



Business Case Study – Tourism Municipal Services Corporation

Prepared according to Section 6 of Ontario Regulation 599/06: Municipal Services Corporations as per section 203(4) of the Municipal Act, 2001, S.O. 2001, c.25 as amended.

1.0 Purpose

The Municipality of Clarington is proposing to incorporate a not-for-profit Municipal Services Corporation, tentatively named “Experience Clarington”, to serve as Clarington’s designated Eligible Tourism Entity. This Corporation will be responsible for promoting tourism within Clarington, in accordance with the requirements of Ontario Regulation 435/17. More specifically, the Corporation’s role will be to utilize Municipal Accommodation Tax (MAT) revenues to support tourism promotion activities, which will include destination marketing and the development of tourism products.

In accordance with Section 6 of Ontario Regulation 599/06, made under Section 203(4) of the Municipal Act, 2001, this Business Case Study has been prepared to assess the feasibility and benefits of establishing the Corporation. The regulation requires municipalities to adopt such a study prior to exercising their powers to incorporate a Municipal Services Corporation.

This document outlines the proposed Corporation’s mandate and strategic objectives, governance structure, funding sources, accountability mechanisms, reporting frameworks, and implementation strategy. The establishment of this Corporation is intended to ensure that MAT revenues are reinvested locally to enhance tourism promotion and economic development in Clarington.

2.0 Defined Terms

“Eligible Tourism Entity” is a non-profit entity whose mandate includes the promotion of tourism in Ontario or in a municipality and may include the development of tourism products.

“Municipal Accommodation Tax (MAT)” is a tax on the purchase of transient accommodation in the municipality which funds tourism promotion and other projects that will benefit the local economy.

“Municipal Services Corporation” is a corporation that is established by a municipality or by a municipality and one or more other public sector entities and whose purpose is to provide a system, service, or thing that the municipality itself could provide.

“Ontario Restaurant Hotel & Motel Association (ORHMA)” is the largest provincial hospitality association in Canada that represents over 5,000 members and more than 11,000 hospitality establishments across the province.

“Transient Accommodation” is accommodation for a continuous period of stay of 29 nights or less; this continuous period is not disrupted by the purchase of different rooms, suites, beds or lodging in the same licensed establishment, such as a hotel, motel or short-term rental.

3.0 Background

Tourism provides meaningful contributions to the economic, social, and cultural vitality of communities across Ontario, delivering valuable benefits to local businesses and residents.

On December 1, 2017, the Province of Ontario introduced Ontario Regulation 435/17: Transient Accommodation Tax, authorizing municipalities to levy a tax on transient accommodations for the purpose of supporting tourism growth and development within their communities.

Under the authority of this regulation, the Municipality of Clarington intends to implement a Municipal Accommodation Tax (MAT) on Transient Accommodations in Clarington, including hotels, motels, and short-term rentals.

Ontario Regulation 435/17 requires municipalities to allocate a minimum of 50% of MAT revenues (less the Municipality’s reasonable costs of collecting and administering the tax) to an entity designated as an Eligible Tourism Entity. The Municipality of Clarington does not have its own Eligible Tourism Entity to receive these funds as mandated by the Province of Ontario. To meet this requirement, the Municipality of Clarington intends to incorporate a not-for-profit Municipal Services Corporation to serve as the Eligible Tourism Entity for the purposes of the MAT. The entity will be named “Experience Clarington”, subject to name availability at the time of incorporation.

This Business Case Study is presented to fulfill the requirements of Ontario Regulation 599/06.

4.0 Mandate and Objectives

4.1 Context and Rationale

Until December 2022 the Municipality of Clarington operated an internal tourism team known as Clarington Tourism. This team was responsible for promoting Clarington as a destination and supporting tourism product development. In early 2023, Clarington Tourism was transitioned into Invest Clarington, which adopted a broader focus on advancing key economic sectors including Future Energy, Agri-Food, Advanced Manufacturing, and Downtime Destinations.

Although tourism continues to be represented within the Downtime Destinations sector, Clarington no longer has a dedicated group focused solely on tourism promotion and product development.

In January 2025, the Municipality adopted a refreshed Economic Development Action Plan to be implemented throughout 2025 and 2026. A key component of this strategy is the implementation of the Municipal Accommodation Tax (MAT), which will serve as the catalyst for re-establishing dedicated tourism support in Clarington.

4.2 Mandate

The proposed Municipal Services Corporation will serve as Clarington's designated Eligible Tourism Entity under Ontario Regulation 435/17. Its mandate is to promote tourism within Clarington using MAT revenues allocated for this purpose. The Corporation will operate independently but in close coordination with the Municipality, ensuring that tourism promotion efforts are aligned with local economic development priorities.

It is proposed that the Tourism Development Officer would be a municipal employee funded through the Municipality's share of MAT revenues. Under this model, the Officer's primary responsibility would be to support and implement the work of the Corporation, including coordination with the Corporation's board, execution of strategic initiatives, and facilitation of collaboration across municipal departments and tourism stakeholders.

The Corporation will be responsible for developing and executing a comprehensive Tourism Strategy, guiding its activities and investments in tourism promotion, product development, and visitor experience enhancement.

4.3 Strategic Objectives

4.3.1 Guiding Objectives

The following guiding objectives will inform the Corporation's decision-making throughout its lifecycle, regardless of changes in leadership, strategy, or operational priorities:

1. The Corporation will act as the steward and receiver of MAT funds allocated to Clarington's Eligible Tourism Entity.
2. The Corporation's activities will be guided by a Tourism Strategy and aligned with Clarington's broader economic development plans.
3. The Corporation will engage in tourism promotion and tourism product development within Clarington.

4. The Corporation may serve as a vehicle for distributing tourism-related funding to third parties, where such funding complements but does not replace existing municipal support.
5. The Corporation will report to Council at least annually, or as otherwise stipulated in its by-laws.
6. The Corporation will operate transparently and accountably, with decision-making processes that deliver community-wide benefits.

4.3.2 Operational Objectives

To fulfill its mandate, the Corporation will pursue the following operational objectives:

1. Develop and implement a comprehensive Tourism Strategy for Clarington.
2. Promote Clarington as a destination through coordinated marketing and branding initiatives.
3. Support tourism product development and placemaking efforts that enhance visitor experiences.
4. Invest in tourism-related infrastructure and amenities.
5. Build strategic partnerships with local businesses, organizations, and regional tourism bodies.
6. Ensure the responsible and effective use of MAT revenues in accordance with Ontario Regulation 435/17.

5.0 Analysis

5.1 Benefits of a Municipal Services Corporation (MSC)

The benefits of the Municipality establishing a Municipal Services Corporation include:

1. Satisfying the Province's requirement for a non-profit tourism entity to serve as an Eligible Tourism Entity that utilizes a minimum of 50% of MAT revenues;
2. Adopting an MSC model, which provides accountability, corporate responsibility, and reasonable controls through the role of the voting members;
3. Ensuring Council, as sole voting member, will be responsible for selecting and electing the Board of Directors (which will include staff and Council representatives) that establish the governance framework for business plans, expenditures and Corporate policies.

4. Allowing municipal staff to continue operating within the existing organizational structure, ensuring seamless transition and delivery of tourism initiatives.
5. Providing strategic oversight of MAT spending through an elected Board of Directors, whose decisions will guide the execution of tourism programming and promotional activities.
6. Creating a transparent and accountable mechanism for reporting on the use of MAT revenues to Council, tourism stakeholders and the public.
7. Supporting local economic development by attracting visitors to Clarington, generating direct financial benefits for accommodations, restaurants, event venues, retailers, and cultural organizations.
8. Enhancing placemaking efforts that improve public spaces, support community vibrancy, and create amenities that benefit both visitors and local residents.
9. Enabling the Corporation to operate with the flexibility and responsiveness often required in the tourism sector, allowing for timely decision-making and efficient execution of initiatives that support Clarington's tourism goals.

As Clarington does not currently have a designated Eligible Tourism Entity, establishing a Municipal Services Corporation offers the most effective and locally controlled mechanism for managing and investing MAT revenues in tourism promotion and development.

5.2 Governance Structure and Incorporation

To proceed with the establishment of the Municipal Services Corporation, the Municipality must submit an application to the Province to incorporate a not-for-profit corporation under the *Not-for-Profit Corporations Act, 2010* (Ontario). The Corporation will be created by way of articles of incorporation which will be drafted with the assistance of the Municipality's Legislative Services Department and/or external legal support.

The application will include the following information:

1. **Name of the Corporation:** Experience Clarington
2. **Address of Head Office:** 40 Temperance Street, Bowmanville, Ontario L1C 3A6
3. **Incorporators:** Staff propose the following positions to be the incorporators who will act as the Interim Board of Directors of the Corporation:
 - Member of Council, as appointed by the Mayor
 - Director of Economic Development

- Deputy CAO, Finance and Technology/Treasurer
- Up to two additional municipal staff

The Board of Directors will have oversight and critical decision-making roles concerning the operation of the Corporation. Staff will bring a report back to Council with final recommendations regarding the governance structure of the Corporation. This report will include proposed Board composition, organizational by-laws, a financial accountability agreement, asset transfer policy, budget, terms of reference and other foundational elements required to bring the Corporation into full operation.

In the interim, the positions listed above will serve as the incorporators and act as the initial Board of Directors, guiding the legal incorporation process and developing the core agreements and policies necessary to establish the Corporation in compliance with provincial regulations.

Once the first term-based Board of Directors has been appointed, the incorporators may continue to serve as voting or non-voting members, as determined through the forthcoming governance structure report to Council. Those not serving as voting members may be invited to attend meetings in an advisory capacity to support continuity and provide institutional knowledge during the Corporation's early stages of operation.

4. **Objects of the Corporation** include the delivery of, and support for, tourism promotion in Clarington.

5. **Special Provisions:**

- The Corporation is limited to providing services to members of the Corporation on behalf of The Corporation of the Municipality of Clarington in place of the Municipality providing those services.
- Directors shall serve without remuneration, and no Director shall directly or indirectly receive any profit from their position as such, provided that a Director may be reimbursed for reasonable expenses incurred in performing their duties. A Director shall not be prohibited from receiving compensation for services provided to the Corporation in another capacity.
- Upon the dissolution of the Corporation and after payment of all debts and liabilities, the Corporation's remaining property shall be distributed, or disposed of, to The Corporation of the Municipality of Clarington.

The Corporation's Articles of Incorporation and By-laws will define its powers, membership structure, and the process for making changes to its governance

framework, in accordance with the *Not-for-Profit Corporations Act, 2010* (Ontario).

5.3 Funding, Budget and Collection of MAT Funds

5.3.1 Financial Impact of the MAT

It is anticipated that the Municipal Accommodation Tax (MAT), applied at a rate between 4% and 6%, will generate approximately \$342,691 to \$771,055 in new annual revenue for the Municipality. These figures are based on projected hotel and motel occupancy rates ranging from 50% to 75%. The total revenue will be split equally between the Municipality and the Municipal Services Corporation, less the Municipality's reasonable costs for administering and collecting the tax. Notably, these estimates do not yet account for revenue from short-term rental accommodations (e.g., Airbnb, Vrbo), which will also be subject to the MAT once implementation is complete. Appendix A provides a detailed breakdown of MAT revenue scenarios by rate, occupancy level, and associated ORHMA collection costs.

5.3.2 Municipality of Clarington MAT Reserve Fund

With the implementation of the Municipal Accommodation Tax (MAT), staff will seek Council approval to establish a dedicated MAT Reserve Fund to receive the Municipality's portion of MAT revenues. It is proposed that this reserve be housed within the Economic Development budget to ensure alignment with Clarington's broader economic development objectives.

Once the reserve fund has accumulated a sufficient buffer, Economic Development proposes to allocate a portion of the funds toward hiring a full-time Tourism Development Officer. This position will be dedicated to supporting the workplan of the Municipal Services Corporation and advancing Clarington's tourism objectives. The role is intended to be funded on an ongoing basis through the Municipality's share of MAT revenues, providing a sustainable source of support for tourism programming and coordination.

During the initial implementation period, the Municipality will collect MAT and allow the MAT Reserve to build while the Corporation is being established, with 50 per cent of net MAT revenues transferred to the Corporation no later than 60 days after the end of the fiscal year, in accordance with Ontario Regulation 435/17.

5.3.3 Corporation Annual and Multi-Year Operating Budget

The Corporation will be funded from a minimum of 50% of the proceeds of the Municipal Accommodation Tax (MAT) revenues. Similar to the Municipality, the Corporation will establish a discretionary reserve fund to support its operations and strategic initiatives.

Responsibility for creating and managing both an annual and multi-year operating budget will rest with the Corporation's Board of Directors. These budgets will guide the Corporation's investments in tourism promotion, product development, placemaking initiatives, and visitor experience enhancements, as outlined in its strategic plan or workplan.

Given that the Municipality intends to use its portion of MAT revenues to fund a full-time Tourism Development Officer, the Corporation's portion will be primarily directed toward implementing tourism initiatives and programs. Operating costs may include marketing and branding efforts, partnership development, event support, and other contractual or professional services that align with the Corporation's mandate. The Corporation may also invest in modest capital costs associated with placemaking initiatives, such as enhancements to public spaces, wayfinding, visitor amenities, and other improvements that support both resident and visitor experiences, where such expenditures align with the Tourism Strategy.

The Corporation will report audited financial statements at its Annual General Meeting, ensuring transparency and accountability in the use of public funds.

5.3.4 Loan from the Municipality for Startup Costs

To support the legal incorporation and initial operations of the Municipal Services Corporation, staff will seek Council approval for a one-time startup loan of \$15,000. This loan is intended to cover essential incorporation and startup costs, including legal fees to incorporate the MSC, incorporation filing fees, and any required administrative tools or services not already available through the Municipality. Staff will bring forward a recommended repayment framework for Council's consideration as part of the MSC implementation report.

5.3.5 Financial Accountability Agreement

The Corporation will enter into an agreement with the Municipality respecting reasonable financial accountability matters to ensure the amounts paid to the Corporation are used for the sole purposes of promoting tourism and developing or enhancing tourism products in the Municipality of Clarington. The agreement may also provide for other matters.

5.3.6 Collection of Funds

MAT-eligible accommodation providers, including hotels, motels, and short-term rentals, will collect the Municipal Accommodation Tax (MAT) from guests at the time of booking and remit these funds to the Ontario Restaurant Hotel & Motel Association (ORHMA), which will act as the Municipality's collection agent. Before collections begin, the Municipality will pay ORHMA a one-time implementation fee of \$3,000. Once collections are underway, ORHMA will deduct its ongoing administration fees, which are equal to 1.8 per cent of the MAT collected on hotel and motel accommodations and 5 per cent of

the MAT collected on short-term rentals. ORHMA will remit the remaining net proceeds to the Municipality. In accordance with Ontario Regulation 435/17, the Municipality will then remit 50 per cent of the net MAT revenues, after deducting reasonable collection and administration costs, to the Corporation. Detailed rate, occupancy, and fee impact scenarios are provided in Appendix A.

5.4 Accountability and Reporting

Upon incorporation, the Corporation will develop a tourism strategy to serve as its guiding document and ensure alignment with Clarington's Strategic Plan.

It is anticipated that reporting to Council by the Corporation would take place at least once a year or as otherwise stipulated in the Corporation's by-laws. Such report shall inform Council of the tourism activities and promotion undertaken by the Corporation in Clarington and how MAT revenue supported those activities.

6.0 Conclusion

This Business Case demonstrates the rationale for establishing a Municipal Services Corporation (MSC) dedicated to promoting tourism in Clarington, in compliance with Ontario Regulation 599/06 and Ontario Regulation 435/17. Creating a tourism-focused MSC will enable the Municipality to allocate 50% of Municipal Accommodation Tax (MAT) revenues to an Eligible Tourism Entity, ensuring these funds are reinvested locally to strengthen tourism promotion and product development. The Corporation will play a critical role in advancing Clarington's strategic goals, enhancing visitor experiences, and supporting economic growth through a transparent, accountable, and sustainable governance model.

Appendix A – Municipal Accommodation Tax (MAT) Revenue Scenarios and Collection Cost Analysis

To assess the potential financial impact of implementing a Municipal Accommodation Tax (MAT) in Clarington, a preliminary revenue forecast has been developed based on available data for hotel and motel accommodations. This forecast provides a foundational understanding of the revenue-generating potential of the MAT and informs decisions regarding resource allocation and tourism investment.

Assumptions

The following assumptions were used in the financial model:

- Number of hotel and motel rooms = 288
- Average nightly rate = \$163
- MAT rate = 4% - 6%
- Administrative fee: 1.8% of gross MAT revenue (charged by ORHMA)
- Occupancy scenarios = 50% and 75%
- Calculation period = 365 days per year

Note: This is a preliminary calculation based on Clarington's current inventory of hotel and motel rooms only. The revenue potential will increase further as short-term rentals and additional hotel rooms are incorporated into the accommodation inventory.

Revenue Calculation Methodology

The estimated MAT revenue is calculated using the following formula:

Estimated Gross MAT Revenue =

(Number of Rooms x Average Nightly Rate x Occupancy Rate x 365 Days) x MAT Rate

Net MAT Revenue =

Gross MAT Revenue – Administrative Fee (1.8%)

Municipality and Tourism Entity Shares =

Net MAT Revenue ÷ 2

Revenue Estimates

MAT Rate = 4%

- 50% Occupancy
Gross MAT Revenue = (288 rooms x \$163 x 0.50 x 365 days) x 0.04 = **\$342,691**

Admin Fee = $\$342,691 \times 0.018 = \mathbf{\$6,168}$

Net MAT Revenue = $\$342,691 - \$6,168 = \mathbf{\$336,523}$

Municipal & Tourism Entity = $\$336,523 \div 2 = \mathbf{\$168,261 \text{ each}}$

- 75% Occupancy

Gross MAT Revenue = $(288 \text{ rooms} \times \$163 \times 0.75 \times 365 \text{ days}) \times 0.04 = \mathbf{\$514,037}$

Admin Fee = $\$514,037 \times 0.018 = \mathbf{\$9,253}$

Net MAT Revenue = $\$514,037 - \$9,253 = \mathbf{\$504,784}$

Municipal & Tourism Entity = $\$504,784 \div 2 = \mathbf{\$252,392 \text{ each}}$

MAT Rate = 5%

- 50% Occupancy

Gross MAT Revenue = $(288 \text{ rooms} \times \$163 \times 0.50 \times 365 \text{ days}) \times 0.05 = \mathbf{\$428,364}$

Admin Fee = $\$428,364 \times 0.018 = \mathbf{\$7,711}$

Net MAT Revenue = $\$428,364 - \$7,711 = \mathbf{\$420,653}$

Municipal & Tourism Entity = $\$420,653 \div 2 = \mathbf{\$210,326.50 \text{ each}}$

- 75% Occupancy

Gross MAT Revenue = $(288 \text{ rooms} \times \$163 \times 0.75 \times 365 \text{ days}) \times 0.05 = \mathbf{\$642,546}$

Admin Fee = $\$642,546 \times 0.018 = \mathbf{\$11,566}$

Net MAT Revenue = $\$642,546 - \$11,566 = \mathbf{\$630,980}$

Municipal & Tourism Entity = $\$630,980 \div 2 = \mathbf{\$315,490 \text{ each}}$

MAT Rate = 6%

- 50% Occupancy

Gross MAT Revenue = $(288 \text{ rooms} \times \$163 \times 0.50 \times 365 \text{ days}) \times 0.06 = \mathbf{\$514,037}$

Admin Fee = $\$514,037 \times 0.018 = \mathbf{\$9,253}$

Net MAT Revenue = $\$514,037 - \$9,253 = \mathbf{\$504,784}$

Municipal & Tourism Entity = $\$504,784 \div 2 = \mathbf{\$252,392 \text{ each}}$

- 75% Occupancy

Gross MAT Revenue = $(288 \text{ rooms} \times \$163 \times 0.75 \times 365 \text{ days}) \times 0.06 = \mathbf{\$771,055}$

Admin Fee = $\$771,055 \times 0.018 = \mathbf{\$13,879}$

Net MAT Revenue = $\$771,055 - \$13,879 = \mathbf{\$757,176}$

Municipal & Tourism Entity = $\$757,176 \div 2 = \mathbf{\$378,588 \text{ each}}$

Summary Table

MAT Rate	50% Occupancy	75% Occupancy
4%	Gross: 342,691 ORHMA Fee: \$6,168	Gross: \$514,037 ORHMA Fee: \$9,253
5%	Gross: \$428,364 ORHMA Fee: \$7,711	Gross: \$642,546 ORHMA Fee: \$11,566
6%	Gross: \$514,037 ORHMA Fee: \$9,253	Gross: \$771,055 ORHMA Fee: \$13,879

Implications

These revenue projections demonstrate the potential for the MAT to generate significant funding to support tourism development and placemaking in Clarington. Even under conservative occupancy assumptions, annual revenues could range from approximately \$343,000 to \$771,000, depending on the selected tax rate. Half of these funds would be allocated to a dedicated tourism entity, with the remainder retained by the Municipality to support tourism-related staffing and/or programming.