

# Reviewing building files benefits appraiser and client

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**In the world** of appraisal, building file review is an area that ensures quality and thoroughness of an appraisal report. In the end, it is a practice that benefits both the appraiser and the client. However, reviewing a building file is becoming an onerous task due to the ‘privacy of information’ policies that many municipalities are implementing. It is commonplace for a governing body to request a letter of authorization from the owner giving permission to release a building file. Even with that, the file is sometimes edited and may not produce pertinent information that will be helpful to the client.

As appraisers, it is our responsibility to properly research all information available on the subject property, in order to conduct a thorough and comprehensive appraisal. Producing a high quality report contributes to our good reputation which, in turn, leads to repeat business. Those clients who do not want a thorough report are usually the most problematic clients and the ones you are better off without.

Henry Ford once said that “quality means doing it right when no one is looking.”

Building files provide the appraiser with a history of the property that can be helpful regarding potential contamination concerns. They can also list the types of uses that were located at the address, which can be helpful to a client considering the location for their business. Most importantly, the building file

can point out deficiencies in the property that will likely not be apparent to most appraisers or purchasers in the course of a normal inspection. This will not only contribute to the quality of information provided to the client, but it will also assist in decreasing errors and omissions insurance claims. Here are two examples:

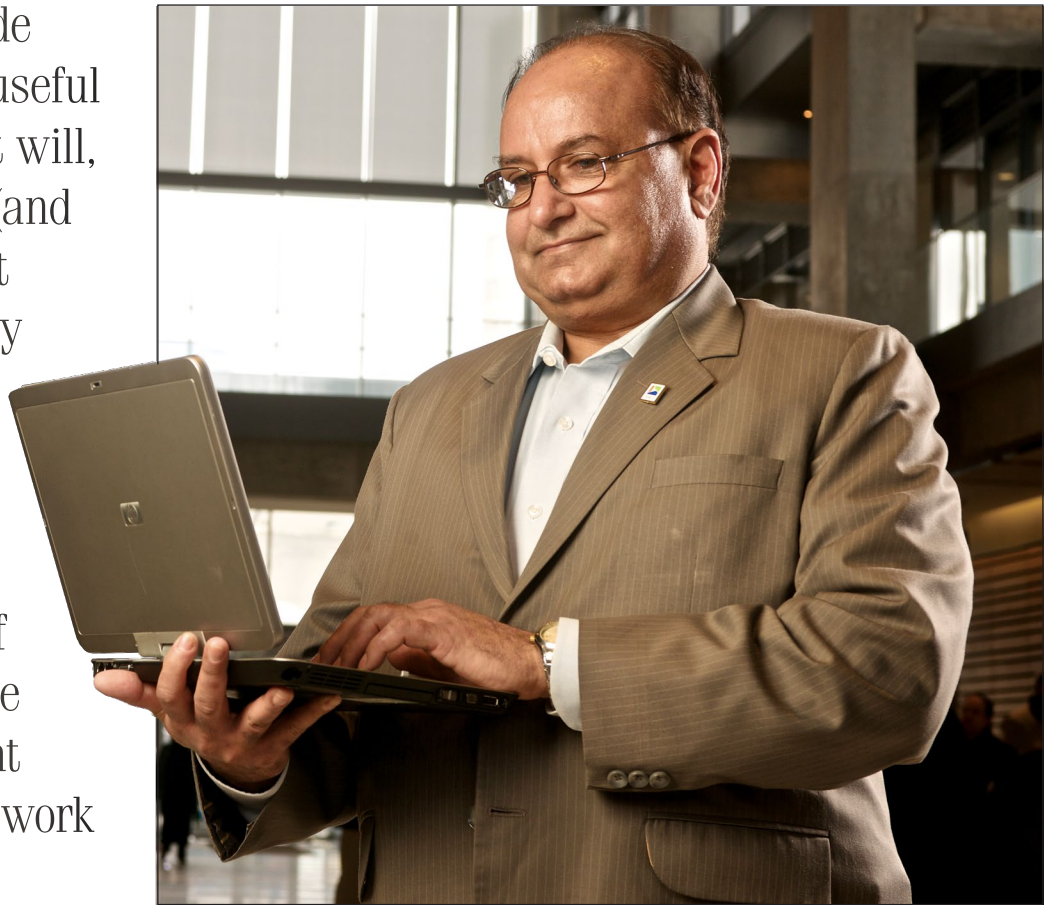
An appraisal was requested for a local hotel and drinking establishment. The name has been changed for this report, but we will call it the Sleep Easy Hotel. This is one of the older structures in the city, with a well-known pub on the ground level catering to the lower socio economic clientele, and a top floor that, at one time, was used for accommodations. Upon inspecting the building file, there were 12 infractions that required correction before the top floor could be rented. It was apparent that,

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due to the age of the structure and the quality of the rooms, remediation to city standards would not be economical and the business would be the ‘pub trade’ only. Upon realizing this, the lender was no longer interested, having been under the impression that the loan was for a hotel as well as a pub. The purchaser also realized that the source of revenue would be limited to pub business only.

A nearly new industrial building was purchased and an appraisal was requested to provide a first mortgage. This was a steel frame, metal clad structure in a well-known industrial area. Upon inspection of the building file, it was evident that an occupancy permit was issued indicating that all necessary construction requirements had been fulfilled for the building to be considered 100% complete. The file stated there was a holdback of around \$50,000 to allow for paving of the parking lot, a catch basin, and landscaping requirements. In actual fact, there was no asphalt parking area, catch basin or landscaping. The full amount was refunded to the owner upon receipt of the occupancy permit. The building inspector was interviewed and he stated that an error had been made. This has implications for the new owner. As the property is within a ‘development permit area,’ any renovations, modifications or additions would require a development permit, which would then also require this new owner to install a catch basin and provide asphalt parking spaces as well as landscaping.

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There are many other examples of a building file revealing pertinent information that will assist the appraiser. It is good information that will enhance the quality of the report, and serve as a step toward claims prevention.

Building files contain information spanning the history of the subject property, since the municipality or district began collecting data. This is an invaluable source of information and an appraiser can glean some very good information about the subject property by reviewing this file. This is especially the case for older buildings that have been constructed in phases.

While we are to produce an appraisal for a certain purpose or use, we should also strive to produce a report that will be helpful to the client from a knowledge base. This is in regard to providing information about the land and improvements that may save the client both time and money for future endeavours, whether it is for a new use or modifications to the existing use.

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To that end, as professional appraisers, we should include a building file review as one of the critical steps in any commercial/ industrial assignment. It is becoming increasingly difficult to obtain this information due to privacy of information guidelines, however, we should not use this as a reason to fall short on our requirement to educate and provide service to our client.

Personally, I request the building file for all ICI appraisals. At times, I feel that completing commercial reports can be like walking in a minefield. Proper due diligence serves as a mine sweeper that can avoid blowing off a financial leg. 🇨🇦

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