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Proposed bill concerns boards

New City of Toronto Act could mean municipal land transfer tax

The Toronto Real Estate Board (TREB) and the Greater Toronto Home Builders' Association (GTHBA) are sounding the alarm over new powers the province proposes to give the City of Toronto under Bill 53.

But a spokesman for the city says it's premature to speculate on the effects of the legislation if it becomes law.

Under Bill 53, the Stronger City of Toronto for a Stronger Ontario Act, the City of Toronto would be given broad authority to levy new taxes subject to certain limitations.

The city would not be able to impose a sales tax, income tax, wealth tax, gasoline tax or hotel tax.

But there is no limitation on the proposed ability to enact a municipal land transfer tax or levy licensing fees on builders, lawyers, real estate agents, insurance brokers, movers, renovators or others who provide services to homebuyers.

As well, there appears to be no restriction on taxing commuters as they exit trains or buses from outside the GTA.

Earlier this month, TREB president John Meehan expressed his concern about a municipal land transfer tax.

"A Toronto land transfer tax would be counter-productive," he said. "Many people are already choosing to live outside of the city because they simply cannot afford to live here. A Toronto land transfer tax would make this situation even worse, which in turn would mean less growth in Toronto's taxable assessment base and more urban sprawl resulting in increased commuter gridlock, pollution and frustration levels."

Toronto homebuyers currently pay land transfer tax of \$3,900 on an average Toronto home worth just under \$362,000.

Last week, I spoke to Stephen Dupuis, executive vice-president of the GTHBA. Most of his members, he said, have huge concerns with the new City of Toronto Act. One noticeable exception was a prominent 905-area builder who only builds outside the Toronto boundaries.

"Bring it on," the builder commented to Dupuis about a possible Toronto land transfer tax. "The higher the better."

The result of a city land transfer tax, according to Dupuis, would skew the housing market towards the 905 regions as the 416 value ratio drops.

The new legislation would also give the city the right to scoop the \$2,000 land transfer tax rebate which the province gives to first-time buyers of new homes. This rebate has been a tremendous boon to first-time buyers, "putting money in their pockets at the time they need it most on closing," Dupuis added.

I asked Dupuis if he could envision whether other new Toronto taxes might affect the housing industry.

He told me "in the last few years, the city has substantially increased its development charges, parkland dedication and planning approval fees. It's hard to imagine what else they could tax, but they've proven themselves to be very creative in the past."

In order to get the city's take on the proposed City of Toronto Act, 2005, I spoke to Phillip Abrahams, manager of intergovernmental relations at Toronto city hall. When asked about a proposed city land transfer tax, Abrahams told me "at this point, the city contemplates nothing of the sort."

He added that it would be premature to contemplate what legal powers are going to be used or what policies implemented.

Before the city adopts any policy on anything financial or regulatory, Abrahams noted, "the city would engage in a fulsome review of the options." The city would not develop policy without "thoughtful consideration."

Tobias Novogrodsky, a consultant in the city's corporate management and policy department, told me that the goal behind the legislation is to raise new money in new ways in order to lessen the property tax burden on homeowners.

When Bill 53 was introduced at Queens Park, opposition leader John Tory told the legislature that the city has a \$500 million budget shortfall. The new City of Toronto Act, he said, would let the government "reach inside the pockets of Toronto taxpayers for what might be \$50 million," leaving the rest of the shortfall for "some other day."

Bill 53 will allow the city more "independence of action," said Tory, "but Toronto will still face a shortfall of several hundred million dollars come budget time and will still continue to ship its tax dollars to Ottawa."

Just how many of those tax dollars will come from the buyers of new homes or the owners of existing ones remains to be seen. Given the huge budget shortfall, however, a city land transfer tax might just be too tempting to resist.