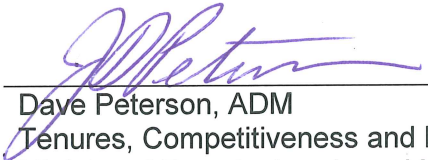


Land Procedure Appraisals

NAME OF LAND PROCEDURE:	Appraisals
APPLICATION:	Applies to all internal and external appraisals
ISSUANCE:	Assistant Deputy Minister, Tenures, Competitiveness and Innovation
IMPLEMENTATION:	Ministry of Forests, Lands and Natural Resource Operations
REFERENCES:	<i>Land Act (Ch. 245, R.S.B.C, 1996)</i> <i>Ministry of Lands, Parks and Housing Act (Ch.307, R.S.B.C, 1996)</i> <i>Freedom of Information and the Protection of Privacy Act (Ch., R.S.B.C, 1996)</i>
RELATIONSHIP TO PREVIOUS LAND PROCEDURE:	This procedure replaces the previous Appraisal Policy in effect August 16, 2004.



Dave Peterson, ADM
Tenures, Competitiveness and Innovation
Ministry of Forests, Lands and Natural
Resource Operations

MAY 26 2011

Date:

APPROVED AMENDMENTS:		
Effective Date	Briefing Note /Approval	Summary of Changes:
June 1, 2011	BN 175892	Policy and Procedure update to reflect reorganization of resource ministries April 2011
May 15, 2013	BN 196780	Amendments to update conditions for internal appraisals and qualifications to conduct internal appraisals, plus housekeeping amendments.

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1. PURPOSE

To establish consistency in procedure for the ordering, completion and review of appraisals. This procedure applies to all appraisals whether carried out internally or completed by independent accredited fee appraisers.

This procedure complies with the provisions of the *Land Act* and the *Ministry of Lands Parks and Housing Act*.

2. DEFINITIONS

Accredited Appraiser Canadian Institute (AACI) means a fully accredited member of the Appraisal Institute of Canada.

Appraisal means an opinion of market value, or value as defined by the appraiser, of an adequately described property as of a specific date supported by the presentation and analysis of relevant data.

Authorizing Agency means the provincial ministry responsible for the specific land use authorization.

Canadian Residential Appraiser (CRA) means AACI members qualified in the appraisal and valuation of individual undeveloped residential dwelling sites and dwellings containing no more than four self-contained family housing units.

Fee Appraiser means a person with the necessary training, accreditation, and experience, available as an independent consultant to provide professional support, advice and estimates on the value of real property. The CRA, AACI and RI(BC) with Appraisal Options, are Canadian professional designations recognized by the authorizing agency (See Appendix 1).

Market Value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction, after proper marketing, wherein the parties had each acted knowledgeably, prudently and without compulsion (Definition from International Valuation Standards).

3. PROCEDURE

Appraisals, internal or external, are required for all land disposed of via Crown Grant by the authorizing agency. This is with the exception of Crown grants that do not require recording of market value, such as for Incremental Treaty Agreements.

3.1 Internal Appraisals

There are situations where internal appraisals are appropriate (considering cost effectiveness, preliminary estimates, special valuation problems, etc.); however, an external fee appraisal provides an independent valuation that generally has more credibility to a third party.

For properties which appear to have a value of \$500,000 or less, and which are non-complex, an internal appraisal may be conducted.

Provincial staff completing these under \$500,000, non-complex appraisal assignments must meet minimum qualifications (completion of AIC 1101, 1102 - now BUSI 330 through the University of British Columbia and two years field and evaluation experience, plus completion of the Institute's two-day Appraisal Standards Seminar or the Distance Learning Program version of the Standards Seminar). Appendix 2 includes examples of complex and non-complex appraisal assignments. Internal appraisal work, should however be reviewed and signed off by supervisory staff with appropriate experience.

Staff who hold a recognized appraisal designation (see Appendix 1) may conduct internal appraisals of any complexity and for any value, recognizing that in cases of dispute, there may be questions regarding the objectivity of the work and an external fee appraisal will likely be required.

When an internal appraisal has been undertaken in support of an Executive Submission, a copy of the report must accompany the Submission.

An internal appraisal report must include AACI minimum requirements (see Appendix 4).

Note: Internal appraisal work, however, may not require a full appraisal report. It is recognized that appraisal information is often part of a field report. In these cases all the information required for a self-contained appraisal report must be located on file.

3.2 External Fee Appraisals

An external fee appraiser will be selected to offer an independent opinion of value.

Fee appraisers selected must be accredited as a CRA, AACI, or RI(BC) with the Appraisal Option. In the valuation of rights-of-way an IRWA appraisal designation is also acceptable. The appraiser must have adequate experience related to the particular type of property to be appraised. Appraisals are always ordered from individual appraisers not appraisal firms.

Generally, a full narrative appraisal will be obtained.

Requests for fee appraisals should be issued based on standard contract management procedures.

A pre-qualified roster list will be used to select local firms and appraisers, unless the marketing strategy requires a different scope due to significance, type of offering (i.e., investment), or other defensible reason.

Only appraisers who provide good levels of service and quality products will be considered. The selection of an appraiser should be primarily based on qualifications. Appraisal costs are a consideration when qualifications are equal.

Only those fee appraisals ordered, reviewed and accepted by the authorizing agency shall be used for negotiating purposes. Appraisals ordered by prospective vendors and purchasers are for their internal use and are not to be used in negotiation for the acquisition or disposition of property.

The authorizing agency is not bound to accept an appraisal as the only opinion of market value. If the opinion of market value is rejected and new market evidence is considered,

the authorizing agency may authorize a revised disposition price. The file is to be well documented, explicitly stating the new evidence considered and the method employed to reach the revised value. The revised value cannot be adjusted by more than 25% from the rejected appraised value otherwise a new fee appraisal is necessary.

In normal markets, appraisals up to 6 months old may be used as long as, in the opinion of the authorizing agency, they reflect current market value. In active market conditions where values are fluctuating rapidly, appraisals may require review and update after six months. Appraisals older than 6 months may be considered stale-dated. Attempts should be made to contact the original appraiser to determine if, and the extent to which, changes in market conditions warrant reconsideration of the appraised value. A new appraisal or an update to the appraisal will be commissioned where appropriate.

3.2.1 Terms of Reference

Terms of Reference will be prepared by the authorizing agency and will guide the preparation of a market valuation carried out by a qualified appraisal firm. The Terms of Reference establish the purpose for the appraisal. It is the stated reason for an appraisal assignment, pointing to the information the appraiser's client needs to have estimated or answered pertaining to real property. The purpose for which the appraisal is required should be stated so the appraiser will know the intention, complexity, and the amount of documentation required. The completion date of the appraisal and the cost estimate are to be agreed on beforehand and finalized in a formal contract. The Terms of Reference accompanying the contract may be in the form of a letter or attached as an appendix to the service contract.

Terms of Reference for fee appraisals should reflect the AACI minimum requirement in Appendix 4. However, each appraisal ordered requires a custom Terms of Reference designed to reflect the unique characteristics of the subject property. The Utilities Policy has a Terms of Reference template as an appendix to the policy. This template should be used when commissioning a fee appraisal for a utility corridor tenure.

Language regarding the appraisal being subject to the *Freedom of Information and Protection of Privacy (FoIPP) Act* will be contained in the contract between the authorizing agency and the appraiser.

3.2.2 Procedure for Review of External Appraisals

An appraisal review is the act or process of an appraiser critically studying an appraisal report prepared by another. It is a written narrative report that is placed on file.

Independent fee appraisals estimate market value. The authorizing agency reviews the appraisal and accepts, rejects, or modifies the appraised market value as required. The appraisal review determines and recommends a market value.

The office that prepares the Terms of Reference and orders the appraisal is responsible for the appraisal review. Only staff who have completed the minimum appraisal training for internal appraisals should undertake an appraisal review. Poor appraisal performance is to be documented.

A systematic review process is to include these steps and/or answers to the following questions:

- Was the appraisal report completed in accordance with the authorizing agency's Terms of Reference?
- Was the appraisal completed in accordance with the Professional Standards and Practices of the Appraisal Institute of Canada or the Real Estate Institute of British Columbia?
- A full inspection of the subject property and comparable sales is part of the review process. There will be occasions when staff are familiar with the comparables and an inspection is not necessary.
- Sales records, BCA and Land Titles Office records should be checked to confirm comparable sales data in the report. BCA actual values should also be analyzed in comparison with opinions of value.

An appraisal review must always conclude with one of the following recommendations:

- Acceptance of the appraisal.
- Rejection of the appraisal with payment of the appraiser's fee. A new appraisal should be ordered.
- Rejection of the appraisal without payment of the appraiser's fee. A new appraisal should be ordered.
- That the fee appraiser be requested to comment on specific items; and if the response is satisfactory to the review appraiser, acceptance of the report is recommended.
- "That based on this review and methodology contained herein, it is the reviewer's position that for negotiation (disposition or acquisition), discussion purposes, etc., a value level at \$_____above or below the rendered appraised value be adopted."

The appraisal review should be signed stating the appraisal qualifications of the reviewer.

A "checklist form" may be used as an aid in the appraisal review process. The appraisal review report however is a narrative report incorporating the above requirements.

3.3 Guidelines for the Routine Release of Appraisal Information

Appraisals that the authorizing agency has reviewed and approved are not to be routinely released during the negotiating period, unless the Executive or the regional office considers it prudent to release them.

If, at the discretion of Executive or the regional office manager, a prospective purchaser is given access to an appraisal during negotiations, the appraisal shall be viewed at a mutually agreeable time during the authorizing agency's business hours. Notes can be made, but a copy of the appraisal, or excerpts from it, shall not be made available. If this is not satisfactory, the purchaser is advised to request a copy of the appraisal through the process under the *Freedom of Information and Protection of Privacy (FoIPP) Act*.

When the decision is not to release an appraisal routinely, the purchaser is provided with an explanation on how the market value was established. If this is not satisfactory, the purchaser is advised to request a copy of the appraisal under the *FoIPP Act*.

Information from appraisals that have been reviewed and rejected is not released routinely to the public during negotiations. The purchaser is advised to request a copy of the appraisal under the *FoIPP Act*.

Records created as a result of an appraisal being reviewed may be subject to sections 17 (potential to harm the financial or economic interests of a public body) and 21 (could be harmful to the business interests of a third party) of the *FoIPP Act* and cannot be provided routinely to the purchaser. These records can be marked confidential and can state that they may be subject to sections 17 and 21 of the *FoIPP Act*. A separate letter may be prepared for the client informing them of the authorizing agency's position. If this is not satisfactory, the purchaser is advised to request a copy of the appraisal under the *FoIPP Act*.

An appraisal ordered by the purchaser must not be used in negotiations. An appraisal ordered by the client is for their own use and is not to be used in the buying or selling of land. A fee appraisal ordered by a purchaser may introduce the possibility of advocacy entering the negotiating process. In order to avoid this potential, the authorizing agency should always control the selection of appraisers, Terms of Reference, ordering, receiving and reviewing of appraisal reports. Written appraisal reviews will only be released to the public after negotiations have been completed with the client. Information on recommendations in the appraisal review can be released to the public or client in a separate letter or on a verbal basis.

3.3.1 Freedom of Information and the Protection of Privacy Act

Purchasers denied access to appraisals during negotiations should be referred to the Manager, Information, Privacy, and Records Office.

Following the conclusion of negotiations, these records (i.e., appraisal Terms of Reference, appraisal reports, appraisal reviews and justification for Crown land sale prices) are routinely available in response to requests for them. Negotiations are determined to extend to the date of registration of the property transfer. It is accepted practice that negotiations between the Crown and a client consist of price adjustments. This could result in a parcel being sold at a price not coincident with the appraisal(s) on file.

When appraisal and consultant's reports are released to the public, the authorizing agency will apply the standard administrative fees for extracting information (if required) and photocopying.

If appraisals are released to the public either routinely or in response to a request under the *FoIPP Act* the following waiver should accompany the appraisal.

Notice: This appraisal is prepared upon certain criteria and for a specific purpose, within a specific time frame, upon the instructions of the original parties. NO PARTY other than the original parties to the appraisal contract MAY RELY UPON the opinions expressed or the information contained herein, and the appraiser EXPRESSLY DENIES ANY LIABILITY or fiduciary duty to any other

party purporting to rely upon the opinions expressed or this information contained herein, notwithstanding having obtained a copy of this appraisal through the Freedom of Information and Protection of Privacy Act, or otherwise.

Regional offices will ensure all property appraisal files, including Terms of Reference, appraisal reports and reviews are well justified and documented in detail.

Appraisals prepared by a client which are submitted to the authorizing agency must be accompanied by a release signed by the client acknowledging that while the appraisal is in possession of the authorizing agency it is subject to the *FoI/PP Act*.

Appendix 1. Appraisal Designations

The following is a list of designations of the major appraisal institutes of North America and a brief description of the accreditation requirements. This list is not exhaustive and other accreditation may be acceptable in certain circumstances. Persons using this list should recognize that accreditation does not necessarily mean that a particular appraiser is expert in all types of appraisals. Inquiries should be made prior to engaging an appraiser to determine if the appraiser has adequate experience in appraising the type of property that is to be valued. The appraiser must be currently practicing in Canada.

A.A.C.I. - Accredited Appraiser Canadian Institute - means a full member of the Appraisal Institute of Canada. Membership requires completion of an academic course of studies, demonstration reports, experience credits and continuing professional development.

Canadian Residential Appraiser (CRA) means members of the Appraisal Institute of Canada qualified in the appraisal and valuation of individual undeveloped residential dwelling sites and dwellings containing no more than four self-contained family housing units.

R.I. (B.C.) - Identifies a professional member of the Real Estate Institute of British Columbia who has completed the Diploma program in Urban Land Economics (DULE) from the Real Estate Division, Sauder School of Business, U.B.C. or equivalent from other universities in Canada. Four DULE options are available and only persons who have completed the "Appraisal Option" are acceptable to the authorizing agency as fee appraisers. It is important to note that the RI(BC) designation is not legally recognized and such appraisals are not accepted by the courts.

A.R.R.C.S. - Associate Member Royal Institute of Chartered Surveyors

OR

F.R.I.C.S. - Fellow of the Royal Institution of Chartered Surveyors

These designations are obtained in the United Kingdom.

Require 3 years of university level courses, 3 years of articling and a demonstration report.

These designations are recognized by the Appraisal Institute of Canada. In order for a Chartered Surveyor to obtain A.A.C.I. designation, the candidate must successfully challenge a comprehensive examination and obtain two years of Canadian appraisal experience.

I.R.W.A. - International Right-of-Way Association (based in Los Angeles, California)

Requires 5 years of experience in right-of-way acquisitions and academic requirements in negotiating, appraisal, engineering and law.

Appraisers with this designation should only be used for right-of-way appraisals unless they have other qualifications that meet the authorizing agency's requirements.

M.A.I. - Member of the Appraisal Institute

This is an American association which is recognized by the Appraisal Institute of Canada. Eligible for membership in the Appraisal Institute of Canada requires completion of a comprehensive examination and two years of Canadian appraisal experience.

Appendix 2. Complex and non-complex appraisals

Note that valuation assignments involving valuation of partial takings (e.g. obtaining rights to private land for easements or rights of way) or of land subject to expropriation should not be completed as an internal appraisal. In these circumstances, there is a high need for an unbiased opinion of value which is not compatible with conducting an internal appraisal. In these cases it is recommended that an external fee appraiser be engaged.

Complex appraisals should be conducted by an accredited appraiser (see Appendix 1 for a list of appraiser designations), either internal to the ministry or an external fee appraiser. Non-complex appraisals may be conducted as internal appraisals.

Advice on whether a specific appraisal should be completed as an internal or external appraisal may be obtained from Land Tenures Branch or Forest Tenures Branch.

Complex

Appraisal assignments may be considered complex if they include one or more of the following:

- Valuation of land covered by water
- Valuation of contaminated sites, or sites with potential contamination
- Valuation of land proposed to be used for multi-phased development projects (residential, recreational, commercial, industrial or resort developments)
- Valuations where it is appropriate to use one or more income approaches to value.

For valuations which use the direct comparison approach, if significant time, size (plottage), and use adjustments are required for comparable properties, the valuation assignment should also be considered complex.

Non-complex

Valuation assignments which do not include one or more of the elements listed above may be considered non-complex.

Appendix 3. Types of Appraisal Reports

The Form Report and the Narrative Report are the main reports requested by the authorizing agency.

LETTER OF OPINION - A letter from an appraiser giving an estimate of value as of a specified date. A letter of opinion is NOT an appraisal.

FORM REPORT

A one to four page standardized format combining check-off boxes and narrative comments giving basic details of property and comparable sales. Appraisers have their own forms, but will use client's forms if requested.

This is the most common format for single-family residential appraisals and vacant single-family lots. Some appraisers have developed forms suitable for small agricultural parcels, usually in a "check-multiple choice" format with minimal neighbourhood, zoning or condition information. This type of appraisal is usually used for single family homes and residential/recreational sites in an existing subdivision where no unusual conditions exist.

SHORT NARRATIVE

The narrative is the most common format of report for acreages, subdividable land, existing subdivisions, commercial, industrial and agricultural appraisals. A narrative report usually contains extensive zoning details, neighbourhood and/or regional data, a detailed description of the subject property (including maps), and descriptions of any comparable sales properties used, including the adjustments and rationale for those adjustments made to comparable properties. A short narrative format report usually uses only one or more of the three approaches to estimating value, i.e. replacement cost, comparative sales or analysis of income stream, with a description of the rationale for selecting the chosen approach. If more than one approach is used, there will be a reconciliation section describing how each of the approaches contributed to the final opinion of value.

FULL NARRATIVE

Similar to the short narrative format above, but in a much more detailed form. The full narrative report is mainly used where complete information on city, neighbourhood and region, including population trends, traffic, present and future development plans and trends, are required. The full narrative report will more likely use more than one approach to determining value, and will include a reconciliation of the various approaches.

INTERNAL APPRAISALS

When completing an internal appraisal, authorizing agency staff may use their own forms or formats for reporting the appraisal.

A standard form has been developed and may be used to guide staff completing an internal appraisal. The form meets the AACI minimum requirements for an appraisal as described in Appendix 4.

Appendix 4. AACI Minimum Requirements

Appraisal Standard – Rules

This Standard deals with the procedures for the development and communication of a formal opinion of value, and incorporates the minimum content necessary to produce a credible report that will not be misleading.

Rules

In the **report** the appraiser must identify:

1. the **client** and other intended users, by name;
2. the **intended use** of the appraiser's opinions and conclusions;
3. the **purpose** of the assignment, including a relevant definition of value;
4. the **scope of work** necessary to complete the assignment;
5. whether the appraisal is **current, retrospective, prospective**, or an **up-date**;
6. an analysis of reasonable **exposure time** linked to a market value opinion;
7. the **effective date** of the appraiser's opinions and conclusions;
8. the **date of the report**;
9. the **location and characteristics of the property and the interest appraised**;
10. all **assumptions and limiting conditions**;
11. any **hypothetical conditions** (including proposed improvements); and
12. land **use controls**;

In the report the appraiser must:

13. state the existing **use** and the use reflected in the appraisal;
14. define and resolve the **highest and best use**;
15. **describe and analyze** all data relevant to the assignment;
16. describe and apply the **appraisal procedures** relevant to the assignment;
17. support the reason for the **exclusion** of any of the usual valuation procedures;

18. detail the **reasoning** supporting the analyses, opinions and conclusions of each valuation approach;
19. when developing an opinion of the value of a **leased fee** or a **leasehold estate**, analyze the effect on value, if any, of the terms and conditions of the lease(s);
20. analyze the effect on value of an **assemblage**;
21. analyze the effect on value of **anticipated public or private improvements**;
22. analyze the effect on value of any **personal property**;
23. analyze any **current Agreement for Sale, option, or listing of the property**;
24. analyze any **prior sales** of the property;
25. **review and reconcile** the data, analyses and conclusions of each valuation approach into a final value estimate;
26. report the **final value** estimate; and
27. include a signed **certification** of value;

Note: An appraiser who signs a certification of value accepts **responsibility** for the appraisal and the contents of the appraisal report.