



Subject <b>Appraisal and Valuation of Public Lands</b>		Policy <b>PL 2.03.01</b> <b>PM 11.07</b>	
Compiled by - Branch <b>Lands &amp; Waters Ontario Parks</b>	Section <b>Land Management Planning &amp; Research</b>	Date Issued <b>June 12, 2007</b>	
Replaces Directive Title <b>Appraisal/Evaluation of Public Lands</b>	Number <b>PL 2.03.01</b>	Dated <b>February 17, 1997</b>	Page <b>1 of 6</b>

## **1.0 INTRODUCTION**

This policy and associated procedure related to the disposition of public land or the determination of value for the annual rent and fees for the use of these lands, applies to the appraisal and valuation of all public land including:

- land under water, as defined in the Public Lands Act, and
- land under the jurisdiction of the Provincial Parks and Conservation Reserves Act.

Consistent with *Our Sustainable Future – Ministry of Natural Resources Strategic Directions* (2005), Ontario's natural resources must be adequately valued, to provide a fair return to the province. The Ministry's *Strategic Direction for Management of Ontario Crown Land* (1993), provides that the Crown should receive fair compensation when disposing of Crown land for exclusive use.

Broader Management Board of Cabinet policy direction provides the Ministry of Natural Resources with the responsibility and mandate to maximize revenue to the Crown, based on fair market value when disposing of real property.

Accordingly, consistent with this broad government and Ministry strategic policy direction, the Ministry manages Crown land as a highly valued and finite public resource - no less valuable than private land.

## **2.0 GOAL**

To ensure that the Province of Ontario receives a fair return when the Ministry disposes of rights to public land.

## **3.0 OBJECTIVES AND STRATEGIES**

The goal of this policy will be achieved through objectives and strategies supporting: market value; cost effectiveness; and consistency and fairness.

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### **3.1 Market Value**

#### **3.1.1 Objective**

Obtaining a fair return for public land will be achieved through the application of “market value”. For purposes of this policy, market value shall be defined as that used by the Appraisal Institute of Canada (2007).

*“Market value is the most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite for fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition of market value is the completion of a sale under conditions whereby:*

- *buyer and seller are typically motivated;*
- *both parties are well informed or well advised and are acting in what they consider to be their best interests;*
- *a reasonable time is allowed for exposure in the open market;*
- *payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable to; and*
- *the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”*

#### **3.1.2 Strategies**

The following strategies support the market value objective.

Market value of public land may be estimated by the Ministry through:

- zonal value reports to establish the value of larger land dispositions;
- benchmark appraisal reports for a large number of dispositions with similar attributes;
- tenders, auctions, or request for proposals where demand for the land exceeds the supply, subject to a reserve price established by an appraisal report;
- valuation by Ministry staff trained in appraisal techniques as described in procedures PL 2.03.01 Appraisal and Valuation of Public Land and PL 2.03.03 Water Lot Valuation;
- valuation by a qualified appraisal professional where circumstances dictate (e.g. value of land, risk to the Crown);
- formal agreements with either individual companies with large or numerous land holdings, or with organizations representing the interests of a large client group; and
- consideration when appropriate, of the Current Value Assessment, as established by the Municipal Property Assessment Corporation (MPAC).

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Procedures PL 2.03.01 Appraisal and Valuation of Public Land and PL 2.03.03 Water Lot Valuation provide further direction for market valuations that are completed by Ministry staff or independent appraisers. Consideration of the appropriate degree of review will be based on risk factors associated with the disposition or the appraisal report.

Independent fee appraisers may be commissioned by the Ministry to establish the value of public land where:

- valuation of the property is likely to be contentious, or valuation poses potential for significant risk to the Ministry;
- completion of the valuation at the expense of the Ministry will directly contribute to achieving an important, established and funded Ministry program;
- there is a lack of suitable data available to the Ministry from which the Ministry may otherwise calculate the value;
- one appraisal report has the potential to be applicable to several properties or clients; or
- prior to reliance upon a single appraisal report, the land valuation is reviewed and approved by the Ministry at a level that is reflective in the market value indicated and risk to the Crown. High value or contentious property appraisals may be subject to third party review or a second appraisal report, at the discretion of the Ministry.

Independent fee appraisers providing expertise to the valuation of public land must be members in good standing of the Appraisal Institute of Canada or the Canadian National Association of Real Estate Appraisers and hold the designation appropriate for the type of land being valued.

Revenue sources from land rental will reflect current values. Non-tax revenue will be maximized by:

- evaluating aged appraisal reports to ascertain if the values indicated are still applicable; and
- revising zonal values reports and benchmark appraisal reports generally every five years, although this period may vary if economic conditions warrant such variance.

## **3.2 Cost Effectiveness**

### **3.2.1 Objective**

Determining a fair return for public land will be achieved in a cost effective manner and will be influenced by the:

- potential value;
- benefit to the client; and
- risk to the Crown.

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### **3.2.2 Strategies**

The following strategies support this cost effectiveness objective.

In the absence of other current value information and as supported by the concept of beneficiary pay, appraisal reports required for client initiated dispositions will be completed at the expense of the client. The client initiated appraisal reports will be:

- completed by an independent appraiser qualified to value the type of property under consideration and in the format appropriate for the complexity of the appraisal;
- subject to terms of reference provided by the Ministry and accepted by the client prior to initiating the appraisal report; and
- reviewed and approved by the Ministry consistent with procedures PL 2.03.01 Appraisal and Valuation of Public Land and PL 2.03.03 Water Lot Valuation.

Land valuation completed for the rent review of existing tenure documents will be completed by the Ministry consistent with recognized appraisal approaches and standards, utilizing existing information and data sources including, but not limited to:

- benchmark appraisals to estimate the value of land with similar attributes within the same or similar economic area;
- zonal value reports to establish values for larger parcels of land, corridors or other appropriate land occupations;
- land value information available within the Ministry; and
- Internet based search engines and alternate data sources (e.g. MPAC).

Appraisal reports or similar studies may be completed on a cost share basis between the Ministry and another party, where deemed to be mutually beneficial to both parties. The information in the reports or studies will be shared equally.

Ministry staff may complete certain other land evaluations, consistent with procedures PL 2.03.01 Appraisal and Valuation of Public Land and PL 2.03.03 Water Lot Valuation.

## **3.3 Consistency and Fairness**

### **3.3 Objective**

Ministry clients and stakeholders will be treated consistently and fairly in order to foster a relationship that is more likely to result in land appraisals and valuations that are understood and accepted by both the Ministry and its clients.

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Due to the vast differences in the economies of various regions of Ontario, the relative value of public land may vary greatly from one location to another. In recognition of this variance, it is important that the value of public land with similar attributes be established in a consistent manner. Secondly, given the abundance of public land in the northern and central Ontario, it is equally important that public land be valued fairly throughout the province, as well as across the numerous commercial, industrial and recreational sectors that rely on the use of public land.

### **3.3.2 Strategies**

The following strategies support this consistency and fairness objective.

#### **Benchmark Reports and Memorandums of Understanding**

Public land value may be established through benchmark appraisal reports and may be negotiated through memorandums of understanding with individual corporations with multiple tenancies or with recognized associations that represent a large number of tenants of public land (e.g. commercial marinas, telecommunication companies). This approach may be used where the Ministry has client groups or tenants that occupy numerous locations on Crown land and used for the same purpose.

Due to the nature of these tenancies, individual appraisal reports are inefficient, costly and may result in differing values within a small geographical area. Benchmark reports provide a degree of uniformity within an area and help to ensure fair and equal treatment of MNR clients with respect to land rental costs.

#### **Freedom of Information and Protection of Privacy Act**

The Ministry's will adhere to the Freedom of Information and Protection of Privacy Act (FIPPA) in the land appraisal and valuation process by balancing:

- the government's right to protect privileged economic and land valuation information;
- the public's right to information; and
- the demonstration to the client of the Ministry's intention to act in good faith.

#### **Dispute Avoidance and Dispute Resolution**

The Ministry will seek to minimize the probability of dispute arising from valuing public land for disposition or use, while maintaining the Ministry's mandate to obtain fair value for public land. When disputes cannot be avoided, the dispute resolution process will be fair and open. The Ministry will minimize the potential for disagreement through open communication with the client before, during and after the appraisal process and ensuring the client is aware that:

- the Ministry has strategic and broad Ontario government policy direction to ensure that Ontario receives fair value for the use of Crown land;

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- the Ministry will provide the client with terms of reference on how the property will be valued in advance of the appraisal being commissioned;
- the Ministry must review the content and results of appraisal report before the value is accepted; and
- upon acceptance, the appraisal report may be utilized as a tool to further negotiation.

The Ministry may enter into an accepted alternate dispute resolution (ADR) processes for rent review purposes in those situations where attempts to negotiate an agreement with a client(s) have been exhausted. Decisions on the use of formal ADR, will be based on the risk to the overall Crown land management program, as well as the circumstances associated with the specific public land occupation.

## **4.0 REFERENCES**

### **4.1 Legal References**

- Freedom of Information and Protection of Privacy Act
- Public Lands Act
- Provincial Parks and Conservation Reserve Act

### **4.2 Policy and Other References**

- PL 1.01.01 (POL) Strategic Direction for Management of Ontario Crown Land
- PL 2.03.01 (PRO) Appraisal and Valuation of Public Land
- PL 2.03.03 (PRO) Water Lot Valuation
- PL 6.01.01 (POL) Sale Price Policy
- PL 6.01.02 (POL) Crown Land Rental Policy
- PL 6.01.03 (POL) Disposition at Less Than Market Value
- Appraisal Institute of Canada January 2007 *Canadian Uniform Standards of Professional Appraisal Practice*
- Ontario Ministry of Natural Resources 2005 *Our Sustainable Future – Ministry of Natural Resources Strategic Directions*
- Ontario Ministry of Natural Resources 1993 *Strategic Direction for Management of Ontario Crown Land*
- Management Board of Cabinet September 1998 *Directive on Real Property and Accommodation*
- Management Board of Cabinet August 1991 *Directive on Non Tax Revenue*