

# Staff Report to Council

**Title:** Municipal Accommodation Tax, Short-Term Rental Licensing Update and Proposed Next Steps

**Report Number:** Strategic Initiatives-2025-10

**Director:** Chief Administrative Officer

**Manager:** Strategic Initiatives

**Meeting Date:**  
Wednesday, May 28, 2025

**Date to be considered by Council:**  
Wednesday, May 28, 2025

---

## Recommendation:

That staff be directed to continue the exploration of the Municipal Accommodation Tax (MAT) and Short-Term Rental Accommodation Tax (STRA) licensing as outlined in the next steps identified in Strategic Initiatives -2025-10.

---

## Executive Summary:

Council directed staff to investigate the implementation of a Municipal Accommodation Tax (MAT) and Short-Term Rental Accommodation licensing (STRA) in the Municipality of Kincardine. The process to explore both the MAT and STRA licensing was described in report (Strategic Initiatives – 2025-03) which included actions such as producing a financial forecast, and consulting with various groups to understand the impacts, benefits and challenges of potential implementation. The purpose of this report is to provide Council with an update on the information collected to date to assist Council's future decision-making. Based on the new information presented in this report staff are seeking direction from Council on whether they would like staff to continue to explore the implementation of the Municipal Accommodation Tax (MAT) and/or the Short-Term Rental Accommodation (STRA) licensing process and proposed next steps as described in this report.

## Strategic Priorities:

B.5-Evaluate and proactively plan for infrastructure to meet population growth and long-term sustainability

## Financial Considerations:

The work needed to complete the next steps proposed in this report was allocated in the 2025 budget process.

## **Policy:**

N/A

## **Context and Background Information:**

### **What is the Municipal Accommodation Tax?**

The Municipal Accommodation Tax (MAT) in Ontario is a tax that municipalities can levy on transient accommodation, such as hotels, motels, and short-term rentals (e.g., Airbnb). It is designed to generate revenue for tourism-related initiatives and municipal services.

Typically, municipalities who have established the tax have set the rate at 4%, however all communities have flexibility to set the tax at whichever level they wish. The tax is collected by the accommodation provider at the time of booking or check-in and is remitted to the municipality on a regular basis. Approximately 75 of the 444 municipalities across the province have implemented a MAT.

If implemented, the MAT is a mandatory tax. It must be paid for by visitors to the accommodation host at the same time the rest of the accommodation fee is paid. The host accommodator must remit all MAT revenue collected to the municipality on a regular basis.

### **Why is Council investigating the implementation of a MAT?**

- It ensures visitors contribute to the upkeep and development of the community they enjoy.
- Revenues are reinvested into projects that support tourism, economic growth, and infrastructure improvements.

### **What are Short-Term Rental Accommodations?**

The Municipality of Kincardine has over 100 Short-Term Rental Accommodations (see attachment 2) that contribute to our local economy which offers homeowners an additional income stream. The rise in popularity of STRAs has brought both economic benefits and challenges as more and more people seek to vacation in the Municipality of Kincardine.

In 2022 the Municipality conducted a public engagement process to inform the development of a Housing Action Plan. As noted in the “What we heard report Summary of Engagement Housing Action Plan” participants were asked about short-term rental housing and the impact it is having on the availability and affordability of housing. Over 50% of survey respondents reported that STRAs were having a strong negative to negative impact on housing (found on page 300 of this report). Concerns voiced by residents related to noise disturbances, fireworks, waste management, parking, rental capacities, and septic system challenges.

*“I think there should be an additional tax on secondary homes (not the primary home). Certain individuals are buying up properties to rent out on a weekly and monthly basis. Our neighbourhood is inundated with these types of dwellings. They park on the street all summer and their lawns in the winter and the whole neighbourhood looks terrible. There should be a law that there must be adequate parking.”* Survey Participant

In response to the concerns of residents, while acknowledging the advantages of STRAs, the Municipality of Kincardine is investigating the implementation of licensing requirements for STRAs alongside the implementation of the MAT.

### **What is the purpose of short-term rental accommodation licensing?**

- Ensure that short-term rentals are operated in a safe and legal manner.

- Help the Municipality understand the housing supply dedicated to short-term rentals which is believed to remove the supply from the housing market.
- Ensure that rentals located do not adversely impact neighbouring properties
- Ensure occupants that accommodations comply with the Ontario Building Code.
- Level the playing field with hotels and motels by ensuring all operators, including short-term rental hosts, are subject to the same regulations, taxes, and safety standards, creating a more equitable competitive environment.

Several lakefront municipalities have started to regulate short-term accommodations including Northern Bruce Peninsula, South Bruce Peninsula and Lambton Shores.

### **What is the connection between the MAT and STRA licensing?**

Most municipalities enacting the MAT also implement STRA licensing to regulate the use during this process and allow the Municipality to collect the MAT from the STRAs. Preliminary discussions with municipalities indicate that STRA licensing should occur prior to the implementation of the MAT and is a critical factor in the successful implementation of the MAT.

### **Work completed to date**

Based on council directives staff have been working on components that will provide information to Council in order to determine if STRA licensing and MAT should be implemented. Work completed to date includes the following:

Internal staff meetings: Internal staff meetings have been held to help understand the MAT and STRA licensing processes and organizational resourcing impacts. Speakers have been brought in from Regional Tourism Organization 7 (RT07), Tourism Industry of Ontario (TIAO), the Town of Collingwood, and South Bruce Peninsula so staff can learn about promising practices and lessons learned.

Financial impact- Tax Model and Application Analysis: McSweeney and Associates were contracted to conduct a financial forecast of revenues that could potentially be generated by the collection of the MAT for both commercial and short-term accommodators. This includes the collection of data regarding the number of accommodators, existing and historical visitation patterns and occupancy, expected price etc. In total McSweeney has projected the annual gross revenue of between \$328,093 and \$580,035 in Municipal Accommodation Tax based on current estimates. (See attachment #1).

It is important to note that the forecasted revenue outlined in attachment 1 will be split 50/50 between the Municipality and non-profit tourism entity. Also, this projected revenue does not include any additional operating costs such as staff or third-party operating costs associated with overseeing Short Term Accommodation licencing or implementation of the MAT. Operating costs will be identified in the next report to Council, should Council wish to proceed.

Number of Short-term rental accommodations: Staff worked with Avenu Insights & Analytics to identify the number of short-term rentals in the Municipality of Kincardine which is between 85 to 127 active listings (See attachment #2). The numbers from this report have been incorporated into the financial forecast conducted by McSweeney and Associates.

It is important to note that the numbers provided in the report by Avenu Insights does not reflect properties that are rented to contract workers or other tenants for periods longer than

28 consecutive days as they are considered long-term residential tenancies and are therefore governed by provincial legislation and would fall under the Residential Tenancies Act, 2006.

These rental arrangements are exempt from MAT and would not be subject to the short-term rental licensing requirements. This regulatory framework limits the municipality's authority to track or regulate these types of rentals, making it more challenging to monitor and address potential community impacts related to long-term rentals used primarily for temporary worker accommodation.

Sector communication and engagement: A communication and engagement plan has been developed to ensure clarity, transparency, and obtain input from different audiences. This first phase focused on hotel and motel accommodators. Individual meetings were held to:

- Provide information on Council's decision to explore both the MAT and STRA licensing.
- Gather input to understand the feasibility and potential impact on local accommodation providers.
- Understand the levels of occupancy and if seasonality impacts hotel occupancy.
- Identify questions that need to be addressed should the MAT come into effect.

The input collected from hotel and motel owners as well as their general managers (See Attachment #3) identified concerns including: tourism industry impact, competitive disadvantage with local shoreline communities (see attachment #4), economic burden, seasonal and demographic limitations, equity and fairness and administrative burden.

It is also important that hotel and motel accommodation in the Municipality of Kincardine situation is a bit unique. Unlike places like Toronto, Ottawa, or Sauble Beach, the Municipality of Kincardine lacks year-round attractions and relies heavily on seasonal tourism, primarily driven by summer events. Off-season hotel occupancy is largely sustained by Bruce Power workers, contractors, and business travelers—not leisure tourists as many hotel/motel rooms are used as longer-term accommodations by workers and contractors. Stays over 28 days would not be subject to a MAT tax.

This ongoing industrial demand also limits room availability and reduces the incentive for leisure-focused infrastructure, making MAT feel like an added burden rather than a tourism reinvestment tool.

Accommodators were very consistent in their concerns and asked that Council consider alternative methods of revenue generation from tourists such as paid parking at the beach.

### **Next steps**

Should Council wish to continue the exploration of the MAT and / or STRA licensing the following would be the proposed next steps.

1. Continuing community engagement: Engagement and communication would continue over the spring and summer, and content and the audience will change depending on where we are in the process.

Sectors such as short-term rental accommodators, the Kincardine and District Chamber of Commerce, Lakeside Downtown Business Improvement Area (BIA), the tourism industry, businesses, the Regional Tourism Organization (RT07), realtors, Bruce County, other municipalities, Air BNB, VRBO, and the general public will be engaged in the next stage to gather information and input on both the MAT and STRA licensing.

A variety of channels will be implemented to provide information and obtain input including the following:

- A community survey: This survey aims to capture perspectives on issues such as noise, parking, and community character, ensuring that the Municipality's policies align with the needs and desires of its residents.
  - Public open house and roundtable discussions: host open sessions and invite specific sectors to create awareness and create opportunities to provide input.
  - Presentation and delegations to council: The staff report will be presented to Municipality of Kincardine Council in August 2025 and delegations will be invited to attend to make a presentation at the August council meeting.
2. Identify resources: This undertaking will require staff resources from across the organization and has additional budgetary implications over multiple years if they are both enacted. Work to identify both financial and human needed to implement STRA licensing, and/or MAT tax including assessment of third-party resources would take place during this quarter. Cost comparison will be investigated and reported to Council in the next update.
  3. Short Term Accommodation (STA) licensing: establish a draft licensing by-law for short-term accommodation.
  4. Potential uses of the MAT revenue: how MAT revenues might be applied to tourism most effectively, and where the non-tourism-related dollars could be spent will be identified.
  5. Potential governance structures and processes: explore options for governance structures and processes. This would include the structure and accountability needed internally as well as for the governance structure for the non-for-profit tourism entity.

## **Consultation Overview**

See above.

### **Origin:**

1. Resolution 02/23/22-03; Economic Development Strategy Action #3.5.2
2. CAO General-2022-02 Municipal Accommodation Tax – Introductory Report for information

Whereas a Municipal Accommodation Tax (MAT) is a revenue tool commonly used by Ontario municipalities to fund tourism activities and general municipal revenues; and

Whereas the Municipality of Kincardine is an iconic tourism destination in Ontario.

Now therefore be it resolved that staff report Strategic Initiatives – 2025-03, Municipal Accommodation Tax Consideration - Proposed Process, be received.

And That Council direct staff to implement the proposed process as outlined in this report and report back to Council each quarter with an update.

## **Implementation Considerations:**

Should Council wish to proceed, the goal at this time is to have a MAT in place by January 2027. In anticipation of the MAT the planning for the STRA licensing would occur alongside the above components with an anticipated STA licensing implementation date of January 2026.

## **Risk Analysis:**

It is important to recognize the potential benefits of the tax, such as improved local infrastructure and enhancement of tourism promotion initiatives. There are also concerns about potential impacts, therefore strategies to mitigate potential impacts would be a component of the implementation.

---

**Attachments:**

- Attachment 1:** Financial impact: Tax Model and Application Analysis: McSweeney and Associates
- Attachment 2:** Number of Short-term rental accommodations: Avenu Insights & Analytics
- Attachment 3:** Hotel and motel accommodators input on the MAT
- Attachment 4:** Map of the Shoreline Municipalities and Status of MAT/STRA

**Prepared by:** Lorie Fioze, Manager of Strategic Initiatives

**Submitted by:** Lorie Fioze, Manager of Strategic Initiatives