



January 27, 2023

Mayor John Tory
City of Toronto
100 Queen Street West
Toronto, Ontario
M5H 2N2

Dear Mayor Tory,

On behalf of the more than 70,000 Members of the Toronto Regional Real Estate Board (TRREB), I am writing to provide you with input on the City of Toronto's 2023 Operating Budget.

Housing affordability is arguably the most serious challenge facing Toronto. TRREB believes that this issue should be a priority consideration of all 2023 Operating Budget decisions, especially with regard to minimizing the impact of City costs on homebuyers and emphasizing the need to increase the supply of housing available to purchase or rent.

Property Taxes

TRREB understands the financial pressures that City Council must consider when making operating budget decisions. In this regard, TRREB has always supported reasonable property tax increases, specifically because this form of taxation is the most equitable option available to the City. TRREB believes that the currently proposed residential property tax increase of 5.5 per cent is reasonable and fair for the following reasons:

- Current high inflationary pressures;
- The City's historically low residential property tax rates compared to other jurisdictions;
- The City's ability to continue to provide the critical services and programs that residents need and rely on; and
- The importance of spreading the City's financial costs among all those who benefit.

Municipal Land Transfer Tax

The Municipal Land Transfer Tax (MLTT) is a City-imposed cost that directly impacts homebuyers and housing affordability, both directly with substantial up-front costs, and indirectly by affecting the supply of homes for sale. 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.

For these reasons, TRREB believes that the City should:

- Avoid any increases to the Municipal Land Transfer Tax (MLTT).
- Adjust the MLTT first-time buyer rebate and rate thresholds for inflation since its introduction in 2008.

MLTT Increases

TRREB opposes any increase to the MLTT, including the option to target an increase of this tax on properties priced over a set “luxury” threshold, such as \$2 million. This is not “luxury” by Toronto standards where the average price of a detached home in 2022 was \$1.8 million. Council should be wary of any policy move that could interrupt households’ regular progression through the housing market over time, and *reduce the supply of homes for sale, which is Toronto’s biggest housing affordability challenge.*

Any increase to the already high land transfer taxes in Toronto could discourage “move-up buyers” from listing their homes for sale, with many of these households choosing to renovate instead.

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 \$400,000. With the 2022 average price for all housing types in the City of Toronto at \$1,140,595, the rebate’s value to first-time buyers is inadequate.

Purchasing Power of MLTT First-Time Buyer Rebate: 2008 vs. 2022

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.

The average price of a City of Toronto residential property in 2022 was \$1,140,595, 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 \$14,811 in MLTT, on top of \$15,286 of Provincial Land Transfer Tax (PLTT), for a total of \$30,097 in land transfer taxes after rebates are applied, 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 65 per cent BELOW the 2022 Toronto average price for all housing types. The City is essentially forcing people purchasing BELOW average priced properties to pay the highest MLTT rates. This is not fair.

MLTT Impact on Housing Supply

It is important to remember the impact that the MLTT has on housing inventory. Studies conducted by the C.D. Howe Institute and the University of Toronto have shown that the MLTT discourages homeowners from listing their homes for sale, with many of these households choosing to renovate instead. According to these studies, each year, the MLTT reduces housing supply available to homebuyers by 16 per cent. This distortion of the market means significantly fewer homes on the market for homebuyers to choose from, and upward pressure on prices.

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 and a lack of the right types of homes. 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 which align with the Mayor's proposed 2023 *Housing Action Plan*. Specifically, TRREB supports the ongoing efforts under the "Expanding Housing Options in Neighbourhoods" initiative, including relaxation of exclusionary zoning rules to allow for more mid-density housing, such as garden suites and laneway housing.

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

c.c. Toronto City Council
Paul Johnson, Toronto City Manager
Heather Taylor, Chief Financial Officer, City of Toronto