

Attachment 3:

Key Themes and Concerns from Hotel Operators regarding Municipal Accommodation Tax (MAT)

May 07, 2025

Overview

Municipality of Kincardine Council has directed staff to explore the considerations of implementing both Short term Rental Accommodation (STRA) licensing and Municipal Accommodation Tax (MAT) in the Municipality of Kincardine. This exploratory work will help to inform their future decision making.

To start of the investigation process municipal staff conducted consultations with 8 of the 11 hotel /motel operators regarding the potential implementation of a Municipal Accommodation Tax (MAT) in the Municipality of Kincardine. Hotels that provided input included:

- Comfort Inn & Suites Kincardine
- Sure Stay Plus by Best Western
- Inn at the Harbour
- Lakeview Motel
- Towne Place Suites by Marriott Kincardine
- Maple Leaf Inn
- Save Inn
- Staybridge Hotels and Suites

There were three hotels/ motels who have not responded to several invitations to provide input and therefore their feedback is not included in this report.

Key themes

Several themes were raised and are summarized below. Accommodators were very consistent in their concerns.

1. Tourism Industry Impact

- Increased costs for visitors: A higher MAT could discourage tourism, especially for price-sensitive travelers or in highly competitive market. There is also uncertainty in the market due to US Tariffs and a potential reduction of US travellers.

2. Economic Development Concerns

- Perception of being “unfriendly” to tourists: Raising the tax may give the impression that the municipality is exploiting visitors, which could deter events, conferences, or group travel.
- Impact on local businesses: A potential decline in visitors could ripple out to restaurants, retail, and attractions.

3. Business friendly environment

The MAT does not seem like a business-friendly move. If you want to attract new businesses, the worst thing you can promote is that you are slapping taxes on certain businesses. Does this signify that the Municipality of Kincardine is open for business?

4. Competitive Disadvantage

- Operators warned that the MAT might redirect tourists to nearby towns, such as Port Elgin and Goderich, where no MAT exists (See Attachment 4).
- Accommodators cited these neighboring areas as having more amenities such as restaurants, Walmart, Giant Tiger etc. as well as attractions, making competition already fierce. If nearby municipalities don't charge a MAT, it could shift tourism or sports event bookings away.

5. Economic Burden

- **Taxes on Business:** Hotels rely heavily on business customers during the off-season, particularly from construction projects and Bruce Power. The MAT could act as a tax on local business and construction rather than tourists, potentially disrupting labor availability.
- **Existing High Taxes:** Operators pointed out that they already pay high property taxes based on their income and occupancy rates, and the MAT would add another layer of burden. They need a better understanding of why this is just a tax against a certain sector of the economy that benefits from tourists.
- **Impact of COVID-19 and Recovery:** The hospitality sector is recovering from COVID-19 setbacks, downtown construction, challenging winter, Blue Box changes in 2026, looming tariffs and any additional financial obligations, like the MAT, could exacerbate challenges. It is hard to recover with so many ongoing challenges.
- **Incomparability with Larger Urban Centers:** While hotel operators understand MAT's effectiveness in larger communities with year-round attractions, they argue the Municipality of Kincardine does not have comparable amenities to attract visitors year-round and therefore justify the tax. They emphasized that the local tourism economy can't be compared to places like Toronto, Ottawa, Grand Bend, or Sauble Beach as we don't have the same attractions or draw year-round so that visitors keep our hotels busy all year long.

6. Seasonal and Demographic Limitations: The tourism pattern is highly seasonal, with heavy reliance on summer events. Events have been reported as being the main unique attractor of visitors to the Municipality of Kincardine.

Off-season occupancy is low and if there is occupancy it is primarily sustained by business travelers, construction contractors, Bruce Power workers and families of sports tournaments who may view the MAT as an unnecessary financial burden.

7. Equity and Fairness

- **Uneven application:** If the MAT is not applied to all forms of accommodations (e.g., Airbnbs, campgrounds), it may create an uneven playing field.
- **Burden on specific groups:** The MAT is essentially a user fee, but concerns can arise if it disproportionately affects certain types of travelers (e.g., low-income tourists or large families).

8. Administrative burden: More complex collection and reporting processes can strain both accommodation operators and the municipality.

Suggestions made from the Accommodators

Alternative Revenue Suggestions: Discussions included suggestions for generating revenue through paid parking in strategic locations, which many believe would be more equitable than a direct accommodation tax. Explore other revenue sources like paid parking at the beach and paid parking downtown, which are common in other towns.

Strategic growth: Suggestions were made regarding the need for conversations to identify where Kincardine needs to be in the future. What can make us competitive with the other lakeshore communities? For example, consider building an anchor attraction e.g., spa or indoor water park attraction or recruit businesses that are unique to Kincardine,

Council should consider the BOT (Buy, Operate, Transfer) framework for new development. Be strategic about what you want to attract. Do a call for proposals and provide them with land or tax incentives to get development moving. Need a focus on the hospitality sector and what it brings to the economic growth of the community.

Also support opportunities for businesses to network and problem solve solutions together. They can provide council with some ideas for growth.

There is so much opportunity in this municipality – we need to work together in order to make that happen. We should not rely on the nuclear sector to be the driver of our economy. We need to figure out some plans so that not all of our eggs are in one basket.

Need for Year-Round Attractions: To justify a MAT, operators suggest that more year-round attractions need development, as current facilities primarily serve only during the summer. To ensure that Kincardine becomes a year-round destination, operators have emphasized developing new attractions before implementing the MAT. This approach would provide consistent visitor engagement, increase local business patronage, and justify the tax by offering enhanced draw and value to tourists. Proposed initiatives include enhancing recreational facilities, building unique attractions, developing unique town center experiences, and organizing off-season events to attract diverse visitor demographic.

Representation and Use of MAT Funds: There were concerns raised about how the MAT funds would be managed and whether hotels would have real input into how the money is spent. Examples were shared where MAT funds were turned into a slush fund for local politicians pet projects, and emphasized the need for a transparent and fair structure that brings tourists to the area and benefits the tourism sector industry including hotels.

Should the Mat come into place they stressed the importance of having a clear structure for the governing body that ensures hotels have representation at the decision-making table and a say in how the MAT funds are allocated and used.

MAT implementation:

- Start with a 1% MAT, phase it in over time – a percent each year.

- Should the MAT come into effect, information about the tax needs to be provided to the accommodators so that visitors understand the MAT and where the direction to charge the MAT came from.

Potential questions to address:

- Explore hosting a session to hear from hotel operators that function with a MAT so accommodators could ask them questions.
- Can the MAT be called something else instead of tax? Fee?
- Can it be a set amount instead of a percentage? What do other municipalities do?
- How many of our comparable neighbouring municipalities have a MAT/STRA licencing?