



Case Summary: 2022-06

Sanction Consent Agreement Implementation Date: March 11, 2022

General Summary:

File Opened: October 5, 2021

This is a matter that arose from a consumer inquiry that did not evolve into a formal written complaint. The matter was referred to a Counsellor for review to determine if there was conduct that may be deserving of a Sanction that may otherwise not have been submitted to the AIC in accordance with AIC Consolidated Regulations.

The Counsellor determined that there were issues arising from the inquiry and an AIC complaint file was opened.

The Appraisal Report, completed by a CRA-designated Member, describes the subject property as an older, detached single-family dwelling located in a downtown core, on a 0.10-acre site that is zoned C4 Street-Oriented Commercial.

Complainant Allegations:

None

Issues Arising from the Complaint Review:

The AIC complaint review found that:

1. The report did not include an appropriate Extraordinary Assumption and Hypothetical Condition to address the fact that in accordance with the Clients instructions, the subject property was appraised as a single-family residence although zoned C4 Street-Oriented Commercial.
2. The report contained numerous description errors and inconsistencies.
3. The Direct Comparison Approach included erroneous comparable data and the depreciation analysis in the Cost Approach is not supported by the Effective Age/Economic Life estimates. The Cost Approach produces a significantly lower estimate of market value than the Direct Comparison Approach but it is stated "the Cost Approach is supportive of the direct comparison approach to value."

Sanction Consent Agreement Terms

Agreed Breaches of CUSPAP 2020:

Reporting Standard Rule 6.2.7 In a report the Member must identify all Assumptions and Limiting Conditions (including Extraordinary Assumptions and Extraordinary Limiting Conditions);

Reporting Standard Comment 7.9 Assumptions and Limiting Conditions (including Extraordinary Assumptions and Extraordinary Limiting Conditions

7.9.1 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.

7.9.2 When referencing the subject matter of an Extraordinary Assumption in a Report, it must be clearly indicated that the conclusions are based on the Extraordinary Assumption.

7.9.3 Wherever an Extraordinary Assumption is referenced in a Report, it must be clearly identified as an Extraordinary Assumption.

7.9.4 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.

Reporting Standard Rule 6.2.8 In a report the Member must identify any Hypothetical Conditions;

Real Property Appraisal Standard Rule 8.2.7 When completing a Real Property Appraisal Report, a Member must comply with the Reporting Standard and must describe and analyze all data relevant to the Assignment;

Real Property Appraisal Standard Comment 9.6 Describe and Analyze All Data Relevant to the Assignment

9.6.1 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.

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

Real Property Appraisal Standard Rule 8.2.9 When completing a Real Property Appraisal Report, a Member must comply with the Reporting Standard and must detail the reasoning supporting the analysis, opinions and conclusions of each valuation approach

Real Property Appraisal Standard Comment 9.8 Reasoning

9.8.1 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.

Real Property Appraisal Standard Rule 8.2.15 When completing a Real Property Appraisal Report, a Member must comply with the Reporting Standard and must review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate;

Real Property Appraisal Standard Comment 9.14 Review and Reconcile

9.14.1 The Member must review, discuss, and reconcile in the Report 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.

Agreed Discipline:

1. **Section 5.35.2:** Education: CPD 132: (webinar) More Than Just Form-Filling: Creating Professional Residential Appraisal Reports to be completed successfully at the Member’s expense and must include the successful completion of the final exam not later than 6 months after the date of implementation of the Sanction Consent Agreement.
2. **Section 5.35.3:** Peer Review: A similar appraisal report not more than two (2) years old to be submitted within 30 days of the date of implementation of the Sanction Consent Agreement.

Costs (Section 5.38):

No costs were sought.