TO: CHAIR AND MEMBERS
STRATEGIC PRIORITIES & POLICY COMMITTEE
MEETING ON JANUARY 29, 2018

FROM: ANNA LISA BARBON
MANAGING DIRECTOR, CORPORATE SERVICES AND
CITY TREASURER, CHIEF FINANCIAL OFFICER
AND
JOHN WINSTON
GENERAL MANAGER, TOURISM LONDON

SUBJECT: TRANSIENT ACCOMMODATION TAX

RECOMMENDATION

That, on the recommendation of the Board of Directors and the General Manager of Tourism London, and the Managing Director, Corporate Services and City Treasurer, Chief Financial Officer, the following actions be taken with respect to a tax on transient accommodation:

a) the implementation of a 4% tax on transient accommodation in London **BE ENDORSED**;

and,

b) Civic administration in conjunction with Tourism London **BE DIRECTED** to report back with the necessary documentation in order to implement the transient accommodation tax including all necessary by-laws and agreements.

PREVIOUS REPORTS PERTINENT TO THIS MATTER

None

BACKGROUND

The 2017 Provincial Budget granted municipalities the authority to implement a tax on transient accommodations, should they choose to do so.

Relevant legislative changes came into effect December 1, 2017 (attached) for the purpose of ensuring that those communities that invest in the tourism sector can continue to grow and maintain its upward momentum as a significant contributor to economic growth and development.

A 2016 Economic Impact Study, conducted by Tourism London in cooperation with the Canadian Tourism Research Institute, a division of the Conference Board of Canada, concluded that London’s tourism and hospitality sector contributes an estimated $738M of spending by both same-day and overnight visitors to London—an 80% increase since 2000.

London is host to nearly 2.1M overnight visitors and an estimated 4.5M day visitors annually. Additionally, nearly 8,200 full-year jobs are supported by tourism in London and represent 3.3% of local employment. These statistics underscores the major contribution tourism makes to the local economy and our general well-being.

Legislative Features

This legislation will allow London to raise additional revenues which, net of the reasonable costs of collecting and administering the tax, are to be shared (50/50) with eligible tourism entities. In the case of London, that entity would be Tourism London. Tourism London would be required to use its portion of the revenue for tourism promotion and development.

The legislation also requires that an agreement be entered into between The Corporation of the City of London and Tourism London to ensure that the amounts paid to Tourism London are used exclusively for tourism promotion and development and that reasonable financial accountability is maintained.
The financial resources that would be made available to Tourism London would give it wide-ranging capacity to augment and expand London’s reputation as a host city by allowing Tourism London to bid on major national and international sport, convention, music and culture events; to increase promotional activity in new and existing priority markets; to develop and fund existing and new local festivals and events that have the ability to bolster visitations and contribute to increased hotel occupancy and to act as our own guarantor where a guarantee is required.

Tourism Development Infrastructure Fund

Notwithstanding that the legislation does not give clear direction on how the City’s portion of the tax should be designated, it would be prudent to give consideration to the establishment of a Tourism Development Infrastructure Fund (TDIF) to encourage financing tourism related projects. This fund would be designed to act as a catalyst to leverage private sector and government capital investment to support initiatives that encourage infrastructure development and to attract and leverage other sources of investment in tourism that aligns with the City’s and Tourism London’s strategic objective, that being to increase visitations to London. Having an established TDIF would ensure the City is in a position to respond expeditiously to tourism development opportunities that arise, and would mitigate the need to draw from alternative sources of financing that otherwise could be utilized for other important initiatives and thereby alleviate future pressures on the tax rate.

A capital/infrastructure focused fund would not only enhance London’s ability to finance new projects but would also serve to improve venue capacity and sustainability and, in so doing, strengthen London’s ability to attract and consummate major event opportunities. A vibrant event landscape is critical not only to London’s tourism sector but to the quality of life of all Londoners.

Maintain Core Funding

Replacing Tourism London’s core funding allocation from the City of London with the revenues generated from the transient accommodation tax would merely maintain the status quo and would not achieve the intended purpose of the legislation which is to grow the tourism sector in the municipalities that adopt the accommodation tax.

On April 2, 2014, Council passed a resolution that encouraged the London Hotel Association to implement a voluntary transient levy, and on May 20, 2014 Council resolved that “it is not the intent of the City of London to offset its investment in Tourism London by any revenues that are generated…”

A continued commitment by Municipal Council to a sustainable and predictable source of core operating funds for Tourism London, a City employee-based, para-municipal not-for-profit organization, will enable London to become a more significant participant in a very competitive tourism sector. By continuing to provide core funding to Tourism London, funds generated through the transient accommodation tax would bolster tourism promotion and development opportunities that would not otherwise be possible if Tourism London was restrained by its existing annual operating budget.

By-Law Requirements

Section 400.1 of the Municipal Act, 2001 provides that a municipality may by way of a by-law, impose a tax with respect to the purchase of transient accommodations. The by-law must satisfy the following requirements:

- Subject of the tax to be imposed;
- Tax rate or the amount of tax payable; and
- Manner in which the tax is to be collected, including the designation of any persons or entities who are authorized to collect the tax as agents for the municipality and any collection obligations of persons or entities who are required to collect the tax.

The by-law may also provide for: exemptions from the tax e.g. airbnb; bed & breakfast; rebates of tax; penalties for failing to comply with the by-law; interest on outstanding tax; penalties or interest; audit and inspection powers; dispute resolution mechanisms; and enforcement measures.

Civic Administration and Tourism London will work together to develop an implementation plan to satisfy the requirements of a by-law which will be the subject of a future report.
The implementation of a 4% tax on transient accommodation in London is estimated to generate approximately between $2-4 million per annum based on the current information made available on existing occupancy levels and daily room rate (excluding Airbnb and Bed & Breakfast accommodators) noting that universities and colleges are exempt from this taxation. For each year or partial year that the tax is in effect, a payment of at least equal to 50% of the total transient accommodation tax revenue must be paid to an eligible tourism entity, being Tourism London after deducting the reasonable costs of collecting and administering the tax. The remaining 50% would remain with the City of London.

As identified earlier in the report, the 50% retained by the City of London is proposed to be contributed annually to a new reserve fund known as the TDIF to encourage financing tourism related projects. The establishment of the TDIF would mitigate future reliance on the tax supported funding that would otherwise have been required to support new projects or improvements to existing venue capacity. An annual budget and allocations from the TDIF would be included as part of the approval of the City’s operating budget. Historically, the City’s approved budget has supported improvements to Tourism infrastructure such as the London Convention Centre and Budweiser Gardens. In the future through the implementation of the transient accommodation tax, dedicated financial support raised through tourism will be available to fund new and improved tourism infrastructure that will generate additional economic impact for London.