

VALUATION CASE STUDY ECOLOGICAL GIFT

The Challenge

A nature trust, dedicated to preserving Nova Scotia's areas of outstanding natural beauty for the enjoyment of current and future generations had been offered one such example. Situated on the Bras d'Or Lake, Cape Breton's inland sea, the 163 acre property was endowed with two bays providing sheltered anchorage for yachts. The property was already protected by a Conservation Easement and its use was further restricted by the Nova Scotia Wilderness Areas Protection Act because it was located in a provincially recognised nature reserve. The land qualified for the Federal Ecological Gifts Program. The property owner wanted to donate the land to the nature trust and was entitled to a donation receipt equivalent to the Fair Market Value of the (encumbered) fee simple interest. They turned to Turner Drake for valuation advice.

Turner Drake's Approach

The Ecological Gifts Program is administered by Environment and Climate Change Canada in partnership with the three levels of government and environmental NGOs such as our client. It provides a way for property owners to ensure their land's biodiversity and environmental heritage are conserved in perpetuity after they have turned to dust. 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 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. For inspection purposes, we have developed a Resource Survey instrument to capture and quantify over thirty attributes for each parcel with particular reference to the water frontage (offshore, inshore, foreshore, backshore, bluff, beach frontage) and the backup land (vegetation cover, timber type and maturity, topography), as well as access and services availability. We have also pioneered valuation techniques to "detach" the waterfront benefit from the basic land value and 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). CompuVal® allowed us to compute the Market Value of the fee simple interest in the subject property, encumbered by the Conservation Easement and the provincial Wilderness Area restriction, by comparing it with the sale prices of properties that were similarly restricted to passive recreational use.

Winning Results

Turner Drake furnished the nature trust 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.

