

Demolition of the Sedona Property (Dwayne's Home)

The City of Edmonton is seeking to proceed with the demolition of 10209 - 100 Avenue NW (formerly known as Dwayne's Home) as a result of non-compliance of the property owner, Sedona Keys Developments Ltd (Sedona), with the orders to eliminate dangers by securing the property and to remove or demolish the structures and level the site.

Background

On August 22, 2022, the City of Edmonton issued an order to Sedona Keys Developments Ltd (the "Owner") pursuant to Section 546 of the *Municipal Government Act* (MGA) ordering the owner to secure the property. The property owner appealed this order to the Community Standards and Licence Appeal Committee (CSLAC). The hearing was scheduled for September 20, 2022.

Prior to the hearing in September 2022, the City of Edmonton along with the Edmonton Police Service and Edmonton Fire Rescue Services responded to various fire events and break ins at the property. In each case, a substantial amount of resources were spent investigating and securing the property to preserve community safety. As a result, using the City's emergency powers, the City of Edmonton began to provide security on the property.

At the hearing, the position of the property owner was that the City of Edmonton was responsible for all the issues happening at the property and that they had no responsibility for the security and maintenance of the property. As a result of the recent fire events and break-ins, the City requested that the order be modified so that the structure on the property would be demolished. On October 20, 2022, the CSLAC issued a decision modifying the original order to demolish the structure by October 6, 2023. In addition, the property owner was ordered to fence and maintain security on the property. The property owner did not appeal this decision.

Subsequent to the decision of the CSLAC, the property owner, for a period of time, provided security and maintained the fencing. However, in September 2023, during an inspection of the property, it was discovered there was no security and the fencing around the property had been breached. Shortly after making these observations, the City was informed that the owner would no longer provide security on the property. Given the ongoing safety concerns, the City hired security to watch the property and repaired the fence to ensure no additional safety concerns would arise.

The timeline to demolish the property expired on October 23, 2023. To date, there does not appear to be any progress on demolition. The property owner is therefore not complying with the order. The property owner has not paid the City of

Edmonton for any of the expenses associated with the order, and the property is now in significant tax arrears. Enforcement expenses are being added to the tax roll of the property as they are incurred.

Development Background

A demolition permit application was received on August 26, 2022 and issued on September 9, 2022. As of June 21, 2023, the site had an approved development permit (with conditions) for a 208-dwelling multi-unit housing (apartment) with an existing underground parkade. The demolition permit application has now expired as the applicant failed to provide the required asbestos abatement information. No reapplication for demolition or building permit application has been received or advancement of development permit conditions has occurred.

Legal Considerations

Section 546 of the MGA allows a municipality to issue an order against a property when there is a danger to public safety or an unsightly property is detrimental to the surrounding area. If a property owner does not comply with an order, Section 549 of the MGA allows a municipality to enforce the order. In this case, this would include providing security and maintaining the fencing on the property as well as demolishing the structure on the property.

Section 553 of the MGA allows a municipality to place the costs of enforcing the order onto the tax roll for the property. Once these costs are on the tax roll, they are considered a tax.

Once there are tax arrears on a property, the tax sale procedures of the MGA are engaged (Sections 412 to 428 of the MGA). A property on the tax sale list would be up for sale at a public auction with a reserve bid set by appraisal. If the property sells, the funds would be used to pay off the outstanding taxes and the new owner takes over full ownership of the property. The City can designate an official to bid on the property and thereby has an opportunity to take ownership at the time of tax sale. Special conditions may not be set on a property that sells during a tax auction.

If the property does not sell, the City can take the property as a tax forfeiture. Once taken as a forfeiture, the City can market and sell the property. If the property does not sell, 15 years after the auction the property may be transferred to the full ownership of the municipality with no additional cost.

Financial Implications

Per Section 553 of the MGA, the City has added the costs it has incurred to fence, board up and provide security to the site to the applicable tax roll for this property. As of December 31, the outstanding amount on the tax roll, including outstanding taxes, costs to secure the site and accruing interest, are approximately \$180,000. It

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is estimated the ongoing cost of security for four months to the end of April 2024 until demolition will be another \$140,000. The enforcement of the demolition order will result in an estimated additional \$4 million - \$5 million also being added to the tax roll, with the balance outstanding likely exceeding the value of the underlying land; the 2024 assessed value of the property is \$2.7 million.

It is unknown if the property owner will pay the amount owing on the taxes or if, given the high cost of the demolition, the property proceeds of tax sale would be sufficient to recover the costs. While it is possible to not place all the costs on the tax roll and instead attempt to recover some of those costs through a civil action, the property owner may not have sufficient assets for any recovery. If costs are not added to the tax roll prior to a tax sale, these expenses cannot be subsequently added. Administration intends to proceed within the full authority granted by the MGA to add all costs to secure and demolish the property to the applicable tax roll.

If costs are not fully recovered from the property owner or through tax sale, the City will need to expense the excess amount as a write-off in the year the amount is deemed unrecoverable. The timing of this is presently unknown. The current estimate of the potential financial risk to the City as a result of unrecoverable costs through tax sale is between \$1.7 million and \$2.7 million based on the 2024 assessed value, current outstanding property taxes, additional security and fencing costs plus the estimated demolition costs. A summary of the range of costs is itemized in the following table:

Financial Risk Exposure		
Description	Lower Range (\$000's)	Higher Range (\$000's)
2024 assessed value of property	2,650	2,650
Demolition costs	(4,000)	(5,000)
Outstanding property taxes (as at December 31, 2023)	(180)	(180)
Additional security/fencing*	(140)	(140)
Total cost range	(1,670)	(2,670)

*(assuming 4 months until demolition)

The financial risk exposure is based on estimates of assessed property value, outstanding property taxes, demolition costs, and additional security/fencing that are subject to change. The financial risk may be more or less than what has been estimated in the table above. If the exposure is significantly different than the estimate provided at this time, Administration may return to Council for further discussion.

Recommendation

Based on the estimated financial risk exposure, it is recommended that an amount equal to the higher end of the range, \$2.7 million, be appropriated in the Financial Stabilization Reserve to offset the risk.