

THE MUNICIPALITY OF LAMBTON SHORES

Report CAO 01-2025

Council Meeting Date: February 4, 2025

TO: Mayor Cook and Members of Council

FROM: Steve McAuley, CAO

RE: Establishing a Municipal Accommodation Tax and a Tourism Municipal Service Corporation for the Purposes of Collecting MAT Tax

RECOMMENDATION:

THAT report “Establishing a Municipal Accommodation Tax and a Tourism Municipal Service Corporation for the purposes of collecting MAT tax” be received; and

THAT staff be authorized to engage with the public and stakeholders regarding the creation of a Municipal Services Corporation which would operate as the Municipality’s “eligible tourism entity” for the purposes of sharing Municipal Accommodation Tax proceeds; and

THAT the public consultation strategy as outlined in this report be approved; and

THAT staff be directed to develop the business case for the purpose of creating such a Municipal Services Corporation; and

THAT staff be directed to prepare a Draft Municipal Accommodation Tax by-law and associate collection policies and/or agreements; and

THAT upon completion of the public engagement process related to establishing a Tourism MSC and the preparation of a draft business case, staff report back to Council with further details related to implementation of a Municipal Accommodation Tax in the Municipality.

SUMMARY

This report outlines, and recommends the next steps required to implement a Municipal Accommodation Tax (MAT) and steps required to create a Municipal Service

Corporation (MSC) for the purposes of receiving the required MAT funds from the Municipality.

BACKGROUND

Council is considering imposing a tax on transient accommodation (referred to as a “Municipal Accommodation Tax”, or “MAT Tax”). If such a tax is imposed, Lambton Shores must then share the MAT Tax revenue with a non-profit entity focused on promoting tourism. Council has considered options for which tourism entity would best suit the needs of Lambton Shores, and at the September 10, 2024, Council meeting, Council passed the following resolution:

***THAT** a letter be drafted on behalf of Council to Tourism Sarnia-Lambton regarding MAT Tax Tourism Partnership Program.*

Based on this direction, a letter was sent to the chair of Tourism Sarnia-Lambton indicating the municipality would be looking at establishing separate MSC for the purposes of receiving the required funds generated by a MAT tax. A review of the various rules associated with MAT and establishing an MSC are as follows:

- Section 400.1 of the *Municipal Act, 2001* permits a local municipality such as Lambton Shores to impose a MAT Tax.
- Ontario Regulation 435/17 sets out rules on revenue sharing, which depend on whether or not there exists within Lambton Shores a “destination marketing program”, as it is defined in the Regulation. Staff have investigated, and have determined that there is no such “destination marketing program” in Lambton Shores. In these circumstances, Lambton Shores would be required to share with one or more “eligible tourism entities” (a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality) at least 50% of the MAT Tax revenue (net of reasonable costs of collecting and administering the MAT Tax).
- Any amounts paid to this eligible tourism entity must be used by the eligible tourism entity for the exclusive purpose of promoting tourism, and the eligible tourism entity must enter into a financial accountability agreement with the municipality. Staff are of the view that there is no existing “eligible tourism entity” that focuses on promoting tourism in all of Lambton Shores, and only in Lambton Shores. In these circumstance, one option for Council would be for Lambton Shores to create a Municipal Services Corporation whose primary mandate would be the promotion of tourism in Lambton Shores.
- Section 203 of the *Municipal Act, 2001* and Ontario Regulation 599/06 set out a series of rules governing the creation of a Municipal Services Corporation by a municipality. Among other rules, prior to establishing a Municipal Services Corporation, the Municipality must develop a business case study, consult with the public, and adopt and maintain policies with respect to transfer of assets.

In order to proceed with the MAT tax initiative, staff is proposing two concurrent paths forward. One path would consider the creation of an MSC, while the second path would finalize the details of a MAT tax by-law and associated collection mechanisms.

In order to advance the creation of an MSC, the Municipality is required to develop a business case study for the Tourism Municipal Services Corporation for the purposes of receiving MAT Tax funds and undertake consultation with the public through a public engagement process.

Generally, the business case required for the creation of an MSC will include the following information and recommendations:

- Some background information on tourism in the Municipality, the MAT Tax, and Municipal Service Corporations;
- A description of the Municipality's objectives, as well as the Tourism Municipal Service Corporation's objectives and services, mandate, and guiding principles.
- The structure of the Tourism Municipal Services Corporation and its relationship with the Municipality, including things like management structure and steps to ensure public accountability.
- An analysis as to how the Tourism Municipal Services Corporation could support the Municipality's strategic goals and objectives.
- A discussion on how the Tourism Municipal Services Corporation will be implemented.

Staff are proposing the following as a general framework for the required public engagement process related to the MSC:

- Create an information portal on the municipal website that would include information about an MSC and past Council reports related to MAT
- Supplement the above with social media blasts
- Undertake one on-line survey to solicit input and ideas.
- Hold one open house for in-person communication
- Hold individual focus groups with stakeholders such as Grand Bend Chamber, Forest BIA, etc.

While the process for the creation of the MSC is underway, staff would simultaneously prepare a draft MAT tax by-law and associated collection policies. During this process, staff will identify changes required to current by-laws such as the Fees and Charges By-Law, the Short Term Rental By-Law etc.

The intent will be to present Council with a business case for the establishment of a tourism MSC and a draft MAT bylaw for review in late April, 2025.

ALTERNATIVES TO CONSIDER

Council could decide to not implement a MAT tax. The consideration of MAT was one of Council's strategic priorities and is in keep with many other municipalities who have an identifiable tourism element to their Municipality. Staff are supportive of this initiative

and would encourage Council to undertake the steps identified in this report to implement a MAT tax.

Council could also reconsider the establishment of a tourism MSC in Lambton Shores. As Council is aware, 50% of the monies collected must go to a tourism entity. If an MSC was not implemented an agreement with a suitable tourism entity would have to be entered into. Staff are of the opinion that tourism in Lambton Shores is best served through the establishment of an MSC focused solely on Lambton Shores and areas in the immediate vicinity of Lambton Shores.

RECOMMENDED ACTIONS

Staff are recommending Council undertake the steps outlined in this report to create a tourism MSC and draft MAT tax by-law. Staff intend to report back to Council in late April, 2025 with the information gathered and the steps for final implementation of both the MSC and the MAT.

FINANCIAL IMPACT

The steps outlined in this report have no direct financial impact. Staff time and resources can be covered through existing budgets. Any legal advice or opinions can be funded from the legal budgets established in the 2025 municipal budget.

CONSULTATION

Mr. Ken Strong, Strong Nenniger Law Professional Corporation