Hotel Association of Canada 2024 Budget Recommendations

KEY RECOMMENDATIONS

1. Accelerate housing construction by incenting hotels to build more mixed use hotel/residential projects, HAC recommends to:
   a. Expanded eligibility for CMHC mortgage insurance
   b. Ensure & clarify eligibility for the new rental housing GST-refund
2. That the government quickly put into action the Short-Term Rental tax deduction restriction and the $50 million enforcement fund announced in the Fall Economic Statement.
3. An investment of $25 million over 3 years to renew the Destination Employment Program.
4. A tourism specific TFW stream designed to fill acute labour needs during surge periods, exempt from LMIAs, with multi-entry work permits and visas (3 year).
5. That the government to increase international student working hours to 35hrs/week permanently after April 2024.
6. Incremental investment of $60M per year for Destination Canada's marketing and research programs

Context:

With its peaceful reputation, beautiful scenery and welcoming people, Canada can become a top-rated destination globally1. Increased tourism benefits Canadians in every region of the country with hotels employing a disproportionate number of under-represented groups like women, youth and new Canadians.

However, there are significant barriers to unlock Canada's potential including: critical workforce and housing shortages, a lack of investment, and diminishing international competitiveness.

Hotels as Part of the Housing Solution

Solving the housing crisis in Canada is a major priority for this government and hotels can be part of the solution for all Canadians. More and more hotels today are considering building mixed-use facilities (hotel/residential units open to all Canadians) but deterred by high interest rates, development fees and inflation.

[1] Destination Canada's research shows Canada is a top destination for travellers from France, Germany and the UK. DC Net Promoter Score.

These developers are currently not included in any government accelerator programs (like the *New Residential Rental Property GST Rebate* and *CMHC Mortgage Loan Insurance for Multi-Unit Residential Properties*) but could easily be included with small changes to the eligibility criteria.

In particular, HAC recommends the government:

- Provide access to CMHC mortgage insurance programs for hoteliers that build mixed use hotel/residential housing projects with:
  - Proportional access for projects with less than 50% residential floorspace.
  - 100% access for projects with 50-70% residential floor space.
- Ensure and clarify that GST Rental Rebate program applies to properties that contain both hotel and long-term rental residential units.

Some small tweaks to these programs would accelerate additional residential housing growth while boosting hotel supply, economic activity, and jobs for Canadians.

Cracking down on Short-term Rentals

Over 62% of HAC members identify access to affordable housing as a barrier to attracting and retaining employees. We applaud the government's recent commitment to returning existing housing stock back to the long-term rental market through the enforcement of stricter regulations of short-term rentals.

HAC recommends that the government quickly put into action the tax deduction restriction and the $50 million enforcement fund announced in the Fall Economic Statement.

Concrete Ready-to-Announce Solutions to Labour Challenge

The hotel industry has been dealing with chronic labour shortages across a range of positions. These shortages were exacerbated by COVID's disproportion impact on our sector. Workforce growth in Canada will come from immigration and we were delighted to see increased immigration levels announced last year. HAC's proposed Destination Employment program will help to mobilize new Canadians and asylum seekers into available hotel jobs by providing extra support and training to settlement agencies and hotel employers.

Specifically, we are recommending the government:

Invest $25M over 3 years to renew the *Destination Employment* program through ESDC to mobilize new Canadians into meaningful hotel jobs through partnerships and training programs with settlement agencies.

In the first three years, this investment will result in:

- 1,600 newcomers trained for Canadian employment.
- 80 hotel employers trained to work with newcomers.
- 30 settlement agencies trained and actively placing newcomers in hotel jobs.

Tourism Industry Temporary Foreign Worker Program

Currently, processing delays and red tape prevent the Temporary Foreign Worker Program (TFWP) from adequately serving industries, like tourism, with surge periods. Just this past summer, 72% of hotels reported TFW delays.

HAC recommends a tourism-specific TFW stream designed to fill acute labour needs during surge periods. The program would be exempt from Labour Market Impact Assessments, fees and job posting requirements and provide multi-entry work permits and visas (3 year) so workers can return for surge periods.

Expand opportunities for International Students

International students are a major contributor to the hotel labour force, and during the summer made up 15% of our workforce.

HAC recommends the government increase student working hours to 35hrs/week permanently.

International Competitiveness

Aggressive investments by key competitors like Australia, Spain and France are eroding our market share of lucrative international and business travellers.

Destination Canada forecasts Canada will lose $2.4 billion In US market share by 2030.

Investments in infrastructure, processing and marketing are needed to retain and grow our market share. With these investments, Canada could turn into a 12-month-a-year destination, drastically growing revenue, jobs and the economy along with international prestige and influence.

HAC recommends an additional investment of $60M per year into Destination Canada’s marketing and research programs.