

Dianne Usher, President
Toronto Real Estate Board
Remarks to City of Toronto Executive Committee
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Thank-you.

My name is Dianne Usher and I am the President of the Toronto Real Estate Board.

Thank-you for this opportunity to present our views on the Land Transfer Tax options before you today.

TREB is an association of over 37,000 REALTORS®. We're here today because, every day, we hear from Torontonians who are being negatively impacted by the Land Transfer Tax. We strongly believe that this tax has hurt our City for long enough and it should be scrapped.

TREB supports the recommendation to refer this issue to the Budget Committee for consideration with the 2014 Budget process. The Budget Committee's input is critical before any decisions are made on the options to achieve an initial reduction of the Land Transfer Tax.

However, we urge you to take this opportunity to decisively set a gradual phase-out of this tax in motion. Specifically, we ask that you amend the recommendation in the staff report before you to indicate your support, in principle, for a 10 percent reduction, to the Budget Committee.

TREB is encouraged that this issue is before you today, and we commend City staff for their hard work in preparing the background information. However, we would like to provide you with additional detail.

It is important to have a full understanding of the impact of the Land Transfer Tax on Toronto's real estate market. The C.D. Howe Institute has conducted two detailed studies in this regard, most recently in the fall of 2012. Both studies found that this tax was directly responsible for dampening home sales in Toronto by 16 percent, every year. In other words, if not for the Land Transfer Tax, Toronto's real estate market would see 16 percent more sales per year.

There is even more evidence in a recent poll conducted by Ipsos Reid. It found that 65 percent of home buyers who currently live in Toronto are more likely to leave Toronto, when they purchase their next home, specifically to avoid paying the Toronto Land Transfer Tax.

Since this tax took effect, TREB has cautioned that historically low interest rates and flexible lending rules were, in part, masking its underlying impact. Unfortunately, that is now becoming apparent with the recent tightening of mortgage qualifying rules. In part because of these new rules, year-to-date home sales are down for the GTA as a whole, compared to last year, but, notably, the decline has consistently been more pronounced in the City of Toronto than in the 905. This discrepancy can be

attributed, at least in part, to the Toronto Land Transfer Tax, because some homebuyers are opting to avoid paying this tax so that they can put that money towards a down payment to make it easier to qualify for a mortgage under the new rules. Simply put, the Land Transfer Tax puts our City at a competitive disadvantage.

This tax is hurting average people the most. Even first-time buyers feel its pinch because the City's rebate maxes out on a \$400,000 home, but the current average Toronto home price is \$600,000, meaning that first time home buyers of an average home would pay a balance of almost \$3,000 in LTT! In fact, the Ipsos Reid poll found that approximately 40% of first time buyers had to pay some land transfer tax to the City. Furthermore, the highest land transfer tax rate, for all buyers, is triggered on properties with prices as low as \$400,000. With the average Toronto home price currently at \$600,000, that is clearly unfair.

The staff report before you today also notes that the Land Transfer Tax has helped to allow property tax increases to stay low. We believe, strongly, that this is, in fact, the Land Transfer Tax's greatest flaw. If our City needs to invest in its services, programs, and infrastructure, then we should all share in the cost of doing so. The Land Transfer Tax unfairly forces only five percent of Torontonians each year (those purchasing a home), to subsidize the other 95 percent. If we all benefit from the City's services, then we should all pay for them.

We look forward to working with you and the Budget Committee as we move towards making Toronto's taxes more fair by phasing-out the Land Transfer Tax.

Once again, thank-you for this opportunity to present our views. We're happy to answer any questions.