

[Chairman: Mr. Kowalski]

[10 a.m.]

MR. CHAIRMAN: Good morning, ladies and gentlemen. Welcome to this meeting of the select committee on the Alberta Heritage Savings Trust Fund. The date is September 28, and the minister we have appearing before us is the Hon. Larry Shaben, Minister of Housing.

If all members would refer to the annual report of the Alberta Heritage Savings Trust Fund for the 1982-83 fiscal year, you will note that on pages 20 and 21 there is information with respect to the Alberta Home Mortgage Corporation and the Alberta Housing Corporation. As well, Mr. Shaben has provided information that has now been circulated to all members. In essence, you should have a copy of a document titled Provincial Housing Programs in Alberta, dated July 1983, as well as a four-page document which basically outlines a number of programs under Mr. Shaben's portfolio responsibilities. As well, we have some copies here for the media, who've always expressed an interest in receiving as much documentation as possible with respect to some of the ministers appearing before us. If somebody would like to come down, we would gladly circulate it to them.

Mr. Minister, welcome. Perhaps at this time you might wish to introduce the gentlemen with you. If you have overview comments to make, would you proceed. Following that, we'll go to questions from committee members.

MR. SHABEN: Thank you, Mr. Chairman. First I'd like to introduce the two individuals who are here with me. On my left is Ken Pohlko, president of the Alberta Housing Corporation, and on my right is Joe Engelman, president of the Alberta Home Mortgage Corporation. This is the first time I've sat on this side of the House during a Heritage Savings Trust Fund select committee. For a few years, I sat on the other side and had the opportunity to ask questions rather than answer them. So this will be a new experience.

Mr. Chairman, the only comments I'd like to make with respect to the two corporations and the involvement in the Heritage Savings Trust Fund is to briefly outline the mandate of each of the corporations.

The Alberta Housing Corporation is charged with the responsibility of assisting individuals in Alberta who are hard to house; that is, low-income individuals and senior citizens. That's the principal responsibility of the Alberta Housing Corporation. Peripherally and additionally, we have also been involved in assisting municipalities in servicing and developing land.

In the case of the Alberta Home Mortgage Corporation, its responsibility is to help make housing more affordable by providing mortgage financing to families and for rental units. That's the principal responsibility, as well as the municipal non-profit housing support. The Home Mortgage Corporation provides mortgage loans to families under our family home purchase program, which is a major part of our portfolio; provides mortgage loans under the core housing incentive program, wherein half the units are controlled rent to provide affordable rent for Albertans; and provides loans in small communities under the modest apartment program, to provide reasonable rental accommodation for citizens of Alberta. We also have a peripheral responsibility in assisting trunk servicing programs and mobile-home park development. Those are the principal roles of the two corporations.

The documents that you have, the four pages, outline the borrowings from the heritage fund. These are funds that have been made available under these various programs. Mr. Chairman, I don't have any additional comments. I'd be pleased to respond to questions on any of these areas.

The only additional area you may be interested in pursuing is the mortgage interest reduction program, which was announced September 7 and which provides interest shielding to home-owners in Alberta. That is of course indirectly funded through the heritage fund, as a result of a transfer of a portion of the resource revenue into the General Revenue Fund, and is a part of the economic resurgence plan of the province.

The document that gives you an outline of the housing programs in Alberta includes a number of programs; some are administered by the department. For example, our very successful self-help housing program in northern and isolated communities has probably been the most successful program of its kind in Canada in terms of providing housing, particularly for native families in isolated communities. The rural and native housing program and the co-operative housing action program are administered either by the department or in co-operation with AHC.

Mr. Chairman, that concludes my opening comments, and I'd be pleased to respond to questions.

MR. MARTIN: Mr. Chairman, to the minister. I'm sure the downturn in the economy has created a problem in terms of housing; the same demand isn't there. I wonder if the minister could give us an idea of the number of foreclosures the Alberta Home Mortgage Corporation has had to deal with, a rough figure, and a ballpark figure on the amount of money involved at this time.

MR. SHABEN: There has been a rather dramatic increase in the number of foreclosures. It impacts not only on AHMC's portfolio but also on the conventional mortgage lenders. Last year, 1982, the total number of foreclosures in the province was 1,122. This year there have been 1,733 in the first seven months of the year. That's up significantly. This represents about .5 per cent of the total housing units in the province. The total number that AHMC is involved in, which I think is what Mr. Martin's question was, is 80 in the first four months.

MR. MARTIN: Eighty in the first four months.

MR. SHABEN: Those are the most recent figures we have.

MR. MARTIN: The Alberta Home Mortgage Corporation. I expect this trend will continue. There doesn't seem to be any doubt that we're into a recession. I guess I have two more supplementaries. What is the trend? We have 80 in the first four months. Has there been any analysis of what we might be seeing in terms of foreclosures in, say, the next six months? What is your analysis of that?

MR. SHABEN: I can't provide the committee with a specific number. But what should be noted is that there is a lag in the final orders after a downturn in the economy, and we believe we are approaching the peak in terms of that lag period. The lag is usually 12 to 24 months for the impact of a tough period such as we have been experiencing. We have been undertaking an analysis of the situation, but I regret that I can't give you a projection of how many there will be.

MR. MARTIN: A supplementary question, Mr. Chairman. Maybe I can get a double-header in here. There is a debenture that goes back to the trust fund and that the Alberta Home Mortgage Corporation is responsible for. How would you appraise foreclosures? You mentioned that there were 80 in the first four months. I guess what I'm driving at is that the mortgaged amount, just to pick a figure out of the air, could be \$60,000. But we know that housing prices have gone down, certainly in Edmonton and Calgary, to use an example, and they may be \$45,000. How do you value this in terms of reporting assets on the foreclosures? Part of that is, what do you do with houses after

you foreclose on them?

MR. SHABEN: First of all, all of our mortgages carry with them that the applicants are required to buy mortgage insurance. So the corporation has a mortgage insurance fund, and the total reserves in that fund are approximately \$40 million.

In terms of how we place a value on the properties that have been foreclosed, that's done by way of appraisal. A judgment is made by the corporation as to whether they are put on the market immediately or whether they are held and rented for a period of time so that there isn't a further depressing effect on the local housing market, particularly in small communities. But generally we move them, and the losses that occur as a result of sales at less than the mortgage amount, including legal costs and accumulated interest costs, are paid out of the mortgage insurance fund.

MR. R. MOORE: Mr. Minister, on the interest shielding mortgage program, which has been in operation now a number of months, what impact has it had on the housing industry?

MR. SHABEN: Mr. Chairman, I'm not quite certain of the intent of the question. According to the information we've received from home-owners, it has had a very positive impact in terms of assisting them in meeting high mortgage interest payments. In that sense, it has been very positive. It's had a neutral impact on the housing industry itself. It's designed in such a way that it hasn't impacted negatively nor positively on the housing industry.

MR. R. MOORE: Very good, Mr. Minister. That's what I wanted to find out: if it had any bearing. It helps the home-owner, and it hasn't had a bearing on the industry at all.

MR. SHABEN: Not that we're able to detect.

MR. R. MOORE: Thank you.

MR. ANDERSON: Mr. Chairman, with respect to the senior citizens' self-contained housing program, could the minister indicate what the projected needs are in that area? The reason I ask is that we've had a number of those excellent buildings go up in my riding; in fact, I opened one on Friday. I am certainly not advocating a reduction of those units. But I am beginning to sense, at least in my part of the province, that there seems to be less demand than there was with the very long waiting lists we had a year or so ago. I am wondering if the minister has any projections which would indicate that we may not need to build as many in the future as we have in the past.

MR. SHABEN: Mr. Chairman, that's a very important question, because there has been a huge investment in housing for seniors. Both the lodge and the self-contained programs are very well received by seniors. We estimate that presently, in those two programs, about 20 per cent of Alberta's seniors are housed. The program is designed to house low-income seniors.

I think there is going to continue to be a need for some additional units, but the volume that has been produced in the last four years has gone a long way toward meeting the needs of low-income seniors. As a result, we have dramatically reduced the number of units that will be produced in the 1983-84 fiscal year, and we project a lower number again in 1984-85. We are establishing these numbers by working with the sponsor groups, which are volunteer groups, and doing thorough demand and need studies for communities to determine the actual need. There continues to be requests flowing from volunteer groups for new projects, but they are being very carefully examined.

The other factor has been that rental rates in the private market have gone down and

stabilized. As a result, the affordability question is not so critical. Also, our seniors' home improvement program is well received by seniors, and I believe it helps keep them in their homes for a longer period of time.

MR. ANDERSON: Mr. Chairman, a supplementary. If we're going to reduce the need in that particular area, are the general market and some of the circumstances the minister defined applicable to other programs, and will we therefore be seeing less of a draw on the heritage fund from the programs administered by the minister than we have in the past? Certainly in past years it's been one of, if not the most, significant and costly areas that the heritage fund has been involved with.

MR. SHABEN: Mr. Chairman, this has already occurred. Our criteria for a number of the programs are designed in such a way that the demand drops off as a result of the market situation. For example, we have not financed a core housing incentive program project since June 1982, and that is as a result of vacancy rates and market rentals. In the Alberta family home purchase program, the demand is down. We've changed the income eligibility, and with reducing interest rates, the demand automatically reduces. So there are criteria built into the programs that reduce the demand.

I think this year our involvement in housing starts through both AHMC and AHC, as a percentage of total housing starts, will probably be in the area of 20 per cent, down from a peak in 1980-81 of about 50 per cent involvement. So there has been a dramatic reduction in our involvement in housing starts in the province.

MR. ANDERSON: Mr. Chairman, the minister may not be able to answer this question, and it doesn't deal with the past year's allocation. But in terms of planning in the government and the committee, is the minister able to give us any rough, ballpark idea in quantifying the amount his department will need in the future by comparison to former years, at least in the next year?

MR. SHABEN: Mr. Chairman, I can give members an idea of approximately what our call will be for the current fiscal year, but it's too early for us to provide any estimate of what the requirements will be in terms of debenture borrowings in '84-85. We would expect our total borrowings for AHMC to be about \$275 million, and for AHC about \$300 million. That may seem high, but a lot of it results from the lag time in projects that have already been approved, and we're drawing down funds to complete projects that have been approved.

I can't give the committee an estimate of our requirements for next year. But as a result of changes in legislation, the Legislature will be dealing with those for the first time when we deal with budget next spring.

MR. THOMPSON: Mr. Chairman, during the last summer I visited four of the eight Metis settlements in the province, and I was impressed with the involvement of this co-operative housing action program. Do you call that CHAP? Anyway, you could see the effect it's having out in the Metis settlements.

Possibly the minister could expand a little bit on that program. Is there such a thing as a limit? How much goes out there? What is the demand in those native communities for this program? And what do you see in the future in that area?

MR. SHABEN: Mr. Chairman, it's sometimes known as the co-operative housing action program, sometimes as the self-help housing program, and sometimes as the Norm Rault housing program. But it's been a very successful program, in that we work with local housing associations. The community sets up what are known as "Waskayigan" or housing associations, and they manage the project itself. We provide funding to them for the materials and they build their own homes. The number of units is determined globally by

our budget availability. Then they're allocated to the communities based on their requests, and they prioritize the families who are to receive them. The families are themselves involved in building the houses.

Generally the amount of funds advanced to the Waskayigan associations ranges from \$17,000 to \$21,000 per house, and the individual families acquire a home, through their own efforts and through the program, that is fully paid for. There's a great deal of community pride in the program, and it's one of the most successful programs I've seen anywhere in Canada.

MR. THOMPSON: Just a supplemental, please, Mr. Chairman. When they're building these homes, are there inspectors that see that standards are kept up, or do they just kind of go their own way on these things?

MR. SHABEN: Mr. Chairman, the homes meet the Alberta Building Code. We provide inspectors to assist them, and people through AHC to help with the inspections and guidance in terms of building the units. But the work is done by the people in the communities and the home-owners themselves.

MR. THOMPSON: In other words, Mr. Minister, you would prefer this to just buying trailers and setting them up. Thank you.

MRS. CRIPPS: I note in the information given to us, Mr. Minister, that you have residential land-banking development programs and industrial land banking. Right now there seems to be an oversupply of lots available for residential purposes — probably for industrial too. What's the situation with the land that you have acquired over the past number of years?

MR. SHABEN: Mr. Chairman, AHC has quite a large portfolio of developed land and land that has been banked. Generally it's been banked as a result of requests from municipalities for assistance by the corporation, and they're usually developed by way of agreement between municipalities and the corporation.

With the slowdown in population growth, the demand for lots has reduced dramatically. In terms of new activities and land banking, we're simply not doing it unless there is a very, very strong, demonstrated need by a municipality and we can thoroughly justify that need. So there's very little land banking or subdivision development going on at the present time.

MRS. CRIPPS: In discussions with the town of Drayton Valley and discussing the possibility of banking some lands, you pointed out to me earlier that the cost of the land, plus the cost of capitalizing the interest over the 15-year period, plus the costs of development, makes these lots fairly expensive in today's market. Do you think these lots will be affordable in the future? If not, have you got any proposals for ridding the corporation of this land?

MR. SHABEN: Mr. Chairman, that's a very good question. The policy of the corporation is to sell serviced lots at cost, and that cost includes all the costs: the acquisition of the land, the development costs, and the accumulated interest. With the present market situation in the province, many of the private developers — I believe most of them — have reduced their lot prices, and in some cases the lot prices in the private market are considerably lower than the land holdings of the corporation.

We're wrestling right now, within the corporation and the government, as to what course of action should be taken; that is, whether we should move to market pricing of lots or whether there's some other way of dealing with it. It's a difficult question to deal with, and I would certainly appreciate suggestions that any members of the Assembly or

the committee have in this regard.

MRS. CRIPPS: I can see justifying holding the undeveloped land, but how many serviced lots do you have for sale at present?

MR. SHABEN: Mr. Pohlko advises that we have about 900 serviced lots, and they're pretty well all lots that are held as a result of agreements between AHC and the municipality.

MR. GOGO: Mr. Minister, looking at the wide range of programs that your department provides for Albertans, I wanted to address a question particularly with regard to the family home purchase program. The purpose of that, as stated in your manual, is: "To assist families with low and moderate incomes to buy new or existing housing." In view of the numbers of some almost 34,000, I think you and the government are to be commended for committing that amount of money to that.

My understanding, Minister, is that when a home-owner with an Alberta home mortgage wishes to sell that home, there are no restrictions to selling it. If a buyer comes along and wants to buy it, then I assume that if the corporation is satisfied that they can carry their mortgage, that transaction goes through. That would be what I would call a normal transaction.

We then have to meet the objective of that program on page 5 of your manual, the talk of a subsidy. So we as a government are prepared, through your department, to subsidize low-income families to purchase homes with a subsidy of up to five years, according to the manual. Then it seems to me, Minister — and this is where my dilemma is — that if a young low-income family in Alberta wishes to purchase a home and finds a home that has an existing mortgage, if they pay the vendor's price they assume the mortgage. No questions are asked; it's fine. However, if they want a subsidy, for some reason — and I'd like the explanation on this — they have to create a new mortgage on that property, pay a legal fee based on the maximum price, \$500 or \$600, a survey fee, and an appraisal fee. It seems to me, Minister, that we're not consistent. If we believe in providing affordable housing, why then do we insist on creating a new mortgage on that house, if a person wants a subsidy, and going through this whole range of costs to acquire it?

MR. SHABEN: Mr. Chairman, that is also a good question. Under the family home purchase program, it had been traditional that a person was assured of a subsidy of a certain level for the first 30 months they were in it, and then their income was reviewed. That was subsequently changed to a 24-month review of income to adjust the subsidy. So there were factors and conditions contained in the mortgage that made it quite difficult to transfer that special instrument from one purchaser to another purchaser with a different income, because of the aspect of subsidies.

Recently the board of the Home Mortgage Corporation approved a change in our policy that provides for an income review every 12 months. That's important, in that there's a quicker response to changes in income, either up or down, in terms of the subsidy. Subsequent to your discussions and mine, we're reviewing the possibility of making Alberta Home Mortgage Corporation mortgages assignable. We haven't completed that, but there is some possibility that as a result of the changes we've brought in, in terms of the review period being shortened from 30 months to 12, it may be possible to assign those mortgages rather than have mortgages rewritten.

I don't know whether Joe Engelman would like to add anything, because he's more knowledgeable about the details in mortgage instruments than I. Joe, anything?

MR. ENGELMAN: The only thing I might add is that there was a brief, few-month period when we did exactly what you're suggesting. We found situations that were almost

impossible to deal with, but that was when we were in a rising market and had people wanting to assume a \$30,000 mortgage on a house they were paying \$60,000 for. They were bringing in secondary financing, and you couldn't put them together because of the other financing involved and trying to work out what their subsidy should be. They have this mortgage to pay; they have another mortgage to pay. Should we subsidize the second that was obtained from somebody else? Then we ran into the other problems as well, of course, of the houses being bought at different times with different interest rates. You just about had to bring them back to the here and now.

The thing that has changed and the reason we can look at this again is the fact that housing prices have stabilized, and there are more properties out there that can be assumed without secondary financing and without the problems. So it's a little different situation now, and that's something we are looking at. Whether we'll make the change or not I can't say, of course, but we are looking at that.

MR. GOGO: A supplementary. I'm encouraged, Chairman, by the minister's words. However, I have great difficulty understanding what's just been said, because surely the corporation and this committee's concern is that the return to the heritage fund be in the interest of Albertans. Someone purchasing a new house and applying for a subsidy has nothing at all to do with someone buying an existing house and applying for a subsidy, other than that for some reason people decide you must create a new mortgage with all the ancillary costs. The subsidy has nothing to do with the mortgage; it's to do with the individual. I'd like the assurance that our primary concern is not the income of lawyers in the province, so they can feed their children. Surely that is not the purpose.

Minister, when you say you're looking at it, could you give us a time line as to when you might adopt a policy, because I understand it's really a policy as opposed to a management tool.

MR. SHABEN: Mr. Chairman, I don't believe I can be precise, except to repeat the answer I gave earlier, that we're closely examining whether or not we can do it. If we can we will, and it will be done as soon as we can. But I can't say whether it will be two months, three months, or four months. It's impossible to answer.

MR. GOGO: A final supplementary, then, Mr. Chairman. Not wanting to violate any confidentiality, will the president of the corporation then give this committee a list of the ones he has talked about, omitting names, so this committee could look at the details of the ones that have been dealt with on, I understand, a temporary or pilot-project basis?

MR. ENGELMAN: I think we are going back, Mr. Chairman, to about 1976 or '77, so that may be difficult. We can see what can be done.

MR. GOGO: Ten of them. Just 10.

MR. CHAIRMAN: The request for information from Mr. Gogo, then, was for a list of 10 examples of this situation, omitting names.

MR. SHABEN: Mr. Chairman, just so I get the question clear, where Alberta family home mortgages had been assigned.

MR. GOGO: Have been assumed, and subsidies applied and received.

MR. SHABEN: Okay. If there are, we'll provide that to you.

MR. CHAIRMAN: Just as a follow-up on that. If that information comes, perhaps it

should come to me. I could distribute it to all members of the committee to ensure that all members in fact receive it.

MR. ALEXANDER: Mr. Chairman, I think Mr. Gogo has raised a very interesting point. By way of preamble, I only half facetiously suggest that the process he has just described is a way of finding out how it is, precisely, that the low-income family cannot afford affordable housing. By definition, the subsidy means that the people who have it can't afford it.

I wonder, Mr. Minister, whether there's any possibility you might go in the other direction and consider the abandonment of such euphemisms as "affordable housing" and quit the policy, for example, of trying in some way or other to prematurely force people into housing they can't afford. It strikes me that the policy of suggesting that either federal or provincial subsidies are a way of shoehorning new families into new houses that probably are beyond their means is really not doing anybody any favors. It didn't hurt me to wait until my situation was somewhat more mature, let's say, and I knew how I could in fact afford a house that I could afford. I guess we've gotten into a frame of mind in the last few years that somehow it's everyone's right to have a new house, that it's the dream to have a single-family home, and that we ought to do that as quickly as we can for people. "Affordable housing" is in fact an euphemism for housing that we can't afford, which is now perhaps being demonstrated, in my view quite clearly.

I recognize this is a long question. But the question really is: has the department given any consideration to the problems created by this affordable housing program, when people who couldn't afford the housing without subsidies end up losing the houses, including whatever equity they might have had in them, if they had any, and that it is not in fact doing anyone any favors?

MR. SHABEN: Mr. Chairman, that's an interesting question and could involve us for the entire morning, because tied into the question are a lot of philosophical issues. First of all, I would dispute the suggestion that a lot of people who have obtained mortgages under the family home purchase program and are receiving subsidies have lost their houses because of the program. The number of foreclosures under our family home purchase program is less, as a percentage of the total, than the total number in the province, which indicates to me that there is a desire by people to hold and own and a pride in proprietorship in their home. I think there is a certain strengthening in our society if we can encourage home-ownership as opposed to having a nation of renters. But that's a personal view, and I think it's one that has been reflected in the initiation of the program.

The other factor is purely one of what the reality is. As interest rates fall, the number of persons who are loosely described as not being able to afford housing reduces. We have changed the guidelines. In the past number of months, we have reduced the eligibility income from \$39,000 to \$34,000. So the number of individuals who require mortgages through the program, as a percentage of the starts, has reduced dramatically. That's part of the economic scene.

Mr. Chairman, what I indicated is that it is a question that could be debated at some length because it's a philosophical one as opposed to purely an economic one. Until the government says, we are no longer going to encourage home-ownership through the family home-ownership program, the responsibility of the corporation is to continue to provide that service.

MR. ALEXANDER: Just a supplementary on that point, Mr. Chairman. I wasn't meaning to be the slightest bit philosophical, Mr. Minister. I think this is a very practical question. It may sort of marginally skate sideways into my philosophical biases, but I was really thinking in very practical terms. Mr. Gogo raised the point, and I just picked up on the point, the question of subsidy.

It doesn't surprise me particularly that the number of foreclosures under this program is less than under conventional programs. That's just a way of transferring income or wealth, one way or another, through subsidies. That's part of my difficulty. In other words, the whole matter of subsidies may be misleading as a signal in the market place, and it sort of tends to distort the signals in the market place.

I don't want to make a philosophical point. I agree that home-ownership is one of the building blocks of a stable society. But misleading people into the idea that home-ownership can be had whether it can be afforded or not, is just as destructive to those same fundamental social values; in other words, families break up over losing homes and getting into financial difficulties just as much as they form on the dream of having their own house. I am all in favor of people owning their own house when they can in fact afford it. But I guess I am trying to get at the very fundamental and basic point: if they misread the market signals, they may fall into difficulties that they hadn't anticipated.

I don't know whether I used up a question there or not. Perhaps I did. That should leave me with at least one.

MR. SHABEN: Mr. Chairman, do you want me to answer a question that I am not sure of, or do you want me to wait until he finishes?

I'd like to make only two additional comments. In the peak year of the Home Mortgage Corporation's activity in the family home purchase program, we provided mortgages for about 8,000 housing units, principally new. This year we will provide mortgages for about 2,500 under the family home purchase program, half of which will be existing housing stock, which is really helpful to the market.

The second part of my answer is that the subsidies are limited to five years, and our experience is that 75 per cent of the subsidies disappear in the first 30 months. It demonstrates that the families who avail themselves of the program are upwardly mobile, and we provide assistance for them in home-ownership.

MR. ALEXANDER: Good point.

Dennis Anderson asked my other question, but let me ask it in an expanded way. You indicated that in 1981-82, AHMC provided about 50 per cent of the mortgage financing for houses in Alberta and that in 1984 — I guess that's what you were referring to — that figure may be down to about 20 per cent. Is that what you said in terms of answering his question? Perhaps to formulate it specifically: what percentage of the mortgage market did the corporation have for the last two years, let's say, and what are you projecting for the next year as a percentage of the mortgage market?

MR. SHABEN: Mr. Chairman, first of all, I'd like to clarify what I said. I didn't restrict my answer to the Alberta Home Mortgage Corporation. To reach that 50 per cent of the housing starts, I included our involvement in social, community, and senior housing. In the current year, the Alberta Home Mortgage Corporation will probably be involved in 12 to 15 per cent of the mortgage financing. In our peak year, it was in the neighborhood of 25 to 40 per cent. So the reduction is dramatic, and we expect that percentage not to increase in the upcoming two years as a percentage of the mortgage market.

MR. NOTLEY: The first question is just to clarify and get some specific information. My colleague raised the question of how many foreclosures, and we were told 80 under the Alberta family home purchase program in the first four months of this year. Perhaps I could roll two things into this first question. Could we have the figure of the total number of vacant units that the province has through AHMC or the Alberta Housing Corporation programs?

MR. SHABEN: I will try to give the committee some idea of vacancy rates. In seniors' self-contained, the vacancy rate is approximately 7 per cent. That takes into account

the recently completed number of units, about 500, that we put on the market this year. Generally our seniors' units take some time to fill. In the lodges, the vacancy rate is about 4 per cent.

With respect to AHMC's portfolio, the vacancy rates are pretty well reflected by the vacancy rates in the province. They vary from municipality to municipality, except that in our core housing incentive program controlled side, the vacancy rates are lower than the provincial average. Right now the provincial average vacancy rate in rental accommodation is about 10 per cent, and it varies from municipality to municipality. The vacancy rate on the controlled or subsidized side in the core housing incentive units is about 4 per cent.

MR. NOTLEY: Could you give just an amplification of that question, and give us the figures and total numbers? I'm sure you have an estimate someplace. I'm not looking at the total numbers with the sort of social programs such as the self-contained and lodge programs but the family home purchase program, for example, with 33,000 units; how many of those we are not able to rent out, that we've foreclosed on — right on through in the current AHMC programs.

MR. SHABEN: Mr. Chairman, under the Alberta Home Mortgage Corporation, we have 202 "owned" units that the corporation has taken ownership of. With respect to those, we're pursuing a policy of selling the single-family units, putting them on the market and selling them through regular means, real estate brokers, generally a multiple listing service. In condos, row houses, or town houses, prior to putting them on the market we're looking at what impact the sale of those will have on the existing home-owners. So in those cases, we are renting. I would have to do some work and come back to the committee in terms of how many of those 202 are occupied and how many are not occupied. I would need some time to get that information back to the committee.

MR. NOTLEY: Mr. Minister, on the handout there have been some changes in the existing family home purchase program, and you have identified one. The qualifying income is reduced from \$38,000 to \$34,000, yet the maximum price for an existing dwelling has increased from \$64,000 to \$74,000. The mortgage is increased from \$52,000 to \$62,000 on existing homes, but on new homes the maximum loan is decreased from \$69,000 to \$68,000.

I wonder if you would give the committee the rationale for these changes identified just before the table of contents in the handout.

MR. SHABEN: First of all, I'd like to clarify that the maximum loan on a new home is not \$68,000; it's \$70,000. That may not be a current — the maximum limit is \$70,000.

MR. NOTLEY: That's an error. That information would not be correct?

MR. SHABEN: It's \$70,000. So it's not correct there. That's prior to adjustments that were made in the lending amounts. We update this . . .

MR. NOTLEY: Is this information not correct? To clarify my question a little more in terms of — I'd like the reconciliation of what seems to be some inconsistency here, but at least a rationale for each of these changes; whether or not the qualifying income reduction has anything to do with whether it's predicated totally on your assessment of the housing market or whether you're looking at limiting the application of the program.

MR. SHABEN: Mr. Chairman, I think it's a combination. But principally it's a result of the reality of the interest rates and the affordability for individuals. With interest rates moving down, it has improved. That was in response to an earlier question. It has

improved the affordability of housing for individuals who previously, when interest rates were at 18 per cent, with a gross income/debt service ratio of 35 per cent, simply couldn't afford it. So we have adjusted it downward for the reason of lowering interest rates and, secondly, because of the market situation. Today the housing industry is keenly competitive, very competitive. We alluded earlier to a reduction in land prices as a result of discounting land by the developers. It's resulted in lower new home-ownership prices, in terms of what the price is, and terrific values for the home-owners. So we adjust the criteria in light of market conditions. It's a combination of factors: one, interest rates, which are key; and two, the price and value of the homes that are available. All of those roll into one criterion, and that's affordability.

MR. CHAIRMAN: Mr. Minister, I take it the subject matter that Mr. Notley just raised deals with the Alberta family home purchase program? You indicated that the document provided to us, dated July 1983, has erroneous information in it? Would you please clarify again for all members? It's on page 4 of the document. You're talking here about the price. A statement on page 4 says

The maximum eligible new house price is \$78,000 and the
maximum price for an existing dwelling is \$74,000.

You indicated that those figures were . . .

MR. SHABEN: They are correct.

MR. CHAIRMAN: They are correct?

MR. SHABEN: The difference arose from the maximum lending amount. I had used the amount of \$70,000, and Mr. Notley had used the amount of \$68,000. But when you add to the \$68,000 the mortgage insurance fee, which is a part of the mortgage amount, it comes to \$70,000. So that accounts for the difference.

MR. NOTLEY: So this information is correct?

MR. SHABEN: It is correct.

MR. NOTLEY: It's on the second or third page, Mr. Chairman.

MR. R. SPEAKER: Mr. Chairman, to the minister. First of all, I'd say that I see a role, in terms of your responsibility in terms of senior citizens' housing and handicapped facilities. I have no quarrel with that under the present circumstances.

Questions so far have talked about the market, how it's changed, and what has happened. I think in terms of that, I hear the minister saying that there is to be an adjustment in terms of program responsibilities. But I still hear in what the minister is saying that the adjustments are so that more mortgage money can be made available or more subsidies can be made available, and that the government will continue to intervene and — I use the word of one of our colleagues here — "distort" the market place, I would say.

The other information that has come to us, Mr. Chairman, is with regard to the housing starts, where they said there was an all-inclusive figure of 50 per cent in the years 1980-81, and at the present time we're down to something like 20 per cent in terms of mortgages. If I heard that correctly, it was 25 to 40 per cent in the peak year, and we're down to 12 to 15 per cent at the present time. Along with that, I hear the HUDAC people saying: look, it's time for government, in terms of the AHMC, to abolish that part of the government programming. I understand some 300 to 400 representatives of private industry were at their convention last week, indicating that they favor a discontinuation.

Mr. Chairman, my question to the minister is: in light of that kind of public attitude, is the minister thinking of combining AHMC and AHC to reduce the amount of intervention that's going on, and the responsibility? In turn, that means reducing some of the functions performed and certainly some of the load on the heritage fund and the taxpayers of the province. I'd appreciate the minister commenting on that. Is there going to be a concerted effort to go in that direction? Or does it seem to be this concerted effort that I hear from the minister at the present time, where adjustments are being made so that AHC and AHMC can stay in the market place somewhat close to where they have been?

MR. SHABEN: Mr. Chairman, in my opening remarks I indicated the very different roles of the two corporations. Mr. Speaker alluded to AHC's involvement in the hard to house, senior housing, and social housing and to AHMC's involvement in providing mortgage lending. Its responsibility is as a mortgage corporation. The subsidies are provided by way of transfer from the General Revenue Fund into the corporation to look after the subsidies.

I had the opportunity to attend the HUDAC conference, and I have also had an opportunity to meet regularly with HUDAC over the past few months. The interesting thing is that one of the two major programs of AHMC is the family home purchase program, which HUDAC members avail themselves of to a great extent. That's where the demand comes from, through the HUDAC members. They have not, in any of our discussions, said that they want us to stop or discontinue our family home purchase program. There have been general admonitions about reducing our involvement, and we have done that. I indicated earlier that we hadn't advanced a core housing incentive loan since June until about a week ago, when we made a loan to a company in Athabasca to help provide rental housing as a result of Athabasca University going in. That was the first loan. So there is some difference of view among individual members of HUDAC as to what they mean by a withdrawal by government from housing assistance, and there always is that difference among a group.

In terms of the second part of the question — are we looking at combining the two corporations? — we're in the process of looking at the entire housing area; that is, the department, the Home Mortgage Corporation, and AHC. I'm doing an evaluation — I haven't had an opportunity to complete it — to determine what sort of recommendations I might make to the government as to whether or not some restructuring or adjustments are required. I'll be doing that over the next six months.

MR. R. SPEAKER: To the minister, Mr. Chairman. In terms of my opening comment with regard to assisting senior citizens and the handicapped, could the minister possibly comment on the continued demand there? Is there a downturn or a steady demand at the present time? That's certainly a call on the heritage fund in that area.

MR. SHABEN: That's really an interesting question, because what I'm trying to do is separate demand from need. I believe there can be an almost unlimited demand for very low-cost housing. The principle we try to develop and have pursued is to provide housing under those programs for the hard to house, the low-income families. That's the course we're following.

There's a certain synergism that develops in a community. If a self-contained project is built and 24 seniors move in, and it's a very nice place to live and the social life is enjoyable, then there's a growing demand by other seniors to have similar accommodation that isn't necessarily need. So that's why earlier I referred to a very careful evaluation of both need and demand before we approve new projects. I believe there is a limit to the taxpayers' capability in terms of supplying housing but that we have a social responsibility to assist people who have difficulties, the handicapped and the seniors. It's a matter of obtaining and retaining that balance.

MR. R. SPEAKER: Mr. Chairman, a final supplementary. Is that evaluation being done through some consultant, or is it an internal departmental evaluation that's going on at the present time? Will the Legislature receive some document at some point, indicating the findings of that? Or are there some findings that might help this committee in its deliberations?

MR. SHABEN: Mr. Chairman, that sort of need and demand is done on a community-by-community basis. It's really difficult to do it province-wide. We do it on a community basis, and it's generally initiated by a voluntary non-profit group, like the legion or a service club, who work closely with seniors in a community. It can be in a small town or in a community in a city. They approach us with a request for a certain type of social, community, or senior housing, and we work with them. They undertake the surveys, and then we evaluate them. It's difficult to do it province-wide, because you have different demographics in different parts of the province. In some communities you have a higher senior population concentration than in others, so the number of units per capita may be higher. That's why it's difficult to do on a province-wide basis.

MR. ALEXANDER: Do I have two this time?

MR. CHAIRMAN: You have three.

MR. ALEXANDER: Oh, goody.

Mr. Minister, on the land-banking question you raised a little earlier, I think there is unquestionably a problem in terms of what to do about it as a market policy. If one adds up items 6, 7, 8, and 9 on the second page you supplied us with here today, all of which refer to land banking of one kind or another, you have about \$440 million worth of land-bank inventory. Land-bank inventories of substantial size, of course, have been the undoing of many of the private developers, some of whom have been pushed close to the brink of bankruptcy, if not over it.

There is a problem here in that your department may well be walking a very tight line which, in many cases, determines whether some of the private people who are competing in this area may in fact go over the edge. Please understand me. I'm not suggesting that you are going to drive them over the edge; I'm saying that circumstances are such that having competed to this extent in the land-banking market, you're now in a situation where, with that size of inventory and the ability to market it at virtually any price you wish, it creates a dicey situation for private competitors, to say the least.

In the land-banking area, could you see your department holding off the market any land — developed, serviced, or not — which would in any way impact further in a competitive way with the private developers who have nearby or offsetting land?

MR. SHABEN: Mr. Chairman, we had a little bit of discussion of that earlier in today's committee meeting. That is one of the most difficult questions we have to deal with, and that's where I invited suggestions from the committee. There is the reality that land values have dropped, and the private sector has taken its lumps and reduced its price. Our policy is to sell at cost. Each six months, when interest is calculated on the holding costs, the prices increase. There is a concern about whether we move to market or how we deal with this situation and not unduly interfere with the private sector because of limited demand.

The majority of the holdings of the Alberta Housing Corporation in developed land is in the small communities. It is generally in small communities where there isn't a competitor, but you also have competition between communities. AHC may have an agreement with community A to land bank and develop land, but community B that is 20 miles away may have its land supplied by a private developer or by the municipality

itself. So it is a very difficult question.

There is also the question the Auditor General will ask about how we treat these assets. The chartered accountants' handbook recommends a certain way of treating assets and, as a policy, we treat them in a certain other way. So we are wrestling with this entire question of marketing and valuation of the portfolio that AHC has, and we haven't reached any conclusions. As you have alluded, Keith, the answers are not simple.

MR. ALEXANDER: I share that view: the answers are certainly not simple. As a general investment parameter, one finds it to be a losing proposition to buy at the top of the market and sell at the bottom; it doesn't matter what you're holding, whether it's land or anything else. I'm sure you know that.

You are not involved in a simple matter. I did not mean to oversimplify the matter; I only meant to point out the importance to other people in the business who are in competitive circumstances. If there were a policy suggestion that might be made by this committee — and I don't pretend to speak for the committee; I only speak for myself — it would be that the land-banking people not do anything at the present moment, at the bottom of the market, if you like, which prejudices the interests of people in the private sector who have found themselves in competitive circumstances with this land-banking program.

But that wasn't my second question, Mr. Chairman. That was a follow-up.

AN HON. MEMBER: That's your second question.

MR. ALEXANDER: This may be your second answer, but that was only my first question.

MR. SHABEN: I won't make any comment, Mr. Chairman, so we don't get into an argument with the Chair.

MR. ALEXANDER: You mentioned earlier that for the forthcoming year, AHC may involve itself in \$200 million, I think you said, worth of expenditures — 300 in AHMC — because of lag time on projects that are already approved. That's roughly another \$.5 billion. I wonder if you could explain to the committee what projects are already approved. I don't mean in any great detail but generally. I guess the harder question is — and again I don't mean to oversimplify — would the world keep on turning if we didn't do them? Could we get along without them? Is there any part of them that we could get along without?

MR. SHABEN: Certainly, and we're doing that. Since our budget was put together at the start of the fiscal year, we have made dramatic reductions in what we proposed to provide through AHC in terms of self-contained seniors' projects, lodges, and community housing. On the side of AHMC, there have also been similar reductions from what we had anticipated would be the demand. We expected to require mortgages for 4,000 family home purchase units. It will probably end up at about 2,500, half of which are not new homes but mortgaging on existing homes. With respect to community, self-contained, and lodges, that's down from about 2,000 units to less than 1,000.

The money aspect results from projects approved in the previous fiscal year that oftentimes take two years to build, because it may be a seniors' high-rise apartment project or a lodge. That's what I meant by lag of projects approved in the previous fiscal year, which results in the demand for the money.

MR. ALEXANDER: So they are beyond the stop/go point, in other words?

MR. SHABEN: They have been contracted, Mr. Chairman.

MR. ALEXANDER: My final question is sort of fringing on the philosophical. I do that only because you raised the point. You made the points earlier, Mr. Minister, that we have a social responsibility to house the hard to house and that there is a need in some communities for housing people who are difficult to house otherwise, presumably by the private market. When this need is filled by government housing or government programs, you also pointed out that that then creates a demand on the part of others, having seen the government filling this need, for some sort of equivalents and that you have to assess the difference between the need and the demand. I think that is in fact created for you. However, the next question that is created for you is, why shouldn't you go on and supply equivalents?

MR. SHABEN: My reference, Mr. Chairman, with respect to need and demand was focussed on seniors' housing. There are individuals other than seniors who are hard to house and who have low incomes. Community housing programs that are administered by community housing authorities meet that need. Also the private sector meets a considerable amount of that need. Individuals who receive social assistance are not necessarily resident in community housing projects. So the market meets a lot of it with government assistance in another way.

Some jurisdictions choose to use different methods of meeting the needs of the hard to house. In the U.S., they have tried a combination of providing housing units or rent subsidies to low-income people. We could get into a debate as to which was more effective. Some would argue that neither should be there. But I think we've reached a point in our society where there is a general recognition by the taxpayers that we have some social responsibility for assisting low-income or handicapped people in having adequate housing. It can be debatable as to how you do it, and that's an important debate that I'd accept and on which I would enjoy receiving the advice of members of the committee.

MR. ALEXANDER: Can I just say something? It's not a question. I just want to thank the minister for his concise and excellent answers to the questions. It strikes me that he has an excellent handle on what's going on out there, and I appreciate it. Thank you.

MR. CHAIRMAN: With all this editorializing going on here, as chairmar of this committee I find it of interest that I note that to a number of members, Mr. Shaben responded by saying "that's a very good question". To the questions posed by Mr. Alexander, Mr. Shaben's response was "that's a very interesting question".

MR. GOGO: Mr. Chairman, to the minister. I don't know which one this is going to be. I note that between the senior citizens' self-contained program and community housing, you had some \$700 million committed, either in actual units or under construction. I often think that the key to those two programs, Minister, is the housing authorities throughout Alberta, which are volunteers within communities who are prepared to undertake to run these programs. I often think they don't get enough credit. I certainly don't think the Lethbridge Housing Authority, for example, gets enough credit. Harassment, maybe. But credit? I really don't think so.

The term "senior citizen" almost applies to those who are 65 years of age or over. I don't know whether that's in the statutes. I have some difficulty understanding why we would have a vacancy rate of 7 to 10 per cent in the self-contained units when I understand the policy is (a) Alberta builds the units, and (b) Alberta and Canada share the deficit incurred in those units, which might run \$250 to \$300 per month. I think that's probably accurate. In view of the fact that we passed Bill 26 which, because they're 55 years of age, created a new senior citizen, either a widow or a widower — heaven help the spinster, et cetera — and they now are entitled to a variety of programs this government has brought out for senior citizens, has the department considered allowing

housing authorities to allow people under the age of 65 who by all standards are senior citizens, based on programs issued by this government such as medicare? Have the authorities been granted authority — well, that's the wrong question, because they haven't. Has the department considered giving authority to these housing authorities to allow those under 65 to occupy those senior citizen self-contained units, thereby reducing the deficit experienced by your department each year?

MR. SHABEN: Mr. Chairman, in unusual circumstances and in cases of need and upon the recommendation of the housing authority and approval by the corporation, yes, we will allow persons under 65 to live in the senior self-contained units, but we would like those to be limited. I am not at all concerned with high vacancy rates in our projects, because there is a certain lag time in terms of filling these units. I don't think it should be of concern, because if we had a zero vacancy rate as a result of reducing the age to 60 or 55, it would simply aggravate the demand situation and enforce a greater call on the public Treasury.

With respect to the subsidies and the sharing, the federal government does not share in all the projects. Each year they allow a global number of units that they will cost-share in. In the past number of years, Alberta has supplied more units than the federal government will cost-share in. As a result, a lot of the projects are not cost-shared by the federal government. So that dealt with that first point you made.

In terms of the housing authorities, the volunteers, they do an outstanding job. We have about 43 housing authorities and they are volunteers; they don't get paid. They do a terrific job. I'm a little concerned about your comment that they're harassed by the housing corporation. If they are, I'd like to know about specific cases. I met with the board of the Lethbridge Housing Authority, and they didn't tell me they were being harassed. So if there are cases where that occurs, I'd like to hear about it.

MR. GOGO: Minister, it's certainly your eloquence and diplomacy that forestalls any comment of that type coming to you directly.

With regard to the percentage of income, I believe the rule of thumb is 25 per cent of a senior citizen's income. It seemed the rest of Canada tended to gang up on Alberta in '75 and made us back down from the 30 per cent. I think it was probably a very positive move.

Is consideration being given at all to reviewing the percentage of income, which is in effect the rent they pay? Looking at the senior citizen income, at the base level it's probably \$125 a month rent, which is obviously a bargain. Is any consideration being given to reviewing that level of income as the determining factor for rent?

MR. SHABEN: Yes. Could I just add that the average rent paid by seniors in our self-contained units is approximately \$170 a month.

There are ways that seniors avoid paying 25 per cent of income, and that is the delicate part of ensuring that there is a real need and not just demand. Some seniors will transfer their assets to their children and, as a result, reduce their income to minimum pensions and qualify for the minimum rent. Others, if they have cash, will move it into non-interest-bearing chequing accounts so that their income eligibility is reduced. I don't know how great a problem it is, but that illustrates need versus demand and the difficulty in assessing what really is need as opposed to demand.

MR. GOGO: A final supplementary. On that last comment, Minister, I think we should be fair. We've dealt with professions and occupations of people who go around advocating to Albertans how to minimize their taxes, so we can't have it both ways.

The concern regarding the federal participation: outside that 200-pound plaque they seem to haul to all these openings, I think they get far too much credit. If the people of Alberta are providing the majority of financial assistance to the self-contained and the

lodge programs, I think we should tell it the way it is; that is, the federal jurisdiction, if and when it seems to participate — and I'd like you to pass this on to your departmental people — in my view gets far too much credit. It seems to me that at every opening, on every platform there's a very high profile with the government of Canada. I'm a very loyal Canadian, but I think we should tell it like it is and would advise you to pass that thought on to your staff.

MR. SHABEN: Mr. Chairman, that's an interesting comment, because I received a letter this week from Mr. LeBlanc, indicating that they weren't getting enough credit and that were going to be very aggressive in ensuring that they received more credit. That's their new, direct-delivery approach to programming.

MR. CHAIRMAN: Would there be additional questions forthcoming from members of the committee?

MR. HYLAND: Mr. Chairman, in line with what Mr. Gogo said, the problem is that the plaques we use are not quite as big or quite as heavy. Maybe we have to get bigger and heavier ones than theirs. Then there would probably be an extra cost in strengthening the wall just to hold them.

MR. NOTLEY: Maybe we shouldn't have any plaques at all.

MR. SHABEN: Mr. Chairman, with respect to that last volunteered comment, I can remove those plaques with your names on them in your constituencies.

MR. NOTLEY: Sure. It may happen anyway.

MRS. CRIPPS: Mr. Chairman, with regard to the comment the minister made about senior citizens reallocating their possessions to lower their income level, has consideration been given — or can you give consideration — to a ceiling on the rent of these self-contained units, equivalent to the average rent of a similar one-bedroom apartment in the municipality, so this doesn't happen?

MR. SHABEN: Mr. Chairman, I don't want to overemphasize that point, because I believe that the individuals who take advantage, or avoid paying what is a rent based on income, are in a very small minority. We have looked at putting a rent ceiling on the units, but that changes the whole focus of the program in that it's designed for low-income seniors. But it's something we will continue to review.

In isolated cases, in very small communities where there is a long history of vacancies, we will do that as an exception. But I'm reluctant to move in that direction as a province-wide policy, because it could create a greater demand for more units, to which many of your constituents would object. Mr. Alexander would object, because we would then be moving directly head-to-head in competition with the private sector.

MR. CHAIRMAN: Will there be additional questions forthcoming from members of the committee? That exhausts my speakers' list.

If not, Mr. Shaben, I would like to make a comment, not so much a question. As you depart this morning, I would ask that you not depart on the assumption that the views put forward by Mr. Alexander are necessarily the unanimous views shared by all members of this committee. In particular, in response to his statement with respect to senior citizens' housing — can we get by with less? — I would not argue with you nor any other member that perhaps on a province-wide basis, there may very well be a global approach that would allow you and your agencies to move with a lessening of impact. But as one member of this committee and as one person that does represent a constituency that has

a town with upwards of 23 to 24 per cent of the population being senior citizens, there is a need. I simply wanted to share those views with you, in the hopes that you would not depart here on the assumption that the careful position put forward by my colleague from Edmonton Whitemud is shared by all members of the committee.

MR. ALEXANDER: On a point of order, Mr. Chairman. Just to clarify the record, I did not refer to senior citizens' housing. I referred to the total programs, \$200 million and \$300 million. In other words I have nothing against seniors, and I wouldn't.

MR. NELSON: Mr. Chairman, I would just like to get in on this senior citizens' debate. I have a constituency of some 80,000 people and one senior citizens' lodge. Unfortunately, we thought we had land set aside for another, but that was taken from under. But I would ask the minister to carefully examine the large constituency I have for additional senior citizens' facilities, because we have considerable infrastructure that would be very interesting to those young people.

MR. NOTLEY: Mr. Chairman, perhaps we could take inventory of all the constituencies.

MR. MARTIN: Government involvement, Stan. Shame.

MR. SHABEN: Mr. Chairman, I receive representations from MLAs on that matter on a regular basis, and I've previously heard the one from Mr. Nelson. It's really difficult to meet all the requests of the sponsor groups, MLAs, and volunteer groups, and I don't think we can. I think there is a way of using a ballpark number, and it's not magic. But I believe our target — we shouldn't exceed 20 per cent of the housing for seniors. It seems to be a reasonable number in terms of having a sufficient number of units throughout the entire province so that seniors with low incomes have an opportunity to be housed. If we were to have an unlimited supply, it could move to 50, 60, or 70 per cent, but I'm trying to use the target figure of 20 per cent. I think that along with the grants that are available annually to seniors who rent in the private market, in addition to the seniors' home improvement program, we can provide good housing assistance for seniors with that target of 20 per cent.

MR. CHAIRMAN: Mr. Shaben, I do thank you, as well as those officials you brought with you here this morning. If all goes well, we'll look forward to meeting with you again one year hence.

To the members of the committee, we'll adjourn shortly. I'd just like to remind you that we'll reconvene on Monday morning at ten o'clock. We'll be meeting with the Hon. Donald Sparrow, Associate Minister of Public Lands and Wildlife; Monday afternoon with the Hon. Al "Boomer" Adair. On Tuesday, we have two meetings set aside, one in the morning and one in the afternoon, with respect to the discussion of recommendations. I would ask all members to provide me with written recommendations by Friday of this week, so we can have them assembled for you and provided to you Monday morning. Then on Wednesday, October 5, we'll be meeting with the Premier at ten o'clock in the morning.

So we shall now adjourn, and I bid you a good weekend.

[The meeting adjourned at 11:33 a.m.]