

STANDARD OPERATING PROCEDURE

SOP TITLE: VALUATION OF LAND
SOP NO.: CS-5.13-S2

Chapter:	Corporate Services		
Section:	5. Property and Risk Management		
Effective Date:	January 29, 2021	Last Review Date:	January 29, 2021
Approval Authority:	Chief Financial and Operating Officer		
Issued to:	Property and Risk Management		
SOP Owner:	Property and Risk Management		

1. PURPOSE

- 1.01. The purpose of this Standard Operating Procedure (SOP) is to establish and maintain appropriate appraisal Procedures to support the acquisition, disposition and strategic analysis of Real Property by Toronto and Region Conservation Authority ("TRCA").
- 1.02. To provide credible Valuation advice to guide the decision-making process with respect to Real Property dispositions, acquisitions and strategic analysis:
- To obtain accurate, current and appropriate market-based information
 - To aid operational and strategic planning for individual properties and the portfolio
 - To maximize value to TRCA and protect its interests when acquiring or disposing of real property
 - To provide the most cost-effective means of procuring Valuation or Consulting advice from qualified professionals

2. SCOPE

- 2.01. These Procedures apply to TRCA staff, third-party service providers hired by TRCA staff requesting advice from TRCA Vendor or Records for Appraisal.

3. DEFINITIONS

- 3.01. "**AACI**" means Accredited Appraiser Canadian Institute designation.

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- 3.02. **"Appraisal Report Types"** mean the following reports:
- (a) Narrative – comprehensive and detailed;
 - (b) Short Narrative – concise and briefly descriptive;
 - (c) Form – a standardized format combining check off boxes and narrative comments.
- 3.03. **"CRA"** means Canadian Residential Appraiser designation.
- 3.04. **"Consulting"** means the act or process of analysis of real estate data and recommendations or conclusions on diversified problems in real estate, other than an appraisal or appraisal review.
- 3.05. **"CUSPAP"** means Canadian Uniform Standards of Professional Appraisal Practice, as amended from time to time.
- 3.06. **"Depreciation"** means a loss in property value from any cause.
- 3.07. **"External Appraisal"** means an adequately supported written opinion of Market Value of the Real Property Asset on a specified date that evaluates the Real Property Asset involved according to accepted appraisal practices and is obtained from and signed by a person who is a real property appraiser accredited by the Appraisal Institute of Canada either as an AACI or CRA, as required.
- 3.08. **"Extraordinary Assumption"** means an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions.
- 3.09. **"Highest and Best Use"** means the reasonably probable and legal use of property that is physically possible, appropriately supported and financially feasible, and that results in the highest value.
- 3.10. **"Intangible Property (Intangible Assets)"** mean nonphysical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment.
- 3.11. **"Intended Use"** means the use or uses of an appraiser's reported appraisal, consulting, or review assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment.
- 3.12. **"Intended User"** means the client and any other party as identified, by name or type, as users of the appraisal, consulting, or review report, by the appraiser based on communication with the client at the time of the assignment.
- 3.13. **"Internal Valuation"** means an internal review of the available property characteristics for the purposes of developing an estimate of value. May be used for determining Market Value for properties with an estimated value under \$50,000. It is not considered an Appraisal as defined by the Appraisal Standard Rules per CUSPAP.
- 3.14. **"Valuation"** means either an External Appraisal or Internal Valuation.

- 3.15. "**Lease**" means a legal agreement which grants to another the right to use, occupy, or control all or part of a property for a stated period of time at a stated rental.
- 3.16. "**Limiting Condition**" means a statement in the appraisal identifying conditions that impact the value conclusion.
- 3.17. "**Market Analysis**" means a study of real estate market conditions for a specific type of property.
- 3.18. "**Market Value**" means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming that the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing the title from seller to buyer under conditions whereby:
- (a) buyer and seller are typically motivated;
 - (b) both parties are well informed or well advised, and acting in what they consider their best interests;
 - (c) a reasonable time is allowed for exposure in the open market;
 - (d) payment is made in terms of cash in Canadian Dollars or in terms of financial arrangements comparable thereto; and
 - (e) the price represents the normal consideration for the property sold unaffected by special or creative financing or sales or concessions granted by anyone associated with the sale.
- 3.19. "**Personal Property**" means identifiable portable and tangible objects which are considered by the general public as being "personal," e.g. furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property, tangible and intangible, that is not classified as real estate.
- 3.20. "**P&RM**" means the Property and Risk Management department within TRCA
- 3.21. "**Real Estate**" means land, buildings, and other affixed improvements, as a tangible entity.
- 3.22. "**Real Property**" means the interests, benefits, and rights inherent in the ownership of real estate.
- 3.23. "**Scope of Work**" means the type and extent of research and analysis in an assignment. Scope of work includes, but is not limited to, the following:
- (a) the degree to which the property is inspected or identified;
 - (b) the extent of research into physical or economic factors that could affect the property;
 - (c) the extent of data research; and
 - (d) the type and extent of analysis applied to arrive at opinions or conclusions.
- 3.24. "**Senior Management**" means Associate Director of Property and Risk Management, and above.

4. PROCEDURE

Application

- 4.01. All External Appraisals and Internal Valuations must be conducted in accordance with these Appraisal Procedures.
- 4.02. Valuation for replacing natural features lost through the development and/or infrastructure planning processes shall follow the Guideline for Determining Ecosystem Compensation protocol, as amended.
- 4.03. P&RM performs Valuation work for a variety of clients within TRCA and parts of TRCA as requested from time to time. It is the role of Valuation Services to estimate Market Value for real property assets to support the requesting client's needs and requirements.

Appraisal Requirements

Transactions (Sales, Acquisitions and Easements)

Open Market and Direct Transactions

- 4.03. In accordance with the most recent Real Estate Sales Process, for each Open Market or Direct Transaction, Valuation requirements are as follows:
 - (a) Transactions Under \$50,000 - One Internal Valuation
 - (b) Transactions Over \$50,000 - One External Appraisals (Narrative)

Direct Transactions at nominal consideration

- 4.04. In accordance with the most recent Real Estate Sales Process, for Direct Transaction at nominal consideration, Valuation requirements are as follows:
 - (a) Transactions Under \$50,000 - One Internal Valuation
 - (b) Transactions Over \$50,000 – One External Appraisal (Narrative)
- 4.05. Valuation Services will provide a review of the Valuation as required by Sales and Acquisitions and provide an opinion on:
 - (a) Confirm the Market Value reported is substantially consistent with Terms of Reference and Scope of Work contained in Attachment 1 herein.
 - (b) Confirm the level of reporting meets the applicable External Appraisal requirements for the requesting department, as outlined herein.
 - (c) Highlight any extraordinary assumptions or limiting conditions identified by the appraiser.
 - (d) Form an opinion as to whether the analysis, opinions and conclusions expressed are appropriate and reasonable.

Deliverables

External Appraisal Reports

- 4.06. External Appraisal reports shall be prepared by appraisal firms selected from the Appraisal VOR, in accordance with TRCA policies and procedures, unless written approval is provided by Senior Management to procure an Appraisal Report through an alternative procurement ,after considering a written justification. In the event that a situation is encountered that requires deviation from the Appraisal VOR, then procurement will proceed in accordance with the TRCA Procurement Policy.
- 4.07. External Appraisal reports shall follow industry standard formats, as appropriate for the Intended Use and Intended User and shall be prepared in accordance with the Terms of Reference and Scope of Work contained in Attachment 1. Unless directed otherwise by the requestor, the Appraisal Report Type will be Narrative.
- 4.08. External Appraisal reports may be relied on to establish Market Value for all TRCA properties, regardless of the use of the report.

Internal Valuation

- 4.09. Consistent with appraisers' professional rules of practice, Internal Valuations may be relied upon for the following situations when prepared by or co-signed with an in-house TRCA Appraiser in accordance with Section 9.0 herein:
- (a) Non-Market Oriented Transactions (including Direct Sales) where a property is being acquired or sold for nominal consideration to other levels of Government, provincial agencies or corporations:
 - (b) Estimated Market Value less than \$50,000 for properties being acquired or disposed on the open market.
 - (c) Written approval has been provided by Senior Management after considering a written justification.
 - (d) High level estimates of Market Value for simple property types as requested (generally for planning purposes).
- 4.10. It is recognized that an Internal Valuation does not meet the definition of an Appraisal as defined by CUSPAP but is considered to provide adequate support to establish Market Value under the situations noted above.

Market Analysis/Consulting Reports

- 4.11. Valuation Services will arrange a meeting with the requestor to determine the purpose of the Market Analysis or Consulting Report and appropriate Scope of Work required prior to a formal request of Valuation Services is processed.

Acceptance of Non-TRCA Commissioned (3rd Party) Appraisals

- 4.12. TRCA Valuation Services staff may, at the discretion of the Senior Appraiser, review and accept External Appraisal reports commissioned by outside parties in support of a sale or acquisition provided they substantially meet the requirements of these policies.

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Such review should:

- (a) Confirm the Market Value reported is substantially consistent with Terms of Reference and Scope of Work contained in *Attachment 1* herein.
- (b) Confirm the report otherwise meets the requirements of TRCA.
- (c) Confirm the level of reporting meets the applicable External Appraisal requirements for the requesting department, as outlined herein.
- (d) Highlight any extraordinary assumptions or limiting conditions by the Appraiser.
- (e) Form an opinion as to whether the analysis, opinions and conclusions expressed are appropriate and reasonable.
- (f) External Appraisal reports must be signed by either an AACI (for commercial properties) or by a CRA (for residential properties).

Valuation Services will not amend the Market Value provided by a 3rd Party External Appraisal.

Validity of Valuations and Appraisal Updates

- 4.13. As a general rule, a Valuation will be valid for so long as it appropriately reflects the factors that supported the determination of value and will not be invalidated or require updating merely as a result of the passage of time within 12 months of the Valuation date. Requestors are strongly discouraged from requesting appraisals well in advance of when required as this may incur unnecessary update appraisal costs.
- 4.14. If the requestor believes there is a material change (+/-10%) in market conditions within the first 12 months that will require an update to the Valuation, the requestor shall provide their rationale in writing to Valuation Services for consideration. The guiding principle in determining whether a Market Value requires updating is that generally market conditions do not change quickly during a 12 month period of time without significant market dislocation that would be readily apparent to the casual observer.
- 4.15. After 12 months from the Valuation date, the determination of whether or not a Market Value requires updating will ultimately be made by Valuation Services, in consultation with the applicable requestor and External Appraiser (as applicable).
- 4.16. It is recognized that an Appraisal is an opinion of value and not a fact. The best indication of Market Value is between a knowledgeable seller and purchaser interacting in the market after appropriate negotiations. There shall be no requirement to update Market Value after the date of agreement (“the meeting of the minds”) unless provided for in the Agreement of Purchase and Sale.
- 4.17. P&RM shall maintain a register of property valuation, including previous purchase price (book value) as indicated on parcel registers, initial/draft appraisals, 3rd party appraisals, updates to appraisals, and final purchase/selling price.

Responsibilities of Requestor

- 4.18. Valuations are only as good as the quality and completeness of the property information provided. In order to ensure that Valuations are completed accurately and meet the requirements of the requestor, at the time of making the STS request, the

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requestor must complete an Information Request Form (Attachment 2) to identify any property conditions that may impact value and provide supporting documentation/links at the time of making the STS request.

4.19. **STS requests will not be accepted or scheduled without a fully completed Information Request Form and will be returned to the requestor.** Missing information provided after a Market Value has been produced will not be accepted.

- 4.20. Examples of items that commonly affect value are:
- (a) Environmental Contamination
 - (b) Easements
 - (c) Heritage Status / Archaeology
 - (d) Leases
 - (e) Property Condition/Depreciation
 - (f) Hypothetical Conditions / Extraordinary Assumptions

The list above is provided for illustrative purposes and is not meant to be an exhaustive list.

4.21. **It is the responsibility of the requestor to outline the required scope of work and properly instruct Valuation Services at the outset of the assignment to avoid unnecessary updates/delay.**

4.22. Although Valuation Services will attempt to accommodate proposed delivery dates, Valuation Services will establish the appropriate forecast completion date, in consultation with the requestor. Although requestors are encouraged not to request services too far in advance, they are also encouraged not to wait until delivery time will not be reasonable.

5. RESPONSIBILITY

5.01 P&RM is responsible for the managing and adherence to this policy.

6. ADMINISTRATION

Review Schedule:	5 Years	Next Review Date:	January 29, 2026
Supersedes:	NEW		
Related Documents:	CS-5.13-P Acquisition of Lands CS-5.13-S1 Acquisition of Lands		
Revision History			
Date	Description		
January 29, 2021	New SOP is approved.		

Attachment 1

TERMS OF REFERENCE

Deliverables

- The successful Respondent (“appraiser”) will provide an electronic copy of the preliminary Draft report in PDF format within the specified time period to be reviewed by TRCA (see further details in NOTE 1).
- Upon addressing details as per NOTE 1, the appraiser shall then also supply a signed electronic copy of the Final version of the report and one signed hard copy.

Assignments¹ prepared on behalf of Toronto and Region Conservation Authority (TRCA) require compliance with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP) of the Appraisal Institute of Canada.² In addition to compliance with CUSPAP, in each report the appraiser must provide the following:

Purpose of the Assignment or Type of Opinion Requested

- A statement as to the purpose of the Assignment or type of opinion requested, as instructed by TRCA (market value, use value, market rent, etc., consistent with the property rights appraised and/or intended use of the appraisal)

Intended Use of the Appraisal

- A statement as to the intended use of the appraisal, as instructed by TRCA (disposition, acquisition, financing, financial reporting, arbitration, litigation, appraisal review, lease negotiation, etc.)

Intended User(s)

- A statement identifying the intended user(s) or user group(s) of the appraisal report as instructed by TRCA.

Property-Specific Requirements

TRCA’s property-specific requirements will depend upon the stated *Purpose of the Assignment or Type of Opinion Requested*, and require the appraiser to include some or all of the following, as applicable:

- TRCA Project Reference Number must also be included in the report
- Identify the property being appraised (legal description, municipal address, location)
- Assessment Roll Number, Assessment and Taxes (if available)
- Property Identification Number (PIN)
- History of the property, including any sales and/or listings of the property during the minimum 3-year period prior to the effective date of the appraisal
- Identify and define the property rights being appraised (fee simple, leased fee, leasehold)
- Effective date of the appraisal (current date, prospective date, retrospective date)
- Definition of value, including source of definition
- Physical description of the parcel/site (dimensions, size, configuration, topography, access)
- Photographs, site plan, survey, aerial photo, etc., of the property
- Physical description of the improvements (dimensions, size, use, functionality, condition, age, building materials, equipment)
- Building plans, sketches, etc, of the property
- Title Search with a copy of the abstract included in the appraisal report
- Summary of any easements, restrictive covenants, leases, etc., registered against title
- Reference Plans, Plans of Subdivision or Surveys registered on title

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- Type and adequacy of services
- Adverse environmental factors on or off the property
- Lease(s) synopsis
- Land Use Controls (zoning, site-specific by-law, official plan, secondary plan, etc.) and provisions (setback requirements, parking requirements, height restrictions, density, coverage, etc.), including statement of compliance or non-compliance of the subject property
- Definition of Highest and Best Use, including source of definition, and analysis and statement of Highest and Best Use, taking into consideration any potential or prospective changes in land use regulations.
- Any other property-specific factors (legal, physical, economic, etc.) considered relevant to the Assignment

Scope of Work

A Scope of Work section must be included in every report disclosing the type and extent of research, and analysis conducted in the preparation of the Assignment and achieving TRCA's objectives in the context of the Intended Use of the appraisal. The disclosures should address the following, as applicable to the *Intended Use*.

- Municipal, Provincial and Federal governmental agencies/departments and Crown Corporations contacted, including names and phone numbers of contacts
- Non-governmental companies contacted or retained to assist in the preparation of the Assignment, including names and phone numbers of contacts
- Studies and reports relied upon in the preparation of the Assignment (environmental audit, building condition audit, planning report, etc.)
- Market analysis, consistent with the Intended Use, discuss relevant macro- and micro-market conditions, trends and other factors that impact value of the subject property, provide TRCA with an awareness of property and market risks that are pertinent to the subject.
- Sources of transactional data relied upon (Marsh Report, RealTrack, RealNet, Geowarehouse, MLS, in-house records, trade publications, other professionals, etc.); geographic (market) area searched; and time-frame covered
- Confirmation of transactional data in the Land Titles/Registry Office (Disclosure also required if transactional data not confirmed in the Land Titles/Registry Office)
- Physical inspection of the subject property, including extent and date(s) of inspection (Disclosure also required if subject property not inspected, accompanied by an explanation)
- Physical inspection of the comparable sales and/or leases, and sale and/or lease offerings, including extent of inspection (Disclosure also required if comparables not inspected, accompanied by an explanation)
- Methods and techniques relied upon in reaching the opinions of value or conclusions, including appropriateness in achieving Assignment objectives
- Adverse environmental influences evident either on or off the property
- Any other factors (legal, physical, economic, etc.) considered relevant to the proper completion of the Assignment

Special Case - Non-viable Parcel/Site

A parcel/site that is landlocked and/or of a size and configuration for which there is no independent highest and best use must be appraised in contribution to an adjoining property (i.e., the Larger Parcel) in its highest and best use. Depending on the locational attributes of the

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subject property, there may be more than one *Larger Parcel*, and a requirement for a value opinion in contribution to each adjoining property.

Comparable Sale/Listing Summary Sheet

A separate summary sheet must be provided in the valuation section for every comparable sale/listing relied upon in developing an opinion of value for the subject property. If a sales transaction is more than one year old, the appraiser will explain why it has been included in the analysis as well as the economic and market conditions under which it occurred.

The summary sheet for each comparable sale/listing should include the following list of items, as applicable:

- Address and/or Location (with Photograph)
- Sale Date/Registration Date
- Instrument/Document No.
- Legal Description/Property Identification Number (PIN)
- Vendor
- Purchaser
- Source of Data and Contact (name and/or company and telephone number)³
- Type of property and use
- Building area
- Land area, including dimensions
- Availability of Services
- Income particulars
- Zoning category, Official Plan and/or Secondary Plan designations
- Sale Price, including details of any existing and vendor-take-back mortgages/charges. For a Listing provide Asking Price
- Days on Market, if available
- Provide appropriate physical and/or economic unit(s) of comparison (price per acre, price per square foot of land/building, price per square foot of permitted density, gross income multiplier, overall capitalization rate, discount rate, etc.)
- Cash-equivalent Sale Price (atypical financing must be adjusted to a cash-equivalent amount)
- Any environmentally sensitive and/or undevelopable land must be identified and accounted for in the analysis of the transaction
- A “remarks” section providing a brief narrative of the relevant attributes of the comparable (i.e., legal, physical, economic, etc.)
- The rationale employed should reflect the way active market participants would approach this valuation exercise.

Direct Comparison Analysis

In the Direct Comparison Approach provide a narrative commentary discussing the degree of comparability of each comparable sale as well as the reasoning and justification behind required adjustments. The adjusted sale price must be given for each comparable. The commentary should state which sale or sales are considered as the best indication of value for the subject and the reasoning for the appraiser’s final estimate of value. The valuation analysis should lead the reader to a logical understanding of the value conclusion.

- The Direct Comparison Approach should provide the following commentary for each comparable sale/listing in the appraisal report:
 - i. Brief description of the comparable
 - ii. How the sale/listing compares to the subject property
 - iii. Description of the adjustments
 - iv. Reasoning and justification behind required adjustments

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- v. Adjusted sale price
- The commentary should state which sale(s)/listing(s) are considered to reflect the best indication of value for the subject and the reasoning for the appraiser's final estimate of value.
- The valuation analysis should lead the reader to a logical understanding of the value conclusion.

The Comparable Sale/Listing Summary Sheet should be found in this section

Comparable Sale/Listing Adjustment Grid

The adjustment grid may be qualitative or quantitative, but should summarize the appraiser's overall adjustment factors of each sale in relation to the Subject. From the grid a final analysis of the value/value range can be achieved. An adjustment grid must be included in the valuation section with every appraisal report.

Comparable Sale/Listing Location Map

A map showing the location of the comparable sales/listings in relation to each other and the subject property must be included in the valuation section with every appraisal report.

Note 1

Preliminary Completion Date for Delivery of Draft Report

A "draft" report must be emailed or delivered/couriered to the TRCA representative by the preliminary completion date for the Assignment. Failure to complete an Assignment on time may result in a review of your status on the TRCA list of approved appraisers. Failure to complete an Assignment on time will have an impact on the appraisers Vendor Performance rating. The appraiser is encouraged to contact the TRCA representative during the preparation of the Assignment should any aspect of the Assignment require clarification and/or additional documentation from TRCA, so as to facilitate successful and timely completion of the Assignment. If there are extenuating circumstances that preclude completion of the Assignment on a timely basis, you must contact the IO representative responsible for commissioning the Assignment prior to the scheduled preliminary completion date for further instructions. Your "draft" report will be reviewed by an TRCA representative and/or third-party representative retained to act on behalf of TRCA to ascertain compliance with CUSPAP and TRCA requirements in the context of the Purpose of the Assignment/Type of Opinion Requested and Intended Use.

You may be required to discuss your Assignment opinions and/or conclusions with an TRCA representative either by phone or in person.

TRCA may request amendments prior to finalizing your "draft" report for a variety of reasons, including the following:

- Non-compliance with TRCA Assignment instructions
- Non-compliance with CUSPAP
- Non-compliance with TRCA Assignment requirements
- Errors of commission and/or omission
- Unsupported opinions or conclusions
- Use of inappropriate methods and/or techniques
- Failure to produce credible results

Repeated Assignment shortcomings, including untimely Assignment completion and delivery, may be cause for removal from the TRCA list of approved appraisers.

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Attachment 2**Valuation Services - Information Request Form**

Project Name / Region		
Project # (D, N and/or P), as applicable		

Property Description (please complete &/or provide links to reports)

Property Size (Acreage)	
Teranet PIN / Assessment Roll #	
Site Plan / Survey / Aerial Imagery - provide link / document	
Address / Location - if no address, include nearest intersection	
Site Description - indicate any improvements, topography, vegetation, water bodies, fencing, signage, other significant features	
Buildings / Improvements - total number & size (s.f.) or none - provide a building condition report if available	
Planning Status / Zoning -provide planning report, if none available, please enclose Official Plan and Zoning Info	
Registered Encumbrances on Title - easements, covenants, etc.	
Environmental Considerations - indicate any contamination issues, environmentally sensitive/non-developable areas - provide reports/cost estimates	
Heritage Status (provide report)	
Archaeological Status -assessment undertaken, Aboriginal consultation, if any	
Leases / Rent Rolls / Operating Cost/Expense information	
Contact for inspection, if External Appraisal required -name, phone number, e-mail	
Please provide details of any Extraordinary Assumption, Hypothetical Condition or special valuation instructions to be considered by the appraiser	