



Home
Construction
Regulatory
Authority



BUSINESS PLAN

2021-2022

CONTENTS

INTRODUCTION	1
CORPORATE OVERVIEW	2
SERVICES	3
STAKEHOLDERS	4
BUSINESS PLAN OBJECTIVES	5
SPECIFIC IN-YEAR INITIATIVES	6
2021-2022 PRIORITIES AND OUTCOMES	7
CORPORATE STRUCTURE	11
RESOURCES	12
KEY RISKS	14
PERFORMANCE MEASURES	15
GOVERNANCE	16
CORPORATE POLICIES	16



INTRODUCTION

The Home Construction Regulatory Authority (HCRA) is a new administrative authority designated by the Government of Ontario as the regulatory authority under the New Home Construction Licensing Act, 2017 (NHCLA) to regulate and license Ontario's new home builders and vendors. The HCRA is a self-funded not-for-profit corporation without share capital.

In 2015, the Minister of Government and Consumer Services appointed former Associate Chief Justice J. Douglas Cunningham to conduct a review of Tarion, then the authority responsible for registration of vendors and builders and the oversight of the new home warranty program and related legislation. In Justice Cunningham's final report, two key recommendations were to:

- Separate the overseer of the new home warranty program from the new home vendor and builder regulator; and
- Give government responsibility to make rules, set standards and introduce modern regulatory and oversight measures to improve effectiveness, accountability, and transparency.

When Justice Cunningham's report was released, the Ontario government committed to separating the regulatory function from Tarion's other operational responsibilities. In 2017, the NHCLA was passed to implement this separation, as well as to modernize the regulatory framework and increase accountability and transparency.

As of February 1, 2021, the HCRA took on the licensing and regulation mandate. Tarion continues to provide new home warranty protection for homeowners.

This 2021/2022 business plan outlines the key priorities for the HCRA as it enters its first full year of operations.



CORPORATE OVERVIEW

Mandate

The HCRA is responsible for licensing the people and companies who build and sell new homes in Ontario. It is accountable for enforcing professional standards for competence, good conduct and financial responsibility while promoting and supporting a fair, safe and informed marketplace. It provides educational information and resources for consumers, including the Ontario Builder Directory, the official source of information about Ontario's builders and vendors. The HCRA serves to enhance consumer confidence in one of the biggest purchases of their lives – a new home.

Mission

- A well-regulated industry building better homes
- Continuous enhancement of consumer protection and home buyer confidence
- Fairness and efficiency
- Collaborating and innovating as a team and with stakeholders

Values

- **Fairness, Honesty, and Integrity:** acting truthfully and objectively to inspire confidence and trust from consumers and the home building industry
- **Service Excellence:** providing responsive, efficient, and effective services
- **Openness and Accountability:** being transparent in and accountable for actions and decisions
- **Collaboration and Innovation:** working as a team along with consumers and the industry to listen, learn and continuously seek new ideas, approaches, and solutions
- **Diversity and Inclusion:** welcoming all people and ideas with a commitment to inclusion, treating everyone respectfully and without bias



SERVICES

The HCRA provides the following services:

- **Licensing** – setting and monitoring standards of professional qualifications and conduct.
- **Handling complaints** – timely, fair, and transparent review and disposition of complaints, including possible inspection, investigation and prosecution of the most serious complaints.
- **Enforcement** – deterring illegal or unethical new home building and vending.
- **Education** – promoting awareness of best practices for navigating the new home buying process for new home buyers, and maintaining the Ontario Builder Directory as a reliable source of information about licensed builders and vendors.

Complaints Process

As a fundamental requirement for licensing, builders and vendors of new homes in Ontario must follow the law. The HCRA relies on the information and feedback provided by the public as one important way to identify and address violations of the rules. Complaints highlight potential and real harms faced by consumers which may result in regulatory actions available to the HCRA's licensing, compliance and enforcement teams.

The HCRA evaluates each complaint to determine the most appropriate action to address the specific concern and to support ongoing builder and vendor compliance. The HCRA may determine that no action will be taken if the allegations contained in the complaint are not supported by the evidence and information obtained by the HCRA.

French Language Services

The HCRA is committed to providing French language services to both the public and the industry, in accordance with section 28 of the NHCLA. Calls and inquiries to the HCRA contact centre can be addressed in French and the HCRA's website is fully bilingual (English/French). For new home builders and vendors, all licensing applications can be submitted and processed in French.

Accessibility

The HCRA is committed to ensuring that all services are accessible in accordance with the Accessibility for Ontarians with Disabilities Act, 2005 and any other relevant accessibility requirements. The HCRA is respectful of people with different abilities by removing barriers wherever possible.

COVID-19 Considerations

Every step of the HCRA's preparation and implementation has been informed by the risks associated with the COVID-19 pandemic. The HCRA recognizes that these are exceptional circumstances and understands that there may be ongoing impacts that will affect the new home construction sector. The HCRA will continue to follow the guidance of federal, provincial, and local health authorities to protect the health and well-being of all Ontarians. This includes ongoing monitoring of the potential effects of COVID-19 on the building sector generally and licensees specifically. The HCRA will continue to evaluate whether to hold in-person meetings and open its head office. All staff can continue to provide services, protect consumers, and support the industry remotely as necessary.





STAKEHOLDERS

The HCRA is committed to ongoing engagement with stakeholders, underpinning its commitment to transparency and accountability. The HCRA's stakeholders include:

Consumers

The HCRA serves to enhance consumer confidence in one of the biggest purchases of their lives – a new home. As a regulator, the HCRA strives to improve the new home buying and ownership experience in Ontario through effective licensing, compliance, enforcement and education. There will be ongoing dialogue with consumers and consumer representatives on how best to fulfill this mandate.

New Home Construction Sector

The new home construction sector in Ontario is made up of thousands of businesses engaged in the building and/or selling of new homes. The HCRA is committed to consulting with new home building industry stakeholders to ensure that its regulatory framework and actions support a fair, competitive environment with consideration for reducing unnecessary administrative burden.

Ontario Ministry of Government and Consumer Services (MGCS)

The HCRA is an administrative authority governed by a Board of Directors operating within an administrative agreement with the Minister of Government and Consumer Services. The Board of Directors is accountable to the Minister through the Board Chair, for the performance of the regulatory authority. The HCRA is committed to transparency and accountability in fulfilling its mandate and its obligations under the administrative agreement.

Tarion Warranty Corporation (Tarion)

Tarion administers Ontario's new home warranty and protection program. Tarion's role includes investigating new home owner warranty claims, resolving warranty disputes between new home owners and builders, and managing its Guarantee Fund, an important financial reserve to help protect Ontario consumers.

The Information Sharing Agreement between the HCRA and Tarion ensures that Tarion warranty history and other relevant information inform HCRA licensing, compliance and enforcement decisions. While being a separate and independent organization, the HCRA intends to collaborate with Tarion for the purpose of overseeing the industry effectively and without unnecessary duplication.



BUSINESS PLAN OBJECTIVES

Transitioning to Steady-State

The HCRA is committed to a sound business planning process to ensure it will fulfill its consumer protection mandate.

This business plan will guide HCRA operations during its first full year as it transitions from start-up to steady-state. The HCRA will report on the outcome of its activities in its first year and on the achievement of its priorities in the 2021/2022 annual report.

The HCRA is in the unique position of having newly assumed responsibility for licensing that was previously conducted by another regulator and that has been modernized under legislation. In addition, there are aspects of the legislative framework that are not yet in force, such as the Code of Ethics regulation that establishes the Code and the HCRA's future Discipline and Appeals committees. Managing the continued transitional modernization of the licensing and compliance framework adds a level of complexity to operations and has stretched the "building phase" into the HCRA's first year of operations. The HCRA understands this challenge and has created this plan with a focus on consolidating its operations, including refinements of its licensing and compliance policies and operational procedures, and needed enhancements of information technology.

This business plan is one year in scope. Due to the recent launch of the HCRA, it has not been possible to extensively consult on its priorities. As such, this plan does not itself establish long-term strategic objectives.

An objective in the 2021/2022 year will be to develop a three-year strategic plan that will guide subsequent annual business plans. This strategic framework is needed to provide a path forward for the regulation of the new home construction industry. From an organizational standpoint, the strategic framework will outline priorities and guide strategic decision-making. The framework will also keep the HCRA accountable for fulfilling its mandate. Due to the importance of this exercise, the HCRA is committed to involving its stakeholders in its strategic planning. This is critical work that will serve as the foundation of the organization's approach to the next three years.

One objective in the coming years will be fulfillment of the HCRA's legislated mandate to conduct research into cost-effective building techniques, processes and materials, and to work with others to highlight best practices in home construction. As part of the strategic planning process, further discussion is needed about how to address this area. This will require that the HCRA follow the trends in home building, product advancement and market research that characterize a rapidly changing building environment. The HCRA intends to work with stakeholders in the new home building sector – including consumers, builders, vendors, industry associations and Tarion – to determine how best to support licensees in keeping pace with the increasing complexity and innovation in the new home building industry.



SPECIFIC IN-YEAR INITIATIVES

In addition to the development of a multi-year strategic plan, there are several specific initiatives to be undertaken in 2021/2022.

Code of Ethics

Under the NHCLA, the Minister of Government of Consumer Services has established a Code of Ethics for the new home construction sector that will come into force on July 1, 2021. The Code of Ethics will set out clear ethical standards that Ontario's new home builders and vendors are required to meet, along with a discipline and appeals process.

The HCRA is preparing for the implementation and enforcement of the Code of Ethics. This includes the establishment of a Discipline Committee and an Appeals Committee.

Construction Site Supervisors

The Auditor General of Ontario completed a 'Special Audit of the Tarion Warranty Corporation' in October of 2019. The report produced a range of recommendations, some of which apply to the licensing function. With the transfer of the licensing function to the HCRA as of February 1, 2021, the HCRA assumed responsibility of the Auditor General recommendations that are relevant to its mandate. One such recommendation (Recommendation 9) involves the demonstration of technical competence by new home construction site supervisors. The HCRA has begun working with the MGCS and other key stakeholders to address the recommendation.

Review of Illegal Building

In 2015, Tarion introduced a new illegal building prevention project in partnership with the Ontario Home Builders' Association (OHBA), the Ontario Building Officials Association (OBOA) and 15 municipalities. The goal was to identify and prevent illegal building activities before a buyer purchases a new home. The project has had limited success, and the Auditor General has questioned its effectiveness. At the time of launch, the HCRA made the decision to discontinue the project, and conduct a review of how to curtail illegal building more effectively. The HCRA is actively engaged in investigating all specific illegal building concerns brought to its attention and committed to vigorous enforcement of the legislative requirements.

Consumer Education and the Ontario Builder Directory (OBD)

The HCRA will work to improve consumer awareness and education about new home buying, new home construction, ownership, maintenance and relationships between builder and buyer. In particular, the HCRA will continue to enhance and update the Ontario Builder Directory to provide consumers with more detailed information about the track record of home builders and vendors. Consultations with consumers and industry will be conducted on what OBD augmentation would be most informative and fair.



2021-2022 PRIORITIES AND OUTCOMES

Strengthened Operational Effectiveness – Key Enabler to Meeting 2021-22 Priorities

In its first year of operations, the HCRA is focused on strengthening operational effectiveness by ensuring it has the right people, information technology, and financial controllership processes and policies in place to ensure its mandate can be achieved.

This focus will enable the HCRA's work toward its 2021-2022 priority objectives, facilitating fulfillment of its mission of enhancing consumer protection and overseeing a well-regulated industry. These priority objectives are:

1. **Consumer protection** – we protect the public interest by regulating a fair, safe, and informed new home construction sector.
2. **Enhanced accountability and engagement** – we have the right governance, accountability and engagement to ensure we are well directed, transparent and understood.
3. **Consolidation of licensing function** – in support of the effective and well understood separation of licensing from Tarion, we will continually refine processes that limit the disruption to new home buyers as well as new home builders and vendors.

In regard to measuring progress on these priorities, the HCRA was designated on February 1, 2021. As a result, the organization does not yet have the required data to provide any year-to-year comparison. In addition, many of the objectives and planned activities are foundational and not readily quantifiable. The HCRA has to forego providing measurable values to these priorities and will focus on developing processes to allow for effective performance reporting in the future.



1. Consumer protection

Objectives	Activities
License the people and companies who are qualified to build and/or sell new homes in Ontario in a fair and efficient manner	<ul style="list-style-type: none"> Effectively and efficiently process licensing applications by improving processes and taking advantage of available technology Support information sharing with Tarion to ensure licensing decisions are fully informed by licensee regulatory history and warranty experience Develop enhanced capacity to communicate with licensees and new applicants to provide timely notifications and to explain requirements
Enable buyers to make informed decisions when purchasing a new home	<ul style="list-style-type: none"> Improve and promote education materials that are more accessible and easily understood Promote the OBD as the go-to source of information about licensed new home builders and vendors Augment the OBD, including implementation of the Auditor General’s recommendations Continue to work with Tarion to ensure key data points are being shared so that the OBD is populated with relevant and up-to-date warranty information
Enable access to transparent mechanisms to file a complaint	<ul style="list-style-type: none"> Enhance staff capacity to support, process and resolve conduct complaints Publish statistics related to complaints
Ensure that new home builders and vendors are accountable for their actions and HCRA compliance measures are proportionate to the risk being managed	<ul style="list-style-type: none"> Implement the Code of Ethics regulation by establishing Discipline and Appeals committees and providing clear notification to the industry about their requirements Implement compliance policies that support effective, fair, consistent and impartial decisions that foster confidence Use a case management system for investigations per Recommendation 23 of the ‘Special Audit of the Tarion Warranty Corporation’



2. Enhanced accountability and engagement

Objectives	Activities
<p>Create the governance foundation for the HCRA</p>	<ul style="list-style-type: none"> • Undertake a formal strategic planning process identifying the HCRA’s vision, goals and long-term strategies • Develop a process for strategic planning and performance measurement • Develop and implement a risk management framework that identifies and mitigates regulatory risks
<p>Demonstrate accountability and transparency</p>	<ul style="list-style-type: none"> • Establish an approach to public consultations, including the HCRA’s first public Annual Meeting • Continuously improve the OBD to provide relevant and transparent information about licensees such as conditions on a licence and decisions from Discipline and Appeals Committees
<p>Communicate and generate awareness of the HCRA’s mandate and distinct processes</p>	<ul style="list-style-type: none"> • Build a clear brand proposition for the HCRA as an effective licensor and regulator of new home builders and vendors • Reinforce clarity about the respective roles of Tarion and the HCRA through communications to affirm the separation of licensing from warranty • Use a variety of communication tools such as the website, social media and newsletters to engage with a broad public audience
<p>Engage with key stakeholders to identify ways to improve</p>	<ul style="list-style-type: none"> • Develop and implement a stakeholder engagement strategy • Collaborate with Administrative Authorities to better understand best regulatory practices • Consult on key initiatives with interim consumer and industry advisory forums • Establish advisory councils

3. Consolidation of licensing function

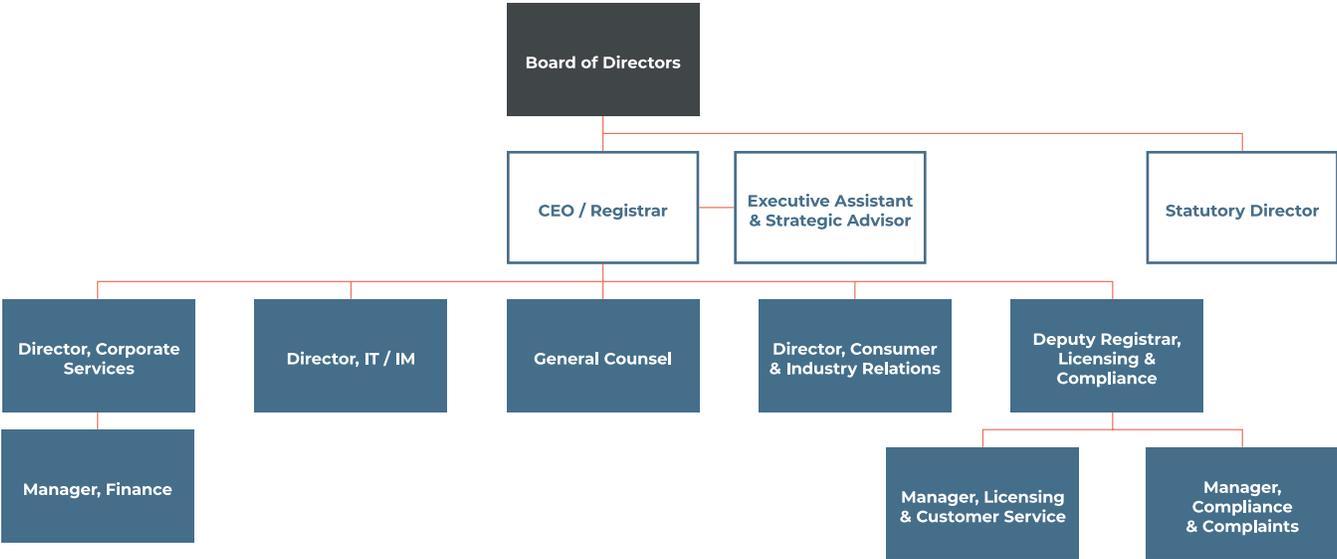
Objectives	Activities
Build strong IT infrastructure that reliably supports operational effectiveness	<ul style="list-style-type: none">• Use technology tools to better meet business needs with a focus on managing and processing licensing applications• Employ cybersecurity measures including ongoing education of system users about cyber risks
Build an effective team that collaborates and innovates	<ul style="list-style-type: none">• Establish and follow fair HR policies• Institute a robust performance management and development program• Management fosters the values of the HCRA: fairness, honesty and integrity; service excellence; openness and accountability; collaboration and innovation; diversity and inclusion



CORPORATE STRUCTURE

The HCRA has modelled its organizational structure and service delivery based on being a lean organization whose operations are entirely funded by licensing fees (including the HCRA Regulatory Oversight fee) and which must always demonstrate efficiency, effectiveness and value for money. All of the HCRA's staffing complement work full time in licensing, compliance, enforcement and information roles or in other roles that directly support these functions. The organizational structure, set out in the diagram below, allows the HCRA to deliver its regulatory mandate under the NHCLA in a lean manner consistent with the best practices of a modern regulator.

HCRA Organizational Structure



RESOURCES

Financial Resources – Budget

The HCRA’s operations are fully funded by licensing and regulatory oversight fees. The HCRA will work to demonstrate good value for money so that the benefits of the NHCLA regulatory requirements justify the resulting costs for both industry and the public.

The HCRA has developed a budget of the anticipated operating costs to deliver the intended licensing, compliance monitoring, enforcement and public education services. The fees charged to new home builders and vendors were set to be sufficient to fund the resources that may be required over three years to ensure fee stability for the sector. It is important that an efficient and effective level of services be maintained over the three years following the HCRA’s designation to avoid increases in fees or reductions in service levels.

Revenue and Expense Forecast Three-Year Financial Outlook 2021-22 to 2023-24

	2021-22 (Budget) \$	2022-23 (Outlook) \$	2023-24 (Outlook) \$
Revenues:			
Licensing Fees	3,633,717	3,202,000	3,202,000
Oversight Fees	8,120,000	8,120,000	8,120,000
Other Income	300,000	300,000	300,000
Total Revenues	12,053,717	11,622,000	11,622,000
Expenditures:			
Human Resources/Board	6,292,391	6,933,360	7,197,993
Operating	5,000,599	3,987,699	3,492,699
Amortization	433,077	400,000	400,000
Total Expenditures	11,726,067	11,321,059	11,090,692
Net Surplus / Deficit for the period	327,650	300,941	531,308



Human Resources

The HCRA is carefully assessing its business needs during its first three years to determine the most appropriate staff levels that are required each year. This includes ongoing assessment of its core business processes to identify opportunities to streamline and flatten process requirements, reduce unnecessary burdens on licensees and maximize the use of technologies to support efficient and effective regulatory processes.

Staffing will be done with prudence, and in accordance with the HCRA's HR policies, by management and through oversight by the HCRA Board of Directors.

Human resources will be managed to attract and retain a high-performing workforce with the technical and professional skills needed to fulfill the HCRA's mandate. The HCRA will also recruit a team that supports a healthy organizational environment and that encourages staff to uphold the HCRA's values and achieve its goals.

Information Technology

In the first year of operations, the HCRA will complete the full implementation of the core technology tools that are required to fulfill its mandate. This includes refining the internal infrastructures used to support corporate and organizational functioning, including processing fees and ensuring financial controllership. The top priority is to enhance external facing products – the website, OBD, complaints and inquiry forms, and the Builder Portal – that allow stakeholders to interact and engage with the HCRA. The HCRA is committed to being a digital-first organization.

In future years, investment will support the HCRA in taking on projects that improve service delivery.

The HCRA's information technology services team has planned and prepared for many different contingencies. However, a start-up regulator must also respond to unanticipated requests and requirements as it moves to a fully implemented information technology system.

The HCRA recognizes the importance of being prepared to address emerging threats and potential cybersecurity attacks. New home builders and vendors across the province entrust the HCRA to keep their information private and secure. The HCRA, similar to any other organization, could be the target of cybersecurity attacks. These threats are top-of-mind for the HCRA, and HCRA staff are continuously trained on how to identify and mitigate these potential threats. As well, the HCRA implements regular third-party cybersecurity assessments. In keeping with the organization's approach to risk management, the HCRA will maintain Board-level and senior management-level engagement on this ongoing risk. The HCRA is committed to applying the best practices in cybersecurity.



KEY RISKS

The HCRA has implemented an enterprise risk management plan to identify, assess and properly manage risks. The plan includes reporting high priorities to the Board of Directors, along with a monthly review to identify new risks and assess current risks. The plan is designed to identify who is responsible for providing guidance on how to manage the risk, as well as the warning signs that indicate whether the risk has occurred or is about to occur.

Once a risk has been properly identified and categorized, the HCRA determines the likelihood of the risk occurring (low, moderate, high) and its potential impact (minor, moderate, severe). High likelihood and severe impact risks are elevated to the Board of Directors' attention along with a mitigation plan and closure criteria.

This risk management plan will be refined and enhanced as the HCRA continues to grow and learns more from its experience. The table below highlights the key risks that the HCRA has identified and is mitigating. In keeping with its risk management plan, there are additional risks that the HCRA is mitigating but are not reflected in the table due to their low likelihood and low impact.

Risk	Likelihood	Impact	Mitigation Plan
FINANCE			
Inability to address service demands due to budget constraints	Moderate	Moderate	<ul style="list-style-type: none"> Monthly monitoring of budget Creation of a contingency fund Review of statements by the Finance, Audit and Risk committee
OPERATIONAL / HUMAN RESOURCES			
Inability to provide timely processing of licences and complaints	Moderate	Moderate	<ul style="list-style-type: none"> Regularly assess internal processes to identify inefficiencies Regularly assess staffing needs Develop and implement performance measurement framework for performance monitoring
INFORMATION TECHNOLOGY			
Cybersecurity event leading to compromised confidential data, impaired operations and reputational liability	Low	Severe	<ul style="list-style-type: none"> Ensure policy, user education and technological defences are continuously maintained and monitored Regular assessments by third party security consultants
Significant technology failure leading to inability to deliver services	Low	Severe	<ul style="list-style-type: none"> "Digital First" organization with technology infrastructure hosted in an enterprise grade cloud environment Back-ups of all critical data occurring on a regular and frequent basis Business Continuity Plan will be triggered should a failure occur at any point within the environment
STAKEHOLDER ENGAGEMENT			
Real or perceived regulatory model failure, including public criticism, leading to loss of reputation	Low	Severe	<ul style="list-style-type: none"> Transparent public reporting through business plans and annual reports available to the public Consultation with the sector and public on strategic initiatives Establishment of an advisory process for direct input to the Board on matters of consumer protection Maintain positive relationship with the MGCS and other Administrative Authorities



PERFORMANCE MEASURES

The HCRA understands the importance of establishing performance measures and reporting on them. This holds the entire organization accountable, assists with continuous improvement and demonstrates how effective the HCRA is at carrying out its mandate. In the early stages of the organization, the HCRA has placed an emphasis on the planned work. Activity and output-based indicators will be used to distinguish between the planning required to deliver services and the actual completion of services. As the HCRA matures as an organization, outcome-based indicators will be used to ensure consumer protection remains at the forefront of all decision-making. However, in the interim, the HCRA is focused on measuring its progress in carrying out its statutory mandate. The indicators listed below have no targets set as yet due to the limited data the HCRA has available at this early stage of its operations.

Licensing and Customer Service

Activities

- Average processing time for a new licence application
- Average processing time for a renewal application
- Number of inquiries received

Outputs

- Number of licences issued
- Unique site visits to the Ontario Builder Directory

Complaints and Compliance

Activities

- Number of complaints received
- Number of investigations/inspections

Outputs

- Number of open and closed complaints
- Number of open and closed investigations
- Outcomes of closed complaints
- Number of notice of proposals issued



GOVERNANCE

The HCRA is governed by a nine-person Board of Directors, consisting of six elected members and three members appointed by the Minister of Government and Consumer Services. The HCRA’s Board of Directors is responsible for providing strategic leadership. The HCRA’s current Board is comprised of the following members:

Virginia West, <i>Chair</i>	Rinku Deswal	Av Maharaj
Marg Rappolt, <i>Vice-Chair</i>	Hugh Heron	David Stimac
Eric DenOuden	Mary Kardos Burton	Terence Young

CORPORATE POLICIES

Corporate policies are used to guide the organization’s decision-making. The following policies are Board-approved and are required to be publicly available as set out in the administrative agreement between the HCRA and the Minister of Government and Consumer Services.

Expense Policy

This policy sets out the principles, accountability framework and rules for reimbursing all travel, meal and hospitality expenses while undertaking business on behalf of the HCRA.

Procurement Policy

This policy sets out the principles the HCRA will follow for the acquisition of goods and services and the approval of expenditures.



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