# Municipal Accommodation Tax Model and Report

Prepared for the Town of Collingwood

March 2023

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McSweeney & Associates Consulting Inc.
201-900 Greenbank Road
Ottawa, ON K2J 1A8
T: 1-855-300-8548
E: consult@mcsweeney.ca
W: www.mcsweeney.ca

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# 1. INTRODUCTION

This report has been prepared for the Town of Collingwood in consideration of a four percent Municipal Accommodation Tax (MAT). A Municipal Accommodation Tax is a tool used to assist both the tourism industry as well as any local services and infrastructure being used by visitors to the community. Municipalities in Ontario, as of November 2017, are enabled to implement a MAT (through Bill 127, 2017) and many Ontario municipalities currently have, or are in the process of implementing, the tax. Funds gathered through this tax are then reinserted back into the local community to boost tourism and economic growth.

This report models the revenue the Town of Collingwood could potentially project to receive in the event a tax is implemented and discusses some of the real-world considerations that should be considered. Throughout this report, figures and assumptions used have been quite conservative, with an eye towards erring on the side of underestimating total projected revenues. This approach was taken because the data is approximate and given the potential margin of error, a cautious approach is more reasonable. To do so, Section 1 begins by defining the parameters of the model and outlining the variables used. It further explains the reasoning and data that lead to the projected range of outcomes for each variable. Variables within the model are:

- Annual occupancy rates and
- Average daily rates

Section 2 models the variables outlined in Section 1 to the Town of Collingwood, presenting expected revenue ranges in the event the status quo holds, or the variables see either positive or negative changes. Each variable's low, average, and high ranges are modelled to outline potential revenue expectations. In sum, each of the variables presents revenue ranges between $900,000 and $1,200,000 if the Town of Collingwood enacts a Municipal Accommodation Tax.

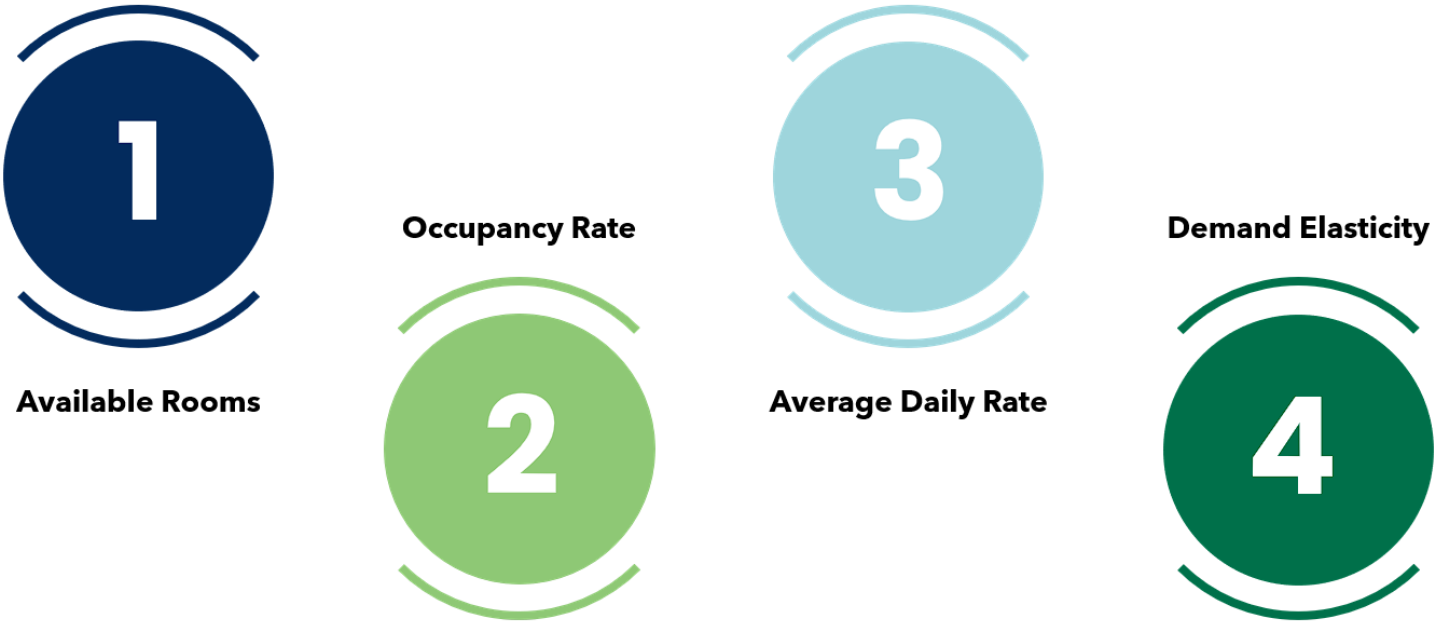
Finally, Section 3 touches on specific realities associated with enacting a Municipal Accommodation Tax. It begins by presenting favourable and unfavourable scenarios for the model, which widens the expected revenue range to between $750,000 and $1,300,000. It then discusses whether now is an appropriate time to implement a Municipal Accommodation Tax given the recency of COVID-19 and its impact on the tourism sector, and notes potential pitfalls that may arise if the tax is implemented.

# 2. MUNICIPAL ACCOMMODATION TAX MODEL

In calculating the potential impact of a MAT, it is important to begin by first defining the variables within the model and outlining how the values that we used were derived. This section addresses these technical aspects of the model so as to set the stage for the remainder of the report, which focuses on the direct reality of a tax in Collingwood.

## 2.1. Model Definitions

The Municipal Accommodation Tax Model is designed to measure the potential revenue the Town of Collingwood may generate by instituting an accommodation tax. The Model relies on four variables:




### Available Rooms:

This is simply defined as the inventory of rooms available nightly within the Town of Collingwood. The number of available rooms is multiplied by 365 in order to note the total number of available rooms over a full year in Collingwood, given the tax is applied annually.

## Occupancy Rate:

The occupancy rate is defined as the percentage of occupied rooms across all properties, annually. Though demand fluctuates within any full year, this report reflects annual occupancy rates, as monthly fluctuations in demand will not impact the introduction of an annual tax.

## Average Daily Rate:

Average daily rate is the average cost per room, measured across all accommodation classes (hotels, motels, etc.) and all available rooms, averaged across the entire year as defined.

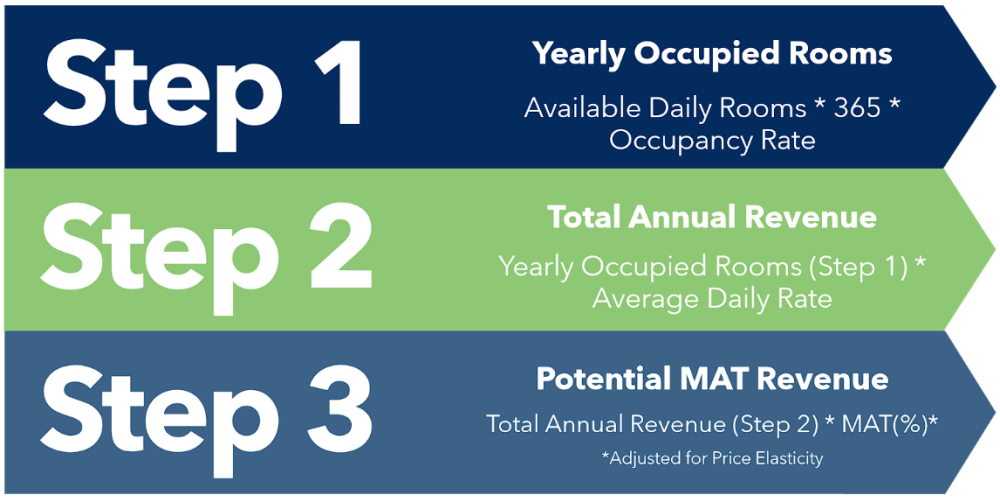
## Demand Elasticity:

Elasticity of demand refers to the decrease in interest that occurs due to a change in cost. The more elastic a "good" is, the more quickly total sales will decrease due to a price increase. Specifically, within this model, the changing circumstance is the introduction of a municipal accommodation tax, and therein the overall cost. That is, in the event the Municipal Accommodation Tax is introduced, the price of a hotel in Collingwood will increase slightly and demand will subsequently decrease slightly.

## Model Calculation:

The calculation used to measure this revenue is broken into three steps:

Figure 1: Municipal Accommodation Tax Model Steps



## 2.2. Model Breakdown and Parameters

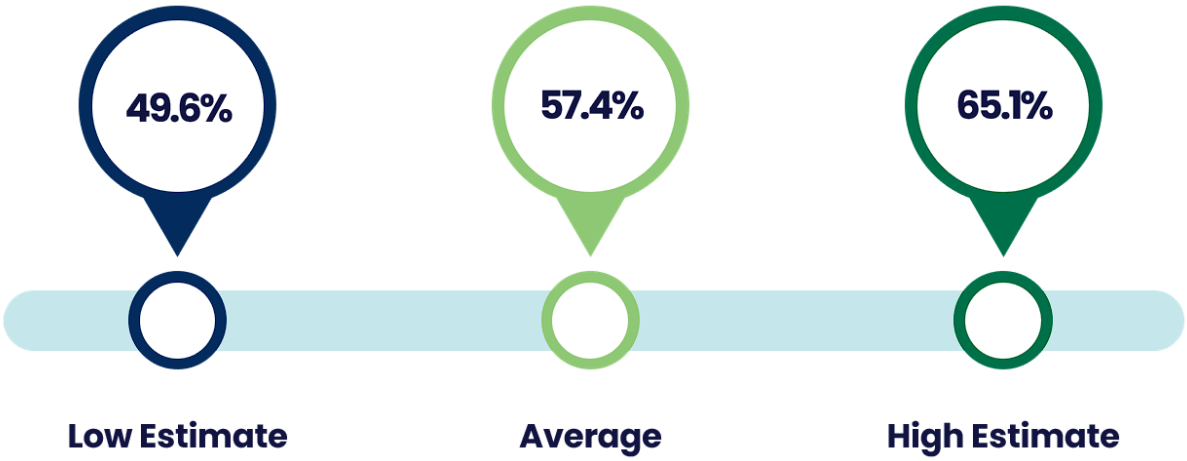
### Available rooms:

Data from the Town of Collingwood suggests that in 2022 there were 890 available rooms, on average, per night in Collingwood.[1] Though the number of available rooms may fluctuate slightly due to construction projects or other minor impediments, or rise over the long-term due to new motel/hotel businesses, this variable largely remains static over short periods of time. As such, we will not provide high- or low- estimates but instead rely on the current figure (890) throughout the report.

### Occupancy Rate:

Low, expected, and high occupancy rates are based on ten-year averages throughout Collingwood, anchored within a "typical range." From 2013-2023, Collingwood saw typical annual occupancy rates between 49.6% and 65.1%, with an average expectation of 57.4%. These benchmarks will therefore be used as the range of outcomes projected within the model.[2]

Figure 2: Occupancy Rate Model Range



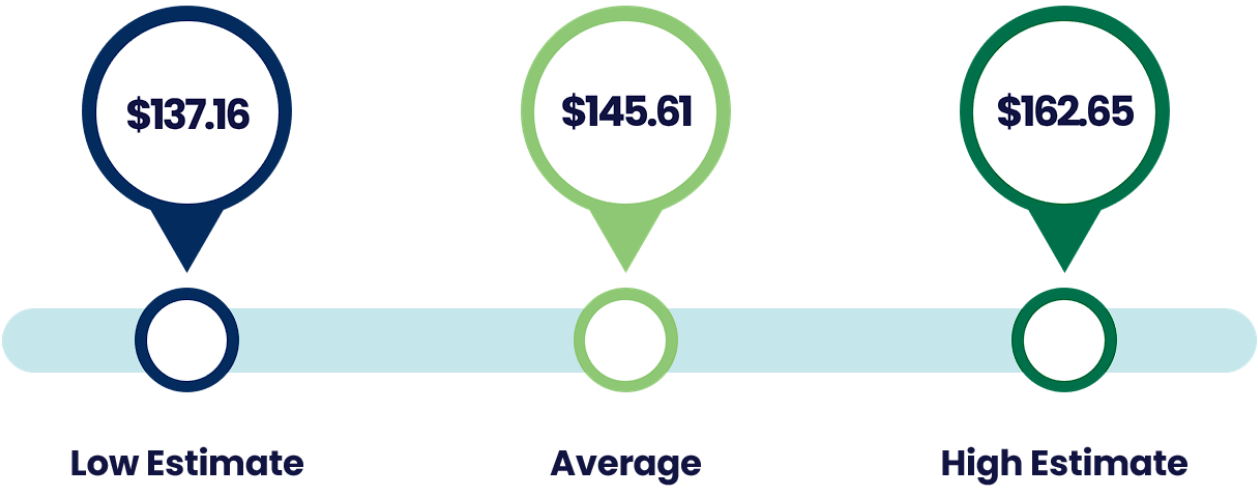

Source: Costar Analytics

[1] These figures do not include short-term private rentals, as data on private rentals is not as robust as the information provided here, and in an effort to be as accurate as possible, is excluded. Appendix A includes adjustments that include potential MAT revenue from private short-term rentals.
[2] Though the impact of COVID-19 presents a distinctly lower "extreme range" - 34.6% -low-end figure, this is treated as an outlier that is largely irrelevant to this report, as it is unlikely under a similar situation in the future a MAT would be applied without additional supports for tourism businesses. For a more fulsome explanation please see Section 3.3.

## Average Daily Rate:[3]

To determine the average daily rate, we will use the average year-over-year change in average daily rate. Over the previous ten years, the largest expected decrease year-over-year has been 5.8%, while the largest expected increase has been 11.7%. As the current average daily rate is $145.61, the lowest estimate will see a decrease of 5.8% from this figure, while the highest estimate will see an increase of 11.7%.

Figure 3: Average Daily Rate Range




Source: Costar Analytics

## Demand Elasticity:

A 2016 report by KPMG for the City of Toronto noted that demand elasticity for tourism was dependent on the purpose of the trip. That is, business travel is much less elastic (i.e., a business trip is less likely to be determined by price) than a personal trip.[4] Specifically, average price elasticity was found to be -1.23 for personal trips, -0.93 for those visiting friends or relatives, and 0.18 for those travelling for business. This means that, for example, for every 1% increase in cost, there is expected to be a simultaneous 0.93% decrease in expenses by those travelling to visit friends or relatives.

[3] As a reminder, these figures are quite conservative. When presented with conflicting data with uncertainty regarding which is more "accurate", this report relied on the more conservative figures.

[4] *Konovalova et. Al. (2013). Elasticity of Demand in Tourism and Hospitality. European Journal of Economic Studies* in KPMG LLP, City of Toronto Revenue Options Study, 2016, Appendix C https://www.toronto.ca/legdocs/mmis/2016/ex/bgrd/backgroundfile-94513.pdf.

Related to the purpose of an individual's trip, data is not available for Collingwood specifically. However, across pre-pandemic domestic trips taken within Canada, Statistics Canada reports that 9.4% of all travel was done for business-related reasons.[5] Moreover, visiting friends or relatives was the primary reason for travelling for 41.7% of individuals, and the remaining 48.9% of individuals suggested that their primary reason for travelling was for pleasure.[6]

To weigh the elasticity measures appropriately, each method of travel's elasticity is multiplied by the percentage of trips taken for that purpose (See Table 1 below). For example, personal trips were taken 48.9% of the time and had an elasticity of -1.23. The weighted elasticity across all trips taken is therefore -0.601.

Table 1: Elasticity by Method of Travel and as a Proportion of Total Travel

| Type of Travel | Elasticity | Percentage of Trips | Weighted Elasticity |
|---|---|---|---|
| Business | 0.18 | 9.4% | 0.017 |
| Visiting friends or family | -0.93 | 41.7% | -0.388 |
| Personal | -1.23 | 48.9% | -0.601 |

Source: Konovalova et. Al., 2013; Calculations by McSweeney & Associates.

By adding the weighted elasticity figures together, we see that the average elasticity measure across all trips to Collingwood would be approximately 0.972. That is, for every 1% increase brought on by the Municipal Accommodation Tax, it should be expected that 0.972% less is spent by tourists.

Table 2: Expected Elasticity for Travel to Collingwood

| Type of Travel | Elasticity | Percentage of Trips | Weighted Elasticity |
|---|---|---|---|
| All | -0.97 | 100% | -0.972 |

Source: McSweeney & Associates custom calculation.

[5] Statistics Canada, 2020, https://www150.statcan.gc.ca/n1/daily-quotidien/201209/dq201209e-eng.htm.

[6] "Pleasure" in this instance is an amalgamation of two Statistics Canada categories: "holidays, leisure, or recreation" and "attending conventions, trades or shopping". While it is likely that certain trips within the second fall within the business category, we have no way of deducing what percentage are business or pleasure, as the two sources use differing methodologies. As such, we have applied all trips to "pleasure" as this slightly exaggerates the negative impact of the tax on trips to the area, but would prefer to be overly cautious.

Municipal Accommodation Tax: Mirroring many other communities in Ontario with a MAT, this report will use a 4% tax to calculate potential revenue.

# 3. APPLYING THE MODEL TO COLLINGWOOD

Building off the definitions and figures outlined in Section 1, this section calculates potential MAT revenues for the Town of Collingwood, based on the high and low ranges for occupancy rate and average daily rate. This section outlines the estimated revenue the Town of Collingwood can project to receive through the implementation of a Municipal Accommodation Tax. Each of the variables is considered independently in order to explore which has the largest impact on potential revenue.

For each model, as noted in Section 1, there are 890 nightly rooms available, the weighted elasticity is 0.972, and the applied Municipal Accommodation Tax is 4% - these variables remain unchanged.

## 3.1. Occupancy Rate Variables Model

For this model, the average daily rate will remain at the current rate ($145.61), while the annual occupancy rate will fluctuate between low (49.6%), medium (57.4%) and high (65.1%).

Applying these figures to the original formula, the Town of Collingwood would draw revenues between $901,973 and $1,183,839, depending on the annual occupancy rate. That is, during a year where:

- The occupancy rate averaged to 49.6% (the low estimate), the Town of Collingwood would expect to receive MAT revenues of $901,973;
- The occupancy rate averaged to 57.4% (the medium estimate), the Town of Collingwood would expect to receive MAT revenues of $1,043,815;
- The occupancy rate averaged to 65.1% (the high estimate), the Town of Collingwood would expect to receive MAT revenues of $1,183,839.

## 3.2. Average Daily Rate Variables Model

For the second variable, the occupancy rate (57.4%) will remain the same at its average value but the average daily rate charged will range from $137.16 at the low end, to $162.65 on the high end, with $145.61 the average.

Applying these figures to the original formula, the Town of Collingwood would draw revenues between $983,274 and $1,165,941, depending on the average daily rate. That is during a year where:

- The average daily rate was $137.16 (the low estimate), the Town of Collingwood would expect to receive MAT revenues of $983,274;
- The average daily rate was $145.61 (the medium estimate), the Town of Collingwood would expect to receive MAT revenues of $1,043,815;
- The average daily rate was $162.65 (the high estimate), the Town of Collingwood would expect to receive MAT revenues of $1,165,941.

## 3.3. Model Variables Summary

As can be seen, although both of the variables had relatively similar potential revenue totals (between $900,000 and $1.2 million), the occupancy rate had the widest variation, with the most "extreme" low and high ends. Given that even the most disparate outcomes were still within $300,000 of each other, the projections can be seen as being relatively confident in the expected outcome of the tax.

Though these projections suggest there will be a significant impact on the Town of Collingwood's revenue stream, there are further considerations to take into account. The following section discusses some of these considerations, including instances where both of the variables (occupancy rate and average daily rate) drop or rise simultaneously, rather than independently as assessed above, whether the tourism industry has recovered after COVID-19 enough to introduce a new tax, and potential pitfalls associated with a Municipal Accommodation Tax.

# 4. IMPLEMENTATION OF THE TAX

While Section 2 outlined estimated revenue from a MAT for the Town of Collingwood based on individual variable changes, this section focuses more on the realities of having to implement the tax. That is, it begins by examining potential favourable and unfavourable scenarios in a scenario where all variables change at the same time, discusses whether now is an appropriate time for the implementation of a MAT, and identifies potential pitfalls.

## 4.1. Favourable and Unfavourable Scenarios

Capturing the exact impact of a potential Municipal Accommodation Tax is a difficult endeavour due to the wide variety of fluctuating variables. At the same time, by adjusting for a variety of outcomes across each of the different variables, we are reliably able to predict a likely revenue range for the Town of Collingwood. As can be seen in Section 2, when adjusting for one variable at a time, the range of outcomes is between approximately $900,000 and $1.2 million.

To truly encompass the most "favourable" and "unfavourable" case scenarios, however, we can apply the adjusted range of each variable. That is, we can apply the low range (occupancy rates of 49.6% annually and an average daily rate of $137.16) or high range (65.1% occupancy rate and $162.65 average daily rate) to both variables at the same time. This range is, as expected, slightly larger, with the lowest MAT revenue expected being $884,029 while the most favourable scenario draws in tax revenue of $1,375,841.

Using the same formula as above, we can see that in a year where:

- Both variables present as least favourable scenarios, the Town of Collingwood would expect to receive MAT revenues of $884,029;
- Both variables present as average, the Town of Collingwood would expect to receive MAT revenues of $1,086,040;
- Both variables present as most favourable scenarios, the Town would expect to receive MAT revenues of $1,375,841.

## 4.2. Implementing the Municipal Accommodation Tax

Given the recency of the COVID-19 pandemic and the significant impact it had on tourism, there may be questions regarding the timing of adding a tax. Specifically, whether this is the time to institute a MAT. This subsection focuses on three reasons to assert that now is an appropriate time to institute a Municipal Accommodation Tax – a need to remain competitive with other municipalities, evidence that tourism has rebounded to pre-pandemic levels across southwestern Ontario, and positive future indicators at a national level regarding the hotel/motel sector.

### Remaining Competitive with other Ontario Municipalities

As of 2021, over 40 Ontario Municipalities had instituted a Municipal Accommodation Tax (see Table 3). MATs across these jurisdictions are used to increase investments in tourism development without relying on additional payments from local businesses or residents, drawing in additional tourists and helping local competitiveness.[7] Without a similar revenue stream, the Town of Collingwood may find it difficult to produce similar levels of tourism development and may therefore struggle to grow/rebound post-COVID as swiftly as other Ontario municipalities.

Table 3: Ontario Municipalities with a Municipal Accommodation Tax, 2021

| | | | | | |
|---|---|---|---|---|---|
| Barrie | Gananoque | Kitchener | Orillia | Red Lake | Toronto |
| Belleville | Greater Sudbury | London | Oshawa | Sarnia | Vaughan |
| Brockville | Hearst | Marathon | Ottawa | Sioux Lookout | Waterloo |
| Cambridge | Huntsville | Markham | Peterborough | South Bruce Peninsula | Wellesley |
| Cochrane | Kapuskasing | Mississauga | Point Edward | Stratford | Wilmot |
| Cornwall | Kenora | Niagara Falls | Prince Edward | Terrace Bay | Windsor |
| Dryden | Kingston | North Bay | Quinte West | Thunder Bay | Woolwich |
| Fort Frances | | Oakville | | Timmins | |

Source: Watts, H. 2021. Alternative Revenue Generation in Ontario Municipalities: The Utilization of Municipal Accommodation Tax (MAT).

[7] More specific MAT revenue allocations can be found on "FAQ" pages on many of the municipalities' websites. See Section 3.3 for links to FAQ pages.

While this is not necessarily a reason to institute a MAT now, doing so would keep Collingwood competitive with other municipalities that have implemented a MAT, in an effort to support the tourism sector's ongoing recovery. To focus on the reasonability of implementing a tax now, we can turn to the state of occupancy rates across a variety of southwestern Ontario jurisdictions.

## Occupancy Rate Averages across Southwestern Ontario

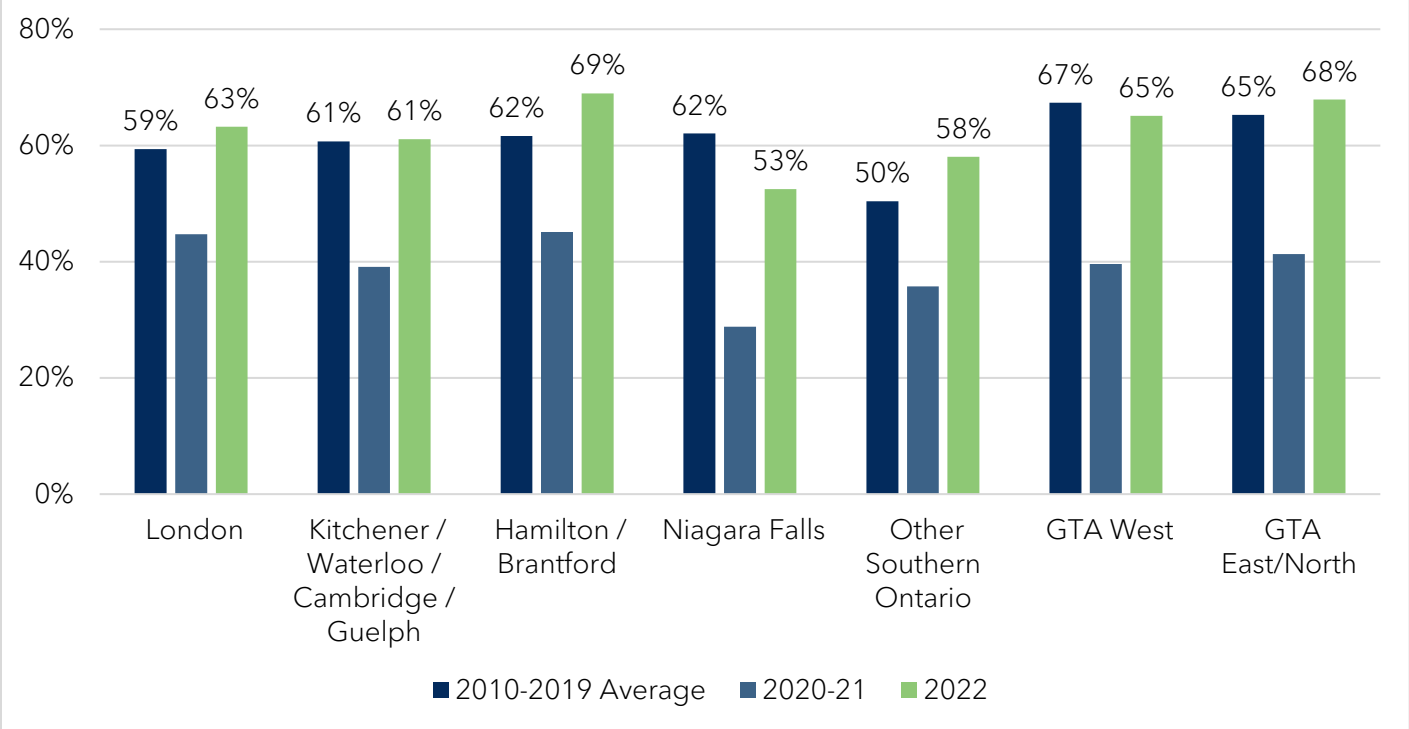
During the height of the pandemic, occupancy rates in Collingwood fell drastically, from pre-pandemic highs above 65% to figures below 35%. This suggests that over a 12-month period, accommodations in Collingwood were only one-third full. To assess whether tourism levels have returned to pre-pandemic figures, then, current occupancy rates can be compared to pre-pandemic averages. To do so, we will rely on 10-year occupancy rate averages.

Specifically, within Collingwood, according to Costar Analytics, the 10-year occupancy average from 2013-2022 was 57.4%, while the current 12-month occupancy rate is 59.1%. However, it is important to assess more than just Collingwood, to confirm that similar results are seen elsewhere, before asserting the industry as a whole has begun to recover. To that end, we can rely on Ontario Ministry of Tourism, Culture and Sport data, which tracks occupancy rates at hotels across Ontario.8 Across seven southwestern Ontario areas (see Figure 6), five returned to, or exceeded, pre-pandemic occupancy rates, while one (GTA West) was only 2% below the average. The only outlier was Niagara Falls, which was 9% lower (53% in 2022 compared to 62% occupancy average) in 2022 after the pandemic.



[8] Ontario Ministry of Tourism, Culture and Sport http://www.mtc-currentperformance.com/Hotel.aspx

Figure 4: Occupancy Rates, Southwestern Ontario, 2010-2022[9]




Source: Ontario Ministry of Tourism, Culture and Sport.

Given these figures, it is clear that hotel occupancies across southwestern Ontario have largely returned to pre-pandemic averages, an indication that tourism activity has similarly returned to pre-pandemic levels.

## Projections for the future of the national hotel/motel sector

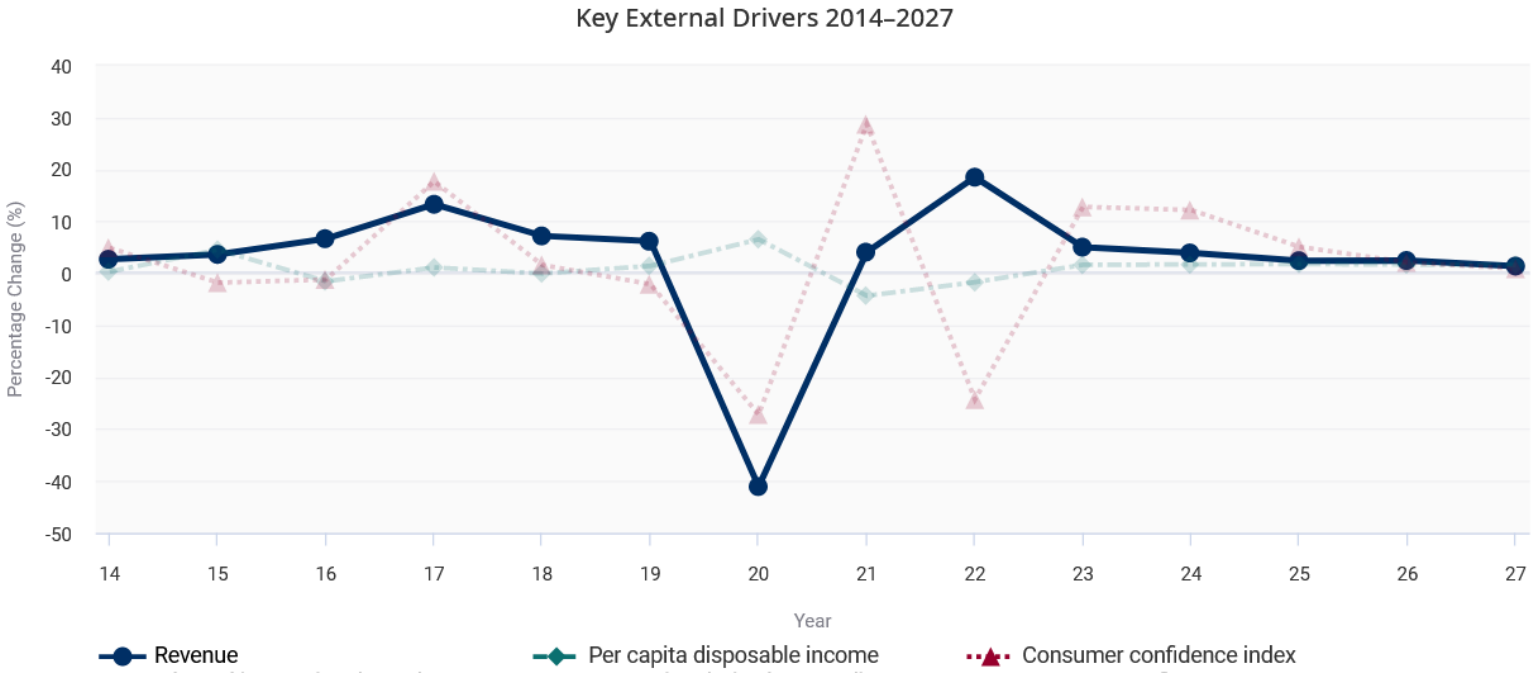
Though occupancy rates have mostly rebounded to pre-pandemic levels, caution must be exercised when suggesting those gains are guaranteed to hold. Some may argue that the ebb and flows of the tourism sector will lead to new downturns, or that the current resurrection is a false high. To assuage these concerns we present data from IBISWorld's Industry Report on the "hotels & motels" sector across Canada.

Though the downturn greatly impacted revenues and employment within this sector, those figures have rebounded and are projected to see solid, sustainable growth over

[9] The categories here are a bit vague, and requests for clarification have not been answered. Please note: "Other Southern Ontario" likely represents communities south of Collingwood, as there is also a "Central Ontario" category not reflected here. "Central Ontario" however, is left undefined and due to the potential to include an exceedingly large geography irrelevant to Collingwood, is not presented here.

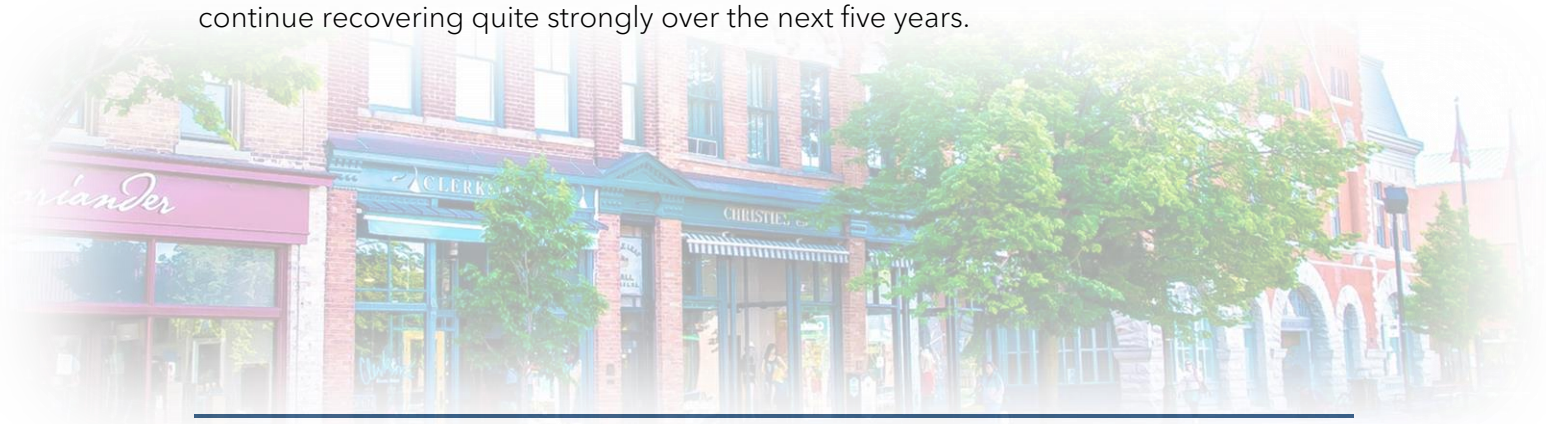
the coming five years (2023-2027). Specifically, IBISWorld is projecting annualized increases of 3.0% in industry revenue through 2027 for the industry, driven by growths in *per capita disposable income* and the *consumer confidence index*.

Figure 5: Revenue Growth Projections, Canada's Hotel & Motel Sector, 2014-2027




Source: IBISWorld Industry Reports

As can be seen in Figure 7, revenues are projected to remain on a growth trajectory through 2027, with large growths having occurred through 2022 and 2023 as the tourism industry rebounds and potential tourists are interested in travelling after being unable to do so for nearly two years. Though of course, individual businesses may see different patterns of growth/contraction, given these national projections and the current state of occupancy rates, it appears likely that the tourism sector is poised to continue recovering quite strongly over the next five years.



## 4.3. Potential Pitfalls

Though the report is optimistic about the impact a Municipal Accommodation Tax would have in Collingwood and argues that now is an appropriate time for implementation, there are of course other obstacles in the way of successful application. Unexpected external shocks (similar to COVID-19), a larger-than-expected drop in tourism due to the new tax, and negative responses from the business and tourism community during rollout are all potential pitfalls and are touched on within this subsection.

### A Global Catastrophe Similar to COVID-19

It should be noted that the tourism sector in the Town of Collingwood saw occupancy rates and similar impacts due to COVID-19 that are statistically worse than the worst-case scenario presented within this report. For example, while the worst-case scenario regarding occupancy rates within this report is 49.6%, the 12-month occupancy rate from early 2020-early 2021 was below 35%. Given that, the term "worst-case scenario" may therefore seem like a misnomer within this report. However, there is a specific reason for not including this extreme outlier: this model is designed to replicate potential MAT revenues that the Town of Collingwood can reasonably expect to receive outside of 'once-in-a-generation' type events.

This is done because, if another COVID-19-esque pandemic (or similar catastrophe) occurs, it is expected that a vast array of options and supports will be available to businesses, and review would likely occur regarding whether the Municipal Accommodation Tax would be applied in this scenario. Therefore, the "worst-case scenario" presented within this report is the worst-case scenario *wherein the Tax would still be expected to be applied as it is determined here*.

### Unexpected Elasticity

The other potential pitfall worth addressing is whether trips to Collingwood are more elastic than expected. That is, if the enaction of the tax results in a more aggressive reduction in planned trips to Collingwood than expected. There are two potential reasons that the expected elasticity proves incorrect.

1. <u>If there are more "personal" trips to Collingwood than suggested by the Statistics Canada data.</u> As personal trips are the most sensitive to a change in price, a greater proportion of personal trips would lead to a higher rate of

elasticity. However, even if all trips were "personal", the change in expected MAT revenue would only be approximately $10,000 (approximately 1% of revenue), so the impact is relatively minimal.

2. If the elasticity weights in the research paper cited above are incorrect, regardless of method of travel. This is a more open-ended challenge in that there is technically no upper limit to the elasticity of demand in this instance. However, any elasticity of more than 2.0 would suggest that lowering prices would drive increases in demand so drastically that those changes would already have occurred. That is, if elasticity was so great that lowering prices by $1 meant that revenue would increase by more than $2, it is hard to believe that prices would not adjust enough to reflect this reality.

   Therefore, to highlight the largest potential pitfall related to unexpected reductions in travel due to the MAT, we measured the impact of an elasticity figure of 1.9. In this instance (which is still very unlikely), the reduction in MAT revenue across all scenarios was approximately $40,000. While this is a large figure, it's still only a 5% reduction in the lowest expected MAT revenue. Given this, and given the strong unlikelihood that this occurs, it is a pitfall worth noting but not modelling.

## Consumer/Business Pushback

Any new fees are naturally going to incur some pushback from the local business community as well as consumers. However, by being proactive regarding messaging and communications, these issues can be mitigated to a certain extent. It is suggested that communications focus on two key aspects of the tax to help individuals understand the reasoning behind the new costs.

First, have a clear strategy to outline where the increase in municipal funds will be allocated. Numerous research papers have made clear that consumers are more accepting of having to pay an additional tax if the revenue is earmarked for specific programs or is a "tax with a purpose."[10] Given this, consideration should be given to

[10] Cetin et. Al, Willingness to Pay for Tourist Tax in Destinations: Empirical Evidence from Istanbul. 2017. https://www.mdpi.com/2227-7099/5/2/21
Watts, H. Alternative Revenue Generation in Ontario Municipalities: the Utilization of Municipal Accommodation Tax. 2021. https://ir.lib.uwo.ca/cgi/viewcontent.cgi?article=1221&context=lgp-mrps
NAO Group, Tourism Taxes by Design. 2020. https://groupnao.com/wp-content/uploads/2020/11/TOURISM-TAXES-BY-DESIGN-NOV12-2020_rettet-compressed-2.pdf

providing clear direction as to where the tax revenue will be allocated to in a manner that is easily accessible (Town website, etc.).

Second, following in the footsteps of other Ontario municipalities that have instituted a municipal accommodation tax, it is highly recommended to have an easily accessible FAQ-style page. Providing as much transparency as possible will help alleviate many of the concerns that businesses and tourists may have and allows the Town to dispel any myths that may arise regarding the new tax/revenue. Samples of MAT-FAQ pages from Ontario municipalities include:

- City of Vaughan: https://www.vaughan.ca/mat/Pages/MAT-FAQs.aspx
- Toronto: https://www.toronto.ca/services-payments/property-taxes-utilities/municipal-accommodation-tax/
- Kingston: https://www.cityofkingston.ca/business/accommodation-tax

# CONCLUSION AND RECOMMENDATIONS

This report has sought to provide a mathematical assessment of the impact a Municipal Accommodation Tax would have for the Town of Collingwood. It began by defining the variables that were taken into account (annual occupancy rates, average daily rates) and explored the values that those variables presented.

It then modelled the variables to the Town of Collingwood, presenting expected revenue ranges in the event the status quo holds, or the variables see either positive or negative changes. Each variable's low, average, and high ranges were modelled to outline potential revenue expectations. Section 2 noted that Collingwood's revenue range would likely be between $900,000 and $1,200,000, ranging slightly depending on which variable rose or fell.

Finally, Section 3 focused more on the specifics of actually enacting the tax, discussing some potential challenges and an overall range. It should be noted that there are many additional considerations outside the scope of this paper. This report focused on mathematical calculations and attempted to discuss the timing and pitfalls from an analytical backdrop as well. Political and other considerations were not taken into account in any significant way in writing this paper, as they were deemed to be outside the scope of research and more subject to local knowledge and on-the-ground realities.

Nevertheless, in the event a Municipal Accommodation Tax is enacted in the Town of Collingwood, given the data presented here and based on data from the previous decade alongside additional research, it can be surmised that additional revenue generated would be between approximately $880,000 and $1,400,000.

# APPENDIX A: SHORT-TERM RENTAL MODEL

To calculate the potential impact of the Municipal Accommodation Tax on short-term rentals, we can use the same variables (occupancy rate, total available units, and average daily rate). However, it should be cautioned that these data are considerably less accurate and are at best an approximation of the state of the short-term rental market.

Data from the Town of Collingwood suggest that there are 408 short-term rental units, while data from DPGO (a pricing tool used to assess the market price for vacation rental owners) noted an average price of $289 for short-term rentals in Collingwood.11 No data is provided for occupancy rates, so the figures for hotels and motels will similarly be used here (57.4% average). Once again, an elasticity variable of 0.972 will be used alongside a MAT of 4%. Using these variables, it can be projected that the Town of Collingwood may receive an additional MAT revenue of $949,730 from short-term rentals.

It should again be noted, however, that this number is extremely volatile and is not provided with any degree of certainty. For example, while the average rental price according to DPGO is $289, that does not take into account which rooms are booked (i.e., cheaper rooms are more likely to be booked more consistently, so this number is likely inflated), and while 408 short-term units are said to be available, it is unclear whether they are all available "all-year" or whether some are only available during peak seasons.

Finally, without any specific occupancy rate data we have relied on hotel and motel data, but the short-term rental market is likely subject to much wider fluctuations in occupancy rates. Occupancy rate estimates online for private short-term rentals suggested rates between 25% and 55%, an incredibly wide range. For example, an occupancy rate of 25% would suggest MAT revenues of $413,646, less than half of the estimate noted above. As no reliable data was found, we deferred to the hotel/motel data provided by Costar Analytics, but with the caveat that it is almost certainly optimistic.

[11] DPGO, 2022, Collingwood. https://www.dpgo.com/markets/ca_on_collingwood/