

Standing Committee on the Alberta Heritage Savings Trust Fund Act

2:01 p.m.

[Chairman: Mr. Ady]

MR. CHAIRMAN: I'd like to call the meeting to order and welcome the Hon. Dick Fowler, the Minister of Municipal Affairs, with his department people to appear before our committee this afternoon. We would like to invite the minister to introduce his department people that he has with him and make any opening remarks that he would care to, and then we'll invite questions from the committee.

Mr. Minister.

MR. FOWLER: Mr. Chairman, thank you for the opportunity to review the operations of the Alberta Mortgage and Housing Corporation with the committee today. With me is Jack Davis, on my immediate left, the Deputy Minister of Municipal Affairs and acting president of the board of directors of the Alberta Mortgage and Housing Corporation. We also have Bob Leitch, on my immediate right, who is the Assistant Deputy Minister of the finance and administration division and on the board of directors of AMHC. Both Mr. Davis and Mr. Leitch are members of the board. We also have with us this afternoon Mr. Roy Wilson, who is chairman of the board of Mortgage Properties Incorporated. Lastly, needing no introduction, is Mr. John Szumlas, my executive assistant from the department.

There are several areas that I would like to comment on today, Mr. Chairman. The first relates to the restructuring of the government's housing delivery mechanisms as well as some of our current activities which are, we believe, responding to the social housing needs of our fellow citizens in this province. Secondly, I will be briefly commenting on the activities of Mortgage Properties Incorporated. Following these opening comments, I will respond to the best of my ability and the ability of my people here to any questions that committee members may have.

It is the government's belief that housing is a basic need and that adequate shelter is fundamental to the preservation of human dignity. We also believe that Albertans want to use their own abilities and resources to contribute to and ultimately meet those personal housing needs that they have. It is therefore essential that we ensure a free and responsible marketplace and encourage the initiative of individuals and support their potential for self-sufficiency with a limited direction of public resources to address the areas where there is greatest need.

The following principles taken jointly summarize the factors that are considered in developing government housing initiatives and policies. Firstly, Alberta's social housing programs will be targeted to assist those with the greatest need; that is, those with the least ability to meet their basic housing requirements. Secondly, Alberta's housing policy will challenge Albertans to use their own resources to contribute to or meet their housing needs in a free and responsible marketplace. Thirdly, government housing policy must facilitate the use of the resources of all participants in the housing field in meeting the housing needs of individual Albertans. This includes industry, the community, the municipalities, self-help groups, and individuals.

On January 1, 1991, following a complete review of the government's housing delivery mechanisms, activities of Alberta Mortgage and Housing Corporation, AMHC, and the Municipal Affairs housing division were merged and a new decentralized housing organization formed. Although AMHC no longer had any employees after that date of January 1, 1991, it has continued as an

ongoing entity through which social housing properties and agreements are held and administered. Staff now employed directly by Alberta Municipal Affairs provide the necessary ongoing support and administration related to these social housing assets. In total, Mr. Chairman, AMHC provides financial subsidies in various forms to over 40,000 social housing family units across Alberta. This includes approximately 14,500 senior citizen self-contained units, 8,200 senior lodge units, 10,500 community housing units, and several thousand units provided under various nonprofit and rent-supplement programs. During the past year AMHC continued to respond to the social housing needs of Albertans. A total of \$10.6 million was committed to the creation of 58 lodge beds and 131 self-contained apartments for our senior citizens. The lodge additions were provided in Sherwood Park, Cardston, and Strathmore.

In accordance with the global operating agreement that we have with Canada Mortgage and Housing Corporation, capital and net operating costs of these new seniors' facilities are cost shared. Seventy percent of such costs are borne by CMHC with the remaining 30 percent provided by AMHC. Also, \$17.7 million was committed for the regeneration of existing lodge facilities. I would note, Mr. Chairman, that for both lodge regeneration projects and associated additions, financing is provided by the Alberta capital fund. In 1991-92 low-income families were assisted through the commitment of \$5 million, representing an additional 59 units of new community housing. An additional 300 rent-supplement units were targeted to low-income families. An additional \$9.8 million was committed for 111 units of new rural and native rental housing.

In 1991-92 commitments were made for the construction of 74 special-needs units at a capital cost of \$5.1 million. Also, commitments were made for the delivery of 125 special-needs units under the private nonprofit program. In 1991-92 the total annual operating cost for AMHC housing programs was \$101.6 million after cost-sharing recoveries in accordance with agreements with both CMHC and participating municipalities.

Mortgage Properties Incorporated, or MPI, was created by the Alberta government on January 1, 1991, as a wholly owned subsidiary of Alberta Mortgage and Housing Corporation. The mandate of MPI is to divest AMHC of the various residential real estate, land, and mortgage assets that are not required for current social housing needs. MPI has approximately 60 employees, with offices in Edmonton and Calgary, and operates with a board of directors. The board consists of the president of MPI, a representative of the AMHC board of directors, and four private-sector citizens who provide additional expertise in the legal, real estate, and financial sectors. MPI was established in this manner to ensure that the proper skills were available to carry out the work and to provide flexibility in staffing to meet the workload. It was anticipated that it would take MPI three to five years to complete the sale of AMHC's nonsocial housing assets.

From January 1, '91, to August 31, '92, a period of 20 months, total asset sales through MPI have been \$410.3 million. This includes the sale and settlement of 277 mortgages for \$298 million, 1,091 real estate properties for \$96.5 million, and 504 lots for \$15.8 million. Proceeds from the sales are used to pay down existing debenture debt with the Alberta heritage savings trust fund and in the case of land sales to pay down the interest free advance from the province of Alberta. Up to March 31, 1992, total debenture borrowings by AMHC and predecessor corporations from the Alberta heritage savings trust fund have been \$5,100,152,653. Of that amount, AMHC has paid back \$3,293,146,186 in principal and \$4,474,194,656 in interest. All borrowings have, of course, been at market rates.

2:11

As of March 31, 1992, the total outstanding debentures payable to the Alberta heritage savings trust fund totaled \$1,807,007,000, a reduction of approximately \$332 million from March 31, 1991. The weighted average interest rate on the outstanding debt is approximately 10.8 percent. This reduction in debenture debt is primarily as a result of the previously mentioned mortgage and real estate asset sales. Of the \$1,807,000,000 in outstanding debenture debt \$1,052,400,000 can be associated with the investment in housing programs and \$754.6 million associated with the investment in mortgages and loans, receivables, and real estate. The \$754.6 million outstanding debenture debt includes \$108.9 million associated with the rural and native program and \$645.7 million associated with the mortgage and real estate assets. The real estate assets reflect foreclosed mortgages.

The proceeds from the disposition of the mortgage and real estate assets by MPI will go towards reducing the related outstanding debenture debt of \$645.7 million due to the Alberta heritage savings trust fund. It was recognized some time ago that the realizable value of these assets would be less than the outstanding loan amount. In such cases an allowance for losses was established and carried forward as a part of the unfunded operating deficit. At such time as the assets are sold, the province of Alberta through the general revenue fund will provide funding to Alberta Mortgage and Housing Corporation to fund this difference and permit repayments of the associated debenture debt. In 1991-92 approximately \$51 million was provided by the general revenue fund for this purpose.

In respect of the corporation's social housing assets, which will be held on an ongoing basis, funding for the annual principal debenture repayments associated with the \$1,161,300,000 in the Alberta heritage savings trust fund will be provided from Canada Mortgage and Housing Corporation, municipal and provincial cost recoveries. For 1991-92 total repayments to the Alberta heritage savings trust fund related to the social housing program were \$150,127,064. This was made up of \$133,071,728 in interest and \$17,055,336 in principal.

Over the next several years we project there will be additional sales of nonsocial housing assets totaling approximately \$480 million. This total amount will be applied against long-term debenture debt.

Mr. Chairman, that completes my opening comments. I would be pleased to do my best to respond to my colleagues on the committee, but I would like to state, as my colleagues are aware, that I only came into this portfolio in February of this year, and due to a great amount of involvement in the constitutional discussions I was away from my office for 32 days from March to July. I trust they will understand and be ready to accept that the officials here may in fact take part in more answers than would ordinarily be the case had I had the opportunity to fully familiarize myself with the activities of the AMHC and the housing section of my particular portfolio at this time.

Thank you.

MR. CHAIRMAN: Thank you, Mr. Minister.

I recognize the Member for Edmonton-Beverly, followed by Lloydminster, followed by Westlock-Sturgeon.

MR. EWASIUK: Thank you, Mr. Chairman. I welcome the minister and his staff here this afternoon. We certainly appreciate the time constraints under which you have been operating. I'm sure that if your officials tend to answer the questions, that's quite proper; no problem, at least as far as I'm concerned.

My question, Mr. Chairman, is relative to the Alberta Mortgage and Housing Corporation. According to my figures, the corporation has a cumulative debt of some \$387 million. Given that most of the AMHC's remaining mortgages are in arrears and given that much of the social housing portfolio is subsidized and in many events not even owned by the government, what steps is the government taking in planning to eliminate this huge deficit and arrears?

MR. LEITCH: Well, Mr. Chairman, Mr. Ewasiuk, the accumulated deficit that you referred to there of roughly \$380 million relates to two or three different things. The majority of it relates to write-downs which have been taken against the mortgage, land, and real estate assets but which have not as yet been funded. That portion of the deficit won't be funded until such time as those assets are sold. So over the next two to three years, as MPI disposes of those assets, that additional funding will be made and that deficit will be reduced accordingly. There's also in that about \$85 million of accumulated depreciation. It's in there because of a timing difference we have between the amortization period of the debentures we take and the funding we get on cost sharing from CMHC. That also will disappear but over a much longer period of time. It may take 15 to 20 years before that disappears on its own.

MR. EWASIUK: Well, Mr. Chairman, in addition to the accumulated debt, Alberta Mortgage and Housing Corporation continues to hold some \$183 million in interest free advances from the general revenue fund. The question is: what Alberta Mortgage and Housing Corporation assets secure this advance, and will the proceedings from the sale of these assets be sufficient to repay the GRF?

MR. LEITCH: Well, again, Mr. Chairman, Mr. Ewasiuk, the interest free advance was made some time ago to fund the landholdings of the corporation in lieu of having debenture debt on which interest payments would have to be made. No, the sales from the land will not be adequate to pay that back, again because of the write-downs we're taking against the land. However, if you were to add the market value of the landholdings at this point in time plus the write-downs that were taken, that comes to approximately the amount of the interest free advance owing. So, again, when the land sales are made, the additional fundings equal to the write-downs taken will be made and the total debt will be paid. Again, we would hope to see a majority of that done over the next several years.

MR. EWASIUK: My last supplementary then, Mr. Chairman is: what is the dollar value of the remaining mortgages and the properties that are being held by MPI?

MR. LEITCH: Mr. Chairman, in terms of mortgages that would be about \$488 million; in land assets, approximately \$75 million; and in real estate, approximately \$138 million.

MR. CHAIRMAN: The Member for Lloydminster.

2:21

MR. CHERRY: Thank you, Mr. Chairman, and good afternoon, gentlemen. My question would be regarding the self-contained lodges. I'm wondering today whether or not the rates in a city are the same as for any other area within the province. In other words, what I'm saying is that it's based on 25 percent of your income. I've pursued for five or six years now that you have two levels. You have 25 percent, and then you have a straight \$350 a month. I've never been able to get an answer from the previous minister and the

minister before him as to why this is taking place, and I wonder whether or not you gentlemen have any ideas on it.

MR. CHAIRMAN: Hon. member, you may be stretching it just a little to put that question to the minister under this circumstance. It really doesn't impact on the heritage fund. I guess if you go four times removed, it might.

Mr. Minister, are you comfortable answering the question?

MR. FOWLER: Well, I'm comfortable in having the question answered, certainly, because when he refers to rent geared to income, if that was the reference, of course that is only in those areas where we share. It's a condition of Canada Mortgage and Housing Corporation's participation. To refine that answer a bit, I'll ask my deputy minister to respond to it.

MR. DAVIS: Only those lodges that are built with Canada Mortgage and Housing funding, which is 70 percent of both the capital and operating costs, are subject to the rent geared to income restriction of 25 percent. The minister has recently made a decision to allow some flexibility in that 25 percent level for lodges in view of the fact that a number of seniors in rural Alberta who may exceed the guideline still need a place to live in their own community, and we will try to balance that overage out against our overall portfolio of rent geared to income units. Lodges built prior to our funding agreement with CMHC are not subject to the rent geared to income provisions at all.

MR. CHERRY: Well, I'm not quite sure that I explained myself well enough, but I will take it upon myself to individually talk with you and try and explain my point of view on it.

I guess my other question, Mr. Minister, would be that you talked about paying back CMHC on that, but in the long run, basically where are we going to be at? Are we going to have a deficit, or are we going to break even? In your view, where might we be, say, five years from now if we clean up all this mortgage?

MR. FOWLER: I think, Mr. Cherry, there are no accumulating deficits on any of the current operations of these homes. As far as the operations go, they do not accumulate a deficit. Where CMHC has put up 70 percent, we are obligated to return 70 percent of any payment we receive to CMHC, and we can retain 30 percent on the provincial side. The operations do not have an accumulating deficit.

MR. CHERRY: Okay. Thank you.

MR. CHAIRMAN: The Member for Westlock-Sturgeon.

MR. TAYLOR: Thank you. Also, greetings to the minister, and I hope that the time he spent away, the 32 days, will be fruitful, although it looks pretty slim out there right now, beating the bush on the minister's behalf.

The question I have is that I have a little trouble -- and Mr. Wilson may be the one better able to answer it, but it's up to the minister. In these mortgage packages that you sell or that I gather are put out for bidding, first of all, are they put out for bidding? Is it a competitive bid that's put out? Secondly, is the government guaranteeing the mortgage that is sold, or is it caveat emptor, to buy what they see?

MR. FOWLER: Well, Mr. Taylor, I could answer both of those questions, but you may have follow-up questions to them. So I'm going to ask Mr. Wilson to respond to those questions.

MR. WILSON: Thank you, Mr. Minister. Mr. Chairman, Mr. Taylor, yes, the mortgages are put out to competitive bid, and we've had tremendous success in putting these mortgages out to bid during the falling interest periods. Sometimes we've actually been able to sell the mortgages at a greater number than the face value.

MR. TAYLOR: The second part of that question, though, was: is there a government guarantee to the mortgages?

MR. WILSON: There's what we refer to, Mr. Taylor, as a top-up kind of guarantee. That's required because in several rural areas the mortgages would not be marketable at all without it, unless you discounted them way beyond what anybody would consider to be reasonable. So to make them highly marketable instruments, we do have a provincial government guarantee on them. We have all the liability as a taxpayer today, but when we sell them, we don't have all the liability.

MR. TAYLOR: Maybe that's what I'm trying to get at, Mr. Chairman, because I've had reports, which I find hard to believe, that some of these mortgages are guaranteed. It's kind of amazing to me why in selling a guaranteed mortgage you haven't got rid of the liability. You've still got it if you've guaranteed the mortgage, and if you sell it, you've still got the liability. So what percentage of these mortgages that we're selling are we guaranteeing, and what percentage are at risk to the buyer of the mortgage?

MR. WILSON: Mr. Chairman, to Mr. Taylor. We benefit from having the cash flow. The taxpayers have the funds in hand, and it has been a good time economically to get the money back in the coffers of the provincial government or the heritage savings trust fund. The top-up guarantee is less risk than having the whole thing, so you've got the money and less risk.

MR. TAYLOR: Well, that's the last supplemental. That's what I'm trying to pin you down on: how much risk has been removed from the backs of them? Right now, before you sell some, the taxpayers guarantee the mortgage; then they have 100 percent of the debt. If somebody walks off or doesn't pay, they have to pay up. So you sell the mortgage to this trust company, and you guarantee it. Well, we haven't gained anything. We're still responsible if the buyer of the house walks off. We still have to cough up the money to the banker that bought the mortgage from us. I don't see what kind of economics is involved. What's the percentage? I can see having a guarantee of 10 percent or 20 percent of a package that you put out, but I understand you're guaranteeing 90 to 95 percent. Is that correct?

MR. WILSON: Not to my knowledge, sir.

MR. TAYLOR: Well, how much are you guaranteeing?

MR. WILSON: Perhaps I could just answer in part; then maybe Mr. Leitch could help as well. They're not all the same, so we don't have an exact formula that applies to every mortgage we sell.

Mr. Leitch, do you have anything further you could help out with here?

MR. LEITCH: Well, if I might, Mr. Chairman. We don't provide guarantees on all sales. We do have a listing here and we could go through it, but there has been quite a significant varied approach to the different sales we have had. In those instances where there are guarantees provided, there are fairly rigid things in place. For

example, if the mortgage is sold, the mortgage comes up for renewal and then the mortgage guarantee drops out. In the case of some of the later workouts we're doing, we're putting in additional items. For example, if revenues go up beyond a certain point, then the guarantees automatically drop out. As Mr. Wilson has already stated, the main reason for providing the guarantees was to maximize the return back to the province.

2:31

[Mr. Jonson in the Chair]

MR. PAYNE: Mr. Chairman, with your concurrence and that of the minister and his colleagues, I'd like to turn the committee's attention to the question of inner-city and social housing. I appreciate that the minister did make one or two brief references to the subject, but I wonder if he might provide the committee with some comments today as to what his department and AMHC are in fact doing to assist with the very substantial and growing inner-city housing problems in both Edmonton and Calgary.

MR. FOWLER: Well, the department is working with the Edmonton Joint Planning Committee on Housing as well as the Calgary housing committee which was formed in 1990 and you may be more familiar with. The mandate of these committees has in fact been to develop long-term plans for the provision and maintenance of affordable housing in both cities, focusing on the needs of the inner city. I know the previous minister, the hon. Ray Speaker, conducted personal tours of inner-city areas in both of our major cities. In our 1991-92 budget for the year finished last spring we had 120 units in Edmonton and 125 units in Calgary which were approved for the inner cities. I think today our budget includes something like 145 units per city for the inner-city groups.

In looking at the inner-city areas, we target different groups in those areas. It may be victims of violence. It may be family abuse matters or straight low-income families and singles, or in fact it may be, as it is now, in respect to people with mental disabilities who are also locating in the inner-city areas. I guess many of us have seen TV pictures of those that choose to live outside institutional settings, as is now believed to be their full right. Location of accommodation is still very, very difficult in many instances, and there's an attempt being made to get these people proper housing within the inner-city area, where they seem to gather in any case. As a member from Calgary, you may be interested that at this time we will be providing further funds out of this year's budget for the probable purchase of the old York hotel in Calgary, on 7th Avenue and Centre I think, and that will be fully redeveloped as housing for inner-city people.

MR. PAYNE: Well, that's certainly useful information, Mr. Chairman. I think it's safe to say that for the past decade or two there was a widespread perception that private-sector developers and private-sector investors weren't particularly interested in social housing per se. It's very clear that in the past year or two or three private-sector developers and investors have come forward and have tried to shake off that old perception, and with proper criteria, a proper regulatory environment, and appropriate taxation criteria those dollars and that development know-how can be attracted to the inner city and to social housing. I'm wondering: could the minister provide the committee today with examples of where that's starting to manifest itself in Alberta? Furthermore, could he comment on the possibility of attracting more private-sector financing to these kinds of projects? I just think that this kind of teamwork or this kind of pendulum shift to the private sector is really called for, especially as

we move into an era where government dollars are under such constraint.

MR. FOWLER: I understand the direction which the hon. member is making reference to. I have had only a couple of meetings with people in the private sector, mostly the Alberta Home Builders' Association. At this point in time there are no private developers involved in social housing. They just are not there. That doesn't mean they should be, and I think it's unlikely they'd be enticed to be.

One of the areas where we are starting out in Alberta almost brand new, so to speak, is in what is sometimes referred to as the granny flat business of providing housing for parents or senior parents close to the family and on the same property. The trial programs of the federal government, implemented through the provincial government, in Alberta in any case have been ones where the provincial government has taken full control and ownership over those granny suites. I'm determined that a better arrangement may in fact be available by working through the private sector on this matter instead of the government of Alberta and all its taxpayers in the province becoming bigger landlords than they are. It's to look for a way for them to become smaller landlords, and that of course can be worked out with the private sector. In the granny suite area, I think they had a plan in Canada that was going to come up with a pilot project of 10 houses in Alberta. Well, if we're going to get serious about this, we're not serious about it when we look at 10 houses in a province with two and a half million people in it. It is expected that I'll be having ongoing discussions with the private sector in that area.

MR. DEPUTY CHAIRMAN: The Member for Stony Plain.

MR. WOLOSHYN: Yes, thank you, Mr. Chairman. I, too, would like to welcome the delegation from Municipal Affairs.

Looking at the figures, the bottom line, the Alberta Mortgage and Housing Corporation has outstanding in one form or another \$1.8 billion from the heritage savings trust fund. Alberta Mortgage and Housing exists basically in name only since employees now have a joint role with Municipal Affairs. We have Mortgage Properties Inc. set up to divest the assets, or the investments, whatever you want to call them, of the Alberta Mortgage and Housing Corporation. I'm correct so far. The question I would like to know: at this current time, what is the difference between the moneys owed and the market value of the properties still held by Mortgage Properties Inc.? In other words, what is the differential between the leftover assets, what is owed to the heritage savings trust fund, and what could we realistically get for them if they were sold fairly quickly?

MR. FOWLER: Thank you. I'm going to have Mr. Leitch respond to that. Mr. Leitch is the assistant deputy minister of the department, but he also sits on the board of directors of MPI.

MR. LEITCH: Thank you. Mr. Chairman, Mr. Woloshyn, the answer to your question in terms of the difference between those assets we're selling in terms of their market value and what is owed back to the heritage savings trust fund would be that portion of the accumulated deficit excluding accumulated depreciation, and that would be approximately \$300 million.

MR. WOLOSHYN: So if I'm to understand you correctly, using the general revenue fund as a vehicle, Municipal Affairs or Mortgage Properties Inc. is going to somehow or other try to amortize this \$300 million plus or minus over the next few years because the

moneys to make the shortfall come out of general revenue. Could I then ask: is there a game plan or a time line set up for a time when all these money-losing properties will be gone? Are we looking at paying back -- again, assuming things stay stagnant -- \$300 million to the heritage fund from general revenue over a one-year, two-year, three-year, five-year period? You must have some sort of plan of action in place.

2:41

MR. LEITCH: Yes, Mr. Chairman, we would anticipate that this work would be complete in approximately two to three years. Obviously it's subject to what's happening in the marketplace to some extent, but if we are successful in maintaining relatively low interest rates, which have helped the sale program considerably, then we would see it being complete within two to three years.

MR. WOLOSHTYN: Has any consideration been given to reclassifying these properties? Certainly if you have to dump losers that are going to be continual losers, you dump them. But has any consideration been given to reclassifying properties that have a potential to make money? As I understand it, the government is guaranteeing the loans against whatever when you're dumping them off. We're taking money out of general revenue which we don't have and redirecting it to heritage savings. Is any consideration being given to reclassifying these properties and retaining some for the long term in order that Mortgage Properties Inc. now, I guess, or Municipal Affairs would be the beneficiaries regarding an upturn that's going to happen eventually in the real estate market?

MR. DAVIS: Mr. Chairman, Mr. Woloshyn, the properties are not being sold on the basis of those which are profitable or not profitable. What is being retained by Municipal Affairs and AMHC are those properties which are required for social housing or social housing purposes. The remainder of the inventory is turned over to MPI on a staged basis, and MPI attempts to market those properties at current market value. Those properties that are more attractive I presume are selling more easily in today's marketplace. Those which are less attractive aren't, and that's why some of them require mortgage guarantees in order to sell. But the idea would be to divest ourselves of those properties which are not required for social housing purposes. Now, we do look at whether or not there may be a medium-term need for social housing purposes for certain property, and those properties are to some extent retained by AMHC pending the direction the social housing program is moving in. That's the key distinction, though, in terms of what properties are retained or not retained. Now, presumably there may be some what I would call less desirable properties MPI ends up with towards the end of their sale program that are difficult to sell, and there will have to be decisions made at that time as to how those properties are dealt with.

MR. MUSGROVE: Mr. Chairman, I'd like to go back to the private industry in housing. In my constituency, on a request for low-cost housing for low-income families, the former minister declared that he would make better use of public money if he were to subsidize private industry for low-cost housing than build more housing. Is that still the philosophy of the department?

MR. FOWLER: I think you're referring, Mr. Musgrove, to the rent subsidy program where there are people that qualify for low-cost housing, but rather than put them into government-owned social housing, their rent is supplemented through the department in that

manner. In that area, of course, the private sector is involved in housing, and that continues and increases.

MR. MUSGROVE: Okay. Then that program is still on. Does this include senior citizens?

MR. FOWLER: It doesn't exclude anyone. Senior citizens that do not choose or want to go into the lodge facilities or the self-contained that are available for them and may in fact be rent-geared to income in any case -- certainly it would include them.

MR. MUSGROVE: Okay. Thank you.

MR. DEPUTY CHAIRMAN: Edmonton-Beverly.

MR. EWASIUK: Thank you, Mr. Chairman. I just want to follow up on one other area. The Alberta Mortgage and Housing Corporation -- it is my understanding that the issue of the West Edmonton Village Complex, formerly held by the Triple Five Corporation, has been settled. I also understand that MPI has found either a buyer or a prospective buyer for the West Edmonton Village. Could you tell me what the status of the village is relative to its potential sale?

MR. FOWLER: Mr. Wilson, please, I would ask to respond.

MR. WILSON: Thank you, Mr. Minister. Mr. Chairman, I'm delighted to respond to the question about West Edmonton Village, because this is certainly one of the most unique marketing opportunities in all of western Canada if not all of Canada. We have 1,176 condominium titles in that project. That is a huge project by any standard in North America for sure, and we're very proud of the work our people have done in-house in the premarketing and marketing of the project. We don't have a sale at this point in time, but I would say we have had a plethora of offers and people interested from far and wide. It takes a considerable amount of time, of course, to negotiate all the points and let the prospective purchaser go through due diligence and analysis and study of all the things you can imagine take place in a project of that size. This is certainly one of the Crown jewels in our portfolio, and we're diligently striving to convert that into cash for the taxpayers of Alberta.

MR. EWASIUK: Well, it might be a Crown jewel, and I hope it is. Can you tell me at the present time -- I don't know whether you can or not -- what the sale price of this complex might be, and is that sale price sufficient to cover the previous mortgage and arrears that this mortgage is carrying?

MR. WILSON: I'm delighted to be able to tell you that our marketing materials indicate an asking price of \$64 million, sir.

MR. EWASIUK: Is that sufficient to cover the mortgage and arrears still outstanding on that mortgage?

MR. WILSON: It's my belief that if we were to achieve that, that would be more than sufficient.

MR. EWASIUK: Okay. My final supplementary, Mr. Chairman, is not on this topic but on a new topic. I want to get back to the granny suites, if I may. I'm surprised that we have such a low demand. Was it because of low demand that we had only a few of those granny suites built? Why is it that we had such few numbers provided?

MR. FOWLER: I think, Mr. Ewasiuk, that we have not of our own accord developed a program which is sufficiently attractive to the seniors of Alberta to bring about a greater demand than is apparent now. We in the department believe that the demand is likely there, far in excess of the 10 trial units the federal government wants to try with this. Where you have 10 trial units, you're going to create far more discontent among Albertans. If you put the program out for takers and have a hundred that want to move in and have to say no to 90 and yes to 10, then I think that creates a problem, a problem we can't resolve with 10 units.

[Mr. Ady in the Chair]

As a fellow local politician yourself, you know that zoning matters are one of the difficult areas in the whole granny suite operation. Until we have had an opportunity to consult with our colleagues, our partners in government on the local side, and resolve those zoning matters, we don't have an answer for what goes on in there. The reason the ownership was maintained by the provincial government was simply that once one or both grannies had passed on, we owned the building and it could be hoisted out the same as it was hoisted in. If that ownership is in the titleholder's, then of course we have a difficult time doing that. It is specifically in that area with the private sector that I'd like to see us resolve this very real problem of, first, the ownership, and then we still have the problem of working with those municipalities that have an interest in and commitment to the granny suite type of accommodation.

2:51

MR. CHAIRMAN: Westlock-Sturgeon.

MR. TAYLOR: Thank you, Mr. Chairman. What is the total of mortgages or paper that we have sold to date? I'm having a little trouble finding out how much we have sold to date.

MR. FOWLER: It is \$850 million, I believe, Mr. Taylor.

MR. TAYLOR: It's that high, is it?

MR. FOWLER: I gave a breakdown on that. It's \$893.9 million. That's single family and CMHC insured as well as the CHIP and MAP programs.

MR. TAYLOR: I'm just after the paper. I'm not interested in the property. That's the paper: \$893.9 million?

MR. FOWLER: That's the paper.

MR. TAYLOR: The second supplemental, Mr. Chairman, is: how much of this mortgage total is guaranteed by the government?

MR. FOWLER: Mr. Leitch, please.

MR. LEITCH: Thank you. Mr. Chairman, it varies obviously. I could add it up very quickly in my head here, but I can tell you that roughly -- well, I'd have to get a calculator and add it up.

The one other comment I'd make is that the big sale was the phase 1 sale, which was the residential mortgages. Those were sold to a number of organizations. Guarantees were only provided to two of them: the Bank of Montreal, which was about \$350 million gross sales, and the credit unions, approximately \$200 million. Those guarantees, all of them, are only in effect until 1998, and then the guarantees expire.

MR. TAYLOR: About \$450 million to \$500 million, is that it?

MR. LEITCH: Initially that was \$550 million. However, due to mortgage renewals and so on a portion of those guarantees has already dropped off.

MR. TAYLOR: You're answering the third question I was going to ask you. How does the guarantee phase out? Does it phase to zero in three years?

MR. LEITCH: All those guarantees will drop out. If they haven't already dropped out due to renewals and so on, they will all drop out in 1998 for those particular ones. In the case of the special-purpose mortgage, we didn't have any guarantees there. The commercial mortgage loans we have: the guarantees, most of them, will be in place until the year 2011, although there are some exceptions to that. Again, those are amounts like \$30 million for the Bank of Montreal. I see another one here: \$37 million to the Canada Life Assurance Company. We feel those are very good mortgages, and we don't anticipate a default problem with them.

MR. TAYLOR: Those are as late as 2011.

MR. LEITCH: The year 2011; that's correct. But by far the biggest chunk was those residential mortgages that I mentioned initially.

MR. CHAIRMAN: Thank you.

The Member for Edmonton-Calder.

MS MJOLSNESS: Thank you, Mr. Chairman, and good afternoon to our guests. The minister in his opening remarks was talking about some new principles, I'm assuming, because of the restructuring of AMHC in relation to social housing. I wouldn't necessarily disagree with the principles he outlined. I know that in Medicine Hat there's a housing authority that views social, or subsidized, housing as an interim step in people's lives, and they try to empower people to obtain their own housing as soon as they can. It's an excellent program. I just feel, though, that we need to recognize that we do have a responsibility to supply social housing where it's needed, and I know that in this province there is quite a demand. There are waiting lists all over the place. My first question is fairly general, and then I'll get more specific. I'm wondering if the minister could outline how he plans to begin to meet the demand that's out there currently.

MR. FOWLER: Well, we know the demand is out there, and we're fully aware of it. Having regard to the cash resources of the province itself, we do continue to budget in the Department of Municipal Affairs for as much social housing as we can possibly get.

The other way on the operating side without the requirement of capital funding of course is in the rent subsidy program, which can increase without any capital funding at all from the province as we put more people into privately owned, or private-sector, housing. I don't believe and I would not want anyone else to believe at least through me that this government believes there comes a time when we can be right out of social housing. Of course, that won't exist, because we'll always have people unfortunately at the lower levels of the earning capacity or powers and whatnot that are going to require assistance. We accept that, but we also accept the fact that there's a responsibility to try and encourage people to become owners of their own houses as well.

We, of course, through the department -- not Alberta Housing, which is before the committee today, but through the department --

give considerable assistance in many areas that doesn't involve the Alberta Mortgage and Housing Corporation. For instance, every senior in Alberta over the age of 65, if they are ratepayers, receives up to \$1,000 assistance on that. Also, in order to level off and be fair to all seniors including those that rent -- those that are even in a position to pay all their own rent receive the \$1,000 subsidy in rent assistance to balance off the \$1,000 tax lowering.

MS MJOLSNESS: Okay. Thank you. On page 12 of the annual report of the trust fund it states that MPI "is disposing of real estate assets and mortgages which are not required for social housing needs." I'm wondering if someone could clarify for me how that is determined. How do you determine the fact that it is not required for social housing needs?

MR. FOWLER: Mr. Wilson.

MR. WILSON: Thank you very much, Mr. Minister. Mr. Chairman, in response to the question, I'd like to maybe expand a little bit on the question to sort of paint the picture of what MPI does do. We have for sale raw land, serviced lots, single-family houses in the form of detached and row housing. We have apartment buildings all the way from duplexes or fourplexes to, you know, hundreds and hundreds of suites.

For example, West Edmonton Village has been brought up. I don't think anybody would say that we need West Edmonton Village for social housing purposes at this point in time. That property came back by negotiation actually before MPI was formed, but MPI has taken over and changed the management, been able to make some repairs, upgrade the property, enhance the value, and increase the rents so that it throws off a better cash flow to make it salable at a higher price than it would have been if we'd tried to sell it immediately.

Then in the case of raw land, first of all, we don't go in the development business per se, but we take raw land where it seems appropriate and get planning done on it. We make application to the regulatory authorities to get the zoning, the land use, and the subdivision approved and ready for registration and then put it up for sale by tender. Through this process we do what we regard as value creation to benefit the taxpayers at large when we sell the property. This has been a method we've used several times that has tremendously increased the return to the taxpayers on raw land that wouldn't have occurred otherwise.

3:01

MR. DAVIS: Perhaps just to follow up on that with a little more information. Currently what happens is that in conjunction with the Canada Mortgage and Housing Corporation a fairly exhaustive review is done of income levels throughout the province. The province is divided into a number of zones. That allows us to target where the social housing requirements are, based on income. We then try to work and we'll try to work more so in the future through the local housing authorities to determine the most appropriate type of housing for that particular community. There seems to be a growing need for single-parent family housing, for example, which leads us more to condominium/row-house type of housing as opposed to apartments and that type of thing. So all of that needs to be factored in as well. There is a fairly extensive process that tries to allocate the kinds of housing both geographically and by type, and through working with the housing authorities there's hopefully a little flexibility to deal even more directly with local needs, recognizing that there are not enough resources to meet all the needs, but that's the process used to target.

MS MJOLSNESS: Okay. Thank you. Well, it seems to me there are properties being sold, then, that potentially could be used as social housing. Is that not correct?

MR. DAVIS: Before a property is turned over to MPI by the department, we look at whether there is any immediate or medium-term social housing potential for that property. If there isn't, we turn it over. A lot of the properties that are being sold by MPI are apartment-style properties, which aren't the types of properties that are most conducive to single-parent families. We have to look at those types of things as well. If we have a property in inventory, it's certainly preferable to use that than to try to find the money to build a new one.

MR. CHAIRMAN: Wainwright, followed by Stony Plain.

MR. FISCHER: Thank you, Mr. Chairman, and good afternoon to the minister and his staff. The rural and native housing program. I was led to believe that we were slowing down on that program a year ago or that it was being allowed to run out. Is that true, or are we still continuing that program?

MR. FOWLER: I'm not aware, Mr. Fischer, of any commitment in the current department to cut back on rural and native housing. There's no less need out there that I'm aware of than there has been in the past. I wonder if the question might be in reference to an intent of a year ago, how this ties in with the federal involvement. Maybe Mr. Davis could comment on that.

MR. DAVIS: Currently housing programs in Alberta are either cost shared with Canada Mortgage and Housing or they're delivered unilaterally by the province. There has been a review under way for some period of time now to determine whether rural and native housing, which traditionally has been unilaterally funded by the province, can be brought into the cost-sharing agreement with Canada Mortgage and Housing.

MR. FISCHER: I thought Canada Mortgage and Housing did 70 percent of it now.

MR. DAVIS: No, they only do 70 percent of some aspects of it. One of the changes that would be required would be that home ownership would not be a possibility under the federally funded program but would strictly be a rental program. So there are some changes that are required in order to bring it in line with all the federal rules, and we anticipate having a recommendation to the minister on that in the not too distant future.

MR. FISCHER: The things that I see in our area -- in some cases we have homes built under that program. Some of them were home ownership, and some of them were on the rental/lease program. It's for low-income people. We end up with the houses empty. In our smaller communities quite often we don't have someone whose income fits that. They either have too much income and can't afford to lease it or else it just stays empty. Are there any provisions in that rural and native housing program whereby if we find that it's not needed in that community, we can sell it?

MR. FOWLER: Certainly we can sell it. The simple answer is: certainly.

MR. FISCHER: Thank you.

MR. CHAIRMAN: The Member for Stony Plain, followed by Westlock-Sturgeon.

MR. WOLOSHYN: Thank you. With respect to the Crown jewel, it was acquired with a negotiated transaction of a dollar, which on the surface may have sounded very good, but in reality it eliminated the government's ability to recover any net losses. So to set the record straight, in order to come out of that particular transaction the sale price has to be over and above what we will refer to the mortgage, and that's the money that has been loaned in, whatever maintenance has been placed into the building. From being around there, it's been some considerable dollars. You haven't indicated what you've got outstanding against it and find that perhaps some of the information isn't there. In order for a buyer to get interested, you have to show him a sheet that shows he can make a dollar on it. What is the positive cash flow of West Edmonton Village currently on an annual basis, taking into account the increased rents, it's been maintained, and you know how much you've got against it? What is there as an incentive for a buyer to come in?

MR. FOWLER: Let me say first of all that at no time was the West Edmonton Mall land in arrears. The loan itself has always been current.

In respect to cash flow, I would ask Mr. Leitch to comment on that.

MR. LEITCH: Well, Mr. Chairman, I don't have the net cash flow figure today, but clearly that was how the asking price of \$64 million was established, and negotiations are based on that figure. The cash flow figure is available, and obviously that's provided to all potential purchasers, but I don't have it with me.

MR. FOWLER: Well, further, I would ask Mr. Wilson after today's meeting to make available, because this is certainly the biggest holding we've got, a copy to all the committee members of that material which was received by all the people we thought might be interested in the purchase, in our marketing process. We can have that to you within a day or so, which has some of those figures you're asking about.

MR. WOLOSHYN: I would certainly appreciate that. Either I've been under an extreme misunderstanding -- my view was that the interest has been paid but the principal is not being repaid. If that's not the case, then I would wonder why Alberta Mortgage and Housing at the time would pick up a piece of property for a dollar that they had to rebuild and turn around and try and flog on the market at a good dollar. Was the loan up to date, or was it just the interest that was up to date?

MR. LEITCH: Mr. Chairman, the West Edmonton Village mortgage was a restructured mortgage. Again, I don't have the figures with me, but it was restructured to a specific percentage point, I believe 6 percent. That particular mortgage on the restructured basis was not in default. However, clearly, in restructuring it at 6 percent, there was still in effect a subsidy being provided by the province. That was the advantage in having the province take the property over and, as Mr. Wilson has explained, take some steps to increase revenue and so on and put it on the private market to sell it: we now will be avoiding any future subsidies on that mortgage.

MR. WOLOSHYN: Am I to understand, then, that when West Edmonton Mall was going into arrears on their mortgage, Alberta Mortgage restructured it at a lower interest rate to make it look like it wasn't in arrears, turned around, saw the difference that it was losing, called that a subsidy, and said, "Whoops, we're subsidizing"? Something is wrong here, and all of a sudden my curiosity is rising at an alarming rate for West Edmonton Village.

However, my understanding also -- and correct me if I'm wrong here -- is that some of the original mortgages for the condo units that were issued some 10-plus years ago were issued on the basis that that be subsidized housing, meaning that that was social housing. I would now ask: on what basis has Alberta Mortgage and Housing redefined the portion of that project -- not the towers -- that was built for social housing with moneys that were allocated for social housing and come to the conclusion that it's no longer needed for social housing? Why have you not considered taking that portion that was social housing, the condos, putting it in the social housing bank, whether for seniors' lodges or single-parent families or whatever have you? Because the original intent of a good portion of that thing, gentlemen, was social housing.

3:11

MR. DAVIS: Quite a number of properties, apartments and condo complexes, as I understand it, in the late '70s and early '80s were built under CHIP and MAP. One of the requirements of CHIP and MAP was that a certain percentage of suites or units within the complex would be subsidized or the rents would be held at a certain level. Again, you can appreciate that I wasn't around at the time. When the market plunged, that made the profitability of a number of these projects -- well, they weren't profitable anymore.

There was quite a bit of discussion between, as I understand it, AMHC and owners about trying to reduce the number of subsidized units in each one of these complexes in order to make them more profitable. Where that wasn't possible, there was restructuring of the mortgages in recognition of the fact that you now had a complex that couldn't pay its own way because of the market conditions. I think it's in response to some of those complexities and issues that MPI is currently selling a lot of that inventory off.

Where there are tenants receiving a subsidy in a unit that is subsidized or restricted by CHIP and MAP, we will carry that subsidy on the rent supplement program, or we carry it, you know, through the sale agreement. In some cases a judgment needs to be made as to whether it's worth retaining a small number of subsidized units in a property or whether to sell the property as a package on the market. In any event, our social housing requirements are not being neglected by the sale of these properties because we're aggressively trying to pursue more social housing units through the rent subsidy program as well as through direct construction. There are some of these properties, though, where it just doesn't make a lot of sense to sell them with a number of the units carrying that ongoing subsidy or take those units out of the sale package. The West Edmonton Village deal is a complex deal. I wouldn't pretend to have all the . . .

MR. WOLOSHYN: The complexity perhaps goes back to the mortgage conditions not being followed from the outset.

MR. CHAIRMAN: Thank you for your question.

The hon. Member for Westlock-Sturgeon, followed by Edmonton-Beverly.

MR. TAYLOR: Yes, just two small items. On the statement it mentions in financing activities a grant of \$14.1 million from the

Alberta capital fund. Why was this grant taken from the Alberta capital fund?

MR. LEITCH: Mr. Chairman, Mr. Taylor, a decision was made by Treasury actually just over a year ago to fund the capital costs associated with all lodge regeneration and lodge additions from the capital fund rather than funding from the Alberta heritage savings trust fund. That's the only reason for it.

MR. TAYLOR: My second question is about note 3 of your statements. You say that MPI has agreed to make termination payments to its employees for their service until December 31, 1990, in the case of management for their service with MPI. At this time are you able to give the cost of those termination payments?

MR. LEITCH: Mr. Chairman, Mr. Taylor, those severance payments relate to those individuals who were previously with the corporation, AMHC, and then moved over to MPI. Rather than pay them severance at the time they left the corporation, we put that severance in abeyance and told them that we would give it to them without interest at the time they left MPI. Now, in addition to that, there will be an additional small amount really of severance associated with their time with MPI as well. That's what it's there for, and I think there is an amount stated in that note.

MR. CHAIRMAN: Do you have a final supplementary?

MR. TAYLOR: I guess I do. I don't understand the elaboration. You said that this is not really a severance payment? They haven't quit working; they've just transferred from one company to the other?

MR. LEITCH: No. When the employees left the corporation at the end of 1990, whether they went into the private sector or joined MPI, they ceased to be provincial employees. As employees of MPI they're virtually the same as the private sector. They're not part of the pension plans of the province or anything like that. So we considered them at that time -- and that was part of the package offered to all AMHC employees -- to be eligible for the severance package. However, we weren't prepared to give it to them at the time they joined MPI. As I stated previously, the payment will be held until such time as they leave MPI.

MR. TAYLOR: I guess my supplementary would be: have you any idea what the costs would be?

MR. LEITCH: I don't have that right offhand. The figure we've mentioned here is \$1.2 million in total. If you wish, Mr. Taylor, we can provide that figure. We have an exact figure as to what has been paid to date and what is outstanding.

MR. FOWLER: Mr. Taylor, when MPI took over the assets, it was presumed at the time and still is presumed that it has a very limited lifetime. When the permanent employees of the Alberta government left what was permanent employment to them, going to what was definitely temporary employment, it was felt that it was mandatory that the termination payment go with them. Otherwise, they could have left the department immediately and gone directly to the private sector, and we would have had to deal with those termination payments in any case.

MR. CHAIRMAN: The Member for Edmonton-Beverly.

MR. EWASIUK: Thank you, Mr. Chairman. I'd just like to follow up further to the questions of the Member for Edmonton-Calder; that is, Alberta Mortgage and Housing Corporation and MPI and social housing. My knowledge or even experience in one or two instances relates to the criteria that MPI uses to divest itself of some of the properties, properties that are already being used for social housing purposes, evicting tenants and presumably attempting to relocate to some other places. I don't believe that MPI is initiating those actions, but sometimes I get a feeling that the management of a complex is doing it to rid itself of social services tenants. I wonder if you have a comment in that respect.

MR. DAVIS: We would want to be made aware of any of those situations. In Edmonton I believe the rent supplement program is managed primarily through the Edmonton Housing Authority, but any of those units that aren't part of the Edmonton Housing Authority portfolio where that's happening should be brought to our attention. That certainly is not the intention.

MR. EWASIUK: So you're saying that MPI is not going to a complex and sort of saying: "We're selling off a number of units. We don't care who the tenants are or under what circumstances those tenants are in those accommodations, we're selling them off."

MR. DAVIS: If there are tenants in the accommodation, then what we're doing is working out an arrangement with the buyer to put these individuals on rent supplement or whatever to carry on with their accommodation in that complex. There's no intent to evict people as properties are being sold, and if that is happening, we need to know about that.

3:21

MR. EWASIUK: One other question, Mr. Chairman, and I'm taking a shot in the dark here. Could you tell me the mortgage status of Highland Court? Anyone? Any comments? No? Thank you.

MR. CHAIRMAN: The Member for Stony Plain.

MR. WOLOSHYN: Thank you. Back to the Crown jewel again. I just don't understand why the government would go to subsidizing West Edmonton Village if they had kept up to date on their principal and interest. I would assume that it was restructured because they chose not to or couldn't make the payments until a particular point in time. In view of the fact that they did not provide subsidized housing to the best of my knowledge, what were the criteria used before you entered into the purchase of the property for a dollar to conclude that you should subsidize that property in any way, shape, or form after the restructuring of its debt?

MR. FOWLER: Give me a minute. The restructuring, I'm given to understand, was done in 1983, but I think we'll have to undertake to respond to you in writing on that matter.

MR. WOLOSHYN: I can appreciate that very much, and I would look forward to getting the response. I don't have any difficulty with that.

I'm quite frankly very concerned about losing -- and this is the only term I can use no matter how we make it up -- an additional \$300 million on that \$1.8 billion portfolio. I can appreciate how we got into this, but I think it's in the best interests of the people of Alberta that we minimize those losses. I'll come back to a question that I asked earlier: is there consideration given to adjust the criterion from whether we need it or don't need it, in some view or other that I don't quite totally understand, and look at these

properties individually and try to dispose of them in such a way that if they are -- you indicated that you have many revenue-generating properties. Now, I would say that the price of those properties should reflect their income-generating ability so that we get the maximum out of the market. If that is in fact happening, then the sale of these properties will not be generating any kind of need for losses to be transferred to the heritage savings trust fund from general revenue. Or are those properties so damned overvalued that we're trying to buy some time to get out from under?

MR. DAVIS: The properties are being sold at current market value. That's the mandate that MPI has, and that takes into account the ability of the property to generate revenue. For example, West Edmonton Village is generating revenue at this particular time. A lot of the values, though, were pegged back in the late '70s and early '80s, when real estate was very, very high. Fair market value today is still below what market value was in those days for some of these properties, and that's really the difference that we're talking about. MPI will not sell properties now at below market value. Their mandate is to sell at market value, and if the property is not moving at market value, then they have more work to do to try to get it out there and get it sold within those parameters, but that's market value as of 1992.

MR. WOLOSCHYN: I feel that we have a responsibility to keep in mind the difference between the valued property in the late '70s -- and I agree with you that it dropped. However, I must stress that the market value is increasing now. We've bottomed out, and these properties have gone to their lowest point and should in fact be appreciating to some degree. I again stress to you: is there consideration given to holding on to properties that have revenue-generating capabilities and are in fact generating a net profit for that particular piece of property to Alberta Mortgage and Housing and Municipal Affairs, which we can do because the debentures are over a long period of time, until such time that when they are sold, the market value through inflation or whatever other factor will match at least what the investment or book value was? Now, for some properties that will never happen, but for a lot of them I think that will happen. Again I stress: if that approach is being used, is that going to be done, if you're not doing it now, looking at the properties individually and for the maximum return to the taxpayer, or just whether you need them or not?

MR. FOWLER: At the present time the mandate of MPI as handed by Alberta Municipal Affairs was to market that property which was turned over to them at the best market they could get today, hoping that they would phase out totally as a corporation in three to five years, the belief being that that money which was recovered to pay off our debenture debt to Alberta heritage savings trust fund was the best economics available at the time and continuing.

Now, if properties are found to be or, as you suggest, are increasing in value to the point where there is a profit to be made in the housing, then maybe it should be further considered in fact, but I'm not at all certain, sir, where any government makes a profit in their housing. They just don't seem to have the machinery to do it. They don't have the same philosophy as the private sector, but in the overall package I can understand what you're saying. It may be worth considering doing that, because holding out one can offset the other. That's what I hear you saying, in any case, and I suppose it could be reviewed from that aspect.

MR. CHAIRMAN: The Member for Edmonton-Beverly.

MR. EWASIUK: Thank you. Mr. Chairman, just one question and follow-up to the questions the Member for Stony Plain was relating to. The problem that I think you might have is that the government has established a time frame for the lifespan of MPI. You said "three to five years." Perhaps you might be flexible and extend it, but I think because you've done that, you are now in a position of having almost fire sales of property to meet the time frame of the tenure of MPI, rather than holding the properties through the period of time which the Member for Stony Plain suggests would make it more valuable on a long-term basis. Have you any comment on that?

MR. FOWLER: After saying, sir, that there are no fire sales that I am aware of, I'm going to let Mr. Wilson respond.

MR. WILSON: Thank you, Mr. Minister. Mr. Chairman, in response to the question, I too would like to say that we do not have fire sales, we give away no sweetheart deals, and we try to extract the last dollar possible out of every asset that we sell for the benefit of the taxpayers.

Now, how we go about doing that. Earlier I talked a little bit about the raw land, sir, and the way we approach value creation in the raw land to get the maximum dollar for the taxpayer, but in the case of single-family homes, for example, oftentimes there are considerable repairs and fixing up that's required to get the best value for the dollar. In some cases we don't have to spend any money or we decide that it's not prudent to spend money on a single-family home before we sell it. We have several people on staff who have appraisal designations and who have considerable experience in appraising real property of all kinds, including apartments and so on, so they value the properties.

On the large properties we go outside and hire fee appraisers from the private sector, people who have appraisal accreditation and who are recognized in the community as the top appraisers in whatever area of the province that we're trying to determine the current market value of these properties. Then management makes a recommendation to the board of directors of MPI as to what price they want to list this particular apartment at or this particular property at, and the board of directors analyze all of the information, sometimes seek additional information, but appraisals are certainly considered, the in-house evaluations. If there's income stream, the cap rate is supplied. Those kinds of things are considered by the board of directors, and then they come up with either an agreement to the recommended list price or asking price or modify it. Then management goes back and seeks to sell the property. Many times we've been successful in selling properties for more than the appraised value.

3:31

MR. CHAIRMAN: Thank you. Does that answer your questions?

Thank you, Mr. Minister. We appreciate you coming before the committee today and the answers that you and your department people have been able to provide to our committee. We would make one request. Would you route the responses that you've committed to provide for the committee through the chairman, please, and we'll see that they get distributed.

Prior to calling for a motion for adjournment, I'd remind the committee that on Thursday we have an investigative visit in Calgary. You've been provided with an itinerary and information.

The next meeting of the committee will be October 27 at 10 a.m., when the Alberta Heritage Foundation for Medical Research will be before us.

A motion for adjournment? The Member for Lacombe. All in favour? The meeting stands adjourned.

[The committee adjourned at 3:33 p.m.]

