

[Chairman: Mr. Kowalski]

[10 a.m.]

MR. CHAIRMAN: Good morning ladies and gentlemen. May I welcome you to another meeting of the select standing committee on the Alberta Heritage Savings Trust Fund. This morning we have appearing before us as a witness the Hon. Larry Shaben, Minister of Housing. If committee members open their annual report of the Alberta Heritage Savings Trust Fund to page 21, they will note a project item under Alberta Mortgage and Housing Corporation with an investment portfolio at March 31, 1985, of \$3.374 billion. In the 1984-85 fiscal year, the Alberta Mortgage and Housing Corporation received \$100 million from the Alberta Heritage Savings Trust Fund. One other major policy change in that last fiscal year occurred on August 1, 1984, when the Alberta Housing Corporation and the Alberta Home Mortgage Corporation merged into the Alberta Mortgage and Housing Corporation.

Mr. Shaben, I welcome you before the committee once again. If you have an opening statement, would you kindly proceed. Would you also like to introduce the gentleman with you.

MR. SHABEN: Thank you, Mr. Chairman. It's a privilege to appear before the committee. I think it's a useful opportunity for members of the Legislature to gain additional information on investments in the heritage fund. With me today is the president of the Alberta Mortgage and Housing Corporation, Mr. Engleman. I'm pleased that he is here.

I have some brief opening comments, Mr. Chairman, with respect to some general observations on the portfolio. You indicated the total investment in the heritage fund by way of debentures through the corporation as of March 31. I thought it would be useful for members to bring that into perspective by breaking it into the various areas the corporation is involved in. You also indicated that the two former corporations, the Alberta Housing Corporation and the Alberta Home Mortgage Corporation, merged last year on August 1.

I'd like to provide you with the portfolio in approximate dollar figures, so members of the committee are familiar with it. On the mortgage lending side, the balance as of the

most current date, which is August 31, is \$2,450,692,000. On the land and housing side, it's \$918,297,000, for a total balance owing at August 31, as opposed to March 31 — it's very close; it's actually reduced about \$6 million — of \$3,368,989,000.

I thought an interesting observation might be with respect to the history of these two corporations in terms of what the total payments have been to the heritage fund. The total payments of principal and interest to the heritage fund by the two corporations since debenture borrowing began in late 1976 is \$2.947 billion; that's repayments. The interest portion is \$2.084 billion. So the heritage fund has earned \$2.084 billion as a result of interest paid by the two corporations since the inception of the fund and the borrowing.

Some other interesting factors are that the total number of loans outstanding through the mortgage lending side is 28,000 as opposed to the original number of 42,000 loans that have been provided to Albertans. So there has been a pretty dramatic reduction in the portfolio in terms of loans. I indicated that the present outstanding balance is \$918 million on the land and housing side.

Chairman, I don't have any comments. I'd be pleased to respond to questions any of the members might have.

MR. CHAIRMAN: Okay. We'll proceed to questions.

MR. HYLAND: Mr. Chairman, my first question to the minister is relating to the value of the portfolio when some of these homes were bought versus the value placed on them now. How is the corporation handling values on those units they have back?

MR. SHABEN: With respect to the foreclosed housing units, we have placed a value on them based on the original loan amount, not the original selling price, not what some people might consider the current value, but the original loan amount. The housing that has been acquired by either quitclaim or foreclosure is not for sale. They're being moved into our rental area and are being rented. As the market recovers to a point where we can recover an amount equal to or greater than the original loan amount, they're placed on the

market. So we retain those foreclosed units on the basis of the original loan amount, Alan. We have a reserve for losses set up of \$117 million. Our actual loss to date as a result of sales of foreclosed units is \$5.7 million. These are actual losses.

There are those who would suggest that our reserves for losses are not adequate. As a result of a decision the government made of moving these units into our rental stock as opposed to having them on the market, we feel we are accurately representing the value of the portfolio.

MR. HYLAND: My second question is related to the percentage of houses that were funded by the mortgage corporation in the years of the boom. I'm thinking of the Medicine Hat-Redcliff area. My figures could be a little wrong, but I thought that at one stage it was something like 45 or 47 percent of all the houses we were financing. I thought our purpose initially with the corporation and the programs that were in place was to fund homes for those people, low-income Albertans, who otherwise wouldn't be able to afford housing, and at one point in time we were beyond that.

I wonder if the minister has any comments. Are we getting back to our original purpose of the corporation and, if it's not an unfair question, what does he see as the percentage he would like to see financed by Alberta Home Mortgage Corporation?

MR. SHABEN: Chairman, the mandate of the corporation really hasn't changed in that our responsibility is to respond to the needs of low- to moderate-income Albertans in assisting in providing housing. During the high level of activity between 1977 and 1981-82, we were heavily involved, particularly in the starter home area, because of rapidly escalating costs and the need for providing some assistance. I believe the peak year of our involvement, as a percentage of starts, was '78-79, when total government, through the corporation and the department, was involved in — you're accurate — about 45 percent of the starts.

In the current year it will run about 11 percent of the starts. It depends on the market. We try to respond to the market, and as a target, the corporation believes our involvement will vary between 10 to 15 percent of the starts.

MR. HYLAND: Do those starts include the modest home and apartment programs — all those programs — rather than just straight, individual housing?

MR. SHABEN: Yes. It includes our seniors' self-contained projects, our family home purchase program, our modest apartment program, our rural and native: a variety of housing programs that are targeted to low- to moderate-income families.

MR. R. MOORE: Mr. Minister, I'm always of the opinion that every time government gets into the private sector, it's short-term gain for long-term chaos. I'm wondering if we aren't distorting the housing market by adding millions of dollars in housing assistance out there in the private sector. What is your opinion in that area? Is the impact out there negative to the sector, or is it beneficial in the long term?

MR. SHABEN: Fair question. When you respond to that sort of question, your answer can be partly objective and partly subjective, depending on your perspective.

MR. MUSGREAVE: You should run that by us again.

MR. SHABEN: If we view the corporation and its mandate — that is, to assist low- to moderate-income families to have adequate shelter — that has a social connotation, Mr. Moore, and over the years there has grown an accepted government responsibility to assist people in being able to have affordable accommodation. That's something that, as a lot of our social programs, evolves over a period of years. So it's a matter of government policy. If we as a government were to say that we are no longer going to carry out that role of assisting low- to moderate-income families to have adequate shelter, we could obviously reduce or eliminate our involvement. But it is a political decision.

Your question as to whether or not governments distort the market: it depends on how those programs are delivered, whether they're targeted, whether you have in place factors such as rent controls, whether the market is actually working, and what percentage of the market the government is involved in. That sort of reflects the earlier

question by Mr. Hyland. Being responsible right now for this portfolio, my view is that if we involve ourselves in that portion of the market that is for low- to moderate-income Albertans — senior citizens, native families, targeted groups — and that our involvement is at that 10 to 15 percent level, we will not distort the market.

MR. R. MOORE: As a follow-up to that, Mr. Minister, I wonder if it is unrealistic for us as government to try to provide housing for everyone? Do you think that's a realistic objective for government?

MR. SHABEN: We don't try to provide housing for everyone.

MR. R. MOORE: A third question, not related to that, Mr. Minister. I'd like to know just how the merger of the housing and mortgage corporations has worked out. Has it reached your objectives when you merged them?

MR. SHABEN: Not yet. It is now about a year since the two corporations merged. We have dramatically reduced the number of senior management people. We have attempted to improve the decentralization of the corporation in terms of providing service of the programs in a balanced way throughout the province. The difficulties we've encountered with administration of loans that are in difficulty has caused us to have a slightly higher level of staffing than we would like. I suspect that when you make a move like we have made and eliminate a corporation, it takes some shakeout time, probably another year, until it's functioning precisely the way I would like it.

MR. GOGO: Mr. Chairman, I think that free trade, like beauty, ends up in the eye of the beholder. I don't think that's really the point of the debate today, although one could very quickly say ...

MR. CHAIRMAN: We have the Minister of Housing before us today.

MR. GOGO: I know it's the Minister of Housing before us today. When I look at the effects throughout Alberta in terms of the traditional role of government, which is to help those who cannot help themselves, not those who will not

help themselves, one begins to wonder. Hindsight is cheap, and I can appreciate part of the minister's dilemma with the portfolio.

Minister, although you don't have heritage fund money in community housing, I'd like to ask a question about that, if the chairman would permit. First of all, on the lodge program, where indeed you had heritage fund money, Lethbridge Green Acres Foundation has suggested that the original concept of the lodge program is very laudable. Indeed, this Sunday the first one built in the province of Alberta, the Green Acres Foundation, celebrated its 25th anniversary. There's no question that the previous government deserves credit for initiating that program, and you deserve credit for continuing it. However, a unique situation has developed, and I think you can appreciate it.

The lodge program was designed for those who were not physically ill, were capable of daily maintenance of themselves, but couldn't cook, et cetera. We see a new phenomenon now. I don't know whether it's a backup in the hospital system, but more and more the residents of these lodge programs are not capable of looking after even their daily needs. With the Nursing Profession Act, whereby only nurses can handle medications and so on, I think it's put a very heavy weight on the lodge program. The only way they can handle it is through additional funds to handle this increased demand in service, which they didn't foresee.

Could you, Minister, advise the committee whether you're reviewing the lodge program and its concept and how it's operating and whether there are any changes in your mind that you think should be brought in in the design of new lodges?

MR. SHABEN: Another very important question, Chairman. First of all, yes, heritage fund funds are used in the community housing program. Then you moved right to the lodge program.

MR. GOGO: I'm going to come back to that.

MR. SHABEN: Okay. That's so your supplementaries are consistent with the original question.

We work very closely with the senior citizens' homes foundation, which is a body that discusses policy matters related to the

administration of the lodges. There are now about 8,000 lodge units in the province. What has happened -- and Mr. Gogo accurately represented the situation -- is that the population in the lodges has aged to where the average age is near 75, whereas when the program originally began, about 25 years ago, the average age was much lower. So higher levels of care are being demanded by the residents of the lodges.

One of the really helpful initiatives of the government has been home care, and the lodge foundations have taken advantage of home care for the residents of the lodges. The other thing we do is that in a number of cases where two seniors were in a double unit, the lodges are converting the old double units and using them as single units, so there is more space for the residents. Another is our lodge upgrading program, where over a period of seven years we provided substantial funds to the foundations on a priority basis to upgrade their lodges.

Some people are concerned that we have a vacancy rate of about 10 to 12 percent in our lodges across the province, but presently in our total senior housing programs we house about 15 percent of the seniors in the lodges and in the self-contained. I believe the fact that we have vacancies shouldn't disturb the members, in the sense that in some provinces there is absolutely no accommodation available for seniors who wish to have it. In some jurisdictions they wait for a year to get into that kind of accommodation. In some jurisdictions they don't have any counterpart to our lodge program.

The Social Care Facilities Review Committee has been looking at the situation and has developed some recommendations for me and for the government, that we are reviewing. The Hyde report, which you're familiar with, is on single point of entry in order that there's a co-ordinated effort by all the agencies in a community to help seniors in terms of where the most appropriate place for them is, whether it's in lodges or nursing homes or auxiliary care hospitals. We'll begin to test that on an official basis in a couple of areas, in co-operation with Dr. Webber, Mr. Russell, and myself, without jeopardizing the jurisdiction of the foundations in terms of their ability to operate.

Yes, there are changes evolving, and they will evolve over time, to respond to the

conditions you've described.

MR. GOGO: Minister, I recognize that the fact that other provinces don't have it is very important. Other provinces don't have oil, but their prices are lower than ours, which perhaps is significant.

My second question, Minister, is with regard to community housing. I think there is a strong need. If the policy of the department is to provide low cost housing for those who need it and if the role of government is to help those who cannot help themselves, I think you've had a very clear, demonstrated demand in southern Alberta, with the Lethbridge Housing Authority on community housing. A year ago, I think it was, you launched a program whereby rather than build new units -- i.e., having capital projects -- you were going to lease from developers who had existing housing. I understand that's not working at all in the Lethbridge community because of the cost. Would you comment on that?

MR. SHABEN: I'm not sure whether it's the cost. Obviously, I'm disappointed, because our objective was to lease from the private sector in those communities where there was a high vacancy rate and provide housing to those in need by the private sector rather than adding to the stock by building new units.

I haven't thoroughly assessed whether the reason is that the private-sector landlords do not wish to enter into contract with the housing authorities and the government or whether we are simply too critical of the kind of housing that's available. That goes back to Mr. Moore's question. Perhaps our demand for the type of units in terms of standards is such that we are looking for units that are equivalent to new, to the kind we build in community housing. Perhaps we should set our sights on expanding it. I haven't completed my assessment of the rent supplement program, but it's obvious that we haven't been successful in Lethbridge in terms of entering into contracts with the private sector. So we will continue to assess it.

MR. GOGO: My final question, Mr. Chairman, is to the minister or to Mr. Engleman. The local housing authorities, I think, are a tremendous asset to the government and to the people of Alberta. They devote many hours of volunteer time. My understanding is that the

Lethbridge Housing Authority returns a pretty high profit to the corporation each year. My further information is that perhaps Calgary and Edmonton return losses. I'm interested in how this can happen. Are the people in the Lethbridge Housing Authority — residents, for example — paying too much, or is there poor administration in Calgary and Edmonton? I would be very interested, Mr. Engleman, if you could advise the committee as to what the relative returns are, if any, and why we would have a profit in the \$40,000-\$50,000 range, for example, out of Lethbridge and losses of \$20,000 or \$30,000 in Calgary. I'd be very interested if you could respond to that.

MR. SHABEN: Mr. Chairman, maybe I can respond initially, and Joe might supplement the answer. The housing authorities throughout the province — and I believe there are now 43 or 44, all volunteers — do an outstanding job. It really works effectively when people in the local community administer community housing. In the case of Lethbridge, they're one of the unique housing authorities where they also administer senior citizen housing. So their mix of units is different from Edmonton's, for example. Edmonton does not administer senior housing. Calgary has some, although we have removed quite a number of units from Calgary and placed the administration in the hands of other voluntary, nonprofit groups.

A major factor in the numbers that flow out of a housing authority is the percentage of residents who are on social assistance as opposed to the percentage that are single-parent families or working low-income families. For example, a social welfare recipient would pay \$90 to \$100 a month, in that area, for a community housing unit, whereas those who are not pay 25 percent of their income. That's a long-standing situation that has existed. If you have 30 percent of social welfare recipients in your community housing, your gross revenue is far less than if you have 8 percent. So the gross revenue flow varies, depending on the percentage of social welfare recipients.

One of the discussions I've had with the Minister of Social Services and Community Health and a request I've made to him is that social services pay the same rent as they pay in the private sector for shelter allowance. That has not yet been resolved. It would mean an

increase of about \$5 million in the social services budget for shelter, but that would change the gross revenue that flowed through.

That's the major reason, Mr. Gogo, for a difference. I should correct you; none of the housing authorities make money, because we don't include the servicing of the debt in their operating costs.

MR. GOGO: Well, they're nonprofit by definition, I think, Minister.

MRS. CRIPPS: Mr. Minister, the senior citizens' lodge and self-contained unit programs are probably second to none, and I know they're well appreciated. I think the provision of accommodation close to families is key to maintaining the strength and integrity of the family unit. Certainly, that's important in today's situations.

I understood that the lodge upgrading program was going to come to an end. I've got a senior citizens' lodge in Drayton Valley where the rooms are very, very small by today's standards. They're probably closets in comparison. Are you going to continue the lodge upgrading program? What's happening to these older buildings that need some major upgrading?

MR. SHABEN: The lodge upgrading program did conclude. It was set up as a five-year program, and we extended it for two additional years to accommodate requests. We have a small budgeted amount within the corporation to take care of matters of urgency related to the Building Code or fire protection. I simply say that that's an area that needs further attention in terms of how functional some of the older lodges are and whether they should be renovated or whether there should be, in some cases, conversion to self-contained as part of a lodge component that some of the units be self-contained. That's part of the process that has to take place as these older lodge units age. We are going to have to address it because it is a problem.

The kind of unit it is is a reflection of the rent the senior pays. We simply set maximums in the corporation; we don't set minimums. Because the administration and ownership of these units has been turned over to the foundations, they have complete flexibility to reflect the value of the rental unit in the rent

they charge. I think some of the foundations could make better utilization of these smaller units by reducing the rent from the maximum.

I'd like to add one thing that I missed on the question from Mr. Gogo. On a cash basis Edmonton Housing Authority shows a profit, not including servicing of debt.

MR. GOGO: You're not saying that because you're in Edmonton.

MR. SHABEN: I don't live in Edmonton. I'm from High Prairie, John.

MR. MUSGREAVE: No debating, you fellows.

MRS. CRIPPS: A supplementary. The major cost of operating these facilities would be in the provision of food and other services provided in the lodge. I suppose most authorities would be hesitant to lower their rate, because they'd probably then show a loss and become unviable.

I must concur with Mr. Gogo on evaluating the changing needs of the senior citizens in the lodges. I think that should be a priority for us as government and for the operating authorities of those facilities.

My second question has to do with a statement you made in your opening remarks. You said there are now 28,000 loans and that there were originally 42,000. Is the reduction of some 14,000 loans because Albertans are moving up? What do you attribute that reduction to?

MR. SHABEN: First of all, let me respond to the comment about lodges and the changes taking place in terms of demographics and the age profile. The foundations, volunteers, and individuals who live in lodges consider themselves and those units as housing units and not health care facilities. That's the delicate balance. In many cases, in visiting the lodges and talking to people who have been in a lodge for 15 or 20 years, they don't want to move into a nursing home, because it's their home. So it has placed pressure on the administration to improve services. It is a difficult thing because there is the human element of the senior citizen living there. You visit them, and you know they consider that lodge their home; they don't want to move to a nursing home. That's a part of the need. That's why home care is so very

important in terms of being available in the lodges.

The question on the loan portfolio. Many of those individuals, as their loans came due in the fifth year, put additional capital into them, put a larger down payment, and went to a private-sector lender. The vast majority of loans they have financed have gone to a conventional mortgage lender as opposed to the corporation.

MRS. CRIPPS: Thank you.

MR. MUSGREAVE: Mr. Minister, I have a quick question. I have a little difficulty understanding your figures, and maybe I'm not looking at the right records. In the year ending 1984, I understand that there was approximately \$300 million transferred from general revenues into your department to, in effect, upgrade the value of mortgages and/or properties owned by Alberta mortgage corporation. Is that correct? It was in the range of \$280 million or something like that.

MR. SHABEN: The government made a decision, Mr. Musgreave, to purchase the debentures attached to our land bank program. The reason we did that was to stop the clock on interest that was accumulating. These land holdings are held in co-operation and by way of agreement with municipalities, and each year the accumulated interest on the servicing of the debt was added to the price of the lots. Because we recognized that land values were not rising as they had been, it was simply impossible for the market to absorb that cost. It was a political decision to freeze the accumulation of interest. That was the major transfer, by way of the GRF buying approximately \$300 million worth of debentures, so we stopped the accumulation of interest that would be charged against agreements with municipalities.

An additional sum was transferred in order to assist our reserve for losses. You'll recall that it was \$15 million on the land side. Lots that are immediately for sale are evaluated each year, and we write them down. Those were the significant transfers you're referring to.

MR. MUSGREAVE: Was there anything of that nature done in the current year, or did that clean up the whole program?

MR. SHABEN: We budgeted for the difference between the rent we would receive on the acquired properties and what the debenture payments would be worth. On our mortgage lending side I believe it was \$17 million to take that gap. So that's a budgeted amount that comes in the budget of the Department of Housing. We increased the amount for write-off on land from \$15 million to \$16.5 million by way of a budgeted amount that was approved in the current year's budget.

MR. MUSGREAVE: My next question, Mr. Chairman. As former chairman of the Metropolitan Calgary Foundation, involving housing of seniors in Calgary, and also as chairman of the first committee that got "social housing" built in Calgary, I want you to know that I am concerned about housing for those in need. But there have been many studies made, and I see in today's Globe and Mail there's another study done by Canada Mortgage that indicates that the housing needs are unfortunately not being met in the lower levels because there are too many middle-class, middle-income people occupying subsidized housing owned by Canada Mortgage, particularly in the co-op housing. I imagine these are fairly authoritative studies.

I wonder if your department is anticipating this kind of problem developing in Alberta. Are you conducting any studies in that regard with respect to housing that is funded through the heritage fund?

MR. SHABEN: Chairman, an important question. That was a major subject of discussion when the ministers of housing met recently in Alberta along with the federal minister of housing, because we in Alberta have had precisely the same criticism of federal funds being used to subsidize families who don't need the subsidy. For example, there are about 240,000 housing units in Ontario that have been built under section 56(1) of the NHA. You are familiar with the legislation where interest write-down is permitted to 2 percent. The housing units are not income-targeted, whereas all social housing in Alberta is targeted by way of income testing.

In Alberta we have focussed our attention and the taxpayers' funds on targeting for families in need, whereas in other jurisdictions they have used taxpayers' funds for housing.

If I can express a view: as long as rent controls are stringently in place in other jurisdictions, the market won't work and there will be continual demand on the public purse to provide housing for those, and not targeted. That's a difficulty in terms of the drain on the Canadian taxpayer. But in Alberta we target our funds.

Co-op housing is a matter that remains a federal item. We do not deliver or allocate co-op housing. That's a federal program.

MR. THOMPSON: Mr. Chairman, I'd like to apologize to both the committee and the minister for being a little late this morning. If the area I'm about to ask a question in has already been discussed, let me know and I'll read the transcript. It has to do with repossessed housing. Obviously, the corporation has housing for sale. How is this handled? Is it turned over to private real estate agents, or does the corporation handle it itself? What's the procedure that is used to get this housing back on the market?

MR. SHABEN: I partially answered that earlier, in that the houses that have been acquired either by way of foreclosure or quitclaim have been moved into our rental side. They are not placed on the market unless our examination determines that the market has recovered sufficiently that we can recover our original loan amount upon the sale of those units.

The housing units we have acquired are slowly put into the market. The way they are sold is by listing them through Multiple Listing Service and allowing the private sector realtors to move them. We have had a lot of pressure from individual realtors to provide exclusive listings, but we don't do it. We are a member of the MLS in all the centres where it exists, and we place them on the Multiple Listing Service and move them that way.

MR. THOMPSON: My second question has to do with the procedure you use on rental housing. Do you basically do this through the corporation, or do you have the private sector look after the supervision, rent-gathering, maintenance, and that type of thing in your rental housing?

MR. SHABEN: On single-family housing units we handle them through our property managers

throughout the province. Multiple units are contracted out to professional property managers.

MR. THOMPSON: Thank you, Mr. Chairman.

MR. ZIP: Mr. Chairman, the hon. Member for Cardston pre-empted one of my questions to a certain degree. But coming back to these repossessions in Calgary, how many are rented and how many are being sold? Are we really getting the situation in hand? I'm thinking particularly of northeast Calgary, where we had quite a slug of them -- not in my constituency, but in McCall, but we're all affected by that.

MR. SHABEN: I don't believe, Mr. Zip, that I have the precise breakout for Calgary. I believe we have a total provincial picture but not for Calgary. I can get that and send it to you.

In terms of the numbers of units that are on the market -- very, very few; virtually none. The ones that go on the market are the derelict houses that have been beaten up so badly that they should be moved, and we take the loss and move them, or those where the market has recovered to a level where we expect we can obtain the original loan amount. The vast majority are in the rental portfolio, and they will remain there. As the market recovers, they'll be sold off. But I don't have the precise numbers.

MR. ZIP: Turning to the senior citizen lodges in Calgary, is the vacancy rate in them dropping? I know there was a substantial problem as far as vacancies were concerned at some of those seniors' accommodations in the city. What is the situation now?

MR. SHABEN: In the self-contained or the lodges?

MR. ZIP: The self-contained.

MR. SHABEN: It varies from community to community. In some communities vacancy rates are zero. By that I mean communities in a city or communities by way of a town. The vacancy rate across the province is about 7 percent. It's slightly under the provincial vacancy rate. But it's zero in some particular communities. That's why, as we bring forward

our budget of building new self-contained units, we try to target them to the communities where the need is the greatest. Across the province it's about 7, but in some communities, whether it's a neighbourhood within Calgary or a town in the province, it could be tighter.

MR. ZIP: I have a question on something that was brought to my attention over the weekend regarding the extent of services provided in seniors' lodges. Is there a trend now to develop those kinds of lodges that provide additional services besides housing? I'm thinking of St. Michael's in north Edmonton, that's even attracting people from Calgary because of the extent of services they provide at that particular facility, which I understand is a very, very good facility. People are very happy there, anyway. The gentleman I talked to has lived in a couple of facilities, and now he's moved to St. Michael's and is extremely happy there.

MR. SHABEN: St. Michael's is not a lodge. It's a nursing home, which we provided the mortgage financing for, so of course the service level is considerably different from the lodges. It's not one of our projects other than the fact that we provided the financing.

MR. ZIP: But besides this, are we going to the type of lodge facility that provides more services?

MR. SHABEN: No. We're building very few lodge units. In the current year we are replacing a project in Camrose that was condemned, and we're building a lodge project in Elk Point. That's our total capital construction in the current year for lodges. Because of the overall vacancy rate and the preference of seniors for self-contained, we're very careful about building new lodges.

The earlier question with respect to what's happening in the lodges is very important. That's why we have dramatically reduced the number of new lodge projects being built.

MR. ZIP: Is that in line with what the Kerby Centre is doing in Calgary, for example? They have a program of keeping seniors in their own homes and providing home care for them in order to allow them to do that.



MR. SHABEN: No. Mr. Zip, that's the policy of the government. That's why we have provided the senior citizens' home improvement grant, that is why home care was initiated and expanded by the government, and that's why the senior citizens' rental grant is provided to seniors who live in private rental accommodation. Those are all designed to help people seek alternate accommodation to that provided directly by the corporation.

MR. GURNETT: Mr. Chairman, let me begin by also extending my apologies. My usually punctual friends at Time Air were behind schedule today. I'm sorry I missed the first few minutes. Again, Minister, I hope the questions don't duplicate ones you've already responded to, but I'll proceed.

First of all, I wonder whether you have any figures or whether it would be possible to get figures that deal with the relative value of holdings of Alberta Mortgage and Housing now compared to, say, 1981 or somewhere in that range, so we have some picture of what's happened as far as the value of those holdings.

MR. SHABEN: That was partially dealt with earlier in terms of responding to a question by Mr. Hyland about the value of the portfolio. I think you were here for the question Mrs. Cripps asked about the reduction in number of loans from 42,000 initial loans that had been provided to 28,000.

There are two portfolios, the mortgage portfolio and the land and housing portfolio. First of all, with respect to land and housing, each year we look at those lots that are readily marketable and are on the market, and we have taken markdowns on them. We've reduced the value by about \$15.5 million on lots. We have not done so on our land banks because the philosophy was long-term land banking. Our conclusion and our decision was that if it is not on the market, it is difficult — and if you talk to appraisers, it's impossible — to place a value where a market virtually doesn't exist. So we are retaining those on our portfolio at cost. As lots come on the market, we will do write-downs annually as a result of sales or evaluation.

With respect to our mortgage portfolio, we have reserves of about \$117 million established in the corporation for losses. We have taken actual losses of \$5.7 million as a result of

sales. There is some minor disagreement as to our procedure on how we value our foreclosed property as opposed to how conventional or generally accepted accounting practices account for it. We have moved our foreclosed and quitclaim properties into our rental housing portfolio and are renting them, and cover the deficiency in our rent and that amount required to service the debenture payments by way of a transfer from the General Revenue Fund to the corporation. So we're operating on a cash basis. When and if those houses are sold, we take the markdown, which totals \$5.7 million, as I indicated.

That's the procedure we're following, because these houses are not on the market unless we can recover the original loan amount. Operating as we do, between the General Revenue Fund, the corporation, and the heritage fund, we think we are accurately representing the affairs of the corporation.

MR. GURNETT: Thank you.

On a little trip we managed to make this summer, we went through Canmore. On the north side of Highway 2 there's an industrial park that the sign indicates is Alberta Mortgage and Housing. I wonder what the story is behind that. Who owned it previously? What does Alberta Mortgage and Housing own it for now? Who's looking after it?

MR. SHABEN: Mr. Chairman, it was previously Crown land. The corporation received a request from the town of Canmore to assist them in developing and servicing residential, commercial, and industrial property. We entered into an agreement with the town and have serviced industrial and residential lots.

You're probably aware that the town and the corporation invited proposals for a tourist development spot on the higher ledges and have received 47 inquiries from around the world, interested in tourist destination development proposals. Some of the industrial sites have been sold. I think about four of them have been sold to date, but as a result of the downturn in the economy, the demand was of course reduced dramatically for industrial sites.

MR. GURNETT: Thank you.

The other question I have relates to the rural emergency housing program. I wonder if you'd share your philosophy a little with regard to

that program. I've had some people who have participated in the program talk to me at different times. Is there a feeling with regard to that program that because it's an emergency housing program, people should settle for and be satisfied with whatever happens to be available, or is there an understanding of a certain standard for that housing that should make it equivalent to housing that other people are living in in a community? How is that whole program seen? Also, perhaps you could comment on the whole aspect of maintenance, upkeep, and repairs for units that are part of emergency housing.

MR. SHABEN: Chairman, I'd be pleased to. The program has been moved out of the corporation and into the department, but I don't think it's inappropriate to respond. The program is an emergency housing program. It is to respond to people who have been burned or flooded out, or because of pressing health problems in their existing home or inadequate housing, we respond on an emergency basis. We now have about 1,100 emergency housing units. We modified the program dramatically about a year and a half ago, and it's working very, very well. I'm really pleased. We have decentralized the delivery. Those residents who have been living in one of these emergency units and making their payments regularly obtain ownership to the unit at the end of eight years. One of the things that transfer of ownership after eight years' residency has achieved is that the need for maintenance has dropped, because the individual families living in them are taking pride in the units and recognizing that they will own them in eight years.

The program is working effectively, but it is an emergency housing unit. We will use used units to accommodate a family, but we refurbish them before they're placed in reuse.

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

MR. GURNETT: I'll ask just one more. What is the position now with regard to rental properties in the corporation? What's going to be happening in the years ahead as far as energy efficiency in housing? Are there plans to set a high standard in that area, be a model to other

housing in the province, or will we basically follow the required federal standards?

MR. SHABEN: With new projects, whether community housing or senior citizen housing, we are often accused of having too stringent standards. In our tender documents we seek and obtain bids on very high standards. We also try to optimize the use of Alberta building materials and building products in the units, because we think it's important that we do that. With respect to mortgage funds, they must meet the code, and as I say, we're often accused of having standards that are too high in our projects. But I think that is a short-term view, because by having a high standard of construction, you reduce maintenance and utility costs.

MR. CHAIRMAN: Would there be additional questions forthcoming from committee members? If not, thank you once again, Mr. Shaben, for your annual appearance before the committee and your frankness in responding to questions from committee members. May we wish you the very best in the upcoming year in terms of management with respect to the corporation. Thank you.

MR. SHABEN: Thanks very much, Mr. Chairman.

MR. CHAIRMAN: Committee members, we'll adjourn shortly, but just to review again our schedule for next week, we'll reconvene on Wednesday, September 11, at 10 o'clock in the morning. We'll have the Hon. Bill Payne, minister without portfolio, appearing as a witness before the committee. On Thursday, September 12, in the morning we have the Hon. Al Adair, Minister of Tourism and Small Business, and in the afternoon, the Hon. Don Sparrow, Minister of Public Lands and Wildlife.

We also must get back to discussion of recommendations. Not prejudging the interest of committee members in the appearance of Mr. Payne before the committee but just looking at transcripts from previous years, I do not recall Mr. Payne's being here much beyond one hour. You will probably prove me wrong next Wednesday morning and keep Mr. Payne here for three hours. Be that as it may, perhaps we might agree that at the conclusion of the discussion with Mr. Payne on Wednesday

morning next, we go back to discussion of recommendations. Can I just make the plea once again that you have the recommendations in the appropriate wording and read them in according to the words that you want rather than ideas or thoughts.

May I wish you the very best for a good, healthy weekend, and we'll see you ... Mr. Hyland.

MR. HYLAND: If we're interested in an irrigation tour, is it possible to look at a date? It would help out with scheduling. We have a time period. Some of the districts are shutting down the first week in October.

MR. CHAIRMAN: When we discussed this matter, I asked committee members to get back to us with an indication of their interest in it. Only one committee member has done so, and that's Mr. Gurnett. He indicated the days of availability for him. I've heard nothing further from any other committee member.

MR. GOGO: What was the recommendation, Ken?

MR. CHAIRMAN: Well, we were hoping to get one coming from the initiative of the committee in this case. Would you like leadership with respect to this, or would you like to cook up a conclusion? How about we cook up some dates for next Wednesday? Okay. Perhaps you might let Miss Conroy know by this afternoon what days you would not be available between now and mid-October.

MR. GOGO: Is the 10th the deadline, Alan?

MR. HYLAND: You can still see it after the water's off. But on the 10th it's going to be shut down.

MR. CHAIRMAN: Okay. We'll come back Wednesday, then, with some suggestions. Thank you.

[The committee adjourned at 11:05 a.m.]

