



## **STAFF REPORT**

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**Meeting Date:** October 15, 2024

**Title:** Municipal Accommodation Tax

**Prepared By:** Roger Nesbitt, CAO

**Department:** Administration

**Report Number:** Administration-2024-018

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### **Recommendation:**

THAT Council direct staff to proceed with establishing a municipally led public benefits nonprofit corporation dedicated to promoting tourism in the City of Dryden with 50% of the annual Municipal Accommodation Tax revenue directed to the corporation from the municipality,

And that Council direct staff to issue termination notice to the Dryden District Chamber of Commerce to terminate the MAT agreement between the two parties.

### **Background:**

By-law 4672-2019, the Municipal Accommodation Tax ("MAT") By-law, came into effect on January 1, 2020. Pursuant to section 400.1 of the Municipal Act, 2001, SO 2001, c 25, the municipality passed the MAT by-law thereby imposing a 4% tax on the purchase of transient accommodation in the municipality. The MAT tax rate has remained at 4%.

Under Ontario Regulation 435/17: Transient Accommodation Tax (the "Regulation"), at least 50% of the municipality's net revenue from the MAT must be distributed to an "Eligible Tourism Entity" for the exclusive purpose of promoting tourism. In the fall of 2020, the City of Dryden entered into an agreement with the Dryden District Chamber of Commerce to satisfy this requirement.

For further information regarding the Dryden District Chamber of Commerce's tourism committee responsible for MAT proceeds, please visit;  
<https://drydenchamber.ca/dryden-trailblazer-tourism-association/>.

## **Discussion:**

The revenue generated from the municipal accommodation tax can significantly impact tourism, which is a crucial sector for the economic growth and development of the City of Dryden. Growth in tourism benefits local businesses, culture, the regional economy, and area residents.

Dryden has substantial potential to expand its tourism sector by leveraging its natural attractions, location, cultural heritage, and sports and recreational opportunities. A more focused and strategic approach to tourism could further unlock the city's potential as a tourism destination, increasing visitor numbers and spending, supporting local businesses and organizations, and generating additional revenues and benefits for the community.

The Transient Accommodation Tax Regulation provides the City with significant discretion in allocating revenues where no Destination Marketing Program existed at the time of the City's MAT implementation. Therefore, the City can share the MAT revenues with an eligible tourism entity of its choosing. The only eligibility requirement is that the entity must be nonprofit and have the promotion of tourism as one of its mandates. The Municipal Act or Regulation does not impose restrictions on the relationship between the municipality and the entity/entities (other than the requirement for a MAT agreement). Specifically, the Regulation does not require the recipient organization to operate at arm's length from the City. However, the Ontario Not-for-profit Corporations Act imposes certain limitations on the control of entities operating as Public Benefit Corporations by affiliated organizations.

The City is empowered to establish corporations under section 203 of the Municipal Act, 2001, and in accordance with Ontario Regulation 599/06. Therefore, the City of Dryden could establish a nonprofit corporation with the mandate of promoting tourism in Dryden, which would be eligible for funding through the collected MAT revenue. This approach has been adopted by other Ontario municipalities as a strategic and focused method to further promote tourism.

To provide a greater level of focus on tourism development and achieve a strategic approach with somewhat limited resources, Municipal staff are recommending that City Council direct staff to proceed with establishing a municipally led public benefit nonprofit corporation ("PBC") dedicated to supporting tourism and that Council direct staff to issue termination notice to the Dryden District Chamber of Commerce, thereby triggering the termination process for the MAT agreement between the two parties.

The formation of the PBC would allow the municipality to direct 50% of the MAT revenue to the corporation for the purpose of tourism promotion. Staff are proposing that the PBC board of directors be comprised of three directors with the composition being two municipal members of council and one senior staff member, thereby meeting

the requirements stipulated in Section 23(3) of the Ontario Not-for-profit Corporations Act.

**Financial Implications:**

Total MAT Collected:  
2023 ~\$490,000  
2024 ~\$540,000 (estimated)

**Current Budget Allocation:**

**Account #:**

**Attachments (Reference Material):**

Municipal Accommodation Tax By-law 4672-2019  
Municipal Accommodation Tax Agreement - Chamber of Commerce - November 2022