

STANDING COMMITTEE ON PUBLIC ACCOUNTS
April 25, 1984

Public Hearing: Saskatchewan Housing Corporation

MR. CHAIRMAN: — We will call the meeting into order. I want to welcome to our committee officials from the Saskatchewan Housing Corporation: Calder Hart, president; and Tom Carter, executive director of policy development. Welcome, gentlemen. One or the other of you have been here before. I think, Mr. Hart, you've been here before . . . (inaudible interjection) . . . I'm sorry. I think you've been here before. I'm not sure Mr. Carter has. Perhaps you have. I don't know.

In any event, let me, in addition to thanking you for coming and assisting us in our duties, state, as I do with everyone, that the proceedings before this committee are privileged, whatever that may mean — in the process of finding out, we all thought we knew but perhaps we don't — which, at one point in time, was assumed to mean that nothing that was said here could be the subject of a criminal or civil action. At the same time, it's taken down verbatim and it readily available for use elsewhere.

I want to then invite any member of the committee who have any questions to put them to the witnesses.

MR. KATZMAN: — I have a question before you go to Sask Housing. What did that last comment mean?

MR. CHAIRMAN: — I am . . .

MR. KATZMAN: — Not for this committee.

MR. CHAIRMAN: — It has nothing to do with this committee. It was just an aside.

MR. ENGEL: — The same rules apply here as in the legislature.

MR. CHAIRMAN: — Oh, yes. The same rules apply here as apply in the legislature.

MR. KATZMAN: — But aren't your comments that they're after you for outside the House . . .

MR. CHAIRMAN: — No. The statement of claim states they were said in the Legislative Assembly.

MR. KATZMAN: — Oh, okay. Sorry.

MR. CHAIRMAN: — It is alleged in the statement of claim that I made them in the Legislative Assembly, which makes them a bit odd.

MR. KATZMAN: — And not worth the paper they're written on.

MR. CHAIRMAN: — To coin a phrase.

Any witnesses who have any questions then may proceed.

MR. MEAGHER: — Good morning, gentlemen. I think I'll start off. I suppose the big question in my mind from last year is the overruns, the cost overruns, for what is now rural housing, I guess, but they were northern housing the year before.

In the past, Sask Housing experienced overruns under the rural housing program, and what steps have been taken to address this issue in the past year, in the year under review?

MR. HART: — Well, in the year under review, I think that the move was initiated to begin, I suppose, adopting a more professional approach to the awarding of contracts. Certainly, the corporation moved from the use of non-profit building organizations to more, I suppose, going to the public tender. I think the other attitude that developed was the fact that, because the program came from the Department of Northern Saskatchewan into the housing corporation, I think that the fact is that the corporation processes for tendering and awarding and trying to tighten up the process by which contractors implement contracts and are held accountable for the bids that they make, that all of that, I think, had an effect of at least bringing some integrity into a system that was largely, I suppose, seen to be more of a job and more of a social kind of policy as opposed to an economic policy which, you know, the activities must be judged on their own merits. So, certainly, over that period we have moved since that time to even tighten up those processes up further.

Some of those instances are such that, for example, we have now defined a native job credit wherein \$5 an hour, or a minimum of 500 hours per unit, was added to the contract criteria in order to ensure that there was native composition in terms of employment with these particular units.

And I think that isolating it that way as opposed to bridging it into some kind of non-profit organization that did not have as its basis the efficient and timely construction and completion of those units, I think has been a great improvement in that program.

MR. MEAGHER: — But due to some of those cost overruns, the mortgages asked were in pretty bad shape with clients. Are these delays still a problem, and what's been done to address that problem?

MR. HART: — Well, the matter of arrears is still a problem. We have begun to . . . And this obviously wasn't, I suppose. Measures were taken in the '82 year to begin to rectify some of the problems that had been plaguing that northern program, as well as even our southern program. The program, of course, by serving the particular income group that it serves, is by nature in a relatively high-risk program.

Notwithstanding that, 70 per cent of the accounts in northern Saskatchewan are in a chronic state of arrears. We, originally, in dealing with the Department of Social Services, in terms of establishing an arrangement where we would have a direct pay-through of the shelter component for mortgages, there were some problems with that process in terms of our relative accounting procedures and the structures of both organizations. We moved to correct that.

The deputy for Social Services, Mr. Podiluk, and myself, have now identified where those bottle-necks are and are moving to correct them. We have also, of course, gotten I suppose fairly tough with the chronic arrears or people who we felt were just chronically abusing the system.

In some instances we've had people who hadn't made a payment in seven years, and we've moved to try and either find out why they're not making payments, try and work out some program of making some payments. And where that has not received any kind of response, positive response, from the clients, we have moved to take stronger action.

We now have in the process eight foreclosures and 25 evictions. And we try to identify people who are just flagrantly abusing the system and, obviously, trying to set an example so that people see we are administering a program and administering it seriously.

MR. MEAGHER: — Well, because of these cost overruns in the past . . . (inaudible) . . . There was some problems with the status of the mortgages themselves or consummating the mortgages. I wonder if there's anything being done to address that problem.

MR. HART: — Oh, you mean in terms of execution of the mortgage?

MR. MEAGHER: — Yes, the turnovers and that sort of thing.

MR. CARTER: — Yes, because of the cost overruns, which we weren't able to identify immediately, we couldn't consummate a mortgage with a lot of these accounts. By and large, we've cleaned up the situation where the mortgages were outstanding. And the situation that we're operating under now with, you know, bondable contractors and monitoring the contract much closer, we are able to document the costs immediately upon completion and consummate the mortgage right away. So, by and large, that problem has been corrected.

MR. MEAGHER: — So you're able to turn over the mortgage or complete the mortgage at the time of turnover . . . (inaudible) . . .

MR. CARTER: — That's correct.

MR. HART: — A lot of the frustration that occurred with that system was the result that . . . Under the previous arrangements wherein there were a lot of the non-profits, the final prices were never known. So people signed up for their houses not knowing what the final amount would be and, correspondingly, not knowing what the mortgage amount would be. So when there were significant overruns the resistance, then, to signing any mortgage that was beyond what they may have perceived to be the final price to them was where a lot of the conflict developed, and confusion.

MR. MEAGHER: — Well, I can appreciate that from a client's perspective. You think you're buying a house for 60 or 70 or \$80,000 and it's several hundred thousand dollars. It would be a little hard to take.

We had a case last year, in fact, that gained a fair amount of notoriety, where the client didn't even know whether they owned it or not for sure. And that's the kind of thing that doesn't seem to be acceptable. And I would hope that that's being addressed. So they now, at the point of turnover, will have their mortgages complete, and they will know what the amount is and what they're buying — what it's going to cost them.

MR. CARTER: — That's correct.

MR. MEAGHER: — What about the backlog of land holdings? Do you . . . What is Sask Housing doing about some of the land holdings? This has come up as well on previous years, and are you responding to market needs there? How?

MR. HART: — Well, we've tightened up . . . The whole land assembly process has been a process where we have tried to bring some rationalization to that particular program. I think part of the problem was that significant land assemblies were developed wherein the time frames for development took on a very, very long-term proposition.

Now, I suppose that in looking at land assembly development one is dealing traditionally with a resource that does appreciate. And I think that that may have been, perhaps, the guiding light of the extent of the land assemblies that were undertaken. However, I think, coupled with rising interest rates, coupled with the slow-down and slackening of demand in some centres, we began to see the cost of inflation in terms of the cost of holding those sites to exceeding the inflationary value that was being created for the land, and we have now moved to do two things.

Number one is reduce the cost of holding land by only developing our land holdings on a two-year basis. In other words, providing for an orderly supply of our two-year supply of lots.

Secondly, we have also moved to dispose of some of our land holdings where the needs are of such long-term, or the demand is of such long-term duration that we just do not see they being

viable as continued holdings. And so we try to move to correct some of those deficiencies in the system.

MR. GLAUSER: — I got involved in this particular subject to quite an extent last year, and particularly using an example as Cut Knife, as land holdings there being far in excess of, well, perhaps the next 100 years would be a fair explanation of how much land was being held for future development. What steps have been taken, if any, to reduce those, or what is the long-term view of that type of holdings?

MR. HART: — Well, I suppose twofold. Obviously the market for land in Cut Knife . . . I don't believe we disposed of any of our holdings in Cut Knife. So, well, I suppose twofold. Number one: we have certainly firmed up . . . I assume that your question deals both with the prices paid and the supply.

MR. GLAUSER: — That's correct.

MR. HART: — We have now gone to the point where we are only concerned about the short-term requirements of communities. We have now satisfied ourselves that we're in the situation where continued long-term land banking would not be economically viable in terms of looking at periods, say, for example, beyond 15 years.

We're dealing with cost of money right now that is a major factor. We are certainly not seeing . . . If you're looking at 15-year money, you're looking at a minimum of 13 per cent today. You will simply rarely see land values today accelerating by 13 per cent a year.

So we have got to make the prudent financial decisions in respect of, you know, how long we should be holding. And certainly we're not looking to be holding anywhere near 50 or 100 years. I think we've looked at maybe 15 years as an outside time frame.

With respect to the cost of which we're prepared, or at least the prices that we're prepared to pay, we've now established several roles within the corporation essentially for centres of 1,000 people. We are paying no more than \$1,000 an acre. And for centres larger than that, we are certainly not preparing any more than \$2,500 per acre.

And in, you know, obviously the major centres of the province, you know, everything is reviewed on the basis of what, you know, comparable market values are. And we're going through a more rigorous, I suppose, performance appraisal, land appraisal, in terms of any future acquisitions. I think at this stage it's simply sufficient to say that we're probably in the process of selling more of our land than we are buying land.

MR. GLAUSER: — Well, yes, Saskatoon is another example where the holdings are considerable and, while Saskatoon is growing, I don't think it's growing at the rate at which that land is held.

MR. HART: — That's true. The only thing is Saskatoon has a tradition of being the only land developer in the community. You know, I remember when I was here with CMHC (Canada Mortgage and Housing Corporation) in the early '70s, from '70 to '73, and triggered the land assembly holdings that we initiated here in Regina.

One of the guiding lights at that time was the fact that we did not have any really major public participation in Regina, and yet we had lower lot prices than Saskatoon and we had lower building prices than Saskatoon. I suppose the perception is: where is the margin going? And I suppose in Saskatoon's instance, they're in it. But they're in it to make a profit for their general fund.

And I suppose that we were very . . . Initially when we got into the land assembly business, we were key-pointing it to establish the basis of having lots. We were experiencing some problems

with municipal council in Regina at the time, and we wanted to ensure that we had lots for the smaller houses that we were producing and were a continuing success throughout the '70s in Saskatchewan.

So the fact that the land assembly program took off and became a more dominant force within the market-place, I think you have to assess just at what point do you need to be intervening in the market.

And then, you know, I think if you establish that point, as opposed to, say, just having sufficient land that catered to those programs that you know have to go because they service the needs of low and modest-income families, I think that that's . . .

I mean, it's a fine balance you're playing, but there's no way that we're into a situation of going in to dominate a community, for example, where there is a private land development industry that is servicing the market and seemingly servicing it correctly.

MR. KATZMAN: — Just on the point of Saskatoon. My understanding, Calder, is that Saskatoon is caught in a Catch 22. Basically their original legislation that put them into buying and developing land, forces them to stay into it because they cannot use the money for anything except buying more land and developing it.

MR. HART: — I don't know if that's quite true. My understanding is that they have a kitty developed from their land profits which goes to use or reduce their mill rate.

MR. KATZMAN: — They can only take the interest; they cannot take the principal.

A MEMBER: — Well, the interest is up to what — \$12 million?

A MEMBER: — That's correct. It's . . .

MR. KATZMAN: — Yes. They're at Catch 22. They can take the interest into general, but the original principal has got to continue to buy land and develop. Only by changing some legislation can they get out of that hook. And they're considering it at their last council meeting a couple of weeks ago, strictly because there's so much money there that they don't need in that fund.

MR. MORIN: — I'd like to ask you a question on the \$1.2 million reported in the compendium of management letters. It indicates there that this \$1.25 million was applied against the appropriation for low-rental housing subsidies in the Department of Urban Affairs, and it was actually for construction costs of an apartment building in the Cornwall Centre. The funds were applied to a purpose other than the purpose for which they were appropriated by the legislature. To begin with, could you just make a general comment on that? Is that reasonably accurate?

MR. HART: — Yes, I think the Cornwall Centre project, you know, I think has maybe got to be perceived in its light as a municipal redevelopment project which, I suppose, as an objective is probably a good objective.

The problem with using housing on that particular site, I think, without having all the bases touched, I think, has presented kind of an awkward situation for the corporation.

Just as a general comment, we're into that project for \$80,000 a unit which is, in my opinion, far in excess of any kind of proper cost-benefit framework that we would normally look at in terms of establishing high-rise housing. It is, as I used the explanation the other day, a Cadillac body with a 20-year-old Volkswagen engine — very small suites. I mean, it's a superior structure externally, but there are very small suites inside. We've tried to get senior citizens in there. We worked out a kind of a Robin Hood formula to attract senior citizens into the project. Just

absolutely no success.

And I certainly have some questions as to why we would go with that particular kind of project in that particular location. Certainly I think there are other avenues for the corporation to pursue, but having said that, obviously we've got a 2 per cent loan from the federal government. That's positive. We also have a limit because CMHC (Canadian Mortgage and Housing Corporation) does have maximum unit prices, and those maximum unit prices, I think, would have allowed a project cost of approximately \$8 million. That compares with a total cost to us of close to \$12 million.

So what you're seeing back in those statements, those '82 statements, was the first provision for writing off the difference between \$8 and \$12 million, although we will carry some of the difference of \$4 million forward as equity in the project. Simply stated, there is absolutely no way that project's going to carry a debt load of \$12 million even with the 2 per cent money.

MR. MORIN: — How many units are in that project?

MR. HART: — 154.

MR. MORIN: — 154. And what is the rental rate?

MR. HART: — Oh, it varies. The one-bedrooms run at around \$470. The two-bedrooms are close to \$600 — \$570.

MR. CHAIRMAN: — . . . (inaudible) . . . for a minute. Where is this thing located at?

MR. HART: — It's at the Cornwall Centre. I suppose the best way to describe it, it is the far eastern tower on the site. If you have the footprint of the Cornwall Centre, you know where Sask Tel is right on Saskatchewan Drive, and then if you move to . . .

MR. ENGEL: — Faces on to Hamilton Street.

MR. HART: — Yes, Hamilton Street.

MR. CHAIRMAN: — So that is what that is. Okay. Sorry, go ahead.

MR. HART: — It's an apartment building that was built. I think at the time there may have been some confusion as to what the client group was, and I think that's where the danger for the project. For example, if I was building a project there, my reaction would be I would build a very, very nice project there. And certainly the structure is a beautiful structure. There's absolutely no question about that. But internally they are very, very small suites. I mean, very small. I mean, our senior citizens' standard kind of suites.

MR. GLAUSER: — What's the average square footage in there?

MR. HART: — Oh, on the one-bedrooms they would be certainly no more than 600 square feet.

MR. MORIN: — And you're getting between 470 and 600 and . . . How much?

MR. HART: — The rents right now with the 2 per cent are between about 470 and \$600.

MR. GLAUSER: — So there's an annual shortfall.

MR. HART: — There will be an annual shortfall; that's for sure.

MR. GLAUSER: — Of four?

MR. HART: — No, no, sorry. We are dealing with the capital amounts. What happens in our funding arrangements with the federal government is that we are restricted to cost. In other words, we cannot build projects that exceed a certain cost, and the way that cost is established is by way of a maximum unit price per unit. The maximum unit price for that project as established by CMHC was \$8 million. It cost us \$12 million to build, so we were over the maximum unit prices by 50 per cent.

MR. GLAUSER: — If I can try and zero in on an annual shortfall on that.

MR. HART: — That's pretty difficult to guess at this stage.

MR. CARTER: — We're not entirely certain because we're not sure of what we're going to be able to get in rental revenue at this point.

MR. HART: — We had turned the project over, I suppose — just to sort of have the conversation which is kind of up to date — we originally turned all of our PHD, or non-profit units, over to the low-rental housing authorities in the community simply because the targeting . . . For example, some of our PHD are non-profit units. We had people in there earning \$60,000 a year. In our opinion that was not the proper targeting that the administration of the day perceived for those programs, nor would we perceive to be the situation today. The fact that there wasn't a tightening of the administration controls, that those kinds of things didn't happen, is something we've moved to correct.

But more specifically, in terms of renting those units out, what we have done is we have ensured that by moving them to the local housing authority is that they were at least with a property manager that was dealing with low and modest-income families or low and modest-income people or senior citizens or whatever. And by putting them there, that there was ability that the people . . . The kind of people that go to the low-rental housing are the kind of people that we want to be attracted into that particular housing if, in point of fact, their income schedule — or their income by way of the income schedule that exists in public housing — would put them in at slightly higher, where they were starting to get in that area that may be a little too pricey for public housing, but certainly not having the kind of income to pay the market rents.

So non-profit housing was seen to fill the gap between the public housing sector and the market sector. And it was right in filling that bridge.

MR. CHAIRMAN: — I'm going to give the floor back to the member from The Battlefords. I mistakenly interrupted him and I should . . . (inaudible) . . .

MR. MORIN: — No, that's fine. I'm wondering, is your target market for these 154 units low and moderate-income families?

MR. HART: — Well I think it started out that way. But you know, I can't honestly say that that's where we're moving to right now. We are now moving to the point where we feel because the project is costing us in the order of 100,000 a month — and right now all we've got is three suites rented — we're going to have to take some bold steps to move to fill that project up.

MR. GLAUSER: — Is it complete?

MR. HART: — Yes.

MR. GLAUSER: — As of when?

MR. HART: — It was taken over as of March 1, but we've been trying to lease it since February. So in approximately three months we've got three units rented.

MR. MORIN: — So there might be potential then that we're going to get stuck with a lot of those suites, because the market rent that we need in order to — or the rent that we need in order to, say, break even, to use that term, would be far in excess of what the market will bear.

MR. HART: — I would have to say that there's some basis for that, or we've got to go to a different kind of clientele. We've got to maybe spruce the project up and try and sell it as a luxury project, which is unfortunate because the finishing is certainly not luxury.

MR. CHAIRMAN: — Nor does the size of the suite. Are you suggesting that . . . (inaudible) . . . to pull that one off?

MR. HART: — Yes, you're right.

MR. ENGEL: — Is a dollar a foot reasonable rent for downtown, for living accommodations? Because you're saying 600 feet and \$600 a month, so a buck a foot, eh?

MR. HART: — Well no, as I said they start at 470 for the ones, and you'd move up to six for the two-bedrooms. The two-bedrooms are closer to 800 square feet. You're still looking . . .

MR. ENGEL: — 75 or 80 cents.

MR. HART: — Yes, that's a high rate. Ordinarily, and of course in a major metropolitan centre, if you were talking about downtown Toronto, you would certainly expect a dollar a square foot.

MR. ENGEL: — But then you'd be getting a penthouse-type operation, or . . . (inaudible) . . .

MR. HART: — You'd be getting a pretty spiffy apartment, that's correct.

MR. KATZMAN: — When did we go into this deal?

MR. CARTER: — When did we go into it? The project was committed in 1981.

MR. KATZMAN: — Thank you.

MR. CHAIRMAN: — Back to the member from The Battlefords, I think . . .

MR. MORIN: — I'll get out for a while.

MR. CHAIRMAN: — Okay, then the member from Kelvington-Wadena.

MR. PETERSEN: — My question has already been answered, thank you.

MR. CHAIRMAN: — Then I think we're back to the member for Prince Albert.

MR. KATZMAN: — Shall we welcome the press. They're only 45 minutes late as usual with our . . . (inaudible) . . ., a dollar short. Thank you, Mr. Chairman.

MR. MORIN: — We're quite happy to have them here.

MR. KATZMAN: — Oh I don't know, they come late and don't ever report anything . . . (inaudible) . . . But that's okay. That's their job. Go ahead Paul. I just had to have my shot at the press.

MR. MEAGHER: — Are you sure? Everyone is done? I feel like I'm interrupting here, and it was my line of questioning.

MR. CHAIRMAN: — It's of such brilliance that it'll carry on. It won't be impaired, Paul.

MR. MEAGHER: — Okay, I would like to know, in the year under review, 1982, what was the status of the Cornwall Centre exactly in 1982?

MR. HART: — It was plagued by a strike for about three months.

MR. CARTER: — It was still under construction in 1982, but we did have the construction strike, which slowed down progress at that particular point in time.

MR. MEAGHER: — Why was it not complete in 1982?

MR. CARTER: — Why was it not complete?

MR. MEAGHER: — Right.

MR. CARTER: — Well, again the construction strike slowed it down, but we also had a considerable number of deficiencies, which we had difficulty getting tidied up and cleaned up by the contractor.

MR. MEAGHER: — These were contractor deficiencies?

MR. CARTER: — They were deficiencies in construction that had to be corrected before we would take the project over.

MR. HART: — I think part of the problem was that the building was added as, you know, I think a last minute thought. I mean, in terms of development process, the matter of including a residential building appeared to be a last minute thought. If you looked at it from a sort of a wider urban development approach, you'd say, probably an ideal site for a hotel. And that's . . . You know, my thought is that probably what they really intended that it should be a hotel and that, for some reason, either, you know, not being able to secure maybe a hotel operator or whatever, the view was that, look, put people down. And I mean, those are I think desirable objectives, getting as many people downtown, especially with support the commercial and vice versa.

But I think what happened there was that a lot of the problems that developed, for example, in the parkade, had to do with the fact that, you know, that the residential building was an add-on. So there were all kinds of structural reinforcing that had to go on with the parkade that was already under construction. The building was, I think, or the project, was already under way when the decision to go with the residential was made. Was it not?

MR. CARTER: — That's correct. And the parking lot per se was under construction. You see, there's a parking lot underneath the residential section of the building, and the residential part couldn't proceed until the parking lot reached a certain level. And the parking lot, basically, was designed under way before the residential component was committed. It was an add-on after, so there were considerable delays in terms of getting the parking lot completed to a point where the residential construction could proceed.

MR. MEAGHER: — So you're suggesting then that this is design deficiency arising out of the fact that there was no intention of putting a residential tower on in the first place . . . (inaudible) . . . was started.

MR. CARTER: — Not initially.

MR. MEAGHER: — So then the 50 per cent cost overrun then can certainly . . . a good part of that be attributed to a change.

MR. HART: — Of course, if you start charging back when you're under construction . . . I mean, you know, it tends to get a little expensive. And also I don't know that the development arrangements with Chartwood on that were as tight as they probably should have been. You know, I think from a developer's point of view, you know, I think that those arrangements could have been tightened up more significantly.

MR. MEAGHER: — So what you're suggesting then is that the taxpayers of Saskatchewan are out many millions of dollars, or a lot of money in any case, because of the cost overruns arising out of this design deficiency, plus we're saddled with a building that's basically inoperative so far as the economics of it are concerned — clearly not an accommodation suitable for low-income people.

MR. HART: — I'm certainly saying that the building exceeded its cost. It exceeded the maximum unit prices allowable by CMHC. To that extent, we have to provide for a write-off on some of those amounts, simply because the economics of the kinds of units that were developed were not likely to allow us to recover. And, moreover, one of the ways we've been handling some of the losses in the non-profit portfolio was carrying forward those losses. We are not able to do so any more. CMHC have now indicated that they've approved strict rules of management wherein we cannot roll or carry forward losses in any current year. So, I suppose the assumption that you make is correct.

MR. MEAGHER: — What costs have been accumulated by the corporation in the construction of Cornwall Centre? What costs have we accumulated as a corporation — have you accumulated?

MR. CARTER: — Well, about 12.2 million.

MR. MEAGHER: — 12.2 million?

MR. CHAIRMAN: — What was the original budgeted figure then?

MR. CARTER: — The original figure was the \$8 million that was the maximum unit price.

MR. MEAGHER: — Pardon. I didn't get that.

MR. CARTER: — 8 million.

MR. GLAUSER: — Well, what I'd be interested in, with that parking lot now, does that give one stall for each apartment?

MR. HART: — No.

MR. GLAUSER: — It doesn't?

MR. HART: — No.

MR. GLAUSER: — Where are they going to park?

MR. HART: — Well, we're assuming . . . I think, you know, the objective, I suppose, and I don't really, from a development point of view, have any problem with the fact that there's a shortage on parking because it is a downtown location and it obviously is going to service a lot of the office buildings going on down there. I think, from a location point of view, it's an extremely strong location. Pioneer is just building its new tower just down the street at the corner there, so there is a large inner-city office population that the project can draw upon. So I'm not too worried about the shortage of parking stalls.

MR. GLAUSER: — Are you suggesting that those people wouldn't own cars?

MR. HART: — Well, I'm suggesting that the likelihood of them all owning a car is not high.

MR. GLAUSER: — Well, then, I suppose that parking lot downstairs, that's where the Cadillac with the Volkswagen engine is.

MR. CARTER: — Well, the parking lot per se it not entirely for the project itself. The parking lot, a large percentage of it, is for the Sears parkade.

MR. HART: — I think the point that's being made is there are, I think, what is it? 120 stalls? Or 90?

A MEMBER: — 90 stalls.

MR. HART: — 90 stalls. There are 90 stalls in there that are part of our complex.

MR. KATZMAN: — Twenty per cent of the places won't have parking, basically, or something like that.

A MEMBER: — Oh, it's more than that. Originally . . . (inaudible) . . .

A MEMBER: — Oh, I thought it was . . .

MR. HART: — . . . (inaudible) . . . sixty, so we've put in approximately two-thirds, 60 per cent . . . (inaudible) . . .

A MEMBER: — Fair game.

MR. MEAGHER: — On the building of the parkade, I presume that the parkade is sort of the foundation for the tower so it would have to have been beefed up considerably by design, by architectural design, to accommodate the addition. The contractors then that were building, would they be working on a cost-plus basis on most of these changes?

MR. HART: — Well, certainly, it happened that way. I'm not so sure that that's the way it was envisioned . . . (inaudible interjection) . . . Well, we're in that kind of a unique situation. It was not the most prudent development agreement I've ever seen signed. And I think probably what happened out of that, Mr. Chairman, is that . . . It was kind of a funny thing. What happened was that the corporation hired a developer to act as its agent.

MR. CHAIRMAN: — This was Chartwood?

MR. HART: — Chartwood. Chartwood in turn tendered the project out, or did we tender, or did they tender? They tendered the project out to Bird, and so therefore any of the costs that Bird had were brought forward through that process. In addition, Chartwood received — so that the normal contractor profit was made by Bird — Chartwood, in addition, of course, charged a development fee to the corporation. That exceeded — I have to get confirmation of it — but I think it exceeds \$1 million.

MR. CHAIRMAN: — All for this building?

MR. KATZMAN: — Just picking that up one more time if I may. Did the third guy in the middle also pick up a million or something? You said that Chartwood put it to a project manager who put it to Bird.

MR. HART: — No, no, no, no. I said Chartwood was the developer. They put it out to Bird.

MR. KATZMAN: — Okay.

MR. CHAIRMAN: — The member from Prince Albert is doing a grand job here in spite of overwhelming interference from his own caucus, I may say . . . (inaudible interjection) . . .

MR. MEAGHER: — All right. To get back to my question on the cost-plus basis. As a contractor, I can appreciate that if you enter into this kind of a project and there's substantial changes, that's when the gravy train begins to run because on changes . . .

MR. HART: — For the contractor and the developer. Clearly, there's no question about it.

MR. MEAGHER: — And if it was design deficiency from the start, then this obviously was an opportunity for contractors (and with no intention of making any reference to specific contractors). But the overruns — and this had to have been a fairly loosely controlled project if, in fact, the developer was able to charge a fee; the general contractor in turn his normal mark-up; the contractor doing the work (basically a blank purchase order because it was extras or arising out of design deficiency) — the overruns then could very well be attributed to that kind of lack of control. Would that be a fair assumption?

MR. HART: — Well, I think that that's probably a fair assumption.

MR. MEAGHER: — Just one more question. If, in fact, the contractors on that project — or the developers, I should say — were able to . . . Well, never mind . . . Now that's the . . .

MR. HART: — Well I think for one thing, just to put it in a nutshell, the rule always, with CMHC was never allow, in any high-rise construction . . . Once you're in a high-rise construction, before you even issue the contract, you have everything fixed. You have everything firm. And then you award the contract. You don't have any (other than very minor) change orders. You have no substantial change orders. Otherwise you are going to get murdered on the cost.

And what happened in this particular development was the fact that we did not have everything frozen. In other words, when we had Chartwood, and Chartwood had Bird, everything was not frozen at that point in time. And that's where a lot of the problems subsequently developed. There was still . . . I mean, we were negotiating a building that was getting going, and I think that was where a lot of the problems surfaced. And I think from the standpoint of some of the rules of the game that public agencies have to play with, is that you don't start changing anything, especially in high-rise construction, because the notoriety of change orders affecting your margins is just so . . . I mean, it's historical, it's traditional, and you can almost . . . It's like the weather — you can bet on it.

MR. MEAGHER: — What was the rationale for adding this residential accommodation at that stage of development?

MR. HART: — I have no idea other than, I suppose, to attract people into the project. You know, in terms of servicing the people, I mean, the attitude in any of these urban development schemes has been to create a focus for people to be attracted downtown, and for people to live downtown so you have a constant stream of people.

And I think there was also an objective, although certainly I'm not in a position to say, but it appeared to me to be an objective where the government was trying to encourage people to be downtown, bringing more people into the downtown area.

MR. MEAGHER: — Well, that may make sense, if that objective was established prior to the commencing a project of that size. But during the course of construction, it hardly makes a

rationalization for a change of that dimension that would incur the kind of costs we're talking about, that everyone in the construction business knows will happen. It had to. There was no other, nothing that you're aware of that would cause the corporation to enter into that kind of a hare-brained appraisal?

MR. CARTER: — There has always been an objective to maintain a residential component in the downtown area. That's a city objective. You know, they somewhat decry the entire movement of the residential sector out of the downtown. So that objective has been there a long-term basis. But the decision to add a residential component to Cornwall Centre was made well after the centre itself was under construction.

MR. MEAGHER: — And you have no documentation to indicate what motivated the corporation to make that decision at that point in time?

MR. HART: — I have no idea.

MR. KATZMAN: — Mr. Chairman, I have a feeling that I'm going to step on one of my colleagues, but that won't be the first time I've done something like that.

Policy decision. I would assume that might have been a policy decision, therefore not . . . (inaudible) . . . purpose of this committee.

A MEMBER: — Hardly a policy decision to build a building.

A MEMBER: — The change would . . . The building is our deal, the inside.

MR. CHAIRMAN: — I think the member from Rosthern is right in saying that the member from Prince Albert, the question of why the decision was made, is really, I think, not a proper function of this committee.

All the other line of question's entirely in order — the details and some cost and how it overran and so on. But to actually ask why the decision was made, I think is probably getting beyond the scope of the committee.

MR. MORIN: — I'd like to leave this for a minute and go through your 1982 report, and I have a few questions on that.

Just going page by page, on page 7, under the Build-A-Home program, I wonder how many homes were built. I believe it says "over 2,800." I wonder if you have an exact number.

MR. HART: — Under that program into '83 till it terminated?

MR. MORIN: — Yes.

MR. HART: — Over 6,000.

MR. MORIN: — Okay. And I wonder, too (if you have any tracking mechanisms), how many of those were sold? Part of your explanation here is, it's \$3,000 grant forgivable at \$600 per year over a five-year period. How many people actually built their homes and then turned them over and sold them? Have you any way of knowing?

MR. HART: — Oh, you mean once they got the grant, flipped them.

A MEMBER: — Yes.

MR. CARTER: — Only a very nominal number, and in this case of the sales, some people had

been transferred for employment reasons and of course, that's a legitimate reason for selling your unit. So there was no reclaim on the \$3,000. But sales have been nominal. You must bear in mind that a lot of these houses are just now being completed so they haven't . . .

MR. MORIN: — Have you got any breakdown on the Build-A-Home program as to where the homes were built? You mention in the final paragraph there, that many of them are built in the major centres, but you're beginning to see some trickle down into the smaller centres.

MR. CARTER: — Yes, we do have an exact breakdown. I couldn't quote you the exact figures but I can provide them. We can provide them by centres.

MR. MORIN: — Yes. Well, either that or based on population groups — if you could do that.

MR. CARTER: — We'll do that, yes.

MR. HART: — Well, with the computer, we can, I think, spin out every location in the province that received . . . (inaudible) . . .

MR. MORIN: — Yes, I'd appreciate that. Under the Home Energy Loan Program, that program is now finished, isn't it?

MR. CARTER: — That is correct.

MR. HART: — That's an SPC program where we provided an inspection service to them.

MR. CHAIRMAN: — Could I just interrupt the member from The Battlefords for a moment. Was there an undertaking to provide that information to the member from The Battlefords, or were you just saying you could do it if requested? I wasn't sure what . . . (inaudible) . . .

MR. MORIN: — I believe they were going to provide it . . . (inaudible) . . .

MR. CHAIRMAN: — Yes. Then you should provide it to the . . . Fifteen copies to the Clerk who will distribute it to the committee.

MR. MORIN: — Does Saskatchewan Housing . . . This is not for the year under review. But with regard to energy efficient housing, do you have any plans or programs that you're going to embark on for energy efficient housing under the corporation?

MR. HART: — Well, most of the energy efficient side of the, I suppose the thrust, the policy thrust, has traditionally been through SPC programs. And their recent program (and we have, of course, provided the inspection services to the power corporation), we per se don't have any energy efficient programs. But obviously we encourage the development industry and the building industry to take advantage of the SPC programs, as well as . . . Obviously our own programs are developed in accordance with the changing technology and the changing standards with respect to insulation, and you know, ensuring that we meet all of those particular codes and requirements.

MR. MORIN: — Under the rural housing program, to the end of 1982, have you an idea how many in total rural housing projects you had going?

MR. CARTER: — To the end of '82? It would be approximately 1,300 units in southern Saskatchewan and 1,500 in northern Saskatchewan.

MR. MORIN: — And northern Saskatchewan, is it the old northern administration district?

MR. CARTER: — That's correct, yes.

MR. MORIN: — Okay. Dealing on the southern part, are they operating satisfactorily, in terms of receiving the rental back?

MR. HART: — Well, of course, they're a much different kind of program than the northern program, and certainly the arrears are nowhere near the level of up North, but it's working. We've got to tighten up some of our management practices in terms of how we deal with it. We're doing that right now.

MR. MORIN: — And what would your occupancy rate be on those?

MR. HART: — Well, there are some . . . You're asking what . . . The easiest thing to indentify the vacancy rate.

MR. CARTER: — I think there are approximately 104 vacant units in the South currently, so that would provide a rate of something less than 10 per cent. A lot of those vacant units, however, there are deficiencies that we are in the process of tidying up, and they will be occupied as soon as that work is complete.

MR. ENGEL: — We have a supplement on that. Rather than go through all these other, Mr. Chairman, kind of process you're involved, because you started with Build-A-Home and then we're on to the next already, and I still have something I would ask on Build-A-Home.

But on this one here, as far as the supplement is concerned, my understanding of that program is that they're pre-sold units. It's not a Sask Housing development, a thing that you'd lease out as such. I'm just trying to clarify the question he made, as far as vacancy units are concerned. They were . . . (inaudible) . . . where an individual would get a loan and build a house.

MR. HART: — Well, no. No, they don't get a loan. What happens is . . . (inaudible interjection) . . . We try to qualify the residents. Now, what we've done is, we've taken it to the step now where it is, we try to establish that home ownership pattern in rural Saskatchewan.

It's more prudent for the corporation, for the government, to get home ownership with these rural units, than it is to sort of be building public housing rental units. But what's happened is the policy has become now one where we go into communities, we try to qualify those families in the communities to own.

But what will happen sometimes is, between the time that we qualify certain people and the time that the unit is complete, that some of the people there will be some spill-off. And when that spill-off occurs, then we have the vacant unit, and then we have to either find another prospective purchaser, or we write it out.

MR. ENGEL: — I see. And that you say is about 3 per cent.

MR. HART: — No, it's a little under 10 per cent.

MR. CHAIRMAN: — Okay. The member from Mayfair had a question a moment ago. Was it on one of these items we passed over?

MR. GLAUSER: — No.

MR. CHAIRMAN: — Okay. I'll get to you then at the end. The member from Rosthern.

MR. KATZMAN: — Mr. Chairman, to the department. The rural housing situation . . . In my own constituency, I'm doing a bit of an investigation into what I think might have been improper arrangements that ended up costing the Sask Housing some money. My understanding is that

under this program when you went in do you usually . . . The municipality usually talked to you or the town, saying that we would like some, so forth. Then you would proceed, if you agreed to do them, acquiring land and usually through the assistance of the municipality or whoever you ran into contact that could steer you. And 90 per cent of the time, I assume it was the municipality or somebody in the town that was involved. Then you would buy the lot and develop the home, and hopefully you have a person who is going to move into it on a system purchase program.

Now, that being the case, did you check to make sure that the land prices you paid . . . There was no quick roll-over. Example: the indication was you were coming into the community. Somebody quickly bought the lot, quickly rolled it through somewhere else so that they could . . . In other words, in the case that I'm looking at, a lot went from the normal \$3,000. Well over 6,000 was what the end in paying was. My question is: do you check to make sure that doesn't happen, or have you no method really?

MR. HART: — Well, we really don't have a method. We try to ensure that obviously it's a competitive price, but a lot of these smaller centres . . . I mean, what is the competitive price? There may not have been any kind of activity, so we would probably check with the municipal officials, either the town clerk or the town manager, or whatever it may be, or in the case of some of the rural areas, the rural clerks, and just get from them their appreciation of what the market was and what the proper price was.

MR. KATZMAN: — So a person in that position could lead you astray?

MR. HART: — Very possible.

MR. MEAGHER: — Just in a different area a little bit here, and I'm not so certain, Mr. Chairman, if I may not be getting into a policy area again. But . . .

MR. CHAIRMAN: — I don't know what the member for Rosthern . . . (inaudible) . . .

MR. MEAGHER: — Okay. The mandate of the corporation is, in regard to administering these low-income housing in areas such as the city of Prince Albert, they have a P.A. Housing Authority appointed, a board in Prince Albert that administers the housing. But we have a situation there where housing that is administered by the P.A. Housing Authority is being occupied by people — a lawyer, for an example — and no one can believe that that lawyer is a low-income person.

MR. KATZMAN: — Ho, ho, ho. Mr. Chairman, . . . (inaudible) . . .

MR. MEAGHER: — And I am one who is skeptical of that proposition as well. Being a plumber, we are subject to some rumour that we charge as much as lawyers, but I can't believe that lawyers could qualify. So I would like to know what are the mechanics of seeing to it that people like P.A. Housing Authority are not in direct competition to the ordinary market.

MR. HART: — Well, they shouldn't be. The only comment I can make to you is on public housing. It is a rent-to-income formula, and the rent-to-income formula rises from 17 to 25 per cent at the higher end, so if he's in there he's got to be paying 25 per cent of his income a year for accommodation, so . . . unless it's one of the non-profit units.

MR. CHAIRMAN: — If you had a plumber in the building, you could pay for the whole building . . . (inaudible) . . . alone.

MR. HART: — Unless it's a non-profit unit. That's the only thing I can think of. It's public housing . . .

MR. MEAGHER: — Well, for the year under review, I wouldn't want to, you know, give you a

particular unit, but it has been an ongoing sort of situation in Prince Albert at least, and the question arises from time to time that this government-supplied housing is in direct competition to the market-place for people whose incomes clearly are not perceived to be . . .

MR. HART: — Yes, I think that is a fair assessment and it is one of the reasons why we wrapped up that non-profit housing subsidiary called Prairie Housing Development, or PHD, has been wrapped up and brought into the corporation. But it was wrapped up for more than just that reason.

I mean, you know, I suppose that you can look at it from interventionist approach. Interventionist tends to be more kind of a policy consideration. From my standpoint as administrator, I'm more concerned about the client targeting and whether there's a need for public resources to be expended in that area. And, quite simply, there was no need. I mean, our client spread was so wide and there was no restriction to low and modest-income families.

In the instance here in Regina, we had more than several people from the housing corporation in management positions occupying units there, and it just was not a healthy environment. You know, there's no need for that and, you know, in instances people were able to affect policy living in units that they affect policy in. I mean it just didn't fit. It had to be cleaned up. From our standpoint, given the priority, you know, that government is dealing with the worst first in dealing with low and modest-income people, the appropriate targeting for our province is more in the section 40, public housing, as well as providing that banking support that we do to non-profits dealing with senior citizens and special care accommodation and that sort of thing.

MR. MEAGHER: — So you have addressed this misdirection of public funds, then.

MR. HART: — We have certainly wrapped up Prairie Housing Development, yes.

MR. MEAGHER: — And in the case of housing authorities such as the Prince Albert Housing Authority, if they should be misdirecting public funds in the same way, have you done something to address that?

MR. HART: — Well generally the local housing authorities do have a fair amount of autonomy over the kinds of things that they can do. There has been a manual that has recently been published and developed. It gives them specific operating policies in which to deal with those kinds of things.

But I think all I'm saying is that on the . . . I just strictly dealt with public housing. If in point of fact, this particular client that you identify is in non-profit housing then we're still — what we've done is we've wrapped up the subsidiary. We're now in the position of now developing policies for the housing authorities to, you know, to ensure that it's again, the worst scenario that's employed with this non-profit housing. And we want to see modest income families in there. We do not want to see people in there earning, you know, \$60,000 a year.

MR. GLAUSER: — Okay. I have two or three questions, and I want to start off with the auditor's remark whereby he recommended that section 36 of The Saskatchewan Housing Corporation Act be reviewed to determine the wishes of the legislature, and be clarified. What does this relate to?

MR. HART: — I think the Provincial Auditor and ourselves have basic difference of opinion about the nature of our act.

MR. GLAUSER: — Does this relate more to policy than it does to principles?

MR. HART: — I would say it's definitely the policy. I think the interpretation, as I understand, the Provincial Auditor is suggesting that the way our act reads is that all of our funding and the

conditions under which our funding is provided is . . . or shall be by order in council. We've maintained that our act specifies Minister of Finance shall provide us with the funds to operate the housing corporation, and that the matter of any further involvement through OC, or order in council is, you know, a rather incidental one. And we provided that information to the auditor and obviously represents our opinion about where our act is and how we have interpreted it.

MR. GLAUSER: — Okay. I had to almost ask that question first before getting into the second one, which had to do with the land carrying values as net realizable value. And he also reported a write-down of 1.7 million for surplus properties. Have you a copy of the management letters there? What was your response to that?

MR. HART: — Do you have a page on which . . . ?

MR. GLAUSER: — Page 32 of the management letters.

MR. HART: — Well, sorry, could you repeat your question?

MR. GLAUSER: — Okay, it was a write-down of \$1.7 million for surplus properties. In other words, were you devaluating?

MR. HART: — We weren't devaluating. But what was happening was the market value (I think it was a comment that the Provincial Auditor made, which was a valid comment) was that we have got to be continually evaluating the market value of the properties, especially the land holdings that the corporation had to ensure that we've always got a proper handle on what the current market value is. In point of fact, you know, that's an area — as I indicated and was justifying why we're rationalizing our land — is we're in a situation where you know the moment your holding costs start to begin to exceed the increases in market value, you're into a situation where your values can go down quite quickly. And . . .

MR. GLAUSER: — Yes, okay. I think this ties in with what I talked about earlier, where I mentioned Cut Knife as an example. In other words, what you're saying here is that the lands that were accumulated do not hold that value that they were accumulated at, and you have reduced that by \$1.7 million.

MR. HART: — That's correct.

MR. CHAIRMAN: — I'm shocked at the member for Saskatoon-Mayfair.

MR. GLAUSER: — Well, not really. I guess I expected that.

MR. CHAIRMAN: — The member for Rosthern was actually next.

MR. KATZMAN: — My question basically is on the rural housing. The year ending here is December 31, 1982. Therefore you may have no knowledge of this, and I accept that.

In January, February, March (I guess it was early March), under the former government, there was an announcement of somehow some assistance to rural housing. Basically a farmer building a home, there was some subsidy of some kind. And that never seemed to get off the ground totally, yet some people were promised a certain amount of money under that program.

MR. CARTER: — We did have a farm housing program which was in operation for approximately a year. I think there was something in the order of 200 units built under the program. The situation was such that a farmer could receive a monthly subsidy, a monthly operating subsidy to help cover the cost of the mortgage, and that subsidy was phased out over a period of five to six years.

MR. KATZMAN: — Correct. The question is: there were, I understand, verbal agreements — and this is where my problem comes from — where a farmer would come in and say, I'd like to have this, blah, blah, blah. And they'd say, okay, go ahead. Was that a normal practice? And then, of course, things changed after the 31st of March. The following of the program seemed to change, and of course they didn't get the grant, or whatever it was supposed to be they were going to get.

MR. CARTER: — Well the program operated under certain guide-lines that sort of specified maximum unit sizes, maximum costs. I'm not aware that there was any agreements made that were outside those guide-lines.

MR. KATZMAN: — Well during the period of the election . . . I guess we could hit it right on the nail. One fellow was told — and I still don't understand how the bureaucrat that did it had the right to do it even — was told, go ahead, because the House is not in session, because of this and this. But you'll be covered. Go ahead and start building. The fellow starts to build, and boom, of course, the thing doesn't happen any more, because the budget hadn't been approved, blah, blah. You know, the money wasn't there, because the budget wasn't approved in the House prior to the election.

So now the farmer is out there, built the home under a verbal agreement, and of course is very bitter at the former government, because they didn't say, well, if this happens you'll get it, rather than saying, you're committed. He thought that phone call had given him permission to go ahead, that he would get it.

And do you have to keep records of these kind of things, or not? It wasn't a political . . . (inaudible) . . . that gave the approval, it was a standard fellow working in the department. It wasn't as if the political garbage was working. It was the other side . . . (inaudible interjection) . . .

MR. MORIN: — I'm sure that guy would no longer be there.

A MEMBER: — I'm not going to touch that one because I could indicate who the person was if I say a word there.

MR. CARTER: — If there was a commitment made, there should be a record on file of that commitment.

MR. KATZMAN: — A verbal commitment? That's the real question of the week. And I gather that the case is to give you . . . (inaudible) . . . individual, and you can check the file to see if it was a verbal, if there was any record of it. And if there is some record, it possibly could be corrected. Maybe it can't be.

MR. MEAGHER: — Just to get back for a moment to this \$1.7 million loss here to the corporation on land values to the taxpayers. I would like to know what you have done to identify the reason for this loss — that is to say, the two alternatives that come to mind. One is that the land was purchased at too high a price initially, paid too much for it, which could be identified by assessments or appraisals. Or the other alternative is that the land has been devalued in the market-place by simply going down in worth. I'd like to know what you've done to make that kind of assessment. Identify what is the reason for this enormous loss.

MR. HART: — Well, the picture doesn't get any rosier. I suppose what it really boils down to is this combination of both. In some instances, prices that were paid for land were too expensive. In other instances, it's a question that, you know, when you're — especially in the smaller centres, the prices we paid were the market, whatever that market was.

MR. GLAUSER: — The market, of what everybody asked?

MR. MEAGHER: — Well it's fairly important that that be established, because if, in fact, too much was paid for the land initially, then that is cause for some concern.

MR. HART: — I think though that there are instances of that having happened. I think that's why we've gone to a policy that we restrict the amount of money that we're prepared to pay on an acreage basis — \$1,000 for communities under 1,000, and \$2,500 for all of the communities obviously outside of the major areas.

MR. KATZMAN: — An acre, are you saying, or a lot?

MR. HART: — No, acre. That's the raw cost.

MR. MEAGHER: — Well wouldn't an assessment, an appraisal, satisfy . . . I mean, any ordinary private purchaser would go on the basis of appraisals and make the determination on that basis as opposed to a blanket sort of "well we're going to pay so much an acre whether it's in Moose Jaw or Ile-a-la-Crosse". I don't . . .

MR. HART: — Well I'm not sure though that the proper appraisals were ordered up for all purchases.

MR. MEAGHER: — Well then, that opens some concerns that I have that too much money may have been paid for some of this land in the first place. That should be relatively easy to identify. The corporation should be able to identify whether or not that was the case in each individual instance in the year under review. And if so, I would like to see that flagged in some way that we can pursue it.

MR. HART: — Well I suppose that it's possible. The only thing is, it's not easy. Because you know, when you're looking two years down the road, how do you go back and evaluate whether, you know, when you bought it two years ago or three years ago or four years ago or five years ago, what the conditions were. But I think it's safe to say that in some instances the kinds of appraisal support that was used to substantiate land purchases was not what it should be.

In point of fact, in some instances there were not appraisals done. You know, what you had was a realtor who says the price is such and such — and you want it, that's what you pay.

MR. CHAIRMAN: — Okay, at this point in time I think I'm going to call for our seventh-inning stretch. So I think we'll give the staff here a bit of a break. So we'll adjourn, I think, for 10 minutes, unless someone has some wild objections. We'll pick it up again, I think, with the member from Battlefords.

I call the meeting to order after our adjournment. The floor is that of the member for Battlefords.

MR. MORIN: — Thank you, Mr. Chairman. I just want to follow up on the losses on land inventory, and I have a couple of questions here. Firstly, do we ever enter into a land assembly project with the assumption of losing money as a policy position, that we will put together some land and we'll use, or write down on the land cost to subsidize the project? Do we ever do that? Or is our purpose always to at least break even on the land?

MR. HART: — Well I think the policy would have been a break-even policy at the very least. In most instances, the land development operations, I think, envisioned by the previous administration, and envisioned by the current administration, has always been that there shall be profits made. I think the difference is that previously, under land assembly agreements, the profits were turned back into the municipality.

We've now come up with new development agreements to the point where we want those

profits shared on the basis of risk, with the profits turned back into the corporation. We are starting to run into situations with the size of our land inventory where we are starting to experience losses with that land inventory, and we feel that it should be at least a self-liquidating account. And so that's the reason for the new policy shift.

MR. MORIN: — You indicated that the auditor had recommended that you continually value your land based on market. What's your average holding period for land?

MR. HART: — Oh, that's difficult. We'd have to get that information for you.

MR. MORIN: — That's fine. It's not that important. My point is that if your holding period is, say, from three to five years, or anything greater than a year, you'd be required to revalue that land, say, five times. And wouldn't you be better off to hold it on your balance sheet at cost, and then when you sort of wash the project out, to report any loss or profit at that time? Otherwise you're going to be riding the cycles all over the . . . (inaudible) . . .

MR. HART: — Well I think in point of fact, it should be made clear when we talk about loss — and I think this is something that maybe came up after when the chairman created the seventh-inning stretch — is that the Provincial Auditor and our own auditors simply identify there is a provision for a loss. The loss is not registered on our financial statements other than as a provision. So when we sell the land that is when the loss is registered, whatever it will be, and I think just represents the . . .

And the Provincial Auditor can obviously speak to it better than I can, but I think what he's simply saying is: look, if there is a feeling that the value isn't there to support, then you should be making provision for loss. And from our point of view, we agree with him. So we're starting that process. As a matter of fact — and I'm trying to remember whether the figure is going to be higher — I think certainly it's higher for this year as well, isn't it?

MR. HUNT: — I believe so.

MR. MORIN: — The other question I have relates to failure to get appraisals on some property. And to follow up what we said before the break, I wonder if it would be possible to get a list of what properties during the year under review were purchased without appraisal, and where they were located, and what was paid for them. And it may be that . . .

MR. CHAIRMAN: — I think, if I may interrupt, you'll also want the number of hectares or acres in the plot, or it won't help you much.

MR. MORIN: — Yes. A description of the property, and it may be that that would be enough to flag the issue. You know, if there's a problem with failure to get appraisals, that it will be evident there, although I understand that some of the purchases the corporation has made in the past, the appraisals were tailored to fit the purchase price.

MR. HART: — Well, I'm just saying . . . I mean, I don't want to certainly qualify the question to affect what you're trying to . . . the information you're trying to get. I think that what it really boils down to, in some instances, what we're talking about is the quality of the appraisal. Wherein, you know, you did not have, say a proper ACI certifying the value. You had the statement about the value made by somebody, either within the corporation or a local real estate agent or somebody just saying, "Here's what I believe the value to be."

MR. CHAIRMAN: — Well, for the purpose of this question then, why don't you define an appraisal as something done by a member of the institute?

MR. HART: — Of the Appraisal Institute of Canada?

MR. CHAIRMAN: — If it's not done by a member of the institute, it's not an appraisal. If any expression of opinion is an appraisal, then I can give you an appraisal. You know, that doesn't mean anything if you get someone from a real estate agent.

MR. KATZMAN: — Consider the source of . . . (inaudible) . . . That's right.

MR. CHAIRMAN: — It's a wild guess. I wouldn't have . . . I have many talents, but to appraise a property I don't think is one of them. Why don't you . . . (inaudible) . . . the question when we mean appraisal we mean something done by a . . .

MR. HART: — Okay. We'll undertake to get that information for you.

MR. CHAIRMAN: — 15 copies to the Clerk will be sufficient for the committee. And we are asking for the list for the number of properties bought. How many are we dealing with here?

MR. HART: — I've no idea.

MR. CHAIRMAN: — What I was . . . Let's make sure we get the information we want here. The number of properties bought. A complete description of each, including the price, the size, and the community to which it's adjacent, and whether or not the price paid was supported by an appraisal. That, I think, is what you wanted.

MR. KATZMAN: — Mr. Chairman, one question, if I may. On that comment, when you ask for identification of lot and price. Are we into a problem of disclosing policy of the purchasing, or are we just . . . I don't know, I . . .

MR. CHAIRMAN: — I don't think so. I don't think so. It's simply asking for details of expenditures made. I don't think that gets into any policy conflict.

MR. KATZMAN: — Well, my . . . Let's assume we bought 10 lots in Timbucthree. Do we bring in the 10 lots as a bulk, or do we bring them in as individual lots? That's my concern.

MR. HART: — I just . . . Mr. Katzman, I can probably identify it for you. We don't buy lots so it'll just be shown as acreages, and I think the Chairman sort of identified we would then be identifying the number of acres or hectares that were bought.

MR. KATZMAN: — In a service community, though, you're buying lots.

MR. HART: — Oh, well that's for programs. But I think that the question relates to the land assembly operation which is just raw land.

MR. CHAIRMAN: — There doesn't appear to be that many. I see on page 17, I guess it is, of the annual report, a list of them there. It appears to be only a dozen or so communities where the property was bought.

MR. CARTER: — That information there is land that was developed during the year and not necessarily purchased . . .

MR. CHAIRMAN: — Okay. I gather you're going to undertake to provide the information.

I have a couple of questions here if my turn has come. Page 5 of the annual report talks about the mortgage interest reduction plan. How many people could invest in the plan?

MR. CARTER: — The mortgage interest reduction . . .

MR. CHAIRMAN: — The mortgage interest reduction plan. How many people actually took it . . .

How many couples or people took advantage of the plan?

MR. CARTER: — That particular program was not under the mandate of the housing corporation. That was operated by Revenue, Supply and Services.

MR. CHAIRMAN: — Oh, I see. Okay. It was in your annual report, and I thought perhaps it was yours. Okay. Public housing. You experimented in Regina with having public housing administered by a private real estate firm.

MR. KATZMAN: — Not under the year under review, I don't think.

MR. CHAIRMAN: — I thought it was. Maybe it wasn't.

MR. HART: — Yes, I think it started in '82. The arrangement, I think, was made in '82.

MR. KATZMAN: — Made in '82, and I assume it probably was.

MR. CHAIRMAN: — Two questions about that.

MR. HART: — It wasn't public housing, Mr. Chairman. It was the non-profit program.

MR. CHAIRMAN: — Non-profit program. Two questions about that. Did you find it to be a cost-effective program, and did you find it to be effective in terms of reaching the goals, of attaining the goals of the low-rent housing program? There are two ways of evaluating the program: one is dollars and cents, and one is whether or not the program experiment assisted the special housing corporation in reaching the goals of the program.

MR. HART: — Well, let me identify it. First of all, the experiments were undertaken in both Saskatoon and Regina. The Saskatoon experiment is, in my opinion, working out very well. In Regina I think there was more of a concern as to our client targeting which . . .

MR. CHAIRMAN: — What would he mean, client targeting?

MR. HART: — Well, client targeting means that, you know, we're going to obviously be dealing with modest-income families and not just people on the market. The same criteria applied also in Saskatoon but, for whatever reasons I think that probably on the rent up, they were able to get a more modest-income type of family, senior citizen, whatever, into the stock there so there was not the trauma associated in Saskatoon that we went through here.

I think that what it really boils down to is that we, from a cost-effective point of view, the arrangement appeared to be working from a strict cost point of view, but there was an indication, as we wanted to move the client base to a much more modest-income type of family, that there was some concern about that. And I suppose from our standpoint we've also got some significant vacancies here. We wanted assurances that those vacancies would be appropriately targeted towards low and modest-income families and seniors. And so, therefore, we made the decision that the operator, the private operator here, was not in a position to approach that strategy with the disposition that we thought was necessary. I'm not trying to give you any gobbledegook. I'm just trying to identify the . . .

MR. CHAIRMAN: — I know you are trying to avoid mentioning names or talking about individuals. I know your problem. My next question was how were the people who handled the projects chosen? Did you call for proposals?

MR. HART: — Yes, we did. We have called for proposals virtually on everything we've done. In this instance there were a number of bids received, and the bid that we took in both Saskatoon and Regina was low bid in terms of managing it. It was approximately 3 per cent of revenue in Regina.

MR. CHAIRMAN: — It just struck me that the choice — and I'll say no more — it struck me that the choice in Regina was strange.

MR. HART: — Well, again it was another proposal call. And you know, you've got to defend yourself if you take anybody but the low. And of course the restrictions in the proposal call were restricted to people administering, I believe, what over 1,000 units of rental accommodation. It was high enough that it had to be somebody who was in the business and actively in the business.

MR. CHAIRMAN: — Have you done a comparative analysis with the cost of administering the programs directly through the corporation?

MR. HART: — You see, our costs are a little different in the sense that we're an owner. So as an owner we get wrapped up in more details because we've got the financing and the bridging. And so when you say, for example, to a private manager or a property manager, you know, what your percentage is, he says: well look, traditionally they will charge somewhere in the 4 to 5 per cent of revenue; we got it for 3. But at the same time, we're still the owner; we're the ones still exposed for the bottom line.

So do we stop playing a role? The answer is: we'd better not stop playing a role. There has to be the financial checks and balances that each month you know . . . what's the deficiency; are they taking a very aggressive stand with respect to vacancy reduction, and all that sort of thing.

And so I think from the standpoint of where we're coming from is that the 3 per cent was more than cost effective. As a matter of fact, I suppose to speak to that issue, we probably should not have just taken those narrow criteria. We probably should have tried to get some kind of quality of service definition in the proposal call and dealt with it on that basis. Because there's still a requirement for the corporation, as the owner, to play a role. But I think when we made the decision to move it from the private operator here to Regina local housing authority it was done on the basis that the mandate had changed and we really wanted to assure ourselves and ensure that the client targeting was the people in that modest group.

We just felt that, you know, like for example, having the number of SHC personnel in there that were in there — as a matter of fact, it wasn't only SHC personnel, it was CMHC personnel as well. So we got all these public servants in there, which gave me a fair amount of indigestion.

Secondly, finding out that the income spread was, you know, as high as \$60,000 I think also created some concerns about what are we really doing here. So I think by turning it over to the housing authority . . . And we've left . . . With the exception of the Cornwall Centre project, the housing authority seems to be doing a good job, and you know, focusing more on that modest-income direction.

MR. CHAIRMAN: — With respect to urban native program, who actually administers that? Is that administered through native organizations? The renting and so on — do you do that through the native organization, or do you do that directly?

MR. HART: — No, we do it directly. You said "rural and native," didn't you?

MR. CHAIRMAN: — No, I was thinking of the urban native.

MR. HART: — Oh, urban native. On the urban native, the urban native organizations tend to manage the units under our direction.

MR. CHAIRMAN: — Do you pay them a fee for that?

MR. HART: — Pardon?

MR. CHAIRMAN: — Do you pay them a fee for that?

MR. HART: — They get to charge a management fee to the project, which obviously represents part of their operating costs, and we subsidize their operating costs. I think there are two elements that you have to be aware of. In terms of urban native as a program, there is a connection obviously between ourselves and CMHC, and in some instances these urban native groups are operating under the direct mandate of CMHC. In other instances, where we have got urban native stock, we allow them to manage our units.

MR. CHAIRMAN: — Is it costing you more or less than the 3 per cent that you were paying the urban . . . (inaudible) . . .

MR. HART: — With urban native groups?

MR. CHAIRMAN: — Yes.

MR. HART: — A lot more than 3 per cent.

MR. CHAIRMAN: — What is then the basis for . . . Just because you think it's preferable that the native people be administering their own programs?

MR. HART: — Well, I think that, in essence, that's it. I think that they tie in with a number of other programs, social services, and that sort of thing. It is a wider social issue there, and they provide a number of other supports. So inevitably some of that additional social support somehow shows up as a housing expense. You know, if we could segregate it, we probably would try to. But I think in the interests of trying to do something with the problem, we've allowed some of those, you know, the tenant counselling and a lot of the other things, to show up as expenses against the housing. Normally, they would not do that. But it's a limited program, and we've allowed it to . . . (inaudible) . . .

MR. CHAIRMAN: — I do not think this is your department. It has to do with the people who put in insulation and so on and that, I gather, would be licensed by Consumer and Corporate Affairs and not directly by you people . . . (inaudible) . . . the subject of ongoing complaints about insulators — shoddy practices, to be precise. And I know you people fund it, in a sense, because of your warm-up programs. A lot of them are done through these low-interest loans or interest-free loans. Do you make any attempt to control the quality of the work that is done?

MR. HART: — Well, I suppose there's three dimensions there. Number one is that in our own construction programs, obviously we're there . . . We're not in the process of licensing any business. We are in the process, obviously, of inspecting and therefore approving either under SPC, or our own, or even on the repair programs where, I suppose, you're getting most of your complaints in terms of rehabilitation grants.

I suppose all we look for is conformity. I can identify for you, and this is a separate housing issue. I don't know whether I'm violating the protocol of this group. I do sit as the Saskatchewan representative on the Canadian General Standards Board, and there is a new standard coming out, a national standard, on the installation of insulation, and I suspect that that's going to be done before this June, that once it is adopted as a standard it is going to be adopted by this province and therefore will be the standard by which we . . . Right now, it tends to be more the material conformity and not the installation.

MR. CHAIRMAN: — Okay. The member from Rosthern.

MR. KATZMAN: — Just on this issue because you're off it, I assume that will also reflect in the

government's decision to go to a standard code across the province . . . (inaudible) . . .

MR. HART: — We have the national building code with some additional amendments. The amendments that this province has result in a little more rigid standard than the national building code. And there is movement across the province to tighten these things up. Even with, for example, on the senior citizens' repair program, we're tightening up some of the checks and balances that we have there for ensuring that the senior citizens, frankly, don't get ripped off.

MR. CHAIRMAN: — Okay, I think those were the questions I had.

MR. KATZMAN: — I have one or two very short comments. I would like to, I guess, rather than questions, make a comment.

I would thank the department, both I guess before the election and after, just to make it fair, on the representations made by myself re the concerns that local people be involved in the decisions of allocation which, I think, you know exactly what I'm talking about, Calder. In my seat, there's been . . . It started prior to the election and continued after. It's now been cured with a new policy, I think, or just maybe co-operation.

I thank you for it and your staff, and I wish you'd pass that along. Because now the local people and your department sort of work together to make sure that what the intent is and what the community wanted are carried through. So thank you kindly for that.

MR. HART: — Well, I'd just like to make one comment to that. And I know it wasn't made in the way of a question, but I think that as we find that we have — especially with the vacancies, and even with the new programming — I think that it is more incumbent on us to be working with the local leadership. And I think that applies to all the MLAs and certainly to the local councils in terms of the accountability of what we're doing.

And I think from our standpoint it's going to be more helpful to us in terms of finding solutions, if, in point of fact, the leadership that exists at the local level is prepared to sort of sit down with us and help us evolve some of these things.

Because what happens, is we get caught up in the battle between respective communities as to who should have the housing portfolio. And I think it's certainly our desire to see more involvement and certainly the involvement of the MLAs in terms of how we address some of these problems, especially in the vacancy situation. Do we, for example, repair the units, or do we modify the units? Do we change their use, say, from senior citizen's to family units? Do we move them out of the communities? If there's a more pressing demand in community C, that doesn't have any stock, should we be moving vacant units from community A to community C. So, we're tied up in some of these situations, and these vacancies are going to start costing us a lot of money in this province and we're going to have to deal with it.

MR. KATZMAN: — My concern, really, is that the local people are now involved, very involved, and I'm glad to see that. Because they know the local problem. You're in Regina. You may have only one man out covering 30 little towns. Now your people seem to know what's going on, because they deal with the councils.

MR. CHAIRMAN: — No questions, but I don't have particular experience that that . . . (inaudible) . . . I take the word of the member from Rosthern that it is being resolved. There's no question that was a serious shortcoming in the housing corporation in the past. It's a serious public relations problem which I felt stemmed from a failure to communicate with the local people, thought they knew it and, whether or not they did, their concern did not seem to be properly addressed by the corporation. I know it's an ongoing problem. So if it's being resolved it is a good thing. Any more questions of these officials?

Let me thank you very much, gentlemen, for coming and being of assistance to the committee. You have given us a number of undertakings to supply material. We'd like to receive that, obviously, as soon as possible. I think, as I said before, provide 15 copies and the Clerk will then distribute it. Thank you, gentlemen.

Okay. We have a number of items, the first one of which is the bill from Riggs Brown, and our ever efficient Clerk can hand me our bill, not Crown corporations'. You've pulled some nasty stunts off, but to hand me the agenda for Crown corporations and ask me to prepare for it this morning, it really was a low blow.

Okay. Gentlemen, this has to be done in public. So moved by the member from Rosthern:

That this committee authorize, pursuant to rule 91 of The Legislative Assembly and Executive Council Act . . .

Yes, it's a bit convolutive.

. . . the payment of \$624.79 to Brown and Riggs, chartered accountants of Saskatchewan, for attendance as a witness to this committee on April 11, 1984.

All agreed? Any comments?

MR. GLAUSER: — I would like to make one comment on that, and I think that this committee should be very careful as to bringing in people like this if there are paid staff who could provide the same information. I don't think that we should be going to this extra expense unless it's absolutely necessary to get the information. Perhaps in this case it was.

MR. CHAIRMAN: — In this case they'd done the audit. I don't know how any of our staff could step into those shoes.

MR. GLAUSER: — Because of the nature of the problem there.

MR. CHAIRMAN: — The nature of the work.

MR. GLAUSER: — But I think that we want to be mindful of the costs involved, you know, before doing it sort of holus-bolus.

MR. KATZMAN: — Mr. Chairman, I'm going to ask that for reasons that . . . no defamation to my colleague from Mayfair, but his comments be struck. And here's why. I think, we, to ourselves, may suggest that, but I don't think we want the chartered accountants to know that they may not be called because their bill may be too high to afford to bring them here. I want them . . . I'm sort of caught in that devil between the deep, deep sea and not. Some guy sitting up in Cumberland will say well, we'll never call him so I don't have to be as careful as the guy in Regina says, well they'll call me 'cause I'm just a mile away.

MR. CHAIRMAN: — You may disagree with the comments of the member from Mayfair. I don't know that there's any procedure whereby his comments will be struck.

MR. KATZMAN: — Well, with his agreement.

MR. CHAIRMAN: — Even by his agreement.

MR. KATZMAN: — I'm just scared of a precedent going here.

MR. CHAIRMAN: — There's clearly authority for it in section 19. Perhaps we could just take the two comments as noted. I don't think the member from Mayfair was intending to suggest that

. . . (inaudible) . . . the comments were in no way related to the bill before me, or before this committee.

MR. GLAUSER: — I'm not suggesting that the bill was too high.

MR. CHAIRMAN: — No. Or that their attendance was unnecessary.

MR. KATZMAN: — I agree. But I don't think that's right. I'm just scared that somebody reading this comment will read that and say, well, because we're far enough away we're safe. I'd like the auditor's opinion, if I may. Am I off track?

MR. WENDEL: — I have no . . . (inaudible) . . .

MR. CHAIRMAN: — There's no basis for striking comments from the record. They're on the record.

MR. KATZMAN: — Except by the agreement of the member and the committee.

MR. CHAIRMAN: — I'm not even sure by the agreement of the member that you can alter that *Hansard* record. And I'm not sure the whole episode merits . . . (inaudible) . . .

MR. KATZMAN: — Less said, less done.

MR. CHAIRMAN: — With that exchange aside, anyone else have any comment with this bill? All in favour?

AGREED

MR. CHAIRMAN: — The other item, I think, will be done *in-camera*. It's the Prince Edward Island . . .

MR. KATZMAN: — Well, Ned, I would like to, for the Prince Edward Island, would like to do who else we're calling.

MR. CHAIRMAN: — Oh yes, yes.

MR. KATZMAN: — Let's get that out of the way. But I don't mind doing that *in-camera*.

MR. CHAIRMAN: — I'm not sure do need all that stuff. I don't think we need it. I don't think we need it in the *Hansard*. Okay, we'll . . .

The committee adjourned at 10:53 a.m.