



Appraisal Institute of Canada

Institut canadien des évaluateurs

CANADIAN UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

Effective Date August 1, 2018

**Appraisal Institute of Canada
403 ~ 200 Catherine Street
Ottawa, Ontario K2P 2K9**

TABLE OF CONTENTS

1	INTRODUCTION	3
2	DEFINITIONS.....	5
3	FOREWORD	16
4	ETHICS STANDARD - RULES	18
5	ETHICS STANDARD – COMMENTS	19
6	REAL PROPERTY APPRAISAL STANDARD RULES.....	28
7	REAL PROPERTY APPRAISAL STANDARD – COMMENTS	30
8	REVIEW STANDARD - RULES	43
9	REVIEW STANDARD – COMMENTS.....	45
10	CONSULTING STANDARD - RULES.....	49
11	CONSULTING STANDARD – COMMENTS	50
12	RESERVE FUND PLANNING STANDARD - RULES	53
13	RESERVE FUND PLANNING STANDARD - COMMENTS.....	55
14	MACHINERY AND EQUIPMENT APPRAISAL STANDARD - RULES	57
15	MACHINERY & EQUIPMENT APPRAISAL STANDARD – COMMENTS	59
16	MASS APPRAISAL STANDARD RULES	60
17	MASS APPRAISAL STANDARD – COMMENTS.....	62
18	PRACTICE NOTES	63
19	PROFESSIONAL EXCELLENCE BULLETINS.....	109
20	APPENDIX A - INDEX.....	110
21	APPENDIX B - CHANGES TO CUSPAP FROM 2016 EDITION	115

1 INTRODUCTION

This 2018 edition of the *Canadian Uniform Standards of Professional Appraisal Practice* (“The Standards,” or CUSPAP), first introduced in January 2001, respects the expanding role of the valuation professional within the Appraisal Institute of Canada (“AIC” or “the Institute”). The Standards endorse International Valuation Standards as an authority promoting world-wide acceptance of standards for property valuation.

With the advent of International Financial Reporting Standards (IFRS) and the transition within Canada to International Accounting Standards (IAS) in 2011, the Board of Directors of the AIC has recognized the need for valuation standards that address emerging valuation requirements for International Financial Reporting Standards (IFRS) and diversification of the scope of work available to an AIC Member.

The Standards contained in this edition are compliant with the International Valuation Standards (IVS) published by the International Valuation Standards Council (IVSC).

A Member of the Appraisal Institute of Canada accepting assignments under the International Financial Reporting Standards (IFRS) must, along with compliance with the requirements of CUSPAP, obtain and be familiar with the current edition of the International Valuation Standards.

Definitions [see section 2] form an integral part of the Standards; for the purpose of these Standards, their application is compulsory.

CUSPAP encompasses Seven Standards, each containing compulsory Rules and Comments and, where relevant, non-compulsory Practice Notes [section 18] and Professional Excellence Bulletins [section 19] where applicable:

1. Ethics Standard [see section 4 (Rules) and section 5 (Comments)]
2. Real Property Appraisal Standard [see section 6 (Rules) and section 7 (Comments)]
3. Review Standard [see section 8 (Rules) and section 9 (Comments)]
4. Consulting Standard [see section 10 (Rules) and section 11 Comments)]
5. Reserve Fund Planning Standard [see section 12 (Rules) and section 13 (Comments)]
6. Machinery and Equipment Appraisal Standard [see section 14 (Rules) and section 15 (Comments)]
7. Mass Appraisal Standard [see section 16 (Rules) and section 17 (Comments)]

1. Introduction

The Member is required to comply with the applicable legislative and/or licensing requirements for all types of professional services assignments. In some jurisdictions, legislation may limit or expand the qualifications of the practitioner and legislation supersedes CUSPAP.

The Member who is qualified under more than one valuation organization and whose work is required to comply to more than one standard of practice must ensure that adherence is to the highest minimum standard.

Where two standards conflict, a Member must comply with CUSPAP - it is the Member's responsibility to determine their obligations to comply with any other standard.

2 DEFINITIONS

Definitions form an integral part of the Standards and for the purpose of these Standards, their application is compulsory:

2.1 **AACI:**

Accredited Appraiser Canadian Institute designation. [see 5.4.9]

2.2 **AIC:**

Appraisal Institute of Canada

2.3 **APPRAISAL:**

A formal opinion of value, either written or oral, prepared as a result of a retainer, intended for reliance by identified parties, and for which the Member assumes responsibility. [see 6.2.24, 8.2.13, 10.1.14, 12.2.20, 14.2.23]

Note: **APPRAISAL** is also defined as the act or process of developing an opinion of value.

2.4 **APPRAISAL PRACTICE:**

A generic term to describe the work or services performed by a Member, defined by the six activities in these standards: real property appraisal, review, consulting, reserve fund planning, machinery and equipment appraisal, and mass appraisal.

Note 1: These six activities are intentionally generic, and not mutually exclusive. For example, an estimate of real property value may be required as part of a review, consulting, reserve fund study and/or machinery and equipment professional service.

Note 2: The use of other terms (e.g. analysis, counselling, evaluation, study, submission, valuation) does not exempt adherence to these standards. To avoid confusion, CUSPAP terminology should be used.

2.5 **ASSIGNMENT:**

A professional service provided as a result of a retainer or agreement between a Member and client.

2.6 **ASSUMPTION:**

That which is taken to be true. [see 6.2.9, 8.2.7, 10.1.8, 12.2.9, 14.2.9, 18.24]

2. Definitions

2.7 **AUTOMATED VALUATION MODEL (AVM):**

A computer program that analyzes data used in an automated process that may include regression, adaptive estimation, neural network, expert reasoning and artificial intelligence programs.

2.8 **BIAS:**

A preference or inclination not reasonably supported either used in the development or communication of a real property appraisal, review, consulting, reserve fund planning or machinery and equipment appraisal assignment that precludes a Member's impartiality, or favouring or promoting the cause or interest of the client, the Member or another party. [see 4.2.12, 5.11, 18.4]

2.9 **CLERICAL ASSISTANCE:**

Clerical assistance involves support to the Member in the preparation of a report but does not include any assistance that would be properly classified as Professional Assistance. Clerical assistance does not extend to inspection, selection of market data or assistance that leads to the analyses, opinions and conclusions in the report. Examples of clerical assistance include: data collection; collating reports; preparing appendices, maps and sketches; spelling and grammar checking.

2.10 **CLIENT:**

The individual or organization for whom the Member renders or agrees to render professional services. [see 6.2.1, 8.2.1, 10.1.1, 12.2.1, 14.2.1, 18.6]

2.11 **COMPETENCE:**

Having sufficient knowledge, skill and experience required to perform a specific assignment. [see 4.2.7]

2.12 **CONSULTING:**

The act or process of analysis of data and provision of recommendations or conclusions on diverse questions or problems involving real estate, and/or machinery and equipment; the scope of this type of professional service differs from appraisal or review assignments. [see 10, 11, 12, 13]

2.13 **CRA:**

Canadian Residential Appraiser designation granted by the AIC to a Member who has fulfilled all requirements of the designation. [see 2.14, 5.4]

2. Definitions

2.14 DESIGNATED MEMBER:

Shall be a person enrolled on the register of the Institute as holding one of the following grades or ranks, as conferred by the Board of Directors upon any person who has properly complied with the requirements for their use:

- Accredited Appraiser Canadian Institute (AACI) [see 2.1]
- Professional Appraiser (P. App) [see 2.44]
- Canadian Residential Appraiser (CRA) [see 2.13]
- Professional Valuator (P. Val.)

2.15 DETRIMENTAL CONDITION:

An issue or condition that may cause a diminution in value including:

- physical (e.g., deficient soil bearing capacity or construction deficiency);
- external (e.g., proximity to railway or under an airport flight path);
- environmental (e.g., soil or groundwater contamination);
- natural (e.g., flooding or earthquake zone); and/or
- sociological (e.g., crime scene).

2.16 EFFECTIVE DATE:

The date at which the analyses, opinions and conclusions in an assignment apply. The effective date may be different from the inspection date and/or the report date. [see 6.2.6, 7.7, 8.2.4, 10.1.5, 12.2.5, 14.2.6]

2.17 EXPOSURE TIME:

The estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at the estimated value on the effective date of the appraisal.

2.18 EXTERNAL VALUER:

An Appraiser who is an agent acting on behalf of the client and has no material link with the client or the subject of the assignment.

Note: This is a term referred to in IVS and used in valuation for financial reporting. There is no relation to AIC fee and non-fee appraisal categories, or reference to appraisal for any purpose other than financial reporting to indicate that the person writing the report is at arm's length to the client.

2. Definitions

2.19 **EXTRAORDINARY ASSUMPTION:**

An assumption, directly related to a specific assignment, which, if found to be false, could materially alter the opinions or conclusions. [see 7.10, 7.11.4, 9.4, 18.25]

2.20 **EXTRAORDINARY LIMITING CONDITION:**

A necessary modification or exclusion of a Standard Rule which may diminish the reliability of the report. [see 7.10, 9.4, 18.14.2, 18.23.8, 18.26]

2.21 **FEASIBILITY ANALYSIS:**

A study to assess whether a project will develop according to the expectations of the client and is economically feasible in accordance with the client's explicitly defined financial objectives. [see 11.5, 18.36]

2.22 **FEE APPRAISER:**

A Member who renders professional services on a fee-for-service basis and/or where the product of the service may be provided to any party other than the Member's employer, firm, partnership or personal corporation. [see 2.3, 2.12]

2.23 **FIXTURE:**

An improvement or personal property that is attached to the land or building in a permanent manner, is essential to the real estate, and/or is an integral part of the building.

2.24 **FORCED SALE VALUE:**

A term synonymous with "liquidation value", "distress sale" or "power of sale" implying a reduced selling period and a compulsion to sell real property. Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value. [see 18.8]

Note: Some valuation standards do not allow the use of the term "Forced Sale Value" or similar; in these instances, the higher minimum Standard prevails. [see 1 Introduction]

2.25 **HAZARDOUS SUBSTANCE:**

Any material within, around, or near the property in question that has sufficient form or quantity and exhibits any hazardous characteristics that can create a negative impact on value. Such substances shall include, but are not limited to: solids, liquids, gaseous or thermal irritants, contaminants or smoke, vapour, soot, fumes, acids, alkalis, chemicals, or waste materials.

2. Definitions

2.26 HIGHEST AND BEST USE:

The reasonably probable use of real property, that is physically possible, legally permissible, financially feasible, and maximally productive, and that results in the highest value. [see 6.2.13, 18.28]

2.27 HYPOTHETICAL CONDITION:

That which is contrary to what exists, but is supposed to exist for the purpose of analysis. [see 6.2.10, 10.1.9, 12.2.10, 14.2.10, 18.25]

2.28 INSPECTION

An observation, site visit, walk through, viewing or non-invasive visual examination of a property.

2.29 INTANGIBLE PROPERTY (INTANGIBLE ASSETS):

Non-physical 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.

2.30 INTENDED USE:

The use of a Member's professional services, as identified by the Member based on communication with the client. [see 6.2.2, 8.2.2, 10.1.2, 12.2.2, 14.2.2]

2.31 INTENDED USER:

A party identified by name as a user of the professional services of the Member, based on communication between the Member and the client. [see 6.2.1, 8.2.1, 10.1.1, 12.2.1, 14.2.1, 18.6]

2.32 INTERNAL VALUER:

An appraiser who is in the employ of either the entity that owns the assets or the accounting firm responsible for preparing the entity's financial records and/or reports. A Member who is an internal valuer is also referred to the IVS.

Note: A term referred to in the IVS and used in valuation for financial reporting. There is no relation to AIC fee and non-fee appraisal categories, or reference to appraisal for any purpose other than financial reporting.

2.33 INVESTMENT ANALYSIS:

A study that reflects the relationship between acquisition price and anticipated future benefits of a real estate investment. [see 11.4, 18.35]

2. Definitions

2.34 INVESTMENT ANALYSIS - RESERVE FUND STUDY:

For reserve fund studies, an investment analysis consists of analyzing the rate of return previously achieved by the client with their reserve fund, along with estimating a rate of return that might be achieved in the future in accordance with legislation (if legislation is applicable).

2.35 JURISDICTIONAL EXCEPTION:

An assignment condition that permits the Member to disregard a part or parts of these Standards that are determined to be contrary to law or public policy in a given jurisdiction; only that part shall be void and of no force or effect in that jurisdiction. [see 5.3.8, 7.11.6, 18.32.3]

Jurisdiction relates to the legal authority to legislate, apply or interpret law at either the federal, provincial or local levels of government. In the report the Member must identify the part or parts of CUSPAP disregarded as well as the law, regulation or legal authority that precludes compliance.

It is ultimately the responsibility of the Member, not the client or other intended user(s), to determine whether the use of Jurisdictional Exception is appropriate.

2.36 LEASE:

A legal agreement which grants right to use, occupy, or control all or part of a property, to another party, for a stated period of time based on the terms and covenants of the lease including, among other things, the rental rate. [see 6.2.17, 18.26.5]

2.37 LIMITING CONDITION:

A statement in an assignment identifying conditions that impact the conclusion. [see 6.2.9, 7.10, 8.2.7, 10.1.8, 12.2.9, 14.2.9, 18.24]

2.38 MACHINERY & EQUIPMENT DEFINITIONS

Note: Machinery and Equipment: A term that describes the physical facilities available for production, including: the installation and service facilities, together with all other equipment designed or necessary for manufacturing purposes, regardless of the method of installation. It also includes those items of furniture and fixtures necessary for the administration and proper operation of the enterprise. [see 14]

Note: Equipment: includes all machinery and other apparatuses or implements used in an operation or activity (all machinery is equipment, but all equipment is not necessarily machinery). [see 14]

2. Definitions

Note: Equipment Classes: typical equipment classes include: production machinery; support equipment; motor control centers and switchgear; power wiring; process piping; foundations and structural supports; material handling and storage equipment; general plant equipment; plant and motor vehicles; laboratory and test equipment; office furniture, fixtures, and equipment; computer equipment; tools; special tooling; patterns and templates; construction in progress; special classes; and inventory. [see 14]

Note: Furniture: a particular type of equipment utilized in ancillary functions of an operation. It is designed to provide a convenient and efficient work location for personnel or necessary storage facilities. [see 14]

Note: Machinery: the term encompassing man-made mechanical devices, usually electrically powered, that are designed to create a product or in some manner alter the state of a material or partial product. [see 14]

Note: Trade Fixtures: Fixtures utilized for the purpose of carrying on a trade or business. In a retail operation, they are sometimes considered specialized furniture or fixtures designed to display products. [see 7.9.1.iv, 7.21.3]

2.39 **MARKET ANALYSIS:**

A study of real estate market conditions for a specific type of property. [see 11.3, 11.5.1, 18.34, 18.36.1]

2.40 **MARKETING TIME**

Marketing time is an opinion on the amount of time it might take to sell a property interest in real estate at the concluded market value level during the period immediately after the effective date of an appraisal.

2.41 **MASS APPRAISAL:**

The process of valuing a universe of properties as of a given date utilizing standard methodology, employing common data, and allowing for statistical testing. [see 2.48, 2.49, 3.1.1, 3.2.1, 3.3.1, 3.4.1, 5.4.6.iii, 16, 17]

2.42 **NON-FEE APPRAISER:**

A Member who renders professional services exclusively for the internal use of his/her employer and whose professional services reports are kept in-house and are not provided to an outside party, although a fee may be paid by that outside party to cover the cost of the preparation of the report.

Notwithstanding the above, government and crown corporation employees may register as non-fee appraisers, (including those who are employed by one government department but provide professional services to other governments,

2. Definitions

government departments or government-owned corporations), whether or not a fee is paid for the services provided. [see 2.3, 2.12, 2.57, 16, 17, 18.32.1]

Note 1: Notwithstanding above, a Member who is temporarily unemployed or holding employment that does not relate to professional services may register as a non-fee appraiser for the period during which he/she is not providing any professional services.

2.43 **NORMAL COURSE OF BUSINESS:**

Common activities that are necessary and normal for an assignment. These are not for individual interpretation. CUSPAP, other standards of practice and Canadian and international case law recognize and define the spirit and intent of “normal (or ordinary) course of business”. The basic premise of “normal course of business” aligns with the concepts of Member due diligence and the “Reasonable Appraiser”.

“The normal course of business is controlled to a large degree by the scope of work in a specific assignment. The ‘normal course of business’ is determined by the actions of a Member’s peers and by the expectations of parties who are regularly intended users for similar assignments; **it is not any one Member’s practices or any one Member firm’s policies.** In developing a[n]...appraisal, a Member must not commit a substantial error of omission or commission that significantly affects an appraisal. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.”¹

2.44 **P. App:**

Professional Appraiser Designation. [see 2.14]

2.45 **PERSONAL PROPERTY:**

Identifiable portable, tangible or intangible objects considered or defined as being “personal”. Examples of classes of personal property include: furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property, tangible and intangible, that are not classified as real property. [see 6.2.20]

2.46 **PROFESSIONAL ASSISTANCE:**

Support to the Member that has a direct and significant bearing on the outcome of an assignment including property inspections, analysis, and development of opinions and estimates. [see 2.59, 7.26, 18.32]

¹ Advisory Opinion 24, Normal Course of Business (Appraisal Institute, USPAP 2014-15)

2. Definitions

2.47 **PROFESSIONAL ASSOCIATION/ORGANIZATION:**

Is a Professional Association/Organization/Order that is generally accepted within Canada as a reputable association and admits individuals on the basis of their academic qualifications, experience and ethical fitness, requires compliance with professional standards of competence and ethics established or endorsed by the organization, and is approved by the AIC.

2.48 **PROFESSIONAL SERVICES:**

Means real property appraisal, review, consulting, reserve fund planning, machinery and equipment appraisal, and mass appraisal services which were rendered, or which should have been rendered, by a qualified, competent Member authorized under the Rules, By-laws, Regulations and CUSPAP.

2.49 **REAL ESTATE:**

Land, buildings, and other affixed improvements, as a tangible entity.

2.50 **REAL PROPERTY:**

The interests, benefits, and rights inherent in the ownership of real estate. [see 7.9, 10.1.4]

Note: In some jurisdictions, the terms real estate and real property have the same legal meaning. The separate definitions recognize the traditional distinction between the two concepts in appraisal theory.

2.51 **REASONABLE APPRAISER:**

A Member providing professional services within an acceptable standard of skill and expertise, and based on rational assumptions. [see, 4.2.5, 7.1.2, 7.15.2, 7.16]

Note: For the purposes of CUSPAP and the Professional Liability Insurance Program, the term “appraiser”, when employed or referenced outside of the Real Property Appraisal Standard and Machinery & Equipment Appraisal Standard, is deemed to be generic and synonymous to “AIC Member”, “the Member”, “the practitioner”, “the reviewer” (under the Review Standard), “the Consultant” (under the Consulting Standard”, “the reserve fund planner” (under the Reserve Fund Standard”) and “the assessor” (under the Mass Appraisal Standard).

2.52 **RECERTIFICATION OF VALUE:**

An inspection performed to confirm whether or not the hypothetical conditions in the appraisal have been met. [see 7.11.3]

2. Definitions

2.53 RELIANCE LETTER:

Letter of Reliance providing authorization for a different client or intended user to rely on a report [see 18.6, 19]

2.54 REPORT:

Any communication, written or oral, of a professional service that is transmitted to the client or intended user as a result of an assignment. [see 7.1, 9.1, 13.1, 17.1, 17.2, 18.5]

Note 1: These Standards do not dictate the format or style of reports. The substantive content of a report determines its compliance with CUSPAP. When using a form or document created or copyrighted by the AIC, a Member must use the most recent version.

Note 2: Report types may include form reports, short narrative reports, or comprehensive reports in complete or draft formats. Letters of opinion are not acceptable report types.

2.55 RESERVE FUND STUDY:

A budget planning tool which identifies the current status of a Reserve Fund and a Funding Plan to offset the anticipated expenditures for the major repairs and replacement of components, elements or assets, for which a corporation or association is responsible. The Reserve Study consists of two parts: the Physical Analysis and the Financial Analysis Reserve Fund Study. Depreciation Study, Depreciation Reports, Contingency Reserves (“Reserve Fund Study”) are synonyms for the purpose of this standard. [see 12, 13].

2.56 RETAINER:

The engagement of a Member by a client to provide professional services for an intended use.

2.57 REVIEW:

The act or process of developing and communicating an opinion about all or part of an assignment prepared by a Member or non-Member. [see 8, 9, 18.37, 18.38]

2.58 SCOPE OF WORK:

The type and extent of an inspection, research and analysis required, any limitations, or other terms to fulfill the intended use of an assignment. The scope of work for an assignment is driven by the client’s terms of reference and the Member’s compliance to CUSPAP. [see , 6.2.4, 7.5, 7.10.3, 7.27, 8.1.1, 8.2.6, 8.2.8, 10.1.7, 12.2.8, 14.2.4, 16.2.3, 17.1.2]

2. Definitions

2.59 **SIGNATURE OR CO-SIGNATURE:**

Personalized evidence indicating authentication of the work performed by Members, where both Members are responsible for content, analyses, and the conclusions in the report or assignment. [see 6.2.24, 8.2.13, 10.1.14, 12.2.20, 14.2.23, 18.5.4, 18.32]

Note: A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media.

2.60 **VALUE:**

The monetary relationship between properties and those who buy, sell or use those properties.

Note: Value expresses an economic concept. Value is never a fact, but always an opinion of the worth of a property at a given time in accordance with a specific definition of value.

2.61 **WORK-FILE:**

Documentation necessary to support a Member's analyses, opinions and conclusions. [see 4.2.9, 5.7]

3 FOREWORD

Authority for interpretation and application of these Standards is found in the AIC Consolidated Regulations and terms of reference of appropriate Committees and Sub-Committees of the Institute. (Hereinafter referred to as “Committees”.)

3.1 How To Use This Document

- 3.1.1 The Standards are set up in four tiers or levels – Definitions, Rules, Comments and Practice Notes that apply to the seven Standards: Ethics, Real Property Appraisal, Review, Consulting, Reserve Fund Planning, Machinery and Equipment Appraisal and Mass Appraisal.
- 3.1.2 Each section and subsection of the Standards is numbered. References to other sections of the document are noted in the format #.#.#.i. In the soft copy of the document (PDF) the cross-references can be accessed by clicking the numbered reference.
- 3.1.3 If further explanation of a Rule is required, links are provided to the Comments or third tier. The numbers in square brackets at the end of a section refer to the line number at the beginning of the appropriate Comment.
- 3.1.4 The fourth tier of reference is the Practice Notes. When there is a Practice Note linked to a Rule and/or a Comment, the line number reference will also be shown at the end of a section. A Practice Note may be linked to Rules under more than one Standard.
- 3.1.5 A comprehensive Index provides quick access to linked Definitions, Rules, Comments and Practice Notes.

3.2 Rules

- 3.2.1 The Rules are based upon accepted principles that incorporate the minimum compulsory content of principles for real property appraisal, review, consulting, reserve fund planning, machinery and equipment appraisal, or mass appraisal assignments necessary to provide a credible result.

Rules provide minimum performance Standards: For ethics [see section 4], real property appraisal [see section 6], review [see section 8], consulting [see section 10] reserve fund planning [see section 12], machinery and equipment appraisal [see section 14], and mass appraisal [see section 16] assignments; for the purpose of these Standards, their application is compulsory.

3.3 Comments

- 3.3.1 Comments follow Rules and are provided to expand upon the interpretation and application of Rules. They are an integral part of these Standards and must

3. Foreword

be viewed as extensions of the Rules having the same force and effect.

Comments clarify, interpret, explain and elaborate on the Rules. For ethics [see section 5], real property appraisal [see section 7], review [see section 9], consulting [see section 11], reserve fund planning [see section 13], machinery and equipment appraisal [see section 15] and mass appraisal [see section 17] assignments for the purpose of these Standards, their application is compulsory.

Comments that are common to several Rules are included in the Real Property Appraisal Comments [see section 7].

3.4 Practice Notes

- 3.4.1 Practice Notes [see section 18] provide guidance in meeting the reasonable appraiser test. Practice Notes are not compulsory or binding. They are intended to provide a convenient resource for everyday application, giving examples for application of Rules for real property appraisal, review, consulting, reserve fund planning, machinery and equipment appraisal, and mass appraisal assignments. Practice Notes are intended to promote discussion and provide leadership to Members in understanding how to comply with Standards.

3.5 Professional Excellence Bulletins

- 3.5.1 Professional Excellence Bulletins [see section 19] offer supplementary practical advice on key professional practice issues; their application is not compulsory but the Definitions, Rules and Comments that they address are compulsory.

4 ETHICS STANDARD - RULES

4.1 Requirements of Members

- 4.1.1 Members of the Institute pledge to conduct themselves in a manner that is not detrimental to the public, the Institute, or the real property appraisal profession. A Member's relationships with other Members and the Institute shall portray courtesy and good faith and show respect for the Institute and its procedures. [see 4.2.2]
- 4.1.2 A Member must not render professional services in a careless or negligent manner. This requires a Member to use due diligence and due care. The fact that the carelessness or negligence of a Member has not caused an error that significantly affects his/her opinions or conclusions, and thereby does not seriously harm an intended user, does not excuse such carelessness or negligence.

4.2 Rules

It is unethical for a Member [see 5.1]:

- 4.2.1 to knowingly fail to comply with Bylaws, Regulations, Standards and the Professional Liability Insurance Program of the Institute;
- 4.2.2 to knowingly engage in conduct that would prejudice his/her professional status, the reputation of the Institute, the appraisal profession, or any other Member; [see 5.1]
- 4.2.3 to knowingly act in a manner that is misleading; [see 5.2, 5.3]
- 4.2.4 to act in a manner that is fraudulent; [see 5.1.4, 5.1.5]
- 4.2.5 to knowingly complete an assignment a reasonable appraiser could not support; [see 2.51]
- 4.2.6 to claim qualifications and Continuing Professional Development credits, improperly; [see 5.6]
- 4.2.7 to undertake an assignment lacking the necessary competence; [see 5.10]
- 4.2.8 to refuse to co-operate with the Institute; [see 5.5]
- 4.2.9 to fail to create a work-file for each assignment; [see 5.5, 5.7]
- 4.2.10 to disclose results of an assignment to anyone but the client, except with the client's permission; [see 5.8]
- 4.2.11 to fail to reveal any known conflict of interest; [see 5.9, 18.3]
- 4.2.12 to accept an assignment that is contingent on the result or outcome. [see 5.11, 18.4]

5 ETHICS STANDARD – COMMENTS

5.1 Conduct [see 4.2.2]

- 5.1.1 A Member must perform assignments ethically, objectively and competently in a meaningful manner in accordance with these Standards.
- 5.1.2 A Member must not engage in activities within a group or organization that these Standards would preclude them from doing as an individual.
- 5.1.3 A Member must not avoid responsibilities and obligations by doing indirectly what they cannot do directly.
- 5.1.4 Conduct by a Member that results in criminal charges may be subject to sanctions in accordance with AIC Consolidated Regulations.
- 5.1.5 A Member must immediately inform the Institute upon any criminal convictions involving fraud, dishonesty, false statements, moral turpitude, or any indictments that challenge good moral character or integrity.

5.2 Misleading Report [see 4.2.3, 4.2.4]

- 5.2.1 It is unethical for a Member to develop, use or permit others to use, for any purpose, any report which the Member knows, or ought to know, is defective, erroneous, and/or misleading.
- 5.2.2 A misleading report can be caused by omission or commission and may result from a single large error or a series of small errors that, when taken in aggregate, lead to a report that is deemed to be misleading.

5.3 Misleading Advertising [see 4.2.3]

- 5.3.1 A Member must observe only the highest standards of objectivity and impartiality when advertising their professional services or referring to the Institute using advertising media for promotional or solicitation purposes including: print advertisements; leaflets; pamphlets; brochures; electronic media; and corporate, business, and/or personal web sites (e.g., LinkedIn, Facebook, Twitter, Instagram).
- 5.3.2 A Member may:
 - 5.3.2.i. use advertising to solicit clients and business in a manner that does not offend the interests of the public and the profession and to inform prospective clients and the public of the availability of their professional services; and,
 - 5.3.2.ii. use advertising to advise as to the range, nature and cost of their professional services.

5. Ethics Standard - Comments

- 5.3.2.iii. advertise their competence to perform, either directly or indirectly, in any report or advertising media.
- 5.3.2.iv. include a University degree or other professional designations when advertising.
- 5.3.2.v. include the name of the Institute or its designations to refer to a Member's affiliation with the Institute when advertising.
- 5.3.2.vi. advertise jointly with another Member.
- 5.3.3 A Member must not [see 4.2.3, 4.2.4]:
 - 5.3.3.i. use advertising media which is false, misleading, exaggerated, uses laudatory statements or superlatives to describe their services, or that is contrary to the public interest;
 - 5.3.3.ii. refer to or make use of the name of the Institute or its professional designations and trademarks in a misleading or deceptive manner;
 - 5.3.3.iii. refer to or make use of the name of the Institute or its professional designations in a manner that suggests that a business organization is a Member of the Institute and/or holds any professional designation; and/or
 - 5.3.3.iv. use the Institute logos, trademarks or identity in contravention of the AIC Logo and Guidelines.
- 5.3.4 A Member must identify their designation or Membership status (AACI, CRA or AIC Candidate Member) in any advertising media for professional services.
- 5.3.5 A Member's business entity that is wholly or partially owned or controlled by that Member must not solicit professional services in a manner that is misleading or otherwise contrary to the public interest, the profession, or the Standards.
- 5.3.6 Candidate Members must not [see 4.2.3, 4.2.4, 4.2.6]:
 - 5.3.6.i. identify themselves as an "accredited appraiser" or a "Designated appraiser" or with any term/title that might be interpreted as a valuation designation;
 - 5.3.6.ii. use initials or abbreviations that might be interpreted as a valuation designation;
 - 5.3.6.iii. promote the Candidate Membership in such a way that it might be perceived as a valuation designation (e.g., CRA [or AACI] Candidate or Candidate CRA [or AACI] or any combination or variation thereof).

- 5.3.7 AIC Candidates Members must identify themselves as:
- 5.3.7.i. "Candidate Member of the Appraisal Institute of Canada"; or
 - 5.3.7.ii. "Candidate Member of the AIC"; or
 - 5.3.7.iii. "AIC Candidate Member". [see 4.2.6]
- 5.3.8 A jurisdictional exception may require AIC Candidate Members to identify themselves in an alternative manner (e.g., in Alberta).
- 5.3.9 In any report or advertising media (excluding signature blocks only) an AIC Candidate Member must identify:
- 5.3.9.i. that they are working under the supervision of a Designated Member of the AIC;
 - 5.3.9.ii. the name of the supervisor and his/her designation. [see 2.14]

5.4 Qualifications [see 4.2.6, 7.25]

- 5.4.1 A Member must identify their designation (AACI, CRA or AIC Candidate Member) wherever their name appears in any professional service and related correspondence including letters of transmittal, letters of engagement, reliance letters, progress reports, email correspondence). [see 2.14]
- 5.4.2 Only a Member holding the AACI designation is entitled to use of the term "accredited appraiser."
- 5.4.3 Only a Member holding the AACI or CRA designations is entitled to use the term "Designated Member" and/or P. App.
- 5.4.4 An Associate, Retired, Honorary AACI², Student Member, as well as a Member who has resigned from, and/or been suspended or expelled by the Institute shall not hold themselves out in any way as a practicing Member of the Institute. A resigned, suspended, or expelled Member is not authorized to affix the designation or Member status they held prior to their change in Member status to their name in any type of document.

²This designation is bestowed by the Board to identify individuals deemed to be ethically above reproach, and who are publicly recognized as leaders in business, law, academia, and other professions, and who contribute to the Institute's advancement of the profile, respect, body of knowledge, and advocacy of the valuation profession. This honorary designation is with distinction. It comes with the expectation that these honoured and prominent individuals will play an important advisory role within the Institute and its committees, providing leadership and visibility that will assist in advancing our profession.

5. Ethics Standard - Comments

- 5.4.5 A CRA Member must use that designation in connection with the real property appraisal, review or consulting of:
- 5.4.5.i. an individual, undeveloped site for not more than four (4) self-contained family housing units or,
 - 5.4.5.ii. a dwelling or property containing not more than four (4) self-contained family housing units.
- 5.4.6 An exception is made for:
- 5.4.6.i. reserve fund planning assignments whereby a competent CRA Member can use the CRA designation to undertake reserve fund planning assignments on any building size or type. Limitations may be imposed by Provincial Legislation. [see 18.14.3]
 - 5.4.6.ii. machinery and equipment appraisal assignments whereby a competent CRA Member can use the CRA designation to undertake standalone machinery and equipment appraisal assignments on any property only if the real property is not being appraised.
 - 5.4.6.iii. mass appraisal whereby a competent Non-Fee CRA Member can use an appropriate provincial license to undertake mass appraisal assignments.
- 5.4.7 Where a CRA Member signs a report beyond the scope set out in 5.4.5 and which does not fall within the exceptions outlined in 5.4.6, it must be co-signed by an AACI Member.
- 5.4.8 The highest and best use - actual or assumed - of the property that is the subject of the assignment will determine whether an assignment falls within the scope of practice for a CRA Member. [see 6.2.13, 7.14, 18.28]
- 5.4.9 An AACI or CRA Member cannot co-sign a report with a(n):
- 5.4.9.i. Student Member;
 - 5.4.9.ii. Associate Member;
 - 5.4.9.iii. Retired Member (retired status)
 - 5.4.9.iv. Honorary AACI;
 - 5.4.9.v. Candidate Member unless properly registered in the Candidate Registry;
 - 5.4.9.vi. A non-member unless properly registered in AIC's Quebec Registry.

- 5.4.10 An AACI or CRA Member registered in the non-fee category may not co-sign with a Member in the fee category.
- 5.4.11 An AACI or CRA Member registered in the fee category may co-sign a professional services report completed by a non-fee Member.

5.5 Co-operate [see 4.2.8, 5.7]

- 5.5.1 A Member must not fail or refuse to provide, or must not unreasonably delay the submission of: a written report, work-file or other material that is or should be in his/her possession or control if requested by the Institute.
- 5.5.2 A Member having custody of a work-file must allow authorized committees of the Institute with obligations related to the assignment appropriate access and retrieval. [see 5.8.2.iii]
- 5.5.3 A Member must not submit false or misleading information to the Institute.

5.6 Continuing Professional Development

- 5.6.1 A Member must comply with the Continuing Professional Development (CPD) Policy and Guideline and not claim CPD credit improperly.

5.7 Records [see 4.2.9, 5.5]

- 5.7.1 A Member must prepare a work-file in hard copy and/or electronically, for each assignment. The work-file must include:
 - 5.7.1.i. the name of the client and intended users;
 - 5.7.1.ii. true copies of any written reports documented on any type of media;
 - 5.7.1.iii. summaries of any oral reports sufficient to meet the requirements of the applicable Standard and the “Reasonable Appraiser” test or court transcripts;
 - 5.7.1.iv. a signed and dated certification; and
 - 5.7.1.v. all other data, information and documentation necessary to support the Member’s opinions, analysis and conclusions to comply with this and all other applicable Standard Rules, or references to the location(s) of such other documentation.
- 5.7.2 A Member must (subject to 5.7.4) retain the work-file and have custody of the work-file, or make appropriate work-file retention, access and retrieval arrangements with the party having custody of the work-file for a period of at least, whichever period expires last:
 - 5.7.2.i. seven (7) years after preparation or
 - 5.7.2.ii. two (2) years after final disposition of any judicial proceeding in which

testimony was given or any professional liability insurance proceeding has taken place.

- 5.7.3 If a Member is unable to retain a copy of the work-file, whether by reason of an employer's internal rules or by change of employer, all reasonable steps must be taken by the Member to ensure the availability of such reports and work-files when requested.
- 5.7.4 A Member should obtain written commitment from employers that reports and work-files will be made available when required.
- 5.7.5 A photocopy or an electronic copy of the entire written professional services sent or delivered to a client satisfies the requirement of a true copy. The industry standard medium for electronic storage would be a PDF or equivalent and not within office or on-line appraisal software.
- 5.7.6 Care should be exercised in the selection of the form, style, and type of medium for written records, which may be handwritten and informal, to ensure they are retrievable by the Member throughout the prescribed record retention period.
- 5.7.7 A work-file must be in existence prior to and contemporaneous with the issuance of a written or oral report. If a work-file cannot be provided prior to providing an oral report, a written summary of the oral report must be added to the work-file within a reasonable time.

5.8 Disclosure [see 4.2.10, 18.1, 18.2]

- 5.8.1 A Member pledges to uphold the confidential nature of the Member/client relationship.
- 5.8.2 A Member must not disclose the analyses, opinions or conclusions in an assignment to anyone other than:
 - 5.8.2.i. the client and those parties specifically authorized by the Member and client to receive such information;
 - 5.8.2.ii. third parties, when the Member is legally required to do so by due process of law (e.g. the Courts or Legislation); or
 - 5.8.2.iii. an authorized Committee or Committee Member of the Institute.
- 5.8.3 A Member must not disclose information provided by a client on a confidential basis to anyone other than:
 - 5.8.3.i. those parties specifically authorized by the client to receive such data;

- 5.8.3.ii. third parties, when the Member is required to do so by due process of law; or
- 5.8.3.iii. an authorized Committee or Committee Member of the Institute.
- 5.8.4 If the performance of a prior assignment is to be kept confidential, a Member must decline a new assignment on the same property, where a condition requires disclosure of any prior assignment.
- 5.8.5 The Member must obtain an occupant's (e.g. tenant, property owner if occupant, occupant of office space, etc.) permission to photograph their personal area of occupancy and notify them that photographs may be included in the report. The Member should include limiting conditions to the effect that s/he is not responsible for the misuse of the photographs by third parties.

5.9 Conflict [see 4.2.11, 18.3]

- 5.9.1 A Member pledges to develop, support and communicate each analysis, opinion and conclusion without regard to:
 - 5.9.1.i. any personal interest in the subject matter;
 - 5.9.1.ii. any party related to the assignment; or
 - 5.9.1.iii. the outcome of the assignment.
- 5.9.2 It is unethical for a Member to accept an assignment if the Member has any direct or indirect, current or contemplated, personal interest in the subject matter or the outcome of the assignment, unless such personal interest:
 - 5.9.2.i. is revealed to the client in writing and acknowledged by the client in writing prior to acceptance of the assignment, or as soon as the conflict is revealed or perceived [see 18.3.8]; and
 - 5.9.2.ii. is fully and accurately revealed in the report. [see 18.3.8]
- 5.9.3 The payment and/or receipt of concealed fees, commission or things of value or of non-value in connection with the procurement of any professional service assignment is unethical.
- 5.9.4 Disclosure of fees, commissions or things of value connected to the procurement of an assignment must appear in the certification of the written report and in any transmittal letter in which conclusions are stated.
- 5.9.5 The client must be made aware of and consent to any fees, commissions or things of value, including referral fees, connected to the procurement or referral of an assignment prior to accepting the assignment.

- 5.9.6 Referral fees do not have not be disclosed in the report if:
- 5.9.6.i. the referral is because of the competency and ability of a Member to undertake the assignment;
 - 5.9.6.ii. the referral fee does not increase the total fee charged to the client;
 - 5.9.6.iii. the client is informed in writing of the referral and referral fee arrangements; and
 - 5.9.6.iv. the client consents.
- 5.9.7 Members must take all steps necessary to ensure that they are not in conflict when they have previously completed an appraisal on a property and are requested to reappraise the property – known as “successive representation”. [see 18.3.6]

5.10 Competence [see 4.2.7]

- 5.10.1 Prior to accepting an assignment or entering into an agreement to perform any assignment, the Member must properly identify the problem to be addressed and have the knowledge and/or experience to complete the assignment competently or alternatively:
- 5.10.1.i. disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
 - 5.10.1.ii. take all steps necessary or appropriate to complete the assignment competently; and
 - 5.10.1.iii. if the Member lacks experience and/or knowledge to undertake an assignment, the Member must describe in the report, the steps taken to complete the assignment competently.
- 5.10.2 The steps necessary and appropriate to complete an assignment competently include personal study by the Member, association with another Member or professional with the necessary knowledge or experience, or retention of others who possess the required knowledge and experience.
- 5.10.3 Competency extends to a Member required to travel to geographic areas where he/she lacks the required knowledge and experience. A Member must acquire an understanding of local market conditions beyond hard data such as demographics, costs, sales, and rentals. A Member must spend the time in a market area necessary to gain competency or affiliate with a local qualified Member or third party professional.
- 5.10.4 Competency, including geographical competency, applies to co-signing and mentoring. [see 2.11, 2.58, 18.32]

5.11 Contingent [see 4.2.12, 18.4]

- 5.11.1 It is unethical for a Member to accept a professional service assignment, excluding a Consulting assignment, if compensation for the assignment is contingent upon:
- 5.11.1.i. reporting a predetermined value;
 - 5.11.1.ii. a direction in value that favours the client as a result of bias;
 - 5.11.1.iii. the amount of the value opinion (i.e. ad valorem);
 - 5.11.1.iv. the attainment of a stipulated result; or
 - 5.11.1.v. the occurrence of a subsequent event directly related to the value opinion.
- 5.11.2 When an assignment requires that both a real property appraisal and a consulting assignment be performed, compensation for the consultation may be on a contingent fee basis. A Member must:
- 5.11.2.i. make arrangements with the client such that the Member's compensation for developing the real property appraisal is on a basis that complies with this Ethics Rule; or
 - 5.11.2.ii. retain (or suggest that the client retain) another Member to perform the real property appraisal under compensation arrangements that do not violate this Ethics Rule; and
 - 5.11.2.iii. properly certify the real property consulting report, including therein a clear disclosure of the separate compensation arrangements for the appraisal portion and the real property consulting portion of the assignment.
- 5.11.3 A Member must follow legislation in his/her jurisdiction around advocacy and professional services completed on a contingency basis.
- 5.11.4 A Member may determine a listing price for a client when acting as a broker or sales/listing agent provided no report (as defined) is prepared and the Member clearly informs the client no formal appraisal has been completed. [see 5.11.5]
- 5.11.5 A Member acting as a broker or sales/listing agent shall not be covered by the Professional Liability Insurance Program of the Institute for claims arising from expressions of value prepared for sale/listing purposes.

6 REAL PROPERTY APPRAISAL STANDARD RULES

6.1 Preamble

- 6.1.1 This Standard deals with the procedures for the development and communication of a formal opinion of value for real property [see 6.2] and incorporates the minimum content necessary to produce a credible report that will not be misleading.

A stand-alone market rent report on an identifiable property must be prepared in accordance with the Real Property Appraisal Standard.

6.2 Rules

In the report [see 7.1, 18.5] the Member must:

- 6.2.1 identify the client by name and intended user by name; [see 7.2, 18.6]
- 6.2.2 identify the intended use of the Member's opinions and conclusions; [see 7.3]
- 6.2.3 identify the purpose of the assignment, including a relevant definition of value; [see 7.4, 18.8]
- 6.2.4 define the scope of work necessary to complete the assignment; [see 7.5, 7.10.3, 7.27]
- 6.2.5 provide an analysis of reasonable exposure time linked to a market value opinion; [see 7.6, 18.13]
- 6.2.6 identify the effective date of the Member's analyses, opinions and conclusions, and identify whether the opinion is current, retrospective, prospective, or an update; [see 7.7]
- 6.2.7 identify the date of the report; [see 7.8]
- 6.2.8 identify the interest appraised and the location, and describe the characteristics of the property; [see 7.9, 18.14, 18.21, 18.23]
- 6.2.9 identify all assumptions and limiting conditions (including extraordinary assumptions and extraordinary limiting conditions); [see 7.10, 18.24, 18.25, 18.26]
- 6.2.10 identify any hypothetical conditions; [see 7.11, 18.25]
- 6.2.11 identify and analyze land use controls; [see 7.12, 18.27]
- 6.2.12 state the existing use and the use reflected in the appraisal; [see 7.13]
- 6.2.13 define, analyze and resolve the highest and best use; [see 2.26, 7.14, 18.23.1.ii, 18.28]
- 6.2.14 describe and analyze all data relevant to the assignment; [see 7.15, 18.23.1]

6. Real Property Appraisal Standard - Rules

- 6.2.15 describe and apply the appraisal procedures relevant to the assignment and provide reasoning for the exclusion of any of the relevant valuation procedures; [see 7.16]
- 6.2.16 detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach; [see 7.17]
- 6.2.17 analyze the effect on value, if any, of the terms and conditions of the lease(s) when developing an opinion of the value of a leased fee, leasehold estate; [see 7.17.1, 18.26.5]
- 6.2.18 analyze the effect on value of an assemblage; [see 7.19]
- 6.2.19 analyze the effect on value of anticipated public or private improvements; [see 7.20]
- 6.2.20 analyze the effect on value of any personal property; [see 2.45, 7.21]
- 6.2.21 analyze and comment on
 - 6.2.21.i. all Agreement for Sale, Option, or Listing of the property, subject to 7.22, and
 - 6.2.21.ii. all prior sales of the property, subject to 7.22. [see 18.31]
- 6.2.22 review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate; [see 7.23]
- 6.2.23 report the final value estimate; [see 2.60, 7.24]
- 6.2.24 include a signed certification of value; [see 2.60, 7.25]

Note: A Member who signs a certification of value accepts responsibility for the appraisal and the contents of the appraisal report. [see 7.1, 7.26, 18.32]

7 REAL PROPERTY APPRAISAL STANDARD – COMMENTS

7.1 Report [see 2.54, 6.2, 8.2, 10.1, 12.2, 14.2, 16.2, 18.5]

- 7.1.1 A report transmitted through any medium must comply with this Standard.
- 7.1.2 A Member must take steps to meet the “Reasonable Appraiser” test in order to protect the integrity of transmitted reports, including reports transmitted electronically.
- 7.1.3 Members must have sole control of affixing their signatures or where affixing of the signature has been delegated, written confirmation of the delegation must be kept in the workfile. Delegation must be on an assignment basis only and not a blanket delegation.
- 7.1.4 To the extent that it is both possible and appropriate, an oral report that addresses value, including expert testimony, must comply with this Standard.
- 7.1.5 A Drive-by or Desktop report must comply with this Standard. A Drive-by or Desktop mortgage financing assignment may only be prepared for low risk assignments meeting the following criteria:
 - 7.1.5.i. the intended use is first mortgage financing;
 - 7.1.5.ii. the lender has determined that the borrower has the capacity and willingness to repay;
 - 7.1.5.iii. the loan-to-value ratio is in accordance with lending institution and federal lending policies;
 - 7.1.5.iv. reliable data is available on the subject property; and
 - 7.1.5.v. the report includes appropriate assumptions and limiting conditions [see 7.10, 18.24]

7.2 Client And Intended User [see 2.10, 2.31, 6.2.1, 8.2.1, 10.1.1, 12.2.1, 14.2.1, 18.6]

- 7.2.1 The client is the individual or organization for whom the Member renders or agrees to render professional services.
- 7.2.2 The client/Member relationship lasts at least until the completion of the intended use of the original report, or release from client is granted.
 - 7.2.2.i. A party receiving a copy of a report does not become an intended user unless authorized, and clearly identified by name and in writing, by the Member and the client.
 - 7.2.2.ii. Where an assignment is prepared by the Member for consideration by a tribunal or court, such as assisting in resolving a formal dispute, an intended user including: a judge, mediator, arbitrator, or other

trier of fact does not need to be identified by name.

7.3 Intended Use [see 2.30, 6.2.2, 8.2.2, 10.1.2, 12.2.2, 14.2.2]

7.3.1 Before accepting an assignment, a Member must communicate with the client to identify and consider the client's intended use in order to:

7.3.1.i. properly define the problem under study; and

7.3.1.ii. understand the development and reporting responsibilities of the assignment.

7.3.2 The intended use of the opinions and conclusions, as established with the client, must be stated in a report.

7.4 Purpose [see 6.2.3, 8.2.3, 10.1.3, 12.2.3, 14.2.3, 16.2.3]

7.4.1 The purpose of a report states what value is being estimated, in response to the client's intended use or objective.

7.4.2 The purpose of a report should state "To estimate current market value" where/when appropriate.

7.4.3 Value definition(s) must be included in a report together with the source of the definition. [see 2.60, 18.8]

7.5 Scope of Work [see 2.58, 6.2.4, 8.1.1, 8.2.6, 8.2.8, 10.1.7, 12.2.8, 14.2.4, 16.2.3, 18.9]

7.5.1 Scope of work refers to the amount and type of information researched and the analysis applied and includes:

7.5.1.i. inspection (inspection of the subject property is mandatory, subject to any Extraordinary Limiting Condition); [see 18.23, 18.25, 18.26]

7.5.1.ii. research into physical, legal, social, political, economic or other factors that could affect the property; [see 7.15]

7.5.1.iii. data research and verification, inspection of comparable data; [see 1.66.1]

7.5.1.iv. analysis applied; and

7.5.1.v. any limitations to the assignment.

7.5.2 The scope of work applied must be sufficient to result in analyses, opinions and conclusions that are credible in the context of the intended use of the report. The Member has the burden of proof to support the scope of work decision and the level of information included in a report.

7.6 Exposure Time [see 2.17, 6.2.5, 14.2.5, 18.13]

- 7.6.1 Exposure time is a retrospective estimate of a length of time based upon an analysis of past events assuming a competitive and open market.
- 7.6.2 Exposure time is always presumed to have preceded the effective date of the appraisal.
- 7.6.3 Exposure time is different for various types of real estate and under various market conditions. Rather than appear as an isolated estimate of time, it must refer to the property appraised, at the value estimated.
- 7.6.4 The overall concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable marketing effort.
- 7.6.5 The distinction between exposure time and marketing time must be made clear if both are referred to in the report.

7.7 Effective Date [see 2.16, 6.2.6, 8.2.4, 10.1.5, 12.2.5, 14.2.6, 16.2.5]

- 7.7.1 Establishes the context for the value opinion; the date of the value.
- 7.7.2 Current Value Opinion refers to an effective date contemporaneous with the date of the report, at the time of inspection or, at some other date within a reasonably short period of time from the date of inspection when market conditions have not, or are not expected to have, changed.
- 7.7.3 Retrospective Value Opinion [see 18.11, 18.23.4] refers to an effective date prior to the date of the report. The use of clear language and consistent terminology in a retrospective report (i.e. past tense throughout) is necessary so that the reader is not misled and clearly understands market conditions as of the retrospective effective date.

Extraordinary Assumptions and/or Extraordinary Limiting Conditions must be clearly stated in the report citing the conditions under which the retrospective value opinion was developed.
- 7.7.4 Prospective Value Opinion [see 18.25.1] is a forecasted value opinion and refers to an effective date beyond the date of the report. The use of clear language and consistent terminology in a prospective report (i.e. future tense throughout) is necessary so that the reader is not misled and clearly understands market conditions as of the prospective effective date.

A prospective value opinion is intended to provide an opinion of value occurring on a future date, based upon current market perceptions of future market conditions. This opinion should be based on the market data for the forecasts when made, not whether in hindsight they, in fact, occurred.

An Extraordinary Assumption must be clearly stated in the report citing the market conditions from which the prospective value opinion was developed, and absolving the Member from responsibility for unforeseeable events that alter market conditions prior to the effective date.

- 7.7.5 Updated Value Opinion [see 18.12] refers to an extension of an original report, changing the effective date. In the update, any changes in the status of the subject, in market conditions, or in any aspect affecting the analysis, opinions and conclusion since the prior report must be identified, with analyses of the effect these changes had in developing an updated opinion.

The updated report must clearly show that it can only be relied upon by a reader familiar with the original report. The update report must reference the effective date, date of report, and the estimated value in the original report. The update report must reference that it is to be read only in conjunction with the original report or be attached to the original.

7.8 Date of Report [see 6.2.7, 8.2.5, 10.1.6, 12.2.6, 14.2.7]

- 7.8.1 The date of the report refers to the date of completion of the report. Where retrospective or prospective, the date of the report and the effective date of the appraisal must be included in tandem throughout, to provide the reader with a clear understanding of any distinction in conditions between the two dates.

7.9 Characteristics of the Property [see 2.15, 2.38, 6.2.8, 12.2.4, 14.2.8, 18.14, 18.15, 18.16, 18.19, 18.20 18.23]

- 7.9.1 The characteristics of the property must be adequately described and analyzed. The report must include:
- 7.9.1.i. the property identification by civic address and/or legal description or other such specific reference to describe the location of the property with certainty;
 - 7.9.1.ii. the interest to be valued;
 - 7.9.1.iii. physical, legal, and economic attributes;
 - 7.9.1.iv. any personal property, chattel, trade fixtures, and/or intangible items;
 - 7.9.1.v. any known or apparent restrictions, easements, encumbrances, leases, reservations, covenants, contracts, declarations judgments, special assessments, ordinances, liens, and/or other items of a similar nature if relevant to the assignment; [see 18.14.2]
 - 7.9.1.vi. consideration of known detrimental conditions; [see 2.15, 2.25, 18.15, 18.16, 18.19, 18.20] and

7.9.1.vii. whether the subject property is a fractional interest, physical segment or partial holding; [see 18.21]

7.9.1.viii. the extent of inspection of the subject property. [see 18.23]

7.10 Assumptions and Limiting Conditions (including Extraordinary Assumptions and Extraordinary Limiting Conditions) [see 6.2.9, 8.2.7, 10.1.8, 12.2.9, 14.2.9, 18.24, 18.26]

7.10.1 If an extraordinary assumption is invoked, wherever an opinion or conclusion is stated within a report, the extraordinary assumption must be either stated in its entirety or reference provided to its exact location within the report.

7.10.2 When referencing the subject matter of an extraordinary assumption in a report, it must be clearly indicated that the subject matter is based on the extraordinary assumption.

7.10.3 Before invoking an Extraordinary Limiting Condition, the Member must determine that the scope of work applied will result in analyses, opinions and conclusions that are credible and will not be misleading. The Member must include an explanation and justification of Extraordinary Limiting Conditions in the report. [see 2.20, 18.26]

7.10.4 Extraordinary Assumptions and Extraordinary Limiting Conditions do not require a Hypothetical Condition.

7.10.5 A Member must include in every report as a minimum all of the Assumptions and Limiting Conditions found here <https://www.aicanada.ca/members-home/professional-practice-resources/forms-templates/> unless clearly not appropriate and clearly not relevant.

7.10.6 If the conditions surrounding an assignment result in it not being covered by the AIC Professional Liability Insurance program, a Member must:

7.10.6.i. clearly inform the client in writing prior to accepting the assignment;
and

7.10.6.ii. include an Extraordinary Limiting Condition to that effect in the Certification and Letter of Transmittal.

7.11 Hypothetical Conditions [see 2.27, 6.2.10, 10.1.9, 12.2.10, 14.2.10, 18.25]

7.11.1 Hypothetical Conditions may be used when they are required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison.

7.11.2 With respect to proposed improvements or modifications, the Member shall examine and have available for future examination:

7.11.2.i. plans, specifications, and/or other documents sufficient to identify

the scope and character;

7.11.2.ii. evidence indicating the probable time of completion; and

7.11.2.iii. reasonably clear and appropriate evidence supporting development costs, anticipated earnings, occupancy projections, and the anticipated competition at the time of completion.

7.11.3 A recertification of value does not change the effective date of the appraisal. [see 2.52]

7.11.4 For every Hypothetical Condition, an Extraordinary Assumption is required.

7.11.5 Hypothetical Conditions can apply whether the assignment is for the purpose of developing a retrospective, current, prospective, or update value opinion. The Member must avoid making unsupported assumptions. It must be clear to the reader that:

7.11.5.i. the condition does not in fact exist as at the effective date;

7.11.5.ii. the analysis performed to develop the opinion of value is based on a hypothesis, specifically that the condition is assumed to exist when, in fact, it does not;

7.11.5.iii. certain events need to occur, as disclosed in the report, before the condition will in fact exist;

7.11.5.iv. the report does not consider unforeseeable events that could alter the value conclusion; and

7.11.5.v. the absence of the hypothesis would likely result in a different value conclusion.

7.11.6 Reports for expropriation can require Hypothetical Conditions, and may require the Member to invoke a Jurisdictional Exception. [see 2.35]

7.11.7 The Hypothetical Condition must be clearly disclosed in the report, with a description of the hypothesis, the rationale for its use and its effect on the result of the assignment.

7.11.8 An analysis based on a Hypothetical Condition must result in a credible analysis and must not result in a report that is misleading. [see 6.2.10]

7.12 Land Use Controls [see 6.2.11, 18.27]

7.12.1 Land Use Controls, including zoning, must be identified and their effect on use and value analyzed, together with any reasonably probable modifications of such regulations in light of economic demand, the physical adaptability of the property, and market area trends.

7.12.2 In the context of properties where the highest and best use indicates a change in land use (e.g. rezoning or redevelopment), the Member must reasonably support the imminence or probability of the land use change.

7.13 Use [see 6.2.12, 14.2.11]

7.13.1 The existing use of the property as of the effective date of the appraisal must be included to distinguish it from the highest and best use.

7.13.2 If the property is a non-conforming use, the Member must discuss and analyze the implications of this use.

7.14 Highest And Best Use [see 2.26, 6.2.13, 18.23.1, 18.28]

7.14.1 The report must contain the Member's opinion as to the highest and best use of the property; unless an opinion as to highest and best use is irrelevant.

7.14.2 If the purpose of the assignment is to provide a market value, the Member's support and rationale for the opinion of highest and best use is required.

7.14.3 The Member's analysis of the highest and best use (as if vacant and as improved) and reasoning in support of the opinion and conclusion must be:

7.14.3.i. provided with the depth and level of detail required in relation to its significance to the report; and

7.14.3.ii. based on the relevant legal, physical and economic factors. [see 7.14.4]

7.14.4 Opinions on the highest and best use of a property are required on both:

7.14.4.i. the land, as if vacant; and

7.14.4.ii. the property, as improved.

7.15 Describe and Analyze All Data Relevant to the Assignment [see 6.2.14, 12.2.11, 14.2.13, 18.23]

7.15.1 The Member must take reasonable steps to ensure that the information and analyses provided in a report are sufficient for the client and intended user(s) to adequately understand the rationale for the opinion and conclusions.

7.15.2 In the process of collecting and verifying relevant information the Member must perform this function in a manner consistent with the "Reasonable Appraiser" test.

7.15.3 All three approaches to value require the collection of comparable data. The decision to inspect the comparable data and the extent of verification of data will be determined by the scope of the assignment, but in all cases the Member must conform to the "Reasonable Appraiser" test. [see 2.51, 7.5]

7.16 Appraisal Procedures [see 6.2.15, 14.2.14, 18.29, 18.30]

- 7.16.1 Excluding an approach to value that is relevant under the “Reasonable Appraiser” test requires an Extraordinary Limiting Condition and supporting reasons.
- 7.16.2 Excluding an approach to value that is not relevant under the “Reasonable Appraiser” test requires supporting reasons only.
- 7.16.3 When a Direct Comparison Approach [see 18.29] is applicable, the Member must analyze such comparable data as are available to indicate a reasonable value conclusion.
- 7.16.4 When a Cost Approach is applicable, a Member must:
 - 7.16.4.i. develop an opinion of site value by an appropriate appraisal method or technique;
 - 7.16.4.ii. analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and
 - 7.16.4.iii. analyze such comparable data as are available to estimate the difference between cost new and the present worth of the improvements (accrued depreciation).
- 7.16.5 When an Income Approach is applicable, a Member must:
 - 7.16.5.i. analyze trends, forecasts, and available comparable rental data to estimate the market rent of the property;
 - 7.16.5.ii. analyze such comparable operating expense data as are available to estimate the operating expenses of the property;
 - 7.16.5.iii. analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and
 - 7.16.5.iv. base projections of future rent and expenses on reasonably clear and appropriate evidence.
- 7.16.6 When a Discounted Cash Flow Analysis is applicable, the Member must: [see 18.30]
 - 7.16.6.i. analyze such data as are available from the real estate and capital markets and from surveys of investor opinions;
 - 7.16.6.ii. ensure that input data is specific to the type of property being appraised;
 - 7.16.6.iii. clearly display all relevant data, cash flow projections and assumptions on which the analyses are based; and

- 7.16.6.iv. identify and describe any computer software used in the analyses.
- 7.16.7 When an Automated Valuation Model (AVM) is applicable, a Member must:
 - 7.16.7.i. determine if use of the AVM is appropriate for the assignment; [see 2.7]
 - 7.16.7.ii. ensure that the AVM does not exclude relevant data necessary for a credible result;
 - 7.16.7.iii. disclose or invoke relevant assumptions and limiting conditions; and
 - 7.16.7.iv. identify and describe the AVM or AVM output used in the analyses. [see 6.2.9, 7.10, 18.24]
- 7.16.8 The output of an AVM is not a “value” as defined in Definition 2.60 (Value).
- 7.17 **Reasoning [see 2.51, 6.2.16, 10.1.12, 12.2.17, 14.2.15]**
 - 7.17.1 Reasoning requires the logical review, analysis and interpretation of data in a manner that will support the value conclusion, not be misleading to a reader, and conform with the “Reasonable Appraiser” standard.
- 7.18 **Leased Fee/Leasehold Estate [see 6.2.17, 14.2.16, 18.14.1.iii]**
 - 7.18.1 A Leased Fee/Leasehold Estate may be less than, equal to, or greater than the value of all interests in the property.
 - 7.18.2 A Leased Fee/Leasehold Estate may be omitted when not relevant to the assignment.
- 7.19 **Assemblage [see 6.2.18, 14.2.18]**
 - 7.19.1 The value of the whole property may be less than, equal to, or more than the sum of the components of the various estates or parcels.
 - 7.19.2 Assemblage establishes the effect, if any, on value of the “larger parcel”.
 - 7.19.3 When relevant to the assignment, assemblage must be considered and analyzed as to the effect on value.
- 7.20 **Anticipated Improvements [see 6.2.19, 14.2.19]**
 - 7.20.1 When relevant to the assignment, anticipated public or private improvements must be considered and analyzed as to the effect on value.

7.21 Personal Property [see 2.38, 2.45, 6.2.20, 14, 15, 18.49]

- 7.21.1 When relevant to the assignment, personal property must be referenced in the report and analyzed as to the effect on value.
- 7.21.2 Competency in personal property appraisal is required when it is necessary to allocate personal property values. [see 2.11, 2.45, 2.60, 4.2.7]
- 7.21.3 A Member must have the competence to ascertain whether the fixture is an improvement, personal property, or a trade fixture and the contributory value of the fixture, if any.

7.22 Agreement for Sale/Option/Listing [see 6.2.21, 14.2.20, 18.31]

- 7.22.1 Any agreement for sale, option, or listing of the property that occurred within one year prior to the effective date of the report, including any pending/current Contract of Purchase and Sale or lease must be analyzed and reported if such information is available to the Member in the normal course of business.
- 7.22.2 Any sale of the subject property that occurred within three years prior to the effective date of the report must be analyzed and reported if such information is available as at the date of valuation to the Member in the normal course of business.
- 7.22.3 Any impact on the price paid for the subject property or any effect on value under known undue stimulus must be reported.

7.23 Review and Reconcile [see 6.2.22, 14.2.21]

- 7.23.1 The Member must review and, in the report, reconcile the quality and quantity of data available and analyzed within the approaches used, and the applicability and reliability of those approaches in the context of the scope of the assignment.

7.24 Final Value [see 2.60, 6.2.23, 14.2.22]

- 7.24.1 May be a single point value, a range of values, or an indication of value, for example, “not less than” or “not greater than” a specified amount.

7.25 Certification [see 6.2.24, 8.2.13, 10.1.14, 12.2.20, 14.2.23]

- 7.25.1 Each written report must contain a signed certification that is substantially similar to that found at <https://www.aicanada.ca/members-home/professional-practice-resources/forms-templates/> .

7.26 Responsibility [see 6.2.24, 8.2.13, 10.1.14, 12.2.20, 14.2.23, 18.32]

- 7.26.1 By signing a report, a Member assumes responsibility for the report, including

any Professional Assistance, unless limitations to responsibility have been outlined in the certification.

7.26.2 A Member may rely on Professional Assistance provided by a Member who is:

7.26.2.i. a Member in good standing with the AIC; and

7.26.2.ii. competent to perform the Professional Assistance according to the Reasonable Appraiser [see 2.51]; and

7.26.2.iii. not a Student, Associate, Honorary, or Retired Member; and

7.26.2.iv. if a Candidate Member, properly registered with the Member in the Candidate Registry.

7.26.3 A Member may rely on Professional Assistance provided by a non-member in two instances:

7.26.3.i. inspections which the Member would be qualified and competent to perform themselves and only if the non-member:

- is an employee of an organization approved by the AIC; or
- is a member in good standing of a Professional Association/Organization approved by the AIC; and
- if required by provincial and/or national legislation/regulation, is licensed/certified to perform inspections; and
- is a reputable and credible professional/tradesperson and competent to perform the inspection; and
- has a minimum of ten years of experience relevant to inspection; or has education equivalent to or greater than UBC BUSI 400 Residential Property Analysis, Laval GUI-2103: Real estate and sustainable development, or Seneca RPA 306: Construction and Cost Techniques and
- carries liability insurance for errors and omissions that is appropriate and adequate for inspection; and
- is properly registered with the Member.

7.26.3.ii. services (e.g. Land Planning, Engineering, Surveying, Accounting) not included in definition 2.48 only if the non-member:

- is a member in good standing of a Professional Association/Organization; and

7. Real Property Appraisal Standard - Comments

- if required by provincial and/or national legislation/regulation, is licensed/certified to perform the Professional Assistance being provided; and
 - is a reputable and credible professional/tradesperson and competent to perform the Professional Assistance being provided; and
 - carries liability insurance for errors and omissions that is appropriate and adequate for the scope and type of the Professional Assistance being provided.
- 7.26.4 A Member is responsible for ensuring that any individual providing Professional Assistance, including inspections, in the preparation of a report meets the requirements outlined in sections 7.26.2 and 7.26.3.
- 7.26.5 A Member must disclose in the certification of the report:
- 7.26.5.i. all individuals who provided Professional Assistance; and
 - 7.26.5.ii. the extent of Professional Assistance.
- 7.26.6 An Extraordinary Assumption and/or a Limiting Condition regarding the Member's reliance upon Professional Assistance provided by a non-member must be included in the certification of a report.
- 7.26.7 A Member may rely on Clerical Assistance from Members and/or non-members and is not required to disclose Clerical Assistance in the certification of a report.
- 7.26.8 If the certification bears the signature of one or more Members as joint authors, then all signatories assume responsibility for the entire contents of the report unless limitations have been outlined in the certification. A Member may only co-sign a report with an AIC Member who is in good standing and properly insured under the Professional Liability Insurance Program.
- 7.26.9 Candidate Members must be properly registered in the Candidate Registry by a Designated Member prior to co-signing reports or providing professional assistance.
- 7.26.10 A CRA-designated Member working toward the achievement of the AACI designation is not required to be registered in AIC's Candidate Co-signing Registry.
- 7.26.11 Co-signing Members must include both signatures for reports, progress inspection reports, reliance letters or any related assignment report that would require a co-signature. If one signature is not included, there must be prior written authorization from a co-signer on a per assignment basis only and not a

blanket delegation.

- 7.26.12 Another person with authorization may sign the certifying Member's name, unless contrary to the law of the relevant jurisdiction. Delegation must be provided in writing on a per assignment basis only and not a blanket delegation.

7.27 Scope of Work for Valuation for Financial Reporting [see 7.5, 7.16, 18.30, 18.33]

- 7.27.1 A Member must understand the applicable standard and ensure their work is in compliance.

- 7.27.2 In order not to mislead an intended user of an external appraisal for financial reporting, all four items listed below must be conducted independently by an external valuer. If all four items are not carried out, the resultant opinions cannot be regarded as an external appraisal:

7.27.2.i. An inspection of the subject property sufficient enough to estimate its highest and best use, adequately describe the real estate and make meaningful comparisons.

7.27.2.ii. A test of a reasonable sample of major tenant lease documents to ensure rental terms match the landlord's rent roll and to check for renewal options, termination options, etc. [see 18.33.1]

7.27.2.iii. The utilization of independent market-based assumptions in the development of cash flow, not simply acceptance of the management cash flow and the implicit assumptions therein. [see 7.16.6, 18.30]

7.27.2.iv. The reliance on market data/yields that have been independently developed in a manner that is consistent with the development of the subject property cash flow. Meaningful comparisons are critical for consistency, accuracy and transparency. [see 7.16.5, 18.30]

8 REVIEW STANDARD - RULES [see 2.57]

8.1 Preamble

- 8.1.1 In performing a review assignment, a Member must develop and report a credible opinion as to the quality of the work of another Member and must clearly disclose the scope of work performed in the review assignment.
- 8.1.2 This Standard deals with the methodology for developing and communicating a review of a report done by a third party, who may or may not be an AIC Member. This Standard outlines the minimum content necessary to produce a credible review report that is not misleading. The Review must be done to determine compliance with the CUSPAP Standard to which the Member of the reviewed report was required to comply. The Review may also be done to determine compliance with another recognized Standard (USPAP, Red Book, EVS/Blue Book, les Normes, IVS, etc.).
- 8.1.3 This Standard is applicable to reviews also known as “technical reviews” and “compliance reviews”.
- 8.1.4 This Standard is not applicable to:
 - 8.1.4.i. Administrative Reviews - work performed by clients and users of professional services as a due diligence function in the context of making a business decision. An administrative review is generally completed for internal purposes, although an external reviewer might undertake it. Administrative reviews are generally undertaken to ensure reports comply with client or intended user requirements. The scope is typically less than a review and may entail requirements that are not standards-related, such as the age of comparable properties, the length of time between the comparable sale date, and/or the effective date. An administrative review might be of a clerical nature and not require appraisal training.
 - 8.1.4.ii. Supervisory co-signing; and
 - 8.1.4.iii. AIC Peer Review.

8.2 Rules

In the report [see 7.1] the reviewer must:

- 8.2.1 identify the client and other intended user, by name; [see 7.2, 18.6]
- 8.2.2 identify the intended use of the reviewer’s opinions and conclusions; [see 7.3]
- 8.2.3 identify the purpose of the review assignment; [see 9.2]

8. Review Standard - Rules

- 8.2.4 identify the report under review, the author(s) of the report under review, the real estate and real property interest involved, and the effective date of the opinion in the report under review; [see 2.16, 7.7]
- 8.2.5 identify the date of the review; [see 7.8]
- 8.2.6 identify the scope of work that was undertaken to complete the review; [see 9.3]
- 8.2.7 identify all assumptions and limiting conditions for the review that was undertaken; [see 2.6, 2.37, 7.10, 9.4 18.24, 18.25, 18.26]
- 8.2.8 provide an opinion as to whether the scope of work employed in the report under review is appropriate and reasonable and whether the scope of work employed has been met; [see 9.1.3, 9.1.5, 9.3, 9.7]
- 8.2.9 provide an opinion as to the adequacy and relevance of the data and the propriety of any adjustments to the data; [see 8.2.8, 9.8]
- 8.2.10 provide an opinion as to the appropriateness and proper application of the methodologies (valuation or other) and techniques used; [see 9.3]
- 8.2.11 provide an opinion as to whether the analyses, opinions and conclusions in the report under review are appropriate and reasonable; [see 9.1.3]
- 8.2.12 provide reasons for any disagreement or agreement with the report being reviewed; [see 9.7, 9.8, 18.37]
- 8.2.13 include a signed certification; [see 7.25]

Note: A reviewer who signs or co-signs a certification accepts responsibility for the review and the contents of the review report. [see 7.26]

9 REVIEW STANDARD – COMMENTS

9.1 Review [see 8.2, 18.5]

- 9.1.1 The following Real Property Appraisal Standard Comments apply to the Review Standard 7.1 (Report), 7.2 (Client/Intended User), 7.3 (Intended Use), 7.7 (Effective Date), 7.8 (Date of Report), 7.10 (Assumptions and Limiting Conditions), 7.25 (Certification), 7.26 (Responsibility)
- 9.1.2 The review report is a critique intended for use in conjunction with the report under review. The reviewer must develop a review using a professional tone and professional language.
- 9.1.3 A review of a report is performed by an independent and competent Member for the purpose of forming an opinion as to whether the analysis, opinions and conclusion in the report under review are appropriate and reasonable.
- 9.1.4 The reviewer does not sign/co-sign the appraisal report that is under review.
- 9.1.5 The reviewer goes beyond checking for a level of completeness and consistency in the report under review by providing comment on the content and conclusions of the report.

9.2 Purpose [see 8.2.3]

- 9.2.1 A reviewer must ascertain whether the purpose of the assignment includes:
 - 9.2.1.i a review without an opinion of value of the subject property of the report under review; or
 - 9.2.1.ii a review with an opinion of value of the subject property of the report under review. [see 9.2.2]
- 9.2.2 If the client's objective in the assignment includes the development of an opinion of value, that opinion is an appraisal assignment that must comply with the Real Property Appraisal Standard. The reviewer is required to complete the review in accordance with this Review Standards and to develop their opinion of value in accordance with the Real Property Appraisal Standard; in this instance, two Standards apply for the same assignment. [see 18.37]
- 9.2.3 If including an opinion of value, the reviewer must identify and state any new information relied upon, the reasoning and basis for the opinion of value and all assumptions and limiting conditions (if different from or in addition to those in the report under review).
- 9.2.4 Those items in the report under review that the reviewer concludes are in compliance with CUSPAP can be used in the reviewer's development process. Those items deemed not to be in compliance must be replaced with

information or analysis developed in accordance with the Real Property Appraisal Standard in order to produce a credible value opinion.

- 9.2.5 If the review is to determine compliance with the standards in effect as of the date of the report under review., the reviewer may be required to reference two different versions of the Standards those being: the version applicable as at the date of the report under review and the version to be complied with, by the reviewer, for the writing of the review, that being the version of the day (i.e., CUSPAP 2018).

9.3 Scope of Work [see 8.2.6]

- 9.3.1 A reviewer must define the scope of the work and indicate the extent of the review process.
- 9.3.2 Scope of work refers to the amount and type of information reviewed and researched, and the analysis applied. The scope of work applied must be sufficient to result in opinions and/or conclusions that are credible in the context of the intended use of the review. Scope of work in a review assignment may include one or more of the following
- 9.3.2.i. inspection - in a review assignment, an inspection of the property under review is not mandatory; it is subject to the terms and intended use of the assignment as well as reliance on third party information, and any Hypothetical Conditions, Extraordinary Assumptions and/or Extraordinary Limiting Condition; [see 18.23, 18.25, 18.26]
 - 9.3.2.ii. the research into physical, legal, social, political, economic or other factors that could affect the property;
 - 9.3.2.iii. data research and verification, inspection of comparable data;
 - 9.3.2.iv. analysis applied (e.g. application of the valuation methodologies;
 - 9.3.2.v. validation of the arithmetic;
 - 9.3.2.vi. any limitations to the assignment arising from the terms of the assignment, per the client's instructions or other;
 - 9.3.2.vii. completing a review without an opinion of value; and/or
 - 9.3.2.viii. completing a review with an opinion of value.
- 9.3.3 The scope of work applied must be sufficient to result in analyses, opinions and conclusions that are credible in the context of the intended use of the report. The reviewer has the burden of proof to support the scope of work decision and the level of information included in a report.

9.4 Hypothetical Conditions, Extraordinary Assumptions and Extraordinary Limiting Conditions [see 2.6, 2.37, 7.10, 8.2.7,9.4 18.24, 18.25, 18.26]

9.4.1 A reviewer must identify any Hypothetical Conditions, Extraordinary Assumptions and/or Extraordinary Limiting Conditions necessary in the review assignment.

9.4.1.i. An Extraordinary Assumption may be used in a review assignment only if it is required to properly develop credible opinions and conclusions; the reviewer has a reasonable basis for the Extraordinary Assumption; and/or, use of the Extraordinary Assumption results in a credible analysis. [see 18.25]

9.4.1.ii. The reviewer is not required to replicate the steps completed by the original author. Those items in the report under review that the reviewer concludes are credible (i.e., those the reviewer is in agreement with) and in compliance with CUSPAP can be extended to the reviewer's value opinion development process on the basis of an extraordinary assumption by the reviewer, without being replicated in the review report.

9.5 Review with an Opinion of Value [see 6, 7, 18.38]

9.5.1 When the purpose of a review includes the Member developing an opinion of value, the Member may use additional information, either locally, regionally or nationally, that was not available in the development of the value opinion in the report under review. The Member may conclude that their opinion:

9.5.1.i. concurs with the opinion of value in the report under review;

9.5.1.ii. differs from the opinion of value in the report under review; or

9.5.1.iii. does not need to be set forth in a separate report; however, that it must be prepared and reported in accordance with CUSPAP.

9.6 External/Internal Review [see 2.18, 7.27.2, 8.1.4.i, 18.33]

9.6.1 For the purposes of financial reporting, an "internal" report may be supported by an "external review" under the Review. The function of an "external review" is not to appraise the subject property but to examine the contents of the Management (internal) valuation and form opinions as to its adequacy and appropriateness, and its suitability its intended use and user. An "external review" judges the reasoning and logic of the original report but the reviewer does not substitute his or her own judgment. An "external review" does not lead to an alternate value conclusion. Given the function of an "external review" an "internal" valuation supported by an "external review" must still be

considered an internal report.

9.7 Completeness of the Report under Review [see 8.2.3, 8.2.8]

9.7.1 The reviewer must form an opinion as to the completeness of the report under review. This requires the reviewer to determine whether or not the report under review met the requirements set by its stated purpose and scope of work. (e.g.: the “Reasonable Appraiser” test, the relevant Standard, Rules and Comments)

9.8 Adequacy and Relevancy of the Data [see 6.2.3, 8.2.9]

9.8.1 The review must be conducted in the context of market conditions as of the effective date of the opinion in the report being reviewed.

9.8.2 Data that could not have been available for the report under review on the date of that report must not be used by a reviewer in the development of a review, but may be used when the purpose of the review includes the requirement to develop an opinion of value [see 9.5].

10 CONSULTING STANDARD - RULES

10.1 Rules

In the report [see 7.1] the Member must:

- 10.1.1 identify the client and other intended user, by name; [see 7.2, 18.6]
- 10.1.2 identify the intended use of the opinions and conclusions; [see 7.3]
- 10.1.3 identify the purpose of the consultation; [see 7.4, 18.8]
- 10.1.4 identify the real estate/property under consideration, if any; [see 11.2]
- 10.1.5 identify the effective date of the consulting service; [see 2.16, 7.7]
- 10.1.6 identify the date of the report; [see 7.8]
- 10.1.7 define the scope of work and the extent of the data collection process; [see 7.5, 18.9]
- 10.1.8 identify all assumptions and limiting conditions; [see 18.24]
- 10.1.9 identify any hypothetical conditions (including extraordinary assumptions); [see 7.11, 18.25]
- 10.1.10 collect, verify, reconcile, and report all pertinent data as may be required to complete the consulting service; [see 18.14, 18.15, 18.16, 18.19, 18.20, 18.22, 18.23]
- 10.1.11 describe and apply the consulting procedures relevant to the assignment; [see 11.2, 11.3, 11.4, 11.5, 11.6, 11.7]
- 10.1.12 detail the reasoning that supports the analyses, opinions, and conclusions; [see 7.17]
- 10.1.13 report the Member's final conclusions/recommendations (if any);
- 10.1.14 include a signed certification [see 7.25]

Note: A Member who signs a certification accepts responsibility for the consultation and the contents of the consultation report. [see 7.26]

11 CONSULTING STANDARD – COMMENTS

11.1 Consulting

- 11.1.1 Consulting is a broad term that is applied to assignments other than estimating value. Land utilization studies, highest and best use analysis, marketability, feasibility, investment studies, assessment appeals, expropriation, awarding compensation, property condition assessments, stand-alone progress inspection reports, or other research-related assignments are examples of consulting.
- 11.1.2 Market rent reports on a general type of property are considered consulting assignments.
- 11.1.3 If a formal opinion of value or rent on a specific, identifiable property is required within the consulting assignment, that portion of the consulting report must be developed in compliance with the Real Property Appraisal Standard.
 - 11.1.3.i. The report must disclose that this component is completed within the Real Property Appraisal Standard. [see 10.1.10]
- 11.1.4 The following Real Property Appraisal Standard Comments apply to the Consulting Standard 7.1 (Report), 7.2 (Client/Intended User), 7.3 (Intended Use), 7.4 (Purpose), 7.5 (Scope of Work), 7.7 (Effective Date), 7.8 (Date of Report), 7.10 (Assumptions and Limiting Conditions), 7.11 (Hypothetical Conditions), 7.25 (Certification), 7.26 (Responsibility).

11.2 Real Property Consulting [see 2.50]

- 11.2.1 In performing a consulting assignment involving real estate or real property services, a Member must:
 - 11.2.1.i. identify and analyze alternative courses of action to achieve the client's objective, and analyze their implications;
 - 11.2.1.ii. identify both known and anticipated constraints to each alternative and consider their probable impact;
 - 11.2.1.iii. identify the resources actually, or expected to be, available to each alternative and consider their probable impact; and
 - 11.2.1.iv. reconcile the data and identify the optimum course of action to achieve the client's objective.

11.3 Market Analysis [see 18.34]

- 11.3.1 In performing a market analysis, a Member must:

- 11.3.1.i. define and delineate the market area;
- 11.3.1.ii. identify and analyze the current supply and demand conditions that make up the specific real estate market;
- 11.3.1.iii. identify, measure and forecast the effect of anticipated development or other changes and future supply;
- 11.3.1.iv. identify, measure, and forecast the effect of anticipated economic, or other, changes and future demand; and
- 11.3.1.v. reconcile the data into a final recommendation, opinion and/or conclusion.

11.4 Cash Flow/Investment Analysis [see 18.35]

- 11.4.1 In developing a cash flow and/or investment analysis, a Member must:
 - 11.4.1.i. analyze the quantity and quality of the income stream;
 - 11.4.1.ii. analyze the history of expenses and reserves;
 - 11.4.1.iii. analyze financing availability and terms;
 - 11.4.1.iv. select and support the appropriate method of processing the income stream; and
 - 11.4.1.v. analyze the cash flow return(s) and reversion(s) to the specified investment position over a projected time period(s).

11.5 Feasibility Analysis [see 11.3, 18.36]

- 11.5.1 In developing a feasibility analysis, a Member must:
 - 11.5.1.i. prepare a complete market analysis; [see 11.3]
 - 11.5.1.ii. apply the results of the market analysis to alternative courses of action to achieve the client's objective;
 - 11.5.1.iii. consider and analyze the probable costs of each alternative;
 - 11.5.1.iv. consider and analyze the probability of altering any constraints to each alternative;
 - 11.5.1.v. consider and analyse the probable outcome of each alternative; and
 - 11.5.1.vi. reconcile the data into a final recommendation, opinion and/or conclusion.

11.6 Property Condition Assessment

- 11.6.1 In performing a property condition assessment assignment of real estate and, or real property improvements within a real estate parcel, a Member must:

- 11.6.1.i. Review documentation and interview those who are knowledgeable with the operation and physical condition of the subject property;
- 11.6.1.ii. Complete a walk-thru survey of the subject property;
- 11.6.1.iii. Observe and report on the physical condition of the subject property;
and
- 11.6.1.iv. If required within the scope of the assignment, prepare an estimated opinion of costs to remedy observed and apparent physical deficiencies.

11.7 Progress Report

- 11.7.1 A progress report, prepared to estimate percentage complete without reference to value, as part of an original report, is an extension of the original report. [see 6, 7]
- 11.7.2 A stand-alone progress report, prepared to estimate percentage complete without reference to value, and without an original appraisal report, is considered to be a consulting assignment and must be prepared in compliance with these 14 Consulting Standard rules. [see 18.5.6]
- 11.7.3 In performing a stand-alone progress report, prepared to estimate percentage complete without reference to value and without an original appraisal report a Member must:
 - 11.7.3.i. Complete a walk-thru survey of the subject property; and
 - 11.7.3.ii. Observe and report on the physical condition of the subject property.

12 RESERVE FUND PLANNING STANDARD - RULES

12.1 Preamble

- 12.1.1 The purpose of a Reserve Fund Study [see 2.55, 18.39] is to provide cost estimates for the required period of various reserve components for which major repairs and/or replacement are required over the lifetime of the subject of the reserve fund study, and to estimate the funding required for such major repairs and replacement.
- 12.1.2 This Standard deals with the procedures for the development and communication of a Reserve Fund Study and incorporates the minimum content necessary to produce a credible result.
- 12.1.3 The higher standard of practice shall apply, whether it be the legislated requirements governing the preparation of reserve fund studies/Depreciation Reports or CUSPAP.

12.2 Rules

In the report [see 7.1], the Member must:

- 12.2.1 identify the client and other intended user, by name; [see 7.2, 18.6]
- 12.2.2 identify the intended use of the opinions and conclusions; [see 7.3, 18.7]
- 12.2.3 identify the purpose of the study; [see 7.4, 18.40]
- 12.2.4 identify the characteristics of the property; [see 7.9, 18.14]
- 12.2.5 identify the effective date of the study; [see 7.7, 18.41]
- 12.2.6 identify the date of completion of the study; [see 7.8]
- 12.2.7 identify the legislation that applies to the assignment; [see 13.1.2, 18.42]
- 12.2.8 identify the scope of work and the extent of the data collection process; [see 7.5, 18.9, 18.12.5]
- 12.2.9 identify all assumptions and limiting conditions; [see 7.10, 18.24, 18.26, 18.48]
- 12.2.10 identify any hypothetical conditions; [see 7.11, 18.25]
- 12.2.11 describe and analyze all relevant data to complete the reserve fund study; [see 7.15, 18.14, 18.15, 18.16, 18.19, 18.20, 18.22, 18.23]

12. Reserve Fund Planning Standard- Rules

- 12.2.12 define and delineate the pertinent components the reserve fund study is to cover; [see 13.2]
- 12.2.13 provide a benchmark analysis; [see 13.2.1.i, 18.44]
- 12.2.14 provide at least one cash flow projection; [see 13.2.1.ii, 18.45]
- 12.2.15 provide an opinion on the adequacy of reserve fund contributions; [see 13.2.1.iii, 18.46]
- 12.2.16 provide at least one reserve fund model; [see 13.2.1.iv, 18.47]
- 12.2.17 detail the reasoning that supports the analyses, opinions, and conclusions; [see 7.17]
- 12.2.18 report the final conclusions/recommendations; [see 13.3]
- 12.2.19 identify whether the report is an update; [see 7.7.5, 18.12] and
- 12.2.20 include a signed certification. [see 2.59, 4.2, 7.25, 7.26, 18.32]

Note: A Member who signs a certification accepts responsibility for the consultation and the contents of the consultation report. [see 7.26]

13 RESERVE FUND PLANNING STANDARD - COMMENTS

13.1 Preamble

- 13.1.1 The following Real Property Appraisal Standard Comments must be applied to the Reserve Fund Planning Standard 7.1 (Report), 7.2 (Client/Intended User), 7.3 (Intended Use), 7.4 (Purpose), 7.5 (Scope of Work), 7.7 (Effective Date), 7.8 (Date of Report), 7.9 (Characteristics of the Property), 7.10 (Assumptions and Limiting Conditions), 7.11 (Hypothetical Condition), 7.15 (Describe and Analyse), 7.17 (Reasoning), 7.25 (Certification), 7.26 (Responsibility) along with:
- 13.1.2 Legislation that applies to reserve fund studies exists in a number of provinces. The Member is required to be familiar with and comply with the requirements of applicable legislation for such studies [see 18.42], including the qualification criteria set out in such legislation. The higher standard of practice shall apply, whether it be the legislated requirements governing the preparation of reserve fund studies/Depreciation Reports or CUSPAP.
- 13.1.3 The output of a reserve fund study is not a “value” as defined in Definition 2.60 (Value).
- 13.1.4 The investment analysis of a reserve fund study must be conveyed in such a manner so as not to be construed as the Member providing “investment advice”.

13.2 Components of the Reserve Fund Study [see 12.2.12]

- 13.2.1 Benchmark analysis, cash flow projections, an analysis of the adequacy of the reserve fund contributions and preparing a reserve fund model are compulsory components of a reserve fund planning assignment.
- 13.2.1.i. A benchmark analysis usually contains summary information about the age and expected life of a component and an estimate of the amount that should be set aside in order to accumulate the appropriate amount at the time that major repair or replacement of the component will be required.
- 13.2.1.ii. Cash flow projections must cover a minimum 25 years, unless legislated otherwise, in order for a majority of the reserve components to be scheduled for at least one repair or replacement event.
- 13.2.1.iii. The contingency reserve and the recommended annual contributions are inter-related and must be discussed in terms of their adequacy, as

13. Reserve Fund Planning - Comments

well as the recommended actions required to achieve the recommended level of funding.

13.2.1.iv. In preparing a reserve fund model, the report must clearly state the objectives under which it is prepared. Options include: fully funded models, special levies, or other options to make up shortfalls between the existing fund balance and what is considered to be prudent.

13.3 Review, Reconciliation and Final Conclusions/Recommendations [see 12.2.17, 12.2.18]

13.3.1 The report must discuss the quality and quantity of data available and analyzed, along with the applicability and reliability of the data in context of the scope of the assignment.

14 MACHINERY AND EQUIPMENT APPRAISAL STANDARD - RULES

14.1 Preamble

- 14.1.1 This Standard deals with the procedures for the development and communication of a formal opinion of value for machinery and equipment [see 2.38] (a category of personal property) and incorporates the minimum content necessary to produce a credible report that will not be misleading.

14.2 Rules

In the report [see 7.1, 18.5] the Member must:

- 14.2.1 identify the client by name and intended user by name; [see 7.2, 18.6]
- 14.2.2 identify the intended use of the Member's opinions and conclusions; [see 7.3]
- 14.2.3 identify the purpose of the assignment, including a relevant definition of value in precisely defined terms; [see 7.4, 18.8]
- 14.2.4 define the scope of work necessary to complete the assignment; [see 7.5, 7.27]
- 14.2.5 provide an analysis of reasonable exposure time linked to a market value opinion; [see 7.6, 18.13]
- 14.2.6 identify the effective date of the opinions and conclusions; [see 7.7]
- 14.2.7 identify the date of the report; [see 7.8]
- 14.2.8 identify the property type and classification, and describe the characteristics of the property including applicable component parts, that are relevant to the type of machinery & equipment (personal property) and the ownership interest to be valued; [see 7.9, 7.21, 15.2, 18.21, 18.23, 18.49]
- 14.2.9 identify all assumptions and limiting conditions (including extraordinary assumptions and extraordinary limiting conditions); [see 7.10, 18.24, 18.25, 18.26]
- 14.2.10 identify any hypothetical conditions; [see 7.11, 18.25]
- 14.2.11 define and analyze the property's current use and alternative uses, as relevant to the type and definition of value; [see 7.13]
- 14.2.12 define and analyze the appropriate market consistent with the type and definition of value;
- 14.2.13 describe and analyze all data relevant to the assignment, including the relevant economic conditions that exist on the effective date of the valuation, including market acceptability of the property and supply, demand, scarcity or rarity;

[see 7.15, 18.15, 18.19, 18.20, 18.22, 18.23]

- 14.2.14 describe and apply the appraisal procedures relevant to the assignment and provide reasoning for the exclusion of any of the relevant valuation procedures; [see 7.16, 18.29, 18.30]
- 14.2.15 detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach; [see 7.17]
- 14.2.16 analyze the effect on value, if any, of the terms and conditions of the lease(s) or encumbrances; [see 7.17.1]
- 14.2.17 analyze the significance of the value of individual assets to the assignment results when appraising multiple objects. Those objects which are more significant to the assignment results should be the focus of the analysis and analyzed in appropriate detail; [see 7.21, 18.49]
- 14.2.18 analyze the effect on value, if any, of an assemblage of various component parts of a property. The Member must refrain from valuing the whole solely by adding together the individual values of the various component parts; [see 7.19, 15.3]
- 14.2.19 analyze the effect on value, if any, of any anticipated modifications of the property, to the extent they are reflected in market actions; [see 7.20]
- 14.2.20 analyze all agreements of sale, validated offers or third-party offers to sell, options, and listings, as well as all prior sales of the property within a reasonable and applicable time period given the intended use of the appraisal and property type; [see, 7.22, 18.31]
- 14.2.21 review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate; [see 7.23]
- 14.2.22 report the final value estimate; [see 7.24]
- 14.2.23 include a signed certification of value. [see 7.25]

Note: A Member who signs a certification of value accepts responsibility for the appraisal and the contents of the appraisal report. [see 7.26, 18.32]

15 MACHINERY & EQUIPMENT APPRAISAL STANDARD – COMMENTS

15.1 Preamble

- 15.1.1 The Real Property Appraisal Standard Comments [see section 7] must be applied to the Machinery & Equipment Standard along with:

15.2 Characteristics of Property [see 14.2.8, 18.14, 18.49]

- 15.2.1 Relevant to the purpose and intended use of the report, these characteristics along with those listed in 7.9 must be described, analyzed and included in the report:

- 15.2.1.i. the property identification by serial number or other specific identifying features;
- 15.2.1.ii. physical, legal and economic attributes including condition, style, size, quality, manufacture, author, materials, origin, age, providence, alterations, restorations, and obsolescence; and
- 15.2.1.iii. Information used to identify the personal property characteristics must be from sources the Member reasonably believes to be reliable. The Member is permitted to use a combination of a property inspection and documents or other resources to identify the relevant characteristics of the subject property.

15.3 Assemblage [see 14.2.18]

- 15.3.1 When appraising multiple objects, those objects that are more significant to the assignment results should be subject to a greater and appropriate depth of analysis.
- 15.3.2 Where applicable, the value of the whole of an assembled facility must be tested by reference to appropriate data and supported by an appropriate analysis of such data. A similar procedure must be followed when the value of the whole has been established and the Member seeks to value a part. The value of any such part must be tested by reference to appropriate data, and supported by an appropriate analysis of such data.

16 MASS APPRAISAL STANDARD RULES

16.1 Preamble

- 16.1.1 This Standard deals with the procedures for the development and communication of an assessed value and incorporates the minimum content necessary to produce a credible report that will not be misleading.

16.2 Rules

In the Mass Appraisal Report [see 7.1], the Member must:

- 16.2.1 identify the property by assessment account number, civic address, and/or legal description;
- 16.2.2 identify the name and mailing address of the property owner;
- 16.2.3 identify the purpose and scope of the assignment, including a relevant definition of value; [see 2.60, 7.4, 7.5, 18.8]
- 16.2.4 identify the prevailing Act or regulation granting authority for the assessment and standards thereof; [see 17.3.1, 17.3.2, 17.3.4]
- 16.2.5 identify the effective date of the assessment and the taxation year; [see 7.7]
- 16.2.6 identify the assessed value of the property;
- 16.2.7 identify the classification of the property for taxation purposes;
- 16.2.8 identify any relevant property tax exemption, including the amount of exemption;
- 16.2.9 provide links to property assessment laws and regulations, property assessment forms, and forms to request exemptions enabling taxpayers to easily find information on the laws and regulations they are expected to follow;
- 16.2.10 identify source(s) and access to specific documentation explaining the assessment system in a manner easy for a lay person to understand including how property is assessed and when taxpayers should file forms or can appeal such assessments;
- 16.2.11 identify the source(s) where a taxpayer may request information pertaining to the assessed property including but not limited to: the legal and physical attributes of the property and/or other information utilized in the assessment of the property;
- 16.2.12 identify the source(s) where a taxpayer may request information pertaining to the assessment of other properties in the same assessment jurisdiction to assist the taxpayer in determining the equity of their assessment in comparison with similar properties;

16. Mass Appraisal Standard - Rules

16.2.13 adhere to the relevant provincial, national mass appraisal standards and procedures where forms, filing dates, assessment rates/ratios, and appraisal periods must be consistent, and a centralized oversight of local assessors' practices is the norm.

17 MASS APPRAISAL STANDARD – COMMENTS

17.1 Member Must Produce Credible Results

- 17.1.1 In developing a mass appraisal, a Member must be aware of, understand, and correctly apply those recognized methods and techniques necessary to produce and communicate credible results.
- 17.1.2 The following Real Property Appraisal Standard Comments must be applied to the Mass Appraisal Standard 7.1 (Report), 7.2 (Client/Intended User), 7.3 (Intended Use), 7.4 (Purpose), 7.5 (Scope), 7.7 (Effective Date), 7.25 (Certification), 7.26 (Responsibility).

17.2 Mass Appraisal with a Formal Opinion of Value

- 17.2.1 If a formal opinion of value on an identifiable property is required within mass appraisal, that portion of the report must be developed in compliance with the Real Property Appraisal Standard. [see 6, 7]
- 17.2.2 The report must disclose that this component is completed within the Real Property Appraisal Standard.

17.3 Jurisdictional Exception

- 17.3.1 The Jurisdictional Exception may apply to sections of CUSPAP; an assessment administration is subject to provincial/territorial laws and assessment case law. [see 2.35]
- 17.3.2 A Member working in assessment may claim a Jurisdictional Exception where:
 - 17.3.2.i. legislation overrides the Standards; or
 - 17.3.2.ii. assessment jurisdiction policy or the evidentiary procedures of the assessment appeal process will not allow assessors to provide any or all of the information required by CUSPAP.
- 17.3.3 A Member working in assessment must be able to explain why a Jurisdictional Exception was claimed.
- 17.3.4 The assessment appeal process varies in Canada according to local practice, jurisdiction and the governing legislation. Depending on location, the value defended process, or a value which is based on appraisal principles by the assessor, may be one that is determined through the mass appraisal of individual properties.
- 17.3.5 At the administrative tribunal or panel level, an oral report may be acceptable.

18 PRACTICE NOTES

18.1 Disclosure [see 4.2.10, 5.8]

- 18.1.1 In the normal course of business within an office, files may be open for review by another Member and by support staff. The burden is on the Member responsible for the assignment to ensure that no confidences are breached.
- 18.1.2 In particularly sensitive assignments, a client may require a confidentiality agreement, in which case all files may have to remain sealed. [see 5.8]
- 18.1.3 A duty of confidentiality can arise even when no retainer exists.

18.2 Personal Information Protection and Electronic Documents Act (PIPEDA) [see 4.2.10, 5.8]

- 18.2.1 Personal information means information about an identifiable individual that a Member may be collecting that may include drawings, photographs, sound recordings and video.
- 18.2.2 The Office of the Privacy Commissioner has determined that taking photographs of an individual's dwelling unit is a collection of personal information and is a violation of statute without the occupant's consent.
- 18.2.3 Written consent should be obtained and a copy kept in the workfile. A copy of the AIC Consent form is found here <https://www.aicanada.ca/members-home/professional-practice-resources/forms-templates/> .
- 18.2.4 If written consent cannot be obtained, verbal consent can be obtained with an explanation in the workfile as to when and how consent was obtained. Implied consent is not sufficient.
- 18.2.5 If consent cannot be obtained, the report should disclose that efforts were made to obtain consent but consent could not be obtained and provide an explanation, i.e.:
 - 18.2.5.i. occupant or, one of multiple occupants, refused;
 - 18.2.5.ii. occupant was not present at time of inspection or could not be reached, (i.e., out of town, out of the country);
 - 18.2.5.iii. a language barrier existed where the occupant did not understand enough to consent; or
 - 18.2.5.iv. occupant at the time of the inspection was not of legal age to provide consent.
- 18.2.6 If consent cannot be obtained, no photos with personal information can be taken.
 - 18.2.6.i. personal information includes but is not limited to: photographs of occupants and people, personal value items, diplomas, etc.

- 18.2.6.ii. personal information may often be found in living rooms, dining rooms, family rooms, bedrooms, and office spaces.
- 18.2.7 While taking photos, a Member must be mindful of what is being captured in photographs to ensure that personal valuable items and photographs of occupants and people are not included.
- 18.2.8 A Member is strongly cautioned on the use of confidential information and must obtain consent from the source to use confidential or personal information and/or disclose it for any use other than the original intended use.
- 18.2.9 If a property is vacant and has no identifiable personal information, consent is not required.
- 18.3 Conflict [see 4.2.11, 5.9]**
- 18.3.1 A conflict of interest arises when the perception or potential for the ability of the Member to exercise the required unbiased professional judgment is undermined.
- 18.3.2 Recognizing a conflict does not eliminate it.
- 18.3.3 Declaration to the client may not resolve the conflict; circumstances may require withdrawal from the assignment.
- 18.3.4 Conflicts of interest fall into two categories: a “conflict of obligation”, where a Member cannot satisfy one obligation without sacrificing another; and a “conflicting interest”, where the self-interest of a Member, or some other party to whom the Member is obligated, cannot be satisfied without failing to satisfy the client’s interest.
- 18.3.5 In dealing with a “conflict of obligation”, the most obvious problem occurs when a Member has two or more clients whose interests at first glance appear to be in harmony, but upon subsequent events or a closer analysis prove to be in conflict. This has been termed "simultaneous representation".
- 18.3.5.i. An example: joint instructions from parties involved in a matrimonial dispute that commences in a civilized manner, but subsequently deteriorates. In this instance, a Member can find themselves not only attracting criticism from both parties, but also the centre of attention as the dispute over the matrimonial assets assumes an ever-increasing profile. The end result is at least one of the parties has a very poor opinion of the Member and the profession in general.

- 18.3.5.ii. In such instances, the only defense is a preventive one, with the Member advising the parties to get separate appraisals. Failing this, the Member should consider declining the instructions. This is one of the least complicated examples of “conflicts of obligation”; others can be far more complicated.
- 18.3.5.iii. Despite these issues, there are circumstances where a Member may act for two or more parties without a conflict arising, even if the parties have different interests. Members should be cautious, be aware of applicable legislation and receive all instructions in writing from both parties.
- 18.3.6 A continual problem for a Member is a second appraisal instruction on the same property, but from a different client. A circumstance may arise when a Member, who had previously completed an appraisal for an owner contemplating a sale, is requested to appraise the property for the purchaser or the purchaser’s financial institution. This instance can be termed “successive representation” but can also be termed a “no-win” situation for the Member.
- 18.3.6.i. It is obvious that, under such circumstances, the Member is under great pressure to at least re-affirm the original value. To do otherwise would be to cast doubt on the original appraisal, which would hardly enhance the Member’s standing in the eyes of the owner; but to ignore the actual sale value could do a disservice to the new client.
- 18.3.6.ii. Even if this situation is not a problem, the original client may have previously provided confidential information that the original client may not want divulged to the new client. Failure to include that information in the second report, if material, would lead to a breach of the Standards, whereas including the information would betray the confidentiality promised to the original client, again a breach of the Standards. This situation is best resolved by declining the second set of instructions if you are privy to confidential information. In any event, the consent of the original client must be obtained in writing before proceeding with the second appraisal.
- 18.3.7 A conflicting interest can arise, for example, if, during the period beginning when the Member is contacted concerning an assignment and ending a reasonable length of time after the completion of the assignment, the Member proceeds to deliberately acquire property or assume a position that could possibly affect the Member’s professional judgment or violate the fiduciary duty to the client unless, prior to such acquisition or change of position:

- 18.3.7.i. the Member carefully considers the facts and reasonably concludes that the proposed acquisition or change of position will not affect professional judgment or violate any fiduciary duty to the client; and
 - 18.3.7.ii. the Member makes full disclosure to the client and obtains from the client a written statement consenting to or approving such acquisition or change of position; and
 - 18.3.7.iii. at the time of such disclosure, the Member gives the client the right to terminate the assignment; and
 - 18.3.7.iv. the facts concerning such acquisition or change of position are completely and accurately described in each written and oral report resulting from the assignment.
- 18.3.8 As a general rule, in all circumstances where a Member proceeds subsequent to a declaration of conflict, such a conflict must be first confirmed in writing as well as referred to in any reports.
- 18.3.9 In order to avoid the perception of bias or conflict of interest it is recommended that a Member disclose to the client any professional services relative to the subject property if appropriate.

18.4 **Contingent [see 4.2.12, 5.11]**

- 18.4.1 A Member may be consulted by a client to attempt to negotiate a lower assessment for taxation purposes, or higher compensation for a taking by an expropriation authority, for example:
- 18.4.1.i. If no formal opinion of value has been undertaken, a contingent fee is permitted in a consulting assignment provided it is clearly disclosed in any written report.
 - 18.4.1.ii. If a formal opinion of value has been undertaken that generates a subsequent opportunity for a contingent fee (such as in consulting for brokerage or settlement negotiations) disclosure is required in any written report. (see illustration in Box 18.4.1.ii)

Box 18.4.1.ii ~ Contingent Fees

A Member provides litigation services for lowering property tax assessments and increasing expropriation compensation. As an advocate, the Member is providing consulting services outside the Real Property Appraisal Standards. S/He may act as an advocate and accept contingent fees, but must disclose the contingency in the certification of his/her consulting report. S/He must not misrepresent his/her role to indicate that s/he is acting as an appraiser who is expected to be impartial, objective and independent.

18.4.2 Member-Broker Disclosures must be made appropriately so that intended users are not confused about the role the Member is taking when acting in a realtor or mortgage broker capacity, as opposed to providing a value opinion or recommendations in the case of a consulting service.

18.4.2.i. An agency relationship implies that the individual will maximize the position of their client. Professional Services are provided on an objective, unbiased and impartial basis, when the Member is acting as an appraiser, consultant or reserve fund planner.

18.4.2.ii. Care must be taken to ensure the client understands this difference, in order to properly understand the opinion or advice offered.

18.4.2.iii. Disclosures should be in writing, and a Member shall observe their obligation to ensure the client is aware that insurance coverage under the AIC program is not applicable to their activities as a broker with a statement similar to: ““This opinion should not be considered to be a formal appraisal of market value and is not covered under the Professional Liability Insurance Program of the Appraisal Institute of Canada.”

18.5 Report [see 6.2, 8.2, 10.1, 12.2, 14.2, 16.2]

18.5.1 A Member should be protective of their electronic signature, in whatever format it is stored, including PDF, jpeg or securitized digital signature. The signature should be password protected and should never be shared without the Member’s consent, regardless of the urgency. A Member should not provide their electronic signature or digital signature and password to clients, appraisal management companies, co-signers or employers. If the Member provides access to their signature, they should have a written agreement which outlines the situations where their signature may be used and those situations where the original work product may be changed.

18.5.2 Electronically affixing a signature to a report carries the same level of authenticity and responsibility as an ink signature on a paper copy report.

18.5.3 A Member should use Letters of Engagement as a contract between a Member and client. A sample is found here: <https://www.aicanada.ca/members-home/professional-practice-resources/forms-templates/>

18.5.4 Use of Draft reports is permitted however, the Member shall not sign a draft report since a signature is personalized evidence indicating authentication of the work performed by the Member, where the Member is responsible for the content, analyses and conclusions in the report. A section or excerpt for discussion may be sent to a client to ensure accuracy.

18.5.5 Draft reports should include:

- 18.5.5.i. a limiting condition with wording stating that the report is valid only with an original signature to make clear that an unsigned report is not a valid report; [see 18.24]
 - 18.5.5.ii. a letter of engagement with the assignment outlining the terms of the assignment (i.e. number and frequency of draft reports, invoicing schedule; terms of the draft and its distribution, etc.)
 - 18.5.5.iii. a DRAFT watermark across every page and/or in the header;
 - 18.5.5.iv. a header or footer with the date and the version of the draft (e.g., Draft #X effective Month/Day/Year) on every page to indicate to any user, intended or potential, not only that the report is a draft but also to identify the draft version in case there are several;
 - 18.5.5.v. a draft notation wherever the value and signature should appear (i.e. conclusion, certification page), to alert any reader of the report's draft status;
 - 18.5.5.vi. in the final report a summary of changes from the last draft to the final report, if appropriate;
 - 18.5.5.vii. a reliance letter to third parties, if appropriate, that must outline the terms of reference of the draft and the limitations; and
 - 18.5.5.viii. a transmittal letter with every draft report outlining the terms of reference and the client's instructions to provide a draft report and for what purpose – the same should be noted in the scope of work of each draft report.
- 18.5.6 A "Cost to Complete" is not a progress inspection report.
- 18.5.7 The "Cost to Complete" should align with the estimated cost of the remaining improvements, as detailed in the Cost Approach of the original report. This does not provide a reference to value but is a confirmation of the data itemized in the Cost Approach of the original report.
- 18.5.8 The cost-to-complete can only be determined as at the effective date of the estimate of value in the original report. In order to provide the estimated cost-to-complete post-effective date, the Member will be required to reassess the estimate of value, which becomes a second assignment and may be an update assignment. Construction costs are not static and, in heated markets or where there is shortage of skills, construction costs (i.e., material, labour charges, delays) can increase significantly and in a short period of time. As a result, the cost-to-complete estimated with the original report could change as the work progresses.

- 18.5.9 It is misleading to state a value for a partially completed improvement by simply deducting the cost to complete (or percentage) from the value as if complete. [see 2.60]
- 18.5.10 Narrative Report Outline: See Box 18.5.10 for an example of a report outline for a narrative report. The content of each section is driven by the Rules and Comments under each Standard.

Box 18.5.10 ~ Narrative Report Outline - An example of an outline for a narrative report

Title Page

Part One - Introduction

- 1.1 Letter of Transmittal
- 1.2 Table of Contents
- 1.3 Executive Summary (should contain the salient facts and important conclusions together with a concise narrative description of the assignment and its results.

Part Two - Basis of the Appraisal

- 2.1 Identification of Client and Intended User(s)
- 2.2 Intended Use of the Report
- 2.3 Purpose of the Assignment
- 2.4 Property Rights Appraised
- 2.5 Definition of Value, including whether current, retrospective, prospective or an update
- 2.6 Effective Date of Value
- 2.7 Scope of Work
- 2.8 Assumptions and Limiting Conditions, including Hypothetical Conditions, Extraordinary Assumptions, Extraordinary Limiting Conditions and Jurisdictional Exceptions, if applicable

Part Three - Factual Information

- 3.1 Identification of the Property, including title information
- 3.2 Area, City and Neighbourhood Data
- 3.3 Characteristics of the Site
- 3.4 Characteristics of the Building and Other Improvements
- 3.5 Existing Use of the Property
- 3.6 Assessments and Taxes

3.7 Sales and Listing History of the Subject Property

3.8 Land Use Controls

Part Four - Analyses and Conclusions

4.1 Characteristics of the market

4.2 Highest and Best Use of the Land as if Vacant

4.3 Highest and Best Use of the Property as Improved

4.4 Valuation Methodologies and any exclusions

4.5 Land Value Analysis

4.6 Cost Approach and Analysis

4.7 Income Approach and Analysis

4.8 Direct Comparison Approach and Analysis

4.9 Reconciliation

4.10 Final Value Estimate and Exposure Time Analysis

4.11 Certification with and/or without Value depending on assignment

Addenda

Appendix A Appropriate Plans and Maps

Appendix B Relevant Documents including Letter of Engagement

Appendix C Title Search

Appendix D Photographs

18.6 Client and Intended User [see 6.2.1, 8.2.1, 10.1.1, 12.2.1, 14.2.1]

18.6.1 A statement similar to the following is required:

“This report is intended for use only by (client name) and (intended users by name). “This report is intended for the use of those specifically identified and any other use is strictly unauthorized. The Member is not liable for any unauthorized use of this report.”

18.6.1.i. Examples of acceptable intended user names include:

- “Lender ABC”;
- “Solicitor D”
- “Condominium Corporation E”
- “Strata Corporation F”

- Agency (Name)
- City of (Name)
- Corporation (Name)

18.6.1.ii. Types of intended users such as “To be determined”, “To be confirmed”, “John Doe and his lenders”, “Jane Doe and her subsidiaries”, “John Smith and his assignees” or other similar references are not acceptable. The use of vague or undefined intended user names or types is not permitted.

18.6.1.iii. The Client is typically the Intended User of the assignment.

18.6.1.iv. Where the intended use is mortgage financing, the Client and the Intended User should be identified as “Lender ABC”

18.6.1.v. Where the assignment is ordered by an Appraisal Management Company (AMC), the report may identify the AMC requesting the report in the “Requested By” section of the report to make it clear to the reader that the AMC is neither the client nor the intended user. The client and intended user shall be identified by name; e.g.: “Lender ABC”.

18.6.1.vi. Where the intended use is mortgage financing and the assignment is ordered by a Mortgage Broker or a borrower but no lender has been identified, only a draft report under 18.5.4, 18.5.5, and 18.32.5 should be prepared.

18.6.2 The client/Member relationship lasts at least until the completion of the intended use of the original appraisal or release is granted by the original client. Prior to accepting an assignment from a potential second client, the Member must confirm that the intended use of the original appraisal has been completed.

18.6.2.i. The steps taken to ascertain that a conflict of interest does not exist must be outlined in the Certification.

18.6.3 A Member is frequently asked to authorize the use of a report by an unintended third party, i.e., a party other than one of the intended user(s) of the original report.

18.6.3.i. This most often takes the form of a lender requesting authorization to use the appraisal for underwriting purposes, when the report had originally been prepared for the owner and/or a different lender.

18.6.4 A Member can permit the use of a report by an unintended third party. A Member should ensure that this new party is made aware of the dates associated with the original report to ensure that the value, opinion or conclusion only applies as of the effective date, any special considerations and assumptions, client terms of reference, etc., that entered into the value conclusion.

- 18.6.5 The older the date of the report, the less relevant the report can be to a third party. A Member should judge the relevancy of the report and decline authorization if the report is not appropriate for the third party use. It should be clear to the prospective user that there may have been significant changes to the:
- 18.6.5.i. property,
 - 18.6.5.ii. market conditions; or
 - 18.6.5.iii. some other factor since the time of report that would have a material impact on the conclusion.
- 18.6.6 When faced with a request to assist a third party, a Member has the choice of:
- 18.6.6.i. writing a reliance letter; (sample found here: <https://www.aicanada.ca/members-home/professional-practice-resources/forms-templates/>)
 - 18.6.6.ii. completing a new report for the new intended user (provided the Member is not in a conflict of interest); or
 - 18.6.6.iii. declining to authorize reliance by a third party.
- 18.6.7 Providing a reliance letter to a third party continues to carry the ability to attract a claim. By formally acknowledging the right of a third party to rely on the report, a Member will be extending the right to make a claim as a result of reliance on the report.
- 18.6.8 Providing a Reliance Letter is at the sole and absolute discretion of a Member. If a Member issues a reliance letter, it may be subject to a number of additional caveats and fees.
- 18.6.9 A Member should be aware of the implications of providing a reliance letter including, the additional liability being accepted. A Member should confirm whether the assumptions and facts of the report (e.g. building condition, tenant profile, vacancies, rents being achieved, etc.) has not materially changed as it could be misleading and open a Member up to potential liability.

Box 18.6.6 - A – Draft Reports and Reliance Letter

9 Critical Steps for Draft Reports and Reliance Letters include:

DRAFT

1. Identify whether the request is from an Agent or a Client
2. Identify the Client and User
3. If the User is temporarily unknown, provide only a Draft report under 18.5.5
4. Provide a Final report only when the User is known

RELIANCE

1. Identify the new potential Client or potential User who wants to rely on your report
2. Determine if a reliance letter is appropriate or this must be a new assignment
3. Consider the risks associated with a reliance letter
4. Obtain a written release from the prior Clients and Users
5. Provide the Reliance Letter and the report

Sample Situations:

Draft Report for Mortgage Broker with no Lender

A Member receives a request from Mortgage Broker A asking the Member to prepare an appraisal for mortgage financing purposes. At this point, Mortgage Broker A does not have a lender and asks the Member to prepare the draft report in their name. Mortgage Broker A may be named in the report under “REQUESTED BY” or named as the Client.

The Member completes the draft according to CUSPAP. Several weeks pass and Mortgage Broker A contacts the Member to send the report to Bank B as the lender. Mortgage Broker A and the Member will identify Bank B as the only Intended User. Once authorized in writing, the Member can send the final report directly to Bank B.

Reliance Letter requested by Mortgage Broker

Later the Member receives an update from Mortgage Broker A. Bank B decided not to lend, but Lender C will. Remember, if Mortgage Broker A is the Member’s Client and Bank B is the Member’s Intended User, the Member has a responsibility to both.

The Member should request Mortgage Broker A to provide him/her with a release from Bank B stating it will not rely on the Member’s report. The Member should obtain written authorization from Mortgage Broker A to provide a copy of the report by way of a Reliance Letter to Lender C.

Once the Member issues the Reliance Letter, Lender C will become an Intended User and the Member is liable to both Lender C and Bank B unless the prior liability was released.

Second Mortgage

Later Lender E calls the Member and asks him/her to provide the report for a second mortgage? The Member has already appraised it for a different Client and different Intended Users.

Since the request did not come from the Member's Client, Lender E is a potential new Client. The Member needs to approach his/her original client for consent. If the Client provides consent, the Member may choose to take on Lender E as a new Client or provide a Reliance Letter.

Reliance Letter with Lending Institution as Client

The Member receives a request from an AMC asking him/her to prepare an appraisal for mortgage financing purposes for Bank A. The Member's Client and Intended user is Bank A because AMCs act as an agent for lenders.

Later the Member receives a request for a Reliance letter from a broker because Bank A decided not to lend, but Lender C will.

The Member should request Bank A to provide him/her with a release stating they will not rely on the report. If Bank A releases the Member from his/her Client-Member relationship, she/he may provide copy of the report by way of a Reliance Letter to Lender C.

Once the Member issues the Reliance Letter, Lender C will become an Intended User and the Member is liable to both Lender C and Bank A unless the prior liability was released.

Along the way, if a Client says "no" and will not provide written authorization to release the Member from a Client/Member relationship, then he/she cannot provide a reliance letter to a prospective new lender.

"If the Member cannot tell his/her prior client or a new one that she/he has appraised the property before, then that is a sign she/he should not appraise it now."

Consider the risks

Before a Member provides a Reliance Letter, she/he should ask him/herself these questions:

- Why did the original intended user not rely on my report to lend?
- Who is the new potential client/intended user?
- The report was prepared for first mortgage financing, now they want to rely on it for 2nd mortgage financing. What is the overall loan-to-value ratio? What is the interest rate charged by the new lender? Is the applicant likely to default? In the event of default, what is the likelihood of recovering the market value later?
- Is this a high-risk assignment I am willing to take?

The Member will need to direct a new client to contact the Client to ask for them to provide him/her with written authorization to release a copy of the report.

Box 18.6.6 - B - Is there anyone else to whom the Member can give a copy of the report?

The Homeowner, who was Mortgage Broker A's client and who ultimately paid for the appraisal, is dissatisfied. The Homeowner wants a copy of the appraisal for which he/she has paid. Since the Homeowner was never the Member's client, she/he cannot give them a copy of the appraisal without written permission from his/her client.

18.7 Intended Use for Reserve Fund Study [see 12.2.2]

- 18.7.1 Some provinces require condominium boards to make the Reserve Fund Study available to potential purchasers of units in the property. The Member should consider and make appropriate comments regarding such additional intended users, so that any limitations placed on reliance of the findings of the assignment are properly understood by the reader of the report.
- 18.7.2 Reserve fund studies and depreciation reports are typically prepared for condominium or strata corporations in accordance with applicable provincial legislation.
- 18.7.3 Other potential clients for reserve fund studies may be individuals or organizations including municipalities or other authorities having ownership or control of: community centres, recreation facilities, co-operatives, schools, religious facilities, senior's residences, extended care facilities, etc.
- 18.7.4 In some provinces, legislation requires that the condominium or strata corporation make the study available to others who are not the client, such as unit owners, realtors and potential purchasers. Although legislative requirements prevail over these Standards, a party receiving a copy of a Reserve Fund Study Report/Depreciation Report does not become an intended user unless authorized, and clearly identified by name and in writing, by the Member and the client.

18.8 Value [see 2.60, 6.2.3, 14.2.3]

- 18.8.1 A Member performing professional services that may be subject to litigation should seek the exact legal definition of value in the jurisdiction in which the services are being performed.
- 18.8.2 Market value may be different from investment value, going concern value, value in use, assessed value, insurable value, book value, or liquidation value.
- 18.8.3 An assignment for an estimate of value other than market value could be misleading if prepared in isolation without reference to market value.
- 18.8.4 Acceptable definitions of "Market Value":
 - 18.8.4.i. "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the

specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.³

18.8.4.ii. “The most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus.”

18.8.4.iii. The definition may be expanded by adding:

18.8.4.iv. Implicit in this definition are the consummation of a sale as of the specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto; and
- “The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”⁴

18.8.4.v. “Market value is the estimated amount for which an asset or liability should exchange on the *valuation date* between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”⁵

18.8.5 Forced sale value is not a concept separate from market value but is a form of marketing conditions less favourable to the seller than those set out in the definition of market value.

³The Appraisal of Real Estate, Third Canadian Edition. Sauder School of Business, British Columbia: 2010. ; p. 2.8

⁴ Ibid.; p. 2.10

⁵ IVS Framework: Market Value paragraph 29 of the *International Valuation Standards 2013*

18.8.5.i. When a Member completes an appraisal on a property which is in a distressed situation, the Member must be careful not to value the property any less, merely because of the situation. If the lender requires a value for a prompt sale, the Member should clearly identify the difference between current market value if sold under normal market conditions, and the value arrived at noting any consideration given to accommodate an expedient sale with market support for such consideration.

18.9 Scope of Work – Real Property Appraisal [see 6.2.4]

18.9.1 A Member must include in every report as a minimum the items in the scope of work found here <https://www.aicanada.ca/members-home/professional-practice-resources/forms-templates/> unless an item is clearly not appropriate and clearly not relevant.

18.10 Scope of Work – Review Assignment [see 8.2.6]

18.10.1 The scope of work is a fundamental aspect of a review assignment since it determines the nature and depth of the research, analyses, opinions and conclusions. There is no standard scope of work for a review due to the varying requirements of users. It is necessary to agree with the client on the scope of the assignment prior to undertaking the work.

18.10.2 In quasi-judicial or judicial situations, each party may commission a report on the property under review and hire their appraiser to complete a review of the report done by other party.

18.10.2.i. Intended uses of review reports may include, but be not limited to:

- Assisting a lawyer in preparing for cross-examination, framing questions, etc.
- Advising on professional practice Standards issues.
- A party commissioning another Member to review their own report.
- As part of providing oral expert evidence.

18.10.3 Oral reports are a common requirement for litigation purposes and sometimes as the initial step in a potentially multistep assignment. When providing an oral report, identify the scope of the assignment to the client, intended user and/or Panel (judge).

18.11 Retrospective Value Opinion [see 7.7.3]

18.11.1 A retrospective appraisal is complicated by the fact that the Member already knows what occurred in the market after the effective date. Use of direct excerpts from reports prepared at the retrospective effective date can help the Member and the

reader better understand market conditions as of the retrospective effective date.

18.11.2 In preparing a retrospective valuation, hindsight or after-the-fact evidence should not be used unless the subsequent data is consistent with data as of the effective date.

18.12 Update [see 7.7.5]

18.12.1 A recommended practice is to bind the original report with the update for the client.

18.12.2 Two conditions should be met before an update assignment is accepted:

18.12.2.i. The original Member or firm and client are involved; and

18.12.2.ii. The time between the effective date of the original report and the update is not unreasonably long for the type of real estate involved. All approaches to value developed in the original report should be updated with new data.

18.12.3 An update that is not self-contained should make clear that it:

18.12.3.i. is an update of the specified original report;

18.12.3.ii. details changes to the property and analysis since the original report; and

18.12.3.iii. clearly states that a proper understanding of the update requires reading of the original report, a copy of which is either attached to the update or available to the intended user on request.

18.12.4 A Member should consider whether an Extraordinary Assumption is required in order to adopt the results of the original assignment.

18.12.5 The scope of an assignment will determine the extent of an inspection (and required limiting conditions) or whether a new inspection is required. In the absence of written consent from the client and an extraordinary limiting condition, re-inspection is mandatory. The scope of work involved in an update might be different from that for an original assignment. It is the responsibility of the Member to ensure the scope of work is sufficient to provide meaningful and valid results.

18.12.6 An update is not recertification of value. [see 7.7.5]

18.13 Exposure Time [see 6.2.5, 14.2.5]

18.13.1 Exposure time should appear in that section of the report that presents the discussion and analysis of market conditions and with the final value conclusion.

18.13.2 Exposure time may be expressed as a range.

18.13.3 The opinion of the time period for reasonable exposure is not intended to be a prediction of a date of sale or a one-line statement. Instead, it is an integral part of

the analyses conducted during the appraisal assignment. The opinion may be expressed as a range and can be based on one or more of the following:

- 18.13.3.i. statistical information about days on market;
 - 18.13.3.ii. information gathered through sales verification; and/or
 - 18.13.3.iii. interviews of market participants.
- 18.13.4 Related information gathered through this process may include the identification of typical buyers and sellers for the type of real estate involved and typical equity investment levels and/or financing terms.
- 18.13.5 The reasonable exposure period is a function of price, time and use, not an isolated opinion of time alone.
- 18.13.5.i. As an example, an office building could have been on the market for two years at a price of \$2,000,000, which informed market participants considered unreasonable.
 - 18.13.5.ii. Then, the owner lowers the price to \$1,600,000 and starts to receive offers, culminating in a transaction at \$1,400,000 six months later. Although the actual exposure time was 2.5 years, the exposure time at a value range of \$1,400,000 to \$1,600,000 would be six months.
 - 18.13.5.iii. The answer to the question “What is reasonable exposure time?” should always incorporate the answers to the question: “For what kind of real estate at what value range?” rather than appear as a statement of an isolated time period.
- 18.13.6 Problems can arise when clients attempt to make business decisions or account for assets without understanding the difference between exposure time and marketing time.
- 18.13.7 Related information includes other market conditions that may affect marketing time, such as the identification of typical buyers and sellers for the type of property involved and typical equity investment levels and/or financing terms. Marketing time is a function of price, time, use, and anticipated market conditions such as changes in the cost and availability of funds not an isolated opinion of time alone. Marketing decisions rest with the client.

18.14 Characteristics of the Property [See 6.2.8, 7.9, 12.2.4, 14.2.8]

- 18.14.1 The real estate involved in the appraisal can be specified, for example, by a legal description, address, map reference, copy of a survey or map, property sketch and/or photographs or the like.
- 18.14.1.i. The information can include a property sketch and photographs in

addition to written comments about the legal, physical and economic attributes of the real estate, including assessment and property tax data relevant to the purpose and intended use of the appraisal.

- 18.14.1.ii. Any unusual aspect and contrasts between the subject property and adjoining uses should be highlighted.
- 18.14.1.iii. Any assumptions as to the type ownership, including fee simple, condominium, leasehold should be specified.
- 18.14.2 A title search will normally be required to reveal the legal attributes and restrictions that may affect property value (see Extraordinary Limiting Conditions). When the intended use includes litigation, title searches should also be conducted on properties used as comparables. A search is not intended to result in an expression of opinion as to the state of title itself. [see 7.9, 18.26]
- 18.14.3 A Reserve Fund Study must specify the type of property under review (e.g., condominium townhouse, condominium apartment, dockominium, float home, parking stall, vacant land condominium, common element condominium, and recreation condominium). If a Reserve Fund Study is for something other than a condominium or strata, the report should describe the real estate accordingly (e.g., co-operative, office structure, institutional facility, municipal infrastructure and improvements, not-for-profit, etc.).

18.15 Detrimental Conditions [see 2.15, 6.2.8, 12.2.4, 14.2.8]

- 18.15.1 When qualified specialists have documented the existence of detrimental conditions and estimated the costs of remediation or compliance, a Member may be in a position to develop an opinion of “as is” value and should be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible appraisal.
- 18.15.2 The value of an interest in impacted (e.g., contaminated) real estate may not be measurable simply by deducting the remediation or compliance cost estimate from the opinion of value as if unaffected. Other factors may influence value, including any positive or negative impact on marketability (stigma) and the possibility of change in highest and best use.
- 18.15.3 A Member is often called upon to provide professional services for contaminated property under a variety of circumstances:
 - 18.15.3.i. Value “AS IS”: in its contaminated state, where the contamination is known and revealed to the Member. There may or may not be a report from a third party qualified or licensed professional detailing the contamination and or the remediation that is required and the costs to cure.

- 18.15.3.ii. Value “AS IF CURED”: where there may or may not be a third party professional setting out the remediation costs. This may or may not also include ongoing monitoring if required.
- 18.15.3.iii. Value “AS IS” where the contamination is unknown or apparent to the Member. This is the most common situation.
- 18.15.4 An “AS IS” report requires a Member to investigate the marketplace, seeking sales as comparison properties to the subject having the same or as close to the same attributes, detriments or incompleteness as the subject.
- 18.15.5 To estimate market value for a property having incomplete construction, the comparable sales used should have the same influences. The marketplace rarely has similar properties with the same influences or level of incomplete work to the same extent as the subject, namely the same items of incompleteness.
- 18.15.6 For an incomplete structure, a contractor’s estimated costs to complete is only the first step. It is incorrect to estimate “as is” value by simply deducting the cost of completion from the completed market value as this mathematical procedure does not take into account profit, loss, risk, stigma, and the lack of ability to insure or finance, in a conventional way, a property which is under construction/demolition. These factors and costs should be considered in addition to a contractor’s quote.
- 18.15.7 A Member must have market support for adjustments for the incomplete components.
- 18.15.8 Consulting Services: In preparing reports to estimate property value diminution, a Member should always include the specific sections of CUSPAP so that the reader of the report knows what the Member can and cannot do. As for reliance on the report of the qualified environmental professional, the Member should always include an extraordinary limiting condition that they have relied upon the report of the qualified environmental professional and the opinion of property value diminution for cost effects is the estimate provided by the qualified environmental professional. Further, in the event the opinion of the qualified environmental professional is found to be subject to change or found to be in error, the estimate of property value diminution is invalid.
- 18.15.9 Stand-alone environmental consulting services are not defined as professional services in CUSPAP and under the AIC’s Professional Liability Insurance Program. [see 2.48]
- 18.16 Recognition of Detrimental Conditions [see 2.15, 6.2.8, 12.2.4, 14.2.8]**
- 18.16.1 A Member is an observer of real estate; however, recognizing, detecting or measuring detrimental conditions is often beyond the scope of the Member’s expertise. If the Member becomes aware of detrimental conditions through

disclosure by the client and/or known facts, this should be recorded as an observation in the report. In completing a checklist as part of the process, the Member should respond only to those questions that can be answered competently by the Member within the limits of his or her particular expertise in this area. Failure to address known detrimental conditions in a report could result in a misleading report.

18.17 Remediation and Compliance Cost Estimation [see 2.15, 6.2.8, 12.2.4, 14.2.8]

18.17.1 Remediation and compliance cost estimation involves knowledge and experience beyond that of most Members. These estimates are typically provided by consulting specialists who are properly versed in federal and local requirements and are qualified to assess and measure the materials and/or methods appropriate for remediation or compliance. Other professionals who deal with legal liabilities and business operations may also be involved in the cost estimate process. A Member may reasonably rely on the findings and opinions of qualified specialists in remediation and compliance cost estimation.

18.18 Value Opinions of Interests in Impacted Real Estate [see 2.15, 6.2.8, 12.2.4, 14.2.8]

18.18.1 Many clients employ experts in various disciplines separately and simultaneously, and make business decisions based on comparing the results of findings from the various experts. These clients may request a Member to appraise real estate that is, or is believed to be, influenced by detrimental conditions, under a hypothetical condition that it is not impacted. A Member may invoke this extraordinary assumption when:

18.18.1.i. the resulting appraisal is not misleading;

18.18.1.ii. the client has been advised of the assumption; and

18.18.1.iii. the hypothetical condition has been disclosed in compliance with these Standards. [see 6.2.10]

18.19 Mould [see 2.15, 6.2.8, 12.2.4, 14.2.8]

18.19.1 Mould is a growth of microscopic organisms caused by dampness. Within structures, it is the result of building system or component failure. Causes can include: roof, window or cladding leakage (seals, frames, caulking); air leakage (design, construction, ducting issues); plumbing leakage (building services, individual units); poor ventilation, vapour diffusion, HVAC condensate (collection/drainage systems); and/or thermal bridges (discontinuous insulation); etc.

18.20 Grow Ops [see 2.15, 6.2.8, 12.2.4, 14.2.8]

18.20.1 Grow ops are properties that are used for legally or illegally growing or selling marijuana. Grow ops may result in moist conditions that can cause damage to a

property similar to mould and/or may also result in stigma. If the Member becomes aware of a current, historic or adjacent grow op in an assignment, it should be recorded as an observation in the report. The Member should respond only to those questions that can be answered competently by the Member within the limits of his/her particular expertise. If a hypothetical condition or limiting condition are not appropriate or the Member does not have competency for grow ops, the Member should decline the assignment.

18.21 Fractional Interest, Physical Segment or Partial Holding [see 6.2.8]

18.21.1 A Member does not generally have to value the whole of a property (or the larger parcel) when the subject of an appraisal is a small component. The burden of proof is on the Member to determine if the assignment would tend to mislead or confuse without a valuation of the whole.

18.21.2 Valuation of a partial taking through expropriation may require consideration of the “larger parcel” and injurious affection (loss in value to the remainder). [see 7.11.6]

18.22 Legal Attributes [see 2.15, 6.2.8, 12.2.4, 14.2.8]

18.22.1 A Member must be aware of the duty to investigate the legal attributes of certain property types. Condominium values, for example, can be affected by specific condominium bylaws that apply in some projects. The status of the reserve fund, special assessments for units in the complex and restrictions on common property can also influence values. While selecting sales from within the same complex can mitigate some of these concerns, particular care should be taken when it becomes necessary to rely on sales from outside of the complex.

18.23 Inspection of Subject Property [see 2.15, 6.2.8, 12.2.4, 14.2.8]

18.23.1 A Member’s inspection should, at the minimum, be thorough enough to:

18.23.1.i. adequately describe the property in the appraisal report;

18.23.1.ii. develop an opinion of highest and best use, when such an opinion is necessary and appropriate; and,

18.23.1.iii. make meaningful comparisons in the valuation of the property.

18.23.2 An assignment should indicate that an inspection is not the equivalent of an inspection by others such as an architect, a professional engineer, a licensed home inspector, plumber, electrician, carpenter, heating/cooling experts or other licensed trade specialists. The scope of inspection is recognized as a ‘visual observation by walk through’ or ‘site visit’.

- 18.23.3 An assignment should indicate, unless indicated otherwise, a typical observation does not include:
- 18.23.3.i. the viewing of crawlspaces;
 - 18.23.3.ii. viewing of attic spaces;
 - 18.23.3.iii. removal of ceiling tiles;
 - 18.23.3.iv. removal of any wallcoverings;
 - 18.23.3.v. window coverings;
 - 18.23.3.vi. access to rooftops;
 - 18.23.3.vii. confirmation of off-season systems as operational;
 - 18.23.3.viii. removal of well caps, access to infrastructure/underground installations;
 - 18.23.3.ix. removal of shrubbery against or material of any kind placed against interior/exterior walls;
 - 18.23.3.x. testing of capacity/ flow/pressure rate capacities;
 - 18.23.3.xi. access to central heating plant/systems and air-conditioning units;
 - 18.23.3.xii. viewing of septic tanks;
 - 18.23.3.xiii. removal of electrical panels and or cover plates;
 - 18.23.3.xiv. moving of furniture and appliances to view wall or floor areas;
 - 18.23.3.xv. viewing of locked or secured private areas; and
 - 18.23.3.xvi. viewing for termite, insect or other vermin presence or penetration.
- 18.23.4 A Member must personally inspect the subject property or identify an extraordinary limiting condition if he/she did not. There are situations where interior and/or exterior inspections are not possible as of the effective date of the appraisal. For example, inspections are not physically possible:
- 18.23.4.i. where improvements have been destroyed, removed, or not yet built;
 - 18.23.4.ii. if performing a retrospective or prospective appraisal; or
 - 18.23.4.iii. access is denied or not possible.
- 18.23.5 An inspection based on photographs, video or aerial or other imagery is not considered a personal inspection.
- 18.23.6 A Member cannot develop a credible professional service report if adequate information on the subject is not available. Consequently, where physical characteristics information is not available through an opportunity for an inspection (e.g., snow conditions, scope of work, client instructions) or from reliable third-party

sources, a Member has the duty to obtain the necessary information to develop the report before continuing or to withdraw from the assignment.

18.23.7 The same sources that are used to research and verify comparable data can be used to obtain information about the subject property. An appraisal developed without the benefit of an interior and complete exterior inspection by the Member is subject to the same standards that would apply if the Member had made a complete personal inspection.

18.23.8 The example cited in Box 18.23.8 is an illustration of the wording of an Extraordinary Limiting Condition in an appraisal report for a client that requested a drive-by inspection or where an inspection is not possible.

Box 18.23.8 Example of Extraordinary Limiting Condition: Drive-by Inspection

The appraiser has been requested to perform a drive-by inspection and not to disturb the occupants by entering the building.

The physical characteristics used to develop this appraisal are based on an inspection the appraiser made three years ago when the property was appraised for estate purposes. For the purpose of this appraisal it is assumed that the interior condition of the subject property has not materially changed during the past three years. The subject property was observed from the public street as of the effective date of the appraisal. This exterior inspection revealed that the outside of the building has been repainted and the roof has been replaced.

The physical characteristics used to develop this appraisal are also based on the assessment records of (cite jurisdiction) and on the multiple listing service information of (cite source). On the basis of the observed conditions, the assessment records and multiple listing service information appears to be accurate.

For the purposes of this appraisal it is also assumed that the interior condition of the subject property is consistent with the exterior conditions as observed and that the information concerning the interior condition as provided by the assessor's records and the multiple listing service is accurate.

18.24 Assumptions and Limiting Conditions [see 6.2.9, 8.2.7, 10.1.8, 12.2.9, 14.2.9]

18.24.1 Ordinary Assumptions and Limiting Conditions are typically grouped together in a specific section of the report. While they may apply to most assignments, the Member should not copy and paste and boilerplate statements without any customization for each assignment. Examples of ordinary assumptions and limiting conditions:

18.24.2.i. Ordinary Assumptions

- reliability of data sources;
- compliance with government regulations;
- normal financing;
- marketable title;
- no defects in the improvements;

- bearing capacity of soil;
- no encroachments;
- diligence by intended user.

18.24.2.ii. Limiting Conditions:

- denial of liability to non-intended users and for any non-intended use;
- conclusions may be valid only at the date of valuation/effective date;
- responsibility denied for legal factors;
- fees for attendance at legal proceedings to be agreed;
- report must not be used partially;
- possession of report does not permit publication;
- disclosure for peer review may be required;
- cost estimates are not valid for insurance purposes;
- value conclusion is in Canadian dollars;
- denial of responsibility for any unauthorized alteration to a report;
- validity requires original signature.

18.25 Extraordinary Assumptions and Hypothetical Conditions [see 6.2.9, 6.2.10, 8.2.7, 10.1.8, 10.1.9, 12.2.9, 12.2.10, 14.2.9, 14.2.10]

- 18.25.1 Extraordinary Assumptions and Hypothetical Conditions can apply whether the assignment is for the purpose of developing a retrospective, current, prospective, or updated value opinion.
- 18.25.2 Extraordinary Assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property, or about conditions external to the subject property such as market conditions or trends, or the integrity of data used in an analysis.
- 18.25.3 Extraordinary Assumptions (Hypothetical Conditions) presume as fact simulated but untrue information about physical, legal or economic characteristics of the subject property or external conditions.

Box 18.25.3 – Examples of Extraordinary Assumptions and Hypothetical Conditions

Extraordinary Assumptions

- an absence of contamination where such contamination is probable
- municipal sanitary sewer where unknown or uncertain
- assumed zoning where the zoning is uncertain
- assumed condition where an interior and/or exterior inspection is not possible

Hypothetical Conditions

- an absence of contamination where such contamination exists
- municipal sanitary sewer when none is available
- assumed residential zoning where agricultural zoning is in place
- rezoning has been achieved when it has not
- assumed in renovated condition where a property is original
- repairs or improvements have been completed
- execution of pending lease
- an expropriation scheme is disregarded
- a prospective appraisal
- aggregate (retail) or bulk (wholesale) marketing of units

18.25.4 An Extraordinary Assumption is required for every Hypothetical Condition.

18.25.5 When invoking Hypothetical Conditions, it must be clear to the reader that the property condition does not in fact exist as at the date of appraisal, and the analysis performed to develop the opinion of value is based on a hypothesis (e.g., the 5 acre question whereby the property is assumed to be a dwelling on 5 acres when in fact, it is not).

18.25.6 A Member should provide the entirety of any Extraordinary Assumption or extraordinary limiting condition below the opinion(s) or conclusion(s) within the report as well as in the certification. If , not practical when there are significant numbers of Extraordinary Assumptions or Extraordinary Limiting Conditions, it may be appropriate to provide a reference under the opinion(s) and conclusion(s) to where any Extraordinary Assumption or Extraordinary Limiting Condition can be found in the report.

Box 18.25.6 – Referencing Extraordinary Assumptions - Example

When making an Extraordinary Assumption that the soils can support the intended development, stating “the soils can support the intended development” without an Extraordinary Assumption can be misleading.

It is more appropriate to say “it is an Extraordinary Assumption of this report that the soils can support the intended development”.

18.25.7 Assumptions, if found to be false, would alter a Member's opinions and conclusions. In determining whether an assumption is material and requires an Extraordinary Assumption, a Member should view the issue in the context of a market value transaction between a hypothetical vendor and a hypothetical purchaser. In undertaking their due diligence, would the assumption you are making fundamentally change the conditions of the purchase such that the deal needs to start anew or would it simply require a minor amendment? If the former is the case, an Extraordinary Assumption should be made.

Box 18.25.7 – Examples of Assumption or Extraordinary Assumption

- Tax records or building plans indicate that the area of a single-family dwelling is 5,000 sq.ft. but during the inspection you measure the dwelling to be 5,050 sq.ft. This may require some adjustment to the price but likely not fundamentally alter the transaction. However, if the Member measures the property to be 7,000 sq.ft., it likely will require a complete revision of the agreement; in this situation it would be necessary to invoke an Extraordinary Assumption as to what size is being analyzed in the report.
- The Member is aware that the subject property, a vacant and unimproved industrial property, is located in an area where soils require extensive site preparation work. If the comparable properties are located in the area, an assumption that the subject has soil characteristics similar to those in the surrounding area would generally suffice as the soil conditions are likely to be accounted for in the purchase price of the comparables. If the Member is informed that the soil conditions may be especially poor in comparison to the surrounding area, though there is no definitive information, it would be more appropriate to make the extraordinary assumption.

18.26 Extraordinary Limiting Conditions [see 6.2.9, 8.2.7, 10.1.8, 10.1.9, 12.2.9, 14.2.9]

18.26.1 Examples of Extraordinary Limiting Conditions:

- 18.26.1.i. exclusion of a relevant valuation approach [see 6.2.15]
- 18.26.1.ii. no interior inspection of the subject improvements [see 18.23.4]
- 18.26.1.iii. no title search [see 7.9.1.v]
- 18.26.1.iv. no liability insurance coverage [see 4.2.1]

18.26.2 Limiting Conditions are unacceptable in any assignment where they:

- 18.26.2.i. compromise a Member's impartiality, objectivity or independence;
- 18.26.2.ii. limit the scope of work to such a degree that the results are not credible given the purpose of the assignment and the intended use of the results; and/or
- 18.26.2.iii. limit the contents of a report that results in the report being misleading.

18.26.3 The practice of appraisal requires a rudimentary ability to interpret legal documents

(e.g. title) pertinent to real property. Unless legally qualified, the Member should not comment on legal matters beyond those typically required in the appraisal process. [see 7.9.1.v]

- 18.26.4 It should be clear in the report that the Member is not providing a report on title but only describing the interest appraised.
- 18.26.5 Legal aspects such as the effect of existing leases can directly impact property value and need to be considered.
- 18.26.5.i. If a lease is to be disregarded and the assignment is of the fee simple interest and not the leased fee, an Extraordinary Assumption (Hypothetical Condition) is required.
- 18.26.5.ii. Reports that take existing leases into account should identify their conclusions as representing the value of the leased fee, not simply the market value of the property.

Box 18.26.4 – Fee Simple versus Leased Fee

The term Fee Simple is commonly used even though it rarely exists since most investment properties have some encumbrance or lease in place.

A Member should determine whether fee simple (unencumbered by a lease), leased fee or leasehold interest valuation is most appropriate for the client who may be a lessor, a tenant, investor or lender.

If the assignment requires a value based on the existing lease and contract rent, it is typically leased fee value.

If the assignment requires a valuation based on market or economic rents, it is typically a fee simple value.

Resources are available to assist a Member to determine values based on different interests. A Member may find market rent leased fee interests are equivalent to the fee simple because the lease contract is a personal property interest that is added to, not removed from, the bundle of rights. For a real life example, consider the difference between two identical big box stores – one dark/vacant (fee simple) and one leased (leased fee).

18.27 Land Use Controls [see 6.2.11, 14.2.11]

- 18.27.1 Land use controls should be considered under all levels of legislation, such as Provincial Regulations, official community plans, zoning, subdivision control, by-laws, parking, environmental, flood plain and water course set-backs.
- 18.27.2 A non-compliant (illegal) use should be valued in accordance with the definition of Highest and Best Use employed in the report, which typically refers to (or assumes) a legally permissible use. The only basis for valuation under the existing illegal use would be where a variance to the by-law could reasonably be expected, thereby resulting in either a conforming or legal non-conforming use.

- 18.27.3 If the Member disregards the illegal improvements, the appraisal will have to be premised on the Hypothetical Condition that the illegal improvements do not exist when in fact they do. To value a property with illegal improvements in its “as is” state, the appraisal must reflect the cost to remedy the illegality—i.e., to either remove the illegal improvements or obtain legal permissibility. Obtaining legal permissibility might include upgrading the improvements so they conform to building codes and the payment of fees or fines. If a market exists for the illegal use, the prices paid do not necessarily represent market value because market value is based on the highest and best use of a property and the highest and best use is based on a legal use.
- 18.27.4 Any Extraordinary Assumptions in this regard should be clearly stated in the report, in any location referring to a final value estimate, as well as in the Land Use discussion and Highest and Best Use analysis.
- 18.27.5 In the context of land use change, if the societal (e.g. neighbourhood opposition or advocacy groups) or political (e.g. requirement for financial contributions) elements are so imposing that a change in the land use controls is not practical, it would be misleading for a Member to conclude such land use change as the highest and best use. All of these pressures may bear upon a property but, ultimately, if comparable properties have received land use changes it would be considered reasonable to assume the same for the subject property, subject to caveats regarding the uncertainties and their impact on value.

18.28 Highest and Best Use [see 6.2.13]

- 18.28.1 Estimating the Highest and Best Use (HBU) of a property is a critical appraisal component that provides the valuation context within which market participants and a Member selects comparable market information.
- 18.28.2 A Member considers HBU of the property “as if vacant” separately from the HBU of the property “as improved”. This is because the HBU of the site as if vacant and available for development estimates the value of the land, even if the property’s existing improvement does not represent the HBU of the site.
- 18.28.3 HBU of land or a site is the use among all reasonable alternative uses that yields the highest present land value, after payment for labour, capital and co-ordination. The conclusion assumes that the parcel of land is vacant or can be made vacant by demolishing any improvements.
- 18.28.4 In determining the scope of practice for a CRA Member undertaking an assignment, the test lies in the HBU - *actual or assumed* - of the property being appraised.

Box 18.28.4 – CRA Scope - Examples

Four-Plex within a 12 Unit Site

A client owns 12 four-plex buildings held in one single-titled parcel. While one of the four-plexes might be thought of as ‘a dwelling containing not more than 4 self-contained family housing units’ (see CUSPAP 5.4.5), this is really one 48-unit property requiring an AACI co-signer.

A CRA designated Member may be able to appraise one four-plex based on the extraordinary assumption (hypothetical condition) that it had been subdivided from the larger parcel at the effective date, but should be very clear that the final hypothetical current market value estimate for the single four-plex should not be multiplied by 12 to arrive at a current market value estimate for the whole project.

Similarly, it is inappropriate to appraise a single unit in a condominium project and imply that the client can multiply that value to arrive at a total value estimate for the entire condominium project.

Residential Care Facility

A CRA designated Member is asked to appraise a residential care facility. The building has 12 bedrooms, two kitchens and several living areas, as well as accommodations for the care staff. It cannot be rationalized that this is “really just a big house” and within the scope as a CRA designation. There must be reasonable evidence to support the highest and best use is a self-contained family housing unit rather than a care facility. It is recommended to have the report reviewed and co-signed by an AACI.

Vacant Site

A CRA designated Member is asked to appraise a 12,000 square foot vacant site on the corner of two major thoroughfares. The zoning indicates that development should be for single-family housing.

Given the size of this parcel and the prominent corner location, it is important to carefully consider the highest and best use of the site, which may be for development with a small apartment project, several homes, a small commercial development or a mixed-use building.

If the most likely purchaser of the property is a developer who will apply to have the zoning changed to permit another type of project, an AACI should co-sign the report. The test of whether an assignment is within the scope of a CRA is in the highest and best use, and, in this example, major thoroughfares are unlikely sites for single-family dwellings.

Five-Plex

A CRA designated Member is asked to appraise a triplex. When inspecting the property, he/she discovers that it is actually a five-plex because there are two vacant basement units. The client informs him/her that the conditions have to be removed by tomorrow, it is only a finished basement and the units are vacant.

Highest and best use is the test, not the client’s or the homeowner wishes. Some apartment units may have been installed without obtaining approval and are not legally permissible. The CRA designated Member will want to decline the assignment or have an AACI co-sign the report.

Mixed Use Buildings

A CRA designated Member is asked to appraise a vacant two-storey building. The ground floor previously had a commercial use and the second floor contains a residential apartment. The intended use of the appraisal is ‘only a refinance.’ He/she must consider whether residential is permitted under zoning and the Highest and Best Use of the ground floor. A small building with ground floor commercial and second floor apartment must be co-signed with an AACI.

Vineyard

A CRA designated Member is asked to appraise a 20 acre vineyard with a residential home. If a hypothetical condition is properly done to exclude the income producing potential, this may be within the scope of a CRA if the intended use is mortgage financing. If the intended use is not mortgage financing, the report must be co-signed with an AACI.

Farm or Forestry

A CRA designated Member is asked to appraise a 160 acre parcel of agricultural or forestry land. If zoning does not permit residential use, the report must be co-signed with an AACI.

18.28.5 Holding a designation from another organization does not allow a Member to complete assignments that are not permitted under CUSPAP. A Member may not drop their AIC designation to complete out of scope assignments or outside professional services. [see 5.4]

18.28.6 What follows are key questions for a Member to reflect on as part of assessing the HBU – *actual or assumed* – of the property being appraised.

Box 18.28.6 – CRA Scope

Working Your Way Through CUSPAP	In Layman’s Terms
What is the purpose of the appraisal?	Defining the value. What value is being estimated?
What are the terms of reference and the required scope of work?	What is your client asking you to do?
What is the site’s zoning? What are the permitted uses and land use controls?	Analyzing the immediate and surrounding areas. <ul style="list-style-type: none"> ▪ What is happening in the area? What are the trends? ▪ What are the surrounding land uses? Are they similar to the subject <i>actual or assumed</i> Highest and Best Use (HBU)? ▪ Who are the buyers? ▪ What are the supply and the demand for properties with similar <i>actual or assumed</i> HBUs?

18. Practice Notes

Box 18.28.6 – CRA Scope	
Working Your Way Through CUSPAP	In Layman’s Terms
Based on the above, what is the <i>actual or assumed</i> HBU?	<ul style="list-style-type: none"> ▪ Is the <i>actual or assumed</i> HBU legally permissible, financially possible? Will it generate the highest net return? ▪ Is it reasonable to <i>assume</i> the HBU based on the market conditions, zoning and permitted uses? ▪ Is it possible for the HBU to be something other than the <i>actual or assumed</i> HBU? ▪ Is it possible that what your client is asking you to provide may not be a permissible or possible <i>assumed</i> HBU?
Does the Member have the qualifications to complete the assignment?	Does the report have to be co-signed by a competent AACI?
What ordinary assumptions, limiting conditions, hypothetical conditions, extraordinary assumptions and/or extraordinary limiting conditions need to be invoked?	In the report, the Member must identify the value being provided, whether current, retrospective, prospective, or an update. [see 7.7] Depending on the value, the Member may need to make certain assumptions.
What are the data and appraisal procedures relevant to the assignment?	<p>The data used in the analysis must be comparable to the property being appraised.</p> <ul style="list-style-type: none"> ▪ Actual HBU (“as is” value) will require sales with similar improvements, zoning and permitted uses, etc. (e.g. property as a whole with 50 acres, income-producing farm, dwelling, garage and outbuildings). ▪ Assumed HBU (“as if” value) will require data with comparable acreage, improvements, assumed zoning and permitted uses, etc. (e.g., 5 acres, dwelling and garage).

18.29 Direct Comparison Approach [see 6.2.15, 6.2.16, 14.2.14, 14.2.15]

18.29.1 A contract sale price of the subject property can be a good indicator of its market value. While price and market value can be the same, the subject contract price

may exceed or be less than what is typical in a market. A contract sale price, while a significant piece of market data, must not become a target in an assignment.

18.29.2 Care should be exercised in analyzing sales of new properties to ensure both consistency and disclosure regarding the impact, if any, of transaction taxes (e.g., GST/HST) on prices paid. (GST/HST may already be included in the model of basic cost multipliers provided by valuation costing services.)

18.29.2.i. CUSPAP does not dictate whether GST, HST or similar taxes should or should not be included; however, it is part of a Member's due diligence to assess market practices (i.e. whether the tax(es) are included or not). What follows are different scenarios on the application of taxes.

- The subject property is a new construction in a residential subdivision. Sale prices include GST/HST. Comparable sales are neighboring properties in the subdivision and all are new sales for which the sale prices include GST/HST therefore, no adjustments for taxes are required. All sales and the subject are being compared on the same basis, inclusive of GST/HST. In the final market value conclusion, a Member should disclose that the market value is \$X and **inclusive of GST/HST**.
- The subject property is a new construction (in-fill) in an older neighborhood. The subject sale price includes GST/HST. Due to the lack of new comparable properties in the neighborhood, a Member retains comparable properties that are newer (resale properties) but for which the resale prices are not inclusive of any taxes. The purpose of the Direct Comparison Approach is to demonstrate what purchasers are willing to pay for comparable properties in the subject area. Adjustments for age/condition would be applied to the sales to make them comparable to and reflect the new condition/age of the subject, but tax adjustments would not be applied since the competing sales were not subject to GST/HST at the time of the recent sale. In the final market value conclusion, a Member would disclose that the market value is \$X and **exclusive of GST/HST**.

18.29.2.ii. Key elements are that:

- the analysis and adjustment must be consistent throughout and
- a Member must disclose if the market value is inclusive or exclusive of taxes – and this is driven by the market.

18.29.2.iii. It is possible that the value by the Direct Comparison Approach (and

any other valuation methodology) could be less than the actual total cost paid to build the property. The same rationale applies for the Cost Approach and the applicability of the taxes.

- 18.29.3 Fixing the date of sale of a comparable is necessary to establish relevance and accuracy, and to determine the precise period for which a time adjustment is to be made. This adjustment period begins on the date of sale and ends on the effective date of the appraisal.
- 18.29.4 The date of sale could be taken as the acceptance of an offer to purchase if there is a meeting of the minds.
- 18.29.5 Practical considerations may determine which date is to be used. Dates of record reflecting completed transactions provide certainty and in most jurisdictions, are readily available. Weeks or months could have elapsed since the initial agreement as to price and confirming the date of this initial agreement requires that the parties be available and willing to divulge details.
- 18.29.6 In a period where the market is rising or falling at a substantial percentage each month, it may be necessary to reflect whether the sale occurred near the beginning, in the middle, or at the end of the month.
- 18.29.7 In selecting the date of sale, consistency is the preferred approach. Rather than attempting to speculate as to the length of the interval between agreement and closure, less weight can be given to those sales dates that are inconsistent with the model selected. A copy of the agreements for sale can be included in a report to ensure that the document being relied upon is clear.
- 18.29.8 In summary, while it may be argued that no sale has occurred until the transfer is registered; there may be a long delay in registration. The basic answer to the question - "what is the date of sale" - is the date the price was finally agreed upon. Researching that date for all of the comparables may be impractical. Where consistency is not possible, any variation should be explained.
- 18.29.9 In preparing a current valuation, sales occurring after the effective date of valuation may be considered but are subject to appropriate weighting.

18.30 Discounted Cash Flow Analysis [see 6.2.15, 10.1.11]

- 18.30.1 Discounted Cash Flow (DCF) methodology is based on the principle of anticipation (i.e., value is created by the anticipation of future benefits). DCF analysis reflects investment value and market value appraisals, and may also be used for other purposes such as sensitivity tests.
- 18.30.2 DCF analysis is an additional tool available to the Member and is best applied when developing value opinions in the context of one or more of the other approaches to

value.

- 18.30.3 To avoid misuse or misunderstanding when DCF analysis is used in an appraisal assignment to develop an opinion of market value, it is the responsibility of a Member to ensure that the controlling input is consistent with market evidence and prevailing market attitudes. Market value DCF analyses should be supported by market-derived data and the assumptions should be both market and property specific. Market value DCF analyses are intended to reflect the expectations and perceptions of market participants along with available factual data. They should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized. A report that includes the results of DCF analysis must clearly state the assumptions on which the analysis is based and must set forth the relevant data used in the analysis.
- 18.30.4 DCF accounts for and reflects those items and forces that affect the revenue, expenses, and ultimate earning capacity of real estate and represents a forecast of events that would be considered likely within a specific market. For example, in the appraisal of a multi-tenant property, a lease-by-lease analysis addresses contract and market rents, specific escalations, operating expenses, pass-through provisions, market-derived or specific concessions, capital expenditures, and any other measurable specific provisions applicable. Revenue growth or decline rate assumptions are premised upon analysis of supply/demand factors and other economic conditions and trends within the market area of the subject. Operating expense change rates should reflect both overall expense trends and the specific trend of significant expense items.
- 18.30.5 Discount rates applied to cash flows and estimates of reversion should be derived from data and information in the real estate and capital markets. Surveys of investor opinion and yield indices are also useful in the rate selection process, but only when the type of and market for the real estate being appraised is consistent with the type of and market for the real estate typically acquired by the investors interviewed in the survey. Considerations used in the selection of rates are: risk, inflation, and real rates of return.
- 18.30.6 When reversion capitalization rates are used, they should reflect investor expectations considering the real estate type, age and condition, cash flow characteristics, and related factors. The projection period is a variable and should be set out on the basis of the facts and circumstances of each analysis.
- 18.30.7 The results of DCF analyses should be tested and checked for errors and reasonableness. Because of the compounding effects in the projection of income and expenses, even slight input errors can be magnified and can produce unreasonable results. For example, it is good practice to test whether cash flows

are changing at reasonable rates, and to compare the reversion capitalization rate with the implied entrance capitalization rate to see if the relationship between these rates is reasonable and explainable.

18.31 Agreement for Sale/Option/Listing/Prior Sales [see 6.2.21, 14.2.20]

- 18.31.1 Agreements for Sale can be obtained from a realtor or financial institution. Lenders typically obtain Agreements for Sale to assist in underwriting a loan. Where a Member is unable to obtain information directly from a realtor, they should contact their client, and/or the AMC who has commissioned the appraisal on behalf of their client, advise them of the situation, and make a request for them to coordinate with their client to obtain the required information.
- 18.31.2 If the data or information is unobtainable (i.e. for confidentiality or privacy reasons), the report should include a commentary on the efforts taken by a Member to obtain the information. If information is available to and accessible as part of the normal course of business, a Member's business decision not to purchase or access the data would not fall under the "normal course of business".
- 18.31.3 Member due diligence in the research and analysis of the sales and listing history of the subject property is an important part of the valuation process and can assist in fraud prevention. Although access to data can be costly, a Member must follow the "normal course of business" and the Reasonable Appraiser test.

Box 18.31 - Agreement for Sale/Option/Listing/Prior Sales Sample Entries

In the analysis of the sales history of the subject property, a Member must exercise due diligence, but this need not necessarily include a search of the public record. The necessity for a search of the public record will depend on the nature and scope of the assignment, according to the reasonable appraiser standard. For example, for residential form appraisals for mortgage purposes it may not be necessary to search public records where the sales history for the subject is available elsewhere. For the purpose of this Practice Note, Public Record means Land Title Office/Register of Deeds.

The owner reports that the subject property was not under a current agreement or option and was not offered for sale on the open market at the effective date. According to public records, the subject property had not changed hands during the three years prior to the effective date.

The property being appraised is known to be the subject of a pending purchase and sale agreement, but the appraiser was unable to obtain the terms of the agreement. The current owner confirmed that the property is under agreement, but declined to disclose the terms of the agreement or to discuss the nature of the agreement.

- The subject property is currently offered for sale at a listing price of \$XXX,XXX. A copy of the listing agreement with March Smith, real estate broker, is included in the addendum to this report.

- The subject property was sold by John Jones to the current owner on June 1, 20xx, for a reported price of \$XXX,XXX. The parties to the transaction have affirmed that the seller received all cash and that the reported price was unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This sale is analyzed in the Direct Comparison Approach section of the appraisal report.

According to the public records, there have been no other transfers of the subject property within the past three years.

- The subject property was sold by John Jones to the current owner on June 1, 20xx, for an unknown price. The appraiser attempted to obtain the purchase price and other terms of the transaction without success. The parties to the transaction declined to discuss the terms or conditions of the sale.

18.32 Responsibility [see 6.2.24, 8.2.13, 10.1.14, 12.2.20, 14.2.23]

- 18.32.1 A Member employed in public institutions is required to comply with CUSPAP in preparing “in-house” reports, if these reports are subject to public review. [see 2.35, 2.41, 2.46, 6.2.1]
- 18.32.2 Where reports are provided “in-house” and not subject to public review, it is generally accepted that such reports can be prepared according to the procedural and policy requirements of that particular institution. If these conclusions are intended for a public forum such as before Boards of Revision, Assessment Appeals or Courts, then the appropriate Standard shall apply.
- 18.32.3 When reports are not prepared for or presented in a public forum but may be required by due process of law (such as a Freedom of Information request) to be released to the public then the provisions of a Jurisdictional Exception may apply. [see 2.35]
- 18.32.4 When Professional Services are provided to an arbitration or court, including testimony and affidavits, the appropriate Standard applies. The type of action, the jurisdiction, court references and other identifying information should be included in the assignment if known.
- 18.32.5 When providing a draft report to a client and/or intended user, a Member should apply the following suggested practices:
- 18.32.5.i. insert a DRAFT watermark across every page;
 - 18.32.5.ii. insert a header or footer with the date and the version of the draft (e.g., Draft #X effective Month/Day/Year) on every page to indicate to any user, intended or potential, that the report is a draft and to identify the draft version in case there are subsequent drafts;
 - 18.32.5.iii. include a transmittal letter with every draft report, clearly outlining the terms of reference and the client’s instructions to provide a draft report

and for the purpose of the draft report;

18.32.5.iv. note the client's instructions to provide a draft report and for what purpose in the scope of work of each draft report;

18.32.5.v. insert a draft notation wherever the value and signature should appear (i.e. conclusion, certification page); and

Note: Inserting "DRAFT" on signature lines will help prevent fraud and a third party affixing a signature that is not the Member's original signature.

18.32.5.vi. include in the final report a summary of changes from the last draft to the final report.

18.33 International Financial Reporting Standards (IFRS) Scope of Work

18.33.1 The external valuer [see 2.18] should determine among other things if the major tenants fully utilize their leased premises and whether there is any new competitive construction underway or proposed nearby.

18.33.2 The external valuer [see 2.18] should complete such other investigations as might be reasonably required to satisfy the scope of the appraisal and to reasonably address the requirements of the intended use.

18.34 Market Analysis – Consulting [see 10.1.11]

18.34.1 The consultant should carefully define and delineate the pertinent market area for the analysis. Supportive reasoning for the selection of the boundaries must be stated. The consultant should identify the specific class(es) of the real estate or machinery and equipment under consideration and analyze the forces that are likely to affect supply/demand relationships.

18.34.2 The consultant is expected to provide a comprehensive physical and economic description of the existing supply of space for the specific use within the defined market area, an explanation of the competitive position of the subject, and a forecast of how anticipated changes in future supply (additions to or deletions from inventory) may affect the subject property.

18.34.3 The consultant is expected to project the quantity and price or rent level of space that will be demanded within the particular sub-market. The capture or penetration rates of competitive projects should be examined in sufficient detail to lead to a reasoned conclusion as to the forecasted price or rent levels at which the market is likely to accept the subject space and the estimated absorption or rent-up time period.

18.34.4 An assignment from a lender requesting comparable data is considered to be research within a consulting service, provided that no appraisal and opinion of

value, as defined, is completed.

18.35 Cash Flow/Investment Analysis – Consulting [see 10.1.11]

- 18.35.1 Since real estate investment decisions are predicated on financial implications, the consulting service should define the client's investment criteria, consider major variables in the real estate and financial markets, and forecast the anticipated results.
- 18.35.2 Definitions of the financial indices used (such as internal rate of return) and explanations of the financial analysis techniques and computer programs employed should be included.

18.36 Feasibility Analysis – Consulting [see 10.1.11]

- 18.36.1 The consultant should compare the following criteria from the client's project to the results of the market analysis:
 - 18.36.1.i. the project budget (all construction costs, fees, carrying costs, and ongoing property operating expenses);
 - 18.36.1.ii. the time sequence of activities (planning, construction and marketing);
 - 18.36.1.iii. the type and cost of financing obtainable;
 - 18.36.1.iv. cash flow forecasts over the development and/or holding period; and
 - 18.36.1.v. yield expectations.
- 18.36.2 The consultant should have enough data to estimate whether the project will develop according to the expectations of the client and is economically feasible in accordance with the client's explicitly defined financial objectives.

18.37 Disagreement/Agreement in Review Assignments [see 8.2.12]

- 18.37.1 When a reviewer develops an opinion of value, the reviewer may:
 - 18.37.1.i. use additional information that was not available to the original appraiser in the development of the appraisal under review;
 - 18.37.1.ii. include the appraisal component in the appraisal review report; and
 - 18.37.1.iii. adopt those items in the appraisal under review with which the reviewer concurs without repeating them in the review report.
- 18.37.2 For those items where the reviewer's opinion differs from those in the appraisal under review, replacement information or analysis development must be provided by the reviewer in accordance with the Real Property Appraisal Standard.

18.38 Value Opinions in Review Assignments [see 9.2.2, 9.5]

- 18.38.1 The Review Standard may require a Member to consider two different versions of

CUSPAP. For example, a client hires a Member today to complete a review of a report with an effective date of December 1, 2017. The CUSPAP version in effect at the time was CUSPAP 2016. The review must be done using CUSPAP 2016 as the benchmark yet the reviewer must complete the review report in accordance with the CUSPAP 2018 Review Standard.

- 18.38.2 A Member can complete a review of a report prepared by a non-Member whose work is required to comply with standards of practice other than CUSPAP. An AIC Member must be competent in the standard(s) of practice to which the report under review is subject.
- 18.38.3 The Review Standard provides for a reviewer to address all or part of the appraisal being reviewed. This includes addressing its completeness, relevance, appropriateness and reasonableness within the context of the Real Property Appraisal Standard under which the appraisal was prepared.
- 18.38.4 It is essential to develop a well-defined scope of work and terms of reference with the client to ensure a clear understanding of what steps are and are not necessary in an assignment. Key elements are the purpose of the assignment and the intended use of the report. [see 8.2.2, 8.2.3, 8.2.6]
- 18.38.5 When the review is for the purpose of determining Standards compliance only, the reviewer should use extreme care to ensure the review report does not include language that implies the reviewer developed an opinion of value concerning the subject property of the report under review.
 - 18.38.5.i. When the reviewer uses language to signify concurrence with the value or a different value opinion, the reviewer has additional value opinion development and reporting obligations.
- 18.38.6 The reviewer may develop and report an opinion as to the quality of the report under review and:
 - 18.38.6.i. state only the corrective action to be taken by the original author with regard to curing any deficiency, leaving the client to decide whether to interact with the original author to accomplish the correction; or,
 - 18.38.6.ii. act on behalf of the client to interact with the original author to ensure any deficiency is appropriately corrected by that author.
- 18.38.7 The reviewer may develop and report an opinion on the final estimate of value without including his/her own estimate of value.
- 18.38.8 Examples of the language that might be used under these circumstances include:
 - 18.38.8.i. the value conclusion stated in the report is (or is not) supported by the evidence the report;

- 18.38.8.ii. the value conclusion is (or is not) appropriate and reasonable given the data and analyses presented;
 - 18.38.8.iii. the value conclusion stated in the report was (or was not) developed in compliance with applicable standards and requirements;
 - 18.38.8.iv. the content, analyses and conclusions stated in the report under review are (or are not) in compliance with applicable standards and requirements;
 - 18.38.8.v. the value conclusion may not be/is not reliable due to the errors and/or inconsistencies found; or
 - 18.38.8.vi. I accept (or approve of) the report for use by the client.
- 18.38.9 The reviewer may develop and report an opinion on a value and include an estimate of value provided the reviewer has complied with the applicable Standard Rule.
- 18.38.10 Examples of the language that might be used under these circumstances include:
- 18.38.10.i. I concur/do not concur with the value;
 - 18.38.10.ii. I agree/do not agree with the value;
 - 18.38.10.iii. In my opinion, the value is \$X/the same;
 - 18.38.10.iv. In my opinion the value is incorrect and should be \$X; or
 - 18.38.10.v. In my opinion the value is too high/too low.
- 18.38.11 The reviewer may develop and report an opinion as to the quality of the report under review and; subject to the scope and terms of the review assignment:
- 18.38.11.i. make corrections to cure a deficiency, expressing the result as the reviewer's own opinion of value, which is to be developed within the same scope of work as was applicable in the report under review;
 - 18.38.11.ii. make corrections to cure a deficiency, expressing the result as the reviewer's own opinion of value, but develop that opinion using a different scope of work than was applicable in the report under review;
 - 18.38.11.iii. regardless of the review result, develop his/her own opinion of value, using the same scope of work as was in the report under review; or
 - 18.38.11.iv. regardless of the review result, develop his or her own opinion of value, using a different scope of work than was applicable in the report under review.
- 18.38.12 It is important that this language be consistent with the scope of work/terms of

reference described in the review report.

18.38.13 Note that if a reviewer rejects the value, he/she should use care in how the result is stated. If the language of such rejection is based on errors or inconsistencies in the report under review and does not include any qualifiers that would relate to a direction in value, then it does not imply an opinion of value by the reviewer.

18.38.14 However, if such rejection is stated in relation to a value or value range, such as indicating a direction in value (i.e., more than/less than), or to an established benchmark, that language indicates the reviewer has bridged over into the valuation stage. This is an important distinction which must be kept in mind by the reviewer when composing any language regarding the original author's opinions or conclusions. Whichever category such language may fall under, it must also be consistent with the purpose, scope/terms of reference and intended use of the review assignment results.

18.39 Reserve Fund Study [see 2.55, 12]

18.39.1 Since Reserve Fund Studies are completed to provide financial planning advice, the reserve fund planning service should:

18.39.1.i. consider the stated policies defining those components to be covered by the study; and

18.39.1.ii. incorporate a comprehensive benchmark analysis including life cycle analysis, current and future replacement costs and future reserve fund accumulations.

18.39.2 The Reserve Fund Study should provide comments on any apparent deficiency in the reserve fund account or in future reserve fund accumulation, along with a cash flow model covering an appropriate time frame.

18.40 Purpose of the Reserve Fund Study [see 12.2.3]

18.40.1 Due to the number of technical issues, the Reserve Fund Planner should consider including a section of defined terms, as they are applied in the study. A definitions section in the study would aid the client and intended user in understanding how the conclusions in the study were reached.

18.40.2 For example, many clients relying on the study may not be familiar with terms common to Reserve Fund Studies such as:

18.40.2.i. Future Reserve Requirement

18.40.2.ii. Future Reserve Fund Accumulation

18.40.2.iii. Remaining Life

18.40.3 The terminology may also vary between provinces or be determined by legislation.

The definition of these terms could vary somewhat between one reserve fund planner and another.

18.41 Effective Date of a Reserve Fund Study [see 12.2.5]

- 18.41.1 The Reserve Fund Planner must be aware of circumstances where the effective date of the study and the date upon which the recommended actions can be implemented can differ. In some jurisdictions, condominium owners vote on a budget that includes a contribution to the reserve fund, usually at an Annual General Meeting. In others, the implementation of the Plan can be done by the Board of Directors without unit owner approval.
- 18.41.2 For example, a condominium development usually operates on an annual budget, with fees set at the beginning of the year, supported by a resolution at an Annual General Meeting.
- 18.41.3 Unless a Special General Meeting is held, the first opportunity for a condominium board to implement the recommendations of the study is the start of the next fiscal year. In such cases, the Reserve Fund Planner should discuss this type of timing difference in the recommendations section of the study.

18.42 Legislation Considerations in a Reserve Fund Study [see 12.2.7, 12.2.9]

- 18.42.1 Since reserve fund planners complete Reserve Fund Studies to provide financial planning advice, the study should consider applicable legislation and policies defining those components the study is to cover, and incorporate a comprehensive benchmark analysis including, as a minimum:
 - 18.42.1.i. life cycle analysis;
 - 18.42.1.ii. current and future replacement costs;
 - 18.42.1.iii. the current reserve balance; and,
 - 18.42.1.iv. estimated future reserve fund accumulations.
- 18.42.2 The study should comment on any apparent deficiency in the reserve fund account or in estimated future reserve fund accumulation, along with a cash flow model covering an appropriate period.
- 18.42.3 Reserve fund planners need to be familiar with the legislation governing reserve fund studies in the jurisdiction within which they work, along with any consequential regulations and policies.

18.43 Hypothetical Conditions in a Reserve Fund Study [see 12.2.10]

- 18.43.1 Hypothetical Conditions may include completion of planned improvements between the date of the study and the implementation date of the

recommendations.

18.43.1.i. For example, if a roof replacement is planned after the effective date but before the start of the next fiscal year (i.e. when the recommendations will be implemented), the study must make it clear that this hypothetical condition was incorporated in the analysis.

18.44 Benchmark Analysis in a Reserve Fund Study [see 12.2.13]

18.44.1 Provision should be made for inflation or deflation in costs between the date of the reserve fund study and the time at which repairs and replacements are expected.

18.44.2 A benchmark analysis entails estimating expected life and remaining life; for various components as well as:

18.44.2.i. total cost of replacement or repair;

18.44.2.ii. current replacement cost estimates;

18.44.2.iii. reserve fund requirements;

18.44.2.iv. future replacement cost estimates;

18.44.2.v. reserve fund accumulations;

18.44.2.vi. reserve fund requirements; and

18.44.2.vii. annual reserve fund contributions.

18.45 Cash Flow Projection in a Reserve Fund Study [see 12.2.14]

18.45.1 The reserve fund planner should also consider the state of the fund relative to repair and replacements that will happen in the period immediately following the term chosen for the cash flow projection.

18.45.1.i. For example, a study could prescribe cash flows which will result in a balance near zero at the end of the projection period. This is not prudent if a large expense is expected within a few years of the end of the cash flow projection, as the fund will not be adequate to deal with such an expense.

18.45.2 A cash flow projection and reserve fund model are intertwined. The Reserve Fund Planner specifies the funding model(s) that forms the basis for the cash flow projection.

18.46 Adequacy Analysis of the Reserve Fund Contributions [see 12.2.15]

18.46.1 The cash flow projection should identify whether the existing fund balance and recommended funding level are sufficient to meet most of the repair and replacement obligations. If deficiencies are evident, they should be identified and

incorporated in the recommendations.

18.47 Preparing a Reserve Fund Model [see 12.2.16]

18.47.1 The reserve fund model should make one or more recommendations to ensure a prudent level of funding is provided in the contingency reserve. Options should be discussed within the study. The Member should ensure that options provided are prudent, and incorporate the minimum requirements in Reserve Fund Study Standard and any applicable provincial legislation.

18.48 Exclusions in a Reserve Fund Study [see 12.2.9]

18.48.1 A client might request that the study exclude certain short-lived items. The study needs to identify exclusions clearly. While such exclusions are permitted, the Reserve Fund Planner must ensure that the resulting study is not capable of misleading the reader. It is the reserve fund planner's responsibility to ensure that the assignment meets the "Reasonable Appraiser" test, if exclusions are made. [see 2.51]

18.49 Personal Property – Machinery and Equipment [see 6.2.20, 14.2.8]

18.49.1 Machinery and Equipment Values: the machinery & equipment value definitions provide fundamental concepts as contracts may dictate a somewhat different notion. Therefore, these definitions may be expanded or redefined as the purpose and function of the appraisal may dictate as long as the fundamental concept is not altered.

18.49.1.i. **Fair market value** is the estimated amount, expressed in terms of money that may be reasonably expected for a property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, as of a specific date.

18.49.1.ii. **Fair market value in continued use** is the estimated amount, expressed in terms of money, that may reasonably be expected for a property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, including installation, as of a specific date, and assuming that the earnings support the value reported. This amount includes all normal direct and indirect costs, such as installation and other assemblage costs, to make the property fully operational.

18.49.1.iii. **Fair market value—installed** is the estimated amount, expressed in terms of money, that may reasonably be expected for an installed property in an exchange between a willing buyer and a willing seller, with

equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, including installation, as of a specific date. This amount includes all normal direct and indirect costs, such as installation and other assemblage costs, to make the property fully operational.

- 18.49.1.iv. **Fair market value—removed** is the estimated amount, expressed in terms of money, that may reasonably be expected for a property between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, as of a specific date, considering that property will be moved to another location.
- 18.49.1.v. **Forced liquidation value** is the estimated gross amount, expressed in terms of money, that could be typically realized from a properly advertised and conducted public auction, with the seller being compelled to sell with a sense of immediacy on an as-is, where-is basis, as of a specific date.
- 18.49.1.vi. **Insurance replacement cost** is the replacement cost new as defined in the insurance policy less the replacement cost new of the items specifically excluded in the policy, if any, as of a specific date.
- 18.49.1.vii. **Insurance value depreciated** is the insurance replacement cost new less accrued depreciation considered for insurance purposes as defined in the insurance policy or other agreements, as of a specific date.
- 18.49.1.viii. **Liquidation value in place** is the estimated gross amount, expressed in terms of money that could typically be realized from a failed facility, assuming that the entire facility would be sold intact within a limited time to complete the sale, as of a specific date.
- 18.49.1.ix. **Orderly liquidation value** is the estimated gross amount, expressed in terms of money, that could be typically realized from a liquidation sale, given a reasonable period of time to find a purchaser(s), with the seller being compelled to sell on an “as is, where is” basis, as of a specific date.
- 18.49.1.x. **Reproduction cost new** is the current cost of reproducing a new replica of a property with the same or closely similar materials.
- 18.49.1.xi. **Replacement cost new** is the current cost new of a similar new property having the nearest equivalent utility as the property being appraised.
- 18.49.1.xii. **Scrap value** is the estimated amount, expressed in terms of money that could be realized for a property if it were sold for its material

content, not for a productive use, as of a specific date.

18.49.1.xiii. **Salvage value** is the estimated amount, expressed in terms of money that may be expected for the whole property or a component of the whole property that is retired from service for use elsewhere, as of a specific date.

18.49.2 The type of property, the type and definition of value, and the intended use of the report determines which characteristics have a material effect on value.

19 PROFESSIONAL EXCELLENCE BULLETINS

Professional Excellence Bulletins are meant to:

- raise awareness on areas of potential professional liability and exposure in ordinary day-to-day practice;
- suggest best practices that can help prevent liability insurance claims and/or professional practice complaints; and,
- demonstrate the application of the compulsory definitions, standard rules and comments through different scenarios.

They are not intended to set out all professional/ethical responsibilities or regulatory requirements, nor to identify all valuation or theoretical aspects of the subject matter.

Most bulletins make reference to appraisal assignments and reports; however, Members are reminded that similar provisions may apply for other professional services (review, consulting, reserve fund planning) as defined under CUSPAP. Please refer to the relevant Standard to ensure compliance.

The following Professional Excellence Bulletins are available in the Members Section of the AIC website under Professional Liability Insurance at:

<https://www.aicanada.ca/members-home/professional-practice-resources/professional-excellence-bulletins/>

- As if Complete Appraisals
- Claims Prevention Case Studies
- Condominiums (Residential)
- Conflict of Interest
- Co-signature
- Data Verification
- Foreclosure
- Generic Appraisal Reports
- Home Inspections
- Impaired and Contaminated Properties
- Information Sources
- Letters of Engagement
- Made a Mistake
- Measurement Practices
- Non-Residential Condominium Valuations
- Partially Completed Buildings
- PIPEDA
- Public Securities
- Reducing the Risk of Litigation
- Reliance Letters
- Reserve Fund Study
- Residual Approach
- Sales Data Consulting Assignments
- Scope and Limiting Conditions
- Valuation Methodologies
- Verifying Subject Property
- Zoning

20 APPENDIX A - INDEX

Each entry in the index includes a reference code. The codes refer to the corresponding sections of the Standards. Each item in the index references the section(s) where they appear.

Introduction [section 1]	Reserve Fund Planning Standard – Rules [section 12]
Definitions [section 2]	Reserve Fund Planning Standard – Comments [section 13]
Foreword [section 3]	Machinery and Equipment Appraisal Standard – Rules [section 14]
Ethics Standard – Rules [section 4]	Machinery and Equipment Appraisal Standard – Comments [section 15]
Ethics Standard – Comments [section 5]	Mass Appraisal Standard – Rules [section 16]
Real Property Appraisal Standard – Rules [section 6]	Mass Appraisal Standard – Comments [section 17]
Real Property Appraisal Standard – Comments [section 7]	Practice Notes [section 18]
Review Standard – Rules [section 8]	
Review Standard – Comments [section 9]	
Consulting Standard – Rules [section 10]	
Consulting Standard – Comments [section 11]	

A	12.2.13, 14.2.11, 14.2.12, 14.2.16, 14.2.17, 14.2.18, 14.2.19, 14.2.20
Accredited Appraiser Canadian Institute (AACI) 2.1, 5.4.9	Appraisal 2.3, 6.2.24, 8.2.13, 10.1.14, 12.2.20, 14.2.23
Adjustments 8.2.9	Appraisal Methods and Techniques 8.2.10
Advertising 5.3	Appraisal Institute of Canada 2.2
Ad Valorem, 5.11.1.iii	Appraisal Practice 2.4
Agreement 8.2.12, 9.7, 9.8, 18.37	Appraisal Procedures 6.2.15, 7.16, 18.29
Agreement for Sale, Options, Lease or Listing 6.2.21, 7.22, 18.31	Appraiser, Reasonable (see Reasonable Appraiser) 2.43, 2.51, 3.4.1, 4.2.5, 7.1.2, 7.15.2, 7.16, 9.7, 18.31, 18.32, 18.48
Analyze 6.2.14, 6.2.17, 6.2.18, 6.2.19, 6.2.20, 6.2.21, 11.3, 11.4, 11.5, 12.2.11,	

- Assemblage 6.2.18, 7.19, 14.2.18, 15.3, 18.49
- Assessment 11.1, 16, 17, 18.4
- Assignment 2.5
- Assumptions and Limiting Conditions 2.6, 6.2.9, 7.10, 8.2.7, 9.2.3, 10.1.8, 12.2.9, 14.2.9, 18.24
- Automated Valuation Model 2.7, 7.16.7
- B**
- Bias 2.8, 4.2.12, 5.11, 18.4
- Broker 5.11.4, 5.11.5, 18.4, 18.6.1
- C**
- Canadian Residential Appraiser (CRA) 2.13
- Cash Flow 7.16.6, 7.27, 11.4, 12.2.14, 13.2.1, 18.29.9, 18.30, 18.35, 18.36, 18.39, 18.42, 18.45, 18.46
- Certification 5.7.1, 6.2.24, 7.25 8.2.13, 10.1.14, 11.11, 12.2.20, 18.32
- Characteristics of Property 6.2.8, 7.9 12.2.4, 14.2.8, 18.14, 18.23
- Clerical Assistance 2.9
- Client 2.10, 6.2.1, 8.2.1, 10.1.1, 12.2.1, 14.2.1, 18.6
- Commission 5.9
- Competence 2.11, 4.2.7, 5.10
- Completeness 8.2.8, 9.7, 18.38.1
- Comply 1, 4.2.1, 5.6, 7.1.1, 7.1.4, 8.1.2 9.2.2, 13.1.2, 18.32.1, 18.38.2
- Conduct 4.2.2, 5.1
- Confidential 5.8, 18.1, 18.2, 18.3
- Conflict 4.2.11, 5.9, 18.3, 18.6.2, 18.6.6, 19
- Consulting 2.12, 10, 11, 12, 13
- Contingent 4.2.12, 5.11, 18.4
- Continuing Professional Development 4.2.6, 5.6
- Co-operate 4.2.8, 5.5
- Co-signature 2.59, 7.26
- Co-signing 5.10.4, 7.25, 7.26
- Current 6.2.6, 7.7.2
- D**
- Data 5.7.1, 6.2.14, 6.2.22, 7.1.5.iv, 7.5.1.iii, 7.15,7.23, 8.2.9, 9.3.2.iii, 9.8, 10.1.7, 10.1.10, 11.2.1, 11.3.1, 11.5.1, 12.2.8, 12.2.11, 13.3, 14.2.13, 14.2.21, 15.3.2, 18.9
- Date of Report 6.2.7, 7.8, 8.2.5, 10.1.6, 12.2.6, 14.2.7
- Date of Review 8.2.5
- Date of Sale 18.13.3, 18.29.3, 18.29.4, 18.29.7, 18.29.8
- Depreciation, Accrued 7.16.4.iii, 18.49.1.vii
- Designation 2.14
- Describe 6.2.14, 6.2.15, 7.9, 7.15, 10.1.11, 12.2.11, 14.2.8, 14.2.13, 14.2.14, 15.2, 18.23
- Detrimental Conditions 2.15,7.9.1.vi 18.15, 18.16, 18.18, 18.19 18.20 18.24
- Disagreement 8.2.12, 18.37
- Disclosure 4.2.10, 5.8, 18.1, 18.2
- Discounted Cash Flow 7.16.6, 18.30

E

Effective Date 2.16, 6.2.6, 7.7, 8.2.4,
10.1.5, 12.2.5, 14.2.6

Exclusion 6.2.15, 14.2.14, 18.26.1.i, 18.48

Expropriation 7.11.6, 18.4, 18.21.2

Exposure Time 2.17, 6.2.5, 7.6, 14.2.5,
18.13

External Valuer 2.18, 7.27.2, 18.33

Extraordinary Assumptions 2.19, 7.10,
7.11.4, 9.4, 18.25

Extraordinary Limiting Conditions 2.20,
7.10, 9.4, 18.14.2, 18.23.8, 18.26

F

Feasibility Analysis 2.21, 11.5, 18.36

Final Value 6.2.23, 6.2.24, 7.24, 14.2.21,
14.2.22

Fixture 2.23, 2.38, 7.9.1.iv, 7.21.3

Fractional Interest 7.9.1.vii, 18.21

Fraudulent 4.2.4

G

GST 18.29.2

H

Hazardous Substances 2.25, 7.9.1.vi,
18.15

Highest and Best Use 2.26, 6.2.13, 7.14,
18.28

Hypothetical Conditions 2.27, 6.2.10,
10.1.9, 12.2.10, 14.2.10, 18.25

HST 18.29.2

I

Inspection of Comparable Data 2.28,
7.5.1.iii, 9.3.2.iii

Inspection of Subject Property 2.28,
7.5.1.i, 18.23

Insurance, Professional Liability 4.2.1,
5.11.5

Intangible Property (Asset) 2.29

Intended Use 2.30, 6.2.2, 7.3, 7.5.2,
7.9.1, 8.2.2, 10.1.2, 12.2.2, 14.2.2
18.14.1, 18.38.4

Intended User 2.31 6.2.1, 7.2, 8.2.1,
10.1.1, 12.2.1, 14.2.1, 18.6

Interest Appraised 6.2.8, 18.26.4

Investment Analysis 2.33, 2.34, 11.4,
13.1.4, 18.35

J

Jurisdictional Exception 2.35, 5.3.8,
7.11.6, 18.32.3

L

Land Use Controls 6.2.11, 7.12, 18.27

Larger Parcel 7.19, 18.21

Lease 2.36, 6.2.17, 7.9.1.v, 7.17.1,
14.2.16, 18.26.5

Leased Fee 6.2.17, 7.17.1, 18.26.5

Leasehold Estate 6.2.17, 7.17.1

Limiting Condition 2.37, 6.2.9, 7.10,
8.2.7, 10.1.8, 12.2.9, 14.2.9, 18.24

Listing of Property 6.2.21, 7.22, 18.31

Location 6.2.8, 7.9.1.i

M

Machinery and Equipment, 2.38, 2.45, 5.4.6, 6.2.20, 7.9, 14, 15

Market Analysis 2.39, 11.3, 11.5.1, 18.34, 18.36.1

Market Rent 6.1.1, 7.16.5.i, 11.1.2,

Market Value 18.8, 18.29.1

Mass Appraisal 2.41, 2.48, 2.51, 3.1.1, 3.2.1, 3.3.1, 3.4.1, 5.4.6.iii, 16, 17

Misleading 4.2.3, 5.2, 5.3

N

Non-Fee Appraiser 2.42

Normal Course of Business 2.43

O

Option 6.2.21, 7.22 14.2.20, 18.31

Oral Report 5.7.1, 5.7.7, 17.3.5, 18.10.3

P

P. App 2.44

Personal Property 2.45, 5.4.6, 6.2.20, 7.9, 7.21, 14, 15

Prior Sale 6.2.21, 14.2.20, 7.22.2 18.31

Private Improvements (anticipated) 6.2.19, 7.11.1, 14.2.19, 7.20

Procedures 6.1.1, 6.2.15, 7.16, 8.1.2, 10.1.11, 14.2.14

Professional Assistance 2.46, 7.26, 18.32

Proposed Improvements 6.2.10, 7.11.1, 10.1.9, 14.2.19

Prospective 6.2.6, 7.7.4, 7.8.1, 7.11.5, 18.23.4.ii, 18.25.1

Public Improvements (anticipated) 6.2.19, 7.11.1, 14.2.19, 7.20

Purpose 6.2.3, 7.4, , 8.2.3, 9.2, 9.5, 10.1.3, 12.2.3, 14.2.3, 16.2.3

Q

Qualifications 4.2.6, 5.4

R

Real Estate/Real Property 2.49, 2.50, 7.9, 10.1.4

Reasonable Appraiser 2.51, 4.2.5, 7.1.2, 7.15.2, 7.16

Reasoning 6.2.15, 6.2.16, 7.17, 9.2.3, 10.1.12, 12.2.17, 14.2.14, 14.2.15

Recertification of Value 2.52 7.11.3, 18.12.6

Recommendations 10.1.13, 12.2.18, 13.3, 18.47

Reconcile 6.2.22, 7.23, 10.1.10, 11.2.1.iv, 11.3.1.v, 11.5.1.vi, 14.2.21

Records 4.2.9, 5.7

Reliance Letter 2.53, 18.6, 19

Reports 2.54, 7.1, 9.1, 18.5

Reserve Fund Planning 2.55, 12, 13

Responsibility 18.32

Retrospective 6.2.6, 7.7.3, 7.8.1, 7.11.1, 18.11

Review 2.57, 8, 9, 18.37

Risk 18.30.5

S

Scope of Work 2.58, 6.2.4, 7.5, 7.10.3, 7.27, 8.1.1, 8.2.6, 8.2.8, 10.1.7, 12.2.8, 14.2.4, 16.2.3, 17.1.2

Signature 2.59, 6.2.24, 8.2.13, 10.1.14, 12.2.20, 14.2.23, 18.5.4, 18.32

Appendix A - Index

T

Taxes 18.29.2

Title 7.9.1.v, 18.8.4.iv, 18.14.2, 18.26.4

U

Update 6.2.6, 7.7.5, 7.11.5, 12.2.19,
18.5.8, 18.12, 18.25.1

Use 6.2.12, 7.13, 8.2.2, 10.1.2, 12.2.2,
14.2.2, 18.7

V

Value 2.60, 6.1.1, 6.2.3, 6.2.22,6.2.23,
6.2.24, 7.4.3, 7.7.1, 7.24, 14.2.21,
14.2.22, 18.8

W

Work-file 2.61, 4.2.9, 5.7

21 APPENDIX B - CHANGES TO CUSPAP FROM 2016 EDITION

The following table highlights the changes implemented by the Appraisal Institute of Canada for the 2018 edition of the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP) effective July 1, 2018.

Changes to CUSPAP 2016 Effective July 1, 2018	
Numbers without brackets are references to CUSPAP 2016 numbering. (Bracketed numbers) are references to CUSPAP 2018 numbering.	
Section	Change
2 Definitions	
2.3 Accrued Depreciation	Removed: defined differently in UBC textbooks and dictionaries
2.6 Associate Member	Removed: set out in Bylaws, Regulations or policy
2.7 Assemblage	Removed: defined differently in UBC textbooks and dictionaries
2.11 Candidate Member	Removed: set out in Bylaws, Regulations or policy
2.12 Chattel	Removed: defined differently in UBC textbooks and dictionaries
2.15 Confidential Information	Removed: definition is well understood and defined
2.17 Contingent Fee	Removed: explained in (5.11)
2.18 Co-signature	Removed: moved under (2.58) Signature and Co-Signature
2.19 Council	Removed: set out in Bylaws, Regulations or policy
2.21 Depreciation	Removed: defined differently in UBC textbooks and dictionaries
2.35 Institute	Removed: set out in Bylaws, Regulations or policy
2.48 Member	Removed: set out in Bylaws, Regulations or policy
2.50 Occupant	Removed:
2.55 Purpose	Removed: clarified in (7.4)
2.66 Student Member	Removed: set out in Bylaws, Regulations or policy
2.68 Unit of Measure	Removed:
2.4 (2.3) Appraisal	Revised: "Signing appraiser" changed to "Member" First note removed – simply an inverse iteration of the definition
2.13 (2.10) Client	Revised: "The client is" removed "or agrees to render" added "The client is typically the intended user of the assignment" moved to (18.6.1.iii)
2.22 (2.14) Designated Member	Revised: "admitted to the Institute and" removed "properly complied" added
2.24 (2.17) Exposure Time	Revised: "Is referred to in most market value definitions. In an appraisal, the term means" removed Paragraph 2 removed Paragraph 3 moved to Comments (7.6)
2.29 (2.22) Fee Appraiser	Revised: "real property, appraisal, review, consulting, reserve fund planning or machinery and equipment appraisal services" changed to "Professional services" "in Canada" removed Note and paragraph 3 removed.
2.30 (2.23) Fixture	Revised: "A Member must have the competence to ascertain that the fixture is an improvement, personal property, or trade fixture and the contributory value of the fixture, if any." moved to (7.21.3)
2.36 (2.27) Hypothetical Condition	Revised: "A Hypothetical Condition requires there to be an Extraordinary Assumption in the report." removed as already in Comment (7.11.4.)
2.38 (2.31) Intended User	Revised: "The client and any other" removed
2.41 (2.34) Investment Analysis – Reserve Fund Study	Revised: "The investment analysis must be conveyed in such a manner so as not to be construed as the Member providing 'investment advice'" moved to (13.1.4.)
2.42 (2.35) Jurisdictional Exception	Revised: "in every case" and "It is unethical for a Member to complete an assignment that a Reasonable Appraiser could not support." Removed – Reasonable Appraiser is referenced in 4.3.5.
2.44 (2.37) Limiting Condition	Revised: "the report" changed to "an assignment"
2.49 (2.42) Non-Fee Appraiser	Revised: "real property, appraisal, review, consulting, reserve fund planning or machinery and equipment appraisal" removed "that the AIC Professional Liability Insurance Policy specifically defines non-fee appraiser as noted" removed Note 2 removed

Appendix B: Changes to CUSPAP from 2016 Edition

2.53 (2.46) Professional Assistance	Revised: "Appraisal" removed from title <i>Professional Appraiser Assistance involves Support to the Member by another AIC member (either candidates or designated, but not students, associate, or retired members) that has a direct and significant bearing on the outcome of his or her an assignment. This type of support is limited to those professional skills that fall under CUSPAP such as including property inspections, lease analysis, data analysis, and development of opinions and estimates, etc.</i> italicized words were removed
(2.47) Professional Association/Organization	Added.
2.54 (2.48) Professional Services	Revised: Means real property appraisal, review, consulting, reserve fund planning, machinery and equipment appraisal, and mass appraisal services which were rendered, or which should have been rendered, by a <i>Member, and for which such Member was, at the time of providing said services, qualified, competent and Member</i> authorized under the Rules, By-laws, Regulations and CUSPAP <i>to undertake.</i> italicized words were removed
2.55 (2.44) P. App	Revised: "This designation can be used only by AACI and CRA designated Members in conjunction with these designations." Removed – already in 5.1.3
2.58 (2.51) Reasonable Appraiser	Revised: Added assessor related to the Mass Appraisal Standard
2.60 (2.54) Report	Revised: Note 1 removed – already in 7.1.3 Note 3 - Report types may include form reports, <i>concise</i> short narrative reports <i>or, comprehensive and detailed</i> reports in complete or draft formats. Letters of opinion are not acceptable report types. Words removed for consistency.
2.62 (2.56) Retainer	Revised: <i>A term used throughout CUSPAP and shall refer to</i> The engagement of a Member by a client to <i>produce a formal report provide professional services</i> for an intended use. italicized words were removed
2.63 (2.57) Review	Revised: The act or process of developing and communicating an opinion about all or part of <i>an assignment prepared by a real property appraisal, machinery & equipment appraisal, review, consulting Member or reserve fund report non-Member..</i> Note: <i>The subject of a review assignment may be all or part of a report, the work-file or a combination thereof.</i> italicized words were removed
2.65 (2.59) Signature	Revised: "OR CO-SIGNATURE" added to title <i>Member Members, where the Member is Members</i> are responsible for content, analyses, and the conclusions in the report or assignment. Note: A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media, <i>where the Member has sole personalized control of affixing the signature or has delegated the affixing of the signature to a third party. Where delegation occurs, written confirmation of the delegation should be kept in the workfile.</i> Delegation must be on an assignment basis only and not a blanket delegation. italicized words were removed green words were moved to (7.1.3.)
2.69 (2.60) Value	Revised: The monetary relationship between properties and those who buy, sell or use those properties. <i>The Member must provide the basis for the value, that being a statement of the fundamental measurement assumptions of a valuation. as well as the timeframe of the value opinion.</i> Note: Value expresses an economic concept. <i>As such, it Value is never a fact, but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified, e.g., market value, liquidation value, investment value, rental value, or other.</i> Italicized text removed – in 6.2.3
2.67 Technical Assistance	Renamed (2.9) CLERICAL ASSISTANCE, references to "Technical" assistance changed to "Clerical" assistance. "A Member may rely on technical assistance from a non-Member." removed
(2.7) Automated Valuation Model (AVM)	Renamed (2.9) CLERICAL ASSISTANCE, references to "Technical" assistance changed to "Clerical" assistance. "A Member may rely on technical assistance from a non-Member." Removed and moved o (7.26.4.)
(2.16) Detrimental Condition	Added from 16.36.1.
(2.29) Inspection	Added
(2.41) Marketing Time	Added from 2.24.
(2.44) Normal Course of Business	Added: moved from 16.37.2
(2.53) Reliance Letter	Added
3 Foreword	
3.3.1	Revised: Addition of: Common Comments for Rules are included in the Real Property Appraisal Comments [section 7]. Any Comments specific to a Rule will follow each Standard.
4 Ethics Standard Rules	
4.1. and 4.2 (4.1)	Revised: contents of both were combined and renamed "Requirements of Members" 4.1.1 and 4.2.23combined 4.2.1 and 4.2.2 removed – covered in 4.2.3 and 5.2
5 Ethics Standard Comments	
5.1 Member	Removed: already in Bylaws and Regulations 5.1.2 and 5.1.3 moved to 5.4
5.2 (5.1) Conduct	Revised: "Member must immediately inform the Institute upon any criminal convictions involving fraud, dishonesty, false statements, moral turpitude, or any indictments that challenge good moral character or integrity." added
5.4 (5.3) Misleading Advertising	Revised
5.5 (5.4) Qualifications	Revised
5.6 (5.5) Co-operate	Revised: (5.5.3) "A Member must not submit false or misleading information to the Institute." added

Appendix B: Changes to CUSPAP from 2016 Edition

5.7 Records	Revised – 5.7.1
5.8 Liability Insurance	Removed–
5.9 (5.7) Records	Revised: 5.9.1.i the name of the client <u>and intended users</u> 5.9.1.ii <i>the identity, by name, of any intended user(s);</i> 5.9.1.iii true copies of any written reports,documented on any type of media; Italicized removed, green added 5.9.7 “after the issuance of the oral report” removed
5.10 (5.8) Disclosure	Revised: 5.10.2.iii and 5.10.3.iii “or Committee Member” added
5.11 (5.9) Conflict	Revised: 5.9.5 The client must be made aware of and consent to any fees, commissions or things of value, including referral fees, connected to the procurement or referral of an assignment prior to accepting the assignment. 5.9.6 Referral fees do not have not be disclosed in the report if: 5.9.6.i. the referral is because of the competency and ability of a Member to undertake the assignment; 5.9.6.ii. the referral fee does not increase the total fee charged to the client; 5.9.6.iii.the client is informed in writing of the referral and referral fee arrangements; and 5.9.6.iv. the client consents. Sections added.
5.12 (5.10) Competence	Revised: Competency Practice Notes moved to comment: 5.10.2 The steps necessary and appropriate to complete an assignment competently include personal study by the Member, association with another Member or professional with the necessary knowledge or experience, or retention of others who possess the required knowledge and experience. 5.10.3 Competency extends to a Member required to travel to geographic areas where he/she lacks the required knowledge and experience. A Member must acquire an understanding of local market conditions beyond hard data such as demographics, costs, sales, and rentals. A Member must spend the time in a market area necessary to gain competency or affiliate with a local qualified Member or third party professional. 5.10.4 Competency, including geographical competency, applies to co-signing and mentoring.
5.13 (5.11) Contingent	Revised: 5.13.1 (5.11.1) “real property appraisal, machinery & equipment appraisal or reserve fund study assignment” removed 5.13.3 (5.11.3) The purpose of this rule is to ensure that Members properly understand how they may comply with this Ethics Standard when performing a real property consulting assignment in which a real property appraisal is necessary and compensation for performing the assignment is contingent on the attainment of a stipulated result or the occurrence of a subsequent event (such as in connection with real property assessment appeal). Members must <u>follow</u> legislation in their jurisdiction around advocacy and <u>professional services</u> completed on a contingency basis. 5.13.4 (5.11.4) If no report (as defined) is prepared, A Member, sales agent or listing agent, in determining <u>may determine</u> a listing price for a client, is not deemed to be providing a when acting as a broker, sales/listing agent provided no report (as defined) is prepared and the Member clearly informs the client no formal appraisal of market value. This must be made clear to the client. has been completed. 5.13.6 removed
7 Real Property Appraisal Standard Comment	
7.1 Report	Revised: 7.1.3 added 7.1.5 added
7.2 Client and Intended User	Revised: 7.2.1 The client is typically the intended user of the assignment. It does not matter who pays for the work. Removed. 7.2.2.ii. Where an assignment is prepared by the Member for consideration by a tribunal or court, such as assisting in resolving a formal dispute, an intended user including: a judge, mediator, arbitrator, or other trier of fact does not need to be identified by name. – section added
7.4 Purpose	Revised: 7.4.1 Liability to the client may depend on the Member’s understanding of the client’s objective (intended use). Text removed (7.4.2) added
7.5 Scope of Work	Revised: 7.5.1 shortened for conciseness 7.5.1.v removed
(7.6) Exposure Time	Section added
7.6 (7.7) Effective Date	Revised: 7.6.2 reference to Reliance Letter removed. 7.6.3 “Use of data subsequent to the effective date should be considered in context of the effective date and must be clearly stated in the report.” – text added 7.7.3 – text moved to 18.11
7.7(7.8)	Revised: “Compliance is required with the Standards in effect as at the date of the report. - text removed.
7.8(7.9) Characteristics of the Property	Revised- wordsmithing changes throughout 7.8.1.ix “Inspection of the subject property is mandatory, subject to any assumptions and Extraordinary Limiting Condition – text removed
7.9 (7.10) Assumptions and Limiting Conditions	Revised: 7.9.1 removed 7.9.4 removed (7.10.5) section added
7.10(7.11) Hypothetical Conditions	Revised: 7.10.1 “Common hypothetical conditions include, among others, proposed improvements, prospective appraisals and contaminated properties.
7.15(17.6) Appraisal Procedures	Revised: 7.15.2 “but does not require an Extraordinary Limiting Condition” – text removed

Appendix B: Changes to CUSPAP from 2016 Edition

	7.15.3 section removed. 7.15.8.i “have a basic understanding of how the AVM operates;” – text removed
7.17(7.18) Leased Fee/Leasehold Estate	Revised: (7.18.2) – section added
7.18(7.19) Assemblage	Revised: formatting
7.19(7.20) Anticipated Improvements	Revised: 7.19.1 & 7.19.2 blended into one section (17.20.1)
7.20(7.21) Personal Property	Revised: 7.20.1 – wordsmithing (7.21.3) section added
7.25(7.26) Responsibility	Revised: 7.25.1 (7.26.1) – removed technical assistance, added possibility of limitations 7.25.2 removed (7.26.2, 7.26.3, 7.26.4) added Revised: 7.25.3(7.26.5) - text added (7.26.6) section added (7.26.7) – section added 7.25.4 (7.26.8) renumbered (7.26.9, 7.26.10, 7.26.11) – sections added
Box 7.25	Removed
8 Review Standard Rule	
8.1 Preamble	Revised: 8.1.2 “The Review may also be done to determine compliance with another recognized Standard” – text added 8.1.3 – text changed 8.1.3.i – section added 8.1.3.ii – definition of Administrative Review – 8.1.4.i - moved here -
9 Review Standard Comment	
9.1 Review	Revised: 9.1.1, 9.1.2, 9.1.7, 9.1.8 & 9.1.9 –sections removed
9.2 Client and Intended User	Removed – referred to Real Property Appraisal Standard Comments
9.3 Intended Use	Removed – referred to Real Property Appraisal Standard Comments
9.4(9.2) Purpose	Revised: 9.4.1.i – section removed (9.2.3) – section added 9.4.5.i – section removed
9.5(9.3) Scope of Work	Revised: 9.5.2.vi – section removed 9.5.4, 9.5.4.i & 9.5.4.ii – section moved under (9.4) 9.5.4.iii & 9.5.4.iv – sections removed 9.5.5 – section moved under (9.5) 9.5.6 – section moved under (9.6)
(9.4) Hypothetical Conditions, Extraordinary Assumptions and Extraordinary Limiting Conditions	9.5.4 and 9.5.4.i & 9.5.4.ii moved here
(9.5) Review with Opinion of Value	9.5.5 – section moved here
(9.6) External/Internal Review	9.5.6 – section moved here
9.6(9.7) Completeness of the Report Under Review	Revised: wordsmithing
9.8 Certification	Removed – referred to Real Property Appraisal Standard Comments
9.9 Responsibility	Removed – referred to Real Property Appraisal Standard Comments
Box 9.8.1	Removed
9.10 Date of Review	Removed
10 Consulting Standard Rule	
10.1 Preamble	Removed
11 Consulting Standard Comment	
11.1 (11.1.1) Consulting	Revised: “property condition assessments, stand-alone progress inspection reports,” – text added
11.2 Report	Removed – referred to Real Property Appraisal Standard Comments
11.3 Client and Intended User	Removed – referred to Real Property Appraisal Standard Comments
11.4 Purpose	Removed – referred to Real Property Appraisal Standard Comments
11.5 Assumptions and Limiting Conditions	Removed – referred to Real Property Appraisal Standard Comments
11.9.1 (11.5.1) Feasibility Analysis	Revised: “Consultant” changed to “member
11.10 Certification	Removed – referred to Real Property Appraisal Standard Comments
Box 11.10.1	Removed
11.11 Responsibility	Removed – referred to Real Property Appraisal Standard Comments
11.12 Date of Report	Removed – referred to Real Property Appraisal Standard Comments

Appendix B: Changes to CUSPAP from 2016 Edition

(11.6) Property Condition Assessment	Added
(11.7) Progress Report	Added
12 Reserve Fund Study Standard Rule	
12.1 (12.1) Preamble	Revised: 12.1.1 and 12.1.3 – sections removed
13 Reserve Fund Study Standard Comment	
(13.1) Preamble	Added 13.6 Legislation moved here (13.1.2)
13.1 Report 13.2 Client and Intended User 13.3 Intended Use 13.4 Purpose	Removed – referred to Real Property Appraisal Standard Comments
13.5 Effective Date of the study	Removed
13.6 Legislation	Moved under (13.1) Preamble
13.7 Scope of Work and Extent of Data Collection Process	Removed – referred to Real Property Appraisal Standard Comments
13.8 Update	Removed
13.9 Assumptions and Limiting Conditions 13.10 Hypothetical Conditions 13.11 Describe and Analyse all Relevant Data	Removed – referred to Real Property Appraisal Standard Comments
13.12 (13.2) Components of the Reserve Fund Study	Revised: 13.13 Benchmark Analysis, 13.14 Cash Flow Projection, 13.15 Adequacy Analysis of the Reserve fund Contributions, & 13.16 Preparing a Reserve Fund Model – sections moved here
13.13 Benchmark Analysis 13.14 Cash Flow Projection 13.15 Adequacy Analysis of the Reserve fund Contributions 13.16 Preparing a Reserve Fund Model	Moved under (13.2) Components of the Reserve Fund Study
13.18 Certification 13.19 Responsibility	Removed – referred to Real Property Appraisal Standard Comments
15 Machinery & Equipment Appraisal Standard Comment	
(15.1) Preamble	Added
15.8 (15.2) Characteristics of the Property	Revised: 15.8.1.ii, 15.8.1.iii, 15.8.1.v, 15.8.1.vi, 15.8.1.vii & 15.8.1.viii – sections removed 15.8.2 – section removed
15.1 Report 15.2 Client/Intended User 15.3 Intended Use 15.4 Purpose 15.5 Scope of Work 15.6 Effective Date 15.7 Date of Report 15.9 Assumptions and Limiting Conditions 15.19 Hypothetical Conditions 15.11 Use 15.12 Describe and Analyze All Data Relevant to the Assignment 15.13 Appraisal Procedures 15.14 Reasoning 15.16 Agreement for Sale/Option/Listing 15.17 Review and Reconcile 15.18 Final Value 15.19 Certification 15.20 Responsibility	Removed – referred to Real Property Appraisal Standard Comments Removed – referred to Real Property Appraisal Standard Comments

Appendix B: Changes to CUSPAP from 2016 Edition

15.21 Scope of Work for Valuation in Financial Reporting	Removed
(16) Mass Appraisal Standard Rule	
Section added	
(17) Mass Appraisal Standard Comments	
Section added	
16 (18) Practice Notes	
16.1 Member Categories	Removed
16.2 Conduct	Removed
16.3 Continuing Professional Development	Removed
16.4 Liability Insurance	Removed
16.5 Records	Removed
16.6 (18.1) Disclosure	Revised: 16.6.6, 16.6.7, 16.6.10, 16.6.11 & 16.6.12 moved under (18.2)
(18.2) PIPEDA	Added
16.7 (18.3) Conflict	Revised: 18.3.5.iii section added 16.7.10 - wordsmithing
16.8 Competence	Removed
16.9 (18.4) Contingent	Revised: 16.9.1 – removed 16.9.2.i , 16.9.2.ii & 16.9.2.iv– sections removed (18.4.1.ii) added
16.10 (18.5) Report	Revised: 16.10.1 – section removed (18.5.3) – section added 16.10.4 – removed 16-10.5- removed 16.10.6 – removed 16.10.7.vii – removed 16.10.8 & 16.10.9 – section removed 16.10.14 & 16.10.15 – sections removed
Box 16.10.5 (18.5.3)	Revised: Delivery Format and Amendments lines added
16.11 Work File	Removed
16.12 (18.6) Client and Intended User	Revised: 16.12.1(18.6.1) “as acknowledged and confirmed by the client” and “The intended user shall be identified by name, which can include an identifiable entity.” And “This report is intended for the use of those specifically identified and all other use is strictly unauthorized. The appraiser is not liable for any unauthorized use of this report” – text removed 16.12.1.iv – section removed (18.6.1.v) & (18.6.1.vi) – sections added 16.12.5 – section removed (18.6.7) – section added 16.12.9 – split into sections (18.6.8) & (18.6.9)
Boxes (18.6.6A & B)	Added
(18.7) Intended Use for Reserve Fund Study	Added
16.13 Intended Use	Removed
16.14 (18.8) Value	Revised: 16.14.4.i – section removed
16.15 (18.9) Scope of Work	Revised: REAL PROPERTY APPRAISAL – added to title All sections removed – only Box 16.15.1(18.9) remains
(18.10) Scope of Work – Review Assignment	8.2.6 – moved to this section
16.16 (18.11) Retrospective Value Opinion	Revised: 16.16.2 – section removed
16.17 (18.12) Update	Revised: 16.17.2.ii – section removed (18.12.3) – section added 16.17.4(18.12.5) – “In the absence of written consent from the client and an extraordinary limiting condition, re-inspection is mandatory. The scope of work involved in an update might be different from that for an original assignment. It is the responsibility of the Member to ensure the scope of work is sufficient to provide meaningful and valid results.” – text added
16.18 (18.13) Exposure Time	Revised: 16.19.5 – section removed (18.13.1) – section added
16.20 (18.15) Detrimental Conditions	Revised: (18.15.5) & (18.15.6) – sections added
(18.19) Grow Ops	Added

Appendix B: Changes to CUSPAP from 2016 Edition

16.27 (18.23) Inspection of Property	Revised: (18.23.2), (18.23.3), (18.23.4) & (18.23.5) – sections added
16.29 (18.25) Extraordinary Assumptions & Hypothetical Conditions	Revised: 16.29.1 through .5 – the text is all present, it has been re-formatted and re-arranged
Boxes (18.25.3) (18.25.4) & (18.25.7)	Box (18.25.3) – text from 16.29.2 Box (18.25.4) – text from 16.29.4.i Box (18.25.7) – text from bullet point in 16.29.5.i
16.30 (18.26) Extraordinary Limiting Conditions	Revised: 16.30.2 – section removed 16-30.4(18.26.4) & 16.30.5(18.26.5) – wordsmithing and reformatting
Box (18.26.4)	Added
Box 16.30	Removed
16.31 (18.27) Land Use Controls	Revised: wordsmithing and reformatting
Box (18.27)	Added
16.32 (18.28) Highest and Best Use	Revised: 16.32.1, 16.32.5, 16.32.6, 16.32.7 – sections removed (18.28.4) section added
Box (18.24.4)	Added
16.33 Use of Designation or Identification of Member Status	Removed
16.34 (18.29) Direct Comparison Approach	Revised: 16.34.1(18.29.1) – wordsmithing 16.34.4(18.28.4) - wordsmithing
16.36 Automated Valuation Model	Removed
16.37 (18.31) Agreement for Sale/Option/Listing/Prior Sale	Revised: 16.37.1 – section removed 16.37.2 – “Normal Course of Business” definition moved to section 2 Definitions
16.38 (18.32) Responsibility	Revised: 16.38.2(18.32.2) – (18.32.2.iv) & (18.32.2.v) –sections added 16.38.3, 16.38.4, 16.38.5, 16.38.6 & 16.38.7 – sections removed (18.32.3) & (18.32.4) – sections added 16.38.2 (18.32.2 and 18.32.3) – sections removed
16.39 Technical review	Removed
16.41 Purpose	Removed
16.47 (18.38) Value Opinions in Appraisal Review Assignments	Revised: (18.38.1) & (18.38.2) – sections added
16.48 Assessment	Removed
16.49 (18.40) Purpose of Reserve Fund Study	Revised: 16.49.1 – section removed
16.50 Reasoning	Removed
16.51 Certification	Removed
16.52 (18.41) Effective Date	Revised: “of a Reserve Fund Study” added to title
16.53(18.42) Legislation	Revised: “in a Reserve Fund Study” added to title
16.54 Scope	Removed
16.55 Update	Removed
16.56 Assumptions and Limiting Conditions	Removed
16.57(18.43) Hypothetical Conditions	Revised: “in a Reserve fund Study” added to title
16.58(18.44) Benchmark Analysis	Revised: “in a Reserve fund Study” added to title
16.59(18.45) Cash Flow Projection	Revised: “in a Reserve fund Study” added to title
16.62(18.48) Exclusions	Revised: “in a Reserve fund Study” added to title
16.63 Liability Insurance	Removed
16.65 (18.50) Personal Property – Machinery and Equipment	Revised: 16.65.2.i – formatted to (18.50.2)