



Make Home Owners Priority of City Budget

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TREB PRESIDENT'S COLUMN AS IT APPEARS IN THE TORONTO SUN

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In recent weeks, I have focused this column on the need for governments at all levels to take action on the economy by recognizing the important role of the housing industry. As I reported last week, the federal government's budget took important steps in this direction. Unfortunately, the same cannot be said about the City of Toronto's recommended 2009 Budget.

I've said this before, but it warrants saying again: the housing industry is critical to the economy. Simply put, when people buy and sell homes, they are helping to create thousands of jobs by spending money on things like renovations, furniture, and appliances. In fact, a study conducted for the Canadian Real Estate Association found that the average resale housing transaction in Ontario generates over \$33,000 in this type of spending. For Toronto, in an average year, this means that re-sale housing sales pump over \$2 billion into the economy.

You don't have to be an economist to realize that this is economic activity that Toronto City Council cannot afford to risk. To the contrary, they should be trying to encourage it, which is why REALTORS® are disappointed that the City's recommended 2009 Operating Budget, unveiled earlier this week, doesn't propose bold actions that could help home buyers and owners, and, in turn, the economy.

The single most important thing that Toronto City Council can do to help home buyers and owners is to roll back the Toronto Land Transfer Tax. For a Toronto home buyer purchasing a home priced at about \$400,000, this tax would mean an additional \$4,000 in up front costs, and as the price of the home goes up, so too does the tax. For example, on a \$600,000 home, the tax would be about \$8,000; for an \$800,000 home, it would be about \$12,000. What makes this even worse is that the Toronto Land Transfer Tax is on top of the provincial land transfer tax, effectively doubling these amounts. REALTORS® feel strongly that this is an unfair

tax that is hurting Toronto's economy and spoke strongly against it when the City first proposed it. This tax didn't make sense then, and, given current economic challenges, it makes even less sense now.

A recent study conducted by the C.D. Howe Institute and Economics Professors from the University of Toronto determined that the Toronto Land Transfer Tax is having a significant impact on Toronto's real estate market, reducing housing sales by 16 per cent and values by 1.5 per cent in 2008 alone. Based on this, TREB estimates that the Toronto Land Transfer Tax has cost the City's economy about \$200 million in consumer spending and has reduced Toronto home owners' net worth by \$3.5 billion in lost equity when selling their homes, and less credit available to them, further reducing spending and economic activity.

Clearly, City policies can impact the housing sector and, thus, the economy. In fact, the City even recognized this reality, recently, by calling for a freeze on City development charges, which can add thousands of dollars to the cost of a newly constructed home. REALTORS® hope that Toronto City Council will build on this initiative and acknowledge the significant role of the resale housing sector by also recognizing the impact of its land transfer tax and then rolling it back.

Last year, an independent panel appointed by the Mayor reviewed the City's finances and recommended numerous options, which, according to the Panel, could save the City at least \$150 million this year, an amount that is equivalent to what the City expected to collect in Land Transfer Tax revenue in 2008. Now, more than ever, it is important for the City to move in this direction, instead of options that reduce economic activity, like the Toronto Land Transfer Tax.

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