



# What We Heard

## Builder Licensing Engagement Summary Report

---



## Background and Context

Currently, there are no specific qualifications governing residential builders in Alberta, even under extreme circumstances such as fraud or repeated violations of the *Safety Codes Act* or *New Home Buyer Protection Act*.

To ensure Albertans have strong consumer protection in the residential home construction industry, the Government of Alberta asked for public input on how to best implement a builder licensing program. Input from stakeholders and the public was gathered to:

- better understand home buyer experiences with building a new home;
- strengthen understanding of any gaps in the safety system;
- help determine how to best optimize safety and minimize risk through implementing a builder licensing program; and
- inform the development and define the parameters of a builder licensing program to best address those gaps.

Between February 14 and March 14, 2017, the Government of Alberta facilitated targeted engagement sessions with members of the public and individuals involved in the residential construction industry and hosted meetings with key stakeholders including municipal representatives, warranty providers and construction-related associations. Government also posted a survey online to seek public feedback. Homeowners, builders, renovators, warranty providers, architects, engineers and municipalities provided input (see Appendix 1).

The builder licensing engagement included the following methods:

### Online Survey

An online survey asked Albertans to respond on a broad range of topics related to the current residential construction industry, including government's role, satisfaction with current practices, and whether or not they supported government exploring options for licensing builders. In total, 1,269 Albertans responded, representing the public (38 per cent), people in the industry (49 per cent), and municipal employees (13 per cent).<sup>1</sup>

### Engagement Sessions

A total of 130 participants attended 11 engagement sessions held in Grande Prairie, Edmonton, Red Deer, Calgary, Lethbridge, and Fort McMurray. Six of the meetings were held with industry stakeholders, including builders and renovators, and five were held with homeowners including those who have built their own homes. The sessions allowed for in-depth discussions to further government's understanding of themes in the online survey.<sup>2</sup>

---

<sup>1</sup> See Appendix 2 – Survey Results

<sup>2</sup> See Appendix 3 – Engagement Session Themes

## Summary of public input

### ***What is the consumer experience?***

Key questions helped determine the general satisfaction levels with residential construction in Alberta, what problems currently exist, and provided an understanding of the scope and magnitude of the challenges. Themes that emerged are:

**1. *Some lack of overall satisfaction with the current state of residential construction***

- Overall, only half of survey respondents (44.1 per cent) reported that they were very satisfied or somewhat satisfied with the current state of residential construction in Alberta. Builders were more likely to report satisfaction (53 per cent very satisfied or somewhat satisfied), while members of the public were less satisfied (31 per cent very unsatisfied or somewhat unsatisfied)

**2. *Some concern about the lack of required qualifications, and the possibility of poor workmanship***

- Builders expressed a need for better training related to specific building components (siding, building envelope etc.), and for basic training for those just getting started in the industry
- The majority of homeowners did not experience significant problems with the safety and quality of construction, but did express concern about poor quality workmanship
- Several homeowners indicated serious problems with their homes, such as water damage and mold, and did not feel that the system was providing adequate protection for consumers

**3. *Lack of accountability***

- Homeowners generally felt that builders should be held accountable for quality control on new buildings, but expressed frustration with not knowing where to go to get issues resolved.
- Homeowners also said they lacked understanding about the warranty process and the protections already in place. A common sentiment was that warranty providers were seen to be acting in the interest of the builder, rather than the consumer
- Homeowners and builders expressed concern that inspections did not catch problems, and builders felt that there was a need to do more to help “professionalize” the construction industry

**4. *Problems with smaller builders and renovators***

- Most builders felt that when problems arise with quality and workmanship, they are most often associated with smaller companies

## ***Understand where gaps may exist***

Participants were asked to comment on the current system of standards, inspections, codes and warranty in place in Alberta. While no individual aspect of the current system was singled-out as being either extremely effective or ineffective, a common theme that emerged was the need for government to better integrate in order to effectively use the tools in place. In terms of gaps, the following key elements were also highlighted:

### ***1. Lack of consumer awareness/education***

- When asked about the ease of access to information about builders, 70 per cent of respondents indicated it was very difficult or somewhat difficult to obtain information about a builder's financial health. 66 per cent found it somewhat or very difficult to obtain information about formal training, and 66 per cent found it somewhat or very difficult to find information on knowledge of building codes
- As a group, respondents working in the industry were less likely to respond negatively about accessing information on builders. For example, 78 per cent of public respondents indicated it was somewhat or very difficult to find information on financial viability, compared to 63 per cent of those in the industry and 70 per cent of municipal employees. When asked about accessing information on formal training, 73 per cent of responses from members of the public were very difficult or somewhat difficult, compared to 57 per cent of builders
- The lack of reliable and consistent information was also noted by both homeowners and builders

### ***2. Expand training, mandatory trades and occupations for residential construction***

- Builders said many of the construction problems they see are related to a specific component of the building. Some suggested that these problems could be addressed by creating trades/occupations, or making trades mandatory, for these skill sets
- When asked about what factors were important in choosing a builder, 95 per cent of respondents felt knowledge of building codes is moderately or very important. Builder experience was rated moderately or very important by 94 per cent of respondents
- Municipal employee respondents, including former safety codes officers, placed greater emphasis on the importance of formal training when choosing a builder. A total of 88 per cent of municipal employees considered formal training to be moderately or very important when choosing a builder, compared to 82 per cent for members of the public and 79 per cent for those in the building industry
- When asked about the importance of building code knowledge when choosing a builder, 91 per cent of female respondents said it is very important, compared to 80 per cent of those identifying as male

### ***3. Current warranty requirements are not sufficient***

- Builders expressed concern about the ability of "bad builders" to get warranty coverage, and that warranty requirements should be regulated more closely  
Homeowners raised concerns about the ability for warranty providers to cancel coverage of a new home after construction has already begun.

## ***How a builder licensing program can optimize safety and minimize risk***

There was strong support for government to take an enhanced role in certain elements of the building industry, including quality of work assurance (76 per cent answered moderately or very important), construction safety (73 per cent), and site safety (71 per cent). Female respondents felt it was more important for government to take a role in these elements of the building industry than male respondents.

Seventy-eight per cent of respondents agreed that government needs to explore options for licensing builders. Eighty-four per cent of those who identified as female answered yes, compared to 75 per cent of those who identified as male. Eighty-one per cent of members of the public and 89 per cent of municipal employees supported government exploring options for licensing builders, compared to 69 per cent of those in the building industry.

Participants emphasized the need for:

### ***1. Some front end vetting and demonstration of qualifications is warranted***

- There was support for based on financial viability, builder history, track record and demonstrated knowledge of construction practices
- Some concerns were expressed about duplicating existing vetting done by warranty providers
- Industry participants indicated that there should be different levels of licensing for different construction activities
- Homeowners felt that consumer reviews, warranty history, and safety code compliance history were also important factors to consider
- Overall, participants wanted assurances that any vetting process would be fair and reasonable, and accurately reflect the builder's competencies
- Alignment with other provinces was also considered desirable

### ***2. Ability to remove builders***

- It was agreed that an effective licensing program should include the ability for government to suspend or revoke a license
- The ability to reinstate a license when a builder has demonstrated improvements was also supported
- Builders expressed the need for clear, practical and reasonable criteria for revoking or suspending a license, along with the ability to appeal
- All decisions should be fair and transparent

## ***How to develop a builder licensing program to best address gaps***

Participants were asked to provide perspective on the scope of builder licensing and, in particular, who should be required to have a licence. Answers ranged from all current builders as per the requirements of the New Home Warranty Program, to any activity requiring a permit. In the end, no clear consensus was reached. Overall, support was given to a flexible and considered approach reflecting the range and complexity of residential construction/renovation practices.

**1. Condominiums**

- All of the elements in the current safety system (warranties, inspections, codes, and standards) apply to all condominiums.

## Appendix 1 – Stakeholder Meetings

Meetings were held with stakeholders in March 2017 to gather feedback on the development of a builder licensing program.

### General Meetings

A general meeting was held in Calgary on March 13, 2017, and in Edmonton on March 21, 2017. The following stakeholders were invited to attend:

<b>Organization</b>
Town of Sylvan Lake
Safety Codes Council
Safety Codes Council
Alberta New Home Warranty Program
Canadian Home Builders Association
Alberta Construction Safety Association
City of Edmonton
City of Calgary
City of Calgary, Calgary Building Services
City of Red Deer
Red Deer County
Rural Municipality of Wood Buffalo
City of Medicine Hat
City of Grande Prairie
City of Lethbridge
Town of Olds
Town of Penhold
Yellowhead County
City of Lacombe
Town of Blackfalds
County of Strathcona
City of Leduc
Alberta Construction Association
Safety Codes Council, Building Sub-Council
Alberta Apprenticeship and Industry Training Board
Central Alberta Realtors Association
Realtors Association of Edmonton
Alberta Land Surveyors' Association

Representatives from the Town of Blackfalds, the City of Calgary, the City of Lethbridge, the City of Edmonton, the County of Strathcona, Lamont County, the City of Red Deer, and the City of Leduc attended.

### Meeting with Warranty Providers

A meeting was held with warranty providers on March 14, 2017. Alberta warranty providers were invited to attend, including:

<b>Warranty Provider</b>
Alberta New Home Warranty
Blanket Home Warranty Ltd.
Millennium Insurance Corporation
National Home Warranty Group Inc.
Progressive Home Warranty Solutions
Travellers Insurance Company of Canada
WBI Home Warranty Limited

### Meeting with Canadian Home Builders Association (CHBA)- Alberta

A meeting was held in March 2017 with several representatives from CHBA.



## **Appendix 2 - Online Survey**

The online survey was open from February 14 to March 14, 2017. It contained several questions related to residential construction in Alberta and the parameters of a builder licensing program.

The following are highlights from the survey and do not include all of the data obtained from the online and in-person input sessions.

### **Satisfaction with Residential Construction in Alberta**

Overall, 44.1 per cent of survey respondents reported that they were very satisfied or somewhat satisfied with the current state of residential construction in Alberta. Builders were more likely to report satisfaction (51 per cent were very satisfied or somewhat satisfied), and members of the public were less satisfied (45 percent very unsatisfied or somewhat unsatisfied).

### **Government's Role in Residential Construction**

There was strong support for government to take an enhanced role in aspects of the building industry, including quality of work (76 per cent answered moderately or very important), construction safety (73 per cent), and site safety (71 per cent). There were statistically significant differences between builders and members of the public on these questions, including site safety (73 per cent of public respondents citing it as moderately or very important compared to 66 per cent of builders), quality of work (81 per cent of the public compared to 69 per cent of builders).

Female respondents felt it was more important for government to take a role in aspects of the building industry than those who identified as male. In particular, 65 per cent of women felt it was moderately or very important for government to take an enhanced role in timeliness of work, compared to 45 per cent of men. In addition, 86 per cent of those who identified as female felt it was moderately or very important for government to take an enhanced role in quality of work, compared to 74 per cent of those who identified as male.

### **Important Factors when Choosing a Builder**

When asked about what factors were important in choosing a builder, 95 per cent of respondents felt that knowledge of building codes is moderately or very important. Builder experience was rated moderately or very important by 94 per cent of respondents. Respondents who identified as municipal government employees placed greater importance on formal training when choosing a builder, with 88 per cent of municipal employees considering formal training to be moderately or very important when choosing a builder, compared to 82 per cent of members of the public and 79 per cent of those in the building industry. When asked about the importance of building code knowledge when choosing a builder, 97 per cent of those respondents identifying as female responded "very important," compared to 80 per cent of those identifying as male.

### **Access and Availability of Information about Builders**

When asked about the ease of access to information about builders, 70 per cent of respondents indicated it was either very difficult or somewhat difficult to obtain information about, whether a

builder is in good financial standing. 66 per cent found it somewhat or very difficult to obtain information about formal training, and 66 per cent found it somewhat or very difficult to find information on knowledge of building codes. As a group, respondents working in the industry were less likely to respond negatively about accessing information on builders. For example, 78 per cent of public respondents indicated it was somewhat or very difficult to find information on financial viability, compared to 63 per cent of those in the industry and 70 per cent of municipal employees. When asked about accessing information on formal training, 73 per cent of responses from members of the public said this was very difficult or somewhat difficult, compared to 57 per cent of builders.

### **Effectiveness of Current Regulations**

When asked about current regulations, 32 per cent of respondents felt court action was moderately or extremely effective at ensuring quality and safety. Building codes were rated as moderately or extremely effective by 28 per cent of respondents, and 26 per cent rated the mandatory new home warranty as moderately or extremely effective. Respondents in the building industry felt that current regulations are effective for ensuring quality and safety. For example, 24 per cent of builders indicated permits were moderately or extremely effective, compared to 26 per cent of municipal employees and 16 per cent of public respondents. While 23 per cent of public respondents felt building codes were effective at ensuring quality and safety, 31 per cent of municipal employees and 32 per cent of builder respondents felt the same way.

There were statistical differences in responses broken out by gender for the effectiveness of current regulations; however, most of the difference was in the increased number of no opinion responses among those identifying as female compared to those identifying as male. For example, seven per cent of female respondents had no opinion about how permits ensure quality and safety, compared to two per cent of males, and 10 per cent of women had no opinion on the effectiveness of new home warranties, compared to four per cent of men.

### **Restrictions on Builders**

Respondents were asked to specify under what circumstances a builder should be restricted from operating in Alberta. Ninety-six per cent of respondents felt fraud should always result in a restriction, compared to violations of the building codes (50 per cent) and lack of formal training (42 per cent). While there was no statistical difference between builders and the public when considering fraud, builder respondents were less likely to favour restrictions for other issues. For example, 87 per cent of public respondents and 90 per cent of municipal employees felt building code violations should often or always restrict builder activity, compared to 74 per cent of builder respondents. Twenty-nine per cent of builders felt poor workmanship should always restrict a builder in Alberta, compared to 47 per cent of public respondents.

### **Exploring Builder Licensing**

Overall, when asked if they feel that government needs to explore options for licensing builders, 78 per cent of respondents said yes. Eighty-four per cent of those who identified as female answered yes, compared to 75 per cent of those who identified as male. Eighty-one per cent of members of the public

and 89 per cent of municipal employees support government exploring options for licensing builders, compared to 69 per cent of those in the building industry.

Respondents were asked whether consumers, builders, or government should be primarily responsible for aspects of residential construction. Forty-two per cent of respondents felt consumers bore primary responsibility for ensuring value for investment. Sixty-one per cent of respondents felt government was primarily responsible for consumer financial protection, and 84 per cent of respondents felt builders bore primary responsibility for site safety. Attitudes differed based on respondent type; for example, 16 per cent of builders felt government is primarily responsible for quality of work, compared to 17 per cent of municipal employees and 27 per cent of public respondents.

## Appendix 3 – Engagement Sessions

A total of 130 participants attended 11 engagement sessions held across the province. Six of these were held with industry stakeholders, including builders and renovators, while five were held with homeowners and those who have built their own homes.

### Engagement Sessions with Industry Stakeholders

#### Summary of Feedback from Engagement Sessions with Industry Stakeholders

Builders questioned the need for a builder licensing program and suggested that significant problems may not be widespread. Some were not opposed to builder licencing, and thought it would be difficult to make it work in practice and raised a number of concerns with the concept. A small group of builders were supportive of builder licensing and thought that it would improve residential construction by ensuring builders are qualified and competent. They viewed builder licensing as a means to hold builders accountable for their work, and an opportunity to professionalize the industry.

The following questions were asked of industry stakeholders. Participants' responses are grouped into themes.

#### **Question 1: Are there problems with the residential construction (home building) market in Alberta? If not, what is working well?**

Industry stakeholders raised the following issues:

- There are a lack of qualifications required to become a builder
- There are “bad builders” out there, but the number is relatively small
- There are more problems with small building companies than with large volume builders
- The renovation industry has the most problems in terms of quality construction
- Renovators and builders agreed that anyone can be a renovator, and thought that licensing this segment of the industry could lead to improvements
- Homes built by homeowners have more problems than those built by builders

#### **Question 2: A system including codes, permits, inspections and home warranty requirements currently exist in Alberta to ensure safety and construction standards. Would a builder licensing program help to address any problems that exist in this system?**

The following themes emerged during this discussion:

##### **2a Strengthen the existing system**

The need to improve existing components of the safety system was identified, such as new home warranty and safety codes compliance monitoring.

- A large number of participants suggested that the intended outcome of builder licensing could be achieved by improving existing components of the system

- Others thought that while improvements could be made, builder licensing could be an effective addition to strengthen the existing system

*What We Heard about new home warranty programs operating in Alberta*

- “Bad builders” should not be able to get warranty
- Warranty providers have an incentive to side with the builder, because builders get to choose which warranty provider to purchase warranty from
- Warranty has not been in place long enough to know if it is working
- Deposit protection should be standard with warranty
- Warranty requirements should be regulated more closely and builders should have clearly outlined responsibilities and consumers can have access to performance standards.

*What We Heard about the Safety Codes Inspection System*

- Safety codes are applied inconsistently across the province
- Some problems are not caught by safety codes officers
- Mandatory inspections should be done for building envelope and structural issues

**2 b** *Is builder licensing is needed?*

Industry participants posed several questions to government, and were interested in learning about the following:

- What problems is Government seeing in the construction industry?
- What are the rates of problems and issues that are occurring?
- Does builder licensing resolve issues in other jurisdictions where it is used?

**2c** *Would consumer education improve the residential building industry?*

The importance of consumer education was identified for improving residential construction. Some participants thought that the information is already available, while others thought that information is lacking and builder licensing could be used to provide consumers with better and more information.

- Consumers should educate themselves before making decisions
- Sufficient information on builders is already available through rating agencies that builders voluntarily belong to, and through the Better Business Bureau
- Reliable information is lacking
- Government could support consumers by ensuring information is available, and provide consumers with guidelines on what to consider when selecting a builder

**2d** *Building sub-trades and training for builders*

Builders reported that many of the construction problems they see are related to specific components such as building envelope, including siding installation, vapour barriers, insulation and windows. Some thought this could be improved by holding builders accountable through builder licensing, while others suggested that these problems could be addressed by creating trades around these required skill sets.

- Better training needs to be provided for building practices that fall outside of existing trades, such as building envelope (vapour barrier, siding, etc.)
- There is a lack of basic training for those just getting started in the building industry

### **2e Professionalization of the industry**

Several builders had experience working in jurisdictions in Canada and internationally where builder licensing is in place. These builders were strongly in favour of builder licensing because:

- Licensing builders can increase the quality of construction
- Licensing would professionalize the industry
- Consumer confidence would be increase because consumers expect builders to be qualified
- Buildings are complicated structures and a builder should understand the science and be able to ensure the quality and integrity of the build

### **2f Existing practices in the building industry can weed out bad builders**

Several builders suggested that existing practices in the building industry already manage risk for the consumer, and that these should be better understood to ensure builder licensing does not create unnecessary processes for builders.

- Financial institutions will not release mortgages until it is confirmed that the property has been built and meets inspection requirements
- Developers will not sell lots to builders who are not financially viable
- Warranty providers also vet builders, but the warranty should be reviewed and strengthened to ensure it is improved

### **Question 3: The proposed builder licensing program would require builders to have an active license in order to build, and might require builders to demonstrate that they are in good financial standing and have the necessary skills to work in residential home construction.**

Key elements could include:

- A builder application process involving disclosure and declaration of:
  - Corporate history
  - Build experience
  - Financial claims and court proceedings
  - One Builder License and Track Record
  - Publication of the Builder Record and Declaration
  - A provision to remove or suspend builders and issue orders
  - An integrated system in which permits, home warranty, or licensing can be withheld from builders

### **Would a builder licensing program like this work?**

The following components were emphasized by builders:

#### **3a Front-end vetting of builders for qualifications**

- Financial management
- Financial standing
- Project management
- History and track record

- Knowledge of construction practices and building science:
  - Builders should know the technical requirements of building a quality and safe home and be able to verify that it has been built properly
  - Builder experience could be used to verify skills
  - Master builder designation could be a requirement for builders
- Many builders wanted to ensure that any vetting process is reasonable, fair, and can accurately indicate whether a builder is qualified or not

### **3b Different levels of licensing**

- Industry participants indicated that there should be different levels of licensing for different types of buildings, such as multi-family, single family, etc.
- There should be a graduated license program to ensure that new builders can enter the market, and provide an incentive for them to improve their skills and competencies
- Demerit points could be used as an incentive for compliance and continuous improvement
- Some participants suggested that industry could oversee the licensing of builders

### **3c Ability to suspend or remove builders**

Participants indicated that if the provincial government is going to suspend or remove builders, the following needs to be in place:

- Clear, practical and reasonable criteria developed in consultation with the industry
- The appeal process should include involvement of those who understand the industry, not just government. For example, municipal-level panels comprised of peers in the industry should be considered
- The preference is that this includes third-party oversight, or is done by an industry group

### **Question 4: To whom or what should builder licensing apply?**

Industry stakeholders who were not in favour of licensing at all did not respond to this question.

Undecided builders, and those who were in favour of licensing, provided the following input:

- Builder licensing should apply to any builder who is responsible for organizing the building of a residential home
- License builders where a home warranty is required
- Renovators should also be licensed
- Most participants agreed that the majority of problems were with small building companies and renovators, and that licensing should focus on this segment of the industry
- Some participants suggested that the program first licence small building companies and renovators
- Others suggested the program start by licensing builders that construct residential homes in order to evaluate outcomes and then expand to other segments of the market such as renovations
- A builder is the contract administrator responsible for co-ordinating the entire process, including the monitoring of trades, finances and customer relations. The builder is the central agent who is responsible for quality control and client relations

## Engagement Sessions with Homeowners

### Summary of Feedback from Engagement Sessions with Homeowners

Homeowners generally expected that builders will be held accountable for building safe, quality homes. Homeowners did not have a strong understanding of the safety system and how builder licensing might fit in it. Participants supported improvements to protect homeowners and provide them with recourse if issues arise during or after home construction.

The following questions were asked of homeowners. Participants' responses are grouped into themes.

### **Question 1: Are there problems with the residential construction (home building) market in Alberta? If not, what is working well?**

The majority of homeowners did not experience significant problems with the safety and quality of construction. However, some participants identified challenges with quality and safety, customer service and holding their builders accountable, and consumer awareness.

#### **1a Safety and quality of construction**

- Several homeowners had serious problems with their homes, such as water damage and mold, and did not feel that the system was providing adequate protections. In these cases, common themes were:
  - The warranty provider decided in favour of the builder
  - Safety codes inspections did not catch problems
  - Homeowners had to pursue litigation to deal with the issues
- General concerns with poor quality workmanship were identified by many participants.
- Homeowners thought that builders should be held accountable for quality control on new builds

#### **1b Service**

- Builders were not responding to deficiencies in a timely manner
- Construction timelines vary significantly, leading to inconvenience and cost for homebuyers

#### **1c De-enrolments**

- Several homeowners raised concerns about de-enrolment where the builder has walked away from the project and they are unable to get warranty coverage

#### **1d Consumer awareness**

- Homeowners do not know where to go to get issues resolved, which puts them at a disadvantage when dealing with builders
- Homeowners do not understand how warranty works and what is covered by warranty
- Homeowners suggested that government should create a guide on key considerations when building a new home



**Question 2: A system including codes, permits, inspections and home warranty requirements currently exist in Alberta to ensure safety and construction standards. Would a builder licensing program help to address any problems that exist in this system?**

Several themes emerged when asking homeowners about the current safety system and whether or not builder licensing could address these problems.

**2a Safety codes inspections**

- Homeowners identified problems in which the home passed inspection, but still had major problems
- Homeowners were concerned that inspection practices are not the same in each municipality

**2b Warranty**

- Consumers suggested that warranty providers protect the builder, not the consumer, and suggested that warranty providers should be held accountable by government
- Some homeowners reported problems with the warranty appeal process

**2c De-enrolment**

- A number of owner-builders raised concerns about a home's warranty coverage being cancelled (known as a de-enrollment), and the difficulties this can cause homeowners in trying to access alternative home warranty coverage and finding a different builder to finish construction of a home

**2d Lack of information**

- Homeowners do not have access to reliable information about builders to make informed decisions.
- Homeowners would like access to information about builders including:
  - Warranty claims against builder
  - The number of homes built
  - Safety code inspection information
  - Corporate history
- Reviews of builders are available through private rating websites that builders pay to be members of, but homeowners do not trust that this information is unbiased
- Consumers do not know if they have access to safety code inspection reports for their new homes

**Question 3: The proposed builder licensing program would require builders to have an active license in order to build and might require builders to demonstrate that they are in good financial standing and have the necessary skills to work in residential home construction.**

Key elements could include:

- A builder application process involving disclosure and declaration of:
  - Corporate history
  - Build experience
  - Financial claims and court proceedings
- One Builder License and Track Record
- Publication of the Builder Record and Declaration
- A provision to remove or suspend builders and issue orders
- An integrated system in which permits, home warranty, or licensing can be withheld from builders

### **Would a builder licensing program like this work?**

Homeowners generally supported the idea of builder licensing. Some were strongly in favour of licensing builders, while others were not convinced that the program would provide additional protection. All homeowners agreed that it was important to ensure that builders are held accountable for their work.

The following were common themes:

- Homeowners supported requirements for builders to demonstrate that they have the necessary knowledge to build safe, quality homes
- Concerns were raised that the cost of builder licensing could lead to more expensive housing
- Licensing would make it possible to stop problem builders from building again, but it would not prevent “bad builders” from starting a business in Alberta
- Some homeowners wanted to know how builder licensing works in other provinces, and how successful these programs have been
- Some homeowners thought that existing protections through home warranty and safety code enforcement are adequate, and that the outcomes of builder licensing could be achieved by addressing issues within these systems

Homeowners responded favourably to the proposed components of builder licensing. Participants provided the following feedback on the components listed:

#### **3a Front-end vetting of builders**

Participants indicated that the following should be included in the vetting of builders:

- Home warranty insurance claims history
- Annual financial statements
- Builder involvement in de-enrolments
- Consumer reviews
- Safety code compliance history

### **3b** *Suspension of licenses*

- Homeowners noted that licensing would only work if the government is willing to revoke a licence.
- While it is important to be able to suspend a licence, builders felt there should be an opportunity to demonstrate improvements to have licenses reinstated
- When removing a builder's license, the province should ensure that potential impacts to homeowners currently having homes constructed are mitigated

### **3c** *Ongoing protections*

Homeowners suggested a number of ongoing protections that could be a part of builder licensing:

- Additional financial protections for homeowners could include:
  - A percentage of the price of the home should be held back for one year
  - Builders bonds or a letter of credit held by the province
- External third-party inspections should be required for new homes
- Builders should not be able to pull permits until they resolve any compliance issues
- Spot-checks and audits should be used to ensure builders are meeting standards

### **3d** *Licensing model*

- The province should base the licensing model on lessons learned from other jurisdictions that have a licensing system in place
- A graduated license with various classes of licenses would ensure smaller companies could enter the market and progress
- Demerit points could be used to encourage compliance
- The licensing model should include incentives for good behavior. For example, a builder could get lower warranty premiums for having a good track record

### **3e** *Consumer education*

A strong consumer education component should be a part of a builder licensing program, including:

- A guideline for what to look for in a builder and key considerations when building a home
- Centralized information on builders for consumers to access

## **Question 4: To whom or what should builder licensing apply?**

Homeowners had a number of suggestions for the scope of builder licensing, including:

- Full-scale builders only
- Anything that requires a permit
- A builder is anyone who coordinates or supervises sub-trades
- Developers need to be included in licensing of multi-family builders
- Builder licensing should apply to any project for which:
  - the cost is high
  - there are multiple trades involved
  - the construction project could impact safety
  - Structural changes are being made