

**Planning & Development Report to
Priorities and Finance Committee
2019 June 04**

**ISC: UNRESTRICTED
PFC2019-0739**

Kensington Manor – Building Safety Status and Plan

EXECUTIVE SUMMARY

This report is to inform Council of the present situation at a vacant seven storey residential building located at 321 10 Street NW, where significant structural issues and safety concerns exist. The owner has yet to fulfill their obligations as the landowner and resolve the issues and concerns. In the absence of a timely building remediation or demolition plan, by the owner, Administration has determined public safety needs warrant Administration initiating and overseeing building demolition. This report requests Council approval for the funding process and source for demolition.

ADMINISTRATION RECOMMENDATION:

That the Priorities and Finance Committee Recommend that Council approve:

1. The request of a 2019/2020 one-time Calgary Building Services Operating budget increase, as identified in Attachment 2, to fund the full cost of demolishing the building located at 321 10 Street NW;
2. The cost of the demolition to be interim financed by the City's 2019 Corporate Programs savings to date, with anticipated full recovery from the property tax roll of 321 10 Street NW;
3. Keeping Attachment 2 confidential under Section 25 of the *Freedom of Information and Protection of Privacy Act* until six months after the transaction has closed; and
4. Directing Administration to report back to Council through the Priorities and Finance Committee, six months after demolition is complete, or if there is a material change on site but in any event, not later than September 2020.

RECOMMENDATION OF THE PRIORITIES AND FINANCE COMMITTEE, 2019 JUNE 4:

That Council:

1. Approve the request of a 2019/2020 one-time Calgary Building Services Operating budget increase, as identified in Attachment 2, to fund the full cost of demolishing the building located at 321 10 Street NW;
2. Approve the cost of the demolition to be interim financed by the City's 2019 Corporate Programs savings to date, with anticipated full recovery from the property tax roll of 321 10 Street NW;
3. Direct that Attachment 2 remain confidential pursuant to Section 25 (Disclosure harmful to economic and other interests of a public body) of the Freedom of Information and Protection of Privacy Act, until six months after the transaction has closed; and
4. Directing Administration to report back to Council through the Priorities and Finance Committee, six months after demolition is complete, or if there is a material change on site but in any event, not later than September 2020.

PREVIOUS COUNCIL DIRECTION / POLICY

None.

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BACKGROUND

The building located at 321 10 Street NW, Kensington Manor, was originally constructed in 1969. It is a seven storey building with 57 residential rental units and commercial spaces on the main floor. Kensington Manor was being reviewed in 2017 by an engineer for structural concerns related to the balconies. A larger and significantly more serious issue was discovered by the engineer related to the floors and the roof. On 2017 November 23 the engineer advised The City that the building was structurally compromised and that the building should be evacuated without delay.

City of Calgary Safety Codes Officers reviewed the information provided by the engineers with the property manager and building owner and determined that Kensington Manor was unsafe to occupy. In the interest of life safety, all 125 residents as well as the businesses were required to evacuate on 2017 November 23.

The owner of the building, 765392 Ontario Inc, was lawfully served with an Order, pursuant to Section 546 of the Municipal Government Act, to review the structural concerns of the building, secure the premises against unwanted entry and to either remediate or demolish the building by 2018 December 30, which was extended to 2019 January 30. In early 2018, the building owner made initial attempts to render the building safe. An engineer was engaged to review the structural concerns, a temporary shoring system was installed, building entryways were secured, a temporary fence was put up around the property and a private security firm was hired to patrol the premises. These efforts were not maintained as the engineering firm, shoring and fencing contractor were not paid and they discontinued services.

The last compliance deadline passed 2019 January 30. Since then, The City, through Administration, has taken an active role in the oversight and management of the safety concerns at this site. Calgary Building Services has reviewed the structural status of the building and taken steps to enhance the security around the building. The primary concern with this building is related to the risk of the spread of fire.

INVESTIGATION: ALTERNATIVES AND ANALYSIS

Throughout 2018 and during early 2019, Administration endeavoured to work with the landowner toward a solution for the building. The options that were explored with the owner included demolition or remediation of the building. The owner requested an additional extension to the 2019 January 30 deadline. When this extension request was denied, all communication and cooperation ceased.

Currently, Kensington Manor represents a safety risk, which, without responsive action, is increasing over time (Attachment 1). While Administration has attempted to reach a safety solution with the landowner, the landowner has not undertaken sufficient action to respond to the safety risks. City of Calgary Administration has taken actions for property site safety, for which the associated financial costs represent an increasing cumulative liability against the property. Approximately \$18,000 in expenses are being incurred every month to mitigate the hazards of the building and to maintain public safety. These costs are placed onto the tax roll in addition to the monthly property tax penalties. As of 2019 May 1, this cumulative amount was \$59,632.

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Given the circumstances, Administration's safety codes team has determined the best course of action is for the building to be demolished, and for Administration to initiate and oversee this undertaking, which is within Administration's authority and jurisdiction to do. Coupled with this, a financial plan is needed to address the demolition cost (Attachment 2). As disclosure of the budget amount could be harmful to the economic interests of The City, Administration recommends keeping Attachment 2 confidential until six months after a contract is awarded.

This report seeks Council approval for the financial plan and funding source to enable Administration to proceed with demolition.

Next steps

Administration is proposing to undertake a competitive bid process to hire a contractor(s) to remove the asbestos and demolish Kensington Manor. Through this process, Administration estimates interior demolition and removal of asbestos could start by 2019 August. The full demolition work, including leveling the site, is expected to conclude in the first quarter of 2020.

To finance the cost to demolish the building, Administration has determined an appropriate source to be the City's 2019 Corporate Programs savings to date. All costs incurred would be applied to the 321 10 Street NW tax account, with the intention that the Corporate Programs be reimbursed for the costs, whether by the landowner, future tax sale of the property, or other means.

As Calgary Building Services has processes and procedures in place to protect the financial interests of The City for work of this nature, Administration is proposing to allocate the funds into the Calgary Building Services operating budget. Project management will be provided by Building Infrastructure, Facilities Management.

If, at any time, a party steps forward to take over care and control of the demolition action, The City would transition responsibility to that party to ensure a smooth transition.

Stakeholder Engagement, Research and Communication

From 2017 November through 2018 December, Administration had been consistently communicating with the landowner regarding their obligations to maintain the safety of the building. The landowner ceased direct communication in 2019 January when their second request for an extension to the deadline to demolish Kensington Manor was rejected.

Since January, the primary mortgage holder has been attempting to find a purchaser of the property who would take responsibility for the land and the demolition of the building. To date, there are no known potential purchasers of the property. The City has been advised that the lack of serious interest in the land is due to the liability of the existing building, cost and complexity of the building demolition and the lack of certainty on the future development potential on the site. At present, the land use and Area Redevelopment Plan allows up to a five storey building, which could impact potential purchaser interest. The City is currently undertaking multi-community planning which may allow increased density in the future.

Strategic Alignment

This report aligns with the Council directives of: A City of Safe and Inspiring Neighbourhoods.

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Social, Environmental, Economic (External)

Social

Vacant buildings that are not cared for can become derelict and detrimental to the surrounding area. Derelict buildings are not just an eyesore for the community, they may also affect the health and safety of the residents by attracting criminal or vagrant activity to the area. Because the repair and restoration of Kensington Manor is not feasible, and there is no apparent purchaser of the site, the building is expected to continue to fall further into disrepair.

Environmental

The building contains a large amount of asbestos which will need to be disposed of properly as part of any demolition. Any contractor hired by The City of Calgary to demolish the building would have to demonstrate a high standard of practice in disposing and reduce the probability of asbestos fibers escaping the site during demolition.

Economic (External)

Since the costs to demolish Kensington Manor get applied directly to the tax roll of the property and taxes take priority over all other financial positions in the land, there is a risk that there will be no value left for the other external parties who have a financial position in Kensington Manor.

Should Kensington Manor be left in place and the condition of the building worsens, there is a potential to cause a depreciation in values for land and buildings in the surrounding area.

Financial Capacity

Current and Future Operating Budget:

The ultimate source of funding is to be from the landowner through their property tax. Administration is proposing that the City's 2019 Corporate Programs savings to date be used in the interim as the initial source of financing the work. Final budget amounts will not be known until the competitive bid process is concluded.

As disclosure of the budget amount could be harmful to the economic interests of The City, Administration recommends keeping Attachment 2 confidential until six months after a contract is awarded.

There is no impact to the future operating budget related to this report.

Current and Future Capital Budget:

There is no impact to the current or future capital budget related to this report.

Risk Assessment

Approving funding for the demolition of Kensington Manor

The key risk of proceeding with a City initiated demolition is financial. There is a risk that The City will not be able to recover all costs incurred for demolition of the building. This risk is exacerbated due to the ongoing costs being incurred to maintain public safety by maintaining the shoring of the building and ensuring the site is secured.

Not approving funding for the demolition of Kensington Manor

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There are three primary risks that increase should the building remain standing over time:

- Public health and safety,
- Protection of adjacent buildings, and
- Value of adjacent and nearby properties

The safety risks, coupled with the cumulative financial liability lead Administration to conclude demolition is the appropriate course of action. Should the City of Calgary wait to proceed with demolition, the amounts owed to The City increase as does the risk of not being able to recover all amounts owed.

REASON(S) FOR RECOMMENDATION(S):

The risk posed by Kensington Manor to the health and safety of people and property near the building is significant. It is not feasible to remediate the building and the risks to the public and to The City increase the longer it sits vacant. Demolition of the building is the eventual outcome for this site and The City is the only party currently in a position to ensure the process is conducted in a timely and responsible way. Administration expects to be able to recover the costs incurred through the property tax of the site and will take all steps necessary to reduce any financial risk to The City.

ATTACHMENT(S)

1. Attachment 1 – Vacant Building Safety Risks
2. Attachment 2 – Kensington Manor Budget Allocation (Confidential)