



Jan Wicherek, AACI, P.App on appraising an offshore island

Appraisers are called upon to determine value for a wide array of properties, each possessing their own unique characteristics and appraisal challenges. For Jan Wicherek, AACI, P.App, of Wicherek & Associates in Charlottetown, PE, unique property characteristics and appraisal challenges were certainly the case when he was called upon to establish value for an offshore coastal island in Bedeque Bay near the south shore of Prince Edward Island.

Jan's island assignment came about when he was contacted by the Nature Conservancy of Canada, (NCC), Canada's leading national land conservation organization. A private, non-profit organization based in Charlottetown, the NCC partners with individuals, corporations, other non-profit organizations and governments at all levels to protect Canada's most important natural treasures – the natural areas that sustain the country's plants and wildlife. The NCC secures these properties through donations, purchases, conservation agreements and the relinquishment of other legal interests in land, and manages them for the long term. Since 1962, NCC and its partners have helped to conserve 2.8 million acres (more than 1.1 million hectares) of ecologically significant land from coast to coast. In making some of its acquisitions, the Conservancy acquires properties that are viewed as 'eco gifts' and, through the Ecological Gifts Program (EGP), the owner receives a tax credit in lieu of dollars once an appraised value is agreed upon.

The island property

The property that required Jan's appraisal is known as Holman Island, located approximately one km south of the City of Summerside (the second-largest urban centre on PEI) in Prince County, in the central portion of the province. Access to the

property can be gained from various boat launching points set up for oyster fishermen and/or recreational purposes, however, according to provided information, at very low tides, the island can also be accessed on foot from a location known as MacCallum's Point. The island consists of approximately 90% woodland and 10% marshland and was formerly improved with a 125-room hotel, a structure that was destroyed by fire in 1904.

The original deed for Holman Island identified a land area of about 130 acres, but due largely to erosion, the landmass for the island had deteriorated to approximately 90 provincially assessed acres.

Contour mapping of the property depicted sloping from 2-5%. Low sandstone cliffs delineated the western and northern sides of the island, with the eastern and southern sides featuring terrestrial vegetation, which runs to the high water mark. Geological mapping indicated the majority of the island was covered with well to moderately well drained soils that provided for an assumption of adequate drainage. Perimeter areas along the shoreline included a coastal beach, eroded banks and cliffs, and a salt marsh covering approximately 10% of the island.

Holman Island is primarily covered by mixed woodland. The forest is not old growth, and features the ground topography characteristics of a forest, which has never been cleared for agricultural use. The only exception to this appears to be the immediate area around the former hotel site where the ground had been leveled for construction of the seasonal resort. The presence of a limited number of large trees indicated that the island had been subject to extensive woodcutting throughout its tenure. Overall, the existing forest consists of the tree and ground flora species characteristic of cutover upland hardwood forest. The shrub and ground flora is well developed and typical

of native upland hardwood forests. The faunal component of this island is comprised of various types of songbird species and waterfowl, as well as a small number of mammals such as squirrels, hares, etc.

Zoning considerations

Holman Island is designated as one of 20 offshore coastal islands, and, as such, is subject to special subdivision and development regulations outlined in the *Provincial Planning Act* administered by the P.E.I. Department of Finance and Municipal Affairs. Based on these special regulations for offshore coastal islands, the island cannot be further subdivided, however, it can be developed with a building/structure which can only be used as a summer cottage having its own water supply and sewage disposal system constructed in accordance with the requirements of the *Environmental Protection Act*.

Historical data

Based on obtained documentation, the subject property was originally owned by James L. Holman, a New Brunswick native, who invested a reported \$80,000 to open a 125-room

'American-style' hotel (commonly referred to as Island Park Hotel). The original summer tourism hospitality and lodging resort (completed between 1871 and 1873) included a grand dining room, recreation and billiard rooms, bath-houses, bowling alleys, croquet grounds, fishing, yachting, carriage road encircling the shore, and recreational trails. The hotel was easily accessible by continuous steamer service between Holman Island and Summerside. Subsequent to Holman's death in 1877, the hotel closed and the derelict building eventually burned to the ground. The resort's cellar is still evident as a depression in the soil, in addition to the former pit water well. It appears that, throughout its tenure, Holman Island was employed for firewood; however, there is no recent evidence of this.

For the most part, Holman Island has witnessed limited human activity. The only major development was the aforementioned former hotel. Moreover, recreational boaters and seasonal hunters have visited the island periodically, however, in spite of its close proximity to Summerside, this traffic has been relatively low. Based on provided information the island was once the site of a Great Blue Heron colony, however, Blue Herons are not currently nesting on the site.





Conducting the appraisal

According to Jan, "The biggest challenge to completing this appraisal assignment was gathering relevant information. Trying to find sufficient sales data to incorporate a direct comparison approach was difficult because there are not a lot of islands being sold and each property is completely unique as to where it is located, what topography it features, what regulations exist that affect its potential development, etc."

In conducting his research, Jan reviewed active island listings, investigated the island's history, analyzed the inspection report conducted by the NCC, spoke with the island's owner, and reached out to fellow appraisers who shared their experiences with valuing island properties. He also made great use of an online publication entitled 'Private Islands Inc.' which provides a wealth of up-to-date information on private islands for sale worldwide. He then travelled to the island to conduct an on-site inspection.

"You can look at photo imagery and aerial mapping all you want," says Jan. "But I personally feel it is important to physically explore the property: experience the trip there and back, walk the shoreline, observe the woods and marshlands, etc. It gave me a much better feel for the property and what made it unique. This in turn enabled me to take a more qualitative approach to determining its value."

The same theory held for his discussions with the property owner. "I asked questions about how the property was acquired; what plans the owners had, or may still have, for its development; what they have done with the island since they acquired it; how often they visit the property; etc. It is enlightening to hear what an owner had planned for the property when they acquired it and what has actually transpired over time. I learned quite quickly that owning an island is not always what it is cracked up to be."

Armed with as much relevant information as he could gather and review, Jan prepared his appraisal report and presented it to NCC,



which, in turn, made an offer to the owner. Once negotiation with the owner was completed and an agreement on value reached between the two parties, the agreement was sent to an Appraisal Review Panel (ARP), which is made up of independent appraisers who work under contract with Environment and Climate Change Canada. With panel members from across Canada, the ARP has the responsibility to review appraisal reports submitted to the Ecological Gifts Program and to make recommendations to the Minister as to the fair market value of ecological gifts made under the *Income Tax Act*. Not possessing the power to make or break a deal, the ARP strives to provide the Minister with thorough reviews and well-founded recommendations. If an appraiser has prepared an appraisal in accordance with the *Guidelines for Appraisals*, there are not usually problems with the review or the subsequent recommendation. In the case of Holman Island, since everyone's interests were properly represented and served, the deal was consummated, NCC acquired another important ecological property, and the owner received a significant tax credit for the agreed-upon value of the property.

The fee that Jan was paid by NCC for this project was negotiated before the assignment began. The key he says was to truly value his time and the skillset that he brought to the table. "While the NCC is a not-for-profit organization, they understood the work involved in completing such a unique appraisal," says Jan. "I tried to be as accurate as I could in determining how much time would be involved in this project and I established a fee that accurately and fairly compensated me for that. This assignment worked out well for everyone involved and I would certainly welcome the opportunity to undertake similar work in the future."