

November 29, 2023

Mayor Olivia Chow  
City of Toronto  
100 Queen Street West  
Toronto, Ontario  
M5H 2N2

## Tackling Toronto's Housing Affordability Crisis and Long-Term Financial Sustainability with Real Solutions

Dear Mayor Chow,

On behalf of the more than 75,000 Members of the Toronto Regional Real Estate Board (TRREB), I am writing to provide you with input on the City of Toronto's 2024 pre-budget consultations.

Toronto is facing a housing affordability crisis and families need elected leaders focused on policy solutions that work. For City Council, that means shifting away from unsustainable revenue tools, like new or increased non-property taxes on housing, to focus instead on boosting housing supply, improving affordability, and making it easier for young families to afford a home in the city.

We recognize that the City cannot do this on its own, so it is imperative for the provincial and federal governments to come to the table and work in partnership with the city. The Toronto Regional Real Estate Board (TRREB) applauds the joint-announcement of the city and the province of a "New Deal" for Toronto to ensure that the city is set up for success now and in the future.

As a leader in the industry, TRREB hears from residents, homebuyers, sellers, landlords, tenants and REALTORS® who work with them to meet their housing needs. TRREB has several recommendations for the City of Toronto to help improve housing affordability for Torontonians and improve its long-term financial sustainability.

### **Recommendation #1: Help First-Time Homebuyers**

Since 2017, governments in Canada have been introducing new measures on housing to curb demand. Here in Toronto, Council tripled the home vacancy tax to discourage people from allowing homes to sit empty. Council also increased the Toronto Municipal Land Transfer Tax (MLTT) for homes priced over \$3 million. However, the MLTT increase in this bracket deters move up buyers whose movement is needed to free up supply for first-time buyers while alleviating pressures on average rents by freeing up rental units.

There is significant risk for the city in relying on the MLTT to bring in revenue as it can be a very unpredictable source of revenue as the housing market shifts. Raising property taxes as a form of stable revenue is much easier to justify and a more fair and equitable way to support the programs and services that all residents benefit from. TRREB supports the city's decision to

develop a multi-year approach when recommending property tax rates. Toronto needs to bring property taxes more in line with surrounding GTA municipalities in order to do their part in following a coherent long-term fiscal plan.

City staff is currently reviewing introducing an additional MLTT for buyers of residential resale property where the purchaser owns more than one property. Small-scale property owners have been responsible for bringing new rental units onto the market in the last couple of decades. An additional MLTT on these properties will deter those purchases or simply lead to higher rents, worsening the affordability crisis in the rental market.

First-time homebuyers are struggling the most in Toronto's current housing market. Toronto must do more to make housing affordable for those looking to call our city home. Given the current year-to-date average price of \$1.2 million for all housing types and \$750,000 for condos in Toronto, the effectiveness of the MLTT rebate for first-time homebuyers, which exempted them up to a \$400,000 home, has become insufficient. Most first-time buyers pay the upfront MLTT of \$20,000 on the average priced home, representing a significant barrier for those looking to enter the housing market.

- **In 2008**, when the MLTT rebate was introduced, **20,054** of home sales that year (representing 67% of total sales) met that threshold, meaning that most first-time home buyers did not have to pay MLTT because they purchased a property at or under the \$400,000 threshold. Council's pledge to help first-time homebuyers get into the market was kept.
- However, the rebate threshold has remained the same while the cost of housing has risen, resulting in only **194** or 0.69% of total home sales in Toronto that took place in 2022 being sold at the \$400,000 level or under, resulting in significantly less support for first-time homebuyers trying to get into the market. Council's promise to help first-time homebuyers is no longer being kept
- As recently as 2015 when the average price of a home in Toronto was \$650,990, the percentage of home sales where the first-time home buyers' rebate could have spared the MLTT was 33.5%.

The opportunity for the First-Time Home Buyers' MLTT rebate to fully offset the MLTT for Torontonians has all but disappeared. TRREB is calling on the City to increase the current MLTT rebate threshold from \$400,000 to \$750,000 to match the average price of a condo.

## **Recommendation #2: Build More Homes**

We are encouraged by the mayor's focus on building more affordable non-market housing units. To meaningfully address our housing challenges, we need to build much more supply **across the entire housing spectrum**, more than the city could feasibly do on its own.

Toronto should focus on supporting increasing density around transit stations and building more "missing middle" housing. The Expanding Housing Options in Neighbourhoods (EHON) initiative is one such opportunity to prove Council has the willingness to change existing policy tools, like as of right zoning, to encourage new forms of housing to be built quickly.

However, to date, the uptake on making use of small scale EHON housing initiatives has been inadequate to sufficiently increase supply. One reason is the amount of red tape, redundancies and restrictive criteria contained in the by-laws that result in such units being financially unviable to build. In order for initiatives like EHON to reach their full potential and improve affordability, there must be a strong uptake and scalability to bring much more units onto the market.

- The City should permit more storeys to proposed developments and have the additional units earmarked as affordable units for low- and middle-income households. This will help the City meet its pledge to build more affordable housing, and create the necessary incentives for these builds to be financially viable, at very little cost to the city.
- TRREB strongly encourages the City to be more ambitious with their “as of right” zoning proposals, including Toronto’s current review of mid-sized apartment buildings on major neighbourhood streets.

### **Recommendation #3: Work with Innovative Solutions**

Both Toronto and Ontario should look to the B.C. Government’s recent move to create new standardized designs for multi-unit housing built on small-scale neighbourhood lots. These designs can be quickly adapted by local municipalities and offered to builders at below-market costs to expedite permitting and development. Bringing appropriate density into the underutilized and shrinking neighbourhoods of our largest cities will be critical to maintaining the service levels municipalities provide.

- Standardized designs can substantially streamline the permitting process to make it easier for building permit approvals and enable the appropriate density in underutilized and shrinking neighbourhoods.
- Working with innovative building solutions, such as modular and pre-fabricated homes, create the potential to drastically reduce construction costs and time, produces environmentally sustainable housing, and allows cities like Toronto to scale up housing projects in the numbers we need. There are several players in this emerging field ready to work with the city to bring their projects to market.

### **Recommendation #4: More Provincial and Federal Assistance Needed**

Toronto is the fourth largest city in North America and Canada’s economic engine, contributing 21 per cent of Canada’s GDP and 53 per cent of Ontario’s. Toronto’s share of federal and provincial annual budgets only makes up 0.3 per cent and 1.3 per cent respectively. Over time, this imbalance has led to structural financial barriers as the city now faces an immediate \$1.5 billion operating budget shortfall in 2024 and \$29.5 billion in unfunded capital needs over 10 years.

Earlier this fall, TRREB Members, in partnership with the Canadian Real Estate Association, met with federal MPs to stress critical policy directions that all levels of government can work towards together. It is encouraging that all levels of government have signaled that the housing

crisis requires coordinated action from everyone in order to successfully build the supply of housing needed to restore affordability in the market.

The federal government should be applauded for the investments announced from the recent fall economic statement, including \$16 billion in low-cost financing targeting rental housing. This will help enable new housing starts and bring more supply to the market that wouldn't have been previously possible; however, this money needs to be committed to projects sooner than 2025–2026.

There is still opportunity for the provincial government to make use of the new Ontario Infrastructure Bank that kick-started this fall to focus on investing in housing. The new Building Faster Fund – a \$1.2 billion fund available for the next three years – will reward municipalities that exceed their housing targets. This will help make up for the portion of the lost revenue in city budgets from forgone development charge exemptions on affordable housing units.

Both the federal and provincial governments should be applauded for the removal of the HST on purpose-built rental apartments. This is a good start, but more money will need to be invested in our cities if we are going to make a dent in restoring affordability to the housing market.

- New rapid transit and GO train expansion must be paired with new housing commitments to ensure housing-enabling infrastructure is built where it is most needed.
- The province and the federal government must coordinate their work through immigration and education to address the skilled labour shortage in construction.

### **Recommendation #5: Ease Toronto's Financial Burdens**

Toronto is the largest social housing provider in Canada, yet it is facing additional pressures on its shelter system, partially due to the increased proportion of refugees and asylum seekers. \$1.1 billion of Toronto's tax base is invested in areas of shared jurisdiction, such as housing, health and social services. One-third of those among the 10,000 plus people in Toronto's shelter system are refugees or asylum seekers, with an additional 1,200 expected by the end of the year if trends continue.

- The federal government must follow the province's commitment to provide \$600 million dollars for operating support for shelters and the homeless and match these funds to ensure that immigrants, refugees and asylum seekers have access to the necessary services and supports so they are successfully integrated into our society.
- The province's commitment of \$750 million dollars for new subway cars for Toronto's Line 2 is critical relief the city needs to handle its growing capital budget. The federal government must match this financial commitment to ensure the city receives the support its transit system needs.
- Uploading responsibility for maintaining the Gardiner and DVP highways to the province is a positive development. Based on city staff estimates from 2022, this will save the City

up to about \$16 million per year in annual maintenance costs, with an additional \$2.2 billion over the next 10 years for the rehabilitation of the Gardiner.

The City and the province should continue the close collaboration that the “New Deal” working group has allowed and ensure the longer-term sustainability of Toronto’s finances continue to be addressed through the planned Toronto-Ontario targeted review in the coming years.

The federal government must meet the requests from the “New Deal” and match the provincial funding for Toronto that are conditional on Ottawa’s support. If Toronto can exceed its housing targets by 25 per cent, an additional \$340 million has been promised to the City by the province.

The higher tiers of government must use this critical opportunity to rebalance the share of funding provided to the City.

Ambitious policy change is necessary to allow the conditions for cities to reach the housing supply targets required to restore better housing affordability.

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,



Paul Baron  
President

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Paul Johnson, Toronto City Manager