



For the Committee of the Whole Meeting February 1 2018

Date: January 26, 2018

From: Mayor Helps

Subject: Proposed Amendment to FCM Motion re: Encouraging the Residential Use of Housing

Background

At the September 2017 UBCM convention, delegates endorsed a motion brought forward from the City of Victoria. The motion was also forwarded to FCM for their consideration. FCM has reviewed the motion and has suggested proposed amendments to it that they would like the City of Victoria to consider before the motion is presented to the FCM board for consideration at its board meeting in Laval in early March.

A number of federal measures have also been introduced from 2016 through to January 2018 intended to stabilize the housing market and address high levels of household debt. These measures may also help limit the increasing financialization of the housing market. These include:

- **February 2016.** The minimum down payment for new insured mortgages increased from 5 per cent to 10 per cent for the portion of the house price above \$500,000. The 5 per cent minimum down payment for properties up to \$500,000 remains unchanged.
- **October 2016.** Borrowers seeking insured mortgages (those who have less than a 20% down payment) are now required to prove they can meet their mortgage payments at a higher interest rate.
- **October 2016.** The principal-residence capital gains tax exemption is no longer available to non-residents, and an administrative loophole whereby families could claim more than one home as their principal residence for the purpose of taking advantage of this tax benefit is closed.
- **November 2016.** Mortgages insured by lenders through portfolio insurance and other *low* loan-to-value ratio mortgage insurance are now required to meet the same loan eligibility criteria as *high* loan-to-value insured mortgages.
- **January 2018.** Borrowers seeking uninsured mortgages (those who have more than a 20% down payment) are now required to qualify for mortgages that are two percentage points higher than the rates at which they are applying.

Related to some of these initiatives, in October 2016, the federal government committed to launching a consultation process with market participants on lender risk sharing, which they framed as a potential policy option that would require mortgage lenders to manage a portion of loan losses on insured mortgages that default. Currently, lenders are able to transfer virtually all of the risk of insured mortgages to mortgage insurers, and indirectly to taxpayers through the

government guarantee. No outcomes from these consultations have been reported by the federal government to-date.

Based on the actions that the government has taken, FCM suggests that the City of Victoria amend its motion as per Appendix A (with proposed changes in red).

Recommendations:

1. That Council endorse the motion as presented in Appendix A and forward it to FCM for consideration at their March board meeting.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'M. Helps', written in a cursive style.

Mayor Helps

Appendix A

2017 A2 Encouraging the Use of Residential Property for Housing

Victoria

Whereas residents and communities across **Canada** face acute housing affordability and housing availability challenges, threatening the economic security of individuals as well as the productivity and viability of local economies, as youth, seniors, people with disabilities and working people lack access to affordable housing options.

Whereas fiscal, taxation **and administrative** tools **can help** address these challenges by encouraging the use of residential property to provide housing, and discouraging speculation, “flipping,” commodity investment and other market distortions aimed at maximizing the exchange-value of residential property for the owner, while contributing toward a sharp escalation in the price of housing.

Whereas the federal government has recently introduced a limited number of measures designed to stabilize the housing market which could help ensure residential property is used for housing, including higher down payments, obligatory mortgage stress tests and changes to ensure capital gains exemptions on principal residences are not misused.

Therefore be it resolved that FCM ask the Government of Canada to **assess and publically 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.