

October 12, 2012

President:

Ann Hannah

Economic Development Committee
City of Toronto

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Dianne Usher

Planning and Growth Management Committee
City of Toronto

Past President:

Richard Silver, ABR, e-PRO

RE: Economic Growth Plan, 2012 – 2014 - Directions

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Shelley Porritt

Tim Syrianos

Dear Committee Members,

I am writing to provide you with the views of the Toronto Real Estate Board (TREB) with regard to the development of an Economic Growth Plan for the City of Toronto. While TREB looks forward to providing broad input as the plan is developed in coming months, we would like to take the current opportunity to focus on the impact of the Toronto Land Transfer Tax on the City's economic competitiveness and growth, and urge you to support repealing this tax as an important step in growing Toronto's economy.

LTT Puts Toronto at a Competitive Disadvantage

Toronto is the only municipality in Ontario with a second land transfer tax, on top of the provincial land transfer tax. It is illustrative to note that, recently, Mississauga City Council considered a recommendation from its Budget Committee to ask the Province for the ability to levy a municipal land transfer tax; however, citing various concerns, including the impact of such a tax on Mississauga's competitiveness, **Mississauga Council decided not to pursue a municipal land transfer tax at this time.** In fact, published comments from some Mississauga Councillors demonstrate the perception that Toronto Land Transfer Tax may be affecting the City's economic development:

**Chief Executive
Officer**

Don Richardson



“Ward 5 Councillor Bonnie Crombie said...Mississauga not having such a tax is a "competitive advantage" over Toronto...”

www.mississauga.com, October 10, 2012

Research Finds Negative Impact of Land Transfer Tax

The C.D. Howe Institute recently released the findings of independent research analysing the impact of the Toronto Land Transfer Tax on home sales in the City of Toronto, since it took effect in 2008. **According to their research, the Land Transfer Tax has dampened sales by, on average, 16 percent, or 3,500 (not including condominiums), with the largest effect on homes in areas with resale prices below the median market sale price.**

TREB statistics for Toronto home sales through the TorontoMLS system have verified the C.D. Howe study finding. TREB data shows that, since the Land Transfer Tax took effect, there has been a permanent downward shift in the Toronto home sales trend. **All else being equal, this downward shift translates into 8,000 fewer home sales (including condominiums) per year than otherwise would have taken place in the absence of the Land Transfer tax.** As found by the C.D. Howe Institute study noted above, this demonstrates that the Land Transfer Tax has the effect of reducing household mobility (i.e. suppresses the number of people moving in Toronto). As such, the Toronto LTT has had a two-fold impact on housing affordability in Toronto:

1. The tax itself, as a significant upfront amount, adds substantial cost to home ownership. Currently, the average Toronto home buyer faces approximately \$7,000 in Toronto Land Transfer Tax, in addition to a similar amount for the provincial Land Transfer Tax. For some people, this could mean higher mortgage costs due to the depletion of funds that otherwise could have been used for a larger down payment, which would result in a greater amount of interest paid by the home buyer.
2. By discouraging household mobility, the land transfer tax has had the effect of suppressing the supply of homes for sale in Toronto (by over 8,000 sales per year), thereby artificially preventing supply from meeting demand. The resulting tight market conditions have seen home prices rising very strongly. This has, arguably, posed an affordability problem for some households looking to purchase a home in Toronto.

Every Lost Housing Sale Costs the City Jobs

Research conducted by the Altus Group, found that **every resale housing transaction in Ontario generates \$40,350.00 in spin-off spending** on things like moving expenses, renovations, furniture and appliances. A recent poll conducted by Ipsos Reid found that 51 percent of people who recently purchased a home in Toronto, said if they had not had to pay the LTT, they would have spent that money on home renovations or to purchase furnishings or appliances for their home. This is critical spending for the Toronto economy and it creates thousands of jobs. In fact, according to this research, **approximately 12,000 Toronto jobs rely on spending from re-sale housing transactions.**

Given the above, TREB strongly believes that moving towards eliminating the Toronto Land Transfer Tax would improve our City's economic competitiveness and help create jobs.

I hope you find TREB's views helpful. We look forward to continuing to work with you.

Regards,

A handwritten signature in cursive script that reads "Ann Hannah". The signature is written in black ink and is positioned above the printed name and title.

Ann Hannah
President

c.c. Toronto City Council