



ASSOCIATION OF REGINA REALTORS® INC.
**SUBMISSION TO CITY OF REGINA COUNCIL ON 2009
RECOMMENDED BUDGET**

APRIL 16, 2009

INTRODUCTION

The purpose of this presentation is to inform City Council of the effect that property taxation has on housing affordability, comment on the issue of funding for local governments and to provide the Association's views on the 2009 proposed budget.

The Association of Regina REALTORS® Inc. operates the Multiple Listing Service® in Regina and area. In 2008, 3,600 properties valued at \$825 million were exchanged through the Regina MLS®. The vast majority of property transactions in Regina and area are handled through the Association's MLS®.

It is estimated that the impact of MLS® sales to the local economy through ancillary consumer expenditures relating to a property purchase and sale in 2008 was approximately \$81 million.

The Association represents 36 member offices and 370 individual REALTOR® members in the Regina area.

PROPERTY TAX AFFECTS HOUSING AFFORDABILITY

Up to 2006 Regina was listed as one of the most affordable markets in Canada. This has changed in the last two years due to a significant increase in prices.

The average price of homes sold through the Regina MLS® has increased from \$131,800 in 2006 to \$230,000 in 2008. The average price so far in 2009 is \$238,000. The significant changes in home prices have obviously had an effect on affordability particularly for first-time buyers.

Home affordability from a cost point of view is made up of four primary factors:

1. The purchase price of the home;
2. The cost of financing (mortgage interest rates) the purchase;
3. Utilities and insurance; and
4. Property taxation.

We believe that the large spikes in MLS® average price experienced in the past two years are behind us. We have now entered a period of the average price having flattened out and stabilized but are not seeing the declines being experienced in many other Canadian markets.

As property tax is one of the four affordability factors, any increase in taxation will serve to reduce affordability. We also need to recognize that property taxation has no necessary relationship to the income or ability-to-pay of the property owner.

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

In addition to home purchasers, affordability may also affect existing home owners and in particular those on fixed lower incomes. As Council is aware, the property tax is regressive in nature, having no necessary relationship to the income of the home owner. Increases in property taxation can have a significant impact on those currently on the margin of affordability.

FUNDING FOR LOCAL GOVERNMENTS

2009 marked a significant year with the provincial government having announced a new revenue-sharing formula for municipalities based on .9 of one-point of PST revenue in 2009 and a full point in 2010.

This is something that REALTORS® across the province had been calling for for many years. We believe this new model not only provides additional immediate funding for municipalities this and next year, but also incorporates the basic principle of tying funding for local government to economic growth in the province, rather than by arbitrary annual grants.

We commend the provincial government for taking this measure, and also for reforming funding for K-12 education by increasing its portion of the funding and in turn reducing the amount dependent on local property taxes.

We believe both these measures create the conditions for real property tax relief to be provided to property owners in Saskatchewan and across the province in this and future years.

ASSOCIATION POSITION ON PROPOSED 2009 BUDGET

The Association looks to Council to establish a taxation level that supports affordable housing and property ownership in the community; a taxation level that enhances Regina's competitiveness and contributes to the quality of life.

We recognize the work Council has done in recent years to minimize mill rate increases and expenditure savings resulting from the core services review.

Given the additional funding from the province, we support this budget which proposes a zero per cent change to the municipal portion of the property tax. We believe this will deliver the relief to Regina property owners, that was intended by the changes announced earlier this year by the provincial government in its budget. We fully support Council for taking this measure.

We do however make an observation regarding the growth in spending in this budget and previous budgets. This budget proposes an 8.6% increase in spending over 2008 with expenditures increasing from \$235M to \$256M. Since 2002 should this budget remain unchanged, City expenditures will have increased from \$180M to \$256M – a 42% increase or 6% per year over this period.

This is double the rate of annual inflation - we need to be concerned whether this rate of expenditure growth is sustainable without being required to be supported by rate increases in future years.

To summarize, we support the budget as proposed and commend Council for proposing a zero increase and allowing property owners to receive the benefit of relief from the reforms taken at the provincial level.

Thank you for providing the opportunity to provide input into the development of the 2009 budget. We would be pleased to respond to any questions.

Wayne White
ARR Political Action Representative

Submitted by Gord Archibald