

BUILDING BC



Homeowner
Protection Office



annual report

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RESTORING CONFIDENCE

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FINANCIAL REPORT MARCH 31, 2003

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Canadian Cataloguing in Publication Data
British Columbia. Homeowner Protection Office.
Annual report. – 2001/02-

Annual.
Report year ends Mar. 31.
ISSN 1488-3996 = Annual report - British Columbia.
Homeowner Protection Office

1. Home ownership - Government policy - British
Columbia - Periodicals. 2. Consumer protection -
British Columbia - Periodicals. I. Title.

HD7287.82.C32B73 353.5'5'0971105 C99-960237-3

LETTERS OF PRESENTATION

May 31, 2003

The Honourable Iona Campagnolo
Lieutenant-Governor of the Province of British Columbia

As the Minister of Community, Aboriginal and Women's Services and the Minister Responsible for Housing it is my honour to present to you the fifth annual report of the Homeowner Protection Office covering the period of April 1, 2002 through March 31, 2003.

Sincerely,



George Abbott
Minister of Community, Aboriginal and Women's Services and
Minister Responsible for Housing

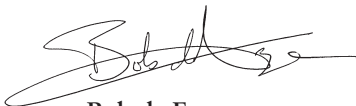
May 31, 2003

Honourable George Abbott
Minister of Community, Aboriginal and Women's Services and
Minister Responsible for Housing
Province of British Columbia

Minister,

It is my pleasure, as the Chairperson of the Homeowner Protection Office, to submit to you the Homeowner Protection Office's annual report for the year ending March 31, 2003.

Sincerely,



Bob de Faye
Chairperson

MESSAGE FROM THE CHIEF EXECUTIVE OFFICER

Consumer confidence in the British Columbia housing market continued to build in 2002/2003. For the first time in four years, total housing starts in the province exceeded 20,000 new homes. This positive move forward is primarily the result of low interest rates and the release of pent-up demand for new housing. However, we know that this return in consumer confidence is also partly due to the efforts of the Homeowner Protection Office (HPO) and the residential construction industry to increase homeowner protection and improve the quality of residential construction in British Columbia through builder licensing, mandatory home warranty insurance, and research and education.

In a MarkTrend survey of owners of new homes and prospective buyers in the fall of 2002, 77% indicated home warranty insurance made a difference in their purchasing decision, including 24% who would not have purchased their home without it. The survey also reported that the majority of homeowners (93%) who purchased new homes built under the *Homeowner Protection Act* were satisfied with the quality of construction. These positive results are strong indicators that homebuyer trust in



Dan Maxwell,
Acting Chief
Executive Officer

Confidence is returning
to the housing market and
homeowners are better
protected

mandatory home warranty insurance, as well as homeowner satisfaction with the quality of construction, are helping to build consumer confidence. To further improve consumer confidence, we will continue to work with builders and other stakeholders to raise awareness about the licensing and insurance measures that have been put in place to protect consumers in their new home purchases.

Increases in housing starts are good for consumers, the industry, the HPO and the province. Housing is the largest single purchase the average British Columbian will make, and is also one of the province's major economic drivers. The residential construction industry's contribution to the provincial gross domestic production of about 3% is comparable to other major industries such as logging and utilities. The HPO is primarily self-funded through residential builder licensing fees and relies on a healthy housing construction market to afford the financial assistance programs for owners of leaky homes and the research and education programs aimed at improving the quality of residential construction. This healthy real estate market, combined with the results of repairs funded by the Homeowner's

Reconstruction Loan Program, has helped put owners of once leaky homes in a stronger financial position. In 2002, more than half of owners who had completed repairs to water-damaged homes recovered 90% or more of the value of the cost of repairs in the assessed values of their homes. This positive outcome is testimony to the success of the HPO financial assistance programs, which were instrumental in assisting homeowners access the necessary funding to repair their homes.

While the increase in the housing market has had many positive affects over the last year, the downside is a growing skilled labour shortage. The HPO recognizes the importance of having a knowledgeable and well-trained workforce to ensure long-term quality construction in British Columbia. As such, it will work with the industry to increase homebuilder professionalism and skills by making education and training a major focus in the coming year. As part of this, the HPO will consult with the sector about possible next steps to raise the bar of professionalism in the industry and provide consumers a tool to distinguish better builders.

Confidence is returning to the housing market and homeowners are better protected. The provincial government recognizes the importance of continuing to provide safeguards for consumers of new homes through licensing and home warranty insurance, as well as preserving and protecting existing assistance to owners of leaky homes. This was evident in the completion of the HPO's Core Services Review with government making the decision to continue the HPO as a Crown corporation with a new Board of Directors representative of industry and consumer stakeholders. Over the coming year, the new Board will develop recommendations with respect to the future of the HPO.

The HPO looks forward to working with consumers and industry professionals to further improve consumer protection for homeowners and to ensure the long-term health of British Columbia's residential construction industry.

Sincerely,



Dan Maxwell
Acting Chief Executive Officer



For the first time in four years, total housing starts in the province exceeded 20,000 new homes.

ORGANIZATIONAL OVERVIEW



Homeowner Protection Office

Who We Are

The Homeowner Protection Office (HPO) is the provincial Crown corporation established to strengthen consumer protection for new home buyers and improve the quality of residential construction in the province. The organization, currently with 34 staff, was formed in October 1998 under the authority of the *Homeowner Protection Act (Act)*.

What We Do

The HPO is responsible for:

Licensing and Home Warranty Insurance

- Administering the residential builder and building envelope renovator licensing system province-wide
- Establishing the framework for and monitoring the performance of the mandatory, third-party home warranty insurance system

Research and Education

- Conducting research and education initiatives to benefit the residential construction industry and consumers

Financial Assistance to owners of leaky homes

- Administering the Homeowner's Reconstruction Loan Program
- Administering the PST Relief Grant on behalf of the province

Where We Are

The HPO is located in downtown Vancouver and has field staff responsible for ensuring compliance with licensing and home warranty insurance requirements on residential construction sites across the province.

Who We Serve

The HPO serves homebuyers, homeowners (particularly owners of leaky homes), developers, residential builders and building envelope renovators. In undertaking its activities the HPO also works closely with warranty providers, industry associations, architects, engineers, property managers, the legal community, research organizations, building inspectors, governments including local governments and Canada Mortgage and Housing Corporation, educational institutions, real estate professionals and financial institutions.

Our Strategic Foundation

The HPO's vision, mission and values form the basis of its planning, implementation and maintenance of its program areas.

Vision—To be a responsive Crown corporation, leading improvement in the quality of residential construction and an increase in homeowner protection in British Columbia.

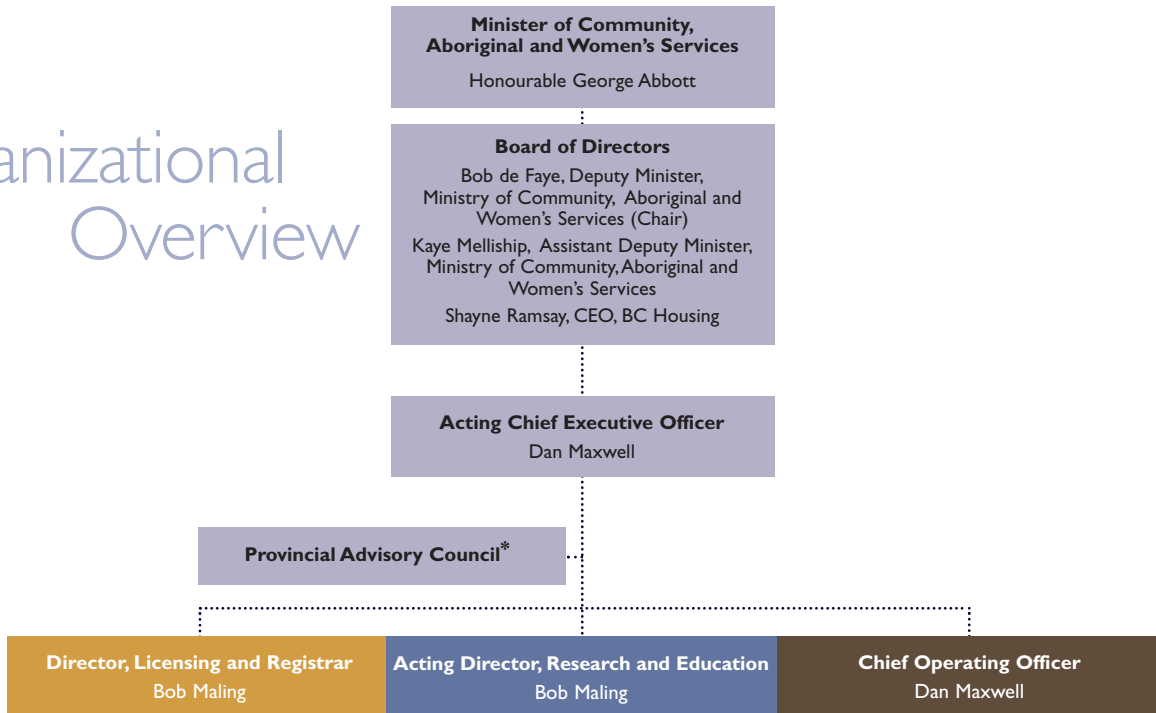
Mission—To help restore confidence in B.C.'s residential construction industry

Values—The HPO is committed to:

- Integrity
- Fairness
- Responsiveness
- Accountability
- Teamwork



Organizational Overview



Key Responsibilities of HPO Officers



* The *Homeowner Protection Act* provides for the establishment of a Provincial Advisory Council (PAC) on Homeowner Protection, which was formed in 1999. PAC provides policy advice to the HPO CEO regarding residential construction in B.C., research and education initiatives, and consumer information programs. The 14-member council includes representatives from consumer groups, architects, engineers, builders and developers, home warranty insurance companies, labour and local governments. PAC members represent the following organizations:

Architectural Institute of B.C.	City of Vancouver
B.C. Construction Association	Home Warranty Insurance Company
Union of British Columbia Municipalities	Urban Development Institute
Canadian Home Builders' Association of B.C.	Building Officials Association of B.C.
Association of Professional Engineers and Geoscientists	Independent Contractors and Businesses Association of B.C.
Condominium Home Owners' Association – 2 representatives	B.C. Federation of Labour – 2 representatives
	• International Union of Painters
	• Allied Trades and United Association of Plumbers and Pipefitters

THE YEAR IN REVIEW

Mission

- Increase consumer protection for homeowners and homebuyers
- Improve the quality of residential construction in British Columbia

Inputs

Financial resources, trained staff, facilities

Programs

Licensing and Warranties

Research and Education

Financial Assistance

Strategies and Activities

- Introduction, compliance and monitoring of licensing and warranty insurance regulations for new residential construction and building envelope renovations
- Mediation regulations for residential construction disputes implemented
- Education requirements planned for licensing

- Building science research projects
- Technology transfer to construction industry
- Consumer information disseminated
- Provincial Advisory Council on Homeowner Protection

- No-interest repair loan applications received
- PST Relief Grant applications received for completed building envelope repairs
- Advice on financial assistance provided to homeowners

Outputs

- 3,027 residential builders and 65 building envelope renovators licensed
- Public registry of builders and renovators on Web site
- 25,164 new homes built under the *Homeowner Protection Act*
- Increased compliance
- Public list of new homes planned

- 7 building science studies completed and underway
- Research results disseminated
- Publications and seminars for consumers and industry available
- Provincial Advisory Council advising the HPO
- 87 on-site sessions for strata owners given
- 27,084 people served by 1-800 line
- 119,898 visits to Web site

- 1,616 homeowner loans approved worth \$58.8 million
- 2 co-operative housing loans representing 141 units approved worth \$9.7 million
- 116 PST Relief Grants approved worth \$3.1 million

Outcomes Immediate

- Creation of a more “level playing field” for builders
- Builders must meet minimum standards
- Consumers protected by an insurance product
- Insurance companies require financial stability and quality construction from builders
- Construction disputes mediated

- Consumer information and assistance available
- Research projects set framework for construction improvements
- Increased awareness of construction and consumer protection issues

- Homeowners keep homes who otherwise might have lost them
- Availability of financial assistance facilitates more rapid approval of repairs
- Only viable, long-term repair solutions selected

Intermediate (Goals)

- Increasing licensing standards improves quality of construction
- Greater number of consumers benefit from licensing and warranty insurance requirements
- Homes with premature building envelope failures repaired – values adjusted

- Consumers able to make more informed decisions
- Results of building science studies communicated to industry – construction quality increases
- Reduced occurrence of construction defects

- Increased value in repaired homes
- Fewer repair loan applications anticipated over time
- Loans repaid

Ultimate (Strategic objectives)

- Homeowners and homebuyers better protected
- Improvement in the quality of residential construction
- Consumer confidence in residential construction industry restored

Now in its fifth year, the Homeowner Protection Office (HPO) continues to work with industry and consumers to increase homeowner protection and improve the quality of residential construction in British Columbia with reported success.

Performance and Financial Results

- The HPO was successful in carrying out the activities and strategies set out in its 2002-05 Performance Plan. Six of the HPO's 10 performance measures met or exceeded its targets this year. Baseline data was collected for four of the performance measures with results available in 2003-04.
- The HPO is self-sustaining on a year-over-year basis from its own revenues excluding the Reconstruction Loan Program. This year, the HPO had a net overall income of \$3.5 million.

Licensing and Home Warranty Insurance

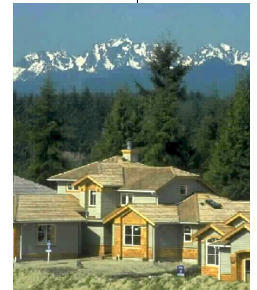
- There were 3,027 licensed residential builders as of March 31, 2003, an increase of 5% from the previous year.
- The number of building envelope renovators licensed by the HPO decreased slightly from 74 to 65 over the last year.
- Since July 1999 when the home warranty insurance provisions of the *Homeowner Protection Act (Act)* were introduced, more than 51,511 new homes have been covered by mandatory home warranty insurance, an addition of 20,634 new homes over the last year.
- HPO compliance efforts and modifications to the owner-builder exemption application process continue to reduce the occurrences of abuse by unlicensed builders attempting to avoid licensing and home warranty insurance requirements. Owner-built homes still account for under 30% of all new single detached homes built in British Columbia.

Research and Education

- The HPO continues to facilitate and expand B.C.'s focused research and education by using its resources to leverage substantial contributions from other partners. This year, the HPO's

financial commitments to research and education totaled \$143,000 while our partners contributed \$548,000 to fund seven research projects.

- The HPO worked with the Canadian Home Builders' Association to expand the Building Envelope Solutions Theory and Practice course to educational institutions in the Lower Mainland and Victoria. As well, the results of three HPO-funded research projects were profiled at the 9th Canadian Conference on Building Science and Technology, hosted by the National Building Envelope Council and BC Building Envelope Council in Vancouver.
- A MarkTend research survey of consumer awareness and satisfaction with builder licensing and the 2-5-10 year home warranty insurance on new homes found that 93% of homeowners surveyed were satisfied with their home's construction; 83% were satisfied with the protection provided by home warranty insurance on their home; and 77% indicated that warranty insurance made a difference in their purchasing decision, including 24% who would not have purchased their home without it. The results of this survey have provided the HPO with a knowledge base to undertake strategies to further increase awareness about consumer protection provisions set out in the *Act*.



Financial Assistance

- The HPO estimates there are 65,000 homes in B.C. that have been affected by premature building envelope failure, which will cost a total of \$1.5 billion to repair. The demand for Homeowner's Reconstruction Loans, as reflected in new applications, has continued to decline for the second straight year.
- Repaired residential buildings that once suffered from premature building envelope failure are recovering their market values. More than half of the owners who had completed repairs to their water-damaged homes were able to recoup the value of the cost of repairs in the assessed values of their homes.

REPORT ON PERFORMANCE



Bob Maling,
Registrar, Director
of Licensing and
Acting Director
of Research and
Education

BUSINESS AREAS AND OUTPUTS

Licensing and Home Warranty Insurance

The Homeowner Protection Office (HPO) is responsible for licensing residential builders and monitoring the performance of the mandatory, third-party home warranty insurance system for new home construction and building envelope renovations. These licensing and warranty insurance provisions work in tandem to ensure that builders meet minimum standards and, if a construction defect occurs, the homeowner is protected by Canada's strongest home warranty insurance. Through these initiatives the HPO is helping raise the standard and level of professionalism in the industry, increasing builder accountability and protecting consumers.

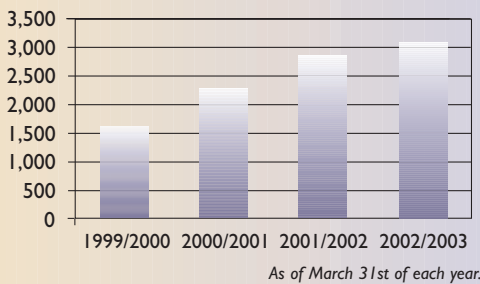
Licensing — Under the *Homeowner Protection Act (Act)* all residential builders must be licensed by the HPO and arrange for home warranty insurance prior to obtaining a building permit. Similarly, contractors who act as building envelope renovators are also required to be licensed by the HPO and provide home warranty insurance on building envelope renovations.

A registry of licensed residential builders and building envelope renovators is updated daily on the HPO Web site.



Over 3,000 residential builders are licensed with the HPO.

Licensed Residential Builders



2002-03 Licensing Highlights as of March 31, 2003

- 3,027 Licensed Residential Builders
- 65 Licensed Building Envelope Renovators

Home Warranty Insurance — In B.C. the mandatory minimum home warranty insurance coverage on new homes and residential building envelope renovations is set by legislation. As such, all new homes constructed by licensed residential builders are now covered by the strongest construction defect warranty in Canada, which includes 2 years on labour and materials, 5 years on the building envelope and 10 years on structure. In addition, applicable residential building envelope renovations are covered by home warranty insurance, which includes 2 years on labour and materials, and if 60% or more of the cladding surface on any face of the building is replaced, a 5-year water penetration warranty is also required.

This home warranty insurance may only be sold by insurance companies that are approved by the Office of the Superintendent of Financial Institutions (OSFI) and by B.C.'s Financial Institutions Commission (FICOM). Currently there are five companies offering home warranty insurance in British Columbia.



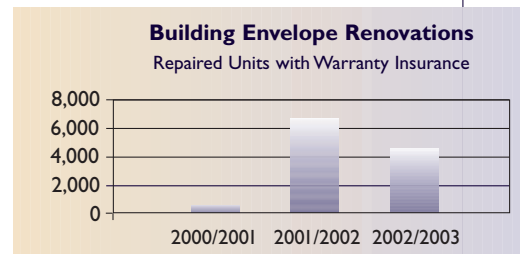
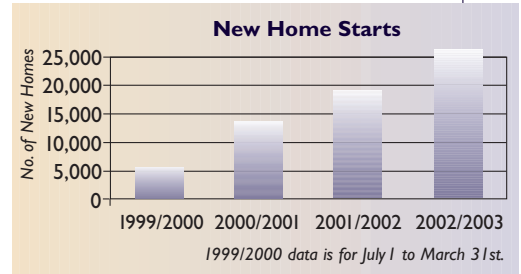
20,634 more
new homes have
home warranty
insurance.

2002-03 Residential Construction Highlights as of March 31, 2003

- 20,634 new homes enrolled in home warranty insurance — an increase of 27% over the previous fiscal year:
 - approximately 38% were single detached dwellings
 - approximately 62% were multi-unit homes
- 64,026 new homes satisfy the consumer protection requirements since the *Homeowner Protection Act* regulations were introduced in July 1999.
- 4,643 homes requiring building envelope renovations enrolled in renovation warranty insurance.
- 12,045 homes enrolled in renovation warranty insurance since the inception of the building envelope renovation regulations in October 2000.

New Home Starts and Building Envelope Renovations Under the Homeowner Protection Act				
	2000/2001	2001/2002	2002/2003	Cumulative: July 1, 1999-March 31, 2003
Coastal Multi-Unit Dwellings (units) ¹	3,524	6,496	9,534	20,329
Other Dwellings (units) ²	7,018	9,793	11,100	31,182
Owner-Builder Exemptions (single detached homes)	2,504	2,060	2,968	9,018
HPO Warranty Exemption (multi-unit)	892	693	1,562	3,497
Total Starts	13,938	19,042	25,164	64,026
Building Envelope Renovations (units)³	614	6,788	4,643	12,045

- Units built in the coastal climate zone which attract a \$750 reconstruction fee and a \$25 HPO licensing fee.
- Includes detached dwellings throughout B.C. as well as multi-unit dwellings outside of the coastal climate zone, which attract only the \$25 per unit HPO licensing fee.
- Building envelope renovations attract a \$25 per unit HPO licensing fee. Cumulative total is as of October 1, 2000.



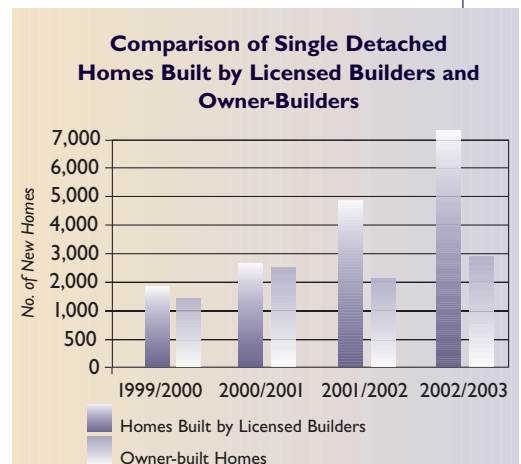
Compliance — Individuals building a detached home for their own personal use are neither required to be licensed nor provide home warranty insurance. However, owner-builders are subject to the statutory protection provisions of the *Act* to ensure consumer protection if the home is sold within a 10-year period. In order to obtain a building permit owner-builders are required to complete an Owner Builder Declaration and Disclosure Notice, which is vetted by the HPO.

HPO compliance officers monitor this exemption and investigate false and misleading claims to ensure that landowners and unscrupulous builders do not abuse the owner-builder exemption to avoid licensing and home warranty insurance requirements put in place to protect consumers.

Owner-builder declarations are monitored

2002-03 Compliance Highlights as of March 31, 2003

- 459 additional builders licensed as a result of compliance efforts since the regulations came into force in July 1999.
- 1,389 additional new home projects covered by home warranty insurance as a result of compliance efforts since the regulations were introduced in July 1999.



REPORT ON PERFORMANCE CONT'D

Research and Education

The *Homeowner Protection Act* sets out a mandate for the HPO to conduct research and education to improve the quality of residential construction for the benefit of both the residential construction industry and consumers. Research and education initiatives cover three areas: new and improved technologies, education and training and consumer information.

New and Improved Technology—Building science research projects are carried out by the HPO in collaboration with partners in the residential construction industry to address issues and questions of particular relevance in British Columbia. The goal of these research initiatives, when combined with education and training, is to bring about an improvement in the quality of residential construction.

This year, the HPO had seven building science research projects underway or completed during the fiscal year. These projects represent an HPO financial commitment of \$143,000. Successful partnerships with Canada Mortgage and Housing Corporation, BC Housing, BCIT as well as other industry research partners resulted in a total commitment of \$691,000 to fund these projects.



John Bell, Manager Research and Education

2002-03 Building Science Research Highlights

- Projects completed** (available on Web site):
- Water Penetration Resistance of Windows
 - Earthquake Testing of Rainscreen Stucco Systems for B.C. Wood Frame Construction
 - Building Envelope Research Bibliography
 - Building Envelope Test Hut Phase II (draft report)

- Projects underway:**
- Monitoring Performance of Rainscreen Wall Assemblies
 - External Moisture Control – Defining Performance of Water Resistive Barriers
 - Performance of Mass Concrete Buildings

Successful industry partnerships fund research projects

Education and Training for Industry—Workshops, seminars, publications and other knowledge tools are developed to assist the industry implement new and improved building technologies. The goal is for a greater number of builders to have access to the latest research results, improved technology and new skills. This technology transfer will raise construction standards and practices, thereby bringing about an improvement in the quality of residential construction.

2002-03 Education and Training Highlights

- Through participation with industry associations and organizations, HPO-funded research was profiled at nine seminars.
- Expanded delivery of HPO, CMHC and CHBA-BC funded Building Envelope Solutions course to include Lower Mainland and Victoria.
- Development of on-line resource guide to provide a one-stop source of information on education and training opportunities for the residential construction industry in B.C.



The industry now has increased access to the Building Envelope Solutions course.

Consumer Information — The HPO provides a wide range of consumer information to assist homebuyers make informed purchasing decisions, and to assist owners of leaky homes in undertaking needed repairs to their buildings. The goal of these initiatives is to bring about an increase in consumer confidence in new and rehabilitated homes through raising the level of awareness of consumer protection measures that are in place in British Columbia.

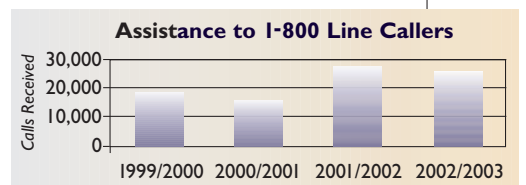
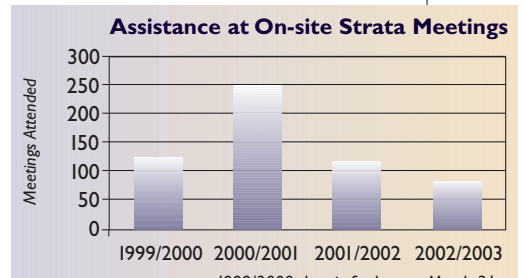
A survey was carried out in the fall of 2002 to identify consumer awareness and satisfaction levels with the licensing and mandatory third-party warranty insurance system. Results of the survey of new home owners indicated that: 93% are satisfied with the quality of their home's construction, 83% are satisfied with the protection provided by warranty insurance on their homes and 77% indicate warranty insurance made a difference in their purchasing decision (including 24% who would not have purchased their home without it). The results of this survey will be used to develop a strategy in 2003 aimed at increasing awareness levels of the protections available to consumers in B.C.



Consumer information is provided at home shows province-wide.

2002-03 Consumer Information Highlights

- HPO staff attended 87 on-site strata meetings to provide owners with information on financial assistance programs for the repair of leaky homes.
- 27,084 callers were assisted through the HPO's toll-free information line.
- 119,898 website visitors obtained information on HPO programs.
- HPO staff were on hand to answer questions at 25 consumer events throughout the province.
- The HPO continued to meet the high demand for key publications, including:
 - Buying a New Home: A Consumer Protection Guide
 - Options for Resolving Residential Construction Disputes
 - Managing Major Repairs: A Condominium Owner's Manual
 - Bulletins on a variety of topics including home warranties, owner-built homes, the Homeowner's Reconstruction Loan and PST Relief Grant programs, and requirements for building envelope renovations.





Loans Manager, Ken Rehill reviews the unique financial situation of each owner to determine eligibility.

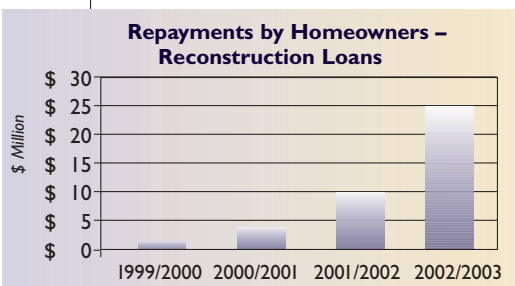
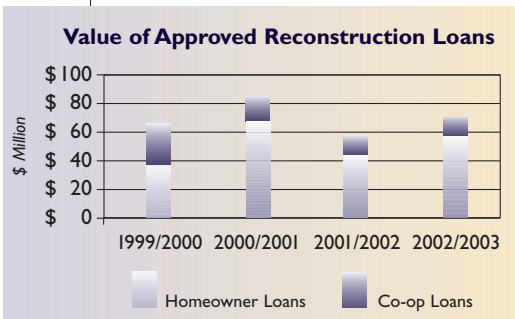
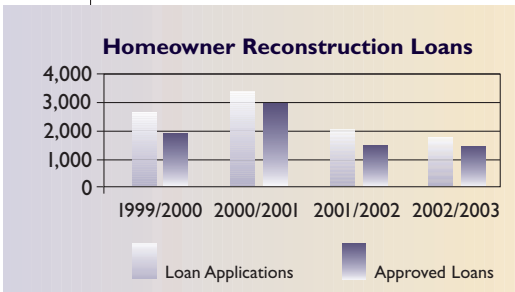
Financial Assistance

The HPO provides financial assistance to owners of leaky homes in the form of the Homeowner's Reconstruction Loan and the PST Relief Grant programs.

Homeowner's Reconstruction Loan Program — This program provides no-interest loans to eligible owners of leaky homes who do not have enough savings or do not qualify for a conventional loan to pay for their building envelope renovations. The goal of the program is to ensure that owners do not lose their homes due to the cost of their building envelope renovations.

The loans cover both the cost of the repair and any related legal expenses. In most cases the homeowner's lending institution provides the principal on the loan. The HPO pays the interest on the loan to the lending institution on behalf of the owner. The homeowner makes monthly, principal-only payments on the loan to their lending institution. These payments are set at affordable levels by the HPO through individual consultations with the homeowner. In cases where the minimum payment of \$50 is not affordable, in particular for seniors on fixed incomes, a deferred payment loan can be arranged. A deferred payment loan allows the homeowner to receive the full amount required to repair their home, however, they do not have to make payments for as long as they live in the home.

In 2000 the Government of Canada, through the Canada Mortgage and Housing Corporation, agreed to provide a contribution of \$27.7 million as the loan program incurs expenditures. Since 2000, the HPO has received \$23.2 million from the federal government for Loans Program expenditures.



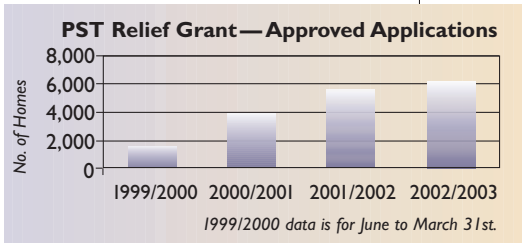
2002-03 Loan Program Highlights

- 1,616 homeowner loans were approved with a total value of \$58.8 million. The average homeowner loan was \$25,642 as of March 31, 2003.
- Deferred payment loans represented 11% of no-interest loans totaling more than \$6.7 million in financial assistance.
- Loan repayments totaling \$24.7 million were made by homeowners during the year.
- The HPO approved two housing co-operative loans representing 141 units. The total value of co-op loans approved was \$9.7 million, which includes increases to loans from past years. The average per unit loan was \$33,930 as of March 31, 2003.
- Since the HPO's inception in 1998, 8,478 homeowner loans and 34 co-op loans (representing 1,989 units) have been approved totaling \$285 million in financial assistance.

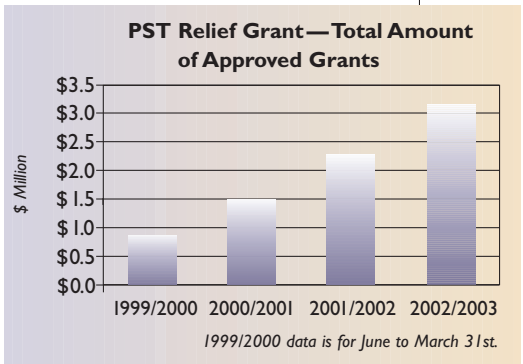
PST Relief Grant Program — This program is intended to provide some financial relief to owners of leaky homes undertaking necessary repairs. The program, which is administered by the HPO on behalf of the province, provides a rebate on the completed building envelope renovations, and is available to owners of condominiums, townhouses, detached homes and housing co-operatives. Generally, about 40% of all renovation costs are subject to PST.

2002-03 PST Relief Grant Highlights

- 116 applications representing 6,137 homes were approved for PST Relief Grants totaling \$3.1 million.
- Since the PST Relief Grant was introduced in 1999, \$7.5 million in grants to owners in 17,518 homes has been approved.



The PST Relief Grant provides tax relief for owners of homes with completed building envelope renovations.



Tax relief for homeowners

REPORT ON PERFORMANCE CONT'D

Performance Measures, Targets and Results

Ten performance measures have been developed to track progress towards meeting key goals and objectives for the HPO. Measures include satisfaction ratings as well as indicators of effectiveness and responsiveness in each program area. The following section provides results for the HPO's fiscal 2002 performance measures in comparison to current targets as set out in the 2002-2005 Service Plan, and where available, historical and benchmark performance.

Homeowner Satisfaction – Home Warranty Insurance

Target 2002-03	Collect baseline data
Actual 2002-03	83%
Future Targets	
2003-04	80% or higher
2004-05	85% or higher
2005-06	85% or higher



This measure tracks homeowner satisfaction with the protection provided by home warranty insurance on their new home. Baseline data was obtained from a fall 2002 survey of homeowners.

Statistically, the results of this survey have a 95% confidence level and are considered accurate to within 5 percentage points.

Levels of homeowner satisfaction were consistent by housing type, i.e., those with single detached homes vs. condominiums, and by region of the

province. Younger buyers (34 years and under) showed a higher degree of satisfaction with their home warranty insurance at 91%.

With the July 1999 introduction of home warranty insurance requirements, 2002-03 data reflects homeowners who are at the initial years of coverage. Over time, data will include homeowners with policies at all years of coverage which includes, at a minimum, 2 years on materials and labour, 5 years on building envelope and 10 years on structure.

Target 2002-03	Collect baseline data
Actual 2002-03	5%
Future Targets	
2003-04	under 10%
2004-05	under 10%
2005-06	under 10%

An indicator of the quality of residential construction

This measure is an indicator of the quality of residential construction in British Columbia in terms of the number of claims made by homeowners under their home warranty insurance coverage. The number of claims is compared to the number of homes enrolled during the specified period.

Baseline data on claims will not be available from warranty providers until 2003-04. In the interim results from the homeowner satisfaction survey will be used as proxy data, specifically the percentage of homeowners who have experienced a problem with their homes' workmanship, materials or structure, and involved their home warranty insurance company in resolving the construction defect.

The claims process is set out in the *Homeowner Protection Act*. The homeowner must provide the warranty provider and residential builder written notice in reasonable detail which provides particulars of any specific defects covered by the home warranty insurance. Upon receipt of a notice of claim, a warranty provider must make reasonable efforts to respond, evaluate the claim and schedule any required repairs. During the evaluation, the warranty provider determines the validity of the claim, and notifies the owner of the reasons for the decision.

In Ontario, the Ontario New Home Warranty Program (ONHWP) experienced a claims rate of 1.4% in 2001, down from a high of 2.7% in 1998. Conciliations and claim inspections were carried out on 4.2% of homes enrolled in 2001.

Investigations Resulting in Voluntary Compliance

Target 2002-03	70% or higher
Actual 2001-02	68%
Actual 2002-03	76%
Future Targets	
2003-04	72% or higher
2004-05	75% or higher
2005-06	80% or higher

This measure focuses on the effectiveness of HPO compliance activity in reducing abuse of the owner-builder exemption from licensing and home warranty insurance requirements as well as other violations of the *Homeowner Protection Act*. A target of 70% means that 70% of investigations by compliance staff confirmed and/or resulted in voluntary compliance with the *Homeowner Protection Act*.

For example, voluntary owner-builder compliance means that the owner

either met the owner-builder requirements under the *Act*, or chose to become or hired a licensed residential builder.

Investigations by compliance staff typically involve visits to construction sites as well as follow-up site visits, calls or enquiries as needed. The emphasis of compliance activity is to convince unlicensed builders to become licensed and arrange for home warranty insurance on the new home.

Timeliness of Licensing Decisions

Target 2002-03	Under 5 business days
Actual 2001-02	4.0 business days
Actual 2002-03	3.1 business days
Future Targets	
2003-04	Under 5 business days
2004-05	Under 5 business days
2005-06	Under 5 business days

This is a measure of the HPO's responsiveness in making residential builder and building envelope renovator licensing decisions. Specific targets are set to ensure that HPO licensing decisions are made quickly, thus avoiding unnecessary and potentially costly delays for residential builders.

The licensing approval process typically involves verification of company information, acceptance with a home warranty insurance provider and past residential construction activity.

HPO licensing timelines compare well with similar or related organizations:

- Washington State contractor registration—5 days or more, online renewals can be processed the same day.
- Maryland Home Builder Registration (similar requirements as B.C.)—5 to 7 days.
- Ontario New Home Warranty Program builder registration—30 days.



HPO licensing timelines compare well with similar or related organizations

Performance Measures, Targets and Results cont'd

Homebuyer Awareness

Target 2002-03	Collect baseline data
Actual 2002-03	73% for licensing 45% for home warranty insurance
Future Targets	
2003-04	75% for licensing 50% for home warranty insurance
2004-05	80% for licensing 55% for home warranty insurance
2005-06	85% for licensing 65% for home warranty insurance

This measure tracks prospective homebuyer awareness of the consumer protection measures in place in B.C., specifically licensing of residential builders and warranty insurance requirements.

Baseline data for this measure was obtained through a survey of prospective new homebuyers in the fall of 2002. The results have a 95% confidence level and are considered accurate within 5 percentage points.

Awareness levels of *licensing* requirements did not vary significantly across

different groups, e.g., respondents' age, region of province, or first-time buyers, while prospective buyers of single detached homes showed a higher level of awareness compared to condo buyers.

Awareness levels of *home warranty insurance* requirements were more variable, for example, with lower levels of awareness among first-time buyers and younger buyers, and slightly higher levels of awareness among prospective buyers of condos.



The HPO is working to increase homebuyer awareness of licensing and home warranty insurance requirements.

Target 2002-03	4% or less
Actual 2001-02	0.80%
Actual 2002-03	0.85%
Future Targets	
2003-04	4% or less
2004-05	4% or less
2005-06	4% or less

This measure tracks the effectiveness of the Homeowner's Reconstruction Loan program to help ensure that homeowners do not lose their homes as a result of building envelope renovation costs.

This measure compares the number of reconstruction loans in default to the total number of loans issued through the program.

The Reconstruction Loan Program provides no-interest loans to owners of leaky homes who would not otherwise be able to obtain financing for

repair costs, e.g., may be experiencing an overall high debt to equity ratio. Loan recipients pay affordable principle-only monthly payments with a minimum payment of \$50 per month.

The Reconstruction Loan Program default rate is slightly higher than the default rate of all residential housing loans or mortgages for B.C. and Canada which were 0.50% and 0.38% respectively as of January, 2003.

(Source: Canadian Bankers Association)

providing no-interest loans to owners of leaky homes

Recovery of Homes Values Following Building Envelope Renovations

Target 2002-03	Collect baseline data
Actual 2002-03	55%
Future Targets	
2003-04	50% or more
2004-05	50% or more
2005-06	55% or more

analysing data for nearly 4,000 homes with repair loans in over 230 buildings

This measure tracks the improvement of assessed values of homes following the completion of building envelope renovations. It is calculated as the percentage of homes that have recovered 90% or more of the value of the cost of repairs in the assessed values of their homes.

The analysis is based on data for nearly 4,000 homes with repair loans in over 230 buildings in the coastal climate zone of B.C.

According to the B.C. Assessment Authority, assessed values are adjusted on an annual basis to reflect changes in market values of the homes, and takes into account such factors as property improvements or renovations and sales for comparable properties in the neighbourhood.

Assessment data offers the opportunity to track changes in home values including those that have not been put on the market or sold by owners.

Among the homes analyzed for this measure, the average pre-repair home value has risen from \$104,500 to \$126,100 post repair. The analysis is based on 2002 assessed values and includes all homes with completed building envelope renovations under the Homeowner's Reconstruction Loan program since 1998.

It should be noted that annual reporting for this measure includes a six-month month time lag due to the annual property assessment cycle, i.e., assessed values as of July 1 are used in the calculation.

Leveraging of Additional Research and Education Funding

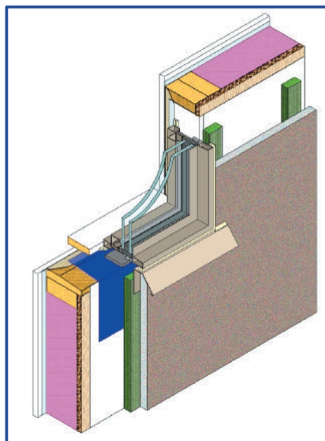
Target 2002-03	At least twice the amount invested by HPO leveraged through partnerships
Actual 2001-02	HPO investment represented 22% of total project funding
Actual 2002-03	HPO investment represented 21% of total project funding
Future Targets	
2003-04	For each year, at least twice amount invested by HPO leveraged through partnerships
2004-05	
2005-06	

This measure monitors the effectiveness of the HPO in leveraging additional resources for research and education initiatives with industry partners.

The target is to leverage at least twice the amount invested by the HPO through partnerships for projects that are completed or underway during the fiscal year.

Projects that were completed or underway represented an HPO funding commitment of \$143,000. Our partners committed an additional \$548,000 to these projects for a total financial commitment of \$691,000.

The principal funding partner is Canada Mortgage and Housing Corporation. Other partners include BC Housing, industry associations, manufacturers and educational institutions.



Partnerships allow for pooled funding for projects like the Water Penetration Resistance of Windows study.

Performance Measures, Targets and Results cont'd

Research Results Disseminated

Target 2002-03 and 2003-04	During this 2-year cycle, 1 major symposium or publication and 12 educational sessions
Actual 2001-02	HPO and its partners presented B.C.'s first 1-day Building Envelope Research Symposium profiling all HPO research projects carried out to date.
Actual 2002-03	HPO-funded research profiled at 9 industry educational sessions; 3 research papers with HPO funding profiled at 9th Canadian Conference on Building Science and Technology
Future Targets 2003-04 2004-05 2005-06	During this 2-year cycle, 1 major symposium or publication and 12 educational sessions.

Recognizing the critical role of disseminating research results to industry and consumers, this measure focuses on the HPO's participation in major research symposia or publications, and the delivery of educational sessions.

Educational sessions are generally sponsored by industry associations and organizations that best know how to most effectively disseminate technical information to their members.

The HPO also continued to participate in Building Envelope Research Consortium, BC Building Envelope Council (BCBEC), and Canadian Home Builder Association technical and education & training committees as a means of disseminating research results.



Industry representatives joined forces to organize the 9th Canadian Conference on Building Science and Technology for BCBEC.



Target 2002-03	HPO participates on National Building Code committees and in development of best practice guides and training courses
Actual 2002-03	HPO representative on National Building Code Standing Committees (2) on Houses and Environmental Separation, Provincial Technical Discussion Forum on Building Code Issues, and CSA Strategic Steering Committee on Building Products & Systems. Results of HPO-funded windows study being considered by national windows standards committee.
Future Targets 2003-04 2004-05 2005-06	Participation in federal and provincial processes to update the current building code and develop best practice guides and training courses

This measure looks at the effectiveness of the HPO in ensuring the results of research projects are incorporated into standards, codes and best practices.

The performance measure tracks the HPO's participation on national and provincial code committees, and involvement in the development of best practice guides and training courses.

The HPO promoted builder involvement in B.C. consultations on the National and B.C. Building and Fire Codes. This process was led by the Building Policy Branch, Ministry of Community, Aboriginal and Women's Services.

Results of the HPO-funded "Water Penetration Resistance of Windows—Study of Codes, Standards, Testing and Certification" is under consideration by the Canadian Standards Association A440 Committee.

HPO PUBLICATIONS

Visit www.hpo.bc.ca

For more information or for a copy of any of the following publications, please contact the Homeowner Protection Office (HPO) at 1-800-407-7757 or visit the Web site at www.hpo.bc.ca.

General Information

HPO Service Plan 2003-2006

Consumer Information

- Buying a New Home: A Consumer Protection Guide
- Options for Resolving Residential Construction Disputes
- Managing Major Repairs: A Condominium Owner's Manual
- Homeowner's Reconstruction Loan Program Guide (English and Chinese) and application package
- PST Relief Grant application package
- Understanding Home Warranties, Important Information for Homebuyers
- Highlights of the Leaky Co-operative Program
- Highlights of the PST Relief Grant Program
- Highlights of Notice to Mediate for Residential Construction Disputes
- Four-Step Approach to Managing a Major Repair
- Selecting a Building Envelope Consultant
- Selecting a Contractor
- Selecting a Lawyer
- Tendering the Building Envelope Renovation
- Building Envelope Renovation Costs and Timelines
- What is a Building Envelope
- Financing the Building Envelope Repair
- 2-5-10 Year Home Warranty Insurance
- Builder Liens, Obligations and Protections
- *Strata Property Act*, Responsibilities of Strata Councils

Residential Construction Sector Information

- Residential Builder Licence Application and Agreement
- Residential Builder Licence Renewal Application and Agreement
- Building BC newsletter
- Building Envelope Renovator Licence Application and Agreement
- Building Envelope Renovator Licence Renewal Application and Agreement
- Commission of Inquiry into the Quality of Condominium Construction in British Columbia Part 1, Part 2 Vol. 1, Part 2 Vol. 2 – Web site only
- Notice of Home Warranty form
- Home Warranty Disclosure
- How to Become a Licensed Residential Builder
- How to Become a Licensed Building Envelope Renovator
- Important Information for Owner-Builders
- List of Home Warranty Insurance Providers
- Home Warranty Disclosure

Completed Research Study

- Water Penetration Resistance of Windows
- Monitoring Performance of Rainscreen Wall Assemblies – Interim Report
- Building Envelope Bibliography
- High-Rise Envelope Performance in Coastal Climate BC
- A Building Envelope Test Hut in Coastal British Columbia: Feasibility Study
- External Moisture Control Defining Performance of Water Resistive Barriers – Interim Report
- Envelope Drying Rates Analysis
- Land Use Planning & Weather Protected Buildings, A Best Choices Guide for Local Government

Acts and Regulations

- *Homeowner Protection Act*
- Consolidated *Homeowner Protection Act* Regulation [B.C. Reg 29/99]
- *Homeowner Protection Act* Building Envelope Renovation Regulation and amendment
- Notice to Mediate (Residential Construction) Regulation [B.C. Reg. 152/99] – Web site only
- Highlights of the *Homeowner Protection Act* Regulation for Licensing and Mandatory Third-Party Warranty Insurance for New Residential Construction
- Highlights - *Homeowner Protection Act* Regulation for Licensing and Mandatory Third –Party Warranty Insurance for Building Envelope Renovations

Contact the HPO at
1-800-407-7757
for more information



GLOSSARY OF TERMS

Building Envelope	means the assemblies, components and materials of a building that are intended to separate and protect the interior space of the building from the adverse effects of exterior climatic conditions.
Building Envelope Renovation	means construction work on a residential building: a) to repair defects in the building envelope which allow unintended water penetration, or b) to repair damage caused by unintended water penetration.
Building Envelope Renovator	means a residential renovator who is licensed under Part 1 of the <i>Homeowner Protection Act</i> to engage in, arrange for or manage all, or substantially all, of a building envelope renovation.
Owner-Builder	means a person who builds a single, detached home for their own <u>personal</u> use, not more than once in an 18-month period.
Residential Builder	means a person who engages in, arranges for or manages all or substantially all of the construction of a new home, and includes a developer and a general contractor.



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