

**Senator Walker:** How much, then, would it cost, in percentages, a corporation performing all of the requirements here borrowing the full lending value of the building and then getting a 10 per cent grant? In other words, how much of its own money would it have to put into the project?

**Mr. Hignett:** The bill provides that the corporation be reimbursed for the 10 per cent grant that it makes to non-profit housing corporations. So in the corporations estimates each year, there will be a sum which represents the total grants made to non-profit housing corporations in that year, and that will have to be passed by Parliament through the corporations estimates.

**Senator Walker:** Clause 7, subclause (2), the last paragraph thereof, states:

... but in no case shall the amount of the contribution made by the Corporation exceed ten per cent of the capital costs of the project as determined by the Corporation.

Well, if you make a loan to the full lending value of the project and then make a grant, which is a contribution, will the charitable organization have to put up any money at all for this project, or will CMHC be financing the whole thing?

**Mr. Hignett:** In those projects where the cost of the project coincides with the lending value, it is quite possible, and it is intended, that the loan will finance the full cost of the project.

**Senator Walker:** In other words, you are letting somebody else use your money. That is a hard way to do business. You leave it to the judgment of others, spending no money of their own, to run your show. In other words, they will be running their charitable organizations with your money. That is what it amounts to, is it not?

**Mr. Hignett:** It amounts to a very substantial encouragement for non-profit housing corporations to get into the business.

**Senator Walker:** I appreciate that, but that is going to encourage all sorts of people to get a charter, is it not, and make an easy buck, if they are not entirely trustworthy?

**Mr. Hignett:** They are not allowed to make any profit in managing such a housing project, Senator Walker. There are strings. Their books are examined annually by auditors of the corporation to see that this does not happen and, of course, there are strings on the sale of the project. The project cannot be sold without the consent of CMHC.

**Senator Walker:** I appreciate that, but you also appreciate what I am talking about. This is a great invitation for fraud, in my opinion, and also it is an invitation to be careless. The charitable organization has no money invested in the project. What do they care? I should think you would be deluged with charitable organizations offering to build homes for you with your money. Do you not anticipate that?

**Mr. Hignett:** Well, we do anticipate—

**Senator Walker:** You will not be around, so it will not matter to you. Mr. Teron, without your experience, may have some problems.

**Senator Bourget:** Isn't the purpose of the grant to help tenants who are in the lower income brackets? It will be passed on to the tenants.

**Mr. Hignett:** That is right. There is no profit in an operation such as this. The rents charged are to be just enough to pay the amortization costs, taxes, and the operating of the project.

**Senator Bourget:** There may be some cases such as you raised, Senator Walker, but I think there will be close scrutiny on the part of the corporation to see that there is no profit derived from this. As a matter of fact, that is set out in the bill.

**Senator Walker:** I realize that, but, to take one alternative, supposing they are not honest. Even if they are honest they are usually stupid when it comes to spending money, particularly these do-gooders. When they get going on a charitable organization with your money, they feel they have wings. They have not put up a dime, but they are running it, all for the sake of charity. You would need ten auditors to supervise something like that.

**Mr. Hignett:** Do you think, Senator Walker, that the difference between a 95 per cent loan, as is provided for in the present legislation, and a 100 per cent loan, makes all that difference?

**Senator Walker:** Plus 10 per cent capital grant. I am not answering the questions; I am asking them.

**Senator Bourget:** Could you tell us what the experience of the corporation has been in this regard, Mr. Hignett, disregarding, of course, the 10 per cent grant, which is something new?

**Senator Walker:** Here is your defendant.

**Senator Bourget:** I am just trying to learn.

**Mr. Hignett:** Our experience with loans to non-profit corporations has been extraordinarily good. The non-profit corporations which we encounter at the moment are usually those sponsored by the service clubs, by the churches, by unions, by the Canadian Legion, by the municipalities. We have, over the years, built about 25,000 units of housing for elderly persons under this section, and we have not had a single failure.

**Senator McElman:** I have a supplementary, Mr. Chairman. How does the cost of construction completion for such units relate to the private sector and those handled by the service organizations? Let us take as an example, the Canadian Legion? How would the costs compare as between the private sector and the services sector?

**Mr. Hignett:** I think they compare very favourably. Certainly, housing built by non-profit corporations tend to be lower in costs than housing built entirely by the public, such as homes built under the public housing program. There are a number of reasons for this, one of which is that housing built by governments has to comply very closely with the various labour regulations, minimum wage laws, and so forth, in the country, and some provinces require, as well, that they be unionized. So the tendency is for non-profit housing, on a square footage basis, to cost somewhat less than publicly-sponsored housing, and it compares favourably with the ordinary