

**APPRAISAL REPORT OF THE MARKET VALUE
AND DAMAGES IN THE TAKING OF A
PORTION OF
NE X-71-10-W6 & SW X-72-10-W6**

**PREPARED FOR
ALBERTA TRANSPORTATION
PEACE RIVER, ALBERTA**



May 25, 2011

Dear Mr.:

**RE: APPRAISAL OF PORTIONS OF THE PT. NE X-71-10-W6 & SW X-72-10-W6;
OWNED BY ABC COMPANY
FILE #328310.17**

As requested, we enclose an appraisal of the above referenced properties carried out pursuant to the *Expropriation Act*, Province of Alberta. This report will address the market value of the land and any relevant damages, resulting from the area to be acquired for the Highway #43 Realignment at Beaverlodge.

It is hereby certified that we inspected the subject properties and comparable sales. To the best of our knowledge and belief, statements contained in the appraisal report subject to the limiting conditions set forth, are true and correct.

We hereby certify that we have no present or contemplated interest in the subject properties which would in any way affect statements of value expressed. Employment in and compensation for making this appraisal are in no way contingent upon the values reported.

Our findings and conclusions relative to the subject properties are included in the following report and are summarized at the beginning of the report.

Yours truly,
SERECON VALUATIONS INC.

Bruce Simpson, AACI, P.Ag.
Edmonton Office

Enclosure

/da

**APPRAISAL REPORT OF THE
MARKET VALUE AND DAMAGES
IN THE TAKING OF A PORTION OF
NE X 71-10-W6
&
SW X-72-10-W6**

**OWNED BY
ABC COMPANY
ALBERTA**

**PREPARED FOR
ALBERTA**

**PREPARED BY
SERECON VALUATIONS INC.
EDMONTON, ALBERTA**

MAY, 2011

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1.0 SUMMARY OF SALIENT FACTS AND CONCLUSIONS

Legal Descriptions	1) NE X-71-10-W6 2) SW X-72-10-W6
Current Use	Agricultural/Rural Residential
Zoning	1) Agricultural (AG) District 2) Agricultural (AG) District
Highest and Best Use	Agricultural/Rural Residential
Date of Inspection	November 29, 2010
Effective Date of Appraisal	November 29, 2010
Total Parcel Sizes	1) 157.58 acres (63.72 hectares) 2) 158 acres (63.89 hectares)
Total Acres Required:	
1) Pt. NE X-71-10-W6	
➔ Right-of-Way Required	45.70 acres (18.49 hectares)
➔ Optional Right-of-Way	11.57 acres (4.69 hectares)
➔ Right-of-Way Required	<u>4.54 acres (1.84 hectares)</u>
	61.81 acres (25.02 hectares)
2) Pt. SW X-72-10-W6	
➔ Right-of-Way Required	3.07 acres (1.24 hectares)
➔ Optional Right-of-Way	0.00 acres (0.00 hectares)
➔ Right-of-Way Required	<u>2.40 acres (0.97 hectares)</u>
	5.47 acres (2.21 hectares)
Estimated Market Value of the Land Within the Taking:	
1) NE X: 61.81 acres @ \$2,500.00/acre	\$154,525.00
2) SW X: 5.47 acres @ \$2,000.00/acre	\$10,940.00

**Market Value of Buildings and Improvements
Affected by the Taking:**

➔ Depreciated Value of Buildings – NE X	\$138,300.00
➔ Moving of Grain Bins	\$15,000.00

Special Economic Advantage Nil

Damages Attributable to Disturbance \$6,900.00

Injurious Affection and Incidental Damages:

➔ Severance	Nil
➔ Injurious Affection	Nil
➔ Fixed Costs	\$5,120.00
➔ Change in Farming Pattern	\$8,230.00
➔ Other Factors	N/A

2.0 PURPOSE OF THE APPRAISAL

The purpose of this appraisal is to estimate the market value of the land, buildings and improvements and any damages as a result of the taking of a portion of the NW X-71-10-W6 and SW X-72-10-W6, by CDE for the proposed Highway #43 realignment as per the *Expropriation Act*, Province of Alberta. As the required right-of-way leaves small severed non-usable parcels, the optional right-of-way has been included in the appraisal. The interests being taken are Fee Simple. The effective date of the appraisal is November 29, 2010.

The intended use of the appraisal is to assist in negotiating a settlement for the acquisition of the areas required by CDE.

The *Expropriation Act*, Province of Alberta, outlines the principles of compensation payable to property owners and tenants when their rights are acquired by expropriation authorities. Section 42(2) of the *Act* states that:

When land is expropriated, the compensation payable to the owner shall be based on:

- a) the market value of the land,*
- b) the damages attributable to disturbance,*
- c) the value to the owner of any element of special economic advantage to him arising out of or incidental to his occupation of the land to the extent that no other provision is made for its inclusion, and*
- d) damages for injurious affection.*

Section 41 of the *Act* defines market value of the land expropriated as “*the amount the land might be expected to realize if sold in the open market by a willing seller to a willing buyer*”.

Section 42(2)(c) of the *Act* outlines compensation payable for any special economic advantages the property may have.

Section 50 of the *Act* outlines compensation for damages attributable to disturbances of the residence, moving expenses, and costs to locate a replacement property.

Section 56 of the *Act* indicates that compensation shall be given for injurious affection, which includes any reduction in market value to the remaining land, severance, and also for incidental damages. Severance damage includes any increased costs, reduced revenue as a result of the property being severed, or in other words, divided into more than one parcel.

Fee Simple is the right of ownership and all rights and privileges assigned to ownership under the *Land Titles Act*, Province of Alberta.

For the purpose of this appraisal, inspection of the subject properties took place on November 29, 2010.

3.0 STATEMENT OF LIMITING CONDITIONS AND SCOPE OF THE APPRAISAL

3.1 LIMITING CONDITIONS

It is assumed that:

- ➔ the legal descriptions of the titles are correct.
- ➔ the land surveys and acreages as supplied by CDE are correct. No legal survey on our part was made, and we assume no responsibility in this connection.
- ➔ the titles are good. All liens and/or encumbrances have been disregarded and the properties have been appraised as though free and clear.
- ➔ there are no hidden or unapparent conditions of the properties, subsoil, or structures that would render the properties more or less valuable. No responsibility is assumed for such conditions or engineering that might be required to discover these factors.

Information furnished by others and contained in this appraisal has been cross-checked wherever possible during the course of the appraisal and is assumed to be accurate.

The aerial photograph, sketch plans, maps, and photographs are included in the report only as an aid in its interpretation. No attempt has been made by the appraisers to verify the accuracy of these.

The appraisers are not qualified to test or detect the existence of potentially toxic and/or hazardous materials located on the subject properties or abutting lands. We have not retained experts or other qualified persons to ascertain whether any potentially toxic or hazardous materials exist, or the costs associated with removal, correction or treatment of same. Therefore, this appraisal report does not address the potential impacts that such materials could have on the market value of the subject properties.

The appraisal has been completed in compliance with the provisions of the *Expropriation Act*, Province of Alberta.

Replacement costs and market value estimates for land, buildings, and improvements do not include the Goods and Services Tax (GST).

Use of the appraisal is reserved for the main recipient and its use shall be for the specific purposes outlined.

3.2 SCOPE

The appraisers have been asked to complete an appraisal of the subject properties, providing an estimate of the market value of the land, buildings and improvements being acquired, and all related damages to the landowners as a result of the taking. In completing this analysis, the appraisers have interviewed the landowner and obtained his input regarding what he considers to be the impacts of the taking.

The purpose of this section is to identify the extent of data research and analysis necessary to prepare this report for its intended use and to comply with the Canadian Uniform Standards of Professional Appraisal Practice (The Standards) of the Appraisal Institute of Canada. Following is a summary outlining the scope of data collection and analysis completed.

3.2.1 Parcel Valuation

The areas being acquired by CDE are deemed to be the subject properties. The valuation of these properties is completed utilizing the En Bloc approach wherein the value of the subject property, on a per acre basis, is the same as the value of the parent parcel on a per acre basis. This approach is premised on the fact the parcels being acquired are not stand-alone titled units and therefore would not be saleable as stand-alone parcels, but they have value and that value would be equivalent to the per acre value of the total parcel, giving full consideration to the definition of market value and the willing seller, willing buyer concept.

3.2.2 Area Analysis

Land use data was obtained from the Grande Prairie County, Land Use Bylaw #2680. General market data was obtained from area realtors and the appraiser's familiarity with the area.

3.2.3 Physical Inspection

The subject properties were personally inspected on November 29, 2010, by Bruce Simpson, AACI, P.Ag., and Trevor Birchall, AIC Candidate Member, AIT. The total acreages were obtained from the Certificates of Title. Land use areas were confirmed by inspection and aerial photographs. Unless otherwise specifically indicated in this report, all of the comparable properties used in the market value analysis were viewed by the appraisers.

3.2.4 Legal Matters

The Certificates of Title were searched and analyzed. There are encumbrances registered against the titles to the parent parcels. The subjects are appraised as though free and clear of all encumbrances.

3.2.5 Comparable Search

The information regarding the comparable properties used in the market value of land analysis was obtained from land title transfers, MLS data and area realtors. Unless otherwise specified, the data regarding these comparable properties were confirmed with the vendor, purchaser, realtor or MLS data involved in each transaction.

4.0 AREA DATA

The subject area is located south west of the Town of Beaverlodge. Access to the area is provided primarily via Primary Highway #43 and by Secondary Highways #667 and #722. There is also a grid system of municipal roads.

4.1 POPULATION AND FACILITIES

The Town of Beaverlodge, 2009 population of 2,264, supplies day to day services for area residents. The primary service centre for the area is the City of Grande Prairie, which had a 2009 population of 50,227. Modern educational, recreational, medical, service facilities and retail/wholesale outlets are all available in Grande Prairie.

Grande Prairie County No 1, which had a 2009 population of 17,989, is the governing body for the subject area. The County office is located in the County, north of Grande Prairie.

4.2 CLIMATE

The climate of the area is continental, characterized by warm summers and cold winters. The average annual precipitation is 51.0 cm with approximately 62% of this falling during the growing season. The frost-free period averages approximately 100 days, with considerable variability throughout the area. Average temperatures vary from January at -17.2°C to July at 17.0°C.

4.3 LAND USE

Agriculture remains one of the primary land uses in the subject area. The farms vary with some straight grain operations on the more productive soils to mixed farms, producing cereal crops, oilseeds, perennial forage crops, and livestock. The primary crops grown are oilseeds, cereals (barley, wheat, and oats), and pulse crops, in addition to forage crops such as alfalfa, fescue and grass hay for forage or seed.

Due to positive economic influences and a growing population, country residential acreages have become common in the area. Zoning changes and residential development has increased greatly in the past five years.

In addition, there is a strong forestry industry and very significant oil and gas activity in the region. These industries are creating a high level of economic activity, and therefore a strong demand for land in the subject area.

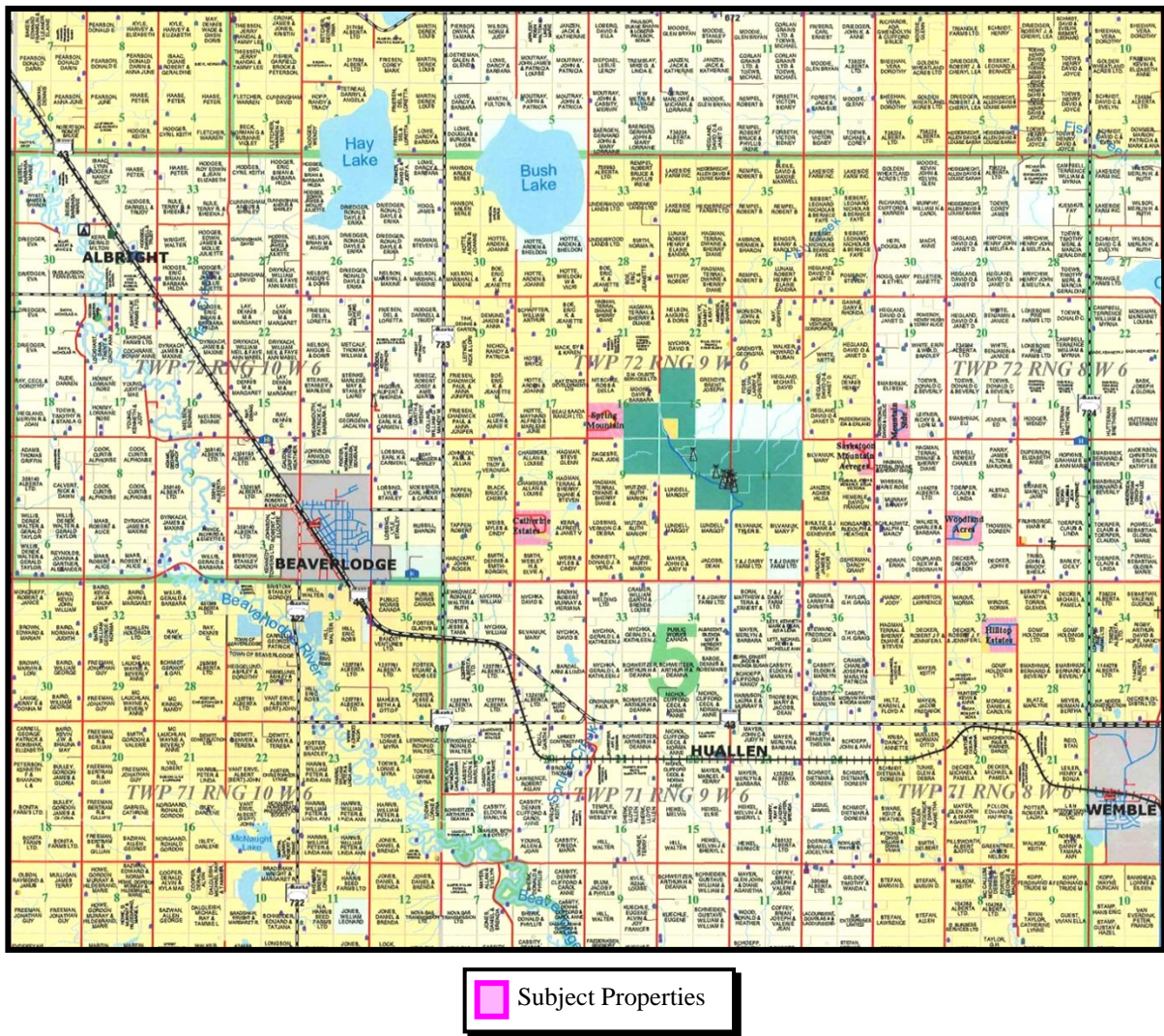
Land use is controlled through the Grande Prairie County, Land Use Bylaw #2680. This Bylaw outlines the land use districts in the municipality, the regulations, and permitted and discretionary uses pertaining to the district.

4.4 LAND VALUE TRENDS

Land prices in the subject area decreased considerably through the 1980's into the early 1990's, after peaking in 1981/82. Increased demand for land with a reduced supply in the early to mid 1990's stabilized land prices. The strengthening in the grain and oilseed markets in the mid 1990's and the expanded development of oil and gas spurred on economic growth in the Grande Prairie region. These developments, coupled with the improved provincial economy due to the robust oil and gas markets, provided generally strong economic growth. This positively impacted land prices, which have increased steadily since 1995. Since 2002, the demand for all types of land, residential, commercial, industrial and agriculture, has increased significantly. Up to mid 2007, almost every sale set a new 'high value'. The land market was aggressive from mid 2007 to mid 2008, but not with much value increases. Since mid 2008, values for land with development potential have declined. Since early to mid 2008, activity has slowed considerably with very few sales of large parcel properties with development potential.

5.0 SUBJECT PROPERTY DATA

The subject properties, for the purpose of this appraisal, are the areas of taking which are identical in land use, Highest and Best Use, and all other characteristics to the entire titled parcels, and therefore are synonymous with the whole parent parcels. The subject properties are located directly west of Beaverlodge town limits in the location of the proposed Primary Highway #43 realignment and to the west of the current Primary Highway #43. Access to the properties is provided by a municipal road to the north and east of the NE X. There is also access along the south and west sides of the SW X.



Aerial Photograph of NE X-71-10-W6



Aerial Photograph of SW X-72-10-W6



5.1 LEGAL DESCRIPTIONS

The subject property's titles contain numerous utility right-of-ways and caveats. The properties are appraised as though free and clear of all encumbrances.

5.2 SITE CHARACTERISTICS

The NE X-71-10-W6 contains 157.58 acres and the SW X-72-10-W6 contains 158 acres in total. The NW X-71-10-W6 is the quarter that contains the building site, and many planted trees in the northeast quadrant. The vast majority of the subject property is in annual cultivation, there is an area of approximately 12 acres of bush that has not been cleared along the west boundary of the property. The Beaverlodge River runs adjacent to the south and west sides of the property.

The SW X-72-10-W6 is a wide open corner to corner cultivated field, with an old building site in the southwest corner.



Looking west from east side of SW X.



Looking northeast from the southwest corner of the NE X.



Looking southwest across the NE X from the building site.

5.4 LAND USE AND ZONING

The subject land is currently utilized for agricultural and country residential purposes.

The lands are zoned within the Grande Prairie County, Land Use Bylaw #2680 as “Agricultural (AG) District”, and the current uses conform to the current zoning.

Agricultural (AG) District

Purpose: This district is intended to cover the majority of land in the municipality in order to recognize agriculture as the predominant land use in the County.

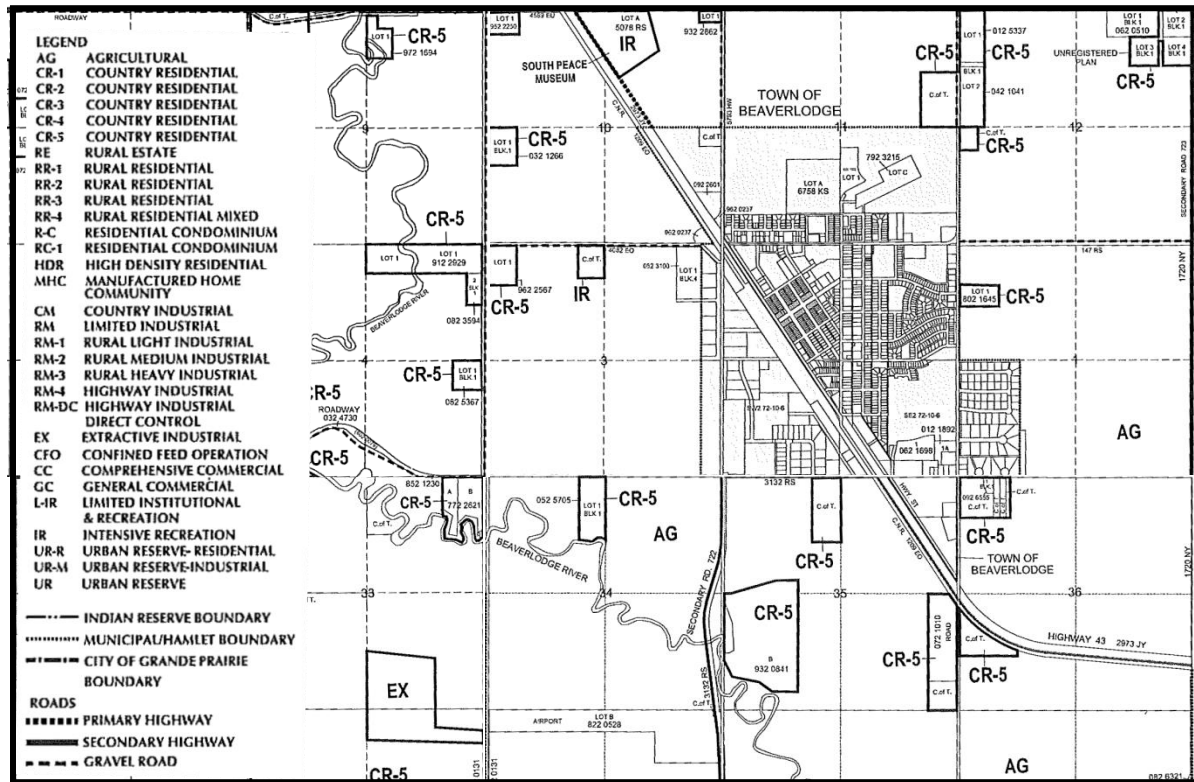
Permitted Uses:

- ➔ agricultural operations

Discretionary Uses:

- | | |
|--|--|
| ➔ abandoned farmsteads | ➔ bed and breakfast facility |
| ➔ abattoir | ➔ clustered farm dwellings |
| ➔ accessory buildings, structures, or uses | ➔ communication tower |
| ➔ aggregate facility, temporary | ➔ country store |
| ➔ aggregate stockpiling, temporary | ➔ day care facility |
| ➔ agricultural industry | ➔ dugouts |
| ➔ agricultural pursuit, minor | ➔ electricity production |
| ➔ airport | ➔ explosives storage and distribution |
| ➔ anhydrous ammonia storage | ➔ farmsteads |
| ➔ asphalt plant, portable | ➔ farm buildings |
| ➔ auction mart (auctioneering services) | ➔ garage |
| ➔ grain elevator | ➔ public use |
| ➔ greenhouse, farm | ➔ research facility |
| ➔ handicraft business | ➔ sanitary landfill site |
| ➔ home occupation, agricultural | ➔ sewage lagoon and sewage/wastewater treatment facilities |
| ➔ home occupation, minor | ➔ sign |
| ➔ institutional uses | ➔ single detached dwelling unit |
| ➔ kennel | ➔ sold farm |
| ➔ landfill operation | ➔ stripping of topsoil |
| ➔ manufactured home | ➔ tannery |
| ➔ market garden | ➔ utilities |
| ➔ modular home | ➔ veterinary clinic |
| ➔ park | ➔ water treatment facility |
| ➔ petroleum facility | |

Land Use Map

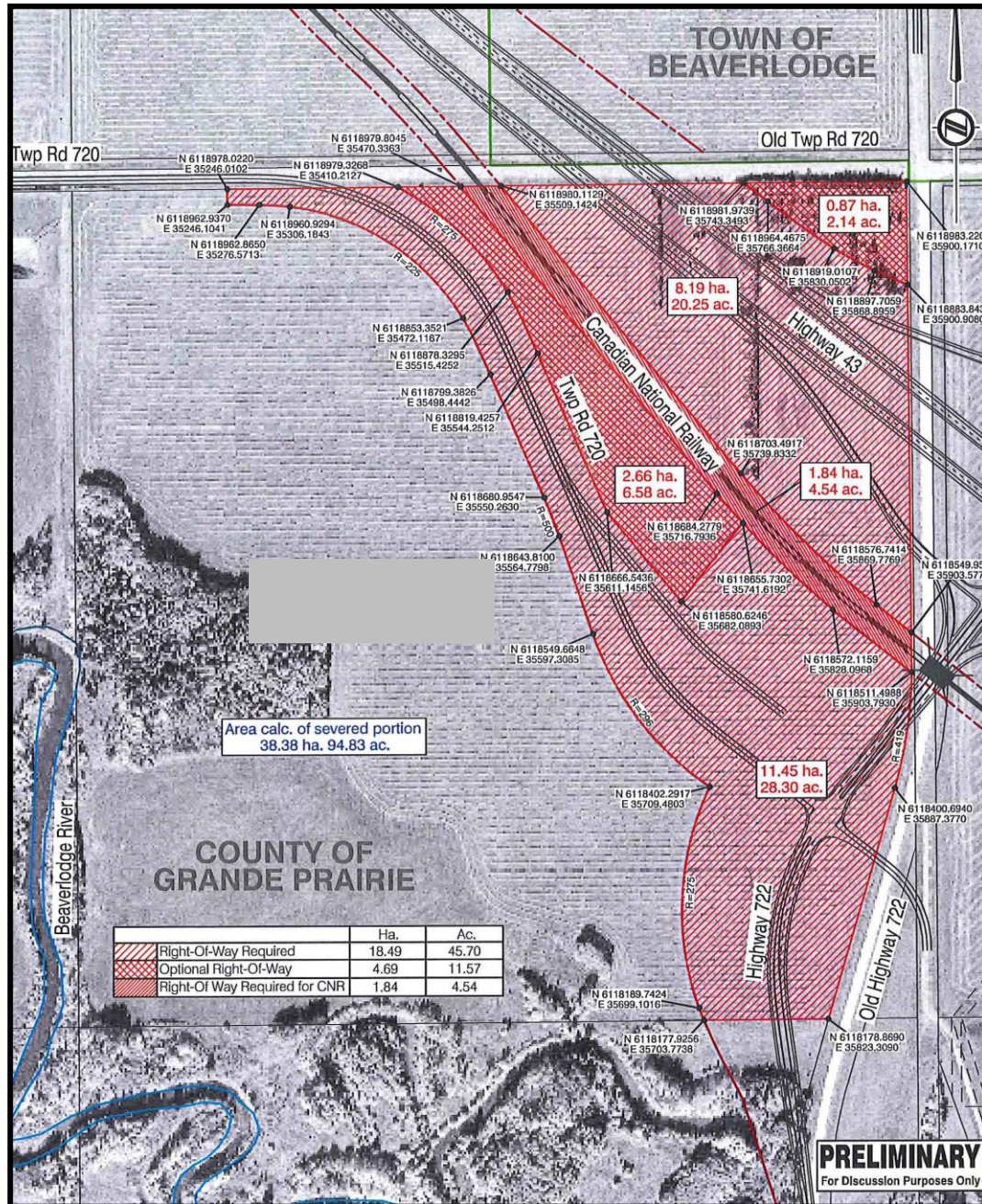


The Town of Beaverlodge is presently in the very early stages of an annexation plan. Representatives from the Town informed the appraisers that they were told by the County to plan aggressively. The Town is planning to attempt to annex land encompassing all the lands within approximately one mile and a half of Beaverlodge. All the subject lands are within this proposed area.

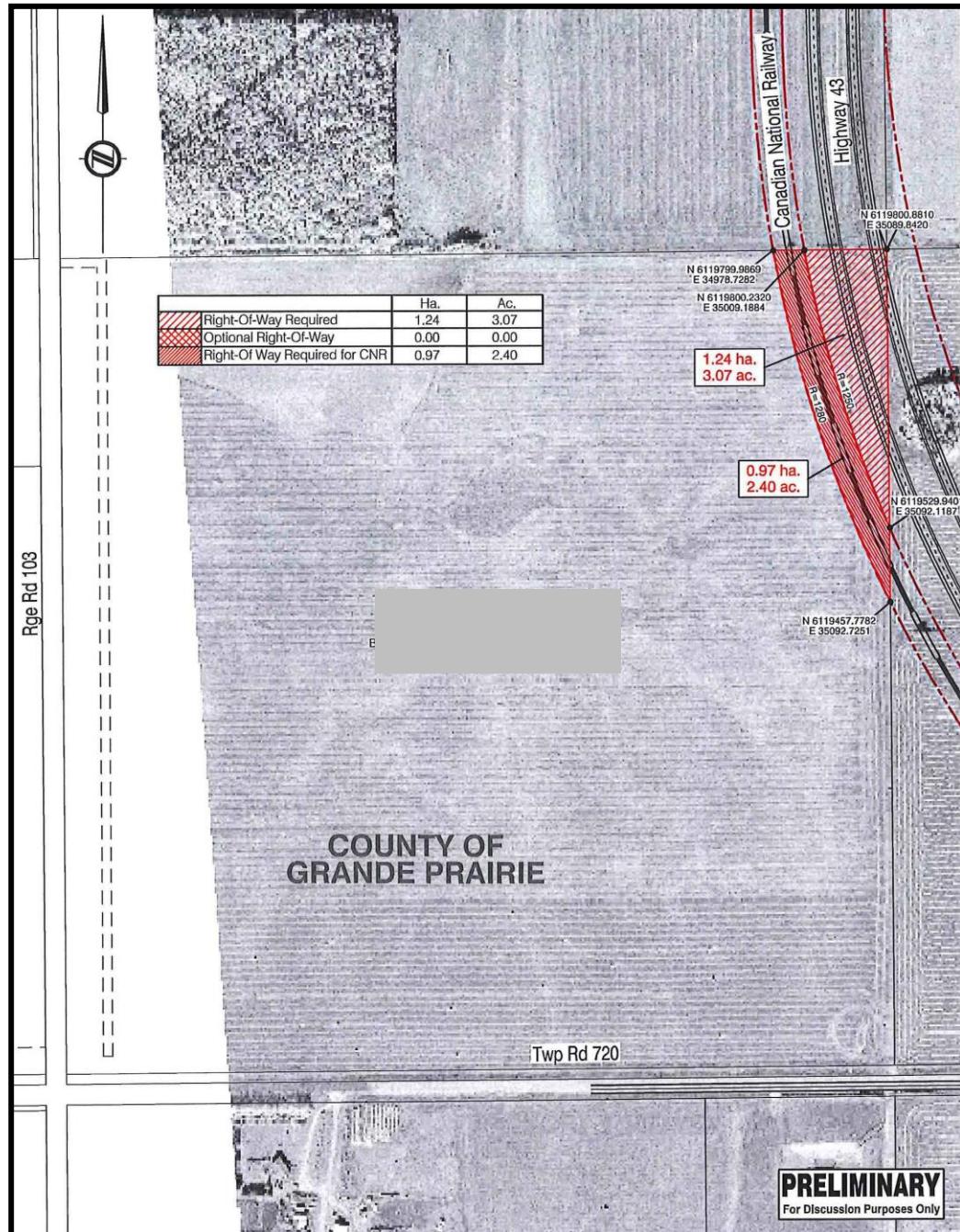
5.5 AREA TO BE TAKEN

Plans provided by CDE indicate a total area of 50.24 acres to be taken from the NE X with an additional 11.57 optional acres. This area encompasses the yard site and a good portion of the northeast quadrant of the quarter. The right-of-way required passes right through the middle of the yard, taking what appears to be the barn and leaving the house, as well there is another strip left in the middle of the area to be taken adjacent to the southwest side of the proposed CNR track. Both of these optional pieces would be left unusable and therefore these areas are included in the analysis. The area to be taken on the SW X is a small 5.47 acre piece in the northeast corner. The appraisers have considered all of the required and optional areas within the appraisal.

Survey Plan – Pt. NE X



Survey Plan – Pt. SW X





Looking northwest showing area to be acquired from the SW X.



Looking southwest from yardsite on NE X viewing across area to be taken.

5.6 BUILDINGS AND IMPROVEMENTS

There are buildings and improvements located within the takings on the subject properties. These consist of a house, barn, quonset, open faced shed and services and landscaping. These will be further described later in the report.

5.7 OWNERSHIP HISTORY

The subject lands have been in the property owner's family for many years. We are not aware of any agreement for sale, option, or listing of the subject properties, within the past three years.

6.0 HIGHEST AND BEST USE

The principle of Highest and Best Use is defined by the Appraisal Institute of Canada as being:

The reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value.

Source: The Appraisal of Real Estate, Second Canadian Edition, The Appraisal Institute of Canada (2002).

In determining the Highest and Best Use, the appraisers must consider the following criteria:

- ➔ the use is legal;
- ➔ the use must be probable and within a reasonable period of time;
- ➔ there must be a demand for the use; and,
- ➔ the use must be profitable and provide the highest net return.

The subject properties are zoned “Agricultural (AG) District” within the Grande Prairie County, Land Use Bylaw #2680. The properties are utilized for agricultural purposes and as a rural residence. These current uses conform to the current zoning.

The subject properties are located immediately west of the Town of Beaverlodge, in an area primarily used for agricultural purposes.

The physical features and location of the subject lands are well suited to a mix of agricultural/rural residential uses. The NE X is bordered by the Town of Beaverlodge and the SW X is 0.4 km west of the current Town limits. Both of these quarters have good access and are good quality agriculture land. The properties are well suited to their current uses, and would likely be purchased for these purposes.

Due to the location of the properties, in close proximity to the Town of Beaverlodge, there may be some future potential for intensive development of the lands. However, the demand for alternative uses once you are beyond the Town boundaries and not adjacent to Highway #43, is very limited based on current market conditions. In addition, current zoning and the quality of the land for agricultural purposes reduces the potential for a change in use.

Considering all these factors, it is the opinion of the appraisers that the Highest and Best Use of the subject property is a continuation of its current use for agricultural and country residential purposes with some limited future long term potential for alternative and more intensive development use.

7.0 MARKET VALUE ESTIMATE

The *Expropriation Act*, Province of Alberta, sets out the principles of compensation for affected landowners. The purpose of compensation to the landowner is to place him/her in the same position financially as they were prior to the taking. Section 42(2) of the Act sets out the principles of compensation. The first section, 42(2)(a), provides for land compensation as the market value of the land. Section 41 of the Act defines market value of the land expropriated as “*the amount the land might be expected to realize if sold in the open market by a willing seller to a willing buyer*”. Market value, for the purpose of this appraisal, is determined using an En Bloc value as the appraisers believe the market value of the parent property on a per acre basis, will be the same before and after the taking and therefore the market value of the taking cannot be worth more or less than the difference of the value of the whole property before, minus the value of the remaining land after the taking. The premise assumes the right to subdivide first parcels out, or other subdivisions are unaffected by the taking. This would then indicate that the market value of the taking is synonymous with the market value of the property as a whole on a per acre basis. Market value is therefore estimated by determining the market value of the properties of the whole titled parcel; the parent parcel.

In estimating the market value of real property, there are three standard approaches utilized. They are the Cost Approach, the Direct Comparison Approach, and the Income Approach.

The Cost Approach arrives at a value estimate of land, treated as though vacant, and adds to this the depreciated value of the improvements. The value of the land is ascertained by the Comparative Method, that is comparing the subject properties to other properties of the same type and class which have sold, which have been offered for sale, or on which offers have been made in the same or competing area, at or about the same time as the effective date of appraisal.

The Direct Comparison Approach arrives at a value estimate of the subject property as a unit. The unit, a combination of land and buildings, is compared to similar properties of the same type and class which have sold, which have been offered for sale, or on which offers have been made in the same or competing areas at or about the same effective date. In the case of bareland, the Cost Approach and the Direct Comparison Approach are considered equivalent and may simply be referred to as the Comparative Method.

The Income Approach arrives at an estimate of value by determining the value of expected future returns to the subject property. It is therefore the capitalization of the expected net returns over a given period of time.

The area being acquired within the partial takings are primarily bare land utilized for annual crop production and a portion of the building site. For the purposes of this appraisal and the estimation of

value for the partial takings, the Direct Comparison Approach is considered most applicable; determining the value of the land within the takings by the Comparative Method.

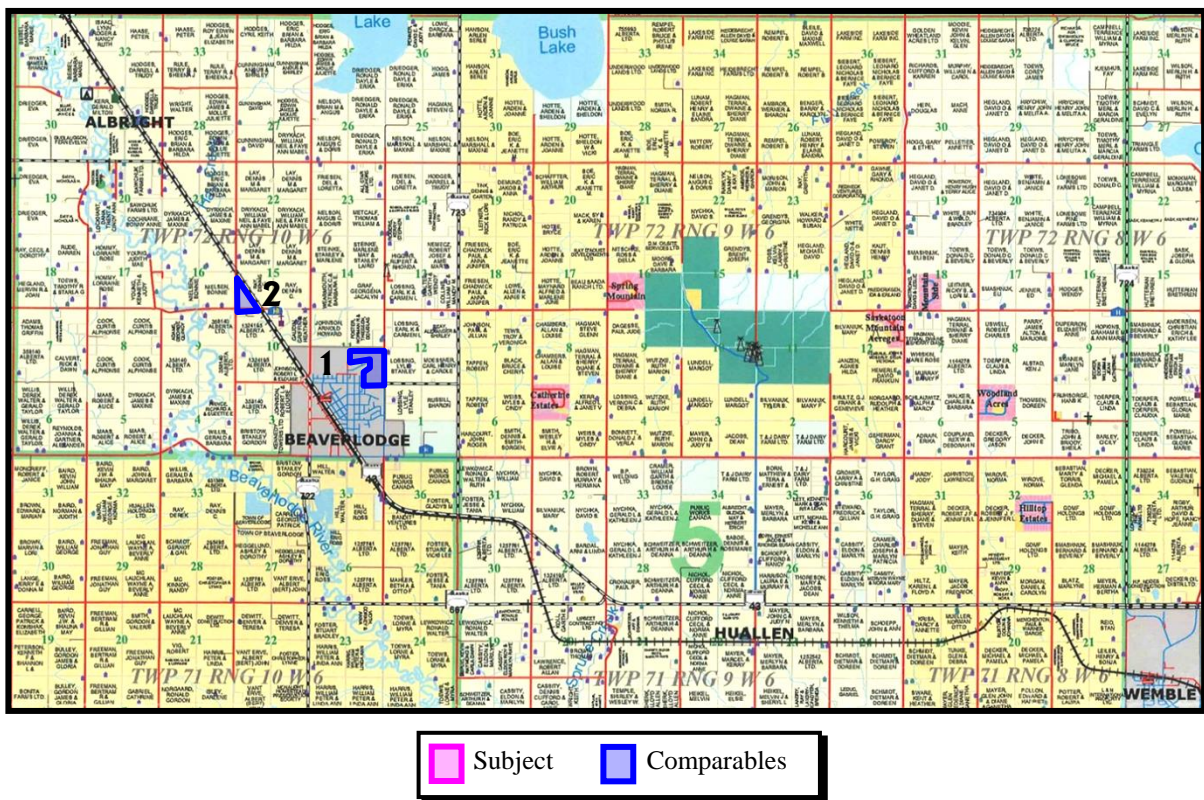
The appraisers have completed a detailed investigation of the current land sales data comparable to the above features by searching Municipal Affairs land transfer information, lending institutions, local realtors, and area contacts.

All sales utilized have been inspected and confirmed and are considered to be normal, arm's-length transactions unless otherwise noted. Adjustments are applied to each of the comparable sales, where necessary, for any dissimilarities between the subject property and the comparable sales. All the required adjustments are made on a percentage basis, reflecting the market for differences in time of sale, location, soil and topography, improvements, size and motive of the transaction.

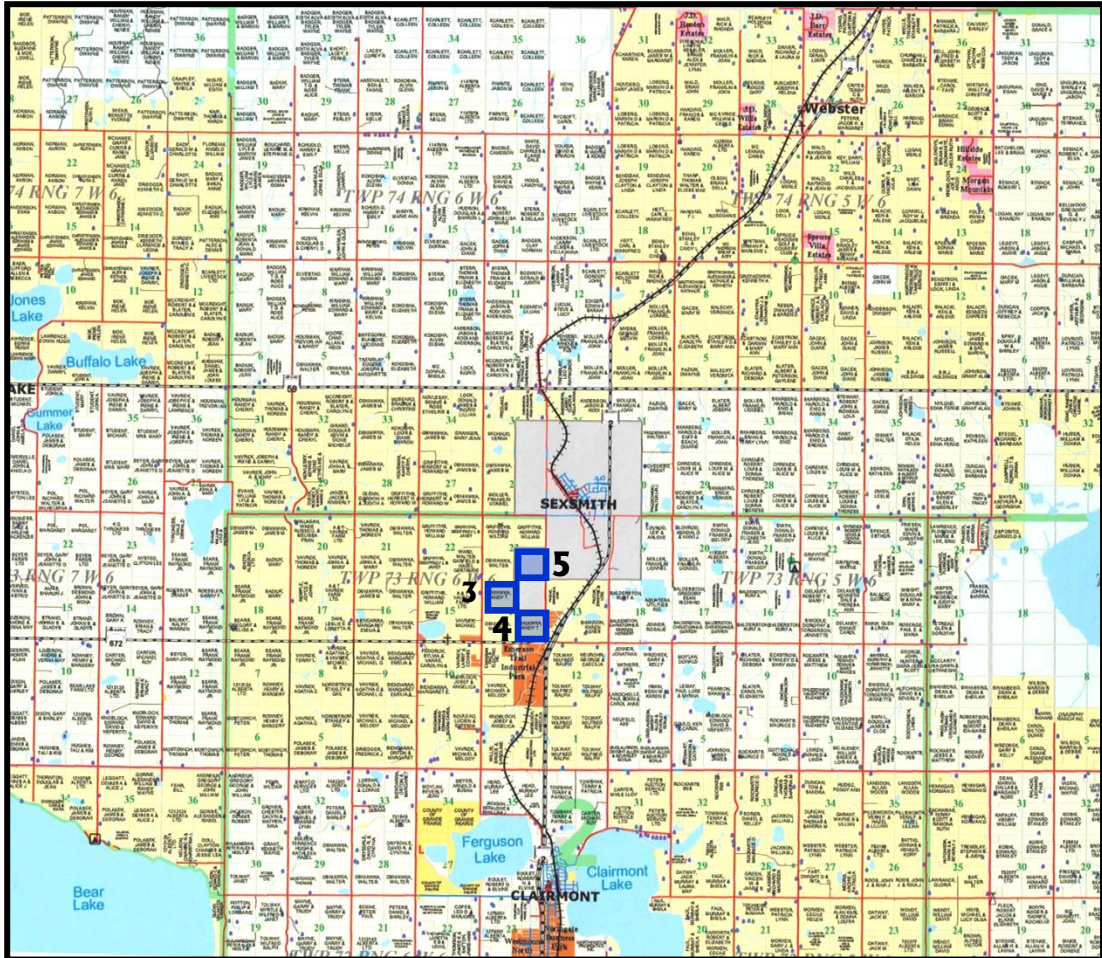
7.1 THE COMPARATIVE METHOD TO VALUE

7.1.1 Comparables – Compared to Pt. NE X

Area Map



**Appraisal Report of the Market Value and Damages in the
Taking of a Portion of NE X-71-10-W6 & SW X-72-10-W6
Owned by ABC Company**



**Appraisal Report of the Market Value and Damages in the
Taking of a Portion of NE X-71-10-W6 & SW X-72-10-W6**

Serecon Valuations Inc.

Owned by ABC Company

1. SE 11-72-10-W6

Sold:	July, 2008 for \$450,000.00
Vendor:	899405 Alberta Ltd.
Purchaser:	L. V. Orman
Acreages:	93.82 total acres, open hay, undulating, some trees
Soil/Physical Features:	CLI rated 60% Class 2C, 40% Class 3C
Zoning:	R2 (Low Density Residential)
Improvements:	Nil
Location:	Located in northeast corner of Town of Beaverlodge
Comments:	Normal arm's-length sale sold through realtor
Bareland Value:	\$4,796.00 per acre
Adjustments:	Time 0%; Time Adjusted Value = \$4,796.00 per acre
<u>Other Adjustments:</u>	Location -20%, soil and topography 0%, size -10%, development potential -20%, motive 0%
<u>Total Other Adjustments:</u>	-50%
Indicated Value:	\$2,398.00 per acre



2. SW 15-72-10-W6

Sold: June, 2009 for \$315,000.00
Vendor: M. Smith & K. Gouchie
Purchaser: M. & D. Breitkreutz
Acreages: 40.65 total acres
Soil/Physical Features: CLI rated 60% Class 2C, 40% Class 3C; slightly undulating
Zoning: RM-1 (Rural Light Industrial)
Improvements: Bungalow and numerous outbuildings; Estimated Contributory Value = \$110,000.00
Location: 1.0 km northwest of Beaverlodge on Highway #43
Comments: Property had a previous offer of \$370,000.00 in December, 2007; offer fell through due to legal issues
Bareland Value: \$5,043.00 per acre
Adjustments: Time 0%; Time Adjusted Value = \$5,043.00 per acre
Other Adjustments: Location -5%, soil and topography 0%, size -25%, development potential -20%, motive 0%
Total Other Adjustments: -50%
Indicated Value: \$2,522.00 per acre



3. NW 14-73-6-W6

Sold: November, 2009 for \$300,000.00
Vendor: R. T. Obniawka
Purchaser: C. D. H. Balderston, G. R. Balderston, K. A. Balderston and L. A. Ward
Acreages: 160 total acres with approximately 140 acres cultivated
Soil and Topography: CLI rated 80% Class 2C, 20% Class 3T; slightly undulating
Zoning: Agricultural
Improvements: Nil
Location: Adjacent to west boundary of Town of Sexsmith
Comments: Considered to be normal arm's-length sale
Bareland Value: \$1,875.00 per acre
Adjustments: Time 0%; Time Adjusted Value = \$1,875.00 per acre
Other Adjustments: Location +10%, soil and topography 0%, size 0%, development potential 0%, motive 0%
Total Other Adjustments: +10%
Indicated Value: \$2,063.00 per acre



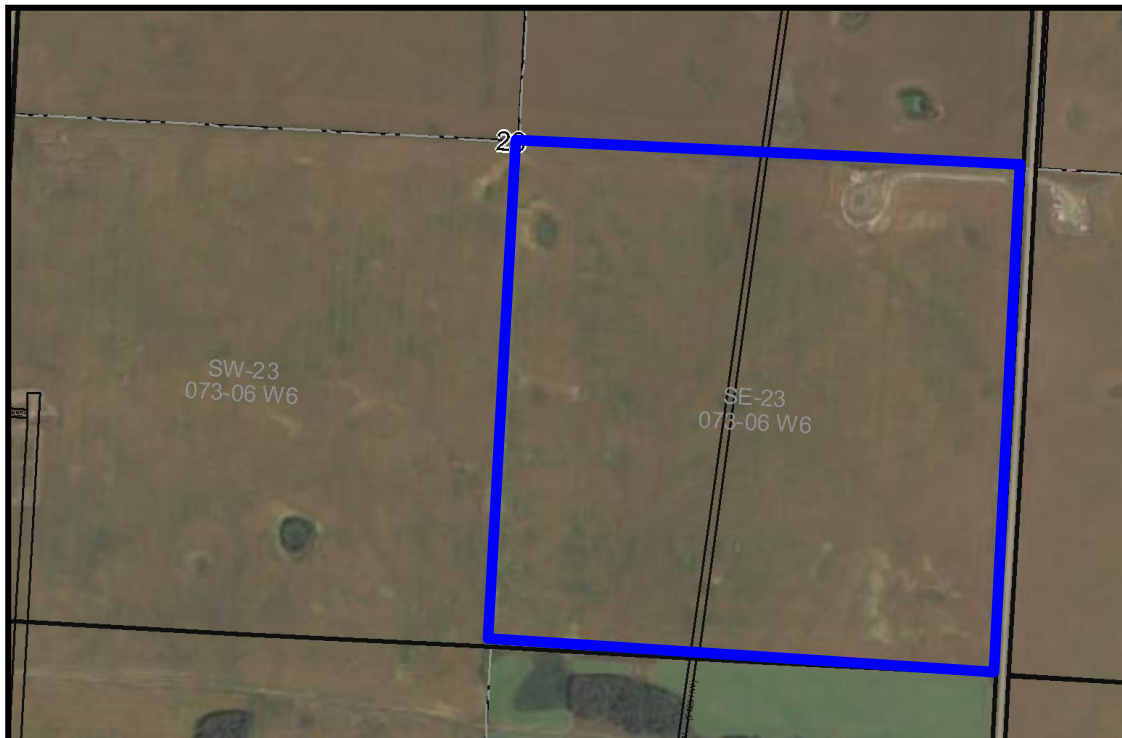
4. SE 14-73-6-W6

Sold: September, 2009 for \$575,000.00
Vendor: Consolidated Civil Enforcement Inc.
Purchaser: G. S. Sidhu
Acreages: 148.04 total acres with approximately 135 acres cultivated
Soil and Topography: CLI rated 80% Class 2C, 20 % Class 3T; slightly undulating
Zoning: Agricultural (designated for future industrial development within the Emerson Trail Area Structure Plan)
Improvements: Surface lease revenue; Estimated Value = \$10,500.00
Location: Adjacent to southwest boundary of Town of Sexsmith
Comments: Civil enforcement, sold through realtor
Bareland Value: \$3,813.00 per acre
Adjustments: Time 0%; Time Adjusted Value = \$3,813.00 per acre
Other Adjustments: Location 0%, soil and topography 0%, size 0%, development potential -25%, motive 0%,
Total Other Adjustments: -25%
Indicated Value: \$2,860.00 per acre



5. SE 23-73-6-W6

Sold: March, 2010 for \$450,000.00
Vendor: R. T. Obniawka
Purchaser: C.D.H. & G.S.P. & K.A. Balderston and L.A. Ward
Acres: 160 total acres with approximately 155 acres cultivated
Soil and Topography: CLI rated 80% Class 2C, 20 % Class 3T; slightly undulating
Zoning: Agricultural
Improvements: Surface lease (ECV \$8,400.00)
Location: Within southwest boundary of Town of Sexsmith
Comments: Normal arm's-length sale; sold through realtor
Bareland Value: \$2,760.00 per acre
Adjustments: Time 0%; Time Adjusted Value = \$2,760.00 per acre
Other Adjustments: Location 0%, soil and topography 0%, size 0%, development potential -15%, motive 0%,
Total Other Adjustments: -15%
Indicated Value: \$2,346.00 per acre



7.1.2 Sales Analysis and Value Estimate

The five sales utilized were considered in valuing the taking from within the subject land. Adjustments have been made between these comparables and the subject properties. After adjustments for dissimilarities, the indicated values of the five comparable sales ranged from \$2,063.00 to \$2,860.00 per acre. In ascending order the sales were as follows:

<u>Comparable #</u>	<u>\$ Indicated Value Per Acre</u>
3	2,063.00
5	2,346.00
1	2,398.00
2	2,522.00
4	2,860.00

Time Adjustments: Time adjustments were made to the two comparables that sold prior to the effective date of appraisal. The adjustments reflect the change in the market as seen by previous work done in the area.

Physical Features: Adjustments are made to reflect differences in topography, soil, slope and drainage. There were no physical features adjustments made to any of the comparables.

Location: Location adjustments are made based on location with respect to access, proximity to main highways, and proximity to urban centres, in particular Beaverlodge and Sexsmith. There was a positive adjustment made to two of the Sexsmith comparables. Based on discussions with market participants and realtors working in the area, there is a perceived market advantage in Beaverlodge. Also, a negative adjustment is made to location for Comparable #1 which is located within the Town of Beaverlodge limits.

Size: Size adjustments reflect the fact that smaller parcels tend to sell for higher prices per unit.

Development Potential: A development potential adjustment is used to account for differences between the comparable properties and the subject lands. These factors that impact value are: area structure plans, future development plans, and proximity to development, all impact speculation on future land use and timing of these changes in use.

All the comparables are given some weight in the final analysis, with the most weight given to Comparables #3 and #4 due to the similarity in features.

The estimated bareland Fee Simple market value of the taking within the large NE X-71-10-W6, as of November 29, 2010, is \$2,500.00 per acre, or \$154,525.00 for the 61.81 acres being acquired.

The SW X is similar in many aspects to the NE X; however, there are also differences. The SW X is not located along Highway #722, and is .4 km away from Town limits whereas the NE X borders the secondary highway and Town. However the SW X is superior for agricultural purposes; it has much more conducive topography and better soil and drainage for crop production. After adjusting for dissimilarities, a negative adjustment for future development potential and a positive adjustment for the interim use of agriculture, it is the appraisers' opinion that a negative 20% reflects the cumulative difference in the value of the SW X when compared to the NE X. The estimated bareland Fee Simple market value of the taking within the SW X-72-10-W6, as of November 29, 2010, is \$2,000.00 per acre. For the 5.47 acre being acquired, this totals \$10,940.00 (rounded).

7.1.3 Exposure Time

The estimates of market value are based on a market exposure time of 8 to 12 months. Exposure time can be defined as, *"The estimated length of time the property interest being appraised would have been offered on the market prior to the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market."*³

7.2 BUILDINGS AND IMPROVEMENTS AFFECTED BY THE TAKING

As previously indicated, the proposed highway right-of-way encompasses a significant portion of the subject property's building site. A small portion (2.14 acres) which includes the residence, remains outside the right-of-way. In the appraisers' opinion, it would no longer be feasible or realistic for anyone to continue to live in this location due to the close distances of the new realigned highway to the residence, as well as setback impacts. Therefore, the appraisers have included the optional right-of-way which includes the residence.

The following section provides the replacement cost and depreciated value of the buildings and improvements located on the subject property. In addition, a moving cost for the grain bins, which are a functional component of the renting of the agricultural land and are moveable, has been considered.

In order to complete the Cost Approach to Value, it is necessary to estimate the replacement cost of the improvements and deduct from this accrued depreciation from all sources. Replacement cost is based on replacement of utility, not necessarily reproduction of the existing improvement. Accrued depreciation is defined as a loss in utility (value) from physical deterioration, functional obsolescence, and external depreciation.

³ Canadian Uniform Standards of Professional Appraisal Practice, effective January 1, 2005, Appraisal Institute of Canada, Ottawa, Ontario. Pg 16

Physical deterioration is estimated by using a modified Age/Life Method which involves estimating the effective age and remaining economic life of the improvement. The effective age may be different than the actual or chronological age, depending on maintenance and condition. Remaining economic life is the base from which remaining utility is estimated.

Functional obsolescence is the loss in building utility/value as a result of the inability of the structure to perform its proper function due to super-adequacies, inefficient designs, deficiencies etc.

External or economic obsolescence is a result of economic factors external to the property itself.

7.2.1 Valuation of Buildings and Improvements

1. Residence: The residence is a 1.5 story house with a full basement and a two car garage attached by a breezeway. The house measures 28' x 33' for a total footprint of the main level of 924 sq. ft. The house was constructed in approximately 1953, the garage was built at about the same time. The house has old cedar shakes on the roof and board siding.

The main floor consists of; a living room, dining room, kitchen, office, bedroom and bathroom.

The living room and dining room have the original hardwood floors, old windows painted drywall walls and a dry wall ceiling. There is a small porch the leads from the living room into the front yard. Everything is quite dated but in good condition.

The kitchen has old linoleum floors, old plywood cabinets, and old slider windows. The kitchen feels very dated and is in need of repair and upgrades.

The office has shag carpet, painted walls, two old windows, old doors and no closet. The main floor bedroom has hardwood floors, two closets, two windows and painted walls.

The bathroom has ceramic tile half way up the walls, with the balance of the wall painted, it also has linoleum flooring. The bathroom is a four-piece with a shower/tub combination. The bathroom has a slider window, the bathroom has poor lighting with only one small light, without a fixture, above the sink.

There are two built-in hall cupboards and a broom closet in the main floor hallway. The stairs that lead to the upstairs are carpeted.

The upstairs has three more bedrooms. The bedrooms are all carpeted, have old windows and have painted drywall walls. Two of the bedrooms have a crawl space, one of the bedrooms has a closet and a crawl space and the third bedroom has two closets.

The upstairs has a two-piece bathroom with linoleum floor and tile and drywall walls. There is also much additional closet space upstairs in the hallway.

The stairs leading down to the basement are covered with linoleum, this linoleum is dated and peeling. In the basement there is what was once a games room and now has been converted to a

private chapel. It has insulated wood paneled walls, cement floor and a paneled ceiling. The rest of the basement has a concrete floor, the floor is in poor shape and is cracking and crumbling, the panelled ceiling has leak stains and water marks and is starting to collapse. There is also a sink in the basement, the sink is leaking and there is a bucket underneath to catch water.

There is a breezeway attached to the house which measures 15' x 23', also attached to the garage.



Estimated Replacement Cost:

House (approximate living area of 924 plus 462 sq. ft. upstairs):	
1,386 sq. ft. @ \$200.00/sq. ft.	= \$277,200.00
Porch: 12 sq. ft. @ \$60.00/sq. ft.	= 720.00
Breezeway: 345 sq. ft. @ \$10.00/sq. ft.	= <u>3,450.00</u>

Total 281,370.00

Estimated Depreciation:

Physical Deterioration: 45/60	= \$211,028.00
Functional/Economic Obsolescence: 10%	= <u>7,034.00</u>

Total Depreciation = 218,062.00

Estimated Depreciated Value (rounded) = \$ 63,300.00

2. Garage: This wood frame structure measures 20' x 22' with a cement floor, plywood insulated walls and a plywood ceiling. The building has vinyl siding that is broken and in need of repair. As well the cement floor in the garage is broken. There was a garage door but this is currently not installed and leaning up against the side of the garage; the opening has been covered with plywood.



Estimated Replacement Cost:

Garage: 440 sq. ft. @ \$25.00/sq. ft. = \$11,000.00

Estimated Depreciation

Physical Deterioration: 32/40 = \$8,800.00

Functional/Economic Obsolescence: 0% = 0.00

Total Depreciation = 8,800.00

Estimated Depreciated Value (rounded) = \$ 2,200.00

3. Barn: There is a hip roof barn on the property measuring 30' x 45'. This barn was originally constructed as a dairy facility and is currently used for storage. The barn includes a loft which provides additional storage space. The barn is painted wood with asphalt shingles.



Estimated Replacement Cost:

Barn: 1350 sq. ft. @ \$25.00/sq. ft. = \$33,750.00

Estimated Depreciation

Physical Deterioration: 32/40 = \$27,000.00

Functional/Economic Obsolescence: 10% = 675.00

Total Depreciation = 27,675.00

Estimated Depreciated Value (rounded) = \$ 6,100.00

4. Shed: There is an open face shed measuring 24' x 96'. This shed has been used in the past for both feed storage and equipment storage. Currently it is used for equipment storage. It has a wood frame, plywood walls, dirt floor and has a tinne roof. The back wall of the shed has many sliding doors to allow for various pieces of machinery. The shed is also open from both ends.



Estimated Replacement Cost:

Shed: 2304 sq. ft. @ \$18.00/sq. ft. = \$41,472.00

Estimated Depreciation

Physical Deterioration: 35/40 = \$36,288.00

Functional/Economic Obsolescence: -10% = 518.00

Total Depreciation = 36,806.00

Estimated Depreciated Value (rounded) = \$ 4,700.00

5. Services, Utilities, Fencing and Landscaping: The original well on the farm has been shut down and the land owner is unsure of whether or not the well is still functional. There was another well drilled that now supplies the yard, this well was also used to supply the dairy operation. There was a new pump installed five years ago. The yard site has underground power to the house and to the barn. There is natural gas that runs to the house but not the barn, there is also a pump out septic system and a telephone.

There has been an extensive number of trees planted in the yard over the years. Starting with the original shelter belt which the landowner originally helped to plant. The original shelter belt consists of approximately 325 spruce trees, there is another roughly 17 spruce and 5 pine in the garden area, and 10 larch and 85 ponderosa pines planted in the back yard north of the barn. There have been a number of ponderosa trees marketed and sold over the years.





Estimated Replacement Cost = \$100,000.00

Estimated Depreciated Value = \$ 60,000.00

6. Other Buildings: In the yard site there are another few additional buildings. There is the original log barn that was moved up from the home stead and there is also a 8' x 8' wood building on skids that is used to house the overhead fuel tanks.





A nominal value of \$2,000.00 is attributed to these.

Moving Cost of Bins:

There are 14 grain bins on the subject property. Six of these are steel Butler and Westeel Rosco bins. These six bins have wood floors and are on skids, but also sit on a 100' concrete pad. There are another six steel bins that are on wood floors and no concrete pad. As well there are two plywood granaries that measure 14' x 16' with a grain capacity of approximately 1,500 bushels each. As these bins are all chattels, they can be moved.





Total Moving Costs of Bins = \$15,000.00

7.3 INCOME APPROACH TO VALUE (RESIDENCE)

As indicated the house is old (over 50 years) and although it has not been abused, the house has significant depreciation; both curable and incurable as renovations and updating have not been kept up. This house is currently being utilized as a rental property with a current lease locked in until May, 2011. The current lease is \$1,000.00 a month plus utilities. The current tenant has been renting the house for the past four years and has been a really great and trust worthy tenant. However, as the house is rented to a church and market rent would, in our opinion, be more likely \$1,200.00 to \$1,300.00 per month. Even though the house is older, because it is generating revenue this creates value for the owner, and in the open market this revenue potential provides an alternative method to value the residential improvements. Based on its age, the projected future income is realistically estimated as follows. The value is calculated based on a discounted present value of projected future net income assuming the house would be rented out for a total of 15 years; the next five years at the current market rate, \$650.00 per month (net) for the next five years and an estimated \$500.00 per month (net) for an additional five years.

In determining the net present value, the monthly gross income must be reduced by any cost to the landlord. Within the lease, the tenant is responsible for all utilities and the landlord is only responsible for taxes. In addition, to maintain that future revenue, it is reasonable to set aside a fund for maintenance and possible vacancy.

In capitalizing the future income stream, these costs must be considered to establish a net monthly income. Following is our estimate of those costs that have to be considered.

Gross Income		\$1,250.00
Landlord Costs:		
Taxes	\$50.00	
Maintenance 5%	\$65.00	
Vacancy 5%	\$65.00	
Total Costs		<u>180.00</u>
Net Income		<u>\$1,070.00/month</u>

This amount then must be discounted, over the next five years and an estimated \$650.00 per month net over the six to ten year period, and then \$500.00 per month net over the eleven to fifteen year period to arrive at a current or present value. The discount rate is an investment rate that reflects the expected return on this type of investment considering the risk factor. Currently there would be some risk to maintain this lease based on market conditions and the property condition. In the appraisers opinion a discount rate of 10% would be considered reasonable.

First Five Years:

- ➔ \$1,100.00/month x 12 months = \$10,200.00/year
- ➔ \$10,200.00/year discounted 10% over five years = \$38,666.03

Years Six to Ten

- ➔ \$650.00/month x 12 months = \$7,800.00/year
- ➔ \$7,800.00/year discounted 10% over years 6-10= \$18,359.49

Years Eleven to Fifteen

- ➔ \$500.00/month x 12 months = \$6,000.00/year
- ➔ \$6,000.00/year discounted 10% over years 11-15= \$8,769.68

Estimated value (rounded) = \$66,000.00

In addition, at the end of the 15 years leasing there will still be a remaining or salvage value for the house based on further depreciation between now and the end of the period, estimated at \$15,000.00.

Total estimated value of the house and residential services, via the Income Approach = \$66,000.00 + \$15,000.00 = \$81,000.00.

In the opinion of the appraisers, this supports or reconfirms the Cost Approach to Value:

➔ Cost Approach to Value:	
▪ Residence	= \$63,300.00
▪ Residential Services (approximately)	= <u>20,000.00</u>
Total	= <u>\$83,300.00</u>
➔ Income Approach to Value	= <u>\$81,000.00</u>
Reconciliation – Residence Value	= <u>\$83,300.00</u>

7.3.1 Summary of Replacement Cost and Estimated Depreciated Value of Buildings and Improvements

	<u>Replacement Cost</u>	<u>Depreciated Values</u>
1. Residence	\$281,370.00	\$ 63,300.00
2. Garage	11,000.00	2,200.00
3. Barn	33,750.00	6,100.00
4. Shed	41,472.00	4,700.00
5. Services, Utilities, Landscaping	100,000.00	60,000.00
6. Other Buildings	<u>N/A</u>	<u>2,000.00</u>
	<u>\$467,592.00</u>	<u>\$138,300.00</u>
Estimated Moving Cost of Bins	<u>\$15,000.00</u>	

7.4 COST APPROACH TO VALUE

a) NE X-71-10-W6:

➔ Land Value = 61.81 acres @ \$2,500.00/acre	= <u>\$154,525.00</u>
➔ Depreciated Value of Buildings and Improvements	= <u>\$138,300.00</u>
➔ Estimated Moving Cost of Bins	= <u>\$15,000.00</u>

b) SW X-72-10-W6:

➔ Land Value = 5.47 acres @ \$2,000.00/acre	= <u>\$10,940.00</u>
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8.0 SPECIAL ECONOMIC ADVANTAGE

Special Economic Advantage is addressed within Section 42(2)(c) of the *Expropriation Act*, Province of Alberta.

- c) *the value to the owner of any element of special economic advantage to him arising out of or incidental to his occupation of the land to the extent that no other provision is made for its inclusion.*

The subject land is currently used for agricultural and country residential /income producing rental property. If sold, would likely be used for similar purposes by a subsequent owner.

The land is located in a farming and rural residential district, just to the south of Beaverlodge. Any superior qualities which the subject properties may have over neighbouring properties, have been taken into account previously when determining “Market Value of the Land”.

The appraisers are unaware of any additional special economic advantage the subject land has, therefore, no special value has been estimated.

9.0 DAMAGES ATTRIBUTABLE TO DISTURBANCE

Compensation for Damages Attributable to Disturbance is addressed within Section 50 of the *Expropriation Act*, Province of Alberta.

- 50 *The expropriating authority shall pay to an owner other than a tenant, in respect of disturbance, such reasonable costs and expenses as are the natural and reasonable consequences of the expropriation, including,*
- a) *when the premises taken include the owner's residence,*
 - i) *an allowance of*
 - A) *5% of the compensation payable in respect of the market value of that part of the land expropriated that is used by the owner for residential purposes, or*
 - B) *the actual amount proved with respect to those items,*
whichever is the greater, to compensate for inconvenience and the costs of finding another residence, if the part of the land so used was not being offered for sale on the date of the expropriation, and
 - ii) *a reasonable allowance for improvements the value of which is not reflected in the market value of the land;*
 - b) *when the premises taken do not include the owner's residence, the owner's costs of finding premises to replace those expropriated, if the lands were not being offered for sale on the date of expropriation;*
 - c) *relocation costs, to the extent that they are not covered in clause (a) or (b), including*
 - i) *moving costs, and*
 - ii) *legal and survey costs and other non-recoverable expenditures incurred in acquiring other premises.*

The actual taking includes a significant portion of the subject property that is currently being utilized as a rental property and therefore not the owners residence. Therefore compensation for disturbances is based on Section 50(b) above.

In the appraisers opinion, there will be a cost for the landowner to find a replacement rental property. That cost may be in time spent away from employment or hard costs in paying a realtor a finder's fee. The landowners have indicated that they may replace the residence with a new structure. This approach will also involve significant time costs to the landowner.

Without knowing the extent of the process, the actual costs are unknown. Compensation under Section 50(a)(i) provides an allowance to compensate owners when replacing their residence. The appraisers

believe this would be a reasonable option to consider in addressing potential costs. Only the portion of the taking that is allocated for the yard site, and then only improvements that are used by the tenant will be used in the damages calculation.

Estimated Compensation = 5% of the value of land, residential buildings and improvements

NE X

➔ Land \$2,500.00/acre x 5 acres = \$12,500.00 x 5%	= \$ 625.00
➔ Improvements; residence, garage, landscaping and services = \$125,500.00 x 5%	= <u>6,275.00</u>

Total (rounded)	= <u>\$6,900.00</u>
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9.1 DISTURBANCE COMPENSATION TO TENANT

Compensation for Damages Attributable to Disturbance is also addressed within Section 51 of the *Expropriation Act*, Province of Alberta.

51(1) The Expropriating authority shall pay to a tenant occupying expropriated land in respect of disturbance so much of the cost referred to in section 50 as is appropriate having regard to,

- a) The length of the term,*
- b) The portion of the term remaining,*
- c) Any rights to renew the tenancy or the reasonable prospects of renewal,*
- d) In the case of a business, the nature of the business, and*
- e) The extent of the tenant's investment in the land.*

(2) The tenant's right to compensation under this section is not affected by the premature determination of the lease as a result of the expropriation.

It is the opinion of the appraisers that if proper notice is provided to the tenant, there will be no compensation.

➔ Estimated Tenant Compensation	= Nil
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10.0 INJURIOUS AFFECTION AND INCIDENTAL DAMAGES

10.1 INJURIOUS AFFECTION

Compensation to the landowner is considered for injurious affection under Section 56 of the Act.

When part only of an owner's land is taken, compensation shall be given for:

- a) *injurious affection, including*
 - i) *severance damage, and*
 - ii) *any reduction in market value to the remaining land, and*
- b) *incidental damages,*
if the injurious affection and incidental damages result from or are likely to result from the taking or from the construction or use of the works for which the land is acquired.

10.1.1 Severance

The actual area to be acquired does not result in any legal severance.

10.1.2 Reduction in Market Value to the Remaining Land

Injurious affection is an estimate of the impact of the taking on the market value of the remaining land in the titled unit. In the opinion of the appraiser, there is no reduction in value to the balance of the titled properties (on a per acre basis) as a result of the 61.81 acre and 5.47 acre areas to be acquired.

10.2 INCIDENTAL DAMAGES

10.2.1 Fixed Costs

The proposed taking will remove approximately 67.8 acres from the subject property. The majority of the land is open crop land, and is rented to a local farmer. Approximately 60 acres are cultivated, farm land, with the balance in the building site.

Typically fixed costs accrue to all the productive lands within a landowner's land base. Fixed costs include capital costs represented by an investment in farm equipment, buildings, and improvements which precipitate into annual costs such as depreciation, management and insurance. These costs vary depending on the property, land use, size of land base from which to allocate or recover cost, cultivated versus non-cultivated lands, and whether the land is farmed by the land owner or leased out. The landowner currently leases the land out, and therefore only a portion of the typical fixed costs would remain. In the opinion of the appraisers, the lands within the taking will have certain fixed costs

such as insurance, capital interest, management, etc. that will remain. It is estimated that these fixed costs will be \$8.00 to \$12.00 per acre, or an average \$10.00 per acre and accrue to all the cultivated crop land. The farmed portion of the subject properties taking is 60 acres. The economic loss to this operation caused by the loss of 60 acres for the number of years the loss is expected to occur. It is estimated that these fixed costs cannot be fully altered for a period of five to ten years. This projected loss is discounted to a present value by applying a real capitalization rate. For this purpose, a capitalization rate of 3% is considered applicable. The economic loss is therefore estimated to be:

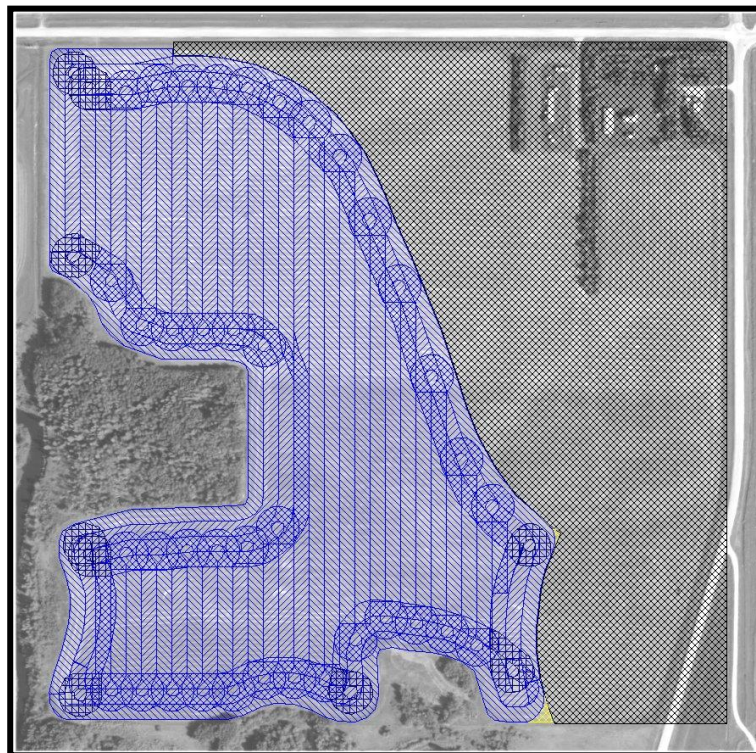
$$\Rightarrow 60 \text{ acres @ } \$10.00 \text{ per acre for } \$600.00 \text{ per year for 10 years @ } 3\% = \$5,118.00$$

The total economic loss with respect to fixed costs is therefore estimated to be \$5,120.00 (rounded).

10.2.1.1 Change in Farming Pattern

A change in the way the subject property is farmed will occur. The following diagrams and calculations show the added costs and reduced revenues for the NE X and SW X-72-10-W6.

Farming Pattern After Bypass Acquisition (NE X)



Blue: extra turns required because of the new roadway.

Yellow: missed areas required because of the roadway.

**Appraisal Report of the Market Value and Damages in the
Taking of a Portion of NE X-71-10-W6 & SW X-72-10-W6
Serecon Valuations Inc. Owned by Stanley Gordon Bristow**

Tangible Adverse Effects						
Farm Field Efficiency Changes	Before Taking (No R/W)			After Taking (With R/W)		
	(m²)	(ac)		(m²)	(ac)	
Total Field Area Farmed (ac)		128.2			77.3	
Missed Area (ac)	0	0.00		371	0.09	
Multiple Overlaps (ac)			Area Affected (ac)			Area Affected of Overlaps (ac)
	(m²)	(ac)		(m²)	(ac)	
Total		26.47	32.18		21.87	25.23
One Overlap (ac)	84,960	20.99	20.99	75,007	18.53	18.53
Two Overlaps (ac)	21,209	5.24	10.48	13,454	3.32	6.65
Three Overlaps (ac)	930	0.23	0.69	63	0.02	0.05
Four Overlaps (ac)	15	0.00	0.01	0	0.00	0.00
Five Overlaps (ac)	0	0.00	0.00	0	0.00	0.00
Additional Annual Costs & Losses	Operating Cost (\$/ac)		Additional Efficiency Loss in Overlaps (%)	Annual Costs & Losses		
				Before Per Acre	After Per Acre	After Net Cost Field Total
Additional Equipment Operating Cost				\$20.48	\$26.63	\$475.49
Equipment Operating Cost Due to Overlaps	\$68.00		20%	\$20.48	\$26.63	\$475.49
	Net Margin Loss (\$/ac)	Weed Control Cost (\$/acre)				
Crop Loss & Weed Control				\$0.00	\$0.86	\$66.19
Crop Loss in Missed Area (in loss of use)	\$147.00			\$0.00	\$0.17	\$13.48
Weed Control Cost (Missed Area)		\$575.00		\$0.00	\$0.68	\$52.71
	Revenue Lost (\$/ac)	Yield Loss (%)	Yield Impact Zone (%)			
Crop/Revenue Loss				\$5.53	\$7.00	\$113.74
Crop/Revenue Loss Due to One Overlap	\$335.00	10%	60%	\$3.29	\$4.82	\$118.11
Crop/Revenue Loss Due to Two Overlaps	\$335.00	25%	60%	\$2.05	\$2.16	\$8.27
Crop/Revenue Loss Due to Three Overlaps	\$335.00	50%	60%	\$0.18	\$0.02	-\$12.36
Crop/Revenue Loss Due to Four Overlaps	\$335.00	60%	60%	\$0.00	\$0.00	-\$0.27
Crop/Revenue Loss Due to Five Overlaps	\$335.00	70%	60%	\$0.00	\$0.00	\$0.00
	Input Costs (\$/ac)		Input Coverage (%)			
Additional Input Costs				\$9.04	\$11.75	\$209.77
Additional Input Costs Due to One Overlap	\$120.00		30%	\$5.90	\$8.63	\$211.53
Additional Input Costs Due to Two Overlaps	\$120.00		30%	\$2.94	\$3.10	\$11.84
Additional Input Costs Due to Three Overlaps	\$120.00		30%	\$0.19	\$0.02	-\$13.28
Additional Input Costs Due to Four Overlaps	\$120.00		30%	\$0.00	\$0.00	-\$0.32
Additional Input Costs Due to Five Overlaps	\$120.00		30%	\$0.00	\$0.00	\$0.00
Total Additional Annual Costs & Losses				\$35.05	\$46.24	\$865.19

The following is a description of the expected tangible adverse effects attributed to the taking, based on farming the land as illustrated.

Equipment expenses are based on field operations from land preparation to harvest. The equipment costs are estimated to be \$68.00 per acre. With a decreased efficiency of 20% resulting from turns and



slowing down, for the area of overlap for seeding, harvesting and spraying, the equipment and machinery expenses increase \$475.49 for the subject property.

Crop losses in the missed areas are calculated at the rate of \$147.00 per acre (gross margin) for an additional 0.09 acres of missed area. Weed control costs are estimated based on research completed, to be \$52.71. Therefore the compensation for crop loss and weed control is \$66.19.

The reduction in crop revenue due to overlap and compaction is based on an increasing loss per acre as the number of overlaps increase. We have estimated the loss will occur over 60% of the area. These factors multiplied by the acreage of overlap results in the total crop revenue loss of \$113.74. Additional input costs resulting from the overlap area calculated at the rate of \$120.00 per acre, with an estimated 30% of the overlap on the number of acres in the turns for a total of \$209.77.

Adverse effects amount to \$865.19 (rounded).

Impact Summary

Equipment Expenses	\$ 475.49
Crop Losses – Missed Areas	13.48
Weed Control Cost	52.71
Reduced Crop Revenue	113.74
Additional Input Costs	<u>209.77</u>
Total (Rounded)	<u>\$865.19</u>

The impact on revenue and costs of \$865.19 is estimated for a 10 year period, or until such time as the property is utilized for a different purpose. The present worth of \$865.19 for 10 years at 3% equals \$7,380.02, rounded to \$7,380.00 for the NE X. This assumes the owner would pass this impact on to the tenant in reduced land rent, or it would impact the owner if they farmed the land themselves.

SW X: In addition to the NE X there is also a right-of-way taken from the SW X. This proposed area is much smaller and less invasive then the proposed right-of-way on NE X. There still will be added cost due to an inefficiency added because of increased turns and overlaps as a result of the taking. In the opinion of the appraisers, the added costs of farming this area will be small, but provide a nominal amount to address the impact on an ongoing basis. These costs are estimated at a nominal amount of \$100.00/year, or \$850.00 capitalized.

Summary – Change on Farming Pattern:

➔ NE X	= \$7,380.00
➔ SW X	= <u>850.00</u>
Total	= <u>\$8,230.00</u>

10.2.2 Other Factors

There may be some tangible or intangible losses that may accrue to the landowner as a result of the proposed taking. Losses that might arise from future construction damages cannot be perceived at this time, and therefore cannot be estimated in this report. Other tangible or intangible losses of an ongoing or variable nature may also arise, such as landowner out-of-pocket costs for experts; however, we are unable to assess any compensation for such losses at this time.

➔ **Other Factors**

Not Appraised

11.0 CERTIFICATION AS TO THE APPRAISAL

I certify that, to the best of my knowledge and belief:

- ➔ The statements of fact contained in this report are true and correct.
- ➔ The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, unbiased professional analyses, opinions, and conclusions.
- ➔ I have no present or contemplated interest in the property that is the subject of this report, and I have no personal interest or bias with respect to the parties involved.
- ➔ My compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- ➔ My analysis, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards of Professional Appraisal Practice.
- ➔ I have completed and fulfilled the Mandatory Re-certification Program requirements of the Appraisal Institute of Canada.
- ➔ The subject property was personally inspected by Bruce Simpson, AACI, P.Ag., and Trevor Birchall, AIC Candidate Member, on November 29, 2010.
- ➔ Bruce Simpson and Glen Doll are licenced appraisers under the Real Estate Council of Alberta.
- ➔ Trevor Birchall, Candidate Member of the Appraisal Institute of Canada, has assisted in the completion of this report.
- ➔ The effective date of the appraisal is November 29, 2010.
- ➔ The date of certification is May 25, 2011.

Bruce R. Simpson, AACI, P.Ag.

Reviewed by: Glen W. Doll, AACI, P.Ag.

12.0 APPRAISER'S QUALIFICATIONS

BRUCE SIMPSON

EDUCATION

- ➔ Bachelor of Science, Agriculture, University of Alberta, 1975
- ➔ Professional Agrologist (P.Ag.), 1981
- ➔ Accredited Appraiser (AACI), 1989, Appraisal Institute of Canada
- ➔ Fulfilled requirements of Mandatory Re-certification Program, Appraisal Institute of Canada

EXPERIENCE

Completed appraisals in the following areas:

- ➔ expropriation appraisals including injurious affection and other damages; expropriation projects including highway expropriations, Oldman River Dam Project, Genesee Power Plant Project, Ontario Hydro Project and numerous smaller projects
- ➔ surface rights appraisals including wellsite, pipeline and powerline appraisals; estimating market value, loss of use and adverse effects
- ➔ Native land claim issues: retrospective land appraisals and loss of use estimates
- ➔ current market value and Valuation Day appraisals
- ➔ mortgage and foreclosure appraisals
- ➔ agribusiness appraisals.

Has appeared as an expert witness qualified in the areas of real estate appraisal and agrology before the Alberta Court of Queen's Bench, Alberta Land Compensation Board and Alberta Surface Rights Board.

Manages property for three absentee foreign owners in irrigation district located near Brooks in southeastern Alberta. The total amount of land managed is approximately 1,500 acres of irrigation and 1,000 acres of dry land.

Has worked on farm financial management projects for financial institutions and farm clients. Also worked with Insolvency department on managing farm receivership files.

Completed assessment and valuation for numerous litigation cases including crop damages, equipment malfunction, creditor disputes and matrimonial disputes.

Completed appraisals on large Native Specific Claims: Cold Lake First Nation, Alexander First Nation, Horse Lakes First Nation, Blood/Kainawa First Nation.

A study of government owned/leased housing rental rates in the N.W.T. involving 1,800 housing units and deriving market based rents of the government housing industry.

Worked on several land use studies involving the impact or effect of various developments on land values.

Appeared before the Energy Resources Conservation Board as an expert witness, for a farm group concerned with the effects a powerline would have on their farming operations, and for a company developing a gas plant.

1991 - Present	Serecon Valuations Inc., Edmonton. Involved in providing specialized consulting services in the areas of rural/agricultural business appraisals, farm business management and farm financial management.
1980 - 1991	Deloitte & Touche (formerly Deloitte Haskins & Sells), Agricultural Appraiser and Consultant (Manager, 1984). Involved with property and business appraisals, property and business management, and agricultural consulting.
1979 - 1980	Loan Review Officer, Farm Credit Corporation, Alberta. Reviewing loan submissions, collecting research data and training staff. Loan Review position included analysis of loan submissions for all farm enterprises throughout Alberta. Analysis of cost of production, repayment capacity and farm financial requirements were completed on the loan submissions.
1975 - 1979	Credit Advisor, Farm Credit Corporation, Alberta, Grande Prairie, Peace River, Falher and Hanna Alberta. Conducting farm appraisals, and advising on long-term mortgages for farms and ranches, field area administration.
1972 - 1975	University of Alberta, Edmonton, Alberta.
1971 - 1972	University of Calgary, Calgary, Alberta.
Summers 1971 - 1975	Employed in mixed irrigation family farm, Tilley, Alberta. Alberta Horticultural Research Centre, Brooks, Alberta. Alberta Department of Agriculture, Taber, Alberta.

PROFESSIONAL MEMBERSHIPS

- ➔ Alberta Institute of Agrologists
- ➔ Agricultural Institute of Canada
- ➔ Appraisal Institute of Canada
- ➔ Alberta Expropriation Association
- ➔ Alberta Agricultural Economics Association

GLEN W. DOLL, AACI, P.Ag.

EDUCATION AND PROFESSIONAL DESIGNATIONS

- ➔ Accredited Appraiser Canadian Institute (AACI), Professional Appraiser (P. App.), 2010
- ➔ Professional Agrologist (P.Ag.), 2009
- ➔ Post Graduate Certificate in Real Property Valuation, University of British Columbia, Distance Education, 2009
- ➔ Bachelor of Agriculture, University of Alberta, Edmonton, Alberta, September 2000 – May 2005
 - Completed Bachelor of Science in Agriculture with a major in Agricultural Economics. Convocated with distinction.

AREAS OF CONCENTRATION

- ➔ Agricultural Economics
- ➔ Farm Finance and Management
- ➔ Land Use Impacts

SUMMARY OF EXPERIENCE

Glen provides agricultural and rural consulting services. He has assisted with appraisals for a variety of agricultural properties, as well as, for conservation easements, surface rights, expropriation, and native land claims.

PROFESSIONAL EXPERIENCE

Present	Consultant Serecon Valuations Inc., Edmonton, Alberta Involved with rural appraisals for surface rights, expropriation, native land claims, loss of income, current market value and Valuation Day. Assisted in financial analysis of dairy, poultry and grain farms.
2005 – Feb 2006	Cargill AgHorizons As an operations trainee I was involved in both sales and management of a farm service center in rural Alberta. This job required many different skills involving all aspects of agricultural training and knowledge I have obtained through schooling and time on the farm.
2003 – 2004	G-Mac's AgTeam Inc. Fertilizer blending, inventory management, customer service, and delivery.

1992 – 2003

Doll Farms

Farm equipment operation and maintenance, building repair and construction, and other general farm operations and management.

AWARDS AND EXPERIENCES

- ➔ Canadian Wheat Board Scholarship, 2004
- ➔ Agriculture Financial Services Corporation Scholarship, 2004
- ➔ Alberta Agriculture Economics Association Scholarship, 2004
- ➔ Canadian Agricultural Economics Society Undergraduate Book Prize Award, 2004
- ➔ Third place at Food Distribution and Research Society Case Study Competition, 2004

MEMBERSHIPS AND TECHNICAL CERTIFICATES

- ➔ Appraisal Institute of Canada (AIC)
- ➔ Alberta Institute of Agrologists (AIA)
- ➔ Alberta Expropriation Association

TREVOR J. BIRCHALL

EDUCATION AND PROFESSIONAL DESIGNATIONS

- ➔ Bachelor of Science, Agriculture – Resource Economics
 - University of Alberta, 2009.
- ➔ Agriculture Business Diploma, Entrepreneurship and Rural Small Business
 - Olds College 2004 - 2006

AREAS OF CONCENTRATION

- ➔ Agricultural Consulting
- ➔ Agricultural Real Estate Appraisals

SUMMARY OF EXPERIENCE

Trevor comes from a family owned cattle operation. He has worked in farm equipment sales and as an agronomist; where he conducted crop scouting to identify weeds and diseases, recommended chemical solutions, gathered and recorded data related to chemical performance and dealt with range and pasture sales and inquiries. With Serecon he assists with consulting projects and studies that relate to farm and crop management, and agricultural appraisals concerning mortgage, estate, expropriation, surface rights, Crown lands, and Native land claims.

PROFESSIONAL EXPERIENCE

Present	<p>Consultant Serecon Management Consulting Inc., Edmonton, Alberta</p> <p>Involved with consulting projects and studies that relate to farm and crop management and rural appraisals relating to mortgage financing, estate, expropriation, surface rights, Crown lands, and Native land claims.</p>
2005 – 2008	<p>Summer Positions: Serecon Management Consulting Inc.</p> <ul style="list-style-type: none">▪ Junior consultant <p>Deer Land Equipment</p> <ul style="list-style-type: none">▪ Sales <p>Parkland Agra Services</p> <ul style="list-style-type: none">▪ In crop scouting, weed and disease identification▪ Chemical recommendations▪ Range and pasture sales and inquiries

AWARDS AND EXPERIENCES

- ➔ 4-H Beef Club Member – 8 years. Held positions of Vice-President and President. Winner of numerous public speaking competitions.
- ➔ U of A, Agriculture Club, President
- ➔ U of A, FarmHouse, Vice President, Finance
- ➔ U of A, Agriculture Marketing Club, Vice President
- ➔ U of A, Undergraduate Representative on the hiring committee for the Dept. of Rural Economy.
- ➔ U of A, Faculty Students Association.