

# City of Mississauga Corporate Report



<p>Date: September 6, 2023</p> <p>To: Chair and Members of Budget Committee - Fees and Charges</p>	<p>Originator's files:</p>
<p>From: Shari Lichterman, CPA, CMA, City Manager and Chief Administrative Officer</p>	<p>Meeting date: October 4, 2023</p>

## Subject

**Municipal Accommodation Tax Rate Change**

## Recommendation

1. That an increase to the Municipal Accommodation Tax (MAT) be approved from four per cent (4%) to six per cent (6%) effective January 1, 2024, as outlined in the corporate report dated September 6, 2023 entitled "Municipal Accommodation Tax Rate Change" from the City Manager and Chief Administrative Officer.
2. That the corresponding revenue budget increase to the Municipal Accommodation Tax be equally distributed between Tourism Mississauga and the City of Mississauga. Net revenue from Tourism Mississauga will be transferred to Reserve (#30162) and the City of Mississauga, with the City's portion be transferred to the MAT – Tourism Projects Reserve Fund (#35591).
3. That By-Law 0023-2018 be amended to reflect the change in MAT rate.

## Executive Summary

- The City of Toronto implemented an increase to their MAT rate from four per cent to six per cent effective May 1, 2023. The bulk of Mississauga's hotels are located in the airport area, at the border of Toronto and its many airport hotels. Aligning rates with Toronto is recommended.
- The proposed two per cent increase to the MAT effective January 1, 2024 is intended to help support tourism-related city initiatives and events, capital improvements and infrastructure needs. The funds generated are intended to benefit the broader community and tourism industry.
- As legislated, the increased revenues would be split evenly between the City of Mississauga and Tourism Mississauga, the City-owned destination marketing organization.

- Staff will work with the accommodation providers on any changes to the reporting and tax remittance process following this rate change.

## Background

The City of Mississauga introduced the collection of Municipal Accommodation Tax (MAT) in February 2018, with an implementation date of April 1, 2018. MAT is a tax payable by applicable accommodation providers in order to fund tourism related initiatives and infrastructure.

According to Section 5 of the Transient Accommodation Tax regulation under the Municipal Act, since the City of Mississauga did not have a destination marketing program prior to the introduction of the MAT, the municipality is required to share 50% of the net revenues from the tax with an eligible not-for-profit tourism organization. As such, fifty per cent of the total net MAT revenue collected is remitted to Tourism Mississauga. Tourism Mississauga is a municipal services corporation owned by the City, which operates as a destination marketing organization (DMO).

The City of Mississauga's portion of the MAT is mainly used to fund culture grants to support arts, heritage, and cultural festivals or celebrations in Mississauga, as well as costs relating to the hosting of citywide sports or culture events. The funds are also used for tourism-related capital improvements and infrastructure needs, such as to support improvements to the Paramount Fine Foods Centre.

Tourism Mississauga's share of the MAT is also used towards tourism related initiatives and events. This includes visitor servicing, destination planning, community building, and other tourism programs. The additional funding will allow Tourism Mississauga to enhance festival and event support, facilitate growth and development of its sales and marketing function, enable expansion into new international markets and help support the City's bidding process for hosting of events.

## Comments

As outlined in by-law 0023-2018 and the MAT policy 04-02-06, MAT is currently calculated as 4 per cent of the purchase price of short-term accommodation for a continuous period of 30 consecutive days or less, provided in a hotel, motel, motor hotel, lodge, inn, bed and breakfast, dwelling unit or any place in which accommodation is provided. Following Council approval, the by-law will be amended to reflect the rate change from 4 per cent to 6 per cent.

Accommodation providers are responsible for collecting MAT from their customers under the new rate effective January 1, 2024, and self-remitting this tax to the City of Mississauga. As of June 30, 2023, the MAT revenue collected is \$6.7 million. The 2023 annual projection for MAT revenue is approximately \$12.8 million.

Canada's travel and tourism industry is experiencing a post-pandemic rebound. 2023 hotel occupancy rates, room nights sold and average daily room rates in Mississauga are trending to exceed 2019 pre-pandemic levels according to Destination Toronto. As per CBRE, this growth rate is forecasted to level out over 2024 and beyond.

The City of Toronto implemented an increase to their MAT rate from four per cent to six per cent effective May 1, 2023. Given the close geographic proximity of Mississauga and Toronto hotels, particularly in the airport area, it is recommended that the City align its rate with Toronto's – as it did when initially implementing the MAT. There is no competitive advantage to having a lower MAT rate and as noted, hotel bookings are strong.

## Engagement and Consultation

On September 13, 2023, staff met with the Greater Toronto Hotel Association (GTHA) to discuss this proposed rate increase. The objective was to provide advanced notice to the hotel stakeholders of the potential MAT increase. The rate change will also be discussed with the Tourism Mississauga Board on October 23, 2023.

## Financial Impact

It is anticipated that the two per cent rate increase to the MAT will generate approximately \$6.4 million in additional 2024 MAT revenues, which would be distributed equally between the City and Tourism Mississauga.

## Conclusion

It is recommended that to align with the City of Toronto, the MAT rate be increased from four per cent to six per cent, effective January 1, 2024. Accommodation providers and the GTHA will be formally notified of this rate change following Council approval.



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