

2:05 p.m.

Thursday, October 31, 1991

[Chairman: Mr. Ady]

MR. CHAIRMAN: I'd like to call the meeting to order and welcome the Minister of Municipal Affairs this afternoon along with his government officials. We appreciate all of them taking time to appear before the committee and give us an update on the activities of their department's involvement with the Alberta Heritage Savings Trust Fund.

Prior to asking the minister to give some opening remarks, are there those who may have some recommendations they would like to read into the record? The Member for West Yellowhead.

MR. DOYLE: Thank you, Mr. Chairman. I'd like to read into the record:

Be it recommended that the investment committee divest the commercial investment division of its investments in companies that participate in the distillation and brewing of alcohol and instead direct its investments toward Canadian and Albertan companies that conduct business in an environmentally sound and healthy fashion.

MR. CHAIRMAN: Thank you.

Are there others? If not, Mr. Minister, it's customary for ministers if they so choose to make some opening remarks and give us a brief overview of what's happened with expenditures from the investment the fund has in your department. If you'd like to go ahead with that now, we'll follow that with questions from the committee. Thank you.

MR. R. SPEAKER: I'd like to thank you, first of all, Mr. Chairman, for inviting us to be with the committee to discuss the operation of the Alberta Mortgage and Housing Corporation and the respective new structures that are in place. They are two: a body called Mortgage Properties Inc.; and, as well, a new division - I guess I could call it an extended and restructured division - of the Department of Municipal Affairs with a social housing thrust. So those are the three areas I think the committee would like to discuss, and we're certainly open to questions in terms of anything we have done since our last hearing. We'll do our best to provide adequate information.

With me today, Mr. Chairman, are Mr. Archie Grover, the Deputy Minister of Municipal Affairs, and, as well, the president of the Alberta Mortgage and Housing Corporation in its current role, Stephen Kent. Stephen is the president of Mortgage Properties Inc. and is responsible for the divesting of our former holdings in the Alberta Mortgage and Housing Corporation, which includes land as well as residential accommodation. Bob Leitch is from the Department of Municipal Affairs and is assistant deputy minister of finance and administration and a member of the board of directors of the Alberta Mortgage and Housing Corporation. Also with me is Terry Fikowski, the assistant deputy minister responsible for housing, Edmonton and north. As well, Mr. Bill Mann is assistant deputy minister and is responsible for housing, I would say, just south of Edmonton in the southern part of the province. There's a division line in there. As well, Donna Mastel, my executive assistant.

What I'd like to do, Mr. Chairman, is make a few broad overview comments with regards to what we have done, and maybe that will provide a little background for the committee in terms of their questions.

In my opening remarks I mentioned that there are three areas I would like to comment on. First of all is the restructuring of the government's housing delivery mechanism. Secondly, I would like

to briefly comment on the creation of Mortgage Properties Inc. The third area I would like to comment on is the government's response to the social housing needs of Albertans.

Last year in my remarks I commented on a major review of the housing programs and the Alberta Mortgage and Housing Corporation that was under way. In 1990-91 the review and restructuring of the government's housing delivery mechanism was completed. That was completed as of December 31, 1990. We had committed that to the staff of the Alberta Mortgage and Housing Corporation, and we were able to accomplish it by late October, early November. Everybody following that date knew what was happening and what was going on. In light of that, I'd certainly like to thank the staff and the former staff of Alberta Mortgage and Housing Corporation, who contributed to a very exciting process of transforming those mechanisms to meet the changing requirements of housing in the 1990s.

As I indicated at our meeting last year, we have been completing a number of land banking and development agreements with municipalities across the province to enable them to buy back lands established under land banking arrangements at market value. To date 64 municipalities out of 68 have entered into arrangements to resolve their land bank agreements. One municipality has indicated acceptance of the offer we made, and we are in the process of completing arrangements with the final three municipalities. I must add as a note that we feel quite confident that those three agreements will be concluded shortly.

In 1990-91 the corporation's single-family mortgage portfolio was sold, and \$556.8 million was returned to the Alberta Heritage Savings Trust Fund. In addition, \$126.4 million was returned as a result of the sale of special purpose housing loans, and \$16.6 million was realized through the completion of various land banking arrangements with Alberta municipalities.

During the year the Alberta Mortgage and Housing debentures were reduced by \$787,238,000, from \$2.9 billion to \$2.1 billion. Proceeds from the sales of mortgages accounted for \$719,715,000 of this. Regular debenture repayments amounted to \$76 million, while new debenture issues were \$99 million, and the balance came from property sales and mortgage discharges. The new debenture issues were to meet the following requirements: completed housing projects, \$25.6 million; mortgage advances, \$14.6 million; and regular mortgage debenture repayments of some \$58.8 million.

One of the objectives of the review of provincial housing programs was the intent to divest ourselves of functions not serving a social housing focus. As part of the process of rationalization of housing programs, Mortgage Properties Inc. was created with a mandate to work out a solution of AMHC's CHIP/MAP mortgage portfolio and to market various landholdings over the next three to five years. Proceeds from these sales will be used to repay associated debentures to the Alberta Heritage Savings Trust Fund. I am pleased to report that significant progress has already been made in this regard. Recently a total of 91 mortgages worth \$139.16 million were sold to three financial institutions, and I believe in the material I provided to you earlier there is greater detail with regards to that.

The government's housing policy is based on the belief that housing is a basic human need. Housing initiatives are based on the following principles. Albertans are challenged to use their own resources to contribute to or meet their housing needs in a free marketplace. Secondly, Alberta's social housing programs will be targeted to assist those individuals with the greatest need, those with the least ability to afford basic housing requirements. Thirdly, Albertans require access to a co-ordinated one-point source of housing information that is responsive to their social

housing needs. Fourthly, government housing policy must facilitate the use of the resources of all participants in the housing field – industry, the community, municipalities, self-help groups, and individuals – to meet the needs of Albertans. This housing policy provides a framework within which we are called to balance new demands and limited resources. This involves creativity, independence, and individual potential from all segments of the province.

The senior citizen lodge regeneration program is an example of the government's commitment to assist those individuals in the greatest need. The senior citizen lodge program was established 30 years ago, and today many of these facilities have become functionally deficient and must be regenerated to contemporary standards. Currently there are 74 lodges which are over 25 years old.

2:15

The objectives of the lodge regeneration program are: one, to preserve the investment of the government of Alberta in the capital construction of lodges in the province; two, to minimize discrepancy in the physical design aspects of the lodges throughout the province, ensuring basic design requirements are achieved; three, to ensure the physical design of lodge facilities matches as closely as possible the needs of the target groups suited to this type of accommodation; fourth, to improve the cost efficiencies; fifth, to ensure that regeneration is directed towards those lodge facilities for which there is long-term, ongoing need in the community. Candidates for lodge regeneration were prioritized according to need and demand and building condition analysis. In 1990-91 an additional \$10.9 million was provided to increase capacity and to upgrade existing facilities. An additional 90 units were committed. In 1991-92 regeneration is proceeding on seven lodges.

Mr. Chairman, those are a few of the aspects we dealt with last year and which are currently under review by this committee. I'd like to thank Mr. Grover, my deputy minister, and other persons that have worked co-operatively in fulfilling some of these responsibilities we have as government and I have as minister.

Mr. Chairman, we'd be open to questions. I'm sure there are some specifics. I have persons here within this group that I'm sure can answer questions in a full manner.

MR. CHAIRMAN: Thank you, Mr. Minister.

I recognize the Member for West Yellowhead, followed by the Member for Calgary-Fish Creek.

MR. DOYLE: Thank you, Mr. Chairman. My question is a very direct question to the minister. I wonder if he could tell us why he had so much difficulty getting the financial statement to us.

MR. R. SPEAKER: There was not a difficulty in terms of our office in providing that statement to the hon. member, Mr. Chairman. My understanding with regards to the delay was that the Auditor was looking at putting material together; some of the material we required for our report was not available and we couldn't complete it. So I did two things to try and assist the committee. I made an inquiry as to whether we should (a) delay our meeting or my presence here until that report was completed or (b) provide whatever I have at this point in time for the committee so we could proceed, and (b) was chosen. I understand the question from the member. We did the best we could.

Mr. Leitch, would you have a further comment on that?

MR. LEITCH: The only comment I would add, Mr. Chairman, is that we did receive the financial statements late last week, last Friday, from the Auditor General's office.

MR. DOYLE: Thank you, Mr. Chairman. The Auditor General released them on July 12, 1991. It's strange that we didn't get them until the night before last.

MR. R. SPEAKER: Mr. Chairman, I would like to make sure that's clarified. I received this report in my office October 28, 1991. When I received it, I immediately said, "If we're going to the committee, this has to move to the committee." I'm not aware of this July date, and I'd like that corrected.

MR. LEITCH: Mr. Chairman, the July 12 date was put on the initial draft of the statements, but the review the Auditor General's office conducted wasn't completed until last week when he signed them and then released them.

MR. DOYLE: Thank you, Mr. Chairman. I appreciate the minister getting it to us as quickly as he could. In fact, we were prepared to not go ahead – at least the Official Opposition was – until we did get it. We would hope that next year we could have it just a little sooner.

I was wondering why there are no financial statements on the mortgage property investments. Is this an indication of what we'll have in the years to come, or is it the way that we normally do it?

MR. R. SPEAKER: Mr. Chairman, there are global figures with regards to some of the preliminary activities in terms of Mortgage Properties Inc. However, what you have to recognize is that Mortgage Properties Inc. came into being in early 1991. I believe the first meeting of the board was in March of 1991. They had to first of all put in place their procedures, how they were going to act, terms of reference, which I did for them. So I would think any kind of negotiations that went on would be reported in the next Auditor General's report, and that would be fiscal year 1991-92. So you will have that.

MR. DOYLE: Thank you, Mr. Minister.

I forgot to welcome the minister and, of course, Mr. Grover and staff for coming before this committee.

MR. R. SPEAKER: I'd just like to add, Mr. Chairman, that Mr. Kent has indicated to me that part of our activities up to March '91 are reflected in this consolidated statement. However, activities after March 31 will be reflected in next year's document, as I indicated.

MR. DOYLE: Thank you, Mr. Chairman. My next question is with regard to the social housing portfolio that appears to be housed in the Department of Municipal Affairs. Will they be assets of Alberta Mortgage and Housing Corporation in the future or a statement of the department or separate in any way from Alberta Mortgage and Housing Corporation?

MR. R. SPEAKER: I'm going to ask Mr. Grover to give the details of that. The way we have it set up now, Alberta Mortgage and Housing Corporation is a shell corporation. The assets will continue to belong to the Alberta Mortgage and Housing Corporation, but the responsibility for them has been delegated to the two bodies I mentioned. Mortgage Properties Inc. will be used as the vehicle by which we divest government's interest in those investments. The facilities that will rest with the responsibility of the Department of Municipal Affairs housing division will continue in ownership by AMHC but will be administered through the department.

I'd like to give you an example of some of the facilities the Department of Municipal Affairs housing division will hold. Mr. Grover maybe can list some of those.

MR. GROVER: Well, all the transactions, Mr. Chairman, with respect to the social housing and the agreements Alberta Mortgage and Housing Corporation has with Canada Mortgage and Housing will continue in that vein. All the activities related to the delivery of the programs will be done through the department. The Alberta Mortgage and Housing Corporation, in answer to your question, will be publishing annual reports and the assets will be the assets of the corporation.

MR. PAYNE: Mr. Chairman, I'd certainly like to thank the minister for the obvious haste and co-operation manifested by the way he got the documents to us yesterday. They made good reading last night and certainly will make our time together this afternoon more productive than would be the case otherwise. I apologize for my first question, which really is insubstantial; it's driven more by just idle curiosity. It arises from the documents that were provided to us, wherein Mary Cameron is identified as the president up to December 31, 1990, and then in the list of board of directors subsequent to that, commencing January 1, '91, Mr. Archie R. Grover is indicated as acting president. I'm just curious what's happened to Mary Cameron. Is she associated in some other way with MPI or the department on some other basis, or is she pursuing a different career path?

MR. R. SPEAKER: Mary Cameron had a contract with the Alberta Mortgage and Housing Corporation to walk us through the transition of responsibilities for the corporation. Her contract started in November 1989 and concluded December 31, 1990. During that period of time she made a very significant and complementary contribution to government, also divesting government of certain interests. At present she's working in the private sector making an excellent contribution.

MR. PAYNE: I'd like to turn the committee's attention, Mr. Chairman, to the area of nonprofit agencies that have been on the receiving end of close to \$90 million in annual operating subsidies. Now, I understand these are done by way of cost-sharing agreements between the province and CMHC, but I'm wondering if the minister or his officials could provide the committee with a bit of a breakdown on those operating subsidies, just a little bit more information that would assist us in evaluating how effective they are.

2:25

MR. R. SPEAKER: Mr. Chairman, I'd like to either ask Mr. Leitch or Mr. Fikowski or Mr. Mann to comment on that. I know they have those things at their fingertips. Could I ask the hon. member if he is referring to a number in one of our documents? Maybe that would be a leap-off place in the discussion.

MR. PAYNE: In my own research documents provided by my researcher, the number 89.2 is given alongside annual operating subsidies provided to nonprofit agencies. The only additional information I have is that these come by way of cost-sharing agreements with CMHC. What I'm after is just a little amplifying information about those operating subsidies so I can get a better feel for where they fit in the mix of policy.

MR. R. SPEAKER: Mr. Leitch could comment on that. For the other members of the committee, in one of the documents I

circulated – well, it's out of the Auditor General's report under the revenue expenditure statement – in the second column above \$6.3 million, there is the figure \$89 million.

MR. LEITCH: Mr. Chairman, we don't provide a breakdown in the annual report between the respective broad categories of social housing, and that figure isn't broken between the senior citizens' accommodations and so on. We don't have that breakdown with us today. We could provide that at a later date.

MR. PAYNE: Without wishing to unnecessarily burden the minister's officials, at some point that would be helpful, but even more helpful would be a response to a question as to what the basic criteria are for selecting those nonprofit agencies that receive operating subsidies. I'm more interested in what determines who does and who does not get them as opposed to any particular notation or listing of recipients under that general budgeting category.

MR. MANN: Perhaps, Mr. Chairman, I can make some comment. Generally the cost sharing is 70 percent federal, 30 percent provincial. That varies by program, but that's generally correct. With respect to the nonprofit agencies that receive this funding, by and large these are ones which manage projects owned by the corporation. Rather than the corporation directly managing these projects, the agencies do that for us. They are nonprofit groups representing the community and basically have community support, volunteers. I believe we have around 400 agencies across the province that do that for us. With respect to how the agencies are selected each year, it's basically by way of application for various projects and then we assess the need for housing for that particular request. It's a matter of the most deserving, the most needy request being granted if budgetary funds are available.

MR. PAYNE: Thank you, Mr. Chairman. I guess you've put me at the bottom of the list. I'll need to get back on, I think, with a couple of more.

MR. CHAIRMAN: The Member for Edmonton-Meadowlark, followed by Three Hills.

MR. MITCHELL: Thank you, Mr. Chairman. My first question concerns the manner in which the corporation is addressing this unfunded deficiency or unfunded deficit. I note that on the statement of revenue and expenditure, it looks like this year the actual deficiency came to \$418 million and then the General Revenue Fund provided \$203 million to pay down some of the deficiency. After all that goes on, I see we actually end up with a \$461 million current deficit. My first question is: how is it that the figure of \$203 million to be transferred from the General Revenue Fund is selected this year as opposed to \$171 million last year, and why do we stop at \$203 million? Why don't we pay off the entire deficit? How is it that that \$203 million is selected?

MR. R. SPEAKER: Mr. Chairman, I'm going to ask Mr. Leitch to answer that specific question, because with his professional background he could adequately answer it. In terms of just the question of the unfunded deficit, what we intend to do as a government is certainly pay it off as we're moving forward. One of the arguments presented to this committee over a number of years with regards to this was that we weren't sure exactly what the unfunded deficit was at a point in time until you put a value on the property. One of the things we are finding – which is obvious, and certainly the hon. member understands this much

better than I – is that as we are divesting our interest in the property, the unfunded deficit becomes very clear; it's there. During this period of the current year and with the sales we have had in terms of mortgages and property, beyond this figure of \$119 million just in terms of the sales we most likely are looking at funding an extra \$50 million. We've made some good progress from last year in terms of funding the unfunded deficit, and we intend to continue making progress in this upcoming year, 1992, I think in even a more significant way than we did in 1991.

I'd like Mr. Leitch to answer the specific question in terms of how the numbers came about.

MR. LEITCH: Yes, Mr. Chairman. As Mr. Speaker has indicated, in previous years there have been valuations done of the corporation assets, and in those instances where the current market values were less than the original book values of those assets, write-down provisions have been put into the financial statements. The decision in the past has been that those provisions wouldn't be funded by the province until such time as the actual sale or disposition of the asset was made.

In answer to your specific question as to how the \$203 million is arrived at for any given year versus, say, the \$171 million for the previous year, there are the two components to it. One is that disposition figure I spoke of wherein assets are disposed of and at that time the province chooses to fund that write-down in cash. The second component is the actual subsidies provided on the range of social housing programs the corporation offers.

MR. CHAIRMAN: Do you have a supplementary?

MR. MITCHELL: Yeah, I'd like to pursue that a little bit further. I guess I don't fully understand that. What I see is that the actual loss for 1991, for example, would be \$81,848,000, and that would reflect the comments of both the minister and his official, Mr. Chairman, concerning you sold and now you have an actual figure to deal with. I can understand that. That's great. So we'd better pay that off. We know that. But then the difference between \$81 million and the actual decrease in unfunded operating deficit becomes \$119 million. That is determined not by accident but by somebody saying, "The \$203 million is the amount the Treasurer's saying I'm going to write the cheque for." Why doesn't the Treasurer say, "I don't want the deficit to be dropped by \$119 million; I want the deficit to be dropped by \$609 million"? Why doesn't he simply say that? He says that with respect to deficits we might find in other Crown corporations. I don't know of any other Crown corporation that has this dangling deficit. If it were that you couldn't figure out exactly whether \$609 million is right, pay more and you can pay it back or pay less and get closer. I mean, it's not a bad idea. Pay \$609 million. You might be right. How is it that \$119 million is determined by the Treasurer to be the figure that he deems acceptable to pay down this year? Do we have a plan over the years that we're going to pay X amount each year until the whole thing's gone? I mean, how does he figure it?

2:35

MR. LEITCH: Well, as I mentioned, Mr. Chairman, that figure is arrived at after looking at the disposition of the assets that took place in the fiscal year. So, yes, it's certainly a calculated figure, and it's very precise, but based on the policy that the funding of the accumulated deficit would take place at the time that the disposition of the assets takes place, as opposed to funding it all now, as you suggest, on some assumption of what those future dispositions might be.

MR. MITCHELL: I guess maybe I just don't understand it. My final question would be: if the \$84 million isn't the figure that is determined by the disposition of the assets at the disposition of the assets – I mean, if that isn't the real loss, then what is it? How would that differ from the . . . You see, your argument is that the Treasurer's figure isn't pulled out of the air; it comes up because "Now we've sold all this asset, and we've got this many losses." Well, inferred would be that we've \$203 million losses, but we don't. It says here that we've got \$83 million or \$84 million in losses. So I can see how your logic is right, but I don't see how your conclusion is directed by that logic.

MR. LEITCH: Mr. Chairman, probably another way of looking at it is to look at that last line, and obviously where it says that this is the decrease in the unfunded accumulated operating deficit, clearly that deficit is arrived at from previous years. In other words, we've reduced this year the accumulated unfunded deficit from \$580 million to \$461 million.

MR. R. SPEAKER: I can only add, Mr. Chairman, that when I took on the portfolio two and a half years ago or so, if you look in the '88-89 report, that was our unfunded debt, and we've taken on the challenge to deal with it as well as we can. One of the other factors that comes into this is availability of dollars relative to other general revenue competitors: education and health care. That has something to do with the decision as well.

MR. CHAIRMAN: The Member for Three Hills.

MRS. OSTERMAN: Thank you, Mr. Chairman. Good afternoon to the minister and others accompanying him this afternoon. I've always had a great abiding interest in the corporation; they have a very big interest in the Three Hills constituency, in particular in Airdrie. I think that all in all the minister and all who have been involved in the evolution of the corporation are to be congratulated. It's a pretty tough job and one where I'm sure the decisions are pretty objective, but the timing and the economy of the province – having all those things coincide with the sale of a lot of the properties is so important to the taxpayers of this province but as well to homeowners and other property owners in the balance. Maybe I'm just not apt at discerning this figure, but there's been a number of the municipalities – and the minister mentioned that in his opening remarks – that had a program with the corporation in land banking. I believe you said there is just a handful left now to be decided. What has been the loss incurred in coming and reaching the decisions with the various municipalities in order to get that finally off their books and our books?

MR. R. SPEAKER: Mr. Chairman, we are just concluding some of those arrangements, so we haven't the final figure with regards to the loss, nor would it be in this statement ended March 31, 1991, because some agreements were concluded following that. Maybe we could just give a ballpark figure. It's pointed out to me that as of March 31, 1991, in the chart headed Consolidated Statement of Revenue, Expenditure and Change in Unfunded Operating Deficit, there's a figure there of \$39 million, so I would think it would most likely range between \$40 million and \$50 million when we have finalized the last few agreements.

MRS. OSTERMAN: I think many municipalities were fairly grateful, although I'm not sure they expressed it that way at the arrangements that were made to relieve them.

Going on to another subject area, I notice in the heritage fund annual report there is a statistic of

over 40,000 housing units [currently available] for low-income seniors and families, disabled persons and people with special needs.

I don't know precisely how many of those would be seniors, but it leads me to ask the question: given the constant discussion about demographics and projected demographics in this province and the number of seniors we're going to have 20 years from now, are you projecting now in terms of the impact on the heritage fund for those future needs? Is there that sort of think tank inherent in the housing component of the department to give us some clue as to what it is we're going to need in the future and the impact on the fund?

MR. R. SPEAKER: Mr. Chairman, what we've done in that area, now that we've established the division of housing in the Department of Municipal Affairs, is put in place a technique or a method by which we could project the housing needs not only in a general sense but also in a very specific sense, so that we're looking at each one of the communities across the province by way of MLAs making presentation, by way of community representation, individual representation, and then our own observations, and projecting ahead the demand or need that is there in each one of the communities.

When we go into the budgeting cycle, which has started right now, as a department we are now able to say to the Treasury Board or priorities: "Here is a list of needs that are out there at the present time. Now, you can look at that and determine whether if we were to spend, say, this next year, \$65 million, then we can do these projects; if you can only afford \$40 million, that's as far as we can go. But those are our top priorities." So we have it listed and set out like that so we can make decision-making a lot better. I think it would be nice if we had the ideal circumstance so we could say that the demand out there is this much and this is the amount we should do, but I guess we all recognize we can't do that, so we've done the second best.

MRS. OSTERMAN: My last question, then, Mr. Chairman, relates to that same subject area, and it is: what relationship would your housing people have with the Department of Health with respect to lodges, for instance? You've mentioned that there are lodges being upgraded. There are many, many people that look at the lodges as part of the continuum and, as a matter of fact, are staying there much longer. I use as an example my own constituency of Three Hills. The age of the average person in the lodge is just tremendous. I'm very encouraged. How do we work with the Department of Health, or is there some overlap there, to sort of gauge how much longer, if possible, we can serve people in lodges and look again at the statistics that are developed by both the Department of Health and the health units across Alberta about the number of seniors that will be in need?

2:45

MR. R. SPEAKER: Mr. Chairman, Mr. Fikowski and Mr. Mann have provided some good leadership in this area, and one of the basic principles that have been established is that we can't build the lodges alone anymore as we've done in the past. So we have a very good collaborative process put in place where we work with the Department of Health and also the department of social services with regards to this program.

We are looking at some different innovations with regards to seniors' lodges. For example, at Thorhild there was a vacancy rate, and there was also a demand for extended care. So we're looking at regenerating part of the lodge so it can be used for long-term care and the other part as a residential facility. It was the local people's idea, and they bought into it. We see that as a

new concept we're trying, but the Department of Health is working hand in hand with us. Out at Whitecourt, for example, the hospital board would like to see the lodge connected to a hospital facility so that they can use a common kitchen, common laundry, and common staff in the two facilities. We're working very, very closely in terms of that. Social services is also involved as one of the departments with regards to that concept. We're looking at one of the other communities in the north, and this is beyond the lodge. They wanted a lodge in this community, but we're looking at adjusting or adapting the self-contained arrangements so that we can add a configuration of buildings, some recreation opportunity as well as some food opportunity, a kitchen facility for those people in that community. It's sort of an adjustment of the self-contained towards the lodge concept.

So we're trying those kinds of things under the current circumstances. The co-operation has been good, and feedback from some of the foundations and/or hospital boards has been positive about it recently.

MRS. OSTERMAN: Thank you.

MR. CHAIRMAN: The Member for Edmonton-Beverly.

MR. EWASIUK: Thank you, Mr. Chairman. Mr. Minister and staff, before I get into my questions, I want to say that for those of us who have been following the activities of the Alberta Housing Corporation over several years, it became quite evident that something had to be done with the corporation. I think the minister has taken it upon himself to do that. Whether we're totally in agreement with what has happened is beside the point, I think. The fact of the matter is that something was done, and we accept that.

I want to ask a question about Mortgage Properties Inc., and of course that's the vehicle that's going to divest the corporation of its mortgage assets. I understand, looking at some of the figures, that that's happening quite well; you're doing quite well. One can make the assumption that what is occurring is that you're probably selling off some of your good mortgages, the mortgages that are not in arrears and so on, but I guess sooner or later you're going to come to the more difficult task of the mortgages that are in arrears. My question sort of leads to: that being the case, how much of a loss can we anticipate in the final analysis, and how are we going to cover this loss as an eventuality when this occurs? What are you looking at? Three to five years?

MR. R. SPEAKER: Mr. Chairman, I certainly appreciate the comments of the hon. Member for Edmonton-Beverly. As the minister and staff I'm sure we carry the same concern about the loss in terms of those mortgages that have to be put in proper order so that we can make a sale to the private sector.

If I could start with this comment. If you go back to the '88-89 annual report of the Alberta Mortgage and Housing Corporation, page 16 in that report indicates that the potential unfunded debt is around \$346 million. Also outlined in the paragraph on the right-hand side of the page is the other unfunded debt with regards to real estate and land. Our target when we started this process was to certainly end with a figure much below that as projected. Hopefully within that three- to five-year period we'll be able to stand up in this Legislature and say: "Look, we're much below that number. Here it is." So what the end figure is I'm not sure at the moment.

Our mortgages and properties that have been divested up to this point in time have sold very well in the market, and we're much below the projected losses with regards to those mortgages and

properties. So it's moved very quickly. As we move through the more difficult ones, most likely the loss will be a little more significant. One of the assets that we have at the present time in terms of mortgages is that the interest rates on some of our mortgages are at average. Some of the ones we've sold - I'm not sure of the interest rate on all of them right now; I'll have someone give you this information - were at about 10.71 percent. There were some at 8 percent in terms of some of our institutions. The mortgage market out there is that people can get mortgages at a lower interest rate, so they're paying us more for our mortgages. We're adding value because of that, and that's one of the assets that's working with us right at the present time.

MR. EWASIUK: Thank you, Mr. Chairman. Just following along those lines. Those mortgages that are out there that are in arrears - and I'm assuming there's an accumulation of interest building up and so on - we really should be acting to do something with those. My question is: why is the Alberta Housing Corporation not being more aggressive in foreclosures, perhaps, and getting these units out onto the free market and for sale?

MR. R. SPEAKER: The operation of Mortgage Properties Inc. really got its feet on the ground by the time the new board was put in place and dealt with its first application in about May of 1991. So between May, June, July, August, September, October, which is about a six-month period, we have divested ourselves of \$165 million in mortgages. In some of those we had some really tough, aggressive negotiations. The terms of reference that I've given the board and the president are that with each mortgage person you're to be fair but very firm, because we have a public responsibility in terms of the public dollar: fair but firm, and there are no privileges and no special cases for anybody. That guideline has been held in place, and we're proceeding on that basis. So it fits in with the suggestion of the hon. member, Mr. Chairman, that we should be aggressive, and I certainly am sure that the hon. member would want us to be firm with what we do in terms of our public responsibility.

MR. EWASIUK: Okay. I want to turn now to the long-term debt of the Alberta Housing Corporation relative to the Alberta heritage trust fund. I want to perhaps draw the minister's attention to the statement that was given to us several days ago where it talks about the accomplishments of MPI. At the top of the page where it says starting inventory, January 1, 1991, you list there as outstanding loan amounts the sum of \$1.1 billion and the net book value of some \$683 million. The difference there, as my calculations suggest, is about \$423 million. Then I go on to note 8 on page 7 of the financial statements where we talk about long-term debt consisting of the following, and they list debentures payable to the Alberta heritage trust fund. You mention there \$2.1 million. When I look at those figures, I see a difference of about \$1 billion dollars. So my question then is: how much is it going to cost taxpayers before the Alberta Housing and Mortgage Corporation heritage trust fund debentures are fully paid?

MR. R. SPEAKER: Mr. Chairman, in terms of reconciling those two figures, the \$2.1 billion figure in terms of debentures payable 1991 includes all of the assets of Mortgage Properties Inc. or, in turn, the Alberta Mortgage and Housing Corporation, including social housing on which we're repaying the debenture over a number of years. In the other information the \$1.1 billion is strictly the debentures with regards to mortgages only, but it isn't the whole portfolio. I believe somewhere in the information there

is a breakdown of the \$2.1 billion. If not, I will provide that for the member.

2:55

MR. EWASIUK: Thank you.  
Thank you, Mr. Chairman.

MR. CHAIRMAN: Thank you.  
The Member for Lloydminster.

MR. CHERRY: Thank you, Mr. Chairman. Good afternoon, Mr. Minister. I want to look at the Municipal Financing Corporation for a moment. Before I ask you the question, I guess I want to say, first of all, that I think it has been and continues to be a great asset to the municipalities it serves. Following the report, it says that during 1990, \$197 million was financed. Now, is there a limit on that? How does it work I guess is what I'm trying to say. Is there some top limit that is worked under? For example, if I'm a county and want to borrow X number of dollars, is it automatic or . . . How does it work?

MR. R. SPEAKER: Mr. Chairman, the amount that the corporation would lend would depend directly on the borrowing ability of the municipality. We have a formula by which we determine whether a municipality is able to borrow more or not, and if they borrow too much then they put their municipality into jeopardy. That's one thing. Secondly, that's followed up by an application that must be approved by a process that's set out in the Local Authorities Board Act. So that puts the limit on that number. As a government we do have in that sinking fund \$710 million that's available for municipalities and local authorities to use for various purposes, but we don't put a limit on it.

MR. CHERRY: There's no limit then?

MR. R. SPEAKER: No. It's the capability of the municipality.

MR. CHERRY: The other question I have, which I think I have dealt with within the constituency, is your rural and native housing. You say here that "\$15.6 million in mortgage financing was provided." I remember vividly a couple of applications that I had with the constituency that I represent and, bang, it was full; in other words, there was no money left. I guess my question to you is: are you finding a greater need now in the last two or three years and more applications coming in, and would this be looked at in your budgetary estimates? I guess that's about three questions in one.

MR. R. SPEAKER: Mr. Chairman, to the hon member. There are three different rural-and-native-type programs that we have in our department: the rural and native program; the rural home assistance program, called RHAP; and the emergency home program. We find that there is some overlap with regards to those, and I'd say we're about 80 percent through a review of those three programs. Our intent is to bring them under one program and deliver it under maybe the label of rural and native housing. That's the first thing. Secondly, rather than as much home ownership in some of those, we're looking at possibly renting them: using them as rental units more than we are creating a home ownership program. That's because of the type of personnel that usually gets involved in this program more than anything else. We find there's a need for some kind of transitional housing as such.



The other item, the rural and native housing program, is a joint program with the federal government. We signed an agreement five years ago with the federal government indicating that we would deliver so many rural and native homes, residences, in the province of Alberta. So part of our number is driven by that agreement – well, it's all driven by that agreement, and we as a province, in order to carry our part of the agreement, must put in place 25 percent of the cost of each one of the residential facilities. I would have to say that it is under review. There is some concern with regards to the program, and I'm hoping by the end of this year to have those concerns ironed out. The ability of the program to deliver the needed residences will be clear following that time.

MR. CHERRY: Mr. Chairman, my final question. Again, on page 14 you indicate:

\$2.4 million in capital financing to non-profit organizations . . . for the disabled, victims of family violence, and others with special housing needs.

The way we appear to be operating in our society today, and since you had the portfolio, has there been an increase in applications for this type of dwelling?

MR. R. SPEAKER: I can't answer that, and I'll have my staff comment on it if they have at their fingertips some significant numbers. I believe this has also happened as the Department of Municipal Affairs housing division – in terms of our social housing responsibility we have moved somewhat a little more into that area. Historically, Health and Social Services built some of these capital facilities in that area. If I think way back in terms of women's shelters and family violence, Social Services did most of the capital and operational funding or funding for rental purposes for such facilities. We felt that's an area where we have some expertise in terms of building, providing capital through long-term funding, and we're willing to do more there because we see a need. We're working in co-operation with both Health and social services with regards to any facility we build.

The persons who are encouraging us to take on special projects, especially in the two cities, are persons who are directly involved in concerns like that; for example, the inner city of Calgary and the inner city of Edmonton. We have a major committee in Calgary chaired by one of the members of the Legislature, Bonnie Laing, which is co-ordinating the needs of all of the agencies, interested and concerned persons in Calgary, to determine what type of social facility we build there, capital facility, and what type of operation funds we put in to meet that local demand. We're not deciding it as a government. It's these local people setting the priority there. In Edmonton we have a committee structured just a little differently, and it's because of the history of how it evolved. Mr. Mann is the chairman of the Edmonton co-ordinating committee, but on that committee are inner city or city agencies that work with us to try and determine the level of need in terms of shelters and family violence facilities.

That's the way we handle it, and that's how the priorities are set. Beyond that, in the other communities, such as Red Deer as we're moving persons out of the Michener Centre, we've been working with the associate minister of social services, now the minister responsible for senior citizens, to provide that necessary type of shelter. So that's how we're working it. It's community initiated as such.

3:05

MR. CHERRY: Thank you.

MR. CHAIRMAN: Thank you.

The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. I, too, welcome the minister and his six assistants. Archie probably thinks I'm following him around; we were just down in Three Hills kicking up our heels the other day.

I must say the minister looks remarkably well, Mr. Chairman. I remember the good old days when we used to ride together with Robin Hood in the Sherwood Forest, but now he's gone over and joined the sheriff of Nottingham for a warm bed every night. He doesn't look that bad really.

MRS. OSTERMAN: You should try it, Nick.

MR. R. SPEAKER: He's trying to stay around long enough so he arrives in comfort as well.

MR. TAYLOR: I wanted to go a little further along what the hon. Member for Lloydminster was touching on, the Alberta Municipal Financing Corporation and their lending processes, and tie it back to the Quantz report a bit. You recall the Quantz report. There is a recommendation there, and the minister has talked about community development bonds. Does the minister see his mandate here as Alberta Municipal Financing Corporation maybe being expanded just a bit to cover community development bonds?

MR. R. SPEAKER: Mr. Chairman, to the hon. member, the primary responsibility for the Alberta Municipal Financing Corporation is the Treasury Department, but I just make the comment because we, the Minister of Municipal Affairs and deputy, certainly are very involved in the policy delivery of this corporation.

I have had in the last six months a number of representations with regards to the community development bond, and one of the considerations was with regard to AMFC being involved. In terms of the various ways that you could work with a community bond, that's only one of the approaches. There's at least half a dozen other recommendations that I have, and at the moment what I'm doing with those recommendations is kind of trying to adjust them to what I think is something that would help local communities. Then I've got to work it through the decision-making process of cabinet committees, caucus, and eventually into the Legislature to determine the future of that concept. From all the information I have personally at this time, the concept seems to have a lot of capability at the local level.

MR. TAYLOR: In the Alberta Municipal Financing Corporation you mention it depends a lot on what financial shape the municipality is in. Then we come to the community development bond. Do you see the Alberta government and the municipalities working together on the bond concept, or would it be strictly the Alberta government?

MR. R. SPEAKER: The initiation of a community development bond – this is my personal observation and the way I see it at the moment – would be from the local level. The local community would say, "We want to have this initiative" – a new business, value added to something, improve this waste management facility – or "We'd like to add to that business." One of the facilities whereby everybody in the community could get involved is through the community bond. So they would initiate it. What I would see as the role of the provincial government – there is precedent and example in other jurisdictions – would be in the guarantee area whereby the province would have to come up with a guarantee. In Saskatchewan, as I understand it, they've gone a lot further with a guarantee than I would ever envisage. They've

not only guaranteed the principal of the investment but also certain earnings with regards to that investment. That's going a little too far, in my estimation. We'd have to downgrade that somewhat; reach some kind of a level that encourages the community bond and not discourage it would be something that to me would be acceptable.

MR. TAYLOR: You mentioned that in 1990 the corporation lent \$197 million, which was financed by drawing down sinking fund assets and by re-lending moneys; in other words, it's cycling its own money. Now, it's not going back to the Treasury for money. Do you see at all in your forecast whether this type of thing will continue? Would you like to see it expand and bring in more money from the Treasury?

MR. R. SPEAKER: I would support that the principle upon which this fund is built should continue. We shouldn't violate that because that is a fund that gives a lot of security to the municipalities. Over a period of time they're able to use it, improve their urban or rural municipality as such, then repay the money and somebody else can use it. It's always there for their use. I see a tremendous amount of merit to that.

There may be some adjustments that could occur in terms of other uses of the funds. I'm just saying that in a general sense, but when municipalities are under some financial duress and we are as a province – certain demands continue in terms of health care and education – maybe there are some additional uses of that fund that could just enhance the quality of life in terms of communities in this province. So there may be something there. In terms of the basic principle that the fund is there for long-term use and security of municipalities, it is a very good one.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Mountain View.

MR. HAWKESWORTH: Thank you, Mr. Chairman. Just before I get into my questions to the minister and his staff, we did have the Auditor General here, but we didn't have these financial statements. I'm not sure if you could tell us at this moment, but let me just mention it, and perhaps you could give it some consideration, some explanation, perhaps from the Auditor General, as to why we have the two dates on the documents that he's provided to the minister which have been provided to us. I'd like to hear what the Auditor General has to say about that, and I maybe leave it with you for the moment, not to make a decision but just to raise the possibility of either asking him to send us a letter or perhaps even come back to meet with us.

I'd like to welcome you, Mr. Minister, and your staff. I think you've given us, especially with the financial statement, some big picture here of what's going on with the portfolio, but the big picture is always made up of smaller elements or individual units and projects, so I'd like to sort of begin with a specific that might help me understand how these assets are being managed. The Highlands Centre is here in Edmonton. As I understand it, it's one of the projects that MPI has taken under its wing to potentially dispose of. I'm sure the minister or his staff could correct me if I'm wrong, but it's my understanding that that project has not been fully servicing their mortgage with AMHC for some time, yet MPI has not yet foreclosed on that property, just as an example. In his most recent annual report the Auditor General has indicated that he has recommended the implementation of "comprehensive foreclosure guidelines as soon as possible [for AMHC] to protect its mortgage portfolio." So my question to the minister to start off is: what are the foreclosure guidelines for AMHC or MPI, and

under those guidelines are projects, in particular Highlands Centre, likely to be foreclosed on?

3:15

MR. R. SPEAKER: Mr. Chairman, I'm going to ask Mr. Kent, president of Mortgage Properties Inc., to answer the details of those questions. I'd also have him comment on the July 12 date; he is more familiar with the accounting procedures. I understand that the day they took their last look at us and went out the door was July 12. Then they went to the back rooms and worked on all the material that they'd taken from us. They came back and presented us a report as of October 28. That's the difference in those two dates: one is when they leave us, and the other is when they come back and say, "Here's what we found; there's your statement." Is that correct? Maybe you could answer that and answer the other two questions as well.

MR. KENT: They always date the statements the last day they're actually at the offices of Municipal Affairs in case there's a subsequent event that they're not aware of. So that's the last date they're sort of responsible for. Then it takes a number of weeks to actually produce the audited financial statements, just to get the presentation correct and stuff. That's why there are two different dates.

On the foreclosure guidelines, the new board of MPI approved some foreclosure guidelines. Our basic premise is actually to try and avoid foreclosure if we can on the basis that it takes two to five years to get through the courts and it's extremely costly. If we can negotiate a suitable settlement, that's our preferred posture. We just recently initiated five different actions where this was not the case.

MR. HAWKESWORTH: Thank you, Mr. Chairman. One of the examples, I guess, that resulted in a negotiated settlement was West Edmonton Village, which had a \$60 million loan with AMHC. As I understand the details of that, there was a quitclaim. I stand to be corrected there if I'm not entirely correct on those details, but I understand that property is back in the hands of AMHC or MPI for a dollar consideration. So in terms of looking at the schedules in front of us, I'm trying to determine what the net book value of these various portfolios is. Looking specifically at West Edmonton Village, where is the \$60 million loan likely to be accounted for? What is the net book value for that particular property? How do you arrive at a determination of what that net book value is? Surely it's more than a dollar and less than \$60 million. How do you determine what that is, and where would I find it recorded in these schedules?

MR. KENT: The actual details of the transaction we don't comment on. The \$1 figure was merely a figure used at land titles to register a transfer of land. It actually has no bearing on what actually occurred. The village is under Real Estate, which on the balance sheet is \$176 million. Part of that pertains to West Edmonton Village. If you'll notice on the notes, we value properties at their court appraisal. In this particular case, because the deal didn't go through the courts – it was a negotiated settlement – we valued it at what we estimated the market value to have been back in February. That was our basis of evaluation.

MR. HAWKESWORTH: Okay. That's fair enough; you do an estimate. I don't know the entire steps you go through. I take it there's a fair amount of discretion that might potentially enter into that. If you sold a property in the marketplace, the marketplace would tell you what that value is. But in the absence of a sale you



can only estimate it, and of course if your estimate is unrealistic, then the net book value is unrealistic, which in turn has a direct effect on what the potential deficit is that you're carrying there. What assurances do we or the auditors or somebody outside of your organization have that these book values are realistic and not open to possible smudging in order to improve the potential of the bottom line?

MR. KENT: A significant number of our properties are actually appraised by external fee appraisals. In the question of the village, we had the financial statements of the village, so we knew how much income it generates, and you just use market cap rates. One of the sort of biggest discussions we have with the Auditor General concerns the valuation of those properties. They're scrutinized in significant detail and audited.

MR. CHAIRMAN: Thank you.  
The Member for Ponoka.

MR. JONSON: Good afternoon, Mr. Minister and your officials. Mr. Chairman, first of all, I'd like to return to the topic of native and rural housing. My first question would be to ask our guests to describe the relationship or the structure involving, as I understand it, the federal government, yourselves, and the native community in terms of delivering native housing programs.

MR. R. SPEAKER: Mr. Mann works directly with that.

MR. MANN: The structure is essentially the same with CMHC as it is for all of the subsidized, jointly funded social housing, except that in the case of the rural and native program there is a tripartite committee that is made up of members of the native community as well as CMHC and ourselves who oversee the input and the service from that program. As well, we have a number of the units that are actually contracted out to the Metis native community to develop the clientele and in essence do their front-end delivery for us. Other than that, the number of units that are allocated in that program are established on an annual basis according to the national rules and the normal process that is followed between ourselves, the federal government, and, of course, that tripartite committee.

MR. JONSON: Thank you. A supplementary question, then, Mr. Chairman. I'd like to just focus in on the native representation on the tripartite committee. I guess I could ask this from one end or the other. Is the native representation on that tripartite committee totally from the Metis Association of Alberta?

MR. MANN: Yes.

MR. JONSON: All right. Then my third question. I guess it would be my last supplementary that I can ask. From what contact I've had with their operations, I think they seem to be run very well and very effectively, but my concern would be: given that structure, how do you ensure a sort of equitable delivery of native housing to all parts of the province, particularly, if I could use an example, into Calgary?

MR. MANN: First of all, the rural and native program is not available to the city of Calgary. It's only for communities 2,500 population and less. The housing for native persons in a larger centre is either through the urban native corporation, which is a purely federal funded housing program, or through one of the other social housing programs that we deliver, such as the family

housing, nonprofit housing, lodges, self-contained for seniors, and so on. So the major direct thrust for native housing is handled between the federal government and the Metis Association in Alberta, as it is in most provinces, I believe.

MR. JONSON: Well, Mr. Chairman, I probably used the wrong example. I should have said Edson, but anyway I will talk to him later about that.

MR. CHAIRMAN: Thank you.  
The Member for Wainwright.

3:25

MR. FISCHER: Thank you, Mr. Chairman. Good afternoon to the minister and his staff. I would first like to compliment the minister on the good job that he and his department have done in the restructuring of AMHC and the disposal of the assets and mortgages. I think you've done an excellent job on that, and certainly there's been a lot of positive feedback from our rural area anyway.

I would like to refer back just a little bit to the rural and native housing program again. Maybe I'm not hearing well. I know it's been talked about quite a little bit. We have the low-income family units being constructed in our smaller villages and towns with Family and Social Services help, I believe. Could you just elaborate a little bit on how that system works? Is it a subsidized loan or is it a grant? What are we doing with that?

MR. R. SPEAKER: Mr. Chairman, could I ask Mr. Fikowski or Mr. Mann to answer that? I could give a general answer, but I know they have the specific details.

MR. FIKOWSKI: Which housing program? Which kind of housing, rural and native?

MR. R. SPEAKER: Housing grants; like the federal government and the provinces get together, 25-75.

MR. FIKOWSKI: Okay. With respect to rural and native the province provides the mortgage funding required to construct the home. The costs of that mortgage are shared, I guess, three ways: 25 percent of the resident's income is used towards mortgage payments, and the deficiency between the required mortgage payment and the payment geared to income is shared 75 percent federally, 25 percent provincially. The mortgages are typically 25-year mortgages, and the interest rate normally would be on a five-year term basis.

MR. FISCHER: Do the local communities have any input into that? Who makes those decisions that you're going to do that? You people?

MR. FIKOWSKI: Mr. Chairman, I guess it's a combination of factors. As Mr. Mann has mentioned, first of all the Metis Nation of Alberta representatives, the locals, work in the community and prequalify individuals. In many cases we work that way. In other cases families approach us directly. There hasn't perhaps been as much consultation with the municipalities in the past as we are now pursuing, and we recognize that the municipalities want to have some input and necessarily should have some input into what is happening in their community. So that is being pursued more than it has been in the past.

MR. FISCHER: Thank you very much.

MR. CHAIRMAN: Athabasca-Lac La Biche.

MR. CARDINAL: Thank you very much, Mr. Chairman. I'd like to also thank the minister and his staff for appearing today. The last two years I've heard a lot of comments about the Alberta Mortgage and Housing Corporation, and I think for the staff, some staff that are present here, in fact, that spent over 22 years with that department and many others that have spent time in that department . . . I think we tend to look at it as a bad animal at times. We don't want to forget that the Alberta Mortgage and Housing Corporation played a key role in Alberta in the last 22 years providing essential services and facilities for the growth of our province, the diversified province we have out there. They played a key role. They provided thousands of homes for seniors, native people, low-income families, and thousands of serviced lots across the province. Let's not forget that. That department played a key role. Not to say that it shouldn't be reorganized. I think the timing was right to do it, but it played a key role in the development of our province, and I commend the staff and the department that ran those various programs.

The question I have today is in relation to the reorganization of the particular department. Can the minister, in his opinion, tell me the strengths and weaknesses of AMHC's social housing portfolio since the reorganization, the restructuring, in January 1991?

MR. R. SPEAKER: Mr. Chairman, I really appreciate the question from the hon. member. I know over the years and even my term in opposition the word AMHC or the Alberta housing authority was something to be investigated and to pay attention to in that you always felt that there was something negative happening rather than positive. But there are some tremendous success stories as well with regards to it. I handed out a sheet at the opening of this session today. The \$5 billion that was the total debenture borrowings of the Alberta Mortgage and Housing Corporation over the years: we have repaid to the heritage fund just about \$3 billion of that. The interest we've paid into the Heritage Savings Trust Fund in total is \$4.3 billion. We've paid more interest back than principal. Those dollars have all gone back and been paid to the heritage fund, which in turn has gone into general revenue. Now, part of that has come from general revenue in its cycle, but it still created that kind of revenue opportunity.

The other thing, and the hon. member referred to it: our best estimate is that we put in place about a hundred thousand residential opportunities in various forms for various kinds of people through the Mortgage and Housing Corporation over the years. When we had some 30,000 people coming into Alberta per year, it met a tremendous demand, and it's an asset that's in place here in the province to serve the people for quite a number of years forward.

I think the main asset or new capability we have in terms of the Municipal Affairs housing division is that we are able to relate to other departments much quicker and deliver the service that is necessary. I think we have more of the public input in terms of establishing priorities. Co-ordination is there. I think that with the limited dollars we have, we're able to meet the most high-priority demands.

MR. CARDINAL: My supplement is on the rural and native housing program. A number of times, I believe, I've brought recommendations forward to look at — although I realize it's a joint program between the federal government and the province — possibly the restructuring of income guidelines to that particular program so that we do target the young working families that

cannot get into affordable housing right now. Could the minister advise me if there is any work going on in that particular area?

MR. R. SPEAKER: Mr. Chairman, yes, there has been a lot of work. We're about 80 percent through a review in terms of the three rural and native housing programs. What I'd want to suggest to the committee or individual members, and there seems to be quite a bit of concern with regards to the rural and native program: whenever this report is finished, I could provide a summary of that to the committee members, and if the committee would like to make a recommendation with regards to the future policy or direction of the R and N program, I'd welcome that.

MR. CARDINAL: My final supplement to the minister is in relation to more social housing. In this particular case it's the off-reserve housing program, which at one time was very active in Alberta. I'm not sure if it is in place presently. Hundreds of people signed up under Bill C-31 of the federal government to become treaty Indians, and a lot of those people live off the reserve presently. Would it be possible for this province to look at talking to the federal government about reinstating that particular program, which would assist a lot of treaty Indian people who choose to live off the reserve? At one time there was a program in place.

3:35

MR. R. SPEAKER: Mr. Chairman, certainly I think that's a good suggestion of the hon. member. During my period as a minister in the last two and a half years, I haven't had that presented to me as an objective to pursue, but we certainly will do that on the suggestion of the member.

MR. CHAIRMAN: Thank you.  
The Member for Lacombe.

MR. MOORE: Thanks, Mr. Chairman. It's a pleasure to welcome the minister and his staff here. I want to compliment them for the way they've handled the disposal of mortgages, an area a lot of people wouldn't have treaded a few years back, but you did it well. I can say the general public appreciates what you've done and how you've handled it.

However, can we get back to the senior citizen lodges? Now, we build these lodges and they operate them. Most of them operate at a deficit. Who picks up the operational deficit? Where does that come from?

MR. R. SPEAKER: Mr. Chairman, I guess in terms of all the foundations, the collection of municipalities in the foundation pick up the deficit. That's one part of it. The second part is a grant from the Department of Municipal Affairs through the Alberta Mortgage and Housing Corporation, which acts as a grant toward assistance on the operating deficit. That's an annual grant that's provided across the province. The amount of that is \$6.5 million.

MR. MOORE: Well, Mr. Chairman, I would like to know what they're doing in this area to review the deficit. Here we have our seniors leaving their own homes, coming into those lodges. Most of them are not going there by choice. It's because of a physical situation; they can't handle living in their own homes. They come there, and I would think that probably in 99 percent of the cases, from that point on they are in that type of facility. They go from a senior citizen lodge, if they can't look after their rooms and come for their meals, into nursing homes, auxiliary homes, and active treatment and spend the rest of their days in that sort of

situation. In all those situations the taxpayers of Alberta supply about 95 percent of their needs at the present moment and in the future. In fact, they provide more and more in the future as we all get older – not from choice, for they'd rather have it and pay their own way. But it's a fact that the government picks it up because it's there.

I look here at the rate we charge in our senior citizens' lodges. It's a percentage of income, I think, or whatever, but it is very low. A lot of these seniors have said to me: "I know we're operating at a deficit. I'd like to pay my way, but this is the situation I find myself in." Especially when we are providing all their needs, they have no need for additional capital. Now, the only arguments we're going to get against what I'm talking about is from the sons and daughters who see their inheritance not coming every day the mother gets her pension cheque, because she puts a little in the bank for them. However, mother is very independent. Our senior citizens like to pay their way; they don't like to think they are a burden on anyone. They are very proud people. I think we should review this entire area of rates. When we look at the deficit our municipalities are picking up and the taxpayers of Alberta through general revenue – we create these lodges, then those beneficiaries are in there. We should look at another fair adjustment in the rate charged.

MR. R. SPEAKER: Mr. Chairman, we're going to have some discussions with the Alberta homes association on that subject, and on a regular basis we do that. But we have had some representation with regards to the rate. The charge at the moment is around \$500 for the lodge. For the self-contained they pay 25 percent of their income, so that kind of regulates who goes into the self-contained. If their income's too high, they don't want to pay 25 percent of it to rent or mortgage payments.

One suggestion that has floated up through the system is that maybe we should have one or two or three different kinds of rates relative to income. As a government it would be our intent to continue to discuss with the homes association various things such as that. I've found over the years that if the association and the members buy it, it's a lot easier to implement some of those increases in terms of rent or set up some other kind of formula. But we have had this one suggestion floated by us.

MR. MOORE: Supplementary, Mr. Chairman. Back on these lodges, the Member for Three Hills was on this. As we know, basically a lot of beds in lodges are becoming nursing home beds because we have no place to move them to. By default this was created. We know that situation is there. You spoke about doing a lot of co-operation through joint kitchen facilities and all this to keep . . . But the majority of our lodges are freestanding; it's a long way for them to be joint facilities. It's all right for the new ones to do that, to tie them in together, and that's an excellent idea, but the freestanding ones and all those 25-year-old lodges – you say we're going to renovate them now and bring them up. In this renovation of those 25 years or over, is there any consideration not to bring them up to nursing home standards but to bring them in so they do a little more than just keep rooms but give more medical attention to those people? They're going to be there. We aren't going to escape that.

MR. R. SPEAKER: That debate is being carried on. The Alberta homes association's position is that lodges must be residences, but some of the boards within that association – for example, the Health Facilities Review Committee – were making some recommendations in that direction. I think some local health organizations see the need the very same way. It does vary from

one lodge to another. If a lodge is in an area where there isn't an extended care facility or a nursing home, the pressure goes down on the lodge to keep those people in the lodge for a long period of time and they need extra health care. There's no question about it.

So as we move along and observe this higher average age, as the hon. Member for Three Hills indicated, continue to grow, I see a health component being introduced slowly and steadily in a variety of lodges. I don't think we should do it in all of them, but as the board and the need demand, we should do that kind of thing. It is a sensitive issue at the present time. A lot of people are saying: "Don't change the function of the lodge. Build more health care facilities in terms of nursing home and extended care." Certainly that is a solution, but dollars to operate and build a capital facility are very short today. So we have to innovate the best we can.

MR. MOORE: Well, I'm glad to hear you're considering a health component unit in some of these lodges, because it's by default and no other way.

MR. CHAIRMAN: Thank you, hon. member.

The Member for Edmonton-Meadowlark.

MR. MITCHELL: Mr. Chairman, I'm interested in pursuing a little bit of the community bond concept. I noted the minister's statement that guaranteeing a return and guaranteeing the principal would be too much to expect and that should be diminished. To the extent that might mean guaranteeing some of the principal, I wonder whether the minister could indicate whether that would be reasonable at all. My point is, say, that some of the principal went to building a rink and five years later I'm supposed to have my money returned to me. The municipal council decides they're not going to increase taxes to put away the money to cover the rink, so five years from now there's no money. Would the province pay? How do you handle that problem?

3:45

MR. R. SPEAKER: Mr. Chairman, I think I should premise all my remarks on an assumption we're talking about that the government's going to move ahead with a community development program. So we're really discussing a policy that isn't in place at the present time. The hon. member is aware, as I have said publicly a number of times, that I'm working on the concept. If I can get enough support for it, then we'll have that type of program available.

I would see the community development bond not available for rinks or public kinds of facilities as a local development initiative, at least in its early stages. That's from my point of view. If and when a community development bond program is put in place, the object of that would be to create job opportunity and economic growth or assessment growth within a jurisdiction. That's the object. Recreational facilities or public type buildings as such are usually a drain on the public purse. I wouldn't see that as part of this concept. Certainly in some of the American states the way they build public facilities is through the bond concept, and it works very well. I would think that if this concept were accepted, we should keep to that objective of providing a facility for local people and build economic opportunity or job opportunity as such.

MR. MITCHELL: I have supplementals.

MR. CHAIRMAN: A supplementary?

MR. MITCHELL: A supplementary. Yeah, I do.

I was approached recently by a constituent who's a member of the Christian Senior Citizens Home Society or at least works with that society. They mentioned that five years ago they applied to have an expansion of the Emmanuel Home in Edmonton. I'm wondering whether that kind of expansion would be funded by Alberta Mortgage and Housing, given its mandate. If so, what happens to a project like that that it would take that long for an answer?

MR. R. SPEAKER: Mr. Chairman, certainly that would be – I've just double-checked – the type of facility we would become involved in through our programming. It's a community based and private organization as such. They would qualify. If we had the funds and could work it into a list of competitive requests, we'd be there to help.

MR. MITCHELL: Would it be possible for you to tell me at this time what exactly has occurred with that particular project? It's been five years and there hasn't been a response.

MR. R. SPEAKER: Can someone help me?

MR. CHAIRMAN: Hon. member, it's obviously not fair to ask the minister to deal with individual projects in this forum.

MR. R. SPEAKER: We will take that on as a commitment so that into next week we'll have a full answer for you. If the group would like to meet with us, we're certainly open to do that very quickly, to work with them. If there's some way we can help, we will.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Mr. Chairman, on page 14, I think it is, about halfway down the left column they mention about \$5 million was used to regenerate older lodges. That seems to be a very small amount of money. Could the minister share with us any idea what the cost of regenerating older lodges, say over the next four to five years, will be? Back when he was in Sherwood Forest a lot of these things were built, and they're now falling apart.

MR. R. SPEAKER: Mr. Chairman, it's certainly my intent to keep in the forest with the hon. member and collaborate with regards to items such as this. On average, to regenerate a lodge the figure is between \$2 million and \$2.4 million, somewhere in that vicinity. You multiply that by 70, and that's the number of dollars required. I should say 70 was the beginning number; we're in the vicinity of 63 that are not scheduled yet. So you multiply 63 times about \$2 million and that's the total cost to regenerate them all. The \$5 million certainly was a very minimal amount in that first year. We were able to learn some things about what had to be done in regeneration; we were able to learn the cost of them. So we got some experience. In this current year we were projecting to do six, and we may not be able to do all six. About \$18 million is what we'll have in the current year in terms of projects. Our intent is to start the regeneration on the next set of six.

MR. TAYLOR: Well, I'd like to thank the minister for regenerating one of them in my constituency. If I could get him to regenerate the hospital, they might even defeat me in the next election. All I need is one hospital and they could defeat me, Mr. Chairman.

The next question, though, leads to: when you're talking about regenerating the senior citizens' lodges, that more or less implies that the philosophy we followed in the past is correct and therefore all we have to do is regenerate these buildings. I have a feeling that maybe we could have saved some money in having the lodge, the nursing home, the auxiliary hospital buildings closer together, almost in the same unit, like in Hanna where you moved the partitions around. Because as the Member for Lacombe said, once you go through that first set of doors, you don't come out except feet first later on, maybe one year or maybe 20 years later. It's a very fatal type of move you make in going in there. So why aren't we all into one sort of unit? Why are we continuing to perpetuate what we were using years ago?

MR. R. SPEAKER: Mr. Chairman, I agree with the hon. member's concept. Twenty-two years ago the general public wouldn't accept that. They said, "You put me in the lodge and I end up with my feet going into the graveyard; I don't buy that." But today they do. I find a rethinking of that whole position, and I think a closer alliance of these various residence institutions is an excellent idea and it should be done that way.

I just want to mention to the hon. member, Mr. Chairman, that I felt very strongly about regenerating the lodge in Westlock. I felt that was the preliminary stage for a politician to move from politics to lodge. Then I'd do the next . . . I'm going to stay around long enough to build that hospital.

MR. CHAIRMAN: I'm sure the committee is supportive of the minister's position on that. Does the member have some other comment?

MR. TAYLOR: My last supplemental is along that line. I don't know if the minister is aware, but he's making it very difficult for life to go on in these lodges. If a couple of the opposite sex decide to move in together, the government chisels them. In other words, they don't get the money. If you can keep separate rooms, even though he might move in down the hall with the girlfriend, you qualify for about \$200 more a month than if you move in together. It seems this government is putting a premium on sin or at least a premium on trying to keep them apart, especially when they're arguing that life doesn't end anymore when we go inside those lodges. How could you justify cutting their allowance once they're married?

3:55

MR. R. SPEAKER: Mr. Chairman, I guess we have to sort of upgrade our attitude in terms of health care within the institution. Maybe we have to upgrade our attitude in terms of values. We'll consider that.

MR. CHAIRMAN: Thank you, hon. member.

The Member for Edmonton-Beverly, followed by Calgary-Mountain View. Perhaps you might like to each take a question.

MR. EWASIUKE: Thank you, Mr. Chairman. This is just a short question. In looking at the report the minister gave to us the other day, we were talking about marketing, and I see where on the question about aggressive marketing, you did make comments on it. What does surprise me, however: in the last sentence of the paragraph on marketing you talk about implementing high-profile marketing campaigns for apartment complexes – what caught my eye – as well as for the sale of prime lands in Canmore, Alberta. I'm wondering what the heritage trust fund is doing funding or

selling, whatever it is you're doing, prime land in Canmore, Alberta.

MR. R. SPEAKER: Mr. Chairman, a very good question and a concern, but it shouldn't be a concern. During the years 1975 to 1981 there was a tremendous growth pattern. There was land assembly by municipalities in co-operation with the Alberta Mortgage and Housing Corporation. The piece of property we're talking about there was one of those pieces that was purchased during that period of time. The town of Canmore has made a request to Alberta Mortgage and Housing Corporation - this is prior to the change - to (a) develop some of the lots for single residential type development. Secondly, what they've done - and this is in the process today - is request that we provide for them an area of land on which lower income housing could be developed. They're going to zone that area for lower income persons so all the housing in Canmore is not of the \$200,000, \$300,000, and higher category. There are many working people there who couldn't be housed. So we're actually taking a sort of social step with that land to provide the needs of a local municipality, Canmore in this case. It's a very positive thing we're doing, very much supported by the local people.

MR. CHAIRMAN: Okay. A very short question with a short preamble.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I take it from the earlier response you have foreclosure policies in place. I understand the need to try and avoid foreclosure. How do you determine that negotiations are not going to produce a negotiated settlement? As well, who decides that: the management, the board, or the minister?

MR. R. SPEAKER: Mr. Chairman, there are two basic principles that guide the process of the Mortgage Properties Inc. organization. The first is: as a minister, I've asked them to take the responsibility for the divestment. The second principle is that the board - and it isn't the president alone - makes the decision as to the final settlement. The board makes it together. The reason for that is that the board is made up of a cross section of very experienced persons I've asked to sit there: a man with long-term banking experience who can look at these things in a very objective way; secondly, a chartered accountant, who has also had a lot of experience in winding down not only bankruptcies but has worked in terms of the development field; a person from real estate who's very aware of land values, building values, and that abstract process by which you deal and negotiate some of these kinds of matters; then, as well, a person who's quite experienced in the law in terms of property and related matters. So the board is paramount in this decision-making.

MR. CHAIRMAN: Thank you.

Thank you, Mr. Minister. Our time has expired. We appreciate you and your department officials coming before the committee today and the information you have given to the committee. I'm confident it will be helpful to them in their deliberations to develop recommendations hopefully pertaining to the Alberta Home Mortgage Corporation.

Just by way of information, our next meeting will be on November 6 at 10 a.m. when the Hon. Fred Stewart, Minister of Technology, Research and Telecommunications, will appear before the committee, followed that afternoon by the Hon. Nancy Betkowski, Minister of Health.

The Chair recognizes the Member for Lacombe.

MR. MOORE: I move we adjourn.

MR. CHAIRMAN: All those in favour? Thank you.

[The committee adjourned at 4:01 p.m.]

