



Case Summary: 2023-09

Sanction Consent Agreement Implementation Date: June 5, 2023

General Summary:

File Opened: August 6, 2022

A member of the public submitted this complaint.

The Report describes a commercial retail property that is currently leased and used as a restaurant operation. The property includes a main building, a detached garage/warehouse structure, and parking. The site is zoned Commercial which permits the current use.

The Member applied appropriate methodologies in the Direct Comparison Approach and the Income Approach. However, the Direct Comparison Approach lacked sufficient description of the comparable sales and contained errors.

The Report includes numerous inconsistencies and errors. Although they do not significantly affect the Report's opinions and conclusions, the Professional Service was rendered in a careless manner.

The timing of payment of fees is a business decision and falls outside of the purview of the AIC Complaint Review Process.

Report Details:

Property Type: Commercial

Purpose: to estimate market value of a leased-fee interest

Use: first mortgage financing

Certification: signed by: Candidate Member Co-signed by: AACI-designated Member

Complainant Allegations:

The Complainant expressed general concerns about the Candidate Member's lack of professionalism, accuracy, knowledge, and competency.

The complain contained allegations that:

- the Appraiser incorrectly utilized the direct comparison method and income approach
- a property used for comparison with the subject property was sold over 18 months ago

- the report would not be released until payment was received from the Client

Issues Arising from the Complaint Review:

The following issues arising were uncovered as a result of the AIC review of this complaint:

- Inconsistent identification of Client and Intended Users
- Inconsistent reporting of Effective Date of the Report
- Inadequate description and analysis of the existing lease
- Inconsistent comments about source of existing lease information
- Inconsistent statements about the existing rental rate in comparison to market data
- Inadequate description and analysis related to the existing rental rate being above market comparables and any associated risk

Sanction Consent Agreement Terms

Agreed Breaches of CUSPAP 2022:

Ethics Standard Rules

4.1.2 A Member is required to use due diligence and due care and must not render Professional Services in a careless, biased, discriminatory, or negligent manner. The fact that carelessness, bias, discrimination, or negligence or a Member does not result in an error that significantly affects a Report's opinions or conclusions, and thereby does not cause serious harm, does not excuse such carelessness, bias, discrimination, or negligence.

Reporting Standard Rules

In a Report the Member must:

6.2.1 identify the Client by name and Intended User by name;

6.2.5 identify the Effective Date of the Member's analysis to complete the Assignment;

Real Property Appraisal Standard Rules

When completing a Real Property Appraisal Report, a Member must comply with the Reporting Standard and must:

8.2.7 describe and analyze all data relevant to the Assignment

8.2.9 detail the reasoning supporting the analysis, opinions and conclusions of each valuation approach;

8.2.10 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 interest;

Agreed Discipline:

1. **Section 5.35.2:** Education: CPD 123 Adjustment Support in the Direct Comparison Approach 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 5.35.2:** Education: CPD 128, Retail Property Valuation 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.
3. **Section 5.35.3:** Peer Review: A similar appraisal report not more than two (2) years old completed by the Candidate and co-signed by the AACI-designated Member to be submitted within 30 days of the date of implementation of the Sanction Consent Agreement.

Costs (Section 5.38):

No costs were levied.