

Deputy City Manager's Office Report to
Intergovernmental Affairs Committee
2019 February 14

ISC: UNRESTRICTED
IGA2019-0215

Regional-Based Mortgage Financing Stress Tests AUMA Request for Decision

EXECUTIVE SUMMARY

Albertans have been hit hard financially in recent years due to many factors including volatile oil prices, a lack of market access for our oil and gas sectors, high unemployment rates and subpar job growth, high downtown office vacancy in particular in Calgary, and increased taxes including the carbon tax. These effects are compounded by the unintended consequences of the new *B20 - Residential Mortgage Underwriting Practices and Procedures* (B20), which came into effect on 2018 January 1. B20 is negatively affecting jobs, economic activity, and the ability for first-time homebuyers to enter the market.

Council directed Administration through Notice of Motion C2019-0157 on Reviving Calgary's Real Estate and Construction Industries to bring forward resolutions on this issue for consideration at the 2019 meetings of the Alberta Urban Municipalities Association (AUMA) and Federation of Canadian Municipalities (FCM).

ADMINISTRATION RECOMMENDATION:

That the Intergovernmental Affairs Committee recommend that Council direct Administration to submit the attached request for decision to the Alberta Urban Municipalities Association (AUMA) Municipal Leaders' Caucus from 2019 March 27 to 28, to advocate that the Governments of Canada and Alberta and political parties in Parliament and the Legislature consider the impacts of the *B20 – Residential Mortgage Underwriting Practices and Procedures* and considering policy changes to allow regional-based mortgage financing stress tests.

PREVIOUS COUNCIL DIRECTION / POLICY

On 2019 February 4, Council directed Administration to prepare resolutions for consideration at the 2019 meetings of the Alberta Urban Municipalities Association (AUMA) and Federation of Canadian Municipalities (FCM) to gain broader support for advocacy on regional-based mortgage financing stress tests through Notice of Motion C2019-0157 on Reviving Calgary's Real Estate and Construction Industries.

BACKGROUND

AUMA's Spring Municipal Leaders' Caucus is taking place in Edmonton from 2019 March 27 to 28. Requests for decision may be brought forward to the Municipal Leaders' Caucus by member municipalities on emerging issues that cannot wait to be debated at the AUMA Convention in September.

Requests for decision require endorsement by the sponsoring Council prior to submission to AUMA. During the Municipal Leaders' Caucus, the sponsoring municipality presents the request for decision. Voting on the request for decision occurs with one vote per municipality through their Mayor or designate. If the request for decision is passed, it is assigned to the appropriate AUMA committee for further action.

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INVESTIGATION: ALTERNATIVES AND ANALYSIS

AUMA Resolution

A resolution for advocacy on regional-based mortgage financing stress tests could be taken to AUMA's Convention instead of the Spring Municipal Leaders' Caucus. AUMA states that resolutions at Convention tend to have a higher profile than requests for decision at Municipal Leaders' Caucus due to the higher member turnout at Convention and the more formal process for their adoption and implementation. However, the AUMA Convention does not occur until September 2019, meaning a delay in advancing advocacy on this issue. As a result, Administration recommends submitting a request for decision to the Spring Municipal Leaders' Caucus.

FCM Resolution

Council also directed Administration to prepare a resolution for consideration by FCM. The deadline for submission of resolutions to either the March 2019 FCM Board Meeting or June 2019 Annual Conference has passed. It would be possible to propose an "emergency resolution" for consideration at the Annual Conference. However, such a resolution would have to first be submitted to a monthly meeting of FCM's Executive Committee and would have to meet FCM's criteria. These criteria are that the issue imposes a significant, immediate and direct impact on municipal operations, or that the issue can be resolved in the near term through an open federal decision-making window that will close before the resolution could be considered as part of the next deadline period.

Preliminary conversations with FCM staff suggest that this issue would not satisfy these criteria, particularly when it could be brought to the September Board Meeting three months later. Administration therefore recommends that Intergovernmental and Corporate Strategy in consultation with City of Calgary Finance prepare a resolution for Intergovernmental Affairs Committee and Council approval no later than May 2019 to be forwarded for consideration to FCM's September Board Meeting.

In the meantime, ICS will continue to work with FCM staff to monitor this issue, including work tied to a related resolution sponsored by the City of Victoria and passed at the FCM's 2018 Annual Conference calling on the Government of Canada to assess and publicly report on the effectiveness of its recent measures intended to stabilize the housing market and, if needed, take further action to encourage the use of residential property to provide housing, and discourage speculation, "flipping," commodity investment and other market distortions that contribute toward a sharp escalation in the price of housing.

While this City of Victoria resolution is more focused on housing affordability, as opposed to the industry's contribution to the local economy, there is some overlap. FCM staff are expected to present an update on this item to the meeting of the FCM Subcommittee on Social and Economic Development at the March 2019 Board Meeting. Administration will provide an update on this work and its relationship to The City's own work at a subsequent meeting of the Intergovernmental Affairs Committee.

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Stakeholder Engagement, Research and Communication

Intergovernmental and Corporate Strategy, working in consultation with Finance, has prepared the proposed AUMA request for decision based on the direction provided by Council, will prepare an FCM resolution, and continue to monitor progress on the related FCM resolution.

Strategic Alignment

Advocacy on regional-based mortgage financing stress tests supports the 2019-2022 Council Directives for One Calgary, specifically related to A Prosperous City and A City of Safe and Inspiring Neighbourhoods.

Social, Environmental, Economic (External)

Advocacy on regional-based mortgage financing stress tests supports a robust housing market that provides social and economic benefit to communities and neighbourhoods, the building and real estate industries, and local homebuyers, especially first-time buyers.

Financial Capacity

Current and Future Operating Budget:

At least one member of Council must attend the AUMA Spring Municipal Leaders' Caucus to present the request for decision. The cost for attendance at the two-day Municipal Leaders' Caucus is \$165 plus travel and accommodation.

Current and Future Capital Budget:

This report is not expected to have impacts to the capital budget.

Risk Assessment

If the request for decision is not approved by Council, or approval is delayed beyond AUMA's submission deadline of 2019 March 1, the next opportunity for consideration will be the AUMA Convention held 2019 September 25 to 27, causing a delay in advocacy on this issue.

REASON(S) FOR RECOMMENDATION(S):

Council directed Administration through Notice of Motion C2019-0157 on Reviving Calgary's Real Estate and Construction Industries to bring forward resolutions on this issue for consideration at the 2019 meetings of AUMA and FCM.

ATTACHMENT(S)

1. Attachment 1 – AUMA Member Request For Decision on Regional-Based Mortgage Financing Stress Tests