

Appraisals

Summary / Rationale:

The Nature Conservancy of Canada (NCC) requires that fair market value be established for all land or interests in land (real property or interests in real property) to be acquired or disposed of through completion of Conservation Projects. Doing so allows NCC to:

- Substantiate the purchase or sale price;
- Determine the fair market value of a donation for issuance of a charitable tax receipt in conformance to Canada Revenue Agency requirements for donation receipts;
- Substantiate acquisition costs to donors.

Scope:

This policy applies to all NCC staff and Business Units (National departments and Regions).

Policy:

The following are NCC's appraisal requirements for acquisition and disposition of land. These requirements may not meet the minimum standards required by programs or funders of individual projects and it is the responsibility of each Region to ensure it meets all standards required by project funders and any applicable programs (e.g., Ecological Gifts Program, NAWCA.)

1. All Transactions

All appraisals shall be conducted by an independent qualified Appraiser who is certified by the Appraisal Institute of Canada (in Québec the Ordre des évaluateurs agréés du Québec [OEAQ]) and who adheres to the certifying body's standards of practice.

In cases where a significant component of value has been identified as merchantable timber, a timber appraisal by a Registered Professional Forester (RPF) is also required. In these cases the qualified Appraiser must include the results of the timber appraisal within the real estate appraisal and provide sufficient comments about how the timber component contributes to the overall value.

The effective date of an appraisal or letter of opinion must be no more than one year prior to the date of registration of the transfer¹.

Appraisals must be completed within one year (before or after) of the date of the signed purchase and sale or transfer agreement.

The appraisal must clearly indicate the number of acres appraised.

Should the number of acres secured be different from the number of acres appraised, a note to file from staff must accompany the appraisal to explain how the final appraised value was calculated based on the information in the appraisal.

¹ The effective date on Ecogift appraisals must be the date of the gift or up to 6 months prior to the date of gift.

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A letter of update from the Appraiser is necessary if a cadastral or legal survey of the property before closing indicates the assumed number of acres used for the appraisal is at least 15% larger than the actual number of acres.

Appraised values cannot be prorated up to incorporate additional parcels of land.

The expressions "Form Appraisal", "Short Narrative Appraisal", "Narrative Appraisal", "Letter of Opinion" and "Review" set out in Figure 1 and below have the meanings ascribed to them by the Appraisal Institute of Canada/OEAQ. Use of the word "appraisal" in this policy includes all such expressions and implies such meaning as the context permits.

	\$0	\$25,000	\$50,000	\$2 million
Purchases	Form Appraisal or Opinion or Assessment	Short Narrative Appraisal	Narrative Appraisal	Narrative Appraisal and Review
Donations and Split Receipts	Form Appraisal or Opinion or Assessment	Short Narrative Appraisal	Narrative Appraisal	Narrative Appraisal and Review

Figure 1 – Summary of Minimum Acceptable Property Valuation Methods

2. Purchase of Land and Conservation Agreements (including Funding Contributions)

An appraisal must be completed prior to NCC being obligated to pay a purchase price (i.e., signing an unconditional purchase and sale agreement specifying the purchase price or waiving conditions in an agreement of purchase and sale or any other method by which NCC becomes irrevocably committed to a purchase price).

Where the fair market value in an appraisal is expressed as a range of values the fair market value is considered to be the high-end of those values.

In accordance with Board Policy [B-8-2008](#), the purchase price must not exceed the final appraised value by more than 5.0%. Appraised value can only be exceeded for properties identified as priority 1 or 2 in Natural Area Conservation Plans.

Where the purchase price is less than \$25,000² the fair market value must be substantiated by either:

- A Form Appraisal prepared by a qualified Appraiser as described in section 1 or

² For NAWCA-funded properties this amount is \$10,000. Refer to August 2007 grant standards.

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- A Letter of Opinion from an Appraiser or other qualified real estate professional or
- The local government's property assessment.

Where the purchase price is \$25,000³ or greater, and less than \$2,000,000, the fair market value must be substantiated by a Narrative Appraisal prepared by a qualified Appraiser as described in section 1, except that if the purchase price is less than \$50,000 a Short Narrative Appraisal may be used. Staff is encouraged to use Appraisers who have attended training seminars conducted by Environment Canada and have experience appraising Ecological Gifts.

Where the purchase price is \$2,000,000 or greater the fair market value must be substantiated by a Narrative Appraisal report prepared by a qualified Appraiser as described in section 1. A second qualified Appraiser or Certified Appraisal Reviewer (certified by the Appraisal Institute of Canada/OEAQ) who has demonstrated experience appraising Ecological Gifts, shall be contracted to review the appraisal and confirm the fair market value has been reasonably determined and meets all standards of their certifying body and the Guidelines for Appraisers published by Environment Canada for the Eco-gift Program.

3. Donation of Land or Conservation Agreement (including Split Receipts) for Which a Tax Receipt is Issued

Where the fair market value in an appraisal is expressed as a range of values, the appraisal must also include a point value within the range that is designated as the most likely value by the Appraiser. This point value is considered to be the fair market value.

Where the donated value is less than \$25,000, the fair market value must be substantiated by either:

- A Form Appraisal prepared by a qualified Appraiser as described in section 1 or
- A Letter of Opinion from an Appraiser or other qualified real estate professional or
- The local government's property assessment and a statement from the NCC employee responsible for the property's securement, either email or a signed and dated document, confirming that to the best of their knowledge the assessment of a specified date is not higher than the fair market value of the property is believed to be.

Where the donated value is \$25,000 or greater, and less than \$2,000,000, the fair market value must be substantiated by a Narrative Appraisal prepared by a qualified Appraiser as described in section 1, except that if the value of the gift is less than \$50,000 a Short Narrative Appraisal may be used. Staff is encouraged to use Appraisers who have attended training seminars conducted by Environment Canada and have experience appraising Ecological Gifts.

Where the donated value (includes the purchase portion for a split receipt) is \$2,000,000 or more, the fair market value must be substantiated by a Narrative Appraisal prepared by a qualified Appraiser as described in section 1. Unless the gift is being made under the Ecological Gifts Program, a second qualified Appraiser or a Certified Appraisal Reviewer, who

³ For NAWCA-funded properties this amount is \$10,000. Refer to August 2007 grant standards.

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has demonstrated experience appraising Ecological Gifts, shall be contracted to review the appraisal and confirm the fair market value has been reasonably determined and meets all standards of their certifying body and the Guidelines for Appraisers published by Environment Canada for the Eco-gift Program.

Where the donor wishes the amount of a donation receipt to be less than the fair market value of the donation this must be documented in writing by the donor prior to NCC issuing the receipt.

4. Donation of Land or Conservation Agreement for Which a Tax Receipt is NOT Issued

Where land is being donated but a tax receipt is not being issued, documentation verifying value is nevertheless required as described in sections 1 and 3.

5. Consolidated Appraisals

If NCC is the only buyer providing comparable purchase data for the past three years within a given focal area within an approved Natural Area Conservation Plan and there is a contiguous block of relatively homogenous properties (e.g., not a mix of lake-front and non-lake-front properties) within the focal area, then a Narrative Appraisal can be done for all the properties in the block to provide a dollar per acre value for further securement activities. This appraisal is subject to the conditions, including the one-year time limit, described in Part 1 above, and the use of a consolidated appraisal must be pre-approved by both the Regional Board and the Vice President Conservation.

If a consolidated appraisal is used, then the appraisal must also confirm that the per-acre value of the assemblage is consistent for constituent parcels and that the assemblage does not affect the value (i.e., the value of the whole must be equal to the sum of the components of the various estates or parcels).

If a consolidated appraisal is used, then its use must be noted in the Conservation Project Summary.

6. Disposition of Land by Sale or Transfer

In the event that NCC transfers land to another conservation organization at a nominal value no appraisal is required.

In the event that NCC sells or trades land to a non-conservation interest the fair market value must be determined using the same standards as in Part 2 above.

Dispositions of land through Conservation Buyer transactions (see the Board Policy B-1-2009 for definition) are subject to valuation requirements as specified in that policy.

Key Words:

MANAGEMENT POLICY

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Responsible Business Unit: Conservation Operations

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Policy is effective from 3 January 2011

Next Review date: 1 January 2014

Associated Documents:

[B-8-2008 Approval Process Related to NACPs and Securement Activities](#)

Associated Forms: