



Appraisal Institute of Canada  
Institut canadien des évaluateurs

**Case Summary: 2022-04**

**Adjudicating Sub-Committee Hearing Date: January 21, 2022**

**General Summary:**

**File opened:** May 30, 2017

This complaint was submitted by the subject property owner and was related to an appraisal report completed by an AACI-designated Member for property tax purposes that was presented as evidence at an assessment appeal hearing.

**Complainant Allegations:**

The complainant raised the following concerns:

1. Incorrect identification of property rights
2. No mention of assemblage
3. No comparables
4. No support for mass appraisal method
5. Mix of methodologies used
6. Only physical depreciation applied
7. Income from other properties attributed to subject
8. Mortgage/equity approach used - subject is leased
9. Capitalization rate is derived from properties that have different business models
10. Report fails reasonable appraiser test, and is intentionally and unintentionally misleading

**Issues Arising from the Complaint Review:**

None

**Adjudicating Sub-Committee Decision dated February 22, 2022**

**Breaches of CUSPAP 2016:**

**Real Property Appraisal Standard Rule 6.2.8** In the report the Member must identify the interest appraised and the location, and describe the characteristics of the property

**Real Property Appraisal Standard Rule 6.2.9** In the report the Member must identify all assumptions and limiting conditions (including extraordinary assumptions and extraordinary limiting conditions)

**Real Property Appraisal Standard Comment 7.8 Characteristics of the Property**

**7.8.1** Relevant to the purpose and intended use of the report, characteristics of the property must be adequately described, analyzed and included in the report:

**7.8.1.iii** physical, legal and economic attributes

**7.8.1.v** any known or apparent title restrictions, easements, encumbrances, leases, reservations, covenants, contracts, judgements, special assessments, liens, or other items of a similar nature

**Real Property Appraisal Standard Comment 7.10 Hypothetical Conditions**

**7.10.5** 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:

**7.10.5.i** the property condition does not in fact exist as at the effective date

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

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

**Real Property Appraisal Standard Rule: 6.2.14** – In the report the Member must describe and analyze all data relevant to the assignment;

**Real Property Appraisal Standard Rule: 6.2.15** - In the report the Member must describe and apply the appraisal procedures relevant to the assignment and provide reasoning for the exclusion of any of the relevant valuation procedures;

**Real Property Appraisal Standard Rule: 6.2.16** - In the report the Member must detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach;

**Real Property Appraisal Standard Comments: 7.14 Describe and Analyze All Data Relevant to the Assignment**

**7.14.1** The Member must take reasonable steps to ensure that the information and analyses provided are sufficient for the client and intended users to adequately understand the rationale for the opinion and conclusions.

**7.14.2** In the process of collecting and verifying relevant information the Member must perform this function in a manner consistent with the “Reasonable Appraiser” standard.

**Real Property Appraisal Standard Comments: 7.15 Appraisal Procedures 7.15.5**

When a Cost Approach is applicable, a Member must:

**7.15.5.i** develop an opinion of site value by an appropriate appraisal method or technique;

**7.15.5.ii** analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and

**7.15.5.iii** analyze such comparable data as are available to estimate the difference between cost new and the present worth of the improvement (accrued depreciation).

**7.15.6** When an Income Approach is applicable, a Member must:

**7.15.6.i** analyze trends, forecasts and such comparable rental data as are available to estimate the market rental of the property;

**7.15.6.ii** analyze such comparable operating expense data as are available to estimate the operating expenses of the property;

**7.15.6.iii** analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and

**7.15.6.iv** base projections of future rent and expenses on reasonably clear and appropriate evidence.

**Discipline:**

**Section 5.35.2 Education.** Completion of CPD 105 Highest and Best Use Analysis and CPD 160 Law and Ethical Considerations in Real Estate Business within six months of the date of the Adjudicating decision.

**Costs (Section 5.38):**

No costs were levied.

**Other Comments:**

Compliance with CUSPAP is obligatory for all Members regardless of their fee/non-fee status. Wherever possible, a report must conform to CUSPAP or clearly state whether exceptions, if any, are made.