



## Notice of Licensing Fees

### Introduction

A home is the largest purchase most people make in their lives.

Ontario home buyers deserve to know that their builder is competent and treats them fairly, that their new home has been built safely and properly, and that any defects will be taken care of in a timely manner.

Builders of new homes in Ontario deserve to know that they are competing on a level playing field with clear licensing requirements and under an enforcement regime that can weed out the builders who do not follow the rules.

To support this, the Ontario government is rebuilding consumer protection for new home buyers “from the ground up” to ensure a fair, safe and informed marketplace that supports a competitive economy.

Starting in February 2021, there will be two organizations overseeing consumer protection for new home buyers: the Tarion Warranty Corporation will be responsible for administering each new home’s warranty, while the Home Construction Regulatory Authority (HCRA) will be responsible for licensing and regulating new home builders/vendors.

The HCRA is currently preparing to be designated by the Ontario government as the regulatory authority for new home builders/vendors under the New Home Construction Licensing Act, 2017. The HCRA will be responsible for licensing the people and companies that build and sell new homes in Ontario. It will also provide educational information for consumers, as well as manage the Ontario Builder Directory: the official source of information about Ontario’s licensed home builders.

The HCRA’s licensing regime will give consumers assurance that a new home builder or vendor has met and continues to meet specific standards for competence, honesty and integrity, compliance with the law, and financial responsibility, while licensed new home builders and vendors can be confident that they are competing on a level playing field.

The HCRA will take a modern regulatory approach by:

- Raising standards of conduct to enhance professionalism in the new home construction industry
- Providing a clear and straightforward formal complaints process supported by online forms and a contact centre
- Developing a strong risk-management framework that uses historical builder performance data to identify risks to consumers and guide compliance and enforcement activities to focus on high-risk licensees, including, where appropriate, suspending or revoking licences and prosecuting offences
- Using newly available investigative and regulatory tools to undertake more effective compliance actions, including:
  - Implementing and administering the discipline and appeals processes related to the Code of Ethics regulation, once developed and in force

- Use of:
  - letters of warning
  - competency course requirements
  - proactive inspections
  - freeze orders
  - restraining orders
  - compliance orders

Effective consumer protection requires resources. The HCRA is providing notice of its fees to provide the public and the industry with a deeper understanding of its functions, value for money approach, and supporting analysis.

The overall fees for new home builders/vendors will be changing.

Tarion will no longer be registering builders, and so it will no longer charge registration fees. Instead, the HCRA will be charging the following new and annual renewal licensing fees (not all fees will apply to all builders):

Fee Type	Previous Tarion Registration Fees	HCRA Licence Fees	Change
<b>New Licence - Umbrella</b>	\$600	\$750	+\$150
<b>New Licence - Non-Umbrella</b>	\$2,500	\$3,000	+\$500
<b>Renewal</b>	\$500	\$500	-
<b>Fast-Track Renewal</b>	\$300	\$300	-
<b>Late Renewal (in addition to renewal fee)</b>	\$500	\$600	+\$100

The licensing fees by themselves do not fully cover all the HCRA’s forecasted costs, including complaint handling, inspection, investigation, prosecution, public awareness campaigns, website development and maintenance, governance programs, government oversight, and general administration. Both Tarion and the HCRA will charge enrolment fees for their respective programs: the Tarion warranty enrolment fee and an HCRA “Regulatory Oversight Fee”. Taken together, the overall effect on builders will be an increase of \$90 per home/enrolment, as shown below:

	HCRA Fee	Tarion Fee Change	Net Change
<b>HCRA Regulatory Oversight Fee</b>			
<b>All homes</b>			
Note: While Tarion’s fees are dependent on the value of an individual home, the HCRA will be charging a flat fee.	\$145	-\$55	+\$90

## Background

In 2017, the Ontario Legislature passed the New Home Construction Licensing Act, 2017 (NHCLA), which gave the Government of Ontario the power to designate a new regulatory authority that would be responsible for licensing new home vendors and builders – the Home Construction Regulatory Authority.

A key part of this designation is an [administrative agreement](#) between the Minister of Government and Consumer Services and the HCRA. Among other things, the administrative agreement requires the HCRA to set fees on a cost recovery basis while considering the potential impact of the fee on new home builders and vendors. That means that the HCRA will be charging new home builders and vendors the fees needed to fund its consumer protection functions:

- Licensing – setting and monitoring standards of professional qualifications and conduct
- Complaints process – timely, thorough, fair, and transparent review and disposition of home buyer complaints, including possible investigation and prosecution of the most serious complaints
- Enforcement – deterring illegal/unethical builders
- Information – maintaining the Ontario Builder Directory and providing helpful educational materials to new home buyers

## Value for Money

The HCRA is committed to conducting its regulatory activities in a lean, efficient and effective manner that focuses on desired outcomes in the public interest. Since its operations are funded by licensing and registration fees that are often passed along to consumers, the HCRA will work to demonstrate good value for money so that the benefits of the NHCLA regulatory requirements justify the resulting costs.

In carrying out its licensing responsibilities, the HCRA will:

- Be focused on consumer protection for new home buyers in Ontario while minimizing regulatory burden to new home vendors and builders
- Adhere to public interest standards of accountability to the government and transparency to the public, including an administrative agreement, business plans and annual reports, and third-party audits
- Systematically address the Auditor General's recommendations in the 2019 Special Audit of Tarion Warranty Corporation that apply to the functions taken on by the HCRA<sup>1</sup>
- Be a self-sustaining, cost-efficient entity that is supported by appropriate licensing fees

Similarly, the HCRA recognizes the need to review and assess its implementation of regulatory requirements to ensure they do not impose unnecessary costs, are not overly prescriptive, and do not result in negative impacts on the regulated community. The HCRA's focus will be on balancing high expectations for regulatory effectiveness with minimizing burdens that are unconnected to risks of harm to consumers.

## Guiding Principles

The HCRA used a series of guiding principles to determine its approach to fees.

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<sup>1</sup> In October of 2019, the Office of the Auditor General of Ontario completed a Special Audit of the Tarion Warranty Corporation: [https://www.auditor.on.ca/en/content/specialreports/specialreports/Tarion\\_en.pdf](https://www.auditor.on.ca/en/content/specialreports/specialreports/Tarion_en.pdf)

- **Impact on the new home building sector:** The HCRA set fees with due consideration of the potential impact of the fee or fee change on new home builders, vendors, and buyers, including consideration of the enrolment fees Tarion has or will also set.
- **Supporting the HCRA’s mandate:** The HCRA set fees to fully support the organization as a separate and independent regulator capable of fulfilling its statutory mandate to protect consumers while demonstrating value for money and achieving operational efficiencies.
- **Cost-recovery:** The HCRA fees are set on a cost-recovery basis sufficient to cover all of the HCRA business plans and forecasted costs, including those which cannot be directly attributable to the payees, including complaint handling, inspection, investigation, prosecution, public awareness campaigns, website development and maintenance, governance programs, government oversight, and general administration.
- **Principled variability:** The relative fees charged for different services and licence types reflect:
  - The comparative costs to the HCRA for processing applications or providing the services;
  - The period during which a licence will be effective; and
  - Uniform application across the province, regardless of geographic location.

## Fee Categories

The HCRA fees are split into two categories. The first are **licensing fees** charged per licence application/renewal. The second is a **flat fee** charged per home to ensure regulatory oversight of the home building sector in Ontario. Under this model, new applicants for a licence would pay a one-time new application fee, new and existing licensees would pay an annual renewal fee, and all licensees would pay a regulatory oversight fee for each new home. The official amounts are set out in the chart below, along with a comparison to the previous Tarion fees.

## HCRA’s Fee Structure

### Licensing Fees

	Previous Tarion Fee	HCRA Fee	+/- Change
Licensing Fees			
a) New Licence - Umbrella	\$600	\$750	+\$150
b) New Licence - Non-Umbrella	\$2,500	\$3,000	+\$500
c) Renewal	\$500	\$500	-
d) Fast-Track Renewal	\$300	\$300	-
e) Late Renewal (in addition to renewal fee)	\$500	\$600	+\$100

### Description of Licensing Fees

#### A) New Licence Fee – Umbrella

This is a one-time, new licence fee for those applying as part of an umbrella group. Applying as part of an umbrella group means that the applicant shares at least one common principal, director, officer, or partner with another licensed vendor/builder. This

fee is lower than the non-umbrella because the effort to assess the applicant is decreased with the ability to review the historical records of the shared principal(s), director(s), officer(s), or partner(s).

**B) New Licence Fee – Non-Umbrella**

This is a one-time, new licence fee for a new applicant with no corporate history as a licensee.

**C) Renewal Fee**

This is the annual fee every licensee must pay to maintain their licence. The renewal fee is paid each year through the licence renewal process.

**D) Fast-Track Renewal Fee**

This is the fee for a licensee the HCRA has qualified for the fast-track renewal process. The fee is lower because the builder/vendor has been identified as lower risk, and therefore, less administrative effort is required to assess the renewal application. The licensee must qualify for the fast-track process and does so by meeting specific licensing, financial, and warranty performance criteria.

**E) Late Renewal Fee**

This is the penalty fee for submitting a late renewal application.

**Flat fee – “HCRA Regulatory Oversight Fee”**

	<b>Previous Tarion Fee</b>	<b>HCRA Fee</b>	<b>+/- Change</b>
Flat fee - HCRA Regulatory Oversight Fee			
All homes	-	\$145	+\$145

**Description of Flat Fee – “HCRA Regulatory Oversight Fee”**

A \$145 fee will be collected on a per-home basis to support the HCRA’s regulatory oversight efforts. The new licence and renewal fees alone do not provide sufficient resources for the HCRA to fulfill its mandate. The per home fee would partially fund the HCRA’s operations, including the continued monitoring of licensed builders and vendors, managing the complaints process for consumers, maintaining the Ontario Builder Directory, and addressing non-compliance, including illegal building activity. This cost has previously been included in Tarion’s enrolment fees.

This per home fee is a flat fee for all builders regardless of their size. Tarion’s enrolment fees are based on the selling price of the home to account for warranty risk, which increases with the value of the home. Because the HCRA does not cover warranty claims, the HCRA’s Regulatory Oversight Fee per home will be flat regardless of the value of the home. It is expected that licensees would pay this fee at the same time that each home is enrolled with Tarion.

**Relationship with Tarion’s Fees**

The HCRA recognizes that its licensing fees are not the only fees that vendors and builders will pay to participate in the new home construction sector. In order to cover warranty risk, Tarion will continue to charge enrolment fees (based on the selling price of the home) on a per-home basis. This means that the fees for a builder will include:

- The HCRA's licensing fee (one-time new application fee for new builders, and then an annual renewal fee);
- The HCRA's Regulatory Oversight Fee collected per home; and
- Tarion's home enrolment fee, also collected per home.

Tarion is reducing its enrolment fees by \$55 per home upon the HCRA's launch in order to reduce the overall increase to fees collected on a per-home basis. This reduction will not offset the entire amount of the HCRA's per property fee, resulting in an increase to the overall fees paid by builder/vendors of \$90. This increase will fund improved regulation, enhanced consumer protection and increased consumer confidence in the new home construction sector.