

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

1.0 DEFINITIONS

"AACI, P.App." – The AACI, P.App. designation is granted to individuals who have completed the AACI program of studies and fulfilled all the professional requirements of the Appraisal Institute of Canada. These members are qualified to offer valuation and consulting services and expertise for all types of real property;

“appraisal report” means a document that is completed by a person holding the qualifications noted in this procedure in a format acceptable to this Ministry and conforms to the standards of the professional association awarding the designation and provides an estimate of the value of property as of an effective date;

"benchmark appraisal" means an appraisal of a property, whether actual or hypothetical, that is representative of a number of similar properties and as a result the unit value of the appraised site value can be applied to the similar properties;

"CRA" means Canadian Residential Appraiser, granted by the Appraisal Institute of Canada to individuals who have completed the CRA program of studies and fulfilled all the professional requirements of the Institute. These individuals are qualified to offer valuation and consulting services and expertise for individual undeveloped residential dwelling sites and dwellings containing not more than four self contained family housing units;

“consulting report” means a report or study into real property for a purpose other than for estimating value. Land utilization studies, highest and best use analysis, marketability, feasibility or other related research are examples of real property consulting;

“DAC” means Designated Appraiser Commercial, given by the Canadian National Association of Real Estate Appraisers (CNAREA), which qualifies the appraiser to appraise a wide range of real property;

“DAR” means Designated Appraiser Residential, given by CNAREA, which qualifies the appraiser to value individual parcels of vacant land, intended for residential uses and residential dwelling sites;

“public land” means public lands within the meaning of the Public Lands Act;

“valuation report” means a report prepared in a format as outlined in Appendix A of this procedure by a MNR staff person that estimates the value of public land as of a specific date; and

“zonal value reports” means reports used to establish values for larger parcels of land, reflecting different significant attributes only (e.g. access, water frontage) within geographic or economic areas.

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2.0 CONTEXT

Policy PL 2.03.01 Appraisal and Valuation of Public Land establishes a goal and three objectives and a series of supporting strategies to guide the appraisal and valuation of public land including market value; cost effectiveness; and consistency and fairness.

This procedure cross references certain other Public Lands directives to be considered in the procedural implementation of Policy PL. 2.03.01 Appraisal and Valuation of Public Land.

This procedure has been prepared primarily for the benefit of Ministry of Natural Resources (MNR) staff and external agents acting on behalf of MNR, to provide more detailed direction to the application and implementation of these objectives and strategies. This procedure may also be of interest to some Ministry clients and other agencies.

3.0 PROCEDURAL APPLICATION

3.1 Market Value

PL 2.03.01 Appraisal and Valuation of Public Lands Policy Objective 3.1 provides that the appraisal and valuation of a fair return for public land will be achieved through the application of market value including the following:

3.1 Market Value May Be Estimated Through the Following Processes:

- an appraisal report obtained and approved through the Ministry's Land Management Section, directly or through an external agent, where the appraisal will be completed within a reasonable length of time completed by an independent fee appraiser with the appropriate qualifications and in a format approved/determined by the Land Management Section;
- client initiated appraisals completed by a designated member of a professional association recognized in real property valuation;
- benchmark appraisal reports or zonal value reports to establish a range for values for similar land use categories (e.g. private recreation camps) across broad geographic areas. Further details are discussed in Sections 3.1.3 and 3.2.2 of this procedure;
- supporting documentation based on accepted pricing and market value approaches contained within a memorandum of understanding (MOU) negotiated with individual corporations with multiple tenancies or recognized associations that represent a large number of tenants of public land (e.g. marinas, telecommunication companies) where the MOU:
 - is supported by independent analysis acceptable to the Ministry;
 - contains pre-determined dates by which the MOU is reviewed and/or renewed by all parties to the MOU or agreement; and
 - is approved by the appropriate delegated authority of all parties to the MOU of the agreement.

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- realtor's estimate of value, in areas where AACI or CRA, DAC or DAR accredited appraisers are not available, subject to terms of reference and approval by the Land Management Section;
- reliance on the most recent Current Value Assessment (CVA) established by the Municipal Property Assessment Corporation (MPAC) when other land value information is not available and upon review:
 - the CVA is thought to be a reasonable reflection of the market value of the land;
 - the cost of a formal appraisal or Ministry staff valuation is higher than the return to the Crown through the sale or rent of the property; and
 - it can be confirmed with MPAC that the CVA does not involve infrastructure located on the land;
- by qualified Ministry staff who have completed the MNR land valuation training or have completed a recognized land appraisal course, subject to criteria in Appendix A and subject to the approval of the:
 - District Manager or Ontario Parks Zone Manager where the estimate of value is less than \$20,000; or
 - Land Management Section where the lands are valued between \$20,000 and \$250,000.

In certain cases, value estimates below \$20,000 may be complex or contentious; MNR field staff may seek the technical review and expertise of Land Management Section staff prior to the approval consideration by the District Manager or Zone Manager.

3.1.2.1 Formats and Types

Appraisal report(s) can be prepared in a variety of formats and types. Reports need to reflect local market conditions and must include a statement on the highest and best use of the property being appraised. Acceptable appraisal formats include:

<u>Type of Report</u>	<u>Description</u>	<u>Appropriate For</u>
Form Report	Standardized format combining check-off boxes and narrative comments	<ul style="list-style-type: none"> • Basic appraisals such as : small, unified properties (i.e. cottage lots, residential properties) • Low value properties
Short Narrative	Concise and briefly described May be in point form Broader description and more in-depth analysis than form report	<ul style="list-style-type: none"> • Moderate complexity or value i.e. addition to parent parcel, some water lots, • cottage lot appraisals used for benchmark purposes, small commercial properties
Narrative and Full Narrative	Comprehensive and detailed. Full descriptions and detailed analysis, Value may be “qualified” by appraiser or through terms of reference	<ul style="list-style-type: none"> • High value or highly complex properties. • Properties disposed of for higher density development (e.g. subdivision) or larger industrial, commercial or institutional properties)

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3.1.2.2 Aged Appraisal or Valuation Reports

Under stable market conditions, the following criteria should be applied with respect to obtaining an update report:

<u>Estimate of Value</u>	<u>Valid Period</u>	<u>Value Updated By</u>	<u>Value Updated Through</u>
Less than \$20,000	One Year	Ministry Staff and Approved by District Manager/Zone Manager	<ul style="list-style-type: none"> a paired sales analysis or repeat sales of the same properties where details of the properties are known; information from other more recent appraisal reports of similar properties in areas of similar economic characteristics
\$20,000 to \$100,000	One Year	Ministry Staff and Approved by Land Management Section <i>Ministry staff should consult the Land Management Section when making a time adjustment to the value expressed in an existing appraisal report</i>	<ul style="list-style-type: none"> published realty information from Canada Mortgage and Housing Corporation for same or similar properties (i.e. the change in average residential sale price for the nearest communities); published information from major realtors or discussions with locally based realty firms with extensive knowledge of the same or similar property types;
\$100,001 to \$250,000	One Year	MNR Staff Valuation Report	A new valuation analysis is required
\$100,001 to \$1,000,000	One Year	Appraisal Report	<p>An Updated Value Opinion the value may be updated based upon:</p> <ul style="list-style-type: none"> original appraiser or firm and client are involved; the property has undergone no significant change since the original appraisal; the time between the effective date of the original report and the update report is not unreasonably long for the type of property involved. <p><i>At the discretion of the appraiser, a new appraisal report may be required.</i></p>
Over \$1,000,000	One Year	Appraisal Report	A new appraisal report is required

Appraisal reports and staff valuations prepared for disposition purposes are generally valid for a period of one year following effective date of the appraisal. However, during periods of market stability, the effective date and the validity of the appraisal may be longer. Ministry staff should consult their Regional Lands Specialist or Land Management Section staff to determine if an aged appraisal report is still valid.

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3.1.2.2 Application and Use of Zonal Value and Benchmark Reports

Zonal and benchmark consulting reports are utilized to provide consistency and efficiency in the valuation of similar property types for rental purposes (i.e. utility corridors, private recreation camps, outpost camps, etc.). Property values indicated in these reports will typically be valid for five years, after which time consideration shall be given for new reports to be obtained.

Should there be a sudden and abrupt change in the real estate within one or more economic regions within the five year period, or within a specific sector for which the benchmark or zonal values are applied, the Land Management Section shall consider adjusting the values, updating an existing report or obtaining a new report;

3.1.2.3 Use of Crown Land Dispositions as Comparable Sales

The use of Crown land dispositions as comparable sales within appraisal reports is discouraged unless the sales were exposed to the open market (e.g. auction, tender, website, other media). As the Crown is a significant land owner across northern Ontario, the Ministry must take precautions to ensure that disposition activities reflect local market conditions and do not set market conditions

3.1.2.4 Review and Approval of Appraisal Reports

Appraisal reports require technical review and approval prior to being used for negotiations with a client for sale or establishing a rental amount. The level of the review should be consistent with value of the property and the associated risk to the Ministry. The following financial thresholds shall apply for appraisal reports prepared or commissioned by the ministry:

<u>Value</u>	<u>Prepared by:</u>	<u>Reviewed and Recommended by:</u>	<u>Approved by:</u>
Up to \$20,000	MNR staff	Area Supervisor, Park Superintendent	District Manager, Zone Manager
\$20,001 to \$250,000	MNR staff	Land Management Section Staff	Delegated authority – Land Management Section
\$1 to \$500,000	Fee Appraiser	Land Management Section staff	Delegated authority – Land Management Section
\$500,001 to \$750,000	Fee Appraiser	Delegated authority - Land Management Section*	Manager, Land Management Section
\$750,001 to \$1M (after an independent third party review)	Fee Appraiser	Delegated authority - Land Management Section*	Manager, Land Management Section
>\$1M (based on the value of two independent appraisal reports have a difference of less than 10% of the EMV)	Fee Appraiser	Delegated authority - Land Management Section*	Manager, Land Management Section

*based on experience and knowledge to review and recommend appraisal reports acquired through recognized courses and work experience

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3.1.4 Value of Resources

Appraisal and consulting reports prepared for the Ministry may include a requirement that the appraiser include within the analysis a recognition of the potential “value of natural resources” located on or within the subject land.

An important initial step in the appraisal process is for the appraiser to determine the highest and best use of the property. Knowledgeable purchasers may seek to acquire property for the value of resources contained on or in the land, rather than for occupation of the land itself. Where the subject property is known to have resources such as aggregates and/or forest resources, the value of the resource must be considered in the valuation of the property. If the reasonable estimate of the quality and quantity of the resource is known, this information should be relayed to the appraiser.

The appraiser may be able to locate other comparable sales where the land was acquired for resource extraction. In that case, the appraiser will be able to provide an estimate of market value based on the quantity and quality of the resource.

Where similar comparable sales cannot be located, or in cases where land values are typically lower than the value of the resource, the Ministry must receive compensation at a minimum, for the land which is equal to what it would have received in royalty or Crown stumpage if the land was not disposed of and continued to be available for resource extraction. In this instance, the purchase price of the land should include the value of the resource, plus the appraised market value of the land based on its condition once the resource is removed in a responsible and approved manner (i.e. had an aggregate permit/licence been issued with appropriate buffer areas in place, or in accordance with local tree cutting bylaw).

3.2 Cost Effectiveness

PL 2.03.01 Policy Objective 3.2 relates to the cost effective appraisal and valuation of public land. Appraisal and valuation of public land will be undertaken in a cost effective manner in adherence with the following:

3.2.1 Client Initiated Appraisals

Clients will be required to obtain their own appraisal when requesting the disposition of Crown land in instances where insufficient information exists or is required by the Ministry due to the complexity of the appraisal. A client shall be informed that the appraisal is subject to:

- completion of an appraisal report by a fee appraiser at the expense of the client. The appraiser must have the designation from the AIC (AACI or CRA) required for the type of property considered for disposition. Appraisers holding the DAC or DAR designation from CNAREA may be engaged by the client in areas that are under serviced by the Appraisal Institute of Canada or where an AIC member can not provide an acceptable report within a reasonable time period;

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- completion of the report based on terms of reference provided by the Ministry, developed specifically for the site and developed in consultation with the Land Management Section. Ministry staff will ensure that the client understands the terms of reference prior to proceeding with the appraisal;
- review and approval by the Ministry prior to use of the estimation of value for the property under application;
- an understanding that the Ministry does not compensate the client or adjust the purchase price for the cost of the appraisal. The cost of an appraisal is to be borne by the client. The additional costs associated with private real estate transactions such as document preparation and registration are borne by the Ministry; and
- that the role of Ministry field staff for client initiated or other externally driven appraisals will be to:
 - co-develop of the terms of reference;
 - liaise with the client on the terms of reference for an appraisal report and subsequently comment on a client initiated appraisal report;
 - identify the need for an appraisal to support a ministry program;
 - provide accurate information regarding the site to the Land Management Section or an external appraiser; and
 - provide an initial level of review of a client initiated appraisal report.

3.2.2 Benchmark and Zonal Appraisals

Ministry staff are encouraged to use benchmark appraisal reports or zonal value reports that have been developed for specific application.

Benchmark appraisals represent a cost effective mechanism of estimating market value for a number of similar properties. The values provided in the benchmark reports establish either a range of values or baseline values from which ministry staff can apply site-specific adjustments as described within the reports. Application of site specific adjustments beyond those described within the reports should be discussed with the Regional Lands Specialist or Land Management Section staff.

Zonal value reports are used to establish values for larger parcels of land, reflecting different significant attributes (i.e. access, water frontage) only within geographic or economic areas. Ministry staff should consider use of the zonal value reports when valuing large parcels of land, when private market data on similar properties is scarce.

3.2.3 Ministry Staff Valuations

Due to the relatively high cost of fee appraisals, Ministry staff may complete valuations when:

- they have successfully completed MNR training in land valuation or have completed a recognized land appraisal course;

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- the valuation is based on criteria identified in Appendix A, subject to the approval processes specified in this procedure;
- there is recent and reliable data available from which to make an accurate valuation; and
- the estimate of the value of the land is less than \$250,000 and is subject to approval as described in Section 3.1.3.1 of this procedure, prior to entering into negotiations with the client.

The exception to this approach would be where the value is contentious or sensitive, or where there is a complete lack of market value data (comparable sales). In these instances, an independent appraisal may be obtained

3.2.4 Land Management Section

The Land Management Section is responsible for completing property valuations for rent review purposes on all tenure documents. Ministry field staff will provide supporting information and local knowledge to aid the Land Management Section in this function.

3.3. Fairness and Consistency

PL 2.03.01 Policy Objective 3.3 relates to the consistent and fair treatment in the appraisal and valuation of public land. Ministry clients and client groups will be treated fairly and consistently through adherence with the following.

3.3.1 Freedom of Information and Protection of Privacy Act (FIPPA)

Ministry staff will adhere to the Freedom of Information and Protection of Privacy Act (FIPPA) in the following way, when providing information to the client, or an agent acting on their behalf on matters contained in an appraisal report

Appraisal reports commissioned by the Ministry are the property of the Crown. The reports are considered by the Ministry as advice to government for the purpose of negotiation and in the financial interest of government. As a result, it is the Ministry's opinion that there is no requirement to release the appraisal report to the client or agent when the transaction has yet to be completed.

However, to illustrate that the Ministry is proceeding with the transaction in good faith, the client may be permitted to review the report at an MNR office in the following manner:

- prior to making the report available to the client or agent, Ministry staff will ensure that any third party personal information is removed or blacked out and will explain the Ministry's policy and procedural approach to land valuation and the instructions provided through the terms of reference;
- the client or agent may review the report or make notes from the report. However, the client or agent cannot copy the report, in whole or in part, nor should the client or agent be permitted to remove the report or sections thereof from the MNR office; and
- a copy of the report can only be released when instructed to do so by the Ministry's Information and Privacy Unit and/or the Manager of the Land Management Section.

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A copy of an appraisal report paid for by the Crown is public information once the transaction subject of the report is completed. An appraisal report that has been paid for by the Crown can be released to a member of the public after the person makes an application under FIPPA. An valuation completed by Ministry staff may also be available to the public through an application under FIPPA.

While a copy of a client initiated appraisal report is available to the Ministry and MNR retains a copy of the report on file, the report has not been procured by the Crown. As such, this appraisal report is not available for public examination. However, information regarding the transaction that is the subject of the report is public information and can be released once the transaction has been completed.

3.3.2 Communication

In general, early and effective communication with clients regarding Ministry land valuation procedures will assist in reducing the potential for disputes with clients over the value of the public parcel. Where disputes arise, the following actions may be undertaken.

3.2.1 Disputes over Ministry staff appraisals or Ministry commissioned reports

Land Management Section should be contacted by Ministry field staff, should a dispute arise over the estimate of value. Following review by Land Management Section, the client may be required to obtain a second appraisal at their expense from a qualified appraiser based on terms of reference provided by Ministry staff.

The client must be advised that while the Ministry intends to proceed in good faith, the Ministry is not bound to accept the second appraisal report and once the second appraisal report is reviewed and accepted by Land Management Section, the Ministry may negotiate the value of the property based upon the two appraisal reports.

3.3.2.2 Disputes over client initiated appraisal reports

If the client has provided the initial appraisal report at their expense and Ministry staff do not accept the value, the Ministry staff will explain the reasons for not accepting the value to the client.

The client should be asked to review the Ministry's appraisal concerns with their appraiser. If the client's appraiser is not willing to amend the report, the client should be advised that Ministry staff will not proceed until the contents of the report have been agreed upon and approved by the Ministry or in exceptional circumstances, the Ministry may commission its own appraisal report for further negotiations.

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3.3.2.3 Alternate Dispute Resolution

Many Crown leases provide the lessee with the right to seek to resolve a dispute over the amount of rent through the provisions of the Arbitrations Act. Prior to formal arbitration, the Ministry may choose to enter into an accepted alternate dispute resolution (ADR) process for rent review purposes only. Ministry staff should consult the Manager of the Land Management Section prior to entering into the formal alternate dispute resolution process. Formal ADR should be considered when:

- all attempts to negotiate an agreement with the tenant have been exhausted;
- the proposal from the tenant is not acceptable to the Ministry; and
- the client is aware of and supportive of entering into an alternate dispute resolution process and is willing to assume responsibility for 50% of the costs associated with the dispute resolution process.

4.0 APPRAISAL RETENTION

Appraisal reports and pertinent information related to the procurement, review and approval of the appraisal reports shall be readily accessible for a period of seven years following the completion of the property transaction, consistent with the procurement policy of Ontario Shared Services and the report retention requirements of the Appraisal Institute of Canada. Appraisal reports can be stored either in hard copy, digitally or on a CD/DVD.

A central hard copy and electronic database will be maintained by the Land Management Section. Appraisals are a valuable source of information that serve as a source of reference in other related situations. Ministry field offices should retain a copy of the appraisal with the file record related to the land disposition.

5.0 REFERENCES

5.1 Legal References

- Arbitrations Act
- Freedom of Information and Protection of Privacy Act
- Public Lands Act

5.2 Directives and Policy

- 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) Waterlot Evaluation
- 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

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- Appraisal Institute of Canada January 2006 *Canadian Uniform Standards of Professional Appraisal Practice* Ontario Ministry of Natural Resources 1993 *Strategic Direction for Management of Ontario Crown Land*
- 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*

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Appendix A

Minimum Criteria for MNR Staff Valuations

Where MNR staff are providing valuations, the valuation shall include:

- a) an adequate description of the property being appraised;
- b) a legal description of the parcel;
- c) a site description (size, shape, features, services and access);
- d) the effective date of evaluation;
- e) the highest and best use;
- f) the zoning of the subject;
- g) a map, sketch or photos;
- h) a minimum of three or more comparable property sales (excluding Crown land sales) documenting:
 - i) the date of transaction,
 - ii) the size and characteristics of the parcel,
 - iii) the legal description, and
 - iv) the purchase price;
- i) reconciliation of value including:
 - i) adjustment to the subject property, and
 - ii) the final estimate of value and rationale; and
- j) name and signature of staff member giving the opinion of value.

Comparable properties may be identified from:

- a) MNR records of recent transactions involving comparable properties in the area;
- b) Land Registry Office (recent registration of sales of comparable or similar properties which have recently changed hands);
- c) independent data sources that supply realty information such as, but not limited to Municipal Property Assessment Corporation (MPAC), GeoWarehouse; or
- d) local realtors or agents (i.e., recent selling prices of similar or comparable properties in the locality)

Other data can be obtained from:

- a) Benchmark Appraisal Report;
- b) Zonal Value Reports; and
- c) Memoranda of Agreement for specific clients or client sectors.