[Chairman: Mr. Oldring] [2:01 p.m.]

MR. CHAIRMAN: Good afternoon, everyone. We'll call the meeting to order if we can, please. I'd ask everyone to take their seats. I want to begin by welcoming the Hon. Dennis Anderson, Minister of Municipal Affairs, responsible as well for Alberta Mortgage and Housing Corporation. With Mr. Anderson this afternoon we have Mr. Joe Engelman, the president of Alberta Mortgage and Housing Corporation, Mr. Stephen Kent, and Mr. Archie Grover, Deputy Minister of Municipal Affairs. So I want to begin by welcoming all of you gentlemen here this afternoon.

Mr. Minister, it's a pleasure to welcome you back to a meeting of the Alberta Heritage Savings Trust Fund select committee. While this is your first opportunity to appear before this committee as a minister of the government, I know that you did have the opportunity of serving on this committee in years gone by.

The format hasn't changed, Mr. Minister. We still extend an opportunity to you, sir, to open with some comments if you so wish. We follow that up with a question-and-answer period. Each member, once they're recognized, is entitled to ask one major question and two supplementaries, and then we move on to the next member. So on that note, again, welcome, and we'll turn the floor over to you, sir.

MR. ANDERSON: Thank you very much, Mr. Chairman. It is a pleasure to be back. I used to sit on the other side of the floor, so I'm looking forward to the input from this side, particularly because I've only had a few weeks as minister responsible for the Alberta Mortgage and Housing Corporation. I look forward to the advice and the suggestions that committee members might have with respect to how we can improve or elaborate on the programs and the directions that we've taken with respect to the corporation over the years.

In beginning my opening remarks, Mr. Chairman, I might say that from the corporation reporting perspective it's bad news and it's good news. The bad news is that we have an accumulated debt of $585.9 million. There are still multiple-family units that are going into foreclosure. We have houses and land that are not yet sold, and we do owe the Heritage Savings Trust Fund somewhere in the neighbourhood of $3.3 billion.

The good news, however, is that there are far fewer foreclosures than there were last year. There are more houses sold and more land sold than there were at this time last year. Units not sold are almost entirely rented. In terms of the almost $586 million debt, we feel that if the economy continues to improve the way it has over the past year, almost $200 million of that may not be realized, because it is a planned write-down on what we have or it's planned for and may not be required. In addition to that, over the years the corporation has repaid the Heritage Savings Trust Fund $4.7 billion. So there is money coming back in even though the debt owed is still great.

If I can elaborate on those comments a little bit, to date the Alberta Mortgage and Housing Corporation's total debenture borrowings amount to $4.8 billion. As of the last year-end the corporation repaid $1.5 billion in principal and $3.2 billion in interest payments, making the $4.7 billion that I alluded to earlier. The total principal outstanding, as mentioned, is $3.3 billion at year-end. Of this amount $1 billion relates to the social housing; $2.3 billion relates to the mortgage lending. You will note that the total amount owing is, in fact, about $118 million less than it was last year. This year's financial statements have been consolidated, the corporate account and the mortgage insurance fund, to make the financial statements easier to understand, which at least I appreciate, being a layman in the accounting field and new to the housing area in Alberta.

For those of you who are fairly new to the committee, as I'm new to the portfolio, perhaps I could just spell out the extent of the housing corporation's responsibilities. Really, there are three primary responsibilities. One is as a social housing agency, administering both federal and provincial program moneys. The second is as a marketer and manager of land developed on behalf of municipalities and housing acquired through foreclosures. The third is as an administrator of the loan portfolio, which was lent in boom years to clients at the lower end of the market who could not have been served by the private sector.

In terms of numbers, the corporation administers 23,600 units of seniors' housing, 11,000 units of family housing, 250 special housing units, and 250 Metis and transitional units. It has 1,200 acres of land it administers; 4,100 lots of residential and industrial land banks, development, and inventory; some 4,800 foreclosed single-family units; and 32 multiple-unit projects. It also administers almost 19,500 loans on a total ownership and multi-unit rental loan portfolio of 45,000 units. Seven land development projects and 16 trunk servicing loans are also administered by the corporation.

The Alberta Mortgage and Housing Corporation became involved in housing during the period of unprecedented demand in Alberta, responding aggressively to the need for land and housing infrastructure throughout the province to support the government's objectives for quality of life, to support our belief that we had to have reasonably priced units for lower income Albertans and seniors, and also to facilitate the resource development in communities such as Fort McMurray, where there were major activities by the corporation. These initiatives are, I believe, at least in part responsible for the relatively affordable housing costs for Albertans that exist today.

We all know that in 1982 we had an economic crisis in the province. Some of the best home builders in the country went bankrupt in the province. Lenders experienced major foreclosures as clients walked away from, in many cases, their mortgages and their homes. The corporation, of course, was no different in that respect. We experienced 7,500 foreclosures in single-family areas and 64 multi-unit projects going into foreclosure. In addition, our portfolio experienced a substantial devaluation as a result of the general market decline in land and housing, and this resulted in the corporation's accumulated debt of $585.9 million that I mentioned earlier. That includes the write-down for land and a write-down for real estate plus an allowance for loss on mortgages. Of this amount the Alberta government's contribution in 1987-88 was $223.6 million, 74.1 percent of which covers the social housing and mortgage subsidies and the remainder of which covers the costs of rental program, administrative costs, as well as realized losses on loans and real estate sales during the year. The corporation loan loss provisions are comparable to losses sustained by other lenders, and they reflect proportionately the higher risk situations that the corporation was involved with in providing loans to low-income families.

We should also recognize that this is a conservative estimate. As I mentioned earlier, if the economy continues to improve at its current rate, we do feel that of the $585.9 million debt, we should be able to save almost $200 million of that in terms of the portfolio increasing over what it's currently valued at.

Based on the lots that the Mortgage and Housing Corporation are selling, the corporation believes it will recover a large portion of the land write-downs, as mentioned, particularly in areas like Fort McMurray. Over 500 lots have been sold in the last 18 months at market value on an average break-even basis substantially above the write-down amounts.

A total of 3,300 foreclosed units and suites from all programs have been sold as of October 1. Almost all the foreclosed single-family dwellings in Edmonton and Calgary have been sold. And basically all of the corporation's condominiums and semidetached units are either actively being marketed or, with the exception of Edmonton's Clareview area, are fully rented. The housing corporation's foreclosures continue to decline in today's housing market by almost 35 percent over last year. One of the real benefits of the corporation's assisted home ownership program is the 35,000 mortgagors that actually stayed with home ownership during the tough times. Thanks to their efforts there really is a much greater ownership of housing units in Alberta than would have otherwise been the case.

The corporation's rent-to-purchase option is being offered to renters who qualify on housing units over a one- to two-year period. The units are being offered for sale at market price, enabling new owners to gain some equity in today's rising housing market. Strong industry support enabled the corporation to expand its mobile home loan insurance guidelines on September 1, '88. The ceiling for insured loans was lifted to enable purchasers of higher priced units to obtain mortgagelike mobile financing.

I should mention as well that the core housing incentive program stimulated the supply of rental units in the larger centres and was instrumental, of course, in making housing affordable. The modest apartment program did a similar thing in the smaller areas of the province, where conventional financing was difficult to obtain. As a result of the decline in market conditions over the past three or four years, many core housing incentive program and modest apartment program projects have experienced financial difficulties because of the high vacancies and resulting low interest rates. In order to assist with debt servicing, many mortgagors have accepted the corporation's offer to restructure the loans. In return, we have extracted from the mortgagors agreements to have 50 percent of their units in a position of rent control, so we can continue to provide affordable housing for those at the low end of the scale who require that. That can last anywhere up to 20 years, I understand, and even beyond that with some particular loans. At the same time, we know there will be some projects which will go into foreclosure that have not yet done so, as a result of expending all options, offering all possibilities, and looking at what would be best in terms of the money spent by the province and the operation of those particular units.

The only active lending which occurred in the corporation during the past year has been to finance the special purpose housing and rural and native housing units and to support the sale of foreclosed single and multifamily units that the corporation is responsible for. The corporation's social housing programs continue to extend a safety net to Albertans unable to obtain safe, affordable private-sector housing. Since 1986 we've approved 194 special units in 17 different projects. They are for physically and mentally handicapped individuals, brain-injured young adults; elderly transient and emotionally disturbed individuals utilize those units. We are experiencing increasing requirements for community-based residential projects in those special need areas and as well, of course, for people in the inner city core, single individual households in those areas. The needs for senior citizens and for the lower income people continue to be there throughout the province, and some more identified as special areas. Over the past three years the corporation has been minimizing its capital commitment through the use of 1,500 foreclosed units: condominiums, town houses, apartments, semidetached, et cetera. I should mention that maintenance of the social housing portfolio continues to be a priority. The lodges have begun to go through a regeneration process, particularly those in Stony Plain, Drayton Valley, and Bonnyville, as part of our program to provide affordable housing to our seniors.

Mr. Chairman, those are some general remarks. I would reiterate that though there's good and bad news, the good news seems to dominate in most areas this year. I should also mention, because this is my first opportunity to appear before the committee and, I suppose, because I'm unencumbered by complexity by having only a few weeks to have dealt with the issues, that my goals in terms of the housing corporation and our housing responsibilities are general. They're first of all to make sure that our programs are sensitive: sensitive to the needs of the people that we serve, sensitive to the other programs of government to make sure we interact properly, sensitive to the industry that we have to work with to make sure that affordable and good housing is available for Albertans. The second goal is that of efficiency, to make sure that the moneys expended on behalf of Albertans are expended properly and with due care.

Mr. Chairman, with those opening comments I will try my best either to answer the questions, have Mr. Engelman or others respond to them, or to take them as notice and get back to the individual members. I'd also very much appreciate, as indicated, any advice or thoughts that the committee might have for improvement of our programs in the housing area.

MR. CHAIRMAN: Good. Well, thank you very much, Mr. Minister, for a very helpful overview. You've obviously gotten a good grasp of your new responsibilities as they apply in this area in a very short amount of time. I'd also want to thank you for the extra effort I know that you made in getting a copy of the '87-88 annual report out to all the members just prior to the meeting this afternoon. I know that it's appreciated. I also noted that the ink on mine is still wet, so it obviously is hot off the press.

I'd like to recognize the Member for Calgary-Forest Lawn.

MR. PASHAK: Thank you, Mr. Chairman. Well, the minister's statement was so comprehensive, it answered most of my specific questions. But perhaps some policy questions then, Mr. Minister. I take it that you're no longer really in the business of issuing new mortgages except for specific social housing needs. So would it be correct to infer from that that you would only do that if we should get back into a situation of extremely high mortgage rates? I mean, would that be the future of the fund?

MR. ANDERSON: Mr. Chairman, the member is quite correct that we are now only issuing mortgages either on properties that we have in our portfolio and are sold to individuals or in terms of the social housing programs. His assumption, I think too, is correct. We wouldn't plan to change that unless it became obvious that there was no other way of supplying Albertans with affordable mortgages and the ability to stay in their homes.

MR. PASHAK: I have some concerns as well, Mr. Chairman, with the properties that the corporation has acquired through foreclosures, particularly in the city of Calgary. If I may just ask a question of clarification and not waste a sup, did I correctly understand the minister to say that there are no more foreclosures pending in the city of Calgary and the city of Edmonton?

MR. ANDERSON: No, I didn't mean to imply that at all. There is in fact likely to be foreclosures. Many of those people with the core housing incentive program and the modest apartment program have in fact taken up our offer to restructure, but we still have incidents where it is possible there will be foreclosures in those areas where all other opportunities have been dealt with. There may be in others as well. So I didn't mean to imply there wouldn't be foreclosures. I did state, and it is a fact, that the foreclosures are down considerably from previously. Our economy is helping that along. But I'm afraid we still have the likelihood of some of those taking place.

MR. PASHAK: I have a general concern, then, about the way in which the foreclosed homes are put on the market. As the minister has indicated, a lot of these properties were purchased by people of low incomes so that the properties tend to be concentrated in what you might call low-income areas of the city of Calgary. What's happening at the moment in the city of Calgary is that some groups, perhaps the Metis housing association, will acquire a block of homes through Alberta Mortgage and Housing in a section of the city. Then these homes are rented out by the housing corporation that buys these homes from Alberta Mortgage and Housing, with the consequence that you get in some communities large blocks of homes that are now owned by renters. I don't want to disparage renters in general, but there is sometimes a problem that renters do not take the same interest in maintaining their properties as people who have a financial interest in the property. I wondered if the minister has addressed that issue from a policy perspective.

MR. ANDERSON: Mr. Chairman, if I understand the member correctly, we are in fact trying to put on the market the housing that we have available as that's practical. But we don't want to put it all on the market at a given time and therefore affect the prices in that particular marketplace, and we also want to ensure that there is fairness with those who have paid a particular price. So we're trying to ensure a market level. But we rent units out only awaiting the time when we are able to put them on the market themselves in most cases, if you're talking generally about the programs.

I don't know what the member might be referring to in terms of Metis housing. I assume that was an example, but I'm not sure how that does relate. If he has any specific areas of concern, I'd be pleased to look at them.

MR. PASHAK: That's fine. Thank you.

MR. R. SPEAKER: Mr. Chairman, my question is in line with my question in previous hearings to other ministers. In my review and research, along with my staff, we've noted that the federal government has provided grants and moneys to other provinces of Canada for specific programs; for example, I've raised forestry, agriculture, irrigation. Other provinces have received the money from the federal government, but we in Alberta either didn't qualify or we didn't make firm enough representation to get our share. I raise with yourself two programs that are parallel to programs that we have listed here; for example, in the report on pages 10 and 11 we note the rural and native housing program. We also note on page 11 the residential land banks, industrial land banks, and residential land development.

If you note the two documents that I gave to you, they come from this book here. This is my reference book, and this is a federal government document called Federal-Provincial Programs and Activities: A Descriptive Inventory. What it does is compare the grant structure and the provision of moneys from the federal government to the various provinces under specific programs. So it's the most up-to-date document in 1987-88.

If you'll note the two tables that are before you, table 3 and table 9, they refer to two programs from this booklet that I've noted. In table 3 we refer to the rural and native housing commitments to December 31, 1987. You'll note some thousands and millions of dollars to other provinces, but you'll note across on the column for Alberta that we have received no funding. This would refer, I understand, to maybe section 40 of the federal Act. In this table 9 we have the federal-provincial land assembly program, with the responsibility for funding for assembling land for various purposes. Again, you'll note that Alberta didn't receive any moneys under that vote, and we have the years 1984, '85, '86, '87.

The case I'm making, Mr. Minister, is that if we have not used federal funds, what we have done by default as a government and as members of the Legislature is spent our Heritage Savings Trust Fund money, whether it was through direct expenditure, grant, or through a debenture form, which you are involved in. To me that is of concern, so I'd appreciate your comments on that. Why did we not receive our fair share? Are these charts inaccurate? And my third supplementary would be: as a new minister would you take on a commitment to pursue this and possibly report back to the committee your findings? That could be a report back currently. Then I would think that early in the new year, by the time you've got your feet on the floor, I'd appreciate a second report back indicating that there are some deficiencies and you're pursuing certain goals.

MR. ANDERSON: In answer to the Member for Little Bow's questions, Mr. Chairman, I think I have a good answer for the table 3 situation, where indeed it's indicated that there aren't moneys forwarded to Alberta but are to others. In fact, we operate differently than other provinces in that respect. We do fund fully the initial capital cost, but unlike other provinces the federal government then pays 75 percent, in this case, of the mortgage payments. We feel that because of the administration costs and so on we in fact obtain a small benefit over what it would be if they funded the 50-50 cost on the capital up front or even the 75-25 cost on the capital up front. So we do get the same benefit as the other provinces, but we get it in terms of their payment on the mortgage rather than their up-front capital costs.

MR. R. SPEAKER: Is the minister saying that the other provinces do not get the benefits on the mortgage at all, that that program only exists in Alberta?

MR. ANDERSON: They don't get the same benefits on the mortgage. We really have a choice. We could take the cost sharing on the capital up front, or we can take it on payment of the mortgage over a period of time. We've chosen to take it on the mortgage and, through the calculations of it, all the details of which I'm not yet familiar with, feel that we may gain as much as a percentage or so over taking the capital up front.

MR. R. SPEAKER: Could that be provided on one sheet somewhere?

MR. ANDERSON: We can try and provide that on one sheet, certainly.

Generally, though, Mr. Chairman, with respect to the hon. member's question I think the point's well taken. I have undertaken to review all of our programs to try and ensure that we do get our fair share of the federal cost-sharing dollars and also to ensure that the rules that we operate under, or at least the agreements we operate under, are fair and in keeping with what is required here in Alberta. So I appreciate the question.

I don't know the answer on the land assembly program and will undertake to get back to the hon. member on that specific one, though the answer to many seemingly inequitable charts such as this may be that we have been in the past paying the up-front cost and taking the money on the mortgage back. That, too, we might wish to assess over time, given that our economic circumstances have changed and the availability of dollars is not as great as it was. But I don't think we've been losing benefit on that.

MR. CHAIRMAN: Member for Vermilion-Viking.

DR. WEST: Thank you, Mr. Chairman. Welcome to the minister, and congratulations on your new portfolio.

I would like to go — I guess I'm following up on the previous questioning — to rural and native housing. Personally, and as related by some of the constituents that I deal with and Albertans, this is probably the worst social program that was ever invented by mankind. If I'm not mistaken, at the present time people who have a need base and an income based from $15,000 to $22,000 a year — I think it was lowered, but you can correct me if you can on those stats — can have a house built for between $72,000 and $74,000, if they're accepted into this program, that has a very rigid set of guidelines as far as the square footage and the types and the perception of this home. It is supposed to be based on income and need. Then, of course, as you've said, the payments can be subsidized, as you just alluded to, and Alberta pays for the capital construction.

What has come forward and is out there is that during our downturn in the economy there were many housing units available in Alberta, and even with Alberta Mortgage and Housing they could be purchased anywhere from $58,000 to $70,000. But because they were a better value for that dollar — they may have double garages; they may have been 1,300, 1,400 square feet; they may have been landscaped; they may have been a beautiful home — we couldn't purchase them under this program. In fact, we turned around and had to build a house not far from where some of these were available for sale for $72,000 to $74,000 of lesser quality because of the rigid guidelines set forth by the federal government.

The question I have at the present time: are you pursuing with the federal government a change or flexibility to these requirements and perhaps even stopping this program altogether? The perception in a community in a province that's based on self-initiative and individual resolve is not very good as an incentive for people to get out and get to work and save and do without for years ahead, when indeed they can, through certain circumstances in their life, access a $70,000 brand-new home with an income of $22,000 or less, on a subsidized basis. I don't know how they can afford to keep those homes if that's their only source of income, but they seem to. I seem to know individuals in rural Alberta who have support mechanisms in other places that haven't surfaced on that need application. So the question comes back: are we looking at changing this policy as a participant in it, as the province of Alberta?

MR. ANDERSON: Mr. Chairman, I appreciate the representations of the hon. member and, in these early days of responsibility for this program, particularly his suggestion that we pursue changes regarding it. I know the corporation and the department have had concerns with respect to the operation of it over some years. It is a federally initiated program, and it is one which we want to access because of the need that is there in certain areas, but the member's points are well taken. If they cause a good number of problems for us, we should find ways to resolve those with the federal government, and I would undertake to review that circumstance. I can't answer to any specifics he might be alluding to at this point or the circumstances he's gone through in the particular community that's represented by the member, but it is an area that we'll take a look at.

I might say that personally I prefer the philosophy of a program that we have — not funded by the heritage fund — the rural assistance program, where there is some sweat equity required in the assistance we give in the building of the house. I think that does give people a commitment to the housing they have.

I would be commenting very early on and before I have talked to any federal officials, certainly without a great deal of knowledge of this program. So, Mr. Chairman, I'll undertake to review it, to talk to the hon. member of any instances he knows of, particularly brought to our attention, and to see if there are changes required there.

DR. WEST: Thank you very much, Mr. Minister. While you're looking at it, could you follow through on a couple of areas? One would be the amount of equity that people can have in land base or otherwise but they have a very low income because of some unfortunate circumstances. Is that equity considered when some people make their application? Example: if they own five quarters of land but have no building on it or that and they have no other source of income, could they access this program if they subdivided a piece off the corner of their farming operation? That's one thing that's come up, the equity portion, in that consideration.

The other thing is: it's rural and native housing. When the rural component comes in, I'm sure there are communities in northern Alberta or places that may have more people that want to access this, but in some of the areas in Alberta that are called rural — again I point out the perception of this program and people accessing it where their need base in a very high economic area can't be justified. I again ask you to look at that, if you really would. Perhaps there should be a designation to this program better than there is.

MR. ANDERSON: Thank you. I'm informed by Mr. Engelman that there is a review under way by the federal government with respect to this program, so that may answer some of the concerns. I wonder if Mr. Engelman, or Mr. Grover for that matter, would have any comments on the equity portion and the qualification for this.

MR. GROVER: Mr. Minister, we do get involved with the rural and native housing program in the department. The mortgages, again, are handled through the corporation, but I would think — and I'm not certain of this — that the equity in the land would certainly be taken into consideration in the net worth of the applicant. Certainly we recognize and I'm familiar with the concern you have with respect to a house that may be less than the maximum price but is too fancy for the program. That is one of the things that is being reviewed, as the minister has indicated. The federal government is undertaking a review of the rural and native housing program across Canada.

DR. WEST: Thank you very much. That was the bad news. The good news is: the statistics you just gave — and I'll be looking to *Hansard* to take it out to the constituents — are excellent. Some of the directions the corporation has taken in moving some of the commercial properties and that have been very beneficial in the province of Alberta during a downturn in the economy. So in that edge, keep up that work.

MR. CHAIRMAN: Member for Lethbridge-West.

MR. GOGO: Thank you, Mr. Chairman. Mr. Anderson, welcome to the committee. I very much appreciated your overview, particularly with regard to the fact that you haven't been in the position all that long. There's a great tendency by many people to have short memories, and you cleared that up by pointing out the tremendous surge in the needs of Albertans during the boom period and then the matter of attempting to pick up the so-called pieces since that boom ended.

I wanted to ask you, Mr. Anderson, and perhaps Mr. Engelman, about seniors' housing, particularly with regard to self-contained suites and housing authorities. I see there are some 51 housing authorities spread around Alberta that I think, through their volunteer hours, contribute a tremendous amount to see that your policies are implemented in terms of affordable housing for senior citizens. I understand that the capital for these buildings is paid for by the corporation. With the 25 percent formula for rent, which is all-inclusive in most cases, this would obviously leave a deficit in both community housing and the seniors' self-contained. Because if you take 25 percent of $700, which I understand is the seniors' income, about $175, I would assume you're looking at $300, $400, or $500. Now I point the question to Mr. Engelman. Could he advise the committee as to approximately what is the average deficit per month in each of those self-contained suites; i.e., the difference between the cost of operating and the 25 percent rental income?

MR. ANDERSON: Mr. Chairman, just a general comment, and then I'll let Mr. Engelman see if he can answer that specific question. Yes, the heritage fund does fund the self-contained units. We do, though, obtain federal funding, much like we were discussing before, on a 70-30 basis on the mortgage. So the federal government pays 70 percent and we 30 on that mortgage over a period of time. I believe those are the right figures.

The other general comment I would like to underline and endorse on behalf of the hon. member is the work that's done by volunteers and those who are committed to the housing authorities, those who have sponsored the self-contained units, which are community-based organizations sponsoring the units and assisting with them. Certainly they ensure that we keep the program sensitive and close to those who require them.

But, Mr. Engelman, maybe you have an answer to the question in terms of the specific cost per unit.

MR. ENGELMAN: The cost per unit of seniors' housing: if you take the interest on the capital, the operating costs — the economic rent, if you like — would be in the order of $700 to $800 a month on some of these units. So if we're talking $250 payments, we've got $550 that has to be subsidized that's split between the federal and the provincial governments. Mr. Anderson was correct, Mr. Chairman, on the 70-30 split; that's for units that were built or cost shared in 1986 and later. Prior to that most of it was done under a different section of the Act, and it was 50-50. So we're splitting $275 or thereabouts, in a lot of cases, with the federal government. There are worse cases than that as well. So there is a big subsidy both for the federal government and the province on these.

MR. GOGO: I think it's important, Mr. Minister, to have that out.

With regard to community housing, which, again, satisfies a great need in terms of affordable housing, is there any provision within the community housing program administered by housing authorities for people who are renting and paying on the 25 percent formula, based on ability, to in effect purchase their community housing units? Or are they to be retained always as rental units?

MR. ANDERSON: I'll again ask Mr. Engelman to comment on the specifics of that. But we do have the rent-to-own program, which over a one- to two-year period assists those in units to move into a position of ownership as opposed to just renting. In the social housing units I'm not sure of the specifics. The special needs are often units which are sponsored by a particular agency, the Canadian Mental Health Association, for example. I just opened, in fact, as my first official function as minister of housing Our House, for recovering alcoholics or those who have had abuse problems in that regard. In those cases they would be more general living units, and I wouldn't think they would be easily purchased or the kind of units that individuals would want to purchase for long-term living in them. But with respect to others, certainly those that we have in the general portfolio, there is the rent-to-own plan.

Mr. Engelman, any additional comments in that respect?

MR. ENGELMAN: Your comments were correct. The rent-to-own option is only available for people who are renting our foreclosed units right now. The other units that are cost shared, owned by the corporation and cost shared by the federal government, are tied into agreements for 35 years. So there is a reluctance right now. We have no work-out arrangement with CMHC for the marketing of those units on an ownership basis. The one thing we are doing where we can have something like that is in units that we have put into the rent supplement program rather than into community housing, whereby we're cost sharing rent supplements for people. In those units we could sell the units to the occupant and move the rent supplement to another unit. There is a possibility there. We haven't formalized anything, but that's one of the things we have in mind.

MR. GOGO: A final question, then, Mr. Chairman, regarding the housing authority, these 51 organizations around Alberta. It's long been a practice of this government, Mr. Minister, to attract people to serve on agencies, boards, commissions, and so on, and recognizing the amount of time that they give, we give them an honorarium. For example, your board of directors on the back page I'm sure is paid an honorarium for the time they devote to the interests of the corporation. Several years ago, for example, recognizing that health units in local communities were, similar to your housing authority, totally funded by government, we allowed the health units of Alberta to retain up to 5 percent of a surplus in a year, to a maximum of $100,000, so they could pursue innovative projects in community health. In other words, if they operated at a saving, we didn't take all the dollars away but left some with them.

Mr. Minister, would you consider the following? We have a model to go by, such as 27 local health units in Alberta. If your housing authorities operated at a profit and returned to you between $25,000 and $50,000 a year – for example, in Lethbridge; I don't know if any other authority does – would you give consideration to allowing housing authorities to keep a percentage of the profits that end up at year-end for innovative projects that they wish to do within their area of responsibility and perhaps allow them, like health units in Alberta, the authority to give an honorarium to their board members, many of whom devote tremendous numbers of hours to that, I know from personal experience in Lethbridge? That would be contrary to the policy now, because the policy is made by your corporation and can only be carried out by the local housing authority.

Mr. Minister, would you consider those two options, and would you comment as to whether you think they're viable?

MR. ANDERSON: Mr. Chairman, the short answer is yes. We'll certainly consider both representations made by the hon. member, a most interesting one with regards to the local housing authorities and the operation thereof, the dollars they have. The circumstance is very different from that of local health units, but the principle may be one that we should consider. We are currently looking into the question of honorarium with respect to the authorities.

I guess from a personal perspective I don't want to always say that volunteers will be paid, but certainly if they're putting in time – and I know they are in many cases – equal to that put in by other volunteer boards that in fact do get an honorarium, then fairness should be considered there.

MR. CHAIRMAN: The Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman. I would like to welcome Mr. Anderson and his staff as well here today. As a new member I'm not as familiar, and please forgive me if my questions aren't quite what they're supposed to be. Could you explain the exact policy of transferring the losses from the general revenue into the trust fund? I'm thinking mostly regarding the mortgage lending, in that area.

MR. ANDERSON: Mr. Chairman, no need for the member to apologize for the question. I as a new minister responsible for this area have the same problems with the accounting process in terms of understanding fully and comprehending.

If I can in layman's terms, the Heritage Savings Trust Fund funds the construction and the capital borrowing we have from the fund. The General Revenue Fund provides for dollars to cover the deficit we are in. I mentioned in my opening remarks that in terms of the government's contribution, 74.1 percent covers the cost of social housing and mortgage subsidies, and 25.9 percent covers the cost of rental programs, administrative costs, and those costs realized as a result of write-downs on loans and real estate values. So the General Revenue Fund is responsible for covering that. The accumulated debt we have, $585.9 million, would therefore be covered by general revenue as that debt is realized. I did mention earlier that we may not in fact realize that full debt. At this point we think we may save as much as $200 million of that, so that wouldn't be required to come out of general revenue to cover the debt.

We borrow from the heritage fund at market interest rates or just a quarter of a percent below market interest rates, whatever they are at the given time. So if we need funding for the building of the seniors' units or for other capital spending, we borrow it from the fund at the market interest rate minus only that slight amount. I think it's roughly a quarter of a percent.

MR. FISCHER: So your $585.9 million, then, has been paid for over the years by the general revenue?

MR. ANDERSON: No, Mr. Chairman, the $585.9 million is accumulated debt that we are assumed to owe. Part of that's the result of the write-down of the value of our portfolio, and I'm saying that $200 million of that almost $586 million debt we may not have to pay. Because while a building may be written down to, say, $140,000, in fact we feel we may yet be able to sell that building for $160,000, as an example.

MR. FISCHER: My supplementary. We talked about our downturn in the economy during the '80s and so on. Do you feel that our policies that we have in place, our current policies, then won't put us into the same position or be so vulnerable to the economy in the future, so that we don't – supposing we had another downturn in our economy. Are we going to go through another one of these kinds of things with the policies we have in place now?

MR. ANDERSON: Mr. Chairman, I would like to say that our policies would buffer us against any economic collapses. I should make it clear that we don't anticipate any economic collapses. But I don't know that any company that owns housing units, or for that matter other capital buildings whose value fluctuates with the marketplace, could guarantee that. Our major losses, as with other companies in Alberta, were as a result of them being worth less on the marketplace. If the economy went down a great deal, that would likely happen again. I couldn't say that our policies would stop that.

At this current time, of course, the difference would be that we are not investing a great deal of money, as we did in the boom period, so our liability would be less. But our value of our portfolio would still be affected. I believe now that it will be affected positively because of the increase in our economy. But certainly if the economy went the other direction, we would also face some adjustment.

Mr. Engelman or anybody else have anything to add to that?

MR. ENGELMAN: I guess just on the economy. The one thing we have right now is that a large part of our portfolio in the lending area is multi-family rental projects. We don't have a lot of multi-family rental projects coming on stream, so what we've got is what we've got. We aren't in the same position as 1982 when we had the downturn and we had in Calgary, for example, 13,000 units under construction that weren't really needed and it took the next three or four years for those units to be taken up. So those kinds of situations aren't there. I guess from the standpoint of the entrepreneur who has been hurt by those situations, he is going to think three times before he starts building. So I think if things continue to progress in the province, we are going to face shortages. I know that's not answering your question, but that's an observation on what the present situation is if we do get things going the other way. If they reverse and go down again, we can't get hurt as badly as we did in 1982. That's my feeling.

MR. ANDERSON: I perhaps could underline that, Mr. Chairman. The magnitude of losses with this corporation, as with others but perhaps more so with this, was as a result of us trying to meet the housing need, which was growing very rapidly at the time of rapid growth in the province. So the magnitude of the impact on us was great. We would not have, as Mr. Engelman has said, the same magnitude of impact any time now, because we haven't had that same requirement.

We do feel that because of the number of units we put on the market and despite the negative aspect in terms of the loss in value of those units, our doing that did in fact provide for reasonable housing prices during a boom period, whereas other economies in the world have faced a much greater and sharper increase as a result of that boom scenario. So we feel that besides the obvious benefit to individuals who utilized units, there seems to have been a general economic benefit as well for people in housing in Alberta by ensuring that there was affordable housing through that period.

That's far beyond the member's question but I hope answers it.

MR. FISCHER: I guess what I was getting at: besides the less numbers we're working with now, have there been any specific guidelines changed to lessen the risk government is taking with that?

MR. ANDERSON: I think it's fair to say that the decisions we make with respect to when we build and where we build are considered much more carefully because we have the time to consider them. Before the decision was required to just provide that housing, and you had growth areas like Fort McMurray that required housing immediately for the number of people who were going in there. Now we very carefully look at the budgets and have time to assess that need and don't in fact put housing into areas where the private sector can do that, and that would continue to be a policy of the corporation.

Currently we are emphasizing a lot the social needs — the senior citizens and those in the special need areas, the handicapped and others — in terms of the portfolio, again ensuring that we provide where there isn't available accommodation. So in a general policy sense I'd say we're being very cautious with respect to investments. That doesn't make us invulnerable to market circumstances, but I believe the decisions are being made on the most sensitive and most businesslike basis that we can, given the responsibilities and the mandate we have.

MR. CHAIRMAN: Member for Calgary-Forest Lawn.

MR. PASHAK: Thank you, Mr. Chairman. I'd like to turn to page 10 of the Alberta Heritage Savings Trust Fund report. It mentions an investment in 1987-88 in the Alberta Mortgage and Housing Corporation of $155 million. I wonder if you could just elaborate on that. When I look at the amounts that have been spent, it adds up to . . .

MR. GOGO: Mr. Chairman, on a point of order. I think the minister is looking at the annual report of his corporation. I think Forest Lawn is talking about the heritage fund annual report.

MR. CHAIRMAN: Thank you.

MR. PASHAK: So it would appear that the Alberta Mortgage and Housing Corporation received $155 million during the year from the heritage trust fund. Then it spells out some of the areas where that money was spent, and that comes to some $50 million, but it doesn't explain where the other $100 million went. So I wonder if the minister could elaborate on that in terms of what that money was used for and explain, too, what it means when it says, "Corporate lending activities over the past year included $17.3 million to support the sale of 337 . . . properties." What does that mean? Is that what it cost you to market those properties, in a way? If so, how does the corporation finance that money from the heritage trust fund, and how does it intend to in effect pay the heritage trust fund back?

MR. ANDERSON: I'll let Mr. Engelman answer the specific question about the $155 million. But generally, again, the borrowing from the heritage fund on items like the rural and native housing program pays the capital costs up front, and the money that we get in cost sharing from the federal government is returned and is part of the payments we make back to the Heritage Savings Trust Fund. The cost sharing is true in the senior citizens area, the special housing area, and others.

The specific figure of $155 million: Mr. Engelman, do you have a comment?

MR. ENGELMAN: Yes. The $155 million can't relate directly to the commitments that were made during the fiscal year because there are commitments that are carried forward, so the actual capital dollars required can be different than what you commit. That's one aspect where they wouldn't balance.

The other thing that happens is — a lot of our borrowings from the heritage fund for mortgage lending were by way of 20-year debentures. In fact, we had some 10-year debentures. What happens is that our loans are for longer than that, and we aren't getting enough principal from our operations, from the mortgage loan payments, to meet those debenture payments. So for some of that we are reborrowing in order to pay off other debenture payments. In spite of that, I think you'll note that the amount of new debentures was $155 million, I believe; the amount of payback was $275 million. In fact, there was a net decrease in our debt owing to the heritage fund of about $118 million to $120 million during the year, so we have that. I don't know if that fully explains it, but that's it.

MR. PASHAK: Well, I think it does. This $155 million is by way of debentures to finance some new programs but also to finance other debt.

MR. ENGELMAN: To refinance.

MR. PASHAK: To refinance other debt. But on the other hand, you're also paying back more money than you just borrowed.

That's very much related to the second question I'd like to ask, which has to do with page 20 of the Alberta Mortgage and House Corporation report, a line towards the bottom, which says: contribution by the province of Alberta — and the minister has mentioned that — of some $223 million. Now, I'm assuming that that has come out of the General Revenue Fund. This morning we heard the Treasurer wax eloquently about the $1.3 billion that goes from the heritage trust fund into general revenues. I guess if we're looking at just the interplay between the Alberta Mortgage and Housing Corporation and the heritage trust fund, we could take that figure you just gave me, which shows a net difference of about $75 million between what you're paying back in terms of interest and what you've borrowed this year, and subtract that from the $223 million. You're left with a shortfall of roughly $150 million that in a sense could be subtracted from the contribution that the heritage trust fund is making to the General Revenue Fund. In other words, $1.3 billion has come out of the General Revenue Fund. In effect, I guess what I'm asking is that we've also put a fair chunk of money, the equivalent of at least $150 million, back into the Alberta Mortgage and Housing Corporation from the General Revenue Fund.

MR. ANDERSON: I'm not sure that I can relate specifically to the figures the member uses. It's true that the General Revenue Fund does subsidize the Alberta Mortgage and Housing Corporation, and this is the amount that has come out of that. I think that would be true in any era. Again, we're subsidizing the special housing needs for the handicapped and so on; we're subsidizing the seniors' accommodation and so on.

My understanding, and my officials can correct me if I'm wrong, is that our relationship with the heritage fund is essentially on an almost equal business basis. We borrow the money at market rate; we return it at that rate. We've borrowed at rates ranging up to, I think, 15, 16 percent, when that was market, on down. So the citizens, by looking at the books, can see what the actual costs are by the subsidy the government puts into the debt. I mean, that's the cost that you and I are paying to assist our seniors, to house our handicapped, to supply social housing units. The heritage fund's role is that of a lender helping to provide those dollars rather than having us go to the marketplace and borrow the money on the marketplace as perhaps another development corporation would that doesn't have the social obligations we do.

Mr. Engelman.

MR. ENGELMAN: I don't know whether this will add or not, but we have to recognize as well that we get $223 million from the General Revenue Fund to meet subsidies. At the same time, we are paying $393 million in interest, and of that $393 million probably $390 million goes to the heritage fund. In effect, what we're saying is that we need the $223 million in order to meet our interest payments.

MR. ANDERSON: I guess I'll go back to my original statements on that, Mr. Chairman. We've paid I think $3.2 billion in interest payments to the Heritage Savings Trust Fund over the period of time and, of course, owe considerably more.

MR. CHAIRMAN: Thank you. Any further questions?

MR. R. SPEAKER: Mr. Chairman, just to pursue the questions that we're on. The $223.569 million you say goes just to pay interest; it doesn't pick up losses? You have determined that there are losses. So it would be interest and losses?

MR. ANDERSON: Yeah. I believe it includes the provision for the loss write-down as well — or the loss provisions — doesn't it?

MR. ENGELMAN: Mr. Chairman, it includes the actual losses. In other words, if there's a property sold and the loss is realized, it's in that figure.

MR. R. SPEAKER: Yes. That question was just interest, and I hadn't thought that . . .

The other question I had in supplement to Mr. Pashak's question. On the next page, page 21, there's a column called the net operating advance from the province of Alberta, $223 million. What is the difference between that — are you following where I'm at? On page 21 you'll notice at the top there that it says "cash provided by" and then in brackets "applied to." If you go down six lines after that, you get "net operating advance from the province of Alberta." What is the difference between that column and the one we were just discussing here? Is there a difference? Is this a short-term loan to operate the corporation as such?

MR. ANDERSON: I'll let Mr. Engelman or Mr. Kent answer that question.

MR. ENGELMAN: The $223.004 million figure is the advance that we got, the actual cash. It relates directly to the contribution from the province of Alberta.

MR. R. SPEAKER: All right. It's one and the same. Okay. Thank you.

My question, Mr. Chairman, is into the report on pages 14 and 15. On page 14 you note there that there are 75,000 units of single-family and multiple-unit housing for low- and moderate-income families. On page 15 we note the foreclosure net inventory is around 4,800. Total titles acquired to date was 7,600; total sales, 2,748. Would my assumption be correct, then, in using those figures, that our losses — in other words, our net inventory at present is around 6.5 percent of the total number of contracts we've been involved in in terms of providing housing? But in terms of total titles acquired, we have acquired approximately 10 percent of them back. Would that be an accurate assessment?

MR. ANDERSON: Yes.

MR. R. SPEAKER: Mr. Minister, as a suggestion I would have to say that I felt that we were talking about 30, 40 percent of our housing units that were in default. Would you consider that record bad or, rather, acceptable in terms of some of the losses that have gone on in the private sector?

MR. ANDERSON: Certainly we regret the foreclosures, even if there were one, but given the market circumstances and the recognition that we are providing housing to a higher risk set of circumstances than, say, a traditional development company might, I think the losses are not unexpected.

MR. R. SPEAKER: [Inaudible] a member of government asking that question, Mr. Chairman, but I felt that that was very relevant information, and possibly in your next rewrite of your report there should be a little more focus on that. I think we'd understand the circumstances to a greater extent.

The other question I have: in terms of the 2,748 total sales to date, have you any type of figure indicating what percent the sale price would have been of the original mortgage, on average?

MR. ANDERSON: Again I'd ask Mr. Engelman or Mr. Kent to answer in that respect.

MR. ENGELMAN: Actually, I have numbers here, on average, Mr. Chairman, for 858 sales of home ownership type units that were sold during the year under review. The original loan amount average was $52,405; the sale price on average was $50,866. So it's about a $1,500 difference.

MR. R. SPEAKER: The sale price was $50,000?

MR. ENGELMAN: Average $50,866 on 858 units.

MR. R. SPEAKER: Oh, that's very close. So the losses aren't... You're noting that the original mortgage and the sale price are getting closer together. That's what you're finding at the present time, generally?

MR. ENGELMAN: Yes, Mr. Chairman. We're selling quite a few units now for well over the original loan amount, so it is coming back quite well.

MR. R. SPEAKER: No further questions.

Mr. Chairman, I'd just like to make a comment. I know I've been very critical of this and projected with the Mortgage and Housing Corporation that out of the $3 billion in debentures, the way the trend was going back here a couple of years ago, we could have suffered possibly a 50 percent loss of that $3 billion. The picture looks much better today than then, I would have to say.

MR. CHAIRMAN: Thank you very much.

Well, there are no further questions, Mr. Minister, for you or any of the people from the department at this time. Again we want to thank you for appearing before the committee. I think it's been very helpful. It's encouraging to see the way the trend is changing, and I think we can look forward to seeing next year's annual report even more than we did this year's. Thank you very much.

MR. ANDERSON: Thank you very much, Mr. Chairman. I appreciate the ideas and the input at this stage of our development.

MR. CHAIRMAN: Before we do adjourn — by all means, Mr. Minister, feel free to leave — there are just a couple of housekeeping matters to deal with with the committee. The Member for Little Bow has submitted a letter to Hon. Ian Reid and all committee members. I would ask that it be distributed, and I'm going to do it here in just one moment.

The other thing on the agenda is a need to submit a budget proposal to the Clerk's office. There are a couple of alternatives here for the committee to consider, and I would also want to distribute that for your information at this time. Perhaps next time we have the opportunity of some time left over, we can discuss the budget further.

MR. GOGO: Mr. Chairman, should we have a business meeting at some time, and if we should, is November 4 an option? Could you poll members of the committee to find out? I'm not saying to set the meeting but to see if they would be available on November 4 — if it's necessary. That's why I raise it.

MR. CHAIRMAN: The 4th is difficult for the chairman, but that doesn't mean to say it can't be held that day.

MR. GOGO: Is the 3rd an option?

MR. R. MOORE: The 3rd in the morning.

MR. CHAIRMAN: The 3rd in the morning at 10 o'clock?

MRS. KAMUCHIK: Sorry; the 3rd in the morning is Members' Services in the Chamber.

MR. CHAIRMAN: Members' Services is on that day in the Chamber.

MR. HYLAND: Members' Services is on from 1 to 4.

MR. CHAIRMAN: So the morning would be okay; 10 a.m. Okay.

Any other discussion or items that need to be brought forward at this time? If not, I recognize the Member for Lloydminster.

MR. CHERRY: I move that we adjourn.

MR. CHAIRMAN: We stand adjourned, then, until tomorrow at 10 a.m., at which time we'll hear from the Alberta medical research foundation.

[The committee adjourned at 3:18 p.m.]