



Report Number: C2019-0157

Meeting: Combined Meeting of Council

Meeting Date: 2019 February 04

## NOTICE OF MOTION

### RE: REVIVING CALGARY'S REAL ESTATE AND CONSTRUCTION INDUSTRIES

**Sponsoring Councillor(s):** COUNCILLOR GEORGE CHAHAL

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WHEREAS the Office of the Superintendent of Financial Institutions (OSFI) is an independent federal government agency that regulates and supervises more than 400 federally regulated financial institutions, including all banks in Canada and reports directly to Parliament through the Minister of Finance;

AND WHEREAS Canada Mortgage and Housing Corporation (CMHC) identifies numerous regional real estate markets across the country that have unique market characteristics;

AND WHEREAS OSFI's *B20 - Residential Mortgage Underwriting Practices and Procedures* (B20) came into effect on January 1, 2018 in a one-size fits all policy that applies to all federally regulated institutions across the country;

AND WHEREAS credit unions and ATB Financial do not fall under the OSFI mandate, however they have chosen to follow B20 to-date;

AND WHEREAS the main objectives of B20 were to: 1) create a minimum qualifying rate, or a "stress test" for mortgages; 2) require lenders to enhance their loan-to-value (LTV) measurement and limits so they will be dynamic and responsive to risk, and 3) place restrictions on certain lending arrangements that are designed to circumvent LTV limits;

AND WHEREAS B20 was created to deal with the unstable real estate markets in Vancouver and Toronto where red flags have been raised in recent years regarding the combination of unsustainable price appreciation and high-debt ratios;

AND WHEREAS municipal and provincial governments in British Columbia and Ontario implemented their own strategies to increase affordable housing in the Vancouver and Toronto markets such as the foreign buyers' tax, empty house tax, and restrictions on short-term rentals which started to cool these markets down before the implementation of B20;

AND WHEREAS B20 had many unintended consequences in markets outside of Vancouver and Toronto such as: 1) slowing down stable real estate markets in cities such as Calgary where annual growth in real estate price from 2014-2017 was around 0%, 2) a reduction in construction and development creating less jobs in these industries, 3) an overall net decrease in Calgary homeowners' property valuations, and 4) a reduction in economic activity (GDP);

AND WHEREAS the Calgary Real Estate Board (CREB) recently released a report with alarming statistics for the Calgary real estate market showing residential sales shrunk by 15% in 2018 relative to 2017 and were down 20% compared to the ten-year average and benchmark prices were also down by several percentage points during the same period of time with economists suggesting the main reason being B20;

AND WHEREAS resale activity in the Alberta real estate market showed signs of improvement in 2016-2017, but B20 has caused further setbacks with sales-to-new-listings ratio (SNLR) being far below the balanced market threshold (56%) and house prices are projected to erode at 2-3% per year moving forward;

AND WHEREAS new home construction is following a similar trend from the resale market and recent data suggests that a further downturn might be developing;

AND WHEREAS the building industry in Calgary employs more than 12% of its workforce and is the second largest employer in the city;

AND WHEREAS in Canada in 2015, housing construction, renovation, repairs, and maintenance activities contributed \$133 billion to the economy (7% of GDP) and the real estate, rental, and leasing sector contributed \$278 billion to the economy (14% of GDP);

AND WHEREAS Calgary has consistently ranked at the top of all major Canadian cities for GDP per capita and also makes up 7% of Canada's total GDP (2017);

AND WHEREAS The Canadian Home Builders' Association stated that 1 million employees in Canada's residential construction sector earn more than \$58 billion in wages annually;

AND WHEREAS housing is the most important investment that many Canadians will ever make and is associated with a perceived lifestyle that results in a type of retirement savings plan since home values generally increase over time;

AND WHEREAS a robust housing market provides significant, social, and economic benefits to our communities and neighbourhoods and needs a transparent, consistent, and fair system that facilitates the borrowing and lending of capital;

AND WHEREAS potential first-time homebuyers that have lower incomes (i.e. customer demographic for organizations such as Attainable Homes) have been adversely effected by B20 as Gross Debt Service Ratio (GDSR) and Total Debt Service Ratio (TDSR) have gone up by 5% and 8% respectively and has reduced the number of new home buyers substantially;

AND WHEREAS B20 has caused many borrowers to seek capital in the private markets where interest rates and terms are heavily in favour of the lender;

AND WHEREAS Calgarians have been hit hard financially in recent years due to many factors including volatile oil prices, a lack of market accessibility for our oil and gas sectors, high unemployment rates & subpar job growth, high downtown office vacancy, and increased taxes including the new Carbon tax, and the unintended consequences of B20 which is negatively affecting jobs, economic activity, and the ability for first-time homebuyers to enter the market in Calgary;

AND WHEREAS Council approved a new growth strategy in 2018 that included 14 new communities across the city and certain Developers have already stated there could be construction and housing absorption delays due to B20;

THEREFORE, BE IT RESOLVED that Council requests the Mayor write a letter to the Prime Minister and Minister of Finance advocating that the Government of Canada:

- a. Review the effects of the *B20 - Residential Mortgage Underwriting Practices and Procedures* stress test on regional markets;
- b. Eliminate or tailor regional-based policies, including but not limited to, stress tests to reflect the needs of local economic and market conditions;

AND FURTHER BE IT RESOLVED that Council requests the Mayor write a letter to the Premier and the President of Treasury Board and Minister of Finance advocating that Alberta Credit Unions and ATB Financial consider the adoption of Alberta-based mortgage approval requirements and make any necessary changes (policy or otherwise) to implement this request;

AND FURTHER BE IT RESOLVED that Council directs Administration to prepare resolutions for Council's consideration for The City's representatives to introduce at the 2019 meetings of the Alberta Urban Municipalities Association (AUMA) and the Federation of Canadian Municipalities (FCM) to gain broader support for advocacy on regional-based mortgage financing stress tests.