

# DEMOCRACY DERAILED

## The breakdown of government accountability in Alberta —and how to get it back on track

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DR. TAFT: Thank you, Mr. Speaker. In January 1996 a major independent appraisal of the market value of parcels C, D, and E of the Holy Cross hospital in Calgary placed their potential sale value at up to \$20.6 million. A letter from Calgary health region's CEO to Alberta Health in October '96 pegged the value of the land alone at \$8.4 million. A report conducted the following year estimated the value of the land, assuming no use for the buildings, at 4 and a half million dollars to \$9 million. My questions are to the Premier, who has some of this documentation now. Given that provincial policy on the sale of property owned by health authorities states that fair market value should be obtained and given that purchasers clearly valued the buildings as well as the land, can the Premier explain why the land and buildings sold for only \$4.57 million?

MR. KLEIN: Mr. Speaker, first of all, there was an independent evaluation by a group of citizens who made recommendation that this sale was reasonable and was viable. I can tell you that had that property sold and had it been the intention of the successful purchasers to simply tear it all down and build condominiums, then I would say that the retail value of that property would be in accordance with what the hon. member points out. The simple fact is that it was to retain use as a medical complex. To my knowledge there are, I think, well over a dozen different medical activities now taking place at that particular centre.

THE SPEAKER: The hon. member.

DR. TAFT: Thanks. It sounds like a subsidy to the medical business.

Given that various assessments placed the value at \$8.4 million to over \$20 million, why was the property listed at only \$4.9 million?

MR. KLEIN: Mr. Speaker, I don't have the document in front of me, but I suspect that because the use of the land was restricted probably, and that was the value of the land relative to its restricted use.

Mr. Speaker, an interesting preamble to the question. The hon. member alluded to subsidies to medicine. I would remind the hon. member that this government, the people of this province spend over \$6 billion a year on medicine. That is indeed a subsidy.

DR. TAFT: A subsidy to the medical business.

Given that a commercial real estate agent handled the pending sale of the Charles Camsell hospital in Edmonton, can the Premier give us any idea why there is no sign that such an agent was used in the sale of the Holy Cross?

MR. KLEIN: No, I can't, Mr. Speaker, but I'll have the hon. Minister of Health and Wellness respond. Maybe he can shed some light on this.

Again going back to the second preamble or the preamble to the hon. member's third question: a subsidy to the business of medicine or something to that effect, Mr. Speaker. Well, there are about 4,500 doctors operating in this province, and most of them operate on a fee-for-service basis. I don't know what the percentage is. I think it's about 87 percent that is a full subsidy by the people of this province to the operation of those doctors' clinics, which in effect are private businesses.

### May 7, 2002

DR. TAFT: Thank you, Mr. Speaker. Yesterday the Premier said that if it had been the intention of the purchasers of the Holy Cross hospital to simply tear down the hospital and build condominiums, then its value "would be in accordance" with the \$20.6 million that the appraisal indicated. The Premier then suggested that it sold for one-quarter of its appraised value because the hospital building was kept. Well, that's just plain wrong. In fact, the appraisal gave the site such high value because it envisioned keeping the main hospital building for alternate uses, much as has occurred. My questions are to the Premier. Given that government policy states that, quote, land and/or facilities shall be sold for their fair market value and fair market value shall be estimated by an independent appraisal, end of quote, can the Premier tell us why government policy was ignored when the Holy Cross was sold for one-quarter of its appraised value?

MR. KLEIN: Well, Mr. Speaker, maybe the hon. member will ask former Bishop O'Byrne, you know, why that decision was made or ask former Alderman Jon Lord, who now sits as the hon. Member for Calgary-Currie, who was on the disposition committee. The simple fact is that market value relates to what a person, an individual, or a company is willing to pay for a piece of land. According to my research – and my research comes from talking to people who were directly involved with the disposition committee – one of the four proponents that came forward actually wanted the government to pay the proponent to take the property off their hands. As I understand it, there was no value of any consequence to that property at that particular time, and the price we got was deemed by the disposition committee to be a fair and honest price.

DR. TAFT: Keep working on your research.

Now that the Premier has had more time to consider the issue, let me repeat a question from yesterday. Given that various independent assessments placed the value at \$8.4 million for the land alone to over \$ 20 million, why was the price for the land and buildings listed by the CRHA at only \$4.9 million?

MR. KLEIN: Mr. Speaker, for an educated person I am absolutely surprised at his lack of knowledge relative to how the real estate market works. He can take where he hangs out his shingle and say: this piece of property is worth \$20 million. But if no one is going to pay him \$20 million, he's not going to get it. You know, you can have any kind of evaluation you want on a piece of property, but if people aren't going to pay it, you aren't going to get that price. It's as simple as that.

DR. TAFT: Well, let's bring some commercial real estate agents into the process. Given that a commercial real estate agent handled the pending sale of the Charles Camsell hospital in Edmonton, why is there no sign that such an agent was used in the sale of the Holy Cross?

MR. KLEIN: Mr. Speaker, there was a process, as I understand it, that was in place. It involved the Calgary regional health authority establishing a disposition committee. The committee was made up of a number of citizens and involved, as I pointed out, a city councillor, in this case the alderman for that particular ward. It involved the clergy because of the religious association that the Holy Cross had with the Catholic church . It involved community leaders. It involved representatives from the RHA, as I

understand it, and there was a good and fair and impartial adjudication of all the proposals that came forward, and at the end of the day the committee recommended a sale for a certain price.

### May 8, 2002

DR. NICOL: Thank you, Mr. Speaker. According to government policy cabinet approval was required for the sale of the Holy Cross hospital. Through FOIP the opposition obtained a copy of a memo from the then Minister of Health and Wellness, Mr. Jonson, to the Premier recommending the proposed sale of the Holy Cross hospital. This memo is not marked as a draft and has a file number. However, this memo is not signed, is not dated, and is not on letterhead. My questions are to the Premier. Can the Premier explain why a memo from a minister of the Crown to the Premier and members of Executive Council involving a multimillion dollar deal was left unsigned, undated, and was not on letterhead?

MR. KLEIN: Mr. Speaker, I have no idea whatsoever, and I don't even know if the memo was sent. I would have to see it. Is it typed? Is it handwritten? I have no idea. Perhaps the hon. leader of the Liberal opposition would be courteous enough to send it over so I can have a look at it and perhaps provide him with an answer.

THE SPEAKER: The hon. leader.

DR. NICOL: Thank you, Mr. Speaker. It was sent to the Premier's office on Monday. He's had it since then.

Is it typical procedure for memos involving multimillion dollar deals to be sent unsigned, undated, and not on letterhead when you're dealing in cabinet?

MR. KLEIN: Mr. Speaker, if it was sent on Monday of this week, I have no recollection of receiving an unsigned memo written by some anonymous person. Perhaps the hon. Leader of the Official Opposition would send the memo or the piece of paper over so I could have a look at it.

THE SPEAKER: The hon. leader. [interjections] The hon. leader. [interjections] The hon. leader. Three times. Please.

DR. NICOL: Thank you, Mr. Speaker. I just wanted to make sure that the Premier had a chance to look at it again. It does have the minister's name at the bottom. It is written to the executive, to the Premier. My question again is: is it normal process for letters to be sent from one minister to Executive Council without signature, without a date, and without letterhead? It was received through FOIP from the minister's office in the data that they provided to us. It must have been delivered.

MR. KLEIN: Mr. Speaker, I haven't seen this document. Perhaps it went to Peter Elzinga. I don't know. You know, it's not dated. [interjections] Right. You know, it's . . .

THE SPEAKER: Why don't we move on to the third question. Third Official Opposition main question. The hon. Member for Edmonton–Riverview.

DR. TAFT: Thank you, Mr. Speaker. The government's own policy on the sale of property owned by health authorities requires assurance that the property being sold "would not be needed for health care delivery in the future." Similar restrictions were made perfectly clear to all parties bidding on the Holy Cross hospital. The bidder that was ultimately successful in buying the Holy Cross was originally rejected from the shortlist of finalists because it failed to respect this policy, but this bidder was allowed back into the process, bought the hospital, and within weeks of signing the bill of sale had a deal with the CRHA paying for surgical services, a contradiction of the terms of the bid process and of government policy. To the Premier: how can

the Premier justify this process when one set of rules was applied during the bidding and those same rules were then ignored once the successful bidder was announced?

MR. KLEIN: Mr. Speaker, I'll remind the hon. member that there was a process put in place, and it was completely arm's length from the government. This sale was completely managed by a disposition committee made up of city councillors, clergy, community leaders, and Calgary RHA representatives. I see that the hon. Member for Calgary–Currie is not with us, but certainly he was on the committee as the city councillor for the ward in which the institution was located. Their stated preference, according to my discussions with him and RHA officials, was to have the site sold to someone who would use it for health-related services. Of three offers received, the committee accepted the highest offer. While the Liberals might think the price should have been higher, there's an old rule in real estate that says that the value of a piece of property is really what people are willing to pay for that piece of property, and for that site we received the most that people were willing to pay. Looking at what has happened on that site, that facility now houses a multitude of health services, including long-term care beds, a pain management clinic, several eye doctors, psychiatric services, and others. So I think the people of Calgary are getting a great deal of value for the sale.

DR. TAFT: I should remind the Premier that it's government policy that cabinet approves, government approves the sale.

Given that the losing bidders said that they were shocked – and that's a quote – to learn that the disqualified bidders won the process, why were the original finalists not allowed to resubmit their proposals under the same terms offered to the winning bid?

MR. KLEIN: Well, Mr. Speaker, I would think that the hon. member ought to sit down with the disposition committee or those members who are still around, understanding that he's going back about – what? – six years now. I think it was in 1996 or 1997 when this negotiation took place, when this disposition committee was in place. I mean, a number of things have changed since then. The city councillor who was on the disposition committee is now an MLA, and the bishop who was on the committee at that time is now retired, I believe, Bishop O'Byrne. I think that other people have gone. They've done their job, and they did the best they could. As far as I know, we got the best possible value for the property.

DR. TAFT: Can the Premier tell us if it is a conflict of interest for the leader of the successful bid to be simultaneously an employee of the RHA selling the property?

MR. KLEIN: Mr. Speaker, that is a matter for the Ethics Commissioner to adjudicate. I can't comment on whether that individual is in conflict of interest or not. There are rules that apply to regional health authorities, and those rules come under the purview of the Ethics Commissioner of this province. I would ask the hon. member to refer that matter to the Ethics Commissioner if he has a problem.

## May 13, 2002

DR. NICOL: Thank you, Mr. Speaker. The Premier has referred in recent days to the work of the Holy Cross disposition committee and has indicated his confidence in its proceedings. Documents obtained by us show that the disposition committee originally planned to reject the bid from Enterprise Universal. Within days, however, this decision was reversed, the letter was revised by the CRHA CEO, and Enterprise Universal was invited to resubmit. It's clear that the disposition committee was not arm's length in its decision-making. My questions are to the Premier. Was the Premier ever contacted by the backers of the Enterprise Universal bid concerning the purchase of the Holy Cross?

MR. KLEIN: Mr. Speaker, perhaps I was. I would like to know who Enterprise Universal Inc. or company is.

DR. NICOL: The people who bought the Holy Cross.

My second question, Mr. Speaker, is: was the Premier ever made aware that the Holy Cross was appraised at up to \$20.6 million?

MR. KLEIN: According to my information there were a number of appraisals based on the best and possible use, and according to the note that was provided to me, there was an upside value if the property was to be zoned to its highest possible use and if indeed there was a buyer who wanted to buy the property at that particular price. But as I understand it, Mr. Speaker, there were some complications associated with this particular site in terms of demolishing the hospital, the removal of the asbestos, and so on, the environmental cleanup, and to the best of my knowledge no developer wanted to go to the expense to undertake that very expensive cleanup. Therefore, the disposition committee accepted what they deemed to be the best offer.

In answer to the hon. member's first question, if he's alluding to the Huang brothers – Peter, Ian, and John – as the proprietors, or the owners, of that particular company, yes, they did approach me, and I indicated to them that a disposition committee would be struck to make a proper adjudication of this.

THE SPEAKER: The hon. leader.

DR. NICOL: Thank you, Mr. Speaker. Again to the Premier: given that cabinet approval was necessary for the sale of the Holy Cross, were any supporting documents or copies of appraisals provided either to the Premier or Executive Council before the approval?

MR. KLEIN: Mr. Speaker, I can't recall if formally any particular documents were provided to me or any other members of cabinet. Perhaps the then Minister of Infrastructure or public works – I forget what it was called at that particular time – might have received some documents. Clearly, one of the proponents visited me – I believe it was in Calgary – to outline what their proposal was, and I indicated to them that this would be a subject for adjudication by the disposition committee.

THE SPEAKER: Second Official Opposition main question. The hon. Leader of the Official Opposition.

DR. NICOL: Thank you, Mr. Speaker. We have a hospital sold shortly after \$ 20 million was spent on renovations. We have a disqualified bidder allowed back into the process who wins the bid and then is allowed terms unavailable to any other bidder, and it turns out that the leader of that bid was a senior official of the Calgary health region. We have a hospital on 8.6 acres of prime land in the hottest real estate market in Canada being sold for one-quarter of its appraised value. My questions are to the Premier. Does the Premier consider it acceptable practice to have a public tendering process in which bid conditions are changed for one bidder and not for the others?

MR. KLEIN: Mr. Speaker, again this is going back many, many years. I would remind the hon. Leader of the Official Opposition that the sale was managed by a disposition committee made up of city councillors, clergy, community leaders, and RHA reps. Their stated preference, as I understand it, was to have the site be sold to someone who would use it for health-related services. As I understand it, this was advertised nationally, not just locally but nationally, and of the three offers received, the committee accepted the highest offer. While the Liberals may think that the price should be higher, there's an old rule in real estate that the value of a piece of property is what people are willing to pay for it. For that site the RHA received the most that

people were willing to pay. The fact is that in that facility there now are a multitude of health services, including I believe it's some 40 long-term care beds, a pain management clinic, several eye doctors, psychiatric services, and others. I simply don't know what the Liberals are driving at.

THE SPEAKER: The hon. leader.

DR. NICOL: Thank you, Mr. Speaker. Given that the government is prepared to sell our public hospitals and has cited the Holy Cross as an example of how it should be done, will the Premier freeze the sale of all health facilities in this province until a full investigation into the irregularities of the Holy Cross sale is completed?

MR. KLEIN: Mr. Speaker, there are no irregularities, and to suggest that there were is I believe an insult to the good-thinking people and the community-minded people who served on the disposition committee. What he is suggesting is that they brought about some irregularities, that what they did was in some way underhanded, and that is wrong. He's talking about people the likes of former Bishop O'Byrne. He's talking about a Member of this Legislative Assembly, the hon. Member for Calgary-Currie, who was then a well-respected member of Calgary city council, and a lot of other people, community leaders and so on. You know, I have to stand up and stick up for these people. They're good, solid citizens who did the best possible job.

THE SPEAKER: The hon. leader.

DR. NICOL: Thank you, Mr. Speaker. To the Premier: given all the irregularities, will the Premier call for a judicial inquiry into the sale of the Holy Cross, where we can subpoena witnesses and have the truth come out?

MR. KLEIN: Mr. Speaker, why? You know, this is six years old. We want to get on with the future. I mean, this sale took place a long, long time ago. To my knowledge it was a perfectly normal sale under the circumstances of the day, and it was properly adjudicated by a disposition committee.

THE SPEAKER: Third Official Opposition main question. The hon. Member for Edmonton-Riverview.

DR. TAFT: Thank you, Mr. Speaker. Yesterday the Official Opposition tabled a memo from then Minister of Health Jonson to the Premier and Executive Council. We obtained the memo through FOIP, and it contains a FOIP index number and an action request number. To the Premier: can the Premier explain why the memo states that, quote, the Calgary regional health authority board entered into negotiations with Enterprise Universal in September 1996, end quote, when requests for proposals to sell the facility had not even been sent out then?

MR. KLEIN: Mr. Speaker, first of all, the Liberal opposition tabled this. I received a note of apology, and I understand that the hon. member did apologize to the House for saying that it had been delivered to my office when in fact it hadn't been, but there's nothing untoward about this. This is a copy that is attached to the original, and I have the original in front of me. To answer my question, it says:

Following independent appraisals the property was listed at \$4.9M for over a year. There have been limited enquiries, mostly at the \$2M range. In September 1996, the Board entered into negotiations with Enterprise Universal Inc. which have resulted in an agreement under which Enterprise Universal Inc. will purchase the property for \$4.575M. This offer appears to be the best purchase price currently available and represents fair market value. The sale would also eliminate the reported annual expenditure of \$1M by the RHA to maintain the safety and security of the property.

I assume that that took place following the recommendation to the RHA by the disposition committee. There's no reference to that here in the memo. I don't have all the correspondence on it, but I hardly think it's worth the

time and effort that the Liberals are spending on this particular issue unless they want to come clean and tell the Legislature and the public what they're after.

DR. TAFT: Given that we're not going to get offers on a property if we don't ask the full value of it and given that every appraisal available valued the property at well above \$4.9 million, can the Premier explain why the memo he refers to indicates that the property was listed on the market at \$4.9 million, well below appraised value?

MR. KLEIN: Mr. Speaker, I have no idea, and I'm just making some assumptions here, because, as I say, this matter is over six years old. It says:

The Agreement [also] has been reviewed with respect to the Provincial Policy on the Sale of Property Owned by Health Authorities and found to be compliant with the Policy. The Agreement requires the purchaser to agree that the property will not be used to provide private hospital or acute care inpatient health services.

That should be good news to the Liberals. "However, it does not preclude the use of the facilities to provide outpatient, day surgical services or supportive long term care programs" – and that's exactly what the site is being used for – "in compliance with existing legislation." As far as I know, everything is in compliance with the existing legislation. "The purchaser is proposing to use the property to deliver post-secondary education services," not bad, "residential development" – I guess maybe there's something around there; I don't know – "and a variety of complementary health services," which I do know are being provided. What is the problem here?

DR. TAFT: Well, given his quotes here today and given that government policy on the sale of property owned by RHAs, which we tabled in the Legislature yesterday, clearly states that property being sold should not be needed for future health care delivery, why does this memo as he just quoted it substantially contradict that policy? Is policy just made on a whim here?

MR. KLEIN: Mr. Speaker, it does not contradict or violate in any way the policy. It says that it can't be used for acute care. It can't be used for a hospital, a private hospital. It accommodates a number of clinical applications, and that's perfectly permissible under the Health Care Protection Act.

THE SPEAKER: Hon. the Premier, it would be helpful, too, if that memo would be tabled in the Assembly at the appropriate time if it hasn't already been.

MR. KLEIN: I'll be happy to table it. I'll have those copies. That was the original, not the stuff they tried to table yesterday.

THE SPEAKER: At the appropriate time we'll have the right thing.

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