

December 9, 2020

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

Dear Executive Committee Members,

On behalf of the 57,000 Members of the Toronto Regional Real Estate Board (TRREB), I am writing to provide input regarding Executive Committee Agenda Item 19.3, regarding the potential implementation and design of a Vacant Home Tax in Toronto.

TRREB Position

TRREB believes that all housing policy decisions, including whether or not to impose a tax on vacant homes in Toronto, should be evidence-based. As such, it is important to have a clear understanding of the intended purpose and policy objective of a municipal tax on vacant homes in Toronto. Given the current state of the Toronto rental market, the purpose of such a tax is not immediately clear at this time.

TRREB is not opposed to a Vacant Home Tax and we understand the rationale behind it. However, it is unclear whether it will achieve the policy objectives to add rental housing that is affordable or affordable homeownership supply to the market, at this time.

Nevertheless, TRREB looks forward to providing input on this issue as City Council deliberates on whether or not to move forward with the proposed tax. With this in mind, we note that City staff are recommending studying the creation and governance of an external advisory team consisting of industry experts and academic institutions who can advise the City on monitoring, evaluation and implementation of a potential Vacant Home Tax.

TRREB believes that such an advisory team would be of benefit and we would welcome the opportunity to participate and provide TRREB's unparalleled insight on real estate market conditions, and other important issues such as potential legitimate exemptions including:

- snowbirds;
- U.S. citizens;
- legal matters pertaining to court orders prohibiting occupancy;
- commuters;
- properties undergoing renovations or ownership changes during the calendar year;
- owner or other occupier undergoing medical or supportive care; and
- if the owner is deceased and grant of probate or administration pending.

We should note that TRREB has worked closely with City Finance staff to assist with their analysis of the City's real estate and rental housing markets to help inform the need, or lack thereof, for such a tax. We look forward to continue providing input on this issue as City Council deliberates on whether or not to move forward with the proposed tax.

Current State of Toronto Rental Market and Implications for Property Owners Who Decide to List

In 2020, year-over-year growth in the number of condominium apartments listed for rent has far outstripped growth in the number of units rented. This was a trend that began in the pre-COVID period and which accelerated after the onset of the pandemic in March. The end result has been a dramatic increase in choice for would-be renters and marked year-over-year declines in average rents. Given that the market has already become better supplied and that average rents have adjusted as a result, it arguably may make sense to observe how market conditions unfold over the next year before turning to a non-market mechanism like a vacancy tax in an attempt to achieve more supply in the marketplace.

It is also important to point out that while a vacancy tax may prompt some investors to list their unit for rent, others may simply choose to list their unit for sale. This could especially be the case if they have owned their unit for a number of years, thereby benefitting from a significant gain in value. If this scenario played out en masse, the potential pool of available rental units could actually decline in the City of Toronto.

Thank-you for this opportunity to provide our views. We look forward to continuing to work with the City on this important issue.

Sincerely,

A handwritten signature in black ink, appearing to read "Lisa Patel". The signature is stylized with a large, looping initial "L" and a distinct "P".

Lisa Patel
President

c.c. Toronto City Council