



Economic Development Staff Report

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Report Title:	Municipal Accommodation Tax Administration Policy and Allocation of Funding
Author:	Kurtis Wells, Economic Development and Tourism Officer
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Reviewed By:	David Brenneman, Chief Administrative Officer
Final Review:	Senior Management Team

Recommendation:

That the Council of the Township of Woolwich, considering Report A03-2025 respecting Municipal Accommodation Tax Administration Policy and Allocation of Funding:

1. Approve the Municipal Accommodation Tax Administration Policy;
2. Bring forward an amending by-law to delegate authority to the Senior Management Team to review and approve isolated Municipal Accommodation Tax fund requests under \$10,000 that are outside the scope of the annual allocation of funding;
3. Approve “The Woolwich Way – Destination Development Fund,” and “The Woolwich Way – Marketing Material Fund”;
4. Bring forward an amending by-law to delegate authority to the Senior Management Team to approve annual funding stream rewards on behalf of Mayor and Council; and
5. Approve allocation of funding for 2025.

Background:

On April 9, 2019, Council approved the establishment of a by-law for implementation of a mandatory 4% Municipal Accommodation Tax (MAT) for hotels and airbnb’s in the Township of Woolwich effective July 1, 2019. The revenue-sharing model approved by Council included 50% to Explore Waterloo Region, 40% to the Township, and 10% to the Region of Waterloo. Explore Waterloo Region receives 100% of Airbnb revenues.

As Council can appreciate the MAT was introduced immediately prior to the COVID-19 pandemic and as a result, Woolwich like many other area municipalities began collections of MAT funding, but no one had developed a strategy for allocation of funding. Staff's efforts during the COVID-19 pandemic and following were directed to business recovery and as such a MAT Administration Policy was delayed.

Throughout 2024, key tourism stakeholders were actively consulted through a combination of one-on-one discussions and group feedback opportunities. Following those meetings, ideas were captured and are incorporated in the allocation of funding for 2025. Staff have also been receiving one-off MAT fund requests since 2020.

On January 21, 2025, Council received a formal request from the St. Jacobs BIA during budget delegations for \$190,000 in one-time asks and \$102,000 in annual support, for a combined total of \$292,000. The request was deferred until staff presented the MAT Administration Policy and allocation of funding for 2025.

The Township has developed a MAT Administration Policy to provide a guide for how MAT revenues can be reinvested into the tourism industry. The guiding document is intended to assist Council with making decisions on how to allocate MAT funds.

Comments:

MAT Administration Policy Objectives

The MAT Administration Policy will:

- Set guidelines for implementing the MAT reserve fund and annual allocation of funding.
- Set guidelines for funding streams administered by the Township of Woolwich to support community-led initiatives that promote tourism and grow Woolwich's visitor economy and increase overnight stays.
- Provide alignment with the Woolwich Economic Development and Tourism Plan, and Township of Woolwich Community Strategic Plan.

MAT Priorities

- **Arts and culture:** Invest in local arts and culture initiatives that increase visitors to the Township.
- **Destination marketing campaigns:** Seasonal and event-specific marketing campaigns to increase visitors in the Township and extend overnight stays.
- **Event support and development:** Sponsor festivals, conferences, and other events that prioritize visitors as the target audience, enhance the local culture, and extend overnight stays.
- **Placemaking initiatives:** Tourism activities that strengthen the connection between people and the places they share.
- **Sustainable tourism:** Tourism programs, events, and infrastructure that prioritize sustainability.

- **Tourism infrastructure enhancement:** Invest in public amenities such as signage, public washrooms, and sustainable transportation options that improve the visitor experience.
- **Tourism business development:** Invest in educational and network opportunities to build robust partnerships within the tourism industry and improve the overall experience offered by tourism operators.
- **Tourism product development:** Create new and innovative tourism products and experiences in the Township. Enhance existing tourism products to help them grow.
- **Visitor services enhancement:** Invest in existing visitor services and create new adapting visitors services to improve the visitor experience.

Example Uses Of The MAT

Examples of how the MAT can be used include, but are not limited to:

- Market research and data collection to inform tourism initiatives;
- Development of tourism strategies;
- Publicly accessible infrastructure with tourism as the primary focus or to support visitors;
- Festival and event expansion and development;
- Collaborative tourism marketing efforts;
- Township of Woolwich visitor services staffing;
- Collaborative wayfinding initiatives;
- Arts and culture industry development with a focus on tourism;
- Marketing materials and campaigns that promote tourism;
- Increasing sustainable transportation opportunities for visitors.

Examples Of What The MAT Can't Be Used For

Examples of how the MAT **can't** be used include, but are not limited to:

- Alcohol purchase, distribution, and licensing;
- Awards, prizes, and raffles;
- Building and other permits and associated fees;
- Donations;
- Lottery licences;
- Operating expenses (i.e. hydro, water, rent, etc.);
- Political organizations or contributions;
- Projects that are or have been funded by MAT already (i.e. project that Explore Waterloo Region has already funded through their MAT revenues);
- Regular staffing expenses for businesses or organizations (i.e. offsetting costs of an existing position);
- Township of Woolwich or Region of Waterloo fees or procedures (i.e. special event permits, staff time, etc.);

Senior Management Team Authorization

As part of the MAT Administration Policy, staff are proposing that the Senior Management Team be authorized to review and approve isolated MAT fund requests

under \$10,000 that are outside of the approved annual allocation of funding. This will provide staff flexibility to activate tourism opportunities that are timelier in nature and reduce the amount of Council time spent on routine asks below the listed threshold.

Staff are also proposing that the Senior Management Team receive delegated authority to approve annual funding stream awards on behalf of the Mayor and Council for the two proposed funding streams. The maximum funding stream award for one applicant will be \$4,000 therefore to reduce the amount of administrative time from Council, this would align with the above minimum threshold.

In both cases outlined, staff would report back to Council annually on successful requests and successful funding applicants so that Council will be informed on how MAT funds are being used and how they are impacting the local economy, community, well-being, and tourism growth.

The Woolwich Way – Destination Development Fund

Providing support for tourism product development projects, the “Woolwich Way.” This funding stream provides funding directly to Woolwich businesses and organizations who increase and diversify Woolwich’s tourism experiences and further develop Woolwich as a vibrant, sustainable, and inclusive destination. Successful applicants to this funding stream will demonstrate new or enhanced tourism products that focus on creating experiences that extend visitors stays in Woolwich.

Businesses and organizations located within the municipal boundaries of the Township of Woolwich, including for-profit and not-for-profit businesses and organizations. Successful applicants must be able to provide a minimum financial contribution to the value of 15% of the proposed project’s total funding ask of up to \$4,000. All applicants must be in good standing with the Township of Woolwich.

All successful projects must:

- Be achievable within the calendar year of the year the fund is applied for.
- Reach 30% visitor demographics for the program, project, or event.
- Develop or enhance tourism products.

Examples of what could be a successful project or program are, but are not limited to:

- Walking tours
- Culinary experiences/tours
- Art and culture experiences
- Virtual reality experiences
- Festival or event development
- Shoulder season experiences
- Tourism product packaging

The Woolwich Way – Marketing Material Fund

Providing support for the development of tourism marketing materials, the “Woolwich Way.” This funding stream provides funding directly to Woolwich businesses and organizations to develop marketing materials that further develop Woolwich as a vibrant, sustainable, and inclusive destination. Successful applicants to this funding stream will produce marketing materials that connect experiences, assist visitors to Woolwich, or promote extended stays.

Businesses and organizations located within the municipal boundaries of the Township of Woolwich, including for-profit and not-for-profit businesses and organizations. Successful applicants must match the total amount of funding that they are approved for up to a total of \$1,500. Ex. If an applicant is successful in receiving \$1,500 of funding then they must match the \$1,500 for a total investment of \$3,000 for the marketing material.

All successful projects must:

- Be achievable within the calendar year of the year the fund is applied for.
- Develop or enhance tourism products.
- Create new marketing materials OR update previously used marketing materials.
- Have a visitor as the primary target audience for the specific material.

Examples of what could be a successful project or program are, but are not limited to:

- Visitor maps showcasing experiences
- Event-based materials that connect experiences or showcase community experiences
- Materials to enhance and existing experience
- Passport programs for events or experiences
- Banners or other signage specifically targeting visitors and promoting an experience

Continuous Improvement, Evaluation, And Reporting

The Economic Development and Tourism division will establish the following:

- **Annual review of MAT Administration Policy:** Review this policy annually to assess the impact of the MAT and ensure objectives are being met. This is an opportunity to adjust the strategy as needed.
- **Establish a feedback mechanism:** Establish a publicly accessible format for stakeholders (residents, businesses, organizations, and visitors) to submit feedback on the program.
- **Establish reporting forms for local businesses and organizations on MAT use:** Establish a form which will require that any MAT fund awardees, either through grant programs or annual allocation of funding, provide visitor-based metrics on the economic impact of the programs or projects established. This form will also require awardees to share detailed invoices showing that the MAT funds provided were spent and how they were spent.

- **Perform an annual impact analysis:** Evaluate how MAT-funded projects, programs, and funding opportunities are impacting the local economy, community, well-being, and tourism growth.
- **Share success stories:** Share success stories of MAT-funded projects and programs with Council, staff, and stakeholders. Medias can include but are not limited to: annual report to Council, social media, business newsletter, annual Tourism roundtable event, and more.
- **Establish annual reporting on MAT use:** Council presentation annually to share success stories, metrics, and impact of the MAT revenue use as well as proposed changes (if any) to the program.
- **Establish an annual Woolwich Tourism roundtable event:** Tourism stakeholders in Woolwich will be invited to an annual roundtable event to network with partners, receive a presentation on MAT impacts, and to provide ideas for future MAT use. This will help garner support and ensure alignment with industry needs.

Allocation Of Funding For 2025

The attached spreadsheet with allocation of funding for 2025 was established through a combination of one-on-one discussions and group feedback opportunities with key tourism stakeholders. Mayor and Council also received a formal request from the St. Jacobs BIA during budget delegations for \$190,000 in one-time asks and \$102,000 in annual support, for a combined total of \$292,000.

Staff are proposing the allocation of funding for 2025 as \$460,300.00. Staff are also proposing that if the Active Transportation Fund application that was previously approved by Council, is successful that the allocation of funding for 2025 increase by \$206,000 to account for the full contribution to the St. Jacobs Wayfinding Project. The increase can be covered through a MAT reserve fund contribution. All approved items through the allocation of funding for 2025 are approved for 2025 only and not on an ongoing basis, with the plan to bring forward an allocation of funding request for 2026 during the next years budget cycle.

Highlights of the allocation of funding for 2025 include:

Arts, Culture, and Events:

- Downtown Elmira art refresh
- Support of Kultrun Fest and WEFT Fest
- St. Jacobs BIA ongoing event support for 2025
- St. Jacobs BIA Christmas light installment

Infrastructure:

- St. Jacobs Country Wayfinding Project
- St. Jacobs BIA information kiosks
- St. Jacobs Public Washroom

- St. Jacobs BIA stone benches and planter reservoirs
- Elmira band stand enhancement

Marketing:

- Continuation of the St. Jacobs collaborative joint marketing campaign

Tourism Business Development:

- Annual Tourism Industry Roundtable Event
- Workshops for Tourism operators

Grants:

- Introduction of The Woolwich Way – Destination Development Fund
- Introduction of The Woolwich Way – Marketing Material Fund

The allocation of funding for 2025 meets approximately 79% of the total St. Jacobs BIA request. The only items completely removed were the garbage collection and administrative support. Neither meets the criteria outlined within the MAT Administration Policy. The other adjusted item was to cover only 50% (\$25,000) of the St. Jacobs BIA stone benches and planter reserves. 2025 can be an evaluation year on if the benches and planters are well received by visitors and then could be proposed in a future MAT request.

The allocation of funding for 2025 only covers planned items at this point. MAT fund submissions will be accepted on a rolling basis throughout the year and the Economic Development and Tourism division may also make additional requests based on timely opportunities that become available to enhance the tourism industry in Woolwich.

Interdepartmental Impacts:

Corporate Services: Assist with funding stream development and implementation.

Finance: Assist with distribution of approved funding to businesses and organizations. Assist with distribution of funds to successful tourism funding stream applicants.

Financial Impacts:

All allocated funds approved through this report will come from the MAT reserve fund and have no impact on the levy.

The Township will target a balance of a minimum \$150,000 in the MAT reserve fund to provide flexibility to act on timely opportunities to create visitor experiences. If due to unforeseen circumstances, the collection amounts change, staff will adjust the allocation of funding accordingly to maintain the minimum \$150,000 in the reserve fund.

As of the end of 2024, the MAT reserve fund had a balance of \$1.1 million. MAT investments that were approved through the 2025 operating budget and collection for January and February of 2025 have not been factored in as the actuals are still being calculated however, the difference should be very minimal.

If the Township were to proceed with the proposed MAT allocation of funding, without the Active Transportation Fund, the MAT reserve fund total would be \$639,700 after all commitments. If the Township were to proceed with the proposed MAT allocation of funding, with the Active Transportation Fund grant being successful, the MAT reserve fund total would be \$433,700 after all commitments. Both of these calculations would be before 2025 MAT revenues are added in as they will be based on overnight stays over the next year.

The total proposed allocation of funding for 2025 is higher than the forecasted revenues because staff have the opportunity to reinvest these funds into the Tourism industry to make a larger impact this year because of the higher reserves available. Total allocation of MAT funding will fluctuate on an annual basis based on the MAT reserve fund balance.

Community Strategic Plan Impacts:

- Cultivate long-term economic prosperity: *The MAT Administration Policy has been carefully and strategically created to encourage more visitors and overnight stays through projects and programs that also keeps the local community at the forefront. Anticipated tourism activities through MAT will keep sustainability top of mind with Sustainable Tourism as one of the MAT priorities.*
- Empower communities to be adaptable and engaged: *The MAT allocation of funding for 2025 was built based on consultations with key tourism stakeholders and the Administration Policy took into account feedback that has been received through the Tourism industry. 2025 is a year of learning and staff will make changes to the MAT Administration Policy if needed following feedback that will be collected throughout the year.*
- Provide effective and open leadership: *The municipality remains committed to ongoing engagement with tourism stakeholders and BIAs, recognizing that a collaborative approach is essential for long-term success. Future engagement efforts will continue to provide opportunities for dialogue, feedback, and partnership development to support a thriving tourism sector that benefits the entire community.*
- Maintain an innovative customer service focus: *The MAT is a unique opportunity to leverage non-levy funds to enhance the local Tourism industry. The proposed uses for MAT funds outlined in the policy will build on existing tourism experiences and also create new ones which will increase visitors and overnight stays, and in turn create different opportunities for the local community to benefit as well.*

Conclusion:

The MAT Administration Policy is a guiding document to assist the Township of Woolwich with making MAT fund allocations. This document will ensure that all MAT funds collected are reinvested into the local tourism industry to further encourage visitors and overnight stays in Woolwich. 2025 is going to be a year of learning and staff will be collecting KPI's and metrics to validate the impact of MAT. Staff seek Council approval on the MAT Administration Policy and allocation of funding for 2025.

Attachments:

1. Appendix A – Municipal Accommodation Tax Administration Policy
2. Appendix B – 2025 MAT Allocation Of Funding
3. Appendix C – St. Jacobs BIA Budget Request For Council 2025
4. Appendix D – MAT Delegation By-law