

VALUATION CASE STUDY LEVELLING THE PLAYING FIELD

The Challenge

During the winter they flock to the area for the skiing; in the summer, for the valley's natural beauty. The property owner wanted to preserve 118 acres bordering the river for posterity by gifting it to a nature trust, but the land included 10 acres of highly productive blueberry fields. The hybrid solution, donate the woodland and grant a Conservation Easement over the blueberry fields that still allowed fruit production. The land qualified for the Federal Ecological Gifts Program. The property owner was entitled to a donation receipt equivalent to the Fair Market Value of the Conservation Easement and the fee simple interest in the donated land. Our Valuation Division was tasked with valuing both.

Turner Drake's Approach

Environment Canada's Ecological Gifts Program is a useful tool for public spirited property owners who want to preserve biodiversity and environmental heritage for present and future generations. To qualify, the land must be certified as ecologically sensitive under specific national and provincial criteria. The donor is entitled to a tax receipt which can be used to offset their income (in the case of a corporation) or as a tax credit (for an individual). In most provinces this reduction in Federal income tax also reduces the provincial tax. The donation can also be carried forward for tax purposes. No capital gains tax is payable. The assignment was unusual in that it involved a donation of part of the land in fee simple and a Conservation Easement over the blueberry fields. The property appraisal measuring the Market Value of the donated interest has to pass evidentiary muster with Environment Canada's Appraisal Review Panel ... appraisers expert in the valuation of this type of property. Our Valuation Division is well versed in valuing recreational and resource property for the Ecogifts program. We have developed tools for efficiently capturing all of the relevant "value critical" property attributes during our inspection and have pioneered valuation techniques to measure the "waterfront benefit" of rivers, lakes and oceans in isolation from the "basic" land value. Since land has to be valued by comparing it with the sale prices of similar property CompuVal®, our proprietary information technology platform, uses a purpose designed algorithm to disaggregate each sale we utilise for comparative purposes into 27 value contributing components: water frontage (type, length), land (type, vegetation cover, timber type and maturity, area), and road frontage (length). Conservation Easements require a different valuation approach since they are rarely sold on their own. An acceptable method for measuring their value is the "Before and After" approach whereby the property is first valued in its unencumbered state, and then valued subject to the Conservation Easement. The difference in the two values constitutes an acceptable approximation of the Market Value of the Conservation Easement. This was the method we utilised for the blueberry fields' Easement.

Winning Results

Turner Drake furnished our client with a comprehensive Master Valuation Report, containing a detailed logic path to the Market Value conclusion, anchored by market data, for approval by Environment Canada's Appraisal Review Panel.

