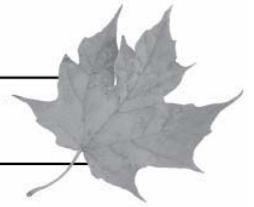


The ECOLOGICAL GIFTS PROGRAM

Engaging an Appraiser to Appraise an Ecological Gift





THE ECOLOGICAL GIFTS PROGRAM

CANADA'S ECOLOGICAL GIFTS PROGRAM provides a way for landowners who own ecologically sensitive land to protect nature and create a legacy for future generations. The Program offers enhanced tax benefits to encourage landowners to donate ecologically sensitive land or partial interests in ecologically sensitive land, such as conservation easements, covenants or servitudes, to protect in perpetuity the biodiversity and natural heritage values of the land. The donations can be made to a variety of types of recipients, including registered charities approved by Environment Canada.



The tax benefits associated with the Ecological Gifts Program are established under the federal *Income Tax Act*. The Program is administered by Environment Canada and the federal Minister of the Environment determines the fair market value of the gifts for income tax purposes.

NEED FOR AN APPRAISAL

A donor wishing to make an ecological gift must provide an appraisal as evidence of the value of the gift as part of the donor's application to the Ecological Gifts Program. An appraisal is an estimate of the value of a property made by a qualified appraiser, sometimes referred to as a valuer. The Ecological Gifts Program has specific appraisal requirements set out in a document titled *Guidelines for Appraisals* which can be found on the Program's web site at www.cws-scf.ec.gc.ca/egp-pde/.

The Ecological Gifts Program's Appraisal Review Panel reviews each appraisal and makes a recommendation to the Minister regarding the fair market value of the gift. During this review, the Appraisal Review Panel considers

whether the analysis, opinions and conclusions in the appraisal under review are appropriate and reasonable and support the fair market value set out in the appraisal.

A donor wishing to make an ecological gift will need to engage the services of a real estate appraiser to complete an appraisal of the property that meets the requirements of the Ecological Gifts Program. Recipient organizations are often involved in this process as well and, in some cases, engage an appraiser on behalf of the donor.

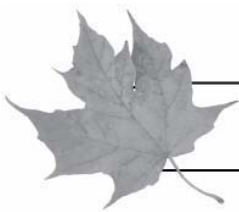
This material is intended to assist donors and recipients in finding and engaging an appraiser where a donor wants to make an ecological gift of land or a partial interest in land.



SELECTING AN APPRAISER

When deciding whether to engage a particular appraiser, donors should carefully consider the following:

1. whether the professional qualifications of the appraiser meet the requirements of the Ecological Gifts Program;
2. the availability of the appraiser to complete the assignment within the time frame required by the donor;



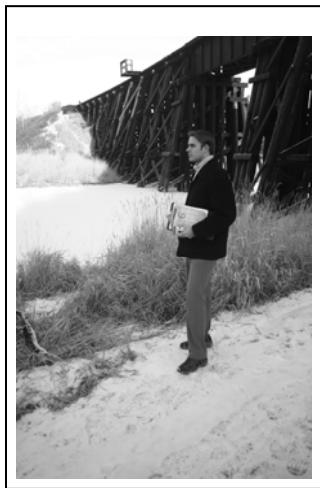
Engaging an Appraiser to Appraise an Ecological Gift

3. the appraiser's experience and knowledge about the local real estate market and, in particular, experience in valuing similar types of property;
4. any experience of the appraiser relevant to the Ecological Gifts Program, including whether the appraiser has completed the Ecological Gifts Program Appraisal Training Course and whether the appraiser has completed other appraisal reports that have been submitted to the Ecological Gifts Program.



Donors should satisfy themselves that the appraiser understands the purpose of the appraisal and that it will be used to support the value of a gift that has been made or will be made under the provisions of the *Income Tax Act*.

The appraiser should be aware that the appraisal will be made available to the donor and the recipient and to Environment Canada for review by the Appraisal Review Panel. Donors and recipients should refer prospective appraisers to the Ecological Gifts Program web site at www.cws-scf.ec.gc.ca/egp-pde/ for information about the Program and other useful references, such as the *Guidelines for Appraisals* referred to above.



APPRAISAL REQUIREMENTS

The Ecological Gifts Program has specific appraisal requirements which are set out in the *Guidelines for Appraisals*. A copy of the *Guidelines for Appraisals* is available on the Ecological Gifts Program web site at www.cws-scf.ec.gc.ca/egp-pde/.

The *Guidelines for Appraisals* have been prepared to assist appraisers in the preparation of appraisals of ecological gifts and include, among other things, the following:

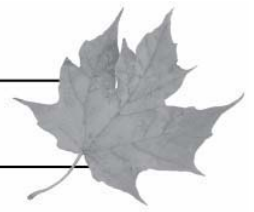
- **general requirements for valuation of all ecological gifts, regardless of their fair market value;**
- **a number of considerations that should be applied to different categories of gifts;**
- **mandatory requirements about the content of appraisals;**
- **information about the timing of appraisals;**
- **acceptable qualifications for appraisers of ecological gifts;**
- **details about certificates that must be completed for appraisals;**
- **contact information for program coordinators across Canada.**

THE ASSIGNMENT

Donors should identify clearly the type of property to be valued. This may be one of the following:

- one or more parcels of real property held in fee simple by the donor;
- a portion of a parcel of property that is to be subdivided prior to making the gift;
- a conservation easement, covenant or servitude covering all or part of a property;
- a remainder interest in real property after a life estate is granted to another party or retained by the donor (in common law jurisdictions);
- ownership of the subsoil after a right of superficies is retained by the donor (under the Civil Code in Québec).

In some cases an appraisal can be completed using the Ecological Gifts Program's Summary Report. There is one form of Summary Report for gifts of land in fee simple and another for gifts of easements, covenants and servitudes. See the Ecological Gifts Program web site at www.cws-scf.ec.gc.ca/egp-pde/ for the most recent version of these Summary Reports and the *Guidelines for Appraisals* for information on when the Summary Reports may be used. All appraisals must meet the requirements of the



Canadian Uniform Standards of Professional Appraisal Practice (The Standards) or, in Québec, Les normes de pratique professionnelle des évaluateurs agréés.



- property showing all charges registered against the property;
- copies of charges registered against the property with plans attached where relevant;
- size of the property;
- brief physical description of the property and any improvements located on the property;
- map, plan, survey or boundary sketch of the property with improvements identified;
- graphics, photographs and, if available, air photographs of the property showing several aspects of the property and drawings of any important features;
- if a baseline report describing the current physical and ecological characteristics of the property is available, information about how the appraiser can obtain access to the baseline report;
- any other information about the property or the market that the donor thinks is relevant to the appraiser in completing the appraisal assignment.

INFORMATION TO PROVIDE TO THE APPRAISER

The type of information that a donor should provide to an appraiser will depend on the type of real property and the type of gift, that is, whether it is a gift of the land in fee simple or a partial interest in the land such as a conservation easement, covenant or servitude. However, the more complete the information, the more efficient and economical the appraisal process will be.

There are a number of pieces of information that an appraiser will need to conduct an appraisal. If the donor is able to provide them, it will assist in ensuring a thorough and accurate appraisal and may also save time and money. Some of this information may exist in publicly available records, but providing it to the appraiser can make the process more efficient.

After choosing an appraiser, the donor should provide the following information to the appraiser before the appraiser undertakes the assignment of valuing the gift:

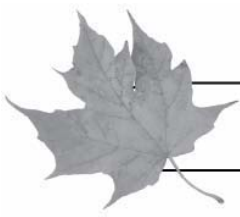
- full name and address of each registered owner of the property;
- contact information for each registered owner and each easement holder;
- contact names and phone numbers for arranging access to and an inspection of the property;
- civic description of the property with full street or mailing address;
- location of the property with directions about how to get to the property, if required;
- complete legal description of each parcel of the property;
- copy of the title certificate for each parcel of the

If the gift is a conservation easement, covenant or servitude, the donor should provide the appraiser with a copy of the final version of the document. Where a final copy is not yet available, the donor should provide a copy of the draft document showing the date of the draft. In those cases, the donor must provide the appraiser with the final easement, covenant or servitude agreement when it is available so the appraiser can determine whether or not there has been a change in value as a result of the changes to the agreement.

If the donor makes a gift of the land but retains an interest in the land, such as a life estate, the donor should provide the appraiser with a copy of the final version of the document creating the interest donated and the interest retained. Where a final copy is not yet available, the donor should provide a copy of the draft document showing the date of the draft. In those cases, the donor must provide the appraiser with the final agreement when it is available so the appraiser can determine whether or not there has been a change in value as a result of the changes to the agreement.

Depending on the property being appraised, the following information may also be useful to the appraiser:

- income and expense data relating to the property for the past several years;
- summary of money spent on recent capital improvements;
- copies of leases or other agreements affecting the land or improvements;
- inventory of any water rights associated with the



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- property and a history of their use and yield;
- soils survey information;
- timber valuation information;
- information about other resources on the land, such as gravel or aggregate;
- any development plans;
- any subdivision applications or approvals;
- details of the interest in the land retained, if any, and the individual retaining that interest (such as the person with a life estate).

2. the estimated date for delivery of the completed appraisal report.



THE REPORT

The donor should tell the appraiser how many copies of the appraisal report are required from the appraiser. Environment Canada requires three original copies of the appraisal report with an application. It is also recommended that a Portable Document Format (PDF) version be submitted to Environment Canada electronically together with the printed copies of the appraisal report. The donor and the recipient should each have a copy of the appraisal report for their own records.

Before finalizing the engagement and to ensure the donor and the appraiser understand all of the terms of the assignment, the donor should request the appraiser provide, in writing,

1. an estimate of the total fees and disbursement for completing the assignment, including time to answer questions about the appraisal if necessary to clarify the appraiser's opinion of value during the review by the Appraisal Review Panel; and

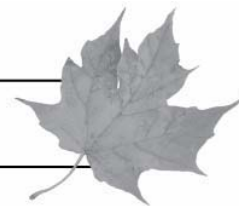
LETTER OF ENGAGEMENT

When the donor and the appraiser have reached an agreement about completing the assignment, the donor should provide the appraiser with a letter of engagement.

Two sample letters of engagement are attached as examples of the types of letters that can be used to confirm the arrangements when engaging an appraiser. One is for use in valuing a gift of land and the other is for use in valuing a gift of an easement, covenant or servitude. These samples are provided as general information. When writing a letter of engagement for a specific assignment, the contents of the letter and the enclosures need to be tailored to the property being appraised and the actual circumstances.



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SAMPLE LETTER OF ENGAGEMENT FOR VALUING A GIFT OF LAND

[If donor retains appraiser]

OR

[If recipient retains appraiser]

Jack and Sally Smith
4414 Treebark Lane
Fairgrove, Ontario

ABC Land Conservancy
123 Wildwood Street
Fairgrove, Ontario

March 1, 2006

Mr. John Doe, AACI
Action Real Estate Appraisers Ltd.
4456 Birch Avenue
Fairgrove, Ontario

Dear Mr. Doe:

RE: Appraisal of Smith Property – SW 34-28-13-W2

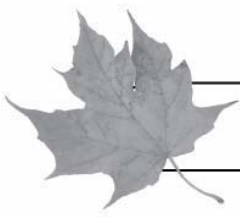
We are writing to confirm our earlier correspondence and telephone conversations with you regarding our request for appraisal services from your firm, Action Real Estate Appraisers Ltd. The purpose of this appraisal is to establish the fair market value of the property located at 4414 Treebark Lane, Fairgrove, Ontario. We intend to donate [Or, have donated] the property to the ABC Land Conservancy. [Or, Jack and Sally Smith intend to donate [Or, have donated] the property to our organization, the ABC Land Conservancy.] We require a full narrative appraisal [Or, We require a completed Ecological Gifts Program's Summary Report] with respect to the current market value of the property.

The property is to be [was] the subject of a gift under Environment Canada's Ecological Gifts Program. The Ecological Gifts Program promotes the donation of privately held land certified as ecologically sensitive as well as donations of conservation easements, covenants or servitudes on ecologically sensitive land. The donations can be made to a variety of types of recipients, including registered charities approved by Environment Canada. The tax benefits associated with the Ecological Gifts Program are established under the federal *Income Tax Act*. The Program is administered by Environment Canada and the federal Minister of the Environment determines the fair market value of the gifts for income tax purposes.

Donors wishing to make an ecological gift must provide appraisals to the Ecological Gifts Program as evidence of the value of the gift. The Ecological Gifts Program's Appraisal Review Panel reviews each appraisal and makes a recommendation to the Minister regarding the fair market value of the gift.

The Ecological Gifts Program has specific appraisal requirements which are set out in the *Guidelines for Appraisals*, a copy of which is enclosed for your reference. All appraisals must meet the requirements of the Canadian Uniform Standards of Professional Appraisal Practice (The Standards) [Or, in Québec, Les normes de pratique professionnelle des évaluateurs agréés].

We refer you to the Ecological Gifts Program web site at www.cws-scf.ec.gc.ca/egg-pde/ for information about the Program and other useful references.



SAMPLE LETTER OF ENGAGEMENT FOR VALUING A GIFT OF LAND (CONTINUED)

We require an appraisal from you that will be submitted to the Ecological Gifts Program as evidence of the fair market value of this gift. To assist you with this assignment, we enclose the following information:

- Full name and address of each registered owner, with current contact information should you need to arrange access to inspect the property;
- Civic description of the property;
- Directions for locating the property;
- Legal description of the property;
- Copy of the title certificate with copies of all registered charges;
- The size of the property;
- Brief physical description showing all improvements;
- A map, a plan of the property, photos showing several aspects of the property, and drawings of several important features;
- A summary of the baseline report for the property.

Since this appraisal will be used as evidence of the fair market value of an ecological gift, it will be reviewed by the Appraisal Review Panel as part of the Appraisal Review and Determination Process.

We confirm that your professional fees, together with disbursements and expenses, will not exceed \$xxxxxx, exclusive of GST. In addition, we confirm that your quotation includes time for answering questions about the appraisal, if necessary to clarify your opinion of value, during the Appraisal Review and Determination Process carried out by the Appraisal Review Panel and Environment Canada.

We confirm that you will provide us with five copies of the completed appraisal report no later than _____, 2006.

We look forward to receiving your report. If you require any further information or clarification about this assignment, please contact us as soon as possible.

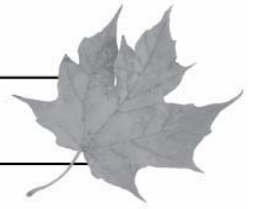
Yours very truly,

Jack and Sally Smith

OR

Harvey Green
 Director of ABC Land Conservancy

cc. Donor or recipient, as appropriate



SAMPLE LETTER OF ENGAGEMENT FOR VALUING A CONSERVATION EASEMENT

[If donor retains appraiser] Jack and Sally Smith 4414 Treebark Lane Fairgrove, Ontario	OR	[If recipient retains appraiser] ABC Land Conservancy 123 Wildwood Street Fairgrove, Ontario
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March 1, 2006

Mr. John Doe, AACI
 Action Real Estate Appraisers Ltd.
 4456 Birch Avenue
 Fairgrove, Ontario

Dear Mr. Doe:

RE: Appraisal of Smith Property – SW 34-28-13-W2

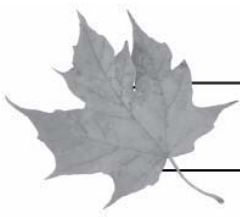
We are writing to confirm our earlier correspondence and telephone conversations with you regarding our request for appraisal services from your firm, Action Real Estate Appraisers Ltd. The purpose of this appraisal is to establish the fair market value of a conservation easement on the property located at 4414 Treebark Lane, Fairgrove, Ontario. We intend to donate [Or, have donated] the conservation easement to the ABC Land Conservancy. [Or, Jack and Sally Smith intend to donate [Or, have donated] the conservation easement to our organization, the ABC Land Conservancy.] We require a full narrative appraisal [Or, We require a completed Ecological Gifts Program’s Summary Report] with respect to the current market value of the conservation easement that will be [has been] registered against title to the property.

The conservation easement on this property is to be [was] the subject of a gift under Environment Canada’s Ecological Gifts Program. The Ecological Gifts Program promotes the donation of privately held land certified as ecologically sensitive as well as donations of conservation easements, covenants or servitudes on ecologically sensitive land. The donations can be made to a variety of types of recipients, including registered charities approved by Environment Canada. The tax benefits associated with the Ecological Gifts Program are established under the federal *Income Tax Act*. The Program is administered by Environment Canada and the federal Minister of the Environment determines the fair market value of the gifts for income tax purposes.

Donors wishing to make an ecological gift must provide appraisals to the Ecological Gifts Program as evidence of the value of the gift. The Ecological Gifts Program’s Appraisal Review Panel reviews each appraisal and makes a recommendation to the Minister regarding the fair market value of the gift.

The Ecological Gifts Program has specific appraisal requirements which are set out in the *Guidelines for Appraisals*, a copy of which is enclosed for your reference. All appraisals must meet the requirements of the Canadian Uniform Standards of Professional Appraisal Practice (The Standards) [Or, in Québec, Les normes de pratique professionnelle des évaluateurs agréés].

We refer you to the Ecological Gifts Program web site at www.cws-scf.ec.gc.ca/egp-pde/ for information about the Program and other useful references.



SAMPLE LETTER OF ENGAGEMENT FOR VALUING A CONSERVATION EASEMENT (CONTINUED)

We require an appraisal from you that will be submitted to the Ecological Gifts Program as evidence of the fair market value of this gift. To assist you with this assignment, we enclose the following information:

- Full name and address of each registered owner, with current contact information should you need to arrange access to inspect the property;
- Civic description of the property;
- Directions for locating the property;
- Legal description of the property;
- Copy of the title certificate with copies of all registered charges;
- The size of the property;
- Brief physical description showing all improvements;
- A map, a plan of the property, photos showing several aspects of the property, and drawings of several important features;
- A summary of the baseline report for the property;
- A copy of the final version of the conservation easement [Or, A copy of draft conservation easement showing the date of the draft].

The *Income Tax Act* specifically provides that the fair market value of an ecological gift of a covenant, easement or servitude to which ecologically sensitive land is subject is the greater of

- its fair market value otherwise determined; and
- the amount by which the fair market value of the land is reduced as a result of the making of the gift.

In most cases, the second method (known as the before and after method) is used to determine whether, and to what extent, granting a conservation easement changes the value of real property. Simply put, the before and after valuation method involves forming an opinion as to two separate values – the value of the real property immediately before the grant of the conservation easement and its value immediately after the grant of easement. The fair market value of the conservation easement will be the difference between the two values.

Since this appraisal will be used as evidence of the fair market value of an ecological gift, it will be reviewed by the Appraisal Review Panel as part of the Appraisal Review and Determination Process.

We confirm that your professional fees, together with disbursements and expenses, will not exceed \$xxxxxx, exclusive of GST. In addition, we confirm that your quotation includes time for answering questions about the appraisal, if necessary to clarify your opinion of value, during the Appraisal Review and Determination Process carried out by the Appraisal Review Panel and Environment Canada.

We confirm that you will provide us with five copies of the completed appraisal report no later than _____, 2006.

We look forward to receiving your report. If you require any further information or clarification about this assignment, please contact us as soon as possible.

Yours very truly,

Jack and Sally Smith

OR

Harvey Green
Director of ABC Land Conservancy

cc. Donor or recipient, as appropriate



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For more information, please contact:

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Canadian Wildlife Service
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Gatineau, Quebec K1A 0H3
ecogifts@ec.gc.ca
www.cws-scf.ec.gc.ca/egp-pde/

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