



# Residential Contractors Deserve to be Paid on Time – but “Prompt Payment” Regulations are not the Solution.

Photo source: Vela Homes

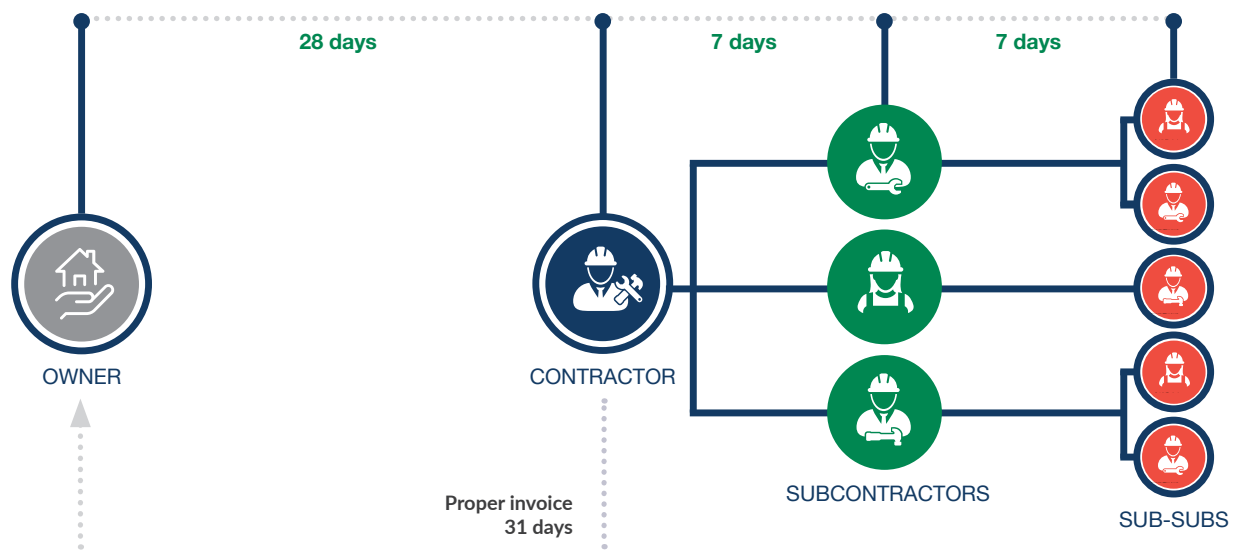
## Mandated payment periods won't guarantee faster payments because it doesn't reflect how homebuilders pay their invoices

Contractors in the homebuilding industry deserve to be paid on time – their livelihoods, families and businesses depend on it. That's why housing developers and builders maintain meticulous contracts and systems to ensure agreed-upon work for a project is timely paid for.

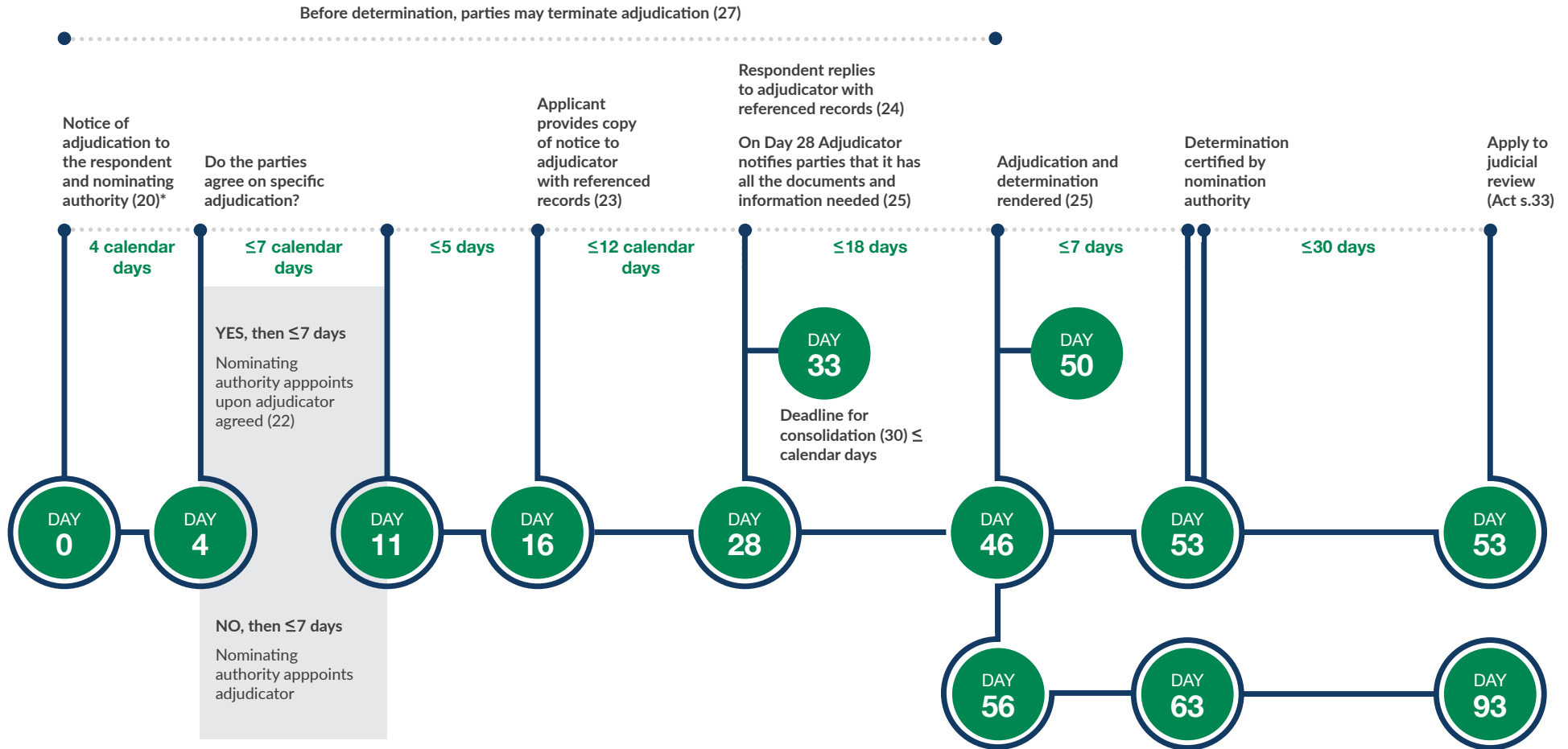
However, recent calls for what is known as “Prompt Payment” legislation would upend these business systems, forcing small-and medium-sized homebuilders to process invoices and make payments under unreasonable mandated timelines and processes.

Though well-intentioned, Prompt Payment does not guarantee payments – it just creates a different onerous process to try and collect payments and resolve disputes, on top of an ineffective lien system.

Here's what Prompt Payment could look like in a non-dispute scenario for one invoice:



# Dispute Scenario Under Prompt Payment for One Invoice



Note: Based on the Alberta model. Omits timelines and requirements for owner and contractor to file notice of disputes. For illustrative purposes only.

\* ( ) refers to section of the regulation

AR 23/2022 "calendar day" excludes Saturday and holidays

Interpretation Act "day" excludes Sundays and holidays





# Fixing the Current Lien System, Instead of Creating a New Ineffective Payment System.

Photo source: Kouver Custom Homes

## Improving the Builders Lien Act

The Builders' Lien Act is a mechanism already in place that gives contractors, material suppliers, and individual workers forms of security for payment. In 2020, the BC Law Institute, under the encouragement of the Ministry of Justice and the Attorney General of British Columbia, completed a comprehensive review of how to improve the Builders Lien Act.

A report was produced with several recommendations and solutions that would seek to address many of the construction payment problems Prompt Payment tries to address.

The BC Government is better positioned to revisit the recommendations of that report, rather than layer in a new payment and adjudicative system in the province.







# How are Homebuilding Invoices Paid?

Photo source: Tyson Building Solutions

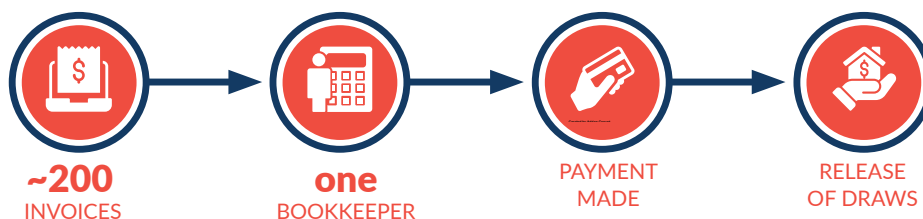
Any given residential project has hundreds of invoices coming in each month. Prompt payment would create multiple timelines and paperwork trails for a business to track, meaning hiring more staff to keep up. Administrative and legal costs will increase substantially under the complex unreasonable timelines and paperwork of a Prompt Payment regime.

## For a multi-unit builder



1. As many as 500 invoices can be received per month, per project, depending on the stage of work. Most builders have two or three projects on the go.
2. Invoices received during a set period (the end of the 28), are generally paid for by the end of the next month.
3. Quantity Surveyors or Payment Certifiers are required to audit the completion of work and sign-off to receive bank approval and the release of draws.

## For a single-family, custom home builder



1. Over 200 invoices can be received for one housing project but as many as 10 project could be on the go at a time
2. Typically, only one bookkeeper is managing the payments
3. Payments are made based on construction milestones or draws from financial lender.
4. Can be subject to longer draw schedules for homeowner projects financed under CMHC's uninsured mortgages.