



Dusty Delain
President, VRBA

Rising Lumber Prices Boost Govt Fees, Taxes on Housing

Lumber costs have increased significantly adding thousands of dollars to building a new home.

The price of a 2x4 has more than doubled since 2019, while OSB has tripled.

In addition, the pandemic has disrupted supply chains for other materials creating shortages and high prices, also impacting the availability of skilled trades.

Government fees and taxes are part of these rising housing costs. For example, municipal building permit fees are often calculated from the “value of construction.”

“Value of construction,” in addition to materials like lumber, include labour, liability insurance, builder’s profit and other factors with no relationship to the cost of delivering municipal inspection services.

This municipal fee is really a tax like the Property Transfer Tax (PTT) based on market value.

The BC government receives up to \$2 billion annually from the PTT for doing simple land transfers. Their PTT revenue

increases along with the PST revenue from higher prices on materials.

Municipal fees should not be taxes, yet surpluses of one million dollars have appeared in financial reports revealing the gap between high building permit fees and the cost of building inspections.

This drives up housing prices as multiple levels of government generate significant revenue from the construction of a single new home.

Municipal fees should be connected to the cost of providing a service and charged under the principle of reciprocity - a fair market fee for reciprocal service.

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

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