Home Construction Regulatory Authority

Annual Report

2023 2024

Table of Contents

INTRODUCTION	3
THE YEAR IN NUMBERS	4
ABOUT THE HCRA	5
CORE SERVICES	6
MESSAGE FROM THE CHAIR OF THE BOARD	8
MESSAGE FROM THE CEO AND REGISTRAR	9
CORPORATE GOVERNANCE	11
ORGANIZATIONAL STRUCTURE	16
REPORT ON PERFORMANCE	17
FINANCIAL REPORT	35
INDEPENDENT AUDITOR'S REPORT	37

Introduction

The Home Construction Regulatory Authority (HCRA) licenses the people and companies who build and sell new homes in Ontario. In addition to regulating these builders and sellers, we protect consumers by providing them with educational resources and information to guide them in the home buying journey. We also work to support the continuous improvement of the new home building industry in the province.

The HCRA holds licensed builders to professional standards for competence and conduct, giving home buyers confidence when making one of the biggest purchases of their lives – a new home. In addition to licensing, the HCRA provides tools and resources for consumers to make informed decisions, including the Builder Directory, the authoritative source of background information about each of Ontario's nearly 7,000 new home builders and sellers.

The HCRA also provides a transparent complaints system for **voicing concerns, protecting consumers and informing future improvements** for competency and conduct expectations.

The HCRA is a not-for-profit corporation designated by the provincial government to administer and enforce the *New Home Construction Licensing Act, 2017* and associated regulations. As an administrative authority, the HCRA operates independently of government and the industry and is committed to building on its work to ensure Ontario continues to have a well-managed and thriving new home sector.

The HCRA set out its strategic priorities, objectives, and performance measures in its annual 2023-24 Business Plan. This report outlines the activities that were completed from April 1, 2023 to March 31, 2024. This is the third full year of operations.

The Year in Numbers

April 1, 2023 - March 31, 2024

7,141

Licence applications received

770

New licence applications received

6,371

Renewal applications received

6,971

Number of Licensees on Mar 31, 2024

10,790

Inbound phone calls

472,041

Builder Directory searches (Total licensee and warranty searches)

655,185

Website views

843

Complaints received

593 Complaints against licensees

250 Complaints against illegal builders and sellers

About the HCRA

Mandate

To protect consumers, the HCRA regulates new home builders and sellers in Ontario. In addition to licensing, it enforces professional standards for competence, good conduct, and financial responsibility, protecting consumers through a fair, safe, and informed marketplace. The HCRA also provides new home buyers with educational tools and resources in their home buying journey, including the Builder Directory, the authoritative source of information about Ontario's nearly 7,000 licensed home builders and sellers.

Vision

Fostering a professional new home building industry that Ontarians can trust.

Mission

A fair, effective, and proactive regulator of new home builders and vendors that supports a positive consumer experience.

Values

- **Service excellence**
- **Respectfulness**
- **Learning & innovating**
- **Continuous improvement**
- **Fairness**
- **Integrity**
- **Diversity & inclusion**
- **Accountability**

Core Services

- **Licensing** – set standards of professional qualifications and conduct; process applications and renewals for licences to build and sell new homes; manage the Builder Portal – an online resource used for licensing applications and renewals.
- **Complaints and Professional Conduct** – address inquiries, concerns and complaints about licensee conduct through a fair, thorough, evidence-based process, including possible inspections, referral to the discipline process and taking corrective action or licensing actions.
- **Compliance and Enforcement** – use the appropriate legal and regulatory tools to investigate, promote compliance and, if necessary, follow up with enforcement measures, including prosecution, to curb illegal building and selling in Ontario's new home building sector.
- **Technical Research & Education** – in partnership with stakeholders, research and develop educational resources that prepare builders for upcoming technical trends and best practices in home construction.
- **Consumer Education** – in cooperation with consumers and consumer organizations, develop, publicize, and promote educational resources that support consumer protection, education, and awareness regarding home buying and home ownership; manage the Builder Directory – a searchable database with information about each of Ontario's licensed builders and newly built homes enrolled in Tarion's warranty guarantee program.

Accessible Services

The HCRA is committed to ensuring all its services are accessible in ways that are respectful of people with different abilities by removing barriers where possible. The HCRA's website is designed with accessibility features and services are offered over the phone and online. Currently, the HCRA offers its services as a fully virtual organization. In 2023-2024, the HCRA did not receive any requests for accessible services in addition to the services already provided.

37

Paper-based licensing application requests

French Language Services

The HCRA is committed to providing French language services to the public and the industry in accordance with section 28 of the *New Home Construction Licensing Act, 2017*. Calls to the HCRA contact centre, licensing applications, and complaints can be addressed in French by bilingual staff members.

For new home builders and sellers, all licensing applications can be submitted and processed in French. The HCRA's website also offers bilingual content including:

- Advisories and Directives
- Annual Reports
- Code of Professionalism for Compliance and Enforcement Staff
- Expense Policy
- Procurement Policy
- Business Plans
- 2022-2025 Strategic Plan
- New and renewal licence instructions and application forms
- Complaint forms

108 Phone calls

11 Email Inquiries

27 Licensing Applications Received

0 Complaints received

Message from the
Chair of the Board

"The HCRA, working closely with stakeholders across the sector, continues to hold Ontario's home builders to **high standards for ethical behaviour**."

The Home Construction Regulatory Authority (HCRA) is still one of Ontario's newest regulators. But the organization is not "new" anymore. We have moved from start-up mode to becoming an established overseer of Ontario's new home construction sector.

That sector continues to grow, with nearly 7,000 licensed builders and sellers now operating in the province. At the same time, with such a large industry, and with so much public interest in the housing market, it is vitally important to have strong oversight of the people and companies building new homes across Ontario.

The HCRA, working closely with stakeholders across the sector, continues to hold Ontario's home builders to high standards for ethical behaviour.

Ultimately, this is about protection for consumers. The HCRA gives new home purchasers confidence in what is often a life-changing transaction, knowing their builder is being held to professional standards and with recourse if something goes wrong.

We are proud of the progress we have made, and will continue to maintain and enhance our reputation:

- As a respected regulator for home builders and sellers – the licensees whose standards of professionalism we regulate and enforce.
- As a trusted resource for new home purchasers and other consumers – whose protection and education is our core mandate.
- As a useful partner for real estate professionals, building officials, home inspectors, government and other stakeholders in Ontario's robust home building sector.

On behalf of the Board, I am pleased to report success on many fronts, and that the HCRA is well positioned to continue to provide excellent oversight of an ethical and thriving new home construction sector across Ontario.

Marg Rappolt
Chair of the Board of Directors

Message from the
CEO and Registrar

"Despite an 87% increase in illegal building complaints this year, we were still able to keep our **service levels high** and resolve as many files as we received."

The past fiscal year represented the third full year since the HCRA opened its doors and the second year implementing the HCRA's 2022-25 Strategic Plan.

I am very pleased to report that the HCRA's efforts over the year contributed significantly to the accomplishment of our strategic goals, allowing us to start thinking beyond basic service delivery towards new goals in pursuit of our mandate to protect purchasers of new homes. As you will see in the Report on Performance, we were able to achieve and exceed expected deliverables in several areas of our operations.

A few highlights:

- Our frontline staff are more efficient than ever, answering calls in under a minute and finding new ways to add value to the customer experience.
- We received 7,141 licence applications in 2023-24, which is more than a 6% increase over the previous year. However, processing times for licences were consistently faster than our service standards and process improvements have been implemented to clarify the competency equivalency process, improve online applications, communications, oversight, and decision-making.
- The start-up phase of the complaints process included a high number of incoming complaints combined with new processes and staff. But 2023-24 was the year that the HCRA's professional conduct team came into its own. The team was hired and trained, the processes crystallized, and decisions flowed at pace with incoming complaints. A variety of licensing actions were taken and other tools were used in response to conduct complaints, including revocation, refusal to renew, refusal to licence, and suspension. Two matters were referred to the Discipline Committee, compliance orders were issued, education mandated, and dozens of warning letters issued. Harder to quantify but just as important, we also looked for informal opportunities to engage with both owners and builders to facilitate a successful resolution of the complaints.

Message from the
CEO and Registrar

- The HCRA investigations team was also successful in obtaining key results when cracking down on illegal builders and sellers – one of our highest priorities. Despite an 87% increase in illegal building complaints this year, we were still able to keep our service levels high and resolve as many files as received. The investigations team took advantage of all the tools available to them, applying a sound risk assessment to each case to determine the appropriate response. Responses included several prosecutions, financial penalties, a major search warrant, freeze orders, compliance orders, warning letters, education letters, and voluntary compliance.
- In short, in the public interest the HCRA has made good progress in stopping rogue builders from operating, while supporting the majority of builders who are licensed and provide good service to their customers, the homebuying public.

The HCRA proactively publicized these results through news releases and other communications. This is important as a deterrent to potential wrongdoers, and education for both the industry and consumers. We want the public to understand how consumers are protected through the operation of our system and how they can also protect themselves and have confidence in their decisions, equipped with that knowledge.

Education and outreach to consumers and industry included 25 stakeholder events, such as presentations, conferences and trade shows. We ran proactive articles in a variety of consumer and industry publications and continued to raise awareness through regular eblasts to our more than 800 subscribers. The Home Front blog articles, directed to homebuyers, were published more frequently this year and were amongst the most visited pages on the HCRA website.

I was particularly pleased this year that the HCRA took an important step towards fulfilling our research and education mandate. The Research & Education program is designed to benefit both consumers and builders by proactively ensuring there are useful educational resources available to consumers and builders, while identifying key topics to research on technical trends and best practices in home construction. The proposed program was well received when we consulted widely during the first half of the year, obtaining preliminary support from key stakeholders, including our Consumer Advisory Council and Industry Advisory Council. The program was formally launched in January 2024 with a successful gathering of more than 35 stakeholder representatives on the inaugural Building Research and Collaboration Council. We look forward to continuing to work with stakeholders and other expert partners to grow the program.

With this good progress now in our rear view mirror, I am looking forward to the further advancement of our consumer protection mandate, with continued support from a strong Board of Directors, dedicated staff, government and productive relationships with our stakeholders.

Wendy Moir
CEO and Registrar

Corporate Governance

The HCRA is an administrative authority governed by a Board of Directors operating within an administrative agreement with the Minister of Public and Business Service Delivery and Procurement.

The HCRA's Board of Directors is comprised of six individuals elected by the members of the Board and three members appointed by the Minister of Public and Business Service Delivery and Procurement and is responsible for strategic leadership and oversight of the operations of the HCRA. A maximum of three of the nine directors elected or appointed can be an HCRA licensee.

All Board and Committee members have obligations to maintain and uphold the Code of Conduct for Directors, as outlined in Schedule D of the Administrative Agreement.

The Board of Directors is accountable to the Minister – through the Board Chair – for the performance of the HCRA. The HCRA is committed to transparency and accountability in fulfilling its mandate and its obligations under the administrative agreement.

Board Competency Criteria

Directors bring a wide range of expertise in areas of established competency criteria (found in Schedule C of the Administrative Agreement) to ensure that the Board has a strong blend of skills, experience, and qualifications. Diversity and regional representation are also important considerations when the HCRA recruits directors. Common qualifications for the Board include:

- Financial oversight and risk management
- Governance and strategic planning
- Government, licensing and regulatory experience
- Home building sector knowledge
- Consumer protection knowledge
- Human resources, diversity and accessibility experience
- Marketing and communications experience

Board Directors Profiles

MARG RAPPOLT
Chair (Elected member)

A strategic leader in public policy and human service transformation, Marg Rappolt worked for 36 years in two provincial administrations (Ontario and Saskatchewan), retiring in 2014. Ms. Rappolt is a former Deputy Minister with the Ontario government with portfolios including Community and Social Services, Health and Long-Term Care, Health Promotion, Seniors, and Aboriginal Affairs. She is past chair of the Board of Trustees of the Holland Bloorview Kids Rehabilitation Hospital and she currently sits on the Board of Directors of the Woodgreen Foundation in addition to serving on its Governance Committee.

AV MAHARAJ
Vice-Chair (Elected member)

Named by the Globe and Mail's Report on Business Magazine as one of the top 50 Executives in Canada in 2020, Av Maharaj is the VP of Legal and Corporate Affairs for Kraft Heinz Canada. Prior to that Av held senior positions at the Kellogg Company including serving as a member of the Canadian Executive Leadership Team, and Vice President, International, Legal, where he was responsible for all legal operations of Kellogg across the globe outside of the United States. Av is the past Chair of Legal Leaders for Diversity and continues to be a passionate advocate for diversity and inclusion in the legal profession. Av has also been named In-House Counsel of the Year by the South Asian Bar Association and a Diversity Champion by Women of Influence. Prior to his roles at Kellogg, Av practiced law at Fasken Martineau and Blake, Cassels & Graydon, focusing on securities, M&A and corporate law. Av holds an Honours Degree in Economics and a Law Degree from Western University.

SALVATORE "SAM" BIASUCCI
(Elected member)[1]

Sam Biasucci is the President and owner of SalDan Developments Limited. With over 40 years of experience in residential construction, land developments and civil construction, Sam has built homes across Sault Ste. Marie, Sudbury, and the Greater Toronto Area. Sam is an involved member of the builder community in Northern Ontario and sits on the Board of the Northern Ontario Heritage Fund Corporation, and Missanabie Cree First Nations Business Development Corporation. Throughout his career, Sam has received several accolades including being the recipient of the Builder of the Year in Northern Ontario, the Ernest Assaly Award, the Sault Chamber of Commerce Business Achievement Award, and most recently was the recipient of the Best Multi Rise Residential ICF building Construction in North America award.

[1] *Mr. Biasucci joined the Board on September 1, 2023.*

RINKU DESWAL
(Appointed member)

Rinku Deswal is a litigation lawyer with 20 years of experience and the owner of RD Law Professional Corporation. She also serves as VP of Legal Affairs for CanSky Aviation Inc., an aviation consultancy firm supporting both domestic and foreign air carriers as well as ground handling companies. Rinku has served as Board Chair for Peel Crime Stoppers. She has been awarded the Safe City Mississauga Bell Hero Award for her work in crime prevention in the Region of Peel. Rinku has been invited to speak at various events both locally and internationally on the issues of women leadership, women in governance, as well as diversity and inclusion. Rinku is a member of the Peel Regional Police Chief's Resource Council. She is a recurring guest lecturer at the University of New Brunswick Law School. Rinku holds an Honours Degree from the University of Toronto, a Masters Degree from the Adler School of Professional Psychology in Chicago, Illinois, and a Bachelor of Laws from the University of New Brunswick.

HUGH HERON
(Elected member)

Hugh Heron is the Chairman of Heathwood Homes and Heron Homes. With over 70 years of building experience, Hugh's building entities have built over 20,000 homes across Ontario. He has been a leader in the industry previously serving as Chair of the Tarion Warranty Corporation, President of both the Greater Toronto and Ontario Builders' Associations as well as a Senior Board Member of the Canada Mortgage and Housing Corporation. Additionally, Hugh received a Canada 125 Medal for his contributions to his community. In 2018, Hugh was awarded a Lifetime Achievement Award by the Building Industry and Land Development Association. Hugh is also Chairman of the Mikey Network, a charity placing defibrillators throughout Canada.

MARY KARDOS BURTON
(Elected member)

Mary Kardos Burton is a former Assistant Deputy Minister in the Ontario government with the Ministry of Health and Long-Term Care. She also held executive positions with the Ministry of Community and Social Services. Mary has held various consulting assignments in health and social services including Chair of Built Environment Standards for the Accessibility Directorate of Ontario and Interim Vice-President for Health Quality Ontario. In addition, she served as a public member for the College of Registered Psychotherapists and as Chair of the Board for Belmont House, a long-term care and retirement home. Mary is a graduate of the Rotman-ICD NFP Governance Essentials Program.

President of the Ironstone Building Company Inc. and Talu Properties Inc. Past president of the London Home Builders Association and served on the Board of Directors of the Ontario Home Builders' Association and the Canadian Home Builders' Association. David also holds an MBA from the University of Windsor.

DAVID STIMAC
(Appointed member)[2]

Virginia West is a former Deputy Minister in the Ontario government serving in five successive portfolios over a twelve-year period, which included the Solicitor General, Public Safety and Security, Environment, Labour, and Natural Resources. She has also held leadership positions at the municipal level of government as Commissioner of City Property for the City of Toronto, Chief Administrative Officer for the Borough of East York, and the first Commissioner of Urban Planning and Development for the amalgamated City of Toronto. Virginia has served on many not-for-profit Boards, including Chair of the Ontario Motor Vehicle Industry Council, Chair of Providence Healthcare, and Vice-Chair of Unity Health Toronto. She is currently a member of the Board of Directors of the Canadian Red Cross.

VIRGINIA WEST
(Elected member)

Terence Young is the President of Gravitas Strategies, a strategic communications firm. He has 30 years' experience in the private sector and served as Board Member and adjudicator for the Alcohol and Gaming Commission. Terence served as an elected Member of the Ontario Legislature from 1995 until 1999, as Parliamentary Assistant to the Minister of Finance, and Colleges and Universities, and served as a Federal Member of Parliament from 2008 to 2015 where he conceived, and galvanized Parliament to pass Vanessa's Law: The Protecting Canadians from Unsafe Drugs Act. Terence also holds an ICD.D designation.

TERENCE YOUNG
(Appointed member)

[2] *Mr. Stimac's term as an appointed member ended on March 10, 2024.*

Standing Committees of the Board

Governance, People and Culture Committee

Mary Kardos Burton (Chair), Rinku Deswal, Hugh Heron, Virginia West, Marg Rappolt (ex officio)

The Governance, People and Culture Committee assists the Board by providing direction and oversight of governance issues and ensuring that appropriate policies, processes and structures necessary for effective Board direction and oversight of the HCRA are in place.

Finance, Audit and Risk Committee

Av Maharaj (Chair), Sam Biasucci, David Stimac, Terence Young, Marg Rappolt (ex officio)

The Finance, Audit and Risk Committee helps the Board meet its duties regarding financial oversight, business planning, and enterprise risk management. This includes review of financial plans, revenue strategies and budgets as well as oversight of information technology.

Other HCRA Committees

Advisory Councils

In 2021, the HCRA Board established two advisory councils to provide independent and non-partisan advice to the Board on issues of importance to consumers pertaining to the HCRA's consumer protection mandate and activities.

The Consumer Advisory Council is comprised of members from a variety of backgrounds and experiences such as:

- A new freehold buyer
- A new condominium buyer or a member of a condominium board
- A real estate agent or real estate lawyer (active)
- A chief building official or home inspector (retired or active)
- A consumer advocate

The Industry Advisory Council is comprised of professionals from a variety of backgrounds and experiences such as:

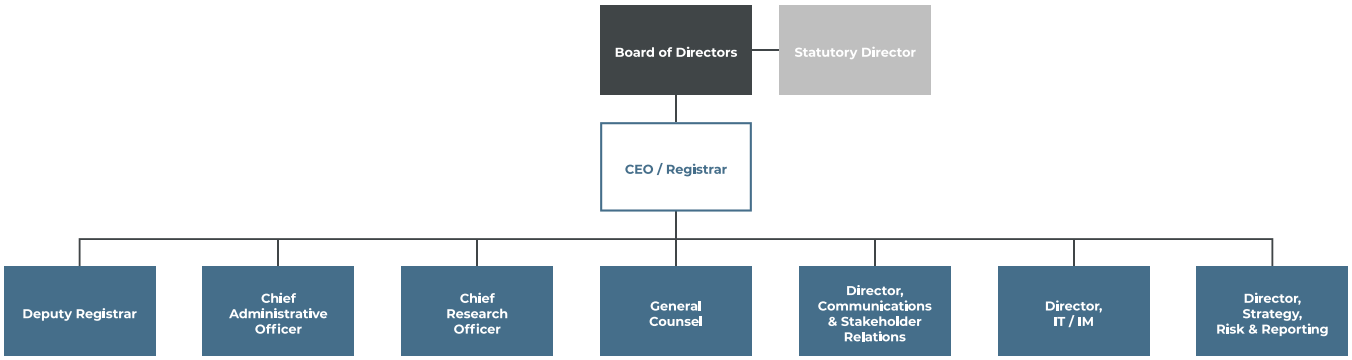
- A small builder with between 1 – 20 possession(s) per year
- A medium-large builder with over 100 possessions per year
- A high-rise builder with more than 100 possessions per year
- A custom home builder
- A customer service executive employed by a licensee
- Experience supervising day-to-day construction

In 2023-2024, the Consumer and Industry Advisory Councils increased the number of their meetings from four to six times a year to continue providing timely advice. The Councils discussed emerging trends; challenges and insights into consumer protection in the new homes sector, including ongoing enhancements to the Builder Directory; overall awareness of the new home construction process; awareness and value of the HCRA and its key resources.

ORGANIZATIONAL STRUCTURE

The HCRA operates using a hybrid model, with staff working primarily remotely and in person to promote collaboration and teamwork. The Chief Executive Officer and Registrar oversees the HCRA's management team and staff. Day-to-day operations are organized to carry out regulatory and operational functions to execute strategic objectives established by the Board of Directors.

The HCRA staff work full-time in licensing, compliance, enforcement, and information roles or in roles that directly support the delivery of these functions. HCRA staff make up a high-performing workforce with the technical and professional skills needed to fulfill the HCRA's mandate while upholding the HCRA's values. This allows the HCRA to deliver its regulatory mandate under the *New Home Construction Licensing Act, 2017* and is consistent with the best practices of a modern regulator.



Report on Performance

Performance Measures

Using past performance as a guide, the HCRA sets performance measures to achieve the organization's strategic priorities and objectives. The annual report each year summarizes the performance outcomes of the previous year. For example, in the 2024-25 Business Plan, the HCRA used the 2022-2023 and 2023-2024 outcomes to set its performance targets. As 2023-2024 was the third full year of operations for the HCRA, this data along with 2022-2023 outcomes provides a baseline for further analysis and allows for year-over-year comparisons in future annual reports.

Performance Measure	Performance Target	2022 2023 Results	2023 2024 Results
Average wait time to respond to incoming phone calls The HCRA's customer service team receives hundreds of telephone calls every day from consumers, licensees, and the public. The customer service team seeks to ensure each person receives a live response rather than a voicemail message.	2 minutes	1 minute, 30 seconds	51 seconds
Average time for processing licence applications The HCRA's licensing team receives thousands of applications annually. The processing time is dependent on the type and complexity of the application. Assessment factors include competency, financial responsibility and conduct information, and other obligations.	8 weeks for a fully complete new licence application	11 weeks for a fully complete new licence application	4.8 weeks for a fully complete new licence application
	4 weeks for a fully complete renewal application	8 weeks for a fully complete renewal application	3.1 weeks for a fully complete renewal application

Performance Measure	Performance Target	2022 2023 Results	2023 2024 Results
Percentage of complaints closed Each complaint is unique, with varying degrees of complexity and risk. For every complaint received the HCRA will conduct an impartial assessment to determine the facts of each case and the appropriate next steps. There are a variety of possible outcomes to close each complaint, including warning letters, additional education requirements, administrative penalties and suspension or revocation of a licence.	50%	47%	60%
Percentage of successful Court and Tribunal Appearances The HCRA appears regularly before two judicial bodies: the Licence Appeal Tribunal to respond to appeals of the HCRA's regulatory decisions and the Ontario Provincial Court to prosecute illegal builders.	Successful prosecutions – 90% Successful appearances at the Licence Appeal Tribunal – 80%	Successful prosecutions – 100% Successful appearances at the Licence Appeal Tribunal – 90%	Successful prosecutions – 100% Successful appearances at the Licence Appeal Tribunal – n/a[3]
Level of Web Traffic to the Builder Directory Profile searches initiated on licensees or warranted homes show how visitors engage with the Builder Directory. Accordingly, the HCRA is seeking to establish the minimum number of profile and warranty searches each month.	25,000 licensee searches per month 2,100 warranty searches per month	29,000 licensee searches per month 2,000 warranty searches per month	35,697 licensee searches per month 3,640 warranty searches per month

[3] *The HCRA did not appear at the Licence Appeal Tribunal in 2023-2024.*

Governance

The HCRA Board of Directors meets regularly and delegates certain oversight responsibilities to two standing committees while retaining decision-making authority.

In 2023-2024, the Board remained active in discharging its responsibilities. In addition to its regular strategic oversight of the HCRA, the Board:

- Approved consumer-centric policy direction for HCRA operations on various issues, such as the HCRA's proposed illegal building strategy.
- Reviewed the three-year Strategic Plan to confirm that the organization is on track to achieve its goals, including a review of the HCRA's inaugural customer experience survey results.
- Provided regular financial oversight of the HCRA's annual operating budget.
- Undertook a regular review of the Enterprise Risk Management framework and approved a Risk Appetite Statement.
- Elected a new Chair and Vice-Chair to lead the Board's work.
- Increased public engagement by hosting HCRA's first hybrid (in-person and virtual) Annual Meeting of Members.

Customer Service

The HCRA's customer service team is the primary point of contact for the public, licensees, and stakeholders in the new home sector. Our contact centre receives and responds to incoming calls and inquiries about the HCRA and its services. Every frontline interaction shapes the customer experience, including building first impressions about the HCRA's role and reputation.

In 2023-2024, we were more efficient than ever, answering calls in less than a minute and finding new ways to add value to the customer experience.

Enhancing frontline customer experience

We identified ways to create a warm, accessible, and helpful touchpoint for everyone, such as:

- Ongoing support to purchasers experiencing challenges in their new home-buying journey by hearing their stories and offering guidance on how to file a complaint about a builder.
- Established a system for tracking themes and concerns to monitor and respond promptly to emerging issues in the new homes sector.
- Identified opportunities to enhance our services and tools, such as the Builder Directory and the HCRA's Builder Portal.
- Collaborated with our finance team to implement a seamless transition and address any concerns over the payment of the Per Unit Oversight Fee, previously collected by Tarion before May 1, 2023.

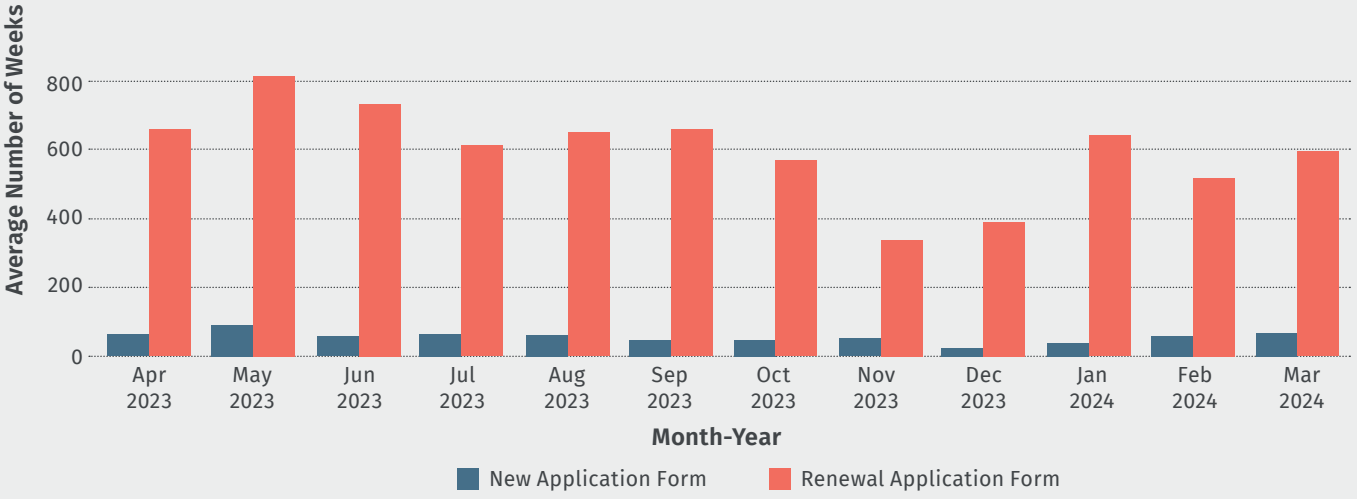
Licensing

The HCRA receives and processes two types of licence applications: “new” for a new licence-holder with no corporate history as a licensee; and a “renewal,” which is the annual process for each licensee to maintain their licence. The licensing process generally includes a review of an applicant’s corporate and financial history to ensure that they can perform the work of a builder or seller with honesty, integrity, and in accordance with the law. The HCRA evaluates each applicant to ensure they meet competency standards in a variety of areas, including financial responsibility, conduct, and building expertise.

770
New Licence applications received

6,371
Renewal Licence applications received

7,141
Licence applications received



In 2023-2024, the HCRA’s processing times for new and renewal licence applications were faster than last year’s timeframe and were consistently below the established service targets.

Streamlining licensing processes

The HCRA continuously modernizes its licensing process to make it more efficient and seamless for applicants and ensure licensing decisions reinforce high professional standards in the home building industry.

In 2023-2024, the HCRA's licensing team made several improvements to enhance the online application submission process, communication with licensees, and decision-making frameworks, such as:

- Refined our risk-based approach to ensure greater consistency and alignment on criteria applied in the risk assessment and decision-making processes for new and renewal applicants.
- Developed a new pre-qualification form to clarify requirements for first-time applicants seeking an assessment of their prior learning experience.
- Created better communications by using simpler, more inclusive language that creates trust and reduces bureaucracy.
- Implemented a system of oversight, quality assurance, and escalation protocols to support consistent decision-making and service excellence.

One licence applicant responded to the HCRA's efforts to improve communication by saying:

"I just wanted to personally thank you for all your help in assisting us with completing the application process. With all the changes we had on our side we certainly complicated matters for you and your team. Your patience and understanding was sincerely appreciated. It was a pleasure working with you. On behalf of myself and the team, we thank you for your professional support and guidance!"

Complaints Process

Licensed builders and sellers of new homes in Ontario must comply with the requirements and professional standards set out under the *New Home Construction Licensing Act, 2017*. As an overseer of the new homes sector, the HCRA uses a formal complaints process to review and address any potential and real harm faced by consumers. Information and feedback provided by the public is one important way to identify and address violations of the rules.

The HCRA's complaint system operates on two fundamental principles: giving consumers a clear path to voice their concerns and ensuring a fair review process of the matter for all parties involved. The HCRA is committed to responding to every complaint it receives.

When a complaint is submitted, the HCRA immediately acknowledges receipt and follows up within three to five business days to learn more about the concerns and obtain any additional information necessary to move forward.

Complaints are reviewed and assessed using a risk-based framework – with high-risk concerns receiving urgent attention. The HCRA continues to dedicate the necessary resources to the complaints process, providing an impartial review of matters from the perspectives of both consumers and builders, and being fair to all sides.

The HCRA has the jurisdiction to investigate:

- Complaints surrounding a licensee's professional conduct. Licensed home builders must adhere to the law as well as a Code of Ethics.
- Complaints about builder competency.
- Complaints about illegal building – primarily building or selling a home without a licence, or failing to enrol a home in the Tarion warranty program.

As each situation is unique, the HCRA has a number of tools to address complaints and concerns from consumers, licensees and other stakeholders. The HCRA may issue a written warning or require the builders to take further education courses – and in very serious cases, the HCRA can revoke a licence, in essence putting the builder out of business.

Managing complaints more effectively

The HCRA applies a risk-based approach to its complaints processes, prioritizing complaints based on the level of risk they pose to consumers. This approach allows the HCRA to efficiently allocate resources and focus efforts on addressing the complaints that have the potential to cause the most harm to consumers. It also helps the HCRA identify trends and systemic issues in the new home-building industry that may require regulatory action.

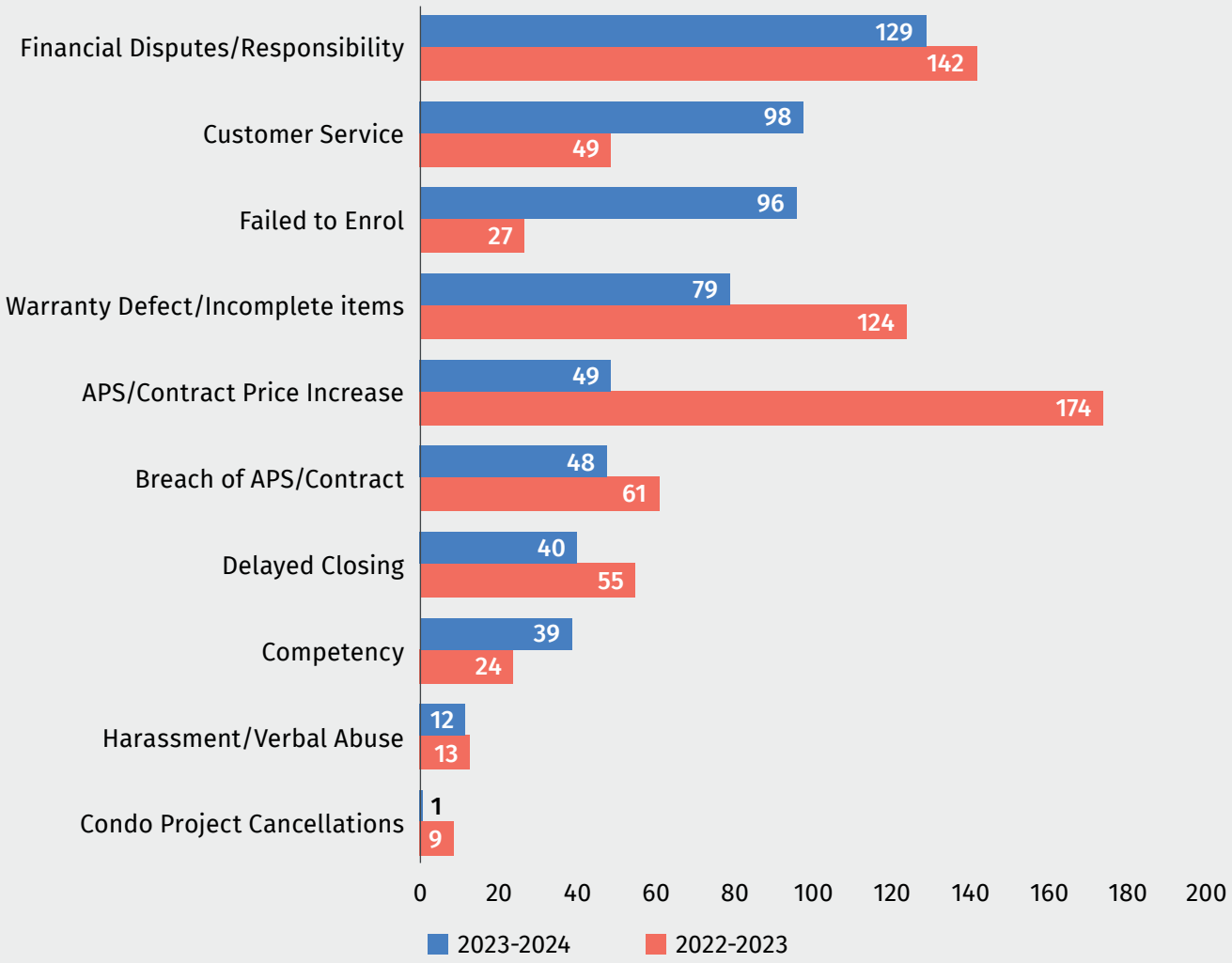
In 2023-2024, the HCRA refined its risk-based model to be more fair, efficient, and responsive to complainants' needs and to take action using available regulatory tools to protect consumers.

For example, the HCRA improved its system for categorizing complaints. As a result, HCRA staff can prioritize them and start inspections more quickly when there are potentially higher impacts on consumers. In addition, the risk-based model allows the HCRA to more fairly, consistently, and effectively determine the most appropriate regulatory action for each complaint.

Professional Conduct matters

The HCRA's Professional Conduct team handles complaints regarding the conduct of new home builders and sellers, including violations of our Code of Ethics. An intake assessment is used to determine the impact of the complaint on the public, which helps determine how the complaint moves forward. Possible outcomes include corrective or licensing actions such as inspections, referral to the discipline process, warnings, and compliance orders.

FY23/24 Top Complaint Categories

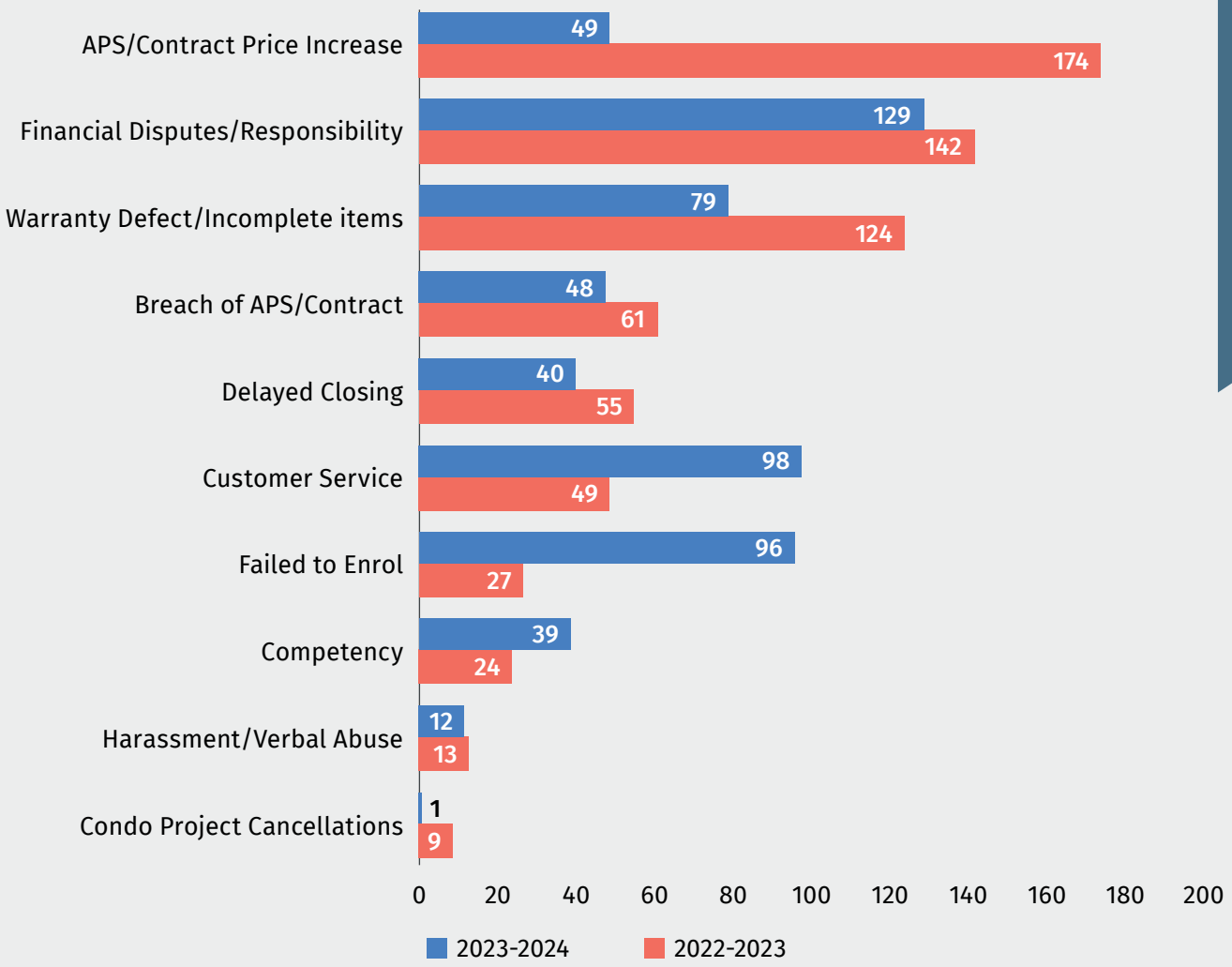


Complaint trends

In 2023-24, the HCRA received 593 complaints against licensees, a 12% decrease from the previous year. Overall, our complaint closure rate remained above the minimum target of 50% and was 10% higher than in 2022-2023. The table above lists the types of complaints the HCRA received in 2023-2024. While the HCRA reviews every complaint, some are outside the HCRA's jurisdiction, such as warranty defects and delayed closings, which are handled by Tarion. Other complaints cannot be sufficiently substantiated to proceed with a regulatory action.

The top three complaints related to financial responsibility, poor customer service, and failure to enrol a home in Ontario's new home warranty program. These types of complaints have increased in the last year and reflect the HCRA's actions to hold builders accountable for improper conduct and failing to meet their financial and licensing responsibilities. Warranty defects are reported less frequently, as consumers are now more aware that Tarion conciliation is the appropriate process for such complaints due to our communication efforts. Although price increase complaints are now less frequent, we referred two matters to the Discipline Committee to address allegations of unlawful and unethical terminations on multiple Agreements of Purchase and Sale.

FY22/23 Top Complaint Categories



Resolving complaints

In 2023-2024, the HCRA's Professional Conduct team onboarded new staff and crystallized its processes to ensure decisions flowed at pace with incoming complaints. When resolving matters, the HCRA's team considered outcomes that would directly benefit the complainant when possible, such as getting them their home or the return of their deposit. We heard directly from purchasers about how efforts to hold builders accountable created an outcome that helps purchasers directly – such as pushing for closing of the home or return of deposits. In one case, the HCRA secured the return of a $263,000 deposit after just a few weeks. Up to that point, the purchaser had been waiting for 13 years to resolve the matter.

Illegal Building and Selling Investigations

Illegal building is a major consumer protection issue in Ontario and a top priority for the HCRA. When builders and sellers operate without a licence, it puts the public at risk and creates an uneven playing field for the industry. When illegal building occurs, consumers do not get the protections that come from their builder being properly licensed and held to professional standards.

Over the last year, the HCRA received a total of 250 illegal building complaints, an 87% increase over last year. To deter illegal building and bring rogue builders into compliance, the HCRA has grown its Investigations team and continued to use all possible regulatory tools as necessary.

This included laying provincial charges for illegal building and selling aimed at both individuals and companies and with escalating penalties for repeat offenders. The HCRA also issued administrative penalties (similar to a fine) against illegal builders and sellers and returned funds to harmed purchasers.

The HCRA's Investigations team also issued search warrants and froze the assets of licensees suspected of illegal building and selling. It also deployed additional enforcement approaches for voluntary compliance, successfully encouraging numerous illegal builders to apply for a licence with the HCRA and enrol projects with Tarion.

For example, in one case the HCRA determined a rogue builder had illegally built eight homes. The HCRA provided the builder with the opportunity to apply for a licence and enrol the homes, which they agreed. The builder is now properly licensed and has demonstrated competencies to operate and meet the requirements of the Code of Ethics.

Ideal Restitution for Harmed Purchasers

Following an investigation by the HCRA, Ideal (BC) Developments Inc. pled guilty in provincial court to acting as an unregistered vendor and failing to produce evidence described in a search warrant. Ideal (BC) never had a licence to build or sell new homes in Ontario and illegally took in hundreds of thousands of dollars in deposits on the sale of new homes from unsuspecting purchasers.

Generally, fines in provincial court are collected by the municipality. However, recognizing that there were dozens of purchasers harmed by Ideal (BC)'s misconduct and a normal fine would provide no benefit to them, the HCRA sought a fine structure enabled by the tools in our legislation: along with $34,375 in fines, the HCRA secured $150,000 that was earmarked specifically to be returned to harmed purchasers as restitution.

While the restitution did not fully compensate purchasers for their deposits, purchasers were appreciative of the HCRA's efforts to protect consumers and help alleviate some of their financial loss. The incident was widely noted in the media and reinforced the HCRA's commitment to investigate and take action against illegal building and selling.

One complainant wrote:

"[We] are truly thankful from the bottom of our souls…hoping this prevents someone else from ever having to go through this. If it helps just one person, it is so worth it."

Court and Tribunal Appearances

62
Number of Provincial Offence Act Convictions (FY 23/24)

6
Number of Freeze and Compliance orders issued (FY 23/24)

26
Successful Notices of Proposal to revoke, refuse, refuse to renew, or suspend a licence (FY 23/24)

The HCRA's internal Legal team handles proceedings to execute regulatory actions taken against licensees and illegal builders violating the law. Our Legal team regularly appears before three judicial and quasi-judicial bodies: the Licence Appeal Tribunal to respond to appeals of the HCRA's regulatory actions, the Discipline Committee for ethics-related violations and the Ontario Provincial Court to prosecute illegal builders and sellers.

Notices of Proposal to undertake Licensing Actions

As a result of an inspection into a licensee, the Registrar may issue a Notice of Proposal to apply conditions, suspend, refuse, refuse to renew, or revoke a licence. If an applicant or licensee receives a Notice of Proposal, they have the right to request a hearing before the Licence Appeal Tribunal.

This year, the HCRA successfully resolved 26 Notices of Proposals prior to an appearance at the Licence Appeal Tribunal – either by the licensee not contesting the Proposal or reaching a settlement with the HCRA. In any settlement of a Notice of Proposal, the HCRA ensured through its negotiations that the public protection objectives underlying the Notices were protected.

Court convictions

As a provincial regulator, the HCRA can take serious enforcement action against individuals and companies that are violating the law. The HCRA's investigations team will lay provincial offence charges against individuals and companies engaging in illegal building, illegal selling, and failing to enrol a home in Ontario's new home warranty program. The Legal team then prosecutes the offences. Individuals and companies found guilty in Court may face fines up to $250,000 for a first-time offence, $500,000 for repeat offences, and up to two years' imprisonment.

In 2023-2024, the HCRA successfully prosecuted nine matters heard in the Ontario Court of Justice, securing 62 convictions. In so doing, the HCRA set new benchmarks for fine amounts for first-time offences related to illegal selling and failure to enrol homes in the new home warranty program.

Discipline Committee hearings

The HCRA is empowered to refer cases of licensee misconduct that involve ethical issues to the Discipline Committee. The Discipline Committee is an independent tribunal established under the *New Home Construction Licensing Act, 2017* to specifically interpret the Code of Ethics. The Committee is composed of both public and licensee members and has the power to impose fines, order licensees to disgorge monetary benefits resulting from unethical acts, require licensees to take further educational courses and other remedies.

The HCRA referred two cases to the Discipline Committee in 2023-24: the allegations involved misrepresentation to consumers, lack of fairness, honesty and integrity, and a failure to provide conscientious and courteous service. The Legal department will be pursuing these matters in the upcoming fiscal year.

Yarco Developments Inc. v. HCRA

The HCRA secured a key victory in its ability to keep bad actors out of the homebuilding industry when it successfully appealed a Licence Appeal Tribunal (LAT) decision relating to *Yarco Development*. The decision in *Yarco* concerned the interpretation of the "integrity and honesty" provisions in the law as part of the HCRA's licensing process.

The HCRA proposed denying *Yarco*'s renewal application based on its previous criminal history. *Yarco* appealed to the LAT saying it had demonstrated integrity and honesty due to its recent conduct. The LAT sided with *Yarco* saying if an applicant showed *any* reasonable grounds to act with integrity and honestly then it was the HCRA's responsibility to prove why they shouldn't be licensed. This type of interpretation would make it very difficult for the HCRA to uphold current and future integrity and honesty standards as part of its ongoing licensing process.

The HCRA successfully appealed the LAT's decision to the Superior Court of Justice. The Court agreed with the HCRA's position that the law must be interpreted in a way that advances our consumer protection mandate. As a result, the integrity and honesty provision now states that the HCRA must show reasonable and honest grounds for its concerns, and the responsibility falls on the licensee to adequately disprove this belief.

This result significantly bolstered the ability of the HCRA and other regulators to keep bad actors out of the marketplace based on integrity and honesty concerns, furthering our gatekeeping role. Because of the decision's wider implications, the result in Yarco was written about in Law Times (a legal trade publication), by law firms in the professional regulation space, and in the Ontario Reports, the Law Society of Ontario's own digest of leading cases.

Visits to the Builder Directory

428,361
Builder Profile searches

43,680
Warranty searches

A key resource supporting consumers in their new home buying journey is the Builder Directory. Hosted by the HCRA, this public directory is the authoritative source of background information of nearly 7,000 builders and sellers in Ontario including warranty-related information from Tarion. Most importantly, it indicates whether a builder or seller is licensed – a vital first step for any potential new home buyer. It also provides details such as a builder's licensing status, the number of years they've been active, the number of homes they've built, and any conduct concerns, including charges or convictions against the builder.

The Builder Directory is continually being enhanced to support consumer protection.

A new "Related Company" profile was introduced to show consumers a summary of the licence status and any regulatory actions associated with companies within a group of companies run by the same people.

To promote awareness of the Builder Directory, the HCRA engaged in extensive digital advertising in 2023-2024, including campaigns on Google, Spotify, radio, social media, and other publications, such as on the HCRA blog, *The Home Front*. The HCRA's digital campaign with Bell Media promoted the Directory across numerous websites such as CTV News, CP24, CTV, and TSN. These promotional efforts continue to drive web traffic to the Directory and have increased average searches for licensee and warranty information.

Public engagement and outreach

90,000+ **Stakeholder events attendees (FY23/24)**	**25** **Stakeholder events (FY23/24)**	**655,185** **Website views (FY23/24)**
43 **e-newsletter campaigns (FY23/24)**	**149,795** **e-newsletter distributions (FY23/24)**	**35,697** **Average monthly Builder Directory searches (FY23/24)**

The HCRA launched several engagement initiatives to support builders and educate consumers, enabling them to make informed decisions when purchasing a new home. These efforts included presentations and participation in public trade shows and industry events within the new home building sector and the broader regulatory community. As a result, the HCRA interacted with nearly 100,000 individual stakeholders throughout the year.

To reinforce our commitment to consumer protection, the HCRA expanded its outreach and public campaigns across various online and digital platforms to target new and prospective homebuyers. According to the HCRA's Customer Satisfaction Survey, most buyers prefer obtaining information from online sources. Additionally, the HCRA collaborated with Service Ontario to showcase a new promotional video at 20 locations across the province. This video, playing at no cost every 30 minutes, reached a diverse audience, including newcomers to Canada and Ontario.

To address the issue of illegal building, the HCRA intensified its digital advertising efforts across a range of consumer and industry publications. Many of these campaigns emphasized the importance of utilizing the Builder Directory, urging prospective homebuyers to verify the licensing status of their chosen builders. This initiative yielded an average of nearly 30,000 searches on the Builder Directory per month and a total of 400,000 searches throughout the year.

Looking ahead, the HCRA will continue to evaluate its digital outreach and media campaigns to raise awareness of the HCRA, its educational resources, and strengthen its relationships among key stakeholder groups including consumers, licensees, and other regulatory bodies.

Satisfaction Survey Results

HCRA Satisfaction Survey Results

In 2023, Innovative Research Group was commissioned by the HCRA to conduct its inaugural client satisfaction survey to measure awareness and satisfaction with the services the HCRA offers to consumers and its licensees.

Methodology

Two online surveys were conducted: one targeting current and prospective new home buyers, and another for active HCRA licensees. A total of 3,252 current homeowners, 285 prospective homeowners, and 802 licensees from across Ontario participated in the surveys.

New homebuyers who took possession of a newly built home in Ontario between 2015 and 2022 ("new homebuyers") were invited to participate. In total, 279,487 survey invitations were sent to homeowners of new freehold homes and high-rise condominiums.

Prospective new home buyers were identified from a general population survey fielded through an online sample provider. More than 1,500 survey invitations were sent to individuals looking to purchase a new home within the next two years, that is either a pre-construction home or a home built within the past seven years.

Licensee contacts were directly supplied by the HCRA and over 6,900 active licensees were invited to complete the survey.

Key Findings

New Homebuyers

Findings revealed one in five new homebuyers were aware of the HCRA, with many new homebuyers (60%) expressing confidence in the existing rules for homeowner protection and satisfaction with the building process of their new home. While reported contact by homeowners with the HCRA is low (11%), those who have engaged with the HCRA are largely satisfied with the experience. The top interaction was looking for information on HCRA's website of which 7-in-10 found the website to be helpful. Approximately 30% of current homebuyers were aware of the HCRA's licensing requirements, while 19% were familiar with the Ontario Builder Directory. Many new homebuyers (51%) are unfamiliar with the distinction between the HCRA and Tarion, the organization that administers the province's new home warranty program.

Prospective New Homebuyers

Prospective homeowners are optimistic about homebuyer protections and the ability to find unbiased information. Over four in five consumers (83%) are confident there are adequate rules in place to protect homebuyers and 75% feel confident they can find unbiased information on home builders. A significant portion of consumers (70%) found information on the HCRA's website valuable and identified it as a primary source of contact. Similar to new homebuyers, familiarity of the HCRA and its role is low, with 21% able to distinguish between the HCRA and Tarion.

Licensees

Licensees demonstrated high awareness of the HCRA and its licensing requirements (89%), but one in three licensees were also uncertain about the respective roles of the HCRA and Tarion. The majority of licensees are satisfied with HCRA's customer service and communications, and the licensing process. Among those who reported contact with the HCRA, 73% were satisfied.

Next Steps

Looking toward the future, consumers and licensees expressed a need for more educational resources. Consumers specifically desired home maintenance resources and tips for energy-efficient living. Licensees noted they

would be interested in education on changing Building Code requirements, warranty defect issues and emerging construction practices, through case studies, videos with practical tips and best practice guides.

In response, the HCRA has incorporated this feedback into its strategic priorities for the 2024-2025 Business Plan and the vision for its Research and Education program. The HCRA looks forward to developing these educational resources, along with increasing and proactively building awareness of the HCRA.

Research & Education

In 2023-2024, the HCRA was ready to start delivering on its research mandate and enhancing the education work currently underway. Our inaugural Chief Research Officer consulted widely with stakeholders in the new homes sector to develop the HCRA's proposed Research & Education program. With approval from the HCRA's Board of Directors, the HCRA launched its program in January 2024, bringing together more than 35 representatives of key stakeholder organizations to join the HCRA's Building Research and Collaboration Council.

As part of the program, the Building Research and Collaboration Council has been created encompassing two distinct streams: Technical Research & Education, and Consumer Education. Both streams offer a wide range of educational resources to best serve licensed builders and homeowners in the face of quickly changing technological and construction trends.

Corporate Policies

Corporate policies are used to guide the organization's decision-making. The following policies are required to be publicly available as set out in the Administrative Agreement between the HCRA and the Minister of Public and Business Service Delivery and Procurement:

- Complaints About the HCRA Policy
- Expense Policy
- Procurement Policy

The HCRA did not make any changes to these policies in 2023-2024.

Complaints about the HCRA

Members of the public may wish to submit a complaint about how the HCRA delivers its services. Under the HCRA's "Complaints about the HCRA" policy (available on the HCRA website), members of the public can submit a complaint to the HCRA Complaints Officer. The policy requires the Complaints Officer to conduct a fair, respectful review of each complaint and recommend action based on the specifics of the complaint, as necessary. The Complaints Officer submits recommendations to the CEO or, if the complaint is about the CEO, to the HCRA's Board Chair. The CEO or Board Chair, as appropriate, will determine how to implement the Complaints Officer's recommendations.

In 2023-2024, the HCRA received one complaint under this policy.

Per Unit Fee Oversight Fee

As of May 1, 2023, the HCRA absorbed a new function of invoicing and collecting the Per Unit Oversight Fee from licensee, previously collected by Tarion at the time of enrolment.

The amount of the fee remains at $145 per enrolled unit +HST since the HCRA launched on February 1, 2021. The rollout of a new fee collection process from Tarion to HCRA was successfully implemented with minimal impacts or additional burden on most licensees.

Review of Legislation, By-Law and Policy Changes

By-law Update

The HCRA was created under the Corporations Act in 2018 as a not-for-profit, non-share capital corporation. The Government of Ontario since passed legislation to modernize the framework governing not-for-profit corporations, with the *Not-for-Profit Corporations Act, 2010* replacing the *Corporations Act* in 2021.

Organizations such as the HCRA are required to update their governing documentation to comply with the new legislation by October 2024. Accordingly, the Board of Directors reviewed and made certain housekeeping amendments to the existing by-law in order to conform with the new legislation.

The HCRA's new General By-law came into effect on January 12, 2024.

Legislative Changes

There were no changes to the *New Home Construction Licensing Act, 2017* or its regulations in 2023-2024.

Financial Report

Management Discussion And Analysis

The Home Construction Regulatory Authority (HCRA) is a private, not-for-profit corporation without share capital that was designated by the Minister of Government and Consumer Services (now Minister of Public and Business Service Delivery and Procurement) on February 1, 2021.

The following management discussion and analysis provides supplementary information for stakeholders and other readers of the financial statements of the Home Construction Regulatory Authority (HCRA) for the financial year ended March 31, 2024. The analysis should be read in conjunction with the audited financial statements for the year ended March 31, 2024, prepared in accordance with the Canadian Accounting Standards for not-for-profit organizations.

Revenues

Operating revenues for the fiscal year ended March 31, 2024, derived primarily from funding received from new licence and renewal fees, a per unit oversight fee, and an investigation recovery fee. Other income revenue includes interest earned, which is recognized as it is earned.

The revenue details for fiscal year 2023-2024 and fiscal year 2022-2023 are as follows:

Category	2024	2023
Per unit oversight fees	6,369,754	10,780,839
New licensing and renewal fees	4,522,300	4,808,775
Other	526,558	483,634
Amortization of deferred capital contributions	373,328	373,328
Investigation recovery	598,160	323,477
Tarion Warranty Corporation funding for operations	500,000	-

Expenses

The total operational expenses were $13,365,374 for fiscal year 2023-2024 compared to $11,282,982 for fiscal 2022-2023.

Category	2024	2023
Human resources	8,923,776	6,932,346
Information technology	1,115,445	1,051,347
Financial services	924,974	784,100
Amortization of capital assets	734,851	591,981
Legal services	232,429	500,866
Consulting services	225,844	487,849
Office space	452,770	441,424
General and administrative	474,721	313,366
Board expenses	140,564	179,703
Regulatory oversight fee	140,000	-

Net Assets

For 2023-24, the excess of expenses over revenue arrived at $(475,274), resulting in a final closing net asset balance of $13,470,220.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Home Construction Regulatory Authority

Opinion

We have audited the financial statements of Home Construction Regulatory Authority (the Entity), which comprise:

- the statement of financial position as at March 31, 2024
- the statement of operations for the year then ended
- the statement of changes in net assets for the year then ended
- the statement of cash flows for the year then ended
- and notes to the financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Entity as at March 31, 2024, and its results of operations and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *"Auditor's Responsibilities for the Audit of the Financial Statements"* section of our auditor's report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information, other than the financial statements and the auditor's report thereon, included in the Annual Report 2023-2024.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information, other than the financial statements and the auditor's report thereon, included in the Annual Report 2023-2024 as at the date of this auditor's report.

If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian accounting standards for not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants

Vaughan, Canada

Statement of Financial Position

March 31, 2024, with comparative information for 2023

	2024	2023
Assets		
Current assets:		
Cash	$ 10,807,769	$ 13,493,759
Accounts receivable	1,189,044	458,767
Prepaid expenses	329,860	434,386
	12,326,673	**14,386,912**
Tangible capital assets (note 2)	800,152	406,612
Intangible capital assets (note 2)	5,016,050	4,292,044
	$ 18,142,875	**$ 19,085,568**
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accrued liabilities (note 3)	$ 1,137,195	$ 1,132,480
Deferred revenue (note 4(b))	917,617	907,778
Loan payable (note 5)	683,820	792,465
	2,738,632	**2,832,723**
Deferred capital contributions (note 4(c))	1,934,023	2,307,351
	1,934,023	**2,307,351**
Net assets:		
Investment in tangible and intangible capital assets	3,882,179	2,391,305
Internally restricted operating reserve (note 4(a))	4,500,000	4,500,000
Unrestricted	5,088,041	7,054,189
	13,470,220	**13,945,494**
Economic dependence (note 7)		
Commitment (note 8)		
Financial risks (note 9)		
	$ 18,142,875	**$ 19,085,568**

See accompanying notes to financial statements.

On behalf of the Board:

Marg Rappolt
Board Chair

Av Maharaj
Chair of Finance, Audit and Risk Committee

Statement of Operations

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Revenue:		
Per unit oversight fees	$ 6,369,754	$ 10,780,839
New licensing and renewal fees	4,522,300	4,808,775
Investigation recovery	598,160	323,477
Other (note 6)	526,558	483,634
Tarion Warranty Corporation funding for operations (note 4(a) and 5)	500,000	–
Amortization of deferred capital contributions (note 4(c))	373,328	373,328
	12,890,100	**16,770,053**
Expenses:		
Human resources	8,923,776	6,932,346
Information technology	1,115,445	1,051,347
Financial services	924,974	784,100
Amortization of tangible and intangible capital assets	734,851	591,981
General and administrative	474,721	313,366
Office space	452,770	441,424
Legal services	232,429	500,866
Consulting services	225,844	487,849
Board expenses	140,564	179,703
Regulatory oversight fee	140,000	–
	13,365,374	**11,282,982**
(Deficiency) excess of revenue over expenses	**$ (475,274)**	**$ 5,487,071**

See accompanying notes to financial statements.

Statement of Changes in Net Assets

Year ended March 31, 2024, with comparative information for 2023

	Investment in tangible and intangible capital assets	Internally restricted operating reserve (note 4(a))	Unrestricted	2024 Total	2023 Total
Balance, beginning of year	$ 2,391,305	$ 4,500,000	$ 7,054,189	$ 13,945,494	$ 8,458,423
(Deficiency) excess of revenue over expenses	–	–	(475,274)	(475,274)	5,487,071
Purchase of tangible and intangible capital assets	1,852,397	–	(1,852,397)	–	–
Amortization of capital and intangible assets	(734,851)	–	734,851	–	–
Amortization of deferred capital contributions	373,328	–	(373,328)	–	–
Balance, end of year	**$ 3,882,179**	**$ 4,500,000**	**$ 5,088,041**	**$ 13,470,220**	**$13,945,494**

See accompanying notes to financial statements.

Statement of Cash Flows

Year ended March 31, 2024, with comparative information for 2023

	2024	2023
Cash provided by (used in):		
Operating activities:		
(Deficiency) excess of revenue over expenses	$ (475,274)	$ 5,487,071
Items not involving cash:		
Amortization of tangible and intangible capital assets	734,851	591,981
Amortization of deferred capital contributions	(373,328)	(373,328)
Change in non-cash operating working capital:		
Accounts receivable	(730,277)	(143,746)
Prepaid expenses	104,526	(163,695)
Accounts payable and accrued liabilities	4,715	(56,811)
Deferred revenue	9,839	–
	(724,948)	**5,341,472**
Financing activities:		
Loan payable forgiven (note 5)	(500,000)	–
Proceeds from loans payable	391,355	–
	(108,645)	**–**
Investing activities:		
Purchase of tangible and intangible capital assets	(1,852,397)	(1,383,772)
Increase (decrease) in cash	(2,685,990)	3,957,700
Cash, beginning of year	13,493,759	9,536,059
Cash, end of year	**$ 10,807,769**	**$ 13,493,759**

See accompanying notes to financial statements.

Notes to Financial Statements

Year ended March 31, 2024

The Home Construction Regulatory Authority ("HCRA") is a private, not-for-profit corporation without share capital that was designated by the Government of Ontario as a regulatory authority on February 1, 2021. The licensing and compliance role was transferred from Tarion Warranty Corporation ("Tarion") (predecessor). HCRA is designated under the *New Home Construction Licensing Act, 2017* ("NHCLA") to promote and protect public interest through public education and carrying out licensing and regulatory oversight of Ontario's new home builders and vendors.

1. Significant accounting policies:

a. Basis of presentation:

The financial statements have been prepared by management in accordance with Canadian accounting standards for not-for-profit organizations applied in Part III of the Chartered Professional Accountants of Canada Handbook.

b. Revenue recognition:

The deferral method is applied to recognize revenue when earned in the year a performance obligation has been satisfied.

Tarion funding for operations is externally restricted and recognized as revenue under the terms of an agreement described in note 4(a) (the "Agreement") up to the completion of the post doors open phase. Funding provided is earned in accordance with the Agreement, which requires utilization of the funds to establish an operating reserve for financial stability.

Capital contributions received in the build out period for the acquisition and development of capital assets are deferred and amortized on a straight-line basis at a rate that corresponds to the amortization rate of the related capital assets.

Licensing revenue is derived from builders and new home vendors applying for new licences or licence renewals. A fee is charged when the applications are submitted. The fees remitted for applications are non-refundable and are not contingent on issuing the licence. New licensing and renewal revenue is recognized at the time the fee is received with the corresponding application.

A regulatory oversight fee (per unit oversight fee) is charged for new home units enrolled with Tarion. Revenue is recognized in the year of enrolment.

Recoverable costs for joint investigations with Tarion are recorded as revenue in the year costs are incurred and services are rendered.

Investment income is recognized as revenue when earned.

c. Expenses:

Expenses are recorded on an accrual basis in the year where goods were received or purchased services were performed.

d. Financial instruments:

Acquisition of financial instruments are recorded at fair value. Equity instruments that

are quoted in an active market are carried at fair value. All other financial instruments are carried at original cost or amortized cost, unless management has elected for the instruments to be carried at fair value. HCRA has elected not to carry these investments at fair value.

Transaction costs are expensed as incurred for financial instruments carried at fair value. Other financial instruments carried at cost or amortized cost include transaction and financing costs that are amortized using the straight-line method.

Annually, financial assets are assessed for impairment at the end of the fiscal year. Monitoring and testing for impairments is performed to determine impact. Significant adverse changes in the expected amounts or timing of future cash flows from the financial asset are considered impairments.

In the event of a significant change, the carrying value of the financial asset is reduced to the highest of the present value of the expected future cash flows, the amount that could be realized from selling the financial asset, or the amount that would be realized from exercising rights to any collateral. If circumstances reverse in future years, the impairment is reversed to the extent of the fair value amount and not to exceed the initial carrying value.

e. Tangible and intangible capital assets:

Purchased tangible capital assets are recorded at cost and amortized when placed in service. Repairs and maintenance costs are charged to expenses. Betterments that extend the estimated useful life of an asset are capitalized. When a capital asset is no longer able to provide services, the carrying value is written down to its residual value and disposed of.

Intangible capital assets under development are capitalized and amortized when substantially completed and placed in service.

Capital assets are amortized over their estimated useful life on a straight-line basis as follows:

Tangible:	
Computer hardware	3 years
Leasehold improvements	Lease term
Office equipment	5 years
Intangible:	
IT infrastructure software	10 years

f. Use of estimates:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. Significant items subject to such estimates and assumptions include the useful life lives of capital assets and certain accrued liabilities. Actual results could differ from those estimates.

2. Tangible and intangible capital assets:

Tangible capital assets comprise the following assets as at March 31:

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
Computer hardware	$ 415,233	$ 222,523	$ 192,710	$ 101,675
Leasehold improvements	654,035	155,921	498,114	220,766
Office equipment	225,000	115,672	109,328	84,171
	$ 1,294,268	**$ 494,116**	**$ 800,152**	**$ 406,612**

Intangible capital assets consist of IT infrastructure software applications developed or enhanced internally.

			2024	2023
	Cost	Accumulated amortization	Net book value	Net book value
IT infrastructure software	$ 6,439,843	$ 1,423,793	$ 5,016,050	$ 4,292,044

3. Accounts payable and accrued liabilities:

Included in accounts payable and accrued liabilities are government remittances payable of $5,023 (2023 - $82,947) relating to federal and provincial sales taxes.

4. Tarion funding:

a. Purpose of funding:

On May 31, 2019, and amended on November 25, 2020, HCRA and Tarion entered into the Agreement that provides for three stages of funding, start-up, build-out and post doors open. Funds received are intended for the development of operating systems, establishing business processes, building an operating reserve and provide contingency funding.

The funding for operations is externally restricted and recognized as revenue under the terms of the Agreement up to the completion of the post doors open phase. During the post doors open (third) phase, the remaining deferred revenue funds from prior phases will be retained to establish an operating reserve for financial stability.

In December 2020, Tarion advanced the HCRA $1,250,000 in the form of a $750,000 non-refundable grant and a $500,000 repayable interest free loan under conditions of the Agreement. At maturity on December 31, 2023, the conditions for loan forgiveness were met under the terms of the Agreement. Accordingly, the loan was recognized as revenue under the Tarion funding agreement (note 5).

b. Deferred revenue:

Deferred revenue represents Tarion funding received that relates to subsequent periods. The movements in deferred revenue during the year were:

	2024	2023
Balance, beginning of year	$ 907,778	$ 907,778
Add: application fees received	9,839	-
Balance, end of year	**$ 917,617**	**$ 907,778**

c. Deferred capital contributions:

Deferred capital contributions represent Tarion funding used primarily in the development of IT infrastructure software, amongst other assets.

	2024	2023
Balance, beginning of year	$ 2,307,351	$ 2,680,679
Less amortization of deferred capital contributions	373,328	373,328
Balance, end of year	**$ 1,934,023**	**$ 2,307,251**

5. Loan payable:

Financial support for establishing an operating reserve is provided under the terms of the Agreement for the three-year period ending January 31, 2024. The first transfer payment was received in December 2020 for $1,250,000 consisting of a grant component of $750,000 and a repayable amount of $500,000. The grant was recognized as revenue in the prior fiscal year (note 4(a)). The repayable amount was reported as a loan payable in fiscal 2023, due January 31, 2024.

Repayment was dependent on achieving certain outcomes per the Agreement. The amount due was calculated as the number of home enrolments in the calendar year 2023 exceeding 60,000 multiplied by $145 to a maximum of $500,000 without interest. During the calendar year 2023 enrolments did not exceed 60,000 therefore, this amount was recognized as revenue at maturity in fiscal 2024. No manounts were repaid under the terms of the Agreement.

A funding amount of $292,465, was received from Tarion in 2022 in accordance with the Agreement. Additional support funding of $391,355, was recived from Tarion in fiscal 2024 in accordance with the Agreement (bringing the total loan payable balance to $683,820 (2023 - $792,465). A minimum enrolment support level of 14,000 per quarter is required under the Agreement. Any funds received are interest free and repayment is conditional on enrolment volumes. Repayment of the principal amount will be required if the average number of new home enrolments exceeds 56,000 in each calendar year from 2021 - 2023 and an operating reserve of $4,500,000 is achieved.

6. Other revenue

Included in other revenue is the following:

	2024	2023
Interest income	$ 524,323	$ 412,006
Administrative monetary penalities	-	70,000
Other	2,235	1,628
Balance, end of year	**$ 526,558**	**$ 483,634**

7. Economic dependence:

Ongoing financial support during the three-year period of post doors open up to January 31, 2024 will be provided under the Agreement with Tarion. Funding is provided to establish an operating reserve and provide guarantees on new home enrolment volumes.

The variability in per unit oversight fees is contingent on the number of new home enrolments and is sensitive to general economic factors, market conditions, and the cyclical nature of new homes, as described in note 5. Tarion support provides a guarantee of 56,000 units per annum average for the three-year phase of post doors open. Actual volumes lower than the average over the term will release the requirement to repay the loans.

After the three-year period, internally managed operating reserves and fees collected under the authority of the NHCLA is expected for HCRA to operate as a self-funded going concern.

8. Commitment

On December 13, 2019, HCRA signed a lease agreement with the landlord at 40 Sheppard Avenue West, Suite 400, Toronto, Ontario, M2N 6K9 until September 30, 2028. The commitment includes step-ups of base rent effective October 1, 2023 and October 1, 2025. The future base rentals are as follows:

2025	129,000
2026	136,000
2027	143,000
2028	143,000
2029	71,600
	$ 622,600

A component of the lease agreement includes additional rent charged. These expenses are a proportionate share of the property's common area maintenance expenses and recharges for services that may be directly used by a tenant in the year incurred. The obligation is not pre-set to specified amounts as the variability is based on consumption. It is not included as part of the above commitment table.

9. Financial risks:

HCRA does not believe it is exposed to significant interest rate risk or market risk. There is no change to the risk exposure from 2023, except as described in note 9(c).

a. Liquidity risk:

Liquidity risk is the risk that HCRA will be unable to fulfill its obligations on a timely basis or at a reasonable cost. Excess cash not required for short-term operational needs are surplus funds. From time to time, available funds are invested in risk-free, highly liquid financial instruments to earn interest income on secured principal balances. Financial instruments, including term deposits, guaranteed investment certificates and money market funds, are selected to manage market volatility and limit financial interest, credit, and cash flow exposure risks.

b. Credit risk:

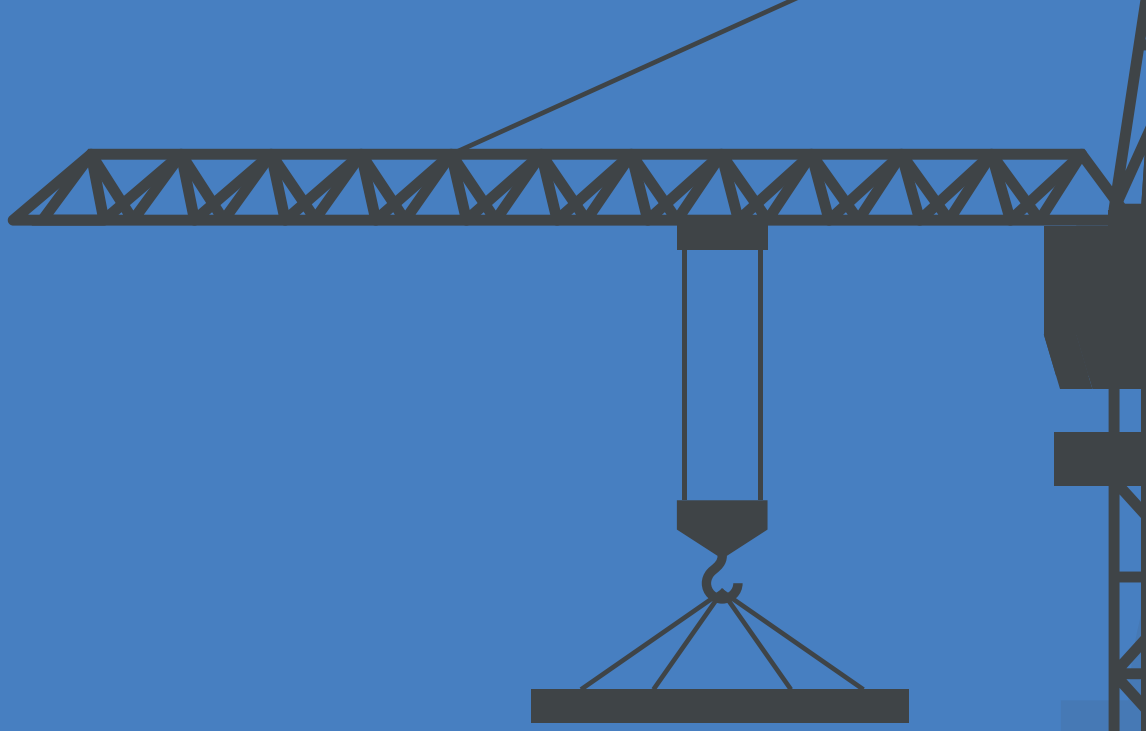
Credit risk refers to the risk that a counterparty may default on its contractual obligations resulting in a financial loss. HCRA is exposed to credit risk with respect to the accounts receivable. HCRA assesses, on a continuous basis, accounts receivable, and provides for any amounts that are not collectible in the allowance for doubtful accounts. There are no amounts provided for 2024 (2023 - nil). Payment of all fees is a requirement under the NHCLA. All licensees are reuiqred to pay any fees owing as a condition of their licence.

c. General economic risk:

HCRA continues to monitor emerging trends to make any necessary changes and adapt its business model. Its financial performance is sensitive to general market conditions in new home construction and consumer behaviour. Management estimates and assumptions in the business model, and strategic priorities are based on economic and financial outlook that incorporates a provision for short-term inflationary pressures and interest rates impact on financial results.

10. Comparative information:

Certain comparative information has been reclassified to conform with the financial statement presentation adopted in the current year.



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