



February 1, 2022

Budget Committee  
City of Toronto  
100 Queen Street West  
Toronto, Ontario  
M5H 2N2

Dear Budget Committee Members,

On behalf of the 64,000 Members of the Toronto Regional Real Estate Board (TRREB), I am writing to provide you with input on the City of Toronto's 2022 Operating Budget.

Housing affordability is, arguably, the most serious challenge facing Toronto. As such, TRREB believes that this issue should be a priority consideration of all 2022 Operating Budget decisions, including minimizing the impact of City costs on home buyers (Municipal Land Transfer Tax, property taxes and development charges), and emphasizing the need to increase the supply of housing available to purchase or rent.

#### Housing Supply and Housing Affordability

TRREB has repeatedly informed all levels of government that the cause of housing affordability challenges is an inadequate supply of housing. City Council should be doing whatever it can to increase the supply of homes to assist residents with homeownership and rental supply. With this in mind, TRREB supports City Council's recent initiatives to encourage the creation of a broader range of housing types across the City. Specifically, TRREB supports the ongoing efforts under the "Expanding Housing Options in Neighbourhoods" initiative, including relaxation of zoning rules to allow for more mid-density housing, such as garden suites and laneway housing. TRREB is also supportive of the City's efforts under the Concept to Keys Initiative to modernize organizational structures, processes, and technology associated with the review of planning and development applications.

#### Municipal Land Transfer Tax

It is important to remember the impact that the Municipal Land Transfer Tax has on housing inventory. Studies conducted by the C.D. Howe Institute have

shown that the Municipal Land Transfer Tax discourages home owners from listing their homes for sale, with many of these households choosing to renovate instead. According to these studies, each year, the Municipal Land Transfer Tax results reduces the number of homes for sale by 16 per cent. This distortion of the market means significantly less homes on the market for home buyers to choose from, and upward pressure on prices.

TRREB continues to disagree with this tax in principle, and strongly believes that prudent budgeting means that the City should be relying less on this revenue, not more, to guard against potential volatility in expected revenue. With this in mind, TRREB strongly supports the following adjustments to the MLTT:

- adjustments to the first-time buyer rebate to ensure it provides the relief that was intended for first time buyers; and
- adjustments to home price thresholds at which MLTT rates apply to ensure that this tax is implemented in a progressive manner.

#### *First-Time Buyer Rebate*

When first implemented in 2008, the MLTT first-time buyer rebate was designed to ensure that it reflected the average price for residential properties in Toronto, which was then just under \$400,000. With the 2021 average price in the City of Toronto at \$1,056,707, the rebate's value to first-time buyers is inadequate.

#### *Purchasing Power of MLTT First-Time Buyer Rebate: 2008 vs. 2021*

The average price of a residential property in the City of Toronto at the start of 2008, when the MLTT, was first implemented was \$415,000, and the MLTT first-time buyer rebate was allowed up to a maximum of a \$400,000 home, meaning that first-time buyers were almost completely exempt from paying any MLTT, as was City Council's intention.

The average price of a City of Toronto residential property in 2021 was \$1,056,707, but the MLTT first-time buyer rebate is still only allowed to a maximum of a \$400,000 property. This means that a first-time buyer purchasing an average-priced property, today, would pay \$13,134 in MLTT, on top of about \$13,609 of provincial Land Transfer Tax (PLTT), for a total of \$26,743 in land transfer taxes, which must be paid up-front on closing of the real estate transaction. *Clearly, City Council's intention of providing relief for first-time home buyers, up to the average priced property, is no longer being met.*

### *MLTT Rate Thresholds*

To add insult to injury, not only are first-time buyers not being given the relief that was intended by City Council, they are being forced to pay MLTT at the highest rates, even if they purchase a BELOW average priced home. This is because the MLTT rate structure is such that the highest rates kick in starting on homes priced at only \$400,000, which is 62% BELOW the 2021 Toronto average price. The City is essentially forcing people purchasing BELOW average priced properties to pay the highest MLTT rates. This is simply not progressive nor fair.

### Provincial and Federal Support

TRREB strongly supports the City in efforts to receive further funding support from both the provincial and federal government. We look forward to continuing to work with the City in raising this need with provincial and federal officials.

In closing, TRREB strongly believes that the only long-term and sustainable solution to housing affordability challenges is for all stakeholders, including municipal, provincial and federal governments, to work together to find ways to increase the supply of ownership and rental housing. From the perspective of the City of Toronto, the best option would be to accelerate implementation of actions under the Expanding Housing Options in Neighbourhoods initiative, and we urge City Council to focus on these efforts.

We hope you find our views helpful. We are here to help and encourage you to contact us if we can be of further assistance.

Sincerely,



Kevin Crigger  
President