

## NEW PROGRAM WITH BYLAW ADJUSTMENTS - DEVELOPMENT OF A DERELICT RESIDENTIAL SUBCLASS

### RECOMMENDATION

That the March 20, 2023, Financial and Corporate Services report FCS01565, be received for information.

<b>Requested Council Action</b>	Information only		
<b>ConnectEdmonton's Guiding Principle</b>	<b>ConnectEdmonton Strategic Goals</b>		
<b>CONNECTED</b> This unifies our work to achieve our strategic goals.	<b>Healthy City</b>		
<b>City Plan Values</b>	THRIVE		
<b>City Plan Big City Move(s)</b>	A rebuildable city	<b>Relationship to Council's Strategic Priorities</b>	Community safety and well-being
<b>Corporate Business Plan</b>	Transforming for the future		
<b>Council Policy, Program or Project Relationships</b>	<ul style="list-style-type: none"> <li>Bylaw 19519 - Residential Assessment and Supplementary Assessment Subclass Bylaw</li> <li>Problem Properties Initiative</li> </ul>		
<b>Related Council Discussions</b>	<ul style="list-style-type: none"> <li>CS00896, Problem Properties Initiative Update, Community and Public Services Committee, April 11, 2022</li> <li>FCS01244, Derelict Residential and Non-Residential Properties - Grant Program and Draft Policy, Community and Public Services Committee, October 25, 2022</li> </ul>		

### Previous Council/Committee Action

At the October 25, 2022, Community and Public Services Committee, the following motions were passed:

## **NEW PROGRAM WITH BYLAW ADJUSTMENTS - DEVELOPMENT OF A DERELICT RESIDENTIAL SUBCLASS**

That Administration explore options for a new program with bylaw adjustments that supports the development of a new derelict residential subclass using the “narrow” definition in the October 25, 2022 Financial and Corporate Services report FCS01244 and return to Committee.

That Administration bring forward an unfunded service package for consideration during the 2023-2026 budget deliberations for a new program that supports the development of a derelict residential subclass using the “broad” definition, but limited to a defined area, as outlined in the October 25, 2022, Financial and Corporate Services report FCS01244.

### **Executive Summary**

- City Council approved funding for a derelict residential subclass using the “broad” definition during the 2023-2026 budget deliberations, therefore Administration is proceeding with the development of a Mature Area Derelict Residential subclass based on the physical state of disrepair of the property.
- Administration proposes to apply the new subclass to mature, established neighbourhoods as defined by the map in Attachment 1.
- Bylaw amendments will be brought forward in Fall 2023 to formally establish the subclass. If passed, the subclass will appear on assessment notices mailed in January 2024.
- The tax rate for the new subclass would be established as part of the annual tax rate bylaw in April 2024. The proposed tax rate will be the non-residential tax rate which is approximately three times the general residential rate.

### **REPORT**

On October 25, 2022, Community and Public Services Committee passed two motions in regards to a possible derelict residential property tax subclass. The first was based on a “narrow” definition of derelict properties, restricted to those with Alberta Health Orders, and the second was centred around a “broad” definition based on the physical condition of the property but within a defined area. The “broad” approach required funding, which Council approved during the 2023-2026 budget deliberations. Based on this approval, Administration is developing the subclass based on the broad definition in a defined area of the city.

The first step is to determine an appropriate ‘defined area’ in which to apply the subclass. Assessors will be required to travel to all neighbourhoods in the area to identify derelict properties, so focusing the effort on areas where they are most likely to find such properties makes the most efficient use of resources. While dereliction occurs throughout the city, the majority of derelict residential properties are located in older neighbourhoods in and around the core. For this reason, Administration proposes to apply the subclass within mature, established neighbourhoods. These neighbourhoods include most of the properties that may be considered derelict as identified in the previous report (see Attachment 1), but limits the area such that identifying properties is reasonably efficient. The area would be defined in the bylaw by referencing a map.

## **NEW PROGRAM WITH BYLAW ADJUSTMENTS - DEVELOPMENT OF A DERELICT RESIDENTIAL SUBCLASS**

The October 25, 2022, Financial and Corporate Services report, FCS01244, Derelict Residential and Non-Residential Properties - Grant Program and Draft Policy, set out the following definition:

“Derelict Residential” means a subclass of property classified as Class 1 - residential, as set out in section 297 of the *Municipal Government Act*, where an improvement containing residential living areas shows serious signs of neglect, is dilapidated, falling into significant disrepair, or is uninhabitable, including but not limited to properties:

- (i) that are deserted, or abandoned;
- (ii) which are partially or fully boarded up or secured; or
- (iii) which have been issued an order indicating the property is unfit for habitation.

The revised definition which includes reference to the limited area will be proposed as:

“Mature Area Derelict Residential” means a subclass of property classified as Class 1 - residential, as set out in section 297 of the *Municipal Government Act*, which is a property that:

- a) falls within the geographic area that is displayed in colour on Schedule “A”<sup>1</sup>; and
- b) contains an improvement, with a residential living area, that shows serious signs of neglect, is dilapidated, falling into significant disrepair, or is uninhabitable, including but not limited to improvements:
  - (i) that are deserted, or abandoned;
  - (ii) which are partially or fully boarded up or secured; or
  - (iii) which have been issued an order indicating the property is unfit for habitation.

This definition means that if any component of a property that contains a residential living space is considered derelict, the entire residential portion of that property would fall within the subclass. For example, if both halves of a duplex are on a single title and only one half is derelict, both halves would fall within the Mature Area Derelict Residential subclass and would pay the higher tax rate.

### **Next Steps**

Administration will develop and implement a plan for assessors to inspect residential properties in the defined area over the coming months. Assessors will identify properties that meet the definition, and collect evidence (such as photographs) to support the inclusion of the properties in the subclass. This evidence would be used to confirm the classification and defend it in case a property owner files an assessment complaint.

In Fall 2023, Administration will bring forward recommended amendments to Bylaw 19519 Residential Assessment and Supplementary Assessment Subclass Bylaw. These amendments will formally establish the subclass. The report will provide high level estimates of the financial impact of the new subclass based on the inspection results.

The subclass will take effect as of the 2024 tax year, which means that the classification will begin appearing on the assessment notices mailed in January 2024. Because this subclass will be new and will have a significant tax impact on affected properties, a letter will be included with the

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<sup>1</sup> The schedule to the bylaw will show the same area as is shown in Attachment 1, but drawn to legal standards and with no properties identified. It will be brought forward with the bylaw amendments.

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assessment notice to directly inform the owner of the new classification. It is important they are aware of the change at this stage because tax notices are distributed after the deadline to file assessment complaints has passed. Administration will be prepared to respond to numerous inquiries and assessment complaints from impacted property owners.

The final step is to set the tax rate for the new subclass in the tax rate bylaw, which will come before Council in April 2024. The proposed tax rate for the subclass will be the same as the non-residential tax rate - about three times higher than the general residential rate.

### **Budget/Financial Implications**

Council voted to increase the 2023-2026 operating expenditure budget by \$291,000 on an ongoing basis to fund the Development of Derelict Residential Subclass service package. There are no further budget or financial implications at this time. Estimates of the financial impacts of the new subclass will be presented when bylaw amendments are brought forward in Fall 2023. Administration anticipates that revenue from the derelict subclass will at least offset ongoing costs once the program is established

### **Legal Implications**

Section 297 of the *Municipal Government Act* allows municipalities to establish residential subclasses on any basis it considers appropriate. Despite the broad range of options in creating subclasses, the classification would need to be based on physical characteristics that relate to the property and cannot be created in such a way that is discriminatory. A definition of derelict that is based on physical characteristics of the property would fall within the powers of section 297. Classifications may be appealed to the Assessment Review Board.

## **COMMUNITY INSIGHT**

Between December 2020 and July 2021, the City received community feedback about problem properties from 50 individuals through meetings, interviews and field observations. The feedback is summarized in Attachment 5, "What We Heard", of the April 11, 2022, Community Services report CS00896, Problem Properties Initiative Update. Insights indicated that the public supported the City using all available tools and a coordinated, multifaceted approach to address these properties. While the issue of problem properties is not limited simply to dereliction, these stakeholders are likely to appreciate the City taking action on this component of the issue.

### **GBA+**

Establishing a Mature Area Derelict Residential subclass will have a direct financial impact on the owners of derelict properties in the defined area. These properties are in such advanced disrepair that it is unlikely they are occupied, and in some cases occupation would be illegal. For this reason, there are not expected to be any equity issues related to renters. Property titles only indicate the name of the owners and do not include any demographic information related to GBA+ considerations. Some problem properties are corporately owned, making it even more difficult to identify equity implications.

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While derelict properties exist throughout the City, they are disproportionately located in areas that house relatively large vulnerable populations. Addressing these properties would be expected to improve the vibrancy of these communities, improving equity outcomes relative to other areas with fewer derelict properties.

### **ATTACHMENT**

1. Potentially Derelict Residential Properties with Proposed Subclass Area