

Deputy City Manager's Office Report to  
Intergovernmental Affairs Committee  
2019 May 16

ISC: UNRESTRICTED  
IGA2019-0619

## **FCM Resolution for Submission to the September FCM Board Meeting**

---

### **EXECUTIVE SUMMARY**

Albertans have been hit hard financially in recent years due to many factors including volatile oil prices, high unemployment rates and subpar job growth. These effects are compounded by the unintended consequences of the *B20 - Residential Mortgage Underwriting Practices and Procedures* (B20), issued by the federal Office of the Superintendent of Financial Institutions (OSFI) on 2018 January 1. This mortgage “stress test,” was intended primarily to cool overheated housing markets in cities like Vancouver and Toronto. However, because of its uniform application, B20 is negatively affecting jobs, economic activity, and the ability for first-time homebuyers to enter the market elsewhere, including Calgary.

On the basis of the direction given in Notice of Motion C2019-0157 on Reviving Calgary's Real Estate and Construction Industries (Attachment 1), this report proposes that Council call on the Federation of Canadian Municipalities (FCM) to adopt the resolution attached here (Attachment 2) urging the Government of Canada and OSFI adopt a regionally-sensitive application of the federal mortgage stress test.

#### **ADMINISTRATION RECOMMENDATION:**

That the Intergovernmental Affairs Committee recommends that Council endorse the attached resolution (Attachment 2) calling on FCM to advocate for a regional application of the federal mortgage stress test for consideration at the September meeting of the FCM Board in Waterloo, Ontario.

### **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). The intention was 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.

On 2019 March 4, Council approved Administration Report IGA2019-0215, approving the submission of an AUMA Request for Decision (similar to an FCM resolution) to the 2019 March 27-28 meeting of the AUMA Municipal Leaders' Caucus. In that report, Administration also noted that this recommendation for an FCM resolution would also be forthcoming.

### **BACKGROUND**

B20 was created in response to the unstable real estate markets in Vancouver and Toronto due to the combination of unsustainable price appreciation and high-debt ratios. It is difficult to ascertain the impact of B20 in those cities, given that local and provincial policies have also sought to address the issue. However, outside of those cities, including in Calgary, B20 has had many unintended consequences, such as:

- Exacerbating the slowdown in otherwise stable and buoyant real estate markets in cities such as Calgary where annual growth in real estate price from 2014 -2017 was around zero percent;
- A reduction in construction, creating fewer jobs in the homebuilding and related industries;

**Deputy City Manager's Office Report to  
Intergovernmental Affairs Committee  
2019 May 16**

**ISC: UNRESTRICTED  
IGA2019-0619**

**FCM Resolution for Submission to the September FCM Board Meeting**

---

- An overall net decrease in Calgary homeowners' property valuations; and
- A reduction in local economic activity (e.g. Gross Domestic Product).

While B20 applies only to federally-regulated financial institutions, provincially-regulated institutions have chosen to follow suit. In response, Council called on the AUMA to advocate to the Government of Alberta to direct local institutions to take a different approach to the rules in B20. This request for decision was passed overwhelmingly at the 2019 March 27-28 meeting of the AUMA's Municipal Leaders' Caucus, and the AUMA Executive Committee brought forward a recommendation to the Board on 2019 April 26 to send related correspondence to the provincial and federal governments (note: since this recommendation, the new provincial government has committed, during the recent provincial election campaign, to encourage provincially-regulated financial institutions to opt out of B20).

While AUMA's advocacy is focused primarily at the provincial government, FCM represents municipalities on the national stage. In part, this advocacy is guided by resolutions, brought by members in good standing, and approved by the Board of Directors. To be considered by the FCM Board of Directors at their next meeting in 2019 September, the attached resolution calling on the Government of Canada to adopt a regional approach to the B20 mortgage rules must be endorsed by Council prior to 2019 July 10.

**INVESTIGATION: ALTERNATIVES AND ANALYSIS**

The recommendation is to bring this resolution forward to the 2019 September meeting of the FCM Board of Directors. While possible to submit this resolution for consideration at the upcoming Annual Conference in Quebec City, it would have to first be submitted to a monthly meeting of FCM's Executive Committee and would have to be deemed to meet FCM's criteria as an emergency resolution. 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.

Since the original Notice of Motion, Administration has worked with FCM staff to craft an appropriate resolution with these considerations in mind, but also in light of a related resolution sponsored by the City of Victoria and passed at the FCM's 2018 Annual Conference. This City of Victoria resolution calls 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 there is some overlap with the direction in the recent Notice of Motion, the City of Victoria resolution is more focused on housing affordability, rather than the industry's contribution to the local economy, and omits any reference to the differentiated regional implications of the mortgage stress test. Moreover, whereas The City of Calgary Notice of Motion calls for specific action or change, the existing City of Victoria resolution simply asks the Government of Canada to "monitor" the effects of its decisions and adjust accordingly. Rather than seek to simply amend the existing City of Victoria resolution, the resolution proposed at Attachment 2 stands alone and asks FCM to embark on a distinct course of advocacy.

Deputy City Manager's Office Report to  
Intergovernmental Affairs Committee  
2019 May 16

ISC: UNRESTRICTED  
IGA2019-0619

## **FCM Resolution for Submission to the September FCM Board Meeting**

---

### **Stakeholder Engagement, Research and Communication**

Based on direction from Council and working in consultation with City of Calgary Finance as well as FCM staff, Intergovernmental and Corporate Strategy has prepared the proposed FCM resolution. Since the original Notice of Motion, the Mayor has also communicated Council's position on this matter directly to the Government of Canada by way of the attached letter (Attachment 3).

### **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:***

This report is not expected to impact the operating budget.

#### ***Current and Future Capital Budget:***

This report is not expected to impact the capital budget.

### **Risk Assessment**

If the request for decision is not approved by Council, or approval is delayed beyond FCM's submission deadline of 2019 July 10 the next opportunity for consideration will be the 2020 March meeting of the FCM Board of Directors, 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 FCM.

### **ATTACHMENT(S)**

1. Notice of Motion C2019-0157 on Reviving Calgary's Real Estate and Construction Industries
2. Proposed FCM Resolution on Regional-Based Mortgage Financing Stress Tests
3. 2019 March 4 Letter from Mayor Nenshi to Prime Minister Trudeau re Regionalized Amendments to B20 – Residential Mortgage Underwriting Practices and Procedures