

Appendix A: Proposed Business Case Study



Business Case Study

Incorporation of a Municipal Services Corporation as an Eligible Tourism Entity

Overview

The City of Peterborough is considering the incorporation of a municipal services corporation as an “eligible tourism entity” for the purpose of administering pursuant to applicable law the 50% net transient accommodation tax (also known as municipal accommodation tax or MAT) that must be used “for the exclusive purpose of promoting tourism”.

Background

On Jun 24, 2019, Council of the City passed By-law 19-063 establishing a 4% MAT. The MAT is imposed on “transient accommodation” which is defined by the By-law as “accommodation for one or more individuals for a continuous period of less than thirty (30) nights in each place or part or unit of a place in which such accommodation is provided including a hotel, motel, inn, resort or hostel.” The City is entitled to retain as general revenue 50% of MAT net of administrative costs. O.Reg. 435/17 compels the City to pay annually the remaining 50% of its net MAT to an “eligible tourism entity” (ETE). O.Reg. 435/17 defines an ETE as “a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality.”

Peterborough & the Kawarthas Economic Development (PKED) is a business name registered by the not-for profit corporation, Greater Peterborough Area Economic Development Corporation. To date, the City has been paying annually 50% of its net MAT to PKED because PKED has qualified as an ETE.

PKED has recently advised of its intention to dissolve.

The Plan

The City is considering exercising its jurisdiction under section 203 of the Municipal Act, 2001 to incorporate a municipal services corporation as an ETE (MSC/ETE). The City would then pay annually to the MSC/ETE 50% of its net MAT so that the City can comply with its obligations under O.Reg. 435/17. The MSC/ETE would itself be required to comply with all applicable law including the requirement under O.Reg. 435/17 that “*any amounts paid to the [MSC/ETE] shall be used by the [MSC/ETE] for the exclusive purpose of promoting tourism*”.

It is proposed that the MSC/ETE be wholly owned by the City and that its board be comprised of all members of the City’s Council to ensure Council’s ability to be accountable to the citizens of Peterborough.