



My name is Karen Somerville, and I am the President of Canadians for Properly Built Homes. Thank you for the opportunity to present today.

A Jan. 3, 2025 Ottawa Citizen Headline was “Why is it so expensive to build a house? Report says don’t blame the developers”.

Indeed, affordability is a key concern for many of us – and there is continuous finger-pointing by different stakeholders for the high cost of housing in Ontario.

Today I am going to focus on a stakeholder group that doesn’t get much attention when it comes to the cost of housing, but adds to the high cost of housing in Ontario:

Ontario’s Delegated Administrative Authorities – DAAs.

Through our discussions, we have learned that most Ontarians, including a number of Ontario MPPs have no idea what DAAs are, or where they came from.

DAAs are non-profit corporations, created by the Ontario Government, that often take over functions previously handled by government. They are not accountable to taxpayers and fund operations through licences and fees.

They emerged in the UK under Prime Minister Thatcher in the 1980s.

There are currently 13 DAAs in Ontario. Several DAAs are involved in Ontario’s new home construction, and I will highlight the following two: Tarion and the Home Construction Regulatory Authority – HCRA.

Regarding the cost of these DAAs, there are obvious concerns, e.g.,

- Annually, Tarion and HCRA, with only approximately 400 employees combined, spend approximately \$6 million on compensation for their board of directors and executives. Imagine: fifteen executives at Tarion and HCRA for about 400 employees. That’s about 27 employees per executive. Have you seen that executive-to-employee ratio anywhere else? We haven’t.

- Even though Tarion was stripped of its responsibilities to regulate the building industry in 2021 when HCRA opened its doors, Tarion’s eight executives’ compensation was not reduced. How is it possible that after losing a large portion of their responsibilities, Tarion needs the same number of executives - with no pay reduction – even though there was a significant decline in Tarion’s responsibilities? Further, each of those eight Tarion executives earned more than a quarter of a million dollars in compensation in 2020 (before Tarion was stripped of its responsibilities that were assigned to HCRA) and this compensation has increased since 2020.
- At HCRA’s 2023 annual public meeting, HCRA’s leadership said that HCRA was at a “steady state”. But in 2024, compared to 2023, HCRA’s bottom line took a negative swing of almost \$6 million. How is that possible given that it was in a “steady state” the year before?
- Finally, the “oversight fees” that these two DAAs are forced to pay to the Ministry of Public and Business Service Delivery amount to about another \$1 million annually.

Ironically, the Auditor General of Ontario has found considerable problems with the oversight of DAAs. Further, the Auditor General has noted that “The Ministry does not believe it has a mandate to oversee how cost-effectively the delegated authorities are operating”...

Returning to that Ottawa Citizen headline: “Why is it so expensive to build a house?” The costs of Tarion and HCRA increase the cost of housing in Ontario but no one is overseeing these costs. This in the midst of a housing affordability crisis! It is unacceptable that the Ministry of Public and Business Service Delivery is not overseeing how cost-effectively the DAAs are operating. Citizens are paying the price.

We fully expect that a full review of the cost-effectiveness of the 13 DAAs would find considerable annual savings that could help to reduce the cost of housing and other costs in Ontario.

We submit that the Government of Ontario has an opportunity – and responsibility – to fix this problem and help reduce these costs in Ontario.

How can this be done?

- For most DAAs, assign these responsibilities to objective, capable public servants who would be subjected to the regular checks and balances of the public service.
- For Tarion, end the monopoly, and introduce the multi-provider warranty model, that much of the rest of Canada enjoys, and that Justice Cunningham recommended in 2016.

But the excessive costs are only part of the story. These DAAs, that are supposed to be protecting Ontario's consumers, are failing Ontario's consumers. Ontario's DAAs are structured by industry, and they have been captured by the industries that they are supposed to regulate, leaving Ontario's consumers without adequate consumer protection.

Ending Ontario's DAAs would largely solve another important issue as well - public safety in private hands. Dr. Mark Winfield, of York University, has published research on Ontario's DAAs, and we credit him with the phrase "public safety in private hands". Dr. Winfield was primarily concerned with the DAA Technical Standards and Safety Authority (TSSA) – but his findings extend to other Ontario DAAs as well. He concluded that the main reason for the Ontario Government retaining TSSA as a DAA appears to be keeping budgets and personnel off the books as government staff and expenditures. Dr. Winfield went on to say that these political advantages don't justify the non-government status. We agree with Dr. Winfield.

Our organization, CPBH, is naturally focused on the DAAs involved in new home construction. I will briefly mention that we have heard directly about concerns with other DAAs as well. For example, we have heard about problems with the Travel Industry Council of Ontario (TICO) and the Real Estate Council of Ontario (RECO), e.g., inadequate governance, inadequate accountability and inadequate transparency, which are also problems with Tarion and HCRA. If you would like further evidence of serious performance issues with DAAs, please review the numerous audit reports from the Auditor General of Ontario over the years.

By ending Ontario's DAAs, the Ontario Government would:

1. Make Ontario more affordable
2. Help to take public safety out of private hands and
3. Improve consumer protection, governance, accountability and transparency.

That would be a significant win for the Ontario Government and for the citizens of Ontario.

Thank you again for the opportunity to speak today. I will be pleased to address your questions.