

# Consultation Paper

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## ENHANCED VENDOR AND BUILDER EDUCATION REQUIREMENTS IMPLEMENTATION OPTIONS

**AUGUST 2013**

## TABLE OF CONTENTS

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Section 1 - Introduction .....	4
1.1 Purpose.....	4
1.2 History.....	4
1.3 Proposed Education Requirements and Tarion’s registration process.....	4
1.4 Feedback Process .....	4
Section 2 - The Seven Core Competencies .....	5
2.1 Detailed competency descriptions.....	5
2.2 Approval of courses and exams.....	5
2.3 Builder Education Advisory Committee .....	6
Section 3 – Requirements for New Applicants .....	7
3.1 New Applicants .....	7
3.2 Builder or vendor/builder new applicants .....	7
3.3 “Vendor-only” new applicants.....	7
3.4 Other implications .....	7
Section 4 – Grandparenting of Existing Registrants and Designates .....	9
4.1 Individuals vs teams.....	9
4.2 Limits on number of designates .....	9
4.3 Should contractors be allowed to be designates? .....	11
4.4 Designation of a person is portable.....	12
4.5 Grace period when staff turnover of a designated person occurs .....	13
Section 5 – Continuous Professional Development (CPD).....	14
5.1 All designates.....	14
5.2 CPD requirements.....	14

5.3 CPD annual certification.....	15
Section 6 –Business Plan and Cost Recovery Options.....	16
6.1 Costs of the new education program.....	16
6.2 Cost recovery options .....	16
Section 7 – Other Considerations .....	19
7.1 Out-of-province applicants .....	19
7.2 New registrants under umbrella organizations and joint ventures .....	19
7.3 Registrants who do not build for several years.....	20
7.4 Audit of registrants and designates .....	20
7.5 Conditions where designate status may be lost .....	21
7.6 BuilderLink .....	21
Appendix 1 – History and Framework .....	22
Appendix 2 – Definitions and List of Acronyms .....	24
Appendix 3 – Core Competency Descriptions.....	25
Appendix 4 – Builder Education Advisory Committee – Terms of Reference.....	33
Appendix 5 – Frequently Asked Questions .....	34
Appendix 6 – Milestone Plan.....	37

## SECTION 1 - INTRODUCTION

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### 1.1 PURPOSE

This paper discusses the proposal for Tarion's enhanced education requirements for vendors and builders (collectively referred to as "builders" in this paper). It has been produced for the purpose of public distribution to encourage feedback from all of Tarion's stakeholders.

### 1.2 HISTORY

Appendix 1 contains a brief history of this project. The appendix also provides a description of the framework approved by the Tarion Board in December 2012 after considering stakeholder feedback gathered in the first public consultation in 2012.

### 1.3 PROPOSED EDUCATION REQUIREMENTS AND TARION'S REGISTRATION PROCESS

This paper explains the proposed implementation of enhanced education requirements for registering new applicants and renewing the licences of existing registrants. New applicants will no longer take the existing technical test and some or all of the orientation session will be dropped. The interview will remain as part of the registration process, as will other underwriting processes.

You should refer to Appendix 2 for important definitions of terms such as: umbrella, registrant, designate and contractor that will be used throughout this paper. Knowledge of these terms will be essential to your understanding of the proposal.

### 1.4 FEEDBACK PROCESS

This discussion paper outlines the proposed enhanced education requirements and how Tarion intends to implement the policy. Throughout the report, you will be asked to comment on specific questions, but Tarion welcomes feedback on all aspects of this paper. Please send any comments to [submissions@tarion.com](mailto:submissions@tarion.com). Your feedback is important to us!

## **SECTION 2 - THE SEVEN CORE COMPETENCIES**

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### **2.1 DETAILED COMPETENCY DESCRIPTIONS**

Appendix 3 outlines the seven competencies related to this proposal. They have been modified from the Canadian Home Builder Association's ("CHBA") National Education Benchmarks and take into account Tarion's specific requirements as the regulator in the province of Ontario.

### **2.2 APPROVAL OF COURSES AND EXAMS**

Tarion will engage third party course providers to fulfill core competency requirements<sup>1</sup>. Tarion staff will review and approve course providers, courses and exams for use in meeting these requirements. At this time, Tarion does not intend to develop or administer its own exams.

Tarion encourages interested parties, such as colleges, industry associations, and individuals or companies experienced in building related education, to submit proposals for their courses for Tarion's approval. It is not expected that courses will always correspond precisely to a particular competency. A course may cover one or more competencies, or several courses could cover several competencies depending on the course content.

Tarion will review submissions, with a view to having courses available in various locations across the province. Courses and exams will be available to new applicants well before the proposed start date of July 1, 2015. Tarion intends to begin a pilot course approval process shortly and will fine-tune the process based on consultation feedback. The course approval criteria will be based on the detailed descriptions in Appendix 3. Once the pilot program is complete, Tarion will publish final requirements for courses and exams.

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<sup>1</sup> The requirements being referred to here are for new applicants. Requirements for existing registrants are discussed elsewhere in this paper.

Course exams will be approved based on this established criteria. Proposed exam questions will be reviewed to ensure all key concepts are covered from the descriptions in Appendix 3. Tarion requires organizations providing approved courses will also provide a mechanism for applicants to challenge the exam without taking the course.

The examination process will be considered as part of the course approval criteria. In particular, Tarion is interested in understanding what type of authentication will be done to confirm the identity of the individual writing the exam.

Tarion will also request from course and exam providers proof of compliance with the Ontario Human Rights Commission "[Guidelines on Accessible Education](#)".

## **2.3 BUILDER EDUCATION ADVISORY COMMITTEE**

As stated above and throughout this paper, Tarion staff will be responsible for reviewing and approving courses and exams and performing audits related to registrants and designates.

Tarion staff will, from time to time, need help with its review work or to understand changing trends in the world of education. It is proposed that in this circumstance, Tarion could seek assistance from an external advisory committee, known as the Builder Education Advisory Committee. Appendix 4 contains the proposed terms of reference for this advisory committee. It is expected that Tarion will require significant assistance from the committee when developing the education program, and that the committee will be consulted less frequently once the program has been established and is running.

## SECTION 3 – REQUIREMENTS FOR NEW APPLICANTS

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### 3.1 NEW APPLICANTS

Those who are applying for a new registration to build or sell new homes in Ontario must meet various requirements. The enhanced core competency requirements discussed in the initial consultation paper and being elaborated upon in this paper will be incorporated into those existing requirements.

In both individual and team cases, the applicant must fully satisfy the required competencies before an application for registration may proceed to the underwriting and interview stages. Grace periods will not be allowed.

### 3.2 BUILDER OR VENDOR/BUILDER NEW APPLICANTS

A new applicant's designate will prove his/her individual or team competency in all seven of the core competencies by taking related courses and/or passing the exams, or by successfully challenging the exams without taking the courses. Applicants will be required to show proof that they have fulfilled the education requirements by submitting transcripts indicating successful course or exam completion.

### 3.3 “VENDOR-ONLY” NEW APPLICANTS

Requirements differ slightly for new vendor-only applicants. A vendor-only applicant will be required to hold only five of the core competencies. The building codes and construction technology competencies are not required.

In order to be permitted to build, a vendor-only applicant must enter into a contractual arrangement with a Tarion-registered builder. Registered builders, as noted above, will hold the building codes and construction technology competencies, in addition to the other five competencies, which fulfills the educational requirements.

### 3.4 OTHER IMPLICATIONS

Reasons for implementing enhanced education requirements were discussed in the [initial consultation paper](#). It will be somewhat harder for new applicants to become registered with Tarion once the education requirements become effective.

At a minimum, an applicant's designate(s) must pass applicable core competency exams either by taking course(s) or directly challenging exam(s). Depending on how many competencies a designate will be required to fill; it may take longer to achieve all of the new registration requirements as compared to previous registration requirements.

Tarion estimates that if all competencies are required, it will take approximately 180 hours of study to successfully complete the 7 courses and sit the applicable exams. Further, tuition fees will apply, which Tarion estimates may cost around \$400 per course and around \$200 to challenge an exam without taking the course.

## SECTION 4 – GRANDPARENTING OF EXISTING REGISTRANTS AND DESIGNATES

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### 4.1 INDIVIDUALS VS TEAMS

When the enhanced education program is implemented, all existing registrants will be grandparented. A registrant will either fall into the individual category requiring a principal, director or officer (“PDO”) to satisfy all seven competencies, or the team approach will apply, where each of the seven competencies can be satisfied by different individuals, at least one of which must be a PDO.

Competent individuals or team members “designated” as holding the required competencies will be recorded on the BuilderLink<sup>2</sup> system. These designates will be deemed to hold all of the required core competencies (i.e. be grandparented) and will not be required to take the competency courses or exams. A ‘designated’ individual will hold all seven competencies, while a team member will hold the competency(ies) they are designated to be fulfilling at the beginning of the enhanced education program. A designation will remain with the individual provided they maintain the required continuous professional development (“CPD”) whether or not they are employed<sup>3</sup>.

### 4.2 LIMITS ON NUMBER OF DESIGNATES

When the enhanced education program is implemented and moving forward, an existing registrant will designate individuals to fulfill core competency roles. One of the considerations Tarion is faced with is the number of individuals allowed to be designated by being grandparented. One scenario considered is restricting that limit to one person for a registrant that designates an individual and a maximum of seven for a designated team (one member per competency). However, beginning the program only allowing this number of designates, may lead to succession issues fairly quickly.

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<sup>2</sup> BuilderLink is Tarion’s on-line service available to all registrants.

<sup>3</sup> Similarly, individuals will be designated by new applicants, but not be grandparented as these designates must fulfill the core competency education requirements by taking courses and/or passing exams.

Consider the following examples:

Example #1: Say a small registrant is run by two principals. Further, say only one of those principals is allowed to be designated by grandparenting. If for any reason, that designate leaves the company, the other would have to complete the seven courses and/or exams to become an individual designate.

Example #2: A large builder wishes to designate a team to fill core competency roles. The finance department of this builder is managed by a seasoned controller and a CFO. If we allow only one of the department leaders to be designated, the other would have to complete the related course and/or exams should the designate leave the company.

Examples #1 and #2 illustrate that allowing only one designate in either case of individual or team situations will be a hindrance to the program running smoothly in its early years.

Therefore, Tarion believes that several individuals should be allowed to become designates for each competency role, for each registrant. We then need to consider how many to allow. Are three enough or seven too many? The Builder Education Task Force (BETF) feels that three is too small a number, illustrated by the following:

Example #3: Say a registrant has two principals who both wish to be designated as fully competent individuals. In this case, that would only leave one more slot for a further designate to fulfill the finance competency, while perhaps two might be desired, say for the CFO and controller as in the previous example #2.

It is likely that registrants will increase their number of designates as Tarion increases the designation limit. However, the total number of designates is a relatively minor issue to Tarion with respect to the data storage and management implications since registrants will largely self-administer this aspect of the enhanced education program.

Storing the names of a few thousand more or less designates in Tarion systems will not materially change Tarion's cost picture for this program. On the other hand, it is likely true that the more designates that exist, the more phone calls and emails for assistance are likely to occur which eventually would trigger increased staffing requirements. However if Tarion does not limit the number of designates, the entire building community could seek designation at the program start-up time, which would defeat the purpose of implementing enhancing education requirements.

This proposal recommends the designate limit be set to five for each competency, for each registrant. For this purpose, when an umbrella organization applies, the limit will be set to five for each competency for the entire umbrella organization, rather than its member registrants. This limit of five should address concerns that were raised from stakeholders about potential succession-planning strain in the early years of implementation without compromising the quality of or adding costs to the program.

At the start of the program, there will be a large number of people designated by registrants. Tarion will have to carefully plan for the information system resources, since registrants will record designations via BuilderLink. With that in mind, a “start-up” designation period, of three or six months should be implemented, during which registrants can choose and record their grandparented designates.

#### **4.3 SHOULD CONTRACTORS BE ALLOWED TO BE DESIGNATES?**

In the context of this paper, the term contractor refers to people or companies that are not employees of a registrant. There are two schools of thought on this:

1. **Allowing contractors to be designates is an unnecessary layer of complexity in the program:** This idea has been suggested in the context of vendor-only registrants. A vendor is often characterized as a company with significant financial resources, but lacking in building expertise. In this situation, the vendor hires a general contractor (i.e. a Tarion-registered builder) to actually build the home and usually, deliver the customer service requirements after the home is complete. When a vendor-only registration is issued, a vendor must always hire a Tarion-licensed builder. Thus, as mentioned earlier in this paper, it makes sense to only require that vendors have five of the seven competencies (no requirement for the building code and construction technology competencies), as the builder they hire, will have all seven competencies. In this scenario there is no need to allow contractors to be designates.

2. **Allowing contractors is acceptable but only for certain competencies:** This school of thought recognizes that, especially in the case of a small vendor and/or builder, a contractor is sometimes hired that completely deals with all aspects of issues in a particular field. We could use legal issues as an example. The registrant's lawyer, while not an employee, fulfills all legal functions of the registrant. Therefore how does this situation differ from the vendor-only situation that allows outsourcing building expertise to a third party?

The answer to this may lie in the depth of knowledge required for each core competency. To be competent is different than having expertise. The legal core competency does not require the person to be as knowledgeable as a lawyer. But having legal competency knowledge would help a person to understand the legal framework they operate in as a vendor or builder. The same is true of other competencies. For example, meeting the competency for financial planning and management does not require a person to have the knowledge of a professional accountant. However, while a person does not need to be an engineer or an architect to achieve the building code and construction technology competencies, a deeper knowledge is required than for other competencies.

**Question for the reader:**

Tarion would appreciate your feedback on the question of contractors being allowed as designates, in particular:

1. Should contractors be allowed to be designates?
2. If you answer yes to question 1, are there any restrictions you would suggest be placed on this, such as the designate must be a person as opposed to a company?

**4.4 DESIGNATION OF A PERSON IS PORTABLE**

Whether a person was initially designated by successfully satisfying the course requirements, challenging the exam(s), or was grandparented, their designation will remain with them, even if they cease to be employed by the vendor/builder with whom they first became designated, provided they complete the required CPD.

#### **4.5 GRACE PERIOD WHEN STAFF TURNOVER OF A DESIGNATED PERSON OCCURS**

When staff turnover occurs, there will be a six month grace period for a registrant to arrange for an alternate designate to fill a vacant core competency role. If a registrant feels they cannot fill the role within six months, they may contact Tarion to propose an extension. Tarion will choose whether to accept a proposal based on the circumstances presented.

Registrants will be encouraged to develop a succession plan for designates which will ensure a timely replacement should the need arise. For example they may wish to have a “back-up” person take the required course or challenge the exam for a particular competency.

## SECTION 5 – CONTINUOUS PROFESSIONAL DEVELOPMENT (CPD)

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### 5.1 ALL DESIGNATES

All designates will be required to maintain CPD. Generally, requirements will be the same for all designates, however Tarion will reserve the right to prescribe CPD in certain circumstances.

### 5.2 CPD REQUIREMENTS

CPD requirements have been developed after extensive research. Tarion has reviewed the CPD programs in British Columbia and Alberta, as well as a variety of other professional organizations. While there are various practices out there, there are also similarities. The various models reviewed included either an annual hourly threshold requirements or three year threshold requirements. Within these various models there was flexibility in what constituted an acceptable CPD. Some models “points” or “credits” instead of hours, but often, the points or credits equate to hours.

Tarion wishes to keep CPD requirements simple yet effective. Tarion’s view is that CPD should be allowed on any industry-related topic. CPD could be obtained by taking a formal course or attending a training session, including training sessions put on by Tarion or the OHBA and its local associations.

Tarion understands that many existing builders currently provide opportunities for CPD for PDO’s and staff as part of their business model and budget accordingly. Those builders who do not currently do this will need to make the necessary financial provisions when the education program is implemented.

Tarion could consider requiring a mandatory annual CPD component of all registrants. Tarion currently delivers builder update sessions across the province. The topics range from upcoming policy proposals and revisions to builder bulletins to explanations of Tarion’s decision making process during conciliations, LAT, BAF and court decisions which may impact builders. Tarion’s builder updates may be a platform for any mandatory CPD component of one to two hours.

Tarion prefers an ‘hourly’ CPD threshold as opposed to ‘point’ or ‘credit’ systems. ‘Point’ and ‘credit’ systems seem to add a layer of complexity unnecessary to meet Tarion’s education objectives.

Most professional organizations reviewed require between 10 and 20 hours/credits/points of annual CPD. The programs researched are mostly mature programs that have existed for many years. Eventually, Tarion may want to consider increasing CPD levels but at the outset, a very time consuming CPD requirement may be a burden, especially for small builders.

Initially, Tarion proposes to set CPD requirements at the low end of the scale - 10 hours annually. To keep things simple, the requirement would be the same for all designates. Note that this requirement is for each designate, not a registrant. A registrant may have several designates and each of those designates will be required to complete a minimum of 10 hours of CPD. This 10 hour minimum will be for each designate, not each competency. A designate who holds more than 1 competency will only be required to attain 10 hours of CPD annually, not 10 hours per competency.

### **5.3 CPD ANNUAL CERTIFICATION**

Tarion will require a registrant to keep a list of all of their current designates, and to confirm that each designate on that list is in compliance with their CPD requirements. This confirmation will be completed annually, on the BuilderLink system, either at the time of licence renewal or on a calendar year basis. Details of this will be finalized at a later date.

An individual designate will not be required to report directly to Tarion unless requested, or unless they become unemployed and need to report CPD to Tarion.

Registrants should establish a process to ensure such compliance and that documentation is available should Tarion conduct an audit of the registrant's compliance. Tarion will provide suggested guidelines for such an audit process and the required documentation before the program is implemented.

## SECTION 6 –BUSINESS PLAN AND COST RECOVERY OPTIONS

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### 6.1 COSTS OF THE NEW EDUCATION PROGRAM

Current estimates suggest that Tarion will incur approximately \$220,000 of incremental costs to develop the enhanced education program, mostly to be incurred in 2014. Once the system is developed, it will cost approximately \$200,000 each year to operate the program.

### 6.2 COST RECOVERY OPTIONS

The business plan for the enhanced education program includes an assumption of recovering the development costs of the program and ongoing operating costs over a five year recovery time horizon. This model assumes that all fees currently in place, such as the existing new application fee and renewal fees, remain as they are. The fees shown below are incremental to these existing fees. All options also assume that the fee rates will remain constant over the initial five year recovery period.

The many options under consideration to recover these costs are shown in the table below. To reduce the number of options presented, the fees to the teaching institution are the same for all options.

#### **Question for the reader:**

We welcome the reader to provide feedback on the question of recovery and what option the reader would prefer.

Option		Approximate fees
1a	<p>Charge registrants a fee to recover the costs and charge teaching institutions a fee to have courses approved. The registrant fees are a flat fee per registrant regardless of size of the registrant.</p>	<p>Registrants: \$55 per registrant (umbrella organizations pay for each registrant under the umbrella)</p> <p>Teaching institutions: \$750 per course for initial review \$150 annual renewal per course</p>
1b	<p>Charge registrants a fee to recover the costs and charge teaching institutions a fee to have courses approved. The registrant fees are scaled according to the size of the builder using the same size stratification as used in the Tarion website reporting.</p>	<p>Registrant annual fees:</p> <p>New registrant: \$0</p> <p>Renewing registrants:</p> <p>Small (Ten or fewer possessions annually): \$0</p> <p>Medium (11 to 100 possessions annually): \$200</p> <p>Large (101 to 300 possessions annually): \$400</p> <p>Very large (more than 301 possessions annually): \$600</p> <p>Teaching institutions: \$750 per course for initial review \$150 annual renewal per course</p>

<p>1c</p>	<p>Charge registrants a fee to recover the costs and charge teaching institutions a fee to have courses approved. The registrant fees are scaled according to the size of the builder using the same size stratification as used in the Tarion website reporting.</p>	<p>Registrant annual fees:</p> <p>New registrant: \$50</p> <p>Renewing registrants</p> <p>Small (Ten or fewer possessions annually): \$50</p> <p>Medium (11 to 100 possessions annually): \$65</p> <p>Large (101 to 300 possessions annually): \$90</p> <p>Very large (greater than 300 possessions annually): \$120</p> <p>Teaching institutions:</p> <p>\$750 per course for initial review</p> <p>\$150 annual renewal per course</p>
<p>2</p>	<p>Charge registrants a fee to recover the costs and charge teaching institutions a fee to have courses approved. The registrant fees are based on the number of designates the registrant assigns to fill competency roles.</p> <p>(Note: because of the difficulty in estimating the number of designates per registrant, this option exposes Tarion to high volatility of the fees that may be collected). Should Tarion collect too much revenue over time, it might use the excess to fund specific training initiatives.)</p>	<p>Registrant annual fees:</p> <p>Per designate: \$15 (break-even occurs after three years)</p> <p>Teaching institutions:</p> <p>\$750 per course for initial review</p> <p>\$150 annual renewal per course</p>

## SECTION 7 – OTHER CONSIDERATIONS

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### 7.1 OUT-OF-PROVINCE APPLICANTS

In deciding what the enhanced education requirements should be for out-of-province applicants, Tarion has turned to the principles already approved by the Board in the Performance Based Pricing (“PBP”) proposal. In that proposal, under certain circumstances, an out-of-province applicant will be given partial tenure points upon successful registration with Tarion. In keeping with that approach, it may be appropriate in some circumstances for Tarion to waive certain education requirements.

The criteria for waiving tenure for PBP purposes are:

1. The builder has been with a new home warranty program elsewhere in Canada or a government regulated warranty program from another country;
2. The builder was generally in good standing with the warranty program they were a member of;
3. The builder’s track record can be verified by Tarion by an independent and credible third party. Further Tarion needs to be able to obtain this evidence with relative ease without incurring costs beyond the fees for new registrants;
4. The builder has been active as a new home builder;
5. Reference checking performed by Tarion does not surface major issues; and
6. The builder passes all of Tarion’s other testing and underwriting requirements that other in-province applicants are subjected to.

Provided the above criteria are met, Tarion will consider waiving some of the core competency requirements for new applicants. It is expected that the applicant would need to successfully complete a Building Codes competency course or successfully challenging the related exam. CPD requirements would be the same as for all other registrants.

### 7.2 NEW REGISTRANTS UNDER UMBRELLA ORGANIZATIONS AND JOINT VENTURES

Generally, registrants under umbrella organizations constantly change. Some are allowed to expire while new ones are created. Joint ventures are created from time to time, typically composed of a union of two existing registrants to form a third new registrant.

Tarion needs to consider what should be required of a new registrant in this type of circumstance. Existing designates within the umbrella, or existing registrants of the joint venture can satisfy the competency requirements of the new registrant as well. A designated person transferring in from a company outside the umbrella or the joint venture may satisfy competency requirements of the new registrant since their designation is portable. Any further competency requirements of the registrant (to fulfill the team requirements) will be filled by a person who must pass the applicable course(s) or successfully challenges the exam(s).

### **7.3 REGISTRANTS WHO DO NOT BUILD FOR SEVERAL YEARS**

In the PBP initiative, registrants who do not have any possessions for four or more consecutive years do not receive tenure points for those years. The question arises should there be any special rules for such registrants for competency requirements. Tarion believes these registrants should still be grandparented and subject to the same CPD requirements as all registrants regardless of whether or not they are actively building warrantable homes. However, should the registrant wish to return to active building, Tarion may prescribe certain CPD as part of the terms and conditions of continued registration.

### **7.4 AUDIT OF REGISTRANTS AND DESIGNATES**

An audit program will be established to maintain quality of courses and exams and to ensure registrants and designates fulfill their responsibilities under the education program.

Courses and exams: Tarion will approve courses and their related exams. Tarion will ensure that course content is delivered as approved and that the course does not materially stray from the approved curriculum and exam. To that end, course providers will be required to routinely keep Tarion up-to-date on any proposed changes. Tarion will periodically audit courses to ensure the learning objectives are met. The degree of such auditing will be decided at a later date but covering courses over a five year cycle should provide reasonable assurance of quality over time.

Registrants and designates: The self-serve process mentioned elsewhere in this paper will generally be run on the honour system. Tarion will at its discretion, audit registrants to ensure their CPD confirmations have merit. The scope of such auditing will be chosen at a later date, but will likely be on an exception basis - that is, if there are problems with claims, for example, then the probability of a registrant being audited will increase.

Registrants will be required to keep records of their designate(s)' successful completion of CPD courses, along with appropriate backup documentation, as proof of having met their CPD requirements.

## **7.5 CONDITIONS WHERE DESIGNATE STATUS MAY BE LOST**

A person can lose their status as a designate under the following circumstances:

1. Designations may be lost if the designate does not maintain his/her CPD requirements and Tarion has not given the person an extension. This includes specific CPD requirements Tarion may have issued to the designate;
2. If a registrant's registration is revoked, all designates of the registrant will be reviewed by Tarion to determine if some or all of them should lose their designate status.

## **7.6 BUILDERLINK**

BuilderLink is Tarion's online service for vendors and builders. It will be a requirement of registration that all registrants maintain their slate of designates on Tarion's BuilderLink system. It will be necessary for all registrants to have computer access to BuilderLink for this purpose.<sup>4</sup>

In cases where a designate is not employed by a registrant, it will also be necessary for a designate to have access so that the appropriate updates can be made by the designate directly.

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<sup>4</sup> Where necessary, Tarion will make accommodation for those unable to access BuilderLink, upon request and review

## APPENDIX 1 – HISTORY AND FRAMEWORK

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### History

In 2010, the Tarion Board of Directors (“Board”) created the BETF to assist the Board in developing a strategy to enable Tarion to better fulfill its mandate to educate new home builders.

The BETF was asked to develop a vision for a builder education program in Ontario and determined that Tarion’s mandate to inform and educate new home builders should be addressed by enhancing registration requirements for new applicants and introducing new renewal requirements for existing registrants.

In the spring of 2012, Tarion published a consultation paper titled “Builder Core Competency Consultation Paper, A proposed new policy framework to enhance Tarion’s registration requirements”. The paper explained how the Tarion mandate included education of new home builders and why the Board wanted a focus on education at this time.

Late in 2012, incorporating the feedback received from stakeholders, the Board approved the project to continue with two key changes: 1) allowing builders to designate a team to fill competency roles; and 2) allowing a grace period when a registrant experiences staff turnover in a previously filled competency role. With this approval, the framework was established for the new registration requirements as they relate to education.

### Framework

Key features:

- a) New education requirements for vendors and builders are organized under seven competencies:
  1. Business planning and management
  2. Financial planning and management
  3. Project management and supervision
  4. Legal issues in housing
  5. Building codes
  6. Construction technology
  7. Customer service

- b) New applicants (vendor /builder or builders) must demonstrate the seven competencies as a condition of registration with Tarion<sup>5</sup> by successfully completing pre-approved courses and/or successfully challenging the related exams;
- c) Grandparenting for existing registrants<sup>6</sup>;
- d) New continuing education requirements for all registrants;
- e) A team approach would be acceptable in ensuring the seven competencies are met; and,
- f) A grace period will be provided when a registrant experiences a vacancy in a core competency role.

It is important to emphasize that the competencies noted above and the resultant education requirements apply equally to all builders regardless of the construction type in which they are involved (freehold, high-rise and low-rise).

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<sup>5</sup> For vendor applicants, only five competencies are required as discussed throughout this document.

<sup>6</sup> See section 4.1 for definition.

## APPENDIX 2 – DEFINITIONS AND LIST OF ACRONYMS

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**This document refers to umbrellas, registrants, designates, and contractors which are defined as:**

An umbrella refers to a group of registrants that are related, typically the principles, directors and/or officers are the same for each of the registrants in the umbrella.

A registrant is a vendor or builder that holds a valid Tarion registration (licence) to sell or build homes. The registrant is usually a company but can be a person.

A designate will be a person that is chosen by the registrant they work for to fill one or more of the seven core competencies of the education program. The designate concept is further explained elsewhere in this document, including references to when a designate must be a PDO.

A contractor refers to a person that is hired by a registrant but is not an employee of the registrant. The term contractor also sometimes refers to a company hired by the registrant.

**The following is a list of acronyms used in this report:**

BEAC	Builder Education Advisory Committee
BETF	Builder Education Task Force
CHBA	Canadian Home Builders' Association
CPD	Continuous Professional Development
OHBA	Ontario Home Builders' Association
PDO	Principal, Director, or Officer

## APPENDIX 3 – CORE COMPETENCY DESCRIPTIONS

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This appendix provides the detailed descriptions of the core competency requirements.

### 1. Business Planning and Management

- a) Vision, objectives and goals
  - i. Statement of vision, objectives and goals, and also the following inclusions
  - ii. Statement of company rationale, values, directions and risks
  - iii. Statement of ethics
  - iv. Products and services
  
- b) Integration with Financial plan (overview)
  - i. Purposes of financial plans
  - ii. Pro-forma statement of operations (income statement)
  - iii. Pro-forma statement of financial position (balance sheet)
  - iv. Cash flow estimates
  - v. Mark-ups
  
- c) Marketing plan (overview)
  - i. Explanation of terms: market research, marketing, marketing planning
  - ii. Market research methods
  - iii. Elements of marketing planning: market environment, target market, positioning, pricing, strategy, sales strategy (public relations plan, advertising plan and referrals plan)
  
- d) Operating plan
  - i. Size and form of business (organization)
  - ii. Implementation of major functions: land acquisition, house designs, estimating, contract administration, quality control, customer service and waste management
  - iii. Reference to management control systems (general, construction management, site management)
  - iv. Monitoring and evaluation of objectives and operating plan (business goal assessment, and performance against objectives using sales and financial measures)
  - v. Protecting the business: overview of insurance and Construction Lien Act

- vi. Development of a new/updated plan
- vii. Managing change: changes to one part of the business plan affect other parts.
- viii. Importance of communications to business success, guidelines for effective communication

## 2. Financial Planning and Management

- a) Financial planning
  - i. Integration with business plan
    - Purposes of the business plan
    - Main elements of the business plan, etc.
  - ii. Financial projections
  - iii. Pro-forma statement of operations (budget)
    - Explanation/elements (sales, costs, gross income, net income, etc.)
    - Purposes of the pro-forma statement of operations
  - iv. Pricing: alternate methods, factors to consider
  - v. Break-even analysis: explanation
  - vi. Discussion of overhead costs
  - vii. Margin/mark-up: explanation and guidelines
  - viii. Pro-forma statement of financial position: explanation, elements
  - ix. Pro-forma cash flow statement
- b) Financial management
  - i. Explanation of financial management practices: records requirements and operating guidelines, e.g., timely reporting, communicating guidelines
  - ii. Accounting concepts, principles and practices
    - Accounting cycle
    - Alternate accounting benchmarks
    - Accrual accounting
    - Accounts receivable
    - Accounts payable
  - iii. Bookkeeping: explanation; concepts and practices: journal entries, double-entry, preparation of ledgers, trial balance, etc.
  - iv. Financial statements
    - Statement of operations: explanation, elements (sales, costs (fixed, variable), gross income, net income))
    - Statement of financial position: explanation; elements (assets, liabilities, shareholders' equity)

- Cash flow statement: timing of costs and income, guidelines
- Analysis of variances (between forecasts and actual results)
- v. Financial performance measures: financial ratios, benchmarking
- vi. Financing: types of construction financing
- vii. Lender policies; working with lenders
- viii. Credit arrangements
- ix. Loan and collateral security requirements and arrangements
- x. Cost control (general and specific, i.e., overhead, construction, sales, administration costs)
- xi. Purchase order system
- xii. System to control/account for extras and changes

### **3. Project Management and Supervision**

#### **a) Project planning**

- i. Meeting human resource requirements through staff and subcontractors: advantages and disadvantages of each approach; need for job descriptions
- ii. Development regulations: zoning, permits, easements
- iii. Contracts with sub-contractors, suppliers, insurers and lenders: subcontractor and supplier responsibilities; requirements of insurers and lenders
- iv. Tendering: bid requirements and practices; trade selection
- v. Scheduling: value of scheduling, scheduling guidelines, critical scheduling stages, time management
- vi. Pre-construction meetings

#### **b) Project supervision**

- i. Material and labour acquisition: purchasing order system and guidelines, substitutions, timing, storage and care
- ii. Construction processes: site logistics, site servicing, contingency plans (e.g., bad weather)
- iii. Working relationships with people involved in the construction process, including employees, sub-contractors, suppliers and inspectors
- iv. Contract compliance, plan and specification check (drawings, etc.)
- v. Inspections: critical inspections, inspection guidelines
- vi. Quality control: performance benchmarks, associated requirements
- vii. Reporting requirements
- viii. Cost control: comparison of costs with budget
- ix. Change/work order system

- c) Site/work safety
  - i. Guidelines on safe site conditions
  - ii. Guidelines from Occupational Health and Safety (OH&S) legislation/regulations
  - iii. Guidelines from WHMIS regulations
  - iv. Guidelines from WSIB regulations

#### **4. Legal Issues in Housing**

- a) Legal requirements of contracts: This includes necessary elements, requirements and conditions of contracts, basis for and patterns of payment, breach of contract and remedies for breach of contract
- b) Types of contracts: This includes types of building contracts, contracts with sub-contractors, contracts with lending institutions and contracts with realtors
- c) Warranties: This includes builders' warranties, third-party warranties and manufacturers' warranties. The Warranties as prescribed by Tarion Warranty Corporation
- d) Land registry system and related topics: This includes an explanation of things like land transfer, closing procedures and conditions and easements
- e) Builder liability: This includes liability in contract and liability in negligence, tort law, environmental liability, WSIB/OH&S liability, statute of limitations
- f) Construction Lien Act: This includes an explanation of the Act and of the following topics: lien claimants, filing procedures, amounts, holdbacks and enforcement of liens
- g) Insurance law: This includes information on coverage by insurance companies
- h) Privacy law and corresponding requirements, e.g., penalties for breach
- i) Dispute resolution mechanisms: This includes information on mediation and arbitration
- j) Employment law: This includes information on conditions of an employment relationship, termination of employees, constructive dismissal, sexual harassment, vicarious liability and individual rights under the Individual Protection Act

## 5. Building Codes

- a) The role of the provincial building code
  - i. How it's developed (objective-based) and what it accomplishes
  - ii. Who enforces it and the general permit process
  - iii. The difference between minimum compliance (aka 'meeting the code') and best practice
  - iv. Who is responsible for compliance and consequences of non-compliance
  - v. How the building code relates to other codes e.g. electrical
  - vi. Warranty for OBC violations
  
- b) What the building code governs; this includes all aspects of Division B, Parts 9 and 12, relating to residential construction. While Part 9 governs low-rise construction, many of the principles also relate to high-rise construction and condominium units. Include other Parts of the building code that are referenced from Parts 9 and 12. Additional emphasis to be placed on requirements governing:
  - i. Soil bearing capacity and problematic soil conditions
    - Geotechnical investigation
    - Footing sizes
    - Building on filled ground
  - ii. Structural materials and methods of assembly to reduce damage from movement
    - Foundations
    - Superstructure
    - Roof structure
  - iii. Building envelope and keeping the weather out
    - Foundation drainage
    - Insulation and air/vapour barriers
    - Windows and doors
    - Flashing and cladding types
      - EIFS as a drained system
    - Flashing and roofing types
      - Flat roofs

- iv. Sound transmission into residential units
  - No requirements for impact noise but consider mitigating
  - Lab tests cannot be replicated onsite, therefore consider increasing STC for assemblies
  - Plumbing and mechanical noise
- v. Heating and ventilation systems controlling indoor air quality
  - Design temperatures
  - Air conditioning not required
  - Ventilation equipment, sizing and ducting
- vi. Septic Systems
  - Overview principles of design and operation
- vii. Proper installation of interior finishes
  - Ceramic tiles

## 6. Construction Technology

- a) “House-as-a-system” concept
- b) Building science that affects building durability and occupant comfort, including the following:
  - i. Controlling heat flow (heat flow mechanisms, i.e., conduction, convection and radiation)
  - ii. Controlling moisture flow (moisture movement mechanisms, i.e., bulk moisture movement, capillary action, air-borne moisture and vapour diffusion)
- c) Indoor air quality: contributors and detractors (pollutants, moisture, mold, etc.), material selection
- d) Sustainable development: energy efficiency, resource efficiency, environmental responsibility
- e) Building envelope details that focus on the following:
  - i. Air barriers (materials and details)
  - ii. Vapour barriers (materials and details)
  - iii. Foundation design: types of foundations, heat loss control, and moisture control
  - iv. Floors: details for heat flow control, moisture management, details at critical locations, vibration telegraphing sub-floors
  - v. Wall design: heat loss and moisture control, alternate details
  - vi. Roof construction and attics: air leakage into attics, details at critical locations, heat loss control, details to deal with specific problems, e.g. truss uplift, ice damming

- vii. Windows and doors: installation guidelines to control heat loss and gains and moisture
- viii. Off-site panelized wall and floor systems
- f) Mechanical systems
  - i. Heating, cooling and ventilation principles
  - ii. Heating systems
  - iii. Heat distribution systems
  - iv. Ventilation systems: benchmarks, alternate systems, HRVs and ERVs, and design and installation considerations
- g) Integrated mechanical systems
- h) Engineered building components: This refers to the correct use of products such as trusses, wood-I's and insulated concrete forms and load-bearing steel studs
- i) Construction performance guidelines: how they are to be used

## **7. Customer Service & Tarion Warranty Requirements**

- i. Explaining service excellence: This includes showing a spirit of service, e.g., credible, reliable, empathetic and responsive
- ii. Customers' perceptions of values, their behaviour and their expectations, e.g., reliability, assurance, tangibles, empathy and responsiveness
- iii. Framework for customer service
  - i. Establishing expectations and an appropriate atmosphere
  - ii. Steps in processing the sale
  - iii. Services during construction
  - iv. Conducting pre-settlement inspections and customer orientation
  - v. Handling after-occupancy warranty service work
- iv. Handling difficult situations: Identification of common difficulties, methods for resolving conflicts
- v. Quality customer service action plan
  - i. Attributes of an effective strategy
  - ii. Procedures for identifying customer service problems and solutions
- vi. Ability to demonstrate knowledge in Tarion rules / processes, regulations, and policies including
  - i. Tarion's role in the new home industry in Ontario
  - ii. Ontario New Home Warranties Plan Act & Regulations
  - iii. Freehold and Condominium Tenure

- iv. Warranties
  - Deposit protection and Financial loss
  - Delayed closing and Occupancy
  - One year warranty provisions. Work and material, Ontario Building Code, fit for habitation, Substitution
  - Two year warranty provisions. Water penetration, OBC H/S, exterior cladding, insulation, Distribution
  - Years three to seven provisions. Major structural Defect Coverage
  
- v. Tarion Builder Bulletins
  - Builder Bulletin 19 – *Condominium Projects Design and Field Review Reporting*
  - Builder Bulletin 28 - *Tarion Requirements for Receipt and Release of Security*
    - Risk assessment Process for Freehold and Condominium homes / projects
    - Security requirements
    - Terms and Conditions of registration / renewal
  - Builder Bulletin 42 - *Customer Service Standard*
    - Chargeable Conciliations
    - Warranty Service Requests and timelines
    - Exceptions
    - Emergencies
  - Builder Bulletin 43 – *Escalating Consequences*
  - Builder Bulletin 46 - *Freehold Delayed Closing Warranty*
    - Firm vs. Tentative closing
    - Disclosure requirements
  - Builder Bulletin 47 - *Condominium Delayed Occupancy Warranty*
    - Firm vs. Tentative closing
    - Disclosure requirements
  - Builder Bulletin 48 - *POTLS – Delayed Occupancy Warranty*
    - Firm vs. Tentative closing
    - Disclosure requirements
  - Builder Bulletin 49 – *Claims Process – Condominium Common Elements*
  
- vi. Pre Delivery Inspection – PDI
  - Process and requirements
  
- vii. Home Owner Information Package
  - Process and Requirements
  
- viii. Construction Performance Guidelines
  - Freehold version, Common Element Version
  - Ability to understand and apply effectively
  - How Tarion will rule on a warranty claim
  
- ix. Appeal Mechanisms
  - LAT – Licence Appeal Tribunal
  - BAF – Builder Arbitration Forum

## APPENDIX 4 – BUILDER EDUCATION ADVISORY COMMITTEE – TERMS OF REFERENCE

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### Type of Committee

Advisory committee of Tarion Warranty Corporation

### Purpose

The BEAC will provide advice when requested, to Tarion's management. The type of advice provided will depend on particular needs at any point in time but generally will include:

- a) advice in developing a response to a request to approve a course, set of courses, related exams and/or an examination process;
- b) advice on changes that would reflect current best practices in the fields of education and technology (i.e. online training, remote examination, etc.); and,
- c) advice on any other unforeseen issue that may arise.

### Responsibilities

To provide guidance and input to management as requested.

### Membership and Composition

- a) The Committee is established by the Registrar;
- b) The Registrar shall serve as the Chair of the Committee;
- c) Stakeholder interests will be represented by one member from each of:
  - i. the Ontario representative of the CHBA;
  - ii. Ontario Ministry of Consumer Services or Ministry of Training, Colleges and Universities;
  - iii. Colleges Ontario; and
  - iv. One member appointed by the Board of Directors.

### Reports

Any written recommendations will be provided to management when necessary.

### Meetings

At the call of the Committee chair; may be in-person, conference calls or online meetings. A quorum shall be at least two individuals present in person or via other means of communication, in addition to the Chair (or his/her designate).

## APPENDIX 5 – FREQUENTLY ASKED QUESTIONS

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### **Why is Tarion proposing these enhanced education requirements?**

Buying a new home is of the most important and largest financial decisions most individuals will make in their lifetime. Tarion continues to shape the regulatory environment so that builders not only have the financial ability to undertake construction, but also possess specific core competencies inherent to the business of building and selling new homes.

The warranties under the Act are broader and consumer expectation is higher today than when the Act was written in 1975. Given these realities, an enhanced education requirement will help ensure a level of knowledge that goes beyond the financial and technical abilities that are currently required by Tarion.

Ultimately, an enhanced education requirement should lead to a better home buyer experience and fewer warranty claims.

### **1. Why did Tarion choose only seven competencies from the list of eleven National Education Benchmarks that the CHBA had developed, and why those particular seven?**

The Builder Education Task Force determined that only seven of the eleven benchmark competencies were relevant to Tarion's mandate. Human Resources Planning and Management, Marketing and Sales, Safe Work Practices and Communications, while important, are not related to Tarion's role as the regulator of the new home building industry in Ontario.

### **2. What documentation is required by Tarion to prove I have the seven required competencies when I apply for a Tarion licence?**

If you work for a new applicant and will be filling one or more of the competency requirements for the new applicant, you will have to prove you have fulfilled the requirements by providing an official transcript (or more than one if applicable) to Tarion that shows that you successfully passed an exam that was pre-approved by Tarion.

### **3. What mark is required in an exam to qualify for competency?**

To keep the program simple, Tarion will require a PASS be achieved. A specific threshold mark will not be required.

**4. What if a vendor or builder does not have a user id for BuilderLink? How do I tell Tarion who my designates are?**

There is expected to be a large number of designates assigned competency roles when the education program starts up. It would simply not be practical nor would it be cost efficient to maintain the large roster of designates manually. Therefore, to keep the administrative costs of the program relatively low, the education program will require all registrants to have at least one BuilderLink user id for the purpose of recording and maintaining designate information.

**5. What if I cannot complete my CPD requirements in any given year?**

If a designate is unable to complete their required CPD, they may apply to Tarion for an extension. Tarion will review the request and the reason(s) the CPD cannot, or was not, completed. Tarion may grant an extension if the circumstances warrant it, such as the designate suffered from a serious illness during the year (such circumstances are expected to be rare).

In other cases, the designate runs the risk of losing his/her designate status if CPD is not maintained and would then have to take the applicable course(s) or be successful at directly challenging the exam(s) to have the designation re-instated.

**6. I am an apprentice and my employer provides regular on the job training to me. Is this acceptable CPD?**

If you are an apprentice in a provincially approved apprentice program directly related to the industry, then your training time as an apprentice will qualify as CPD. Note that this only applies to an apprentice. If you are not an apprentice, then on the job training does not qualify as CPD.

**7. What sort of CPD documentation will be required to prove I have done my CPD for a particular year?**

To keep the program simple, any industry-related topic will be accepted toward CPD requirements. This can include formal courses and attendance at conference training sessions, but can also include more informal training situations. Consequently, the form of "proof" will vary considerably. The documentation should assist the registrant in verifying that CPD was done. It should also serve as proof should Tarion perform an audit of the registrant and/or its designates.

**8. What happens to my status as a designate if I move to a new employer?**

Your designate status is portable in that it remains with you as long as you meet the CPD requirements. Your previous employer must change your status on the BuilderLink system to show that you are no longer filling the role for that registrant.

If your new employer is a registered vendor or builder, and will be assigning you a competency role in the company, he/she will have to record you as a designate on the BuilderLink system. If you will not be filling a competency role with your new employer, and you wish to maintain your designation status, you will be required to maintain your CPD and record your annual certification of this on the BuilderLink system.

**9. What happens to my designate status if I become unemployed?**

To maintain your designate status, you must fulfill the CPD requirement and record your annual certification of same on the BuilderLink system.

**10. I am in my first year as a registered vendor or builder? Do I still need to do CPD?**

All registrants must fulfill annual CPD requirements including registrants that are in their first year of registration.

## APPENDIX 6 – MILESTONE PLAN

Task		Date
1	Task Force prepares consultation paper	May 2013
2	Board reviews / approves consultation paper and approves proceeding to consultation	June 2013
3	Tarion staff reviews and approves courses and exams	June 2013 and ongoing
4	Stakeholder consultation period includes on-line consultation and meetings with stakeholders  a) Ministry of Consumer Services  b) Consumer Advisory Council (advisory body to the Board of Directors Consumer Committee)  c) OHBA Liaison Committee  d) Website Posting (www.tarion.com)  e) Ministry Posting (if Ministry elects)  f) Tarion hosted roundtable meetings	July – October 2013
5	Task Force review of consultation results and amendment of the approach if necessary	November 2013
6	Task Force prepares final report on the new Enhanced Builder Education framework for Board approval	Q1 2014
7	Board reviews / approves final model proposal (the 'how') and sets implementation schedule	June 2014
8	Briefing Note/Regulatory Impact Statement (RIS) posted for 45 days on Tarion website and Ministry website	Q3 2014

	<b>Task</b>	<b>Date</b>
9	Results of public postings for Regulation change reviewed by Regulatory Affairs Committee	Q3/Q4 2014
10	Build-out and testing of Tarion systems for implementation requirements	Q3/Q4 2014
11	Board Meeting and Members Meeting to approve regulation change	Q4 2014
12	Approved regulation sent to Legislative Counsel	December, 2014
13	Effective Date for Regulation Change (Education Program launch July 1, 2015)	January 1, 2015
14	Settle form of new Builder Bulletin (with Liaison Committee consultation)	Q1/Q2 2015
15	Program launch	July 1, 2015

Tarion will communicate to all stakeholder groups as required throughout the project's duration.