



Appraisal Institute of Canada

Institut canadien des évaluateurs

APPRAISAL INSTITUTE OF CANADA PRACTICE NOTES 2024

Effective July 1, 2024

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1 INTRODUCTION TO PRACTICE NOTES

Practice Notes are provided as a companion document to the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).

They provide:

- guidance to:
 - promote compliance with CUSPAP,
 - illustrate best practices,
 - meet the Reasonable Appraiser test, and
 - protect the Member, clients, and the public.
- examples of the correct application of Standards Rules and Comments.

Acronyms

ESR – Ethics Standard Rule

ESC – Ethics Standard Comment

RSR – Reporting Standard Rule

RSC – Reporting Standard Comment

RPSR - Real Property Appraisal Standard Rule

RPASC - Real Property Appraisal Standard Comment

ReSR – Review Standard Rule

ReSC – Review Standard Comment

CSR – Consulting Standard Rule

CSC – Consulting Standard Comment

RFSSR – Reserve Fund Study Standard Rule

RFSSC – Reserve Fund Study Standard Comment

MESR – Machinery and Equipment Standard Rule

MESC – Machinery and Equipment Standard Comment

MASR – Mass Appraisal Standard Rule

MASC – Mass Appraisal Standard Comment

2 PRACTICE NOTES FOR THE ETHICS STANDARD

2.1 Qualifications (ESR 4.2.6)

2.1.1 In determining the scope of practice for a CRA Member undertaking an assignment, the test lies in the Highest and Best Use of the property being appraised.

2.1.2 The box below contains key questions to assess the Highest and Best Use of a property being valued.

Highest and Best Use (H&BU)	
Considerations	Questions to ask:
• Zoning • Permitted uses and land use controls	▪ What is happening in the area and what are the trends? ▪ What are the surrounding land uses? ▪ Are they similar to the subject property's H&BU? ▪ Who are the buyers? ▪ What is the supply and the demand for properties with similar H&BUs?
• H&BU Criteria	▪ Is the H&BU legally permissible and/or financially possible? ○ Will it generate the highest net return? ▪ Is it possible for the H&BU to be something other than the existing use?
CRA Scope of Practice	
Does the assignment fall within the scope of practice of the CRA designation?	▪ If not, the report will have to be co-signed by an AACI-designated Member with competence in the assignment type.

EXAMPLES: CRA SCOPE

Four-Plex within a 12 Unit Site

An Authorized Client owns 12 four-plex buildings held in one single-titled parcel. While one of the four-plexes might be thought of as ‘a dwelling containing not more than 4 self-contained family housing units’ (see CUSPAP 5.4.5), this is really one 48-unit property requiring an AACI co-signer.

A CRA designated Member may be able to appraise one four-plex based on an Extraordinary Assumption and Hypothetical Condition that it had been subdivided from the larger parcel at the effective date. It should be very clear that the final hypothetical current market value estimate for the single four-plex must not be multiplied by 12 to arrive at a current market value estimate for the whole project.

Similarly, it is inappropriate to appraise a single unit in a condominium project and imply that the Authorized Client can multiply that value to arrive at a total value estimate for the entire condominium project.

Proposed RE-zoning to Permit more than 4 Units on a Single Residential Site

Current zoning is trending towards allowing more units on a single residential site. Often, proposed changes to zoning allows up to 8 units on a single residential site however there will continue to be various designations and criteria for each such as setback, lot frontage, and site coverage etc., which will determine how many units could ultimately be built on a site.

With respect to a CRA-designated Member, their appraisal assignments remain limited to a maximum of four residential units in accordance with CUSPAP Ethics Standard Comment 5.4.6.

The determining factor as to whether a property is within the scope of a CRA-designated Member is the Highest and Best Use (HBU) of the property. If the HBU is an individual, undeveloped site for not more than four self-contained housing units then it is within scope for a CRA to value. A CRA-designated Member is equipped to review zoning and related documents and will be able to determine when the HBU falls outside of the scope of their CRA designation.

Members should always:

- thoroughly check the zoning of the property;
- understand what uses can be made of the property; and
- thoroughly establish the property’s HBU at the point in time.

Once completed, the CRA-designated Member can determine if they are able to take on an assignment by themselves, would need to enlist the services of an AACI-designated co-signer, or would need to decline the assignment.

In the context of land use and legislative change, if a change in the land use is not practical, probable, or imminent it would be misleading for a Member to conclude an HBU based on an assumption of a legislative change to land use controls.

When a valuation is being completed on the assumption of a change in land use controls, this factor should be clearly identified throughout the report, particularly at points where a value estimate is being stated, as well as any points where the land use controls are being stated or discussed. *CUSPAP* requires any such assumptions to be both reasonable and probable. Assumptions about HBU must meet the Reasonable Appraiser test.

Residential Care Facility

A CRA designated Member is asked to appraise a residential care facility. The building has 12 bedrooms, two kitchens, and several living areas as well as accommodation for the care staff. It cannot be rationalized that this is “really just a big house” and within the scope of a CRA designation. It is important to provide reasonable evidence to support the highest and best use is a self-contained family housing unit rather than a care facility.

If this cannot be done, *CUSPAP* requires that the report is reviewed and co-signed by an AACI designated Member.

Vacant Site

A CRA designated Member is asked to appraise a 12,000 sq.ft. vacant site on the corner of two major thoroughfares. The site is zoned for single-family housing.

Given the size of this parcel and the prominent corner location, it is important to carefully consider the highest and best use of the site, which may more reasonably be for development with a small apartment project, several homes, a small commercial development, or a mixed-use building.

If the most likely purchaser of the property is a developer who will apply to have the zoning changed to permit another type of property, an AACI should co-sign the report.

The test of whether an assignment is within the scope of a CRA is in the highest and best use, and, in this example, the conjunction of major thoroughfares are unlikely sites for single-family dwellings.

Five-Plex

A CRA designated Member is asked to appraise a triplex. When inspecting the property, the Member discovers that it is actually a five-plex because there are two vacant basement units. The Authorized Client informs the Member that it is only a finished basement, and the units are vacant and should not be considered if it will delay the deal which should be concluded within 24 hours.

Highest and Best Use is the test, not the Authorized Client’s or the property owner’s wishes. The Member should attempt to confirm the number of units with the Authorized Client or with the municipal/provincial assessment office prior to inspection. If the number of units is indeed greater than

4, the CRA designated Member may want to decline the assignment or have an AACI designated Member co-sign the report.

Mixed Use Buildings

A CRA designated Member is asked to appraise a vacant two-storey building. The ground floor previously had a commercial use, and the second floor contains a residential apartment. The Authorized Use of the appraisal is 'only a refinance.' It is important that the Member consider whether residential use is permitted under zoning and the Highest and Best Use of the ground floor.

The CRA designated Member will want to decline the assignment or have an AACI designated Member co-sign the report for a small building with ground floor commercial and second floor apartment.

Vineyard

A CRA designated Member is asked to appraise a 20-acre vineyard with a residential home. If a Hypothetical Condition is properly done to exclude the income producing potential, this may be within the scope of the CRA designation if the Authorized Use is mortgage financing.

If the Authorized Use is something other than mortgage financing - a business valuation, or a possible sale/marketing, for example, the CRA will want to decline the assignment or have an AACI designated Member co-sign the report.

Farm or Forestry

A CRA designated Member is asked to appraise a 160-acre parcel of agricultural or forestry land.

A CRA designated Member may complete an appraisal assignment on agricultural land if residential use is a permitted use under the site's zoning and land use controls.

If residential use is only permitted as an ancillary use to agricultural use, then an AACI designated Member's co-signature is needed.

If zoning does not permit any residential use, the CRA designated Member will want to decline the assignment or have an AACI designated Member co-sign the report.

If zoning does not permit residential use, the CRA designated Member will want to decline the assignment or have an AACI designated Member co-sign the report.

If there is a likelihood that a site may be rezoned to permit residential use, or it is likely that a variance can be obtained to permit residential use, then a CRA designated Member can invoke the appropriate Hypothetical Assumptions and Limiting Conditions that this change is likely to take place and complete the assignment.

It is up to the CRA designated Member to determine if the Highest and Best Use is residential or if there are elements of the property that would bring the Highest and Best Use within the realm of a commercial enterprise.

For example:

These are considered a commercial assignment and the CRA designated Member would need an AACI designated Member to co-sign the report:

- Where an owner cultivates and works the land or leases it to someone else to do so and land is being utilized as a working/producing acreage:
- Where a large acreage is heavily wooded and there is commercial value in the timber that may be harvested from the land:

Rural Acreage

A CRA-designated Member is asked to appraise a 10– to 160-acre parcel of land with a residence.

As parcel size increases, it is less likely that the Highest and Best Use of the parcel will be within the scope of a CRA designation (4 self-contained housing units).

In some remote or rural locations, it may be typical to have a 10– to 40-acre residential acreage or a personal “hobby farm”. In other locations, a 40-acre property may be an intensive agricultural operation like the vineyard example above. It is the responsibility of the Member to ensure that the subject matter of the assignment is truly residential.

Members are cautioned on the risks of mixed used assignments and advised to consider if larger residential acreages are accessible, usable, level or even desirable based on the market demand.

Appraisals should include supporting evidence, including comparable sales, that the subject is residential. Any equestrian facility, riding arena, dairy farm, commercial farm, large non-residential buildings such as Quonsets, gravel pits, minerals, business, or any other non-residential uses should be carefully considered. If a CRA designated Member completes a valuation beyond a 5– to 10-acre hypothetical/extraordinary assumption or on a residential form, this may ~~can~~ contravene CUSPAP.

Forms

Members should not use the AIC Residential Appraisal Report Forms unless the property is strictly residential or can reasonably be assumed residential. The AIC forms should not be used for mixed used property.

A Member should exercise utmost caution when considering scope and format as it can affect insurance coverage for the report. Members risk a denial of coverage for themselves and their clients.

2.2 Competence

2.2.1 Competence means appropriate knowledge and experience of:

- 2.2.1.i. a property type,
- 2.2.1.ii. a market,
- 2.2.1.iii. a geographic area,
- 2.2.1.iv. an Authorized Use,

- 2.2.1.v. laws or regulations that may affect an assignment, and
- 2.2.1.vi. a valuation method.
- 2.2.2 If a Member does not have Competence, they are required to gain an appropriate level of knowledge and experience to ensure compliance with CUSPAP competency requirements.
- 2.2.3 When co-signing with a Candidate Member, a Designated Member should include documentation proving their Competence for an assignment.
- 2.2.4 When relying on a Candidate Member or Professional Assistance, CUSPAP requires that both the Designated Member and those being relied upon have competency.
- 2.2.5 When relying on other professionals, the Designated Member should have a reasonable basis to believe those relied upon are competent and credible.
- 2.3 Disclosure (ESR 4.2.10)**
 - 2.3.1 In the normal course of business within an office, files may be accessible for review by another Member and by support staff. The burden is on the Member responsible for the files to ensure that no confidential information is disclosed.
 - 2.3.2 In particularly sensitive assignments, an Authorized Client may require a confidentiality agreement, in which case all files may have to remain sealed.
 - 2.3.3 A duty of confidentiality can arise even when no retainer exists.
- 2.4 Conflict (ESR 4.2.11)**
 - 2.4.1 A conflict of interest or a potential for a conflict of interest arises when there is a perception that a Member's ability to exercise the required unbiased professional judgment is undermined or there is the potential for a Member's ability to exercise the required unbiased professional judgment to be undermined.
 - 2.4.2 Recognizing and acknowledging a conflict does not eliminate it.
 - 2.4.3 Acknowledgment of the conflict to the Authorized Client may not resolve it; circumstances may require withdrawal from the assignment.
 - 2.4.4 A Member is cautioned to review all potential conflicts and discuss them with a potential client. If there appears to be a potential conflict, the Member can contact the AIC, their own legal counsel, or the AIC's insurance provider's free legal helpline.

EXAMPLES: CONFLICT

Example: Realtor

A Member also practices as a Realtor. When acting as a Realtor, the work performed as a Realtor agent is not a Professional Service as defined in CUSPAP. The Member should clearly disclose their role to all parties.

Example: Other Designations

A Member holds professional designations from other professional organizations. When undertaking professional services, the Member should clearly disclose their role to all parties, what professional designation is being used, and which professional standards are being followed. AIC Members are expected to follow CUSPAP and AIC requirements in all assignments.

Example: Assessor

A Member holds a designation from a professional assessment organization and works in the assessment field. When undertaking any appraisal or assessment work, the Member must also identify their AIC designation to comply with CUSPAP.

Example: Assessment Appeal

If a Member is appealing the assessment of their own property, the Member must clearly explain in what capacity they are acting prior to and during the appeal process. The Member should disclose that they are an AIC Member. If the Member is acting on behalf of a property owner, the Member must disclose that they are an AIC Member in order to comply with CUSPAP.

- 2.4.5 Prior to accepting an assignment from a potential second Authorized Client, the Member should confirm that the Authorized Use of the original Report has been completed.
- 2.4.6 Generally, in all circumstances where a Member proceeds with an assignment after a declaration of conflict, the conflict should be first acknowledged by the Authorized Client and subsequently referred to in any Reports.
- 2.4.7 To avoid the perception of bias or conflict of interest it is recommended that a Member disclose to the Authorized Client any professional services relative to the subject property if appropriate.

Conflict of Interest

Conflict of Obligation

A “conflict of obligation” occurs when a Member cannot satisfy one obligation without sacrificing another.

In dealing with a “conflict of obligation”, the most obvious problem occurs when a Member has two or more Authorized Clients whose interests at first glance appear to be in harmony, but upon subsequent events or a closer analysis prove to be in conflict. This has been termed “simultaneous representation”.

Conflicting Interest

A “conflicting interest” occurs when the self-interest of a Member, or some other party to whom the Member is obligated, cannot be satisfied without failing to satisfy the Authorized Client’s interest.

An example: joint instructions from parties involved in a matrimonial dispute that commences in a civilized manner, but subsequently deteriorates. In this instance, a Member can find themselves attracting criticism from both parties.

In such instances, the only defence is a preventive one, with the Member advising the parties to get separate appraisals or with the Member declining the assignment.

Despite these issues, there are circumstances where a Member may act for two or more parties without a conflict arising, even if the parties have different interests. Members are advised to be cautious, be aware of applicable legislation and receive all instructions in writing from both parties.

Successive Representation

A potential problem for a Member is a second appraisal assignment on the same property, but from a different Authorized Client. A Member who has previously completed an appraisal for an owner contemplating a sale may receive a request to appraise the property for the purchaser or the purchaser’s financial institution. This instance can be termed “successive representation”.

Under such circumstances, the Member might be under great pressure to at least re-affirm the original value. To do otherwise would be to cast doubt on the original appraisal, which would hardly enhance the Member’s standing in the eyes of the owner; but to ignore the actual sale price could do a disservice to the new Authorized Client.

Confidentiality and disclosure are also problems that may arise from these types of assignments. The original Authorized Client may have provided confidential information that they may not want divulged to the new Authorized Client. Failure to include that information in the second report, if material, would lead to a breach of the CUSPAP. Including the information would breach the confidentiality promised to the original Authorized Client, and again, breach CUSPAP. This situation may be resolved by declining the second assignment if the Member is privy to confidential information or by getting consent from the original Authorized Client in writing before proceeding with the second assignment.

When considering conflict, it is important to consider the Authorized Use and the Authorized Users of the Report. If a Member has completed a Report for mortgage financing, then later is requested to complete a Report for foreclosure or matrimonial reasons, a Member may not automatically be in conflict. A Member should consider confidentiality and whether the two different uses will result in an adverse effect between the original Authorized Client and a second client – in other words, are the original Authorized Use and the second use competing? If they are competing, then the matter may be best resolved by declining the second assignment.

Interest in the Subject Property

If a Member purchases a property that is the subject of their Report, is involved in a property that is the subject of their Report or takes on any position that may affect the Member's professional judgment after engaging in an assignment, the Member is, at the very least, in a perceived, and may be in actual, conflict of interest.

2.5 Contingent (ESR 4.2.12)

2.5.1 A Member may be consulted by an Authorized Client to attempt to negotiate a lower assessment for taxation purposes, or higher compensation for a taking by an expropriation authority. A contingent fee may be permitted in some instances, for example:

- 2.5.1.i. in a consulting assignment in which no formal opinion of value has been undertaken, a contingent fee is permitted provided it is clearly disclosed in any written report; or
- 2.5.1.ii. in a consulting assignment in which a formal opinion of value has been undertaken that generates a subsequent opportunity for a contingent fee (such as in consulting for brokerage or settlement negotiations, disclosure is required in any written report.

Contingent Fees

A Member provides Professional Services for lowering property tax assessments and increasing expropriation compensation. When acting as an advocate or expert, the Member is providing consulting services outside the Real Property Appraisal Standards.

They may act as an advocate or expert and accept contingent fees but should disclose the contingency in the certification of their consulting report.

They may not misrepresent their role to indicate that they are acting as an appraiser who is expected to be impartial, objective, and independent.

3 PRACTICE NOTES ON THE REPORTING STANDARD

3.1 Report

Percent Complete Reports

3.1.1 A Member has four reporting method options when providing a Percent Complete. A Member can provide:

- 3.1.1.i. a Full Residential Appraisal Report with a Progress Inspection addendum;
- 3.1.1.ii. a Progress Inspection Standalone Report;
- 3.1.1.iii. a Full Residential Appraisal Report with an “As Is” addendum that includes a Percent Complete; or
 - Typically, this will be used when a lender offers a mortgage based on a hypothetical “As If Complete” value but also requests an “As Is” value.
- 3.1.1.iv. a narrative Report or narrative addendum including the Percent Complete.

As is/As if Complete Reports

3.1.2 “As Is” value in addition to the “As If Complete” or an “As If Remediated” value assignments, which may also include fire damaged or flood damaged properties, require the selection of separate comparable sales having the same characteristics as the subject property together with, analyses, and appropriate market supported adjustments.

- 3.1.2.i. If there are minor discrepancies requiring minimal adjustments between the selections of comparable sales and the subject property, it could be most appropriate to use the same set of comparable sales used for the “As If Complete” Value with market supported adjustments for condition for the “As Is” value.

3.1.3 A request for two values is more common for new construction, additions, and renovations. For a property that is under construction, a client may want a better understanding of the level of completeness - especially where those ~~missing~~ incomplete items affect the value.

3.1.4 It is misleading to state a value for a partially completed improvement by simply deducting the cost to complete (or percentage) from the value “As If Complete”.

Market Rent Reports

3.1.5 A Full Appraisal with a Market Rent Addendum is the most appropriate Professional Service that a Member can provide for a secondary suite that is confirmed to be authorized.

3.1.6 A Market Rent Report for a secondary suite for a specific, identifiable property should:

- 3.1.6.i. comply with the Real Property Appraisal Standard (includes Standalone Market

Rent Reports) in CUSPAP

- 3.1.6.ii. only be provided if the Member has:
- confirmed that zoning and or legislation allows the secondary suite;
 - confirmed that permits for the secondary suite exits or, if unable to confirm that permits exist, confirmed that the suite has the characteristics necessary to qualify as an authorized secondary suite; and
 - inspected the secondary suite unless there is recent reliable data (e.g. less than 3-year-old MLS) identifying the characteristics of the suite or performed a reasonably recent prior inspection.
- 3.1.7 Authorized secondary suite rents cannot be used as comparable rents for unauthorized secondary suites.
- 3.1.7.i. Market Rents for unauthorized secondary suites should not be valued.
- 3.1.8 If Zoning does not allow a secondary suite, a Member cannot complete a Market Rent report.
- 3.1.9 A Member should research whether a property's zoning is changing, or a variance or exception is granted to allow a secondary suite.
- 3.1.9.i. In some Provinces, local zoning may be overridden by regional or provincial authorities, however, any legislation or regulation on that matter should have been passed and is taking effect imminently or is in effect.
- 3.1.10 A Member may rely on information provided by the property owner concerning the authorization of the secondary suite only if the property owner can provide a copy of an approved building permit or a final occupancy permit to prove the secondary suite is authorized.
- 3.1.10.i. A Member should indicate how this information was obtained and include Assumptions and Limiting Conditions relating to reliance on this information in the Report.
- 3.1.10.ii. If the property owner does not have official documentation, the Member should contact the municipality for permit information. If unable to confirm a permit exists, the Member should confirm that the suite has the characteristics of an authorized secondary suite.
- 3.1.11 If the secondary suite is old, might be an authorized non-conforming secondary suite, or the municipality does not or cannot provide records, a Member should make a reasonable effort to confirm the authorization of a secondary suite and provide details of the efforts they made to verify the secondary suite's authorization in the Report.
- 3.1.12 A Member completing a Market Rent Assignment should ensure they are familiar with the

requirements for secondary suites in the region in which they practice.

3.1.12.i. This would include requirements for:

- egress, and
- other characteristics of the property and the secondary suite.

3.1.13 A Member should describe the secondary suite and identify commonly expected characteristics in a secondary suite such as:

3.1.13.i. a separate entrance,

3.1.13.ii. kitchen,

3.1.13.iii. bathroom,

3.1.13.iv. windows, and

3.1.13.v. normal safety features found in secondary suites.

- An official building or occupancy permit can be sufficient to show that the secondary suite conforms to building and safety requirements.

3.1.14 A Member should rely on a personal Inspection rather than private information or information that may be outdated, biased, or fraudulent.

3.1.15 CUSPAP requires a property Inspection for Market Rent Reports for secondary suites unless:

3.1.15.i. there is recent reliable third-party data (less than 3-year-old MLS) identifying the characteristics of the suite, or

3.1.15.ii. the Member has performed a recent prior Inspection.

3.1.16 If a complete personal interior Inspection is not possible, a Member should:

3.1.16.i. discuss this with the client,

3.1.16.ii. modify the Scope of the assignment,

3.1.16.iii. provide an explanation in the report, and

3.1.16.iv. invoke a Limiting Condition.

3.1.17 An unauthorized secondary suite cannot be treated with a Hypothetical Condition or an Extraordinary Assumption that it is authorized.

3.1.18 There are some exceptions:

3.1.18.i. A home is under construction and includes a secondary suite.

3.1.18.ii. For estimating the impact on the value of a property due to an unauthorized status like a cost-to-cure assignment. This is typically not related to mortgage

financing.

3.1.19 For any Hypothetical Condition, a Member should have information about the improvement such as the cost-to-cure, construction plans, estimated time of completion, and other pertinent items.

3.1.20 A Hypothetical Condition should not be added because a Member should not be completing Market Rent Reports based on untrue information.

3.1.20.i. In exceptional cases where the Scope of Work requires Hypothetical Conditions that are necessary to complete the assignment (e.g., damaged properties or estimating damages), this should be clearly disclosed and explained in the Report.

3.1.21 An Extraordinary Assumption IS added when:

3.1.21.i. A Member is:

- uncertain about some information.
- unable to complete a full interior inspection.

3.1.21.ii. An explanation and justification should be provided in the Report.

3.1.22 A Member can provide a generic, standalone Consulting Report on market rents for authorized secondary suites in an area/neighbourhood when a market rent cannot be provided for a specific property.

3.1.22.i. Members who provide a Consulting Report on market rents on secondary suites in a general area/neighbourhood should:

- comply with the Consulting Standard;
- not identify any specific property in the Consulting Report;
- not link the Consulting Report to any specific identifiable property; and
- provide the Consulting Report as a separate report that is not contained within, attached to, or combined in a single document with an Appraisal Report for an identifiable property.

3.1.23 The use of a Desktop or Drive-By Report form for market rent for a secondary suite is not acceptable.

3.1.23.i. Desktop and Drive-by report forms were designed to provide a market value for a home in limited cases and with limited liability and are not intended for estimating the market rent of a secondary suite within a property (e.g., a basement suite).

- Reliable third-party data on a house is generally available to Members but reliable data on a secondary suite in the house is typically not.

- Often an MLS listing does not include detailed information on a secondary suite and will note only that “agent/seller does not warrant retrofit status” which can often mean it is not in compliance with zoning, fire, health, safety, or other municipal standards.

3.2 Authorized Client and Authorized User (RSR 6.2.1)

- 3.2.1 It is recommended to include an Authorized User and Authorized Client statement like the following in a Report:
- 3.2.1.i. “This Report is authorized for use only by (Authorized Client name) and (Authorized Users by name). This Report is authorized for the use of those specifically identified and any other use is strictly unauthorized. The Member is not liable for any unauthorized use of this Report.”
- 3.2.2 Examples of acceptable Authorized Client/ Authorized User identifiers include:
- 3.2.2.i. “Lender ABC”
- 3.2.2.ii. “Solicitor D”
- 3.2.2.iii. “Condominium Corporation E”
- 3.2.2.iv. “Strata Corporation F”
- 3.2.2.v. City of (Name)
- 3.2.2.vi. Corporation (Name)
- 3.2.2.vii. The Authorized Client is typically the Authorized User of the assignment.
- If the Member is aware that the Authorized Client and Authorized User are the same, this should be stated clearly to prevent unauthorized users from using the Report.
- 3.2.3 Including the word “only” helps prevent a Report from being reassigned and extending liability.
- 3.2.4 Where the Authorized Use is mortgage financing – first, second, third or collateral, the Authorized Client and the Authorized User should be identified as “Lender ABC”.
- 3.2.5 Where the assignment is ordered by an Appraisal Management Company (AMC), the report may identify the AMC requesting the report in the “Requested By” section of the Report.
- 3.2.5.i. It should be clear in the Report that the AMC is neither the Authorized Client nor the Authorized User.

3. Practice Notes on the Reporting Standard

- 3.2.6 Where the Authorized Use is mortgage financing and the assignment is ordered by a mortgage broker or a borrower, but no lender has been identified, only a draft Report may be provided until a lender has been identified at which time a Report identifying the lender by name as the Authorized Client/Authorized User can be provided.
- 3.2.7 Once a lender is identified, the Member can confirm the Report meets a lender's terms of reference and finalize the Report with the lender identified by name as the Authorized Client and Authorized User.
- 3.2.8 The Authorized Client/Member relationship lasts at least until the completion of the Authorized Use of the original appraisal or release is granted by the original Authorized Client.
 - 3.2.8.i. It is recommended that the steps taken to ascertain that a conflict of interest does not exist be prominently outlined in the Certification.

3.3 Engagement Letters

3.3.1 A Member should use Engagement Letters as a contract between themselves and their Authorized Client.

Member letterhead

Date

Client Address

RE: LETTER OF ENGAGEMENT FOR THE PROPERTY IDENTIFIED AS: Property Address

Further to your request on (date) to hire (Member name) to complete (describe service) of the above-referenced property, this letter of engagement is intended to outline the terms of the assignment.

AUTHORIZED CLIENT: Identify Authorized Client by name (e.g. "Bank A")

PURPOSE OF REPORT: To estimate (type of value, current, retrospective, prospective, update) market value.

AUTHORIZED USE: The report can be relied upon for (state intended use "first mortgage financing only").

AUTHORIZED USER: Identify the Authorized User by name if different than client; if the same, identify the Authorized User by name along with the Authorized Client above. (e.g. "Bank A")

TERMS OF REFERENCE OF THE ASSIGNMENT: Describe the terms.

INTERESTS CONSIDERED: Define interests appraised such as "Fee Simple"

DATE OF VALUATION: Effective date of the appraisal will be (date).

ACCESS TO PROPERTY: Describe if there are any limitations.

HYPOTHETICAL CONDITIONS, EXTRAORDINARY ASSUMPTIONS AND LIMITING CONDITIONS: Define any specifics conditions, assumptions and limitations driven by the terms of the assignment.

AUTHORIZED CLIENT RESPONSIBILITIES: Outline Authorized Client responsibilities. For example, the Authorized Client is to provide the author with the following data, provide access to the property, building plans, written consent from occupant for photographs and personal information, etc.

SCOPE OF THE ASSIGNMENT: The Scope of the appraisal encompasses the due diligence by the author (consistent with the terms of reference from the Authorized Client, the purpose and Authorized Use of the report) and the necessary research and analysis to prepare a report in accordance with the Canadian Uniform Standards of Professional Practice of the Appraisal Institute of Canada. The following describe the extent of the process of collecting, confirming and reporting data and its analysis, describe relevant procedures and reasoning details supporting the analysis, and provide the reason for the exclusion of any valuation procedures: (Describe the scope).

TYPE OF REPORT: Form, concise, comprehensive

FEE/RETAINER: The fee for this report is \$X plus (applicable taxes). Add any terms such as for example "Due to the scope of the work involved for this assignment, X% of the fee (that being \$X plus applicable taxes) is payable on signing this letter, the balance due before final report is released (or as defined)."

TIME FOR DELIVERY OF REPORT: (State time frame) from receiving this signed Letter of Engagement.

DELIVERY FORMAT: Number of paper copies, where final report is to be delivered, etc.

AMENDMENTS: Provisions for contract amendments, reliance letters, litigation, etc.

Date: _____

Member name and designation

Date: _____

Client name

3.4 Transmittal Letters

- 3.4.1 A Transmittal Letter should accompany every Report to draw attention to the limits of a Report to an Authorized Client or Authorized User. It is a useful tool to draw attention to key Assumptions or limits within a Report.

Date

Authorized Client

Address

Block

Dear Authorized Client:

Re: Property Address
Reference/File No.:

In accordance with the letter of engagement dated DATE, I (we) have appraised the above referenced property and provide an:

Estimate of [E.g.: CURRENT MARKET VALUE/RETROSPECTIVE MARKET VALUE] of: [\$\$\$\$]

With an Effective date as of: [DATE]

Inspection Date: [DATE]

The purpose of the report is to develop an estimate of market value of the subject property, [E.g.: AS IMPROVED/VACANT], in [E.g.: FEE SIMPLE/LEASEHOLD/LEASED FEE] ownership for the intended use of [E.g.: FIRST MORTGAGE FINANCING/SECOND MORTGAGE FINANCING/DIVISION OF MATRIMONIAL ASSETS/ESTATE TAX] only.

The estimate of value is as of the effective date and is subject to the authorized intended use, assumptions and limiting conditions included in the report to which the reader's attention is specifically directed. The report is enclosed and must be read in its entirety.

[IF A HYPOTHETICAL CONDITION HAS BEEN INVOKED, INCLUDE ITALICS]:

By accepting this report, the Authorized Client or the Authorized User/Authorized user accepts that:

1. the hypothetical condition [E.g.: AS IF 100% COMPLETE/AS IF REMEDIATED/AS IF REZONED] and assumptions identified in this report have not been independently verified or are items that are assumed to be true as part of this assignment, and
2. this report may not be reasonably relied on as proof that any of the hypothetical conditions or assumptions are true and accurate or that they will be true and accurate at any point in the future, and
3. in the event that any hypothetical condition or assumption in this report is discovered not to be true and accurate, it may impact the estimate of market value provided in this report.

The author(s) disclaims any liability arising from any hypothetical condition or assumptions not being true and accurate as at the date of this report or in the future.

No person or party other than the Authorized User specifically identified herein can rely on this report without first obtaining written authorization from the author(s) of this report. Such authorization is at the discretion of the author(s) and may only be issued with permission from the Authorized Client of this report. This report may not be distributed to or relied upon without written permission of the author(s).

The report is prepared in accordance with the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP).

Sincerely,

AIC Candidate Member

AIC Membership #:

P. App, CRA/P. App, AACI

AIC Membership #:

3.4.2 A Transmittal Letter should include information to identify the Authorized Client, the Authorized Use, dates, values, Scope, limitations to values and any Hypothetical Conditions or Extraordinary Assumptions.

3.4.3 A Transmittal Letter should include wording such as: “A Reliance Letter is required by a lender in order to rely on this Report. All other uses and parties denied. Reliance on this Report without authorization or for an unauthorized use is unreasonable. The Member is not liable for any unauthorized use of this Report.”

3.5 Reliance Letters

3.5.1 A Member may be asked to authorize the Use of a Report by an unauthorized third party, i.e., a party other than one of the Authorized User(s) identified in the original Report.

3.5.1.i. The most common situation being a new or different lender requesting authorization to use the Report for mortgage finance underwriting purposes, when the original Report identifies another lender as the Authorized Client/Authorized User.

3.5.2 Instructions about Reliance Letters should be included in a Letter of Engagement, in a Transmittal Letter, and in the Authorized User section of the report. Examples:

3.5.2.i. “If this Report is to be relied upon by anyone other than the Authorized Client identified in this Report, a Reliance Letter is required.”

3.5.2.ii. “This Report is prepared only for the Authorized Client and Authorized Users specifically identified in this Report and only for the specific Authorized Use identified herein. No other person may rely on this Report or any part of this Report without first obtaining consent from the Authorized Client and written authorization from the authors. Liability is expressly denied to any other person and, accordingly, no responsibility is accepted for any damage suffered by any other person as a result of decisions made or actions taken based on this Report. Liability is expressly denied for any unauthorized user or for anyone who uses this Report for any use not specifically identified in this Report. Payment of the appraisal fee has no effect on liability. Reliance on this Report without authorization or for an unauthorized use is unreasonable.”

3.5.2.iii. “This Report is Authorized for use only by (Authorized Client name) and (Authorized Users by name). This Report is Authorized for the use of those specifically identified and any other use is strictly unauthorized. The Member is not liable for any unauthorized use of this Report.”

- 3.5.3 With written consent from the original Authorized Client, a Member can permit the use of a Report by a third party. It is recommended that a Member ensure that the third party is made aware of the dates associated with the original Report to ensure that the third party understands that the value, opinion, or conclusion only apply as of the effective date, and is aware of any special considerations and assumptions, original Authorized Client terms of reference, etc., that entered into the value conclusion.
- 3.5.4 The older the date of the Report, the less relevant the Report can be to a third party. It is recommended that a Member determines the relevancy of the Report and declines authorization if the Report is not appropriate for the third party's use. It should be made clear to the third party that there may have been significant changes to the:
- 3.5.4.i. property;
 - 3.5.4.ii. market conditions; or
 - 3.5.4.iii. some other factor since the time of Report that would have a material impact on the conclusion.
- 3.5.5 When faced with a request to assist a third party in becoming an Authorized User, a Member has the choice of:
- 3.5.5.i. writing a [Reliance Letter](#);
 - 3.5.5.ii. completing a new Report for the new Authorized User (provided the Member is not in a conflict of interest); or
 - 3.5.5.iii. declining to authorize reliance by a third party.
- 3.5.6 Providing a Reliance Letter to a third party extends liability to that party. By formally acknowledging the right of a third party to rely on the Report, a Member will be extending the right to make a claim as a result of reliance on the Report.
- 3.5.7 Providing a Reliance Letter is at the sole and absolute discretion of a Member.
- 3.5.8 If a Member issues a Reliance Letter, it may be subject to additional Assumptions and Limiting Conditions.
- 3.5.9 Before issuing a Reliance Letter, a Member should confirm whether the assumptions and facts of the Report (e.g., building condition, tenant profile, vacancies, rents being achieved, etc.) have not materially changed.

Draft Reports and Reliance Letters

Critical Steps for Draft Reports and Reliance Letters include:

DRAFT REPORTS

1. Identify whether the request is from an Agent (i.e., mortgage broker, AMC) or an Authorized Client
2. If either the Authorized Client or Authorized User is temporarily unknown, provide only a Draft Report.
3. Provide a Final Report only when both the Authorized Client and Authorized User are known.

RELIANCE LETTERS

1. Identify the new potential Authorized Client/Authorized User who wants to rely on the Report.
2. Determine if:
 - a. a Reliance Letter is appropriate or
 - b. a new assignment is warranted.
3. Consider the risks associated with issuing a Reliance Letter
4. Confirm that the relationship with the current Authorized Client is complete as per CUSPAP requirements.
5. If not complete:
 - a. Obtain written [consent](#) from the current Authorized Client.
 - b. Obtain a written [release](#) from the current Authorized Client that the Report will not be relied upon for that Authorized Use.
6. Provide the [Reliance Letter](#) and the Report.

Sample Situations:

Draft Report for Mortgage Broker with no Lender

A Member receives a request from a Mortgage Broker asking the Member to prepare an appraisal Report for mortgage financing purposes. At this point, the Mortgage Broker does not have a lender and asks the Member to prepare the draft Report in their name. The Mortgage Broker may be named in the Report under "REQUESTED BY".

The Member completes the draft Report according to CUSPAP. Several weeks pass and the Mortgage Broker contacts the Member to confirm Bank B as the lender. Once authorized in writing by the Mortgage Broker the Member can send the final Report directly to Bank B as the Authorized Client/Authorized User.

Reliance Letter requested by Mortgage Broker

Later the Member receives an update from the Mortgage Broker indicating Bank B decided not to lend, but Lender C will.

The Member should request that the Mortgage Broker provide a written release from Bank B stating it will not rely on the Member's Report. The Member should also obtain written authorization from the Mortgage Broker to provide a copy of the Report by way of a Reliance Letter to Lender C.

Once the Member issues the Reliance Letter, Lender C will become an Authorized Client/Authorized User.

Second Mortgage

Lender E calls the Member directly and asks them to provide a copy of the Report for a second mortgage. The Member has already appraised it for Authorized Client G.

Lender E is a potential new Authorized Client/Authorized User. The Member needs to approach Authorized Client G for consent. If Authorized Client G provides consent, the Member may choose to take on Lender E as a new Authorized User and provide a Reliance Letter or provide a new Report if warranted.

Reliance Letter with Lending Institution as Authorized Client

The Member receives a request from an AMC to prepare an appraisal Report for mortgage financing purposes for Bank A. The Member's Authorized Client and Authorized User is Bank A. The AMC is identified in the REQUESTED BY field of the Report.

Bank A decides not to lend, and the Member receives a request for a Reliance letter from a broker for Lender Q.

The Member should request that the AMC provides a release from Bank A stating they will not rely on the Report. If Bank A provides the release, the Member may provide a copy of the Report by way of a Reliance Letter to Lender Q.

Once the Member issues the Reliance Letter, Lender Q will become an Authorized Client/Authorized User.

Confidentiality

Members are reminded of their CUSPAP obligations with respect to confidentiality and disclosure when they are required to respond to a request for a Reliance Letter from a third party.

Consider the Risks

Before a Member provides a Reliance Letter, they should ask these questions:

- Why did the original Authorized Client/Authorized User not rely on the Report to lend?
- Who is the new potential Authorized Client/Authorized User?

- The Report was prepared for first mortgage financing, now they want to rely on it for 2nd mortgage financing. What is the overall loan-to-value ratio? What is the interest rate charged by the new lender? Is the applicant likely to default? In the event of default, what is the likelihood of recovering the market value?
- What is the potential increase in risk for this assignment?

The Member will need to direct a new Authorized Client to contact the existing Authorized Client to ask for them to provide the Member with written authorization to release a copy of the Report.

Can a Member provide a copy of the report to anyone else?

It is unethical for a Member to provide a copy of a Report to anyone but the Authorized Client, except with the Authorized Client's permission.

Sample Situation:

A Homeowner has retained a Mortgage Broker to help secure new first mortgage financing. A Member receives a request from the Mortgage Broker to prepare an appraisal Report for first mortgage financing and is instructed to name Lender A as the Authorized Client/Authorized User. The Homeowner wants a copy of the appraisal Report for which they have paid. Since the Homeowner was never the Member's Authorized Client, a copy of the appraisal Report cannot be provided to the Homeowner without written permission from the Authorized Client. It could be helpful for the Member to explain their obligations to the Homeowner, if the opportunity arises, prior to completion of the assignment.

3.6 Authorized Use (RSR 6.2.2)

3.6.1 An assignment for a mortgage insurer is usually for a Non-conventional mortgage. "Non-conventional' or 'high ratio', loans have higher loan to value ratios (less equity) at origination and generally require mortgage insurance to mitigate risk. By law, residential mortgages underwritten for the purpose of purchasing, renovating, or improving a property must be insured if their loan to value (LTV) ratios are greater than 80 percent."

(Source: OSFI B20 Guidelines)

- 3.6.1.i. Before accepting one of the above-noted Assignments, a Member should consider the potentially higher level of risk.
- 3.6.1.ii. Mortgage insurers typically insure mortgages based on a loan to value ratio of between 80-95%. In these instances, it could be unreasonable for the Member to specify an Authorized Use to limit a loan to value ratio to 80%.
- 3.6.1.iii. A Member can address the matter in a Letter of Transmittal. Example of treatment of Authorized Use in a Letter of Transmittal for mortgage insurers:

3. Practice Notes on the Reporting Standard

- “The purpose of the Report is to develop an estimate of current market value of the subject property, as improved in fee simple ownership for the Authorized Use of first mortgage insurance to a maximum of 85/90/95% loan to value only.”
- “The estimate of value is as of the effective date and is subject to the Authorized Use, assumptions and limiting conditions included in the Report to which the reader’s attention is specifically directed. The Report is enclosed and must be read in its entirety.”
- “No person or party other than [*mortgage insurer name*] can rely on this Report without first obtaining written authorization from the author of this Report.”

3.6.1.iv. A Member completing the assignment using an AIC Appraisal Form Report, will address the matter in the Authorized Use section of the form.

3.6.2 The term "Mortgage Financing Only" is a very broad description of Authorized Use and without qualification it could be applied to multiple uses such as a first, second, third, and even fourth mortgage.

3.6.2.i. Members are advised to determine the type of mortgage, identify it in a Report and restrict the Authorized Use of the Report to a specific type of mortgage to reduce liability by including limitations like:

- “For Conventional Primary Financing Only. All other uses are denied.”
- “For Secondary Financing Only Not to Exceed 80% loan to value ratio. All other uses are denied.”

3.6.2.ii. If a Report is prepared for secondary financing, consider attaching individual liability to each lender as well as in the aggregate. Sample wording:

- “For First Mortgage Financing not to Exceed 70% loan to value ratio and For Second Mortgage Financing not to Exceed 25% loan to value ratio. Total aggregate financing not to exceed 85% loan to value ratio. All other uses are denied.”

3.6.2.iii. If an assignment is for two mortgages on one property, consider the total loan to value ratio and total liability.

- A Member should exercise caution whenever producing a report for financing above an 80% loan to value ratio.

3.6.2.iv. If the type of mortgage financing is unknown, Members should always limit the Authorized Use to first conventional (80% loan to value ratio) mortgage financing only. When completing a Form Report, ensure both checkboxes for “first mortgage” and “conventional” are checked.

- 3.6.2.v. For higher risk assignments, which may include Desktop Reports, Drive-by Reports, high loan to value ratio mortgages, or second, third, and fourth mortgage financing:
- the costs and benefits of taking on these types of assignments should be weighed against the additional liability risks they may attract.
 - Members are advised to adjust their business practice accordingly when taking on high-risk clients and assignments.
 - Members should take additional steps for private lenders, Mortgage Investment Company (MIC), Syndicated Mortgage Investment (SMI), or similar lending practices to ensure Reports are provided with proper context and knowledge.
- 3.6.2.vi. It is not uncommon for a mortgagee to default on these higher risk mortgages and the property moving to power of sale where an Authorized Client or Authorized User may look to the Member to re-coup any financial losses.
- 3.6.3 An assignment for a group of private lenders or for a Mortgage Investment Company (MIC) is usually for a higher risk, non-conventional mortgage that will involve two or more lenders/investors.
- 3.6.4 This client scenario can be identified in a Report by:
- 3.6.4.i. identifying each lender in the group of private lenders by name or the MIC by name as an Authorized Client in a Report and in its Letter of Transmittal.
- The Report should also note “see Letter of Transmittal” wherever an Authorized Client is identified.
- 3.6.5 The Letter of Transmittal should state that the Report:
- 3.6.5.i. may only be relied upon by the lenders in a group of private lenders or by the MIC;
- 3.6.5.ii. is only to be used for the Authorized Use of first mortgage financing; and
- 3.6.5.iii. may not be relied upon:
- by any individual Authorized Client, or
 - for any other purpose.
- 3.6.6 It is important that the Authorized Use of a Report by a group of private lenders or by a MIC is sufficiently detailed to ensure a clear understanding by all Authorized Users and readers of a Report.
- 3.6.7 The Assumptions, Limiting Conditions, Disclaimers, and Limitations of Liability included in a Report may be referenced in a Letter of Transmittal.

3.7 Authorized Use for Reserve Fund Study (RSR 6.2.2)

- 3.7.1 Some provincial legislation requires condominium corporations to make a Reserve Fund Study available to others who are not identified as the Authorized Client of the Study such as: unit owners, Realtors® and potential purchasers of units in the property.
 - 3.7.1.i. It is recommended that a Member consider and make appropriate comments regarding such additional users, so that any limitations placed on reliance of the findings of the assignment are clearly outlined in the Report.
 - 3.7.1.ii. Although legislative requirements prevail over CUSPAP, a party receiving a copy of a Reserve Fund Study Report/Depreciation Report does not become an Authorized User or Authorized Client.
- 3.7.2 Reserve Fund Studies and Depreciation Reports are typically prepared for condominium or strata corporations in accordance with applicable provincial legislation.
- 3.7.3 Reserve Fund Studies may also be prepared for individuals or organizations including municipalities or other authorities having ownership or control of community centres, recreation facilities, co-operatives, schools, religious facilities, seniors' residences, extended care facilities, etc.

3.8 Purpose (RSR 6.2.3)

- 3.8.1 CUSPAP requires the identification of the type of Value being sought. An accurate identification of the Purpose of a Report leads to an accurate description of the Scope of a Report.
- 3.8.2 It is recommended that a Member performing Professional Services that may be subject to litigation obtain the accepted local/regional definition of value and state the definition in the Report along with the source of the definition.
- 3.8.3 Market Value may be different from: investment value, going concern value, value in use, assessed value, insurable value, book value, or liquidation value.
- 3.8.4 An assignment for an estimate of Value other than Market Value could be misleading if prepared without reference to Market Value.
- 3.8.5 Acceptable definitions of "Market Value":
 - 3.8.5.i. "The most probable price, as of a specified date, in cash, or in terms equivalent to cash, or in other precisely revealed terms, for which the specified property rights should sell after reasonable exposure in a competitive market under all conditions requisite to a fair sale, with the buyer and seller each acting prudently, knowledgeably, and for self-interest, and assuming that neither is under undue duress.ⁱ

- 3.8.5.ii. “Market value means the most probable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus. Implicit in this definition is the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:
- (1) Buyer and seller are typically motivated;
 - (2) Both parties are well informed or well advised, and acting in what they consider their own best interests;
 - (3) A reasonable time is allowed for exposure in the open market;
 - (4) Payment is made in terms of cash in U.S. dollars or in terms of financial arrangements comparable thereto; and
 - (5) The price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.”ⁱⁱ
- 3.8.5.iii. Market Value is: “The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.” ⁱⁱⁱ
- 3.8.6 Forced sale value is not a concept separate from Market Value but is a marketing condition that is less favourable to the seller than those set out in the definition of Market Value.
- 3.8.6.i. When a Member completes an assignment on a property that is in a distressed situation, the situation itself may not warrant a lesser value.
- 3.8.6.ii. If the lender requires a value for a forced sale, the difference between current Market Value (value if sold under normal market conditions) and the forced sale value (value arrived at noting any conditions given to accommodate an expedient sale) will be clearly identified with market support for such considerations.
- 3.8.7 Market Value for taxation purposes typically has a similar definition and is often referred to in legislation:
- 3.8.7.i. “Fair market value of property or a service supplied to a person means the fair market value of the property or service without reference to any tax excluded by section 154 (of the Excise Tax Act) from the consideration for the supply.” ^{iv}
- 3.8.7.ii. “Fair market value means the highest price available in an open and unrestricted market between informed and prudent parties acting at arm’s length and under no compulsion to act, expressed in terms of cash.” ^v

3.8.8 An acceptable definition of Market Rent value:

- 3.8.8.i. “Market rent is the estimated amount for which an interest in real property should be leased on the valuation date between a willing lessor and a willing lessee on appropriate lease terms in an arm’s length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”^{vi}

3.9 Purpose of the Reserve Fund Study (RSR 6.2.3)

- 3.9.1 Due to the number of technical issues, it is recommended that the Reserve Planner include a section of defined terms, as they are applied in the study. A definitions section in the study would aid the Authorized Client and Authorized User in understanding how the conclusions in the study were reached.
- 3.9.2 For example, many Authorized Clients relying on the study may not be familiar with terms common to Reserve Fund Studies such as:
- 3.9.2.i. Future Reserve Requirement
- 3.9.2.ii. Future Reserve Fund Accumulation
- 3.9.2.iii. Remaining Life
- 3.9.3 The terminology may also vary between provinces or be determined by legislation. The definition of these terms could vary somewhat between one Reserve Planner and another.

3.10 Scope of Work (RSR 6.2.4)

- 3.10.1 The minimum items for Scope of Work can be found at <https://www.aicanada.ca/members-home/professional-practice-resources/forms-templates/>.
- 3.10.2 The Scope of a Report informs an Authorized Client/Authorized User of what a Member has and has not done in order to complete an Assignment and will help set the limit of an Assignment and, potentially, liability.
- 3.10.2.i. Where a Report is completed by two Members, a best practice is to also include an explanation of who did which tasks, who provided Professional Assistance, and the names of any people who supplied information.
- Example: Where a Report is signed by a Candidate Member and co-signed by a Designated Member: “Name, Candidate Member of the AIC inspected the interior and the exterior of the property on January 1, 20##, researched all aspects required on the form to meet CUSPAP, researched and analysed sales and arrived at a valuation conclusion. Name P. App., AACI did not inspect the property. Name P. App., AACI reviewed the report, including a review of the

comparables, the adjustments and analysis, then concurred with the conclusions.”

3.10.3 Where an Authorized Client suggests specific requirements in their terms of reference that limit the Scope of Work for an assignment, refer to these limitations in the transmittal letter and in the Scope and Limiting Condition sections of a Report. A Member should not allow the Scope of Work to be limited such that a Report is unreliable or misleading.

3.10.3.i. Members are reminded that Exposure Time is not the same as the 90-day sales window often required in instructions to appraisers. A lender may request sales to be within the last 90 days, however, an arbitrary sales window is unreasonable in some markets and may result in an unreliable Report.

3.10.4 Inspection of the entire subject property – exterior and interior – is mandatory, subject to any reasonable Extraordinary Limiting Condition.

3.10.5 A full Real Property Appraisal Report can be completed with an exterior Inspection but without a personal interior Inspection, however this is the exception rather than the norm and there needs to be a specific and reasonable explanation (e.g. pandemic restrictions, denial of access due to a matrimonial dispute, or inability to enter due to foreclosure, etc.).

3.10.5.i. If the above-mentioned circumstances prevent the completion of a personal interior Inspection, discuss the following additional sources of information with your client:

- A limited personal interior Inspection
- a virtual interior inspection using remote technology
- using interior photos provided by the owner/occupant
- using recent, reliable MLS or other third-party photos

3.10.6 A Member should exercise due diligence to confirm the reliability of any third-party information used in a Report.

3.10.6.i. A Member should consider the reliability of the source, consider instructions given to the Member and the third-party and determine that there is no reason to doubt the third-party information.

3.10.7 A Member should research other sources of data to rely on to add to the credibility of their Report or when information about the interior of the property cannot be verified by a personal interior Inspection.

3.10.7.i. Other data sources could include:

- client or owner information that describes the physical characteristics of the structure and the remainder of the property AND

- assessment information AND
- recent MLS data.

3.10.8 If the Scope of Work does not reasonably allow a Member to complete a full Inspection, a Member should state the source or note “assumed” or “assumed as per building code” if some items cannot be observed.

3.10.8.i. For example, not all plumbing or electrical wiring may be observable during an Inspection and a Member may not be able to note or identify Detrimental Conditions or concerns (e.g.: kitec, knob & tube wiring) in the Report.

3.11 Report Formats (RSR 6.2.4)

3.11.1 A Member should determine the appropriate Report format for each Assignment.

3.11.2 The current AIC Residential Appraisal Report Form was:

- 3.11.2.i. developed for residential properties only;
- 3.11.2.ii. designed for properties of not more than four residential units; and
- 3.11.2.iii.-not designed for non-residential assignments and is not appropriate for that use.

3.11.3 The recommend Scope of Work and order for an AIC Residential Appraisal Report Form is:

- 3.11.3.i. Title Page and Letter of Transmittal (cover letter)
- 3.11.3.ii. Executive Summary
- 3.11.3.iii. Assignment (including Authorized Client, Authorized Use and Authorized User, property rights)
- 3.11.3.iv. Property Description (neighbourhood, site, improvements)
- 3.11.3.v. Highest and Best Use
- 3.11.3.vi. Direct Comparison Approach (minimum of 3 comparable sales)
- 3.11.3.vii. History (transfers and listings)
- 3.11.3.viii. Exposure Time (not Marketing Time or sales selection window)
- 3.11.3.ix. Reconciliation of Approaches
- 3.11.3.x. Definitions
- 3.11.3.xi. Scope
- 3.11.3.xii. Assumptions & Limiting Conditions and Disclaimers
- 3.11.3.xiii. Certification
- 3.11.3.xiv. Addenda Extraordinary Items/Hypotheticals

3.11.3.xv. Addenda:

- Scope and other Narratives (where more detail is appropriate)
- Location map
- Zoning map/list
- Cost Approach (only for new, special, or unique properties)
Market rent (only when requested)
- Income Approach (only for income-producing residences)
- Subject Photos
- Additional Comparable Sales
- Floorplan/Building Sketch
- As-Is Value (rarely required for a partly finished home or purchase plus improvement)

3.11.4 A Member is responsible for ensuring an AIC Residential Appraisal Report Form is appropriate for an Assignment and completed fully. It is recommended to discuss the Scope of the Assignment with a potential Authorized Client prior to undertaking the Assignment.

3.12 Scope of Work – Review Assignment (RSR 6.2.4]

3.12.1 The Scope of Work of a Review Assignment determines the nature and depth of the research, analyses, opinions, and conclusions. It is recommended to discuss the Scope of the Assignment with a potential Authorized Client prior to undertaking the Assignment.

3.12.2 In quasi-judicial or judicial situations, each party may commission a Report on the property under review and hire a Member to complete a Review Report on the Report done by the other party.

3.12.2.i. Authorized Uses of Review Reports may include, but are not limited to:

- Assisting a lawyer in preparing for cross-examination, framing questions, etc.
- Advice on professional practice/Standards issues.
- A review of a Member's own Report.
- A component of oral expert evidence.

3.12.3 Oral Reports are a common requirement for litigation purposes and sometimes as the initial step in a potentially multistep Assignment. When providing an oral Report, identify the Scope of the Assignment to the Authorized Client, Authorized User and Panel/Judge.

3.13 Effective Date (RSR 6.2.5)

- 3.13.1 It is recommended to use “Effective Date” terminology so that it is clear that the date on which the opinion of Value is effective is not confused with the Date of the Report – which may be different.

3.14 Effective Date of a Reserve Fund Study (RSR 6.2.5)

- 3.14.1 It is important for the Reserve Planner to be aware of circumstances where the effective date of the study and the date upon which the recommended actions can be implemented can differ. In some jurisdictions, condominium owners vote on a budget that includes a contribution to the reserve fund, usually at an Annual General Meeting. In others, the implementation of the Plan can be done by the Board of Directors without unit owner approval.

3.14.1.i. For example: a condominium development usually operates on an annual budget, with fees set at the beginning of the year, supported by a resolution at an Annual General Meeting.

3.14.1.ii. The Effective Date should typically be the Inspection date and all calculations should be done as of/going forward from this date. There should be no need to adjust for a partial year. In a 30-year projection, being a few months or even almost a year out is a relatively minor concern.

3.14.1.iii. The recommended implementation date is a date when the recommendations from the Study would be implemented and is typically the start of the next fiscal year.

- 3.14.2 Unless a Special General Meeting is held, the first opportunity for a condominium Board of Directors to implement the recommendations of the Study might be the start of the next fiscal year. In such cases, it is recommended that the Reserve Planner discuss this type of timing difference in the recommendations section of the Study.

3.15 Retrospective Value Opinion (RSR 6.2.5)

- 3.15.1 A retrospective Value opinion is complicated by the fact that a Member already knows what occurred in the market after the Effective Date. Use of direct excerpts from Reports prepared at the retrospective Effective Date can provide information about market conditions as of the retrospective Effective Date.

- 3.15.2 When preparing a retrospective Value opinion, it is recommended that hindsight or after-the-fact evidence not be used unless the subsequent data is consistent with data as of the Effective Date.

3.16 Update (RSR 6.2.5)

- 3.16.1 A Member should consider whether an Extraordinary Assumption is required to adopt the results of the original Assignment.

3.16.2 The Scope of Work involved in an Update might be different from that for an original Assignment. It is the responsibility of the Member to ensure the Scope of Work is sufficient to provide meaningful and valid results.

3.17 Date of Report (RSR 6.2.6)

3.17.1 The date of a Report should be identified in the Report and is typically linked to the Letter of Transmittal and the date the Report is signed.

3.17.2 When revising any Report, remember to re-date each revised version to prevent any confusion on which is the correct version. Make every effort to ensure earlier versions are not used. Refer to the instructions in the “Made a Mistake” Professional Excellence Bulletin and follow these steps:

3.17.2.i. Revise the report;

3.17.2.ii. Reiterate key changes in the revised transmittal letter;

3.17.2.iii. Redate and re-sign transmittal letter and certification;

3.17.2.iv. Retract the old report; and

3.17.2.v. Review the report with a Co-signer, Authorized Client, and any Authorized User(s).

3.17.3 When changes occur, the Transmittal Letter and Certification should have the date the Report was re-signed (and re-co-signed if appropriate).

3.17.3.i. An accompanying letter should retract the prior Report and advise the Authorized Client/Authorized User of key differences such as:

- any change in value, or
- any new limitations such as first or second mortgage.

3.18 Assumptions and Limiting Conditions (6.2.7)

3.18.1 Ordinary Assumptions and Limiting Conditions are typically grouped together in a specific section of a Report. While they may apply to most Assignments, a Member should not copy and paste and/or use boilerplate statements without customization for each Assignment.

3.18.2 Examples of Ordinary Assumptions and Limiting Conditions include:

3.18.2.i. Ordinary Assumptions

- reliability of data sources
- compliance with government regulations
- normal financing
- marketable title

- no defects in the improvements
- bearing capacity of soil
- no encroachments
- diligence by Authorized User

3.18.2.ii. Limiting Conditions:

- denial of liability to unauthorized users and for any unauthorized use
- conclusions may be valid only at the date of valuation/Effective Date
- responsibility denied for legal factors
- fees for attendance at legal proceedings to be agreed
- Report must not be used partially
- possession of Report does not permit publication
- disclosure for peer review may be required
- cost estimates are not valid for insurance purposes
- value conclusion is in Canadian dollars
- denial of responsibility for any unauthorized alteration to a Report
- validity requires original signature
- no title search has been performed (for a simple residential mortgage financing Assignment)

3.18.3 When including Assumptions, Limiting Conditions, Extraordinary Assumptions, or Extraordinary Limiting Conditions, it is beneficial to explain what each term means in plain language in a Report so that the Authorized Client/Authorized User can understand.

3.19 Extraordinary Assumptions and Hypothetical Conditions (RSR 6.2.7, 6.2.8)

3.19.1 Extraordinary Assumptions and Hypothetical Conditions can apply whether the Assignment is for the purpose of developing a retrospective, current, prospective, or update opinion.

EXAMPLES: EXTRAORDINARY ASSUMPTIONS AND HYPOTHETICAL CONDITIONS

Extraordinary Assumptions

- an absence of contamination where such contamination is probable
- municipal sanitary sewer where existence is unknown or uncertain
- assumed zoning where the zoning is uncertain
- assumed condition where an interior and/or exterior inspection is not possible

Hypothetical Conditions

- an absence of contamination where such contamination exists
- municipal sanitary sewer when none is available
- assumed residential zoning where agricultural zoning is in place
- rezoning has been achieved when it has not
- assumed in renovated condition where a property is original
- repairs or improvements have been completed
- execution of pending lease
- an expropriation scheme is disregarded
- a prospective appraisal
- aggregate (retail) or bulk (wholesale) marketing of units

Common Scenarios

In all these scenarios, CUSPAP requires a Member to follow the requirements for Hypothetical Conditions. The Member should clearly disclose the Hypothetical Conditions in the Transmittal Letter.

“As if 5 acres”

A Member is asked to appraise a residential home on a larger property over 10 acres. A client often requests an “as if on 5 acres” appraisal due to specific lending or mortgage insurance requirements.

“As if Complete”

A Member is asked to appraise proposed new construction. A client often requests an “as if complete” appraisal for a progress draw or for purchase plus improvements.

“As if Remediated”

A Member is asked to appraise an improved property that requires repairs or has detrimental condition. A client may request a property be valued “as if repaired/remediated”. A detailed list of the scope of repairs should be identified in the report.

“As if Serviced”

A Member is asked to appraise a rural home under construction that does not have all the service connections in place yet. A client may request a property be valued “as if fully serviced”.

“As if Rezoned”

A Member is asked to appraise land that has a pending rezoning application. A client may request a property be valued “as if rezoned (identify the hypothetical zoning)”.

“As if Occupied/Leased/Stabilized”

A Member is asked to appraise a property that is currently vacant. A client may request a property be valued as if the tenant is in place and the property is leased under normal market conditions.

Before and After

A Member is asked to appraise a property pending expropriation. A client may request a property be valued as if a project was not proposed or to “ignore the scheme” with an assumption that treats the valuation as either prior to the scheme or with expropriation plans in place.

EXAMPLES: HYPOTHETICAL CONDITION WORDING:

Cost Approach

The Cost Approach has not been used in the valuation of the subject property. The Cost Approach is of limited relevance in the determination of current market value.

As with older improvements estimating the amount of depreciation that should be charged will distort the estimate produced by this approach. Buyers and sellers in the marketplace are typically not making purchasing or selling decisions based on the cost new of an existing improvement but rely heavily on the sale of similar properties in the marketplace. Not completing this valuation approach has not restricted my ability to appraise this property.

5 Acres:

The subject property is the fee simple interest in a 5-acre portion of a 20-acre parcel. The 5 acres is not a legal parcel. The Market Value opinion reflects the property as though it is a legal parcel on the date of value, which is the current date. This value is premised on the Hypothetical Condition that the parcel is a legal parcel. The Report would need to include a clear disclosure of the Hypothetical Condition and state that its use might have affected the opinions and conclusions.

No Outbuildings:

The subject property is the fee simple interest 123 Main St., which is a 2-acre parcel improved with a single-family residence and a 5,000 square foot commercial building. The Authorized Client requests the property be appraised as though the commercial building does not exist. The value opinion reflects the property as though the commercial building does not exist on the date of value, which is the current date. This value is premised on the Hypothetical Condition that the commercial building does not exist. The Report would need to include a clear disclosure of the Hypothetical Condition and state that its use might have affected the opinions and conclusions.

The appraiser has not inspected the outbuildings.

Servicing:

The subject property is not connected to the municipal sewer system, but the Authorized Use of the Report calls for it to be valued as though it is. The value opinion reflects the property as though it is connected to the sewer system as of the date of value, which is the current date. This value is premised on the Hypothetical Condition that the property is connected to the sewer system on the date of value. The Report would need to include a clear disclosure of the Hypothetical Condition and state that its use might have affected the opinions and conclusions. (If the date of value were a future date, the condition would be an Extraordinary Assumption rather than a Hypothetical Condition.)

Permitted Use:

It is uncertain on the date of Value whether a particular use is permitted on the subject property. The value opinion reflects the property as though the use is permitted as of the date of value, which is the current date. This Value is premised on the Extraordinary Assumption that the use is permitted on the date of Value. The Report would need to include a clear disclosure of this Extraordinary Assumption and state that its use might have affected the opinions and conclusions.

Soils:

The subject property is located in an area that is known to have unstable soils. However, it is unknown whether the subject property's soils are stable or unstable. The Value opinion reflects the property as though soils are stable on the date of Value, which is the current date. This Value is premised on the

3. Practice Notes on the Reporting Standard

Access:

The subject property is a large, irregularly shaped parcel located in a rural area. Neither a personal inspection nor the legal description provided to the Member can clarify whether the parcel has legal access. It appears the only access is across the adjacent site. The appraiser is told the adjacent property owner granted an easement for access but is unable to confirm this. The Value opinion reflects the property as though the subject site has legal access on the date of Value, which is the current date. This Value is premised on the Extraordinary Assumption that the site has legal access. The Report would need to discuss the nature of the presumed access, include a clear disclosure of the Extraordinary Assumption, and state that its use might have affected the opinions and conclusions.

Expropriation:

A Report is prepared for expropriation purposes, the “before” value must not take into account project influence and the “after” value must reflect the property as though the proposed project has been completed. The “before” value is premised on the Hypothetical Condition that the project is not proposed. If the “after” value is a prospective value, it is premised on the Extraordinary Assumption that the project will be completed as proposed, and the general assumption that there will be no unforeseen circumstances that would cause market conditions to significantly differ from what is anticipated. If the “after” Value is a current Value, it is premised on the Hypothetical Condition that the project is completed as proposed. The Report would need to include a clear disclosure of the Extraordinary Assumption(s) and Hypothetical Conditions and state that their use might have affected the opinions and conclusions.

Building Sizes

All information regarding the building sizes of the comparable sales were provided by the assessment authority. In order to acquire an accurate building size adjustment between the subject and the comparable sales the appraiser has chosen to utilize the assessment authority building sizes to minimize the variance adjustment and implement some consistency for the adjustment in the Direct Comparison Approach.

Site Size

The size of the subject site was obtained from sources considered reliable; however no current legal survey was provided or available. Accordingly, a current legal survey should be obtained to confirm the site size. For the purposes of the Report, the site size is assumed correct, and the Value estimate could be subject to change if found otherwise. The subject improvements are assumed to be constructed well within the boundaries of the subject site. A legal survey should be obtained to confirm the location of same. Should any of the improvements not be fully located within the confines of the subject site, the value estimate could be subject to change.

Environmental Comments

MEMBER COMPANY/NAME is not qualified to comment on environmental issues that may affect the market Value of the property appraised, including but not limited to pollution or contamination of land, buildings, water, groundwater or air. Unless expressly stated, the property is assumed to be free and clear of pollutants and contaminants, including but not limited to moulds or mildews or the conditions that might give rise to either, and in compliance with all regulatory environmental requirements, government or otherwise, and free of any environmental condition, past, present, or future, that might affect the Market Value of the property appraised. If the party relying on this Report requires information about environmental issues, then that party is cautioned to retain an expert qualified in such issues. We expressly deny any legal liability relating to the effect of environmental issues on the market value of the subject property.

Mould

The determination of the presence of mould is beyond the expertise of the appraiser. Liability is expressly denied as to the actual existence or non-existence of mould. It is unreasonable to rely on the appraiser's visual observations as to the actual existence or non-existence of a use or detrimental condition. The Authorized Client or Authorized User(s) of the Report must consult the expertise of a/an (*engineer, surveyor, plumber, electrician, HVAC technician, health inspector, home or building inspector, municipal official,*) or other appropriately qualified professional for a definitive determination of the actual existence or non-existence of any mould.

Not all uses or Detrimental Conditions may be observed on the Inspection date due to weather conditions, inoperable systems, inaccessibility of areas of the property, etc. Without dismantling the house or its systems, there are limitations to the Inspection. Liability is expressly denied as to any hidden, unapparent, or unknown mould or any related Detrimental Condition beyond the Scope, expertise and/or qualifications of the appraiser and reliance on the appraiser's visual observations is unreasonable. Other appropriately qualified professionals must be retained to determine the actual existence or non-existence of any mould or detrimental conditions. The appraiser is neither responsible nor liable for the non-discovery of any patent or latent defects in materials, workmanship, or other conditions of the property, or any other problems which may occur or may become evident after the Inspection time and date.

Fire, Smoke, CO₂ Equipment

It is imperative that the reader or any other interested party be aware that the Appraiser did not inspect the premises for the detection of smoke or fire detection systems, or for the presence of carbon monoxide detectors, nor did the appraiser inspect the condition of such equipment, if present. The appraiser takes no responsibility whatsoever for the lack of, or condition of detection devices that may be located on the premises, nor does the appraiser warrant compliance in any manner of such equipment, if present. This would require inspection and written confirmation from the Fire Department or appropriate City or Municipality offices.

Building Compliance / Market Rent:

The concluded Value herein is subject to the property and landlord complying with The Residential Tenancies Act (RTA).

A Fire Department inspection report was not provided to the appraiser, nor was an inspection initiated for this report. The appraiser notes that the subject building may not fully comply with current fire code regulations. Further, any cost to remedy same should therefore be considered in conjunction with the concluded estimated Value.

The owner has not provided Certificates of Compliance by the Fire Department, PROVINCIAL Electricity Provider, or the Municipality's Building Inspection Department. The concluded Value may be subject to change upon receipt of the above noted documentation.

The subject structures and any and all improvements to the site are assumed to have been erected, placed, or constructed lawfully, and in compliance with all the appropriate authorities. On all reports of property that are subject to satisfactory completion, repairs or alterations or some other Hypothetical Condition, this Report and Value conclusion are contingent upon completion of the improvements in a workmanlike manner and in compliance with all regulatory authorities and within a reasonable time period, or as stated. Unless noted otherwise building sizes are calculated in accordance with Appraisal Institute of Canada building measurement guidelines adopted from the American National Standards, Institute Inc. (ANSI) Square Footage-Method for Calculating: ANSI Z765 – 2013.

Third Party Agents

(AUTHORIZED CLIENT NAME) and (AMC NAME) have directed that the appraiser transmits the content of this Report via (AMC NAME). Pursuant to its user agreement, (AMC NAME) has disclaimed any warranty that the (AMC program) will be error free, has advised that information reported to and by (AMC program) may be subject to transmission errors, and has indicated that use of (AMC Program) is at the user's sole risk. Accordingly, (AUTHORIZED CLIENT NAME) should make its own determination as to the accuracy and reliability of (AMC program) for its use. The appraiser makes no representations and specifically disclaims any warranty regarding the accuracy or portrayal of content transmitted via (AMC Program) or its reliability. The appraiser uses such technology at the specific direction and sole risk of the (AMC NAME)/ (AUTHORIZED CLIENT NAME). At its request, (AUTHORIZED CLIENT NAME) may obtain a true copy of the original Report directly from the appraiser via secure email, mail or other means.

Third Party Software

(AUTHORIZED CLIENT NAME) and (AMC NAME) have directed that the appraiser prepares the content of this Report using the online forms software (or specific brand name of the forms software). Pursuant to its user agreement, (AMC NAME, or forms software) has disclaimed any warranty that the software will be error free, has advised that the information reported may be subject to transmission errors, and has indicated that use of the software is at the user's sole risk. Accordingly, (AUTHORIZED CLIENT NAME) should make its own determination as to the accuracy and reliability of the (AMC's forms software), its format and content for their use. The appraiser makes no representations and specifically disclaims any warranty regarding the accuracy or portrayal of content using this software, or its reliability. The appraiser uses such technology at the specific direction and sole risk of (AUTHORIZED CLIENT NAME) and (AMC NAME). At its request, (AUTHORIZED CLIENT NAME) may obtain a true copy of the original Report directly from the appraiser via secure email, mail, or other means.

Errors

By accepting this Report, it is agreed and understood that any alleged defects, omissions or errors in this Report, the Authorized Client, Authorized User, or agents must notify the author immediately in writing. The appraiser reserves the right to revise the Report.

Expert Witness or subpoena:

If the appraiser is required to attend arbitration or court for any reason related to this Report, the appraiser will charge the Authorized Client identified in this Report at a rate of \$X per hour plus normal fees. If requested to attend, the appraiser requires at least 10 working days in advance that are to be charged at the normal hourly rate.

Strata/Condo Reserve Fund Study

If this property is a condominium unit or strata lot, this Report assumes that the strata/condominium complex Reserve Fund Study / Depreciation Report is current and sufficient, with no impact on the Market Value of this property. Unless otherwise stated, the appraiser has not confirmed or contacted the strata corporation. The Authorized Client or Authorized User(s) must conduct their own due diligence and consult the strata corporation or other appropriately qualified professionals.

- 3.19.2 When invoking Hypothetical Conditions, it should be clear in the Report that the property condition does not in fact exist as at the Date of the Report, and the analysis performed to develop the opinion of Value is based on a hypothesis (e.g., the 5-acre question whereby the property is assumed to be a dwelling on 5 acres when in fact, it is on 20 acres).

3.19.3 The entirety of any Extraordinary Assumption or Extraordinary Limiting Condition is listed below the opinion(s) or conclusion(s) within the Report as well as in the Certification.

Extraordinary Assumptions – Developer Sales

Members should include an “as is” value in Syndicated Mortgage Investment (SMI) reports to ensure readers of the report are aware of the present state of the property and the current value. In some cases, this is required by legislation. When development of the proposed improvements has yet to begin, the “as is” value is usually reflective of the vacant land. When the development of the proposed improvements has begun but is not complete, Members should be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible “as is” value in the appraisal report. An “as if complete” value in a report estimates the market value of property after certain improvements are assumed to be completed on the property, but at the time of completing the report do not yet exist. It is often requested to provide potential investors with an idea of the projected returns that are expected by the developer. An “as if complete” report can be completed for SMIs in the same manner as that for a proposed single-family home, but it will typically be on a larger scale with a greater number of extraordinary assumptions and limiting conditions.

When completing “as if complete” reports that include improvements that do not yet exist, to comply with CUSPAP, a Member must adhere to the following requirements:

- A Hypothetical Condition and Extraordinary Assumption is required (7.10.4.)
- A Hypothetical Condition must be clearly disclosed in the report, with a description of the hypothesis, the rationale for its use and the effect on the result (7.10.7)
- An Extraordinary Assumption must be stated in its entirety or referenced exactly in the report (6.2.7. and 7.9.)
- An Extraordinary Limiting Condition must be explained and justified within the report (7.9.4.)

It is recommended that appraisal reports containing “As If Completed” values be required to include disclosure consistent with the OSC (Ontario Securities Commission) requirements for Forward-Looking Information (See attached).

The suggested disclosure language is as follows:

Certain statements and other information included in this Appraisal Report constitute “forward looking information” including assumptions and extraordinary assumptions. Any assumptions or extraordinary assumptions listed in the body of this report have not been independently verified by the author(s) and/or are items that the author(s) have been asked to assume are true as part of this assignment.

Forward-looking statements are typically identified by the words “believe”, “expect”, “anticipate”, “project”, “intend”, “estimate”, “outlook”, “focus”, “potential”, “will”, “should”, “would”, “could” and other similar expressions.

The valuation presented for “As If Complete” valuations contained in this Appraisal Report provides the material assumptions used to develop such forward-looking valuation and the reader should be aware

of the material risk factors that could cause actual results to differ materially from the forward-looking statements.

Members should follow the “Reasonable Appraiser” test. Items to consider before making assumptions or extraordinary assumptions include:

- a complete Highest and Best Use analysis,
- a feasibility analysis,
- documented evidence that developments will be approved,
- practical time frames for planning approvals and construction,
- pre-sales,
- absorption, and
- bankability.

3.19.4 In determining whether an assumption is material and requires the designation of an Extraordinary Assumption, a best practice would be to consider the issue in the context of a market value transaction between a hypothetical vendor and a hypothetical purchaser. Would the assumption the Member is making fundamentally change the conditions of the purchase such that the deal needs to start anew, or would it simply require a minor amendment? If the former is the case, an Extraordinary Assumption should be made.

EXAMPLES: ASSUMPTION OR EXTRAORDINARY ASSUMPTION

- Tax records or building plans indicate that the area of a single-family dwelling is 5,000 sq.ft. but during the inspection the dwelling is measured to be 5,050 sq.ft.
 - *Assumption:* This may require some adjustment to the price but likely will not fundamentally alter the transaction.
 - *Extraordinary Assumption:* However, if the Member measures the property to be 7,000 sq.ft., it likely will require a complete revision of the agreement; in this situation it would be necessary to invoke an Extraordinary Assumption as to what size is being analyzed in the report.
- The Member is aware that the subject property, a vacant and unimproved industrial property, is located in an area where soils require extensive site preparation work.
 - *Assumption:* If the comparable properties are located in the area, an assumption that the subject has soil characteristics similar to those in the surrounding area would generally suffice as the soil conditions are likely to be accounted for in the purchase price of the comparable sales.
 - *Extraordinary Assumption:* If the Member is informed that the soil conditions may be especially poor in comparison to the surrounding area, though there is no definitive information, it would be more appropriate to make the Extraordinary Assumption.

Referencing Extraordinary Assumptions

When making an Extraordinary Assumption that the soils can support the intended development, stating “the soils can support the intended development” without an Extraordinary Assumption can be misleading.

It is more appropriate to say, “it is an Extraordinary Assumption of this report that the soils can support the intended development”.

3.20 Extraordinary Limiting Conditions (RSR 6.2.7)

3.20.1 Examples of Extraordinary Limiting Conditions:

- 3.20.1.i. exclusion of a relevant valuation approach
- 3.20.1.ii. no interior inspection of the subject improvements
- 3.20.1.iii. no title search has been performed when title information may be relevant
- 3.20.1.iv. property is situated outside of Canada and there is no liability insurance coverage

3.20.2 Limiting Conditions are unacceptable in any assignment where they:

- 3.20.2.i. compromise a Member’s impartiality, objectivity, or independence;
- 3.20.2.ii. limit the scope of work to such a degree that the results are not credible given the purpose of the assignment and the Authorized Use of the results; and/or
- 3.20.2.iii. limit the contents of a report that results in the report being misleading.

3.21 Electronic Signatures (RSR 6.2.9)

3.21.1 A Member should take measures to protect their electronic signature. An electronic signature should be password protected and should never be shared without the Member’s consent.

3.21.2 A Member should not provide their electronic signature or digital signature and password to Authorized Clients, or appraisal management companies.

3.21.3 If a Member provides access to their electronic signature, to a co-signer or employer, they should have a written agreement that outlines the situations where their signature may be used and those situations where the original work product may be changed.

3.21.4 Electronically affixing a signature to a report carries the same level of authenticity and responsibility as an ink signature on a paper copy of a report.

3.22 Draft Reports

3.22.1 Use of Draft reports is permitted. Draft reports are not signed by a Member as a signature on a report implies authentication of the report and the Member will become responsible for the content, analyses, and conclusions in the report.

3.22.2 Draft reports may include:

- 3.22.2.i. a Limiting Condition with wording stating that the report is valid only with an original signature to make clear that an unsigned report is not a valid report;
- 3.22.2.ii. a Letter of Engagement with each draft report outlining the terms of reference (e.g. number and frequency of draft reports, invoicing schedule; terms of the draft and its distribution, etc.) and the Authorized Client's instructions to provide a draft report and for what purpose – the same should be noted in the scope of work of each draft report;
- 3.22.2.iii. the Authorized Client's instructions to provide a draft report and for what purpose in the scope of work of each draft report.

3.22.3 Inserting "DRAFT" on signature lines will help prevent both fraud and a third party affixing a signature that is not the Member's original signature. It is recommended that a draft report include:

- 3.22.3.i. a "DRAFT" watermark across every page and/or in every header or footer;
- 3.22.3.ii. a header or footer with the date and the version of the draft (i.e., Draft ## effective Month/Day/Year) on every page to indicate to any user, Authorized or potential, not only that the report is a draft but also to identify the draft version in case there are several; and
- 3.22.3.iii. a "DRAFT" notation wherever the value and signature should appear (i.e., conclusion, certification page).

3.22.4 It is recommended that a final Report include a summary of changes from the last draft to the final Report, if appropriate.

3.23 Report Formats [RSC 7.1]

- 3.23.1 CUSPAP recognizes two Report formats: form and narrative and two levels of detail provided: concise, or comprehensive.
- 3.23.2 CUSPAP requirements for the Scope of Work still apply to each of the two formats, but the level of detail can vary according to the choice between a concise or a comprehensive level of detail.
- 3.23.3 While two report formats are recognized, there are two levels of detail appropriate for Form Reports, which can vary depending on which conditions are present.
- 3.23.4 This will affect the completion of Form Reports on an approved AIC form when prepared for mortgage financing with an Authorized Client or Authorized User when a Member can reasonably make the following assumptions, per the Reporting Standard Comments section 7.1.6:

7.1.6.i the lender is assumed to have the requisite knowledge and experience to understand the appraisal analysis with limited explanation of this type of form report when prepared for mortgage financing;

7.1.6.ii the lender has determined that the borrower has the capacity and willingness to repay; and

7.1.6.iii the loan-to-value ratio is in accordance with lending institution policies and federal lending regulations.

3.23.5 To further assist Members in understanding the requirements for the level of detail required under the different formats, the following two matrices were prepared – one for narrative style Reports and one for form Reports.

3.23.6 Regardless of the Report format, there may be exceptions to the general rule where additional detail will be appropriate, even when choosing the concise reporting option.

3.23.7 The over-riding obligation in a principle-based application of CUSPAP is that the Report, regardless of format or type, is sufficient for the Authorized Client or Authorized User to understand the underlying rationale supporting the value opinion in order to satisfy the Authorized Use.

3.23.8 Narrative Report Formats

Narrative Reports		
	Concise	Comprehensive
Requirement	7.5.11 is a brief report that includes all relevant information which is analyzed and explained with relevant data in the work file. A brief report implies that data is stated and summarized as compared to described and analyzed in the comprehensive narrative report option	7.5.3.iii is an extensive and full report in a narrative format that includes all relevant information, which is analyzed and explained in depth, with supporting data in the work file
Letter of Transmittal	Custom – include effective date, value, and any important limitations	Custom – include effective date, value, and any important limitations
Table of Contents	Custom to assignment	Custom to assignment

3. Practice Notes on the Reporting Standard

Executive Summary	Optional but expected	Optional but expected
Identification of Authorized Client	Identify by name	Identify by name
Identification of Authorized Use and Authorized User(s)	Identify by name, describe limitations of use by any party other than Authorized Client and Authorized User(s)	Identify by name and describe limitations of use by any party other than Authorized Client and Authorized User(s)
Purpose of Assignment	Identify with relevant definition of value	Identify with relevant definition of value
Property Rights Appraised	Identify	Describe and define property rights
Effective Date and Date of Report	State the effective date and describe if other than the date of report, i.e., retrospective, or prospective	State the effective date and describe if other than the date of report, i.e., retrospective, or prospective
Scope of Work	Summarize the steps appropriate to the assignment and the chosen report option and identify some supporting data and analysis is held on file	Describe both the steps appropriate to the assignment and the level of detail appropriate to the chosen report format
Assumptions and Limiting Conditions	Include mandatory ALC as well as state and summarize Extraordinary or Extraordinary Assumptions	Include mandatory ALC as well as identify and support Extraordinary or Extraordinary Assumptions
Identify the Property	State and summarize significant characteristics	Identify and analyze
Area, City and Neighbourhood Data	Identify and summarize any major influences on value	Describe and analyze
Characteristics of the Site	Identify and summarize any major influence on value	Identify and analyze

3. Practice Notes on the Reporting Standard

Characteristics of Building and Other Improvements	Identify and summarize major characteristics	Identify and analyze to level of detail to support Scope of Work
Assessment and Taxes	State and summarize, discuss value impacts if appropriate	State and summarize, discuss value impacts if appropriate
Sales and Listing History	State and summarize – expand to analyze if significant to value	Identify and analyze and unusual conditions
Land Use Controls	State and summarize, analyze impact on value if appropriate	Identify and analyze
Highest and Best Use	State and summarize, analyze the impact on value if appropriate	Identify and analyze
Valuation Methods and/or exclusions	State and summarize value approaches appropriate to assignment and provide supporting rationale for exclusion of approaches	Describe and provide supporting rationale for exclusion of approaches
Land Value Analysis	Identify sales and summarize rationale for conclusions	Identify and describe land indicators, provide detailed rationale for conclusions
Cost Approach Analysis	Identify source of cost data and summarize depreciation factors	Identify, describe, and analyze cost data and support depreciation estimates
Income Approach Analysis	Identify and summarize data and supporting rationale for income, expense, and selection of capitalization rate	Identify, describe, and analyze income data and support expense and capitalization factors with detailed rationale
Direct Comparison Analysis	Identify sales and summarize rationale for conclusions	Identify and describe sales data indicators, provide detailed rationale for conclusions

3. Practice Notes on the Reporting Standard

Reconciliation	Identify conclusions of each pertinent approach and summarize strengths and weaknesses	Describe and analyze the value estimates for each approach and assess strengths and weaknesses
Final Estimate and Exposure Time Analysis	Summarize significant factors in concluding final estimate	Describe reconciliation of approaches and supporting rational for final estimate
Certification	Use standard certification statement, customize as necessary	Use standard certification statements, customize as necessary
Addenda	Maps, title search, letter of instruction, other supporting data commensurate to level of detail in the report	Maps, title search, letter of instruction, other supporting data

3.23.9 Form Reports

Form Reports (see CUSPAP 7.5.3.i) A Form Report is a brief report that includes all relevant information for an assignment. The information is analyzed and explained with supporting data in the work file. The form is a combination of check-off boxes and narrative explanations of key data and conclusions		
	Form Reports – Non-Mortgage	Mortgage Appraisal Form Reports
Requirement	When completed for an Authorized Client or Authorized User(s) for other than mortgage financing a higher level of detail is required in comparison with mortgage appraisals	Must be prepared on the approved AIC form. Subject to 7.1.7: When a Residential Form Report is approved by the AIC is utilized for mortgage financing, the terms “identify” and “analyze” are considered to mean: State and Summarize ^{vii}
Letter of Transmittal	Custom – include effective date, value, and any important limitations	Custom – include effective date, value, and any important limitations
Identification of Authorized Client	Identify by name	Identify by name

3. Practice Notes on the Reporting Standard

Identification of Authorized Use and Authorized User(s)	Identify by name and describe limitations of use by any party other than Authorized Client and Authorized User(s)	Identify by name, describe limitations of use by any party other than Authorized Client and Authorized User(s)
Purpose of Assignment	Identify with relevant definition of value	Identify with relevant definition of value
Property Rights Appraised	Describe and define property rights	Identify property interest being valued
Effective Date and Date of Report	State the effective date and describe if other than the date of report, i.e., retrospective	State the effective date and describe if other than the date of report, i.e., retrospective
Scope of Work	Describe both the steps appropriate to the assignment and the level of detail appropriate to the chosen report format	Summarize the steps appropriate to the assignment and the chosen report option and identify that some supporting data and analysis is held on file
Assumptions and Limiting Conditions	Include mandatory ALC ^{viii} as well as identify and support Extraordinary or Extraordinary Assumptions	Include mandatory ALC as well as state and summarize Extraordinary or Extraordinary Assumptions
Identify the Property	Identify and analyze	State and summarize significant characteristics
Area, City and Neighbourhood Data	Describe and analyze	Identify and summarize any major influences on value
Characteristics of the Site	Identify and analyze	Identify and summarize any major influence on value
Characteristics of Building and Other Improvements	Identify and analyze to level of detail to support Scope of Work	Identify and summarize major characteristics
Assessment and Taxes	State and summarize, discuss value impacts if appropriate	State and summarize, discuss value impacts if appropriate

3. Practice Notes on the Reporting Standard

Sales and Listing History	Identify and analyze and unusual conditions	State and summarize – expand to analyze if significant to value
Land Use Controls	Identify and analyze	State and summarize, analyze impact on value if appropriate
Highest and Best Use	Identify and analyze	State and summarize, analyze the impact on value if appropriate
Valuation Methods and/or exclusions	Describe and provide supporting rationale for exclusion of approaches	State and summarize value approaches appropriate to assignment and provide supporting rationale for exclusion of approaches
Data relevant to the chosen Valuation Methods	Describe and analyze all data relevant to each approach and provide detailed rationale of adjustments and conclusions.	Identify all data relevant to each approach and provide summary of rationale for adjustments and conclusions
Land Value Analysis	Identify and describe land indicators, provide detailed rationale for conclusions	Identify sales and summarize rationale for conclusions
Cost Approach Analysis	Identify, describe, and analyze cost data and support depreciation estimates	Identify source of cost data and summarize depreciation factors
Income Approach Analysis	Identify, describe, and analyze income data and support expense and capitalization factors with detailed rationale	Identify and summarize data and supporting rationale for income, expense, and selection of capitalization rate
Direct Comparison Analysis	Identify and describe sales data, provide detailed rationale for conclusions	Identify sales and summarize rationale for conclusions
Reconciliation	Describe and analyze the value estimates for each approach and assess strengths and weaknesses	Identify conclusions of each pertinent approach and summarize strengths and weaknesses

3. Practice Notes on the Reporting Standard

Optional Requirements	When applicable: Analyze the effects of leases, assemblage, anticipated public or private improvements or any included personal property, if appropriate	When applicable: Summarize the effects of leases, assemblage, anticipated public or private improvements or any included personal property
Final Estimate and Exposure Time Analysis	Describe reconciliation of approaches and supporting rational for final estimate and for exposure time estimate	Summarize significant factors in concluding final estimate and summarize factors supporting conclusion for exposure time
Certification	Use standard certification statements, customize as necessary	Use standard certification statement, customize as necessary
Addenda	Maps, title search, letter of instruction, other supporting data	Maps, title search, letter of instruction, other supporting data commensurate to level of detail in the report

3.24 In-House Reports

3.24.1 A Member employed in a public institution is required to comply with CUSPAP in preparing “in-house” Reports, if these reports are subject to public review.

3.24.2 Where Reports are provided “in-house” and not subject to public review, it is generally accepted that such Reports can be prepared according to the procedural and policy requirements of that particular institution.

3.24.2.i. If these conclusions are intended for a public forum such as before Boards of Revision, Assessment Appeals or Courts, then the appropriate Standards shall apply.

3.24.3 When Reports are not prepared for or presented in a public forum but may be required by due process of law (such as a Freedom of Information request) to be released to the public then the provisions of a Jurisdictional Exception may apply.

3.24.4 When Professional Services are provided to an arbitration or court, including testimony and affidavits, the appropriate Standards apply.

3.24.4.i. The type of action, the jurisdiction, Court references and other identifying information should be included in the assignment if known.

3.25 Responsibility [RSC 7.12]

3.25.1 CUSPAP and AIC Policy require a Member co-signing for a Candidate Member to:

- 3.25.1.i. provide an appropriate level of supervision and guidance to the Candidate Member throughout all stages of an Assignment;
- 3.25.1.ii. accept responsibility for the Report produced as a result of the Assignment;
- 3.25.1.iii. be accountable for the Report produced as a result of the Assignment;
- 3.25.1.iv. have a level of involvement in the production of the Report to provide the knowledge necessary to explain and defend the report, if challenged.

4 PRACTICE NOTES ON THE REAL PROPERTY APPRAISAL STANDARD

4.1 Exposure Time (RPASR 8.2.1)

- 4.1.1 It is recommended that Exposure Time appear in that section of the report that presents the discussion and analysis of market conditions and with the final value conclusion.
- 4.1.2 Exposure Time may be expressed as a range.
- 4.1.3 The opinion of the time period for reasonable exposure is not intended to be a prediction of a date of sale or a one-line statement. Instead, it is an integral part of the analyses conducted during the appraisal assignment. The opinion may be expressed as a range and can be based on one or more of the following:
 - 4.1.3.i. statistical information about days on market;
 - 4.1.3.ii. information gathered through sales verification; and/or
 - 4.1.3.iii. interviews with market participants.
- 4.1.4 Related information gathered through this process may include the identification of typical buyers and sellers for the type of real estate involved and typical equity investment levels and/or financing terms.
- 4.1.5 Members are cautioned that Exposure Time is not the same as the 90-day sales window often required in instructions to appraisers.
- 4.1.6 Exposure Time is backward-looking and prior to the Effective Date.
- 4.1.7 The reasonable exposure period is a function of price, time, and use, not an isolated opinion of time alone.
 - 4.1.7.i. A reasonable exposure period may also be a function of a situation e.g., a forced sale where the Exposure Time may be more accurately described as a “forced/brief Exposure Time”.
 - For example, a property may have been on the market for two years at a price of \$2 million, which informed market participants considered unreasonable. After the seller lowers the price to \$1.5 million, the property sells six months later. Although the total exposure time was 2.5 years, the Exposure Time is six months at \$1.5 million. It is important to answer the question: “What timeframe and at what value or value range?”

EXAMPLE: EXPOSURE TIME RESIDENTIAL

The MLS statistics for January 2024 indicate the average sale price in the area was \$500,000 with an average days on market of 50 days. There were 500 sales of residential homes of which 20 were strata/condo sales in the subject neighborhood. The sales to listing ratio was 99%. The 6 comparable

sales in the report ranged from 10-80 days with an average of 40 days. The exposure time is estimated at 10 to 80 days, prior to the effective date.

4.2 Marketing Time (RPASR 8.2.1)

- 4.2.1 Market conditions that may affect marketing time include the identification of typical buyers and sellers for the type of property involved and typical equity investment levels and/or financing terms.
- 4.2.2 Marketing time is a function of price, time, use, and anticipated market conditions such as changes in the cost and availability of funds not an isolated opinion of time alone.
- 4.2.3 Marketing time is forward-looking and predictive and is after the Effective Date. It is an estimate of the length of time it will take to sell this property at the estimated value stated in a Report.

Past List Date	Exposure Time	Present	Marketing Time	Future Sale Date
December 1 (as if listed for sale hypothetically)	1 month	January 1 (as if sold on this effective date today hypothetically)	3 months	April 1 (as if sold on a future date hypothetically)

- 4.2.4 Marketing Time is NOT typically required in financing assignments as this is tied to a prediction of a future selling date.
 - 4.2.4.i. Marketing Time is mostly used for relocation, listing, liquidity, or disposal assignments, but not typically in financing assignments.
 - 4.2.4.ii. Marketing time may be removed unless it is a necessary part of the Scope of Work/Engagement Letter.
- 4.2.5 If both Exposure and Marketing Time are referred to in a Report, the Report should include a definition of these terms and an explanation of the difference between the two terms.

Marketing Time

The subject property is expected to have a marketing time from 10 to 90 days provided that mortgage interest rates, employment, no changes to government policies that may affect lending procedures and/or investment and demand remain as they were as of the effective date of this appraisal.

Other factors that play a major role include but not limited to: changes in mortgage qualification requirements, competitive pricing, supply, demand, active competing listings, employment, and unemployment.

4.3 Characteristics of the Property (RPASR 8.2.3, RPSR 14.2.1)

- 4.3.1 The real property, assets, or components involved in an assignment can be described by: a legal description, address, map reference, copy of a survey or map, property sketch and/or photographs, etc.
 - 4.3.1.i. The information can include a sketch and photographs in addition to written comments about the legal, physical, and economic attributes of the assignment, including assessment and property tax data relevant to the purpose and Authorized Use of the appraisal.
 - 4.3.1.ii. Any unusual aspect and contrasts between the subject property and adjoining uses be identified.
 - 4.3.1.iii. Maps of the subject property should include aerial or orthophoto maps in addition to any thematic maps to better identify locational features including: building heights, obstructions, green spaces, view, and proximity to other neighborhood influences. Zoning maps should be included when relevant.
 - 4.3.1.iv. Measurements and building sketches or building plans and specifications should be included especially for “as if complete” new construction or renovation assignments.
 - 4.3.1.v. Any assumptions as to the type of ownership, including fee simple, condominium, or leasehold should be specified.
- 4.3.2 A title search will normally be required to reveal the legal attributes and restrictions that may affect property value (see Extraordinary Limiting Conditions). When the Authorized Use includes litigation, a best practice would be to conduct title searches on properties used as comparable sales.
 - 4.3.2.i. A search is not intended to result in an expression of opinion as to the state of title, itself.
- 4.3.3 A title search is normally not completed for simple residential mortgage financing assignments however CUSPAP requires a Member to complete a search for all prior sales of the property that may be completed by other reliable sources such as Geowarehouse, BC Assessment, etc.
- 4.3.4 When the effective age and the chronological age of a property do not match, a Member should provide a detailed explanation of the upgrades that have occurred to extend the life of the property.
- 4.3.5 A Report should clarify what the term “100% complete” means and inform whether the Scope of Work included confirmation that the occupancy permit and any other permits are in place.

EXAMPLE: DESCRIPTION OF THE CHARACTERISTICS OF A PROPERTY

The subject is a 31-year-old single storey residence with a full, poured in place concrete basement and situated on a slightly larger than average sized site for the area. The subject is a rectangular shaped interior lot on the X river. The site is grassed throughout with a patio block area in the rear yard near the garage. Some regrading of the site and site maintenance is required. Landscaping is considered to be average. The rear yard is fully enclosed with older, wood fencing that is in need of repair. Access to the site is from the rear lane which leads into the double detached garage from a double wide poured concrete approach.

The exterior of the dwelling is original with wood siding on the front while the balance is stucco, all in average condition. The wood siding and trim paint is starting to flake and would benefit from a complete scraping and painting. Asphalt roof shingles are older and starting to show some curling in a few areas. Their age is unknown. Windows are mostly older triple pane wood thermal and casement units with one newer triple PVC casement unit in the kitchen. Many of the older windows have inoperable openers and do not appear to close properly.

The front steel insulated door opens into a small foyer with a single closet and hardwood flooring. To the right is the living room with a bay window, vaulted ceiling, pot lighting and hardwood floors. The dining area is on-line with the living room and has an alcove. The kitchen is open to the dining area. It was updated in 2017 with new cabinets with soft-close drawers and doors, granite countertop, double stainless steel undermounted sink and tiled backsplash. The ceiling is vaulted in the kitchen and there is a gas hook-up for the stove. There is space for a future dishwasher. The side entrance and staircase access to the basement are located off the kitchen.

Each of the three bedrooms on the main floor have updated laminate flooring. The primary bedroom contains a double closet and a bay area while both of the smaller bedrooms have a single closet. The interior doors are newer. The main bathroom is a four-piece with a newer vanity, dual flush toilet, tiled tub surround and sheet vinyl flooring.

The basement is full and mostly finished with the exception of the laundry and mechanical area. There is a large rec room with laminate flooring, drywalled walls and suspended acoustic tile ceiling. Some water damage was noted on the laminate floor as the owner indicated that there has been periodic water seepage under the flooring from the west window in the rec room. A three-piece bathroom contains a double closet with mirrored doors, a dual flush toilet, corner moulded acrylic shower stall and laminate countertop. There are drywalled walls, sheet vinyl flooring and a suspended acoustic tile ceiling. The bathroom has a strong mildew odour consistent with an ongoing high humidity level. The balance of the basement is the laundry and mechanical area. This area is mostly unfinished except for the walls being studded, insulated and a poly cover. There are ample older wood cabinets with a flo-form countertop. The high efficiency forced air gas furnace was installed in about 2003 and has central air. The air conditioning condenser unit should be releveled. There is also a gas hot water tank and a central vac unit.

Plumbing is copper and ABS and there is a 100-amp electrical panel. Most of the plumbing and electrical is covered but no kitec or knob and tube wiring was observed. The home has an alarm system, but it is not currently functional, according to the owner. Overall, the home is considered to be in average to good condition. It has received substantial upgrading over the years but also shows some deferred maintenance.

4.4 Legal Considerations in a Report (RPASR 8.2.3)

- 4.4.1 The practice of appraisal requires a rudimentary ability to interpret legal documents (e.g., title) pertinent to real property. Unless legally qualified, the Member should not comment on legal matters beyond those typically required in the appraisal process.
- 4.4.2 It should be clear in the report that the Member is not providing an opinion on title but only describing the interest appraised.
- 4.4.3 Reports that take existing leases into account should identify their conclusions as representing the value of the leased fee, not simply the market value of the property.

FEE SIMPLE VERSUS LEASED FEE

The term “Fee Simple” rarely exists in its purist form because properties are subject to the four government powers and often have some encumbrance or lease or mortgage in place. Remember that Fee Simple relates to property rights, not necessarily occupancy, because when properties sell, the bundle of rights transfers with property whether a building is leased or vacant.

As most properties are encumbered by mortgages, easements or leases, Members may find using the terms “Fee Simple Absolute”, “Fee Simple unencumbered” or “Fee Simple encumbered by....” can cause confusion, so it is recommended to explain the concept of Fee Simple, bundle of rights, and how the value is affected when applying different property or ownership rights.

A Member should first determine whether a fee simple (unencumbered by a lease), leased fee, or leasehold interest valuation is most appropriate for an assignment.

If the assignment requires a value based on market or economic rents, it is typically a fee simple value.

If the assignment requires a value based on the existing lease and contract rent, it is typically a leased fee value.

If the assignment requires a value for Fee Simple when the property is currently leased or subject to other encumbrances, a Hypothetical may not be necessary.

If a Client or User is not familiar with property, ownership or estate rights, Members should discuss this prior to the appraisal being completed as it can change the scope and affect the final value. It is important to clarify if the Fee Simple is absolute, conditional, or Fee Simple unencumbered by leases (often referred to as “dark”).

CUSPAP requires the interest to be identified that can affect value. For example, consider these statements.

“The purpose of the appraisal is to estimate the market value of the fee simple interest based on the subject as vacant and available to be occupied on the effective date”.

“The purpose of the appraisal is to estimate the market value of the fee simple interest based on the subject leased at market rates and stabilized on the effective date”.

“The purpose of the appraisal is to estimate market value of the leased fee interest based on the subject leased at under current rates and current occupancy on the effective date as described in the lease agreement in Appendix A.”

The three scenarios may result in a different value due to the costs to lease vacant space, different comparables, different vacancies, and/or different risk rates.

A Member may find market rent leased fee interests are equivalent to the fee simple because the lease contract is a personal property interest that is added to, not removed from, the bundle of rights. For a real-life example, consider the difference between valuing two identical big box stores – one dark/vacant (as fee simple) and one leased (as leased fee).

4.5 Detrimental Conditions (RPASR 8.2.3)

4.5.1 Detrimental Conditions can include:

4.5.1.i. General

- E.g., Fixtures, Fittings and Equipment, goodwill

4.5.1.ii. Transactional

- E.g., assemblage, distress, bankruptcy

4.5.1.iii. Distress and sociological

- E.g., crime scene, shipwreck, car crash

4.5.1.iv. Legal

- E.g., eminent domain, lot line, lien

4.5.1.v. External

- E.g., power lines, airport, proximity noise

4.5.1.vi. Building and manufacturing

- E.g., defects in design, infestation

4.5.1.vii. Site and infrastructure

- E.g., drainage, groundwater, corrosive soils

4.5.1.viii. Environmental and biomedical

- E.g., asbestos, lead paint, radioactive

4.5.1.ix. Conservation;

- E.g., endangered species, archeological, cultural resources

4.5.1.x. Natural and climate

- E.g., flood, earthquake zone, fire

4.5.2 When qualified specialists have documented the existence of detrimental conditions and estimated the costs of remediation or compliance, a Member may be in a position to develop an opinion of “As Is” value and should be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible appraisal.

- 4.5.3 The value of an interest in impacted (e.g., contaminated) property may not be measurable simply by deducting the remediation or compliance cost estimate from the opinion of value as if unaffected. Other factors may influence value, including any positive or negative impact on marketability (stigma) and the possibility of change in Highest and Best Use.
- 4.5.4 An assignment for the valuation of a contaminated property could require an estimate of:
- 4.5.4.i. Value “As Is”: in its contaminated state, where the contamination is known and revealed to the Member. There may or may not be a report from a third party qualified or licensed professional detailing the contamination and/or the remediation that is required and the costs to cure.
 - 4.5.4.ii. Value “As If Cured”: where there may or may not be a third-party professional setting out the remediation costs. This may or may not also include ongoing monitoring if required.
 - 4.5.4.iii. Value “As Is” where contamination is unknown or unapparent to the Member. This is the most common situation.
- 4.5.5 An “As Is” report requires a Member to investigate the marketplace, seeking comparable sales that have the same, or as close as possible to the same, attributes, detriments, or state of incompleteness as the subject.
- 4.5.6 A Member should be careful not to combine “As is” and Hypothetical Conditions.
- 4.5.7 To estimate market value for a property having incomplete construction, it is recommended that the comparable sales used have the same or similar influences. The marketplace rarely has similar properties with the same influences or level of incomplete work as the subject, namely the same combination of items of incompleteness.
- 4.5.8 For an incomplete structure, a contractor’s estimated cost to complete is only the first step. It is incorrect to estimate “As Is” value by simply deducting the cost of completion from the completed market value because this mathematical procedure does not consider profit, loss, risk, stigma, and the lack of ability to insure or finance, in a conventional way, a property that is under construction/demolition. These factors and costs should be considered in addition to a contractor’s quote.
- 4.5.9 The Member should provide a proper calculation of value that typically is:
- 4.5.9.i. $\text{the As is/Impaired Value} = \text{As If Unimpaired/Complete} - \text{Loss in Value (cost effects, remediation, useability, risk, stigma)}$
- 4.5.10 In preparing Reports to estimate property value diminution, a best practice would be to include the specific sections of CUSPAP to define what the Member can and cannot do.
- 4.5.11 A Member should include an Extraordinary Assumption stating that they have relied upon a report of the qualified environmental professional, that the opinion of property value diminution for cost effects is the estimate provided by the qualified environmental professional, and that if the

opinion of the qualified environmental professional is found to be subject to change or found to be in error, the estimate of property value diminution is invalid.

4.5.11.i. Example: “An environmental report was prepared by *Name of Expert, Professional Designation* to report on *describe/list environmental issues*. The report was provided to the Authorized Client who deemed it to be acceptable. The appraiser is not an expert and cannot verify the accuracy or the reliability of the environmental report or opinions stated therein by *Name of Expert, Professional Designation*.”

4.6 Recognition of Detrimental Conditions (RPASR 8.2.3)

4.6.1 A Member is an observer of real estate; however, recognizing, detecting, or measuring detrimental conditions is often beyond the scope of the Member’s expertise.

4.6.2 When completing a checklist as part of the valuation process, it is recommended that a Member responds only to those questions that can be answered competently by the Member within the limits of their expertise.

4.6.3 Failure to address known/observed detrimental conditions in a report could result in a misleading report.

4.6.4 A Member should describe the severity of the detrimental condition and provide factual observations and supporting data, if known, and explain how each issue is covered in a Report.

4.6.4.i. Detrimental Conditions can be short or long term and may range from having little to no impact on value but may impact exposure or marketing time because of stigma.

4.6.4.ii. Detrimental Conditions may affect the use, remaining life, or operating performance.

4.6.5 It is recommended to click the boxes in the AIC Residential Appraisal Report form for all Detrimental Conditions observed and provide a detailed description in the comments field to provide information about the nature of the condition of the property. The more a property is affected by the detrimental condition, the more detail the Member should provide in a Report.

4.6.5.i. For example: Contamination, airport noise or an adjacent railway may affect the subject property but all comparable sales or an entire neighborhood may be similarly affected.

4.7 Remediation and Compliance Cost Estimation (RPASR 8.2.3)

- 4.7.1 Remediation and compliance cost estimation involves knowledge and experience beyond that of most Members.
- 4.7.2 These estimates are typically provided by consulting specialists who are properly versed in federal and local requirements and are qualified to assess and measure the materials and/or methods appropriate for remediation or compliance.
- 4.7.3 Other professionals who deal with legal liabilities and business operations may also be involved in the cost estimate process.
- 4.7.4 A Member may reasonably rely on the findings and opinions of qualified specialists in remediation and compliance cost estimation.

4.8 Value Opinions of Interests in Impacted Real Estate (RPASR 8.2.3)

- 4.8.1 Many clients employ experts in various disciplines separately and simultaneously and make business decisions based on comparing the results of findings from the various experts.
- 4.8.2 These clients may request a Member to appraise real estate that is, or is believed to be, influenced by detrimental conditions, under a Hypothetical Condition that it is not impacted.
- 4.8.3 A Member may invoke this Extraordinary Assumption and Hypothetical Condition when:
 - 4.8.3.i. the resulting appraisal is not misleading;
 - 4.8.3.ii. the Authorized Client has been advised of the assumption; and
 - 4.8.3.iii. the Hypothetical Condition has been disclosed in compliance with these Standards.

4.9 Mould (RPASR 8.2.3)

- 4.9.1 Mould is a growth of microscopic organisms. Within structures, it may be the result of a building system or building component failure. Causes can include: roof, window, or cladding leakage (seals, frames, caulking), air leakage (design, construction, ducting issues), plumbing leakage (building services, individual units), poor ventilation, vapour diffusion, HVAC condensate (collection/drainage systems), and/or thermal bridges (discontinuous insulation), etc.

4.10 Grow-Ops (RPASR 8.2.3)

- 4.10.1 Grow-Ops are properties that are used for legally or illegally growing marijuana. Grow-ops may result in moist conditions that can cause damage to a property like mould and/or may also result in stigma.
- 4.10.2 A Member should respond only to questions about detrimental conditions that may be related to the presence of a grow-op in a property that they can answer competently and

within the limits of their expertise.

4.10.2.i. Members should avoid providing opinions about a property with a grow-op and limit information in a report to factual information and observations.

- E.g., “black material noted on the ceiling” and include supporting photographs.

4.10.3 If a Hypothetical Condition or Limiting Condition are not appropriate or the Member does not have competency to discuss grow-ops, the Member should decline the assignment.

4.11 Fractional Interest, Physical Segment or Partial Holding (RPASR 8.2.3)

4.11.1 A Member does not generally have to value the whole of a property (or the larger parcel) when the subject of a report is a small component.

4.11.2 The burden of proof is on the Member to determine if the assignment would tend to mislead or confuse without a valuation of the whole.

4.11.3 Valuation of a partial taking through expropriation may require consideration of the “larger parcel” and injurious affection (loss in value to the remainder).

4.12 Inspection of Subject Property (RPASR 8.2.3)

4.12.1 The scope of a report should indicate, unless indicated otherwise, that a typical inspection does not include:

4.12.1.i. viewing of crawlspaces;

4.12.1.ii. viewing of attic spaces;

4.12.1.iii. removal of ceiling tiles;

4.12.1.iv. removal of any wallcoverings;

4.12.1.v. window coverings;

4.12.1.vi. accessing rooftops;

4.12.1.vii. confirmation of off-season systems as operational;

4.12.1.viii. removal of well caps, accessing infrastructure/underground installations;

4.12.1.ix. removal of shrubbery or material of any kind placed against interior/exterior walls;

4.12.1.x. testing of capacity/ flow/pressure rate capacities;

4.12.1.xi. accessing central heating plant/systems and air-conditioning units;

4.12.1.xii. viewing of septic tanks;

4.12.1.xiii. removal of electrical panels and or cover plates;

- 4.12.1.xiv. moving of furniture and appliances to view wall or floor areas;
- 4.12.1.xv. viewing of locked or secured private areas; and/or
- 4.12.1.xvi. viewing for termite, insect or other vermin presence or penetration.
- 4.12.2 An inspection includes an observation of the interior and exterior of the property.
 - 4.12.2.i. If circumstances do not permit an interior inspection of the property, at a minimum, the performance of an inspection of the exterior of the property is expected.
- 4.12.3 In situations where interior and/or exterior inspections of the property are not possible, an [Extraordinary Assumptions and Limiting Conditions Addendum](#) can be included in a report.
- 4.12.4 An inspection based on photographs, video or aerial or other imagery is not considered a personal inspection.
- 4.12.5 If a Member does not personally inspect a property, they should identify the sources of information about the property characteristics included in a Report.
 - 4.12.5.i. When providing property characteristic information, identify whether it was assumed, observed, or provided by *name of source*.
- 4.12.6 The example cited in the box below is an illustration of the wording of an Extraordinary Limiting Condition in an appraisal report for an Authorized Client that requested a drive-by inspection or where an inspection is not possible.
- 4.12.7 It is recommended that on-site visual inspections be completed for Machinery and Equipment assets that are practically observable. Representative observations of Machinery and Equipment can be reported.
 - 4.12.7.i. Where assets are not practically observable, and where necessary, assets can be identified from sources considered by a Member to be reliable and would be subject to Extraordinary Limiting Conditions.

EXAMPLE: EXTRAORDINARY LIMITING CONDITION: DRIVE-BY INSPECTION

A Member has been requested to perform a drive-by inspection and not to disturb the occupants by entering the building.

The physical characteristics used to develop this appraisal are to be based on an inspection the Member made three months ago when the property was appraised for estate purposes. For the purpose of this appraisal, it is assumed that the interior condition of the subject property has not materially changed during the past three months.

The front of the subject property was observed from the public street as of the effective date of the appraisal. This exterior inspection revealed that the outside of the building has been

repainted and the roof has been replaced. The physical characteristics used to develop this appraisal are also based on the assessment records of (cite jurisdiction) AND on the multiple listing service information of (cite source). Based on the observed conditions of the exterior, the interior information of the MLS appears to be accurate.

For the purposes of this appraisal, it is also assumed that the interior condition of the subject property is consistent with the exterior conditions as observed and that the information concerning the interior condition as provided by the assessor's records and the multiple listing service is accurate.

4.13 Land Use Controls (RPASR 8.2.4)

4.13.1 Members are advised to consider land use controls imposed by all levels of legislation, such as Provincial Regulations, official community plans, zoning, subdivision control, and by-laws, including parking, environmental, flood plain and water course setbacks. Land use control maps should be included in a Report.

4.13.1.i. A Report should include comments on other government controls beyond Zoning that may be applicable to the subject property such as: official community plans, environmental overlays, flood protection, parking, road access restrictions, regional or provincial regulations and potential changes.

4.13.2 If a Zoning designation has a specific use or restriction, it should be addressed in a Report.

4.13.3 Real Property should be valued in accordance with the definition of Highest and Best Use employed in the report, which typically refers to (or assumes) a legally permissible use.

EXAMPLES: UNAUTHORIZED USES

An "unauthorized" 4-plex (a legal triplex with an additional illegal suite)

- The Highest and Best Use as improved and the Existing Use are a triplex because the property was not legally constructed as a 4-plex.

An "unauthorized duplex", such as a bungalow with a basement apartment suite

- the Report should discuss how the basement finishes are treated in the Direct Comparison Approach and in the Scope, Highest and Best Use, and Assumptions, and also in a narrative addendum as necessary.

4.13.4 The only basis for valuation under an existing unauthorized use would be where a variance to existing land use controls could reasonably be expected to be imminent, thereby resulting in either a conforming or legal non-conforming use.

4.13.5 Providing an analysis of market rent for an unauthorized suite is contrary to CUSPAP and may invalidate a Member's insurance coverage.

4.13.6 A Member may note what rent the unauthorized suite currently receives.

- 4.13.6.i. This is not an opinion of market rent, but a note of the suite's factual current rent.
- 4.13.7 If the Member disregards the unauthorized improvements, the Report will have to be premised on the Hypothetical Condition that the unauthorized improvements do not exist when in fact they do.
- 4.13.7.i. Obtaining legal permissibility might include upgrading the improvements so they conform to building codes and the payment of fees or fines.
- 4.13.7.ii. If a market exists for the unauthorized use, the prices paid do not necessarily represent market value because market value is based on the Highest and Best Use of a property and the Highest and Best Use is based on a legal use.
- 4.13.8 Any Extraordinary Assumptions in this regard should be clearly stated in the Report, in any location referring to a final value estimate, as well as in the Land Use discussion and Highest and Best Use analysis.
- 4.13.9 In the context of land use change, if the societal (e.g., neighborhood opposition or advocacy groups) or political (e.g., requirement for financial contributions) elements are so rigid that a change in the land use controls is not practical, it would be misleading for a Member to conclude such land use change as the Highest and Best Use.
- 4.13.10 If comparable properties have received land use changes it would be reasonable to assume the same for the subject property, subject to caveats regarding the uncertainties and their impact on value.

4.14 Highest and Best Use (RPASR 8.2.6)

- 4.14.1 Resolving the Highest and Best Use of a property is a critical appraisal component that provides parameters for valuation within which market participants and a Member selects comparable market information.
- 4.14.2 A Member considers Highest and Best Use of the property "as if vacant" separately from the Highest and Best Use of the property "as improved". The Highest and Best Use of the site, as if vacant and available for development, estimates the value of the land, even if the property's existing improvement does not represent the Highest and Best Use of the site.
- 4.14.3 Highest and Best Use of land or a site is the use among all reasonable alternative uses that yields the highest present land value, after payment for labour, capital, and co-ordination. The conclusion assumes that the parcel of land is vacant or can be made vacant by demolishing any improvements.
- 4.14.4 Reports should include an analysis of Highest and Best Use for the subject property both "As Improved" and "As if Vacant".
- 4.14.4.i. It is intended to be an analysis, more than a one-line statement.
- 4.14.5 If Highest and Best Use is not considered, to comply with CUSPAP, an Assumption/Limiting

Condition must be invoked.

- 4.14.5.i. For a residential property that conforms to land use controls and is in a stable neighborhood, a brief statement about the four elements of Highest and Best Use is appropriate.
- 4.14.5.ii. Reports should discuss any micro trends nearby - flipping, speculative purchases, rentals, vacancies, teardown trends or what improvements are being newly constructed on vacant lots in the neighborhood and comment on how these trends affect the subject property.
- 4.14.6 For neighbourhoods undergoing transition, it is critical to discuss how the local trends affect the Highest and Best Use of the subject property. If neighbourhood trends are changing or if the subject property does not conform to land use controls, a report should address these items in the Highest and Best Use section in the report. Questions to consider include:
 - 4.14.6.i. If the land were vacant, would the existing use be the Highest and Best Use or would an alternative use be more probable?
 - 4.14.6.ii. If this property was demolished or burnt, could it be rebuilt legally? Would that be reasonable?
 - 4.14.6.iii. What other types of properties are being built in the neighbourhood?
 - 4.14.6.iv. What is the vacant land value in proportion to the final estimate of value?
- 4.14.7 The higher the proportion of land value in the final estimate of value, the more important a land analysis is.
 - 4.14.7.i. It is recommended to include a short discussion on exactly what properties and types of properties were reviewed as comparables to estimate the land value.
 - 4.14.7.ii. The Report should include a brief comment and/or add a narrative addenda to explain whether the report used MLS vacant land sales, an abstraction or land residual method to determine the vacant land value. The subdivision or cost of development method is not appropriate for a Report completed on a Real Property Appraisal Report Form.

EXAMPLE: HIGHEST AND BEST USE VACANT IN A REAL PROPERTY APPRAISAL REPORT FORM

Vacant land sales that were reviewed are located in the same and highly similar neighbourhoods. These sales have similar lot frontage, area, zoning and topography.

Highest and Best Use

The Highest and Best Use of a property is an economic concept that measures the interaction of five criteria: legal permissibility, physical possibility, probability, financial feasibility, and maximum

profitability. It is to be recognized in cases where a site has existing improvement on it, the Highest and Best Use may very well be determined to be different from the existing use. The existing use will continue unless and until land value in its Highest and Best Use exceeds the total value of the property in its existing use. Implied within these definitions is recognition of the contribution of that specific use to community environment or to community development goals in addition to wealth maximization of individual property owners. It is customary the Highest and Best Use of the land as if vacant can be determined from the Highest and Best Use of the parcel as improved.

4.15 All Data (RPASR 8.2.7)

4.15.1 The level of detail and data for comparable properties is important to the credibility of the report. Members should consider including the sales criteria used to arrive at the comparable sales that were included in the Direct Comparison Approach.

4.15.1.i. The comparable sales included in a Report can be expanded to show the larger picture rather than have to defend the choice of comparable sales. It is difficult to defend the selection of sales if additional sales are raised later by an Authorized Client, Authorized User, consumer, or plaintiff in an insurance claim.

4.15.2 A Member should use multiple sources (not limited to Geowarehouse, MPAC, MLS, developers, etc.) to ensure the “perfect” comparable sale is not missed.

4.15.2.i. It may be impractical to include every sale considered in a Report, but it is important to keep the larger sale list within the workfile. If “good” sales are excluded, the rationale for this should be noted in the workfile.

4.15.3 Three comparable sales are considered to be the minimum for form Reports. If there is a limited amount of quality comparable sales or the sales are less reliable, it is recommended to include more than three sales. If one or two of the comparable sales used in a Report are later discovered to be less reliable or even fraudulent, a Report can still be considered credible with the remaining sales.

4.15.4 Supporting sales sheets for the comparable sales used in a Report should be kept in the workfile for a Report.

4.15.5 Comparable sales data should include aerial/ortho maps showing various features and the distance between the subject and the comparable sales.

4.15.6 A Member may be faced with a situation where they are pressured to complete a Report that provides a target value or value range.

4.15.6.i. CUSPAP deems it unethical to aim for a pre-determined value or direction in value.

4.15.6.ii. A contract sale price, while a significant piece of market data, should not become the target in an assignment.

4.15.6.iii. For a market value assignment, the valuation should be based only on the market evidence available. The market-supported estimate of value should be provided in a report regardless of whether it differs from the agreed-upon selling price.

4.15.6.iv. When faced with a situation where they are asked to hit a target value or value range, a Member may choose to remind their client of their responsibilities as a professional appraiser and advise what they can and cannot do; or if uncomfortable, decline the assignment.

4.16 Environmental, Social, and Governance (ESG) Data (RPASR 8.2.7)

4.16.1 Environmental, Social, and Governance (ESG) are criteria used to assess the impact of the environmental, social, and ethical practices of companies on their operations, financial performance, and attractiveness to investors. The three components: Environmental, Social and Governance are metrics used to measure effective performance.

4.16.2 Environmental characteristics play the biggest role in the real property sector. Examples of environmental factors include but are not limited to:

4.16.2.i. air and water pollution,

4.16.2.ii. biodiversity,

4.16.2.iii. climate change (current and future risks),

4.16.2.iv. clean water and sanitation,

4.16.2.v. carbon and other gas emissions,

4.16.2.vi. deforestation,

4.16.2.vii. natural disaster,

4.16.2.viii. resource scarcity or efficiency (e.g., energy, water, and raw materials),

4.16.2.ix. waste management^{ix}

4.16.3 To prepare for the potential effects of ESG on the real property market, a Member will need to research:

4.16.3.i. ESG to learn which property characteristics could result in higher or lower ESG ratings,

4.16.3.ii. potential or proposed governmental ESG measures,

4.16.3.iii. how ESG characteristics are costed, and

4.16.3.iv. whether favourable financing will be or is available for a property with a higher ESG rating.

4.17 Appraisal Procedures (RPASR 8.2.8)

4.17.1 A Report should include an explanation of each approach to value.

- 4.17.2 In a vacant land valuation, the report should include a summary of the six techniques (Direct Comparison Approach, Allocation, Extraction, Development, Land Residual, and Ground Capitalization Rate) which draw from the three traditional approaches to value.

EXAMPLE: APPROACHES TO VALUE

The Direct Comparison Approach is based on an analysis of sales of comparable properties, adjusting their values to make the properties more similar to the subject. Adjustments can be for property rights conveyed, financing terms, conditions of sale, money spent after purchase, market conditions, location, physical characteristics, economic characteristics, use/zoning, and non-realty components in the sale price.

The Cost Approach is the land value plus the depreciated value of the improvements and the site improvements.

The Income Approach is based on the present value of future benefits. Future benefits are defined as the income stream. The net income is capitalized or translated into a capital value by using a yield percentage rate derived from the sales of similar income producing properties

EXAMPLE: IDENTIFICATION AND MEASUREMENT OF ADJUSTMENTS

The techniques of comparative analysis can be grouped into two categories as follows:

Quantitative - Paired date set analysis, Statistical, Graphic Trend analysis, Cost-related analysis, Secondary data analysis

Qualitative - Relative comparison analysis, Ranking, Personal interviews

Types of Adjustments - The adjustments derived with the above techniques can be applied to a comparable property as either percentage or dollar amounts. The sequence in which adjustments are applied to the comparables is determined by the market data and the analysis of such data relating to the comparables superiority or inferiority with regard to the real property rights conveyed, financing, conditions of sale, market conditions, location, physical characteristics, economic characteristics, use, and non-realty components as consideration.

4.18 Cost to Complete (RPASR 8.2.8)

- 4.18.1 A “Cost to Complete” is not a progress inspection report.
- 4.18.2 The “Cost to Complete” aligns with the estimated cost of the remaining improvements, as detailed in the Cost Approach of the original Report. This does not provide a reference to value but is a confirmation of the data itemized in the Cost Approach of the original Report.
- 4.18.3 The Cost to Complete can only be determined as at the effective date of the estimate of value in the original Report. In order to provide the estimated Cost to Complete post-

effective date, the Member will be required to reassess the estimate of value, which becomes a second assignment and may be an update assignment. Construction costs (e.g., material, labour, delays) can change significantly and, often, in a short period of time. As a result, the Cost to Complete estimated with the original Report could change as the work progresses.

4.18.4 Multiplying the estimated total construction costs of a property under construction by the percentage complete estimate in a progress inspection assignment is not an acceptable method for determining the Cost to Complete.

4.18.5 It is misleading to state a value for a partially completed improvement by simply deducting the Cost to Complete (or percentage complete) from the value as if complete.

4.19 Direct Comparison Approach (RPASR 8.2.8, 8.2.9)

4.19.1 The contract sale price of the subject property can be a good indicator of its market value. While price and market value can be the same, the subject contract price may exceed or be less than what is typical in a market.

4.19.1.i. The contract date and details should be analyzed to determine if there have been changes to costs or specifications since the contract was signed.

- Any extras added and upgrades made to the property from the date of the contract would be considerations.

4.19.2 When reconciling sales in the Direct Comparison Approach, a Member should not choose the average or midpoint of the comparable sales unless all comparable sales receive equal weight.

4.19.2.i. The comparable sale with the least gross adjustments will typically be the most comparable and should receive the most weight unless there is some unreliability with conditions of the sale or with the adjustments.

4.19.2.ii. When selecting a final value or a value range that does not align most closely with the most comparable sale, an explanation should be provided in the Report.

EXAMPLE: RECONCILING SALES IN THE DIRECT COMPARISON APPROACH

Sale #1 is a raised bungalow home with a basement. This home is located on West Lake which is on the same street as the subject. Improvements include laminate and broadloom and cork flooring. Walls are painted and papered, maple kitchen cabinets and vanities. The living room has floor to ceiling windows which will be adjusted under "Lake View". This home is in a similar, modern, and marketable condition. It was originally listed for \$X on January 1, 2024, and relisted on March 1, 2024, for \$XX.

Sale #2 is a raised bungalow home with a basement. This home is located on West Lake which is across the street from the subject. Improvements include laminate flooring, pine cabinets, updated bathrooms. This home is in a similar, modern, and marketable condition but is located on a back lot.

Sale #3 is a bungalow home without a basement. This home is located on East Lake which is 5 km from West Lake. Improvements include hardwood flooring, recently painted walls, updated kitchen, and bathroom. This home is in a similar, modern, and marketable condition. The sale requires a minor adjustment for location as West Lake is near to Central City.

Sale #1 is given the most weight since it is in a similar location and requires the least amount of adjustments. Sale #3 is given the least weight as it is located far from the subject. These 3 sales indicate a narrow range from \$X to \$X after adjustments.

All sales were sold within the last month and the MLS HPI statistics support the market has not changed in last the 3 months, so no time adjustment is required.

Additional sales were considered but were older, smaller homes and located in inferior neighborhood lake locations with less services.

4.19.3 Care should be exercised in analyzing sales of new properties to ensure both consistency and disclosure regarding the impact, if any, of transaction taxes (e.g., GST/HST) on prices paid. (GST/HST may already be included in the model of basic cost multipliers provided by valuation costing services.)

4.19.3.i. Key elements ensure that:

- the analysis and adjustment should be consistent throughout and
- the disclosure of whether the market value is inclusive or exclusive of taxes – and this is driven by the market.

4.19.3.ii. It is possible that the value by the Direct Comparison Approach (and any other valuation methodology) could be less than the actual total cost paid to build the property. The same rationale applies for the Cost Approach and the applicability of the taxes.

4.19.4 A Member should discuss the pricing of new housing with contractors in the area.

4.19.4.i. Many contractors include net GST/HST as part of the advertised and contract prices. In these cases, the purchasers will sign back the GST/HST rebate to the builder.

4.19.5 A Member should consider the inclusion/exclusion of GST/HST in the values of comparable sales used in the Direct Comparison Approach to value.

4.19.5.i. There is no GST/HST on used residential property.

4.19.5.ii. If a Member practices in a market in which used residential houses compete with

new construction, they should include the net GST/HST as part of the purchase price when using new construction as comparable sales.

- This will require careful analysis because, in those jurisdictions where the prices are shown on registered deeds, the net GST/HST will not be included as part of the price.

4.19.6 Fixing the date of sale of a comparable is necessary to establish relevance and accuracy, and to determine the precise period for which a time adjustment is to be made. This adjustment period begins on the date of sale and ends on the effective date of the appraisal.

4.19.7 The date of sale could be taken as the acceptance of an offer to purchase if there is a meeting of the minds.

4.19.8 Practical considerations may determine which date is to be used. Dates of record reflecting completed transactions provide certainty and, in most jurisdictions, are readily available. Weeks or months could have elapsed since the initial agreement as to price and confirming the date of this initial agreement requires that the parties be available and willing to divulge details.

4.20 Changing Market Conditions

4.20.1 In a period where a market is rising or falling each month, it may be necessary to reflect whether the sale occurred near the beginning, in the middle, or at the end of the month.

4.20.2 In changing markets, a Member should consider the impact of changing market conditions (time) when selecting sales. If there are limited or no recent sales, the Member should either:

4.20.2.i. expand the sales search area and adjust for location, or

4.20.2.ii. use older sales and adjust for time.

4.20.3 It is recommended to apply both techniques in using a wider area and wider time frame and add more than the typical three comparable sales.

4.20.4 Members should be careful with any instructions and suggestions of sales from clients or third parties. Some clients' terms of reference or instructions for an assignment include limits.

4.20.5 Members should include supporting information on any changing market conditions. Market trend data can include:

4.20.5.i. changing prices,

4.20.5.ii. interest rates,

4.20.5.iii. inflation,

- 4.20.5.iv. days on market,
 - 4.20.5.v. inventory,
 - 4.20.5.vi. sale price to list price ratios,
 - 4.20.5.vii. vacancies,
 - 4.20.5.viii. taxation,
 - 4.20.5.ix. technology and
 - 4.20.5.x. government policies.
- 4.20.6 Market trends should consider both micro- and macro-economic data.
- 4.20.7 In selecting the date of sale, consistency is the preferred approach. Rather than attempting to speculate as to the length of the interval between agreement and closure.
- 4.20.7.i. Less weight can be given to those sales dates that are inconsistent with the model selected. A copy of the agreements for sale can be included in a Report to ensure that the document being relied upon is clearly understood.
- 4.20.8 While it may be argued that no sale has occurred until the transfer is registered; there may be a long delay in registration.
- 4.20.9 The date of sale is the date the price was finally agreed upon. Researching that date for all the comparable sales may be impractical. Where consistency is not possible, any variation should be explained.
- 4.20.10 In preparing a current valuation, sales occurring after the effective date of valuation may be considered but are subject to appropriate weighting.
- 4.21 Discounted Cash Flow Analysis (RPASR 8.2.8, 8.2.9)**
- 4.21.1 Discounted Cash Flow methodology is based on the principle of anticipation (i.e., value is created by the anticipation of future benefits). DCF analysis reflects investment value and market value appraisals and may also be used for other purposes such as sensitivity tests.
- 4.21.2 Discounted Cash Flow analysis is an additional tool available to the Member and is best applied when developing value opinions in the context of one or more of the other approaches to value.
- 4.21.3 To avoid misuse or misunderstanding when Discounted Cash Flow analysis is used in an appraisal assignment to develop an opinion of market value, it is the responsibility of a Member to ensure that the controlling input is consistent with market evidence and prevailing market attitudes. Market value Discounted Cash Flow analyses should be supported by market-derived data and the assumptions should be both market and property specific.
- 4.21.4 Market value Discounted Cash Flow analyses are intended to reflect the expectations and

perceptions of market participants along with available factual data. They should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized. A report that includes the results of Discounted Cash Flow analysis should clearly state the assumptions on which the analysis is based and should set forth the relevant data used in the analysis.

- 4.21.5 Discounted Cash Flow accounts for and reflects those items and forces that affect the revenue, expenses, and ultimate earning capacity of real estate and represents a forecast of events that would be considered likely within a specific market. For example, in the appraisal of a multi-tenant property, a lease-by-lease analysis addresses contract and market rents, specific escalations, operating expenses, pass-through provisions, market-derived or specific concessions, capital expenditures, and any other measurable specific provisions applicable. Revenue growth or decline rate assumptions are premised upon analysis of supply/demand factors and other economic conditions and trends within the market area of the subject. Operating expense change rates should reflect both overall expense trends and the specific trend of significant expense items.
- 4.21.6 Discount rates applied to cash flows and estimates of reversion should be derived from data and information in the real estate and capital markets. Surveys of investor opinion and yield indices are also useful in the rate selection process, but only when the type of and market for the real estate being appraised is consistent with the type of and market for the real estate typically acquired by the investors interviewed in the survey. Considerations used in the selection of rates are: risk, inflation, and real rates of return.
- 4.21.7 When reversion capitalization rates are used, they should reflect investor expectations considering the real estate type, age and condition, cash flow characteristics, and related factors. The projection period is a variable and should be set out on the basis of the facts and circumstances of each analysis.
- 4.21.8 The results of Discounted Cash Flow analyses should be tested and checked for errors and reasonableness. Because of the compounding effects in the projection of income and expenses, even slight input errors can be magnified and can produce unreasonable results. For example, it is good practice to test whether cash flows are changing at reasonable rates, and to compare the reversion capitalization rate with the implied entrance capitalization rate to see if the relationship between these rates is reasonable and explainable.

4.22 Cost Approach (RPASR 8.2.8, 8.2.9)

- 4.22.1 The Cost Approach is an important approach to value, but it becomes difficult to estimate depreciation and use a reliable method as a property becomes older.
 - 4.22.1.i. For residential mortgage financing, the Cost Approach should be used for new properties but should not be relied upon for properties older than approximately

10 years unless there is a reliable method of calculating depreciation.

4.22.2 If a client requests the Cost Approach, it is important to discuss why the Cost Approach is required. It is the responsibility of the Member, not the client, to determine if the Cost Approach is relevant and reliable. For residential form Reports, most of the relevant information from the Cost Approach can be found elsewhere in the form.

4.23 Reasoning (RPASR 8.2.9)

4.23.1 Reasoning in a Report should include:

4.23.1.i. sufficient details to solve the appraisal problem including:

- the First Principles,
- the Principles of supply and demand,
- anticipation,
- change,
- balance,
- substitution,
- contribution and
- externalities

4.23.1.ii. , logic review, and

4.23.1.iii. interpretation of data to support the value conclusion.

4.24 Assemblage (RPASR 8.2.11)

4.24.1 Assemblage should be considered when relevant.

4.24.1.i. A brief discussion or statement whether assemblage was considered in the Report should be provided in the addendum.

4.24.1.ii. It is important to provide some commentary particularly when there are multiple lots, deconstruction for larger construction, rezoning trends, common ownership of adjacent parcels, or other market factors where the individual lot value may differ compared to combined lands.

EXAMPLE: ASSEMBLAGE

Unless otherwise noted, Assemblage is not applicable to this assignment. Assemblage is the merging of adjacent properties into one common ownership or use. Assemblage can result in a value of the whole property that may be less than, equal to, or more than the sum of the components of the various estates or parcels.

4.25 Public/Private Improvements (RPASR 8.2.12)

- 4.25.1 This is a two-part standard that addresses both public improvements (infrastructure, services) and private improvements (nearby new building construction, private development).
- 4.25.2 When a property is in a new subdivision or in a neighborhood experiencing a change in its composition; include and review location/aerial maps and future/draft plans in a Report to provide information about improvements that may be about to occur in the near future.
- 4.25.3 Municipal governments and other levels of government typically provide information to the public about future potential changes to an area/neighbourhood such road expansions, new infrastructure, airport changes, towers, or pipelines. It is important for a member to use their local knowledge and competency to discover anticipated improvements/changes in an area that may impact value.
- 4.25.4 If the area is not changing and there are no anticipated improvements, this can be stated in a brief comment.

EXAMPLE: ANTICIPATED IMPROVEMENTS

Unless otherwise noted, no nearby anticipated public improvements or proposed private improvements would appear to have an impact on the herein concluded value.

This site is serviced with a municipal water, municipal sewers, municipal storm sewers, hydroelectricity, natural gas, cable television, high speed internet, paved roads, and lighting standards.

The site is located in a rural area and the subject has a private well and septic, open ditch. The City of Someplace is expanding out into rural areas where homeowners are required to connect to municipal services over the next X timeframe which may impact value as a local improvement tax may be levied per property or a one-time payout. The value is subject to change with the change in services.

I have contacted the City of Someplace Public Works Department and asked if there are any scheduled maintenance, updates, or replacement of any municipal services. They replied that none are scheduled at this time.

I also contacted the City of Someplace Planning and Developing Department and asked if there are new public or private improvements for this neighbourhood. They replied that there were not any at this time.

I have observed the street and neighboring areas and there is no indication of proposed improvements.

4.26 Personal Property (RPASR 8.2.13)

- 4.26.1 A Report should disclose whether there is Personal Property on or in the subject property that will have an effect on the value of a property.
- 4.26.1.i. It should be made clear in the Report:

- what Personal Property (chattels/furniture/appliances/machinery and equipment, etc.) is included in the value of the subject property.
- whether any furnishings or appliances that are shown in photographs are included or excluded.

4.26.2 CUSPAP requires a Member to have competence in the valuation of Personal Property in order to allocate values.

EXAMPLE: PERSONAL PROPERTY

Unless otherwise noted, personal property is excluded or assumed incidental to the value.

The above-mentioned items (drapes, furniture, laundry appliances, hot tubs) included with this sale are considered to be selling features and have very little to no value in the market and therefore not included in this appraisal.

This appraisal does not include any personal property.

4.27 Agreement for Sale/Option/Listing/Prior Sales (RPASR 8.2.14)

4.27.1 Agreements for Sale can typically be obtained from a Realtor or financial institution. Lenders typically obtain Agreements for Sale to assist in underwriting a loan. In situations where agreements for sale are not provided, Members are advised to contact their Authorized Client and/or the AMC who has commissioned the report on behalf of their Authorized Client, advise them of the situation, and make a request for them to coordinate with their Authorized Client to obtain the required information.

4.27.2 If the data or information is unobtainable (i.e., for confidentiality or privacy reasons), a commentary on the efforts taken by the Member to obtain the information **should be** included in the report. If information is available to and accessible as part of the normal course of business, a Member's business decision not to purchase or access the data would not fall under the "normal course of business".

4.27.3 Member due diligence in the research and analysis of the sales and listing history of the subject property is an important part of the valuation process and can assist in fraud prevention.

AGREEMENT FOR SALE/OPTION/LISTING/PRIOR SALES

The analysis of the sales history of the subject property may not require a search of the public record (e.g., Public Record means Land Title Office/Register of Deeds). It will depend on the nature and Scope of the Assignment, according to the Reasonable Appraiser standard.

EXAMPLES:

Agreement for Sale/Option/Listing

The property being appraised is the subject of a pending purchase and sale agreement, but the Member was unable to obtain the terms of the agreement. The current owner confirmed that the property is

under agreement but declined to disclose the terms of the agreement or to discuss the nature of the agreement.

The subject property is currently offered for sale at a listing price of \$X. A copy of the publicly available listing is included in the addendum to this report.

My search was limited to information in MLS.

Sale Transfer History

The subject property was sold by NAME to the current owner on June 1, 20##, for a reported price of \$X. The parties to the transaction have affirmed that the transaction has closed and that the reported price was unaffected by sales concessions granted by anyone associated with the sale. This sale is analyzed in the Direct Comparison Approach section of the appraisal report.

The subject sold on Jan 1, 2023, for \$500,000 and on Jan 1, 2024, for \$550,000. The last list price was \$600,000. Since this sale, the following items have been upgraded: kitchen, main floor bathroom vanity and toilet, interior painting, rec room flooring and kitchen window. Although somewhat dated as of the 2023 sale, it appeared to be in good condition. Overall market conditions have declined slightly since the sale.

The difference between the price and estimated value in this report is due to significant upgrades and the increase in prices over the last year.

The difference between the price and estimated value in this report is due to buyer incentives to the sale that include X.

According to the public records (land titles, BC Assessment, Geowarehouse), there have been no other transfers of the subject property within the past three years.

The subject property was reported sold by NAME to the current owner on June 1, 20xx, for an unknown price. The appraiser attempted to obtain the purchase price and other terms of the transaction without success. The parties to the transaction declined to discuss the terms or conditions of the sale.

4.28 Reconciliation (RPASR 8.2.15)

- 4.28.1 A first reconciliation is typically found directly below the Direct Comparison Approach grid to reconcile each comparable sale and explain how it is similar or dissimilar to the subject property and arrive at a final value using the Direct Comparison Approach.
- 4.28.2 The final reconciliation is for all approaches to value used in the Report and is designed to reconcile all three approaches into a final value.
 - 4.28.2.i. The final reconciliation will explain why a particular approach to value was used in a Report and include a discussion of the strength and weakness of the approach.
 - 4.28.2.ii. The final reconciliation should also explain why a particular approach to value was not used in a Report.

EXAMPLE: APPROACHES TO VALUE

Direct Comparison Approach

Two approaches to value were considered in this report. The Direct Comparison Approach is considered the most application to the subject as it best measures the actions of purchasers and vendors in the marketplace.

Cost Approach

The Cost Approach carries little weight due to the difficulty in estimating the various forms of depreciation in older homes.

OR

The Cost Approach was not completed as it was not considered reliable due to the difficulty in estimating the various forms of depreciation in an older home.

5 PRACTICE NOTES ON THE REVIEW STANDARD

5.1 Value Opinions in Review Assignments (RSR 10.2.2)

- 5.1.1 The Review Standard may require a Member to consider two different versions of CUSPAP. For example, an Authorized Client hires a Member today to complete a review of a report with an effective date of December 1, 2017. The CUSPAP version in effect at the time was CUSPAP 2016. The review should be done using CUSPAP 2016 as the benchmark, yet the reviewer will complete the review Report in accordance with the current CUSPAP Review Standard.
- 5.1.2 The Review Standard provides for a reviewer to address all, or part of the report being reviewed. This includes addressing its completeness, relevance, appropriateness, and reasonableness within the context of the Standard under which the report was prepared.
- 5.1.3 It is essential to develop a well-defined scope of work and terms of reference with the Authorized Client to ensure a clear understanding of what steps are and are not necessary in an assignment. Key elements are the purpose of the assignment and the Authorized Use of the report.
- 5.1.4 When the review is for the purpose of determining Standards compliance only, the reviewer should use extreme care to ensure the review report does not include language that implies the reviewer developed an opinion of value concerning the subject property of the report under review.
 - 5.1.4.i. When the reviewer uses language to signify concurrence with the value or a different value opinion, the reviewer has additional value opinion development and reporting obligations.
- 5.1.5 The reviewer may develop and report an opinion as to the quality of the report under review and:
 - 5.1.5.i. state only the corrective action to be taken by the original author with regard to curing any deficiency, leaving the Authorized Client to decide whether to interact with the original author to accomplish the correction; or,
 - 5.1.5.ii. act on behalf of the Authorized Client to interact with the original author to ensure any deficiency is appropriately corrected by that author.
- 5.1.6 The reviewer may develop and report an opinion on the final estimate of value without including their own estimate of value.
- 5.1.7 Examples of the language that might be used under these circumstances include:
 - 5.1.7.i. the value conclusion stated in the Report is (or is not) supported by the evidence in the Report;
 - 5.1.7.ii. the value conclusion is (or is not) appropriate and reasonable given the data and

- analyses presented;
- 5.1.7.iii. the value conclusion stated in the Report was (or was not) developed in compliance with applicable standards and requirements;
- 5.1.7.iv. the content, analyses and conclusions stated in the Report under review are (or are not) in compliance with applicable standards and requirements;
- 5.1.7.v. the value conclusion may not be/is not reliable due to the errors and/or inconsistencies found; or
- 5.1.7.vi. I accept (or approve of) the Report for the Authorized Use by the Authorized Client.
- 5.1.8 The reviewer may develop and report an opinion on a value and include an estimate of value provided the reviewer has complied with the applicable Standard Rule.
- 5.1.9 Examples of the language that might be used under these circumstances include:
 - 5.1.9.i. I concur/do not concur with the value;
 - 5.1.9.ii. I agree/do not agree with the value;
 - 5.1.9.iii. In my opinion, the value is \$X/the same;
 - 5.1.9.iv. In my opinion the value is incorrect and should be \$X; or
 - 5.1.9.v. In my opinion the value is too high/too low.
- 5.1.10 The reviewer may develop and report an opinion as to the quality of the Report under review and; subject to the scope and terms of the review assignment:
 - 5.1.10.i. make corrections to cure a deficiency, expressing the result as the reviewer's own opinion of value, which is to be developed within the same scope of work as was applicable in the Report under review;
 - 5.1.10.ii. make corrections to cure a deficiency, expressing the result as the reviewer's own opinion of value, but develop that opinion using a different scope of work than was applicable in the Report under review;
 - 5.1.10.iii. regardless of the review result, develop their own opinion of value, using the same Scope of Work as was in the Report under review; or
 - 5.1.10.iv. regardless of the review result, develop his or her own opinion of value, using a different Scope of Work than was applicable in the Report under review.
- 5.1.11 It is important that this language be consistent with the Scope of Work/terms of reference described in the review Report.
- 5.1.12 Note that if a reviewer rejects the value, they should use care in how the result is stated. If the language of such rejection is based on errors or inconsistencies in the Report under

review and does not include any qualifiers that would relate to a direction in value, then it does not imply an opinion of value by the reviewer.

- 5.1.13 However, if such rejection is stated in relation to a value or value range, such as indicating a direction in value (i.e., more than/less than), or to an established benchmark, that language indicates the reviewer has bridged over into the valuation stage. This is an important distinction for the reviewer when composing any language regarding the original author's opinions or conclusions. Whichever category such language may fall under, consistency of language with the purpose, scope/terms of reference and Authorized Use of the review assignment results is important.

5.2 Disagreement/Agreement in Review Assignments (RSR 10.2.6)

- 5.2.1 When a reviewer develops an opinion of value, the reviewer may:
- 5.2.1.i. use additional information that was not available to the original Member in the development of the Report under review;
 - 5.2.1.ii. include the valuation component in the review Report; and
 - 5.2.1.iii. adopt those items in the Report under review with which the reviewer concurs without repeating them in the review Report.
- 5.2.2 For those items where the reviewer's opinion differs from those in the Report under review, replacement information or analysis development follows the applicable Standard Rule.

6 PRACTICE NOTES ON THE CONSULTING STANDARD

6.1 Types of Consulting Assignments

6.1.1 Consulting Assignments are usually research-related and can include:

- 6.1.1.i. Land utilization studies
- 6.1.1.ii. Highest and Best Use analysis
- 6.1.1.iii. Marketability analysis
- 6.1.1.iv. Feasibility analysis
- 6.1.1.v. Investment studies
- 6.1.1.vi. Capitalization rate studies
- 6.1.1.vii. Property condition assessments
- 6.1.1.viii. Stand-alone progress inspection Report
- 6.1.1.ix. Research into zoning
- 6.1.1.x. Land development studies
- 6.1.1.xi. Building measurement Reports
- 6.1.1.xii. Producing Reports for:
 - Assessment appeals
 - Expropriation purposes
 - Mediation and arbitration purposes

6.2 Market Analysis (CSR 12.2.4, CS Comment 13.3)

- 6.2.1 It is recommended that the consultant carefully define and delineate the pertinent market area for the analysis and supportive reasoning for the selection of the boundaries should be stated. It is expected that the consultant identifies the specific class(es) of the real estate or machinery and equipment under consideration and analyze the forces that are likely to affect supply/demand relationships.
- 6.2.2 The consultant is expected to provide a comprehensive physical and economic description of the existing supply of space for the specific use within the defined market area, an explanation of the competitive position of the subject, and a forecast of how anticipated changes in future supply (additions to or deletions from inventory) may affect the subject property.
- 6.2.3 The consultant is expected to project the quantity and price or rent level of space that will be demanded within the particular sub-market and the capture or penetration rates of competitive projects should be examined in sufficient detail to lead to a reasoned

conclusion as to the forecasted price or rent levels at which the market is likely to accept the subject space and the estimated absorption or rent-up time period.

- 6.2.4 An assignment from a lender requesting comparable data is considered to be research within a consulting service, provided that no appraisal and opinion of value, as defined, is completed.

6.3 Cash Flow/Investment Analysis (CSR 12.2.4, CS Comment 13.4)

- 6.3.1 Since real estate investment decisions are predicated on financial implications, it is recommended that the consulting service defines the Authorized Client's investment criteria, considers major variables in the real estate and financial markets, and forecasts the anticipated results.

- 6.3.2 Definitions of the financial indices used (such as internal rate of return) and explanations of the financial analysis techniques and computer programs employed should be included.

6.4 Feasibility Analysis (CSR 12.2.4, CS Comment 13.5)

- 6.4.1 It is recommended that the consultant compare the following criteria from the Authorized Client's project to the results of the market analysis:

6.4.1.i. the project budget (all construction costs, fees, carrying costs, and ongoing property operating expenses);

6.4.1.ii. the time sequence of activities (planning, construction, and marketing);

6.4.1.iii. the type and cost of financing obtainable;

6.4.1.iv. cash flow forecasts over the development and/or holding period; and

6.4.1.v. yield expectations.

- 6.4.2 Consideration should be made to ensure that there is enough data to estimate whether the project will develop according to the expectations of the Authorized Client and is economically feasible in accordance with the Authorized Client's explicitly defined financial objectives.

6.5 Market Rent Reports

- 6.5.1 Market Rent Reports on a general type of property are considered Consulting Assignments.

- 6.5.2 If a formal opinion of value or rent on a specific, identifiable property is required within the Consulting Assignment, CUSPAP requires that this portion of the Consulting Report is developed in compliance with the Real Property Appraisal Standard.

EXAMPLE: MARKET RENT REPORTS

If an Authorized Client requests an opinion of Market Rent on *an identifiable suite*, it falls under the Rules for completing an Appraisal Report.

If an Authorized Client wishes to know what *a typical two-bedroom basement suite in a defined geographic area* rents for on a monthly basis, it falls under the Rules for completing a Consulting Report, as no property address or specific unit has been identified.

6.6 AVM Output Validation

- 6.6.1 Artificial Intelligence (AI) involves replicating human-like intelligence within machines and computer systems. AI can function either independently or in conjunction with another tool to assist in the development of opinions and conclusions (e.g., spreadsheets, analytic software) or the communication of assignment results (e.g., chatbots, AVM output reports).
- 6.6.2 When these tools are used to generate an AVM output they do not serve as a substitute for a Member's judgment. When using a computer assisted valuation tool, a Member cannot simply rely on the AVM output without determining if the AVM output is credible. Reliance on this data without determining the credibility of the AVM output could jeopardize the credibility of the AVM Output Validation assignment. Developing credible AVM Output Validation assignments requires a Member's professional judgment and expertise.
 - 6.6.2.i. A Member's expertise will extend to ensuring that the AVM not only includes relevant and current data but that it also does not include irrelevant or false data.
- 6.6.3 AVM Output Validation assignments can vary depending on the AVM and what appraisal "problem" is being solved.
- 6.6.4 A Member is normally not preparing or providing a Report but is typically troubleshooting or acting as a quality check.
 - 6.6.4.i. The most common example is if an AVM uses outdated sales and shows that a value or values are increasing, but the Member knows from current local market activity that there are decreasing trends or determines that the market evidence used to reach the AVM value indicates that prices are actually declining.
 - 6.6.4.ii. A Member can communicate this concern to a client, but a standard Report is not prepared.
- 6.6.5 To communicate results, a Member normally follows the Reporting Standard but can be exempted from some of the reporting rules depending on the type of assignment.

6.7 Reproduction Cost New (RCN) or Replacement Cost (RC) of Improvements

- 6.7.1 Reproduction Cost New is the estimated cost to construct, at current prices as of the

effective date of the Report, an exact duplicate or replica of the building being valued using the same materials, construction standards, design, layout, and quality of workmanship and embodying all the deficiencies, super adequacies, and obsolescence of the subject building.^x

- 6.7.2 Replacement Cost is the estimated cost to construct, at current prices as of the effective date of the Report, a substitute for the building being valued using current materials, standards, design, and layout.^{xi}
- 6.7.3 The appropriateness of a Reproduction Cost New or a Replacement Cost for a particular assignment is determined by:
 - 6.7.3.i. The age and uniqueness of the building, and
 - 6.7.3.ii. Any difference between the Authorized Use at the time of construction and its current Highest and Best Use.^{xii}
- 6.7.4 Once determined, the approach should be used consistently throughout the Report to avoid:
 - 6.7.4.i. double-counting items of depreciation, and
 - 6.7.4.ii. The introduction of errors into the analysis.
- 6.7.5 Replacement Cost can eliminate the need to measure some forms of functional obsolescence.
 - 6.7.5.i. Replacement buildings usually cost less than reproduction buildings because:
 - They are constructed with more modern techniques and more readily available and less expensive materials.
 - Correcting deficiencies in the original building may result in lower costs.
- 6.7.6 Reproduction Cost may be more complex because:
 - 6.7.6.i. The reproduction may involve materials that are no longer available in the current market.
 - 6.7.6.ii. Construction standards and building codes may have changed.
- 6.7.7 Reproduction Cost New and Replacement Cost are research-related assignments that do not produce a value for an individual property.

7 PRACTICE NOTES ON THE RESERVE FUND STUDY STANDARD

7.1 Reserve Fund Study (RPSR 14.2)

- 7.1.1 Reserve Fund Studies are not completed to provide financial planning advice.
- 7.1.2 The Reserve Fund Study should provide comments on any apparent deficiency in the reserve fund account or in future reserve fund accumulation, along with a cash flow model covering an appropriate time frame.
- 7.1.3 To comply with CUSPAP, a Reserve Fund Study must specify the type of property under review.
- 7.1.4 The type of property under review in a Reserve Fund Study could include:
 - 7.1.4.i. condominium townhouse,
 - 7.1.4.ii. condominium apartment,
 - 7.1.4.iii. dockominium,
 - 7.1.4.iv. float home,
 - 7.1.4.v. parking stall,
 - 7.1.4.vi. vacant land condominium,
 - 7.1.4.vii. common element condominium, and
 - 7.1.4.viii. recreation condominium.
- 7.1.5 If a Reserve Fund Study is for something other than a condominium or strata, the Report should describe the property accordingly (e.g., co-operative, office structure, institutional facility, municipal infrastructure, and improvements, not-for-profit, etc.)

7.2 Legislation Considerations in a Reserve Fund Study (RPSR 14.2.2)

- 7.2.1 Reserve Planners complete Reserve Fund Studies without providing financial planning advice, the study should consider applicable legislation (if any) and policies defining those components the study is to cover, and incorporate a comprehensive benchmark analysis including, as a minimum:
 - 7.2.1.i. life cycle analysis;
 - 7.2.1.ii. current and future replacement costs;
 - 7.2.1.iii. the current reserve balance; and,
 - 7.2.1.iv. estimated future reserve fund accumulations.
- 7.2.2 The study should comment on any apparent deficiency in the reserve fund account or in estimated future reserve fund accumulation, along with a cash flow model covering an appropriate period.

7.2.3 Reserve Planners need to be familiar with the legislation governing Reserve Fund Studies in the jurisdiction within which they work, along with any consequential regulations and policies.

7.3 Exclusions in a Reserve Fund Study (RPSR 14.2.4)

7.3.1 An Authorized Client might request that the study exclude certain short-lived items. If permitted within Legislation, the study needs to identify exclusions clearly. While such exclusions might be permitted, they would be considered uncommon, and the Reserve Planner should ensure that the resulting study is not misleading. It is the Reserve Planner's responsibility to ensure that the assignment meets the "Reasonable Appraiser" standard if exclusions are made.

7.4 Benchmark Analysis in a Reserve Fund Study (RPSR 14.2.5)

7.4.1 Provision should be made for inflation or deflation in costs between the date of the reserve fund study and the time at which repairs and replacements are expected.

7.4.2 A benchmark analysis entails estimating expected life and remaining life; for various components as well as:

7.4.2.i. total estimated current cost of replacement or repair;

7.4.2.ii. estimated reserve fund requirements;

7.4.2.iii. future replacement cost estimates;

7.4.2.iv. estimated reserve fund accumulations; and

7.4.2.v. annual recommended reserve fund contributions.

7.5 Cash Flow Projection in a Reserve Fund Study (RPSR 14.2.6)

7.5.1 The Reserve Planner should also consider the state of the reserve fund relative to repair and replacements that will happen in the period immediately following the term chosen for the cash flow projection.

7.5.1.i. For example, a study could prescribe cash flows which will result in a balance near zero at the end of the projection period. This is not prudent if a large expense is expected within a few years of the end of the cash flow projection, as the fund will not be adequate to deal with such an expense.

7.5.2 A cash flow projection and reserve fund funding model are intertwined. The Reserve Planner specifies the funding model(s) that forms the basis for the cash flow projection.

7.6 Adequacy Analysis of the Reserve Fund Contributions (RPSR 14.2.7)

7.6.1 The cash flow projection should identify whether the existing fund balance and recommended funding level are sufficient to meet most of the repair and replacement obligations. If deficiencies are evident, they should be identified and incorporated in the

recommendations.

7.7 Preparing a Reserve Fund Funding Model (RPSR 14.2.8)

- 7.7.1 The reserve fund funding model should make one or more recommendations to ensure a prudent level of funding is provided in the contingency reserve. If legislated or deemed appropriate by the Reserve Planner, options should be discussed within the study.
 - 7.7.1.i. The Reserve Planner should ensure that the options provided are prudent, incorporate the minimum requirements within Reserve Study Standard and any applicable provincial legislation.

8 PRACTICE NOTES ON THE MACHINERY AND EQUIPMENT STANDARD

8.1 Personal Property – Machinery and Equipment (MESR 16.2.2, RPASR 8.2.13)

8.1.1 The owner's interest in personal property appraised is known in the industry as “Free-Hold Interest”. This is considered to be the equivalent of the fee simple interest in real property.

8.1.2 Machinery and Equipment Values: the machinery and equipment value definitions provide fundamental concepts as contracts may dictate a somewhat different notion. Therefore, these definitions may be expanded or redefined as the purpose and function of the appraisal may dictate as long as the fundamental concept is not altered.

8.1.2.i. *Fair market value* is the estimated amount, expressed in terms of money that may be reasonably expected for a property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, as of a specific date.

8.1.2.ii. *Fair market value in continued use* is the estimated amount, expressed in terms of money, that may reasonably be expected for a property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, including installation, as of a specific date, and assuming that the earnings support the value reported. This amount includes all normal direct and indirect costs, such as installation and other assemblage costs, to make the property fully operational.

8.1.2.iii. *Fair market value—installed* is the estimated amount, expressed in terms of money, that may reasonably be expected for an installed property in an exchange between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, including installation, as of a specific date. This amount includes all normal direct and indirect costs, such as installation and other assemblage costs, to make the property fully operational.

8.1.2.iv. *Fair market value—removed* is the estimated amount, expressed in terms of money, that may reasonably be expected for a property between a willing buyer and a willing seller, with equity to both, neither under any compulsion to buy or sell, and both fully aware of all relevant facts, as of a specific date, considering that property will be moved to another location.

8.1.2.v. *Forced liquidation value* is the estimated gross amount, expressed in terms of money, which could be typically realized from a properly advertised and conducted public auction, with the seller being compelled to sell with a sense of immediacy on an as-is, where-is basis, as of a specific date.

8.1.2.vi. *Insurance replacement cost* is the replacement cost new as defined in the

insurance policy less the replacement cost new of the items specifically excluded in the policy, if any, as of a specific date.

- 8.1.2.vii. *Insurance value depreciated* is the insurance replacement cost new less accrued depreciation considered for insurance purposes as defined in the insurance policy or other agreements, as of a specific date.
 - 8.1.2.viii. *Liquidation value* in place is the estimated gross amount, expressed in terms of money that could typically be realized from a failed facility, assuming that the entire facility would be sold intact within a limited time to complete the sale, as of a specific date.
 - 8.1.2.ix. *Orderly liquidation value* is the estimated gross amount, expressed in terms of money, which could be typically realized from a liquidation sale, given a reasonable period of time to find a purchaser(s), with the seller being compelled to sell on an “as is, where is” basis, as of a specific date.
 - 8.1.2.x. *Reproduction cost new* is the current cost of reproducing a new replica of a property with the same or closely similar materials.
 - 8.1.2.xi. *Replacement cost new* is the current cost new of a similar new property having the nearest equivalent utility as the property being appraised.
 - 8.1.2.xii. *Scrap value* is the estimated amount expressed in terms of money that could be realized for a property if it were sold for its material content, not for a productive use, as of a specific date.
 - 8.1.2.xiii. *Salvage value* is the estimated amount expressed in terms of money that may be expected for the whole property or a component of the whole property that is retired from service for use elsewhere, as of a specific date.
- 8.1.3 The type of property, the type and definition of value, and the Authorized Use of the report determines which characteristics have a material effect on value.

8.2 Machinery and Equipment Inspection

- 8.2.1 To comply with CUSPAP, an on-site visual inspection must be completed for machinery and equipment assets that are practically observable - representative observations of machinery and equipment assets must be reported.
 - 8.2.1.i. Where assets are not practically observable, and where necessary, assets can be identified from sources considered by a Member to be reliable and must include an Extraordinary Limiting Condition.

9 PRACTICE NOTES ON THE MASS APPRAISAL STANDARD

9.1 Mass Appraisal Documentation

- 9.1.1 Documentation in support of a Mass Appraisal may be contained in numerous separate documents, including property records, sales and ratio studies, cost manuals, and data verification reports, to name a few. A formal single document containing all this information is not required.
- 9.1.2 An assessment office may produce a single document at its discretion or as required through legislative direction.

9.2 Mass Appraisal Reports

9.2.1 Mass Appraisal Reports with a Formal Opinion of Value [CUSPAP 19.2]

- 9.2.1.i This is an appeal submission prepared by the Member in support of a proposed change in analysis and formal opinion of value other than the assessment value.
- 9.2.1.ii In this type of Report, the Member produces a new analysis and formal opinion of value. Therefore, compliance with the Real Property Appraisal Standard in addition to the Reporting Standard is required.

9.2.2 Mass Appraisal Reports in Defence of an Assessed Value [CUSPAP 19.3]

- 9.2.2.i This is an appeal submission prepared by an assessment office, or the Member, for the purpose of defending its assessment in or in advance of an appeal hearing. This Report explains how the existing assessment was developed from the original mass appraisal valuation.
- 9.2.2.ii In this type of Report the Member does not develop a new analysis; however, a new assessed value could be produced. Changes to property record characteristics due to an error may produce a new assessed value derived from the existing modelled analysis. In these situations, a Member is not producing a new analysis, but proposing a new assessed value based on a corrected property characteristic within the existing modelled analysis. Therefore, at minimum, compliance with the Mass Appraisal Standard in addition to the Reporting Standard is required.

9.2.3 Sales Ratio Studies, Market Studies, and Other Statistical Studies [CUSPAP 19.5, 19.6]

- 9.2.3.i As with other appraisal functions completed for the purpose of developing an assessment roll, where statistics-oriented Reports are provided “in-house” and not subject to public review it is generally accepted that such Reports can be prepared according to the procedural and policy requirements of that particular institution. If these conclusions are intended for a public forum such as before boards of revision, other appeal tribunals or courts, then depending on the Report prepared,

the Mass Appraisal Standard or Real Property Appraisal Standard, in addition to the Reporting Standard may apply.

- 9.2.3.ii Statistics-oriented Reports that are to be included in appeal submissions or to be used in appeal hearings are required to meet both the Mass Appraisal Standard and the Reporting Standard.

9.3 Reporting Responsibilities

9.3.1 Authorized Client and Authorized Users

9.3.1.i CUSPAP defines a Report as *“Any communication, written or oral, of a Professional Service that is transmitted to an Authorized Client or Authorized User as a result of an Assignment”*.

9.3.1.ii The Authorized Client of an assessment service provider is the taxing authority that uses the Report to determine and implement property taxation in a given jurisdiction.

9.3.1.iii The Authorized Client of a Member is the assessment authority for which the Member agrees to render Professional Services.

9.3.1.iv Authorized Users include internal departments of a taxing authority that may reasonably be expected to rely upon the Report contents (Municipal Council, Municipal/Provincial Governments, etc.), boards of revision, and other appeal tribunals.

9.3.2 Interested Parties

9.3.2.i Interested Parties include property owners, external stakeholders, and other external governmental entities.

9.3.2.ii CUSPAP dictates that reporting responsibilities are owed only to the Authorized Client and Authorized Users of a Report. Interested Parties are owed a level of care by the Member to act ethically and to not mislead in their communications and actions.

9.3.3 Communications with Property Owners

9.3.3.i A property owner is considered an interested party and the level of reporting provided to Authorized Clients and Authorized Users is not required under CUSPAP.

- An example of this is a request by a property owner to provide an estimate of assessment change if an alteration is made to a property, such as adding a deck.
- A Member is not required to provide a summary of the reporting requirements of CUSPAP when providing this estimate to a property owner and using the existing appraisal valuation models to reflect an

update in physical characteristics of a property and the resulting effect on the individual property's assessment value.

9.3.4 Presentations before Internal Committees or Municipal Council

9.3.4.i The assessor for a jurisdiction is often required to present information concerning assessment values before a municipal council meeting or other internal government groups. This is considered an administrative function conveying information. It is not a Report for Authorized Users as those terms are defined in CUSPAP. This may involve presenting summaries of information contained in the original Report or analyses completed on this information. This type of presentation of summary results is not considered a valuation report under the Mass Appraisal Standard.

9.3.5 Providing Information on Property Sales used in Analysis

9.3.5.i A chart of sales without analyses, reasoning, recommendations or conclusions may be an element of a Report but is not considered a Report on its own. It does not meet the definition of Professional Service (see CUSPAP 3.55). Internal staff may gather sales and provide them to an interested party for informational or negotiation purposes.

9.4 Licensing

9.4.1 Provincial licensing may exist that dictates the qualifications required to undertake valuations for assessment purposes. This licensing may vary from province to province. Provincial licensing supersedes CUSPAP.

9.4.2 CRA Members who work on a non-residential assignment are required to be co-signed by a competent AACI, unless provincial licensing exists in the assessment jurisdiction that specifically permits a CRA to value properties for assessment purposes outside the normal scope of practice of a CRA.

9.4.3 CRA Members are reminded to review the specific provincial legislative clauses that provide the licensing to determine what scope of assessment valuation work is permitted by the license in an assessment jurisdiction.

9.5 Jurisdictional Exception

9.5.1 Jurisdictional Exception (CUSPAP 3.39) exempts Members from the part or parts of CUSPAP that are contrary to the law or public policy of a particular jurisdiction.

9.5.1.i This may include such references as federal or provincial legislation, local government by-laws, ordinances, policies promulgated under laws, and guidance from case law.

9.5.2 AIC Members may not claim a Jurisdictional Exception because their job title, or duties and responsibilities attached to their job title, requires them to work outside of their scope of practice.

9.5.2.i It is the responsibility of the Member to ensure that they have the educational and experience requirements necessary to competently undertake the valuation tasks demanded by the employment positions they accept.

9.5.2.ii The requirements of a position do not absolve members of the responsibility to adhere to AIC's professional standards and qualifications unless the legislation, by-law or licensing governing their position specifically details that their education and experience are considered appropriate for the position.

9.5.3 The following are examples of how a Jurisdictional Exception is approached in a Report:

9.5.3.i In Saskatchewan: *The Cities Act*, ss.210(1.1) – a non-regulated property assessment shall not be varied on appeal using single property appraisal techniques.

9.5.3.ii In Saskatchewan: *The Assessment Act*, ss.3(4) – when completing an assessment roll, the assessor must use the information contained in the records of the land title office as those records stood on November 30 of the year in which the assessment roll is completed.

9.5.3.iii In Alberta: *The Municipal Government Act*, c.289(2)(a) – each assessment must reflect (a) the characteristics and physical condition of the property on December 31 of the year prior to the year in which a tax is imposed under Part 10 in respect of the property.

9.5.3.iv In Manitoba: *The Municipal Assessment Act* C.C.S.M. c. M226 (Regulation 78/2009) – reference dates for general assessments are April 1st in every second year. The valuation of property is based on the economic conditions of this date, applied to the property as it exists in its current condition during the year the assessment roll is delivered.

10 Appendix A: PROFESSIONAL EXCELLENCE BULLETINS

Professional Excellence Bulletins are meant to:

- raise awareness on areas of potential professional liability and exposure in ordinary day-to-day practice;
- suggest best practices that can help prevent liability insurance claims and/or professional practice complaints; and,
- demonstrate the application of the mandatory Definitions, Standard Rules and Standard Comments using examples of different scenarios.

They are not intended to set out all professional/ethical responsibilities or regulatory requirements, nor to identify all valuation or theoretical aspects of the subject matter.

Most bulletins refer to Real Property Appraisal Assignments and Reports; however similar provisions may apply for other professional services defined in CUSPAP including: Review, Consulting, Reserve Fund Planning, Machinery and Equipment, and Mass Appraisal. Please refer to the relevant Standard to ensure compliance.

The following [Professional Excellence Bulletins](#) are available in the Members Section of the AIC website:

- | | |
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| ▪ As if Complete Appraisals | ▪ Non-Residential Condominium Valuations |
| ▪ Cannabis | ▪ Partially Completed Buildings |
| ▪ Claims Prevention Cases | ▪ PIPEDA |
| ▪ Condominiums (Residential) | ▪ Public Securities |
| ▪ Conflict of Interest | ▪ Reducing the Risk of Litigation |
| ▪ Co-signing Reports | ▪ Reliance Letters |
| ▪ Data Verification | ▪ Reserve Fund Studies |
| ▪ Foreclosure Appraisals | ▪ Residual Approach to Value |
| ▪ Generic Appraisal Reports | ▪ Review Assignments |
| ▪ Impaired and Contaminated Properties | ▪ Sales Data Consulting Assignments |
| ▪ Information Sources | ▪ Scope of Practice |
| ▪ Integrating Flood Risk Into Reports | ▪ Stand-Alone Home Inspections |
| ▪ Letters of Engagement | ▪ Syndicated Mortgages |
| ▪ Made a Mistake | ▪ Valuation Methodologies |
| ▪ Market Data Consulting Assignments | ▪ Verifying Subject Property |
| ▪ Measurement Practices | ▪ Zoning Land Use Controls |

END NOTES

ⁱ The Appraisal of Real Estate, Fourth Canadian Edition, ed. Dybvig, (University of British Columbia, Real Estate Division, 2023), p. 6.2

ⁱⁱ Code of Federal Regulations Title 12/Chapter 1/Part 34/Subpart C/ss 34.42 as of February 7, 2024

ⁱⁱⁱ *International Valuation Standards Effective 31 January 2022*(International Valuation Standards Council, January 2022) p.7, part 20.14

^{iv} Section 123(1) of The Excise Tax Act

^v Retrieved <https://www.canada.ca/en/revenue-agency/services/forms-publications/publications/ic70-6/ic70-6-advance-income-tax-rulings-and-technical-interpretations.html>

^{vi} *International Valuation Standards Effective 31 January 2022*(International Valuation Standards Council, January 2022) p. 25, part 40.1

^{vii} “If using the “State and Summarize” level of detail, the Member must observe the requirements of CUSPAP 7.1.6: A Drive-by or Desktop or Residential Appraisal Form Report approved by the AIC when utilized for mortgage financing Assignment may only be prepared under the assumptions that:

7.1.6.i the lender is assumed to have the requisite knowledge and experience to understand the appraisal analysis with limited explanation of this type of form report when prepared for mortgage financing;

7.1.6.ii the lender has determined that the borrower has the capacity and willingness to repay; and

7.1.6.iii the loan-to-value ratio is in accordance with lending institution policies and federal lending regulations.” Also see 9.1 of CUSPAP 2024 edition

^{viii} ALC is the normal Assumptions and Limiting Conditions and must be in conformity with the contend for Mandatory Clauses (subject to appropriate modification) per the Forms and Templates section of the AIC website.

^{ix} *International Valuation Standards (International Valuation Standards Council)*, Effective January 31, 2025, IVS 104 Data and Inputs Appendix, p. 54.

^x The Appraisal of Real Estate, Fourth Canadian Edition, ed. Dybvig, (University of British Columbia, Real Estate Division, 2023), p. 29.2

^{xi} *Ibid.*, p. 29.2

^{xii} *Ibid.*, p. 29.10