



# Staff Report

## Communications and Economic Development

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**Report To:** Committee of The Whole  
**Meeting Date:** March 13, 2017  
**Report Number:** FAF.17.42  
**Subject:** Letter of Support to the Province supporting Blue Mountain Village Association’s Position Regarding Potential Changes in Legislation to Permit a Hotel Tax  
**Prepared by:** Elizabeth Cornish, Communications and Economic Development Coordinator on behalf of the Economic Development Advisory Committee

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### A. Recommendations

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THAT Council receive Staff Report FAF.17.42 ‘Letter of Support to the Province supporting Blue Mountain Village Association’s Position Regarding Potential Changes in Legislation to Permit a Hotel Tax’,

AND THAT Council supports the Blue Mountain Village Association’s (BMVA) position, as well as the position of Tourism Industry Association of Ontario (TIAO) and the Greater Toronto Hotel Association, regarding:

- 1) the proposed 4% hotel tax being considered in Toronto,
- 2) the resulting changes to Provincial legislation this would entail, and
- 3) the potential negative impact that this proposed tax could have on tourism in our region,

AND THAT Council express this support by sending a letter to Jim Wilson, MPP Simcoe-Grey conveying Town support for the BMVA’s position.

### B. Overview

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The Blue Mountain Village Association (BMVA) has concerns with the new legislation being proposed by the City of Toronto to the Province.

The BMVA’s concern is that once Provincial legislation has been changed, other municipalities, including Town of The Blue Mountains, will be able to impose their own Hotel Tax to support municipal revenues.

The BMVA believes that a Hotel Tax will:

- Impact all tourism businesses, with a large impact on those destinations who welcome out of Town tourists, individuals visiting friends and family and those hotels and convention centres competing for conventions and events;
- Lower the amount Destination Marketing Organizations can collect to promote tourism in their area resulting in a further drop in tourism;
- Result in tourism dollars going into general municipal revenues, rather than into destination marketing.

The Blue Mountains' Economic Development Advisory Committee (EDAC) is recommending that the Town support BMVA's position on the Hotel Tax, and that a letter be sent to Jim Wilson, MPP Simcoe-Grey to encourage the Province to turn down the City of Toronto's request for a legislative change to permit a Hotel Tax.

### C. Background

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On March 6<sup>th</sup>, the Blue Mountain Village Association approached the Economic Development Advisory Committee (EDAC) and requested that they support their effort to oppose proposed changed to Provincial legislation that could result in the imposition of a Hotel Tax.

Andrew Siegwart, president of the BMVA, provided some background information to the committee including the potential impact a Hotel Tax would have if imposed by the Town of The Blue Mountains.

It was then resolved by EDAC:

THAT Council support the Blue Mountain Village Association's (BMVA) position, as well as the position of TIAO and the Greater Toronto Hotel Association, regarding the proposed 4% hotel tax being considered in Toronto, the resulting changes to Provincial legislation this would entail and the potential negative impact that this proposed tax would have on tourism in our region, Carried.

### D. Analysis

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The City of Toronto has approved a motion to request changes in the provincial legislation to permit the imposition of a Hotel Tax as follows:

**4 - Motion to Amend Item (Additional) moved by Councillor Joe Cressy (*Amended*)**

1. City Council endorse, upon legislative changes from the Province, implementation of a hotel tax at a rate of 4 percent.
2. City Council endorse, upon legislative changes from the province, implementation of a tax on lodging applied to short-term rentals and request the City Manager to report back on a recommended tax rate no higher than 10 percent.

<b>Result: Carried</b>	Majority Required - EX20.2 - Cressy - motion 4 Part 1
<b>Result: Carried</b>	Majority Required - EX20.2 - Cressy - motion 4 Part 2

(ref: <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.EX20.2> )

Currently, about 75% of the Town of The Blue Mountains' businesses are believed to directly or indirectly benefit from tourism.

The impact on these businesses varies widely depending on the size of the tax. (Source: KPMG Report - City of Toronto Revenue Options Study; pages 105 and 106) A 10% tax would result in 8.6% reduction in tourism. They also estimate that implementing a 10% tax in one jurisdiction will result in 4% of tourists choosing hotels in other neighbouring municipalities who do not have a Hotel Tax.

The 4% tax proposed for the City of Toronto would see a 3.4% decrease in tourism and 1.6% of tourists relocating to a neighbouring jurisdiction where the tax is not levied.

The concern for the Economic Development Advisory Committee is the ripple effect this would have across the Town of The Blue Mountains' economy. While tourism is currently very strong, previous experience has shown just how quickly a market downturn can arise. Losses that result from the Hotel Tax may be absorbed by businesses when the economy is thriving, but may prove catastrophic in the event of a market downturn.

## **E. The Blue Mountains Strategic Plan**

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Goal #1: Create opportunities for sustainability  
Objective #1: Retain existing business  
Objective #2: Attract new business

## **F. Environmental Impacts**

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None.

## **G. Financial Impact**

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Passing of Provincial Legislation could provide a new revenue tool for the Town.

Opposing the legislation in support of the Blue Mountain Village Association and other Town tourism businesses, could result in the province turning down the proposal. As a result, the Town would lose the ability to apply this particular revenue tool.

## **H. In consultation with**

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In consultation with the Economic Development Advisory Committee.

## **I. Attached**

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1. Letter submitted by the Blue Mountain Village Association to Jim Wilson, MPP Simcoe-Grey.

Respectfully Submitted,

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Elizabeth Cornish  
Communications and Economic Development Coordinator

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Troy Speck  
CAO

For more information, please contact:  
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Mr. Jim Wilson, MPP Simcoe-Grey  
50 Hume Street  
Collingwood, Ontario L9Y 1V2

Dear Mr. Wilson,

I write to you today to request your support for the hospitality and tourism industry in Simcoe Grey, the City of Toronto and indeed across Ontario. Specifically, I write to you with respect to the City of Toronto's request to the Province of Ontario for an amendment to the *City of Toronto Act, 2006* (COTA) to allow the City authority to implement a tax on Toronto hotels.

Blue Mountain Village Association (BMVA) is opposed to any amendments to COTA that will allow the City of Toronto to implement a hotel tax. We request your help in ensuring that the Province makes no amendments to COTA that provide the City of Toronto authority to implement such a tax. Consequences to the proposed tax include business losses as well as the elimination of the Destination Marketing Program, an *industry-funded solution* that provides a dedicated source of funding for Tourism Toronto and its efforts to grow this key sector of the economy. The City of Toronto generated tourism receipts of \$7.63 billion in 2016. A hotel tax of 4% would have a negative impact on these sales levels. Further, the loss of the Destination Marketing Program would translate to a loss of \$26 million, 65 per cent of the organization's budget, currently dedicated to marketing and selling Toronto as a global destination.

Furthermore, granting the City of Toronto authority to make executive decisions about how tax funds collected from a specific sector are used sets a precedent for other municipalities to consider adding similar taxes and to remove established and dedicated sources of funding for the tourism industry – sources that are largely *industry-funded*.

As you know, there are 721 Tourism businesses in Simcoe-Grey employing more than 10,000 employees. Blue Mountain Village and its partners alone bring 2.5 million visitors to our region annually, generate more than \$270 million in annual sales and drive remittances of more than \$35 million in HST payments. We represent among the most innovative and popular destinations and experiences in Ontario. As the region's economic driver, tourism industry employers in Simcoe-Grey need your help to ensure this precedent-setting tax does not get off the ground, that unfair sector-specific taxes don't stall business growth, and that our



*industry-led* models can continue to deliver strong economic results. We want to focus on creating jobs, improving services and growing our contribution to the provincial economy.

I welcome an opportunity to meet with you to further discuss concerns about the impact of this proposed hotel tax and its implications for our region's tourism industry.

Sincerely,



Andrew Siegwart  
President,  
Blue Mountain Village Association

CC Hon. Kathleen Wynn, Premier of Ontario  
Hon. Eleanor McMahon, Minister of Tourism, Culture and Sport  
Hon. Bill Mauro, Minister of Municipal Affairs and Housing  
Hon. Charles Sousa, Minister of Finance  
Hon. Brad Duguid, Minister of Economic Development and Growth  
Hon. Michael Chan, Minister of International Trade  
Beth Potter, President & CEO, Tourism Industry Association of Ontario  
Terry Mundell, President & CEO, Greater Toronto Hotel Association  
Johanne Bélanger, President & CEO, Tourism Toronto