



First Session - Thirty-Fifth Legislature
of the
Legislative Assembly of Manitoba

STANDING COMMITTEE

on

MUNICIPAL AFFAIRS

39 Elizabeth II

*Chairman
Mrs. Louise Dacquay
Constituency of Seine River*



VOL. XXXIX No. 2 - 10 a.m., TUESDAY, DECEMBER 11, 1990



**MANITOBA LEGISLATIVE ASSEMBLY
Thirty-Fifth Legislature**

Members, Constituencies and Political Affiliation

NAME	CONSTITUENCY	PARTY
ALCOCK, Reg	Osborne	Liberal
ASHTON, Steve	Thompson	NDP
BARRETT, Becky	Wellington	NDP
CARR, James	Crescentwood	Liberal
CARSTAIRS, Sharon	River Heights	Liberal
CERILLI, Marianne	Radisson	NDP
CHEEMA, Gulzar	The Maples	Liberal
CHOMIAK, Dave	Kildonan	NDP
CONNERY, Edward, Hon.	Portage la Prairie	PC
CUMMINGS, Glen, Hon.	Ste. Rose	PC
DACQUAY, Louise	Seine River	PC
DERKACH, Leonard, Hon.	Roblin-Russell	PC
DEWAR, Gregory	Selkirk	NDP
DOER, Gary	Concordia	NDP
DOWNEY, James, Hon.	Arthur-Virden	PC
DRIEDGER, Albert, Hon.	Steinbach	PC
DUCHARME, Gerry, Hon.	Riel	PC
EDWARDS, Paul	St. James	Liberal
ENNS, Harry, Hon.	Lakeside	PC
ERNST, Jim, Hon.	Charleswood	PC
EVANS, Clif	Interlake	NDP
EVANS, Leonard S.	Brandon East	NDP
FILMON, Gary, Hon.	Tuxedo	PC
FINDLAY, Glen, Hon.	Springfield	PC
FRIESEN, Jean	Wolseley	NDP
GAUDRY, Neil	St. Boniface	Liberal
GILLESHAMMER, Harold, Hon.	Minnedosa	PC
HARPER, Elijah	Rupertsland	NDP
HELWER, Edward R.	Gimli	PC
HICKES, George	Point Douglas	NDP
LAMOUREUX, Kevin	Inkster	Liberal
LATHLIN, Oscar	The Pas	NDP
LAURENDEAU, Marcel	St. Norbert	PC
MALLOWAY, Jim	Elmwood	NDP
MANNES, Clayton, Hon.	Morris	PC
MARTINDALE, Doug	Burrows	NDP
McALPINE, Gerry	Sturgeon Creek	PC
McCRAE, James, Hon.	Brandon West	PC
McINTOSH, Linda	Assiniboia	PC
MITCHELSON, Bonnie, Hon.	River East	PC
NEUFELD, Harold, Hon.	Rossmere	PC
ORCHARD, Donald, Hon.	Pembina	PC
PENNER, Jack, Hon.	Emerson	PC
PLOHMAN, John	Dauphin	NDP
PRAZNIK, Darren, Hon.	Lac du Bonnet	PC
REID, Daryl	Transcona	NDP
REIMER, Jack	Niakwa	PC
RENDER, Shirley	St. Vital	PC
ROCAN, Denis, Hon.	Gladstone	PC
ROSE, Bob	Turtle Mountain	PC
SANTOS, Conrad	Broadway	NDP
STEFANSON, Eric	Kirkfield Park	PC
STORIE, Jerry	Flin Flon	NDP
SVEINSON, Ben	La Verendrye	PC
VODREY, Rosemary	Fort Garry	PC
WASYLYCIA-LEIS, Judy	St. Johns	NDP
WOWCHUK, Rosann	Swan River	NDP

LEGISLATIVE ASSEMBLY OF MANITOBA
THE STANDING COMMITTEE ON MUNICIPAL AFFAIRS

Tuesday, December 11, 1990

TIME — 10 a.m.

LOCATION — Winnipeg, Manitoba

CHAIRMAN — Mrs. Louise Dacquay (Selne River)

ATTENDANCE - 10 — QUORUM - 6

Members of the Committee present:

Hon. Messrs. Ducharme, Penner

Mr. Carr, Mrs. Carstairs, Mrs. Dacquay, Mr. Dewar, Ms. Friesen, Messrs. Laurendeau, Stefanson, Mrs. Vodrey

APPEARING:

Arnold Naimark, Chairman, North Portage Development Corporation

Kent Smith, General Manager, North Portage Development Corporation

MATTERS UNDER DISCUSSION:

Matters relating to North Portage Development Corporation

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Madam Chairman: Order, please. Today this committee will consider matters relating to the North Portage Development Corporation. The Municipal Affairs meeting on Tuesday, December 4, 1990, was an evolutionary step insofar as process is concerned.

Yesterday the Minister of Finance (Mr. Manness) tabled the Special Audit Report prepared by the Provincial Auditor's Office with regard to the North Portage Development Corporation. The purpose of this meeting may best be described as an exercise in public accountability.

In the absence of a precise mandate, may I suggest that this committee consider the following guidelines for the conduct of its proceedings.

An opening statement may be made by the Minister of Urban Affairs (Mr. Ducharme), followed by responses from the critics of the official and Second Opposition Parties.

The usual practices which apply to the

consideration of Annual Reports of Crown corporations apply at this meeting.

All questions be directed to the Minister of Urban Affairs, who then may redirect them to officials of the corporation.

I understand that this will be the only meeting to consider matters relating to the corporation; and

The principal objectives of this meeting are to:

(A) discuss means for the corporation to become more accountable for its actions and decisions taken;

(B) review the corporation's mandate;

(C) review the corporation's decision-making processes; and

(D) review the corporation's future plans.

Is it the will of this committee to adopt these guidelines as presented? Agreed.

Mr. James Carr (Crescentwood): Just one small point. You say in your parameters this will be the only meeting to discuss the corporation. I think we should clarify that would be this fiscal year. There is an understanding that this will happen once a year at least.

Madam Chairman: I appreciate the clarification and indeed that was the intent. Is it the will of this committee to adopt these guidelines? Agreed? So agreed.

Hon. Gerald Ducharme (Minister of Urban Affairs): First of all, I will not take too much time, simply because I feel that the presentation by North of Portage—I will probably allow them more time to make that presentation.

(Mr. Marcel Laurendeau, Acting Chairman, in the Chair)

The whole idea of this exercise is to answer to the recommendation from the special audit that was carried through by this particular Government dealing with accountability. I think in fairness to the Members who do not have the usual opportunity of conducting information at this meeting, I would suggest that I either have—right after the critics

make their opening statements that Mr. Naimark will make his opening comments.

Would you like maybe—to the other two Members—Dr. Naimark to make his opening statements now? Then you respond with your opening statements, and then you carry right into your—after you make them, because there might be some things that he will clarify in his opening remarks that could be beneficial to you.

We found last time there was quite a history done by The Forks that probably in some cases was not necessary. In this case, Mr. Naimark can make those opening statements.

* (1005)

Mr. Arnold Naimark (Chairman, North Portage Development Corporation): Mr. Minister, Members of the committee, I will try not to be too long, but I do think it is important to put the current state of the corporation in the context of its origins.

The physical redevelopment of the north Portage area was one of 13 programs which were part of the original Core Area Initiative launched in 1981. I will not describe the Core Area Initiative to you. I think you are all familiar with it as a tri-level Government and private sector initiative to look after the physical, economic and social deterioration of the inner city and the downtown in particular.

According to the original core agreement, the program for the north Portage area was to be implemented and co-ordinated by a separate development corporation. North Portage was established in December 1983 by the three levels of Government in order to try and achieve the objectives set out by the Core Area Initiative program. The creation of North Portage was essentially recommended by a task force drawn from the civil servants in the three levels of Government.

The North Portage redevelopment program was always intended to be carried out within the larger context of both the Core Area Initiative and also Plan Winnipeg. This is contrary to the contention of some people that North Portage and its work is taking place outside of any planning framework. The task force which preceded our establishment and its proposals are entirely compatible with the policies and objectives set out for the downtown in Plan Winnipeg.

Just to review, Plan Winnipeg provided the planning framework for the creation of a tri-level

effort to revitalize the downtown and inner city. The plan recognized the importance of restoring the downtown as a central focus for the city and recommended provision of a climate-controlled pedestrian system, creation of a more active downtown environment for both daytime and evening. It also recommended increasing the residential population downtown through the construction of high-density, non-family residential units.

Unlike Ottawa, Edmonton or Calgary, whose engine of downtown growth is mainly office development, Winnipeg has to a greater extent relied on a larger residential population downtown to reinforce its retail and commercial uses.

These objectives were forged, brought together in the plan developed by the task force which preceded our creation. Interested parties, the general public were invited to present their ideas and plans, met with the task force; 30 organizations made representations, as well as 50 others; 200 downtown redevelopment schemes were reviewed; 15 were personally visited in other North American cities.

In the end the task force recommended a mixed-use development consisting of a major retail complex, consisting of a minimum of 200,000 square feet of new retail space, even then called, interestingly enough, Portage Place; a new YM-YWCA; 800 units of market housing with an emphasis on seniors and other components for this mixed-use objective. Linkages by skywalk within the development to the rest of downtown were also emphasized.

These elements were incorporated in an initial concept plan. The corporation, under this concept plan, was to be given \$22 million from each level of Government plus \$5 million from the Core for a total of \$71 million, with initial borrowing of an additional \$5 million and a maximum total borrowing of some \$20 million.

Federal funds came from the special capital recovery project of the federal Government, which was designed to quickly stimulate construction and employment in the country still reeling under the effects of the 1982 recession. These funds were not available for any other purposes except physical development.

As you know, the corporation was established by agreement of the three levels of Government,

affecting its establishment through a Unanimous Shareholders Agreement which was dated December 16, 1983. The corporation was given 100 days to prepare a concept and financial plan substantially in accord with the preliminary or initial concept and financial plan approved by the shareholders.

Despite the time constraints, we were able to invite proposals from those 50 organizations who had made representations during the work of the task force. We met with adjacent merchants and community residents, examined six other North American cities, mixed-use approaches that were analogous to the concept the shareholders wished to see implemented in North Portage.

The final concept and plan that was produced in March 1984 set out the program of physical development and financial principles to govern the operations of the corporation.

* (1010)

Since 1984 we have been implementing the plans and policies first outlined in the task force report and solidified in the final concept plan. These plans and policies were approved by all three levels of Government, including City Council, and set out a specific program for North Portage.

I should emphasize that our corporation is totally subject to city planning approval processes, including zoning, design approval, and is required to make improvements to the appropriate municipal services as part of any new development. Since our establishment the corporation has spent over \$7.2 million of its budget on widening streets, improving transit facilities and installing municipal services as required by the City of Winnipeg. Part of these funds were even used to renovate the new community committee offices for the City Centre-Fort Rouge Committee on Assiniboine Avenue, which was relocated as a result of Colony and Ellice street widening.

Now to run through the projects that have been completed or are under way, I will do this fairly quickly. To undertake our program, we acquired through the province by purchase or expropriation over 11 acres of land. Property representing almost one-half of the corporation's total expenditures remains in the public domain and is leased out to developers. The corporation took a pro-active role and provided special funding and staff in partnership with the Core Area toward the difficult task of

relocating existing businesses and residents in the area. Over 75 percent of the businesses were able to stay and invest in the downtown. Some businesses relocated to other parts of the city.

As far as projects completed, in addition to land acquisition we have been successful in attracting private developers to the area who have undertaken the development of the Portage Place Retail Complex, One Canada Centre, mainly an office development. We have completed about one-half of the originally intended market housing. In addition, two successful non-profit seniors housing projects, containing some 240 units, were developed in conjunction with Kiwanis and Fred Douglas Lodge. We will be leaving with you a summary of these projects so that you will be able to have them for your reference later.

In addition to those things, we have attracted to the Portage Place Complex an IMAX Theatre, the Prairie Theatre Exchange as well as three full-size cinemas, all of these contributing to evening and weekend usage.

Projects currently under way, the Portage Place Y is the first I will mention. The recently amalgamated YM-YWCA has begun a major renovation of the old YMCA building on Vaughan Street and an expansion to connect it directly into the second level of Portage Place. It will provide excellent fitness facilities for downtown workers as well as residents and the social service functions that are of particular interest to the programmers at the Y.

The income generated from the recreational services will be used in a cross-subsidy manner to finance the human services programs for women, teens and seniors.

We are presently in negotiation for the development of a major all-suite hotel, another office building and air rights above the retail complex. Lakeview Development of Canada Ltd. has now received approval under the Canada Business Immigration Program for both the 240-room Ramada Renaissance Hotel and a 120,000 square foot office project. Lakeview is now securing the financing necessary and will not begin construction until 100 percent is in place.

Further developments on North Portage lands will probably require an improvement in the general economic conditions and in the downtown market. In the meantime, we are continuing our commitment

to help develop a program of revitalization of the south side of Portage.

We have allocated \$1.2 million in incentive funds and provided staff co-ordination to help attract additional private investment and improve the retail environment. We have worked closely with the south side owners as well as merchants, the City of Winnipeg, the business investments own group to formulate an effective plan.

* (1015)

We have so far allocated \$700,000 to the South Side Improvement Program to assist owners in renovations and upgrading that are necessary to keep tenants and attract new ones. Five vacancies amongst the storefronts have now been filled since the summer, including the recent opening of the City of Winnipeg Community Police Office, which was a joint effort of the city and the Downtown Business Improvement Zone.

The southside owners and merchants seem to us now to be optimistic about the future. Through their efforts the south side is being transformed, albeit slowly, into a competitive retail street.

In conclusion, in the six years since our corporation has been in existence, we have transformed the north Portage area into a new downtown neighbourhood where people can live, work, shop and be entertained. In a recent survey undertaken by the Results Group for the Core Area Initiative, 71 percent of Winnipeggers indicated strong to moderate support for the work undertaken in North Portage.

We believe that the board of directors of the corporation has seen to the proper management of the resources provided to the corporation. In the more than six years since our establishment, North Portage has not yet had to borrow any funds, even though the original financial plan contemplated borrowing of up to \$20 million.

The corporation has been able to obtain capital funds for its development from private developers and from the initial public investment. Future borrowing, which will become necessary as we are required to finance the last elements of expropriated properties, will be repaid from income earned through the corporation's operations. We do not at this time expect that any additional public funds will be required.

The \$73 million that has been spent to date has already levered over \$180 million in private

investment. Our funds are projected ultimately to stimulate in excess of \$250 million of investment. Our property taxes contributed by the corporation and its tenants for 1990 are expected to be about \$5.2 million compared to the \$1.5 million paid by property owners into the north Portage area in 1983.

When complete, the North Portage Development will have provided approximately 4,200 construction jobs and over 3,000 permanent jobs. Most of these are associated with the retail activities. Not included in these estimates is the money spent by others to revitalize adjacent areas.

Instead of closing two floors, as originally intended, The Bay has spent over \$6 million to revitalize its flagship downtown store. Eaton Place has spent over \$3 million revitalizing its retail areas and Eaton's has completed a \$2 million face-lift. The new Relax Plaza replaced the old Mall Hotel and renovations to 491 Portage have transformed the area immediately east of the University of Winnipeg.

The new Canadian Institute of Industrial Technology building and major renovations to the Gordon Motor Hotel and the Brittany Inn have improved the Ellice Avenue corridor between Colony and Carlton. The YMCA building on Webb Place has found a new use as the Catherine Booth Bible College of the Salvation Army.

The new Air Canada building, the creation of Window Park at Carlton and Portage, undertaken by the Core, have complemented the work of the corporation.

Renovations of a substantial nature have been undertaken with respect to the NewPort Centre, the Boyd Building, Plaza Building and, most recently, the Power Building on the south side of Portage.

The closure of Edmonton and Kennedy streets has helped the Core's efforts to create a revitalized Central Park neighbourhood. The removal of through traffic has greatly helped to make this a desirable community amenity for family and children.

The north of Ellice revitalization effort, contiguous to our main area of activity, has included the Central Park extension, which complements our streetscaping efforts on the Promenade; three private sector projects totalling 333 units; the Knox International Centre facility; as well as the Sister MacNamara School.

This development activity in downtown Winnipeg, which has been stimulated by the North of Portage

initiative, is demonstrative of the kind of results which can be achieved through co-operative efforts of all three levels of Government and the private sector. We will continue to implement the plans and programs approved by the levels of Government, who are our shareholders, as part of our collective community's effort to revitalize Winnipeg's inner city.

That concludes a summary of the corporation and its status.

* (1020)

I might just make a brief observation on the matter of accountability. The corporation is fully accountable to its shareholders, provides them, with the shareholders representatives, with full briefings with respect to the activities of the corporation. It is available at all times to the shareholders for information, and the shareholders, by virtue of each of them naming three directors to the corporation, have a direct input to the corporation through their directors.

I should also mention that with respect to the willingness of the corporation's representatives to explain the position of the corporation and its activities, we have without any hindrance or reservations made ourselves available to City Council, particularly through the Executive Policy Committee. On frequent occasions in the past, we have indicated to both the federal and the provincial shareholder that we were ready to meet with or appear before any group they felt would be interested in hearing about the corporation.

We had no idea what would be the most appropriate group. We had said we would appear before a committee of Cabinet, full Cabinet, legislative committees or whomever was interested in North Portage. I wanted to make it clear that there was no inhibition on the part of the corporation with respect to explaining to other levels of Government, in the fashion that we had to City Council through EPC, what we are about within the limits that the nature of the corporation sets for us.

That concludes my statement, Mr. Acting Chairman.

The Acting Chairman (Mr. Laurendeau): Thank you, Mr. Naimark, for those opening comments. Could you please introduce your staff present today?

Mr. Naimark: I have here on my left Mr. Kent Smith, who is the general manager of the corporation.

Behind him is Paul Webster, who is our chief accountant and financial officer.

The Acting Chairman (Mr. Laurendeau): We will now have the opening comments from the critic of the Opposition, Ms. Friesen.

Ms. Jean Friesen (Wolseley): Mr. Acting Chairman, I should perhaps put on record at the beginning some conflict of interest that we have here. In another context, Dr. Naimark is my employer, and I am sure both of us will ensure that this does not interfere with the questions and answers here, but it should be on the record.

Mr. Naimark: I am just going to say that an employer/employee usually implies a master-servant relationship. That does not describe our relationship.

Ms. Friesen: We are into university repartee here, but this certainly is labour legislation even if the master-servant legislation is gone. I will try to keep my introductory remarks short and come back to the questions quickly.

I think we are interested in this project as an urban renewal project which I think was its origins when the three levels of Government came together and put their respective monies into it. We will be interested in asking questions about the success I think of the plans for the revitalization of Portage Avenue. We will be interested in public input as well as response to the three levels of Government into the plans of the corporation.

I think I am interested also in the way in which the corporation has functioned as a community development corporation, because that was a way in which it was referred to in the early documents. It seems to perhaps have lost some of that sense, at least in the public relations aspect of the corporation.

The methods chosen for this revitalization and redevelopment, the combination of retail institutional aspects and perhaps recreational, as well, in one downtown mall is an unusual one in the larger North American setting, so I will be interested I think in your reflections on the success of that mix and the relative proportions of the mix.

Housing obviously has been one of the strengths and weaknesses of the corporation, certainly from the public perception. I will be interested in exploring some elements of that. From the perspective also of financial responsibility, we will be looking at

self-sufficiency, when that self-sufficiency will occur and under what conditions.

I think, like everyone in Winnipeg, we are interested in the way in which the corporation is going to face the global challenges of the declining retail market, the Canadian challenges of the relative decline of Winnipeg and the specific challenges that you face on the south side of Portage Avenue.

The Acting Chairman: I thank the critic of the official Opposition for those opening remarks.

The critic for the Second Opposition, Mr. Carr.

Mr. Carr: Thank you, Mr. Acting Chair. Let me say that I do not have a conflict of interest. As a matter of fact, I am employed part time by the other university in town, so we have all of the bases covered this morning.

I am particularly pleased that we have finally this opportunity to enter into discussion with the chairman of the North Portage Development Corporation. The chairman said in his opening remarks that the corporation was established on December 16, 1983. Here we are all of seven years later, and this is the first opportunity that legislators have had.

I know that the chairman and other employees meet regularly with the Minister, with other Members of Cabinet and with the Executive Policy Committee, but we run this building through committees, and this is our only opportunity, our first opportunity and we are grateful for it. We think that it serves the public process well.

* (1025)

I was also glad to hear Dr. Naimark talk about the availability of the corporation to answer questions and his willingness to do so. That is a refreshing change from remarks that were made on the public record by the former chief executive officer of the corporation who was quoted as saying that he is not in the business of answering questions posed by Members of the Legislature. We say that he is precisely wrong. He was in the business, you are in the business of answering questions posed by Members of the Legislature, and again I reiterate my gratitude for this meeting.

Many of the matters that we will discuss this morning are complex. They involve deals with private developers, deals which are complex in their origin and in their implementation. Some of the

discussion may be boring and difficult, but I think the process of public accountability is best served by that kind of conversation, and we intend to be thorough in our questioning.

In addition to the complex financial matters that will be discussed this morning, we are also of course very interested and concerned about the future of the North Portage Development Corporation, not only in the implementation of its current mandate but also in its corporate structure and the way that it will evolve over the next number of years. Here I refer particularly to the possible amalgamation of North Portage with The Forks Corporation. It is not my intention to take up a great deal of time in an opening statement Mr. Acting Chairman, and I am anxious to get on with the questioning.

Ms. Friesen: Can I start with the urban renewal aspect of this? Can you give us an idea of your reflections on how the project has led to the urban renewal of the core area of Winnipeg? You have talked about its impact on north Ellice and you do have Core Area money. What kind of connections have you had with the Core Area project, with the kind of goals they set, and what kind of place has North Portage had in those sorts of plans?

Mr. Naimark: The North Portage Development Corporation had a fairly specific mandate set out for it in a concept and plan determined by the shareholders' specific projects. However, as I mentioned in my opening statement, we are in most respects best regarded as an outgrowth of the Core Area Initiative's objectives and plans.

We have maintained a fairly close liaison with the Core Area staff from the very beginning. They have been kept apprised of what we are doing. There is frequent contact at the staff level. In addition to that, we have worked with the Core in helping with those activities that might not be seen as necessarily flowing directly from our rather technical mandate, which is largely physical development and commercial and retail development.

They were very helpful in assisting us with the whole question of how to approach relocation of tenants and owners. They have been very helpful in assisting us in talking about how we can develop the incentive programs for revitalization of the south side of Portage. They have participated with us in a variety of studies. We have looked to them to do public surveys that relate to the acceptance of North Portage by Winnipeggers.

We have to all intents and purposes been quite porous, the boundary between the corporation and the Core has been quite porous with lots of interaction. We have of course the same individuals representing Governments to whom we are responsible, and very often there are matters that spill over from the Core program to North Portage that are conveyed to us by the shareholder representatives who are in common, including in common with The Forks.

All in all, I would say that relations with the Core have been excellent and co-operative. We anticipate that depending on how future development phases go, they may in fact be even closer, assuming Core were to continue, because a lot of the future developments are going to be through smaller initiatives often involving special functional incentives and so on which the Core is particularly adept at.

* (1030)

With respect to how it has worked out, I do not think anybody who really remembers what north of Portage looked like before we got started can say that it has had a dramatic effect on that part of the city. People get used to the way things are now without remembering what it was like then, and all you have to do is look at the pictures to remind yourself of the blight that was there. There has been a profound physical effect and I think a social and community effect.

We have hundreds of seniors now living there feeling relatively secure. I am not saying that all security concerns have been solved, but feeling relatively secure, enjoying their, for many of them, retirement. I think it has been successful in that way. I have already mentioned some of the other ways in which the physical reconfiguration of the area has also made it more amenable to family life north of Ellice.

I think it has been successful within the limits that were established for it. There are some things that have not proceeded as rapidly as everyone would have liked. Residential, for example—there was a very heavy emphasis put on residential accommodation by the shareholders of the day and especially the city shareholders.

(Madam Chairman in the Chair)

Because of market conditions, we have only completed about half of the total residential plans. When the time will be right to complete the rest is a

matter of conjecture. We certainly are going to be very careful about that because we, as everyone knows, entered a situation in which there was a much more rapid development of residential units downtown that had been projected, resulting in a softening of the market. Both we and CMHC are reasonably confident that the longer-term outlook is good, and we are already seeing some improvement in that respect.

I will stop there, Madam Chair. I do not want to make my answers too long because I want to make sure Ms. Friesen can cover the territory.

Ms. Friesen: Your relationship with the Core Area then is at a staff level. They do not, for example, sit on your board *ex officio* in the way they do at The Forks?

Mr. Nalmark: The board is mandated by the articles of incorporation as three directors from each level of Government, and it specifies that none of the directors may be a serving politician or civil servant, so it is specifically excluded—but at the staff level and through board interaction in the sense of Jim August having plenty of contact with me and other members of the board on an informal basis, but they do not sit on the board.

Sorry, Madam Chair, when I said they do not sit on the board, they are often invited to attend board meetings and listen to things.

Ms. Friesen: I am trying to get at the difference between a community development board and a development corporation. I am wondering what kind of relationships you have with the community groups north of Ellice, the people perhaps who might not be involved in community organizations but who are regular residents of your complex and also of the clientele who use Portage Place on a regular basis. What connections are there there, and what would you like to see?

Mr. Nalmark: With respect to relationships with community groups, we have on several occasions appeared before a community committee to discuss plans and projects. It was at our invitation that the south side Portage merchants group got together and started thinking about revitalizing that part of the city.

We have been doing regular public opinion surveys and shopper-intercept studies to ask them about their use, why they are coming downtown, where they are going, what they would like to see, what inhibits their attendance downtown and so on.

We have worked of course with the City of Winnipeg and its committees, the downtown Winnipeg development group and so on; so there is a fair amount of reaching out there with both the clientele and interested owners and tenants in buildings around the area. We also, through our joint committee with Cadillac Fairview, try to make ourselves available to community groups who wish to make use of the Edmonton Court for performances and things of that sort.

There is a reasonable amount of informal contact. We try very hard to respond to requests for input or advice. We have also, for example, spent a lot of time trying to help the two Ys sort out their relationship in the transition from the old YWCA location to the new one. There were lots of problems associated with that. We lent our good offices to try to help those groups come together, sort out their differences and made ourselves available to them for planning help and things of that sort.

There is a reasonable amount of informal interaction. I am not sure what improvements there might be there, and we would certainly be willing to consider some. As far as the term "community development corporation" is concerned, that is a technical term in the legislation. The word "community" does not have in the legislation much elaboration. It simply is a class of corporation which was seen as the appropriate vehicle for the three shareholders to achieve their corporate objective. It perhaps promises more than it delivers in terms of definition.

Mr. Kent Smith (General Manager, North Portage Development Corporation): I would like to just comment on two recent projects that we have been working with elements of the community. The first specifically is with the residential tenants and residents within the north Portage area. We have set up a committee with representatives of all the residents to discuss joint concerns within the north Portage area. Specifically, the one of the most concern is the security issue and the feeling of safety amongst residents. We have been working with them on that. We have also been working with them on setting up a recycling program to deal with refuse and that sort of thing.

We have also been working with another group of the community which has been receiving a lot of attention from social agencies over the last little while, and that is the street kids. We have been working again very closely with the Core Area

Initiative and a number of other social agencies in trying to come up with a program that will try to reach out and deal with some of the problems of street youth in the downtown.

Last summer we provided one of our building premises to actually have a street kid project work as a pilot project out of that centre. We are hoping that in January there may be a two-year demonstration project for that sort of project. These are not things that are obviously directly related to our original mandate, but because we are working in the downtown and we are concerned about the downtown community, those are some of the things that we have been getting involved in.

Ms. Friesen: It does seem to me that they are directly related to your mandate as an urban renewal project and as a project which aims to revitalize an area, not necessarily just create a building that covered a certain number of blocks with a mix of institutions. I am glad to hear that. I think those both sound like interesting projects, and I hope there is long-term funding for them. Do you see any prospect of that?

* (1040)

Mr. Nalmark: When Mr. Smith referred to mandate, if you look at the concept and financial plan, the resources of the corporation are specifically assigned to certain uses. Depending on what the long-range fate of the corporation is, one can look forward in the future to some net positive cash flow from the corporation investments. Then there is a matter of policy as to how those net revenues should be deployed. They could of course be deployed in creating further physical improvements, but they could also be deployed to achieve other social purposes. That is where I think the next phase of planning, should the corporation continue to exist in its present form or something close to it, has to concern itself.

Ms. Friesen: Another part of the mandate was to revitalize Portage Avenue. Of course what has happened is that the revitalization has moved inside and Portage Avenue itself has fewer pedestrians, less life, visibly anyway, than it had before. What kind of plans do you have for street-level activity? I know it has been a continuing concern, and again it is a success-failure kind of relationship.

Mr. Nalmark: I think I should state at this point that no one in the corporation ever believed that this revitalization process was a five-year or even a

10-year program. You cannot reverse 30 years of progressive deterioration in a short time, especially when the current economic climate is so tight. Whatever happens will happen relatively slowly, but we do see significant movement now. I referred in my summary to the south side starting to revitalize now. It will go slowly, but it will be there. We are convinced of that.

The street level activity will primarily occur on the south side along Place Promenade when those retail spaces gradually start to come to life, along Edmonton south, Graham and in the side streets and so on, which in fact is probably a more congenial pedestrian environment than Portage Avenue in any case. I am not surprised that Winnipeggers for a good part of the year prefer to walk over the skywalks than out of doors, so while the outdoor street traffic may be down, the indoor street traffic is quite significant.

I think outdoor street traffic is only beneficial in two ways. First of all, having people on the street helps with security. There are not sort of empty places in corridors and doorways. It also gives an external sense of vitality, but in terms of actual utilization, I think one would have to somehow combine interior versus exterior traffic.

Ms. Friesen: Following on from that, one of the things I wanted to get your response to was the standard criticism of many of these kinds of malls, particularly downtown malls, that what they have done is converted public space into private space. We now have an empty public space outside; we have a very bustling private space inside, with private security, private ownership. I wonder what your reflections are on that as a corporation which has received public monies and which saw itself in the beginning as a Winnipeg urban renewal project.

Mr. Nalmark: The public amenity spaces within the Portage Place complex are as available to the public as any other interior public spaces. Even though it is "a private space" that is managed by a mall manager, people have 7 a.m. to midnight access to that facility. I think most citizens would not say that they sense any significant limitation on their movements, their enjoyment of the space. There are lots of young people in there who are not excessively harassed in my view. There are always occasional incidents, but those occasional incidents happen on the streets; they do not just happen in malls.

I myself would say that in practice, there is very little restriction on public use. Most of what exists is probably justified, whether public or private. The issue boils down to a theoretical or philosophical issue as to whether something that happens to be labelled private is more conscionable than something that is owned or labelled public. Reasonable people may differ on that, but all I can say is in practical terms, it does not make much difference.

Ms. Friesen: Can I just respond to that? I think it is a theoretical difference, and that is one of the reasons I wanted your position on it as chair of this board. It may be that many people will see the kind of public conditions within that private space as reasonable, but it seems to me that it is a private corporation which has defined what is reasonable—Cadillac Fairview. I am not speaking of North Portage in this way, although obviously the connections are there. I have personally witnessed people being prevented from taking photographs in North Portage by the private security guards. Certainly, if you talk to children who live in the core area, they do feel that there is unwarranted harassment of people who appear to be "hanging around" rather than shopping. To many people that may seem reasonable, but it is a private definition of what is reasonable and what is not.

Mr. Nalmark: It may be a private definition, but that does not mean that it would be a different definition if the public were to define it through Government. You do not see many people hanging around City Hall and things of that sort, so the fact that it is public or private does not determine what the definition is. It remains, I submit, essentially a matter of social philosophy. If you are asking for my personal view about it rather than as chair of the corporation, I can offer that, but the corporation has essentially tried to ensure that the developer which it engaged, in this case Cadillac Fairview, is not unreasonable in its exercise of limitations. For that reason, we have a joint committee in which we review Cadillac Fairview's approach to things. We bring to their attention concerns that we have that are brought to us by members of the public or others who are concerned about undue limitation, and we make our best efforts to ensure that Cadillac Fairview is not unreasonable. I think we have had significant impact on that. Mr. Smith, Madam Chair, may have a supplementary comment.

Mr. Smith: The only other thing I guess to add is

that with the space, the one I think other major positive thing is that we have been able to actually get other organizations to come in and make use of it.

This year we are probably going to be looking at some 36 events by 21 organizations which will cover some 100 days of time within Edmonton Court. We have had everybody in there from West End Cultural Centre to the International Jazz Festival to Contemporary Dancers to an Earth Day exhibit by Fort Whyte. People are feeling that is their space, that they can come in and use that space to showcase Winnipeg's variety of cultural and other charitable organizations. I think it has worked very well that way.

* (1050)

Ms. Frlesen: I think you are right. There is a growing public ownership of a number of spaces like that in Winnipeg. I do not know that it is the only one.

I am interested in the committee that you mentioned. I wonder if we could follow up on that a little bit. You said you met regularly. You dealt with questions brought to you by the public. What does Cadillac Fairview bring to you?

Mr. Nalmark: The joint committee was largely there to look at the use of the public spaces. For example, we did not want Cadillac Fairview to be unduly restrictive as to what groups could have access to the public space. We also wanted to bring to their attention concerns that have been brought to us by members of the public about undue intrusiveness or the kind of thing that you are talking about, not allowing pictures.

On the face of it, that sounds a bit unreasonable in a general sense. What are the circumstances? We would, not necessarily only through the committee but through staff, call up the manager and say what is going on? What is the reason for this sort of thing? I think we are trying, on a reasonably consistent basis, to make sure that the public interest is represented to Cadillac Fairview and they are asked to respond to it.

What do they bring to the meetings? I think that most of them would be at our instance, I think, that we would be getting together and bringing concerns. Perhaps Mr. Smith would have other occasions when Cadillac has raised problems, but I do not think there have been very many. It is more our way of making sure that they know what we are concerned about.

Mr. Smith: Just to add to that, I think that is true, Cadillac Fairview's concerns are basically that the space is well utilized, and they are looking for our input in helping to steer groups towards the space.

The one thing I guess we have introduced in the last little while since the new community police office opened up on the south side of Portage in October, we have been working very closely with the police and with Cadillac Fairview and their private security staff to look at ways that, No. 1, we can prevent crime from happening in the mall, and also how to deal with criminal activity when the security guards face it. That has proven to be a very positive addition to the whole downtown, the community police office. There has been a lot of close interaction between the city police on the one hand and the private security force on the other.

Ms. Frlesen: I am interested in that response because that would have been my response to the presence of the community police office on west Broadway, for example. I noticed your marketing study for the south side of Winnipeg indicated that the presence of a community police office would not be a good idea, so I think it is interesting to have the example in practice.

When we were talking about the interiors of Portage Place, you kept mentioning public spaces. I was also including the private spaces, the walkways, the parts that are actually owned by Cadillac Fairview. Are those also part of your purview in looking after the public interest in those private spaces?

Mr. Nalmark: I have been guilty in my responses of also using public and private loosely. What we mean by public are common spaces, the concourses, the Edmonton Court, Kennedy Court, the overpasses and so on, things other than the interior of a store, of IMAX or of Prairie Theatre Exchange. We refer to that in our shorthand as general public access space.

The same concern applies to the overpasses' hours of opening. I think, for example, when first proposed, Cadillac intended to keep the walkways' hours shorter than we felt were appropriate. We wanted them to be open for as long as the city-owned overpasses were. In fact, I think they may be open a little longer now. That was an example of how we tried to make sure that Cadillac Fairview respected the broader purpose of providing access to and fro across Portage Avenue.

Mr. Smith: I have just one other thing to point out in the sort of confusion between public and private space. In fact, everything—the walkways as well as Edmonton Court—are maintained and operated by Cadillac Fairview. They bear all of the costs for doing that. Indeed, they pay property taxes on all that space as well. The other major advantage, of course, of having Cadillac Fairview own the space is that they also have to pick up all of the costs, and there are no costs to the public sector for that.

Ms. Friesen: Let us move back outside and look at the south side of Portage Avenue. I wonder if you could perhaps give us your analysis of how that problem started. Why, for example, were the north and south sides of Portage not developed together? Why, from the beginning, was there not consideration of the south side?

Mr. Nalmark: Perhaps I could back up to the north Portage task force report which preceded the establishment of the corporation. For those who were interested in it and following that, that report actually had a plan which would reroute Portage Avenue and have an interior concourse mall which would have both a new north side and incorporate the south side.

We, in our first 100 days review, put that forward as one of the options that developers should consider. No developer felt that they could successfully operate under those circumstances because in order to operate a retail mall successfully, you have to control both sides of the mall. You cannot have people investing and putting a camera store or a dress shop on one side if they are not protected from having another one go on the other side. Normal commercial considerations by all of the developers who responded was, that was not workable.

Moreover, in order to gain control of the south side, it would have required either a very long process of private acquisition or expropriation. That would have added to the expropriation cost enormously, and there was no indication from the shareholders of the day that they had any intention of providing additional capital for that purpose. That was the general background to why not both sides. With respect to both sides, people have this notion that somehow the south side was a kind of paradise, and that it was only the north side that was in trouble. In fact, the south side was going downhill extremely rapidly.

The people on the south side, when we were talking to them before we even started our project, were coming in with sales figures and shopper-intercept figures that showed a very steady decline. That essentially was the result of the centrifugal forces of suburban development and suburban malls.

I do not think that one should have any notion that the problem was only north Portage. Even today, even if we are successful in solving south side within our mandate area, you do not have to walk very far down Portage Avenue eastward to see that we have a Portage Avenue problem, not just a north Portage, south Portage in our mandate area. That is going to take a long time to solve and we will need some very hard thinking on the part of whatever development entities emerge over the next while. That is the best response I can give to that.

Ms. Friesen: Could you put a date on when you think the real downturn came on the south side of Portage? The reason I am asking this is there seems to be two or three years where North Portage seems to dither around talking about escalators. It seems to me that there was another spot where an opportunity was lost to do something about south Portage, not necessarily with escalators but with alternative ideas.

Mr. Nalmark: We had, right from the beginning, been working with the south side group. Particular interested parties in amongst the south side merchants indicated that escalators were important to provide access from ground level to the shopping court concourse.

They essentially said, you give us the escalators and everything will be fine. We said, look, we are a development corporation. We invest public money to lever private investment. They said, "Look, if you are prepared to put in the escalators, we will renovate, we will put in \$7 million". We said, "Fine, you come to us with a plan which will indicate what you would like from North Portage, and what you as a group of owners and tenants would like to contribute towards the revitalization of the south side".

* (1100)

What we got back was, "We are unable to contribute anything". "Why?" For two reasons: there was no entity there; there was no collective; there was no point. There was not anybody who could deliver the merchants and tenants on the south side.

There are a set of individual owners and so on. We tried very hard to say, "Well, we can work out some kind of collective arrangement, a co-operative of some kind". We could get no commitment with respect to any private sector contribution. This was all to be solved by the public sector, and we simply did not have the resources to do it.

We were prepared to commit not only to the escalators, but to the store front improvement, the canopy programs and so on. We got no satisfactory response, so we reverted to saying, "This is not going to happen through a collective. It is going to have to happen through trench warfare, store by store, working with individuals, a slow and deliberate process to try and improve the south side".

I think it would be unfair in the extreme to label the North Portage Development Corporation as somehow unwilling to respond. We were more than willing to respond, invested enormous hours, and to this day there is before one of the significant owners on the south side a proposal which has been there for—a year?

Mr. Smlth: The first proposal went out more than two years ago actually.

Mr. Nalmark: With no response.

Mr. Smlth: Maybe if I could just add a couple of things to this whole issue of the south side. I think everybody knows that a public process can be a frustrating and lengthy one. We started a public process back in, you know, well before 1985, before Portage Place even was opening with representatives on the south side. It literally took us until 1990 to get some kind of consensus of opinion between the owners and the merchants as to what would be the best tack for us to take, for the owners and merchants themselves to do and for organizations like BIZ and the city.

I think everybody has been working their heart—you know everybody has been trying to solve the problem. It has been difficult to try to come up with exactly what we should be doing and what everybody's role would be. We finally have been able to do that; we have the south side improvement program set up. It has taken us far too long. You know, we readily admit that this should have happened much sooner than it did, but for something like this to work you have to have the involvement of the owners and the merchants on the street.

Now they are solidly behind it, as is the city and the new Downtown BIZ. I think we now have the momentum. Even though it is a tough retail market out there, we have filled five storefronts on the south side. There is a lot of activity. People are talking a lot more optimistically than they have in years since I have been with North Portage. We think it is going to be a slow but deliberate process to get the south side back into a competitive retail situation.

Ms. Frlesen: My criticism was not that North Portage did not respond to the initiatives, but in fact that it overresponded in a rather narrow framework than perhaps of the broader framework of looking at the whole of the south side as well as your other neighbours—the Free Press building, for example, I would think would be quite a concern at the moment. Its abandonment is very soon, and I imagine that there are no offers on the horizon to fill it.

I think that whole exterior context of Portage Avenue seems to me as something that should have been part of the mandate of North Portage from the beginning. I do remember the proposal that you are talking about, which built it over. It is unfortunate that people were not prepared to take that on, but that to me seems to be one of the I think, perhaps, regrets that Winnipeggers would have at the moment. It is a very difficult time to turn that around.

Mr. Nalmark: I agree that it is difficult and it is going to be slow. We knew it was going to be slow. If you read our final concept and financial plan, we state quite explicitly there that there are many contiguous problems in downtown Winnipeg which will to some extent through interactions limit the tempo of what can be done by North Portage.

You will also remember of course that while we received a substantial chunk of land, there were islands in it over which we had no control: the Gordon Motor Hotel, the Air Canada, Free Press, the Y, the school and so on, which were simply outside of our control and mandate.

As far as the Free Press is concerned, we have been from almost the day that we took over, in negotiation with the Free Press. We had a fight with them over a 50-foot strip that we wanted to incorporate in the Edmonton Court. They objected to that because this would compromise their plans to build a new press facility on that site, and we ended up in a situation where that dispute might have compromised the whole project. In the end an

accommodation was reached. The city gave up the lane. We got the 50-foot strip and the Free Press is going somewhere else.

Now with respect to the status of the Free Press, we have been in contact with them almost from the beginning indicating that we would be interested in what their plans are. I believe the city has the right of refusal on the property.

Mr. Ducharme: They have the first right of refusal.

Mr. Carr: I would just like to follow up with a few questions on the south side before moving into other areas. I understand that \$1.2 million was set aside for south side redevelopment. When was that money first committed?

Mr. Smith: It was first committed in September of '87.

Mr. Carr: Since September of 1987, how much money has actually been spent—not allocated or committed, but actually spent—for the development, exclusive of consultants reports and the hiring of staff?

Mr. Smith: Well, as I was trying to explain to Jean Friesen, the fact of the matter is, we had obtained approval to allocate funds—\$1.2 million. It was a long, public process before we could reach consensus amongst the property owners, the merchants, to find out exactly what those funds should be spent on.

* (1110)

We did go forward without that consensus with the Canopy Program, in which we spent some \$100,000 of those funds, but the bulk of the money remained to be determined by agreement from the property owners and the merchants to determine what those funds should be used for. Like I said, it has only been literally in the last year that we have been able to reach that consensus.

Mr. Carr: I understand the reasons why the money has not been spent. I was just wanting to know how much has. So the answer is that of the \$1.2 million, \$100,000 has actually been spent on Canopy.

Since the money has been sitting presumably in a bank account since September of 1987, is there interest which is accrued on that \$1.2 million? If so, is it the plan of the corporation to spend the interest as well as the principal on south side development?

Mr. Smith: Well, the money has—in fact that has been one of the problems right from the word “go.” The \$1.2 million was never originally part of the

corporation's budget that was approved initially by the shareholders. We did go back, because we knew we had to allocate some funds for the south side, but it was agreed that we would not be given any additional capital resources.

Instead we were asked and required by the shareholders to pick up the \$1.2 million out of our own operating budget. In fact, the \$1.2 million is expensed in each year that the money is actually put forward, so there is no \$1.2 million sitting in a bank account earning interest.

Mr. Carr: I would like to explore development relationships between the corporation and Cadillac Fairview and also between the corporation and Village at Portage Place and the Place Promenade deal.

Let me start with the Cadillac Fairview arrangement and ask perhaps the simplest question of all. How is business?

Mr. Nalmark: Cadillac Fairview has been quite satisfied with the operations. The Portage Place mall has, in terms of retail sales per square foot, been above the average of their similar operations in Canada. The current situation of course is influenced very much by the retail climate now. They anticipate some moderation in retail sales this year, given the consumer behaviour patterns that have emerged, but all in all they regard it as a success.

There has been a relatively low rate of turnover. I think they anticipate or project up to a 5 percent turnover rate in store operators and so on, and our rate has been lower than that. There have been some elements of the complex that have been slower to emerge than others. A restaurant, for example, has been in the works for some time. They finally now have a replacement for the original restaurant operator, which I think should improve the general amenities in the place. So all in all the reports from Cadillac are positive in the circumstances.

Mr. Carr: That is good news for the taxpayer, because the corporation has a vested interest in how well Cadillac Fairview does. I want to examine for a moment the agreement with Cadillac Fairview.

I understand there was a \$27 million loan from the North Portage Development Corporation to Cadillac Fairview. Could the chairman tell us at what interest rate that loan was awarded?

Mr. Nalmark: That is described in the Auditor's Report. Perhaps Mr. Smith would like to respond.

Mr. Smith: Yes, there really was never \$27 million loaned to Cadillac Fairview. That was something that has been misstated in the press. Actually the Auditor's Report put the matter quite succinctly, and I am just trying to find where the comments are on that.

Essentially it was actually \$24 million that was provided, not \$27 million. Three million dollars were actually deemed costs for site services. I have it. Actually it is on pages 21 and 22. In fact, the actual money, the \$24 million, was provided for a number of elements of the project which we had asked Cadillac Fairview to build on our behalf.

Those include certainly the most expensive, the parking facility underneath Portage Place which North Portage actually operates and gets all the revenue from, as well as things like the Prairie Theatre Exchange shell space, the IMAX Theatre pad and location, the support structure and access for the YM-YWCA expansion as well as the considerable infrastructure that was put in place to accommodate the two tower pads that are at either end of Portage Place.

Essentially what we did was we asked Cadillac Fairview to build those on our behalf. We hired a cost consultant to quantify the total cost of the project. Then we negotiated an upset price with Cadillac Fairview to pay for that. Now rather than just merely providing that money, you know, and paying it over to Cadillac Fairview, we also protected that investment by way of a \$27 million mortgage.

Those funds are recovered out of participation income. We receive 50 percent of participation rent until the \$27 million is paid off, at which time our participation income drops to 20 percent. That is essentially—and I think the Auditor actually very nicely sums up exactly how that was negotiated.

Mr. Carr: I appreciate the answer, but I was really asking for the interest rate on the loan.

Mr. Nalmark: There was no loan.

Mr. Carr: On the mortgage.

Mr. Smith: As I have been trying to say, there was no loan to the money. In fact, the money, as I said, was paid over to Cadillac Fairview to build facilities that North Portage was making use of, and those primarily, as I said, included the parking facility, some of the public amenity spaces, the shell space, for example, that Cadillac Fairview built on our behalf, as well as infrastructure for things like the Y, the IMAX Theatre, and the two corner pads.

We did not loan money to Cadillac Fairview. Cadillac Fairview paid for the construction of these facilities on our behalf, and that is what the \$24 million represents.

Mr. Carr: On the same page, page 22 of the Auditor's Report, he makes reference to an interest rate of 5 percent on principal outstanding, but let me continue.

The arrangement with Cadillac Fairview involves a base rate of \$750,000 a year which may go higher and also participation rent, participation income. Mr. Smith says, Dr. Nalmark has already said that business is good, it is above average, and that the North Portage Development Corporation will receive 50 percent of the participation income. Can the corporation tell the committee just how much has been received in participation income since the start of the project?

Mr. Nalmark: We do not have the year end for 1990, of course. There was not intended to be participation income in the first few years, and we have never included any participation income in our financial projections for the corporation. To some extent, we have always regarded this, to put it in the vernacular, as gravy, should the project be more successful than our "working scenario" provided.

Had it not been for the current downturn in the commercial, we would have expected participation income to kick in by 1990, and we do not know yet whether there will be any. We have to see the books. Certainly by 1992, there should be some.

The amount, of course, will depend entirely on the level of retail activity, the rates and the income of the corporation, that is Cadillac Fairview; but as I wanted to emphasize, because of the uncertainty of that income, we have not included any provision for that in our financial projections with respect to when the corporation's turnaround occurs.

Mr. Carr: Madam Chair, I just want to read from the financial statement of the corporation, No. 8, Contingency. It says: Under the terms of a mortgage with the Cadillac Fairview Corporation Limited, interest on the outstanding mortgage principal balance is calculated at a rate of 5 percent per annum, non-compounding, and will accrue until such time as the mortgage is repaid by Cadillac Fairview out of participation income. The balance of accrued interest as at March 31, 1990, is \$2,700,000 which has not been recorded in the

financial statements due to the uncertainty of the date at which the principal will be repaid.

I am interested in knowing the rate at which the principal will be repaid. Can the corporation give us some idea of the timetable when the participation income is expected to come on board and when the principal is expected to be paid off?

* (1120)

Mr. Nalmark: Madam Chairman, I do not have that to hand. Mr. Smith might be able to assist, and if he is unable to, we can certainly provide at another time a projection on that.

Mr. Smith: Again, I refer to the Provincial Auditor's Report where this was covered fairly comprehensively. The most recent consultant's projection we had at the time the Auditor's Report was done was the principal would be repaid prior to the year 2008. We are now anticipating because of the retail slowdown that is likely going to take several more years, but you know, I think we could expect that we are talking probably 2010, in that area.

Mr. Carr: In order to determine the participation rent, one must know the net participation income. How would you calculate the net participation income? I presume that it would be the gross revenue less the operating costs. Am I correct?

Mr. Nalmark: There is a formula specified in the agreements with Cadillac Fairview.

Mr. Carr: I would like to ask Mr. Smith or Dr. Nalmark what the amount of gross revenue per year is to date.

Mr. Nalmark: I do not have the figure with me.

Mr. Smith: We would probably have to get back to you. I do not have the figure.

Mr. Carr: What I would like to establish then is a commitment on behalf of the corporation to provide that material and to make it public to Members of the committee. Is that agreed?

Mr. Nalmark: We will provide whatever information we can get on it, Madam Chairman.

Mr. Carr: I appreciate that very much. We will also want to know the operating cost to date, and by making that calculation therefore, we will have some idea of what the net participation income amounts to. Is that correct?

Mr. Nalmark: We can certainly provide the formula for its calculation, as I say, for 1990. We would not

have the results yet because the year end has not been in, and if I had to guess, I would doubt that there would be any in 1990 given the retail market.

Mr. Carr: I appreciate the spirit of openness that is being expressed here. What was the development cost and what was the developer fee paid to Cadillac Fairview in the construction of Portage Place?

Mr. Smith: Are you talking about a fee that was paid by North Portage to Cadillac Fairview? That is something I would have to check, but basically we paid for the cost of construction for those facilities that I stated earlier. What the fee was, that would be something I would have to go back and look at the consultant report. It was before I joined North Portage, so it is not something I recall.

Mr. Nalmark: Madam Chairman, if I could interpret the question so we know what information to look for to provide, it would be whatever developer fees were charged with respect to those elements for which we paid. Yes, we can provide that.

Mr. Carr: I would be interested in knowing just how much profit Cadillac Fairview is entitled to before the participation rent element of the agreement kicks in. How much a year is Cadillac Fairview taking for its own corporate purposes before the North Portage Development Corporation begins to share in the profits?

Mr. Nalmark: That will be evident in the formula, once we are able to—we did not bring that detail with us, but you can see what the formula is for calculation of that participation, and that will tell you essentially how it would be arrived at.

Knowing the formula, of course, only helps if you actually know the figures that pertain to a particular financial period. You would have to look at the actual activity, financial flows during the period, then apply the formula and see what happens. Once the formula is in place and you have whatever information we can give you about the financial aspects of it, you can make that calculation.

Mr. Carr: Again, I just wanted to confirm for the record that all of the necessary figures required to make that assessment will be given to the committee.

Mr. Nalmark: We will provide whatever we are able to provide, that is what comes to us, that we have available to us.

Mr. Carr: Thank you, I appreciate that.

Mr. Nalmark: I have just one caveat, and I do not

know whether this is significant or not, that is within the limits that we have put on us by any contractual agreement, but I do not know of any at the moment.

Mr. Smith: In terms of providing things like operating costs and gross sales figures for Portage Place, those are figures that I know Cadillac Fairview guards very closely because they are in a competitive environment with a lot of other retail shopping centres within this market, but certainly on a commercially confidential basis, I think that information can be provided.

Mr. Carr: Just to clarify what Mr. Smith has said, I believe what he is saying now is that in order for us to make the proper calculations, we will need information that we may not be able to get because Cadillac Fairview would consider it to be a commercial component that is not of public knowledge.

If we do not have that material, we are not going to be able to do the calculation. We are not going to know how much the public corporation, the North Portage Development Corporation, is entitled to receive or what kind of schedule is reasonable, are we?

Mr. Nalmark: Madam Chairman, if we have information that we use in order to determine what we are eligible to receive, we will provide that. All I am saying, Madam Chair, is that there may be things that are simply not given to us which we have no right of access to, and I cannot commit to doing that.

Mr. Ducharme: I think what he is saying is, if it is applicable to the formula that we are getting, then that is what you will receive.

Mr. Carr: It is self-evident, Madam Chair, that Dr. Naimark cannot forward to this committee information that he does not have nor has access to. That would be an unreasonable request. A reasonable request, however, is to ask for all of the information necessary in order for the corporation to make the calculation that will result in a figure that is its share of the profit. Dr. Naimark assures us that information is available, and we will appreciate his looking for it.

I would like to move to Place Promenade for a moment and to, I guess, ask the same question that I began on Cadillac Fairview: How is business? Can Mr. Smith or Dr. Naimark give us the vacancy rate currently for Place Promenade?

Mr. Smith: The business is going very well. We are actually, through Sunridge Management and

Visacom Marketing who are operating the project on our behalf—they have been getting good results in lease-up of the project, not only in the lease-up side of things, but also just as important, in producing the amount of turnover in the project and making sure that people who have moved into Place Promenade stay and renew their leases.

The vacancy rate is approximately 15 percent. That has been a significant reduction over the past since we took over the project, acquired ownership in May, and we anticipate that those numbers will continue to go down.

Mr. Carr: Madam Chair, I am only smiling because I have asked this question in the Legislature numerous times and in conversations with Mr. Smith numerous times, and I have never been able to get the answer. May I ask Mr. Smith why it is he is giving us the answer today and would not give us the answer for the last year and a half.

* (1130)

Mr. Nalmark: I could answer. Mr. Carr would surely appreciate that in circumstances where a project was in serious difficulty, where the objective was to achieve the best possible result for North Portage Corporation and its public shareholders, that the release of information which would be commercially detrimental was not something we would wish to do lightly.

We would not be faithful to the mandate placed upon us by the shareholders with respect to the development and management of the projects. No private apartment owner, developer, whatever, is required to reveal vacancy rates, and in a project being hammered right and left by the media and by others, for whatever good and sufficient reason, nonetheless had the effect of, to some extent, adversely influencing the ability to lease and to recruit tenants and so on. Playing up vacancy rates was viewed by us as not in the corporation's interests, and we are there in the first instance to protect the corporation's interest and, thereby, the shareholder's interest.

That was the nature of the inhibition of releasing vacancy rates. If that created difficulty for Mr. Carr and others, we are sorry for that, but frankly we had a mandate that required us to try and protect our interests, a mandate checked out with the shareholder representatives, who said, here is why we think this kind of information may be—it may have been an incorrect conclusion on our part;

reasonable people may disagree about that. I am not suggesting we made the right decision. All I am saying are the reasons for it. That is the inhibition. Obviously when things are improving and going well, you try to tell the story and, when they are not going so well, you try not to. That is basically what it is all about.

Mr. Carr: Dr. Naimark took the words out of my mouth, that one's inhibition seems to be on some kind of curve with one's success at what one does but, leaving that aside, without getting into an historical debate with Dr. Naimark about the reasons for the problems at Place Promenade, I think the record should show that there was no media coverage and there were no questions from Members of the Opposition in the Legislature until the project was bankrupt and up for mortgage sale.

The mortgage sale, the consequences of the difficulties at North Portage were not as a result of criticisms in the media, were not as a result of tough questions from Members of the Opposition but were a result of, call it what you will—poor planning, bad luck, downturn in the market, too many political bosses, not enough corporate co-ordination. You can pick your reasons, but let us not at this table blame either tough questioning from Members of the Opposition or members of the press for covering a very interesting story that had at stake millions of public dollars for a failure which had nothing to do with the work of the press and nothing to do with Members of the Legislature.

Again, I do not want to get into a long debate over that, but I do want to ask some more questions about Place Promenade and the decisions that were taken. Are there any taxes owing to the City of Winnipeg on Place Promenade and, if so, what is the total?

Mr. Smith: Yes, there is a small amount of taxes on 1990 owing—\$130,000.00.

Mr. Carr: We will again not quibble about what is small and what is large; \$130,000 of taxes owing is a big number to me. Mr. Smith says, look at the total tax bill, and the chairman said \$5.2 million I think in his opening remarks. How much of the \$130,000 is penalty, or is there a penalty on top of that, an interest rate on top of that?

Mr. Smith: The \$130,000 includes all arrears and interest penalties up until the end of this year. The total tax bill on Place Promenade for the year is over \$700,000.00. It is considerably more than what

Manitoba Housing had budgeted for. The assessment was recently done. Of course, that dated back to 1988 when the project opened.

We asked Sunridge Management to just do a rough study of our project compared to other similar projects. We found that right now property taxes take up 30 percent of the operating budget of Place Promenade. That compares, in the City of Calgary for a similar sized project, to 15 percent of the operating budget. You can see that it has obviously created a big, big hit to us, and we are endeavouring to pay those taxes as quickly as we can.

Mr. Naimark: I should say in connection with taxes, we are also appealing the assessment.

Mr. Carr: You and a lot of other people.

Just before I leave the vacancy rate at Place Promenade, which Mr. Smith now says is 15 percent, was it necessary to discount or reduce the monthly rental of those units in order to entice people in the market to rent at Place Promenade? If so, could he just give us some basic understanding and ballpark figures of what discounts might have been necessary?

Mr. Smith: That is a very good question, actually. When we first took over management of the project, the developer's practice had been, as is the practice in many projects in downtown Winnipeg, to offer one and even two months free rent as an incentive to lease the premises. In fact, there were a lot of people when we first took over the project who were in Place Promenade on precisely that kind of an arrangement, the first two months rent-free.

Under the advice of Sunridge Management, which is a property management firm based in Winnipeg—they manage properties throughout western Canada. They very much felt that we should not be offering rental incentives; we should be charging a fair market rent. We did look at the rents overall. There was a reduction of 2 percent in the overall rent structure made on the recommendations of Sunridge Management after reviewing all of the suites. We have been marketing the project actively since then. As I have said, we have cut our turnover rate in half; we have reduced vacancies significantly under their management; and we anticipate that things are going to get a lot better in terms of lease-up.

Mr. Carr: Madam Chair, I would like now to turn to a slightly different subject and engage the Minister in some questions and answers here.

During the difficult days when the Government and the North Portage Development Corporation had to determine what to do with Place Promenade, the Minister was wearing two hats. The Minister was a one-third shareholder in the North Portage Development Corporation and the Minister was at the same time the Minister responsible for the Manitoba Housing and Renewal Corporation in his role as Minister of Housing.

Curiously enough, during the course of this, there was an appearance in court that dealt with an adjournment and dealt with the issue at hand, and the North Portage Development Corporation was arguing on the other side of an issue from the Manitoba Housing and Renewal Corporation, and the Minister was responsible for both.

Does the Minister consider that to be a conflict of interest in the purest sense of the word because the interests of the North Portage Development Corporation were at odds with the interests of the Manitoba Housing and Renewal Corporation? If the Minister believes that to be a conflict of interest, again in the purest sense, how did he reconcile and resolve it?

Mr. Ducharme: First of all, you have to remember that through this whole course, the arrangement was between CMHC and North of Portage. While I am a shareholder in North of Portage, there is an arrangement and a negotiation process that is available. If I had stepped in as Minister of Housing to protect the \$18 million that is insurable under CMHC, then I would have had a conflict of interest. However, during the circumstances, MHRC had to, under their insurance agreement, proceed under the arrangements set up under the mortgage agreement, under the insurance agreement, that they would have to start foreclosure proceedings within a certain period of time. They, as MHRC, proceeded that way. However, during the whole process, CMHC was to continue to negotiate with North of Portage. MHRC could not even step in and negotiate simply because they are the mortgage holder, but their process was to protect the taxpayers' \$18 million that was put up front.

* (1140)

If I would have stepped in and gotten involved in the negotiations between CMHC and North of Portage as Housing Minister, you could perceive that there could have been a conflict. However, that was not done. I allowed the process to take place

between CMHC and North of Portage until there was an arrangement made that there was no foreclosure, that it was taken over by North of Portage. Then, as shareholder, I participated in the process.

Mr. Carr: Madam Chair, the Minister's response leads me to another question. What involvement did he have in the decision to foreclose and in the decision to take over Place Promenade by the North Portage Development Corporation, was he in regular contact with the provincial appointees to that board? Did he ever consider taking him out of that discussion, as he was on the other side of the case in court with his hat as Minister responsible for the Manitoba Housing and Renewal Corporation squarely on his head?

Mr. Ducharme: First of all, the foreclosure from MHRC was set in place long ago through the contract that was drawn up and the mortgage insurance arrangements with CMHC. However, the members, my representatives were the ones involved in the negotiations. Once the foreclosure was not settled in court, North of Portage arranged a shareholders' meeting to take the building over under arrangements with CMHC. So there was no conflict at that time.

Mr. Carr: Madam Chair, I am a little frustrated because of the lack of time, and I would like to pursue this a lot further, but I have so many more questions that I am afraid I am going to have to move on.

I would like to ask Dr. Naimark or Mr. Smith for the reasons marshalled by the board in its decision to take over Place Promenade. If we could turn the clock back a little bit to that board meeting and the events which ran up to the board meeting, what factors were in place that drove the decision? There were actually several alternatives. There was an alternative to let it go to mortgage sale, which had a certain set of problems for the North Portage Development Corporation, but I think it is important that the record show the kind of thinking that led up to the decision by the corporation and what it perceived to be the public interest as it was making up its mind.

Mr. Naimark: I will start and ask Kent Smith to fill in.

Basically, we had several alternatives before us. One was simply to allow the mortgage sale to proceed. We would have foregone substantial downstream interests in the corporation: base rents,

revenues, participation, parking, control over the parking structure and so on, which would have been at North Portage's cost.

We also had the option of taking it over. We then had to look at various financial scenarios associated with the takeover. In doing so, we had several sources of information and analysis. We had the analysis done by our own consultants. We had the analysis done by CMHC, and we had the analysis done by the Village at Portage Place and their proposed partner in any work-out proposal.

The third alternative was the work-out proposal that was being attempted by Village at Portage Place together with Shelter Corporation and in negotiation with CMHC.

There was a work-out proposal which was developed and which in the end North Portage did not accept, because its interests would not be sufficiently protected. The only two realistic alternatives for North Portage were to allow it to proceed to sale or to take the project over.

In our consideration of taking the project over, one of the key elements was whether CMHC would provide for North Portage conditions of a work-out at least as favourable as to VAPP-Shelter. It was on the understanding that that would be the case that we proceeded to recommend the takeover.

The alternatives were discussed fully at a meeting with shareholders. All of the financial projection materials were made available, and in the end the decision was taken to proceed with the takeover.

Mr. Carr: The decision to engage the Imperial Group turned out in the end to be controversial. -(interjection)- The original. I think everybody knew that Imperial was in trouble. Imperial I believe owed the Bank of Nova Scotia \$284 million. Do I have the figure right? It was a lot of money. We may be off by a few dollars, but the Imperial Group was in substantial trouble. Yet in its wisdom the corporation decided to proceed with the agreement. Why?

Everyone knew that this was a corporation that was mired in bankruptcy. I guess at least in retrospect an observer would conclude that there was every chance that this project may not succeed; certainly the financial depth of the principals involved was in question.

I understand the escrow account; I understand that there was \$2 million put aside; I understand that \$500,000 -(interjection)- well, Mr. Smith, you said \$600,000, but \$300,000 was paid out, right? What

was left at the end of the day was \$200,000. I think we should be careful that we have the figures straight.

My question is a simple one: Why did the board of North Portage continue its relationship with the principals of Village at Portage Place at a time when everyone knew that they were in deep financial trouble?

Mr. Nalmark: Madam Chairman, as Mr. Carr will know, in large corporations there are several corporate entities that are under an umbrella. We determined right from the outset that none of the difficulties that the developer was in at that time would have any impact on the housing proposal. Nonetheless, we looked at it very carefully.

The major concern was the very strong interest in trying to get the housing component of North Portage established. Remember, the Place Promenade was the first of the housing components. Because housing was so critical to the long-term plan, we felt that it was important to try and make it work if possible.

However, we had to be satisfied that whatever corporate entity succeeding the original developer emerged was completely isolated from the other financial problems that the principals might have some responsibility for and, secondly, that we would obviously not proceed and the developer would not proceed unless CMHC had done due diligence investigation as to the feasibility and had established conditions satisfactory to CMHC for the project.

I believe to this day—this is a personal view—that in the circumstances the project was a starter and that it would, given what we knew at the time, be relatively successful.

The problem of Place Promenade had nothing to do with the debt of the principals of the entities that Mr. Carr—I should not say, nothing to do. I will come back to that in a moment, but it certainly was determined largely by the market conditions that emerged. The vacancy rates at the time that the project was conceived were at the very beginning 1 percent and had not gone beyond 5 percent by the time we got into the detailed work.

The motivation was very strongly to try and meet our planned objectives but to do so in a way that was responsible in the sense that would be vetted carefully through the expert agencies such as the CMHC.

We created through the negotiations with the developer and CMHC a set of circumstances which we thought were necessary to proceed with the project with reasonable protection.

Now the only caveat or perhaps question mark one could ask about the particular principals involved and their other difficulties would be the extent to which, "they were committed to the project," that is, how far they were prepared to invest further in order to sustain the project to the point of viability. That clearly is a question mark that one can legitimately have.

* (1150)

Mr. Carr: I thank Dr. Naimark for the answer. Just before I pass the microphone over to my colleague, I am interested in knowing how much money the developers of Portage Place, Place Promenade came away with as a result of this project.

The Provincial Auditor makes some reference to this in his report, but not in our view as thorough a documentation of that set of questions that would have satisfied all of our queries. Can Dr. Naimark or Mr. Smith cast a little light on the extent of the development fee—what monies would have gone to the developers through VAPP as general contractors of the project and to just give Members of the committee some sense, some idea, of the total value of the project for the developers of Village at Portage Place?

Mr. Naimark: Madam Chair and Mr. Minister, everything we know is in the Auditor's Report. Well, I say we. I am not aware of any other information that we have that could shed light on Mr. Carr's question. If we had it or if I had it, I would have no compunction or hesitation in providing it.

I do not know whether the Provincial Auditor has more detail underlying the summary statements that are made here. To the extent that he may have or his office may have, that may be an appropriate direction in which to direct the inquiry, but we made all the information we had available to the Provincial Auditor. They were in our offices for months. So that is really all I can say. Perhaps Mr. Smith I am sure has a supplement on that. Do you know of anything else?

Mr. Smith: Well, the only thing I can add is that in speaking with the Provincial Auditors, they did go into Village at Portage Place. They did examine their audited financial statements for the construction of the project and they expressed satisfaction that

those audited statements show that the full value of the project was there in the building.

If they have any additional information, I would think they are the ones who have the information, because we did not go in and do that.

Mr. Naimark: If I may just supplement, Madam Chair, in fact we have ourselves been gently encouraging the Provincial Auditor to let us have as much information as that office has, because we are very interested in precisely the kind of questions that Mr. Carr is asking. Of course, the Auditor has a pretty clear barrier between the various entities. For example, we were not privy to other parts of the report in draft stages to comment on them or to ask questions. We only saw those elements that referred to us.

Mr. Carr: I do not want to put any words in Dr. Naimark's mouth, but may I infer from his last comment with all the gentleness with which it was proffered that Dr. Naimark too believes or has reason to believe that the development fee, the profits accruing to the developers from their role as general contractor, perhaps may have been more than the corporation would be comfortable with.

Mr. Naimark: No. I think that would be an incorrect inference, because I simply do not know. What I meant to say was that I am very interested in the answer to the question. I do not have any reason to be able to offer an opinion one way or the other on it, because we simply do not have that kind of information.

Mr. Ducharme: I would just like to add to that. From Housing's perspective, the maximum unit price per suite was not out of the ordinary from any others that we had built in that period of time.

Mr. Carr: I have just one final comment before my colleague will take over questioning. The Provincial Auditor has stated, I believe, that he will not make certain background materials public. We intend to ask the Provincial Auditor when he appears in front of the Public Accounts Committee of the Legislature why he will not, just to serve notice to Dr. Naimark, because now I see he is interested in the answers to the questions that will be posed and presumably the responses recorded, if not in the daily press, then in Hansard.

Ms. Friesen: I wanted to go back to the south side and ask you about the amount of empty space. Is it increasing? Decreasing? What do you predict for the next 12 months?

Mr. Nalmark: As I have noted and Mr. Smith has, it is decreasing, albeit slowly. We sense, and of course one can be easily persuaded to become more optimistic than is warranted, but we sense amongst the south side owners and merchants a much more positive commitment and a sense that they have that they are on the upward movement now.

So we are very encouraged by that but, as I said, it is going to be what I loosely call trench warfare. It is going storefront by storefront, owner by owner, tenant by tenant, but with each new lease-up, with each new operator, the critical mass builds up. You start to get some momentum, and we see the beginnings of that momentum now. I do not know what it would look like 18 months out if the recession that we are now in becomes more profound, more prolonged. There are any number of forces out there that could confound what we hope will happen, but I am perhaps more optimistic today than I have been for some time about movement occurring.

Mr. Smith: Can I just add to that? Just in terms of some of the more recent things that have happened, last summer Cristall Opticians opened in the Plaza Building. They spent a considerable amount of money renovating that building for that use.

Most recently, in October, the Red Apple store opened in what used to be the D'Alaird's space. We understand in talking with the people at Red Apple that their sales in the first three weeks were three times what they were projected to be, so that is very good news in terms of the retail performance, again, considering the general retail climate in the city.

As well, most recently the Power Building, through our South Side Improvement Program is renovating the ground floor space where Breslauer & Warren used to be. Of course, that space has been vacant since 1987. In January, David Hoffman Opticians is moving into the space. They are now in Garden City. They are putting an operation into the downtown. That is very good news for the downtown.

We have been working very closely with the City—as well as the property owners and the merchants—and the new Downtown BIZ. I think the new Downtown BIZ, as well, deserves some credit in terms of getting the businesses in the downtown together to collectively work at promoting the downtown. I think as goes downtown, so will go the south side and Portage Avenue in general.

Ms. Frlesen: Yes, I agree with you on the Downtown BIZ. I think there has been a real focus and an interest. Particularly the First Night activities, I am looking forward to the impact of those.

Do you have any statistics or any numbers on the vacancy rate, the square footage rate, over the last few years that you could give us, just so that we can use them as a benchmark perhaps for future changes?

* (1200)

Mr. Nalmark: Madam Chair, we will try and provide a summary analysis of that so that we can all have a point of departure. We do not have the figures with us here, but we can certainly provide them.

Ms. Frlesen: Am I right in understanding that many of the owners of those buildings are absentee owners? If that is the case, how has that affected the kind of relationship you have had, the kind of changes you have been able to suggest to them?

Mr. Nalmark: Madam Chair, I cannot offhand tell you what proportion of owners are absentee owners, but to the extent that they are, obviously that makes direct interest a little more remote. It is perhaps not realized that in some of the vacant spaces, the former tenants vacated to occupy new premises and continued to pay lease payments in the existing space. There was no incentive during that period, and that period was 18 months to two years in some cases.

Ms. Frlesen: Is this the Marks & Spencer's building?

Mr. Smith: In some cases it is even longer.

Mr. Nalmark: In some cases even longer.

Mr. Smith: Just to elaborate on Dr. Naimark's point, Marks & Spencer is a good example of that, where the store closed, but the property owner has a lease in place until 1999 literally. For the next nine years they can sit back and collect the rent. There is really no incentive to release that premises.

However, Marks & Spencer obviously would like to see the space leased, and we are gratified that representatives from both their Toronto and Montreal offices have been in Winnipeg recently. We have been discussing with them the elements of the South Side Improvement Program. They do seem to be taking renewed interest in getting those premises leased. Obviously, when you are dealing with absentee owners, it takes a little longer to make contact with them. They often have a variety of other

interests that they are working on, this being only one. We have been pleased with the response we have been getting from absentee owners on the south side. They have been responding positively to the program that we have initiated.

Ms. Frlesen: I was interested in the report that you had done on the south side, that you seemed to quickly move away from the option of housing—the Coriolis, and the option of using housing in the upper stories.

Mr. Nalmark: We, of course, are interested in whatever will revitalize the south side. We have, to a significant extent, relied on surveys, retail consultants and so on. The general conclusion was that it was not the most effective way to remarket the south side, especially in current circumstances where the housing market is quite soft.

That is the general basis upon which we have gone slow on that option. We have not foreclosed on any possibility. The problem, of course, is can you get a private developer to do it since the public sector does not appear to be interested in spending more money in North Portage.

Mr. Smith: If I could just elaborate on this matter of housing, we believe, we strongly believe—and I think the consultant's report, as well, supported it—that there is a need for more intensification of activity in the Portage Avenue area, whether it be residential above office or indeed in a hotel. All those kinds of uses can help reinforce retail along Portage Avenue.

That is why we think it is so very important for the Lakeview project that we are working on with the hotel and the office development at either end of Portage Place. Those developments will very much reinforce the retail development along Portage Avenue, and I think it will be a very positive addition to the street. I think, in a similar vein, that if you could get more development along the Portage Avenue corridor, obviously that is going to be positive. Wherever we can, we are encouraging that.

Mr. Nalmark: Just also to point out that we have only built about half of the projected number of housing units that our original plan called for. We have reserved land on the north side for that residual amount of housing. We have tried to create in that area, because of the street design, a more residential milieu. We would like to see that capitalized on, but if it turns out that some element

of housing can help with a project on the south side, we have not eliminated that as a possibility.

Ms. Frlesen: That was an impression I got from the consultant's report, so that is interesting to hear, but as you said, you are thinking primarily in terms of market housing.

Perhaps I should ask the Minister about the prospects for social housing as a way of revitalizing parts of the south side of Portage Avenue. I am thinking particularly in the context of the kind of housing that was lost when North Portage went in and the kind of housing, I gather, that is not going to be put into the new YM-YWCA, that kind of single housing, not necessarily family, although I think there is a need for downtown family housing, particularly now that we have a school in the area. I wonder what the Minister's thoughts are on this.

Mr. Ducharme: First of all, there is a proposal call that we do once every year. There was quite an interest shown and the latest proposal call was done in October. No one showed interest in that side of Portage Avenue.

You have to realize that there were other alternatives to maybe helping the north side without building new housing, and that is through the rent supplement program. I know North of Portage has submitted to Housing that some suites in there—and that will be the decision by the housing board of where we are going to designate those. Maybe we could have a Christmas present for them on some rent supplement, especially the Promenade building.

However, I cannot answer your question on the other one. It is not within our mandate to go out and get involved in purchasing or expropriating large pieces of land for housing projects. However, if there are proposal calls—we look at them all the time, at proposal calls from different organizations or people who want to do housing in the downtown area.

Mr. Nalmark: With respect to the number of units lost, I was just consulting with my colleagues here. There were around 71 units lost. They were replaced in terms of what might be called social housing. They were replaced by 333 north of Ellice plus the two seniors' projects in North Portage, so that there was a very substantial net gain in what might loosely be called social housing. That is not, of course, to rule out the use of other social housing on the south side, but the net loss was relatively small in terms of the total activity.

Mr. Smith: If I can just make a couple of additions to that, the 71 units that were lost, we worked directly and with the Core Area Initiative, but we also provided direct funds from North Portage Development Corporation to help each and every one of those 71 tenants to relocate, most of whom moved not only within the downtown, but also to targeted housing. The housing they were in was not social housing. It certainly was affordable housing, but the conditions of the apartments that were torn down were pretty deteriorated at the time we purchased the property.

One apartment block that was in very good condition was the Raleigh Apartments and we have kept that apartment block. There are 37 units there. The rents range from \$218 to \$354, and we have been gradually spending money upgrading the units. We think that with all the work the Core has done in the north of Ellice area, there has been certainly much more affordable housing put in place in the neighbourhood than was there when North Portage first started.

Ms. Friesen: I realize that there has been a net gain in that area, and I think that gain in housing—as I said at the beginning, the housing is, in some part, one of the successes of the North Portage Development.

What I was getting at, and I wonder if you are including that in your 71, the number you gave, is the number of units that were lost in the YWCA and the YMCA which catered to a particular clientele which I do not think is being replaced. That is the kind of housing I was looking at. Now I know that is not a consequence of North Portage, but over the whole area of development, that has happened.

* (1210)

Mr. Nalmark: I think that is true, Madam Chairman, but as Ms. Friesen has pointed out, those were policy decisions taken by those two organizations and were, I think, pretty much in their minds long before we appeared on the scene.

Ms. Friesen: I want to ask the Minister, and I am particularly again going on this line of social housing and the kind of housing that for various reasons was lost over the last 10 years in the downtown area, is there any possibility that the Minister's aboriginal strategy for downtown Winnipeg or for the City of Winnipeg could include using parts of south Portage for housing?

If we do look at the statistics for the City of

Winnipeg, the fastest growing part of the population is the aboriginal population. There is a great need for all kinds of housing, family housing and other types of housing. Is there any possibility there?

Mr. Ducharme: There is always a possibility. However, as you probably appreciate, regardless of whether the south side of Portage Avenue is becoming occupied or not, there is the very expensive part of expropriation of land that affects your units.

As you know, under CMHC and cost sharing between the two levels of Government, that is taken into consideration when we are building units because that affects your maximum unit prices. We are doing Native housing in other parts of the city. As you know, there is the senior housing, the new one on Robinson, and there is the new transitional one that we are proposing. There is nothing saying you cannot do it under the program you are talking about. There is something we can look at when we are looking at housing, but I guess what I have to keep emphasizing is that when we know what expropriation costs have cost us in the North of Portage, we know what they have cost in some of the core areas, so when we are involved in housing we have to take that into consideration.

Ms. Friesen: The final area I wanted to pursue for south Portage was the prospect of Government leasing, either provincial or federal, or your other shareholders' use of those buildings.

Mr. Nalmark: One of the matters that was dealt with in the tri-level task force which preceded North Portage was the reference in their report to the role of the public sector in "kick-starting" the development through leasing. They had figures of up to 50 percent leasing by Government agencies. To date we have not had the benefit of any Government leasing in our projects to any extent. Of course, were that possible and were it significant, it would contribute just as any other occupancy would contribute to creating a critical mass of activity and people in the North Portage mandate area. Obviously, from a corporate standpoint we would welcome that kind of input of prospective tenants.

As to whether Governments can assist in the south side problem through occupancy, in some ways that has already happened with the community police thing and so on. A lot would depend on negotiations with owners and the current tenants of the building, namely the owners, as to

what they would like to develop and offer to Government for lease purposes. We certainly know what North Portage could do, either on the east pad or the west pad in terms of office accommodation but, since your question was primarily directed to the south side, it would really depend on whether owner A or B could put together a project proposal which had office or other facilities in it of potential use to Government and whether they could sell that to a Government department or agency as the way to go. We at North Portage, of course, would welcome that kind of input.

Ms. Friesen: Then perhaps I should ask the Minister, is there any directive on the part of this Government to involve itself in office building or reuse of office space on the south side of Portage?

Mr. Ducharme: In discussions with your various large holders of landlords like the Telephones and that there have been discussions. However, as you can probably appreciate, Government Services is the one that looks after the particular rental space. When you do have a proposal call, I know there are proposal calls out for the new data building. I do not know which ones are being considered. I know they are aware of the different locations at the North of Portage, and I am sure they are aware of the south side of Portage. I guess it is best explained by Dr. Naimark. I guess it is when it comes down to where Government gets involved in either the north side or the south side of Portage Avenue. I know there have been discussions with this Minister, with the Minister of Government Services (Mr. Driedger) and with the Minister of Telephones (Mr. Findlay), so there have been discussions.

Ms. Friesen: There is no then, Government strategy to locate specifically say on the south side of Portage or on north Main Street, areas that require revitalization.

Mr. Ducharme: There is no Government policy that we do locate on either Main Street or south side or north side that I am aware of.

Ms. Friesen: I have two more questions on the south side. One is the arena. Have you done any studies to look at the impact of the arena in the area, the proposed location next to the Convention Centre, of what impact that would have on the kind of marketing strategies for retail in particular, which seems to be the way in which this report has gone, what impact that will have upon the new vision that you have of the south side of Portage?

Mr. Naimark: May I first ask, Madam Chair, when you referred to this report, Ms. Friesen, what were you referring to?

Ms. Friesen: The Coriolis Report, the marketing strategy.

Mr. Naimark: The Coriolis Report, not the report of the arena consultants. Well, there are a number of possibilities. If, for example, the arena developers who are interested for their purposes in developing retail and other activities in and around the arena, then you are setting up a competitive arrangement. If what they are setting up are amenities which draw more people downtown than might otherwise go, then we could see some beneficial spillover of that level of activity to North Portage.

I think one of the questions that we have had in some of our dreaming has been some way of creating corridors of activity, for example, along Edmonton Street, south of Portage, down as far as Broadway and perhaps even further in which you could start to have arterial inputs into the North Portage central core facility, whether one could even imagine a weather-protected pedestrian concourse or walkways that would take you all the way down from Portage down to an arena.

I mean there are any number of such things that could provide for interesting interaction. We have not, to answer the more specific question, undertaken any detailed marketing studies yet because it seems a little early for us to be able to get useful information. Once one has a development plan for that area and knows exactly what will be there, then I think we would be in a better position to be able to pose questions to a consultant or a surveyor to help us.

Mr. Carr: Madam Chair, I am intrigued with Dr. Naimark's last answer, because he said that any arena complex, if it contained a commercial component, would be in competition with North Portage.

Mr. Naimark: Could be.

* (1220)

Mr. Carr: Could be. Yet, the North Portage Development Corporation has in its mandate the development of the south side of Portage. At the same time, the success of North Portage is directly related to the success of Cadillac Fairview, because of the participation rent issue that we discussed earlier in this meeting which gives rise to an obvious question which is, if the arena complex, if it

contained a commercial component, would be in conflict with North of Portage.

Is North of Portage not in conflict with itself given its reliance on the success of Cadillac Fairview and its commitment to establishing retail on the south side?

Mr. Nalmark: No, I do not think that is a correct interpretation.

First, we do not rely on participation income. As I have stated more than once during this discussion, we do not regard participation income as a critical factor in the North Portage long-range financial plan. In fact, we do not even recognize it in any of our projections. It is not critical in that sense.

When one refers to competition, it is very difficult to know at what point increased activity becomes synergistic, and at what point it becomes competitive. I certainly do not have the expertise to analyze that balance at this moment.

I was essentially speculating on all the variety of kinds of things a major development like an arena south of Portage might have. On balance, my personal view is that it is far more likely to help than to hinder.

Mr. Smith: Just one additional point on the arena, I think we have been looking at the arena as well in the context of the downtown business review of the project. I think the businessmen within the whole of downtown are probably in the best position to look at what some of the impact, negative and positive, is on retail and other activities within the downtown. We have been certainly very interested in listening to what the business position is on the arena. So far they seem to be looking fairly positively at the location south of the Convention Centre.

Mr. Carr: Madam Chair, a question or two on the North Portage Development Corporation consolidated statement for the year ending March 31, 1990. There is a line Other Professional Services. The figure was zero for 1989 and is \$182,726 for 1990. Could the corporation explain what those Other Professional Services are?

Mr. Smith: Yes. In large part the \$182,726 are related to consultants, including legal work that was done related to the takeover of Place Promenade. As well, we last year went through an arbitration process with the Investors Group over the costs of the parking garage beneath One Canada Centre. There are also costs within that, that are related to

that as well, but largely related to the takeover of Place Promenade.

Mr. Carr: How much of the \$182,726 is legal costs, approximately?

Mr. Smith: Approximately \$100,000.00.

Mr. Carr: So it was necessary for the corporation to pay out \$100,000 to lawyers during the time of the Place Promenade takeover.

Mr. Nalmark: As Kent Smith indicated, there were other legal costs associated with the arbitration with respect to One Canada Centre. That had to do with the costs attributable to the parkade. We were very far apart. We were at something like \$2.1 million and One Canada Centre was at \$3.6 and the arbitration came down to very close to our figure and some of the expense shown here of the \$100,000 was a legal cost, but I would guess the majority would be Place Promenade.

Mr. Smith: The \$100,000 is Place Promenade.

Mr. Nalmark: Oh, that is Place Promenade. So there are other legal costs in addition to that for the other thing. Okay.

Mr. Carr: The line just below that one is Salaries and Benefits, and I see there has been quite a dramatic jump between 1989 and 1990—12 percent, 13 percent, 14 percent—some almost \$50,000 in increased salaries and benefits. Can we have an explanation for that, please?

Mr. Smith: That is a good question. In the way we were expensing, we have a project manager who is on staff who, traditionally, the project manager originally worked on fundamentally construction-related activities, development-related activities. We were treating his salary as a development cost up until last year when, in fact, the project manager, who is a professional engineer, has been spending the bulk of his time working on operation and maintenance issues related to the operation of our parking garages, as well as other issues related to the operation of private streets.

We thought it more properly for accounting purposes that should be treated as an administrative expense as opposed to development expense. His salary has been added in, and the \$50,000 is virtually that position.

Mr. Carr: Madam Chair, I understand that Mr. Coop has resigned as chief executive officer and president of the corporation and that the board, in its wisdom, has decided not to replace him with

another president, but rather to move to a general manager model, and that Mr. Smith is the general manager who has been appointed by the corporation thus saving, presumably, quite a bit of money in salary. Can the Chairman tell us just about how much?

Mr. Nalmark: I think the saving would be of the order of \$50,000 to \$60,000.00.

Mr. Carr: So there has been a saving of \$50,000 or \$60,000 by moving away from the model of the chief executive officer and into the model of a general manager. Why did the corporation decide to take that decision, and was the Minister involved in that decision?

Mr. Nalmark: The Minister was not involved in that decision, although informed about it. First of all, Mr. Coop had indicated a desire to retire some time ago. We prevailed upon him to stay on as a result of the difficulties with Place Promenade, and so on. We postponed and postponed, finally, it was agreed that once the Provincial Auditor's report was out, and so on, he had served the corporation's interest in that respect.

We felt it was inappropriate given the current level of activity of the corporation; namely, the big development projects, and so on, were in hand. We were in a kind of maintenance and incremental development phase that we did not require that level of staffing. In addition, of course, there had been a good deal of talk about the future of the corporation, and so on. We did not feel it was appropriate to commit the corporation to a high level president, chief executive officer arrangement but to provide for the sound continued administration of the corporation through the appointment of Mr. Smith who knows the ins and outs very well.

Mr. Smith is on a two-year contract. Our hope is that during that period of time two important events, or processes, will take place. One is some future policy direction for the corporation will be charted by the shareholders and, secondly, that the corporation will in the interim do a thorough analysis of what its longer range development activities would be. Once that was in place we could decide what level of administration and staffing was necessary.

Madam Chairman: There being two minutes remaining, is it the will of the committee that the two minutes be expended in concluding statements by the Minister and the two critics?

Mr. Ducharme: Maybe we could suggest that Mr.

Carr could finish up, and then we will go right at into our statements. I will not be very long.

Mr. Carr: Madam Chair, I will not be long either, although I must say that there is much uncovered. We could have used two or three meetings of this committee I am sure.

Let my final question then before sum-up remarks be, what is the ongoing relationship with Mr. Coop? I understand that he has been retained as a consultant to assist the corporation in some of its future plans. Can the chairman just give us a brief summary of the nature of the continuing relationship?

* (1230)

Mr. Nalmark: There is no contractual relationship. Mr. Coop, at my request, said that he would make himself available from time to time on request if the corporation felt it was useful to the corporation. I am not aware that we have made use of his services. Is that right?

Mr. Smith: We are right now. Yes, we have made use. There are a couple of things that Mr. Coop was involved with. There are a couple of legal matters that are still outstanding and he is working on. As well, he has been assisting with some of the work on the Place Promenade negotiations.

Mr. Nalmark: Excuse me, Madam Chair. The nature of the relationship is a consulting relationship on a job-by-job basis. There is no retainer. Mr. Coop has indicated that he would like to tail off completely within the next little while. At the time that I asked him to keep himself available there were two issues that were of particular concern to me. One was that he was heavily involved in the negotiations with Lakeview with respect to the hotel, and so on. We wanted him to be available to conclude that if necessary. The other one was the intricacies of the Place Promenade work-up.

Ms. Frlesen: Well, I agree with Jim. There has not been enough time and I had not expected that.

Certainly I had wanted to ask you questions on the institutional mix, on the political responsiveness and reporting and practices of the corporation. I think probably we both wanted to address future models of organization that are being discussed generally and to get your reflections on that as well, but there is not enough time.

I have concentrated my remarks upon the social purposes of a very large urban renewal project and

had an opportunity, for which I thank you both, to look at some of the ways in which some of the goals I think of North Portage have been met.

I think all I really have to say is thank you very much for your time—it has been a long time—and for the patience of your staff as well. Thank you.

Mr. Carr: Madam Chair, I would like to thank Dr. Naimark and Mr. Smith sincerely for the spirit of openness that they have brought to this morning's session. While all of the questions may not have been answered, indeed not all questions have been posed.

I think we can see this morning as a victory for the process and that the public has been well served by this. I am grateful for the spirit of openness that these gentlemen brought to the table this morning.

We need more time. There were many areas that were almost entirely uncovered, but you have to make choices within a two-and-a-half-hour framework.

While this is the first time that legislators have had an opportunity to question the chairman and members of the staff of the North Portage Development Corporation, it will not be the last. I hope the very knowledge that it will not be will make the North Portage Development Corporation more accountable to the people who fund it.

I am glad to have been a part of this process, and I look forward to the next opportunity which will come quite soon. The fiscal year ends in March and we could be back at this in April and May. Perhaps by then the rules will be flexible enough so that the questioning will not end until all the questions have been asked.

With those concluding remarks, Madam Chair, I am again grateful for this opportunity.

Mr. Ducharme: First of all I would like to thank Dr. Naimark and Kent Smith and the rest of the staff and also at this time thank the members who have participated in North of Portage and the history explained by Dr. Naimark. We have people who have put in a lot of hours, board members, for the last so many years, like Dr. Naimark and I guess Mr. Brice are the only charter members left. I want to particularly thank those two individuals.

Also I thank the two critics for their very, very open and frank questions. We have tried to answer the questions. I know the administration has done that through a process that is new. I think it is a good process.

I guess in closing I say that no one ever said when we started the process on North of Portage that urban revitalization was ever going to be easy. They have explained that in the history, seeing that there are problems when you are doing that, but that was also explained in the Auditor's report. He did emphasize that it was not going to be easy and it is something that we have to continue to do in the City of Winnipeg.

I would at this time though make sure everyone, when we ever get out of this House, does their Christmas shopping at North of Portage so we can help with the survival of North of Portage the way it is. Thank you very much.

Mr. Naimark: Madam Chair, we have copies of that summary statement I gave if the participants—you have it.

Madam Chairman: The hour being past 12:30 p.m., committee rise.

COMMITTEE ROSE AT: 12:36 p.m.