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Rising Lumber Prices Boost Inspection Fees

The cost of lumber is rising significantly, adding thousands of dollars to the cost of building a home.

The average price for SPF (spruce, pine, fir) 2 x 4 in 2019 has increased from \$372 U.S. per thousand board feet to \$746, a jump of 100%.

Municipal inspection/permit fees often calculated by the “value of construction” are part of these rising housing costs.

These fees increase with lumber prices that may rise due to provincial stumpage rates, shortages from BC wildfires, pine beetle, etc. Yet the costs to inspect a new home may remain the same.

Value of construction calculation also includes labour, workers’ compensation, liability insurance, builder’s profit and other factors with little relationship to the cost of delivering municipal inspection services.

Significant surpluses are often generated by building permit fees, which are really a tax like the Property Transfer Tax based on market value, not the cost of doing a land transfer.

The BC government

receives about \$2 billion annually from the PTT, which goes to general revenue.

In recent years, surpluses of a million dollars have appeared in some municipal financial reports demonstrating the gap between fees and inspection costs.

While the fees may cover shortfalls in general administration, those services should be paid by annual property taxes, not by the mortgages of homebuyers.

The province has confirmed fees should be connected to the cost of providing a service and charged under the principle of reciprocity, eg. fair market fee for reciprocal service.

In compliance with this expectation, and in the interests of fairness and housing affordability, permit fees should change from the cost of construction to the cost of inspections

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