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February 3, 2017

Jennifer Forkes
Executive Committee Secretariat
10th Floor, West Tower, Toronto City Hall
100 Queen Street West
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RE: Foreign Home Buyers Tax

Members of the Executive Committee,

I am writing to you, my colleagues on Toronto City Council, with regard to the province implementing a special tax on foreign home buyers in Toronto as per Toronto City Council's express approval on December 13, 2016. I would like to share key concerns about the Greater Toronto Area (GTA) housing market and home affordability which justify the implementation of a foreign home buyers tax.

We know that the City of Toronto faces annual operating and capital budget pressures. With this in mind, leading to City Council's approval of the 2017 budget, I request my colleagues on Executive Committee consider the revenue that could be raised from the implementation of this special tax on international residents entering our housing market.

To gain more insights on this important matter, I collaborated with Dr. Atif Kubursi, Professor of Economics at McMaster University. Dr. Kubursi is the President of Econometric Research Limited and an expert consultant on economic impact analysis. His analysis on a potential foreign buyers tax states three important facts.

First, that a relatively low unemployment rate, low borrowing costs, and a strong regional economy are contributing to high demand for home ownership in the Greater Toronto Area.

Second, that average house prices in the GTA increased at a record level of over 20% in 2016 compared to the year before. Dr. Kubursi has no expectation that this escalation in prices will moderate.

Jim Karygiannis, Councillor
Ward 39, Scarborough-Agincourt
www.karygiannis.net

Third, that with an average GTA house price of \$730,000, 2.5% mortgage interest rate, 20% down payment, and it takes a pre-tax family income of \$250,000 to qualify for a mortgage. This is not even taking into account student loans and other debts that are typical for young families.

These are the facts of home ownership in Toronto and that goal is becoming a dream more than reality.

In October 2016, a public poll was conducted from Mainstreet Research on this topic of a foreign home buyers tax. Mainstreet surveyed 1,045 Toronto residents from every region of the city. 71 percent of decided respondents favoured a tax on foreign buyers (Please see attached the public poll report).

I urge my colleagues on Executive Committee to consider the widespread public support for a foreign home buyers tax.

Following the results of this public poll, in December 2016, City Council supported my motion to direct the City Manager to consult with the province to examine the potential impacts and the possibility of the City of Toronto levying an additional land transfer tax on the purchase and/or sale of homes to non-Canadian residents of up to five percent of the value of the sale of the home.

The Toronto Real Estate Board's own data shows that five percent (5%) of GTA homes are purchased by foreigners. It is understood that this figure undercounts the true number of foreigners entering the housing market as the Board only polled 3,500 member agents which represents fewer than ten percent (10%) of total board members.

Nevertheless, TREB's data shows 113,133 real estate units were sold in the GTA at an average price of \$730,000. With foreign buyers accounting for even five percent (5%) of these sales, a surtax of five percent would recover over \$206-million in revenue.

This is \$206-million in revenue for the City of Toronto. These monies could be used by the City to assist first time home buyers entering the market and to support other housing affordability options.

We see that this tax works in British Columbia. Data from the B.C. Ministry of Finance shows that the foreign buyers tax in Metro Vancouver is working as intended. The Ministry says there was more consistency in sales between Metro Vancouver and the rest of the BC for transactions involving foreign buyers in the four months after the tax was introduced. The economics are straight forward: supply and demand. If you cut back the demand, you down prices.

To my colleagues and members of the Executive Committee – it would be a missed opportunity to forgo this revenue, cool the housing market, and provide assistance to new buyers struggling to enter the market and provide homes for their young families.

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As this tax requires the approval and leadership of the province, I request that we, as Councillors, speak with a unified voice in advocating the benefits of a foreign home buyers tax to Premier Kathleen Wynne and the provincial government.

If you have any questions or concerns, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink that reads "James Karygiannis". The signature is written in a cursive, flowing style.

Jim Karygiannis
Toronto City Councillor
Ward 39, Scarborough-Agincourt

CC. His Worship John Tory
Mayor of the City of Toronto

Councillors
Toronto City Council

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