

President

Gurcharan (Garry)
Bhaura

March 26, 2019

President-Elect

Michael Collins

Toronto City Council
City Hall
100 Queen Street West
Toronto, Ontario
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Past President

Tim Syrianos

RE: March 27, 2019 City Council Agenda, MM 5.2

Directors

Ron Abraham
Paul Baron
Kevin Crigger
Marco Da Silva
Howard Drukarsh
Susan Gucci
Gareth Jones
Josh Klein
Lori Roberts
Brian Torry

Dear Councillors:

On behalf of the 53,000 members of the Toronto Real Estate Board (TREB) who represent clients buying, selling and leasing residential and commercial real estate, I am writing to provide you with input regarding proposals to add additional upper tier tax rates to the Municipal Land Transfer Tax.

TREB's Member REALTORS® understand the housing challenges facing our city and we commend Mayor Tory and City Council for efforts to address these issues, specifically the Housing Now initiative which is focused on adding more housing supply. TREB strongly believes that current housing challenges are largely a result of inadequate housing supply and we encourage City Council to focus its efforts on this aspect of the issue.

In this regard, we have serious concerns about current proposals to increase the Municipal Land Transfer Tax on higher-priced properties. Our key concerns are that the MLTT is an unpredictable revenue source that is not appropriate for funding social programs, and that additional MLTT on higher-priced properties could impact the supply of lower-priced properties.

Unpredictable Revenue

As was the case in 2018, the MLTT is subject to market fluctuations, which makes it an unpredictable revenue source that is inappropriate for funding social services like the housing allowance program. As you know, the MLTT is expected to have finished 2018 with a deficit of almost \$100 million. It is for this reason that City staff have been advising City Council, for years, to rely less on the MLTT instead of more.

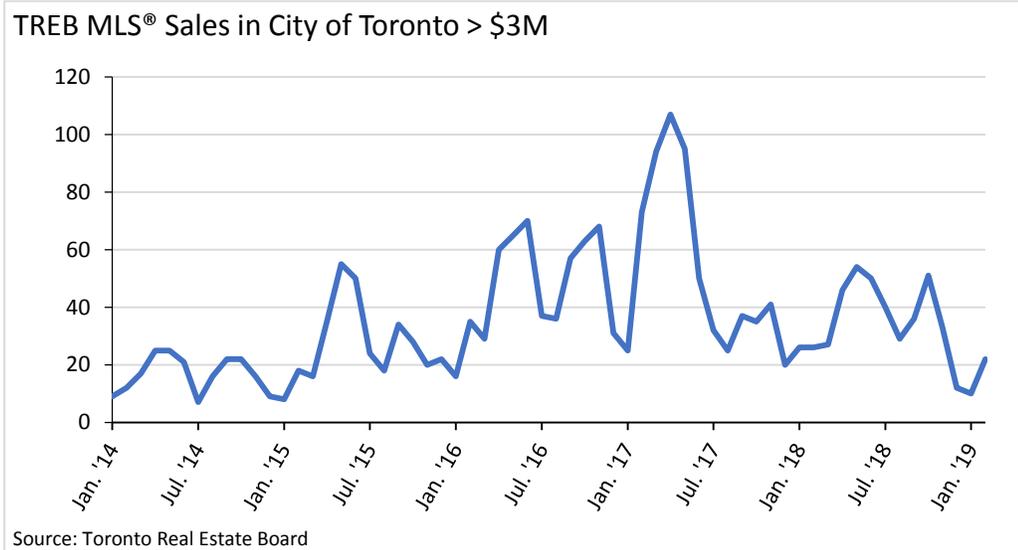
In this regard, as shown in the figure below, although sales of home priced at \$3 million or more have been increasing in recent years, it is not realistic to rely on this trend to continue indefinitely. These sales appear to have peaked in 2017 and have dropped dramatically since then.

Chief Executive Officer

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Furthermore, it is important to point out that, just two years ago, City Council increased the LTT on all home buyers by 0.5% and added an additional upper tier rate of 0.5% on homes priced over \$2 million. Continuous increases to the MLTT is an unsustainable and risky fiscal strategy for the City.

Impact on Housing Supply

While current proposals are focused on higher-priced properties, it is important to note that the real estate market functions as a continuum. Policies that impact certain price points can have a trickle-down effect by influencing move-up decisions of home-buyers, thereby preventing the supply of lower-priced properties from being freed-up for other home buyers.

Anecdotal and statistical evidence suggests that the MLTT has a direct impact on mobility. TREB's members often cite many examples of home owners who choose not to move, in part because of the high costs of the MLTT. In two separate studies, the C.D. Howe Institute found that the MLTT directly impacted mobility and thereby reduced the number of homes sold by 16% annually. That is, if not for the MLTT, it is expected that there would be 16% more homes available for purchase each year.

While we appreciate City Council's efforts to address both short and long-term housing needs, we urge you to proceed cautiously and advise against options that rely on unpredictable revenue and that could exacerbate other housing supply challenges. We strongly believe that the proposal to link the Housing Allowance Program to MLTT increases falls into this category.

Thank-you for considering our views on this important issue. If you have any questions, please don't hesitate to contact Von Palmer, TREB's Chief Communications and Government Affairs Officer at 416-443-8150 or vpalmer@trebnet.com.

Sincerely,

Garry Bhaura
President