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Standing Committee on The Alberta Heritage Savings Trust Fund Act

Tuesday, September 19, 1978

Chairman: Dr. McCrimmon

9:00 a.m.

MR. CHAIRMAN: Good morning, gentlemen. We'll call the meeting to order. Before we start I'd remind you to get your expense sheets in to me today.

There was some discussion at our first meeting that the Premier be asked if he would come before the committee. I've had a talk with the Premier and he's prepared to come before the committee between 11 and 12 o'clock on Tuesday, the 26th, if the committee so wishes.

HON. MEMBERS: Agreed.

MR. CHAIRMAN: Okay. And so at our next meetings on the 25th and 26th we will have Dr. Horner, Mr. Getty, and the Premier.

We have with us this morning the Minister of Housing and Public Works. Mr. Minister, we're delighted to see you here. Do you have any opening remarks with respect to your portfolio as far as the heritage trust fund is concerned?

MR. CHAMBERS: Mr. Chairman, if you agree I thought it might be worthwhile for me to . . . I've prepared some notes containing some numbers which I thought maybe I'd like to give you, a brief overview of what the department did during the year in question; and then go from there.

MR. CHAIRMAN: Fine.

MR. CHAMBERS: As you are aware, the department includes, of course, Housing as well as Public Works -- a large number of programs, especially in the housing area. The Alberta Housing Corporation is generally responsible for social housing programs, and these programs generally involve direct government ownership and investment in fixed assets.

The most important programs are the senior citizens' programs whereby we build lodges and self-contained apartment units. The count that I currently have is 6,971 lodge beds in the province and 6,224 self-contained units. In the '77-78 fiscal year, 219 lodge beds were budgeted and all committed for a total of \$6,260,000. Rents, as I'm sure you're aware, in the lodges are set by Order in Council and are currently in the range of \$153 for double occupancy and \$173 for single. There have been increases over a three-year period of 10 per cent per year, and the third increase takes place on April 1, 1979. Also, while it's not a heritage fund item, the municipalities that have lodge deficits in any particular year are able to be helped by a grant of 50 per cent of the deficit, which represents 2 mills over the local tax base. For senior citizens' self-contained 1,655 units were budgeted and \$57 million committed. By the way, 42 communities have benefited from both of these housing programs. The operating deficits in the self-contained program are

shared on a fifty-fifty basis -- that includes amortization -- with the federal government.

The next major program that the Housing Corporation delivers is the community housing program, which during the period of review saw a commitment of 958 units for \$34 million. This program provides low-cost housing. The tenants pay 30 per cent of gross income toward rent; however, there is an \$8 reduction per child permitted on monthly rent for families. I believe that the community housing projects have received wide acceptance in both new and older neighborhoods in the larger municipalities. The city of Edmonton, I think, has been very progressive in this area in that the program has 5 per cent of all new subdivisions dedicated for community and for social housing purposes.

Another major component under the Alberta Housing Corporation is the rural and native program and the transitional housing program. These are 75 per cent CMHC, 25 per cent AHC funded. Again, in the review period, over 70 per cent was committed: 205 units for \$10,150,000. Considering the remote locations and weather problems and the fact that it's a new program, I'm well satisfied with that volume of delivery during that period.

The transitional program: there were 14 units committed. It's by request from the Department of Advanced Education and Manpower, who provide the counselling. The program actually links the supply of housing with the employment and the training aspects that are provided by Advanced Ed and Manpower. It really results in the full integration of the native family into a community, and it's been very successful in Fort McMurray and Slave Lake. They are operating now in Grande Prairie and in Peace River.

Under the residential land assembly and development program, about half of the budget of \$29,700,000 was committed, which is quite a large expenditure. The budget figure here is actually derived from the corporation's best guess of the anticipated requests from municipalities, because this is how it works: the municipality requests a land bank and then the corporation acts on it.

There is another relatively new program: industrial land assistance program, which was introduced in the '77-78 fiscal year. It's had a very large response from a number of communities considering the time that the program has been in effect. It's already seen a commitment of about half of what was budgeted, \$2.4 million, and there have been requests from over 40 municipalities through the province. This program, the way it works, involves a request from a municipality, a resolution of the town council, and then it goes through Business Development and Tourism and is funded by Alberta Housing.

Staff housing: a small budget commitment, 60 units for \$3 million in '77-78. The corporation also provided funding for handicapped housing. I think this may well be, as far as I'm aware, a first in North America. The project features 79 units, and it's located in Edmonton. Half the units are specially designed for handicapped tenants, and the other half are leased to senior citizens and families who are not handicapped. So it really involves and represents the full integration of handicapped tenants into a rental project.

The Housing Corporation, through the social housing aspect, generally provides rental accommodation for needy residents; whereas, on the other hand, the Home Mortgage Corporation is quite different in that it's strictly in the business of financing through individual and builder mortgages. The difference is that about half the responsibility of the Home Mortgage Corporation is geared toward provision of housing for home ownership, and I think one of the fine features of the program is that there's really no income

gap between the Housing Corporation's rental programs and the Mortgage Corporation's lending programs.

For example, a family in community housing can afford market rental accommodation through CHIP, the core housing incentive program, and eventually be able to buy a home under one of our programs, whether the starter home ownership or the direct lending program with the 5 per cent down payment. So people can move from the low rental, in effect, accommodation into home ownership in a relatively smooth way. In fact, with the subsidies, home ownership is actually a very affordable alternative to renting and has a lot of advantages to it. I think it's an excellent trend, and I think most people would agree that home ownership provides more stable and community-oriented centres in the province.

The major lending programs for the home ownership are the direct lending program; the starter home ownership program, referred to generally as SHOP; and, to a lesser extent because of demand, the farm home lending program. Sixty-five million of the \$127 million budget was committed in '77-78. Our guidelines then during the review period were a maximum house price of 46 under direct and 42 under SHOP. These guidelines vary somewhat this spring. Under these programs, they actually represented 1,686 housing units.

A program that I like especially is the co-op housing action program, which involves sweat equity: families are able to participate in working on their own home. The family heads act as the general contractor and manage the construction of their homes through funding from the Home Mortgage Corporation. It's shaping up to be a real successful program. During '77-78 there were over 300 units financed in this way through this program. The demand appears to be picking up across the province, and we expect a significantly greater number of homes built under these programs in '78-79 and '79-80.

The two major rental programs that are administered by the Home Mortgage Corporation have also been very successful, I believe, in terms of housing for middle- and low-income people. The CHIP involves lending to builders and developers at favorable interest -- I think it's currently 8 per cent -- for provision of rental suites in the large urban centres: Edmonton, Calgary, Red Deer, Lethbridge, Grande Prairie, Medicine Hat, and Fort McMurray. Because of this interest rate break the owner of the project signs a 50-year operating agreement whereby 50 per cent of the suites are rent-regulated by the corporation to serve low-income people. The other 50 per cent are rented at market value.

There has been a lot of interest in the CHIP projects, and quite a bit of interest has been generated by non-profit groups who were willing to sponsor senior citizenship projects, for example. An example of this is the Rasmussen Foundation's St Andrew's House, which is a 315-unit CHIP project under way. Large projects for families: the Southgate project, 650 units. That 650 units represents actually a 1.5 per cent vacancy rate in an Edmonton equivalent, so you know that's a significant housing project.

I might add that the vacancy situation in Edmonton and Calgary has improved to a very great extent, and I think a significant aspect in this improvement has been as a result of the programs that are financed by CHIP or the core housing incentive program. For example, in 1977 there was a 0.3 per cent vacancy rate in Edmonton and Calgary, and in June '78 we're looking now at a 2.5 per cent vacancy rate in Calgary and 3 per cent in Edmonton. You know, a normal desirable rate is considered to be between 3 and 5 per cent, so the vacancy rates are now getting up to that desirable range.

Another program that has had very good impact is the modest apartment program, the so-called MAP. The financing here is at a conventional 10 per cent rate. Relating to the name, the modest apartment program, it's for small apartment projects which charge reasonable rents. Particularly in rural areas where financing perhaps has not been as readily available as it is in larger centres, the demand has been good. Nine hundred and eighty-eight units were financed for a total of \$22,787,000.

Another area where the Mortgage Corporation has had a large amount of success is in the financing of mobile-home parks, mobile homes themselves, and mobile-home subdivisions. In the mobile-home parks -- that's the rental pads -- there have been 358 stalls financed in '77-78 for \$2,288,000. For home ownership, the Mortgage Corporation is financing the entire Airdrie mobile-home subdivision of 860 units. It's interesting, I think, that Alberta remains one of the few provinces in the country that finances mobile homes on the same basis as conventional wood-frame units. We think that mobile homes are an acceptable permanent form of housing. They've come a long way in terms of construction standards and do provide a meaningful alternative in terms of affordable housing.

A large commitment, of course, in Fort McMurray. In '77-78, \$56 million was earmarked for 1,400 housing units. A similar input through AHC: they expended \$80 million for land development and additional expenditures of about \$20 million for the completion of Area 5A -- that's now called Thickwood Heights. I can give you a brief breakdown on that: Area 2, referred to as Beacon Hill, 195 acres and 711 housing units, \$8.7 million; Gregoire Mobile Home Park, 855 mobile-home lots, \$14.6 million; Mackenzie Industrial Park, 147 commercial acres along the highway and 500 industrial acres, projected cost \$28.3 million; Area 5A or Thickwood, about \$32 million. The Area 1 agreements have been completed and the entire development of 1,096 units turned over to Northward. The Housing Corporation reimbursed Northward for the cost of the water and sewer lines -- \$620,000 -- and Northward reimbursed the Housing Corporation \$580,931 for land, planning, and off-site charges.

So with regard to the activities of both the Housing Corporation and the Mortgage Corporation, I think it's important to note the impact these corporations have had on the housing market. 1977 was another record year for housing starts. Alberta Housing Corporation accounted for about 8 per cent of the total housing starts in the province, or 3,000 units. The Mortgage Corporation, on the other hand, accounted for 14.4 per cent of the total starts, or 5,483 housing units. If you combine it, the two corporations contributed about 22 per cent of the house production in the province. I think that's well representative of the need of low-income people for affordable housing.

The high level of housing starts that we've seen over the last two years certainly represents a new plateau in terms of the housing supply; because if you look at the years prior to '76, the norm for starts was somewhere in the order of 25,000 to 29,000 units a year, whereas in '76 and '77 the total starts were over 38,000, or a 41 per cent increase over the previous average. Looking at '78, based on the period from January to August, we've seen another 37 per cent increase, although in fact if you projected that, if the rate were to continue at the same, we would be looking at 52,000 starts. But we don't expect that will necessarily pertain through the year. Our projection is about 42,000 units for the year, which would be an all-time record in the Province of total housing starts.

You know, when you look at the population growth of Alberta the improved supply is very important in terms of the improved vacancy rate and the effect

on prices in the new house market. For example, in '77 the average new house price only rose 6.9 per cent in Edmonton and Calgary -- it was about the same in each city -- and that's appreciably below the major price increases that we saw over a three-year boom period from '73 through '76, where price increases were in the order of somewhere between 19 and 30 per cent at that time.

The housing mix is changing, which I presume reflects the affordability to a large part. The mix is now about 39 per cent single and 61 per cent multiple. That's a reverse from previous years where it used to be about 60:40, single to multiple.

I would say that I think the house construction industry in Alberta deserves a lot of credit for the way it has responded to the market. The demand was there, and they've met it and produced those housing units.

As for the financial aspects, I don't know if you're aware of this, but both the Housing Corporation and the Home Mortgage Corporation assign debentures quarterly with the province, the amounts determined by quarterly cash requirement projections, the debentures all of a 30-year term. The Housing Corporation: to date close to \$278 million has been borrowed and over \$28 million paid back, and in '77-78 \$80 million was borrowed. The rates varied between 9.3 and 9.4 per cent. The Home Mortgage Corporation: \$444 million was borrowed to date; '77-78, \$127 million borrowed. The rates varied between 9.35 and 9.4 per cent.

Financing to Northward: the housing is or essentially soon will be completed there, 2,650 housing units, \$110 million, interest rates between 10 and 11.5 per cent. To date close to \$76 million has been advanced and about \$30 million remains to be advanced.

I think that fairly well covers the Housing Corporation and Home Mortgage Corporation projects.

Public Works: there's the Pine Ridge Tree Nursery at Smoky Lake. The project was started '76-77 and is expected to be under production shortly. The expenditures in '77-78 were \$7,465,000. The estimated total cost is \$11,450,000.

The Fish Creek Park: here we're really just acting as a service department, if you like, for the client departments in terms of construction. In '77-78, \$2,411,000.

I think that fairly well covers what I proposed to outline, Mr. Chairman.

MR. CHAIRMAN: Thank you, Mr. Minister.

MR. CLARK: Mr. Chairman, I'd like to ask the minister if he'd elaborate a little bit on the mobile-home parks, where they are, and give us a bit more detail there.

MR. CHAMBERS: The major operation, of course, Mr. Chairman, is at Airdrie. As to where they all are, and the sizes of them, we'll have to . . .

MR. CLARK: That's the major one, though, Mr. Minister, is it?

MR. CHAMBERS: Yes, that's the major one. But I can pull out of the records all of them and get that information to the committee.

MR. CLARK: My interest primarily is with regard to the Airdrie one. Can you give us any rough figures as to what portion of -- I see we've allocated some \$2.3 million so far. Was the bulk of that \$2.3 million spent at Airdrie?

MR. CHAMBERS: We'll have to get that information.

MR. CLARK: Would it be fair to say, Mr. Minister, though, that that's been the area where the Home Mortgage Corporation has made its major effort as far as the mobile home park at Airdrie?

MR. CHAMBERS: Yes, that's certainly a major operation. I'm trying to recall the current status, and I'd have to get the actual numbers, but phase one is essentially complete and phase two is nearing completion; that's the area south of there. So that would be certainly I think the major direction of the funds.

MR. CLARK: And pretty pleased with the way it's moved along?

MR. CHAMBERS: Yes. We've had of course some rain and weather problems that have held things up, perhaps delayed phase two by a couple of months, I would say; but it's progressing well, and with any kind of break in the weather I think we'll be in pretty good shape there by fall in terms of delivery and meeting the needs.

MR. CLARK: Mr. Minister, would there be any reason why the committee couldn't perhaps at one of its meetings spend a half day at the Airdrie mobile-home park and perhaps meet with some of the people there and also the town council in Airdrie to look at this initial venture in this area?

MR. CHAMBERS: I'm not sure that I totally understand the question, but I certainly have no trouble in (inaudible) a tour of Airdrie.

MR. CLARK: I'm really asking from the standpoint of the Home Mortgage Corporation and yourself as minister. Is there any reason why you'd feel that, you know, we'd be causing problems there if we were to stop in and take a half day and look at the operation there.

MR. CHAMBERS: I would see no problem in taking a look at the operation if the committee wishes to.

MR. CLARK: Mr. Chairman, then I'd like to serve notice of motion on the committee that I'd like to move that the committee, perhaps at its meeting on October 1, meet at Calgary in the morning and then spend half a day viewing the mobile-home subdivision or venture at Airdrie, have a chance to meet with some of the people who are now in the one portion -- I believe for about a year, haven't they been? Some of them have been there for about a year. And then also have an opportunity to meet with the town council in Airdrie, and so we have a chance to view the thing on site, in light of what I think has been a pretty bold venture by the government in this area, and to see just how successfully it's working out.

MR. CHAIRMAN: You have heard the motion by Mr. Clark. Is there any discussion on it?

MR. CLARK: Notice of motion. I'd like to indicate perhaps to call the motion at the end of the meeting this morning.

MR. CHAIRMAN: Afterwards we could have some discussion on the notice of motion by Mr. Clark. Anybody have any comments?

MR. APPLEBY: Mr. Chairman, I appreciate the interest Mr. Clark has indicated in the Airdrie project, but I wonder just what the basic reason would be that the committee should take this half day and go and view this particular project. Does he plan to put some proposal or recommendation before the committee, and thinks this would be a selling point? Just what is the reason?

MR. CLARK: It's really twofold, Mr. Chairman. I should correct the motion of motion. It would be October 2, not October 1. October 1 is Sunday; October 2 is Monday. We planned to meet that day anyway. Mr. Appleby, the purpose is to be able to see, on the site, the operation at Airdrie; to have a chance to talk to some of the people involved in the project to date, people who are living in the park; and also have a chance to talk to the local government officials at Airdrie. Because this is the first venture like this we've been involved in across the province. It seems to me that now that the first phase is done it would be a pretty appropriate time for us to sit down and have that kind of look at the situation.

I do believe some positive recommendations would come from the people there to the committee, and also from the town council. I should say I haven't spoken to either group about the possibility of our coming down, because I felt that would be inappropriate. But I think it would be a half day well spent by the committee. We could catch the noon air bus back to Edmonton and be here for our deliberations that afternoon.

MR. CHAMBERS: I have found some cost figures for Mr. Clark: phase 1, \$2,293,944; phase 2, \$2,838,819. Frankly I think the Housing Corporation have done a good job in delivery there. By the way, that really shouldn't be referred to as a mobile-home park. Those are stalls that are sold. People purchase them and put on their mobile homes. I think if we were to go down there right now we would have to have fairly high gumboots. We have had a lot of rain. When you try to operate construction in mud, you get a lot of mud spread around. It's been difficult because of the rain. So I would perhaps suggest the committee keep that in mind in terms of the time to go down there. In other words, later might be better than earlier in terms of being able to get around without getting too muddy.

MR. CHAIRMAN: Any further discussion?

MR. DIACHUK: Mr. Chairman, this is just a notice of motion. Some of us would like to get the additional information from the minister, if possible, before we deal with the notice of motion. As a matter of fact, I'm sure Mr. Clark would agree that that notice of motion can be dealt with on the 25th when we get the additional information from the minister.

MR. CLARK: What additional information are we waiting for?

MR. NOTLEY: Is there much point in discussing the notice of motion until we're at the point of discussing the motion?

MR. CHAIRMAN: Did you plan to bring this motion before the committee at our next meeting, Mr. Clark?

MR. CLARK: Well, I could probably deal with it right now, Mr. Chairman, if you're willing to. I'm quite prepared to put the motion to the committee right now that we take the morning of October 2 to stop at the Airdrie mobile-home area that the Home Mortgage Corporation has developed, spend some time meeting with the residents there, get a chance to meet with the Home Mortgage Corporation and meet the people from the town council, and then come back to Edmonton in the afternoon and carry on our deliberations here. I'd so move.

MR. CHAIRMAN: You have heard the motion by Mr. Clark that the committee meet at either Calgary or Airdrie, depending on what the committee wishes, on the morning of October 2 to go over the Airdrie project. Is there any further discussion on the motion?

MR. CHAMBERS: I wonder if it might be more useful to the committee if I were to bring back -- while I have the two cost numbers of phase 1 and 2, I think Mr. Clark originally wanted the numbers of units in the different phases, and I don't have that information on hand -- to bring back a considerable amount of detail in terms of numbers and where they're at. That might influence the decision of the committee as to the date you'd like to take a look at it.

MR. TAYLOR: Mr. Chairman, would that include exactly what's involved in phase 1 and phase 2?

MR. CHAMBERS: Mr. Taylor, yes. I can provide you with data in terms of how many stalls are sold. There are several phases of each phase. A number of people moved in. I'll try to come up with a fairly complete package of information for you if that would be useful.

MR. CHAIRMAN: We will be meeting next Monday and Tuesday. Could you have copies of that information available for the members for that meeting, Mr. Minister?

Do you wish to make a decision now or do you wish to wait until you get the further information with respect to this project before you make a decision as to whether or not we meet on October 2? What is your wish?

MR. MUSGREAVE: Mr. Chairman, it would be my suggestion that we wait, because of two things: one, let's have the figures; the other thing is I think we should see what the conditions of the site are like, because with the weather the way it has been I don't want to be tramping around in the mud. I think a week is not going to make that much difference, Mr. Chairman. I'd be for tabling it until next week.

MR. CLARK: I just say to my colleague to my right: there are people living there now. Every day they live in these conditions. It really wouldn't hurt the committee to go and see the kind of situation they're living in, because phase 1 is already finished. If we're a committee that wants to see what's going on, it would seem to me that whether it's rain or shine, frankly, we shouldn't be afraid to go and look at the situation the way the people live every day. Because the first phase is already finished.

The minister is absolutely right. As I understand the situation, the north part, phase 2, is an awful mess because of the rain and so on. But there are all sorts of people living in the phase 1 area right now. So I would hope we'd make a decision today, so that you, Mr. Chairman, would have a chance to



make the arrangements with the people down there and with the town council in Airdrie.

MR. NOTLEY: Mr. Chairman, I think the information package should be presented by the minister to the committee in any case, whether we go or not. Certainly before we go that information should be presented. If we could have that for Monday and Tuesday of next week, that would certainly be useful.

I think, however, just in terms of a matter of principle, if this committee is to do its job effectively we're going to have to take field trips on occasion. I'm in no position to judge, as an individual member, whether we should go to see the Airdrie park or not. I know very, very little about it. But it does strike me that if members of the committee have seen certain investments made from the heritage trust fund and feel strongly about it, as members of the committee it may well be incumbent upon us to undertake field trips. If it's in the opinion strongly felt by several members or one member of the committee that we should do so, then I think we have to take a look at it. If it's a reasonable proposition that we undertake a field trip, then we should undertake a field trip. We're a watchdog committee in the largest sense. While most of our work can be done in this Chamber, fair enough. But from time to time it may be prudent that we undertake field trips. I'm not in a position to judge the validity of this particular field trip, but I think that as a matter of principle if members do feel strongly then we have to weigh those proposals very carefully.

MR. HORSMAN: On a point of clarification, Mr. Chairman, did Mr. Musgreave move to table this motion? Was that a motion?

MR. CHAIRMAN: No, he didn't, Mr. Horsman.

MR. MUSGREAVE: I would certainly support such a motion, though, Mr. Chairman.

MR. HORSMAN: I'll move we table it until next meeting.

MR. CHAIRMAN: Whatever is the wish of the committee. We have a motion before us. We have another motion to table.

AN HON. MEMBER: The motion to be tabled takes precedence and has to be voted on.

MR. CHAIRMAN: Yes, I realize that. We have a motion and a motion to table until the next meeting, which is the 25th of this month. Are you prepared to vote or do you want further discussion? If not, we will vote on the tabling procedure first. If you want it tabled until next meeting, are you ready for the question? Would all those in favor of tabling the motion until the meetings of the 25th and 26th please raise your right hand. Six in favor of tabling. Those against tabling? Four. The motion is tabled until our next meeting on the 25th and 26th.

Are there any further questions to the minister?

MR. TAYLOR: Mr. Chairman, I think it would be advantageous for us to have this package of information prior to the time this is lifted off the table.

MR. CHAIRMAN: Yes, I think that's the understanding. Mr. Minister, if you could have that information disseminated to the offices of the members so it's available by this coming weekend. Is that agreeable to you, Mr. Minister?

MR. CHAMBERS: Yes.

MR. CHAIRMAN: If that's agreeable to the committee.

MR. MUSGREAVE: Mr. Chairman, if it's available, I wonder if the minister could tell us if there have been any sales of property in the trailer park and if they were higher in value than what the people paid for it originally. Would this information be available or not?

MR. CHAMBERS: Sale of property where?

MR. MUSGREAVE: Of trailer units in the park.

MR. CHAMBERS: By the original owner?

MR. MUSGREAVE: Right.

MR. CHAMBERS: You mean resale?

MR. MUSGREAVE: Yes. Could you advise us if there has been any resale and whether they had a higher value or not.

MR. CHAMBERS: Yes, I'll undertake to see if that information is available.

MR. CHAIRMAN: Mr. Notley, were your questions answered?

MR. NOTLEY: No. I want to go on to a different field entirely. But I don't want to leave this if there are more questions on the Airdrie site.

MR. CHAIRMAN: If not, you are next on the list, Mr. Notley.

MR. NOTLEY: Mr. Minister, what would be the total amount now that we have invested in Fort McMurray from the Alberta Housing Corporation, the Alberta Home Mortgage Corporation, and the anticipated amount we will be putting into Fort McMurray -- the total amount? I have a figure of \$57 million in '77-78 from your introductory remarks, and \$80 million from the AHC. But there was obviously some money invested prior to this year, and some money that is anticipated. So what are we looking at as a total figure for housing in the Fort McMurray area?

MR. CHAMBERS: I might have to do some addition here. In '77-78, the review period we're focusing on here . . .

MR. NOTLEY: I'd like to know what the cumulative total is at this stage.

MR. CHAMBERS: The Housing Corporation had expended \$80 million for land development and anticipates additional expenditures of \$20 million.

MR. NOTLEY: So we're looking at \$100 million as the cumulative total for the Alberta Housing Corporation?

MR. CHAMBERS: There's a fair amount of addition here. Mr. Porozni, if you'll add these up for me. If you have any other questions, then we're hoping to get these.

MR. NOTLEY: Sure. Okay. With respect to the transfer from Alberta Housing to Northward: just what was involved in the sale to Northward, as far as the Alberta Housing Corporation is concerned? You mentioned \$580,000 versus \$620,000. I wonder if you could clarify that? The number of units involved, and . . .

MR. CHAMBERS: The total number of units when they're completed, and they're essentially at that point now, would be 2,650, which will basically take care of the requirements for the Syncrude operation.

MR. NOTLEY: That's true. That's not the question, though. That's the total amount. I'm dealing with an exchange here: \$580,000 that I think Alberta Housing received from Northward. In exchange they paid us a certain amount -- \$620,000 versus \$580,000, as I recollect your statement. So I wonder if you'd just clarify what that precisely involves.

MR. CHAMBERS: Mr. Chairman, I was referring specifically to Area 1 and the development agreements there. Northward, if you like, was really in effect acting as an agent for Alberta Housing Corporation in terms of effecting the construction, depending on who put in the off-sites and so forth. Because of putting in the off-sites in Area 1 -- the sewer and water -- Northward had incurred a cost of \$620,000. So the cost of off-sites of course ultimately ended up in a fair pro rata way into the delivery of the housing units. In other words, each housing unit reflects a fair share of on-sites and off-sites, land and so forth. Northward then reimbursed Alberta Housing Corporation for the land costs, which include planning and off-site charges of the new town of Fort McMurray -- in other words, the share of the general off-site facilities. So really it was just a transaction in terms of who built what and who provided the funding for the off-sites.

MR. NOTLEY: How many units were we looking at in this particular exchange?

MR. CHAMBERS: Area 1 agreement: 1,096 units.

MR. NOTLEY: What in fact were we providing through Alberta Housing for the \$580,000 again -- just run that past me -- that Northward paid Alberta Housing?

MR. CHAMBERS: Land, basically; planning, of course, involved as a component of the land costs; and again, share of the Fort McMurray off-sites.

MR. NOTLEY: So we're talking about 1,096 units. So what in fact we were doing was charging \$580,000, which would be about \$580 per site. Would that be approximately right? What I'm trying to get at, Mr. Minister: I'd like to sort of go through the process of how we arrive at the final lot price. But we're talking about the initial work that has been done by Alberta Housing. We're saying to Northward, all right, because we've done this work we're charging you \$580,000. But there are 1,096 units that you've told me are in that particular exchange, or the subject of that exchange of money. So to

start off, we're looking at the \$580,000. That'd be approximately \$580 per unit.

MR. CHAMBERS: Mr. Chairman, I don't think you can really get at the actual cost of the lot this way. These were significant numbers -- that's why I mentioned them -- in terms of the conclusion of the development agreement. But the total lot price, which of course varies because they are charged at cost, reflects the actual true cost of developing that lot, which would include land, on-sites, off-sites, share of the town facilities, planning component, the transportation facilities, street lighting. So the actual cost of the sold lot should reflect the total cost of actually developing that lot on a fair-share basis. It will vary depending on the density in the area. The dedication to open areas, green areas, and so forth, obviously affect the cost of the lot. Some costs I saw were \$32,000.

I believe the last group or subdivision developed, because it was of a lower density and for a number of reasons, with the peaking of the Syncrude -- I think frankly more favorable tenders from the subtrades are probably available. We encountered some good weather earlier this summer and, with lower densities, less dedication to the green areas, we're able on this last parcel I looked at to have a cost of \$26,000. It's nice to see a trend downward. It does point out the cost of green areas. If you have a 15 per cent dedication to open space, if you have wide lots, it just costs more money. By eliminating some of those frills -- it's perhaps not a fair word to call it a frill. But I think people should at least be aware of the cost of having these wider lots and this large dedication to open so-called green areas, as well as the dedication that's required for school properties and so on. I think it's useful for people to be aware of what that costs. With going to narrower lots and less dedication to these green areas, it shows -- and the \$26,000 figure interested me -- that it's possible to cut these costs to some degree.

MR. NOTLEY: I wonder if Alberta Housing has compiled any breakdown of the various component costs, somewhat similar to the Alberta/Montana study. The reason I wanted to get what is involved in this exchange dealing with 1,096 lots is that obviously there are going to be costs along the road. But the initial cost that you cite -- what we are supplying from Alberta Housing and charging Northward \$580,000 for and what Northward appear to be supplying to the process -- works out to an average of a little over \$1,000 a lot. So we've got from \$1,000 to \$32,000 or \$26,000. So there are obviously many other components. Do we have a breakdown of that at some point?

MR. CHAMBERS: Yes, Mr. Chairman. As Mr. Notley pointed out, the land is a fairly minor component of the total cost. I'd be happy to provide a detailed breakdown of the lot prices. Would you like to look at Area 1, for example?

MR. NOTLEY: Yes. If we could have the costs broken down as to the various levels. For example, in the final determination of the lot price, is any value assigned to the land itself?

MR. CHAMBERS: Yes, the land is a nominal \$400 an acre, or something like that. The land is a nominal price. The cost is really in servicing. I'll undertake to provide that information.

MR. NOTLEY: Do you have those cumulative figures now, Mr. Minister?

MR. CHAMBERS: Mr. Chairman, I'll have to check on the availability of this. It's been pointed out to me that we of course turned this over to Northward in the spring, so it's not ours. Therefore it may be a little more difficult. But I'll undertake to take a look at what I can provide in that area.

MR. NOTLEY: Okay. Do you have the cumulative totals now?

MR. CHAMBERS: Yes, the Housing Corporation, \$100 million; and Home Mortgage, \$141 million. Also of course, if you look at the total, it depends too on how many home-owners in Fort McMurray elect to take up Home Mortgage Corporation mortgages.

MR. NOTLEY: Of the total amount we've spent in Fort McMurray -- obviously anything from the Alberta Home Mortgage Corporation is a good investment; people are going to be buying their homes and over a period of time we'll be getting them or the money we make will come back to us -- is any of this in fact an investment in infrastructure that will not have a return?

MR. CHAMBERS: In terms of the money we put out through our SHOP and direct and so forth, my personal opinion, Mr. Chairman, is that the risk is very low. Perhaps the one asset I think people value more than any other is the ownership of the property and home. Experience over the years has shown that property tends to appreciate in value. Therefore I think the risk would be very minimal indeed.

MR. NOTLEY: Everything Alberta Housing has done then in terms of our investment will, in some way, shape, or form find itself shown up in the final cost of the lot.

MR. CHAMBERS: Sorry, I missed that.

MR. NOTLEY: Everything we've done, every investment we've made in the last, say, five years -- our planning, all the other expenditures of Alberta Housing -- will then find its way through to the ultimate cost of the lot? Or have we done any infrastructure work which in fact we are writing off, saying that has to be done and we're not going to be able to charge for it, so we'll just accept the loss?

MR. CHAMBERS: In a specific community like Fort McMurray, for example, or Airdrie, if you like, where the corporation is involved, the concept is really to provide the lots at cost. Into those costs would go the planning for that specific project, all of the infrastructure required to develop the final lot product. So those costs should all be reflected in the cost of the lot.

MR. NOTLEY: Okay.

MR. APPLEBY: Gordon wanted to say something on the same topic.

MR. TAYLOR: Thank you very much. I'm a little leery about this average price when we work out for lots or units. I think a figure like that is not only misleading but it's meaningless. I remember a few years ago we tried to establish, some people wanted an average price for moving dirt. When you took the price from the muskeg areas, the irrigated areas, the wet areas, the rock areas, and the straight prairie sod, you got a figure. But that was

meaningless, and that was misinterpreted all over the province. After that I just figure it's just not right to give an average figure unless the items are uniform and unless you're building the same type of thing.

When you talk about an average price in Fort McMurray, unless every lot is completely uniform and on completely the same type of soil, that average price is meaningless and misleading. Some of those homes are built in wet areas; some are built in dry areas; some are built in high land, low land; some are terraced. When you get an average figure I think it's very, very misleading not only to the people there but to people who are trying to interpret what the cost is.

Now, when you have different-sized lots and different-shaped lots, again the matter is aggravated. Then when you put your house on there, unless every house is completely uniform with the same overhead costs, the same costs for materials and everything, again the figure becomes meaningless. So, Mr. Chairman, I'm just saying, rather than asking, that in my view when we give out these average figures for items like this we're not accomplishing anything and we're really doing a disservice to the people who are there and to the people of the province. Because such figures are meaningless.

The figures that are meaningful are those of the components that go into each lot -- the percentage of overhead, planning, and so on, that is charged. If I want the price of lot 27 in one area, then I think we should be able to get that figure. Then it means something. But it doesn't say that other lots and other houses are going to cost the same amount, because the conditions may be entirely different. I'm simply saying this because I think we're getting off on a limb when we start giving average prices for so many variables that are all different in each case. That's really all I wanted to say on that point.

MR. CHAMBERS: Mr. Chairman, if I could respond. I think Mr. Taylor raises a very valid point, because for example the time frame of the three-year period the houses were constructed over -- the original lot charges were about \$8,000. Then of course so many components come into this: the escalation in inflation that occurred over that time; the type of subdivision, as Mr. Taylor pointed out; the density -- whether or not we're talking about link housing, row housing, single family housing. Indeed there's quite a variety in single family housing. There's a variety in the districts in terms of the density and the spacing. So I believe it's correct that an average wouldn't really tell too much. I think, though, to focus on a specific current subdivision that was built at the same time might be meaningful. I assume that's the information the committee would like to get in detail with regard to the specific area.

MR. TAYLOR: Yes, I'd like to have it anyway, because it means something.

MR. CHAMBERS: Because I think if you tried to take the average between the original \$8,000 lot cost and \$32,000 lot cost, and if you take one area of town rather than another area, the difference between single family and multiple, an average might be a very misleading number. I understand the committee really wanted me to provide figures with regard to one particular area where the breakdown of costs would be meaningful.

MR. APPLEBY: Mr. Chairman, I'd like to ask the minister about the program which I think is the co-operative housing program -- the one where the home-

owner builds the house himself and does his own contracting and so on. Is this a province-wide program or is it restricted to certain areas?

MR. CHAMBERS: No, it's a relatively new program. It really started in Edmonton with the availability of affordable lots in Mill Woods, but it's spreading throughout the province. I don't have it with me, but the list of communities that we're forecasting for next year is considerable.

I think the idea and the acceptance of it is growing rapidly. Particularly I think it will have real application in some of the smaller communities because of the greater affordability of lots. Courses are offered at the various schools like NAIT in training people to be their own general contractor, if you like, and to do some of these things. People in these co-operatives tend to perhaps pool their purchasing and obtain preferable prices from bulk buying -- maybe half a dozen families or some number like this.

One of the nice social aspects of it is that many people have come in and said, gee, this is the way I can get an affordable house but I've never done anything like this before and I don't know that I really could do that. They find when they do it that it often gives a tremendous boost in confidence. Here they've achieved something: they went out and learned how and did it themselves. I think it has a good social impact, as well as providing a significant amount of affordable housing. With the sweat equity aspect where they're prepared to get out and put something into it physically themselves, spend the time and effort at it, I think the end product is even more meaningful to them.

MR. APPLEBY: Mr. Chairman, I understand that NAIT has an evening program where these people who are prospective co-operative housing builders can take some training in this type of thing. Is Alberta Housing involved in the promotion of this type of program?

MR. CHAMBERS: No, it's actually through the Housing department. The people are advised as to the training required, assisted and provided with the information they need, given the guidance they need in terms of the training, and so forth.

MR. TAYLOR: Is this a program that was started by Alberta Housing?

MR. CHAMBERS: No. It was started by the Housing department.

MR. TAYLOR: The Housing department of your department?

MR. CHAMBERS: Yes.

MR. NOTLEY: There's federal money in co-op housing, is there not? What's the percentage there?

MR. CHAMBERS: In social housing?

MR. NOTLEY: In co-op housing in particular.

MR. CHAMBERS: I don't know, actually. I suspect that their co-op housing program is perhaps on the list of terminations through the recent federal cutbacks.

MR. NOTLEY: But at this juncture, what would be the federal share? Because I believe there is a federal share -- I'm almost certain -- in co-op housing.

MR. CHAMBERS: Mr. Chairman, I'm aware they've had the occasional project here and in Calgary, but not a major factor in Alberta really. Insofar as I know, the major program is our program.

MR. NOTLEY: Fully financed by the province or partly financed by CMHC?

MR. CHAMBERS: By the province.

MR. TAYLOR: Mr. Chairman, are there any figures to show the cash outlay under the co-operative housing program for a house compared to the conventional programs?

MR. CHAMBERS: Mr. Taylor, these programs meet our guidelines. In other words, our direct lending now has a maximum house price of \$52,000, plus a formula to take care of lot prices where they're higher. I think what often happens is that, first of all, being able to build a house and meet the guidelines -- get within that \$52,000 -- is significant. But also, depending on the co-operative achievement in terms of savings through bulk purchasing and sweat equity and so forth, they're often able to construct a larger and better house within the guidelines than they would if they just went out and bought directly under one of our programs.

MR. CLARK: I wouldn't expect, Mr. Minister, that you'd have this information at your fingertips, but could you prepare for us a bit of an overview on the question of interest rates as they relate specifically to the home ownership program? My reason for asking is that I think it would be helpful to the committee when we come to the recommendation stage if we had some idea of -- initially I was going to say an average rate of interest, but that gets difficult. So perhaps what I want to ask you more is: could you give us a statement, either today or included in the package you're going to get back to us with, with regard to the rate of interest as far as programs through the Home Mortgage Corporation.

Then, have you got some kind of ballpark figure, Mr. Minister, as to the average rate people would be paying now who have got money from the Home Mortgage Corporation?

MR. CHAMBERS: No, I can certainly provide the type of information that Mr. Clark wants. The interest rate of course is related to income, up to a total of \$19,500, or whatever it is. It's graduated. In other words, the lower the income the lower the mortgage rate. I'll be quite happy to make available to the committee the actual table of what these rates are.

MR. CLARK: I'm sure your people must have some sort of average rate, perhaps an overall average rate or something that came to that. I think it would be helpful to the committee when we come to recommendations.

MR. CHAMBERS: Yes. I think we could probably find that.

MR. CLARK: Good. Thanks.

MR. CHAIRMAN: We'll break for five minutes for coffee.



MR. CHAIRMAN: I think the minister has a bit of information that he can convey to us at this time.

MR. CHAMBERS: First of all, Mr. Chairman, I believe you've got a package of our programs. I think this is a pretty complete summary of what they are, and quite readable, which you may find useful. We're also in the process of getting the interest information for Mr. Clark.

With regard to the yield, for the Alberta Mortgage Corporation on all loans in '77 the average yield was 9.866 per cent. But that doesn't include cash subsidies that were made, so if you took those into account the average yield might be 0.25 per cent lower.

MR. NOTLEY: Are there any plans at this stage to change the interest rates charged under any of the Alberta Housing programs? I believe interest rates are now going up again as we battle to do something with the Canadian dollar -- I'm not sure what. But are we making any plans at this stage to adjust interest rates, or will they be kept at the same level for the next period of time?

MR. CHAMBERS: Mr. Chairman, interest rates of course are required to be adjusted from time to time as the trends indicate. However, we have no immediate plans to increase the rates. Whether or not that will be required in the future of course is open to conjecture.

MR. NOTLEY: Mr. Chairman, I wonder if I could go into a slightly different area. On the rural and native housing program, Mr. Minister, what is the procedure now for moving into new developments under rural and native housing? Just exactly what is the role of the local housing committees? What expansion does the government see in rural and native housing programs? Do we have any list of community projects 'prioritized' over the next year or so?

MR. CHAMBERS: Mr. Chairman, first of all the rural and native programs are described starting on page 12 in the handout material. Basically I guess the philosophy is to provide for need. If we have families that need housing in some of these remote areas, then we attempt to meet that need through the provision of a house under the rural and native program.

As you're probably aware, the program, which is 75 per cent federal and 25 per cent province, is limited to communities with populations smaller than 2,500 persons, which does limit therefore where they can be located. Personally I think it would be more useful to have that ceiling raised to perhaps a population of 5,000, because often the viability of a community as related to size and job opportunities may tend to be more available in a somewhat larger community rather than a smaller one. So that creates a difficulty as far as the program goes. Obviously the real objective is not only to locate the families in good housing in locations where their children can go to school and have proper health and educational facilities and so forth, but also to be able to find jobs. That's very important.

The transitional housing program that we're involved with through the counselling programs of Advanced Education and Manpower I think have a lot going for them. They've been very successful in Fort McMurray and Slave Lake, are under way in Grande Prairie, and are just getting under way in Peace River. For example, on the Syncrude operation -- and I'm somewhat out of contact here -- I recollect that about 200 native people were on staff with an expectation that probably there would be 250 by the time the plant is fully

operational. Many of these people were able to take advantage of the transitional housing program where they can get counselling in terms of equipment they're perhaps not used to -- laundry facilities and modern household machinery, if you like. That type of counselling, not only from the physical side of operating a house but from the community aspect as well, is proving to be very useful in helping people adjust to often fairly dramatic changes in life styles. I think the transitional housing program has an awful lot going for it, and I look forward to seeing it expanded in the future.

MR. NOTLEY: I see a notice on page 12: "Families in communities designated by the Province" . . . "with incomes of less than \$12,000". Now, I understood that that \$12,000 ceiling was under some consideration. At least at a meeting where one of the representatives from rural and native housing attended in Fairview last December, he indicated that there were problems with the \$12,000 limit. There certainly were in our area. There were people who would ordinarily be entitled to move in, because \$12,000 may seem reasonable. But when you consider the cost of utilities and some of the higher costs in northern regions, there were people who were just over the income ceiling and by all other standards should have fitted into the program. So I was given to understand that the government was going to review that ceiling and up it. Where does that stand now?

MR. CHAMBERS: Generally when the income rises over \$12,000, the affordability becomes much more readily available in terms of the starter home ownership program and the direct lending program. These would fill the bill quite nicely. Ownership is certainly encouraged, and the recipients of the housing are eligible to purchase the dwellings, but in most cases they're able to move in and pay rent presumably until such time as they may elect to purchase the house. If they do elect to purchase, the rental payment is applied to the mortgage and the mortgage reduced accordingly. So it's designed in that way. It's also related to income, so the rental would be 25 per cent of income. If the income is very low, obviously the rent is very low.

MR. NOTLEY: With respect to the ceiling, would it not make sense to at least attach the ceiling to some kind of composite increase? We have an average increase for public servants of 6 or 7 per cent, we have an increase in workers' compensation benefits. Wage rates and inflation are going up. If we say a \$12,000 ceiling this year, in fact what we're doing is limiting the program compared to last year. Because there are people who might have made \$11,500 last year and would qualify but now make \$12,100. Should we not be placing the ceilings on the same sort of general escalating level that we've set for other government services or wages and remuneration in the public sector, or even pensions that are paid such as workers' compensation?

MR. CHAMBERS: Well, I'm certainly open to considering a review of the ceilings from time to time or at any time as it seems appropriate, although in the four-plus months that I've been in this portfolio I've not been aware of any cases where the upper limit of ceiling has been a problem. Generally the income levels we're talking about are appreciably lower than the \$12,000. So I'm not aware of any case where it has been a problem. But, sure, we're always open to reviewing and adjusting ceilings if the need is indicated. However, Mr. Chairman, I just might add that this is a federal/provincial program -- 75 per cent/25 per cent -- so the guidelines are generally common guidelines across the land.

MR. R. SPEAKER: Mr. Chairman, I wanted to ask questions with regard to the senior citizens' self-contained units. I wonder if the minister could indicate what type of priority some of the smaller communities with, say, a population of 200, or even the hamlets, have with regard to that program. I know some of them are making application. How does the minister assess that type of thing versus a community with 1,000 population where the need might be greater?

MR. CHAMBERS: Mr. Chairman, on a philosophical basis one of the really fine things we've been doing is building the senior citizens' homes in smaller communities all across the province. I particularly enjoy attending the openings of these, because you get a good feeling: the people are happy; they enjoy them. I think Albertans feel generally quite pleased and happy that we're in a position in Alberta to be able to do something for our pioneers who really I think we owe an awful lot to, because they created the spirit and enterprise. In many ways the good life that Alberta citizens are able to live today we owe to those pioneers. I think that's one of the programs we can really feel good about providing. I think it's nice to have them disseminated well throughout the province, because people often don't like to go too far from where their friends are.

MR. R. SPEAKER: Mr. Minister, what I was interested in . . . I'm sure there's quite a high demand right across the province for the units. I think the idea is good to try to keep the senior citizens in their local community where they have their friends and grandchildren, et cetera. I think it's an excellent program.

I was wondering about the distribution. Do you have some kind of formula by which you try to have an equal distribution across the province? In my own area there's a high demand for this kind of unit, and a high demand in other constituencies. Do you have any type of overall view as minister in your final determination, let's say by county, municipality, or constituency, to try to make a fair distribution?

MR. CHAMBERS: Mr. Chairman, the main criterion really would be to determine the need. In other words: can we build the facility there, is the demand there, and will it be filled? We have surveys done every summer, generally utilizing the availability of summer students who go into these communities with questionnaires and attempt to determine the need and the demand, can they be filled, and what is the desire of the people in the area: do they want a self-contained, how far are they from the nearest one. Priority would be in terms of, okay, if there's one 10 miles away then probably a community that doesn't have one within 50 miles would I suppose have a higher priority. But basically, if the need is there, we're attempting to build them.

MR. R. SPEAKER: Do you have a list of the submissions for the 1978-79 fiscal year available to you at this time? Would the committee have a list available to them?

MR. CHAMBERS: For the current fiscal year?

MR. R. SPEAKER: I think we've already had the current fiscal year presented to us by Mr. Yurko in the spring Legislature, if I recall correctly. But I was wondering if for the coming year you have available the proposals that are before you, and could we have them?

MR. CHAMBERS: Well, of course we're in the budgetary process now and assessing the surveys that have been made over July and August. I think we'll be looking at our Alberta Housing Corporation budget in November.

MR. R. SPEAKER: Would it be possible just to have a sheet with a list of all the ones that are making submissions for this coming fiscal year?

MR. CHAMBERS: I'm not sure of the ready availability of that, Mr. Chairman. However I'm quite willing to look at it and see what we do have in the way of information in that area.

MR. CHAIRMAN: Any further questions to the minister? If not, if it's agreeable to the committee this will conclude our meeting with the minister. Mr. Minister, you would be able to get this information with respect to Airdrie to us? Do you wish this information laid on your desks at the Legislature? If it's put in the mail . . . We had some trouble with the minutes last time. Would it be agreeable to the committee members if this information was put on your desks? Would that be agreeable to you, Mr. Minister? By the end of the week.

MR. APPLEBY: Mr. Chairman, probably it could be delivered to your secretary and she could distribute it to help the minister out.

MR. CHAIRMAN: That's fine. As long as it gets to your desk, that's the principle. With respect to the minutes, there was a bit of confusion. I think the minutes were finished in plenty of time. I think it was just the distribution system. Would it be agreeable if the minutes were put on your desks at the Legislature? Quite frankly, some of these were mailed several days before and some of you haven't got them yet. We can't depend on the mails too much. Would it be agreeable to the members of the committee if the minutes were put on your desks in your offices or given to your secretaries, rather than put in the mail?

NON. MEMBERS: Agreed.

MR. CHAIRMAN: Fine. Would you keep in mind trying to get your recommendations in to me by September 29 or to Betty Maurice, my secretary, in Room 325.

If there's nothing further, thank you very much, Mr. Minister. We appreciate your coming and the information you have given to us. I know you'll get the information to the members as quickly as possibly. Are there any further matters to bring up at this time? If not, we'll be meeting at 10 o'clock. I'm not sure whether it will be here or in Room 312, but it will be in one or the other at 10 o'clock next Monday morning.

*The meeting was adjourned at 10:55 a.m.*