



SUBMISSION TO CITY OF REGINA COUNCIL 2020 PROPOSED BUDGET

December 2019

INTRODUCTION

The purpose of this submission is to inform City Council of the effect that property taxation has on housing affordability and to provide the Association's views on the 2020 proposed budget.

SOME QUICK FACTS

- The Association of Regina REALTORS® Inc. operates the Multiple Listing Service® System in Regina and southern Saskatchewan. Slightly over 3,000 properties valued at \$1.0 billion exchanged hands through the System in 2018, with the majority here in Regina.
- The Association represents approximately 85 member-offices and 650 individual REALTOR® members in Regina and Southern Saskatchewan including about 430 in Regina.
- In 2020, the local association will be amalgamating with the two other REALTOR® association in Saskatchewan to form a single association for the province.

REGINA'S HOUSING MARKET

Regina's housing market has gone through a very slow period in recent years. 2018 had the lowest number of residential sales since 2005. 2019 is shaping up only to be slightly better than 2018.

Since 2014, we have seen a trend of a declining number of sales, active listings at all time highs, falling prices and in turn lost homeowner equity, and a period of time for homes to sell.

It has been a challenging time for those wishing to sell their homes and for those wishing to buy in part due to more stringent federal mortgage qualification rules.

At the end of November, the Association's MLS® Home Price Index, which measures price trends based on MLS® sales, is showing price losses in the city from one year ago of 5.5%, 12.2% from three years ago, and 11.2% when compared to five years ago. These are highest price losses in Canada in percentage terms for any major market.

With this level of price loss and in turn loss of equity, it would be fair to say that most who have purchased a home in Regina in the last year, or even in the last three years, with a minimum 5% down payment are likely underwater on their mortgage.

As well, the Canadian Bankers Association recently reported that percentage of mortgages in arrears in Saskatchewan is the highest in Canada. This presumably would also be the case in Regina.

Putting these together, the housing market has been going through a challenging time in recent years. Now continues to be a time to be particularly mindful about adding more cost to owning a home.

PROPERTY TAXATION AFFECTS HOUSING AFFORDABILITY AND DEMAND

The dollar amount of property tax is taken into account by mortgage lenders when approving financing. The higher the level of taxation, the less financing there is available to purchase a home.

The net of this is that property taxes add to the cost of home ownership. The more taken in tax, the less there is available for mortgage principal and other uses. It can also affect whether buyers can actually qualify for mortgage financing, especially in light of the federal mortgage stress rules.

Increases in property taxation affect both the cost of home ownership and qualifying for financing.

PROPERTY TAX RESEARCH – PUBLIC VIEWS

Every two years the Association has engaged Praxis Analytics to conduct a public trends survey. The survey polls Regina residents about a variety of housing related issues, property taxation being one of them. The most recent survey completed in 2018 reveals some interesting results in the areas of property taxation.

Property tax is at its highest level of importance to consumers when making a home buying decision since 2004. It ranks only behind the purchase price and monthly mortgage payments, and ahead of insurance and utilities, as factors when choosing a home. Some other findings from the survey include:

- Only 16% believe the city should raise taxes when needing more revenue;
- The other 84% would prefer to see revenue raised mainly by increasing fees for those who used the service; and
- 76% support targeted tax increases to pay for specific needs known to taxpayers in advance (such as infrastructure) rather than it go into a general fund.

ASSOCIATION POSITION ON PROPOSED 2020 BUDGET

We support the general direction of the 2020 proposed budget but are concerned with the proposed increase given the state of the housing market.

We do agree with the approach of a dedicated increase to recreational infrastructure renewal as we did with the targeted increases for road renewal the past number of years. This is transparent and the approach is consistent with the findings in the aforementioned public survey.

Regarding the remainder of the proposed increase while recognizing that it is the smallest proposed increase in many years, the question must be asked if now is the time to increase homeowners' taxes and add to the cost of homeownership. Home values (and homeowners' equity) have been falling and some actually now owe more on their mortgage than the home is currently worth through no fault of their own.

The \$67 annual increase to the typical homeowner cited in the budget document appears small. However, it is not the relatively small dollar increase amount in any single year that is impactful, but the cumulative effect of the total property tax bill over an extended time. This combined with increases in other areas, such as utilities, adds to the cost burden faced by homeowners.

We encourage Council to reduce the amount of the proposed increase where practical.

Thank you for providing the opportunity to provide input into the development of the 2020 City budget.

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