March 17, 2008

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

RE: Proposed 2008 Operating Budget

Dear Executive Committee Members,

I am writing to provide you with the views of the Toronto Real Estate Board (TREB) with regard to the proposed 2008 Operating Budget scheduled to be considered by the Executive Committee on March 25, 2008.

As you know, the City of Toronto's finances are a priority for REALTORS®, who believe that Toronto's residents and businesses deserve to be treated fairly.

Enough Already

Unfortunately, Torontonians' patience is being tested. In recent months, they have been told by their City government that they will have to pay more to

- buy a home;
- own a car;
- put out their garbage;
- get water from their taps;
- use recreation facilities; and even to
- remove trees from their own private property.

REALTORS® work closely with thousands of current and future Toronto residents and businesses every day. They know the public's concerns and priorities and one message is coming across loudly and clearly: *enough already!*

New taxes and spiraling City debt are risking the optimism that Torontonians have in their City. Toronto City Council must take action now to reverse this sentiment. To do this, City Council can, and should,

- **Roll-back the Toronto land transfer tax;**

- **Keep property tax increases to no more than the rate of inflation, as promised;**

- **Prioritize City services, optimize savings and take innovative actions.**

TREB Recommendation #1:

Immediately begin roll-back of the Toronto Land Transfer Tax, as per City Council's October 22, 2007 resolution.

Rationale:

City Council Ignored Public Opinion

It is undeniable that City Council's decision to approve a Toronto Land Transfer Tax directly contradicted the overwhelming majority of public opinion. Throughout 2007, the public forcefully expressed their opposition to this tax at every opportunity, yet it was approved anyway.

Public's Actions Speak Louder than Words

In the months that followed the approval of the Toronto Land Transfer Tax on October 22, 2007, homebuyers flocked into the Toronto real estate market in an apparent attempt to capitalize on the grandfathering period that allowed them to avoid this tax if purchases were made prior to December 31, 2007. For example, although the month of December typically sees less market activity because of the holidays, in December 2007 re-sale housing sales in Toronto were up by 26 per cent over December 2006. In contrast, sales in the 905, over the same time period, were down 11%. TREB is continuing to monitor market activity.

City Council Has Committed to Roll Back

City Council can and should reconsider the public's opposition to the Toronto Land Transfer Tax. The only way to adequately do this is to roll back the Toronto Land Transfer Tax. In this regard, it is important to note that, at the same meeting that City Council approved this tax, it also approved the following motion:

> ***At such time as the Province has uploaded at least 50 percent of the current $729 million in downloaded costs, $50 million of the resulting savings be used to decrease the Land Transfer Tax.***

City Council's approval of this motion clearly demonstrates a willingness to roll back the Toronto Land Transfer Tax. There is ample reason for City Council to move ahead with the intent of this motion immediately, specifically because,

- Uploading has begun: On August 20, 2007, the provincial government announced the upload of the Ontario Disability Support Program and Ontario Drug Benefits, *beginning with the City's 2008 Budget.* For the 2008 Budget, this uploading means $39.1 million in reduced pressure. When this announcement is fully implemented, over the next three years, it will reduce the City's pressures by approximately $178 million annually.

- Province has begun funding operating costs of transit: On December 13, 2007, the provincial government announced significant investments in municipal infrastructure. This announcement included $80.2 million in funding for TTC *operating costs*, a significant difference from previous one-time transit funding announcements, which focused on capital costs.

- Province has committed to on-going infrastructure funding: On March 12, the provincial government committed to on-going funding for infrastructure, whenever provincial surpluses reach $800 million or more. Under current projections, this could mean approximately $40 million for the City of Toronto in 2008. This could reduce pressure on the City's Capital Budget, which in turn could help to reduce pressure on the Operating Budget by helping to keep debt servicing charges in check.

- Additional savings are available for 2008: On February 21, 2008, the Mayor's Fiscal Review Panel specifically noted that City Council can, and should, find additional savings worth $50 million for the 2008 Operating Budget, and $150 million in subsequent years. Interestingly, the amount of recommended savings for 2008 is equal to the amount that the above-noted Council motion agreed to reduce the Toronto Land Transfer Tax.

Taken together, the above initiatives mean reduced pressure of $169.3 million for the City's 2008 Operating Budget, and at least $328 million in future years (not including potential benefits of provincial surplus funds on debt-servicing charges). Furthermore, additional provincial commitments are expected as a result of the current provincial-municipal fiscal review. **As such, City Council is in a position to implement the intent of the above noted approved motion immediately.**

TREB Recommendation #2

Keep property tax increases to no more than the rate of inflation (average annual CPI for Toronto, as reported by Statistics Canada), as promised by Mayor Miller's election platform.

Rationale:

Torontonians are faced with the unfair Toronto Land Transfer Tax, even as the City is proposing a residential property tax increase of 3.75 per cent, nearly *double* the rate of inflation, which was reported by Statistics Canada as averaging 1.9 per cent in 2007.

The Well is Dry

Homebuyers deserve a break. Already, Toronto homebuyers are having to budget thousands of dollars more for the Toronto Land Transfer Tax. As recently noted in the final report of the Mayor's Fiscal Review Panel, tax increases "harm the City's competitiveness" and, specifically, "there are fears that the Land Transfer Tax…adopted by the City may undermine its competitive position vis-à-vis adjacent municipalities that do not levy equivalent taxes". Residential property tax increases at double the rate of inflation will exacerbate these concerns.

Residential Property Tax Increases Mean Business Property Tax Increases

It is important to note that provincial policy requires that business property tax rates be increased at no more than one-third of the rate of increase for residential properties. Like a rising tide that lifts all boats, the bigger the increase for residential properties, the bigger the increase for business properties.

It is widely acknowledged that Toronto's business property tax rates are already uncompetitive. A residential property tax increase at double the rate of inflation means that Toronto businesses will still see a significant property tax increase for 2008.

TREB Recommendation #3:

As suggested by the Mayor's Fiscal Review Panel, the City of Toronto must immediately begin to prioritize City services, optimize savings and take innovative actions.

Rationale:

Loudest Call Comes from Mayor's Panel

For years, the City has been called upon to focus on delivering priority municipal services, as efficiently and innovatively as possible. The most recent, and perhaps loudest, call for this has come from the Mayor's own Fiscal Review Panel. There is little that can be said that would add to the justification cited by this Panel. In this regard, REALTORS® are encouraged by the Panel recommendations that call for,

- a "core services and cost optimization review program to identify areas of duplication of efforts, overlap of responsibilities, and efficiency gains in service delivery";
- a "Catch the Little Things" Program;
- determining the City's priority areas and de-linking from other non-core services areas;
- unlocking the value of real estate holdings; and
- reviewing capital assets.

City's Existing Property Tax Room is Sufficient

The need for the above actions was also made clear by a recent nation-wide review of property taxes conducted by the City of Edmonton, which demonstrated that the City can make better use of its large property assessment base. In comparing property taxes, this review considered both a municipalities' tax rates AND its available assessment base.

It is reasonable for residents in municipalities that have large assessment bases to expect to pay lower property taxes because the municipality has a larger base to spread the burden across. Unfortunately, this is not the case in Toronto, where, as demonstrated by the City of Edmonton's recent review, residents pay property taxes that are disproportionately high relative to the City's large assessment base. From this, it can be inferred that if Toronto made use of its large assessment base as efficiently as other municipalities included in the review, the City can, and should, be able to operate with the existing property taxes it collects. **This means that by taking the above noted actions, and limiting future property tax increases to the rate of inflation, the City should have ample "tax room" to roll back the Toronto Land Transfer Tax, as previously discussed.**

I hope you find TREB's views helpful.

Sincerely,

Maureen O'Neill

Maureen O'Neill
President

c.c. Toronto City Council
Committee Administrator, Executive Committee