

2:04 p.m.

Tuesday, October 16, 1990

[Chairman: Mr. Ady]

MR. CHAIRMAN: We'd like to call the committee to order. We're just a few minutes late in starting. We'll blame that on the change of location.

We appreciate having the Minister of Municipal Affairs, the Hon. Ray Speaker, before the committee today and look forward to the exchange of information from his department to the committee. Perhaps we would ask the minister to introduce the government officials he has with him from his department, and then we'll move into the questioning portion.

So, Mr. Minister, first of all, introduce your people from your department. If you have some opening remarks, we'd be pleased to have those, and then we'll move to the questioning portion of our committee meeting.

MR. R. SPEAKER: I want to first of all, Mr. Chairman, thank you very much for the opportunity of being able to present ourselves to the committee and discuss some of the things we've been doing in the area of the Alberta Mortgage and Housing Corporation. Normally I wouldn't make as many remarks about the subject, but due to the fact that we've had a very major review and a change in the Alberta Mortgage and Housing Corporation, not only in function but in structure, I thought it would be best to extend my remarks longer than normal. I don't do that with the intent of taking away from the questions and answers in any way, but I thought it would be the best way to give an overview of what we really did since the last time we were before the committee.

With me today is the Deputy Minister of Municipal Affairs, Archie Grover - I'm sure all of you have worked with Archie on many, many projects - the president of the Alberta Mortgage and Housing Corporation, Mary Cameron; Stephen Kent, vice-president of the Alberta Mortgage and Housing Corporation; Donna Mastel, my executive assistant; and Joan McCracken, with communications and information manipulation, a nonpolitical role. [interjection] No, very objective.

There are four basic areas that I would like to talk about today in reviewing the changes we have made to the Alberta Mortgage and Housing Corporation. In these four areas there are underlying things that we wanted to do, and they are to build in greater accountability, to try and reduce the deficit, and also to maximize the use of government resources in the changes that were to be made.

The four major areas that I'd like to elaborate on are as follows. First of all, I want to give a brief overview of the results that we've achieved. Secondly, I'd like to talk about where we're headed as a result of the review. Thirdly, I would like to look at the opportunity to create more awareness amongst not only the committee but Albertans as to the actual costs of social housing. What does it cost in actual dollars? I guess we could also say: what is the cost if you don't have housing for some of the people out in our communities with special needs?

One of the key characteristics of the review was that it was a very open concept, and it was a very consultative process. We consulted with the employees of the Alberta Mortgage and Housing Corporation on each step that we took, so they were aware of it, they had the same information I had as the minister, and they've been able to move with us in the changes that have occurred.

The final area that I want to talk about is to outline some tangible steps we're taking to focus government in its involvement in housing.

First of all, the goals of the review. What were they when we started? They were four: first of all, to clarify the role of government in housing; secondly, to address the Alberta Mortgage and Housing Corporation involvement in land, housing, and lending. That relates to the mortgages. We wanted to improve fiscal responsibility and also improve communication and relations with the key stakeholders in the communities across this province.

During the review of the Alberta Mortgage and Housing Corporation, we undertook to analyze all aspects of the corporation's activities, including the mortgage portfolio, land banks and developed parcels, foreclosed housing, the CHIP and MAP mortgages, and the social programs and the respective assets. The direction established through the review of the corporation is that government efforts are best directed to providing housing for people with special needs: the disabled, seniors, and low-income households. In accordance with this change the Alberta Mortgage and Housing Corporation is divesting itself of functions and activities that are no longer serving a social housing focus. These programs can in today's market be more appropriately handled, as we saw it, by the private sector.

The activity update: I've provided some material to you already as a committee, but I'd like to review it and put it on the record at this time. In our loan portfolio we as a corporation had a very major mortgage portfolio that involved single-family mortgages and, as well, mortgages on low-cost housing and mortgages relative to subsidized health and social facilities. We've sold \$237 million in the single-family mortgage portfolio. It was sold to Alberta-based institutions: Canadian Western Bank, North West Trust, and the credit unions. Three hundred and seventy-five million dollars was sold to the Bank of Montreal. At the present time - that is, as of today - \$600 million has been returned to the Heritage Savings Trust Fund because of this sale.

REV. ROBERTS: How much?

MR. R. SPEAKER: Six hundred million dollars has been returned. Right after we made the agreement with the Bank of Montreal, within days, they had a cheque to us. It was close to \$375 million.

As of next Monday, October 22, tenders close on another sale we're making of \$130 million in mortgages on units such as health units, nursing homes, CMHC insured types of mortgages. Our indication at the present time is that the sale is going to go very well. As interest rates come down and come closer to the interest rates on these mortgages, there will be very, very little write-down, because we can sell them practically for the going interest rate. The proceeds of this sale will also be returned to the Heritage Savings Trust Fund to repay the debt associated with the Alberta Mortgage and Housing Corporation's loan portfolio.

In the area of land sales we have completed a number of land banking and development agreements with municipalities across this province. By the end of the year we anticipate to have resolved pretty well all of them. At present a total of 61 out of 68 municipalities have indicated their acceptance of the offer we have made to them. The Alberta Mortgage and Housing Corporation's total land sales in 1990 included 556 lots plus 1,353 acres, which does not include new land agreement settlements with the municipalities I have just mentioned. In

addition, all lands being held by the Alberta Mortgage and Housing Corporation are being evaluated on an ongoing basis and will be available for sale if they are declared surplus. There's a news release available to you today that outlines a major sale of land that we've initiated across the province. We've declared these lands as surplus. We've checked with municipalities, other government departments, other interested persons, and they have not seen a need for it, so we're putting it out on the market.

What about our property sales? In 1989 and '90 property sales included 1,118 single-family homes, three multi-unit projects, one mobile-home park, and 38 mobile homes. Since March 31, 1990, an additional 618 properties have been sold. As a result of the review, the corporation's debt has been reduced from \$3.1 billion in 1989 to \$2.8 billion and will be down to \$2 billion by the end of 1990, once the portfolio sale is concluded. By moving government out of these areas, we can direct our efforts to improving the way we deliver social housing.

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As a result of the social housing review, which was an examination of all provincial housing programs, we want to implement the following important changes. First of all, all housing programs will be based on need, whether that need be affordability of housing or arising out of a person's physical, mental, or social conditions. Secondly, we want to make it easier for Albertans to access the safety net of housing services that exist. Thirdly, we must ensure more flexibility in programming so that Albertans receive the program that's best for them. Fourth, we want to make greater use of the private sector in responding to the need for housing. Fifth, there must be improved co-ordination of housing programs with the support services provided by other government departments. What we've done in that area is initiated co-ordination and worked with the other departments through the deputy ministers' committee to try and deal with that question better. Because housing doesn't stand alone, we're looking at integrating all provincial social housing programs within the mainstream area of one government department.

The corporation's reporting relationship, removed from government over the past years, moved it into something of a backwater from a government policy co-ordination perspective. For this reason, we're looking at administering housing programs within the Municipal Affairs department. Our new social housing organization will be built on strengths: strong needs-driven programming, a clear social housing mandate and clear priorities, an outwardly focused structure, and an innovative, compassionate staff who are concerned about solving people's needs.

The review of CHIP and MAP, which are the core housing incentive program and the modest apartment program, has been a major part of the review during the past year, with two purposes: first of all, to resolve the arrears and, secondly, to reduce the losses which you note in the financial statement. The CHIP/MAP story is similar to the experience of housing market supply programs introduced by other governments both in Alberta and in other jurisdictions. Just as many of the loans made early in the 1980s came on stream, the market conditions they were intended to address changed, and I'm sure you are all aware of that circumstance. CHIP was supposed to be subsidizing low-income people in the early 1980s from escalating rents, when in fact rents were in a decline. As a result, many projects could not generate sufficient cash flow to support debt servicing costs. Though originally intended to provide a social com-

ponent, CHIP and MAP are market housing programs. The approach we are taking to resolve them is consistent with the approach we have adopted throughout the review: to divest ourselves of functions no longer serving a social housing focus. It is our intent that this program not form part of the new social housing organization.

Our plan, then, is as follows. First of all, we will offer the good loans for sale to the private sector. Secondly, we will be proceeding with a tough and evenhanded workout of loans in arrears on a one-on-one basis. As I've reviewed this part of the portfolio, I've found that there is certainly no easy or blanket or across-the-board solution to resolve the matter. With the objective in mind of recovering market plus, we want to recover as much as we can of the Alberta Mortgage and Housing Corporation's investment in this program on behalf of the taxpayers of the province. We will take back projects where the loans cannot be restructured. Fourthly, once the loans are in good standing, they too will be sold to the private sector.

I would now like to focus on the funding of social housing. The government provided \$33.9 million in debentures for capital construction and financing of social housing from the Heritage Savings Trust Fund. It provided about \$98 million in operating funds from the General Revenue Fund in 1989 and '90. The development cost of one self-contained apartment unit in today's market is \$72,000. In addition to that, the yearly combined federal/provincial operating and amortization cost is approximately \$8,000 per year for an amortization period of the next 35 and in some cases 50 years, depending on the cost-sharing arrangements. The provincial share of that annual subsidy is about \$2,400 to \$4,000 per year for 35 to 50 years. Costs of other capital construction programs are comparable. Add this to the fact that we are supporting at present in this province 24,000 seniors' units, 15,000 family units, and 325 special-purpose housing units, and you will understand the reason for the high operating and funding costs that we are faced with. The pressure on me, as on all of us that sit in the Legislature, is to use these resources the best we can and provide the best benefits to the people of Alberta.

Now I'd like to outline some tangible steps we are taking to focus government involvement in housing. Where will it go? First of all, the new housing organization will focus on social housing and divest itself of the market functions, which I've already mentioned. This will include the phaseout of universal housing programs. Secondly, establish clear priorities, such as inner-city people and the disabled, and approve projects on the basis of priority and documented need. Thirdly, maximize the use of federal contributions and pursue new opportunities for cost-sharing. Fourthly, be very clear that we can only respond to those in greatest need and limit responses to rising expectations. I hear over and over again in some of our senior citizens' accommodations that they would like us now to start building two-bedroom units. There are good reasons for it, but then if you do that, you limit the space for other people. We are trying to come to grips with that, though, and maybe raise that in a question. There are some private funds that may help us to provide that type of facility.

Fifthly, by balancing our involvement in capital construction programs with more flexible programs such as the rent supplement program, we can facilitate the needs of people. The sixth area where we are going to be wise in our spending is in recognizing that housing costs are often a good investment and preferable to a higher level of care; consider, for example, special needs housing, which keeps people in the community and out of the institutions.

These basically are the key accomplishments in the housing portfolio, or the Alberta Mortgage and Housing Corporation, to this point. I'd like to publicly thank Mary Cameron, who has come on as a facilitator and worked us through the review, certainly under the experienced guidance of Archie Grover, the deputy minister.

Mr. Chairman, that's basically what we've done in the period of time since we were here last. We feel that we've made a few accomplishments. We're certainly open to any kinds of questions that you have from your committee.

MR. CHAIRMAN: Thank you, Mr. Minister. It would appear that many of the questions that have been brought forward by this committee in previous years have been dealt with in one manner or another during the past 12 months, but I'm sure that that's going to open up a whole new area of questions for you today. We'll move into that area now by calling on the Member for Calgary-Mountain View first, followed by the Member for Ponoka-Rimbey.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to welcome the minister and deputy minister and the staff from AMHC.

I'd like to begin, first of all, by thanking the minister for circulating this morning some of the outline of his remarks this afternoon. I appreciated him being considerate of the members of the committee by doing that and also that we received the annual report – not much ahead of 24 hours ahead of us being here, but certainly it gave us some opportunity over the last day to review it.

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An opening question to the minister. There are certainly major issues here regarding the liquidation of AMHC and then what happens in order to repay the debts owed to the Heritage Savings Trust Fund by AMHC. I see close to \$3 billion payable to the Heritage Savings Trust Fund, so when I look at the balance sheet, Mr. Chairman, under liabilities and net deficit, which is on page 17 of the annual report, I see under accrued interest payable a figure of \$130 million. Is it fair to assume, given that interest is payable on debt and given that close to 95 percent of the debt of AMHC is owed to the Heritage Savings Trust Fund, that by and large the vast bulk of that accrued interest is payable to the Alberta Heritage Savings Trust Fund?

MR. R. SPEAKER: I'm advised that it is. Yes, that's correct.

MR. HAWKESWORTH: Well, our mandate here is, of course, to look at things from the perspective of the trust fund itself, and not being able to realize on an asset of close to \$130 million . . . If the trust were to receive that \$130 million, it could be reinvested, and a minimum of just 10 percent income means approximately \$13 million a year in interest from the fund itself. So my question is: why is that money not being transferred to the trust fund if it's payable?

MR. KENT: The repayment details on the heritage trust fund debentures require payments twice a year, so that would be interest accrued on the debentures on which the due date is in a month's time or two months' time or three months' time. We only make payments twice a year. So it earns interest during that whole period, but we physically don't pass the cash over except on the anniversary date and six months later.

MR. R. SPEAKER: But it does go to the Heritage Savings Trust Fund.

MR. KENT: Oh, yes.

MR. R. SPEAKER: Does that clear it up, Bob?

MR. HAWKESWORTH: Well, the anniversary date is not the year-end?

MR. KENT: No. We borrow money throughout the year, so the anniversary date is spread throughout the year as well. We borrow it as we need it. Suppose we borrowed some money on December 1. Then the first payment would be June 1 and then December 1, for the next 25 years. Twice a year we make the payments, as principal and interest, amortized over 25 years.

MR. HAWKESWORTH: So this is not money that's owed at the end of the debenture?

MR. KENT: No; this is just the year-end accrual. We owe that amount of interest. Some of it would have been paid the next day, and some of it would be paid in two months. It's just like a mortgage. You accrue interest in a mortgage throughout the month; at the end of the month you make your payment. On these debentures we only make the payments twice a year.

MR. HAWKESWORTH: So you have \$130 million on the average over a period of six months.

MR. KENT: Yeah. At any one time that would be about the amount of interest outstanding.

MR. CHAIRMAN: Could we count those as your supplementaries, hon. member?

MR. HAWKESWORTH: Okay.

MR. JONSON: Mr. Chairman, my questions were around the land sale area, but the hon. minister referred in his remarks to a press release today. Perhaps I should ask for one and then hold my questions until I've looked it over. I might be just repeating something that's in there. Could I just retain my place somewhere down the list?

MR. CHAIRMAN: Unless I receive objections from the committee, perhaps I could have you change places with Edmonton-Centre. If they're ready with their series of questions, you could move to that place.

REV. ROBERTS: Thank you. Mr. Chairman, I don't know whether to take these questions into a lot of the detail that's been provided or just some other, more general comments. I'm going to try to do both.

The first detailed question has to do with what the minister is determining to be the actual net sale of the portfolio. In the trust fund annual report it's listed at \$607 million. In the annual report that you presented to us, it's \$623 million, I believe. In some press reports it's somewhere around \$620 million. You mentioned today \$600 million. I know: what's a couple of tens of millions of dollars? But it would be nice to know a precise figure of what was actually done.

MR. R. SPEAKER: I could give you a precise figure. Let me give the explanation first of all. What happened is some of the mortgages matured as we were making the sale, and as the transfers are taking place, some are maturing, and that reduces the value of the portfolio. I could ask Mr. Kent to give maybe a little more chronological sequence as to when it was \$620 million and then down to the \$607 million.

MR. KENT: At the end of the year there was \$643 million in that particular portfolio.

MR. R. SPEAKER: Date that, okay?

MR. KENT: March 31, 1990.

We generally lose about \$10 million a month in discharges. Because we don't compete with the banks, all we have is a shrinking asset, which is one of the reasons for selling it. So when we amortize it, we say \$620 million, and we've always tried to keep to that figure, but of that \$620 million, over, say, \$45 million were actually disposed of by way of discharge. For instance, in the Bank of Montreal deal, when we amortized it, we amortized \$383 million, and then about a month later we only had \$375 million. We actually closed that deal on November 1. They will end up acquiring about \$350 million in a year, and all the rest are discharges where we get 100 cents on the dollar, and people will go to their bank, the Royal Bank or wherever. It's a moving target. That's the problem.

REV. ROBERTS: I thought it was something like that. I would like in some ways to pursue it, but I have another question too, which is of a more general nature.

Clearly, I think at \$3 billion you are the biggest debtor of the fund, and I do appreciate as a New Democrat the emphasis that the minister has put on social housing being the priority for AMHC and the strides you've made this year. In doing that, we'll be ever watchful in terms of how that continues to unfold.

But as a legislator and someone concerned about the \$3 billion and the number of changes that are going on in management, I was also very interested to read the Canadian Mortgage and Housing report. You might have seen this. They've done a complete effectiveness audit of their operations according to kind of an evaluation audit handed down by some new federal legislation. I know that when our Auditor was here, he was wanting to move in this direction as well. I'm wondering, therefore, if you've had a chance to look at the CMHC document here which looks at their 12 attributes, 12 other tests of how well management is dealing with the vast portfolio that you have at your disposal, and finding ways to see just how effectively you're dealing with those assets.

MR. R. SPEAKER: I've just checked to see if we had independently reviewed that report. None of us have. I'm very sorry; I regret that, but we will do that. I think it'd be of value.

The only thing that we have heard, informally, about the Canadian Mortgage and Housing Corporation is that they would like to have the province deliver more of their social housing, and I think it's because of pressures in terms of finance. We're not against that.

REV. ROBERTS: Sure.

MR. R. SPEAKER: Some of the programs where we've had a little difficulty cost sharing have become a little easier to deal

with lately. I can't say that in a general sense, but in some instances.

REV. ROBERTS: Well, it does seem to me that housing is an interrelated problem throughout Canada, interrelated between the provinces and the feds and the rest. Could the minister and his staff undertake this year ahead to look at this much more thorough and comprehensive way of presenting management's directions, intended results or achievement thereof, secondary impacts of certain changes, costs and productivity, financial benefits, protection of assets? There's a whole range of other ways of determining the effectiveness of management and being able to help our Auditor move in this direction so we as the trust fund stewards can be assured that the assets are being cared for in effective ways.

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MR. R. SPEAKER: Yes, I'm prepared to make a commitment that we take those ground rules. We have two new assistant deputy ministers of housing, and I think that would be one of the things they could do in terms of their management objectives, use those guidelines, adjust them, and set their new staff establishment up in the Department of Municipal Affairs with that kind of knowledge as a background. We're prepared to do that.

REV. ROBERTS: Thank you very much indeed.

MR. CHAIRMAN: Ponoka-Rimbey, followed by Calgary-Fish Creek.

MR. JONSON: Yes, Mr. Chairman. I'd just like to commend the minister on the overall direction of work in this section of the Heritage Savings Trust Fund and also on the press release today with respect to the offering for sale of land. My first question would be: what proportion of, if I could call it that, unoccupied land held by the corporation does this sale represent?

MR. R. SPEAKER: I do have that figure. I'm just trying to recall the number of acres of land we've got.

MR. JONSON: Perhaps, Mr. Chairman, that information could be provided.

MR. R. SPEAKER: I did read earlier this morning the total number of acres we've got, but I would think this would be less than 10 percent of our holdings.

MR. JONSON: A supplementary question then, Mr. Chairman. In the mandate of Alberta Housing that is drawn, the direction is towards social housing. I would support what others members have said: this is a good direction. Is there an assessment procedure in place whereby you're assured that the land you're putting on the market wouldn't be better kept for these social housing needs that you see down the road? I suppose we can think that land prices are going to go down over the next couple of years, but perhaps not. Is that kind of assessment made?

MR. R. SPEAKER: When we've assessed the demand on the property, we've tried to assess it on the more lenient side in the sense that we may need it for some purpose. If anybody could say, "Look, we may need it," the rule is to hold it, but if no one can say that that piece of property looks like it could be used,

then we've put it on this list. We've tried to err on that side because we have the money invested in the property at the present time, and the property market out there isn't that viable at the moment anyway. We caught a window in the market in November, December, January of 1989-90, and we were able to recover more than what we had involved in some of our real estate and our land. But about February 15 that window of opportunity just closed on us, and we had to back off on some of the sales. Here, you know, sales are slower, and it's the wrong time to push a whole bunch of land out there. There didn't seem to be a demand from the bodies that we talked to.

MR. JONSON: Finally, in the press release it indicates that certainly it will provide for the private sector getting involved, and the reference is to them taking up the demand for new rental accommodation. Is the use or the saleability of this land limited by zoning and so forth to rental construction, or can you go to the highest bidder? Does it have any other commercial possibilities?

MR. R. SPEAKER: What I'm advised here is that it would be the highest bidder, and then I guess the local restrictions, whatever they are, would apply. I think it's mostly residential property and multifamily, so there would be some restrictions on it, but the municipality determines that.

MR. CHAIRMAN: Calgary-Fish Creek, followed by the Member for Lacombe.

MR. PAYNE: Thank you, Mr. Chairman. First of all, I'd like to indicate to the minister and his officials that I think there is widespread support in my constituency, if not in the city of Calgary, for the privatization initiative that has been undertaken and certainly support for this renewed emphasis on social housing. In the city of Calgary there are just numerous illustrations of that need, and I'm certainly heartened by the minister's commitment to move into what is a partial vacuum.

[Mr. Jonson in the Chair]

Mr. Chairman, on page 10 of the heritage fund annual report it indicates that the future of the corporation lies in social housing "to meet the needs of senior citizens, low income families and special needs individuals," and certainly there is no argument from this committee, I'm sure, with those target commitments. But I'm wondering: can the minister share with the members of the committee what the priorities will be or the process by which such priorities will be determined and established? Is it going to be the squeaky wheel first, or is there some systematic method of prioritizing these very worthwhile social housing goals?

MR. R. SPEAKER: Two of the areas, I guess, that I selected – and I felt there was a demand or a need out there – were the inner cities of Edmonton and Calgary. I've always felt that if you can't assist those that can't help themselves, you haven't really taken on your basic responsibility as an elected official. Over the years I've had the opportunity of noting some of the difficulties in those areas. Often for those people the ability to get funds is very difficult. They're in the most expensive property areas often. So one of the areas that we're focusing on is the inner city of Calgary and Edmonton. I did a tour through each one of the areas with other people from the inner city and other persons that were interested.

Then the second thing we've done is to try to come to grips with the question you raise: what should be done first when you have limited funds? We have a group of persons in Edmonton and also a group of people in Calgary that are setting the priority. The committee in Calgary is chaired by Bonnie Laing, the MLA for Calgary-Bow, and she has representatives from all of the interest groups or needs groups of Calgary's inner city. They have met a number of times in the last three to three and a half months and are now about to make a recommendation to me as to what the first priority is in terms of a building facility to be funded in Calgary. Their work is done, and I haven't received their list.

Next week the committee in Edmonton is finalizing their report. I've been pressing them for a recommendation. I said: "Look, we have the funds in this year's budget. We wish to get on with a project. Please make a recommendation." I asked Mr. Grover last week to re-emphasize that with the committee, and they have now said that on October 25 we'll have a response to that.

That's how we're setting the priorities in the two cities.

REV. ROBERTS: Who chairs the Edmonton one?

MR. R. SPEAKER: Bill Mann, the assistant deputy minister of housing, is chairing it, and he has done it at the request of the inner city group. They agreed that he be the chairman. It wasn't an appointment via myself; it was there. So that's how we're handling the inner city.

Outside of that area in Calgary and Edmonton a number of requests come to us, and we've got statistics and surveys as to what seems to be the need in different regions of the city. It's done more on that basis than who walks in the door first. It's not really the squeaky wheel. We're trying to space them out the best we can. We have found that in good years of revenue for the government we were able to build at request in a few of our areas in the city, and we're oversupplied with senior accommodation particularly. We're finding that it's difficult to keep them filled. We're concerned about that. So I'm trying to spread it around more on a needs basis and where the population of seniors or special-needs people demands it.

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The other area is . . . Let's take one group, brain-damaged persons. We try to provide single residences for them – two or three of them if they wish to live together, or one or whatever the case may be – and we're trying to spread that out around the city or wherever they wish to rent. Maybe it's convenient to a job or some kind of task they're performing. So the special-needs people kind of create the location of the facility in that case.

Across the province we try to do it . . . The annual report that I gave you sort of shows the distribution of social housing in the province of Alberta. We're trying to make sure we're filling in any holes where they seem to be. We do a needs study; we look at a community to see if there are enough seniors to fill it or special-needs people or whatever the case may be before we decide to build that respective facility. So it isn't first come to the door and squeak as loud as you can. I'm sure it helps, but there is some reasoning and rationale to what the process is.

MR. PAYNE: Well, that's a very helpful response, Mr. Chairman.

I, too, would like to echo the earlier expression of gratitude for the advance circulation of assorted documents. I particularly

appreciated getting an advance copy of the corporation's annual report. There's some very useful data in it. I don't want to sound preoccupied with the Calgary situation, but I noted with interest that there were 65 senior lodge beds and 149 senior self-contained apartment units in the planning stage now. That sounds like a fairly robust level of planning; I'm encouraged by that. As I recall, there were 76 senior self-contained apartment units that have been completed, as well as 94 rental supplement units and 13 special housing units. That's a fair amount of social housing that's been completed and certainly a good chunk that's in planning.

My concern, I guess, has not so much to do with the quantity. The units have been completed. The units are planned or indeed the units have been transferred. My grave concern has to do with the relationship of the corporation to the sponsoring agencies that get involved in the day-to-day administration or management of these social housing facilities. I wonder if the minister or the officials could clarify what that relationship is. How does it work, and how is it intended to work with these social housing units that are coming on stream and will be managed through a sponsoring agency here? What's the nature of that relationship? You can infer from the question that I'm uneasy about whether that relationship has been adequately provided for in the past.

MR. R. SPEAKER: My observation up to this point in terms of, say, the Calgary Housing Authority, Calhome, and the Alberta Mortgage and Housing Corporation: we try in every way possible to transfer property to them and leave them as independent agencies in determining policies, priorities, and how they treat their clients. We've tried not to interfere. I know you've got a situation in Calgary occurring today and that has occurred for the last few weeks where a client of the Calgary Housing Authority feels mistreated. So we've tried to maintain that local autonomy. We do supply funds to the Calgary Housing Authority just like every other one across the province so that they can adequately staff their authority, to make sure the buildings are kept in repair and some good public relations occur. That's the mechanism that's there. Whether it's efficient and effective, I don't know.

During this past year our concentration has been on this internal review, and I have done very little, I must admit – and I'm the president – and I know Mr. Grover as well has done very little in terms of our assessment of these agencies that deliver the service for us. We haven't done a good assessment of that yet. That's one of the items that, once the review is finished, I'm going to ask the two new deputy ministers to concentrate on. But we haven't done that as yet or given them any new directions. So (a) I'd certainly be open to suggestions, and (b) it is an area I've sort of inherited, kept in place, and it hasn't been dealt with yet. But if it needs improvement, that will be an area of attack, I would say, early in 1991.

MR. PAYNE: This won't be a supplemental question, just a supplemental comment, Mr. Chairman.

MR. DEPUTY CHAIRMAN: A brief one, please.

MR. PAYNE: Okay. Well, I think the minister is right on the money with his last comment. I'm fully supportive of the independence of these agencies' requirements to operate. They need the flexibility, the independence to manage and administer those programs once the province through the corporation provides those funds. No quarrel with the independence, but my

quarrel is with the absence of monitoring, of some kind of ongoing dotted-line relationship – you know, not a solid-line relationship where we're dictating rules and so on, but I think when there's too much autonomy, too much independence, too much flexibility outside the local level, and insufficient monitoring by the corporation and the Alberta government, then you can get some problems developing as we have seen in Calgary. I'm encouraged by the minister's indication that the new officials who are now in place will be giving a heightened emphasis to this area.

Thanks, Mr. Chairman.

MR. DEPUTY CHAIRMAN: The Member for Lacombe.

REV. ROBERTS: No comments about leadership either.

MR. MOORE: Thanks, Mr. Chairman. I'm very, very supportive of the minister and his staff and the actions they've taken. They're well received out in the public. I want to congratulate you and Alberta Mortgage and Housing officials on the way they've handled the disposition and the switching of direction. I don't think there's been a negative comment anywhere, so that's an indication that you're fair and doing what's right by the taxpayer and individual likewise.

I'd like to know: just what is the timetable you have set to dispose of – I guess is the word – all properties other than social housing? Do you have a timetable set out for that?

MR. R. SPEAKER: Part of the answer to that is the economy. If the circumstances or conditions we had in November, December, January of 1989-90 had prevailed for another six months or so, we would have sold very easily the other 1,100 units of foreclosed housing that we now have in stock. So that could have been disposed of. We were also moving into land sales at that point, and I'm sure we'd have divested ourselves of many acres of land. Like I say, it really relates to the economy as to how fast we can do it. We don't want to fire-sale the land and just give it away; that's the wrong thing to do. But my hope, like everyone else's, is that the economy starts to pick up again, interest rates go down, and into 1991 we can divest ourselves of a major portion of it. The major part of this \$3.3 billion portfolio is CHIP and MAP, the core housing incentive program, and the modest apartment program, and out of that the amount of mortgage money for those programs is about \$1.2 billion. As you note in our report here, some \$300 million of that looks like a loss, is declared a loss because the values of that property went down significantly. We have to fix those mortgages up, make sure that payments are being made, and if payments can't be made, in some instances we'll have to move in and take the property, I guess. But it's going to take a while to work that out. You just can't do that overnight, and I'm sure people that have been involved in real estate understand that very well. Market conditions, again, will determine how fast we can do that.

MR. MOORE: Mr. Chairman, a supplementary. Once we reach that point where we're dealing just with social housing, is it the intent then to finance social housing out of general revenue or to continue out of the heritage trust fund? The other part of that question may be: is the money recovered now in the sale of properties going to be added on to the social housing program, or does that return to the heritage trust fund for redistribution? Where are we sitting on the financing of that?

MR. R. SPEAKER: Anytime we sell land or real estate as such, buildings, that was purchased by debentures via the Heritage Savings Trust Fund, our responsibility following the sale is to pay our debenture, and that money goes back to the Heritage Savings Trust Fund to be used for other purposes. So we have to do that. That's a legal obligation.

In terms of future social housing programs being financed, there is no reason why we can't continue to do that with our relationship to the Heritage Savings Trust Fund. I would certainly recommend that that continue. Our senior citizens' lodges, our self-contained units, our community housing, some of the low-cost rental units that . . . I've got to be careful when I say that because there's a limit to what I would recommend in that area, but, yes, we would continue that relationship with the Heritage Savings Trust Fund. One of the things we're going to do is keep the basic core of the Alberta Mortgage and Housing Corporation in place, the legislation regulations, so we can maintain this financial relationship it has with the Heritage Savings Trust Fund. We think the remnant that will be left after December 31, 1990, will be a president and a chairman and maybe two people dealing with the contracts or the agreements with the Canada Mortgage and Housing Corporation. So it'll be a very minimum corporation when we're finished with it.

2:54

MR. MOORE: Well, I'm glad to hear that.  
My final supplementary, Mr. Chairman.

MR. DEPUTY CHAIRMAN: Your third one, yes.

MR. MOORE: When you were in the social housing, we have social services out there playing a major role. Is there co-ordination between them establishing the need and your department providing the facility, or do you work in isolation?

MR. R. SPEAKER: In the last two weeks Mr. Grover has met with the deputy ministers of other departments that are involved in housing programs. It's not only social services; it's Health, because in the area of health we have some capability of building health institutions via the debentures from the Heritage Savings Trust Fund and repaying the mortgage over a period of time cost shared with the federal government. So there is intensive co-ordination and communication going on in that area. We feel we should be the main deliverer of social housing and there shouldn't be duplication in other departments. So it's working.

MR. MOORE: Very good.

MR. DEPUTY CHAIRMAN: Okay. Member for Edmonton-Meadowlark.

MR. MITCHELL: Thank you, Mr. Chairman. Mr. Minister, I'd be interested in just pursuing briefly the relationship between the value of the mortgages and what you're getting for them. I know you're saying that you're getting market value. I guess what I'd like to know is: market value after how much subsidization? What I guess I'd like to confirm is: since the early '80s - I think since about 1981 - is it true that Alberta Mortgage and Housing has received about \$2.4 billion worth of subsidies from the provincial government, from the General Revenue Fund? In addition to that, would you also add into that figure the \$606 million worth of unfunded deficit that is dangling at the bottom of the balance sheet at this time, so in effect you can

subsidize \$3 billion which has allowed you, yes, to sell these mortgages at market value and not lose on market value, but in fact they've been subsidized already up to that value?

MR. R. SPEAKER: You're mixing a lot of things together when you raise the question with me.

MR. MITCHELL: I only have three questions.

MR. R. SPEAKER: Yeah. I'm not sure how to straight-line an answer to give you an answer to that question. The mortgages we provided for single-family residences - okay? - the ones that are on sale this week in terms of the guaranteed mortgages by Canada Mortgage and Housing Corporation: we had the interest rate on those on average about 11.8 percent, somewhere in that vicinity. People were paying that, and then we in turn paid the difference between 12 and that to the Heritage Savings Trust Fund. We were borrowing at 12 percent. Is that correct?

MR. KENT: No. Our costs of funding are lower than our lending. We borrowed over a number of years and we lent over a number of years. We always try to maintain a 1 percent spread, which is close to funds and what we lent.

MR. R. SPEAKER: So we're about 1 percent above what we got it from the Heritage Savings Trust Fund. Okay. So in that sense it really wasn't costing us money. The people with the mortgages were paying.

MR. MITCHELL: Provided they were paying . . .

MR. R. SPEAKER: Providing they were paying.

MR. MITCHELL: . . . when they were foreclosing.

MR. R. SPEAKER: That's correct.

MR. MITCHELL: Then foreclosing a \$90,000 mortgage on a \$50,000 sale, you'd lose \$40,000 on that.

MR. R. SPEAKER: In some of those. That's true.

MR. MITCHELL: And that would be part of the 2.4 billion that you've been . . .

MR. DEPUTY CHAIRMAN: Hon. member . . .

MRS. OSTERMAN: Some of us can't hear this conversation over here.

MR. R. SPEAKER: The question was whether . . . You know, those losses are by the Auditor. He has said there is \$300 million of losses in that \$1.2 billion. So that's the actual loss that has to be funded. Now, does that include interest as well?

MR. KENT: No.

MR. R. SPEAKER: It doesn't include the interest that we may have lost on the mortgage.

MR. KENT: The \$2.4 billion is the total deficit funding since, say, 1988. It's about that. Well, at least a hundred million of that every year is on the seniors' and community housing. It's



basically paying the debenture debt. Okay? So it has absolutely nothing to do with our losses whatsoever.

It is true that we have lost money on the mortgage portfolio. The loans we sold tended to be the good ones. They're the ones that survived the recession. The figure that I think you're after is: we sold \$620 million and got \$607 million in cash for it. There's a difference of \$13 million. That represents the difference between the yield on the portfolio of 11 and a half percent and the fact that we sold it in a marketplace that was asking for 14 and a quarter when we advertised. So obviously you're going to have to take a discount. The thing we didn't know is how much it was worth for the Bank of Montreal to buy that portfolio. So we actually made money on the deal. Although we lose money up front, over the long term we made money on the deal, because they didn't discount it as much as they should have done because of the market factors. They desired, to buy the portfolio, it was significant, and that's why they won: they had the highest bid.

MR. DEPUTY CHAIRMAN: The Member for Wainwright.

MR. MITCHELL: No. I've got a few more questions.

MR. DEPUTY CHAIRMAN: You've asked three or four on a conversational basis.

MR. MITCHELL: I'm just trying to clarify where we're at. I'd like to ask one more.

MR. DEPUTY CHAIRMAN: Will you please ask it then.

MR. MITCHELL: Okay. Thank you.

The Treasurer made the point, I believe, or maybe it was the Auditor – I think it was the Auditor – that as you sell off your portfolio, you will be required to begin to pay cash on a \$606 million unfunded deficit. What is the relationship between selling off your assets and the schedule of paying that, and is it not true that that will directly affect the deficit position of the government?

MR. R. SPEAKER: I'd like Stephen to give the details of that, but I think we're talking about two different types of mortgages.

MR. KENT: Yeah. There are various components of that deficit of \$600 million. All right?

MR. R. SPEAKER: It's in the annual report, if you'll turn to . . .

MR. KENT: Number 11, which is on page 27. Virtually all of that \$328 million pertained to the CHIP/MAP portfolio that we're looking at restructuring and marketing.

MR. R. SPEAKER: We haven't sold that yet.

MR. KENT: If we sold it today, the valuation the Auditor General has attached on it, then, yes, there would be a \$328 million loss, which we would have to have funded by the province to pay back the debentures and it would impact the deficit of the province. Our own feeling is that that figure is a little high, plus we don't intend to sell it all tomorrow. As the minister pointed out, we look at the economy. So there will be substantial losses, obviously, but we don't think they'll be of that magnitude. The \$85 million is merely government accounting.

We are now following GAAP; therefore, we depreciate those assets. But they don't find us at the same rate. That's just a timing difference. The other big difference is on the land. As we sell the land, we ask for the deficit relating to that land to be funded, and that will take a number of years. But it will impact the provincial deficit.

MR. DEPUTY CHAIRMAN: The Member for Wainwright.

MR. MITCHELL: So when all is said and done, you will have been subsidized . . .

MR. DEPUTY CHAIRMAN: The Member for Wainwright, please.

MR. MITCHELL: . . . an amount equivalent to the total debenture . . .

MR. DEPUTY CHAIRMAN: Order please.

MR. MITCHELL: . . . that you have received from the Heritage Savings Trust Fund.

3:04

MR. DEPUTY CHAIRMAN: Order please. Order please. The Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman.

MR. MITCHELL: That entire value is just supported by money from the General Revenue Fund.

MR. DEPUTY CHAIRMAN: Order please.

MR. MITCHELL: I'm just making a point here. Thanks.

MR. R. SPEAKER: Sorry, Mr. Chairman, I didn't hear the point to respond to. If we can come back, I'd be prepared to do that.

MR. DEPUTY CHAIRMAN: Member for Wainwright.

MR. FISCHER: Thank you, Mr. Chairman. Good afternoon, Mr. Minister, and staff. My question is concerning the special-needs housing in the lodge program and the self-contained program. You'd mentioned that federal cost sharing since 1986 was with the lodge program. Could you elaborate a little bit on that and how they got into it? The other thing: are they keeping up their share?

[Mr. Ady in the Chair]

MR. R. SPEAKER: In terms of the second question, in terms of the agreements we've got, the federal government has transferred all the money. At each one of the meetings I've been at, we've never had to argue that case. Stephen, would that be correct? They've made payments?

MR. KENT: Yes.

MR. R. SPEAKER: The federal government has paid on time, so we're okay there.

I'm going to have Mary maybe comment on the relationship with the senior citizens' lodge. For a number of years the



province was funding 100 percent. We put all the capital cost into it. If we build a new lodge, they will now share with us on a 70-30 basis. That's correct?

MS CAMERON: That's correct.

MR. R. SPEAKER: On the capital of the lodge, not on the operating of it. That's still the responsibility of the local foundation. It took us some time to negotiate that and get them to commit to that.

Now, one of the problems we're having is with regards to the regeneration program, and that's bothering us a little bit. If we moved in and bulldozed the lodge that's there, the government of Canada would cost share with us, but if we regenerate it – say we spend \$4 million or \$2 million regenerating – they won't cost share on the regeneration. They'd say: you didn't provide any new social housing units. So we're still negotiating that.

MR. FISCHER: I guess that was my second question. The \$5 million that you use now for rejuvenation: as you build more and as your buildings get older, do you think that's enough? I know some people that have had a little problem getting some rejuvenation.

MR. R. SPEAKER: That's right. If we were to complete it in the next five years . . . Four years? I guess we could do it in four years. We'd need \$25 million a year for the next four years to really regenerate all those lodges built in the late '50s and early 1960s. We're doing the best we can with \$5 million under the current budget restraints. So what we've decided is that we have \$5 million from last year and \$5 million. We have \$10 million available to do regeneration. So we're trying to do as many lodges as we can in the early stages. Some of those that need to be bulldozed down and started over again: they're going to have to wait just a little longer. So that's the priority. I thought it might be better to do 15 to 20 lodges and help that many people rather than just build one or two lodges. Now, if that priority isn't proper, I'd certainly appreciate hearing from you, but that's the way I've asked the department to operate it at the present time.

MR. FISCHER: Concerning the cost sharing with the feds on the self-contained units, do they have an influence on where they're built and how many and so on?

MR. R. SPEAKER: No. We make that decision as a province.

MR. FISCHER: We pay for the whole project out of the heritage fund and then they help pay back on a 70-30 basis. Is that it?

MR. R. SPEAKER: Yeah. That's correct, isn't it? The deficit . . .

MR. GROVER: No. He's talking about the capital.

MR. R. SPEAKER: The capital. Are they involved in the capital?

MR. GROVER: No.

MR. R. SPEAKER: That's what I was checking. They're not involved in the capital. That's correct. But in terms of the

deficit on these self-contained – then they share on a 70-30 basis; they pay 70 percent and we pay 30 percent.

MR. FISCHER: On the operating itself.

MR. R. SPEAKER: On the operating part of it.

MR. FISCHER: Oh, okay.

MR. R. SPEAKER: Was there something else you wanted to add, Archie? Is that correct?

MR. GROVER: Yes.

MR. FISCHER: Thank you.

MR. CHAIRMAN: The Member for Calgary-Foothills, followed by the Member for Lloydminster.

MRS. BLACK: Thank you, Mr. Chairman.

MR. R. SPEAKER: Mr. Chairman, could I just also add to Butch's question? The only control the federal government has on us is in terms of the number of units they allocate to us in the province. We've been arguing that they should allocate it on the basis of population. Right now we're getting about – what? – 5.1 percent of the national budget, whereas we think we should be getting 8 to 10 percent.

We were in Saskatoon this summer and reached an agreement. All the provinces agreed except – well, Quebec wasn't there; that was after Meech Lake, and they did not attend. But all of us and the Northwest Territories agreed on an allocation, and the federal government went back and changed it on us. We had agreed on a percentage for Quebec as well, and they changed that very little, but they did change the Ontario allocation. We're a little concerned about that. That is one of the ways they do control the number of units we can build on a cost-sharing basis with the federal government.

MR. CHAIRMAN: Okay.

The Member for Calgary-Foothills.

MRS. BLACK: Thank you, Mr. Chairman. I'd like to also congratulate the minister and Alberta Mortgage and Housing for the move they've made this year. I'm delighted to see the sale of mortgages. It's almost a move to a privatization concept, which of course I support.

I do recognize, though, that we have a conscience in Alberta, as in this country, that we have to provide for those that are unable to or can't provide for themselves. But I do have to express some concern that I think that sometimes we can overdo that role. I guess if we're moving towards social housing in the truest sense, then we've accepted a different philosophy: that Alberta Mortgage and Housing really isn't going to ever be a profitable corporation in its truest sense; profitable maybe from providing a service, but insofar as the bottom line that's not going to happen.

I guess my concern comes as there's a debt in the Alberta Heritage Savings Trust Fund. I get a little concerned when I see programs that allow private- and public-sector organizations to access government funds, or public funds, to develop projects, and then there's this special, nonprofit housing group, or special-needs housing. I understand that we would finance some of these projects up to 100 percent of the capital costs. I always

get a little nervous when there are private- and public-sector groups that are going to be financed to 100 percent of the costs, because they haven't established an equity position within the project themselves. Then in another program we have it that if they run into an operating deficit through the year, we'll also pick up the tab on that. That gives me a little bit of concern. I much prefer to see some form of an equity position placed in each project before it goes ahead, whether that be housing, apartment units, lodges, et cetera.

I'm wondering if you could give me some assurances that we're addressing the issue of nonequity financing from partners that we go into some of these projects with. I have some concerns there that we're maybe carrying it a little bit far.

3:14

MR. R. SPEAKER: I think that's a good suggestion. With the limited funds I'm finding more acceptance of partnerships, that some of the private people contribute some funds to the project. Let's take the self-contained units, for example. The Legion of Calgary and the Legion of Medicine Hat have said, "Look, we're prepared to put so many capital dollars into this project." They want a few two-room suites and a few other amenities, but they're willing to contribute. I would see us doing more of that kind of thing. If the dollars are local and can be provided, then we may be able to share with them and spread our dollars around in a better manner. So we're thinking in those terms.

The inner-city people here in Edmonton made the point very clearly to me. I was starting to work under the assumption that there just wouldn't be any private funds. They said to me, "Yes, there are some, and you should access these private funds before you just start to build the project on your own." So I was encouraged by that. I think that when you have a little stronger demand for funds – they're thinner, they're more difficult to secure – people start to innovate a little bit. We're at that stage. So I think your comments are well taken, and we've noted it here that we should maybe pay a little more attention to that.

MR. CHAIRMAN: A supplementary.

MRS. BLACK: As a supplementary. I hope you will almost adopt that as a policy: that you look for private funding wherever possible before we go through government funding. I think that's almost imperative in this type of process.

Now, my second area is still on this special purpose housing. I find that rather loose, quite frankly. We've dealt with seniors in the lodges and in the homes, and we've dealt with community housing for the people that can't afford housing. We've dealt with some housing programs for the handicapped and the disabled. Exactly what fits into that special housing? You know, you read in the paper about co-ops and all this sort of stuff. Is that all fitted in this special housing? What are the criteria that qualify somebody for funds under that special housing project?

REV. ROBERTS: They have to live in Calgary-Foothills.

MRS. BLACK: How come?

REV. ROBERTS: Sorry, Pat.

MR. R. SPEAKER: The hon. member didn't really mean that.

MRS. BLACK: Yeah, he did.

MR. R. SPEAKER: In terms of co-op housing, the federal government delivers the capital money directly to the organization. It is one of the areas where we ran into difficulty here in Edmonton. The federal government under the co-op program provided the money – there were persons that had handicaps and with special needs – and there were no operating funds. Nobody had made a presentation or tried to look after the operating funds for people to help these persons that needed care. All of a sudden it landed on our doorstep, and with our budgets tight as they were, we scrambled around and got \$25,000 out of Municipal Affairs, \$50,000 out of another department, and \$25,000 out of another department to try and help these people on an interim basis. But that's got to be co-ordinated, you know. The federal government's done it in more than one instance. Now, that's one form of co-operative housing.

There is also the co-operative housing delivered by the federal government, where a group of persons with various income levels can build co-operative housing; they manage it, and it transfers from one person to the next without a certain kind of personal ownership. So that's there. Now, as long as operating funds aren't in demand from the provincial government, I have no trouble with that kind of thing. But it is a unilateral program of the federal government in terms of co-op housing.

Is there something you'd like to add to that, Mary, maybe details that . . .

MS CAMERON: Well, the other special purpose housing we use is for the hard-to-house, the people that don't fit into normal apartment projects or the handicapped. So any of the specialty groups with very special needs we classify in that category.

MRS. BLACK: Could you be more specific?

MS CAMERON: On the hard-to-house? Particularly, the people in the inner city: some people with either drug or alcohol problems, people with brain injuries that need extra care. If you put them into a normal apartment project, you're going to have other tenants who have some difficulties with them. So they need special care and special facilities.

MR. CHAIRMAN: The Member for Lloydminster, followed by the Member for Athabasca-Lac La Biche.

MR. CHERRY: Thank you, Mr. Chairman. Mr. Minister and your staff, I compliment you on the job you're doing. Not being a male chauvinist, certainly the additions you've brought forward that I can see from here, Mr. Minister, are very good. [interjections]

MR. CHAIRMAN: Perhaps the hon. member should put his question.

MR. CHERRY: I just want to talk about the senior citizen lodges for one moment. It's my experience that in a lodge – and I look at the one in Lloydminster in the constituency that I represent – it is becoming more evident all along that it is becoming more of a nursing home than a lodge. I reinforce that statement by saying that the nursing home itself is filled up, the auxiliary hospital is filled up, and so it's backing up onto the lodges. The per diem they pay each month at the lodge – of course, their meals and board are included in that. But then I look at the self-contained units, and it's under a different

structure: based on their income. Going back to the lodge, the foundation has to pick up the difference. But I still wonder about the formula you use in the lodges themselves. In other words, in my view, if I was on a full pension of, say, \$600 or whatever it is, there's not a great deal left over for me after I pay the room and board. Also, it's always been my opinion that the formula you have with what Alberta Housing does and what the board of the lodge does is sometimes weighted in your favour and not the board's. Has there been any work done on this to any extent, looking at, I would say, today's issues rather than 20 or 30 years ago when the lodge was put in place, that the people there were different to what they are today?

MR. R. SPEAKER: There are two questions you raise.

MR. CHAIRMAN: That's right. Two questions, hon. member.

MR. CHERRY: Thank you very much. I don't argue.

MR. R. SPEAKER: In terms of the use of the lodge, I think we have to reassess it as well. I've written a letter to all of the foundations. I know the foundation association is a little concerned about my writing the letter, but I've been getting a lot of feedback from yourselves, members of the Legislature, and public that the age level is up and that we need a little more health care within the lodge units. It was more reasonable to keep people there because some of them have been there 15, 20 years or more, and it's their home; that's where they get their mail, and that's where they have their friends. They don't want to be moved out, and with a little care, they can stay longer. So I asked that the foundation consider at the local level as to whether they saw that an element of increased health care could move into the lodges. Now, I know the provincial lodge association is very much against that because they want to keep it as a residence, but I think the reality of the situation is that times have changed. We also have the self-contained unit which we didn't have some years ago when we introduced the lodge program. There are some substitutes for the more mobile or the younger or the healthier. I think we'll come to that, as I see it.

In terms of setting the rates, I've got to say I haven't personally been too involved in that; I haven't done anything at all in terms of the formula. I know it's set. I think Mr. Musgrove and his committee have reflected on it somewhat, but I certainly haven't. I don't know whether Mary or . . . I know Mr. Grover hasn't had that opportunity either. We have set it by a formula.

3:24

MS CAMERON: One of the issues with the lodge program is that up until now it hasn't been identified as a program for seniors most in financial need, so there's no income testing. It's not rent geared to income, and there's no way to address how well off those individuals are. When we take a look at who are in the lodges, we find that the majority of them do have financial restrictions and limitations. So I think certainly it would be appropriate to address that issue: how we charge and whether or not we should talk about rent geared to income in the lodges as well. That makes some sense. As we move towards needs-driven programming, we could apply it to the lodges, but up until now the foundations themselves have resisted the concept of making that lodge program as one that's driven according to need as opposed to universally available.

MR. CHAIRMAN: Did the hon. member get an answer to both of his questions?

MR. CHERRY: Yes.

MR. CHAIRMAN: Okay. Is that it? You have a final supplementary; you're allowed three questions. Do you have another one?

MR. CHERRY: Just going on a little further with that, Mary. As you know, now I could have a million dollars – not myself; these other people probably are very rich – and I could be in the lodge program and paying the monthly rent.

MS CAMERON: Yes.

MR. CHERRY: But if I'm in the self-contained unit then it's – what is it? Twenty-five percent of my income?

AN HON. MEMBER: Yeah.

MR. CHERRY: So, you know, there's a difference there. I'm glad that you're going to look at and see if there's some way that we can come up with a good formula.

MR. CHAIRMAN: Okay. Thank you, hon. member. The Member for Athabasca-Lac La Biche, followed by the Member for Three Hills.

MR. CARDINAL: Thank you very much. It's a bit ironic; I think I was around in 1969 when the corporation had only 35 employees. It looks like they may have 35 again, and I'm still around.

Just a quick comment first of all. You know, I hear favourably here today that it's about time we disband this corporation, but I think we should look back at what the corporation has done in 22 years and be happy that we had the housing corporation. We tend to forget that we provided thousands of homes for seniors, the handicapped, low-income families, young families, native people. We've provided thousands of lots across Alberta in land bank and land assembly programs. In fact, I was involved as a town councillor in a program in Slave Lake when we only had a population of 2,000. Industries were coming in, and there was no way we could finance the land that was required. The housing corporation came in, put in 500 lots, sold them with some controls to individuals, and managed to stabilize prices and built a stable town where today there are 5,000 to 6,000 people. Without the corporation's or the government's involvement it could have never happened. It definitely played a key role. At one time we had 27 housing programs. I think we've done a fantastic job, and I commend the people that work in the corporation and the government for playing that key role. So let's not disband it so quickly. As I say, I think we played a key role in Alberta in housing.

I have one question, which I asked last year also. I see it's still on your . . . The rural native housing program: I notice the capital costs are \$74,560 per unit and the subsidy is \$7,825, which is over \$600 a month. I realize that it's 75 percent federal government and 25 percent provincial, but still it's a heck of a subsidy on a home now. The pressure I'm getting in my constituency is: let's review the income guidelines of that particular program. Because there are young families out there working that are above those income levels that are renting and cannot get into houses and there are people at really low-income levels buying the homes, it's creating dissension and hard feelings in some parts of rural Alberta. I think we need to look at that

very carefully. I don't know what you do with that, but that would be my question. Are we looking at reviewing this?

MR. R. SPEAKER: I'm going to have Mr. Grover just comment about the rent rates.

MR. GROVER: Well, that was on the rural and native housing . . .

MR. CARDINAL: Rural and native, with 25 percent, geared to income, yes.

MR. GROVER: . . . and there was a requirement for a minimal down payment. Twenty-five percent of the income is paid by the occupant or the purchaser of the home, and the balance between what they pay and what the mortgage amount is is subsidized, as you say, 25-75 provincial/federal funding. But the income guidelines are established in conjunction with the federal government, and it would be necessary to work with them with respect to the incomes in order to qualify for those, based on [inaudible] need.

MR. CARDINAL: That is the problem area: the income levels.

MR. CHAIRMAN: Hon. member, please, you have to keep your comments . . .

MR. CARDINAL: That's it. I'm done.

MR. CHAIRMAN: You don't have any supplementary?

MR. CARDINAL: No, I don't.

MR. CHAIRMAN: Okay.

The Member for Three Hills, followed by the Member for Calgary-Mountain View.

MRS. OSTERMAN: Thank you, Mr. Chairman. This is going to be difficult because I've got so many questions that I'd like to ask. I'm going to stick to three, but to say that I, too, would commend the minister and the officials of the corporation for making some very good changes this year. We won't get into precisely what all those changes were. I think most everybody is aware.

Let me try to touch on three areas. First of all, the one, interestingly enough, that relates to your press release today – I didn't realize that was coming out – in terms of the land that will, as I understand it, be offered first to the municipalities where the land is. If you addressed this earlier, I apologize. I'm so used to answering the bell, and there was no bell this afternoon. I was at a meeting, had no watch, and there was no bell, so I was late. Did you respond to that already in terms of how you're setting the value? In three appraisals, or how is that going to be done?

MR. R. SPEAKER: Are you referring to the land in the news release?

MRS. OSTERMAN: Yes.

MR. R. SPEAKER: That will be up to the municipalities. Would you like to comment on that, Mary?

MS CAMERON: What we're doing in the majority of cases is offering it to the municipality first. We've established a price internally that we feel is fair market value. We'll list it at that value and accept offers.

MRS. OSTERMAN: But you're saying that's the value and you're offering it to the municipality first, before it's listed?

MS CAMERON: That's right.

MRS. OSTERMAN: Okay.

MS CAMERON: Then we'll list it at that same price.

MRS. OSTERMAN: Okay. I asked that question, obviously, specifically because Airdrie is listed there. I'm sure there are a lot of communities with land in ideal locations that would be most interested in this.

The second question is a little bit, I guess, of a follow-up to the Member for Calgary-Foothills, and that is that in a lot of our housing, seniors in particular – in my view, we see some interesting things happen. We want to provide a balance; we want decent accommodation to be offered to people who have a limited income. But there are so many seniors saying: "Why do we bother to save? All of us should just give away our assets, put ourselves in a position where we don't have anything but the pension and the supplements that are offered by government, because we would be better off."

Everybody sitting in this room knows that it would be impossible for the wealthiest government in the world to provide housing for all the seniors, especially given the senior population that we're looking at over the next 20 to 30 years. So I guess my question is: are you in a position to be discussing this publicly or with the people on the various boards around the province who are managing this accommodation, to try to strike a balance here? Because I see this as a growing problem. When the minister mentions that there's a push for two-bedroom units – I can assure you that you drive behaviour. Humans are driven by things that are offered, and behaviour will see more and more people giving away their assets. We can't afford it; it's not there.

MR. R. SPEAKER: No. That's absolutely true. The number of seniors that are coming on stream – you know, the graph is climbing just like that between now and the year 2000. Many of our programs, even those that are not income tested such as the tax rebate, the rental rebates, that we supply across the province, and we put out something like – what? – \$200 million to \$250 million in those two areas . . . Our cost of those two programs is going to go just like this, a significant increase in the next 10 years.

3:34

So we do have that. I've been wrestling with it as well. If we do income tests as a requirement to go into some kind of a residence, immediately you do that, they disperse their income to their children or somewhere else. We'd force that issue to happen, and it's rather frustrating. I don't know the answer to it. One of the answers may be – I've had a lot of requests of this: those that have more income or have savings in the bank and have done something productive during their working days to save have said, "Well, why don't you put some kind of a ceiling on the rental rate in an accommodation?" It isn't 25 percent of the million dollars that I was talking about, but 25 percent of some other figure. I've had that request.

The problem with that is that the private sector that is building apartments – most of these people could buy on the private market, and just as soon as we start to put a ceiling or bring them up to that, then we're starting to interfere with the private market, and that's wrong again. So we're caught in a number of interfaces unfortunately.

MRS. OSTERMAN: Well, just an observation to the minister, and that is that some people in various communities that I represent have suggested – and you don't need to respond to this; it's just an observation – that you could think about trying to work with developers or investors who are wanting land that is adjacent to what is now provided by government, because a lot of seniors just want to live in that proximity. It's the social sharing in some ways that they're interested in. That's just an observation.

The last question, Mr. Chairman. You were just finishing your comments about the modest apartment program and the various programs that you will be slowly phasing out. I don't know whether you mentioned a time frame. You were just looking on into the future in respect of all of them, but will there be potentially some write-downs so that some of those could be moved? In other words, it'll be a straight business proposition and you working with those individual owners? I know that there are quite a few of those as well in my area.

MR. R. SPEAKER: The principle of a write-down, like we have to apply across government – we have the Alberta Opportunity Company; you've got the Agricultural Development Corporation; we have young farmers under the same kind of stress and difficulty. You know, land value has gone down in all of those cases, business value has gone down, so there is a debt there. In my own pursuit of this at the present time, just a forgiveness is not the answer to the question. There are assets that – we still have to look at these as a business relationship. There is certainly the social housing aspect to it, but the business route would be the route that we would pursue: that a person has an obligation; he should pay as much as he or she can. Then at some point we would have to either say that we're satisfied with that arrangement or we're not satisfied, and we take it or they keep it and go on with their life. Now, that's a very general statement re the question, but that's the general attitude.

MRS. OSTERMAN: Basically as businesslike as possible?

MR. R. SPEAKER: Right. I'm erring on the tougher side rather than on the lenient side in terms of those two programs.

MR. CHAIRMAN: Thank you.

The Member for Calgary-Mountain View, followed by the Member for Edmonton-Centre.

MR. HAWKESWORTH: Thank you, Mr. Chairman. I'd like to make it abundantly clear so we understand what the implications are for this liquidation of AMHC. When you sell these assets, that triggers a write-down. That is, it's no longer a provision for a loss, it becomes a loss, which results in the province taking that hit in order to repay the Heritage Savings Trust Fund, adding to the deficit of the province. We're looking at a third of a billion dollars in potential write-offs here; those provisions are in the annual report. By comparison, there were lots of write-offs with the Principal collapse, but it seems to me they pale by comparison. I'd like to ask why in heaven's name would you sell off the good loans, as you've said in your four-

point program. Why would you get rid of those, which make the corporation money, and stiff the taxpayers with a three-quarters of a billion dollar hit? I mean, if you're going to hit the taxpayers with three-quarters of a billion dollars, why wouldn't you at least keep the good ones which make the corporation money?

MR. R. SPEAKER: Well, there's a very basic premise as a small "c" conservative, if I want to put it that way so we look at it on a nonpartisan basis, that government should not be in business. That's the basic premise. So when you work from that premise, whether the thing is profitable or not . . . You asked the question: should they be in business? Selling of mortgages is not the place for government to be; there are massive numbers of very capable mortgage agencies in the private sector that can handle it. So that's the answer to your first question.

The answer to your second question: why would you leave the ones with government that are not making money or currently, according to the Auditor, there's an unfunded debt? Our intent is to sell those as we can when they are put in a better financial position.

As the minister I can explain very clearly why we are in that circumstance. That wasn't your question; that relates to the first part of my response. If the government in power believed that government should build all social housing, that's what could have happened when we had this revenue in the province of Alberta in that period between 1976 and, say, 1981. If the government had the philosophy at that time that they should build every one of these social housing units, the 24,000 units that are out there, we would have had the government owning all of those buildings; we would have had all the government capital involved in it. As a government we would have had \$1.2 billion worth of assets that we would have tried to manage, we would have a core of staff that would be running around fixing water and servicing them, and we haven't. This is the bonus of the way the government went at the time. This is the merit, the fact that they went on the mortgage basis; private people are involved. This is the positive side of this story: we can recover out of that \$1.2 billion everything except – and the Auditor says as the outside figure – \$300 million. The second thing we haven't got involved in as a government is a major fleet of staff running around the province servicing all of those units.

So there are some positives to this. But my basic premise is that government should not be involved in business, and that's why we're winding government out of business.

MR. HAWKESWORTH: Mr. Chairman, I think our taxpayers would like the government to act like a business, and they would dispose of the losers and keep the winners. But what you're doing is getting rid of the winners and keeping the losers, and there's going to be a major hit here into the pockets of the taxpayers.

I guess in terms of disposing of these assets, we've got the example of Softco set up to handle North West Trust, and we've had other numbered companies. Is it the intention of AMHC to provide another similar kind of vehicle which would transfer to a similar type of company that would avoid having the Auditor General being the auditor and fully reporting to the Legislature the disposal of these assets? We've had some track record with Softco and other numbered companies. Is this going to be part of that trend, where the Auditor General is not going to be fully involved in the auditing of the disposal of these assets?

3:44

MR. R. SPEAKER: First of all, there will be a corporate entity or holding company to hold the assets, and the responsibility of that holding company will be to divest the CHIP and MAP mortgages as such and deal with them.

In answer to the second part of your question, the Auditor will have full view and will review the transactions that occur just in his responsibility. That will not be taken out of his responsibility. He will report the transactions, what has happened. The figures that you have before you in terms of page 27 of our report, where we talk about the deficits and potential losses, will be reported back to the Legislature.

MR. CHAIRMAN: This is your final supplementary, hon. member.

MR. HAWKESWORTH: So, Mr. Chairman, AMHC intends to transfer close to \$1.1 billion or \$1.2 billion of CHIP and MAP assets to some new holding company in order to divest them. Why doesn't AMHC divest them directly? Why is it necessary to transfer them to some other company, unless you're trying to avoid some difficult questions or avoid fully reporting what's going on? Why can't AMHC do it directly?

MR. R. SPEAKER: Right. That's a very good question for clarification. One of the things we wanted to do was to make sure that the Department of Municipal Affairs, when it accepted the responsibility for the social housing thrust, didn't have to deal with the remnants of the Alberta Mortgage and Housing Corporation. So to make sure it's a clean transfer, we decided that this entity will be a divesting entity rather than an entity which expands programs and intervenes in the marketplace further; it has one sole purpose. So that's why we're setting it up. All of its actions will be viewed by the Auditor and reported to the Legislature as it would in any other case. But the sole purpose is to try to clean up this administration so that the administrative lines are clear and the ongoing responsibilities of Mr. Grover and staff are clear as well. That's the sole reason why it's being done - no other motives.

MR. HAWKESWORTH: We're just not going to have any AMHC. That's what I hear you say.

MR. R. SPEAKER: I explained earlier. Maybe you missed that question; yes, I believe you were up by the chairman. The AMHC legislation and regulations will stay as they are, but it will only be that. The people responsible for it will be the deputy minister and possibly one other official that will act to carry out the legislation in a minor role. There will be two people that will carry the current agreements between the Canada Mortgage and Housing Corporation and the Alberta Mortgage and Housing Corporation and any other relationships that are there. We're doing that because of convenience, so we don't have to make a number of changes in agreements and other things. But that will work itself out.

MR. CHAIRMAN: Thank you.

Edmonton-Centre. Sorry, we'll have to move to Calgary-Fish Creek.

MR. PAYNE: Thank you, Mr. Chairman. In a document provided for the government members, Mr. Chairman, under the heading Special Housing there is this sentence:

Government financing assists private and public non-profit organizations to develop and manage housing projects for clients who do not fit into present social housing programs.

I would like to make a comment or two and then pose a question to the minister with respect to one particular group of clients who most certainly do not fit into present social housing programs, and those are deaf senior citizens. The minister, of course, would be aware that this has been a subject of some preliminary communication from myself, but I would like for the record to help the members of the heritage fund committee understand the tragic circumstances that face a senior citizen who is deaf.

Such an individual has this choice. Assuming that he or she does not have access to a relative, doesn't have an opportunity to live with family, then that senior citizen either lives alone facing day after day after day of boredom and utter loneliness or, alternatively, finds space in an existing facility, an existing senior citizens' lodge, and because there is no one with whom that person can communicate readily, the isolation faced there is almost as devastating as the isolation in an apartment living alone. My question to the minister, then, is: would he be prepared to consider some new initiatives to accommodate this large and growing segment of our special-needs population?

Now, I realize from data provided by the minister and his officials that there may not be sufficient deaf seniors' population in the major urban centres to warrant a stand-alone separate facility, although that has been done in three other provinces quite successfully. If I accept at face value the data I've been provided by the department, could the minister consider as an option that from here on in when an existing or new senior citizens' lodge is constructed, some formula or some method be developed whereby a certain wing or part of a wing of that lodge could be allocated to the deaf so that three, four, six, or 12 deaf seniors could live more or less together as neighbours in that wing or that block but then join the clientele at large for mealtime and for the bingos and the other recreational pursuits?

MR. R. SPEAKER: There isn't anything against it, so that means we can do it. I think that's a good suggestion. What we'll do is set it up as a pilot project so that we can see how it works in other areas. We have one on stream in Calgary, we have one now. We'll look up where the numbers are. But that's what we'll do, we'll set up a pilot project like that. And if you'll give us more advice, sure.

MR. PAYNE: I'd be happy to do that.

MR. R. SPEAKER: I think that would be a good idea. It would be one of the cities where we'd have to do it, most likely. That's where there'd be enough people to do it.

MR. CHAIRMAN: Those are all your questions, hon. member?

MR. PAYNE: Yes, sir.

MR. CHAIRMAN: Our time is just about spent, but perhaps we could do one more set of questions. The hon. Member for Edmonton-Meadowlark, and that will be our final question.

MR. MITCHELL: Thank you, Mr. Chairman. To the minister. I notice that there is an advance from the province of Alberta of \$253,510,000 this year, and the note indicates that that is interest free. I wonder whether you could confirm that de facto, therefore, that is an additional subsidy to Alberta Mortgage and

Housing equivalent to the going interest rate times that amount, which would be in the order of \$28 million or \$30 million for this reporting year alone.

MR. R. SPEAKER: I'm going to ask Stephen Kent to give the history of that interest free loan and then make a comment on that.

MR. KENT: The reason we have an interest free advance is that originally we used to have a debt associated with that land, and all that happened was that you capitalized the interest, obviously, because it was rural land, and then every year the Auditor General made us write it back off again because the land wasn't going up in value. So rather than constantly capitalizing and then having it funded, the General Revenue Fund lent us an amount equivalent to the amount of money we have invested in land. You'll see that the figures are quite similar; the interest free advance is \$254 million, and in land we've got \$257 million. So we pay it down as we liquidate the land. But you're right; if we had to actually borrow the money, it would be about a \$28 million cost, yes.

MR. MITCHELL: My second question will be, then, to get a total of the de facto subsidy – that would be subsidized interest – that would be related to that entry on the balance sheet; that is, over the years. How many years? What's the average times the going interest rate?

3:54

MR. KENT: The funding was changed, I believe, about five years ago. There's no reason why it wouldn't stay in place if we sold all the land, which could take many years.

MR. MITCHELL: So it's been five years of roughly \$28 million?

MR. KENT: Yeah.

MR. MITCHELL: Okay. Finally, could you just confirm the figure that the total amount that has been subsidized to the Alberta Mortgage and Housing Corporation, including the de facto subsidy, which is constituted by the unfunded deficit, would be very nearly \$3 billion, equivalent to the amount of the total debenture that the heritage trust fund has loaned AMHC?

MR. KENT: Well, I don't really think you're comparing apples with apples. The deficits have run \$200 million, \$150 million. A big portion of that is for providing social housing. You can't make a profit if you provide social housing.

MR. MITCHELL: Exactly.

MR. KENT: If you want to go back 10 years . . .

MR. MITCHELL: So you can't pay the interest to the heritage trust fund if all this . . .

MR. KENT: Not based on the revenue, no, not unless you put all the rents up; obviously not. But we are a social housing entity.

MR. MITCHELL: But you're being asked to be an investment by the heritage trust fund. So in effect they're trying to get their cake and eat it too: "We want social housing, but we want to be able to claim that this is a real investment," and it's not. That's not your fault either. That's what the Treasurer is doing.

MR. R. SPEAKER: Mr. Chairman, I'd just like to add to that answer. One of the reasons we're splitting the two functions is for that very purpose. One, if it's an economic unit, it's supposed to make profit. Well, that's what you deal with there. Do you have a set of guidelines? If it's social housing that receives government revenue that subsidizes it, like all of our other social programs – education, health – then you pay for it up front.

MR. MITCHELL: See, what I would say, Ray, is that rather than pay . . .

MR. CHAIRMAN: Hon. member, order. Your set of questions has been well answered.

Our time is spent. The Chair expresses appreciation, on behalf of the committee, to the minister and his colleagues for appearing today and for the forthright manner that they have answered the questions. I think we've had a good interchange.

I have one announcement. I would just like to remind the committee that we will convene tomorrow morning at 10 in this room, not in the legislative room. The Hon. Peter Elzinga, Minister of Economic Development and Trade, will appear before the committee.

The Chair would entertain a motion for adjournment. The Member for Three Hills.

MRS. OSTERMAN: I so move.

MR. CHAIRMAN: All agreed? Thank you.

[The committee adjourned at 3:57 p.m.]



