

NAME OF LAND POLICY: Pricing

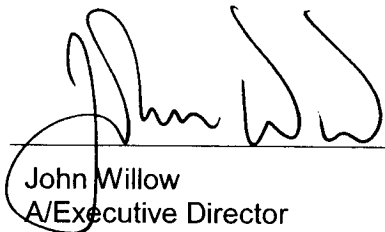
APPLICATION: Applies to all tenure and sale dispositions

ISSUANCE: Director, Policy and Economic Development Branch

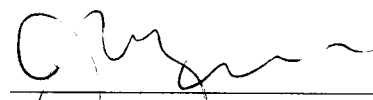
IMPLEMENTATION: All LWBC Staff

REFERENCES: *Land Act* (Ch. 245, R.S.B.C, 1996)

RELATIONSHIP TO PREVIOUS LAND POLICY: This is a new policy which replaces the previous Normative Pricing Principles dated 94 03 01.



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July 23, 2004
Date

July 23/04
Date

APPROVED AMENDMENTS:

Effective Date	Briefing Note /Approval	Summary of Changes:
August 16, 2004		Changes made as a result of the Policy and Procedures Re-write Project.

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1. PURPOSE

Pricing for Crown land programs consists of application fees for administrative tasks associated with processing applications and managing tenure agreements, as well as rent charged for the use of Crown land or foreshore.

LWBC application fees and rental rates are approved by Cabinet and Treasury Board and changes to fees or rentals require prior approval by these bodies. Pricing is based on Cabinet-approved principles which include simplicity, appropriate amount and rates, consolidation and competitiveness.

2. FOUNDATIONS FOR CROWN LAND PRICING

2.1 Legislative Authority

Land Act and *Ministry of Lands, Parks and Housing Act* provide for the allocation of surface rights. The *Land Act*:

- states that the Minister administers all Crown land in BC except land specifically under the administration of another Minister, branch or agency of government.
- provides for dispositions in the form of a lease, right-of-way or easement, licence of occupation and permits for temporary occupation. In addition, Crown land reserves may be created for purposes in the public interest.
- enables the Minister to impose any terms, covenants, stipulations and reservations as considered advisable, including rent.
- does not place any specific limitations on the pricing of tenures.
- provides for a royalty payment for dispositions granted for mining, quarrying, digging or removal of building or construction materials (including earth, soil, peat, marl, sand and gravel, rock and natural substances that are used for a construction purpose) at rates determined by the Minister.
- provides for Crown grants, free or otherwise to government corporations or bodies.
- enables dispositions "with or without compensation" to the Government of Canada.
- authorizes the collection of specific administrative payments, such as interest payments on overdue accounts and payment by the applicant of the cost of a survey of the land. Other administrative fees are established through regulation under the *Land Act*.

3. PRICING PRINCIPLES

Five Crown land pricing principles were adopted in November of 2000. These are used to guide the development and implementation of pricing policy by LWBC.

3.1 Equity and Fairness

To be equitable, pricing should recognize the rights of individuals and should not involve discrimination on an individual or group basis. Pricing should be transparent and without bias.

With regard to fairness, there should be no hidden pricing-related incentives or disincentives for particular uses of Crown land (where incentives are warranted they should be identified as exceptions to the general concept of market value pricing and be offered within the context of a specific land use program); the pricing approach should lead to repeatable results (similar actions will yield similar results) and, LWBC should not put itself in conflict with nor compete with the private sector regarding land value or rental value.

LWBC applies this principle by:

- initiating Crown land marketing programs on a scale appropriate to demand to avoid distorting the values of adjacent private real estate;
- use of comparable private market transaction to derive values for Crown land;
- making the fundamental basis for calculating rent known to the applicant;
- using a rent calculation process that leads to repeatable results; and,
- use of standard forms and terms of tenures.

3.2 Administrative Efficiency

The management and pricing of Crown land will strive for the efficient and economic use of LWBC's resources. In addition, it is necessary to ensure that the revenues generated warrant the administrative efforts required for a particular pricing system.

LWBC applies this principle by:

- use of zone rates where market information is not readily available;
- periodic pricing reviews to ensure consistent pricing;
- use of appraisal expertise of others (e.g., BC Assessment and private appraisal contractors);
- use of automated rather than manual processes;
- rents paid on an annual or prepaid basis;
- process improvements to ensure efficiency gains; and,
- consolidated billings for major clients.

3.3 Fair Return to the Crown

The pricing of Crown land is intended to ensure that the public receives a fair return for the use of Crown land based on market values. General taxpayers should not subsidize the use of Crown land. Fair return may involve a consideration of the following: the market value or market rent attributable to the use of Crown land; the costs to government of providing the good or service related to the use of Crown land; the broader social or environmental costs or benefits which may result; and the economic benefits provided to individuals and businesses from the use of Crown land. Crown land may also be used as an asset to generate greater future social and economic benefits for the province (e.g. partnership agreements for ski resort developments).

LWBC applies this principle by:

- using independent appraisers to determine market value in accordance with established appraisal principles and practices;
- establishing rental rates and fees for Crown land in comparison with market rates in effect in other jurisdictions and the private market place;
- using competitive processes, as appropriate, in the disposition of land;
- using land as provincial equity to generate economic development; and
- the use of BCA actual land values.

3.4 Comparability and Consistency

Whenever possible, the determination of market values and rental rates should be comparable for all Crown land use policy areas. Furthermore, tenure term and conferment of property rights for similar types of tenures should result in a consistent pricing methodology.

LWBC applies this principle by:

- the use of standard types and terms of tenure for similar Crown land program areas (e.g., all industrial uses have a common tenure type and term);
- the application of common minimum rents (everyone pays the same basic rate) where appropriate;
- the use of standard methods of land valuation and payment; and,
- pricing reviews that include comparison with other jurisdictions to determine the consistency of Crown land pricing with other public agencies and the private sector.

3.5 Fair Implementation

Implementation of new pricing policy or changes to existing pricing policy will be done with consideration of the impact on LWBC's clients. Implementation will balance the need for achieving a fair return with management of the impact on clients.

LWBC applies this principle by:

- assessing the impact of pricing on existing tenure holders and on new operations;
- understanding a client group and having regard for their annual financial planning and business cycles; and,
- providing appropriate notice prior to implementing new pricing policy.

4. ADMINISTRATIVE FEES

Administrative fees recover the costs of establishing and managing Crown land tenures from the users of Crown land. These fees are set out in the [Land Act Fees Regulation](#) and are not discretionary.

4.1 Application Fees

An application fee is required as part of the application package for all Crown land tenures. This fee varies by land use program and type of disposition (including inter-ministry reserves, and community/institutional purposes). Applicants for new Crown land dispositions will be charged a one time “consolidated” application fee. The full fee is to be submitted with the application and will cover processing of the application, including approval and issuance of a tenure or Crown grant and associated documentation.

4.1.1 Fees Listed by Land Program

Fees for all dispositions, including Crown grants, are listed by Crown land program or sub-program with the exception of investigative permits which are charged a single fee of \$500, regardless of the program that they are associated with.

Note that temporary permits and works permits are not the same as investigative permits, and are instead charged a fee based on the program they are associated with.

4.1.2 Application Fees Based on Actual Processing Time

For programs listed under items 26 to 30 in Table 1, applicants will be charged a fee based on the actual application processing time, at a rate of \$50 per hour. For these programs the application must be accompanied by a \$2,500 deposit (except for Alpine Skiing Type 2 operations which require a \$10,000 deposit). The cheque will be deposited when the decision is made to accept the application or within seven days, whichever comes first. LWBC staff hours spent processing the application will be tracked on a time sheet form, starting when the application is accepted. Billing may be carried out part way through the process to cover work completed, particularly if it can be tied to completion of a stage in the process or if it is a lengthy application process. Final billing will be done once the application has been abandoned, disallowed or an offer has been made. The invoice for the outstanding total due should be sent with the notice of abandonment, disallowance or offer. Any unused portion of the deposit will be refunded to the applicant.

Staff should inform applicants of the possible range in fees that could be expected for processing applications within these program areas.

Table 1: Land Act Fees Regulation - Application Fees Schedule and Explanatory Notes

Item	Column 1 – Purpose	Column 2 – Application Fee	Comments
1	Agriculture	\$250	Applies to intensive and extensive agriculture

Item	Column 1 – Purpose	Column 2 – Application Fee	Comments
2	Commercial – Recreation – non-mechanized (non-motorized) uses	\$250	Applies to non-motorized activities such as guided hiking, kayaking, mountain biking, etc. (Note that item 21 lists a separate fee for mechanized / motorized uses.)
3	Commercial – General (excluding film production, marinas, golf courses)	\$250	All commercial uses other than those specifically listed elsewhere in this schedule.
4	Agriculture – Grazing	\$250	
5	Private Moorage	\$250	
6	Institutional and Community	\$250	
7	Residential	\$250	Includes floating home communities. Covers uses that are ancillary to residential use, including utility lines (see item 18), septic fields and geothermal heat exchange loops that serve individual residences.
8	Transportation/roadways - public use	\$250	Includes public road allowances (s. 79 & s. 80 of the <i>Land Act</i>), and roads, bridges, trails or airstrips open to the public, for which a works permit under s. 14(1)(c) <i>Land Act</i> is normally issued. It does not include private roads, airports and ferry terminals which are covered under items 20, 26 and 27.
9	Film Production	\$500	
10	Industrial – General (excludes Log Handling, Quarrying, Energy and Mining)	\$500	Applies to all industrial uses other than those specifically listed elsewhere in this schedule (item 14 – Energy & Mining, item 17 – Log handling & item 19 – Quarries).
11			<i>Item 11 was repealed from the regulation.</i>
12	Investigative Permits	\$500	All investigative permits (defined in Section 14 (1) (a) of the <i>Land Act (LA)</i>) are charged this fee, despite the program that they may be associated with. This fee does not apply to temporary permits (LA s.14 (1)(b)) or works permits (LA s. 14(1)(c)), which will be charged based on the program that they are associated with.
13	Marina	\$500	
14	Energy and Mining – includes oil and gas applications that are <u>not</u> made under the <i>Oil and Gas Commission Act</i> ; excludes alternative power projects	\$500	Alternative power projects are listed under item 24. No application fee is payable if an application is made under the <i>Oil and Gas Commission Act</i> .
15	Alpine Skiing: Type 1 - Minor operations	\$1 000	Note that “Type 2 – Major operations” are covered under item 28.
16	Communication Sites	\$1 000	
17	Log Handling	\$1 000	Includes log storage.
18	Utilities - linear utilities less than 25 km long	\$1 000	Does not include linear utility lines that serve and terminate within: i) an individual residential lot - these are considered ‘ancillary’ to residential use and charged \$250 accordingly (see item 7); or ii) an individual general commercial site - these are considered ‘ancillary’ to general commercial use and charged \$250 accordingly (see item 3). The fee for linear utilities greater than 25 km in length is noted under item 30.

Item	Column 1 – Purpose	Column 2 – Application Fee	Comments
19	Aggregates and Quarry Materials	\$1 000	
20	Transportation/roadways - industrial use or private use	\$1 000	These include roadways or railways where public use must be excluded and for which a statutory right of way or licence is normally issued. It excludes public roadways that are covered under item 8, and other transportation uses listed in items 26 and 27.
21	Commercial - Recreation - Mechanized (motorized) uses	\$3 300	Motorized uses will be charged the same application fee as non-motorized uses (item 2) up to and including October 31, 2003. On November 1 the rate will increase to \$3300 for motorized. Refer to the commercial recreation policy for further direction regarding motorized vs. non-motorized activities.
22	Federal Reserves/Transfers	\$3 300	Includes reserves established for the federal government and its agencies, and applications for Transfer of Administration and Control from the province to the federal government. It does not include Notations of Interest, for which there is no charge.
23	Golf Courses	\$3 300	
24	Alternative Power Projects – includes water and wind power	\$3 300	Includes independent power projects, such as “run of river” projects, tidal and wind energy projects.
25	Aquaculture – Finfish and Shellfish	\$4 925	Includes finfish, shellfish and marine plants
26	Airports	\$50/hour of staff time, \$25 minimum fee	This does not apply to airstrips constructed under permit (as per s. 14 Land Act), which if open to the public are covered under item 8.
27	Ferry Terminals (other than general commercial or general industrial use)	\$50/hour of staff time, \$25 minimum fee	Includes BC Ferry sites. Excludes docks covered under general commercial use (item 3), public transportation (item 8) or industrial use (item 10).
28	Alpine Skiing: Type 2 – major operations	\$50/hour of staff time, \$25 minimum fee	Note that “type 1 – Minor operations” are covered under item 15.
29	Head Leases	\$50/hour of staff time, \$25 minimum fee	
30	Utilities - linear utilities 25 km or longer	\$50/hour of staff time , \$25 minimum fee	Note that those less than 25 km in length are covered under item 18.

4.1.3 Multiple Sites Under One Application

For some programs a single application may be used to include multiple sites or uses, if these sites or uses are an integral component of a single project, works or business operation.

For most integrated projects that require multiple sites, even when these are associated with more than one program area, a single application can be used. A single fee will be charged which is equivalent to the highest application fee for any of the programs covered by the application. For example, an integrated industrial and commercial

complex would be charged a single “general industrial” application fee of \$500, which is more than the general commercial application fee of \$250.

Waterpower projects policy and the Commercial Recreation policy have been developed to accommodate multiple sites or multiple uses under one application. For these programs a single program fee is charged; e.g. for a water power project a \$3300 application fee for a licence of occupation will cover the general area that is being proposed for intakes, penstocks, power plants, etc. For commercial recreation refer to the [Commercial Recreation](#) policy for further guidance.

Other programs can accept multiple sites or uses within one application, under certain conditions. See specific land use policies for more information.

4.1.4 Refunds

If the application is not accepted for processing the full application fee is returned to the applicant. For refunds available following application acceptance, see [Refund Policy](#).

4.2 Annual Tenure Management Fees

Some programs have annual management fees as well as annual rents. Details regarding management fees will be outlined in the land use specific policy.

4.3 General Service Fees

4.3.1 Replacements

Applications for replacements, or the conversion of an existing disposition to another form, are charged 50% of the application fee, with a minimum of \$200. Actual costs (at \$50/hr) will be charged for items 26 to 30, in Table 1.

Conversion to New Fee Schedule

For existing land tenure documents or other agreements in place before June 1, 2003 that have provisions for conversion to another form of disposition and include specific conditions related to administrative fees, the “old fees” will apply (e.g. for agricultural Lease to Purchase tenures). These documents may need to be reviewed on a case by case basis.

Where the existing agreement or document does not stipulate a specific administrative processing cost or fee, the new replacement fees will apply.

4.3.2 Land Tenure Amendments

The types of changes that constitute minor amendments are listed under item 5, in Table 2. These are charged a \$100 service fee. Typically “minor” amendments do not trigger referrals or First Nations consultation.

More substantial changes to existing tenures will be charged the same fee as a new application. For example, a proposed expansion of an existing tenure that involves additional area or a change in use / purpose will typically require referrals and consultation, and be charged a new application fee.

In some situations tenure modifications may be done concurrently with the tenure replacement (e.g. minor changes to management plans or site plans), in these cases a separate amendment fee is not required, rather it would be covered by the replacement fee.

Table 2: General Service Fees Schedule and Explanatory Notes

Item	Column 1 – Purpose	Column 2 – Fee	Comments
1	For an application for a declaration of intention under section 58 of the <i>Land Act</i> for <u>inclusion</u> of a waterbody or road in a Crown grant subdivision	\$500	Fee is unchanged from previous regulation.
2	For application for a <u>replacement</u> or the <u>conversion</u> of an existing disposition to another form of disposition	50% of the application fee listed in the schedule to section 1 for the purpose listed or \$200 whichever is more	Applications for replacements and conversions will be charged 50% of the rates listed in column 2 of schedule 1; however, a \$200 minimum fee applies, and for items 26 to 30 “actual costs” will be charged. Examples: a replacement log handling licence of occupation will be charged 50% of \$1000 = \$500 a replacement general commercial tenure will be charged \$200 (i.e. 50% of \$250 = \$125 which is less than the minimum \$200 fee) a conversion for a utility pipeline from an interim licence of occupation to a statutory right of way will be charged 50% of \$1000 = \$500. Other examples of conversions include: going from a licence of occupation to a lease; or a lease to a Crown grant.
3	For an application for <u>expansion of an aquaculture disposition</u>	50% of the application fee listed in the schedule to section 1 for aquaculture purposes	50% of \$4925 (item 25, schedule 1) = \$2462.50
4	For an application to <u>amend an aquaculture disposition</u> other than a minor amendment referred to in item 5	\$500	This is intended to cover amendments to aquaculture tenures that will require referrals. Minor amendments for aquaculture and all other programs are covered under item 5.
5	For an application to process a <u>minor amendment</u> to a disposition requested by the holder of the disposition (including changes related to insurance, security and bonds, legal description, minor extensions to the term of the disposition to meet survey requirements, and other similar matters, but not including changes that substantially alter the terms and conditions of a disposition agreement)	\$100	Minor amendments will typically <u>not</u> include situations that require referrals or FN consultation. These situations may trigger a new application depending on the nature of the change. Note that a separate fee is charged for aquaculture amendments (item 4), if they are not considered minor amendments as described here.

Item	Column 1 – Purpose	Column 2 – Fee	Comments
6	For an application to process and approve any document evidencing the <u>assignment</u> of an interest passing under a disposition, including assignments by way of mortgage, and including <u>consent to sub-tenure</u> . Half-fee for each assignment in batch requests greater than 5	\$250	This fee remains largely unchanged, except that it now includes consent to sub-tenure, as well.
7	For the preparation of a <u>certified true copy of any legal document</u> that has been issued pursuant to a disposition	\$50	Unchanged. Note that making of uncertified copies are now covered under the copying fee (item 10).
8	For the <u>extracting, reviewing, researching or compilation of information</u> from Land and Water BC Inc. records	\$50 for each hour with \$25 minimum fee	A similar fee existed before; however, a half-hour minimum has been added, plus the type of activity has been expanded.
9	For an application to <u>reinstate a cancelled disposition</u>	\$300	Unchanged.
10	For <u>photocopying</u> information from Land and Water BC Inc. records	\$0.25 for each page (single-sided), for requests of more than 20 pages (i.e. minimum charge is \$5.25 for 21 pages)	No charge for copying 20 or less pages. In those situations that necessitate spending considerable time reviewing or searching files, and extracting information to be copied, it may be appropriate to charge fees in accordance with item 8.
11	For <u>copying or printing of maps</u>	\$10 each copy	This is intended to cover maps produced by a GIS plotter, or map copier. It is not intended to apply to maps that are copied by a photocopier (e.g. legal size, 11 x 17”). In those situations that necessitate spending considerable time producing or developing maps, including the compilation or extracting of information, it may be appropriate to charge fees in accordance with item 8.
12	For the issuance of survey instructions and the final plan examinations for surveys of Crown land, including easements or statutory rights of way less than 25km in length	\$300	This fee is unchanged from previous regulation. It is charged and billed by the Surveyor Generals Branch only.
13	For the issuance of survey instructions and the final plan examinations for surveys of Crown land, including easements or statutory rights of way which are 25km or longer	\$50 per hour	This fee is unchanged from previous regulation. It is charged and billed by the Surveyor Generals Branch only.

5. RENTAL RATES

5.1 Annual Rental

Tenures require the payment of annual rents and/or royalties. Rental rates are established through one of the following four general methods:

- **percent of land value**, where land value is established by one of the above methods (e.g. appraisal, land value as set by BC Assessment, etc.), or approximated in zonal land values established by LWBC,
- **revenue sharing**, where rent is based on a % of revenue or user day charges,
- **royalty system**, generally used where there is removal of a commodity from the land,
- **fixed amounts**, where fixed one-time or annual payments are made.

Table 3: General Pricing Methods Employed by LWBC

Pricing Method	Description	Programs that Employ the Pricing Method
1. Percent of Land Value	annual rentals calculated by applying a prescribed percentage rate against the land's value, where land value is determined by either: <ul style="list-style-type: none"> ▪ appraisal of comparable sales data ▪ use of BC Assessment actual land value, ▪ pre-determined zone value, established and updated periodically by LWBC. 	<ul style="list-style-type: none"> ▪ agriculture ▪ aquaculture ▪ general commercial ▪ general industrial ▪ log handling & storage ▪ residential ▪ recreational cottage lots ▪ linear utilities ▪ oil and gas (marketing and refining facilities)
2. Revenue Sharing	annual rentals calculated by applying a prescribed percentage rate against gross revenues from commercial activities on the land, or as established by charging a pre-determined amount per client day or a participation rental based on production	<ul style="list-style-type: none"> ▪ commercial recreation ▪ alpine ski ▪ golf courses ▪ marinas
3. Royalty	annual rentals calculated by charging a fee per unit of <i>in situ</i> material removed from the land (plus ground rent to encourage efficient land-use)	<ul style="list-style-type: none"> ▪ aggregates and quarry materials

Pricing Method	Description	Programs that Employ the Pricing Method
4. Fixed Amount for the Land	annual rentals calculated in accordance with a pre-formulated rental amount that varies with land area or size, or type/number of facilities on the land , or reflects a pre set nominal rental that is unrelated to land area or location	<ul style="list-style-type: none"> ▪ oil and gas (primary recovery enhancement facilities) ▪ communication sites ▪ private moorage facilities ▪ community and institutional uses

5.1.1 Percentage of Land Value

For percentage of land value (including zone values) pricing methods, annual rental payments are calculated as follows:

$$\text{Annual Rental} = \text{Land Value} \times \text{Rental Rate}$$

* "Land Value" - refers to BCA value, appraised value, or zonal value depending on the land use program.

* "Rental Rate" - is the appropriate percentage rate that is applied each year to the land value of the particular land use. Rental rate may be subject to change periodically as established by LWBC.

Example: Industrial Lease (Land Value of \$70,000):

$$\text{Annual Rental} = \$70,000 \times 0.08 = \$5,600$$

Table 4: Rental Rates By Land Use

Land-Use	Lease Tenure	Licence Tenure
Agriculture – Extensive	3%	N/A
Agriculture – Intensive	5%	N/A
Aquaculture – Shellfish	5% (50% discount in yrs. 1 - 5), ½ for extensive areas	4% ((50% discount in yrs. 1 - 5) ½ for extensive areas
Aquaculture – Finfish	8% (50% discount in yrs. 1 - 5, N coast), ½ for extensive areas	7.5% (50% discount in yrs. 1 - 5, N coast only), ½ for extensive areas
Commercial – General	8% - Type A 5% - Type B	7.5% - Type A 4.5% - Type B
Commercial – Recreation (Intensive use areas)	8% - primary base camp 5% - secondary	7.5% - primary base camp 4.5% - secondary
Industrial – General	8%	7.5%
Log Handling	8%	7.5%
Residential (urban, rural, remote)	5%	4.5%
Residential (seasonal)	3%	N/A

Lease, Licence and Permit Rate Differential

LWBC policy is to discount rentals for licences compared to leases to reflect the lesser rights contained in a licence tenure. Rates of return for licences are half a point less

than lease rates. Permits are normally issued for a flat fee of \$250 year (or \$500 prepaid for the full 2 year term).

The legal differences between leases, licences and permits are evident upon review of the covenants and provisos in the tenure documents. The nature of the legal rights conveyed, particularly exclusivity of use, and cancellation provisions are significant factors. Additionally, as a matter of policy, licences are typically issued for a shorter term (between one-third and one-half as long as leases) providing less security for the client. Permits provide short-term tenure and often fewer rights than licences. In some instances, the rights conveyed under a permit are minimal. Table 5 summarizes these differences.

Table 5: Primary Difference Between Lease, Licence, and Permits

Form of Tenure	Nature of Legal Right	Tenure Term	Cancellation Provisions
LEASE	<ul style="list-style-type: none"> ▪ lessee is granted right of exclusive possession ("quiet enjoyment"). ▪ no other tenures may be granted over lease lands without the lessee's consent (except for easements and rights-of-way). 	<ul style="list-style-type: none"> ▪ term of 5 to 30 years (30 standard), depending on land-use program. ▪ legislation provides for lease terms up to 60 years without OIC. 	<ul style="list-style-type: none"> ▪ Crown may cancel lease only if lessee breaks the covenants, conditions, provisos of the lease agreement. ▪ if Crown cancels lease, compensation would be payable.
LICENCE of OCCUPATION	<ul style="list-style-type: none"> ▪ licensee is granted simple right to enter on the land ▪ generally, other licences/ ROW's may be granted over the licence lands without licensee's consent. 	<ul style="list-style-type: none"> ▪ term of 5 to 20 years (10 standard). 	<ul style="list-style-type: none"> ▪ Crown may cancel (upon providing notice) if government requires the land for its own uses or considers it to be in the "public interest". ▪ may also cancel licence if licensee ceases to use the land for the purposes permitted ▪ no compensation payable.
PERMIT	<ul style="list-style-type: none"> ▪ a permit is a short term licence; ▪ permit holder is granted simple right to enter on the land; often the rights are significantly less than that of a licence (i.e. no improvements) ▪ other tenures may be granted over the lands without the permit holder's consent. 	<ul style="list-style-type: none"> ▪ maximum 2 years for investigative and temporary permits; ▪ up to 10 years for works permits for roads/structures 	<ul style="list-style-type: none"> ▪ Crown may cancel (upon notice) if government requires the land for its own use. ▪ may also cancel if permittee ceases to use the land for purposes permitted. ▪ no compensation payable.

One reason why licences are an attractive alternative to leases (where overlapping licences are not contemplated) is that leases requires survey. As survey costs for leases are borne by the applicant, there is often a desire to choose a less secure form of tenure such as a licence or permit.

5.1.2 Revenue Sharing (or Participation Rental)

Revenue sharing is an appropriate pricing method where:

- the unique qualities of a site make it particularly valuable for a specific use,
- there are no or limited private land comparables, making land values difficult to establish as (e.g. alpine skiing, marinas); or,
- the activity is not directly linked to a specific parcel of land that can be valued (e.g. extensive commercial recreation licenses).

5.1.3 Royalties

Royalties are charged for aggregate material extracted from Crown land. Royalties are based on the market value of the raw material and vary according to supply and demand in a specific area. Royalty rates are established through:

- Competitive process
- Minimums set by LWBC

Public Works

There is no charge for construction aggregate that goes towards building public works, such as highways.

5.1.4 Fixed Amount

Where land values are known to be low and/or are difficult to establish, it may not be cost-effective or practical to base rentals on analyses of comparables. In such cases, the common practice is to employ fixed or flat rate rents that represent approximations of market rental. (For example oil and gas primary recovery enhancement facilities and private moorage tenures).

5.2 Minimum Rent

LWBC employs an annual minimum rental to offset the ongoing annual costs of administering a tenure in such cases where market pricing provisions (e.g. percent applied to land value or income) would not produce enough rental income to recover costs. This amount should also be sufficient to encourage a basic level of efficient and diligent land-use. The minimum is per tenure; it does not vary with area of tenure.

The normal minimum rental is \$500 per tenure per year for leases, licences and rights of way and \$250/year for permits. The \$500 amount represents both an administrative charge to recover the ongoing costs of maintaining a tenure (e.g. annual billing, monitoring activities etc.) and also a nominal fee for the right to use or occupy public land. In select programs this amount may be higher or lower based on cost considerations.

See Table 6 below for minimum rents by specific land use program and tenure type.

Table 6: Minimum Annual Payment by Form of Tenure

LAND USE	LEASE	LICENCE	R-O-W	PERMIT
Agriculture – Extensive	\$500			
Agriculture – Intensive	\$500			
Agriculture – Grazing	\$500			
Aquaculture	\$600	\$600		\$250
Industrial – General	\$500	\$500		\$250
Aggregates and Quarry Materials (except public roads, etc)	\$500	\$500		\$250
Mining	\$500	\$500	\$500	\$250
Oil and Gas	\$500	\$500	\$500	\$250
Log Handling	\$500	\$500		\$250
Commercial – General	\$500	\$500		\$250
Alpine Skiing	\$500	\$500	\$500	
Commercial – Recreation	\$500	\$500		\$125/6 month or \$250/yr
Community/Institutional	\$1 prepaid for entire term			
Airports	\$1 prepaid for entire term (public airports)	\$500		\$250
Communication Sites	\$500	\$500	\$500	\$250
Utilities (except for institutional purposes)		Usually \$500 prepaid for 10 yrs	\$500 prepaid for entire term	\$250
Roadways		\$500	\$500	\$250 for 1 yr or \$500 prepaid for up to 10 yrs
Residential Land	\$500	\$500		
Private Moorage	\$200	\$200 minimum total prepaid rent		

5.3 Rent Reviews

Rentals and fees for leases, licences, rights of way and easements are established in accordance with prevailing market rentals in the private sector.

5.3.1 Individual Reviews

Reviews of rental rates applied to individual tenures are normally, carried out every 5yrs. Annual rentals based on a percentage of BC Assessment land value are automatically updated annually.

A work ledger is prepared on a regular basis which identifies all tenures due for rental review. Amended rentals are calculated using rental rates prevailing in the current land use policy, except where the tenure document (or other written commitment) contains provisions to the contrary. Rental adjustments are calculated manually or automatically, as appropriate. Consult the appropriate land use policy for additional instructions on rental rates for in-term review.

5.4 Prepaid Rent

Most tenures are structured to provide for annual payments. However, a few programs allow tenure holders to prepay the entire rental amount due over the life of the tenure. This option is only available in those programs where it is specifically provided for in policy. Where minimum annual rents are prepaid, the discount factors described below apply.

Minimum term rents are not to be discounted using discount factors, even though they are prepaid (e.g. utility R/W).

Prepaid rental payments are calculated as follows:

Prepaid Rental = (Land Value x Annual Rental Rate) x Discount Factor

"Land Value" - refers to BCA value, appraised value, or zonal value depending on the land use program.

"Discount Factor" - a financial factor, selected from Table 7, for the particular term for which the tenure is issued and the appropriate discount rate.

The discount rate to be used for calculating prepaid rentals will be set at "prime plus 1%" and will be updated each quarter, as needed. LWBC, Victoria will advise staff at the end of every fiscal quarter if interest rate changes warrant using a different column of Table 7.

Table 7: Current Discount Factors

Unexpired yrs of tenure	Discount Factors					
Column 1	Column 2	Column 3	Column 4	Column 5	Column 6	Column 7
	4.5%	4.75%	5.00%	5.25%	5.50%	5.75%
30	17.0219	16.5719	16.1411	15.7285	15.3331	14.9541
29	16.7429	16.3116	15.8981	15.5017	15.1214	14.7565
28	16.4513	16.0389	15.6430	15.2630	14.8981	14.5475
27	16.1466	15.7532	15.3752	15.0118	14.6625	14.3265
26	15.8282	15.4540	15.0939	14.7475	14.4139	14.0927
25	15.4955	15.1405	14.7986	14.4692	14.1517	13.8456
24	15.1478	14.8122	14.4886	14.1763	13.8750	13.5842
23	14.7844	14.4683	14.1630	13.8681	13.5832	13.3078
22	14.4047	14.1080	13.8212	13.5437	13.2752	13.0155
21	14.0079	13.7307	13.4622	13.2022	12.9504	12.7064
20	13.5933	13.3354	13.0853	12.8428	12.6077	12.3795
19	13.1600	12.9213	12.6896	12.4646	12.2461	12.0338
18	12.7072	12.4876	12.2741	12.0665	11.8646	11.6683
17	12.2340	12.0332	11.8378	11.6475	11.4622	11.2817
16	11.7395	11.5573	11.3797	11.2065	11.0376	10.8729
15	11.2228	11.0588	10.8986	10.7423	10.5896	10.4406
14	10.6829	10.5366	10.3936	10.2538	10.1171	9.9834
13	10.1186	9.9896	9.8633	9.7396	9.6185	9.5000
12	9.5289	9.4166	9.3064	9.1984	9.0925	8.9887
11	8.9127	8.8163	8.7217	8.6288	8.5376	8.4481
10	8.2688	8.1876	8.1078	8.0294	7.9522	7.8763
9	7.5959	7.5290	7.4632	7.3984	7.3346	7.2717
8	6.8927	6.8392	6.7864	6.7343	6.6830	6.6323
7	6.1579	6.1165	6.0757	6.0354	5.9955	5.9562
6	5.3900	5.3596	5.3295	5.2997	5.2703	5.2412
5	4.5875	4.5666	4.5460	4.5255	4.5052	4.4850
4	3.7490	3.7361	3.7232	3.7105	3.6979	3.6854
3	2.8727	2.8660	2.8594	2.8528	2.8463	2.8398
2	1.9569	1.9547	1.9524	1.9501	1.9479	1.9456
1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000

5.4.1 Refunding Prepaid Rentals

In order to calculate refunds of previously prepaid rentals, staff will need to continue using the old discount factor tables (Table 8). Prepaid rentals discounted at 10.75% (or any other rate in place at that time) will need to be refunded using the same rate.

Table 8: Old Discount Factors

Unexpired yrs of tenure	Discount Factors				
	Column 1	Column 2	Column 3	Column 4	Column 5
		8%	10%	10.5%	10.75%
29	12.051078	10.306567	9.942153	9.769031	
28	11.935165	10.237223	9.881079	9.711702	
27	11.809978	10.160945	9.813592	9.648210	
26	11.674776	10.077040	9.739019	9.577893	
25	11.528758	9.984744	9.656616	9.500016	
24	11.371059	9.883218	9.565561	9.413768	
23	11.200744	9.771540	9.464945	9.318248	
22	11.016803	9.648694	9.353764	9.212460	
21	10.818147	9.513564	9.230909	9.095299	
20	10.603599	9.364920	9.095154	8.965544	
19	10.371887	9.2014121	8.945146	8.82184	
18	10.121638	9.0215533	8.779386	8.662687	
17	9.8513692	8.8237086	8.596221	8.486426	
16	9.5594787	8.6060795	8.393825	8.291217	
15	9.244237	8.3666875	8.170176	8.075023	
14	8.9037759	8.1033562	7.923045	7.835588	
13	8.536078	7.8136918	7.649964	7.57041	
12	8.1389643	7.495061	7.348211	7.276733	
11	7.7100814	7.1445671	7.014773	6.951482	
10	7.2468879	6.7590238	6.646324	6.591266	
9	6.7466389	6.3349262	6.239188	6.192327	
8	6.2063701	5.8684188	5.789303	5.750502	
7	5.6228797	5.3552607	5.292179	5.26118	
6	4.99271	4.7907868	4.742858	4.719258	
5	4.3121268	4.1698654	4.135858	4.119079	
4	3.577097	3.486852	3.465123	3.45438	
3	2.7832647	2.7355372	2.723961	2.718225	
2	1.9259259	1.9090909	1.904977	1.902935	
1	1.0000000	1.0000000	1.0000000	1.0000000	

The method of calculating refunds of prepaid rentals which follows is provided to recognize the interest that has been earned on the prepaid rental.

Since the introduction of the Shoreland Sales Program in 1988, certain commercial, industrial and residential leaseholds have become eligible for purchase. In some instances, rent for these leaseholds has been prepaid for the entire term of the tenure. When the purchase option is exercised, the lessee is entitled to a refund of the prepaid rent for the unexpired term of tenure.

Refunds for the unexpired portion of prepaid tenures are available only in the following instances:

- where specifically provided for in policy (e.g. commercial marina and recreation cottage lot policy); or

- as part of a negotiated package (e.g. sale of a tenure previously leased by the applicant).

5.4.2 Equations and Factors for Calculating Prepaid Rental Refund

Refund Calculation

Refunds are based on the number of full unexpired years remaining in the prepaid term. Unexpired years are calculated using the following formula:

$$\text{Unexpired years} = (\text{Yr. Issue} + \text{Ppd. Term}) - \text{Yr. Purchase}$$

The following refund method extends the financial advantage of a discounted rent rate to the client for the last year (which is a partial year) of tenure. This results in a lower rent rate than would be applied on an annual non-discounted basis and is financially beneficial to the client. Therefore, do not consider partial years in the calculations of refunds.

Calculation Method

The calculation of approved refunds depends on the method used to calculate the original prepayment.

If the original prepayment was calculated using 75% of the land value - USE EQUATION 1

If the original prepayment was calculated using a discount factor - USE EQUATION 2

The calculated refund is then subtracted from the current market value of the land. If the amount calculated by either EQUATION is greater than the market value of the land, no refund is made. LWBC will not issue refunds where current market value is less than the prepaid rental refund.

EQUATION 1

This equation is to be used if the method for calculating the amount of prepayment was based on 75% of the land value.

$$\text{REFUND} = \text{OLV} * .072327 * \text{DF}$$

Where:

OLV = Original Land Value

DF = Discount Factor from Table 8.

Example 1

A Recreation Lease was issued March, 1981 for 30 years. Rent was prepaid for entire term and the prepayment was calculated using 75% of the land value of \$6485.00. The prepaid rental amount was \$4864. Lessee wishes to purchase the leasehold in 1989 and the current market value is \$7500.

Step 1

Determine the number of unexpired years of the 30 year tenure term and the OLV. Unexpired years means the number of remaining full years in the original prepaid term.

UNEXPIRED YEARS = (Yr. Issue +30) - Yr. purchase

= (1981 +30) – 1989 = 22 years

Original Land Value (OLV) - \$6485

Step 2

Obtain the Discount Factor from Column 5 of Table 8 by the number of unexpired years of tenure in Column 1.

DF = 9.212460

Step 3

Use the Original Land Value (OLV) and the Discount Factor (DF) from STEPS 1 and 2 in EQUATION to determine the amount of rental refund:

$\$6485 * .072327 * 9.212460 = \4321

The amount of rental refund is \$4321.

Step 4

To obtain the amount owing to LWBC for the purchase of the land, subtract the amount of rental refund obtained in STEP 3 from the current market value of the land:

$\$7500 - \$4321 = \$3179$

This is the amount owing to LWBC.

NOTE: If the current market value of the land has been less than or equal to \$4321, there would be no funds owing to LWBC, except applicable administrative fees, and no refund to the lessee.

EQUATION 2

This equation is to be used if the prepaid rent payment was calculated using the land value, a rent rate and a discount factor.

$$OMV * RR * NDF = REFUND$$

Where:

OMV = Original Market Value

RR = Rent Rate current at time

NDF = NEW Discount factor from Table 7

Example 2

A commercial lease was issued in 1984 for 30 years. Rent was prepaid for the entire term and the prepayment was calculated using a Discount Factor based on 10.75% discount rate per annum with a land value of \$30,000. The rent rate was 7.5%.

Amount of prepaid rent = $\$30,000 * 7.5% * 9.82079 = \$22,096.78$

The lessee now wishes to purchase the leasehold under the Shoreland Sales Program in 1989 and a refund of the prepaid rent must be calculated. The current market value of the land is \$20,000.

Step 1

Determine the original land value (OLV), the annual rent rate (RR) used to calculate the original prepayment and the discount rate (DR) used to obtain the original discount factor of 9.82979.

OLV = \$30,000

RR = .075

DR = 10.75%

Step 2

Determine the number of unexpired years of the tenure term

UNEXPIRED YEARS = (Yr. Issue + 30) - Yr. purchase = (1984 +30) – 1989 = 25 years

Step 3

Determine the New Discount Factor (NDF) from Table 8 using the unexpired tenure term from Column 1 and 10.75% discount rate from Column 5.

Step 4

Use EQUATION 2 and the figures obtained in STEPS 1 and 2 to obtain the rental refund:

$\$30,000 * .075 * 9.500016 = \$21,375.04$

The amount of rental refund is \$21,375.04

Step 5

Subtract the amount of rental refund from the current purchase cost:

$\$20,000 - \$21,375.04 = - \$1375.04$

There are no monies owing to LWBC except applicable administrative fees and there is NO REFUND TO THE LESSEE.

6. FREE CROWN GRANTS

Crown land that is needed to support public purposes (e.g. firehalls, local parks, etc.) is available at a nominal rate. However, establishing market value and the concessionary value is required for the purpose of recording transactions. Refer to the [Community and Institutional Land Use](#) policy.

7. SALE PRICE

Fee simple dispositions are priced at full market value. The purchase price for Crown land is the market value of the land, plus the value of any resources on the land (e.g., standing timber). Land values are generally determined through professional appraisals. Fee simple disposition of Crown land will generally be made on a cash basis.

All direct sales of viable parcels will be made at the fair market value, subject to variances permitted by Executive as per specific policy (examples of variances include transfers based on value-in-kind compensation; or where discounts of stale or less saleable lands will promote sales).