



## ASSESSMENT REVIEW BOARD

Churchill Building  
10019 103 Avenue  
Edmonton AB T5J 0G9  
Phone: (780) 496-5026

### NOTICE OF DECISION NO. 0098 36/11

HAMILTON AVIATION LTD  
#201 63 AIRPORT ROAD  
EDMONTON, AB T5G 0W6

The City of Edmonton  
Assessment and Taxation Branch  
600 Chancery Hall  
3 Sir Winston Churchill Square  
Edmonton AB T5J 2C3

This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on July 13, 2011, respecting a complaint for:

Roll Number	Municipal Address	Legal Description	Assessed Value	Assessment Type	Assessment Notice for:
10131342	63 AIRPORT ROAD NW		\$6,571,000	Annual New	2011

#### **Before:**

Dean Sanduga, Presiding Officer  
Brian Frost, Board Member  
Lillian Lundgren, Board Member

**Board Officer:** Karin Lauderdale

#### **Persons Appearing on behalf of Complainant:**

Don Hamilton  
Robert Speidel

#### **Persons Appearing on behalf of Respondent:**

Shelly Milligan, Assessor, City of Edmonton  
Tanya Smith, Law Branch, City of Edmonton

## **PROCEDURAL MATTERS**

Upon questioning by the Presiding Officer, the parties indicated no objection to the composition of the Board. In addition, the Board members indicated no bias with respect to the file.

## **PRELIMINARY MATTERS**

At the outset the Respondent advised that the 2011 assessment for the subject property be reduced from \$6,571,000 to \$6,396,000.

The Complainant declined the recommendation.

## **BACKGROUND**

The subject property is located at 63 Airport Road and is described as area 19 of the airport lands. The land is 235,630 sq. ft.

There are two buildings on the site; building 1, at 25,915 sq. ft., operates as an aircraft services and storage facility and building 2, at 32,450 sq. ft., is an office building.

The property is classified special-use which is assessed using the cost approach to value.

## **ISSUE(S)**

1. What is the correct land assessment?
2. What is the correct buildings assessment?

## **LEGISLATION**

***The Municipal Government Act, R.S.A. 2000, c. M-26;***

s.467(1) An assessment review board may, with respect to any matter referred to in section 460(5), make a change to an assessment roll or tax roll or decide that no change is required.

s.467(3) An assessment review board must not alter any assessment that is fair and equitable, taking into consideration

- a) the valuation and other standards set out in the regulations,
- b) the procedures set out in the regulations, and
- c) the assessments of similar property or businesses in the same municipality.

## **POSITION OF THE COMPLAINANT**

The Complainant stated that he does not own the property and advised the Board that the assessment does not reflect the reality that the interest in the lands is only a leasehold interest and not a fee simple interest.

He further stated the value has decreased since 2010 and the Respondent has not taken this into account.

In 2010, the property assessment was \$6,212,500. In 2011 the assessment was raised to \$6,571,000. The Complainant finds there is no rationale for an increase in the assessment of this property.

The lease agreement between the Complainant and the City of Edmonton contains very significant restrictions on the use of the subject property and development, which affects its marketability.

In 2009, the City of Edmonton passed a motion to close the Edmonton City Center airport. Since this happened, the demand for aviation services has dropped dramatically. The closure of Runway 16/34 with its all weather landing capability has further decreased the demand for this property for aviation purposes. In particular, traffic from Fort McMurray has been affected as they now use the International airport.

Mc Ewens Fuels leases 100% of building 1 and sublets to various tenants. One tenant, British Petroleum, shut down about six months ago. As of December 31, 2010, approximately 5,000 sq. ft. of building 1 was vacant; whereas 2500 sq. ft. has been vacant for over 18 months in building 2.

The Complainant provided a copy of a lease agreement with the City of Edmonton dated May, 1989, in which restrictions are noted.

The Complainant requested the assessment be reduced to \$5,800,000.

### **POSITION OF THE RESPONDENT**

The Respondent stated that the industrial properties located on the City Center Airport Land are different than the industrial properties located elsewhere of the industrial areas of the city. All of the City Center Airport land is leased.

The Respondent stated that it utilizes the cost approach to value on all properties at the City Center Airport and presented evidence to the Board detailing sales comparable to the subject property (exhibit R-1, p. 29). The Respondent recommended a value reduction on the land to \$11.61 per sq. ft. giving a land value of \$2,735,652.

The Respondent further submitted to the Board a Marshal and Swift (M&S) commercial Detail Report on the subject buildings, which further confirms the replacement cost value of the subject improvements (exhibit R-1, p. 21-24).

It is the Respondent's position that assessment must be established on value of fee simple estate and that the lease restrictions only significance is that it determines who the assessed person is - "the holder of the lease".

The Complainant bears onus to show that the assessment is incorrect. There is no evidence to show that amount is not fair or equitable. Onus is not met.

## **DECISION**

The Board has accepted the Respondent's recommendation to reduce the land value to \$11.61 per sq. ft., bringing the land value to \$2,735,652.

The Board was further persuaded by the Respondent's Marshal and Swift cost of improvements calculation valued at \$3,660,801.

Therefore, the decision of the Board is to reduce the land assessment to \$2,735,652 and to confirm the 2011 improvement assessment at \$3,666,801.

The total 2010 assessment is revised at \$6,396,000.

Roll Number	Original Assessment	New Assessment
10131342	\$6,571,000	\$6,396,000

## **REASONS FOR THE DECISION**

The Board finds that all of the subject improvements are fully functional and further noted that as of December 31, 2010, pursuant to the McEwens lease agreement on building 1, it is fully leased. The Board noted that building number 2 has 2,500 sq. ft. of vacant space. This constitutes an overall vacancy of less than 5%.

Notwithstanding this, the Board recognizes that the property is Special-Use in nature and the improvements should be valued using the cost approach.

The Board accepts the Respondent's recommendation to reduce the land value to \$11.61 per sq. ft., resulting in a land value of \$2,735,652. The Board was further persuaded by the Respondent's Marshal and Swift cost of improvements calculation at \$3,660,801 (exhibit R-1 p. 21-24).

Dated this 25<sup>th</sup> day of July, 2011, at the City of Edmonton, in the Province of Alberta.

---

Dean Sanduga, Presiding Officer

---

*This decision may be appealed to the Court of Queen's Bench on a question of law or jurisdiction, pursuant to Section 470(1) of the Municipal Government Act, R.S.A. 2000, c.M-26.*

---

cc: CITY OF EDMONTON ASSET MANAGEMENT & PUBLIC WORKS