

[Chairman: Mr. Ady]

[2 p.m.]

MR. CHAIRMAN: I'm ready anytime you guys are.

We'd like to call this meeting to order this afternoon. We have before us this afternoon the Hon. Raymond Speaker, Minister of Municipal Affairs, and he has with him some of his department officials.

The format, Mr. Speaker, I don't suppose we have to outline too much to you since you served on this committee in previous years. It's very much the same as it has been in previous years. We'd like to give you the opportunity to introduce the department people that you have with you and to make whatever opening remarks you feel appropriate. Then we'll turn the time to questions from the members of the committee for those items that receive funding in your department under the Alberta Heritage Savings Trust Fund. So without further delay we'll turn the time to you to do what you wish.

MR. R. SPEAKER: That's a lot of licence for a politician.

Chairman Ady, I'd like to say thank you very much for that opportunity, and it's certainly a pleasure to be here with the committee. I suppose I come with some apprehension knowing what the role is on the other side of the House. Certainly in my responsibility here any information or any kind of detail that we can provide we're certainly prepared to do, and attempt to answer all the questions.

With me today are four people. First of all, the Deputy Minister of Municipal Affairs, Archie Grover. I think most of you are quite familiar with Archie. Joe Engelman is the president of the Alberta Mortgage and Housing Corporation, and Donna Mastel is my executive assistant. Stephen Kent is the acting vice-president of finance and administration.

I thought in making a few remarks that I would refer basically to the annual report of the Alberta Mortgage and Housing Corporation, specifically to page 16. I think that would give us a quick summary of the responsibility of the Alberta Mortgage and Housing Corporation. Then I thought I would make a few comments on specific kinds of things we're doing and bring you up to date on that, and then I'm sure by your questions we can fill in the details.

You'll note on page 16 that there are four categories in that graph at the top of the page: land and social housing program costs, mortgage lending, real estate, and administrative support. That basically outlines, I guess, our responsibilities.

In terms of the land and social housing responsibilities, you'll note there that some \$96 million are involved, which is 56.7 percent of our costs for the land and social housing program subsidies. Those subsidies are used to fund the interest and the principal on housing debentures, subsidies for seniors, community and special housing, and the municipal foundations which are responsible for the lodges across the province.

The second area, mortgage lending, is AMHC's mortgage subsidies for home ownership and multi-unit projects which amount, as you note there, to \$44.6 million, or 26.3 percent of expenditures. They include the funding for home ownership and multi-unit direct mortgage subsidies as well as the CHIP/MAP low interest rate mortgages and also a share of the administrative costs attached thereto.

The third area in terms of real estate costs includes the interest expense incurred on the debentures to finance the properties related to our real estate portfolio.

The fourth area is administrative support.

The items that I thought I would like to mention and may be

of interest to you are the foreclosures. If you'd like the details in terms of numbers, I can provide that as well. What we're finding this year is that because of the demand for housing and the improved economy, foreclosures are down significantly, to a rate of about 15 per month in terms of single residential mainly.

The second item I'd like to comment on is the agreements with the municipalities in terms of our land banks that were accumulated in the late 1970s and the early 1980s. When land values changed - we had a drop in land value across the province - what we found was that the amount of money we had invested as a corporation in these either undeveloped or partially developed lands was much more than the market value. So the government at that time, starting in '83, made attempts to reduce the impact, or the cost, to the municipalities, and there was a series of policy decisions that were made.

The current policy that is in place - and I'm sure you as members are aware of that - was an attempt to compromise on the agreement that was originally signed. The current policy requests the municipalities, if they wish to purchase the land that is in the bank, to pay the market price plus 25 percent of the net difference between the money we have invested in it as the Alberta Mortgage and Housing Corporation and that market price. Now, what we're finding is that in a number of instances even that price is just too expensive for the municipality. The deadline for these agreements is December 31, 1989. At present we're reviewing that policy. It doesn't seem to be working or meeting the needs, meeting some kind of a compromise position between the government and the municipalities. Where we're at right now: I've asked Mr. Engelman and our staff to look at trying to categorize the various variables that are facing each one of the municipalities and try and come up with sort of a multipolicy approach to deal with this land bank situation that we have before us.

The third item I'd like to mention quickly is CHIP/MAP, the core housing incentive program, the modest apartment program. In that program there are some 12,000 rental units across the province that are supplying reasonable rental accommodation to low- and middle-income families. In total projects, there are 450 across the province; 33 of those projects are in difficulty at the present time. We're attempting to deal with them. The difficulty varies in degree from one to another. The most difficult situation we're facing in trying to come up with a finalization or an approach that deals with them so that as government we can move away from them is the personal guarantees that are involved in these projects. In pretty well all of them there are individuals or groups of individuals that have personal guarantees. What it's doing is preventing them from doing other things in life - continuing their construction company, doing certain things in their professional company - because of this personal guarantee hanging over their head. If we can't resolve this thing, one of the options is foreclosure and moving them into bankruptcy. When that happens, we all recognize what the sequence is in terms of those individuals. So we're facing that at the present time. That's 33 projects out of some 450. You may want to raise some other questions with regards to that.

The fourth item I wanted to raise is seniors' housing. It's our intent to continue that thrust in terms of self-contained units. At present there are 14,000 senior citizens accommodated in that type of facility. The lodge facility we intend to continue to build, and we're assessing that in light of the Mirosh report, of course. Rejuvenation of lodges: we intend to set up a sequence by which the lodges are rejuvenated. We have some 72 that

were built in the late '60s and early '70s that need repair. We're looking at a formula whereby if it's going to cost up to 80 percent of a new lodge to rejuvenate it, it might be better to maybe do away with the old lodge and build a new one. We continue those programs.

The other area that is of interest in terms of the Alberta Mortgage and Housing Corporation that I know I have in my responsibility . . . In raising questions about the Alberta Mortgage and Housing Corporation, my one concern was certainly the unfunded deficit that we face which occurred because of the decline in land and real estate values. It affected the whole cross section of our land and real estate, whether it was owned by the public or the private sector. At present, if you note on page 16 in the last paragraph there, the unfunded deficit is over \$600 million, which includes a write-down on lands of \$154 million; real estate, \$49 million; an allowance for losses on mortgages and loans, \$328 million; and depreciation on property that we hold in our portfolio of some \$77 million. We believe at this time that that \$600 million is an outside figure in that real estate values are on the increase and land values are also on the increase. We're getting more demands and requests from the private sector for development and for purchases of that respective property. So it's still a loss to government, but we think it's going to diminish to some degree.

Mr. Chairman, those are a few comments on some of the subjects. I'd be open to questions with regards to that or anything else, and I think maybe the questions will take the meeting in the direction the committee would like.

Thank you very much.

MR. CHAIRMAN: Thank you, Mr. Minister, for the good overview of the things that are happening in the Alberta Mortgage and Housing Corporation.

I'd like to recognize the Member for Ponoka-Rimbey.

MR. JONSON: Yes, Mr. Chairman. Good afternoon and welcome, Mr. Minister.

I'd like to just preface my questions by reflecting on the fact that I think that one area the government has been well established in is in terms of – I don't know if I'd call it housing, but providing accommodation – the senior citizens' lodges. I think that's been a successful program, and I'm glad to see in the minister's remarks that a constructive approach – constructive, I guess, in quotation marks – is being taken to rejuvenating some of the old lodges and bringing them up to modern standards; also, where that might not be viable, perhaps there'll be some new construction.

But my question deals with a much broader issue, and that is that given the experience we've had in the whole area of government intervention into housing and the situation we're currently in, what is the minister's estimation of the need for the government to be in housing at all in the future? Could this not be better handled by the natural flow of market forces, which seemed to work quite well for a long time except for a time of very rapid growth in the province?

MR. R. SPEAKER: As a minister I guess I would give this direction in terms of development of housing: my philosophy is the marketplace and that that's what should determine rent levels, costs, et cetera.

Maybe I should categorize the various groupings. In terms of senior citizens' housing – let's take the self-contained units, the lodges – I would think that as a government we should try and

continue providing that type of facility. It's social housing, it's very well accepted by the general public, so I see no reason to change that at the present time.

The second category, in terms of the handicapped or people with special needs: in that area as well I would see us playing a role as the government in terms of public dollars into support for those kinds of programs.

The third area would be the area of, let's say, low-income persons, and there are two approaches to that. One is in terms of providing housing that can have rents subsidized. That's one thing. I don't think I agree with that. In terms of government building the homes and then as well subsidizing the rents, I think then we're into the public housing area, and that wouldn't be acceptable.

The complement to that is the rent supplement program that's starting to emerge across the Canadian scene and here in Alberta as well. I think we're in the very preliminary stages of this concept of rent supplement. I would have to say that I'm very concerned about that, because where do you stop in supplying a rent supplement to someone who is in need or that asks it or requests it or soon feels it's a right rather than a privilege? I would have to say at this time that we have to be very cautious as to how we get carried away with that. Now, I've talked to some of the people who are contemplating building rental accommodation, because the demand in Edmonton and Calgary is certainly growing and the private developers are gearing up to do that right at the present time. Their comment to me was that the rent supplement program is a very excellent program. Now, they saw it on the basis of securing a certain income for their rental accommodation. That's one of the purposes. But I pointed out to them: what are the limits to that? You know, how much can government afford?

In our agreement with the Canada Mortgage and Housing Corporation we can continue rent supplement on a unit up to 35 years. So what you do is build a long-term program, a long-term commitment to government, because once you provide that kind of subsidy, it's there for 35 years. Now, I ask the question: do we really want to do that? Does it become a right to have your rent supplement like you have the right to walk in and have health care today? I would have to say that we have to be very cautious as to how we use that program so that it doesn't become universal and easy access, because it could be very costly just like some of our other social programs. I raise that as a concern, and as a minister I raise that I would like to see it focused towards those with special needs. There are groups of low-income people in areas, there are people with certain physical, mental disabilities where we can assist and help with that kind of program. But there should be some limitations and parameters with regards to it.

Beyond that, let's say, for example, in Calgary at the present time where rental accommodation is in demand, my position is very clear with regards to that. We do not go in and build public housing. AMHC will no longer, under my stewardship as minister – my recommendation to government is that the government does not go into the land development business, servicing; government does not build that kind of accommodation so that we have a public dollar in it; if we're to do it, it's to be done by the private sector, by loaning them the money – mortgages, repayment to us – in a businesslike arrangement.

I believe that the marketplace should be allowed to have some tension. We have that in Calgary at the present time. I believe the private sector will respond and provide accommodation to meet that rental deficiency we have there at the present time or

in other places in Alberta. Now, that summarizes it, not very quickly, but I see that as the current position.

MR. JONSON: Mr. Chairman, I'd like to thank the minister for that answer because it helps a great deal in understanding the approach he's taking, which I think is a good one.

I have a supplementary, however. I guess that would be: I think the minister has referred to Calgary, but given this point in time, do we have a housing shortage in this province? I see that we're investing multimillions of dollars in the provision of housing through Alberta Mortgage and Housing minus the senior citizens and facilities for the disabled. Is that in response to a general shortage across the province, or is it just because we do it?

MR. R. SPEAKER: It is not a response to a shortage; I would have to say that. What is in the budget is really in response to an ongoing commitment we have made as a government to meet social housing re senior citizens, low income, people with special needs, that type of thing. The other cost that is a major cost in here is – well, the four that I mentioned earlier, and they're ongoing commitments. But in terms of major new developments, in terms of the general housing, that isn't the thrust. Maybe Mr. Engelman would like to comment further in terms of numbers.

MR. ENGELMAN: There have not been shortages in housing generally in Alberta except for what is emerging in Calgary. There are adequate supplies. What we have provided are in pockets, in areas where there have been shortages because of a local situation, and we have provided some housing in the inner cities, again to meet some special needs.

The other comment I might want to make is that there has been an affordability problem, and in order for the corporation to use the total allocation that's available from the federal government – because we are going to need it – we have used the rent supplement program to cover that affordability problem in some situations, in Edmonton and Calgary in particular, through the rent supplement program of existing units as opposed to building new units.

MR. R. SPEAKER: I'm not sure you've answered Mr. Jonson's question. Try again.

MR. JONSON: No, I think, Mr. Chairman, I've had the questions answered. To paraphrase it, I guess the answer is that no, there's not an overall shortage of housing in the province outside of perhaps the special situation in Calgary, which leads to other questions.

I have the other supplementary, if I might, Mr. Chairman. If I could use two examples . . . But I'd like to just go back for a moment to the period when we got into land banking and various other commitments in anticipation of rapid development. I think that now in the province we have a steady economy; we have growth in certain areas. I would hope, however, that we're not going to get into the whole area of land banking and anticipating things that would very well be dealt with, I think, by the private sector. So my question, just as sort of a check, Mr. Chairman, is: is there any special activity on the part of Alberta Mortgage and Housing in, let's say, the Peace River area because of the development of the Daishowa mill or, although there is some discussion still to take place, in the Athabasca-Lac La Biche area? I'm just wanting to check on that, because I

think there the private sector is well able to handle any expansion.

MR. R. SPEAKER: Reflecting on my earlier comments, Daishowa, for example, has made a commitment of spending a number of millions of dollars for housing. That's the way it should be in terms of the plant. In the Peace River country in some of the towns around – Grimshaw, for example – there is some development. I'll have Mr. Engelman comment on that. But in terms of a major development such as when we went into Fort McMurray and spent millions of dollars, we haven't any plan on the schedule such as that.

MR. ENGELMAN: Just to clarify, in Grimshaw and some other places we're taking advantage of the opportunity with the growth to market our holdings, market our lots. We are not developing anything new.

MR. CHAIRMAN: Thank you.

Member for Calgary-Forest Lawn, followed by Member for Clover Bar.

MR. PASHAK: Thank you, Mr. Chairman, and welcome, Mr. Minister. On page 15 of the Alberta Mortgage and Housing report it points out that the inventory of Alberta Mortgage and Housing Corporation owned properties has decreased 4,130 units. Were all of those units that are owned by the corporation the result of quitclaims or foreclosures, or were some built to provide housing for special needs people?

MR. ENGELMAN: Of the units that are noted in there, those are all foreclosure units. The social housing portfolio is another matter. These are all foreclosure units.

MR. R. SPEAKER: I was just going to add, with regards to that, that we believe that by 1991-92, or even earlier if the real estate market continues as is, we should pretty well deplete ourselves of our single residential property and have it all sold and out of our portfolio. At present – and this is in terms of the cost of construction of that respective residence – we're recovering about 101 percent of our initial investment in that facility. So we are recovering more than the initial.

Now the question is: what about the interest cost or the carrying cost since then? We're finding that the amount of rent we're charging is compensating for that; that is, up to this point where we've been renting it, the rent has compensated for the cost of interest on the loan.

MR. PASHAK: That was actually my second question. But just for clarification again, in terms, then, of those 1,159 owned properties sold or transferred: I'm not sure what the transferred part of it means, but if you sold properties, are you saying, in effect, that you've recovered slightly more than what the default in the mortgages was, slightly more than . . .

MR. ENGELMAN: Just slightly more than the original loan amount.

MR. PASHAK: Than the loan amount?

MR. ENGELMAN: Right. With regard to the economics of holding them, if the units were rented, and adding the rent and the increase over the last three years in the price of the units, it

has been economic for us to hold them for the three-year period. It's sort of balanced itself out.

**MR. PASHAK:** I know there's some private investors – for example, in my own constituency – that would like to buy some of these Alberta Mortgage . . . They can't complete those transactions. That's because of a policy you have that says you'll hold onto them until you've rented them out for a sufficient period to make sure that you get your full financing back.

**MR. ENGELMAN:** It's partly that and partly to feed them onto the market in an orderly manner and as the market takes them up.

**MR. R. SPEAKER:** We've been able to accelerate that rate. And the other thing that we've tried to honour: if someone is renting a facility or renting a home, if they wish to go into a purchase agreement, we've been able to facilitate that by assisting them with a mortgage if necessary. In about 37 percent of the cases where they've been renting and then they wish to purchase, we have supplied the mortgage money. Other than that they've gone out on the open market and made the arrangement on their own.

**MR. PASHAK:** Just one more thing as a clarification; I don't know whether one more supplemental would . . . Just with respect to your policies, another issue, at least in my area and I suspect that it probably arises in other parts of the province: in some situations there are housing authorities that work through Canada Mortgage and Housing to buy properties from Alberta Mortgage and Housing for social purposes. And that's fine; I think it's maybe commendable that those housing needs are met. But in some cases there's a concentration of those properties in some communities, so it creates a social situation, to say the least. I could elaborate on that, but I think the minister understands what I'm talking about. So I'm really making an inquiry about your policy with respect to making blocks of Alberta Mortgage and Housing Corporation owned housing available to other housing authorities, like perhaps the Calgary metis urban housing association.

**MR. R. SPEAKER:** You're aware that we have done that to try and meet some of the needs of low-income persons and to try and fulfill an accommodation commitment that we've made. I know there were some problems in Calgary specifically, but maybe in terms of the application of policy Joe might want to comment on that.

**MR. ENGELMAN:** What you're referring to, I believe, are the sales to the Metis Urban Housing Corporation. There have been some sales there, and those were treated on the basis that we had the units for sale and they purchased them. The funding was through Canada Mortgage and Housing Corporation. It was a sales transaction in that particular situation. We also have transferred some units to the community housing program, because it was economic to do so, that are being managed by the Calgary Housing Authority, and we tried there to intersperse them so that there weren't any concentrations, et cetera. To my knowledge while there was some resistance communitywise in some areas to begin with, it has been accepted now quite well and there are no problems.

**MR. PASHAK:** Well, I have some exceptions.

**MR. CHAIRMAN:** Thank you.

Member for Clover Bar, followed by Member for Calgary-Fish Creek.

**MR. GESELL:** Thank you, Mr. Chairman. Good afternoon, Mr. Minister, staff. I wanted to ask some questions about seniors' housing, Mr. Minister. You've indicated, in response to a question previously asked, that there are no perceived shortages generally in housing, but that there is some commitment. But I want to zero in particularly on seniors' housing. I'm wondering whether that statement is also true specifically with respect to seniors' housing.

**MR. R. SPEAKER:** What I'm finding is that the demand is out across the province. I've had a number of letters back from yourselves as members indicating that there seems to be need in every constituency. So I guess there is a demand out there in terms of senior citizen housing. The mix is still the same in terms of demand: it's self-contained and lodges. I find that demand still coming in from all of you that have written back to me indicating that.

**MR. GESELL:** Thank you, Mr. Minister, through the Chairman.

I wanted to specifically address the long-term trends, projections, that I see with respect to seniors. I appreciate the comment you made that you are to continue the thrust in self-contained housing; I think you mentioned 14,000 units and lodges as well as the rejuvenation of lodges. But the point I'm trying to make is that our population ages as we go here, and that's projected to continue. We've sort of got a gray wave, as they call it. Our average population age is increasing year by year, and it'll continue for some time. What I'm asking: is there a specific plan by Alberta Mortgage and Housing Corporation to meet that projected demand? You know, there may be some requests for housing units right now from constituencies; I know there have been some from mine. But, generally, is there a strategy to meet that expected demand that I see in the future?

**MR. R. SPEAKER:** I think that's a very good question. I was partly trying to answer that when I accepted the responsibility in this ministry, when I sent out the little matrix asking, "What do you think should be done in the next three years?" Now, that's a very small, or short, projection in a sense. Beyond that we have statistics indicating the potential growth; the average age, you know, is going to increase for men and women. But I would have to say that at this point in time that I haven't sat down and thought it through on that basis, saying, "This is what should be the long-term commitment of government."

I think you have made a good suggestion. Right now I guess our limitations are money. If we had lots of money, we could spend more and build more senior citizens' accommodation, but the limitation is the amount of money that I can get from my colleague the Provincial Treasurer. That is the limitation, but the suggestion is good in terms of planning.

**MR. GESELL:** Well, there may be some suggestions of how that might be accomplished. But I want to concentrate a little bit more, as far as seniors' housing is concerned, on the rural area and certain districts where we may have hamlets that serve as centres; Ardrossan and South Cooking Lake come to mind. Are there plans for these rural districts where some of the seniors' housing might be decentralized to enable seniors to

remain within their local communities, so to speak, rather than having to move to more urban centres – perhaps, in the example that I quoted, Sherwood Park or, say, the city of Edmonton? That usually involves some trauma, and if we can overcome that, I think it would be much more beneficial to the seniors.

MR. R. SPEAKER: I guess that's a judgment call, as to where you put the facility in the rural area. In a number of the communities where we have built self-contained units our vacancy rate is high; you know, in the small rural communities. I guess that's a bit of concern at the present time. We've tried to make accommodations by lowering the age at which time a person could use the facility down to 50. We've also made accommodation – I think in some places single persons could use them. Isn't that correct?

MR. ENGELMAN: Yes, singles of any age.

MR. R. SPEAKER: Yeah, of any age could use the facilities. We've had that problem, so we have to be careful as to how far we put it out into the rural area. We have to make sure that there is demand, firstly, and secondly, that when we build it, it will be fully occupied. So I think that's a limitation.

We do have the self-contained units in 230 municipalities across the province, which spreads it out fairly well. I guess, in answer to your question, it's a judgment call. I think the idea is good. The areas you're talking about are close to a fairly heavily populated area; it shouldn't be difficult to keep them filled.

MR. GESELL: Thank you. Maybe if I . . .

MR. CHAIRMAN: Is it just a comment? You've had your question and two supplementaries.

MR. GESELL: No, I've had one main question and one supplementary, if I recall, Mr. Chairman.

MR. CHAIRMAN: No, I'm sorry. The minutes reflect a question and two supplementaries.

MR. GESELL: All right; I'll go back on your list in that case.

MR. CHAIRMAN: Member for Calgary-Fish Creek, followed by Member for Edmonton-Meadowlark.

MR. PAYNE: Thank you, Mr. Chairman. Both the minister and his associates today have alluded to Calgary's buoyant economy, and that of course is reflected in a number of indices. Notably, housing starts are way up at the present time, housing resale figures are extremely encouraging, and I think it's safe to assume that prices are going to continue to increase, certainly in the Calgary area. With that as a backdrop, then, I'm wondering if the rate or pace at which the corporation is returning foreclosed properties to the market is going to increase in light of this buoyancy.

MR. R. SPEAKER: Mr. Chairman, to Mr. Payne: most certainly. We've been able, as I've mentioned earlier, to sell a number of them. In this current fiscal year '88-89 our target is the sale of 1,200.

MR. PAYNE: Twelve hundred?

MR. R. SPEAKER: That's correct: 1,200. And I would think that we could even sell up to 1,500 next year. Is that a fair . . .

MR. ENGELMAN: Yes.

MR. R. SPEAKER: I think Mr. Engelman maybe would like to add to that.

MR. ENGELMAN: The one comment that might be worthy of making is that in Calgary and Edmonton the single-family dwellings and the semidetached units have virtually all been sold, so what we're selling now is condominium townhouses; that's what is left. The market has not come up quite as fast on those units, but they are moving now and at reasonable prices.

MR. PAYNE: My only supplementary, Mr. Chairman, is really not so much a question but to make sure I've understood an earlier comment by the minister. Would it be correct for the members of our committee to assume that it's your intention over the longer term to move the corporation out of the housing market entirely so that they can avoid in the future vulnerability to future market fluctuations? Or am I reading too much into an earlier comment?

MR. R. SPEAKER: In terms of what we did in those late 1970s – '79 to '82, and a little bit prior to '79 as well – when we invested millions of dollars in terms of . . . We purchased land and created land banks across the province, we went in and developed major housing projects – condominiums, single residences, duplexes – and we're living with that at the present time. You know, we're losing a lot of money as government. As I mentioned earlier, we have this unfunded deficit and a potential loss of \$400 million to \$600 million. I think from that experience we should have learned a lesson that we shouldn't do that. It would be my intent to lead the Alberta Mortgage and Housing Corporation to not do that anymore, that we won't enter into those kinds of purchases.

MR. PAYNE: I'm heartened by the minister's response, Mr. Chairman. No additional supplementaries.

MR. CHAIRMAN: Thank you.

Member for Edmonton-Meadowlark, followed by Member for Wainwright.

MR. MITCHELL: Thank you, Mr. Chairman. I would like to begin by commending the minister for having under his direction important changes to accounting policies, which are noted in this annual report. That's the good news. The bad news is, of course, that with proper accounting we now see a pretty desperate picture of the financial circumstances of the Alberta Mortgage and Housing Corporation. I'm sure it's a concern to the minister, as it is to everybody who is working in that department. It raises some serious questions about the quality of the income earnings of the Heritage Savings Trust Fund because, of course, the Alberta Mortgage and Housing Corporation pays a huge portion of the earnings of that Heritage Savings Trust Fund. In fact, in 1988 this corporation transferred about \$400 million of interest to the heritage trust fund, it would seem from these reports, a heritage trust fund that in turn saw earnings of about \$1.3 billion. So they are responsible for about 25 percent of the entire earnings of the heritage trust fund. At the same time, in 1988 they lost \$325 million and in 1989 they

lost \$124 million. They are facing now an unfunded deficit of \$600 million, which in any other term is debt to this province or in a given year would directly contribute to the deficit of this province.

I wonder if the minister could clarify a couple of questions for me. Even at that, is it not the case that these losses are understated? The Alberta Mortgage and Housing Corporation has a \$271 million interest-free advance which would in fact require about another \$27 million of interest to be paid, so that would enhance the losses by about \$27 million, and in 1989 there have been no provisions for mortgage losses at all. So have these losses been in fact understated by at least those two amounts?

MR. R. SPEAKER: A comment first of all with regard to the \$600 million unfunded deficit. There are some guesstimates there in terms of what happens with the property in terms of the marketplace. The \$27 million: you are accurate; you're correct with regards to that. The third item: maybe Joe could make a comment. I'm not totally familiar with that third item you raised. That was the . . .

MR. MITCHELL: I'm referring to the provision [inaudible] loss on mortgages and loans which was actually a positive \$36 million. I mean, that is that you increased, you didn't reduce, losses.

MR. ENGELMAN: The comment I would make on that is that the provision for losses on the mortgage loans did not increase last year. As a matter of fact, they went down by about \$22 million. That's as a result of the evaluation of the properties. So they were decreased.

MR. MITCHELL: Would that be consistent with the accounting principle that's laid out in this annual report where it says, I think, that in fact you measure these things at cost or "at the time of acquisition," and then you just write off any losses? "Enduring declines in value subsequent to acquisition are written off." I wonder if the minister or his staff could tell us what have been the total write-downs, provisions for losses over, say, the last eight years in mortgages, land, real estate, and whatever other category. On about the \$3.5 billion in assets what have you, in total, written off over that period of time?

MR. R. SPEAKER: Mr. Kent can give you that number. I'm sure we have it here. Steven, do you want to . . .

MR. KENT: The \$600 million really represents the total losses, if you like. You should differentiate, too, between a write-down and a provision. We've only actually written down the value of the land, because that was a permanent impairment. We only provide on the mortgages - I mean, that's why that's decreasing, because as the market picks up in Calgary, we feel that the underlying value of the securities is improving. That's what was reflected last year.

MR. MITCHELL: Just two points of clarification - these are not my supplementals, Mr. Chairman. One, the \$600 million isn't in fact losses, because that's a figure that is after subsidy by the Alberta government. So it would be a much higher figure that would represent accumulated losses, it would seem to me.

There was another point you made that I wanted to . . . Oh. Secondly, are you telling me, therefore, that in fact you have set

aside - have you or have you not set aside provisions for reduced values of mortgages? Are you telling me that over eight years nothing has been set aside for . . .

MR. KENT: There's \$328 million.

MR. MITCHELL: So 10 percent has been set aside, despite the fact that when North West Trust went, we wrote off - its value and assets were 50 percent. So, in fact, what I would argue: we've written off \$300 million; we should have written off about \$1.7 billion. The accumulated loss would therefore be about \$2.5 billion and not \$600 million. I'd be happy to go through those figures again, because I think what we have here is hidden debt and hidden deficit which is profound and which I'm sure you don't want to see there but which I think obscures the books of this province.

My third question is: how can you justify, Mr. Minister, paying an interest of \$361 million in 1989 and \$392 million in 1988 to the Heritage Savings Trust Fund when faced with a deficit of \$652 million and \$606 million? Would it not be better for you simply to tell the Treasurer: "I cannot pay it. I will not pay it. I will not be party to obscuring and inflating the assumed earnings of the Heritage Savings Trust Fund"?

MR. R. SPEAKER: First of all, I can understand what the - this debate has gone on a number of times in this committee with regards to one of the agencies of government paying to the Heritage Savings Trust Fund and the General Revenue Fund paying, and it goes around in circles. So it doesn't seem to be new dollars produced as such, and there are some merits to that argument.

The only other side of the thing that we have to look at is that in terms of this \$361.567 million, or \$362 million, in interest for 1989, if we were to carry on the projects that we have with those dollars from the Heritage Savings Trust Fund and had to borrow it on the open market, we would have had to pay it. We would have had a major expense cost here. So I guess on the other side that would be the point of view that I would argue in terms of the presentation you have made: that if we were going to do what we did, we would have to pay at least that amount of interest out into the open market. Then that money would be moving out of Alberta rather than staying in this pool of the province. So that's how I would argue on the other side.

MR. MITCHELL: Would anybody loan you . . .

MR. CHAIRMAN: Having had your question and two supplementaries . . . Hon. minister, have you completed the answer?

Member for Wainwright, followed by the Member for Westlock-Sturgeon.

MR. R. SPEAKER: Mr. Chairman, we'd like to supplement the information, from Mr. Kent.

MR. KENT: Could I just draw members' attention to page 25, where it shows which of our loans are considered current and which are nonaccrual. You'll see that we have \$800 million in loans which are nonaccrual, and on that there's a provision for \$328 million, which is way more than the 10 percent you were suggesting, that we don't provide on the current loans obviously. So it's nearer 40 percent on the loans that are in trouble, in fact, that are provided for.

MR. MITCHELL: And 20 percent on the entire portfolio. North West Trust was 50 percent.

MR. CHAIRMAN: The Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman, and welcome, Mr. Minister and your department. I was happy to hear your view on where we're going with Alberta Home Mortgage Corporation. You did mention that one of the only places for AHMC is in the special-needs area. Regarding the seniors' housing and their special needs, there is an increasing demand for low-cost housing for the seniors. I realize there's an increasing number of seniors, an ever-increasing number of seniors, but also we have with our inflation a fairly increasing subsidy that goes along with that. I don't know just what the subsidy would be to each unit, but there is an incentive there to bring in an increasing number of seniors as well. I would like to ask: do you feel that the guidelines that established that special need are adequate?

MR. R. SPEAKER: As a matter of clarification, to the hon. member, are you referring to the percentage of their income, the 25 percent?

MR. FISCHER: Yes, I am, as well as what you have to do to qualify to be there. Other than the 25 percent, is there anything that you have to do in order to qualify to be there?

MR. R. SPEAKER: I'll just ask Mr. Engelman if there's anything in the criteria beyond that. There's a residency requirement. In other words, you have to be in Alberta so long. There's that requirement, plus the 25 percent. What else?

MR. ENGELMAN: There is a priority list that is established as to qualification to see who goes in, and income is a major factor. The adequacy of the present housing is another factor. As Mr. Speaker said, we use residence as a factor in evaluating who has priority to go in. So income is the largest factor, because if there is enough income, usually you can access housing from the private sector.

MR. FISCHER: I guess my question then is: is that income an adequate guideline? I see in a number of cases where people do give their income to some of their families and lower it so they can qualify. I know that with that subsidy there, there is an incentive for people who don't need to be in those senior units to be there. Now, I guess I go back again – and I know that I'll have a hard time asking for another senior unit when I get finished here – but I see a bit of abuse with that, and there is a financial incentive for that abuse to be there. We keep building more and more units. We watch ourselves have to keep the cost up. We have to renovate them and upgrade them and so on at a fairly healthy cost, even though the federal government helps us. The federal government's financial position isn't so great that we maybe should be continuing. And I don't say that that's my view; I just wonder if we've looked at how far we should continue with this.

MR. R. SPEAKER: It is a difficult question, because what you indicate . . . I know of examples that have happened the very same way in terms of transferring of income. We can gift income in this province without any major tax implication, so it does happen. What we've tried to do in some of the places around the province – there's one of the lodges where I've said

that because there was vacancy there, income was not a factor. In order to fill it, we kind of waived the income as such to prevent the people from giving away their income so they would get into that facility. So that's one of the things we've done, and we've tested it to see how it would work. I would think in rural Alberta most likely we could continue with that. But where there's pressure on the facilities, such as in Edmonton, Calgary, or Lethbridge, for example, or some of the urban centres, it's a little more difficult because there are enough people on the waiting list with lower incomes or only their pensions that can fill the facilities. So we haven't had that very same problem. But there are people, I'm sure, even there who deplete their savings or potential income so they get on the list and qualify. That's too bad, but I don't know how to get around it. If you have a suggestion, I'd certainly be open.

MR. FISCHER: One other thing I had, and you did allude to it a little bit, is with some of the units that can't be filled. It depends a little bit on the location. It goes back to what the Member for Clover Bar was mentioning about putting them out in the country areas just a little bit more.

It is discriminating for the small villages. They have to compete with the larger towns for that, and naturally the seniors move to a larger town where there are doctors and facilities for them. That's a difficult problem as well. I guess I don't know what the answer to that one is either, but I'd like your view on it, especially with the ones we cannot keep filled that are sitting there and it's costing us money to operate.

MR. R. SPEAKER: My attitude on that is that we should make accommodation too, so if there are not senior citizens in the area and we built the facility, other people may be in need. We could look at the handicapped, single parents. We could look at, in some situations, say . . . I was going to say battered women situations where they need other accommodation; maybe the facility could work for that. We should be flexible enough to do that if we see that person can fit in there. For example, in the city of Edmonton – and I just learned this last week – there are vacancies in bachelor suites in a number of our multiple accommodation units. People really don't want to live in the bachelor suite because they say, "That's not quite the standard I want to have as my residence." So what we're looking at there – for example, there's one on the south side, Bethany, just across the river here that has 14 units vacant out of 62 – is possibly putting university students in them for a short period of time and integrating them into the program of that particular residence. I think there could be a lot of social benefits to that kind of thing.

But we must start to be flexible enough with the accommodation we have, if it isn't being used, to look at other persons who are in need. That's the approach I would suggest we have. The reason I say university students is that at the end of a term usually they go and do something else, so they vacate the premises. Then if there's a demand by senior citizens for the accommodation, we can bring them back in again. So flexibility, I think, is the key to it.

MR. CHAIRMAN: Thank you.

Member for Westlock-Sturgeon, followed by the Member for Athabasca-Lac La Biche.

MR. TAYLOR: Thank you, Mr. Chairman. I was pleased to hear that you are working on a formula for replacing the old



lodges, because as you know, it's a problem close to my heart. It's nice to see that you're developing a system. Also, I'm pleased to hear that if renovating comes to 80 percent, you will go ahead with a new one.

But I want to come back a little bit on it. Some of the things you said intrigued me. In complimenting you on doing such an excellent job of pushing something you've been kicking hell out of for the last 10 years, I thought you're doing very good to switch the policy around. As you know, when AMHC really got under way, and not from any great feeling of the government for the masses to get out there and build or anything else . . . It's just that we had money running out of our ears a number of years ago, and we just thought we might as well be lending it out ourselves. It looked so easy. You know, you lend it out for mortgage and sit back and clip coupons, and the property doubled and everybody made money. So why should those old, dirty eastern bankers get in on such a lucrative deal? Of course, as we've found out, it wasn't quite that easy, as the huge losses are . . .

What's intriguing me a bit is that now you are in an excellent position, philosophically maybe, to give a bit of change in direction. Is there any thought of using interest subsidies when we want housing done? In other words, let the main banking community assess the risk and assess all the rest, and then we come in just as a supplementary – if we want to be in that end at all – supplementing the private sector, rather than the assessor of the loan, the primary lender, and everything else, particularly when you see such horrendous bookkeeping. It's the type of thing you would go to jail for if you were in the private sector, transferring huge sums like that to the parent company and then saying the parent company had made a dividend. You'd get delisted tomorrow if you did that, but we get away with it here. I'm just wondering, is there any planning or thinking going on to say that we will start getting out of the primary lending business and try to just go into interest subsidies to private mortgages?

MR. R. SPEAKER: When I started my remarks today . . .

MR. TAYLOR: That is, have you done planning with the idea? It's not a supplementary; it's just a clarification.

MR. R. SPEAKER: I understand the hon. member's question. In his remarks, though, he triggered me to what I wanted to say when I started my remarks today, and it wasn't coming clear to me. I was going to say to the committee that, you know, in life you can't burn any bridges. As I think back to my experience on that side of the House now that I'm on this side of the House, I often ask, have I burned some bridges? But in answer to your question . . .

MR. TAYLOR: You are running across them pretty fast.

MR. R. SPEAKER: Yeah, that's right.

In answer to the question, the obvious part of the answer is the mortgage interest shielding. You know, we are doing that as a government. That is certainly working very well and well accepted in the marketplace. In terms of the secondary, as in special-needs housing, what we have done there is supplied the capital – that would be correct – for special-needs housing. Then the interest payments are shared on a 70-30 percent basis. This is where we've helped with some of the . . . I'm sorry to point, but in terms of some of the special-needs housing, say, for

battered women, handicapped physically and mentally, we are paying the interest on a 70-30 percent basis. That's correct?

So those two things are in place. Beyond that, I haven't considered it, and I think that was your suggestion. I haven't considered it beyond what I've just said.

MR. TAYLOR: Well, I would hope you'd look into it more, because it stretches our fund a lot further if we can supplement.

MR. R. SPEAKER: Sorry, I . . .

MR. TAYLOR: Sorry, I thought you might have some more to say while we're on it.

The second part is that as an old free-enterprise wildcatter, I must admit I was quite interested to hear you say you thought you might get out of building houses. I might agree, and that would cause me some alarm. With some of my friends from Wainwright and Calgary-North and a few others there, maybe we should be in the building end. But if we are going to depend on the free market to supply our accommodation, I don't think we can hear what I hear on the other side too, where we stay out of land banking. In other words, if you are going to have free enterprise, you have to make damn sure it's free and enterprising. I think if you get out of building, you automatically get into land banking. I don't see how you can get out of both. I mean, you can get into building and forget about land banking if you like, because then you are supplying the housing. But if you get out of housing and don't make sure there is enough land in the markets to be built on by free enterprise, the housing skyrockets and then you get the demand to come back in. So that's why I was a little bit alarmed. I detect – and maybe I'm wrong; maybe you could confirm this – that you got so badly burned in land banking that you're running for cover when really you should be getting back into it, you should be looking at the land banking. Are you doing that?

MR. R. SPEAKER: I've had no requests since I accepted this responsibility.

MR. TAYLOR: You never will.

MR. R. SPEAKER: For land banking. Right.

We have, you know, a major portfolio of land banking across the province. I think (a) we must use that which is in the portfolio that is directly our responsibility, and we have a major portfolio of land owned by AMHC. Secondly, there are the land banking agreements with the municipalities. My thrust at this time is to transfer that land to the municipalities. We've attempted to work that through the market price plus 25 percent formula. That doesn't seem to be working. I've got to revisit that, if I can use that word, and think of a better technique of doing it. We're in that process right now. So from all the representation I have had, it has been to divest ourselves of what we have to the municipalities. But in terms of acquiring more, I have had no requests. I can only ask Mr. Engelman whether the corporation has had requests that I'm not aware of. So I would not feel the need to go out and start up a land banking program again.

MR. TAYLOR: Before I go on to the next supplement, I'd advise caution on that, because as anybody who's bought and sold on a market knows, and I'm sure you have, if you start doing what everybody else does, that's when you're in trouble.



So I think you should be going the opposite way. Anyhow, that's another area.

MR. MITCHELL: That's why Nick's always been a Liberal.

MR. TAYLOR: Yeah. I've lost a lot of money too.

The last question has to do with, there again, philosophy and administration. One of the things that's bothered me a bit in politics in the last number of years is in the field of necessary housing, which you've just talked about. You have the department of social services over here. You have the Department of Health with their nursing homes, and you have the municipal department with their lodges. To me the same person, the consumer, floats through your mechanism or floats through from lodges to nursing homes and also in the social service relief sector. It doesn't really make sense to have three cabinet ministers with three bureaucracies, does it? Could I encourage you to be a bit of an empire builder and try to get those other two in there, because they've got enough to be doing on their own anyhow. I think it'd make much more efficient use of the taxpayers' dollar than what we're doing. Somebody mentioned here about lodges in towns where there's no doctor. I agree, it doesn't make sense, because they all want to be where they can get a doctor some way or another. Therefore you get this dichotomy and extra expense that I think is quite unnecessary.

MR. R. SPEAKER: Number one, I would agree that there needs to be co-ordination in terms of those agencies. There's the department of public works, the Department of Health, as you say. In terms of land ownership, the Provincial Treasurer has some. I have some. You know, we develop these facilities. There certainly needs to be co-ordination. I'm not sure that the minister responsible for AMHC should take over that facility. It could be someone else, but number one, I agree with you in terms of co-ordination. We should look at that as a government, and we are. We've made a commitment just recently to try and rationalize the whole building program of government so it's better co-ordinated.

Secondly, there are two groups in government that review these facilities and try and make some recommendations to us. The Health Facilities Review Committee looks at all the health facilities plus the lodges, and they make recommendations to me as to how they could be better co-ordinated. We also have the lodge standards committee that looks at the lodges specifically. Right now I'm finding there is a bit of overlap between those two committees, and I'm working with the chairman and also the Minister of Health to try and eliminate the gap in their observations that are being made at the various institutions. So those are two things we're doing. Better co-ordination: yes, I think it's a good suggestion you've made, and by the time we meet next year, I hope I can report progress on that matter.

MR. TAYLOR: Home care.

MR. R. SPEAKER: Home care as well. Okay.

MR. CHAIRMAN: Thank you, hon. member.

I recognize the Member for Athabasca-Lac La Biche, followed by Edmonton-Centre.

MR. CARDINAL: Thank you, Mr. Chairman. I think just a bit on a positive side, the Alberta Mortgage and Housing Corporation's been around a long time, at least 20 years, and we don't

want to forget that it's done a lot of good things. We've heard some negative comments about the corporation.

You know, times have changed; maybe it's time to make some changes in the corporation. But in the past 20 years I've been personally involved in a number of areas and with a number of the people within the corporation. I think we have one of the best corporations in Canada and the best staff to run the corporation. I believe we've got the best social housing programs in Canada to serve our people. I remember at one time I counted. We had 26 housing programs to try and serve every need of the social aspects in the province. I know that today the corporation is still very sensitive to social housing needs, at least in rural Alberta which I'm familiar with.

The land banking program was mentioned today generally as something that's reasonably negative, but if you look at the land housing program when it started in the early '70s - in fact, in '72 I was involved in one in Slave Lake. The Alberta Housing Corporation at the time assisted that town and assisted other villages and hamlets to develop a subdivision of 500 lots in that town and developed a beautiful subdivision. Lots were 50 feet by 120 feet and were selling for \$2,500 apiece. Without their involvement at the time . . . Industry had moved out there to stabilize that region of the province. That community has grown now to 5,000 and 6,000 population, with lots of jobs around. Without their involvement in land banking - and they did that with many other rural areas in the province - that wouldn't have happened. Those industries no doubt would have settled either by Edmonton or Calgary, where it's already badly polluted. We don't need any more industries or cars. I'd like to commend the corporation for that. We see the negative side, but there are positive sides also. I know for a fact; I was involved in that. That town wouldn't have grown, like many other towns in rural Alberta, if it wasn't for the corporation's involvement. So there are positive sides.

The annual report of the Alberta Heritage Savings Trust Fund indicates you're responsible for 34,000 housing units presently. What percentage of those would be for the social - seniors and native and low-income families? Would that be all of them or not?

MR. R. SPEAKER: Mr. Chairman, to the hon. member. I appreciate very much the comments you made with regards to the positive contribution AMHC has made to the province. That's very, very true. Your comment with regards to lots: AMHC in its history developed some 11,000 lots across the province and has sold over 9,000 of those, so there are about 2,000 that still exist. In any review what happens is that you always focus on what seems to be the negative, and I guess I responded partly in that tone. So your points are very well taken.

In terms of the 35,000 social housing units that we have in the province, the community housing for families is 10,500; senior citizens' self-contained apartments, 14,500; senior citizens' lodges, 8,000 units; then the one-third grant, seniors, handicapped, and special-purpose type housing, 1,500 units; and transitional and Metis housing, 500 units. That's the makeup of that 35,000.

MR. CARDINAL: My first supplement is on your rural home assistance program, which in the last 10 years has provided rural, remote communities of Alberta hundreds and hundreds of fine housing units for families. I hear indications from some constituents in rural areas of Alberta that it is possibly time, after 10 years of operation, to review some of the eligibility

criteria of that particular program. A review maybe needs to be done. I just wondered if you'd be receptive to sitting down and possibly discussing this with, say, some of the northern MLAs where the housing is being built, looking at a review of the existing policies in that.

MR. R. SPEAKER: Mr. Chairman, I'd certainly welcome that. I think it would be a good idea. You've got the practical experience in the field in your area, and we'd be open to recommendations. Certainly.

MR. CARDINAL: My second supplement is in relation to your rural native housing program. The annual report, '88-89, indicated that there are subsidies of \$14.1 million provided on 206 homes. There again, it is a program, I guess, that's province-wide in rural communities, but I do have some concerns on that particular program also as far as eligibility, the income levels. The subsidies are very, very high, to the point where you may be subsidizing some mortgages of \$500 to \$700 per month. What I'm hearing with that program, at least in my region, is that there are middle-income families that are not eligible for that program. They're not eligible for other programs. They're being caught in the middle. Although I realize it's a federal program where we're involved in only 25 percent of the cost sharing, and I know federal policies are pretty rigid as to income guidelines, I just wondered if your ministry would be willing to sit down again and review this program, where we may, say, increase the income level and possibly put a lower level on the project so we don't subsidize the mortgages as much as we're subsidizing. Because I think we're missing the working low-income families; they're not eligible. I think that's the area we should target on.

Thank you.

MR. R. SPEAKER: Mr. Chairman, to the hon. member. There is a review going on with regards to the program delivery. But I think you raised a very good question in terms of those that are eligible that may have a job, a relatively low income, but don't qualify. We just create a more difficult situation for them. They see someone else that may be on social allowance not going to work but getting this new facility and a major write-down in the sense of their monthly rent or mortgage rate. So I think you've outlined the concern very well. I have not addressed my mind to it to this point, and I would think now that you've raised it with me, we should do that. I would have to say that is one item that has not been on my mind agenda. So along with the federal government, that's doing a review, I think we should do that here in Alberta and make a proposal to the federal government as to how we would like to see it handled in co-operation with us.

MR. CHAIRMAN: Thank you.

Member for Edmonton-Centre, followed by the Member for Redwater-Andrew.

REV. ROBERTS: Thank you, Mr. Chairman. A lot of the questions I was going to ask have been touched on or asked in some respects already, so I might repeat some of the ground, but maybe we can press the point a bit further. The first one has to do again with seniors' self-contained units and the lodges. What I would argue for in terms of greater flexibility and innovation with respect to just how the existing units can best serve the changing and growing needs . . . In fact, I think it's still a bit

odd that people say, you know, "I want to get government out of housing but not for the seniors." If we're going to be in, let's be in. Let's do it creatively and innovatively and be committed to it.

I know when I was at the cathedral here with Cathedral Close, they battled for years trying to get the policy to change for bachelors to be converted to one bedrooms or using some unused suite for a family from out of town coming to visit for a weekend. My impression was that the board there had difficulty with AMHC trying to see the virtue of this. Maybe it's changed with time, but I think these would be very creative uses for some of the self-contained apartments where there are 10 to 15 percent vacancy rates. I'm not sure about wanting to move with oxygen and nursing care into the lodge system, because certainly the lodges are having some seniors with more needs that could be met by having oxygen and nursing supplied. Dropping it to age 55 might be another one.

Anyway, I'm just thinking about how much you have considered shaking things up so that . . . I know you have to have guidelines and regulations and standards and all the rest, but I think there are some creative possibilities. I think the Member for Edmonton-Meadowlark has another one coming as well. But how restricted do you think it needs to be, or how innovative and flexible can you be in this whole area?

MR. R. SPEAKER: The Canada Mortgage and Housing Corporation, when we were working with them, put some restrictions on us, and I'm going to ask Mr. Engelman to comment on that. So we've had some troubles there.

In lodges, we're trying to get some funding from them to assist us in that area, but beyond that we have a lot of flexibility. I've indicated already today that in terms of Bethany, where we have the bachelor suites, we may not have the capital money to renovate them all to, you know, single-family apartments. So this is an option on an interim basis.

The other thing that's happening: I note in terms of our accommodation that senior citizens expect more today in terms of that facility - I use Bethany because it's the most recent on my mind - than they did 14 years ago. That accommodation was very acceptable then. Today it's not acceptable. They want a larger space. They want a nicer living room, a nicer kitchenette, better rugs. So that's a greater cost that we have to incur. I guess we have to accept that. There's no way around that. If we can't build it up to the expectation, then it's not used. If we don't, then you've thrown money away as well. But we've done that. I don't know who's responsible for that, but that's what has happened at the present time.

In terms of flexibility, I would note that in the last few months we've attempted, even through the board, to put in place a policy for flexibility so the foundations could make decisions that adjust to their local need, and we'll continue to do that. Any suggestions you or foundations have, we will accept. Let me give you an example. Today the Olds foundation - it's called the Mountain View foundation - called, and what they want to do in their lodge is to change . . . They've had certain personnel there that were helping in terms of the kitchen and dining room and providing services. They would like to change the role of those people to assisting the seniors with some of their personal needs; for example, help them to dress, help them to maybe get out of their room and attend to certain personal things. They're going to hire one extra person for each of their three lodges in the foundation so they can provide this extra service. One, it's better for the senior, more accommodating. Secondly, it's going

to keep the senior in the lodge for a longer period of time. We said, "Fine; go ahead." So that's an example of what's happening at the current time. I think that once we allow a little bit of environmental flexibility, foundation boards and the respective administrators will start to think in those terms.

REV. ROBERTS: Good. If we can leave that for a minute and move into another area of concern, particularly in the constituency of Edmonton-Centre, where 90 percent of my constituents live in apartments and pay rent and only 10 percent own. I know when I first bought 1,000 lawn signs for my first election and found out there were only 100 lawns in the whole downtown - so it disturbs me when I hear these comments about rental subsidy when at the same time I recall an election promise of low-interest shielding mortgage protection I thought the Premier was throwing out, which seems to benefit people who have the income and the wherewithal to be in homes and houses and with mortgages, and discriminates, I think somewhat unfairly, against those many of my constituents who are paying rent, who just had their rental tax credit removed, as you recall, a year or two ago, which many of them used as a way of saving for a down payment on a house. That's sort of taken, so they've had to find other means. I think, again, they've been somewhat unfairly dealt with.

I guess I don't know all the answers here, but I'm wondering whether you see whether AMHC perceives a certain inconsistency here with respect to government policy, and if so, how you might address it.

MR. R. SPEAKER: I think I can understand the inconsistency you've raised in terms of maybe treating people differently: different groups have better access to funding than others, and that's the point you're making. In terms of my earlier remark re rental supplement, which most likely are the persons you are talking about, you know, if we kept relaxing the standards and they received approval through application, most likely most of them would qualify for the rental supplement. I would see, though, in that area, that rather than just opening the door so we have a flood of money out there, a flood of supplements, we target the group the best we can and assist them.

In terms of the inner cities, Mr. Grover and I have made a commitment to tour the inner cities and look at some of this accommodation and the needs of some of these people. We've also developed, at this point in time, a three-year program, a projection in terms of a commitment, that we will make publicly re inner-city needs. Part of that will be the use of the rental supplement program. But I would have to say, in answer to your question, the best I could answer at this point is that it would have to be targeted as best we can. To make it universal: I'm not quite at that. I just couldn't make that commitment.

REV. ROBERTS: Well, maybe we'll pursue that. Then I've got one of three questions from my last question, Mr. Chairman. Should I throw all three and see which one they want to answer?

MR. TAYLOR: Our heart bleeds for them.

REV. ROBERTS: I don't know.

MR. CHAIRMAN: Hon. member . . .

REV. ROBERTS: Okay, okay. I don't know whether it's real estate values and predicting just how much of an incline they

are, or . . . Well, we'll go with this one, because nobody's raised it yet, although Nick talked about collaboration with other departments or the ministers.

Has there been any consideration about funding for group homes out of AMHC? Now, I know it's mostly come out of, I believe, health or mental health or social services, but we were just in Medicine Hat last week and heard over and over again that we need some more group homes for both the mentally ill and physically disabled. I know it's a chronic need here in Edmonton, the waiting lists for people who can't be managed in their own homes with their own families or don't want to be managed institutionally. But some more creative group home funding and projects could really meet a lot of need there. I know it might be a bit out of your bailiwick, but I think it would be a good one.

MR. R. SPEAKER: Mr. Chairman, yes, we do have the capability at the current time to fund group homes and make money available in that area. We have done some in terms of battered women and some physical disabilities, so we do have the capability of doing it. It's been limited to this point in time, but the capability is there, and that would be, as I explained earlier when I went through those four categories of where I saw us funding homes, in a special-needs bracket and acceptable.

REV. ROBERTS: How's it accessed?

MR. CHAIRMAN: I'm sorry, hon. member . . .

MR. R. SPEAKER: I'll just have Mr. Engelman supplement the answer in terms of the access to that program.

MR. ENGELMAN: There's usually a sponsor on those homes as well, so the access is through the sponsor group. The funding we provide is generally in interest write-down areas. It's sharing the cost of the capital funds. Generally, there is also a need either from a charitable organization or from social services or another agency to fund the operations of the home.

MR. CHAIRMAN: Thank you.

Member for Redwater-Andrew, followed by the Member for Edmonton-Avonmore.

MR. ZARUSKY: Thank you, Mr. Chairman, and good afternoon, Mr. Minister and staff.

I guess a few of the questions I have have been answered in certain ways, but I still have some comments or questions on a couple of them. One, I guess, is on the land banking, with regards to what the government was doing in the 1970s and early '80s. At that time I guess it was working okay, but right now I think there's quite a difference between rural and urban centres in regards to what's happening with these lands. Naturally, I'll be speaking for the rural areas that I represent.

Some of the towns in my constituency have been hit by the request from government to purchase the land that's been acquired in their areas. In these towns it worked well in the past when the lots were needed for the growth that was coming. But right now the growth is not in rural Alberta as it is, probably, in urban centres, so I think when the proposal came out to go with market price plus 25 percent, a lot of these communities still couldn't justify living with this. So I'm glad to see that the minister is looking at a different proposal for this, because I guess right now with land markets going down and development

costs actually going down – and I can speak for it because I am involved in land development – it seems that private developers maybe can do it cheaper and better right now than this land that's banked.

What I'd like to ask the minister for his comment on is whether you can disclose what other route could be taken to help these towns either acquire that land or maybe sell it to private developers.

**MR. R. SPEAKER:** Mr. Chairman, to the hon. Member for Redwater-Andrew. If we sold it out on the open market, then it would go for market value. Whatever people were willing to pay, that would be it. The question that gets raised in terms of this policy is: there was an agreement between the municipality and Alberta Mortgage and Housing Corporation to – at a point in time the municipality, if the land was not developed, was then to pay the remainder of the cost when it was purchased. But if I look at some of your own examples – for example, Redwater; the cost of land at April 1, 1989, \$1.3 million, the market value is \$572,000. So there has to be a major shortfall there of over \$700,000. The 25 percent we would add onto that would be \$181,000; it would be \$753,000. So we're asking the municipality to buy a piece of property for \$753,000 that, at the market value, is only \$572,000. That consistently is the problem we're facing with regards to this.

The options are as follows. These are the two things we're doing. One, I'm making a recommendation – and this hasn't been finalized; I'm hoping shortly. With regards to these land banks, either residential or industrial, that could be used for municipal parks, a municipal recreation area – in other words, for municipal purposes for the community as a whole – I'm making a recommendation that we make it available to them at market value. That would be for that category of lands. If down the road – say eight, 10, 12 years from now – the municipality decides to subdivide it and build houses or whatever on it, then at that time; as a bit of a penalty for the agreement, the Alberta Mortgage and Housing Corporation should share in some of the profit they would have at that point. But it gets it into the community and they're able to deal with it. That's one of the suggestions that's moving through the decision-making process right now.

The second item we're looking at: it seems like each one of these municipalities has a different situation facing them. For example, the market value plus 25 percent in some cases makes the land very, very expensive. Secondly, some of the municipalities – this is the downside part of it – do not have any further borrowing power. We'd have to come up with some funds to give them to buy the land, to do that kind of thing. I'm finding that one policy just doesn't fit all the situations. So where I'm at at the present time, I've asked that we try and categorize the municipalities. Then we can come up with maybe two or three different possible approaches and hopefully each one kind of balances off with the others so we treat them fairly. Then I'm going to ask someone to negotiate with each municipality between now and December 31, 1990, to try and resolve these and deal with them. Our current policy asks them to come up with an arrangement with us by December 31, 1989, but under the circumstances we aren't going to meet that commitment.

So those are the two things that are in the mill right now. My own personal commitment to this is to have it resolved by the end of year 1990, not to hang on and drag on any further than that.

**MR. ZARUSKY:** Well, thank you, Mr. Minister. I think that will help a lot of my communities anyway.

Another question I have is in regards, I guess, to senior citizens, and that's lodges, again urban and rural. It seems the farther rural you get northeast of Edmonton, in the smaller communities . . . In the bigger centres there seems to be a waiting list to get into lodges, and yet you get into smaller communities and the occupancy is anywhere maybe from 40 to 60 percent in some of these. I think some suggestions were made here, or are being made, on maybe either converting some of these into apartments or if you could work with the Department of Health and use them as facilities for handicapped or people that need some nursing home care. I probably have a lot of comments on this, but I'd like to see the direction your department is heading in on these, because I do have some in my constituency that have some serious problems with occupancy right now.

**MR. R. SPEAKER:** Mr. Engelman just mentioned to me that in the plans right now is to take some of the lodge facilities where we have vacancy rates like that and renovate them into self-contained units so they can be rented out, and then I think the point made by the Member for Edmonton-Centre that we add some flexibility into who goes in there. Maybe there's someone at 45, 50, a single person that could use it, and it could be part of meeting a social need in the community and also keeping the facility filled. So I think what I hear from the committee here this afternoon is that we've got to build flexibility into that delivery of accommodation, and that's a good suggestion.

**MS M. LAIN:** I'd like to go back to the issue of special-needs housing or special-purpose housing. I see that for this year only 50 units are planned, and I've heard of the great need for transitional housing for people, say, as they move through deinstitutionalization – people with mental disabilities, mental health problems, physical disabilities – a great need for second-stage housing for battered women, a need for housing and homes for runaway youth, children who have been abused: those kinds of initiatives. I don't think it's good enough to say that we might use senior citizen lodges if there's room, so I'm wondering if you would be looking at that to make a greater commitment to, I think, an area that has a severe shortage of resources.

**MR. R. SPEAKER:** Yes. In terms of, you know, social concern and social objective, I feel that is a good area to target. And as I mentioned earlier, to try and do that I'm trying to put in place about a three-year program by which we can set up some targets and meet those targets. The items that you raised there, particularly the transitional housing, the need of some of our youngsters for some special attention because of problems they've run into, special things that have happened in their lives – I think you're thinking of some of the programs that have worked very successfully in that area in terms of drug rehabilitation, alcoholism rehabilitation. We want to focus on that more. We've had a discussion in the last two weeks with regard to that as a group of cabinet ministers, and we feel we must put some more emphasis on that area.

So I guess my commitment to you is yes, and two, I want to focus on our housing, our inner-city area. I want to look at some of that problem. But I know you're talking beyond that as well. I think that's a good social thrust that's acceptable and a public responsibility.

MS M. LAING: Another issue I'd like to raise is the policy of not renting to single employables. Now, I know that we have an image in our mind of the single employable, but in fact many single employables are in their 30s, 40s, and 50s, and they have, through no fault of their own, found themselves unemployed although employable. The jobs, particularly for women in their 40s and 50s . . . They are put, then, into very substandard housing, and I'm wondering if there is a thought to changing that policy.

MR. R. SPEAKER: I haven't had any discussions with my two colleagues the minister and the associate minister with regard to that. In terms of our thrust from Alberta Mortgage and Housing Corporation, I would have to say it's most likely been very minimal up to this point. Maybe I could ask Mr. Engelman to comment on what we have done. It isn't a deliberate thrust, and what you're suggesting is from our point of view rather than that there should be. At the moment I don't have a policy in mind to accommodate your question.

MR. ENGELMAN: There is no policy, Mr. Chairman, to deliberately go out and build a lot of new housing especially for single employables. However, we do have – and we were talking about there being vacancies in some community housing, some seniors' housing. In community housing where we have units that fit, there is a hierarchy of who can access that housing, and single employables and single people on social assistance, you know, can get into them. They are, however, down the road from a single mother with a child, for example, or that kind of thing. But the policy allows them to go in. That was just given thrust and relayed to our management agencies in the last couple of months, so it hasn't worked itself right through the system. But that is there now.

MS M. LAING: That was very good to hear.

My final question – I'm just jumping all over because I'm at the end today – is that you get \$200.6 million from the Department of Municipal Affairs. Some have applied for a grant, some for rent subsidy and others to deal with loan losses. I'm wondering if you could give me an idea of the split, of how much goes where.

MR. R. SPEAKER: Would you like Mr. Kent to do that?

MR. KENT: I didn't catch her questions.

MR. R. SPEAKER: In terms of the . . .

MS M. LAING: Yes. Of the \$200.6 million from the Department of Municipal Affairs, how much would go to the social housing subsidy and how much to dealing with loan losses?

MR. R. SPEAKER: Mr. Chairman, could the hon. Member for Edmonton-Avonmore indicate what page she is on?

MS M. LAING: Well, actually what I'm on is page 58 of the Budget Address, and I'm not sure where it's shown in here. That's probably unfair, because I didn't find it in here.

MR. R. SPEAKER: Mr. Kent, would you like to . . .

MR. KENT: This is the first year we've actually split our revenue expenditure statement by program, so if you turn to

page 21, the first column is headed "Housing." That shows you the revenues we would have under our housing programs, less the expenditures to [inaudible] our deficits. The split is listed along the bottom there, if you go along. The actual contribution by the province was \$169 million last year, of which \$90 million pertained to the housing programs, \$6 million was on our land programs, \$44 million on the mortgage lending programs, and \$21 million on the real estate. I think that's what you are after.

MR. CHAIRMAN: Thank you.  
Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. I had several questions, but the minister has done such a good job this afternoon answering all the others, he has answered mine along with them. But I do have an area I'd like to hear his opinion on. The people who are in the lodges and the senior housing units pay a percentage of their income, but people on the Alberta income for severely handicapped pay a fixed assessment. Is there any consideration being given to putting those people on the same basis of a percentage of their income? It's a form that's a more fair and equitable way of doing it.

MR. R. SPEAKER: I'm going to ask Mr. Engelman to comment on it, because it comes from two different program thrusts, which make the difference. I guess what we'd have to do is try and integrate the programs some way. Would that be correct?

MR. ENGELMAN: Yes. I recall this issue coming up. In lodges, the shelter rate – room and board, if you like – is based on 60 percent of the minimum seniors' income. That's a fixed rate for everybody that goes into the lodge. The access to the lodge is on the basis of the neediest first going in. In senior citizens' self-contained, the rental rate is a percentage of income; it's 25 percent of income. If somebody is in that kind of housing that's funded under the same program as the senior citizens' self-contained, their rate would also be 25 percent of income. If they are receiving AISH or that form of income, it would follow that they would pay 25 percent of that income.

MR. MOORE: I have a supplementary, Mr. Chairman, not related to that but more to a policy area. We see the senior population growing. We know that. As the years go on, there are going to be more and more in that senior sector and the demand for senior housing is going to increase; there's no question about that. However, we see trends. Originally, the senior citizens' lodge was the solution. Now with our home care and that, we are keeping people in their homes longer, and there are the senior citizens' complexes, which are ideal. They're keeping people out of the senior citizens' lodge situation and in a better environment, too, to the point that when they leave their own home and the senior citizens' complex, they've gone by the lodge, actually, because they're ready for a nursing home when they can no longer stay in either one of those institutions. Is our policy directed now more away from senior citizens' lodges into senior citizens' complexes and then – of course, not from you people – are hospitals looking at more nursing homes because that is the area the demand will be on?

MR. R. SPEAKER: I've talked to the provincial senior citizens' organization about that, and Mr. LeBaron and MaryAnne Ballsilie make the case to me that we should continue the lodge program and that the need is out there. I try to weigh that in

light of the Mirosh report and this changing demand that's out there, as you've documented so well. I do see a greater call by the nonprofit organizations requesting multiple-unit types of accommodation and that seems to be more acceptable today than 20 years ago. I know that at that time, when we started that in 1969 and '70, to put a senior in a high rise was a very difficult thing. To put them on the second or third floor or up on the eighth floor - it was very doubtful whether we would ever fill any of those facilities. Today it doesn't matter; they do it. And they're staying there longer. It's their home, and the home care is helping. So I would say that as I observe things at the moment, I would see that's where most likely our concentration of dollars will go, into those kinds of facilities more than a major portion to the lodges as it was, say, 20 years ago. So just

demand is going to change our emphasis.

MR. MOORE: Mr. Chairman, I had another supplementary, but because of the time, I move we adjourn.

MR. CHAIRMAN: Just prior to accepting that motion, I'd like to take a moment and express appreciation for the minister and his staff who have come before the committee today and for the forthright answers they've given. I'm sure the committee is better informed on the functions of the Alberta Home Mortgage program. So thank you for being here.

I'll accept that motion and declare the meeting adjourned.

[The committee adjourned at 3:59 p.m.]