MAT recommendations:

- Must take the pressure off residents in paying for additional costs related to tourism
- Incorporate a measure of community benefit when assessing MAT-funded projects
- Prioritize winter season events as these events face more organizational, volunteer, and funding-based roadblocks

Milestones

MAT implementation generated \$1.21 million in 2021 and \$1.42 million in 2022. The County's portion of MAT revenue has funded a number of projects including road construction, municipal park signage plan, municipal boat launch strategy including enhancements to the existing amenities, as well as tourism management plan for Wellington beach, Wellington boat launch, and the bulk water station.

In 2023, staff recommended a MAT increase of 2%, totaling 6%. PEC responded to accommodation fears by freezing MAT at 4% until 2026, addressing concerns about further disincentivizing overnight stays.

Collingwood

Background

Collingwood is a major commercial centre for northwest Simcoe County and northeast Grey County, with about one half of all business activity comprising entertainment, shopping and recreation services. Collingwood benefits economically from the surrounding visitor attractions, from beaches to downhill skiing, along with a strong base of accommodation and food services businesses, predominantly serving visiting Greater Toronto Area tourists, along with western Quebec and Montreal area.

In April 2023, Town Council approved a report to begin industry and public consultation on implementation of a MAT to better understand existing needs, challenges, and opportunities. The Town is also moving forward with a Short-Term Accommodation (STA) Licensing by-law to legalize short term rentals and establish conditions related to their use.

Milestones

In light of the importance of tourism to Collingwood's economy, the Town is currently looking to develop MAT regulations in alignment with a new Tourism Strategy and Action Plan that can ensure the destination is positioned to ensure positive impacts of MAT revenue in future.

Collingwood's Manager of Economic Development estimates \$880,000 - \$1.4 million in revenue in Year 1.

Benefits Associated with MAT Implementation

Remaining Competitive

Approximately 50 Ontario municipalities have already instituted a MAT, leveraging the revenue to increase investments in tourism development without relying on additional payments from local businesses or residents. Without a similar revenue stream as other jurisdictions, the Town of the Blue Mountains may find difficulty in producing similar levels of tourism development and rebound the effects of COVID.

Correct Negative Externalities

MAT can correct negative externalities, such as the strain on public transportation, general infrastructure, and waste management by collecting fees on overnight accommodation, as opposed to residents. For example, the Town of the Blue Mountains released a Transportation Master Plan which identified challenges as a result of increased demand due to tourism, including traffic and parking constraints, seasonal demand fluctuations and winter weather conditions, which could be addressed using MAT funds. Other municipalities have utilized MAT funds for major infrastructure initiatives that benefit both tourists and residents, such as road construction in Prince Edward County, upgrading washroom and parking infrastructure in South Bruce Peninsula, and improving the Dunlop Street East Corridor in Barrie.

Tourism Regulatory and Revenue Tracking

Implementing a MAT can be a tool to encourage illegal operations to comply with regulations on short-term accommodations. Collecting the MAT will require an inventory of all accommodation properties, which in turn, will help the Town of Blue Mountains determine which STAs are regulated and unregulated year over year. MAT is the first step in the right direction to deter noncompliance, motivating accommodators to follow regulations and avoid penalties and fines. The funds generated by enforcement can then be used towards supporting tourism marketing and infrastructure investment.

Risks Associated with MAT Implementation

Tourist and Business Pushback

Some municipalities in Ontario have not implemented the Municipal Accommodation Tax because of internal fears of revenue loss. Tourists intending to visit the Blue Mountains may switch to day visits or be more inclined to stay overnight in surrounding areas to avoid paying MAT, thereby potentially leading to the risk of revenue loss for local accommodations. Additionally, new fees might incur some pushback from those in the local business community who fear lost tourists and resulting spend. The following are key examples of MAT pushback in other jurisdictions:

- The Town of South Bruce Peninsula included campsites in their MAT by-law. A petition was created in 2021 on Change.org hoping for Council to reconsider their decision. The reason for concern involved the rationale that camping is meant to be an economical way of going on vacation, charging those that are bringing their own accommodation to the campsite (e.g., tent, tent trailer or RV) is an unfair charge. The petition received 206 signatures from concerned business owners and constituents, but no action has been taken.
- As of 2023, The Town of Newmarket is currently exploring implementing the Municipal Accommodation Tax and intends to gather feedback from the local business community and residents. Several hoteliers have expressed skepticism and have factored in that neighboring towns like Aurora and Bradford do not have a MAT, and therefore offer significant competition for tourism dollars.
- In September 2019, Ottawa Valley hotel and resort operators launched a tax rebellion, a significant resistance against the implementation of MAT. As a rural community highly impacted by economic changes such as minimum wage hikes, concerns were raised about the potential loss of customers. The Chief Operating Officer of Calabogie Peaks organized a protest with 16 hotel owners by publicly resigning their memberships from the Ottawa Valley Tourist Association (OVTA), the local tourism organization with the intention to implement said MAT. Before the tax rebellion, OVTA had done its due diligence on the matter including the development of a 2018 MAT position paper, the coordination of information and feedback sessions, and 2019 presentations to OV municipalities before eventually taking an official position in support of the MAT in June 2019. To date, no municipality in the Ottawa Valley has implemented the MAT.

Destination Marketing Fee Considerations

The Blue Mountain Village Association (“BMVA”) has applied a 2% Destination Marketing Fee (DMF) on hotel room rates for all BMVA member accommodators since 1999. Unlike other destinations, BMVA also collects sales royalties on attractions, retail and food & beverage at 1% of sales. Of the total annual budget, 30% is collected through sales and royalties on attractions, retail and F&B, and another 30% from the DMF.

BMVA has a very robust mandate, which includes:

- **Destination Marketing**
- **Experience development and events**
- **Facilities & Operation**
 - Security
 - Landscaping, snow and garbage removal, repairing or replacing the Village infrastructure
 - Contributing to the Resort shuttle service

- Overseeing the operation of the Plunge! Aqua Centre
- Stewardship of the Millpond
- **Finance & Administration**
- Advocacy with all levels of government on behalf of members

BMVA has a robust capital planning requirement to maintain existing properties, which is predominantly funded through a property resale entry royalty fee. As such, part of their function has been investing in attractions that bring new markets to the area yet may not be more revenue generating for a private operator (such as a community Aqua Centre). BMVA has done notable work balancing resident and operator needs over the years since its inception and has also successfully developed many authentic products for the Town of The Blue Mountains. For the benefit of visitors, DMF funds help to support amenities such as events and animation, children’s activities, Visitor Information Centre, and shuttle service. The fees also support the various Association assets in the Village including public walkways, docks and trails, water play fountain, gardens, seasonal decorations, the Millpond, and playground.

If a new Municipal Accommodation Tax (MAT) were to be introduced to support tourism marketing and other related projects at the Town level, it might be necessary for the BMVA to discontinue the 2% DMF levy on accommodations, as a MAT can only be applied to commercial accommodation operations. BMVA could continue to collect a DMF on food and beverage establishments, however, the loss of funding could negatively impact the businesses and residents located in the Village with the potential of less revenue available to maintain and upgrade Village facilities

MAT Spending

It is our understanding that business stakeholders are currently voicing their concerns with regards to the potential implementation of a MAT and are seeking transparency on how the funds will be spent in the Town of the Blue Mountains. Stakeholders are requesting a clear understanding of how the funds will be allocated for tourism and infrastructure projects, which necessitates comprehensive planning and strategy documentation.

Stakeholders are also expressing concern about the use of MAT, given the perception that marketing efforts are already adequately carried out by BMVA and BMR, who have fully staffed marketing departments. This concern highlights the need for a thorough evaluation of the effectiveness of existing marketing strategies to ensure that MAT funds are allocated in a manner that maximizes their potential impact.

Municipal Accommodation Tax Alternatives

The Municipal Accommodation Tax has several advantages, but it also comes with risks that may discourage stakeholders, such as accommodators, from supporting this fee. It's worth noting that many municipalities, including the Town of the Blue Mountains, have limited options for increasing their revenue. Therefore, introducing the Municipal Accommodation Tax is a common solution. In case the MAT is not implemented, there are some alternatives to consider.

Optimized Destination Marketing Fees

The BMVA currently collects a 2% destination marketing fee on accommodations. If the Town decides not to implement a Municipal Accommodation Tax (MAT), the Town could consider seeking partnership with the Blue Mountain Village Association and optimize the DMF strategy by collaborating with all tourism businesses, including accommodations, restaurants, and attractions. For instance, a 2% DMF charge could be applied to a wider variety of tourism-related services and functions to contribute to a collective fund for town/region marketing. However, note that without jurisdictional involvement, the number of tourism businesses that volunteer could be less than anticipated.

Commercial Property Tax Rates

If the MAT is not implemented, the Town has an option to increase commercial property taxes. To determine the validity of this alternative, CBRE analyzed the commercial property tax rates of the same municipalities that were analyzed in the previous section: Huntsville, Niagara-on-the-Lake, Prince Edward County, and Collingwood. The following table demonstrates the municipalities' 2023 commercial property tax rates as a general number and as a percentage.

Municipality Commercial Property Tax Rate Analysis 2023	
	Rate
Town of the Blue Mountains	0.0187770
Collingwood	0.0214193
Prince Edward County	0.0182004
Niagara-on-the-Lake	0.0246163
Huntsville	0.0188930

Source: Municipality Websites

When compared to this municipality set, the Town of the Blue Mountains' commercial property tax rate is higher than Prince Edward County and Huntsville. The Town's tax rate is also lower than Collingwood and Niagara-on-the-Lake. Based on this assessment, a commercial property tax rate increase is possible. However, the Town should consider assessing potential economic impacts, competitiveness with other neighboring communities, and effects on local businesses.

Introduce Business Licensing

As it currently stands, the Town of the Blue Mountains does not require business licenses including those businesses that are tourism related. If the MAT is not implemented, the Town has an option to introduce business licensing. Introducing business license by-laws is possible and it is recommended to consider varying fees depending on category type and ensuring fees for renewal and administrative demands. However, the Town should consider assessing enforcement costs as well as business' potential difficulty in meeting complex requirements such as compliance. To determine the validity of this alternative, CBRE analyzed business license regulations of other neighbouring communities: Collingwood, Wasaga Beach, Meaford, Clearview, Springwater, Owen Sound, Barrie, and Orillia. The following table demonstrates the Town's neighboring communities' business license requirements.

Municipality Business Licence Requirements 2023

	Status for Tourism-Related Businesses*	License Fee	Renewal with Fee
Collingwood	Not Required		
Wasaga Beach	Required	\$224-1000	Required
Meaford	Not Required		
Clearview	Not Required		
Springwater	Not Required		
Owen Sound	Required	\$150	Not Required
Barrie	Required	Not Stated	Required
Orillia	Not Required		

Source: Municipality Websites

*Tourism-related businesses include but are not limited to restaurants, attractions, and entertainment.

Of the 8 communities analyzed, Wasaga Beach, Owen Sound, and Barrie require business licenses including those that are tourism related.

It is important to note that local municipalities like Wasaga Beach, Owen Sound, and Barrie primarily issue business licenses to ensure that businesses comply with zoning requirements. Funds generated from business license fees are typically used to support regulatory compliance efforts but can also fund various services and infrastructure projects such as maintaining public facilities, roads, and parks. The specific allocation of funds can vary depending on the municipality's priorities and needs.

Wasaga Beach

Wasaga Beach's fees vary based on the type of business with specific categories for Amusement Establishments, Food & Beverage Premises, and Tourist Establishments. Depending on the category, tourism-related businesses in Wasaga Beach vary between \$224 to \$1,000 for application fees, and \$196 to \$1,000 for renewal. The municipality also includes the administrative licensing fees such as Incomplete Application, Late Renewal, or Replacement of Business License.

Owen Sound

Businesses operating in the City of Owen Sound are required to obtain a business license for a fee of \$150. Interestingly, license renewal is not required and therefore, Owen Sound only receives revenue from applications.

Barrie

Barrie has included 60+ categories for business licenses in their by-laws some of which are tourism-related including accommodation, carnival, circus, recreational establishment, and restaurant. License fees include application and renewal fees as well as administrative fees in the event that there are duplicate licenses, change of name required or change of ownership.

Appendix A

Assumptions And Limiting Conditions

1. CBRE Limited, through its appraiser (collectively, “CBRE”) has inspected through reasonable observation the subject property. However, it is not possible or reasonably practicable to personally inspect conditions beneath the soil and the entire interior and exterior of the improvements on the subject property. Therefore, no representation is made as to such matters.
2. The report, including its conclusions and any portion of such report (the “Report”), is as of the date set forth in the letter of transmittal and based upon the information, market, economic, and property conditions and projected levels of operation existing as of such date. The dollar amount of any conclusion as to value in the Report is based upon the purchasing power of the Canadian Dollar on such date. The Report is subject to change as a result of fluctuations in any of the foregoing. CBRE has no obligation to revise the Report to reflect any such fluctuations or other events or conditions which occur subsequent to such date.
3. Unless otherwise expressly noted in the Report, CBRE has assumed that:
 - I. Title to the subject property is clear and marketable and that there are no recorded or unrecorded matters or exceptions to title that would adversely affect marketability or value. CBRE has not examined title records (including without limitation liens, encumbrances, easements, deed restrictions, and other conditions that may affect the title or use of the subject property) and makes no representations regarding title or its limitations on the use of the subject property. Insurance against financial loss that may arise out of defects in title should be sought from a qualified title insurance company.
 - II. Existing improvements on the subject property conform to applicable local, provincial, and national federal building codes and ordinances, are structurally sound and seismically safe, and have been built and repaired in a workmanlike manner according to standard practices; all building systems (mechanical/electrical, HVAC, elevator, plumbing, etc.) are in good working order with no major deferred maintenance or repair required; and the roof and exterior are in good condition and free from intrusion by the elements. CBRE has not retained independent structural, mechanical, electrical, or civil engineers in connection with this appraisal and, therefore, makes no representations relative to the condition of improvements. CBRE appraisers are not engineers and are not qualified to judge matters of an engineering nature, and furthermore structural problems or building system problems may not be visible. It is expressly assumed that any purchaser would, as a precondition to closing a sale, obtain a satisfactory engineering report relative to the structural integrity of the property and the integrity of building systems.
 - III. Any proposed improvements, on or off-site, as well as any alterations or repairs considered will be completed in a workmanlike manner according to standard practices.
 - IV. Hazardous materials are not present on the subject property. CBRE is not qualified to detect such substances. The presence of substances such as asbestos, urea formaldehyde foam insulation, contaminated groundwater, mold, or other potentially hazardous materials may affect the value of the property.
 - V. No mineral deposit or subsurface rights of value exist with respect to the subject property, whether gas, liquid, or solid, and no air or development rights of value may be transferred. CBRE has not considered any

- rights associated with extraction or exploration of any resources, unless otherwise expressly noted in the Report.
- VI. There are no contemplated public initiatives, governmental development controls, rent controls, or changes in the present zoning ordinances or regulations governing use, density, or shape that would significantly affect the value of the subject property.
 - VII. All required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, provincial, nor national government or private entity or organization have been or can be readily obtained or renewed for any use on which the Report is based.
 - VIII. The subject property is managed and operated in a prudent and competent manner, neither inefficiently or super-efficiently.
 - IX. The subject property and its use, management, and operation are in full compliance with all applicable federal, provincial, and local regulations, laws, and restrictions, including without limitation environmental laws, seismic hazards, flight patterns, decibel levels/noise envelopes, fire hazards, hillside ordinances, density, allowable uses, building codes, permits, and licenses.
 - X. The subject property is in full compliance with the Disabilities Act of the province. CBRE is not qualified to assess the subject property's compliance with the Province's Disabilities Act, notwithstanding any discussion of possible readily achievable barrier removal construction items in the Report.
 - XI. All information regarding the areas and dimensions of the subject property furnished to CBRE are correct, and no encroachments exist. CBRE has neither undertaken any survey of the boundaries of the subject property nor reviewed or confirmed the accuracy of any legal description of the subject property.
 - XII. Unless otherwise expressly noted in the Report, no issues regarding the foregoing were brought to CBRE's attention, and CBRE has no knowledge of any such facts affecting the subject property. If any information inconsistent with any of the foregoing assumptions is discovered, such information could have a substantial negative impact on the Report. Accordingly, if any such information is subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. CBRE assumes no responsibility for any conditions regarding the foregoing, or for any expertise or knowledge required to discover them. Any user of the Report is urged to retain an expert in the applicable field(s) for information regarding such conditions.
4. CBRE has assumed that all documents, data and information furnished by or behalf of the client, property owner, or owner's representative are accurate and correct, unless otherwise expressly noted in the Report. Such data and information include, without limitation, numerical street addresses, lot and block numbers, Assessor's Parcel Numbers, land dimensions, square footage area of the land, dimensions of the improvements, gross building areas, net rentable areas, usable areas, unit count, room count, rent schedules, income data, historical operating expenses, budgets, and related data. Any error in any of the above could have a substantial impact on the Report. Accordingly, if any such errors are subsequently made known to CBRE, CBRE reserves the right to amend the Report, which may include the conclusions of the Report. The client and intended user should carefully review all assumptions, data, relevant calculations, and conclusions of the Report and should immediately notify CBRE of any questions or errors within 30 days after the date of delivery of the Report.
 5. CBRE assumes no responsibility (including any obligation to procure the same) for any documents, data or information not provided to CBRE, including without limitation any termite inspection, survey or occupancy permit.
 6. All furnishings, equipment and business operations have been disregarded with only real property being considered in the Report, except as otherwise expressly stated and typically considered part of real property.
 7. Any cash flows included in the analysis are forecasts of estimated future operating characteristics based upon the information and assumptions contained within the Report. Any projections of income, expenses and economic

conditions utilized in the Report, including such cash flows, should be considered as only estimates of the expectations of future income and expenses as of the date of the Report and not predictions of the future. Actual results are affected by a number of factors outside the control of CBRE, including without limitation fluctuating economic, market, and property conditions. Actual results may ultimately differ from these projections, and CBRE does not warrant any such projections.

8. The Report contains professional opinions and is expressly not intended to serve as any warranty, assurance or guarantee of any particular value of the subject property. Other appraisers may reach different conclusions as to the value of the subject property. Furthermore, market value is highly related to exposure time, promotion effort, terms, motivation, and conclusions surrounding the offering of the subject property. The Report is for the sole purpose of providing the intended user with CBRE's independent professional opinion of the value of the subject property as of the date of the Report. Accordingly, CBRE shall not be liable for any losses that arise from any investment or lending decisions based upon the Report that the client, intended user, or any buyer, seller, investor, or lending institution may undertake related to the subject property, and CBRE has not been compensated to assume any of these risks. Nothing contained in the Report shall be construed as any direct or indirect recommendation of CBRE to buy, sell, hold, or finance the subject property.
9. No opinion is expressed on matters which may require legal expertise or specialized investigation or knowledge beyond that customarily employed by real estate appraisers. Any user of the Report is advised to retain experts in areas that fall outside the scope of the real estate appraisal profession for such matters.
10. CBRE assumes no responsibility for any costs or consequences arising due to the need, or the lack of need, for flood hazard insurance.
11. Acceptance or use of the Report constitutes full acceptance of these Assumptions and Limiting Conditions and any special assumptions set forth in the Report. It is the responsibility of the user of the Report to read in full, comprehend and thus become aware of all such assumptions and limiting conditions. CBRE assumes no responsibility for any situation arising out of the user's failure to become familiar with and understand the same.
12. The Report applies to the property as a whole only, and any pro ration or division of the title into fractional interests will invalidate such conclusions, unless the Report expressly assumes such pro ration or division of interests.
13. The allocations of the total value estimate in the Report between land and improvements apply only to the existing use of the subject property. The allocations of values for each of the land and improvements are not intended to be used with any other property or appraisal and are not valid for any such use.
14. The maps, plats, sketches, graphs, photographs, and exhibits included in this Report are for illustration purposes only and shall be utilized only to assist in visualizing matters discussed in the Report. No such items shall be removed, reproduced, or used apart from the Report.
15. The Report shall not be duplicated or provided to any unintended users in whole or in part without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Exempt from this restriction is duplication for the internal use of the intended user and its attorneys, accountants, or advisors for the sole benefit of the intended user. Also exempt from this restriction is transmission of the Report pursuant to any requirement of any court, governmental authority, or regulatory agency having jurisdiction over the intended user, provided that the Report and its contents shall not be published, in whole or in part, in any public document without the written consent of CBRE, which consent CBRE may withhold in its sole discretion. Finally, the Report shall not be made available to the public or otherwise used in any offering of the property or any security, as defined by applicable law. Any unintended user who may possess the Report is advised that it shall not rely upon the Report or its conclusions and that it should rely on its own appraisers, advisors and other consultants for any decision in connection with the subject property. CBRE shall have no liability or responsibility to any such unintended user.

Thank you

For more information

REBECCA GODFREY, CMC, MBA

Senior Vice President

CBRE Tourism Consulting

647 943 3743

rebecca.godfrey@cbre.com

CBRE VALUATION & ADVISORY SERVICES



Town of The Blue Mountains

Municipal Accommodation Tax Research Project

Presentation to Council
15 January 2024



Project Introduction & Context

1. To build awareness amongst stakeholders about the purpose, structure, and potential uses of a MAT within the context of the town.
2. To gather perspectives and feedback from accommodation providers, tourism organizations, and residents in the town to inform MAT structure, implementation, and future use.
3. To investigate, understand, and recommend viable and innovative MAT governance and potential revenue management model(s) to implement in collaboration with relevant partners.
4. To align, create, and take advantage of economies of scale across research and engagement activities, including with the separate but highly related MAT Economic Impact Assessment project and the upcoming destination management plan.
5. To establish a strong understanding of the context, challenges, opportunities, as well as social and economic implications of implementing and administering a MAT.

Methodology & Engagement

- Key documentation and resources review
- Resident and Industry “Role of Tourism” survey: 366 residents, 37 industry members
- Accommodation provider survey: 136 respondents
- Desk research into the context of MAT in Ontario
- Comparator research into MAT governance models: Kingston, ON & Victoria, BC
- Key stakeholder interviews: 11 interviews
- Accommodation provider table talks (two in-person, one virtual): 24 participants



Municipal Accommodation Tax

Stakeholder Relations and Communications

Stakeholder Relations and Communications

- Prioritize building relationships and trust with accommodation providers through the existing short term accommodation licensing program and representative organizations (incl. Establish communication process with accommodation providers via their representative organizations).
- Clarify how STA fees and MAT are different (incl. Communicate any changes or adjustments directly with industry to build trust and inform transparency).
- Review STA regulation protocols and processes to ensure uniform and consistent enforcement.
- Engage with accommodation representatives across the design, structuring and development, and adoption of a MAT.

Stakeholder Relations and Communications

- Determine how resident feedback and stakeholder involvement will inform the management and use of MAT revenue. Identify, commit to, and communicate the planned uses of MAT revenue, and details on the governance/oversight process as part of by-law design and adoption through audience-specific communications.
- Identify and develop resources for industry to understand the collection process, remittance, and review of MAT (e.g., FAQ page, Q&A webpage, reporting back timeline and resources).
- Craft messaging that supports accommodations in communicating about the tax to their customers and ensure that visitors have information on the need for and purpose of a MAT.
- Explore and formalize collaborative marketing approaches with other marketing partners across the region to build regional collaboration and avoid duplication of tourism development and marketing work.

Governance and Management

Governance and Management

- Avoid rushing the approval, adoption, and by-law drafting for the sake of getting access to revenue as this can risk buy-in and future trust-based relationships needed for cooperation and compliance.
- Confirm the not-for-profit tourism marketing entity with whom revenue would be shared (incl. potential to support the entity in evolving their work to focus on dedicated tourism marketing and development for the Town of The Blue Mountains).
- Confirm how CRUs fit into STA licensing process. (Ideally before charging STAs a MAT, so that details around CRUs that qualify for MAT are clarified and included in how the by-law is structured and revenue collected).
- Review STA licensing program to streamline and align STA licensing fee and related costs with the potential MAT, before implementing the MAT.
- Identify what, if any, types of transient accommodation use would be exempt from the tax as part of drafting the by-law (e.g., medical patients requiring overnight accommodation outside of healthcare facilities, visiting fire fighters, etc.).

Governance and Management

- Establish a clear and transparent collaboration and revenue sharing agreement with the identified tourism entity that outlines mutual expectations, roles and responsibilities, planned use of MAT revenue (incl. areas of investment) and monitoring and evaluation processes.
- Confirm if a gradual/phased-in implementation across different types of accommodations based on existing infrastructure and resources for fee collection is feasible and beneficial.
- Explore and confirm if and how third-party booking platform, such as Airbnb and Vrbo, can collect and remit the potential MAT from guests on behalf of its hosts.
- Identify and co-establish any supportive governance body to inform collaboration between the Town and the tourism entity partner and facilitate industry-input into management and use of MAT funds (e.g., advisory committee).
- Use high level accounting to track compliance to avoid expenses going into full auditing of accommodation providers, leading with conversation first.

Planning and Investments for MAT Revenue

Planning and Investments for MAT Revenue

- Develop a tourism strategy for the Town of The Blue Mountains that identifies further needs for tourism development, management, and marketing and acts as the guiding document for the municipality's portion of MAT revenue investments (incl. Conducting additional research into visitor segments and market demands).
- Establish a MAT revenue reserve fund, accompanied by an acceptable use/allocation policy or guiding principles for the use of MAT funds that are developed with input from tourism entity partner and local tourism partners (incl. industry representatives).
- Prioritize and communicate commitment to use of MAT funds to support tourism needs, opportunities, and growth to foster increased trust, transparency, and collaboration with industry.
- Invest municipal portion of MAT funds to support tourism management and development and address main concerns shared by industry and residents (incl. lack of parking and infrastructure, congested roads and lack of public transportation, lack of public infrastructure (e.g., parks and washrooms), among others).

Planning and Investments for MAT Revenue

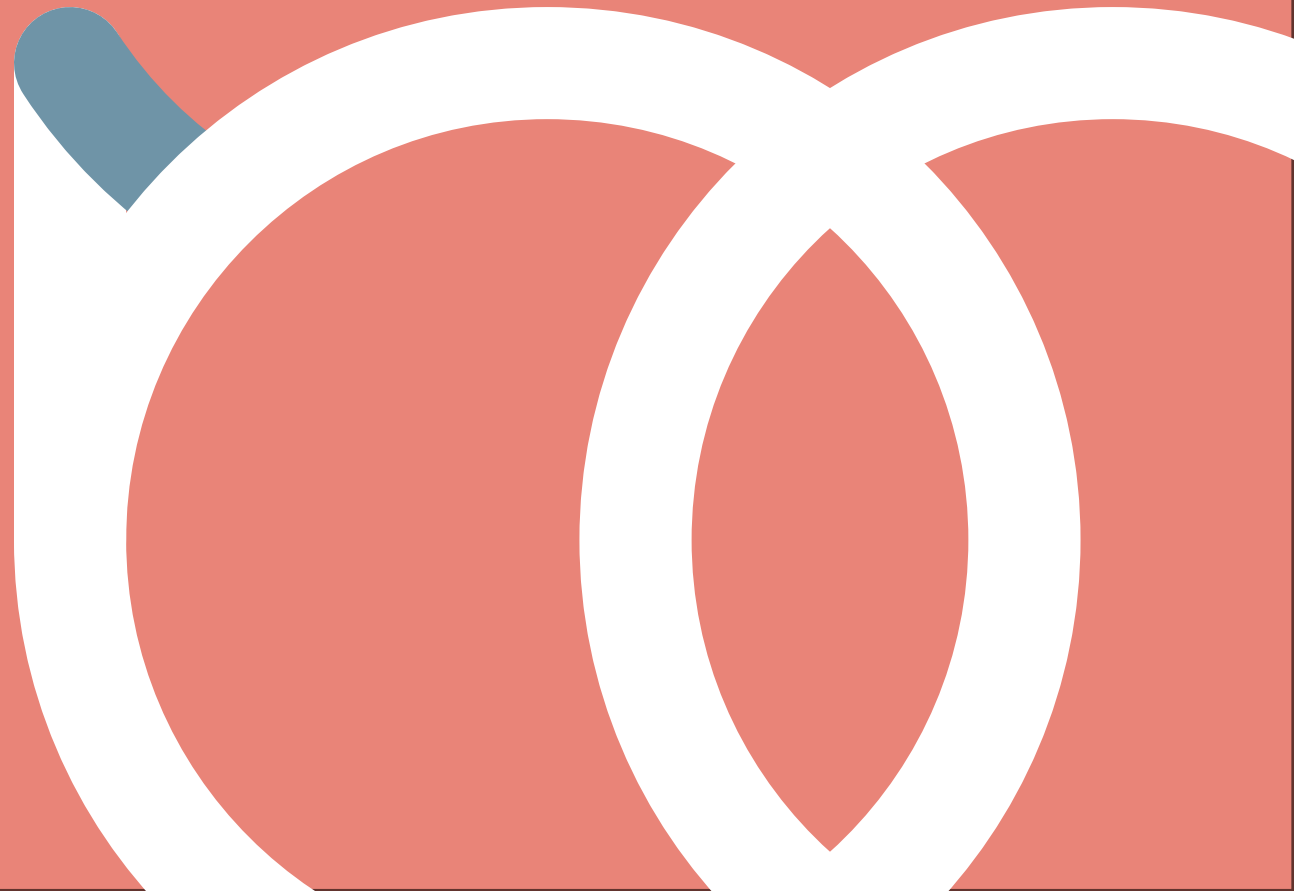
- Explore ways to facilitate financial contribution or increased distribution of revenue generation among non-accommodation visitor-facing businesses. (e.g., voluntary destination marketing program or membership scheme for DMO).
- Share back and celebrate investment of MAT funds that corresponds to industry needs and would represent a benefit to them (e.g., local shuttle for guests).
- Identify and transparently communicate where any portion of MAT revenue that would not be used for tourism purposes is being spent and why.
- Explore and pursue tourism development and marketing collaboration at a regional level through MAT funds. (e.g., Collaborative marketing campaigns or cross-regional product development).

Thank You!

camilo@bannikin.com

www.bannikin.com

bannikin



Municipal Accommodation Tax Study for The Town of the Blue Mountains

Council Presentation

January 15, 2024



Agenda

1. Market Performance & Economic Impact of MAT Implementation
2. Benefits & Risks of MAT Implementation



Source: stock.adobe.com

Market Performance & Economic Impact of MAT Implementation

1



The Blue Mountains Accommodation Inventory

Town of the Blue Mountains
Accommodations were
categorized into five (5)
property types

Category	Type	Definition
B&B	Commercial	Properties with 10 or less guestrooms offering breakfast included in rate.
Hotels/Motels	Commercial	Properties with 10 or more guestrooms, typically operated year-round.
Short-Term Accommodations (STA)	Private	Privately-owned properties offered through services such as Airbnb, Vrbo, and TripAdvisor and booked for less than 30 consecutive days.
Commercial Rental Unit (CRU)	Commercial	Professionally managed properties booked for less than 30 consecutive days.
Village Commercial Rental Unit (VCRU)	Commercial	Professional managed properties located in the village, registered with the Blue Mountain Village Association (BMVA), and booked for less than 30 consecutive days.

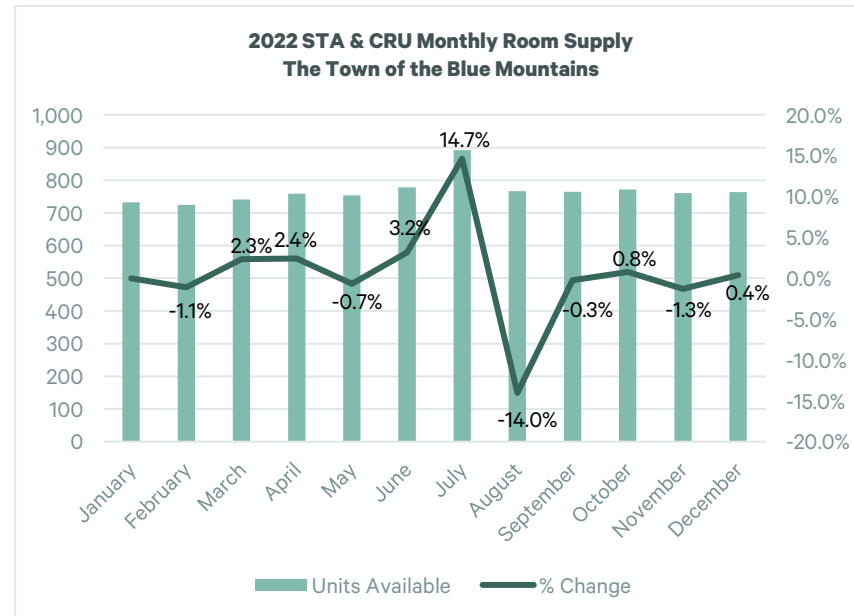
The Blue Mountains Accommodation Inventory

- Supply climbing back to 2019 levels
- CRUs & STAs make up 42-43% of inventory
- STA and CRU supply can fluctuate dramatically (14.7% increase in July 2022)
- Town has 620 to 625 units available on Airbnb on average –apartments and chalets

Accommodation Units Available by Type in the Blue Mountains

	2019	2022	2023	% change
VCRU	765	765	765	0.0%
CRUs & STAs	795	768	780	-1.9%
Hotel (1 Property)	228	228	228	0.0%
Motels (3 Properties)	34	34	34	0.0%
Bed & Breakfast (5 Properties)	29	18	18	-37.9%
TOTAL	1,851	1,813	1,825	-1.4%

Source: CBRE Hotels, See Transparent, CBRE Research



Competitive Accommodation Market Performance

- With travel returning post-COVID, demand expected to increase 3.0% by year-end 2023, but Average Daily Rates (ADR) down 6.3%
- Over the next 5 years, demand will continue to grow by 31.5%, outpacing supply (approx. 300 rooms), with occupancy levels reaching the high 50% range
- Market ADR is expected to grow to a high of \$316 by 2028

Town of the Blue Mountains Projected Market Performance Summary

Market Projections	Actual 2022	Projection 2023	Projection 2024	Projection 2025	Projection 2026	Projection 2027	Projection 2028
Total Demand							
Occupied room nights	347,032	355,061	370,669	394,061	419,098	437,281	456,318
Demand growth		2.3%	4.4%	6.3%	6.4%	4.3%	4.4%
Total Supply							
Available Room Nights	661,380	666,125	667,950	692,131	718,138	744,144	772,260
Supply Growth		0.7%	0.3%	3.6%	3.8%	3.6%	3.8%
Market Occupancy	52.5%	53.3%	55.5%	56.9%	58.4%	58.8%	59.1%
Market ADR	\$304.18	\$285.03	\$292.16	\$298.00	\$303.96	\$310.04	\$316.24
Market RevPar	\$159.61	\$151.93	\$162.13	\$169.66	\$177.39	\$182.19	\$186.86
Rate Growth		-6.3%	2.5%	2.0%	2.0%	2.0%	2.0%

Source: CBRE Hotels

Annual MAT Revenue Potential

- Accommodation market expected to generate \$101.2 million in topline room revenue in 2023
- 4% MAT tax equates to \$4.0 million in MAT revenue, increasing to \$5.8 million or \$12.65 per occupied room night in 2028.
- If a 50/50 split is adopted between the Town and a tourism entity, the Town would receive \$2.9 million by 2028

The Town of the Blue Mountains MAT Projections							
	2022*	2023	2024	2025	2026	2027	2028
Accommodation Market Projections							
MAT-Applicable Units	1,812	1,825	1,825	1,896	1,968	2,039	2,116
Occupancy	52%	53%	55%	57%	58%	59%	59%
Average Daily Rate	\$304	\$285	\$292	\$298	\$304	\$310	\$316
Accommodation Revenue (\$000s)	\$105.6	\$101.2	\$108.3	\$117.4	\$127.4	\$135.6	\$144.3
Municipal Accommodation Tax Revenue							
MAT %		4%	4%	4%	4%	4%	4%
Total MAT Revenues (\$000s)		\$4.0	\$4.3	\$4.7	\$5.1	\$5.4	\$5.8
Tourism Entity (50%)		\$2.0	\$2.2	\$2.3	\$2.5	\$2.7	\$2.9
Town (50%)		\$2.0	\$2.2	\$2.3	\$2.5	\$2.7	\$2.9
MAT \$ Per Occupied Room Night		\$11.40	\$11.69	\$11.92	\$12.16	\$12.40	\$12.65

Source: CBRE

Economic Impact of MAT Implementation

- **Value Added Impacts:** \$1.9 million to Travel Region 7's Gross Domestic Product at the direct level
- **Employment Impacts:** Visitor spending contributed approximately \$943,000 in direct labour income for the Region
- **Revenues to Government:** total annual taxes of \$1.2 million, with \$96,000 in Municipal Taxes, of which \$76,000 would be retained in Region 7

Economic Impact of Blue Mountains' MAT Implementation 2023

		Region 7	Rest of Province	Total
Total Visitors' Spending		\$4,048,000	\$0	\$4,048,000
GDP	Direct	\$1,851,000	\$0	\$1,851,000
	Indirect	\$320,000	\$242,000	\$562,000
	Induced	\$467,000	\$257,000	\$724,000
Total		\$2,637,000	\$499,000	\$3,136,000
Labour Income	Direct	\$943,000	\$0	\$943,000
	Indirect	\$208,000	\$150,000	\$359,000
	Induced	\$282,000	\$169,000	\$451,000
Total		\$1,434,000	\$319,000	\$1,753,000
Employment (Jobs)	Direct	24	0	24
	Indirect	3	2	5
	Induced	3	2	5
Total		30	4	34
Direct Taxes	Federal	\$356,000	\$0	\$356,000
	Provincial	\$479,000	\$0	\$479,000
	Municipal	\$31,000	\$0	\$31,000
Total		\$867,000	\$0	\$867,000
Total Taxes	Federal	\$503,000	\$69,000	\$572,000
	Provincial	\$585,000	\$47,000	\$633,000
	Municipal	\$76,000	\$20,000	\$96,000
Total		\$1,164,000	\$137,000	\$1,301,000

Source: TRIEM, with inputs from Ontario Ministry of Tourism, Culture, and Sport, CBRE Hotels, Statistics Canada & CBRE Estimates

Benefits & Risks of MAT Implementation



Market Factors Affecting the Accommodation Sector

- Economic growth in Canada still expected to remain positive, with no recession formally forecast by the Bank of Canada, but inflation continuing to run hot
- Uptick in hotel investment activity as investors target strategic acquisitions
- National occupancy expected to recover to 2019 levels in 2023 (65%), as are overnight person visits to Ontario (45.6 million)
- Visitation to Region 7 decreased from 11.2 million in 2019 to 8.4 million person visits in 2021, yet overnight visitation increased from 37% to 43% of overall visits (3.6 million)

MAT Implementation in Neighbouring Communities

- **Huntsville:** 4% MAT since Apr 2019; 30% retained by Town, 70% directed to tourism initiatives through HMATA*
- **Niagara-on-the-Lake:** introduced phased MAT implementation (2% in Jul 2022, increasing to 5% by Jan 2025); developed Committee of Council to plan projects for Town's 50% of funds
- **Prince Edward County:** 4% MAT since Feb 2021; spending aligns with tourism strategy – MAT funded projects must incorporate community benefits
- **Collingwood:** currently considering 4% MAT; also looking to create a new Tourism Strategy and STA licensing to correspond with MAT planning

*Huntsville Municipal Accommodation Tax Association

Benefits and Risks for Consideration

MAT Implementation is one of several potential revenue generating tools; others include:

- Expanding 2% DMF to other tourism-related businesses
- Increasing commercial property taxes
- Introducing business licensing

BENEFITS

- Will help the town remain competitive with 50 Ontario Municipalities
- Provides an opportunity to correct negative externalities, e.g., strain on utilities and infrastructure from tourism
- Encourages illegal operations to comply with STA regulations
- Provides an accommodation inventory

RISKS

- Potential revenue loss for businesses, if tourists decide to stay elsewhere
- BMVA already applies a 2% DMF* on member accommodators; stopping it could negatively impact Village businesses and residents
- Need to review marketing strategies to demonstrate cost benefit analysis for additional marketing dollars

*Destination Marketing Fee



Thank you!

Rebecca Godfrey, MBA, CMC
Senior Vice President
CBRE Tourism Consulting
rebecca.godfrey@cbre.com