

# Ecological Gifts Program



## Appraisal Review Panel

The fair market value of all gifts made as part of Environment and Climate Change Canada's (ECCC's) Ecological Gifts Program (EGP) must be certified by the federal Minister of the Environment. In Quebec (in accordance with the *Quebec Taxation Act*), they must also be certified by Quebec's Minister of the Environment.

An independent appraisal must be submitted along with an *Application for Appraisal Review and Determination of the Fair Market Value of an Ecological Gift* for a donation of land or conservation easement, covenant, or servitude that has been certified as ecologically sensitive.

ECCC's Appraisal Review Panel (the Panel) is an independent advisory body made up of appraisers and other specialists. All appraisals are reviewed by one or more members of the Panel. In most cases, when the appraisal conforms to the standards outlined in the EGP's [Guidelines for Appraisals](#)<sup>1</sup>, this process takes no more than 90 days. Between 2013 and 2022, on average:

- If the application and appraisal contained all the required information, the *Notice of Determination of Fair Market Value* was issued within 34 days of receipt.
- 22% of applications received a memorandum requesting additional information.

## Appraisal Review Process

Donor submits *Application for Appraisal Review and Determination of the Fair Market Value of an Ecological Gift* and independent appraisal report to EGP Coordinator. After a completeness check it is forwarded to the EGP Secretariat.

EGP Secretariat submits the application and appraisal to the Panel Chair. The Chair and/or another member of the Panel reviews the submission to determine:

- whether it meets the EGP *Guidelines for Appraisals*;
- the basis for a recommendation to the Minister regarding the fair market value by considering whether the analysis, opinions and conclusions in the appraisal are appropriate and reasonable and support the fair market value.

Panel Chair makes a recommendation to the Minister, and ECCC issues the *Notice of Determination of Fair Market Value of an Ecological Gift* to the donor.

Panel Chair requests additional information, which could include a written memorandum.

In collaboration with the author of the independent appraisal report and the recipient, the donor provides the requested information to the EGP Coordinator.



# Why might you receive a Memorandum from the Panel?

The EGP's [Guidelines for Appraisals](#)<sup>1</sup> state:

- *The appraisal must be straightforward and logical, so that the reasoning supporting the appraiser's analysis and conclusions is clear.*
- *The Panel will not accept unsupported assumptions.*
- *Unsubstantiated opinions and unsupported conclusions are not acceptable.*

**However, not all submitted appraisals provide sufficient information about the following:**

- 1) Descriptive information about the property
  - Previous recent sales and the listing history of the subject property
  - Access to the property
  - Analysis of all relevant land use regulations
  - Support for cost and actions required to achieve a severable status, if applicable
  - No improper application of extraordinary assumptions and hypothetical conditions
- 2) Reasoning for Highest and Best Use (HBU) conclusion
  - Explanation of how land use regulations relate to HBU
  - Explanation of how physical features (e.g. wetlands, slopes) relate to HBU
- 3) Valuation analysis
  - Explanation of selection of unit of comparison (e.g. price per acre, overall price)
  - Rationale for selection of comparables
    - Do they share similar locational characteristics?
    - Do they share similar land use regulations?
    - Do they share similar physical characteristics?
    - Do they share a similar HBU?
  - Support for adjustments in the Direct Comparison Approach
    - Quantitative –sufficient market evidence/rationale
    - Qualitative –sufficient reasoning for ranking and/or weighting of comparables
    - An “adjustment grid” summarizing where and what adjustments were made is recommended best practice
- 4) Conservation agreement (covenant, easement or servitude) valuation
  - Explanation of how CA restrictions affect HBU relative to existing land use regulations and physical characteristics
  - Market evidence for “after” loss in value
    - Primary data – sales of CA-encumbered land
    - Secondary data – sales of land with similar utility (i.e. restricted by land use regulations and/or physical characteristics)
  - Comparison of “after” value with market data – does it make sense?

Ensuring that the above points are addressed will help avoid common questions posed once the appraisal review has begun. However, should the Panel have questions about an appraisal, a comprehensive response from the appraiser usually allows the review process to proceed without the need for another memorandum.

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<sup>1</sup> <https://www.canada.ca/en/environment-climate-change/services/environmental-funding/ecological-gifts-program/publications/guidelines-appraisers.html>