

June 19, 2020

Executive Committee  
City of Toronto  
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**RE: Municipal Land Transfer Tax Rebate for First Time Home Buyers (EX 14.5)**

Dear Mayor Tory and Members of the Executive Committee:

I am writing to provide you with the views of the Toronto Regional Real Estate Board (TRREB) with regard to the Chief Financial Officer's report on providing greater opportunities for relief from the Municipal Land Transfer Tax (MLTT) for first-time home buyers.

As you may know, TRREB is an association of over 56,000 REALTORS® throughout the Greater Toronto Area, providing real estate related services to residents and businesses. Our Members help home buyers achieve the dream of home ownership every day, and they have a detailed understanding of factors that influence home buyers, sellers, and real estate markets in general. In that regard, the MLTT is consistently identified by our Members, and their clients, as one of the most significant obstacles to home ownership in Toronto, especially for first-time buyers.

With this in mind, TRREB strongly supports adjustments to the MLTT rebate for first-time buyers so that it provides the relief that it was intended to when it was first approved by City Council in October 2007, based on a motion tabled by Councillor Grimes at that time, which ensured that it reflected the average price for residential properties in Toronto, which was then just under \$400,000. With the average price in the City of Toronto now at \$881,000, we applaud Councillor Grimes and Councillor Bradford for once again bringing this issue forward so that City Council's intentions for true relief from the MLTT for first-time buyers can be provided.

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## **Purchasing Power of MLTT First-Time Buyer Rebate: 2008 vs. 2020**

The average price of a residential property in the City of Toronto at the start of 2008, when the MLTT was first implemented, was \$415,000, and the MLTT first-time buyer rebate was allowed up to a maximum of a \$400,000 home, meaning that first-time buyers were almost completely exempt from paying any MLTT, as was City Council's intention.

The average price of a City of Toronto residential property is currently \$881,000, and the MLTT first-time buyer rebate is still only allowed to a maximum of a \$400,000 property. This means that a first-time buyer purchasing an average-priced property today would pay \$9,620 in MLTT, on top of about \$10,000 of provincial Land Transfer Tax (PLTT), for a total of about \$20,000 in land transfer taxes, which must be paid up-front on closing of the real estate transaction.

*Clearly, City Council's intention of providing relief for first-time home buyers, up to the average priced property, is no longer being met.*

To add insult to injury, not only are first-time buyers not being given the relief that was intended by City Council, they are being forced to pay MLTT at the highest rates, even if they purchase a BELOW average priced home. This is because the MLTT rate structure is such that the highest rates kick in starting on homes priced at only \$400,000, which is 55% BELOW the average price. The City is essentially forcing people purchasing BELOW average priced properties to pay the highest MLTT rates. This is simply not progressive or fair.

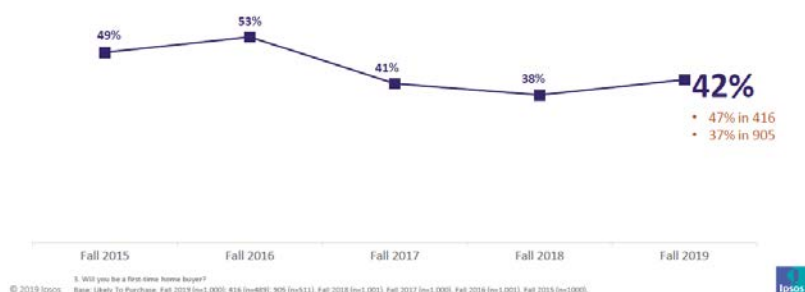
## **City Staff Report Details**

With regard to City staff report EX 14.5, being considered by the Executive Committee on June 22, 2020, we have numerous comments regarding specific points made, as follows:

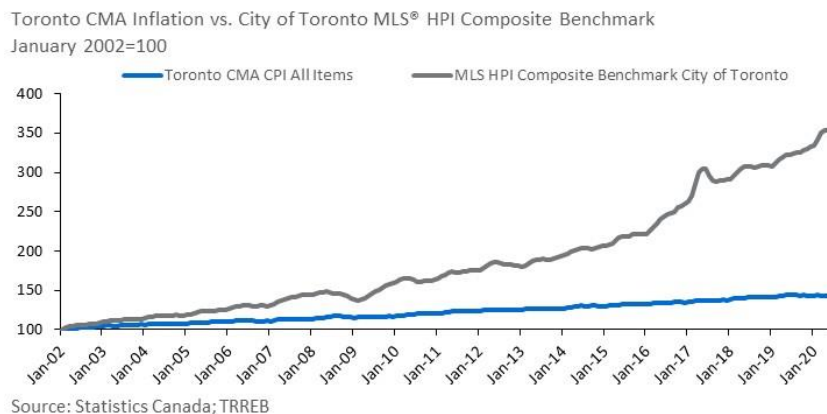
- The staff report notes that the first-time buyer rebate “program has been criticized for adding upward pressure on home prices.” TRREB has no evidence that supports this statement, and City staff have not cited any evidence or source in this regard. TRREB strongly questions this criticism as the price point that most first-time home buyers are purchasing at is unlikely to contribute significantly to the inflationary pressures of the Toronto market.
- The staff report notes that the “maximum first time home buyer (FTHB) value of consideration (VOC) was \$6.8M in 2019 and \$5.3M in 2018” and that “these values do not appear to be consistent with the purpose of a FTHB” rebate. It is important to note that these figures represent single sales, NOT averages, and as such are not necessarily statistically significant, and potentially misleading. It is much more accurate to report the average purchase price for first-time home buyers. As noted by City staff later in the report, TWO-THIRDS of first-time home buyers purchase homes priced between \$400,000 and \$800,000.

- The staff report notes that “the number of FTHB rebates issued in 2016 was just above 21,000 and at the end of 2019 it declined by 20%, down to a little under 17,000” and that the “average FTHB VOC in the same time period went from \$528K to \$645K, an increase of 22% in the average housing price.” These figures demonstrate the precise reason that an adjustment in the first-time buyer rebate is needed: first-time buyers are increasingly unable to enter the market because of affordability issues, which are exacerbated by the MLTT. This is evident in data from Ipsos Public Affairs, which has been tracking first-time buyer intentions for TRREB since 2015. As shown below, over the last three surveys (fall 2017, 2018 and 2019), the first-time buyer share of intending buyers has been well-below the 53% peak hit in 2016.

#### Incidence of First-Time Home Buyers



- With regard to the consideration of a price-point cap at which MLTT rebates would not be available, if this route is chosen by City Council, TRREB strongly believes that the cap should not be set any lower than the current City of Toronto average home price, and that it should be indexed with inflation (based on the MLS® HPI Composite Benchmark for the City of Toronto) going forward.
- With regard to a potential new threshold for the maximum allowed rebate, TRREB recommends that this again be set at the current average home price in the City, as was done by City Council when the MLTT was first implemented. We also recommend that this threshold be indexed with inflation (based on the MLS® HPI Composite Benchmark for the City of Toronto) going forward.
- Indexation of thresholds and caps is critical to prevent the current situation from occurring again in the future and to avoid the possibility of many first-time buyers not qualifying for any rebates.



Thank you for this opportunity to provide our views. As always, TRREB would be happy to provide any additional input that you may require.

Sincerely,

Michael Collins  
President

c.c. Councillor Mark Grimes, City of Toronto  
Councillor Brad Bradford, City of Toronto  
Chris Murray, City Manager, City of Toronto  
Heather Taylor, Chief Financial Officer and Treasurer, City of Toronto