



ASSESSMENT REVIEW BOARD

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NOTICE OF DECISION NO. 0098 631/10

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The City of Edmonton
Assessment and Taxation Branch
600 Chancery Hall
3 Sir Winston Churchill Square
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This is a decision of the Composite Assessment Review Board (CARB) from a hearing held on December 8th & 9th, 2010 regarding a complaint for:

Tax Roll Number	Golf Course Name	2010 Assessment Amount	2010 Assessment revision as requested by the Complainant
7990856	Derrick Golf & Winter Club	\$10,271,500	\$8,706,988
4032173	Derrick Golf & Winter Club	\$230,000	\$223,515
3899473	Dragon's Head Par 3 Golf Course	\$831,500	\$642,143 less 10% of improvements
3771557	Dragon's Head Par 3 Golf Course	\$734,500	\$567,993 less 10% of improvements
3787884	Dragon's Head Par 3 Golf Course	\$166,500	\$124,227 less 10% of improvements
3810520	Edmonton Country Club	\$2,264,000	\$1,610,492
4025268	Edmonton Country Club	\$1,552,000	\$1,127,227
3043031	Edmonton Country Club	\$2,899,000	\$2,746,281
3043015	Edmonton Country Club	\$941,000	\$39,129
1047554	Edmonton Country Club	\$84,000	\$83,589
9943284	Edmonton Country Club	\$157,500	\$19,377
9950017	Edmonton Country Club	\$40,000	\$176,656
10024648	Edmonton Country Club	\$598,500	\$582,145
1112531	Glendale Golf & Country Club	\$7,519,000	\$5,789,500
1112234	Glendale Golf & Country Club	\$186,000	\$83,722
4616728	Highlands Golf Club	\$6,829,000	\$5,216,426 less 20% of improvements

Tax Roll Number	Golf Course Name	2010 Assessment Amount	2010 Assessment revision as requested by the Complainant
1121433	River Ridge Golf & Country Club	\$2,878,500	\$1,737,325 less 25% of improvements
9969041	River Ridge Golf & Country Club	\$1,422,500	\$940,527 less 25% of improvements
9969042	River Ridge Golf & Country Club	\$1,564,500	\$1,217,993 less 25% of improvements
3797123	River Ridge Golf & Country Club	\$60,500	\$27,472 less 25% of improvements
1070879	Windermere Golf & Country Club	\$5,395,000	\$3,822,194
1070937	Windermere Golf & Country Club	\$1,591,500	\$1,205,186

** Varies with 2010 assessment amount noted in the Complainant's evidence

Before:

David Thomas, Presiding Officer
Jack Jones, Board Member
Dale Doan, Board Member

Board Officer:

Segun Kaffo

Persons Appearing: Complainant

Did not appear

Persons Appearing: Respondent

Doug McLennan, Assessor
Chris Hodgson, Assessor
Rebecca Ratti, Law Branch
Rolf Halvorsen – Halvorsen Fedynak, Expert Witness

PROCEDURAL MATTERS

The parties present at the hearing did not object to the makeup of the Board and the Board members had no bias with respect to this file.

PRELIMINARY MATTERS

None

BACKGROUND

The subject properties include seven golf courses located in the City of Edmonton. The Complainant requested that all seven properties under complaint be heard together at the same

merit hearing. As noted in the table above, the properties under complaint each involve a series of tax roll numbers and the golf courses specifically are:

- 1) Derrick Golf & Winter Club
- 2) Dragon's Head Par 3 Golf Course
- 3) Edmonton Country Club Ltd.
- 4) Glendale Golf & Country Club
- 5) Highlands Golf Club
- 6) River Ridge Golf & Country Club
- 7) Windermere Golf & Country Club

The subject properties are classified as Special-Use Properties by the City of Edmonton and as such were assessed utilizing the cost approach for the 2010 assessment. In developing the 2010 assessment, the City of Edmonton has used the following procedure for each property:

- 1) Buildings - valued at cost;
- 2) Site improvements (fairways & greens) - valued using the Marshall Valuation Service (adjusted for local conditions) and then depreciated by 30%;
- 3) Land valuation - valued at a parkland rate of \$20,000 per acre;
- 4) Site servicing - valued at \$250,000 for city level services and \$100,000 for rural level services.

ISSUES

- 1) Does the land valuation of \$20,000 per acre utilized in the 2010 assessment accurately reflect market value for golf course land?
- 2) Does the flat rate depreciation factor of 30% applied to the site improvements (fairways & greens) in the 2010 assessment accurately reflect the site specific depreciation realized at each golf course property?

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 did not appear at the hearing but did provide evidence (C-1, 2, 3, 4, 5 & 9) for the Board's review and consideration.

The Complainant's position with respect to the land valuation is that the value (\$20,000 per acre) used by the City in the 2010 assessment is inflated, and that the proper valuation is in the range of \$8,500 to \$9,732 per acre. The Complainant provided an analysis prepared by Gettel Appraisals Ltd. (C-3) in which the author used paired sales of sites ranging in size from 5 to 40.14 acres to develop a time adjustment factor, which is then applied to previous land values utilized by the City of Edmonton in the 2006 and 2007 assessments to derive a current land valuation of \$9,732.00 per acre.

The Gettel report (C-3) also provided an analysis of recreational and recreational/development land sales. The sales presented ranged in size from 2.57 to 485.69 acres with sale dates ranging from June 2000 to May 2007. The author then concluded after analysis that a realistic value for recreational land as of July 1st, 2009 was \$8,500 per acre.

The Gettel report also notes that while a number of the properties utilized in the two analyses are not of sufficient size to support a golf course development, the consistent unit values derived would indicate that the market is not distinguishing to any significant degree between larger or smaller holdings.

The Complainant's position with respect to the depreciation factor applied to site improvements (fairways & greens) is that the methodology utilized by the City of Edmonton is theoretical in nature, and as such a "check" needs to be applied to ensure that the theoretical factors used are in line with the market. By applying a "check" to valuation using the income approach, the Gettel report (C-3) has determined that three of the golf courses demonstrate unusual circumstances that would indicate that additional depreciation factors should be applied. The three courses demonstrating these unusual circumstances are Dragons Head, Highlands and River Ridge. The unusual circumstances are as follows:

- Dragons Head - is a small par 3 course located in an area with numerous competing courses, which limits green fees. The site also has a limited array of other amenities.
- Highlands - has numerous buildings and the site has a condensed land base which does not allow for a driving range. The site is also on top of a former coal mine which causes above average maintenance costs.
- River Ridge - located near two competing courses, suffers from a poor design and has an above average non-productive land component.

Based on the above circumstances the author of the report indicates that additional depreciation for all improvements (buildings and site improvements) is warranted as follows:

- Dragons Head- additional 10%
- Highlands- additional 20%
- River Ridge- additional 25%

The Complainant requested the 2010 assessments be reduced to the values noted in the table above.

POSITION OF THE RESPONDENT

The Respondent did appear at the hearing and provided evidence (R-6, 7, 8, 10, 11 & 12) and argument for the Board's review and consideration.

The Respondent went through in detail, the methodology utilized by the City of Edmonton to determine the 2010 assessments of the subject properties (R-6).

The Respondent's position with respect to the land valuation is that a valuation of \$20,000 per acre is a fair and equitable value, which has been applied uniformly to all "parkland" areas throughout the City of Edmonton. The Respondent employed the direct sales comparison approach to determine the value using sales of large vacant parcels (115 to 135 acres) zoned "AG" or "A". These parcels are of sufficient size to accommodate a golf course development which is one of the discretionary uses for "AG" and "A" zoned lands.

In particular the Respondent used sales #8, 9 & 14 (R-7, tab 7) which are all zoned "AG" and sale #22 (R-7, tab 9) which is zoned "A". The median value of these four sales is \$20,000 which supports the value used in the assessment. The four sales used are all of sufficient size and topography to support a golf course development and the sales range from February 2006 to November 2007. The Respondent indicated that no time adjustments were applied to the sales as there had been little change in value compared to the assessment date. The Respondent further noted that the sales used in the analysis were on the low end of the values presented in total which ranged from \$10,000 to \$46,576 per acre.

The Respondent had evidence (R-12) and testimony presented by an expert witness - Rolf Halvorsen that supported playable golf course land values of \$24,000 per acre.

To support the Respondent's application of the 30% rate for depreciation to golf course improvements (fairways & greens), the Respondent referenced previous MGB decisions (R-8, MGB 081/10 - page 17) as well as discussions with other jurisdictions. The 30% depreciation rate applied to all golf courses is consistent with the requirement in MRAT to use mass appraisal to determine market value.

The Respondent had evidence (R-12) and testimony presented by the expert witness noted above that illustrated the difficulty in using the income approach (R-12, tab 1, pages 8 & 9) in any analysis of the valuation of golf courses. The income approach "check" was the basis of the Complainant's requested revision to the depreciation component of the 2010 assessment for three of the golf courses.

The Respondent requested the original 2010 assessments be confirmed as noted in the table above. The Respondent withdrew the recommended revised 2010 assessments noted in R-6 with respect to the Edmonton Golf & Country Club (R-6, tab ECC, page 23).

DECISION

The decision of the Board is to confirm the 2010 assessment for the subject properties as fair and equitable.

REASONS FOR THE DECISION

- 1) The Board placed greatest weight on the land sales evidence provided by the Respondent which supported a land valuation for recreational property of \$20,000 per acre. The Board finds that the sales presented by the Respondent were comparable to the subject properties with respect to size, characteristics, zoning and were more recent sales than those presented by the Complainant.
- 2) The Board also noted that the evidence presented by the Respondent's expert witness supported even higher values for land than those used in the 2010 assessment.
- 3) The Board found that the income approach analysis used by the Complainant to establish a request for additional depreciation for three of the golf course properties could not be supported, due to the widely varying circumstances with respect to each property.
- 4) The Board found that the 30% depreciation rate applied by the Respondent uniformly to all golf courses properties is a fair and equitable application of the mass appraisal principals, and was well supported by past Board decisions as well as being used in neighbouring jurisdictions.

DISSENTING DECISION AND REASONS

There were no dissenting opinions.

Dated this 23rd day of December, 2010, at the City of Edmonton, in the Province of Alberta.

David Thomas
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: Municipal Government Board
Dragons Head Par 3 Golf Club Inc.
Glendale Golf and Country Club
Windermere Golf and Country Club
Sjolie, Barry/Brownlee LLP
City Of Edmonton Asset Management & Public Works
Moussa, Issam/Country Club Tour Corp
Edmonton Country Club Limited
Derrick Golf & Winter Club
Highlands Golf Club