



# CUSPAP 2016

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**“AFTER A THOROUGH CONSULTATIVE AND PARTICIPATORY PROCESS... THE STANDARDS SUB-COMMITTEE MADE OVER 90 INDIVIDUAL UPDATES THAT BOTH CLARIFY AND FURTHER IMPROVE THE STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE.”**

**T**he Appraisal Institute of Canada (AIC) continues to be at the forefront of the changing trends facing our valuation profession.

Providing Members with the tools they need to uphold public trust is a key priority. We are the leading valuation organization in Canada and are well respected internationally because our Members understand the importance of maintaining strong standards. The AIC wants to make sure that all Members are equipped with relevant and up-to-date standards so that they can serve their clients well and maintain our role in preserving public trust.

The AIC Standards Sub-Committee (SSC) has had its members’ noses to the grindstone over the past two years working very hard to fulfill the committee’s mandate of **establishing** and **improving** the standards of professional appraisal practice. After a thorough consultative and participatory process with the Membership, the professional practice committee/sub-committees, and feedback received during the three well-attended *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)* webinars, the SSC made over 90 individual updates that both clarify and further improve the standards of professional appraisal practice. Once the standards were approved by the AIC Board of Directors, *CUSPAP 2016* came into effect on May 1, 2016. Here are a few highlights:

## The new Machinery and Equipment Appraisal Standard

Clearly the biggest change to *CUSPAP 2016* is the addition of the Machinery and Equipment Appraisal Standard. The introduction of this new standard aligns with the past expansion of *CUSPAP*, and the Competency provision applies if Members choose to practice in this specialized area. The definition of Competency was modified slightly in *CUSPAP 2016* and can be found in Sections 2.14, 4.3.7, 5.11 and 16.8. This new standard is a reflection of the Board’s ongoing commitment to creating opportunities for AIC Members to expand their practice.

## Real Property Appraisal Standard – renamed

A related change is the renaming of the Appraisal Standard to the **Real Property Appraisal Standard**, since Machinery and Equipment is a type of personal property. Thereby, the application of the Definitions, Rules, Comments and Practice Notes relating to valuation now must distinguish real property from personal property.

## Extraordinary Assumptions

Real Property Appraisal Standard Comment 7.9 clarifies that an Extraordinary Assumption is required when a hypothesis could *materially* alter the opinions or conclusions of a report. In other words, it is not necessary to include a long list



of assumptions that are typically required in completing a report – only important assumptions. Further, Standard Comment 7.9.2 requires that the Extraordinary Assumption be either stated in its entirety or reference provided to its exact location within the report. This ensures clarity and transparency and will reduce any potential misunderstanding by the reader.

### Client and intended user

One other important change for 2016 is the definition and application of the rules for naming the intended user of an assignment. The change requires intended users to be identified by name. Members must determine and identify the specific parties that will rely on their assignment results. In other words, if the name of the other intended user(s) is (are) not known at the time the assignment is completed, the client is named as the intended user.

Prior to *CUSPAP 2016*, the intended user could be identified by name or by type. For 2016, the definition of intended user has eliminated ‘or type’ in the identification of the intended user – ‘by type’ is no longer permitted. This is an important change to the standard, as it reinforces that the AIC Member’s duty of care is specific in providing professional service. Identifying the intended user as ‘first mortgage lender’ does not comply with *CUSPAP 2016*, however, ‘ABC Bank and no other user’ does comply. We are emphasizing to our clients and identified intended users that no one else can rely on our professional service without our knowledge and consent. Further, as AIC Members, we control where liability is extended, thereby protecting the AIC Professional Liability Insurance Program.

The definition of client has been improved in *CUSPAP 2016*. Definition 2.13 defines Client as follows: “The client is the individual or organization for whom the Member renders professional services. The client is typically the intended user of the assignment.” No other individual or entity can rely on the Member’s report unless they are authorized by the client,

and clearly identified by name and in writing, by the Member.

### Highest and best use

*CUSPAP 2016* requires the Member to define, analyze and resolve the highest and best use (HBU). Real Property Appraisal Standard Comment 7.13.3 requires an analysis of highest and best use, and it is not enough to simply include a definition and then state the HBU. Reports must include a reasonable analysis to support the reasoning.

### Land use controls

The change to Real Property Appraisal Standard Comment 7.11.2 requires reports to reasonably support the imminence or probability of a land use change, if the HBU is for a land use change (e.g., rezoning or redevelopment).

### Certification Statements

The Certification Statement requirements have also changed for 2016, although not significantly. The changes are noted in Appendix B as: “Enhanced wording around personal interest, conflict, bias, competence and the requirement to include a statement regarding relevant dates and the conclusion.” Each standard has a certification template Members can use, based on the professional service provided.

In other words, there are wording changes in a number of the Certification clauses that appear in the Comments section of each practice standard. Members are encouraged to copy and paste the pertinent Certification from *CUSPAP* into their reports, to ensure the most up to date wording.

### Draft reports

*CUSPAP 2016* also contains expanded advice on draft reports. These changes come under the Responsibility section of the Practice Note 16.38, which itself was expanded to consolidate advice on technical assistance and a few other topics. The recommended practices for draft

reports appear in Practice Note 16.38.11, and include six recommendations for Members to consider.

### Review Standard

The Review Standard has been modified for 2016. The changes increase the focus in a review report on the scope of work within the report under review (see Review Comment 8.28). The rule requires an opinion of whether the scope of work in the report under review is appropriate, and whether it was executed properly. In addition, the requirement to form an opinion of the reasonableness of opinions and conclusions has been expanded to require the reviewer to state whether, in their opinion, the report is suitable for reliance by the intended user for the intended use for which it was prepared.

### Practice Notes

Additions have been made to the Practice Notes (Section 16), where a much broader and more comprehensive number of examples have been added to demonstrate how the standards are intended to work.

For a complete list of changes, see *CUSPAP 2016* at Section 19 – Appendix B.

### Professional practice seminar update

While the professional practice seminar has been a great tool in describing changes to the rules in past cycles, many Members wait until the last few months in the Continuing Professional Development cycle before attending the seminar. The launch of the new seminar is expected in the fall of 2016 and Members will find it to be meaningful, interactive and enjoyable. The AIC wants to provide Members with an insightful and tangible learning opportunity that will encourage open discussion on *CUSPAP* and situational case studies.

For any questions on *CUSPAP*, its application or interpretation, Members can contact Nathalie Roy-Patenaude, AIC Director-Counsellor, Professional Practice at [nathalier@aicanada.ca](mailto:nathalier@aicanada.ca).