Standing Committee on the Alberta Heritage Savings Trust Fund Act

2:22 p.m.
[Chairman: Mr. Dunford]

MR. CHAIRMAN: Okay. I'll call the meeting to order. I'd like to welcome Steve West, Minister of Municipal Affairs. We're here today to discuss under the Alberta savings trust fund your responsibilities from '92-93 for Alberta Mortgage and Housing Corporation. We would provide you with some opening comments, Mr. Minister. Take whatever time you want so long as it's under 15 minutes.

DR. WEST: Thank you. Sorry for the tardiness in getting here. We had some other meetings and were delayed at council.

Today I'd like to introduce the individuals with me: Jack Davis, Deputy Minister of Municipal Affairs; Tom Forgrave, assistant deputy minister, housing and now consumer affairs division; and Bob Leitch, assistant deputy minister of finance and administration. Both of these individuals are on the board of directors of the Alberta Mortgage and Housing Corporation, which, as you know, is a unique corporation within the Department of Municipal Affairs. It doesn't stand alone outside as a Crown corporation at arm's length with a public or otherwise board or function that way.

Alberta Mortgage and Housing over the years of course has been responsible for social housing and other housing. I guess if you define social housing for those that need housing that can't necessarily afford it, that would take in one component. There is social housing, of course, that goes to seniors and into other areas that might not be defined in the connotation of social housing as such. Over the years there have been various formulas and various programs brought forward in which money was drawn down from the heritage savings trust fund and in long-term debentures; in fact, borrowed.

I think if you go back in the history of the heritage savings trust fund, one of the premises or policies that was developed was: why would you go offshore to New York or to Saudi Arabia, Bonn, or Japan and borrow dollars that you already had? Why wouldn't you lend them to programs or to Albertans and have them pay the interest back to the province of Alberta rather than us sending interest offshore? I'm sure you've heard this discussion on other things, whether it's ADC or, you know, other programs, when it got into telephone companies and what have you, that use the heritage fund to lever the debentures and then pay the heritage fund back.

Well, over the years a tremendous amount of money has been spent on Alberta Mortgage and Housing, and payments both on interest and capital at certain times have been made back to the heritage savings trust fund. At one time we had 110,000 units levered through the Alberta Mortgage and Housing Corporation. The famous CHIP and MAP of course created a devastation after 1979 to '82 when we had to write them down $882 million. Of course, we struggle today to pay back the heritage savings trust fund, because we have to include a certain percentage of that in the budget of Municipal Affairs as we sell, divest ourselves of those pieces of property and take the shortfall and pay back to the heritage savings trust fund through the general revenue fund.

This year you're aware that there's $104 million in shortfall on the sales that we will sell that has to be paid back and taken out of the general revenue fund and, of course, is part of the consolidated losses of this province and originally the $3.2 billion shortfall that we had on revenues versus expenditures. We now have approximately $1.7673940 billion in the portfolio made up of: debentures payable of $1.661389 billion, Canada Mortgage and Housing has $105 million in that, and $318 million of Canada Mortgage and Housing mortgage payable.

We have been selling off social housing. It originally started out at about $2.4 billion, and from March 31, 1991, till March 31, '93, we have sold down approximately $500 million of that. What's owing now of the 110,000 is moneys on about 40,000 units, I believe. Would that be right? About 42,000 units. I have said before in this Assembly, and many of you are aware of that, that about 23,000 of those are senior housing of various description: lodge beds of about 7,000-plus and then lodge cottages of about 1,000 -- I think it's 800 to 1,000 -- and then we have the manors and apartments and the small four-by-four complexes around the province making up another some 14,000 senior accommodations. The rest of it's in social housing, everything from rural and native houses and mobile trailers to a selection of condominiums and other type apartments and that that we still own and mortgages that we carry.

We had been working through Mortgage Properties Inc. up until a period back about eight months, I suppose it was, when we took them out. We were working to sell those off. Ray Speaker, a previous minister, had set up Mortgage Properties Inc. They had worked to start on the divestiture of I think it was about 11,000 pieces of property that were transferred to them, and mortgages. Halfway through we took out Mortgage Properties Inc. after they had done a job to divest a certain number of them and through the Auditor General's report revamped it, brought it in as Municipal Affairs Sales Ltd., put some very stringent policies around Municipal Affairs Sales Ltd. to continue the divestiture of many of the social housing complexes in CHIP and MAP and other pieces of property, right to such properties as the trailer courts in Fort McMurray and right down to vacant lots such as we see across from the Edmonton Inn here called the Kingsway property.

We were in a tremendous mode of land banking and building of an infrastructure of land and social housing back in the '70s and part of the '80s. We are now in the divestiture of that and returning these moneys to the heritage savings trust fund and paying off those shortfalls so that we can get on with the policy for the future that I believe will be accepted readily by Albertans -- because Albertans have stated that they want government's role redefined -- a policy that will follow the client with dollars rather than building bricks and mortar and owning. We don't want to create social housing in this essence: that we keep the client in the housing forever. We only want to meet the short-term needs and then ensure that that client gets back out into the real world of self-determination and personal ownership and looking after their own destination responsibly rather than having the government do that. If we're successful in turning this economy, successful in our job creation, we will never go back to a time when government stepped in as they did in the late '70s, building core housing programs and modest apartments to the tune of over a billion dollars and to the tune of a loss of $882 million to this province.

I guess I can't go back to that time and relate because I was out there paying taxes and rock and rolling in one of the best economic times in the province of Alberta, but I wonder how that decision would be made around a table today, to do such a measured response to a short-term problem in one of the highest economic times in the history of Alberta.

I guess I won't go much further. I have much more expertise here going back to those dates. Remember that I was not the minister for part of this time that you're reviewing. I do understand a big percentage of the history, but perhaps as your questions come forward, the expertise that's sitting here beside me and that has been through much of the history -- especially Mr. Forgrave has been involved and Mr. Leitch, knowing the history of Alberta Mortgage and Housing. They are really working hard with us to facilitate a new direction even though they were part of the old direction. I will leave those questions to you, and I'll step in when I can on any new policy that we have but certainly tried to have an explanation of the history and where we've come in this very large portfolio called Alberta Mortgage and Housing Corporation.

Thank you.

2:32

MR. CHAIRMAN: Thank you, Mr. Minister. The procedure that we will be operating under will be to allow a question and two supplementaries, and we will switch from opposition party to government members and back and forth.

Also, for the knowledge and information of the private members on our committee, I now have a determination that I can actually call you by your names. So if *Hansard* will go along with me on that, then we'll start to refer . . .

MR. WHITE: You did so well.

MR. CHAIRMAN: Well, I stayed up late and memorized all of those constituencies.

MR. WHITE: I was impressed.

MR. CHAIRMAN: Sine Chadi.

MR. CHADI: Thank you, Mr. Chairman. I prefer to be called Sine Chadi instead of the hon. Member for Calgary-Roper, as I was called earlier today.

I wish to welcome the hon. Minister of Municipal Affairs. I agree with your comments, and I'll look forward to seeing your thoughts transpire into reality. I like what you've said.

I have to ask you to take us back in history just a bit. I appreciate the fact that you were not the minister, and I would appreciate that if some of the questions can't be answered, perhaps we can get it at a later date. That's not a problem. To start off with AMHC and the liquidation, if you will, of nonsocial housing that commenced -- it originally commenced within AMHC, did it not? To start with, I'm curious to know what the rationale was for moving it from AMHC over to and creating MPI. What was the rationale there?

DR. WEST: Mr. Davis can answer that.

MR. DAVIS: The government essentially made a determination that in terms of their future activity within the housing area it would be directed at, quote, social housing only. Previously through AMHC the government had encouraged the development of a wide range of affordable housing that went beyond traditional social housing. Once that decision was made, the corporation was folded into the Department of Municipal Affairs, and essentially again all of the staff associated with the social housing part of AMHC were members of the Department of Municipal Affairs through the housing divisions. So really there was no AMHC with a staff associated with it at that time. That was back in the early 1990s. A number of the staff from AMHC, though, were retained to sell off the properties, and Mr. Speaker decided to create a private-sector board, Mortgage Properties Inc., to handle that disposition. The thinking at the time was that it was simply a more efficient way to dispose of properties to use private-sector people with real estate background and expertise at the board level and some of the staff that were scheduled to leave AMHC when it was amalgamated into the department to do the groundwork on the disposition. That was really the rationale for creating Mortgage Properties Inc.

MR. CHADI: So there were just a certain number of assets. Perhaps the foreclosures that took place were transferred at that point. Were the titles transferred over to MPI, or did they remain in the name of AMHC at that point?

MR. DAVIS: MPI actually legally is a wholly owned subsidiary of AMHC. The titles remained with AMHC, and MPI essentially functioned as a sales agent in much the same way that MASL, Municipal Affairs Sales Ltd., does now with the exception, as the minister mentioned, that there is no board. There is a sales and approval committee and very stringent guidelines on sales criteria.

MR. CHADI: Of course, I'll carry it a step further. What would have been the rationale, then, of taking it away from MPI after a number of months and then moving it over to Municipal Affairs Sales?

MR. DAVIS: Well, the difficulty I think was noted through the Auditor General's report. It simply was becoming more and more difficult to manage MPI according to normal private-sector guidelines with the kind of scrutiny that the Auditor General was applying to that type of operation. We realized that it probably wasn't appropriate to have essentially a private-sector company doing it. We had to bring it back closer to government and operate it more as you would a government operation.

DR. WEST: A supplement to that is that as it got more difficult to dispose of some of the more difficult pieces of property, the efficiency of MPI was not as good. Brought in-house with the changes in policy, efficiency is one of the prime things. If you could see now that a company that literally had -- I think there were about 60 working there at one time?

MR. LEITCH: Yes.

DR. WEST: How many have you got working now?

MR. LEITCH: Thirteen.

DR. WEST: Thirteen, doing the same workouts.

MR. CHAIRMAN: Thank you.

Denis Herard.

MR. HERARD: Thank you, Mr. Chairman. Mr. Minister, what inventory of assets still remains in AMHC, and what's the current book value?

MR. LEITCH: Well, if I may, Mr. Chairman, just very briefly, in terms of the nonsocial housing assets the net book value remaining is $426 million worth.

MR. HERARD: What types of assets are these? Nonsocial housing?

MR. LEITCH: Those are nonsocial housing assets: mortgages, land, and real estate. Mortgages, the remaining net book value there is $224 million; land, approximately $80 million; and real estate, which is single-family dwellings and multi-unit projects, is about $122 million.

2:42

MR. HERARD: Do we have any idea of what we could reasonably expect to realize on the sale of these assets?

MR. LEITCH: Well, the net book value that we show is expected to be very close to the realizable value. We update those figures on an annual basis based on changing market conditions, and our expectation is that we will get very close to that or perhaps a bit in excess of the net book value.

DR. WEST: If I could clarify? Let's just clarify the assets still remaining so that you can get a familiar feeling. A hundred and twenty-five mortgages are relating to 6,972 multifamily units. There are 11 foreclosed mortgages relating to 1,501 multifamily units. There are 725 single-family units. Those could be three- or four-bedroom condominiums. There are 1,257 mobile home park stalls in Fort McMurray. There are 201 industrial, commercial, and church sites in Fort McMurray, and there are 2,148 lots plus 3,283 acres in land. Those lots will be spread throughout the whole province depending on the community, the city. The acres of land may be everything from those that are held in downtown Edmonton -- as I said, the Kingsway property at 14 acres -- to some subdivisions and industrial parks that may still be in our ownership. So that gives you the net book value of $426.4 million. That was what you asked?

MR. CHAIRMAN: Okay. Thank you.
Lance White.

MR. WHITE: I think they're still on the supplementary.

MR. CHAIRMAN: Well, I counted two, but maybe one was just a clarification. Go ahead.

MR. HERARD: No, that's okay. In terms of a time frame for disposing of these assets, what can we reasonably expect there as well in terms of how long it will take, do you think, to get rid of it all?

MR. LEITCH: Mr. Chairman, our expectation is that they'll be essentially all disposed of by the end of the '94-95 fiscal year, March 31 of '95.

MR. CHAIRMAN: Thank you.
Now Lance White.

MR. WHITE: Some time ago, Mr. Minister, there was a test put on by the federal government. It was called granny suites, a suite that is a temporary structure on a host property meant to be put in conjunction with a family unit that did not have the physical room to house a senior that was in need of housing, minor assistance now and again delivered by the family, yet would not be a burden on the rest of society insofar as housing in one of your other units. I gather that test has been completed some time ago. Now that times have changed and there's a new mode certainly in the department to move back from social housing and more into a co-operative effort with other members of society, have you revisited that proposal of the federal government?

DR. WEST: We had a project of granny suite development on a pilot project basis. It turned out that the structures that we used were very expensive. The demand for them was minimal. One other type of problem that we ran into was zoning. You have to understand that the granny suite said that they would put a portable living accommodation on a lot, whether it be rural or not, and that you would keep one of your seniors or loved ones in that suite. When they died or that sort of thing or when they had to move on to another type of accommodation, then essentially you would move that granny suite off to accommodate somebody else. The standards and costs of those granny suites we found exorbitant, and we had zoning problems. I can remember -- I think it was in Stony Plain -- we had to pass orders in council to allow the municipality to bypass part of their zoning in order to accommodate the structure, having two living accommodations on one lot. Of course, you can see that if there was a preponderance of these tying into sewerage systems and certain other services and that sort of thing, there would be concern by some municipalities as to the level of those.

If zoning was there -- and we leave that zoning to the municipal level and to those planning in the regions -- the option is still there for the private sector. I talked to somebody the other day that said they could produce these -- and I looked at very unique housing at half our cost -- at a cost that they could see, if they were committed to a 10-year program, of about $500 a month. I found it an exceptional concept. The private sector can do that. There's nothing stopping it, but they have to go through the zoning. I know the person asking the question was an alderperson, and you'd know the complications of this.

MR. CHAIRMAN: Well, about the complications, just for the benefit of the chair, your question and your response, though: does that come under the heritage savings trust fund?

MR. DAVIS: Again, a number of the programs that are sponsored by the Canada Mortgage and Housing Corporation are funded 70 percent by CMHC and 30 percent by AMHC. What we've done in the past is borrow from the heritage trust fund the full amount and then the repayments back are split 70-30.

MR. CHAIRMAN: All right; it's my intention to be as fair as possible, to allow as much latitude as possible. The whole Municipal Affairs department is not open to us today, it's simply the . . .

DR. WEST: That pilot project was funded by the heritage saving trust fund.

MR. CHAIRMAN: I'll just take the guidance from your answers. If you're going to answer it, I'll just assume, then, that it's part of our hearings today.
Excuse me. Go ahead, Lance.

MR. WHITE: First a correction. There's no such thing as an “alderperson.” There is none. The term is generic, actually. It's like a councillor.

DR. WEST: How would you say it, then?

MR. WHITE: Alderman.

DR. WEST: Oh, dear; so politically insensitive.

MR. WHITE: If you ask the female members of Edmonton city council, they'll tell you that also. Just to save some embarrassments.

Further to the innovative housing that AMHC has been involved in for years and years and years and years, there has recently been toning down of that, at least from observations from the outside. Is that true, and, if so, why is that? If it is not the case, then could you outline what the department is looking for in providing the housing to the members of our society that need it, without dipping heavily into the pocket that you were talking about earlier?

DR. WEST: A clarification of “toning down”?

MR. WHITE: I haven't seen any pilots or any discussion of late -- this member hasn't anyway -- of innovative housing forms or innovative financing for these units.

DR. WEST: We spend I think about $104 million a year in the ongoing budget, and there has been in this budget year that we're talking about -- I don't know how much that is -- to follow clients for rental assistance and housing assistance. Just recently at this year's estimates of Municipal Affairs we did announce 10 projects where we're going into areas on a 70-30 cost-sharing with the federal government. One was the Women's Shelter in Edmonton, and another was the autistic society in Calgary. Some were for the disabled, setting up fourplexes, various single parent hostel-type accommodations. We did about 10 unique for nonprofit organizations where we're funding up front the capital and then later would bring back the debenturable interest rates on a 70-30 split. We did put on hold the capital construction in lodges and some of the other areas. We are still funding through the department, as I say, $104 million in following clients. We did start the special housing projects because as of December 31 the federal government is no longer funding 70-30 debentures. We will wait to see what the federal government is going to do in housing, because they are now out of housing at that level but still send out their $2 billion a year in keeping their portion of the 70 percent of the debentures that are out there already.

So toning down: no. We still are following many clients that have need-base in our social services component that follows them, for their needs are still there in a massive way, probably at the $900 million level a year. But the actual capital construction: you're correct, because we're looking at getting out of bricks and mortar.

MR. WHITE: A second supplementary, Mr. Chairman. Is it just my perception that the direction that you're heading with the bricks and mortar that you still are doing is financing women's shelters and the like?

DR. WEST: We had about 15 to 20 projects deemed necessary through various housing authorities, the Edmonton Housing Authority and Calgary Housing Authority. They had made these recommendations over the last five years on special programs. The federal government was exiting this year, and that money was available. They said we would lose that, so we took that up so we wouldn't lose it, and those projects will be finished. It brings out the priorities in those programs. Where we're going in the future will be seen through the private sector and through client-based funding.

MR. CHAIRMAN: Thank you.
Ed Stelmach.

MR. STELMACH: Thank you, Mr. Chairman. Mr. Minister, you might have answered in part some of the questions earlier. We are disposing of properties right now that aren't really required for social housing, according to the annual report as of March 31 approximately $388 million. Given the fact that we have the surplus housing, that we're disposing of it, can you tell us why we're spending a further $36 million for new social housing in '92-93?

DR. WEST: Yes. Mr. Forgrave will answer that for that year, '92. I guess I'm jumping over into the '93-94 year in some of my comments, and I apologize for that. Some of the figures I'm giving are a year ahead. So I guess I should let my mind go over to Mr. Forgrave who can put it back in gear for '92-93.

2:52

MR. FORGRAVE: Mr. Chairman, the property that's being disposed of is property that is not suitable for social housing. The housing units that are being disposed of are largely units that were foreclosed on under the CHIP or MAP program, and their standards are far in excess of what normally would be expected in social housing projects in terms of size and so on. They're not suitable. The kinds of projects that are being undertaken right at the moment are for people with special needs who can't just move into a normal housing unit. They may be disabled in terms of needing wheelchair access units and other special facilities in the housing project in order to serve their ongoing needs as well as just put a roof over their head.

MR. STELMACH: Would the women's shelters that were referred to earlier be part of that social housing? Is it the intent to build more shelters in the future?

MR. FORGRAVE: As the minister said earlier, the federal special purpose housing program comes to an end on December 31, and we wanted to make sure that we'd used up all of the Alberta allocation under that program. So that's why all of the projects this year are special purpose programs. What happens in the future remains to be determined.

MR. STELMACH: Thank you.

MR. CHAIRMAN: Thank you.
Don Massey.

DR. MASSEY: Thank you, Mr. Chairman. May I ask how Municipal Affairs Sales Ltd. differs from Mortgage Properties Inc., specifically with respect to conflict of interest and related party transactions, the selection of consultants and the selection of personnel? These were the items identified by the Auditor General. How do those two differ now?

MR. DAVIS: Under Mortgage Properties Inc. there was, as I indicated, a board of private-sector individuals that were managing the company much like you'd manage a private-sector company. They used conflict of interest and procurement policies that a private company would use. When Mortgage Properties Inc. was wound down and Municipal Affairs Sales established in its place, the procurement and conflict of interest policies that were applied were the same as government's. So they're more stringent with respect to open tendering, competitive processes, declaring not only your own potential conflict of interest but those of spouses and minor children and those types of things. So we essentially brought it into the government processes and regulations around those issues and away from how the private sector would normally handle them.

DR. MASSEY: How was Municipal Affairs Sales organized then?

MR. DAVIS: Municipal Affairs Sales reports through me to the minister on its day-to-day administration. The decisions with respect to sales transactions that are accepted or rejected: there's a fairly detailed policy on that. There's some delegation to the director of Municipal Affairs Sales if sales are within appraised value and under a certain level. Otherwise, the decisions are made by a sales and approvals committee which involves individuals from Municipal

Affairs Sales, from the department, and from the department of Treasury.

DR. MASSEY: Are outside consultants still used?

MR. DAVIS: Outside consultants are used from time to time in the sales area. Also we have some buildings that require structural improvements before they can be sold, and we do use outside consulting expertise there. The procurement of those consultants is done through the normal government procedures.

MR. CHAIRMAN: Thank you.
Heather Forsyth.

MRS. FORSYTH: Mr. Minister, one of the recommendations arising from last year's review of the heritage savings trust fund was for the department to encourage more private-sector involvement in meeting the social housing needs of Albertans. In the Provincial Treasurer's response it was stated that the role of your department will shift from direct delivery of housing towards an advisory or a consulting role. Can you inform this committee as to what actions have been taken towards achieving this direction?

DR. WEST: We have set up a review of all the housing, whether it be from the lodge foundations and working with ASCHA or whether it be right through to working with the housing authorities in the priorities they give to certain types of construction. We're in a formulation, I guess, when the questions were asked about this, and we move forward now to the '93-94 year away from '92-93. The development of the policy that I explained here just recently as to following clients and to getting out of the bricks and mortar, if you like those terminologies, is moving forward. I think that over a two-year period from '92-93, '93-94 and entering '95 you will see the development of a policy on social programs that indeed is more responsive to what was asked by the Alberta heritage savings trust fund committee. They no doubt were concerned, I believe, by the question that the large expenditures and drawdown of capital from the heritage savings trust fund couldn't go on forever and that the balanced books of any one year and the drawdown of losses that were incurred by Alberta Mortgage and Housing could not be accepted. Therefore, our programs in the future, as I said, will work with the organizations, the foundations for lodges, with the housing authorities and those social services committees that are out there in looking at the needs of certain clients and then following them to the best of our ability with dollars.

MRS. FORSYTH: I just wanted to elaborate a little more on what Ed was saying. One of the answers you gave was that you had these houses that weren't really good enough for social housing because they were bigger, from what I understood you to say. One of the things that I've seen be successful in the past is taking these larger accommodations and making them into sort of where the bedrooms are little suites. When people are in crisis in the city, have you considered doing something like that for, say, a smaller women's shelter or something like a Ronald McDonald House? I mean, if we own the homes, it's amazing what can be raised to do the work inside if they have the structure.

MR. DAVIS: When Mr. Forgrave was saying that a lot of the accommodation was too large for normal social housing, I think a lot of it is condominiums and apartments, where we're talking about three-bedroom apartments or three-bedroom condos when people would only normally be eligible for two bedrooms. What we have done, though, is sell off a lot of buildings that are not entirely suitable at present for social housing. That doesn't mean that we can't put clients back into portions of those buildings through the rent supplement program, and that's often done.

At times renovating buildings is as expensive as building new ones, and we've been successful over the last few years with the special purpose program. We need to see where it's going now in terms of putting those kinds of facilities in place so they're structurally sound and will be there for a long time. We're having a bit of a struggle in Calgary right now with the York Hotel project in terms of renovating it and the costs associated with that, so we're a little bit hesitant on the renovation side of it. We have very few houses. Most of it is apartments and condos.

MRS. FORSYTH: I understood it to be bigger houses. Thank you. That's it.

MR. CHAIRMAN: Sine.

MR. CHADI: Thank you, Mr. Chairman. Mr. Minister, I would like just a bit of clarification with respect to notes made on page 28, the financial summary of the annual report, and that is with respect to cost of the debentures of the Alberta Mortgage and Housing Corporation, the total amount being $1.661 billion. Am I correct in saying that the $426 million in net book value of the assets that remain is what we have against the $1.6 billion today?

[Mr. Herard in the Chair]

MR. DAVIS: Bob, I may ask you to jump in. Essentially we've separated the portfolio into two components: those social housing assets that we're going to retain -- and those are debentures against lodges, seniors' self-contained, and other social housing projects -- and then those borrowings against assets which we're selling. I believe that refers to the group that we're selling. Bob, I'll have you clarify that.

3:02

MR. LEITCH: The assets that we're selling off -- I mentioned a net book value figure of $426 million. We have debentures against that of about $650 million.

MR. CHADI: It appears there would be a deficit of about a billion dollars there.

MR. LEITCH: No. In other words, we will sell off assets and receive revenues of approximately $426 million. We will have to pay back debentures of approximately $640 million dollars.

MR. CHADI: I see. Then what is the total cumulative amount of all the assets to date? Give me the current net book value of those assets without separating them.

MR. LEITCH: Now, over and above the nonsocial housing assets then we have all the social housing assets, and those are the lodges, the senior citizens' and the community facilities. Those are worth approximately $1.1 billion.

MR. CHADI: So this figure of $1.66 billion is an accurate reflection of the inventory of property: nonsocial and land and mortgages, et cetera, et cetera?

DR. WEST: The $1.7 billion is the total. The one that's outstanding is about $1 billion and $66 million that's outstanding in lodges and seniors' apartments and that sort of thing. The other is with certain housing programs that we have still in mortgages and loan receivables and real estate. That makes up the balance to $1.7 billion.

MS HALEY: My question is with regard to trailers that were being used a number of years ago for Alberta Mortgage and Housing. The question is this: do you still have a large inventory of that type of dwelling, the actual mobile home, in your inventory to be sold?

[Mr. Dunford in the Chair]

MR. FORGRAVE: Yes, we do still have a large inventory under the rural emergency home program. It's not really correct to say that they are to be sold. They're under continuing use, mostly in northern Alberta.

MS HALEY: The reason I raise it is because I understand that after a period of time you can't insure some of these mobile dwellings. It becomes more difficult for mortgage insurance or anything else if anybody wanted to take them over. I just wondered if you were coming up against a wall on them where you would not be able to sell them but could only use them for rental.

MR. FORGRAVE: Normally those units would be sold under a purchase option under the program itself so that the person would be paying the government back. They wouldn't be borrowing from a private financial institution. So in that case the insurance is not an issue.

MS HALEY: Okay. Thank you. There's no supplemental on that.

MR. CHAIRMAN: Thank you.
Mr. White.

MR. WHITE: Mr. Minister, the partnership between the department and a number of municipalities in the provision of lodge housing and the like: I understand there's a bit of problem in the financing of it in that the capital fund is originally provided by the department for the municipality to get into the business of managing lodges and that the operating funds come from the municipality. The difficulty that these lodges are now having in the managing of them, as I understand it, is the maintenance fund. Is that an operating fund or is it a capital fund? It's been let go long enough now that we're finding there's a number of decisions that are being made that it's sort of the good money after bad: it's replacing a roof on a structure that in fact should be demolished. There seems to be this ongoing problem of a maintenance and/or replacement program and the definition of that and then deciding who in fact should pay for it. It's been falling through the cracks. Can you comment on that perhaps?

MR. FORGRAVE: Mr. Chairman, this falls under two parts of the lodge program: ongoing maintenance and improvement of the building. M and I is carried forward in the normal budget, and I don't think that is a problem.

The other part of it, though, known as lodge regeneration, where there is a major overhaul, almost a rebuilding of the building, usually expansion of the room sizes: a lot of criticism about some of the standards that have been used in developing the regenerated lodges, that there could have been a more efficient use of the money. In the past year the proposal that was being advanced was for a much-reduced lodge program in terms of expenditure per unit, so that it could be extended to a greatly increased number of lodges, but because of the budget decision not to spend any money on that capital work this year, there isn't any being undertaken. Future budget decisions remain to be made.

MR. DAVIS: The other thing I could mention there, Tom, is that we are looking at a process that would allow for the establishment of reserve funds that we want to talk further with the Alberta senior citizens housing association on. That's been a problem in the past: to carry on maintenance and budget for it on an ongoing basis. So that is under consideration as well.

MR. WHITE: It's my understanding that hitherto they weren't allowed to keep any in the budget, which made it doubly difficult to provide this maintenance.

MR. DAVIS: The maintenance is cost shared, by the way, between ourselves and the municipality. It's not fully their responsibility. It's cost shared roughly 50-50.

MR. WHITE: That's good to know.

In the same general area of housing there is a concern, not so much with the management of the lodges but with the users of the service. They're getting to the point of their lives where there's a continually escalating need for more medical service. We're getting the blurring of the line between housing to medical treatment, and that which is in between is sort of this lodge. The lodge is becoming more and more and more a place of a little more caring, a little more deliverance of medical service, not through the lodge proper but through home care. When home care hiccups or has a deficit budget or something, the reverberations through the lodges is something fierce. There's this instant fear. Is there anything that your department can do with the deliverance of the health care budget so that this is smoothed out such that there would be a little more co-ordination of health care delivery in your lodges? Is it possible, or is it being worked on? What's the status out there?

DR. WEST: This is an excellent question or thought process. Indeed it's at the heart of the problem we've had with lodges as they've evolved from 1959 to 1993. They were built in '59 for upwardly mobile 65-year-old seniors that had a car out in the parking lot. They needed a place to put their suitcase, and they were going to spend all kinds of time traveling and coming back in full health. Now the age entering them and the average age of some of them is 85-plus. Our legislation and the way we've set it up, housing here and health care here, almost precludes any crossing of those two in assisted living outside of the darting in and out of home care. We are working with the Department of Health, and we've had meetings so far. We're going to work on this concept of assisted living, so that certain dollars and certain programs can follow the client even within those housing organizations without, I guess, putting at jeopardy the lodge program. We also want to look in the spring, and we'll be bringing forth legislation that will address those legal ramifications that address foundations and that at the present time if they assist in giving pills or giving certain levels of health care to them. I think our legislation and some of the pilot projects that we're working on with health within lodges will find an answer for the question you're probing at, because it's true that we have many lodge beds in certain areas that aren't fully utilized because they really can't function completely as a lodge. They need some assisted living.

3:12

MR. WHITE: The last supplementary. I'm very familiar with what happens in this city in the deliverance of long-term care in the hospital end and in the lodge through your program, an outfit called the Greater Edmonton Foundation. They overlap, and they're very familiar with each other's operation, but they continually run into the same problems with each individual line of deliverance of cold, hard cash to further their programs. So they overlap, but they keep having to pull back. Now, I've heard this minister say many, many, many times the words, I think he calls it “collapsing the structure,” getting the needs and getting the administrative level the minimum. Now, I don't suggest it lightly, but is it possible in your works that you were just speaking of to speak to the Minister of Health, bring together perhaps only a minimum of four people, the two ministers and the two senior administrators of the Greater Edmonton Foundation and what used to be called district 24 long-term care -- it's called Capital Care Group now -- to see what can be done in the deliverance of service at least in a pilot project close at hand so that all the ministers could be able to see it in operation within a short drive of the ministry. Is that possible?

DR. WEST: Well, I can't go to a specific commitment here today as we discuss this. We have been at this about five months. I mean, you know that, because you say you've heard me say it many times. We've moved a tremendous amount in five months, and over the next many years you'll be the part to question and to bring forth those recommendations. I don't find any problem with what you just said as far as getting together and that. We are going to work when the roundtables are through, and we do have people out at the present time going from housing authority regions and brainstorming on how we can consolidate and amalgamate the housing authorities and work with the foundations and other types of housing in an area to cut down the administration overlap. I would say that within the next six months we're going to see a tremendous change in not only administration attitudes but in the ability of our departments to work with the Greater Edmonton Foundation and others to see what you're actually pinpointing.

Your questions are bang on on the future. They have to come. We have to work with more flexibility. If you want to call them pilot projects or whatever -- we've got three we're going to move in shortly -- I think the end result has to be a real examination of the turf or of the overlap and to serve the clients. You must put the consumer at the front of all this. You can't put housing, you can't put health, you can't put social services as individual stand-alones. You must put the client, who is an Albertan who has a need for certain services, out front. Because of policy you can't bridge them from other services; you can't keep them out. Therefore, you have to have the flexibility. We've always defended housing. The lodge foundations have said, “Don't touch the health care and the housing.” That has to be broken down, and that's coming. I see tremendous movements at the roundtables in health. At our first foray of meetings that housing is having, going out and talking about amalgamating the 430 housing authorities, we'll get to those communications with the Greater Edmonton Foundation.

MR. CHAIRMAN: Thank you.
Victor Doerksen.

MR. DOERKSEN: Thank you, Mr. Chairman. I'm still on the clarification point. I'm going to tell you what I think it is, and you correct me if I'm wrong. The assets that show up on the Alberta heritage savings trust fund are only the debentures, not bricks and mortar -- is that correct? -- and those debentures are used, then, to finance the bricks and mortar which appear as assets on a different set of books.

MR. LEITCH: Yeah. The Alberta Mortgage and Housing Corporation books.

MR. DOERKSEN: Okay. So then the valuation on page 25 of the Alberta heritage savings trust fund that shows the book value of AMHC debentures of $1.6 billion and a market value of $1.9 billion is not related then to the actual market value of the bricks and mortar but to the premium that would be charged if you sold the debentures on the open market?

MR. LEITCH: That's correct, and they're premium obviously because interest rates have dropped as opposed to the rates that currently exist on the debentures.

MR. DOERKSEN: Okay. So the $1.9 billion market value has absolutely no relation to the value of the bricks and mortar.

MR. LEITCH: That's correct.

MR. DOERKSEN: Okay. So all these questions should be asked to the department not to the Alberta heritage savings trust fund.

DR. WEST: We had estimates.

MR. CHAIRMAN: Okay. Thank you.
Don Massey.

DR. MASSEY: Thank you, Mr. Chairman. Could I ask: did Municipal Affairs Sales Ltd. put out mortgage packages for sale? Is that how they operate, as did MPI?

DR. WEST: Correct.

DR. MASSEY: Does the government guarantee any of those mortgages?

DR. WEST: There are a variety of workout packages, and some of those, yes, are guaranteed as we move them out to the private sector. I don't know what the percentage is.
Mr. Leitch.

MR. LEITCH: On the mortgages moved out up till March 31 the total net book value of the mortgages sold was $961 million, and on that total the original guarantees provided were $743 million.

DR. MASSEY: So the liability is still there for a large portion of those sales?

MR. DAVIS: On a lot of those guarantees there are accelerated fall-away provisions depending on the value of the asset and what kind of return the property is generating and whether the asset sold. So some of these guarantees decline fairly quickly. What we try to do is get the minimum guarantee that we can on each mortgage. You have to appreciate that we're a hundred percent liable for the mortgage if we hold it. When we sell it to the private sector, you know, we try to move back from the guarantee both in terms of the value and also in terms of the length of time that the guarantee is going to apply.

DR. MASSEY: Thanks, Mr. Chairman.

MR. SOHAL: My question is the same one as Mr. White's question. The heritage trust fund's money spent on social housing: is there any way of knowing how much is spent on social welfare and how much is invested for profit?

DR. WEST: I don't quite understand your question, but the essence of it as we look back in the history of all the social housing -- I'll say this, but it won't answer your question directly. Because of the shortfall on all of these properties, there was not very much profit. It was just loss.

MR. SOHAL: So we're doing the Ministry of Family and Social Services' bidding there. We're helping there indirectly, are we?

DR. WEST: No. This budget doesn't cross over onto their budget.

MR. SOHAL: What I'm saying is that you are not providing that social housing for the needy people, so the ministry of Family and Social Services would be doing that.

DR. WEST: That's correct to a degree. The challenge that we have -- and again this is a bit of ideology coming up -- is to sort out and define need and to find some way of putting some sunsets on people to get them back into the world of self-determination and serve themselves. Our policies in the past -- and I can state it here that that was then and this is now -- weren't always based on need. As people progressed during those high-financed years, they could prove need on entrance but stayed in many of our housing units after they could well afford to get out on their own.

3:22

MR. SOHAL: Thank you.

DR. WEST: I see some smiles over there. I think there was agreement to some of that.

MR. CHAIRMAN: Thank you.
Sine.

MR. CHADI: Thank you, Mr. Chairman. I'm going to go back to MPI and some of the perceived problems that MPI had, and I just want some clarification as to what has transpired there. MPI, of course, was created back in the first part of January 1991, and its mandate was to liquidate the nonsocial housing component of Alberta Mortgage and Housing Corporation. The president at the time, a fellow by the name of Stephen Kent, wrote to the then minister Dick Fowler with allegations of conflict of interest on the board of directors of MPI. My question to the Minister of Municipal Affairs is: since the Auditor General had an investigation into this matter, is it not possible, then, to table the report that the Auditor General had prepared on MPI?

DR. WEST: Those have been tabled. The Auditor General brought forth his results of that, and they have been tabled.

MR. CHADI: I have not seen a report, Mr. Chairman, and if there was indeed one, was the demise of MPI, then, as a result of the alleged allegations of conflict of interest?

DR. WEST: No. The Auditor General reviewed various allegations and what have you and came back with a report that suggested that there were many procedures and that that should be looked at for auditing purposes and for clarity purposes, that should be updated, but at the time in looking at the general application could find no malice or any other type of implications that were made by the innuendos. The Auditor General clarified that emphatically but did state that many of the procedures as it went to letting out contracts and consulting -- you've brought those questions up before -- could be tightened up.

At that point in time, because of the arm's-length nature in a public board and the awkwardness that MPI found itself in in trying to function as a private real estate agency versus what government has to do in auditing purposes and letting out contracts, it found itself in an awkward position as it came to the clarity of the Auditor General's report. Therefore, we created Municipal Affairs Sales Ltd., brought it in-house, and sent a full, detailed update in policy to the Auditor General and actually implemented every one of his recommendations and almost doubled them in its tightness as far as our policy. The Auditor General has reviewed that since and found our operation to be well within the guidelines of any accounting principle as a government runs its books.

MR. CHAIRMAN: A second?

MR. CHADI: Yes. Is there currently any work being done by the Ethics Commissioner with respect to these allegations of conflict of interest on MPI? As you know, we've all met with the Ethics Commissioner over the past couple of months, and discussions did take place between myself and the Ethics Commissioner. I'm just wondering whether or not you are aware of any investigations being now made by the Ethics Commissioner.

DR. WEST: No. The Auditor General did a full investigation and reported it to this Assembly and to the people of Alberta. The Auditor General has dealt with this.

MR. CHAIRMAN: Okay. Before we continue with questions, we have some visitors in our gallery that we'd like to acknowledge. I want to say that you're observing hearings of the standing committee of the heritage savings trust fund. As such, we're a little more informal, as you might appreciate, than if we were here in session under the guidance of the Speaker. The private members are sitting to my right and are representatives of both of the parties. I don't know if you have your little maps with you, but if so, they are not necessarily sitting in their own seat, so you'll have to look at their wonderful countenances on the other side of that sheet. Then of course to my left this afternoon we are asking questions of the Minister of Municipal Affairs, Dr. Steven West, and he has staff members here as well. You're certainly welcome to stay with us as long as you can.
Okay. Bonnie Laing.

MRS. LAING: Thank you, Mr. Chairman. Mr. Minister, on page 15 it mentions that $11.2 million came from private-sector lenders for nonprofit groups. Was any of this used for seniors' lodges or apartments?

MR. FORGRAVE: Mr. Chairman, the answer is no. Nonprofit groups who develop special purpose housing projects borrow the money themselves from a private-sector lender, and then CMHC and the province subsidize the interest on the borrow.

MRS. LAING: Are there any steps being looked at to encourage more private-sector lending to seniors' projects, or is it too risky?

DR. WEST: Well, by all means we're working, as we say, to encourage the private sector or nonprofit organizations to get into the building of these. What I'm hearing is that now that we're into our three-year plans and they're seeing the government back out of its role, the private sector and many proposals are starting to come forward. We're starting to see many of them interested, nonprofit organizations or private-sector people who can see their way to building apartments and seniors' apartments, assisted living complexes that will really accommodate seniors, and innovative new ways of transferring their ability to pay for them or to rent them and buy-backs and all types of things. We're encouraging that.

We have the land bases, these mortgages, and if there are people that want to look at it -- like the Kerby Centre. I'm going down tomorrow to Calgary to give them an extended option on a piece of property till they see if they can put together a large 70 to 100 apartment-type complex with some innovative new ways to assist seniors. That I'm very encouraged by. They're not asking for any government assistance on that except the option on certain pieces of land that we had that are very appropriate to seniors' needs. As we go forward, we're going to see some tremendous innovative private-sector or nonprofit organizations, church groups, and other extended organizations develop great housing and flexible housing for the needs of various citizens in the province of Alberta.

MRS. LAING: Thank you.

MR. WHITE: It's appropriate that the questions I have fall from that. From observation, particularly in this city, I've seen a number of old-style units: a substantive piece of property with a fourplex at grade with lots of land around it. They're very energy inefficient. The replacement that I've seen over the years on these properties is beyond what the private sector would reasonably wish to put into these properties. On one hand there's the difficulty of the seniors' housing and not wanting to disrupt their life-style, because their life may not be all that long in any event, not wanting to put too hard an edge on it, and balancing that with this large piece of property. The owner, which happens to be the Greater Edmonton Foundation in this case, is really land rich but terribly building poor. To the minister: would Alberta Mortgage and Housing Corporation consider a proposition from the private sector that would end up owning the property and all of the buildings on the site and guaranteeing a fixed rate of return on the units as they rent them back to those needy seniors? Would you consider that proposition?

3:32

DR. WEST: At the present time, until we had a lot more discussion, the answer to you would likely be no. If you understood, in the city -- and you do understand the CHIP and MAP programs. That wasn't senior housing, but that was other types of modest apartments or low-income housing. That's exactly what we did. We guaranteed mortgages to their income and ended up eating close to $800 million worth of property to the private sector. What happens is that as long as your cash flow on rents is good and the mortgages can be sustained, those types of arrangements seem to go on quite nicely, but as soon as the cash flow falls short of rental -- say there's a huge vacancy rate -- and the private sector can't service this mortgage and the occupancy can't even service the debt and you get a downswing in interest rates or whatever it is, the private sector turns around and says, “Here's your property.” At that point in time we own bricks and mortar to the tune of what you are addressing in the heritage savings fund right now. So what you're asking is to revisit a program of loan guarantees or a cash flow guarantee. At the present time this government and other governments are re-evaluating loan guarantees and tying ourselves into long-term commitments to bricks and mortar on recovery back.

MR. WHITE: I think perhaps you misunderstood a little bit there what I was saying. The essence of this would be that the province and/or the Greater Edmonton Foundation get out of the business of owning the property. They in fact sell the property lock, stock, and barrel the way it is now, presently, with a completed design. The new owner then guarantees on a long term at least part of the units at a fixed rate of return to them, so what happens in effect is that you've traded the property for long-term housing for your seniors, in which case you're not in the business of maintenance. You're not in the business any longer of providing any of that save perhaps some small escalator for local tax or some other things that are unforeseen at this time. I mean, that's the kind of thing I was looking for. So the department through the AMHC backs out entirely and says: “Yes, we like the deal. We'll sign here under this scenario. You provide the space on that day and you lease at that rate and you've got yourself a deal.” That's the sort of thing I was thinking more in terms of.

DR. WEST: I think your idea is fine without the guarantee. It works with what I'm saying: I'm going to follow the client. So as long as those clients that can afford to rent that building at $900 a month or $800 or whatever it is pay you -- if you happen to have clients in there that we have some way of asset testing and means testing so we can determine they need supplement, then we follow them with cash, but you don't need any guarantee. Therefore, if you tie yourself into a high interest rate or whatever and you get into trouble as a private-sector person, you have to supplement that building, not the government. You're good up until you come to the cash flow guarantee. We just follow the client. If you fill your building with clients that don't need a subsidy from the government, then you don't need anything from the government.

As I say, we have to establish some way rather than what's been going on with creative bookkeeping. We have to establish your need. A good accountant and a good lawyer today seem to ensure that there aren't too many that don't have needs. I saw in Germany where they asset test the whole family to determine their need. All the children besides have to be asset tested before they get into a subsidized social program in Germany. So they'll be checking you out, Lance, for how many cars you own there.

MS HALEY: I wanted to talk about the senior citizens with regard to our renter assistance in some of the programs that they're involved in. Is that something that you see continuing?

DR. WEST: That's not part of this.

MS HALEY: It's not part of this?

DR. WEST: No.

MS HALEY: You were saying that it was following them.

DR. WEST: No. That's not under these estimates today. I'm sorry.

MS HALEY: That's fine. I apologize.

DR. WEST: I don't think it fits. That's a different concept all together.

MR. CHAIRMAN: Carol, your supplementary doesn't have to deal with the main, in our rules, so if you have another . . .

MS HALEY: It was just that he said that we were following the client, and I wondered if that somehow had come into that.

DR. WEST: That isn't in that philosophy at all.

MS HALEY: That's good, because it wasn't all that friendly.

MR. CHAIRMAN: Do you want to use your supplementary then?

MS HALEY: No, that's fine. Thank you.

MR. CHAIRMAN: Okay.
Dr. Massey.

DR. MASSEY: Thanks, Mr. Chairman. Of the recommendations the committee made in April of 1993, the first one was to the Minister of Municipal Affairs. They only made 11 recommendations, but this one was

> that the Minister of Municipal Affairs be encouraged to develop additional initiatives to attract more private sector investment in social housing projects.

The minister came back with a brief paragraph reply.

Are there specific projects that have been started as a result of that recommendation?

DR. WEST: Well, you want to get into specific projects. We're four months into indeed that. I can give you some names of various groups that are coming to that. I know that Horizon Village, for example, in this has gone and looked and bought some of our property that we caveated for seniors. They bought it at market value and are constructing it fully. The private sector is on its way. We have many nonprofit organizations that are indeed looking at assisted living models, working with the Department of Health, and have been before the standing policy committees of this government to this date and will be coming forward in the near future with some what I call very exciting new directions for the private sector. So, yes, I give you that one example, but I can name two or three others. Some of the corporations involved, of course, because they're buying property on a free market basis, will bring their proposals forward to the public in due course.

DR. MASSEY: Just as a matter of history, Mr. Chairman, did the recommendation come out of something specific, or was this just a general kind of direction that the committee wanted to give?

MR. DAVIS: Well, I think the concern was the level of borrowing from the heritage savings trust fund, and could we finance social housing construction from other sources? One of the things that's being looked at by Canada Mortgage and Housing Corporation is getting back into direct lending for social housing projects as well as part of their phasing out of direct funding, so that might provide some opportunities as well to go places other than the heritage savings trust fund to borrow for social housing.

DR. MASSEY: Thanks, Mr. Chairman.

MR. CHAIRMAN: Denis Herard.

MR. HERARD: Actually, my question has been answered, thank you.

MR. CHAIRMAN: Sine.

MR. CHADI: Thank you. Mr. Minister, I missed it somewhere, whereby we were discussing the amount of dollars' worth of mortgages that we had. One number that I think was mentioned was that out of the $426 million in the non social housing inventory of assets was $224 million worth of mortgages, mortgage receivables I would imagine. That is the vendor take-backs, or the money that we'd carried against certain properties that we sold. Is that correct?

MR. LEITCH: The $426 million is the total value of assets remaining to be sold, and of that amount of $426 million approximately $224 million realizable value of mortgages remains to be sold.

MR. CHADI: Correct.

Do we have an average interest rate on those that you could readily give us, on the $224 million?

MR. LEITCH: No, I don't have that with me.

MR. CHADI: Could that be provided then?

MR. LEITCH: We could look that up, yes.

3:42

MR. CHADI: Is this my last? Yeah, for now. I'll come back to this one, but now my last supplementary. What attempts have been made to sell the $224 million worth of mortgages as a block, and if you have made some attempts, what sort of discount rates were offered?

MR. DAVIS: Well, on that, we've looked at that option, but the cost, the potential discount rate, was felt to be too high. We didn't actually put the package out. We have been relatively successful at moving through restructuring these mortgages and selling them to the private sector at above net book value. Part of the reason we've been successful is the low interest rates. We will come down to a group of mortgages at the end of the day which may be difficult to restructure and sell, and we may need at that point to look at a block sale, but at this point it wouldn't seem to make a lot of sense.

MR. CHAIRMAN: Okay. Thank you.
Lance White.

MR. WHITE: Can I go again? Let's see here. I wasn't expecting to get back so quickly. Oh, yes. I've recently had some unconfirmed reports -- now, just to make the minister aware of this and if he's heard any of it too -- that the management company for West Edmonton Village has had a number of what appear to be, just appear to be, some sweetheart deals with some suppliers. The allegation has been made to my office that there might be something there that might be reviewed by yourself. Have you heard any of this? If you haven't, perhaps privately we could just discuss the matter.

DR. WEST: Well, I'll just say here, not privately, if you have allegations that have implications, these are public dollars and you're in the Assembly today. That's going on record. If you have allegations, I am not aware of any of them at the present time, but I would like them dated and I would like them put on paper by who makes them, because what you're saying is something that goes a little beyond a private conversation between you and me.

MR. WHITE: I shall do the best I can to substantiate them and forward them for your review. I don't know anything more than what these two people are telling me, and they don't want to be identified except perhaps directly to yourself. I'm not sure. I'll have to ask them.

DR. WEST: Well, Mr. Chairman, I think that statements like that in this Assembly, although we have protection in here, treads on . . .

MR. CHAIRMAN: Well, I was going to just sort of indicate that I'm feeling that in my latitude here perhaps I'm being almost lax. I don't want to discourage any questions, but I wonder if in your supplementaries we can maybe kind of steer it back; okay?

MR. WHITE: Steer it in another direction? I'll have to revisit some of the question.
Thank you.

MR. CHAIRMAN: All right.
Don Massey.

DR. MASSEY: Last time the committee met, there was an update made on inner-city housing in Calgary and in Edmonton. Is there anything more on progress of the work by those two cities providing additional housing for inner-city residents?

MR. FORGRAVE: Mr. Chairman, I don't have the statistics with me, although we can provide them. The two committees continue to work, the Edmonton joint planning committee and the Calgary committee, which is chaired by Mrs. Laing, and are quite effectively co-ordinating groups who are interested in the housing of people in inner cities of both Calgary and Edmonton.

DR. MASSEY: Specifically, was the old York Hotel in Calgary converted to housing?

MR. DAVIS: It's under way now.

DR. MASSEY: Pardon me?

MR. DAVIS: I said the process is under way right now. They're doing the renovating on it. All of the projects that the minister mentioned earlier . . . I forget. It was nine or 10?

DR. WEST: Ten.

MR. DAVIS: . . . are all dedicated either to Edmonton or Calgary, and most of them in the inner cities.

DR. MASSEY: Thank you.

DR. WEST: I might add that with 6 to 7 percent vacancies there is always concern by the private sector that we use good common sense in judgment when we go to public housing where we construct it and spend dollars versus what's already been constructed by the private sector. They say, “Why don't you just follow your clients and put them in our buildings?” That's a very good question.

MR. CHAIRMAN: Sine.

MR. CHADI: Thank you, Mr. Chairman. Mr. Minister, we've proved that we have $224 million in outstanding receivables and held in mortgages. As these mortgages come due, are we demanding payouts or are we renewing them?

MR. DAVIS: Well, we are receiving revenue from most of these mortgages at this point. What we're doing with a number of them is restructuring them so they make commercial sense now, because they've been through a number of iterations since the original loan was made and the discount program and the subsequent discount program were brought in. We're trying to structure them so that they make sense commercially, so we can then turn around and sell them, but we're not failing to try to enforce performance on those mortgages now. Not a lot of them are coming due right now. If they do come due, because of current interest rates the mortgagee is in a better position today than he or she would have been when they took the mortgage out with us, so that itself is not a problem. The problem is getting them set up in a commercially viable way so they can be sold to a private-sector lender.

MR. CHADI: Thank you. You touched on something that leads me to ask this question: how many loans, mortgages receivable do we have that are nonperforming in terms of dollars?

DR. WEST: Well, the $224 million incorporates 125 mortgages, approximately 7,000 units. Of those, if there's what we call nonperforming, we'll get it to you. You have to realize that these were mortgages where we capitalized the interest, some of the expenses against them because there were cash flow shortages to the people that we'd set up either through CHIP and MAP or some other program. As a result, the original loan amount is way higher than the net book value, so the low interest rates are helping us work these out. Some of them aren't due, but some of them were taken back in because they were nonperforming at the time. As we work them out on the low interest rates, we hope to transfer them to the private sector, depending on who comes along. The original mortgagee may have an option to buy them or not, but some of them have forfeited that option. Of that $224 million, the original loan amount was $323 million. We're expecting a realized loss of $99 million on those. These loans and setups were done at times of high, high interest rates and at times when perhaps they were full and then shortly after that, because of the downturn in the economy, went to 20 and 30 percent vacancies.

MR. DAVIS: I could perhaps have been a little clearer. I apologize. For the nonperforming mortgages that we can foreclose on, of course we have foreclosed and taken the building back and sold the building. That process has been ongoing. Those are the multifamily buildings that we're selling and have sold.

MR. CHADI: To the minister, just for a point of clarification. My understanding was that there was $224 million. Now, I know we've taken assets and foreclosed on these assets from loans that were back in the early '80s. Now we've got the asset back, we've sold it, and we've carried back some financing, have we not?

MR. DAVIS: In an awful lot of situations where we're selling the building as a real estate asset, we've done some minimal vendor take back financing, primarily in rural areas. The more difficult issue is the sale of the mortgages with the guarantees associated with it.

MR. CHADI: I understand that, yes. I was referring to the vendor take backs that we've gotten and if there were any defaults on those. That's what my question was.

MR. DAVIS: I should say that since this minister became minister we have engaged in very few vendor take back mortgages.

MR. CHAIRMAN: Okay. Thank you.
I sense, though, that you still are owed a supplementary. Did you have one at this time?

3:52

MR. CHADI: I'm still owed a supplementary. Thank you, Mr. Chairman; you're so wise. Quite a bean counter, isn't he?
With respect to the other mortgages, the $800 million in mortgages that was mentioned -- I think it was the hon. Member for Edmonton-Mill Woods that asked his question, and the response was: about $800 million in mortgages -- which made up a

considerable amount of that $1.6 billion shown on the books. Have those as well, then, been looked at as being sold as a block?

MR. DAVIS: We've already sold through MPI about $370 million worth of those mortgages. They're gone. MASL has sold about $50 million, and they're working on selling the balance of the $224 million, which is all that's left. So quite a bit of that has already been disposed of. As indicated earlier, we're having reasonably good progress at restructuring and selling these mortgages. When we get down to a group that we have some difficulty with, that might be an option to look at: disposal as a block.

DR. WEST: Just so I can add to that, what started this all off some time ago was that a huge block was sold off and a percentage of that returned to the heritage savings trust fund. When the hon. Ray Speaker was there, about $690 million were sold in a block: a large sale prior to MPI.

MR. DAVIS: They were sold by Alberta Mortgage and Housing Corporation.

DR. WEST: Yeah.

MR. CHAIRMAN: Okay. Thank you.
Victor Doerksen.

MR. DOERKSEN: Thank you, Mr. Chairman. I had a meeting with the chairman of the Red Deer housing authority, and he made a couple of comments that I'd like some clarification on. At one point in time the intent of social housing, if you want to call it that, was to subsidize those with low income as opposed to those on social service or on supports for independence, and somewhere the balance got changed around. Was there any change in policy direction in the past that would have -- am I making myself clear?
In other words, it was intended to help the working poor as opposed to those on social assistance.

MR. DAVIS: I think what's happened, not through any deliberate policy direction but simply over time, is that there's been clearly some erosion of that and there have been more social assistance clients moving into housing that's under the auspices of housing authorities. We need to look at that, and we're talking with social services now both in terms of how we move or start to treat social housing, as the minister indicated, as transitional housing as opposed to an end destination that people move into and stay in on an ongoing basis, whether they're social services' clients or whether they're working poor. We have an awful lot of single-parent families moving into our housing in the major urban areas, and I suspect Red Deer would fall into that category as well. We need to address that issue.

There's also another issue, which is in terms of the level of cost sharing from the federal government under the CAP program where social services are cost shared with the federal government. That's cost shared on a 50-50 basis. The federal government has put a ceiling on that for Alberta, British Columbia, and Ontario, which means that they're actually a little less than 50-50. Most of the cost sharing for social housing is 70-30, with the 70 percent coming from the federal government. So there is an advantage to cost share some of these things under our programs as opposed to social services, and we're looking at that as well.

MR. DOERKSEN: The incentive to make this temporary housing to help through a period, of course, was that I think they pay 25 percent of their income toward their rent, and as soon as they reach an income level that then means the 25 percent is -- they can find cheaper accommodation. They would then move out. So in a sense we've penalized ourselves for changing their program.

Another question to do with that. I looked at the numbers there. Their maintenance expenses on the properties seemed awfully high in comparison to what I as a homeowner or a typical homeowner would expend on my own property.

DR. WEST: That's correct, and the catch-22 is that when government gets involved at any level in construction or maintenance, you can count on it being 20 to 40 percent higher. If you don't believe that, just look at these books. So your observation is acute and accurate. For some reason we apply and contract out, and government contracts, and that becomes exorbitantly high. Therefore, the answer to your question is: correct, and all the more reason for us to allow you the homeowner to fix your own home. If you need some help, we'll give you a little bit.

MR. DOERKSEN: So that's what you mean by your money following the client?

DR. WEST: That's correct.

MR. DOERKSEN: Okay.

MR. CHAIRMAN: You still have a supplementary, sir.

MR. DOERKSEN: No, I'm done.

MR. CHAIRMAN: Okay.
Lance?

MR. WHITE: Carrying on in the same vein, in virtually every municipality of magnitude populationwise there are some what are called self-contained units that are owned by the department and operated in large measure by some local authority in a partnership. With the advent of what I hear as a major and strong piece of philosophy is a subsidy following the client and not following the bricks and mortar -- incidentally, we should speak more of wood and nails in this province because we manufacture those and not so many of the bricks. Both of those being the case, will there be a move afoot to market these properties, the self-contained units that the department currently holds in inventory?

DR. WEST: Which ones are you talking about?

MR. WHITE: The only ones I have direct knowledge of are in this city. I can't recall the names of the places right offhand, but I could provide them really quickly. There are about seven or eight.

DR. WEST: Well, we're not selling the senior self-contained or those units. They're cost shared with the federal government; there's a dual ownership. The only thing that you would do is find innovative new ways of transferring total maintenance and funding of them over to foundations or housing authorities so that we weren't as proactive in doing the management and maintenance of these operations. There are 35-year debentures in place that are cost shared with the federal government, and they're nonprofit housing authorities that run them. Until we made arrangements with the federal government, I would see a little trouble in selling these properties.

MR. WHITE: My supplementary is on the last answer. Is the biggest single deterrent that you'd have to have some kind of an arrangement with the federal government because of this long-term arrangement? Is it not possible that with the change of government you may find a different attitude?

DR. WEST: Maybe. I'm not saying there isn't. I want to go down to Ottawa, or maybe have them come here if they can afford to, and talk to them at length on housing in the near future. If you have any influence in Ottawa, too, you talk to them about a prudent way of using public dollars.

MR. WHITE: Thank you.

MR. CHAIRMAN: Don Massey? Okay.
Sine.
Before you start, I should make note of the clock. While it is 4 o'clock, we really didn't call to order until 20 after 2, so we'd appreciate your indulgence, Mr. Minister.

MR. CHADI: My question is one that would ask an opinion of the hon. minister. The Auditor General recommended that the Treasury Department initiate a review of the heritage savings trust fund and determine what assets are being used in the most effective manner. The Financial Review Commission also stated that the retention of the fund in its present form is creating a false sense of security amongst Albertans and recommended that the investments of the fund be transferred to the GRF. Given the fact that the GRF does indeed cover the losses from time to time from the grants that we've paid out from the general revenue fund, it would make sense. The Institute of Chartered Accountants also has recommended something quite similar inasmuch as they believe that the fund should be liquidated and the funds go to pay down debt. Hon. minister, do you agree with some of these recommendations that have been put out, knowing full well that from within your Department of Municipal Affairs a great amount of money has been coming from the general revenue fund? Bearing that in mind, isn't this something that we ought to be doing?

4:02

DR. WEST: Well, you're asking an opinion.

MR. CHAIRMAN: I guess the right, sir, is to answer or to not answer it, whichever you wish. You certainly don't have to.

DR. WEST: Well, if the philosophy is whether you sell the heritage funds off to meet short-term commitments when you're in debt, the answer is absolutely, unequivocally no. We will put this ship in order before you sell down. I think I'm talking to a businessman that fully knows that you don't dump all your RRSPs just because you've got a spending problem.

MR. CHADI: No. That's absolutely correct. Maybe I should have also said that once we've undertaken to bring our spending under control, that would be first and foremost. I believe that the hon. minister is a reasonable fellow, and I like his style. I think he would probably agree with me when I say that it ought to be liquidated, and that's all I wanted to know. I think you've answered the question to a great degree.

DR. WEST: Did you say that I would agree with you on liquidation?

MR. CHADI: Yes.

DR. WEST: No, I didn't. I said unequivocally no.

MR. CHADI: Until we got our house in order.

DR. WEST: You didn't say that.

MR. CHAIRMAN: All right.
Lance.

MR. WHITE: Well, just a supplementary on that last one then.

MR. CHAIRMAN: Be careful now. I've been showing latitude all day, but if you're going to abuse it, you're going to lose it.

MR. WHITE: Well, the minister made the analogy: you don't sell your RRSPs for a short-term expenditure problem. Would the minister then say that you don't cash in your RRSPs in order to pay the mortgage?

MR. CHAIRMAN: We've clearly gone beyond the '92-93 report on this. Again I offer you the opportunity if you wish to reply.

DR. WEST: The questions have now jumped away from pertinent to irrelevant.

MR. WHITE: Mr. Chairman, I'll move that we do now adjourn and just ask the minister to save the extra 15 minutes.

MR. CHAIRMAN: While we have a motion to adjourn, I still want to thank the minister and his staff for coming. We appreciate your candidness.

MR. CHADI: Mr. Chairman, one comment. For myself and my hon. colleagues, I think it's appropriate that we thank you for such a great job that you've done in chairing this committee for the first day. You've done a marvelous job, and we thank you.

[The committee adjourned at 4:06 p.m.]