

## **COUNCIL REPORT**

**To:** Mayor and Council

**From:** Administration

**Date:** October 8, 2024

**Subject:** Municipal Lot Sales & Leasing Review

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### **RECOMMENDATION:**

THAT Council approves the revised sale prices of Bell Place subdivision lots legally described as Lots 1, 2, 4, and 6 through 19, District Lot 3673 Cariboo District, Plan EPP36375, as per the attached subdivision plan, for sale prices by lot;

AND THAT Council approve the revised sale prices, and the lease or sale, of the municipal airport subdivision lots legally described as Lots 1,2,3,5,6,8, and 9, District Lot 12479, Cariboo District, Plan EPP35189 as per the attached subdivision plan, for sale prices by lot;

AND THAT the Corporate Officer be authorized to execute the documents.

### **BACKGROUND:**

During the 2019 financial audit of the District of Mackenzie, KPMG, the District's appointed auditor, recommended that a formal appraisal of the lots available for sale be conducted every three years. This measure ensures that the fair market value of the properties remains aligned with the assessment values provided by BC Assessment. It also allows for adjustments if there is a significant change in market conditions that could impact the value of the properties. Such proactive appraisal practices help the District stay responsive to market fluctuations and ensure that property sales reflect true market conditions.

The last appraisal was conducted in 2021, to keep with the recommendation from KPMG of conducting an appraisal every 3 years, District Staff retained the services of Godfrey, Cranston, and Hopson Appraisals, a professional appraisal firm. They provided an updated market valuation for the land held for sale as of August 2024. This appraisal will offer a current and accurate estimate of market value, giving the District a clear understanding of the potential revenue from the sale of these properties and ensuring compliance with the audit recommendation.

The concept of market value is driven by supply and demand. Over time, market values can change substantially based on factors such as economic trends, interest rates, and regional

development. In addition, market value assessments rely heavily on the availability of comparable sales data, which involves comparing the subject properties to recently sold, similar properties in the area. The more comparable sales available, the more accurate the market value estimation is likely to be.

However, in smaller communities or rural areas like Mackenzie, the availability of comparable sales is often limited, which can make market value estimates less reliable than in larger, more densely populated areas. The local real estate market may also be less complex, with fewer buyers, sellers, and property types to compare, potentially impacting the accuracy of the appraisal.

Despite these challenges, the appraiser expressed confidence in their valuation, indicating that the market values for the properties in question are dependable. The appraisal covered two key subdivisions within the District: Bell Place and the Airport subdivision in addition to a rent review on our airport airside/groundside & industrial land leases. Below are the estimated 2024 market values for the subject lots in these subdivisions as well as the rent reviews, which will guide the District's land sale and leasing decisions and ensure alignment with fair market practices.

### **Bell Place Lots (Appendix A)**

These lots were assessed using the Direct Comparison Approach. This is a popular method because it directly reflects market conditions and is easy to understand. The reliability of this approach is dependent on the number and quality of the comparable sales. There were several comparable sales from Mackenzie, however; some of the most recent sales have been foreclosure sales and sales from outside the municipal boundaries of Mackenzie. The strength of this approach is that this property would most likely be purchased based on an owner/user basis, rather than its ability to produce revenue.

Note that this value reflects the total market value for the subject lots if they were sold separately. If, however, the lots sold as a bulk package some discounting would be warranted.

*Table 1: Summary of Bell Place Appraisal*

Lot	Size (m <sup>2</sup> )	2024 Listed Lot Sale Prices	Appraised Value 2024	Difference	Percent Change
Lot 1	871	\$47,500	\$45,000	-\$2,500	-5.3%
Lot 2	823	\$45,000	\$45,000	\$0	0.0%
Lot 4	1,400	\$70,000	\$60,000	-\$10,000	-14.3%
Lot 6	1,170	\$62,500	\$55,000	-\$7,500	-12.0%
Lot 7	976	\$52,500	\$45,000	-\$7,500	-14.3%
Lot 8	1,410	\$72,500	\$60,000	-\$12,500	-17.2%

Lot 9	3,350	\$115,000	\$100,000	-\$15,000	-13.0%
Lot 10	1,550	\$65,000	\$65,000	\$0	0.0%
Lot 11	1,130	\$50,000	\$50,000	\$0	0.0%
Lot 12	1,560	\$70,000	\$65,000	-\$5,000	-7.1%
Lot 13	2,000	\$80,000	\$70,000	-\$10,000	-12.5%
Lot 14	1,920	\$80,000	\$70,000	-\$10,000	-12.5%
Lot 15	2,120	\$80,000	\$75,000	-\$5,000	-6.3%
Lot 16	923	\$45,000	\$45,000	\$0	0.0%
Lot 17	932	\$45,000	\$45,000	\$0	0.0%
Lot 18	1,310	\$55,000	\$55,000	\$0	0.0%
Lot 19	1,580	\$60,000	\$60,000	\$0	0.0%
<b>Total</b>	<b>25,025</b>	<b>\$1,095,000</b>	<b>\$1,010,000</b>	<b>-\$85,000</b>	<b>-7.8%</b>

### **Airport Subdivision Appendix B**

Compared to other industrial properties, the subject lots are considered to have average marketability. This is based on the location of the subdivision along Coquiwaldie Road and in proximity to the Mackenzie airport. Several of the lots benefit from groundside access to the airport as well as airside exposure.

*Table 2: Summary of Airport Subdivision Appraisal*

Lot	Size (Acre)	2024 Listed Lot Sale Prices	Estimated Market Value as 2024	Difference	Percent Change
Lot 1	9.5	\$245,000	\$240,000	-\$5,000	-2.0%
Lot 2	9.5	\$245,000	\$240,000	-\$5,000	-2.0%
Lot 3	9.5	\$245,000	\$240,000	-\$5,000	-2.0%
Lot 5	8.8	\$230,000	\$190,000	-\$40,000	-17.4%
Lot 6	5.0	\$145,000	\$115,000	-\$30,000	-20.7%
Lot 8	5.1	\$125,000	\$125,000	\$0	0.0%
Lot 9	5.1	\$125,000	\$125,000	\$0	0.0%
<b>Total</b>	<b>52.6</b>	<b>\$1,360,000</b>	<b>\$1,275,000</b>	<b>-\$85,000</b>	<b>-6.3%</b>

The gross value of the subject lots total \$1,275,000 this is a \$85,000 dollar reduction in value since last appraised in 2021. This value reflects the total market value for the subject lots if they were sold separately. If, however; the lots were sold as a bulk package, some discounting would

be warranted. The industrial lot values were also appraised using the Direct Comparison Approach.

### **Lot 2 Mackenzie Blvd, Mackenzie BC**

With the completion of the new community bike park, the lot lines were adjusted to better accommodate the needs of both the park and the adjacent property, ensuring optimal use of the available space. This adjustment not only enhances the functionality of the park but also helps maximize the value and potential of the neighboring lot. To ensure an accurate understanding of the property's current worth, staff facilitated a professional appraisal as part of this process. The appraisal came in at \$125,000 reflecting the adjusted lot lines and updated usage potential, which provides valuable insight for future planning and development opportunities.

This lot is not included in Section 6 of the District's Delegation Bylaw No.1332 and needs Council approval before a decision is made to dispose of the lot.

### **DISTRICT LOTS SALES**

Section 6 of the District's Delegation Bylaw No. 1332 delegates the authority to the Corporate Officer to dispose of the Airport and Bell Place Subdivision lots at a minimum sale price approved by Council. Legal advice has indicated that an appraisal is an appropriate and fair method to determine the market value of the lots for the District. Under the *Community Charter* and *Local Government Act*, disposing of property below market value is a form of assistance. In accordance with Section 25 of the Community Charter and Section 273 of the Local Government Act, local governments may not grant assistance to a business. This includes disposing of property below market value. However, a local government may aid a business if there is a partnering agreement in place with the business for the provision of a service on behalf of a local government.

A local government may provide assistance to non-profit organizations and can dispose of land below market value to them with appropriate notice to the public. A local government that wishes to dispose of property below market value must provide notice of its intention to grant assistance, as required by either Section 24 of the Community Charter or Section 272 of the Local Government Act. This may be combined with the notice of disposition, and the notice must clearly state that it provides for both disposition and assistance. It is recommended that if lands are going to be disposed of to a non-profit organization (i.e. not a business), local governments may want to have a consistent policy to guide these decisions to ensure fairness to all groups.

## **RENT REVIEW**

In addition to the property appraisals, a rent review was completed on the District's bare land industrial rates.

### **Bare-land Industrial Land Rent**

The economic base ground rent for the industrial lots adjacent to Coquiwaldie Rd, as of August 8, 2024, is estimated to be:

Lot 1: Four hundred twenty-five dollars per acre per month **(\$425.00)**

Lot 2: Four hundred twenty-five dollars per acre per month **(\$425.00)**

The rate is on an absolute net basis, and GST is to be charged on the amount shown above. These rents were established between a hybrid of comparable rents and land value.

## **CONCLUSION**

Based on the current economic climate and the length of time the lots have been on the market, staff recommend that the sale price be consistent with the fair market value identified by the appraisal company and shared above. A copy of the subdivision plans are attached as appendices for further information. The full appraisal reports can be viewed in center table file.

## **COUNCIL PRIORITIES:**

### **Economic Vitality**

- The District is a leader on efforts aimed at diversifying the community's economy, supporting local businesses, and attracting new investment to the community. Diversification, a strong business sector and new investment are key to our economic vitality.

## **RESPECTFULLY SUBMITTED:**

Luke Thorne, Land and Environmental Coordinator

**Reviewed By:** Corporate and Financial Services

**Approved By:** Chief Administrative Officer