



**City of Kingston  
Report to Council  
Report Number 21-040**

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**To:** Mayor and Members of Council  
**From:** Lanie Hurdle, Chief Administrative Officer  
**Resource Staff:** Desiree Kennedy, Chief Financial Officer  
**Date of Meeting:** January 12, 2021  
**Subject:** Municipal Accommodation Tax Fund Yearly Update and  
Renewal of Municipal Accommodation Tax Agreement

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**Council Strategic Plan Alignment:**

Theme: Regulatory & compliance

Goal: See above

**Executive Summary:**

In 2018, Council endorsed an implementation plan for a 4% Municipal Accommodation Tax (MAT) which applies to hotels, motels and bed & breakfast accommodation. The City of Kingston implemented the MAT in August 2018. The MAT is paid for by visitors, not by property owners. In Kingston, the mandatory MAT replaced the voluntary 3% destination marketing fee (DMF) that had been administered by Kingston Accommodation Partners (KAP) since 2004.

In 2018, Council also approved a partnership and agreement between KAP, Tourism Kingston (TK) and the City for the collection and reinvestment of the MAT. The agreement designates KAP as the agency responsible for the collection of the MAT on behalf of the City as KAP already had a system in place through its previous collection of the voluntary 3% DMF.

The MAT agreement established in 2018 expired on December 31, 2020. Furthermore, in December 2020, Council approved that short-term accommodations also be subject to the MAT and that these MAT revenues be collected by the City.

The purpose of this report is to provide an update on the MAT collection and seek Council's approval on the renewal of the MAT agreement.

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**Recommendation:**

**That** Council delegate authority to the Mayor and Clerk to enter into necessary agreements with Kingston Accommodation Partners and Tourism Kingston to implement the renewal of the Municipal Accommodation Tax agreement 2021 – 2023; and

**That** Council approve A By-Law to Amend By-Law Number 2018-095 “A By-Law of the City of Kingston to establish the Municipal Accommodation Tax”, as per Exhibit A to Report Number 21-040.

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**Authorizing Signatures:**

ORIGINAL SIGNED BY CHIEF  
ADMINISTRATIVE OFFICER

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**Lanie Hurdle,**  
**Chief Administrative Officer**

**Consultation with the following Members of the Corporate Management Team:**

Paige Agnew, Commissioner, Community Services	Not required
Peter Huigenbos, Commissioner, Business, Environment & Projects	Not required
Brad Joyce, Acting Commissioner, Corporate Services	Not required
Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	
Sheila Kidd, Commissioner, Transportation & Public Works	Not required

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**Options/Discussion:****Municipal Accommodation Tax (MAT) Agreement Background and Update**

The MAT was implemented as per Bill 127, A Stronger, Healthier Ontario and Ontario Regulation 435/17, Transient Accommodation Tax, which came into force in December 2017. A number of municipalities across Ontario now have a MAT in place which supports the marketing and tourism infrastructure development of the tourism industry. Ontario Regulation 435/17 requires that proceeds from the MAT must be reinvested in either marketing or product development within the tourism sector.

In 2018, Council endorsed the implementation of the MAT with an effective date of August 1, 2018. The implementation plan developed by City staff, Tourism Kingston (TK) and Kingston Accommodation Partners (KAP) provided for the collection of the MAT to be executed by KAP, similar to the voluntary 3% destination marketing fee (DMF) that had previously been collected by KAP. The mandatory 4% MAT replaced the previous 3% DMF.

There are a number of exemptions to the MAT, including colleges and universities, which are exempted based on provincial legislation. Having said that, both Queen's University and St. Lawrence College have voluntarily been collecting a fee which has been redirected to KAP. These institutions have decided to work in partnership because they recognize the importance of tourism as a sector and recognize the financial benefit that tourism brings to their own institutions. As Council is aware, short-term accommodations were added to the collection of the MAT in December 2020.

As part of Council's approved partnership agreement, the funds collected are to be redistributed between marketing/promotion (65%) and a Development Fund (35%). From the 65% allocation, the City is obligated under Ontario Regulation 435/17 to allocate \$1.6M of the MAT revenues escalated annually to KAP, representing the annual amount of DMF previously collected by KAP (2017 baseline). It is important to note that if the 65% redirected to marketing and promotion is less than the \$1.6M previously collected by, the contribution to the Development Fund would be reduced in order to ensure that KAP receives its funding established as the 2017 baseline. The agreement between the City, KAP and TK also outlines that funds will be provided in addition to the 65% to account for incremental costs related to the MAT collection processes recognizing that there are a much larger number of properties that are now mandated to contribute to the MAT.

The marketing/promotion funds are primarily redirected from KAP to TK based on a Service Level Agreement signed by both TK and KAP. These annual funds are to be spent on marketing initiatives contained in an integrated marketing plan developed by TK in consultation with a Marketing Committee which includes City, TK, and KAP representation. The Development Fund is utilized to finance product development, major events attraction and strategic initiatives to advance the implementation of the Integrated Destination Strategy, which was approved by Council in 2019. Decisions related to the Development Fund are authorized through a committee which includes representation from TK, KAP and the City.

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The MAT agreement that was established in 2018 has a strong foundation that has proven to work effectively but needs to be updated to include short-term accommodations. In light of Council's approval of the short-term accommodations licensing, staff are including language to reflect a MAT collection by the City on short-term accommodations. The funds collected by the City from short-term accommodations will be subject to the same allocations of 65% (marketing and promotion) and 35% (Development Fund) based on the existing terms of the MAT agreement.

### Yearly Update on MAT Funds

The table below provides an update on funds collected for the 2018 partial year, 2019 and 2020 to date. The table also outlines the redistribution of funds including the 65% allocation for marketing and promotion, additional collection costs and the Development Fund contribution.

Table 1 – 2018/2019/2020 MAT Collection and Redistribution

Year	Total MAT Collected	Redistribution of Funds		
		Marketing and Promotion - 65%	Additional Collection Costs	Development Fund (up to 35%)
2018 (5 months)	\$ 1,355,048	\$ 880,782	\$ -	\$ 474,266
2019	2,870,761	1,865,995	70,000	934,766
2020 (unaudited to Nov 2020)	929,112	929,112	-	-
Total	\$ 5,154,921	\$ 3,675,889	\$ 70,000	\$ 1,409,032

### Development Fund

#### 2018 - 2019

In 2018/2019, the Development Fund Committee invested \$260,736 in the 2020 Brier Curling Championship. The Development Fund Committee also approved the use of the Development Fund should there be any operational deficit at Kingston Penitentiary over the term of the lease between the Federal government and the City, as well as up to \$200,000 per year to support the attraction of new airline carriers and additional flights at the airport. Due to the pandemic, the Kingston Penitentiary lease agreement was put on hold and alternative temporary access arrangements have been made between St. Lawrence Parks Commission and Correctional

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Services Canada and therefore, no funds have been drawn from the Development Fund for this purpose.

### 2020 Update

As a result of the COVID-19 pandemic, bars, restaurants, attractions and most hotels and tourism activity were severely impacted with limited operations. Accommodation partners had limited MAT collection due to closures and limited tourism activities occurred during 2020. As shown in the table above, MAT revenues were significantly reduced in 2020 and collections were not sufficient to maintain the necessary level of investment in marketing and promotion.

KAP and TK implemented operating cost reduction strategies in order to maximize marketing funds, however, in order to ensure a continued investment in marketing and promotion, the City approved the use of up to \$700,000 to be reallocated from the Development Fund. This amount was required to support marketing and promotion operations in 2020. Furthermore, the Development Fund Committee approved a contribution of \$130,000 to the Love Kingston Marketplace spring and summer programs. Based on the total MAT revenues and commitments to date, there is currently \$118,296 left in the Development Fund.

In the fall of 2020, the City applied to the Safe Restart federal-provincial funding program which supports municipalities that have experienced losses due to the COVID-19 pandemic. The application included a projected loss for MAT revenues. In December 2020, the City was notified that it received additional Safe Restart funding which will be used to replenish the \$700,000 to the Development Fund, which had been transferred to support marketing operations in 2020. This means that at the end of 2020, it is projected that there will be approximately \$818K in the MAT Development Fund.

Table 2 – Development Fund Revenues and Commitments

	Development Fund Revenues	
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Development Fund Revenues:		
2018 MAT Collection	\$ 474,266	
2019 MAT Collection	934,766	
2020 MAT Collection (unaudited)	-	<hr/> \$ 1,409,032
Development Fund Commitments:		
2020 Brier	\$ (260,736)	
Love Kingston Marketplace	(130,000)	
2020 Marketing Contribution	(700,000)	

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Airline Commitment	(200,000)	(\$1,290,736)
		<hr/>
		\$ 118,296
Federal-Provincial Safe Restart Funding		<hr/>
		\$ 700,000
Balance December 31, 2020 (unaudited)		<hr/>
		\$ 818,296

Adjustments will be made as part of the year end reporting processes to allocate a further 2020 contribution to the Development Fund from the additional Safe Restart funding.

**Existing Policy/By-Law:**

Ontario Regulation 435/17 - Transient Accommodation Tax

**Notice Provisions:**

None

**Accessibility Considerations:**

None

**Financial Considerations:**

As described in this report.

**Contacts:**

Lanie Hurdle, Chief Administrative Officer 613-546-4291 extension 1231

**Other Staff Consulted:**

Megan Knott, Executive Director, Tourism Kingston

Krista LeClair, Executive Director, Kingston Accommodation Partners

**Exhibits Attached:**

Exhibit A – A By-Law to Amend By-Law Number 2018-095 “A By-Law of the City of Kingston to establish the Municipal Accommodation Tax”

**By-Law Number 2021-XX**

**A By-Law to Amend By-Law Number 2018-095 “A By-Law of the City of Kingston to establish the Municipal Accommodation Tax”**

**Passed:** [Meeting Date]

The Council of The Corporation of the City of Kingston enacts as follows:

1. By-Law Number 2018-095 “A By-Law of the City of Kingston to establish the Municipal Accommodation Tax”, is hereby amended by amending the following:

**1.1 Add the following Definition:**

**“Short-term Rental”** means all or part of a Dwelling Unit used to provide sleeping accommodations for a period less than thirty (30) consecutive nights in exchange for payment, but does not include a Hotel, motel, inn, bed & breakfast or resort.

**1.2 Application of Tax** Delete Section 2 (b) and insert the following:

(b) A purchaser shall pay to the provider of transient accommodation an accommodation tax, at the time of purchase, in the amount of four (4) percent and any associated tax of the purchase price of the transient accommodation which is provided for a continuous period of less than 30 nights and is provided within a hotel, motel, inn, bed and breakfast, resort, hostel, or short-term rental.

**1.3 Exemptions** Replace Section 3 (i) with the following:

(i) Short Term Medical Accommodations – These accommodations support out of town individuals that have medical appointments in Kingston. They can be less than 30 days and must be on a roster with the Kingston Health Science Centre. Occupants must provide a proof of medical appointment to the property owner. Failure to obtain proper documentation could result in the property owner paying the 4% MAT.

**1.4 Tax Collection Agent** Replace Section 5 with the following:

The Municipal Accommodation Tax received by providers of transient accommodation shall be collected by the City of Kingston and Kingston Accommodation Partners as an agent for the municipality. The Municipal Accommodation Tax shall be administered in accordance with the Municipal Accommodation Tax Agreement to which the City of Kingston, Kingston Accommodation Partners and Tourism Kingston are parties.



**1.5 Penalties and Interest** Replace Section 7 with the following:

Past due amounts payable by providers of transient accommodation shall bear penalties and interest at the rate applicable to property tax arrears and shall be payable on the non-payment of the full amount of the outstanding Municipal Accommodation Tax by the due date as set out in the notice issued by the City of Kingston or Kingston Accommodation Partners. A penalty will be charged on the unpaid amount of a Municipal Accommodation Tax installment on the first day of default and monthly interest charges will be imposed on the first day of each month thereafter until paid in full. An additional fee will be charged in respect of any remittances made by cheque that are not honoured by the financial institution upon which it is drawn.

**1.6 Audit and Inspection** Replace Section 9 (b) and 9 (d) with the following:

(b) City employees and the City's designated tax collection agent may inspect and audit all books, documents, transactions and accounts of the transient accommodation service provider as required for the purposes of administering and enforcing this by-law.

(d) City employees and every designated tax collection agent shall have the right to enter lands and premises to conduct an inspection to determine whether the provisions of this By-Law and any order(s) issued hereunder are being complied with in accordance with the provisions of Sections 435 and 436 of the Municipal Act, 2001.

2. This by-law shall come into force and take effect on June 1, 2021.

Given First and Second Readings: [Meeting date]

Given Third Reading: [Meeting date]

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**John Bolognone**  
**City Clerk**

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**Bryan Paterson**  
**Mayor**