



The Corporation of the Town of Tecumseh

Financial Services

To: Mayor and Members of Council

From: Tom Kitsos, Director Financial Services & Chief Financial Officer

Date to Council: Tuesday, August 12, 2025

Report Number: FS-2025-10

Subject: Implementation of Municipal Accommodation Tax

Recommendations

It is recommended:

That Financial Services Report FS-2025-10 entitled "Implementation of Municipal Accommodation Tax" **be received**;

And that Administration **be authorized to advise** Tourism Windsor-Essex Pelee Island of Council's direction with respect to the Municipal Accommodation Tax as per Option A / B (*select one*) as detailed within this report;

And further that Administration **report back** to Council regarding implementation measures associated with the Municipal Accommodation Tax, including but not limited to establishing:

- A by-law for the Municipal Accommodation Tax, setting out such matters as the tax rate, affected property types, revenue sharing, and program administration.
- A dedicated Reserve account for the Town's share of Municipal Accommodation Tax revenues.
- A Corporate Policy for the use of the Town's share of Municipal Accommodation Tax Revenues following adoption of the Municipal Accommodation Tax by-law.

Executive Summary

The Province of Ontario granted municipalities the authority to implement a tax on short-term accommodations as part of the 2017 provincial budget, commonly known as the Municipal Accommodation Tax, or MAT.

Municipal Accommodation Tax (MAT) is a tax imposed on accommodations of fewer than 30 days. The purpose of this tax is to generate revenues to support tourism development, whereby taxes collected from short-stay accommodations are invested into tourism-related initiatives.

Requirements of the MAT include:

- Council passes a by-law to impose a MAT
- The MAT by-law must include the tax rate and types of accommodation that are subject to the MAT
- 50% of MAT collected (less administrative fees) must be provided to a designated tourism entity to promote tourism in the community
- The other 50% of MAT collected (less administrative fees) can be used at the discretion of Council

Tourism Windsor-Essex Pelee Island (TWEPI) is a designated tourism entity within the County of Essex and supports the implementation of MAT on a regional basis within Essex County for the lower-tier municipalities and further supports that the administration of the regional MAT be provided by the City of Windsor. TWEPI would receive 50% of net MAT collections and is required to use all funds received towards tourism-related activities within its jurisdiction, i.e. the County and not necessarily within Tecumseh.

Implementation of a MAT is also supported within the Town's recently completed Town of Tecumseh Tourism Marketing Strategy and Destination Development Plan, which cites the MAT as a sustainable visitor-funded revenue source to support tourism and identifies limited visitor infrastructure, i.e. limited short-term accommodations, as a current weakness for tourism in Tecumseh.

The Town is in the process of preparing a new Town-wide Comprehensive Zoning By-law. It will consider options to regulate and license short-term rentals (STRs), including possibly establishing specific areas where they would be permitted, or alternatively prohibit STRs Town-wide.

This report and request for direction is sought at this time as TWEPI has requested that each Council express their level of support or lack thereof, by August 31, 2025, so that it has time to implement the program for the 2026 calendar year.

Although Council has yet to weigh in on the Town-wide Comprehensive Zoning By-law and, in particular, its position with respect to STRs, both Options A and B are relevant as Option B would merely become similar to Option A, should Council choose to prohibit STRs Town-wide. Option A would require the MAT apply to hotels only, while Option B would require the MAT apply to hotels and select short-term rentals. Council is requested to select between Options A and B or to decline either Option, should the MAT not be desired. Administration will advise Tourism Windsor-Essex & Pelee Island accordingly.

Background

Municipal Accommodation Tax (MAT) is a tax imposed on accommodations of fewer than 30 days. The purpose of this tax is to support tourism development, whereby taxes collected from short-stay accommodations are invested into tourism-related initiatives.

As part of the 2017 provincial budget, the Province of Ontario granted municipalities the authority to implement a tax on short-term accommodations through Ontario Regulation 435/17: Transient Accommodation Tax, commonly referred to as the Municipal Accommodation Tax (MAT). Section 400.1 of the Municipal Act, 2001 and Ontario Regulation 435/17 authorize the establishment and collection of the MAT.

MAT is collected by the accommodation provider at the time of booking and is remitted to the municipality on a regular basis. The Municipality must use at least 50% of the net proceeds from the tax to support tourism-related activities, while the balance can be used at the discretion of Council. The revenue directed towards tourism must be delivered by a third-party entity or a not-for-profit corporation with a local tourism mandate.

MAT rates are typically established between 4% - 6% and can be charged for overnight stays at hotels, motels, Airbnb, traditional BnB and camp sites, however each municipality that implements a MAT can determine the types of accommodation that apply.

MAT is a mandatory tax upon implementation.

Locally, the City of Windsor is the only municipality in Essex County to have implemented a MAT program to date.

Tourism Windsor-Essex Pelee Island (TWEPI) introduced the idea of implementing the MAT as a County-wide initiative at a Regional CAO's meeting in May 2024 and hosted a MAT workshop for municipalities, with support from the Tourism Industry Association of Ontario (TIAO) in June 2024. TWEPI, being our local tourism entity, would receive MAT revenues specifically directed towards tourism.

TWEPI then held a follow-up meeting in January 2025 with all local municipalities, including the City of Windsor, that provided detail on the estimated revenues that could be collected and estimated number of properties affected, and held discussion on how a local MAT program might be defined and operated.

Several matters regarding regional implementation of MAT were identified by municipalities during these meetings:

1. How would a regional MAT program be administered, with particular interest to short-term rental (STR) identification, permitting and compliance?
2. What is required within a By-law to impose a MAT?
3. Recognition/permission of STRs varies among the lower-tier municipalities in Essex County. Will this affect a regional program?
4. What can lower-tier municipalities expect to incur in program costs?

TWEPI presented to Tecumseh Council at the May 13 RCM supporting the implementation of the MAT (with TWEPI to receive 50% of the net MAT revenues) and supporting regional program administration by the City of Windsor on behalf of the Essex County lower-tier municipalities. TWEPI also expressed preference that all lower-tier municipalities support the MAT program including both hotels and STRs, however this is not a requirement.

Further, the City of Windsor MAT by-law would be shared, with each municipality responsible to develop their own by-law to implement MAT that would apply to hotels and STRs, or just to hotels, depending on whether the municipality licenses short-term rentals. The City would also share agreements in place with Airbnb / VRBO partners.

Each municipality would receive 50% of the net MAT revenues collected within their jurisdiction.

TWEPI also asked that each Council determine their level of participation in the regional proposal by August 31, 2025.

Motion from TWEPI Board of Directors:

That the Board of Directors ENDORSES the need to implement a Municipal Accommodation Tax (MAT), throughout the towns/municipalities in Essex County, and encourages all Councils to do so in an effort to benefit from the revenue stream derived, thereby supporting tourism infrastructure and marketing programs. FURTHER, that Tourism Windsor Pelee Island be the designated tourism entity to receive 50% of the monies collected (distribution of revenue to be 50/50 based on the net revenues (total revenues less cost/expenses of collection agency)); the City of Windsor to be the collection agency and that Town/Municipal responses are respectfully received by August 31, 2025 in order to plan a path forward.

Town of Tecumseh Tourism Strategy

The Town applied for, and was awarded, a grant through the Tourism Growth Program of the Federal Economic Development Agency for Southern Ontario. The Town engaged consulting firm TWG in late 2024, through an RFP tendering process, to conduct research to gauge the interest and potential in promoting tourism in Tecumseh and to develop a tourism marketing

strategy. TWG presented the Town of Tecumseh Tourism Marketing Strategy and Destination Development Plan at the June 24 RCM.

The Plan was developed by consulting firm TWG Communications through extensive community and stakeholder engagement and is built upon local insight, regional context and best practices drawn from successes of other Ontario communities. The strategy provides a roadmap to grow Tecumseh's tourism sector by leveraging its recreational assets, community events, and sport tourism potential, and outlines strategic actions across five key pillars to enhance the visitor experience and support long-term economic growth.

Within the report TWG recommends implementing a Municipal Accommodation Tax (MAT) as a sustainable, visitor-funded revenue stream to support tourism marketing, events, and infrastructure improvements. With new accommodations under development in Tecumseh, a MAT offers a proactive way to generate dedicated funding without increasing the burden on local taxpayers. Similar-sized municipalities like Gravenhurst and Midland have used MATs successfully to reinvest in tourism promotion and public amenities, helping create a self-sustaining tourism ecosystem that benefits both residents and visitors.

Report CRS-2025-12 entitled "Town of Tecumseh Tourism Marketing Strategy & Destination Development Plan" (Plan) noted that the Town of Tecumseh has been an active member of TWEPI, the region's Destination Marketing Organization, since its inception in 2011. The Report recommended that the Plan be adopted for consideration, and that Administration return to Council with a proposed budget, including funding sources and a prioritized implementation plan for Council's consideration in Fall 2025. Council received Report CRS-2025-12 and adopted its recommendations at the Regular Council Meeting of June 24, 2025.

Town of Tecumseh Zoning By-laws

The Town of Tecumseh's current zoning by-laws (three) pre-date the concept of short-term rentals (STR). As a result, we are now operating in a regulatory grey area as these dated by-laws do not address these uses.

The Town is in the process of preparing a new Town-wide Comprehensive Zoning By-law. It will consider options to regulate and license STRs, including possibly establishing specific areas where they would be permitted, or alternatively prohibit STRs Townwide. The new Comprehensive Zoning By-law is expected to be brought forward for Council consideration by the end of 2025.

Comments

Administration has prepared two Options for Council to consider in which the Town may implement a MAT.

Option A: Implement MAT for hotels only

Option A would require the MAT apply to hotels only.

Advantages of Option A:

- Minimizes cost to implement MAT as hotels have processes in place to charge, collect and remit MAT assessed, therefore would NOT require additional staffing resources to ensure compliance that is typically necessary for STRs; and
- No requirement to develop, implement and enforce a by-law that permits STRs.

Disadvantages of Option A:

- Limits the amount of MAT that can be collected. TWEPI estimates that this could be as much as \$34,000 annually based on their latest figures for STRs in Tecumseh; and
- Will be seen as inequitable treatment for hotels as their clients will be subject to the MAT while STR clients will not.

Option B: Implement MAT for hotels and short-term rentals where specifically permitted by the Town

Option B would require the MAT apply to hotels and select short-term rentals.

Advantages of Option B:

- Increases the amount of MAT that can be collected by permitting short-term rentals (STRs); and
- Will be seen as more equitable treatment by hotel operators as both hotel and STR clients will be subject to the MAT.

Disadvantages of Option B:

- Significantly increases the cost to implement the program, specifically with respect to identification, licensing and compliance efforts related to STRs, likely requiring dedicated staffing resources and, at the very least, incurring costs to implement STR compliance through the City program;
- Requires implementation and enforcement of a STR by-law; and
- Contributes to the housing shortage crisis evident in Ontario as STRs remove units from residential housing supply.

Consultations

Chief Administrative Officer
Community & Recreation Services
Development Services
County of Essex

Financial Implications

Construction of the Town's first hotel is nearing completion. For illustrative purposes, assuming 2024 County of Essex averages for occupancy rate and eligible revenue per room (as provided by TWEPI), a 142-room hotel could expect to generate \$116,000 per year in MAT at 4%.

The Town's share of this revenue would be \$58,000 less administrative costs.

TWEPI estimates that there are 32 STR listings in Tecumseh and that based on area averages for monthly listings and rates, annual rental revenue is approximately \$845,000, which would generate \$34,000 in Municipal Accommodation Tax at 4%.

The Town's share of this revenue would be \$17,000 less administrative costs.

Next Steps:

Should Council give favourable consideration to Option A or B within this report, the following must be addressed prior to implementation of the MAT:

- Administration will advise TWEPI of Council's decision prior to the end of August, as has been requested of all other lower-tier municipalities in the County.
- Administration of the MAT Program for lower-tier municipalities must be confirmed, and an Agreement must be struck with the Administrator, assuming this will be the City of Windsor. Corollary agreements may also be required with STR providers (Airbnb, VRBO), depending on the option selected.
- The Town will need to complete its deliberations on the new Town-wide Comprehensive Zoning By-law and, as part of this, address the extent to which STRs are permitted, if at all, within the Town. (This step is redundant should Council select Option A.)
- The Town must create a by-law to impose the MAT, once a consistent tax rate (4 - 6 %) and types of property subject to the MAT are established. This by-law would identify the designated tourism entity, i.e. TWEPI.
- The Town should establish a dedicated Reserve for the Town's share of MAT revenue. This could occur after the by-law is in place and program implementation has commenced.

- The Town should prepare a policy to establish acceptable uses of the Town's share of MAT revenue. This could occur after program implementation, but prior to any use of the Town's share of MAT revenue.

Administration will report back to Council regarding these steps for further direction and approvals, as required.

Link to Strategic Priorities

Applicable	2023-2026 Strategic Priorities
<input checked="" type="checkbox"/>	Sustainable Growth: Achieve prosperity and a livable community through sustainable growth.
<input type="checkbox"/>	Community Health and Inclusion: Integrate community health and inclusion into our places and spaces and everything we do.
<input type="checkbox"/>	Service Experience: Enhance the experience of Team Tecumseh and our citizens through responsive and respectful service.

Communications

Not applicable ☒

Website ☐ Social Media ☐ News Release ☐ Local Newspaper ☐

This report has been reviewed by Senior Administration as indicated below and recommended for submission by the Chief Administrative Officer.

Prepared by:

Tom Kitsos, CPA, CMA, BComm
Director Financial Services & Chief Financial Officer

Reviewed by:

Beth Gignac, BA Hons
Director Community & Recreation Services

Reviewed by:

Brian Hillman, MA, MCIP, RPP
Director Development Services

Recommended by:

Margaret Misek-Evans, MCIP, RPP
Chief Administrative Officer

Attachment Number	Attachment Name
None	None