



Appraisal Institute
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CASE SUMMARY

Spring -2010-01

Facts:

The member has completed two appraisal reports on the same property to two different clients on two different dates (within a short period of time) with two different values. The subject property is a three storey building containing 16 residential units with a separate one storey building that, based on the exterior photos, is a commercial property all located on a corner site in the Town of XXXX.

In addition, the member provided an unsigned letter to one of the clients with the following comment; “Based on the research and investigations to date it is our considered and professional opinion that the subject property would have an estimated market value of \$1,200,000 as of August 14, 2002.”

There is an ongoing court action commenced at the same time by the complainant. The status of this legal action is not known.

Issue:

The quality of the reports was poor and they lacked thoroughness. Both reports were significantly short on detail. The member undertook improper analyses of both the Direct Comparison and the Income Approach. The reports lack important points of disclosure.

Holding:

The Adjudicating Committee ratified a Conditional Guilty Plea Agreement. The discipline recommended was Censure without publication and successful completion of the Professional Practice Seminar. Costs of \$1,500.00 were awarded.

Reasoning:

Because this file was opened before the introduction of new Regulations in June 2008, the member chose to continue administration under Old Regulations and as such was eligible for resolution by way of a Conditional Guilty Plea Agreement. The member agreed to a Conditional Guilty Plea Agreement offered by the Investigating Committee in order to avoid a full hearing.



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Relevant CUSPAP:

Canadian Standards (2002 Edition) – Appraisal Standard Rule #3 (line 1015) – In the report the appraiser must identify the purpose of the assignment, including a relevant definition of value;

Canadian Standards (2002 Edition) – Appraisal Standard Rule #4 (line 1017) – In the report the appraiser must identify the scope of work necessary to complete this appraisal;

Canadian Standards (2002 Edition) – Appraisal Standard Rule #5 (line 1019) – In the report the appraiser must identify whether the appraisal is a current, retrospective, prospective or an up-dated

Canadian Standards (2002 Edition) Appraisal Standard Rule #10 (line 1029) – In the report the appraiser must identify all assumptions and limiting conditions

Canadian Standards (2002 Edition) Appraisal Standard Rule #11- In the report the appraiser must identify any hypothetical conditions (including proposed improvements)

Canadian Standards (2002 Edition) Appraisal Standard Rule #12 (line 1033) – In the report the appraiser must identify land use controls

Canadian Standards (2002 Edition) Appraisal Standard Rule #18 (line 1047-1048) – In the report the appraiser must detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach

Canadian Standards (2002 Edition) Appraisal Standard Rule #23 (line 1059) – In the report the appraiser must analyze any current Agreement for Sale, option, or listing of the property

Canadian Standards (2002 Edition) Appraisal Standard Rule #24 (line 1061) – In the report the appraiser must analyze any prior sales of the property

Canadian Standards (2002 Edition) Appraisal Standard Rule #25 (line 1063-1064) – In the report the appraiser must review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate

Canadian Standards (2002 Edition) – Ethical Rule #3 (line 117) – It is unethical for a member to complete an assignment that reasonable appraisers could not support.

Canadian Standards (2002 Edition) - Ethical Rule #6 (line 124) – It is unethical for a member to fail to comply with Bylaws, Regulations and Standards of the Institute



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Canadian Standards (2002 Edition) - Ethical Rule #13 (line 139) – It is unethical for a member to undertake an assignment lacking the necessary competence

Related Claims Prevention Bulletin:

PP02a – Reducing the Risk of Litigation – A Primer

PP06- Appraisal Methods

PP14 – Data Verification

PP18- Zoning