

Business Plan for the Introduction of a Mandatory Licensing System



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Mandate

Strengthen consumer protection and enhance industry stability in the new home construction and renovation sector in Nova Scotia by **regulating** residential construction contractors and thereby promoting **high standards of professionalism, competence, and integrity.**



Governance

Set it up under a **provincial statute** and operate as an **independent, non-governmental agency**, responsible for the **regulation** of residential construction contractors

- **Authority** to establish and enforce by-laws
- By-laws would prescribe policies and procedures



Organizational Structure

Board of Commissioners: 9 members + Registrar

- ▲ 3 **appointed** by AHBRSC / NSHBA
- ▲ 3 **elected** by Licensees
- ▲ 3 **appointed** by Governor-in-Council
 - Include consumers, municipality representatives
- ▲ Reflect industry composition (geography, size, type)
- ▲ Maximum 3 years, no more than 2 terms



Sub-Committees

Expand the capacity of the Commission by establishing sub-committees with appropriate industry representatives and other resource persons:

- licensing
- training
- complaints
- discipline
- finance



Personnel

Registrar

3 additional staff positions

- Licensing / communications officer
- Enforcement / compliance officer
- Office administrator



Criteria for Mandatory Licensing

- ▲ Payment of fees
- ▲ Proof of business number and/or HST number
- ▲ Completion of appropriate training
 - Standards to be determined by NSRCC
 - Based on current NSHBA voluntary certification program
- ▲ Employment of qualified trade persons
- ▲ Provision of third-party home warranty
 - Need a workable approach for the renovation sector
- ▲ Compliance with building code regulations and standards
- ▲ Compliance with health and safety standards



Who should be licensed?

HPO Model: Residential builders and/or renovators who engage in, arrange for, manage all or substantially all of the construction or renovation of a home (SFH & multi-unit construction)

NSRCC will set out criteria for the specific activities and scope of project to be licensed; for example:

- NOC for New Home Builder/Residential Renovator
- NBC-Part 9 The House
- Project cost
- Scope of building permits



Who should be licensed?

License applicants would identify a licensee nominee as a representative of the residential builder and/or renovator

- Limited companies: Director and/or officer
- Sole proprietorship / Partnerships: at least one owner-operator or manager



Financial Plan

Start-up Operating Costs: \$65,000

- \$25,000 – Salaries / Benefits
- \$15,000 – Development of Public Registry
- \$10,000 – Professional Costs
- \$10,000 – RCPAC Remuneration / Expenses
- \$ 5,000 – Staff Travel



Financial Plan

Start-up Capital Assets: \$70,000

- \$30,000 – Office Furniture / Equipment
- \$20,000 – Computer Hardware / Software
- \$10,000 – Leasehold improvements
- \$10,000 – Contingency



Financial Plan

Projected Annual Operating Costs: \$450,000

- \$230,000 – Salaries & Benefits
- \$ 50,000 – Rent / Utilities
- \$ 36,000 – Conferences, Staff Travel / Training
- \$ 31,600 – Office Costs (phone, supplies, insurance, interest)
- \$ 25,000 – Advertising / Marketing
- \$ 25,000 – BOC Remuneration / Expenses
- \$ 20,000 – Professional Costs (legal / consulting / accounting)
- \$ 8,000 – Computer Support / Website
- Plus \$24,400 – Contingency



Potential Revenues

Revenues to NSRCC are based on:

- # of establishments involved in building and development of single family housing and residential renovation (n=1,437)
- # of building permits for construction or renovation of single-family dwellings (n=3,425)
- do not include multi-units (row housing, apartments, condos)



Revenue Generation Options

OPTION I

Flat rate annual registration fee only:
\$200, \$400 or \$600

OPTION II

Flat rate annual registration fee:
\$200, \$400, or \$600
Plus incremental fee:
\$15, \$25 or \$35



Potential Revenues – Flat Rate Registration Fee

Fees:

- Flat rate registration fee per builder/renovator (n=1,437)

Potential Revenues:

- Fee of \$200 means total revenues of \$287,400
- Fee of \$400 means total revenues of \$574,800
- Fee of \$600 means total revenues of \$862,200



Potential Revenues – Flat Rate plus Incremental Fee

Fees:

- Flat rate registration fee per builder/renovator (n=1,437)
- Incremental fee per building permit issued (n=3,425)

Potential Revenues:

- Low end - \$200 registration fee plus \$15 incremental fee:
total revenues = **\$338,775**
- High end - \$600 registration fee plus \$35 incremental fee:
total revenues = **\$982,075**



Option II – Costs to Builder

Small builder (5 units/year)

- Low end - \$200 registration fee, plus \$15 incremental fee: **\$275**
- High end - \$600 registration fee, plus \$35 incremental fee: **\$775**

Large builder (20 units/year)

- Low end - **\$500**
- High end - **\$1,300**



Benefits - Industry

Benefits for contractors and for the sector...

- ▲ significant decrease in underground activity over time, resulting in improved business climate
- ▲ for the first time, an up-to-date registry of industry operators, which would facilitate improvements in communications and consultations
- ▲ a more professional industry and defined career paths, making it easier to attract/keep new recruits



Drawbacks - Industry

Drawbacks include...

- ▲ requirement to pay fees
- ▲ necessity to meet training standards
- ▲ adjustment to a new business environment as underground activity is reduced



Impact - Consumers

Benefits for consumers...

- ▲ warranty coverage on their new home or renovation
- ▲ not liable for safety of workers on the building site
- ▲ projects overseen by professional managers

Drawbacks...

- ▲ marginal increase in costs
- ▲ overtime, less free to hire from the underground economy



Benefits - Workers

For residential construction trades workers...

- ▲ reduced underground economy will result in an improved residential construction industry
- ▲ improvements in wages and benefits, and training
- ▲ WCB coverage and benefits of safety training
- ▲ enhanced residential content and recognition in trades training and Apprenticeship, with more career choices
- ▲ ability to pursue full careers in a more professional industry



Benefits - Governments

Benefits for governments...

- ▲ improved industry participation in training and Apprenticeship systems
- ▲ potentially, significant benefits in tax / WCB revenues
- ▲ improved consumer protection and worker safety
- ▲ bring Nova Scotia in line with other jurisdictions
- ▲ for municipalities, streamlined building inspection and assessment; reduced liability through unqualified or underground operators



Drawbacks - Governments

Drawbacks for government...

- ▲ potential backlash from certain segments of the industry, particularly those who rely on one form or another of underground activity

