

CANADIAN APPRAISER ÉVALUATEUR CANADIEN

Volume 49, Book 3, 2005

Volunteerism and the professional

**A review of
the subdivision
development method**

**Successful members
network with
other professionals**

**INDUSTRIAL
STRENGTH
APPRAISAL
SOFTWARE**

CRAL



800.234.8727
appraiserschoice.com



Pocket Zoo

Pocket Zoo has all the power and smarts you need to collect field data.

Pocket Zoo offers forms, photo pages, templates and common responses that can be downloaded from CRAL or created in the field.



Features

- Quick section navigation
- Smart check boxes
- Point-and-click photo import

CRAL

Industrial Strength Appraisal Software

Package Includes:

- CRAL
- Sketch Software
- Pocket Zoo
- Digital Signature
- Annual Premier Support and Updates
- Order Tracking
- Photo Imaging
- Comps Database

The Appraiser's Choice



ReportPro is the flagship product of the CRAL Collection and is used by thousands of appraisal companies who continue to help drive CRAL's unrivaled feature set.

CRAL's best-of-breed tracking, forms, digital imaging, comps database, integrated sketch and mobile software provide technology simple enough for a new user but powerful enough for the largest appraisal companies and financial institutions in Canada.

Whether you're mouse or keyboard oriented, CRAL provides unrivaled form filling power with templates, cloning, and common responses that work across all forms—we've got it all.

- Extensive forms library
- English and French Forms
- Common Responses
- Drag and Drop photos directly into your reports
- Sketch integration for both Apex and WinSketch
- Office Management
- Location Map Integration

Tools for Easy Navigation



The Powerbar

The CRAL toolbar is a powerbar with speed buttons that quickly launch location maps, PDF writer, your favorite sketch software, and more!

Component List

The component list is an index of all the pages in your PAK and enables fast page flipping. There's even an icon to quickly view your addenda. Customize your form PAKs using CRAL's powerful PAK utility.

Section Tabs

Quickly navigate to any section within the form using the power tabs located at the bottom of the form.

Free CRAL Reader

Give your clients powerful view and print capabilities with our free, downloadable Appraisal Reader. *An industry exclusive!*



appraiserschoice.com

CALL TODAY
800.234.8727

\$595

**Discount available for additional users*



AIC Conference

May 24-27, 2006 – Charlottetown, PEI

Call for Speakers

The Appraisal Institute of Canada's 2006 AIC conference will be held in Charlottetown, Prince Edward Island, May 24-27, 2006. The conference will be held at the Delta Prince Edward Hotel in Charlottetown, and a dedicated conference planning committee is already hard at work planning a series of educational programs, social events and tours to make this conference a memorable experience for all attendees.

If you have ideas, experience, discoveries or strategies to share with fellow professionals from the diverse world of real property valuation, we welcome your proposal for participation as a speaker in the 2006 conference. Presentations can take the form of several standard formats:

- Single speaker presentation
- Panel discussion
- Interactive workshop

Proposals for presentations should be a minimum of 100 and no more than 500 words and must be received by Friday, September 23, 2005.

Proposals must include the proposed title for the presentation, the full name(s), postal addresses and email addresses of the speaker(s), a telephone number for the speaker, or at least one contact if this is a panel presentation.

Submission: Please forward your proposal by e-mail attachment to leacyo@aicanada.ca in Word format, or by fax to (613) 234-7197 no later than Friday, September 23, 2005.

Selection of programs

The conference committee will receive and review all valid proposals that potential speakers will be submitting. The choice of a session will be based on the relevance and learning objectives of the proposed session, concurrence with the conference theme, and on the location of the speaker, to ensure that the conference provides a showcase for local expertise. All who submit proposals will be contacted individually about their session, accepted or not, and some proposals may be referred to planning committees for future conferences if mutually agreeable. All decisions taken by the conference committee are final.

Speaker privileges and obligations

AIC members who serve as conference speakers will be provided with one night's hotel accommodation for each day they are part of the program. AIC members will also be eligible for reimbursement of the one-day registration fee for the day(s) that they are presenters. AIC members are responsible for registering for the conference if planning to attend the conference in its entirety.

Speakers will be contacted by AIC staff well in advance of the conference dates with deadlines for submission of presentations in full, speaker agreements and audio-visual equipment requests. Speakers are asked to prepare and reproduce presentation materials (e.g., handouts and topic outlines) and will be asked to provide an electronic copy of their presentation for posting to the AIC conference library web site.



**Appraisal Institute of Canada
Institut canadien des évaluateurs**

203-150 Isabella Street,
Ottawa, ON K1S 1V7
Phone: (613) 234-6533 Fax: (613) 234-7197
Web site: www.aicanada.ca
Contact us at: info@aicanada.ca

**Board of Directors
Conseil d'administration**

President – Président

David Highfield, AACI, PApp, *British Columbia*

President Elect – Président désigné

Paul Olscamp, AACI, PApp, *Prince Edward Island*

**Immediate Past-president –
Président sortant**

Brian Duncan, AACI, PApp, *Ontario*

Vice-presidents – Vice-présidents

Gord Tomiuk, AACI, PApp, *Manitoba*
Gerry McCoombs, AACI, PApp, *New Brunswick*

Directors – Directeurs

Laurent Brosseau, AACI, PApp, *Quebec*
Beverley Girvan, AACI, PApp, *Nova Scotia*
Gerry Hupp, AACI, PApp, *Saskatchewan*
Terry Kerslake, AACI, PApp, *British Columbia*
George Maurice, AACI, PApp, *Ontario*
Roland Mayr, AACI, PApp, *Ontario*
Bob Tipple, AACI, PApp, *Newfoundland & Labrador*
Sheila Young, AACI, PApp, *Alberta*

Chief Executive Officer

Georges Lozano, MPA, *Ottawa*

Director of Communications

Joanne Charlebois, *Ottawa*

**Managing Editor –
Rédacteur administratif**

Craig Kelman, *Winnipeg*

**Assistant Editor –
Rédacteur en chef adjoint**

Kathleen Hodgson, *Winnipeg*

The articles printed in this issue represent authors' opinions only and are not necessarily endorsed by the APPRAISAL INSTITUTE OF CANADA. Copyright 2005 by the APPRAISAL INSTITUTE OF CANADA. All rights reserved. Reproduction in whole or in part without written permission is strictly prohibited. Subscription, \$40.00 per year. Printed in Canada. Les articles imprimés dans ce numéro ne représentent que l'opinion de leur auteur respectif, mais ne sont pas nécessairement endossés par L'INSTITUT CANADIEN DES ÉVALUATEURS. Tous droits réservés 2004 par L'INSTITUT CANADIEN DES ÉVALUATEURS. La reproduction totale ou partielle sous quelque forme que se soit sans autorisation écrite est absolument interdite. Abonnement \$40.00 par année. Imprimé au Canada.

Indexed in the Canadian Business Index and available online in the Canadian Business & Current Affairs database.

ISSN 0827-2697

Publication Mails Agreement #40008249.
Return undeliverable Canadian addresses to:
Appraisal Institute of Canada, 203-150 Isabella St.,
Ottawa, ON K1S 1V7. Email: info@aicanada.ca

Publication management,
design and production by:

Craig Kelman
& ASSOCIATES

3rd Floor – 2020 Portage Avenue
Winnipeg, MB R3J 0K4
Phone: 866-985-9780
Fax: 866-985-9799
E-mail: info@kelman.ca
Web: www.kelman.ca

Design/Layout: Tracy Toutant
Advertising Manager: Kristy Gagne

CANADIAN APPRAISER ÉVALUATEUR CANADIEN

TABLE OF CONTENTS

6 PRESIDENT'S MESSAGE/MESSAGE DU PRÉSIDENT

Adhering to Strategic Plan/Adhérer au plan stratégique

12 CEO REPORT/RAPPORT DU CHEF DE LA DIRECTION

Volunteerism and the professional/Bénévolat et professionnalisme

18 SUCCESSFUL MEMBERS WORK SMART AND INTERACT WITH OTHER PROFESSIONALS

22 RECOGNIZING EXCELLENCE

23 DESIGNATIONS EARNED/CANDIDATES

24 AIC PROGRAM INITIATIVES

24 CONTINUING PROFESSIONAL DEVELOPMENT

25 COMMUNICATIONS

26 PROFESSIONAL LIABILITY INSURANCE

28 STANDARDS/NORMES

32 PROFESSIONAL PRACTICE

34 GUEST COLUMNS

34 LEGALLY SPEAKING – the appraiser as the observer

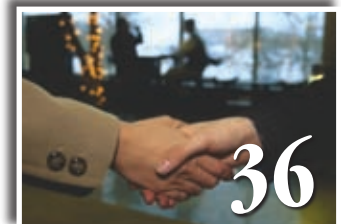
36 MANAGEMENT – generating endless referrals

38 FEATURE ARTICLES

38 A REVIEW OF THE SUBDIVISION DEVELOPMENT METHOD (PART I)

42 COMMENTS AND SUGGESTIONS TO FEE APPRAISERS (PART II)

46 CALENDAR OF EVENTS





David Highfield, AAI, P. App
AIC President

Adhering to Strategic Plan is key focus for new president

At the Appraisal Institute of Canada's Annual Conference in June, David Highfield, AAI, P. App commenced his term as President of the AIC's Board of Directors. In the following interview, David shares his thoughts relative to our profession, our Institute, and his role over the coming year.

Q. What is your current career situation?

A. I presently serve on the Executive Committee of BC Assessment, which is the government agency that creates and defends market value assessments for all properties in the province.

Q. What brought you to this profession?

A. I actually started in 1974 when I enrolled in an appraisal program in college. The appraisal profession offered broad career opportunities with an interesting variety of work. In British Columbia, the assessment legislation requires market valuation for all 1.7 million properties each year. I was one of many appraisers who found this career opportunity attractive. Joining a crown corporation that allows appraisal staff to progress only once a designation is achieved, I proceeded to earn my AAI in 1985 and credit it as being fundamental to my

personal and professional success. I can now look back on 30 years of valuing BC real estate for assessment purposes and conclude that appraisal qualifications are fundamental to the quality that's expected of BC Assessment.

It is also important to mention that having a mentor in the early days was very instrumental to my career. Ken Bennet, AAI was my boss in the 1970s. He defined the challenges, set uncompromising standards, shared his depth of experience in appraisal, and then set us loose. It was exhilarating working with him.

Q. At what point did you become involved with the profession on a volunteer basis?

A. After starting at the Chapter level in 1986, I was subsequently elected to the BC Association Council in 1991. At the time, I was very dissatisfied with where our profession was headed and decided to try bringing about change rather than sitting back and complaining. That led to volunteering at the national level in 1993 and to becoming a national director in 2000. With the profession having been in a maintenance mode for some time, the challenge was to reinvent the membership support structures and processes to match member vision and marketplace demands.

“The profile of our profession and the recognition it is achieving has never been better.”

“ There is a remarkable range of opportunities available to professionals with our credentials, our education and our experience. ”

Q. Has it been a positive experience?

A. Most certainly. I take great pride in being part of a process where volunteers, who are often some of our best people, step forward and demonstrate real commitment to making a difference. Elected members carry a great deal of accountability for the livelihoods of our present and future members and the results presently being achieved are extremely positive. Enrolment in our education programs is up, our membership numbers are on the increase, the profile of our profession and the recognition it is achieving has never been better, and our incomes are rising significantly. Because the AIC is so results oriented, with member-specified goals as part of its Strategic Plan, our volunteer time is very focused. For anyone who is results driven and can relate to the goals, involvement can be very satisfying.

Q. As President of AIC and someone who led the Institute's New Horizons initiative in the past year, what do you see as the most pressing challenges?

A. First, we must position our profession so that our potential clients know who to call when they need valuation services. So that we are ready when the calls come, we must ensure that our Standards, our Professional Practice, our education

structure and our professional development protects the public and supports the development of our skills. The challenge for the Institute is to recruit the right candidates, support the members through education and continuing professional development, and help put members in position to take advantage of the opportunities that present themselves. There is a remarkable range of opportunities available to professionals with our credentials, our education and our experience.

Q. Why do you feel the profession is undergoing so much change?

A. It is a combination of changes in the marketplace, reduced demand for some of our traditional products, and increased demand for advice on all aspects that relate to the principles of value of real property. In many cases, the new areas of practice that are emerging are highly interesting and well rewarded. The foundation of our profession – point-in-time valuation – will increasingly gain respect as we depart from the last vestiges of trade-type work and complete the transition to a profession. Our present and future members will be able to choose from the many alternative disciplines that are becoming a larger part of our profession. The opportunities are remarkable.

Q. A great deal of emphasis has been placed on the Institute's Strategic Plan. Given that the Plan was developed in 2000, what would you identify as being the major accomplishments to date?

A. There have been several. First, we now have an education program that is equal or better than any offered to our profession in the world. Second, we have considerably enhanced the promotion and advocacy of our profession. Third, we have much more focussed recruiting. Fourth, we have more efficient professional practice programs. Fifth, we now have a professional and bilingual staff to serve the needs of our members. Sixth, we have begun developing a brand strategy. Finally, we have established a number of targeted national and international strategic alliances. Within the next year, we will have achieved much of what is set out in the existing Strategic Plan and will begin developing a new Plan to keep us moving forward and to provide support for our membership to meet the challenges of a constantly changing environment.

I would also like to add that I personally have never seen an organization that has set out such an aggressive Strategic Plan and then worked so diligently to make sure that the Plan is being followed. It is definitely our guiding light.

“ Our present and future members will be able to choose from the many alternative disciplines that are becoming a larger part of our profession. ”

“ Within the next year, we will have achieved much of what is set out in the existing Strategic Plan and will begin developing a new Plan to keep us moving forward and to provide support for our membership to meet the challenges of a constantly changing environment. ”

Q. You mention that the Institute is developing a brand strategy as part of the Plan. Why is this important now and what progress has been made to date?

A. At this point in the growth of market demand for real property advisory services, our present positioning does not signal our competency or our availability for that type of work. In many cases, the advisory work is going to others with less related education and experience. Now is the time to position our profession to attract the developing opportunities.

As for progress to date, through a Request For Proposal process, we selected a firm to work with us that specializes in developing brand strategies. Phase I consisted of independent, in-depth, qualitative research that was undertaken to determine positioning opportunities for the membership and the Institute. These will serve as the foundation of the three-year communication plan being developed for 2006-2008. Organizational naming options and designation options are being tested this summer using proprietary Brand-Lab research software.

Q. On the subject of professional recognition, how is the AIC viewed internationally?

A. Due to financial and time constraints, we have to be selective in our international involvement. However, due to the increasing demand for our skills from international clients, it is vital that we be represented when decisions are being made and that we be recognized as a progressive organization. At present, AACI's hold leadership roles in the International Association of Assessing Officers, International Right of Way Association, The Appraisal Foundation, World Association Valuation Organization and International Valuation Standards Committee.

Q. What personal goals have you set for yourself during your term?

A. I believe that an organization's plans are more important than personal goals and I would not be taking this position if that was not the case. As a result, all of my personal goals are aligned with the Strategic Plan. I am one Board member and one President in a succession of Boards and Presidents who are pursuing

the objectives set out by members. At the conclusion of my term, I trust that our organizational goals will have been advanced by a measurable amount. On a personal level, I plan to be a spokesperson and leader that keeps our organization focussed on our stated goals until the next President takes office.

Q. What final thoughts would you care to share with your fellow appraisers?

A. It is a generally accepted statement that private ownership of land is the cornerstone of wealth in our society. We are members of a profession that is naturally positioned by education and experience to advise on that subject. This is the time to identify the opportunities you wish to pursue, to develop competence in those areas, and to assertively pursue the work. It is vital that we avoid the comfort that comes with accepting the status quo or our opportunities will be lost.

We are in this together, and I look forward to meeting many of the readers of this article over the next year and to welcoming your input on all matters at davidh@aicanada.ca 🍷

“ This is the time to establish the opportunities you wish to pursue, to develop competence in those areas, and to assertively pursue the work. ”



David Highfield, A.C.I., P. App
Président de l'ICE

Adhérer au plan stratégique : le point de mire du nouveau président

Lors de la conférence annuelle de l'Institut canadien des évaluateurs en juin, David Highfield, A.C.I., P. App a amorcé son mandat à titre de président du Conseil d'administration de l'ICE. Dans l'entrevue qui suit, David partage ses opinions sur la profession, l'Institut et son rôle au cours de l'année qui vient.

Q. Où en êtes-vous actuellement dans votre carrière?

R. Je suis actuellement membre du Comité exécutif de la BC Assessment, l'agence du gouvernement qui établit et défend les évaluations de la valeur marchande de toutes les propriétés à l'échelle de la province.

Q. Comment avez-vous choisi cette profession?

R. J'ai en fait commencé en 1974 en m'inscrivant au programme collégial d'évaluation immobilière. La profession d'évaluateur offrait de nombreuses occasions et du travail très intéressant. En Colombie-Britannique, la loi sur les évaluations requiert l'évaluation de la valeur marchande de 1,7 millions de propriétés chaque année. J'étais l'un des nombreux évaluateurs à trouver cette occasion de carrière très intéressante. Joindre une société d'état qui permet à son personnel d'évaluation d'avancer uniquement après avoir obtenu une désignation, j'ai acquis la

désignation A.C.I. en 1985, une décision qui a sans doute contribué à mon succès personnel et à celui de ma carrière. Je peux maintenant regarder ces 30 années d'évaluation de propriétés en C.-B. à des fins d'imposition et conclure que les qualifications d'un évaluateur sont fondamentales aux attentes de la BC Assessment en matière de qualité.

Il est également important de mentionner que le fait d'avoir eu un mentor à mes débuts a joué un rôle critique pour ma carrière. Ken Bennet, A.C.I., fut mon patron dans les années 1970. Il a défini les défis, établi des normes sévères, partagé son expérience du monde de l'évaluation et nous a ensuite laissés voler de nos propres ailes. Ce fut très excitant de travailler avec lui.

Q. À quel moment avez-vous décidé de participer comme bénévole au sein de la profession?

R. Après avoir commencé au niveau du chapitre en 1986, j'ai été élu au Conseil de l'Association de la C.-B. en 1991. À ce moment, j'étais insatisfait de l'orientation de notre profession et j'ai décidé d'essayer de modifier le cours des choses plutôt que de me plaindre tout simplement. Cela a mené à du travail bénévole au palier national en 1993 et à mon élection comme administrateur national en l'an 2000. La profession étant au neutre depuis quelque temps déjà, le défi con-



Le profil de notre profession
et sa reconnaissance
se portent bien.



Un grand nombre d'occasions aux professionnels qui possèdent nos compétences, notre éducation et notre expérience.

sistait à remanier le soutien accordé aux membres et à revoir les procédés de sorte qu'ils correspondent à leur vision ainsi qu'aux besoins du marché.

Q. L'expérience a-t-elle été positive?

R. Sûrement! Je suis fier de faire partie d'un processus où les bénévoles, qui sont souvent nos meilleurs alliés, font preuve d'un engagement réel et font toute la différence. Les membres élus ont beaucoup de responsabilités relativement au bien-être des membres actuels et futurs et les résultats actuels sont très positifs. La participation à nos programmes d'éducation est à la hausse, le profil de notre profession et sa reconnaissance se portent bien, et nos revenus augmentent de façon importante. Comme les résultats de l'ICE sont si concentrés, et compte tenu des objectifs du plan stratégique qui sont axés sur les membres, nos efforts de bénévolat sont aussi de plus en plus concentrés. Pour quiconque est motivé par les résultats et qui comprend bien les objectifs, la participation peut être très enrichissante.

Q. Comme président de l'ICE et après avoir mené le projet Nouveaux Horizons l'an dernier, quels sont les défis que vous considérez prioritaires?

R. D'abord, nous devons positionner notre profession de sorte que les clients potentiels sachent qui appeler pour des services d'évaluation. Pour que nous soyons prêts à recevoir cet appel, nous devons nous assurer que les normes, les pratiques professionnelles, notre programme d'éducation et notre programme de perfectionnement professionnel protègent le public et confirment nos aptitudes. Le

défit de l'Institut est de recruter les bons candidats, appuyer ses membres via ses programmes d'éducation et de perfectionnement professionnel et aider les membres à profiter de ces occasions. Un grand nombre d'occasions aux professionnels qui possèdent nos compétences, notre éducation et notre expérience.

Q. Selon vous, pourquoi la profession doit-elle subir tant de transformations?

R. Il s'agit en fait d'une combinaison de changements sur le marché, d'une demande réduite pour certains de nos services traditionnels et d'une augmentation de la demande pour des services de consultation à tous les niveaux liés aux principes de la valeur des propriétés immobilières. Dans plusieurs cas, les nouveaux secteurs de pratique sont à la fois intéressants et enrichissants. Les bases de notre profession, soit les simples évaluations, seront de plus en plus reconnues à mesure que nous nous en éloignerons et compléterons la transition vers une véritable profession. Nos membres actuels et futurs seront en mesure de choisir à même plusieurs disciplines de rechange qui font maintenant partie de notre profession. Les occasions sont remarquables.

Q. Beaucoup d'accent a été accordé au plan stratégique de l'Institut. Comme ce plan a été élaboré en l'an 2000, quelles sont les principales réalisations à ce jour?

R. Il y en a plusieurs. D'abord, nous avons maintenant un programme d'éducation égal ou meilleur que tout autre offert à notre profession

à l'échelle du monde. Ensuite, nous avons considérablement accru les efforts de promotion et de défense de notre profession. En troisième lieu, nos efforts de recrutement sont plus concentrés. Ensuite nos programmes de pratiques professionnelles sont plus efficaces. Nous avons maintenant un personnel bilingue pour mieux répondre aux besoins des membres. Nous avons aussi commencé à élaborer une stratégie de marquage. Enfin, nous avons créé un certain nombre d'alliances stratégiques aux paliers national et international. Au cours de l'an prochain, nous aurons atteint une grande partie des objectifs cités dans le plan stratégique et commencerons à préparer un nouveau plan qui nous permettra de continuer à progresser et à offrir les services de soutien aux membres de sorte qu'ils soient en mesure de relever les défis qui les attendent dans ce milieu en pleine évolution.

Je m'empresse de souligner que je ne connais aucun autre organisme qui possède un plan stratégique aussi agressif et qui travaille tous les jours en le suivant à la lettre. Ce plan constitue véritablement notre guide quotidien.

Q. Vous avez mentionné que l'Institut s'affaire à élaborer une stratégie de marquage dans le cadre du plan. Pourquoi cela est-il important maintenant et quels sont les progrès accomplis à ce jour?

R. À ce stade de la croissance de la demande du marché pour des services de consultation dans le domaine de l'immobilier, notre positionnement actuel ne reflète pas notre compétence ou notre

Nos membres actuels et futurs seront en mesure de choisir à même plusieurs disciplines de rechange qui font maintenant partie de notre profession.

Au cours de l'an prochain, nous aurons atteint une grande partie des objectifs cités dans le plan stratégique et commencerons à préparer un nouveau plan qui nous permettra de continuer à progresser et à offrir les services de soutien aux membres de sorte qu'ils soient en mesure de relever les défis qui les attendent dans ce milieu en pleine évolution.

disponibilité pour des services de cette nature. Dans plusieurs cas, les travaux de consultation sont confiés à d'autres qui ont souvent moins d'éducation et moins d'expérience. Il est maintenant temps de positionner notre profession pour attirer ces occasions en voie de développement.

En ce qui concerne le progrès accompli à ce jour, nous avons, via un processus d'appel d'offres, retenu les services d'un cabinet qui se spécialise dans l'élaboration de stratégies de marquage. La phase 1 du projet portait sur une recherche qualitative indépendante amorcée pour déterminer les occasions de positionnement à la fois pour les membres et l'Institut. Les résultats de ce projet serviront à élaborer notre plan triennal de communication couvrant la période de 2006-2008. Les options relatives au nom de l'organisme et à l'établissement de nouvelles désignations seront testées cet été à l'aide du logiciel de recherche BrandLab.

Q. En matière de reconnaissance professionnelle, comment l'ICE est-il considéré à l'échelle internationale?

R. Étant donné les restrictions financières et de temps, nous devons être sélectifs en ce qui

touche notre présence sur le plan international. Toutefois, étant donné la demande croissante de clients internationaux pour nos services, il est très important que nous soyons représentés lorsque les décisions sont prises et que nous soyons reconnus comme un organisme progressiste. Actuellement, ceux qui ont la désignation AACI occupent des rôles de leadership au niveau de l'International Association of Assessing Officers, l'International Right of Way Association, The Appraisal Foundation, la World Association Valuation Organization et l'International Valuation Standards Committee.

Q. Quels sont vos objectifs personnels dans le cadre de votre mandat?

R. Je crois que les projets d'un organisme sont plus importants que les objectifs personnels et je n'aurais pas accepté ce poste s'il en était autrement. Comme résultat, tous mes objectifs personnels correspondent au plan stratégique. Je ne suis qu'un membre du Conseil et qu'un président parmi tant d'autres à poursuivre les objectifs établis par les membres. À la fin de mon mandat, j'espère que nos objectifs organisationnels auront

progressé considérablement. Sur le plan personnel, je prévois servir de porte-parole et être un leader qui maintiendra le cap sur les objectifs stratégiques de l'organisme jusqu'à ce que le prochain président entre en fonctions.

Q. Une dernière pensée à partager avec vos collègues évaluateurs?

R. Il est généralement accepté de dire que l'appartenance d'une parcelle de terre est la pierre angulaire de la richesse dans notre société. Nous sommes membres d'une profession qui, par son éducation et son expérience, est la mieux placée pour conseiller sur ce sujet. Le moment est venu d'identifier les occasions que nous voulons poursuivre, de parfaire nos compétences à ce niveau et de poursuivre activement ces nouvelles occasions de travail. Il est crucial d'éviter le confort du statu quo car sinon, toutes ces occasions seront perdues.

Nous sommes tous dans le même bateau et j'espère avoir l'occasion de rencontrer bon nombre de ceux qui auront lu cet article au cours de la prochaine année. Vous pouvez aussi m'adresser vos commentaires sur tout sujet à l'adresse davidh@aicanada.ca 🍷

Le moment est venu d'identifier les occasions que nous voulons poursuivre, de parfaire nos compétences à ce niveau et de poursuivre activement ces nouvelles occasions de travail.



Georges Lozano, MPA
AIC Chief Executive Officer

Volunteerism and the professional

The Appraisal Institute of Canada (AIC) is one of thousands of non-profit associations in Canada that have been created, led, and supported by its volunteer members. Volunteering is as Canadian as maple syrup, but it is changing. Today's volunteers are expected to be accountable for the work and the significant responsibilities they undertake. In turn, volunteers expect certain things from their associations including clear expectations, relevancy, and a meaningful experience.

Because AIC's success depends on its volunteers, what follows is a brief overview of volunteerism and its role within the Institute. Hopefully, it will peak your interest and perhaps cause some of you to consider a volunteer role within AIC at the national, provincial, or chapter level.

One in four Canadians is a volunteer. Volunteers come from all walks of life and represent a wide cross section of the Canadian population. While women are more likely than men to volunteer, men contribute more total volunteer hours per year. Almost three-quarters of all volunteer hours come from one-quarter of volunteers. These volunteers contribute 188 hours or more per year. The amount of time spent volunteering increases with age – from a low of 130 hours per year for those aged 15 to 24 to a high of 269 hours per year for those aged 65 and older.

The volunteer environment is changing, and the volunteer is redefining volunteer commitment as a negotiated and mutually beneficial arrangement rather than a one-way sacrifice of time. Trends in volunteer recruitment include volunteer job design and risk management that ensures the organization can place the right volunteer in the appropriate activity.

Volunteer-driven organizations have

responded to the changing environment by adopting corporate and public sector management practices including standards, codes of conduct, accountability and transparency measures around program administration, and by requiring evaluation, outcome and results measurement with respect to their volunteerism. Volunteer development is another response to the declining numbers of volunteers. By offering opportunities for training and growth, managers of volunteer resources can recruit and engage potential volunteers while retaining current participants.

Employer-supported volunteerism is enabling employees to donate their volunteer time and talents. It can take many shapes and forms with varying levels of employer support. Increasingly, businesses are offering more than financial support and sponsorship to the non-profit sector. Companies help their employees to volunteer by allowing them to modify their work hours in order to take part in volunteer activity.

Historically, there has been a strong relationship between associations and volunteers. Volunteers are the lifeblood of associations and association managers rely on volunteers to play a significant number of roles within their organizations. First of all, it is the volunteers, acting on behalf of the membership, that establish the governance structure of the association and act as its governors. Further, volunteers provide the crucial link between the association and its members. Volunteers provide the ideas and direction that staff members need to deliver meaningful programs to the membership. It is volunteerism that makes it possible for associations to provide high quality member services while maintaining costs at an affordable level. Without healthy volunteer participation, an association can lose its

“Professionals and volunteering go hand-in-hand and today’s professional association is the result of volunteers getting together and creating an organization that meets the needs of their profession.”

relevance to the membership and, as such, its reason to exist.

While people from all walks of life practice volunteerism, it is a particularly appropriate pursuit for the professional. Professionals are generally regarded as role models in society, and they have an especially important role to play in volunteer organizations. Often, professionals volunteer in organizations that are not directly related to their profession. However, a hallmark of professionals is the deep interest they share in their profession. This is evidenced through their active participation in relevant professional bodies and learned societies.

Why do professionals form associations? Among the reasons for establishing professional associations is the need to exchange information among peers and to have a forum to debate important issues of the day. Further, professional associations may be established for the purposes of licensing or accrediting, and to mentor newcomers to the field. Sometimes, associations are established so that professionals can set standards for themselves.

Like many other professional organizations, the AIC relies highly on its volunteers to give it the insight, the direction, and the support it needs to be relevant to its members. Although AIC’s membership is relatively small in comparison to other professions, the needs of its members are very similar to those of larger associations. However, its more limited resources constitute a challenge that makes it difficult, at times, to provide members with the products and services that they need and deserve. The volunteers that support the Institute through their active participation in boards, committees, and workgroups, make it possible for AIC to deliver the

range of services to the membership that it does.

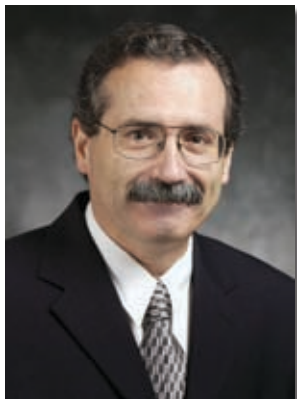
Another challenge is the Institute’s aging membership. As a result, it is expected that, in the coming years, a significant proportion of its volunteers will be of retirement age. Therefore, it will become increasingly important to attract new members to volunteer at the chapter, provincial, and national levels.

It is said that the success of today’s professional associations lies more with their relevancy to the membership and less on loyalty. In order to be successful, professional associations must be sensitive to the needs of their members and strive to provide them with the kinds of services and support that benefit them as professionals. In this respect, volunteerism helps to ensure that the association remains relevant. Further, volunteering provides significant benefits to the members involved.

For younger professionals, volunteerism provides an important avenue whereby they can gain important work-related skills. It also leads to valuable networking opportunities that can build professional relationships and establish long-lasting friendships. Through this interaction, volunteers generally gain a wealth of information about their profession, new business opportunities, and many other areas of professional and personal interest. In addition to the benefits that are professional in nature, volunteerism provides individuals a chance to grow personally while making a positive contribution to their profession. Last, but not least, the Institute recognizes the work of its volunteers, granting them CPD credits, and bestowing upon them its marks of distinction including Citations, Recognitions, and Fellowships.

There are many ways to become involved as a volunteer within the AIC. The scope and levels of involvement possible as a volunteer are many and varied. Members can tailor their level of activity to suit their interests and availability. Many AIC members start volunteering at the chapter level, moving through volunteer work at the provincial level, and later at the national level. Others have chosen to respond to the call for volunteers on AIC standing committees. At every level, volunteers can opt for short-term specific activities, or take on longer term assignments. The variety of activities is large and includes such things as providing technical advice and support in such areas as education, standards, and professional practice. Volunteers can also become involved in governance related work, including the development of policies, and regulations of the Institute.

In conclusion, volunteering generally provides a great source of personal satisfaction and sense of accomplishment while serving the needs of specific constituencies as well as the general public. Professionals and volunteering go hand-in-hand and today’s professional association is the result of volunteers getting together and creating an organization that meets the needs of their profession. The rewards of volunteering are significant and include personal satisfaction and achievement as well as opportunities to grow as a professional. If you thought about volunteering in the past but have not acted on it, contact either your local AIC association or the AIC in Ottawa and speak to them about volunteering opportunities. Help us build a better association. Get involved. You will be glad you did. 🍷



Georges Lozano, MPA
Chef de la direction de l'ICE

Bénévolat et professionnalisme

L'ICE est l'un de plusieurs milliers d'organismes à buts non lucratifs au Canada qui ont été créés, dirigés et appuyés par leurs membres bénévoles. Le bénévolat est aux organismes ce que le sirop d'érable est au Canada, mais la situation est appelée à changer. Aujourd'hui, les bénévoles sont sensés rendre compte pour leur travail et les responsabilités importantes qu'ils assument. En retour, les bénévoles ont des attentes de leurs associations y compris une certaine transparence, une pertinence et une expérience significative.

Comme le succès de l'ICE dépend largement du travail de ses bénévoles, le lecteur trouvera dans les lignes qui suivent un aperçu général du bénévolat et de son rôle au sein de l'Institut. Nous espérons piquer votre intérêt et possiblement susciter certains à considérer un rôle de bénévole au sein de l'ICE, soit au palier national ou provincial, voire même au sein de leur chapitre local.

Un Canadien sur quatre fait du bénévolat. Les bénévoles viennent de tous les niveaux de la société et représentent une grande variété de secteurs au sein de la population canadienne. Bien que les femmes soient plus susceptibles d'offrir leurs services comme bénévoles, les hommes contribuent davantage en temps par année. Près des trois-quarts de toutes les heures consacrées au bénévolat le sont par un quart de tous les bénévoles. Ces bénévoles contribuent 188 heures de leur temps ou plus par année et ce temps augmente avec l'âge – de 130 heures par année dans le cas de ceux qui sont âgés de 15 à 24 ans à 269 heures par année pour les 65 ans et plus.

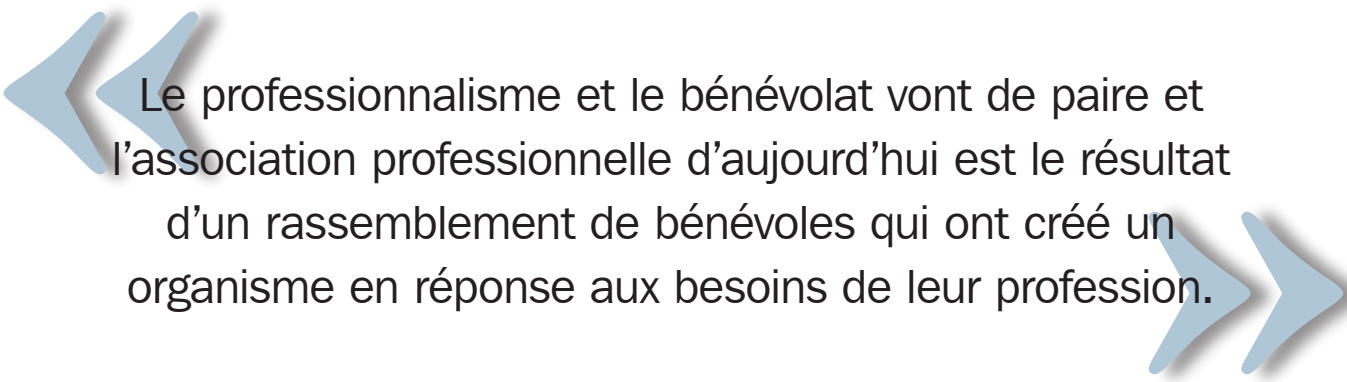
Le milieu du bénévolat est en constante évolution et le bénévole doit redéfinir son rôle comme étant un arrangement négocié et mutuellement profitable plutôt qu'un

sacrifice de temps à sens unique. Les tendances dans le recrutement de bénévoles incluent la conception du travail et la gestion des risques, ce qui assure que l'organisme est en mesure d'assigner les bonnes tâches à la bonne personne.

Les organismes dirigés par des bénévoles ont toujours répondu à leur milieu changeant en adoptant des pratiques de gestion propres aux secteurs publics et privés, y compris l'établissement de normes, de codes de déontologie, des mesures de responsabilité et de transparence pour l'administration de programmes, sans compter l'évaluation des résultats de leurs activités à titre de bénévoles. La formation de bénévoles est une autre forme de réponse à leur nombre décroissant. En offrant des occasions de formation et de croissance, les gestionnaires des ressources bénévoles peuvent recruter et obtenir l'engagement de bénévoles potentiels tout en maintenant celui des participants actuels.

Le bénévolat appuyé par l'employeur permet aux employés de donner de leur temps et de mettre leurs compétences à profit. Les activités qui leur sont confiées se présentent sous diverses formes et font appel à divers niveaux de soutien de la part de l'employeur. De plus en plus, les entreprises offrent plus qu'un soutien financier et de parrainage au secteur à but non lucratif. Les compagnies aident leurs employés à faire du bénévolat en leur permettant de modifier leur horaire de travail à cette fin.

Il a toujours existé un lien étroit entre les associations et les bénévoles. Ces derniers sont le cœur des associations et les gestionnaires font appel à leurs précieux services dans une variété de rôles au sein de l'organisme. D'abord, ce sont les bénévoles qui représentent les membres et qui établissent la structure administrative de l'association et qui agissent



Le professionnalisme et le bénévolat vont de paire et l'association professionnelle d'aujourd'hui est le résultat d'un rassemblement de bénévoles qui ont créé un organisme en réponse aux besoins de leur profession.

comme administrateurs. Ensuite, les bénévoles assurent un lien important entre l'association et ses membres. Ils offrent les idées et l'orientation dont les membres du personnel ont besoin pour élaborer des programmes intéressants à l'intention des membres. C'est le bénévolat qui fait que les associations peuvent offrir des services de haute qualité à leurs membres tout en maintenant les coûts à des niveaux raisonnables. Sans la contribution des bénévoles, une association pourrait perdre sa pertinence et donc sa raison d'être.

Bien que les gens de tous les milieux sociaux fassent du bénévolat, cette forme de travail convient particulièrement au professionnel. Les professionnels sont généralement considérés comme des modèles à imiter dans la société et ont habituellement un rôle important à jouer au sein des organismes de bénévoles. Souvent, les professionnels font du bénévolat au sein d'un organisme qui n'a rien à faire avec leur profession. Toutefois, l'une des caractéristiques principales des professionnels est l'intérêt qu'ils manifestent à l'endroit de leur profession. Cela est évident par leur simple participation auprès d'organismes professionnels pertinents et de sociétés savantes.

Pourquoi les professionnels forment-ils des associations? Entre autres choses, une association professionnelle est formée parce qu'il existe un besoin de partager de l'information avec des collègues et d'avoir un forum pour discuter les questions importantes d'actualité. Aussi, les associations professionnelles peuvent être créées à des fins d'accréditation et de mentorat dans

le cas des nouveaux venus. Parfois, les associations sont créées pour permettre aux professionnels d'établir des normes de pratique à respecter.

Comme plusieurs autres organismes professionnels, l'Institut canadien des évaluateurs fait beaucoup appel à ses bénévoles pour connaître leurs opinions et obtenir l'orientation et le soutien nécessaires pour assurer sa pertinence. Bien que le nombre de membres de l'ICE soit relativement petit par rapport à d'autres professions, les besoins des membres sont très similaires à ceux des associations plus importantes. Cependant, ses ressources, qui sont parfois plus limitées, rendent difficiles la présentation de produits et de services que les membres sont en droit de recevoir. Par le biais de leur participation active auprès du Conseil, des comités et des groupes de travail de l'Institut, les bénévoles font que l'ICE est en mesure d'offrir une vaste gamme de services à ses membres.

Un autre défi à relever repose au niveau des membres vieillissants de l'Institut. Comme résultat, il est prévu qu'un nombre important de ses bénévoles seront d'âge à prendre leur retraite. Il sera donc important de susciter la participation des membres à titre de bénévoles au niveau de leur chapitre local, ainsi qu'aux paliers provincial et national.

On dit souvent que le succès des associations professionnelles d'aujourd'hui dépend davantage de leur pertinence que sur la loyauté. Pour réussir, les associations professionnelles doivent être sensibles aux besoins de leurs membres et s'efforcer de leur offrir les services et

le soutien dont ils ont besoin à titre de professionnels. À ce niveau, le bénévolat aide à assurer le maintien de la pertinence de l'association. Également, le bénévolat comporte de nombreux avantages pour les membres qui se livrent à de telles activités.

Pour les professionnels plus jeunes, le bénévolat a beaucoup à offrir en ce qui touche l'acquisition d'importantes aptitudes de travail. De telles activités ouvrent aussi la voie à d'excellentes occasions de réseautage qui peuvent servir à raffermir les relations professionnelles et à établir des amitiés pour la vie. Grâce à cette interaction, les bénévoles ont généralement accès à une mine d'informations au sujet de leur profession, à de nouvelles occasions d'affaires et à plusieurs autres secteurs d'intérêt professionnel et personnel. En plus des avantages de nature professionnelle, le bénévolat offre aux gens l'occasion de croître sur une base personnelle tout en contribuant de façon positive à leur profession. En dernier lieu mais non le moindre, l'Institut reconnaît le travail de ses bénévoles en leur accordant des crédits de PPC et en leur remettant des marques de distinction comme des citations, des reconnaissances et marques d'honneur.

Il existe de nombreuses façons de faire du bénévolat au sein de l'Institut canadien des évaluateurs. La portée et le niveau de participation à titre de bénévole varient. Les membres peuvent tailler leurs activités de sorte à convenir à leurs intérêts et leur disponibilité. Plusieurs membres de l'ICE commencent par faire du bénévolat au niveau de

leur chapitre local avant de passer au palier provincial, puis au palier national. D'autres ont choisi de participer auprès des divers comités de l'ICE. À tous les niveaux, les bénévoles peuvent s'engager à court ou à long terme. Les activités sont très variées et peuvent inclure la consultation technique et le soutien dans les secteurs de l'éducation, des normes et de la pratique professionnelle. Les bénévoles peuvent aussi participer à des travaux administratifs, y compris l'élaboration des poli-

tiques et des règlements de l'Institut.

En conclusion, le bénévolat est une immense source de satisfaction personnelle et d'accomplissement tout en répondant à des besoins spécifiques de l'organisme ainsi qu'à ceux du grand public. Le professionnalisme et le bénévolat vont de paire et l'association professionnelle d'aujourd'hui est le résultat d'un rassemblement de bénévoles qui ont créé un organisme en réponse aux besoins de leur profession. Les avantages du bénévolat sont impor-

tants et incluent la satisfaction et l'accomplissement personnels, ainsi que de nombreuses occasions de croissance à titre de professionnel. Si vous avez pensé à faire du bénévolat dans le passé et que vous n'avez pas donné suite à votre idée, communiquez avec votre association locale de l'ICE ou avec le bureau national à Ottawa pour en apprendre davantage au sujet des occasions de bénévolat. Aidez-nous à améliorer notre association. Participez! Vous ne le regretterez pas! 🍀

DO YOU KNOW WHY.....

AIC polybags the *Canadian Appraiser* instead of using envelopes

Typically, the *Canadian Appraiser* magazine is mailed with other pieces, i.e., *Member Source Guide*, *PLIP Bulletins*, etc. Historically, this was done by inserting the magazine and the inserts into envelopes that added costs and used more raw materials. The polybagging is a much more economical and environmentally friendly process than using the envelopes.

While many publishers who polybag utilize a much heavier plastic, AIC uses one of the lightest weight plastics available to be further environmentally conscious.

Whenever there is an issue of the magazine being mailed without inserts we could mail it on its own, i.e., no polybagging or envelopes. However, thus far, each issue of the magazine has been accompanied by inserts.

AIC's *Canadian Appraiser* magazine is bilingual

In 2002, the Board of Directors passed a motion of direction that the AIC was a bilingual organization. We translate a percentage of our content, i.e., the President and CEO's articles and some committee articles. On average, 20% of the *Canadian Appraiser* magazine content is French. The idea of producing a separate entirely French publication in smaller quantities would result in a far more costly printing process that would utilize more paper than our current approach. Instead of being an initiative that saves money and reduces waste, the result would, in fact, be the opposite.

We have compromised on some publications, this one included, with an 80/20 ratio of French material. Another example of AIC's attempts to save paper use and costs while acknowledging our commitment to bilingualism is the Annual Report. We have published it as a separate English/French publication since 2002. This year, we went one step further. Rather than printing the Annual Report, we posted separate English and French versions on the web site for viewing, thus saving paper and shipping costs.

AIC continually attempts to balance the needs of the organization and its varied members while being fiscally responsible.

SAVEZ-VOUS POURQUOI

L'ICE utilise un sac transparent plutôt qu'une enveloppe pour expédier *L'Évaluateur canadien*?

Typiquement, la revue *L'Évaluateur canadien* est expédiée avec d'autres matériaux comme le *Guide source des membres*, les *bulletins sur le PARP*, etc. Historiquement, nous utilisions des enveloppes pour expédier la revue et les encarts, ce qui faisait grimper les coûts et faisait appel à plus de matériaux bruts. Les sacs transparents sont beaucoup plus économiques et plus écologiques que les enveloppes.

Bien que plusieurs utilisent des sacs transparents plus épais, l'ICE utilise le plus léger possible par conscience pour l'environnement.

Lorsqu'un numéro de la revue est expédié sans encarts, nous pourrions l'expédier sans sac, ni enveloppe. À ce jour, toutefois, chaque numéro a été accompagné d'encarts.

La revue *L'Évaluateur canadien* de l'ICE est bilingue

En 2002, le Conseil d'administration a adopté une motion à l'effet que l'ICE était un organisme bilingue. Nous traduisons un certain pourcentage de notre documentation comme les articles du Président et du Chef de la direction et certains articles des comités. En moyenne, 20 % de la revue *L'Évaluateur canadien* est en français. L'idée de produire un document séparé entièrement en français et en plus petites quantités donnerait lieu à des coûts beaucoup plus élevés d'impression et de fournitures que l'approche actuelle. Plutôt que de sauver des coûts et de réduire le gaspillage, le résultat serait en fait contraire.

Nous avons fait un compromis pour certaines publications, celle-ci inclusivement, le ratio du contenu français étant de 80/20. Un autre exemple des efforts de l'ICE pour réduire l'utilisation du papier et les coûts tout en respectant son engagement à l'endroit du bilinguisme est le Rapport annuel. Depuis 2002, nous le publions séparément en français et en anglais. Cette année, nous sommes aller plus loin encore. Plutôt que d'imprimer le Rapport annuel, nous l'avons affiché en français et en anglais sur notre site web, réalisant des gains considérables en papier et en frais de poste.

L'ICE s'efforce sans cesse d'équilibrer les besoins de l'organisme et ceux de ses membres, tout en étant financièrement responsable.

ClickFORMS™

SOPHISTICATED SOFTWARE MADE SIMPLE™

HASSLE-FREE FORMS SOFTWARE

ClickFORMS is sophisticated software made simple. Eliminate the hassles in form processing. ClickFORMS manages your entire report – including inspection forms and all due diligence – in a single file. Our unique Digital Container Technology allows you to scroll from cover sheet to addendums in a single window, easily reorder pages, and always see exactly what your finished report will look like.

INTUITIVE FLEXIBILITY

ClickFORMS is the only appraisal software that delivers productivity right out of the box.

It is the fastest to learn and the easiest to use, and integrates with all of your favorite applications.

CERTIFIED RELIABILITY

ClickFORMS is designed to eliminate the hassles and wasted time in dealing with system incompatibilities, crashes and tech support. It's the only appraisal software certified by Microsoft to conform to their system and interface standards. This is your



guaranteed assurance that ClickFORMS delivers unsurpassed stability and performance.



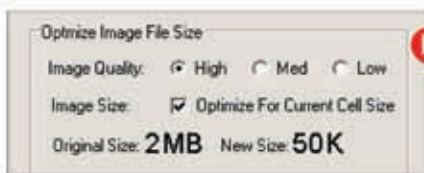
MANAGE FORMS EASILY

Simply "drag and drop" to add, delete or rearrange the forms in your report. English and French forms available.



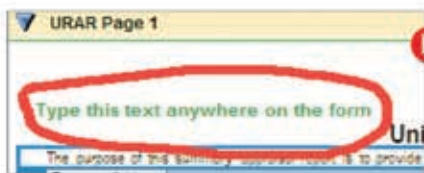
ANNOTATE MAPS EASILY

"Drag and drop" to annotate your maps. Create your own custom labels and store them in the Map Label Library.



OPTIMIZE PHOTO FILES

Edit, lighten, darken, rotate, and optimize. Optimize all images with a single click. Everything in one intuitive, easy-to-use window.



TYPE TEXT ANYWHERE

Simply "click" and type text anywhere on the form. No restrictions; no special editors to learn; no wizards; no hassles.



TABLET PC OPTION

Optimized for Tablet PC. Special field inspection forms; voice translation to text – no retyping; AreaSketch for pen based sketching.



SPECIAL OFFER

SPECIAL OFFER

FOR APPRAISAL INSTITUTE MEMBERS ONLY

Annual subscription \$199

Mention this ad - AIC - and get 1 year subscription to the Canadian ClickFORMS for only \$199(US).



UNLIMITED MAPS



FREE PDF CREATOR

with subscription to ClickFORMS

TRY BEFORE YOU BUY

How much time can ClickFORMS save you? Try it and find out. Take advantage of our 30-day FREE trial and try ClickFORMS today with no risk or obligation. Just visit our website www.bradfordsoftware.com/canada to download your copy of ClickFORMS. Or give us a call at 800-622-8727 and we'll send you our latest version - FREE.

BRADFORD
TECHNOLOGIES

Office and Mobile Solutions
for the Appraisal Industry

Bradford Technologies Inc.

7174 Santa Teresa Blvd. #A2, San Jose, CA 95139
Tel: 800.622.8727, Fax: 408.360.8529

Robert Robson, AACI, P. App



Working smart makes for value-added service

“It is important for appraisers to understand what they ‘might’ be able to bring to the table. That way, they can better understand the scope of work they might have to perform and, potentially, what their services might be worth.”

At Robson McLean and Associates Inc., the emphasis is not just on working hard, but on working smart. “We seldom open more than 25 files a year,” says **Robert Robson**, president and one of four AACI, Professional Appraisers in a downtown Toronto office that also includes researchers and support staff. “It means that these files are of such significance that we do not have to pick up that next mortgage appraisal to be done Thursday.”

The firm strives to add value to each file, not only to make or save significant money for the client, but also to perform its specialty services to their fullest extent and more than justify the fees it charges to do so. Robson, McLean and Associates specializes in litigation-oriented land issues including expropriations, arbitration-mediation, ground lease disputes and overall asset valuations. Rather than generating a large volume of appraisals, the firm takes a ‘value-added’ approach, employing practices that maximize the scope and value of the services provided on each file.

Typically, when starting a project, the firm’s first priority is to develop an in-depth understanding of the client’s situation and the issues involved. “Much of the time, the initial interview with the owner is critical to understanding the issues,” says Robson.

A number of years ago, the firm worked on a project in which a local municipality was building a light rapid transit line through an industrial community. This project resulted in the temporary dislocation of a

trucking company that had to move the storage yard for its trucks and trailers to a remote location. When Robson went to see the owner, he tried to imagine what problems this situation might cause. His first question was about security.

Surprised at the question, the owner indicated that, the week before, someone had stolen a tractor trailer load of colour televisions from the off-site location. Although the owner’s lawyer was not even aware of this situation, it was obvious to Robson that the dislocation was causing a number of serious problems and related compensable financial losses.

“You have to stop and think about the things that may be important,” says Robson. “There are potentially a number of areas where the appraiser can add value once you understand the valuation problem and the underlying rules within the *Expropriations Act*.”

For instance, a few years ago, Robson testified at hearings on the issue of exposure value related to controlled access highways for industrial properties. On behalf of his client, he argued that, if a company can put its corporate headquarters next to a major highway where its sign will be seen by tens of thousands of people a day, a premium land value is justifiable. “We generated a paired sales analysis indicating that, if you can be seen from the highway and you are in a good community, your highway exposed land is 15% to 20% more valuable than interior sites.”

The firm’s analysis also involved further digging, investigation and

interviews as well as the assistance of other professionals. "We retained an architect who generated CAD drawings that we used to illustrate how this particular overpass was going to eliminate the view of this particular property," Robson explains. With the loss of exposure, the land would be worth less. The Ontario Municipal Board confirmed there was indeed a premium generated by this issue.

Robson points out that he had already worked on controlled highway questions in another area for the Ministry of Transportation. "We were able to apply the same basic research, but it got used in different ways," he notes, adding that the firm obtained several new files because of its prior work with this issue.

In the process of providing a solution for his clients, Robson often turns to other professionals for expertise. Conversely, the knowledge and information the firm gains in its own research may also be useful to these experts in their other projects.

"It is important to let people who might need this information understand what you are doing on a day-to-day basis," notes Robson, adding that almost a dozen lawyers in the Toronto area work on the same kind of expropriation files as he does. "It is not unusual for me to talk to them on a monthly basis."

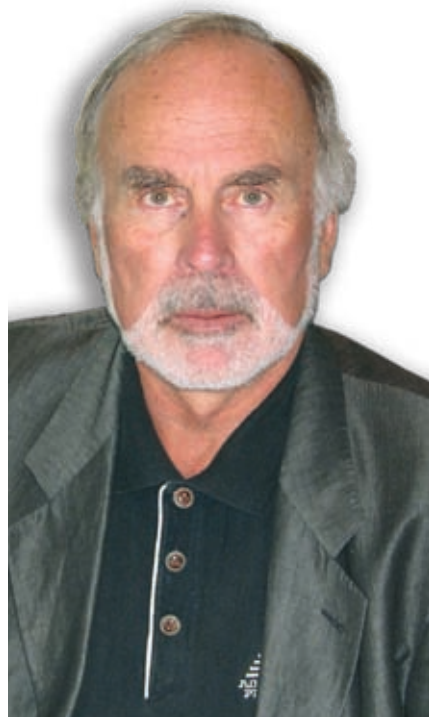
Robson, McLean and Associates shares a mutually beneficial relationship with other professionals. In fact, all of the firm's work is generated by referrals. For the last 25 years, Robson has been active in the Ontario Expropriation Association, a social group of lawyers, planners, accountants and appraisers who work in the expropriation field. "It provides a great networking opportunity," says Robson. "You can get a sense of where new projects might be percolating and how you might participate in them."

Frequently, Robson and his professional peers work closely on land use issues influenced by Ontario legislation that makes provisions

for expropriation settlements to "ignore the scheme." It is common practice for municipalities to plan highways many years in advance of actually buying land. This process may impact the land use planning and potential development of the property by the time that the land is acquired. In one particular instance, the Public Authority initially offered an owner \$1.2 million. With the appraisal firm and a number of other experts onside, the owner secured a final settlement approaching \$20 million.

"Here is an opportunity for an appraiser, in conjunction with other experts, to really add value to a compensation claim," explains Robson, noting that appraisers must be careful not to undersell their services. "It is important for appraisers to understand what they 'might' be able to bring to the table. That way, they can better understand the scope of work they might have to perform and, potentially, what their services might be worth."

Grant Edwardh, AACI, P. App



Interaction with other professionals builds a stronger team

At Mackenzie, Ray, Heron & Edwardh, **Grant Edwardh, AACI, P. App**, further underlines the critical importance of working with other experts. "In real estate, an appraiser is not all things to all people," explains Edwardh, a member of the firm since 1963 and its president since 1984. "Although an appraiser's expertise is valuation – and there are many parts to the valuation equation – there are other

professionals with whom we interact on an ongoing basis."

The Toronto-based firm consists of eight fully accredited appraisers supported by management, research and support staff. This professional team offers real estate appraisal and consulting services in the major Canadian markets in areas which include financing and refinancing, investor decision making, tax disputes, portfolio valuation and purchase price allocations, as

“Although an appraiser’s expertise is valuation – and there are many parts to the valuation equation – there are other professionals with whom we interact on an ongoing basis.”

well as due diligence advice.

Edwardh notes that, over the past 20 years, we have witnessed the evolution of other experts who have more knowledge than appraisers in certain aspects of the appraisal process. For instance, part of an appraiser’s work today involves providing lenders and pension funds with replacement cost estimates for insurance purposes. “Unless they are experts in that field, appraisers would be crazy to attempt this,” says Edwardh. “If someone were to ask if an appraiser can provide a replacement cost of First Canadian Place in Toronto, of course we can, but only by consulting with cost consultants and quantity surveyors. We find that this is something our clients are willing to pay for.”

For projects that involve valuing large parcels of land, appraisers often turn to land use planners. “Land use planners help us determine the highest and best use,” explains Edwardh. “Appraisers usually do not have this type of expertise.” Many times, there are not enough comparables of land sales and a sub-division approach is necessary. While it is easy for appraisers to obtain information about education or municipal levies, they cannot as easily ascertain the cost of servicing, including hydro lines, roads and sidewalks.

Other experts that MacKenzie, Ray, Heron & Edwardh frequently use are retail consultants. When valuing shopping centres, the firm works with these consultants to analyze such aspects as sales per square foot or tenant mix and to compare them to other centres. “We want to know about competition in the area in a more detailed way than just by driving by and looking at it,” notes Edwardh.

The firm also does a significant amount of litigation work. Rather than taking the liberty of interpreting clauses in leases, the appraisers always seek legal advice on contracts between a buyer and seller or a lessee and lessor. “During expropriation work, there is always interpretation of legal documents that the appraisers

should not be doing and the lawyer should be doing,” cautions Edwardh. “We work with a series of lawyers in our market in Toronto.”

Sometimes the experts the firm hires are not directly related to the real estate industry. In the past, the appraisers have hired professionals such as arborists to assess the cost of moving trees, bushes and rock gardens, and contractors to assess structural changes such as removal of pavement. These specialists enable the appraisers to gather valuable information in areas where they usually have no expertise.

By building a broad range of relationships, appraisers can acquire all the information necessary to provide clients with the best possible service. While many kinds of information may play a role in valuation, market data is always key. For this reason, appraisers must be tied into the brokerage community, including the big brokerage houses that sell the major real estate in Canada and oversee the tenders and offers when large properties are sold. “An appraiser must know how the market is doing and where the money is coming from,” notes Edwardh. “Is it coming from offshore or is it local pension money? This is all important information.”

At the same time, appraisers must remain aware of investors. It is important to keep up with the performance of pension funds and real estate investment trusts (REITs) as well as with their rate-of-return requirements. With the abundance of foreign money coming into Canada, it is also important to know what investors such as the German and Israeli banks are paying for properties.

“Economic forecasts given by economists of chartered banks and major stock brokerage houses are also critically important,” adds Edwardh. “They give information about what drives the economy. They help us understand our nation’s production and help us understand where interest rates are going. These two

events are important engines that drive real estate value.”

Besides collecting information for their own purposes, MacKenzie, Ray, Heron & Edwardh also provides data to the real estate community. In the *Marsh Report*, the firm documents and analyzes all sales greater than one million dollars in the Greater Toronto Area (GTA). Information is obtained by computer from the Registry Office. The sale is then analyzed and published both on the Internet and in a quarterly book.

The *Marsh Report* keeps subscribers apprised, on a daily basis, of what is happening between vendor and purchaser. A successful part of MacKenzie, Ray, Heron & Edwardh, the *Marsh Report* allows the firm to contact more clients and professionals. “It saves them all sorts of time,” notes Edwardh.

Whether it involves sharing information with other appraisers or other professionals, networking in all forms is an essential best practice for any firm. Besides hiring other professionals, MacKenzie, Ray, Heron & Edwardh also shares an ongoing informal relationship with a wide spectrum of experts involved in real estate. The relationship is a mutual one. These people also call appraisers to ask them for their professional input.

“Relationships have to be nurtured on both a formal and informal basis,” Edwardh concludes, adding that he often phones consultants to obtain their preliminary opinion and then hires them if the project proceeds to the report stage. “By doing that, we can all expand, not only our base of knowledge, but also our range of contacts. We refer them to our clients and they refer us to their clients. Where 20 to 30 years ago, it was thought that the appraiser was an expert in all these different areas, it is no longer true.” But, by working together with a team of experts, the appraiser can provide even better services to his clients than ever before. 🍷



Bob Dowdell
CEO, Marshall & Swift

“Who’s your data?”

“*The Residential Cost Handbook is the most useful tool I have ever used - I couldn't do my reports without it.*”

Kirk Riffe
Ikes Fork, West Virginia

“*I appreciate the support the Marshall Valuation Service has provided me through 40 or more years of my appraisal career. Feel good about our 40 years, they have been mutually effective.*”

Gene B. Gracer, MAI
Key West, Florida

As an active professional in today's real estate market, you need instant access to reliable information. Your career depends on it.

Essential to the cost approach valuation method, cost data is used to determine replacement costs and depreciated values of buildings and other improvements. The cost approach is vital to various appraisal assignments, and maintains a crucial role in verifying market-based valuations.

Accurate cost approach valuations start with the acclaimed cost manuals and estimating software of Marshall & Swift, the leading provider of building cost data.

Our best-selling annual subscriptions, the Marshall Valuation Service and Residential Cost Handbook are the single most comprehensive resources available to your industry. Most claim that they couldn't do their reports without us.

Find the latest figures on local market fluctuations in more than 2,000 locations throughout the United States and Canada, and employ the time-honored methodology that built our reputation as the authority on the cost approach. Over 10,000 component costs are monitored regularly by our expert research staff. And historical data charts date back to 1901.

So, what are you waiting for? Put Marshall & Swift to work for you. Act now and save 10% on the Residential Cost Handbook and the Marshall Valuation Service.

Call our sales and service department at 800/544-2678 from 6:30 am to 4:30 pm PST M-F, or order online at MarshallSwift.com. Use promotion code MAGCAD0805 when ordering.

We look forward to being your data.



save 10%

...on the Residential Cost Handbook and Marshall Valuation Service. Call us at 800/544-2678 or order online at MarshallSwift.com. Use promotion code MAGCAD0805.

Offer expires December 31, 2005.

MARSHALL & SWIFT
THE BUILDING COST PEOPLE

Recognizing Excellence

The AIC Annual General Meeting, held in Edmonton on June 3, 2005, provided the occasion for the Appraisal Institute of Canada (AIC) to recognize a number of individuals and organizations for contributions to the Institute, in particular, and to the valuation profession, in general.

President Brian Duncan, AACI, P.App, announced the following honours and certificates of recognition.

Presidential Citation

The Presidential Citation was awarded to AIC member, **Laurent Brosseau, AACI, P.App.** The Presidential Citation is awarded by the Institute to recognize in a meaningful way an individual or organization who has made a significant contribution to the growth and enhancement of the appraisal profession.

Laurent Brosseau was recognized for his contribution of time and expertise over many years, as a Board member, an examiner, an instructor and advisor on translation. It was noted that his commitment to assisting the Institute in its goal of becoming a more fully bilingual organization was demonstrated by the many hours he has devoted to translating important Institute documents and educational material on a volunteer basis over the last several years.

Certificates of Recognition

President Duncan also announced the presentation of two Certificates of Recognition, noting that the Institute's strength and capacity to realize its goals and objectives is highly dependent on the commitment of dedicated volunteers. He thanked all AIC volunteers, and recognized two in particular for their outstanding service to the membership of the Institute. A certificate was presented to **Louis Poirier, CRA, (AACI, P.App** as of June 28, 2005), in recognition of his significant commitment to promotion and advocacy on behalf of the Institute in the province of New Brunswick. A second certificate was presented to **Chris Dumfries,**

AACI, P.App in recognition of dedicated service and commitment in fulfillment of his duties as Chair of the National Investigating Committee 2004-2005.

Fellows

The title of Fellow is granted to designated members who have distinguished themselves by their exemplary contributions to the profession. This is demonstrated by a high level of excellence and achievement that has contributed to the advancement of the profession. Fellows named in 2005 are: **Les Smith, AACI, P.App, MAI** of New Brunswick and **Philson**

J. Kempton, Sr., AACI, P.App, of Nova Scotia, as well as Past-President **Brian Duncan, AACI, P.App.**

Retiring Board Members

Brian Duncan acknowledged and thanked the following retiring Board members for their efforts: **Keith Goodwin, AACI, P.App, (Fellow)** and **Brad Wagar AACI, P.App, (Fellow)**. Keith Goodwin had requested that, in lieu of a certificate, a donation be made to the Heart and Stroke Foundation. The Institute was pleased to honour this request. A framed certificate was presented to Brad Wagar.

Hildebrand retires from position as Counsellor of Professional Practice



The Appraisal Institute of Canada (AIC) acknowledges with gratitude the important contribution of David Hildebrand, AACI, P.App (Fellow), who retired from his position as the AIC's first Counsellor of Professional Practice, effective June 30, 2005. Since his appointment to the position in May 2003, Mr. Hildebrand has been instrumental in implementing a new model of regulation that better serves

the interests of both the public and the members of the Institute. In his role as Counsellor, Mr. Hildebrand has drawn on his experience as a past-president of the AIC, a certified Standards instructor, and a long-serving member of the Professional Practice Committee, to the benefit of the many members who have consulted him on complex questions related to the application of the *Canadian Uniform Standards of Professional Appraisal Practice*. He has played an equally important role in consumer education on appraisal practice by providing distinguished service to the public, hearing their concerns, providing advice, and drawing on his well-honed mediation skills to find prompt resolution for inquiries and complaints where referral to the Professional Practice Committee was not required.

Staffing of the position of Counsellor of Professional Practice is in progress. Until a new Counsellor is appointed, please forward your inquiries in writing to the AIC office, Attention: Membership and Professional Practice Co-ordinator, 203-150 Isabella Street, Ottawa, ON K1S 1V7, or by email to: counsellor@aicanada.ca

AIC designations earned

Désignations obtenues de l'ICE

The Appraisal Institute of Canada (AIC), together with the provincial associations and the provincial bodies affiliated with the AIC, commend the following members who completed the rigorous requirements for accreditation as a designated member of the AIC during the period April 21, 2005 to July 22, 2005:

L'Institut canadien des évaluateurs (ICE), en collaboration avec les associations provinciales et les organismes provinciaux affiliés à l'ICE, félicitent les membres suivants qui ont complété le programme rigoureux d'accréditation à titre de membre désigné de l'ICE durant la période du 21 avril au 22 juillet 2005 :

AACI, P. App

Accredited Appraiser Canadian Institute

These members are congratulated on the successful completion of all AACI, P. App designation requirements. We welcome these individuals as fully accredited members of the Institute through the granting of their AACI, P. App designation.

Nous félicitons ces membres pour avoir complété avec succès le programme menant à la désignation AACI P. App. Nous les accueillons comme membres pleinement accrédités de l'Institut et leur accordons avec fierté la désignation AACI, P. App.

ALBERTA

Terry McLean
Louis Poirier

BRITISH COLUMBIA

Jacqueline Pascoe
Ronald Seiler
Ronald Henderson
Simon Poon
Rose Shuyang Wang
Trevor Elliott

MANITOBA

Debbra Holt
Daniel Diachun

NEWFOUNDLAND

Sandra Parsons

ONTARIO

Hugh Crymble
Carl Blackwood
Michael Fairfield

Shawn Oakley
Robert Piper

PRINCE EDWARD ISLAND

Scott McEwen

CRA

Canadian Residential Appraiser

These members are congratulated on the successful completion of the CRA designation requirements.

Nous félicitons ces membres pour avoir complété avec succès le programme menant à la désignation CRA.

ALBERTA

Neal DeRuiter
Michael Heron

BRITISH COLUMBIA

Rod Schenoni
Catherine Bradley
Jeannie Wertz

MANITOBA

Marlene Haderer

NEW BRUNSWICK

Robert Lloyd
Donna Murchison

NOVA SCOTIA

Gordon Power
Joanne Dunsworth-Carlos
Darlene Wooden
Andrew Clarke

ONTARIO

Lea Robertson
Tamas Torok
Diana Sonogo

QUEBEC

Michel Beaudoin

SASKATCHEWAN

Carol Gyoerick

Our oversight - these members achieved their designations and were omitted from previous issues of the *Canadian Appraiser* in error:
Erratum – Ces membres ont obtenu leurs désignations et nous avons omis de l'indiquer dans les numéros précédents de l'Évaluateur canadien.

QC - Benoit Brunet, CRA - December 7, 2004

SK - Mark J. Dean, CRA - March 30, 2004

SK - Susan Quiring, CRA - October 28, 2004

NL - Michael C. Kirkland, AACI - December 14, 2004

QC - Pierre Cyr, AACI - September 25, 2004

Candidates / Stagiaires

AIC welcomes the following new candidate members during the period April 21 – July 22, 2005:

L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 21 avril au 22 juillet 2005 :

ALBERTA

Brian Taylor
Joel Schmaus
Lori Lunde
Serena Schmidt
Keith Podmoroff
Rahim Mohamed
Gary Johansson
Hardeep Singh Sandhu
Christian Manolache
Terrance Kong
Simon Chin
Nathan Lehman
Joseph Froese
Peter Bubula

BRITISH COLUMBIA

Christopher Goodnough
Courtland Crook
Kevin Janzen
Christopher Whyte
Jason Wheeldon
Bronwen Vaughan
Kerren Shalanski
Shane Field
Patricia Lundy
Lee Bliss
Robert Bugera
Paul Dixon
Leah Byklum
Erin Morton

Tara Jones
Shaun Aussenhus
Alexander Toporowski
Kevin Stark
Carol Salton
Marcel LaBelle
Ali Khandan-Barnai
John Dyck
Ian Ricci
Angela Chekaluk
Ruth Robison
Michael Spatharakis

MANITOBA

Karen Daman

NEW BRUNSWICK

Tyler Melling
Michelle Jardine
Gerald Henry
Malcolm Appleby
Susan Cumming
Charles LeBlanc

NOVA SCOTIA

Derek Bellefontaine

NORTHWEST TERRITORIES

Denis Alain

ONTARIO

Wendy Frost
Anthony Arnold
Wendy Tuckwood
John Pagetto
Kathleen Taylor
Robert Maguire
Jay Patterson
Penny Ouimette
Alison Ouimette
San Yun Han
Nilay Saha
Aslam Raza

Learning Advisory Committee ushers in revitalized Candidate education program

The easy work is done; now comes the hard part. Learning and continuing learning is a nuisance, but, whatever skills and work habits we have, most of these need updating, expansion and change. It used to take 100 years to double the volume of human knowledge – this now takes mere months.

Recent recommendations made by the Appraisal Institute of Canada (AIC) Learning Advisory Committee (LAC) will usher Candidates through the education program and set achievable time limits to be granted an AIC designation. These and related recommendations were the easy stuff.

Much more challenging is the recommendation that LAC set up an ad-hoc committee to source and evaluate materials in the area of Scope of Work. One conference speaker provoked his audience in

Edmonton this June when he said his business focus was “anything but appraisal.” He did provoke, and not everyone may have appreciated the sentiment, but this does highlight all the opportunities that exist in the broadening Scope of Work – the Institute’s Strategic Plan precisely supports this expanded practice area, although not as vocally as our speaker did.

Members need focused material that will allow them to understand how to use the education, experience and knowledge they already have and to expand their professional opportunities. Check the practice areas listed in the Applied Experience documentation and you will find that the AIC supports its members in a lot of disciplines – including appraisal. What we have to do is explain how this type of work can be done and how to establish relationships with clients so that you and they understand what scope

of work goes with the task at hand. due diligence in the analysis of large office complexes, and relationship building and negotiations in Native land claims. Topics are not going to be limited in number, so, if your work takes you into unconventional practice areas, expect LAC to ask you for help.

We also need to collaborate with the Standards, Professional Practice and Insurance Committees to explain how members can operate in broad practice areas, while not getting into trouble. Too many members I have spoken with fear there will be repercussions to expanding their practice, and, as a result, will not step out of the box and attempt different work. LAC has the responsibility of changing this, and, over the next few months, learning products are going to start rolling out for delivery to members showing how to develop a Scope of Work with your client – and how to avoid trouble in the process. 🍀



of work goes with the task at hand.

LAC has invited a number of members and companies across the country to develop material for these learning tools. Examples are litigation support in residential appraisal, appropriate

Learning Advisory Committee

John Clark, AACI, P. App – Chair
(613) 230-2100 ex 6200
jclark@regionalgroup.com

Janice O'Brien
(604) 266-8287
janice@appraisal.bc.ca

George Canning, AACI, P. App
(519) 471-8746
canning@golden.net

Beverley Girvan, AACI, P. App
(902) 543-3000
bdgirvan@eastlink.ca

Brand strategy based on sound research methodology

It has now been a year since the Communications Committee began work on the branding project. Most of the past year has been spent on research, and, as professional valuers, we all understand how important research is.

The foundation of any successful branding strategy is in the soundness and reliability of the underlying research. Our branding consultants, Hewson Bridge and Smith (HBS), were selected because of their reputation and experience in developing branding strategies for non-profit organizations.

HBS conducted extensive research into the real estate appraisal and consulting industry to determine its dynamics and trends. They also conducted 20 in-depth interviews with AIC's primary stakeholders in order to document and measure actual perceptions, positive and negative, of the AIC and its members.

Based on our primary target audiences, the Communications Committee assisted HBS in identifying the stakeholders for these interviews. In doing so, we ensured that there was full representation from the boardroom to the front lines, urban and rural, French and English, and coast to coast. It is interesting to note that these interviews produced over 23 hours of recorded transcripts.

Once the research phase was complete, HBS identified four naming options:

1. Status quo (keep name and designations).
2. New name, same designations.
3. Change name to 'AACI' and keep designations.
4. New name and new designations.

The recommendation from HBS was Option 4, to develop a new name and a new designation for the AIC. The Board of Directors received this recommendation at its June 2005 meeting, and instructed the Communications Committee to begin work in that direction.

So, why change? What is so wrong with the current name and designation? Imagine for a moment if all accountants belonged to an association named *The Bookkeeping Institute of Canada*. Imagine how limiting that name would be for professional accountants, who today are much more than bookkeepers. This is exactly the challenging situation that the AIC and its members are in with our current name and designations because, frankly, we are now much more than just appraisers. Sure, appraisals will always be our core business, but our scope of work will continue to grow as we implement New Horizons, and we must brand ourselves accordingly.

What are the next steps? Well, more research. The creative minds at HBS have created well over 100 possible new organizational names and about a dozen or so designa-

tion options. The Communications Committee has spent a great deal of time working this list down to a handful of potential new names, names which describe who we are, what we do, and that will stand the test of time.

These potential new names will be tested with over 400 individuals within our stakeholder groups. So, please stay tuned, there is much more to come. And please visit the 'branding' page of the AIC web site for full details and current updates at http://www.aicanada.ca/private/private_branding.cfm 🍷

Communications Committee

Mike Garcelon, AACI, P. App
– Chair
(306) 236-4661
mgarcelon@sasktel.net

Craig Soderquist, AACI, P. App
(403) 346-5533
craig@soderquist.ab.ca

Louis Poirier, AACI, P. App
(403) 517-3036
louis.poirier@outlookrealty.ca

Ron Duda, AACI, P. App
(519) 896-3684
ron.duda@ccra-adrc.gc.ca

Sheila Young, AACI, P. App
(403) 297-5723
sheila.young@gov.ab.ca

“Appraisals will always be our core business, but our scope of work will continue to grow as we implement New Horizons, and we must brand ourselves accordingly.”

Think twice about the cost approach – a claims summary

Being a member of the Professional Liability Insurance Committee and a presenter of the insurance component of the Standards Seminar for the past several years, I have asked hundreds of AIC members if they believe the cost approach is a relevant approach in most appraisal assignments. With the exception of the minority who respond that the cost approach is only appropriate for new construction or special use properties, the majority echo the old sentiment that the cost approach is a “good check on value” and confirm its routine use in day to day appraisal assignments.

Before I delve into a recent claims summary where not one, but three AIC members were drawn into a significant claim emanating from the use of the cost approach, we should first revisit *Bulletin CP-6 All Three Appraisal Methods To Be Used*, authored in 1995 by David Wilson, AACI.

So as not to plagiarize Mr. Wilson's good work of 10 years ago, I will restate significant points made in that article.

“All too often, the appraiser will find instructions for an appraisal report will include the terms ‘all three appraisal methods to be used.’ Unfortunately, the appraiser rarely recognizes the problems or risks involved in accepting this term. The selection of appraisal methods in any assignment is not intrinsically a difficult one. A problem results, however, in the slavish adoption of methods, which are not justified. An appraisal report is only as strong as its weakest part and all methods of appraisal used must be appropriate, accurate

and correctly applied. Unfortunately, this is not often the case and the method most likely to be used inappropriately is the cost approach.”

Mr. Wilson goes on to say, *“for market value purposes, there is absolutely no justification for using the cost approach as one of the three methods of appraisal, other than new construction. Yet, many reports include the cost approach with buildings that are 10, 15 or even more years of age.”*

Now, let us set out the pertinent information relating to a recent claims summary.

Appraiser A was engaged to provide an estimate of market value on an 80-year-old, two-storey structure situated on a small downtown commercial site. All three approaches were employed. The appraiser referenced a reproduction cost new (RCN) in the cost approach and deducted 75% depreciation from the RCN.

Not satisfied with the opinion of market value from appraiser A, the property owner engaged appraiser B (along with co-signer appraiser C) to provide an estimate of market value. Appraisers B and C also employed all three approaches to value, referenced the RCN and deducted 50% depreciation from the RCN.

The appraisers for both assignments claim the intended use of the appraisal report was for mortgage financing. The property owner did obtain mortgage financing with a lending institution, relying on one of the appraisal reports.

One year after the reports were completed, the structure was completely destroyed by a fire. It was learned, through the investigation, that the owner had used

both appraisal reports as a basis for placing insurance coverage on the structure. It was also revealed that the insurance company had in its file one page from appraiser A's cost approach section and it was apparently relied upon in determining the amount of coverage on a ‘replacement cost basis.’ Furthermore, the owner asserts that both appraisers were told that the appraisal reports would also be used to determine the replacement cost for insurance purposes, an assertion that both appraisers denied.

At issue in this claim was the fact that, when the owner constructed a new building on the site, the *reproduction cost new (replacement)* of the structure was nearly double the *insured replacement cost*.

The owner claimed against both appraiser A and appraisers B/C. The total amount claimed by the plaintiff was \$532,000 plus interest, costs and loss of profits. The total claim was based in part on the following statements:

- Appraisers did not adequately understand the difference between *replacement cost* and *reproduction cost*.
- Owner could not rebuild on the same site without acquiring the adjacent lots, obtaining additional financing and use of personal savings.
- Owner endured emotional suffering.

In defence of the claim, it was argued that the reports could not have been relied upon for insurance purposes when reading them as a whole, it was not reasonable for the appraisers to expect that an insurer might rely on the reports, and that

the cost to replace cannot be calculated by a single cost per square foot analysis.

No matter whose arguments carry the most weight, the fact remains that, if the purpose of the appraisal assignment is to estimate market value where the intended use is for mortgage lending purposes, the appraiser must question in all assignments if the cost approach is relevant. A second question to be asked by the appraiser is *would a typical buyer and seller apply a cost approach in determining a list or offer price?* Our experts suggest that such an approach is not likely to be applied by buyers and sellers of properties of this age. If our appraisers had thought twice and excluded the cost approach, then this insurance claim might not exist.

What was the outcome of this claim? The original claim was \$532,000 plus interest, costs and loss of profits. Initial attempts to settle and subsequent mediation

were unsuccessful. Given projected expenses and risks associated in continuing with defence of the claim, settlement of \$170,000 was finally reached. Total cost to the Professional Liability Insurance Program included \$170,000 indemnity, plus \$100,000 in legal and adjusting fees.

What did the claim cost the appraisers? In addition to the countless hours of lost productivity to assist with the defense of their respective claims, appraiser A was responsible for a \$2,500 deductible and appraisers B/C were responsible for a \$2,500 deductible when the settlement was made.

As the title of this article implies, 'think twice about the cost approach' – there are hard costs to both the appraiser and the Institute, but there are also soft costs incurred in such claims. Members cannot afford to be exposed to these types of claims, as ultimately they impact on everyone's insurance levies. 🐼

Professional Liability Insurance Program

John Sheldrake, AACI, P. App
– Chair
(250) 388-9151
jsheldrake@shaw.ca

Bill Balsom, AACI, P. App
(709) 738-1000
bbalsom@kba.ca

Brian Varner, AACI, P. App
(905) 305-5988
bvarner@markham.ca

Bob Thompson, AACI, P. App
(403) 216-2108
bob.afc@shawcable.com

Mike Martyn, AACI, P. App
(250) 388-6242
mmartyn@drcoell.com

George Maurice, AACI, P. App
(416) 866-7151
gmaurice@rogers.com



It's the Biggest Investment of your Client's Life

Refer them to
an Accredited Mortgage Professional

Experienced, Knowledgeable, Committed

CIMBL is a national association representing 7,500 mortgage professionals.
It has created the Accredited Mortgage Professional (AMP) designation.

Mortgage professionals who have earned the AMP have met standards designed to raise the bar and increase the level of professionalism in Canada's mortgage industry.

Refer with confidence – work with an AMP. To learn more visit www.cimbl.ca and click on AMP.

CIMBL ICCPH

Canadian Institute of Mortgage Brokers and Lenders

www.cimbl.ca

Primum Non Nocere: “ABOVE ALL, NOT KNOWINGLY TO DO HARM”

It was over 2,500 years ago that Hippocrates gave us the oath that we generally attribute to the medical profession today. But, no doctor can save every patient. In fact, no professional, including an appraiser, can promise that he or she will indeed do no harm to his or her client. Nonetheless, a client trusts an appraiser to do his or her best and not *knowingly* do any harm.

A code of ethics can be thought of as a professional's contract with the public it serves. Numerous professions, including ours, have written sets of rules or axiomatic norms of conduct that the public expects and demands of men and women occupying positions of trust.

Ethics defined

Of the various definitions of ethics that exist, the *Webster's Dictionary* seems to have captured the common elements.

Eth-ics (eth'iks), n. 1. The science that treats the principles of human morality and duty; moral philosophy, 2. The moral system of an individual, group, etc.

Another definition, perhaps more applicable to a professional is “the formal statement of the roles a professional ought to assume in specific situations. To that extent, a code is a formalized statement of role morality, a unitary professional ‘conscience’.”¹

A code of ethics generally serves to promote and prevent. It promotes high standards of conduct, quality service, fairness, responsibility, and

trust. A code will improve teamwork and morale, allowing members to know that the playing field is level.

The Code of Ethics of the Appraisal Institute of Canada

Members of the Appraisal Institute of Canada shall commit themselves to principles that reflect high standards of professionalism.

Members shall engage in conduct that will enhance their professional status, the reputation of the Institute, the profession and the confidence and interest of the public.

This public interest will be served by members acting responsibly, impartially, objectively, and with independent judgement. Members shall provide quality services within their areas of competence, and in compliance with the Standards of the Institute.

Honesty, integrity, fairness and respect are cornerstones of confidence and trust. The Institute recognizes that compliance with our Ethical Standards is our contract with the public we serve.

Ethics Standards Rules

The Appraisal Institute of Canada (AIC) has *Ethics Standards Rules* that are created as guides for an active conscience. They are intended to define acceptable behaviour as well as promote high standards of practice. Both the professionals who pledge to uphold the rules and the public who rely on the experience, knowledge and integrity of the professional require them. Indeed, the preamble to our *Ethics Standards Rules* states that the “members of the Institute pledge to conduct themselves in a manner that is not detrimental to the public, the Institute, or the real property appraisal profession.”

The *Ethics Standards Rules* of the AIC prevent ‘taking shortcuts,’ deception, cheating, manipulation, bias, self-gain and conflicts of interest. An appraiser can refer to these specific rules when faced with a possible moral or ethical dilemma. These rules are regulatory in the sense that they set the minimum standard and articulate what is ‘prohibited.’ There are 11 rules with 7 pages of Comments and 8 pages of Practice Notes. In summary, the *Ethics Standards Rules* deal with conduct, advertising, co-operation, compliance, disclosure, confidentiality and contingency.

The AIC embraces the concept of a ‘Reasonable Appraiser’ defined as “one who maintains a level of performance that would be acceptable to the professional practice peer group.” The *Ethics*

“The *Ethics Standards Rules* of the AIC prevent ‘taking shortcuts,’ deception, cheating, manipulation, bias, self-gain and conflicts of interest.”

Rules go on to say that “If reasonable appraisers conclude that there is no rational foundation for an analysis or opinion, then such analysis or opinion would not be justified.”

In the day to day activities of appraisers, there will inevitably arise situations in which it is difficult to decide precisely how the *Ethics Standards Rules* apply. It is impossible to cover every eventuality in such a document. Where there is uncertainty as to the proper course of action, a true professional will consider basic professional values such as fairness, truth, respect for human dignity, trustworthiness and integrity, taking serious account of these alongside other factors in technical and business decisions.

Real estate appraising is a learned profession that demands from its members standards of honesty and integrity that are generally higher than those imposed on society as a whole. A dishonest appraiser is a menace to both the profession and society. Insistence on the highest ethical standards begins with the written *Code of Ethics* and continues with the specific rules that each and every member of our organization pledges to uphold.

A professional society is a volun-

tary, co-operative organization, and those who must conform to its rules are also those who benefit from the conformity of others. Each has a stake in maintaining general compliance.² The professional man is an expert, selling services of guidance to persons who, in the nature of the case, are not experts.... Moreover, their need is peculiarly vital to their well being.³

In honoring the *Ethical Rules* of disclosure, I must state that I do not profess to be a qualified ethicist. We all view honesty and integrity very seriously and we would be dismayed if accused of unethical behaviour if, in fact we simply made a mistake.

Accordingly, the Standards Committee encourages all AIC members to be cognizant of the Institute’s services in support of professional excellence on their part. The new approach to professional practice is preventive, rather than punitive. By empowering a Counsellor of Professional Practice to recommend solutions such as education updates to address knowledge gaps, as well as to provide counseling and advisory services on application of the Standards, the Institute will free its disciplinary committees to deliver expedient and effective resolution to breaches of *The Standards* and

Code of Ethics, to the betterment of the profession and the clients we serve. 🍷

Endnotes:

1. Tighter Rules of Professional Conduct: Saltwater for Thirst. R.E. Loder (1987-88)
2. Stuart Altman, Chair, Ethics Committee, Animal Behavior Society.
3. J.M. Clark, Social Control of Business, University of Chicago Press (1926)

Standards Committee

Allan Beatty, AACI, P. App – Chair
(306) 652-0311
allan.beatty@suncorp.ca

Wayne Kipp, AACI, P. App
(403) 259-2249
wkipp@shaw.ca

Ray Bower, AACI, P. App
(519) 944-5005
rbower@bowerappraisal.com

Anne Clayton, AACI, P. App
(250) 782-8515
anne.clayton@bcassessment.ca

Brad Wagar, AACI, P. App
(403) 215-1050
brad.wagar@outlookrealty.ca

Laurent Brosseau, AACI, P. App
(514) 283-3746
laurent.brosseau@videotron.ca

“Real estate appraising is a learned profession that demands from its members standards of honesty and integrity that are generally higher than those imposed on society as a whole.”

Primum Non Nocere: « AVANT TOUT, NE PAS SCIEMMENT CAUSER DE PRÉJUDICES »

Il y a plus de 2 500 ans, Hippocrate nous donnait le serment que nous associons aujourd'hui à la profession médicale. Toutefois, aucun médecin ne peut sauver tous ses patients. En fait, aucun professionnel, y compris un évaluateur, ne peut promettre qu'il ne causera pas de préjudice à l'endroit de son client. Néanmoins, le client a confiance que l'évaluateur fera son travail au meilleur de ses connaissances sans, *sciemment*, causer de préjudices.

On peut considérer un Code d'éthique comme un contrat entre un professionnel et le public qu'il dessert. De nombreuses professions, y compris la nôtre, ont un ensemble écrit de règles ou de normes axiomatiques de conduite auxquelles s'attend le public et qui sont exigées des femmes et des hommes qui occupent des postes de confiance.

Définition de l'éthique

Des nombreuses définitions qui existent pour le mot « éthique », le Dictionnaire Webster semble avoir cerné les éléments les plus communs.

Éthique, n.f. 1. Science des mœurs et de la morale. 2. Le système moral d'une personne, d'un groupe, etc.

Une autre définition, qui se prête possiblement davantage à un professionnel est « la déclaration des rôles qu'un professionnel devrait assumer dans des circonstances spécifiques. À ce titre, un code est une déclaration officielle du rôle de la moralité et de la conscience professionnelle ».¹

Un Code d'éthique sert habituellement à promouvoir et à prévenir. Il fait la promotion de normes élevées de conduite, d'un service de qualité, de l'équité, de la responsabilité et de la confiance. Un code servira à améliorer le travail d'équipe et le moral, permettant aux membres de savoir qu'ils évoluent dans un milieu équitable.

Le Code d'éthique ou de déontologie de l'Institut canadien des évaluateurs ...

Les membres de l'Institut canadien des évaluateurs s'engagent à respecter des principes qui reflètent des normes élevées de professionnalisme.

Les membres adopteront un comportement qui mettra en valeur leur statut professionnel, la réputation de l'Institut et la profession, en plus d'accroître la confiance et l'intérêt du public.

Dans l'intérêt du public, les membres agiront de façon responsable, impartiale et objective tout en faisant preuve de jugement personnel. Les membres offriront des services de qualité dans leurs domaines de compétence, conformément aux normes de l'Institut.

L'honnêteté, l'intégrité, l'équité et le respect constituent les pierres angulaires de la confiance.

L'Institut reconnaît que le respect des dites normes déontologiques représente notre obligation envers le public que nous servons.

Règles d'éthique uniformes

L'Institut canadien des évaluateurs a un ensemble de Règles d'éthique uniformes qui servent de guide à toute conscience active. Elles visent à définir la nature d'un comportement acceptable et à promouvoir des normes élevées de pratique. Ces règles sont nécessaires pour le professionnel qui s'engage à les respecter ainsi que pour le public qui se fie sur l'expérience, les connaissances et l'intégrité du professionnel. En fait, le préambule à nos Règles d'éthique uniformes dit :

« les membres de l'Institut s'engagent à se comporter d'une manière qui ne portera pas préjudice au public, à l'Institut ou à la profession d'évaluateur immobilier. »

Les Règles d'éthique uniformes de l'Institut canadien des évaluateurs servent à prévenir les raccourcis, la déception, la tricherie, la manipulation, la partialité, les gains personnels et les conflits d'intérêt. Un évaluateur peut consulter ces règles spécifiques lorsqu'il se heurte à un problème moral ou d'éthique. Ces Règles sont exécutoires en ce sens qu'elles établissent les normes minimales et stipulent ce qui est « interdit ». Il existe 11 règles accompagnées de 7 pages de commentaires et 8 pages de notes sur la pratique. En bref, les Règles d'éthique uniformes traitent de la conduite, la publicité, la collaboration, la conformité, la divulgation, la confidentialité et la contingence.

L'Institut canadien des évaluateurs a adopté la notion « d'évaluateur raisonnable » que l'on définit comme « une personne qui maintient un

Les Règles d'éthique uniformes de l'Institut canadien des évaluateurs servent à prévenir les raccourcis, la déception, la tricherie, la manipulation, la partialité, les gains personnels et les conflits d'intérêt.

niveau de rendement acceptable aux yeux du groupe d'homologues de la pratique professionnelle ». Les Règles d'éthique poursuivent en disant que « Si des évaluateurs raisonnables estiment qu'une analyse ou qu'une opinion n'a aucun fondement rationnel, alors cette analyse ou cette opinion sera considérée comme injustifiée. »

Dans le cadre des activités quotidiennes des évaluateurs, il surgit parfois des situations où il est difficile de déterminer de façon précise comment s'appliquent les Règles d'éthique uniformes. Il est impossible de couvrir toutes les éventualités dans un tel document. Lorsqu'il est impossible de déterminer les mesures à prendre dans une situation donnée, le vrai professionnel tiendra compte des valeurs professionnelles comme l'équité, la vérité, le respect de la dignité humaine, la confiance et l'intégrité, tenant sérieusement compte de ces points ainsi que d'autres facteurs propres aux décisions techniques et d'affaires.

L'évaluation immobilière est une profession acquise qui exige de ses membres des normes d'honnêteté et d'intégrité généralement supérieures à celles qui sont imposées à l'ensemble de la société. L'insistance sur les normes les plus élevées commence avec la rédaction d'une Code d'éthique et se poursuit avec des Règles spécifiques que chacun des membres de notre organisme s'engage à respecter.

Une société professionnelle est un organisme bénévole et coopératif et ceux qui doivent se conformer à ses règlements sont également ceux qui profitent de la conformité des autres. Chacun a à profiter d'une conformité générale.² Le professionnel est un spécialiste qui offre des services et des conseils à d'autres qui ne sont pas spécialistes et dont les besoins sont habituellement critiques à leur bien-être.³

Relativement à la Règle d'éthique régissant la divulgation, je dois avouer que je ne prétends pas être un éthicien qualifié. Nous considérons tous l'honnêteté et l'intégrité très sérieusement et nous serions atterrés si nous étions accusés d'un comportement contraire à l'éthique, surtout si nous n'avions commis qu'une simple erreur.

Par conséquent, le Comité sur les normes encourage tous les membres de l'ICE à faire preuve de compétence dans les services de l'Institut en appui à l'excellence professionnelle dont ils font preuve. La nouvelle approche à la pratique professionnelle est préventive plutôt que punitive. En confiant au Conseiller en pratique professionnelle la responsabilité de recommander des solutions comme le perfectionnement professionnel pour combler les lacunes en matière de connaissances, et à offrir des conseils relativement à l'application des Normes, l'Institut libère ses comités disciplinaires qui

pourront donc résoudre plus rapidement et efficacement les infractions aux Normes et au Code d'éthique à l'avantage de la profession et de ses clients. ♥

Endnotes:

1. Tighter Rules of Professional Conduct: Saltwater for Thirst. R.E. Loder (1987-88)
2. Stuart Altman, Chair, Ethics Committee, Animal Behavior Society.
3. J.M. Clark, Social Control of Business, University of Chicago Press (1926)

Comité sur les normes

Allan Beatty, AACI, P. App – Chair
(306) 652-0311
allan.beatty@suncorp.ca

Wayne Kipp, AACI, P. App
(403) 259-2249
wkipp@shaw.ca

Ray Bower, AACI, P. App
(519) 944-5005
rbower@bowerappraisal.com

Anne Clayton, AACI, P. App
(250) 782-8515
anne.clayton@bcassessment.ca

Brad Wagar, AACI, P. App
(403) 215-1050
brad.wagar@outlookrealty.ca

Laurent Brosseau, AACI, P. App
(514) 283-3746
laurent.brosseau@videotron.ca

L'évaluation immobilière est une profession acquise qui exige de ses membres des normes d'honnêteté et d'intégrité généralement supérieures à celles qui sont imposées à l'ensemble de la société.

Censure – should I advise my clients?

Censure is a serious disciplinary action that includes notification of the proven infractions to the membership and/or the general public through Institute publications. However, Appraisal Institute of Canada (AIC) members should be aware of the dangers of the misuse of this information.

There are two ways that censures may be published:

Censure with publication: (Internal) Published in *The Communique* (formerly known as *The Digest*), this form of internal censure is intended to alert **AIC members** of these infractions.

Censure with publication: (External) Published in a local newspaper, this form of external publication notifies both the public, as well as Institute members.

What happens if a member were to advise the public of an internal censure? Simply put, **that member has violated the Code of Ethics.**

Recently, member A sent a copy of an internal censure of member B to a potential client, presumably in an effort to capture that person's business. The potential client, a member of the public, responded by lodging a complaint against member A. The National Adjudicating Committee found these charges proven. Member A appealed, and the Appeal Board's finding was:

The matter relates to the member providing a copy of a previously published Notice of Censure on his competitor to a mutual or potential client. Both the client and the Institute member who contracted to complete the appraisal assignment saw this as objectionable.

There were various points put to the Board of Appeal, with some very interesting answers:

APPELLANT'S ARGUMENT:

3. "The Adjudicating Committee erred in fact and in law in determining that *The Digest* published by the Appraisal Institute of Canada was not intended for the general public when a notice clearly published on the face page of that publication states that "CENSURE is a formal written expression of criticism and disapproval for violation of Regulations. It is published and made known to the membership of the Institute and the general public, however, it does not restrict the rights and privileges of the member."

APPEAL BOARD RESPONSE:

A Notice of a Censure does not have to be made known to the general public. It is at the discretion of the Committee that the Notice of Censure be made known to only the membership through publication in *The Digest* or that it be made known

to the general public. If the Censure is to be known to the general public, it will be published in the local newspaper of the community, in which the censured member lives or carries on his or her practice. The Committee, by instructing publication in *The Digest*, intended for the Notice of Censure to be made known to the membership and not the public.

OBSERVATION: The Board makes it abundantly clear in answering this question in the way it did that there are two forms of censure.

APPELLANT'S ARGUMENT:

4. "The Adjudicating Committee erred in law when it decided that the member had violated Regulation No. 1:E.R.1.1(a) by providing a published copy of Censure to a member of the general public;"

APPEAL BOARD RESPONSE:

The Notice of Censure was not intended for the general public. The Notice of Censure was intended for the members only and therefore published in only *The Digest*. The Board concurs with the Committee finding that the member violated Regulation No. 1: E.R. 1.1(a).

OBSERVATION: "Was intended for members only." This is very explicit and clear.

Members should never consider utilizing any type of censure as a stick with which to beat their competition.

APPELANT'S ARGUMENT:

5. "The Adjudicating Committee erred in fact and in law when it decided that the person to whom the member had provided a published copy of Censure was not a member of the general public in violation of the said notice;"

APPEAL BOARD RESPONSE:

The Notice of Censure can be directed to the general public or the membership. By publishing the Censure notice in only the Digest, the notice is intended for only the membership. **If the notice were intended for the general public, it would be published in the local newspaper where the member carries on his/her appraisal practice.**

OBSERVATION: *(Note my bolding.)*
This is a summary only of the Appeal

Board's findings and the message we receive from its findings is clear: An internal censure is just that. Accordingly, members should

never consider utilizing any type of censure as a stick with which to beat their competition. 🍷

Investigating Committee

Chris Dumfries, AACI, P. App
– Chair
(604) 640-5867
cdumfries@royalpage.com

Gregory Bennett, AACI, P. App
(709) 772-5137
greg.bennett@nf.sympatico.ca

Jacob Ellens, AACI, P. App
(519) 754-0850
jake@ellens.on.ca

David Gabruch, AACI, P. App
(306) 933-7682
dgabruch@agr.gov.sk.ca

Deanna Halladay, CRA
(204) 981-1390
DeanaH@mts.net

Wayne McKenzie, AACI, P. App
(403) 215-1052
Wayne.mckenzie@outlookrealty.ca

Jim Dunbar, AACI, P. App
(250) 652-3755
dijam@shaw.ca

Michael Mendela, AACI, P. App
(905) 852-9986
m.mendela@sympatico.ca

Linda Hastings, AACI, P. App
(250) 426-6564
lhastings@cyberlink.bc.ca

Appraisers, is this your idea of an accurate measuring device?...

Easy to use!
Measures up to 650ft within 1/8"!
(200m within ±3mm)



...Now that's what I call an accurate measuring device!

ORDER NOW at:
East Canada: C.R.S. Survey & Laser Supplies: 1800-559-6198
West Canada: Butler Survey Supplies Ltd.: 1800-661-1129
or online at www.appraiserdepot.com
www.disto.com or Leica Disto Canada: 800-746-3607

Leica DISTO™
THE ORIGINAL LASER DISTANCE METER

Who is my neighbour – the appraiser as the observer

Most of us are familiar with the story of the Good Samaritan found in the *Bible*. His story is echoed in the traditions of many faiths and, indeed, resonates with religious and non-religious people alike with the notion that we have a duty to our fellow man to assist, and, where required, take steps to prevent and remedy any harm that we see. The Good Samaritan came across a man who had been beset by brigands on the road and had been left for dead in a ditch. Whereas others in society, who presumably had social status and responsibility, passed by the man, the Samaritan, himself a social outcast of sorts, stopped to render aid. He not only got involved, he took the victim to a local inn (the old equivalent of a hospital) and paid for his stay until he recovered.

The point of the story is that we are all our brother's keeper and that we have moral responsibilities to members of our society not to simply pass by and let the observable problem be someone else's problem. As professional appraisers, this notion of duty to the greater good is what distinguishes a profession from a trade: the notion that there are responsibilities we owe to society that are above our desire to make a dollar.

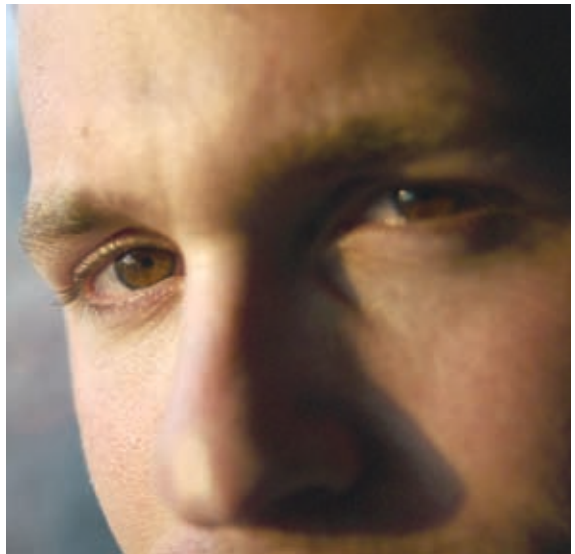
As keen and trained observers, appraisers often encounter situations where they see things in the course of their duties that do not strike them as right. This brief article hopes to explore and give some guidance to the appraiser who is confronted with such a situation.

Fraud concerning property

Many times, those who hire a professional appraiser believe that they are buying a custom made suit. If they do not like the way it fits, they can tell the appraiser to take it in at the seams. That is not the way professionals conduct themselves. Often, appraisers will observe the defects and problems in a home or building that are apparent to them but not to an untrained observer. What is the appraiser's duty?

Simply put, if defects are present and have been hidden or covered up, it is the duty of appraisers to note them as defects as part of their overall responsibility of rendering an accurate value, including the cost of repair and remedy that ultimately goes into the discussion of value.

If appraisers come across such a situation (e.g., the cracked basement wall being covered over without any apparent fix), it is appropriate to ask what the condition of the wall is and what steps have been taken to fix it. It is also appropriate to qualify a report to indicate that such was observed and that the owner reported the following repairs had been undertaken and that the value was computed as if the repair had been performed. However, any third party should take prudent steps to ascertain such fact for



their own purposes, as no warranty is undertaken by the appraiser in rendering his or her report.

If you are asked to simply gloss over the truth, avoid the assignment or try to reason with the client regarding the necessity to make proper disclosure of defects that have come to your attention. If you cannot, you should note that your report needs to be qualified. Do not let someone encourage you to finish your report with an assurance that they will fix it later. Report what you see.

Illegal activity

Unfortunately, there is a great deal of crime and social dysfunction these days that transcends all levels of society.

The saddest state of affairs is the neglect of children and the elderly and infirm. If appraisers note such a situation in the course of their du-

As professional appraisers, this notion of duty to the greater good is what distinguishes a profession from a trade: the notion that there are responsibilities we owe to society that are above our desire to make a dollar.

ties, they must remember that they are not social workers. As a result of PIPEDA and other privacy issues, it might be worthwhile to consult a lawyer and then, if clear to proceed, put in a call to the local police or children's aid society in order to advise them of your observations. This duty does not arise from law, nor does it enter into any aspect of professional responsibility. It is simply what decent people will do in order to ensure that their fellow man is being attended to properly.

A second situation arises when appraisers observe direct illegal activity. A common example these days is the proliferation of marijuana 'grow houses' that are springing up throughout Canada. Typically, these houses can be in power of sale condition or some other form of distress. Appraisers may notice evidence of this, but they are not trained to be policemen nor should they presume to take on such duties. Anyone who has watched 'Cops' or other such reality TV shows knows that there is nothing pleasant or safe about such reality. When confronted with illegal activity, the best rule is to ensure your own personal safety and leave the heroics to the police. Every citizen has the option of ignoring crime or reporting it. As professionals, appraisers should have no hesitation in checking with their lawyer to ensure that privacy issues are not being violated and then calling the police and reporting such things that they determine in their judgement to be illegal. Again, nothing in such an obligation arises from actionable professional duties, but, rather, as professionals motivated in good faith.

Conclusion – good judgement

The key factor to any assessment is good judgement made in good faith. A good appraisal is an opinion derived from experience and judgement. While you may make an error in judgement, such is permissible if your methods were correct. Good faith usually never has to implicitly be identified in an appraisal because it is presumed. The same should be said of your social and moral observations and judgements. If you are required to make them, make them in good faith. If you need help, contact your police or the Counsellor, Professional Practice at the Appraisal Institute of Canada (AIC) for guidance on a correct response.

Obviously, you should not look for trouble, but, once it confronts you, do what is right. 🍀

This column is intended to convey brief, timely but only general information and does not constitute legal advice. Readers are encouraged to speak with legal counsel to understand how the general issues noted in this column apply to their particular circumstances.

Mark Frederick is a barrister with the firm Miller Thomson LLP, a national Canadian law firm with offices across Canada. He is grateful for the contributions of Denis Rivard of Leonard French and Co. for his input into this article.



NAS
NATIONWIDE APPRAISAL SERVICES INC.

Solutions by Appraisers ... for Appraisers

NAS takes the "Appraiser Friendly" approach to Appraisal Management. Promoting quality service and integrity, we are strong supporters of the standards and designations of the AIC. With flexible and independent fee schedules, we expand your relationships and offer innovative solutions to broaden your portfolio of business services.

www.nationwideappraisals.com
email: support@nationwideappraisals.com

How to generate endless referrals from your networking activities

Building a business takes patience, perseverance and lots of hard work. And selling yourself to potential clients and contacts can often be the most difficult part of the whole process. It is good to meet new people and tell them what you do, but it is not enough. People are much more likely to become loyal contacts or clients if they see the actual benefits of doing business with you. It is great to be nice and likeable, but this often leads to nothing but smiles and handshakes. That is why it is so critical to build people's trust by explaining and demonstrating how you can solve their problems. People are always thinking, "What is in it for me?" Show them, do not tell them.

Here are 10 simple ways to make sure your potential clients and contacts understand how uniquely helpful you can be:

1. Introduce yourself in a compelling manner.

You only have about 15 seconds to get a new person's attention and respect. And first impressions are so important - if you do not impress at this point, you may not get a second chance. Just think about it. You could introduce yourself by saying:

1. "Hi. I'm Adam Smith, and I'm an appraiser with Big Appraisal Firm." or
2. "Hi. I'm Adam Smith, and I help people like you to better evaluate their property so that they have a more accurate concept of how it should be marketed."

Who would get your undivided attention? Which appraiser do you think



people would be willing to pay more to meet with? The second example uses a 'personal benefit statement (PBS) which is a brief statement of the benefits people could receive if they chose to do business with you. In other words, what is in it for them. Create your own PBS and use it, always. People will be more interested in what you offer than ever before.

2. Have business cards and other marketing materials on hand at all times.

This sounds so simple, but often people are not prepared. Keep lots of cards on you, and ensure that they accurately describe what you can do for people. Networking happens in lots of places, at scheduled and unscheduled times, so business cards are the most convenient (and inexpensive) networking tool you can use. It is essential that you always have business cards in your pocket, briefcase, wallet, purse, car, and at home. It is tough to conduct business with someone you meet if they do not remember your name and what you can do for them. When opportunity knocks, be prepared to answer.

3. Build relationships.

The better you know someone, understand their business, and realize how they can help you, the more likely you are to deal with them. We generally feel more comfortable working with people we like and know. That is why it is essential to establish 'real' connections with individuals you meet while networking. Learn as much as possible about them; ask questions and listen attentively. Do not just tell prospects how great you are. Be curious about people and what they do. The better you understand them and their particular needs, the more they will be inclined to let you help them.

4. Give prospects a sample.

People are usually hesitant to try a new company or product for fear that they will have a bad experience. So, make it easy and risk-free for them: offer to get together for a free consultation, or to meet for coffee and learn more about them and their business. This shows your confidence and should provide the weary or skeptical with a legitimate reason to give you a 'shot.'

5. Use client testimonials.

Nobody is better equipped to tell potential customers about the experience they can expect from working with you than your existing customers. Have your satisfied customers write letters and provide quotes explaining specifically how you have helped them. These genuine words from real-life beneficiaries of your great work are invaluable. Testimonials created by credible third parties are powerful marketing tools - that is, if you take them out of your files and show them to people.

6. Follow up.

Most often, when you meet someone once, you will soon be forgotten. That is why the key to successful networking is perseverance: Make and continue to make contact. Keep in touch regularly, just like you would with a customer. Let prospects know what your company is doing, how it is helping other people, and how it can help them. Invite them to call you for information. Follow up on that referral you sent. Always gather more information that could allow you to serve a person better. Consistent communication builds strong relationships.

7. Ask for what you want.

When speaking to other people, be specific about the kinds of businesses you can help. Do not say: "If you know of anyone who needs (for example) an appraiser, just give us a call." It sounds nice, but a general statement like this will not usually get much response. A more powerful statement would be: "We are looking for anyone you know who works in real estate development who could use help in determining the real value of their property. If you know of anyone, please call us." This obviously narrows the focus. It is much easier for people to think of one or two specific contacts than "anyone they know."

8. Focus your networking efforts.

Some contacts are more likely to provide you with the business you want than others. And remember: People often refer people who are like themselves. You may not want referrals from undesirable clients or contacts, so do not pursue them. Certain businesses can help you on

a regular basis by providing referrals and sharing information. These are usually firms that offer services that compliment your own. For example, a real estate appraiser could get lots of referrals from a financial advisor and an accountant. Get the best return on your limited time by focusing your networking efforts on the businesses that could best help you generate 'good' referrals. Build strong relationships with these contacts.

9. Be a contact for contacts.

Do not hide your resources. Share information about good suppliers, new technologies, and 'bad' clients. This is all information you and others need to run your businesses effectively. Be sure to recommend proven contacts that you have confidence in or, if you do not, be sure to tell people that, "I've never dealt with them, but I do know that they provide the service you are looking for. Check them out carefully yourself." Help other business professionals, and they will help you.

10. Develop a database in order to help keep track of information about your contacts.

Manage your contacts well by organizing the information you gather about them. Given the amount of information you process mentally every day, it is impossible to remember everything. Keep good contact records. Besides the usual name, address, and phone number, include information about hobbies, birthdays, anniversaries, and so forth. This information may seem trivial, but when you remember a client's or prospect's birthday and no one else does, YOU will be remembered. Using a database should help make it easy for you to keep in touch with your contacts via fax, mail, email, or by any other means. It is next to impossible to do this any other way. 🐼

Very few people realize the power of the preceding approaches. By now, you should. So, make a few changes and see the results for yourself. If you want a free copy of our report, The Ten Essential Things You Need To Know About Your Customers, or if you would like to obtain more information regarding how your clients really feel about dealing with you, call our office in Vancouver at 604-313-2229, or email your request to info@SynergyU.com.

A review of the subdivision development method (Part I)

By Tony Sevelka, AACI, P. App

Introduction

One of the most controversial areas of appraisal theory relates to the use and application of the subdivision development method (SDM) as a means of estimating market value of undeveloped land. Failure to appreciate under what circumstances to apply the SDM, how to properly assess the types and levels of risk associated with the subdivision process in the context of highest and best use, and the provision for developer's profit are the most problematic aspects of the method.

Often, the SDM has been viewed with skepticism. Lack of consistency in the application of the SDM and the many names assigned to the method have failed to produce a unified body of valuation theory. The many names given to the method has caused a great deal of confusion and misunderstanding. A review of Canadian and American case law uncovered the following list of names used to characterize the SDM:

- anticipated use method
- cost development method
- developer's residual approach
- development approach
- development cost or contractor's approach
- development method
- development value approach
- land development method
- lot method
- residual approach

- subdivision approach
 - subdivision method
 - subdivision residual approach
- Often, land value estimates emanating from the SDM are significantly higher than those correspondingly derived from the sales comparison approach (SCA) (direct comparison approach). Not surprisingly, the courts have shown a preference for the SCA. In theory, if both the SDM and the SCA are applied correctly, the value estimates should be similar. It is the divergence in value that has challenged the reliability and relevance of the SDM, especially in the area of expropriation and condemnation.

Overview of the SDM

The steps involved in the execution of the SDM are listed as follows:¹

- accurately determine the highest and best use of the land,
- create or affirm a supportable subdivision development plan,
- determine the timing and cost for approval and development (including mitigation needs and costs of obtaining development entitlements),
- forecast a realistic pricing schedule over time,
- forecast accurately the lot absorption rate and price mix (including properly supported projections of community or market growth over the absorption period),

- estimate accurately the staging or phasing of land development and related expenses,
- forecast marketing and related holding expenses over the absorption period,
- estimate the annual real estate taxes,
- include overhead and an entrepreneurial [developer's] profit allowance in the discount rate and/or line item allocation for entrepreneurial [developer's] profit, and
- estimate the appropriate discount rate consistent with the selection of the line item allocation for entrepreneurial [developer's] profit.

The SDM, in addition to being very complex, time-consuming and costly to prepare, when used on its own without an abundance of reliable market data, can be the least accurate raw land valuation technique.²

Many reasons have been advanced as to why the SDM fails to qualify as an acceptable valuation model in estimating the market value of raw land:

- There is no consensus within the appraisal or development community as to how the valuation model should be executed,³ or whether the model has any application in the valuation of raw land.
- There is no consensus between

the appraisal and development communities as to how developer's (entrepreneurial) profit should be computed.⁴

- The numerous steps, including absorption estimates, in the valuation model are susceptible to an unacceptable margin of error that can lead to an unreliable indication of value.
- The appraisal of raw land as if subdivided into finished lots is a hypothetical exercise that considers the contributory value of non-existent improvements and the disposition of non-existent lots at retail prices.
- The estimate of value generated by the SDM, when applied as the only approach to value, is not susceptible to verification, as it cannot be measured for its reasonableness by way of comparison to transactional data.
- The valuation model assumes a developer (subdivider) as the prospective-purchaser of the raw tract and construction of a subdivision though a bona fide developer would have no interest in raw land not zoned to permit subdivision. Even if the raw tract were acquired pursuant to rezoning, construction of infrastructure improvements would not likely be commenced until a sufficient number of conditional builder presales of finished lots had been achieved to warrant subdivision construction of the tract in whole or in part.⁵

Perspective on market value

Market value is not founded on an 'as if' or 'assumptive' premise. An 'as if' or 'assumptive' premise implies a contingent and prospective value, which is inconsistent with an 'as is' market value at the effective date of appraisal. A dispute arose as to the meaning of 'market value'⁶ in *Jabour v. Basatne*, 673 A.2d 201 (D.C. App. 1996) over the valuation of raw land. The appeals court ruled that, [a] reasonable person would assume land to be equivalent to specified cash only in its current ['as is'] condition on the

competitive market, not after costly alterations as yet unmade had turned it from raw land into a 'developable' condition...[and made reference to the trial court's observation that] "the prudent, well informed buyer would know the current condition of the land and pay a reasonable price for the land, not a price that assumed the land to be in a 'different' or 'more developed' condition."

Applicability of the SDM

Application of the SDM is most appropriate and useful under the following circumstances:

- It is most relevant when land is not in raw acreage and an actual subdivision of legally marketable individual finished lots exists on the ground pursuant to an executed subdivision or development agreement, and subdivision is the highest and best use.⁷
- It is useful as a means of testing the financial feasibility of acquiring a raw tract at a specified price under conditions of assumed certainty where all of the outcomes of the subdivision process are predicated on the stated cost and revenue inputs and financial goals of the developer.⁸
- It is important for use in loan underwriting of development financing, where it is critical to schedule mortgage advances to correspond to the development phasing of a subdivision and link loan repayment, with partial discharges, to lot sales (absorption), thus ensuring that the lender has adequate security at all times.⁹

In many condemnation and expropriation cases, the SDM has been indiscriminately applied under the wrong circumstances or in the wrong way:

If all of the land that has been appraised by the development approach were actually subdivided, there would be enough subdivision lots on the market to last hundreds of years and little, if any, farm-

land left in the United States [and Canada].¹⁰

As a tract of land progresses legally and physically from a state of raw acreage to a completed subdivision, with all infrastructure improvements in place and a proven market for new housing (finished lots), the SDM also progresses from non-acceptance to acceptance by the courts. These two extremes of the subdivision process were discussed in *United States v. 147.47 Acres of Land*, 352 F. Supp. 1055, 1060 (M.D. Pa. 1972):¹¹

It may well be that even though the highest and best use of a property is for a residential subdivision, if no meaningful steps have been taken in that direction, viz., construction expenses and actual lot sales, then a 'lot method' appraisal or a 'developer's residual' approach [Subdivision Development Method], as it is also known, would be inappropriate. But that is not the situation here. The status of the subdivision and its availability for sale within the reasonably foreseeable future was an actual and real one, certainly not hypothetical, remote or speculative. Someone about to purchase the property on...the date of condemnation, would have to regard it as having a highest and best use as a subdivision and, in determining what purchase price he would be willing to pay, would have to consider all factors, including sales price for individual lots and additional expense of development, in arriving at his decision...This is not a case where a landowner [or appraiser] dreamily contemplates the use to which his property may be put at some undefined future time but rather one where the property is geographically suited for development; is located in a booming developmental area; has been subdivided into lots according to a duly certified map; has been cleared and graded and improved with the creation of a spring-fed lake, the construction of access roads, and the digging of a deep well sufficient to supply water to

150 homes; and where actual sales of lots as identified on the map have taken place, the deeds of which contain building restrictions compatible only with a residential estate development.

And, viewing subdivision as a dynamic process in the context of the weight that the 'lot method' should be given, the Supreme Court of Connecticut in *Leona Robinson, Executrix (Estate of Walter Langer), et al v. Town of Westport*, 14272-222 Conn. 402, 610 A2d 611 [1992], stated:

As the proponent of a hypothetical highest and best use is able to progress along the spectrum from raw land with few or no improvements to, ultimately, a completed subdivision, the weight to be assigned such evidence will be enhanced.

And, as a phased subdivision development, a somewhat similar view was expressed by the Supreme Court of New York in *Investors Collateral Corp. v. State of New York*, [1985] 494 N.Y.S.2d 352, 114 A.D.2d 437:

Claimant was a real estate developer and subdivider and subject tract had been the subject of ongoing and sequential subdivisions in a high growth area. At least one year before the de facto taking...[C]laimant had prepared and obtained from the Town of East Fishkill Planning Board preliminary approval of the subject subdivision. The subdivision was virtually at the end of and a climax to a long ongoing sequence of subdivisions of the property acquired by claimant in 1969. Thus, the subdivision was not merely a plan prepared but never filed...or a subdivision plan filed but not acted upon, and in the context of this case was not conjectural or speculative.

Admissibility of SDM

An appraiser choosing to rely on the SDM in valuing raw land in an expropriation or condemnation proceeding may encounter significant admissibility challenges. There are a number of different procedures in executing the SDM, and the court could construe this lack of uniformity in methodology as a bar to general acceptance within the appraisal community. Additionally, the appraisal methodology as currently presented by the Appraisal Institute involves 10 steps, if the tract being appraised is raw land

without any supporting infrastructure improvements. Of course, where no actual subdivision exists on the ground, use of the SDM impresses upon the land a hypothetical subdivision of the land into serviced lots. For that reason alone, the court may conclude that the premise of subdivided lots underlying the method of valuation is erroneous and of no relevance in determining the value of the land in the condition that it actually exists at the time of expropriation or condemnation. Further, the SDM creates an illusion of precision, yet makes no provision for the unexpected in a process that is inherently fraught with risk.

Projecting finished lots on an undeveloped tract involves a great deal of uncertainty and speculation as to when (or if) subdivision might occur; the number and type of lots (i.e., townhouse, semi-detached, single family, etc.) likely to be produced; the estimated cost (direct and indirect) and availability of funds to produce those lots; the anticipated pricing and sell-off (absorption) of those lots; and timing of development expenditures and receipt of revenue from lot sales. Also, the developer's profit expectation (as a separate line item or as part of the discount rate) and selection of an appropriate discount rate reflecting the time-value of money and lot absorption risk (not achieving lot sales as scheduled) are difficult to quantify with any degree of certainty. At each step in the valuation process, an assumption or estimate is made for which there is a corresponding margin of error. The margin of error for a particular input in the SDM may be acceptable, but, if the margin of error for *all* of the inputs is viewed collectively, the court may conclude that the overall potential for error renders the valuation model unreliable.

On the admissibility of evidence of proposed or possible subdivision of condemned land, in *State v. Inhabitants of Town of Phillipsburg*¹² the New Jersey appeals court stated:

...[W]here the landowner has tendered evidence of a proposed or possible subdivision, attempting to establish the number or value of individual lots and where the evidence indicates that the developer had not made affirmative efforts before the condemnation to effectuate the development of the subdivision, the evidence has been held to be inadmissible in most of the cases...The courts frequently reason that, since so many factors impinge upon the future value of prospective lots, not the least being the future condition of the market, such evidence is too speculative to be considered, and would tend to permit the trier of fact to surmise the value of the land at an indefinite future date...This violates the general principle that value is to be determined as of the date of the taking...Thus, it can readily be seen that the subdivision of a parcel of land is not merely a matter of drawing lots on a plan with paper streets.

In *City of Harlingen v. Estate of Sharboneau*,¹³ Sharboneau's appraiser established that a condemned 9.852-acre tract had the potential to support 44 single-family lots averaging 7,700 square feet each, based on an analysis of three existing subdivisions in the area, summarized below:

Having established the potential lot yield and assuming an absorption period of three years, the appraiser described the valuation process in the following manner:

An adequately sized tract or subdivision is valued by estimating the total gross sales of all the lots. From the amount deductions are made for all absorption period holding costs such as taxes, insurance, management/security/maintenance, entrepreneurial remuneration [developer's profit at 25% of gross lot sales receipts] and financial holding costs. If the property is undeveloped open land, the cost of construction is also deducted in order to derive the estimated value of the property as raw land.

Note: The estimated net income in

Subdivision	Area (ac.)	Total Lots	Avg. Area (sf)	Yield Per Acre
Knightwood Estates I	11.408	61	6,793	5.34
Knightwood Estates II	17.830	79	7,700	4.43
North Pointe	8.809	39	7,147	4.43
Subject	9.852	44	7,700	4.47

each year of the three-year sell-out period was discounted at 10.5% to a present value of \$413,770, from which was deducted the upfront development cost of \$123,150 necessary to complete the subdivision and generate the projected net income from finished lot sales, and to reflect the residual value of \$290,620 attributable to the raw land in its “as is” condition.

Ultimately, the Texas Supreme Court rejected *Sharboneau’s* appraisal evidence of the SDM as not relevant in estimating the market value of a 9.85-acre taking, as it bypassed all of the problems that could occur during an actual development, substituting instead the best possible outcome.¹⁴ In reversing the trial court’s judgement, the Texas Supreme Court observed that the SDM included more than a dozen analytical steps, most involving assumptions and estimates, any one of which could seriously affect the appraisal’s accuracy. This wide margin for error counsels against using...[the appraiser’s subdivision development] approach to value undeveloped land in ordinary circumstances...In addition,...[the appraiser’s] subdivision development analysis made little or no adjustment for the buyer’s risk that the subdivision might fail...[The appraiser] merely assumed that it would take three years to sell all the lots in the hypothetical subdivision. This prediction is insufficient to account for unexpected competition, political opposition to the development, economic stagnation, or other risks that the subdivision could turn out to be a bad investment...[The appraiser’s] subdivision analysis determined only what a developer could hypothetically afford to pay to profitably subdivide the property, not what a developer would pay in the competitive, risk-filled marketplace of the real world. 🍷

References

- Boykin, James H., *Land Valuation: Adjustment Procedures and Assignments*, Chicago: Appraisal Institute, 2001.
- Brueggeman, William B., Jeffrey D. Fisher, and Leo D. Stone, *Real Estate Finance*. 8th ed. Homewood, Ill.: Richard D. Irwin, 1989.
- Duvall, Richard O. and David S. Black, ‘The Development Approach to Valuation in Eminent Domain Litigation: Capitalizing on Potential Use,’ *The Appraisal Journal* (July 2000): 351-359.

Eaton, James D., *Real Estate Valuation in Litigation*. 2d ed. Chicago: Appraisal Institute, 1995.

Fanning, Stephen F., Terry V. Grissom, and Thomas D. Pearson, *Market Analysis for Valuation Appraisals*, Chicago: Appraisal Institute, 1994.

Guntermann, Karl L., ‘The Valuation of Undeveloped Land: A Reconciliation of Methods,’ *The Journal of Real Estate Research*, (Spring 1994): 169-177.

Lovell, Douglas D., and Robert S. Martin, *Subdivision Analysis*, Chicago: Appraisal Institute, 1993.

Owens, Robert W., ‘Subdivision Development: Bridging Theory and Practice,’ *The Appraisal Journal*, (July 1998): 274-281.

Sevelka, Tony, ‘Subdivision Development: Risk, Profit and Developer Surveys,’ *The Appraisal Journal*, (Summer 2004): 242-252.

Sevelka, Tony, ‘When is subdivision the highest and best use?,’ *Canadian Appraiser*, (Spring 2004): 39-45.

Skolnik, Martin A. and M. Carla Domingo, ‘Supply and Demand Considerations in Residential Subdivision Analysis,’ *The Appraisal Journal*, (January 1994): 57-63.

ULI-the Urban Land Institute, *Residential Development Handbook*. 2d ed. Washington, D.C., 1990.

Endnotes

- 1 Appraisal Institute, *The Appraisal of Real Estate*. 12th ed. (Chicago: Appraisal Institute, 2001), 343.
- 2 Ibid., 342.
- 3 Appraisers usually apply a discounted cash flow (DCF) multi-period spreadsheet valuation analysis, whereas developers often simply rely on a static model in pricing undeveloped land.
- 4 Appraisers and developers either expense developer’s profit as a separate line item or treat developer’s profit as a residual in their proformas.
- 5 Because of the significant risks and upfront development costs of subdivision, actual subdivision construction is not likely to commence until the developer has negotiated an adequate number of conditional lot presales.
- 6 Defined as “The most reasonable price which a property should bring in a competitive and open market under all conditions requisite to a fair sale with the buyer and seller each acting prudently, knowledgeably, and assuming the price is not affected by undue stimuli.”
- 7 William Ted Anglyn, Robert Moreyra, and John C. Putman, ‘Subdivision Analysis – A Profit-Residual Model,’ *The Appraisal Journal*, (January 1988): 45-59. The authors illustrate a procedure for valuing a fully developed and ready to market subdivision, which they refer to as a “sellout property.” The authors concede that their premise of a completed subdivision is “often theoretical (especially when the units are not totally completed until sold)”, but is pertinent to loan underwriting and investment analysis. In response to a rebuttal letter at page 411 of the July 1988 issue of *The Appraisal Journal*, the authors at pages 412-420 discuss entre-

preneurial profit and equity yield requirements, and provide additional printout material in support of their original article. Also see Douglas D. Lovell, ‘Condominium and Subdivision Discounting,’ *The Appraisal Journal*, (October 1983): 524-539. The article focuses on the valuation of ‘for sale’ properties – that is, “as if completed” condominium and subdivision projects.

- 8 J. R. Kimball, Barbara S. Bloomberg, and Steven A. Jones, ‘Subdivision Analysis and Valuation,’ *The Appraisal Journal*, (October 1986): 493-503. Where the value of the land is readily discernable by sales comparison (direct comparison approach), the authors illustrate a procedure of financial feasibility that allows the appraiser and the client to study the performance of a proposed subdivision enterprise.
- 9 Chuck Munson, ‘Lender Residential Subdivision Evaluation Using Discounted Cash Flow Analysis,’ *The Appraisal Journal*, (October 1994): 572-579.
- 10 J. D. Eaton, *Real Estate Valuation In Litigation*, 2nd ed. (Chicago: Appraisal Institute, 1995), 246.
- 11 Ibid., 254-255.
- 12 *State v. Inhabitants of Town of Phillipsburg*, [1990] NJ-QL 521, 573 A.2d 953, 240 N.J. Super. 529.
- 13 *City of Harlingen v. Estate of Sharboneau*, No. 99-1118 (Tex. 05/17/2001), TX-QL 2866. In an unprecedented move, on August 29, 2000, legal counsel on behalf of the Appraisal Institute filed an *Amicus Curiae* or “friend of the court” brief stating that, “[t]he Subdivision Development Analysis or Method is a generally recognized and accepted technique in the appraisal profession used to reliably estimate the fair market value of undeveloped land when subdivision development represents the highest and best use of that land.”
- 14 The court, in discussing the discount rate of 10.5% used by the appraiser, made reference to the Appraisal Institute’s publication on the SDM noting that “[t]he discount rate applied, which is derived from and supported by the market, should reflect the risk involved.” *The Appraisal of Real Estate* 329 (11th ed. 1996). It also made reference to the “many marketplace uncertainties for which the appraisal must account.” Douglas D. Lovell & Robert S. Martin, *Subdivision Analysis* 33-40 (1993). The appraiser’s “discount rate represented only “financial carrying cost for the debt service and return on equity,” with no adjustment for risk. Nowhere else in his analysis did...[the appraiser] account for marketplace uncertainties.”

NOTE: In part II of this article, appearing in the next issue of *Canadian Appraiser*, the author reviews the subdivision development method from the perspective of highest and best use.

Tony Sevelka, AACI, P. App is the president of *InterVal in Mississauga, ON.*

How can appraisers improve their product?

A review appraiser's comments and suggestions to fee appraisers (Part II)

By Keith Anderson,
AACI, P. App

Part I of this article, which appeared in the last issue of the Canadian Appraiser (Volume 49, Book 2, 2005), addressed the direct comparison approach section of the typical appraisal report. The following discussion involves the site description, services, land use regulation, and highest and best use sections, plus the introduction to the valuation section of an appraisal report.

Site description

At times, it is surprising to read through a site description and find there is no site plan, or a poor and confusing site plan. There should always be a clear, well-labelled site plan with dimensions, north arrow and appropriate reference points, such as the street the property fronts onto and other features. If a legible and/or recent survey plan is not available, usually the municipality, tax assessment office or land registry office will have some form of reliable property mapping available. If a portion of one of these maps is photocopies or scanned to be inserted in the report as a site plan, again check to be sure that the north arrow, dimensions and reference points are present to assist the reader. If they are not, add them to the map yourself. The same applies if you draft the site plan yourself.

In instances where the subject is being valued in contribution to an adjacent property, or where the subject is a partial taking (expropriation) from a larger parcel, it has been observed several times that the appraiser includes only a site plan of the subject parcel itself and no site plan showing the larger (composite) parcel. In these instances, it is critical to show the subject in the context of the larger parcel to which it is being added, or from which it is being taken.

Services

For a vacant development site, the subject of services is critical, particularly if the site is removed from the existing built up area. Where are the urban services in relation to the subject and what steps are required before they can be extended to the subject? Do adjacent lands need to be developed before the subject lands? For example, it is not enough to state that services are 750 metres from the property, the appraiser should investigate if and when the services might be extended to the subject and who will be responsible for paying for them. Are there any impediments to servicing? Does the existing servicing infrastructure have the capacity to support development on the subject property in situations where the property is a larger site? In some instances, the services may be within a kilometre, but the subject property may be in a different watershed, meaning that it may have to be serviced from another direction entirely or that additional

costs may be required to service the subject such as a pumping station.

Land use regulations

In this section, appraisers will often note the official plan designation and the zoning. Many municipalities will also have what are called secondary plans or neighbourhood plans. Usually, these take the form of amendments to the official plan. In essence, a secondary plan is a refinement of the policies of the official plan pertaining to a specific geographic area. It is troubling that secondary plans and their detailed policies are often overlooked by appraisers. For vacant development sites and potential redevelopment properties in particular, it is extremely important that these policy documents be consulted and discussed in the land use analysis section of the appraisal.

Further, there are other forms of planning documents that are relevant, such as provincial and federal government plans pertaining to environmentally sensitive and significant areas, parks, airports, economic and tourism zones, etc. For example, in Ontario, the provincial government approved the Niagara Escarpment Plan in 1985, the Oakridges Moraine Conservation Plan in 2002, and, very recently, the Greenbelt Plan. The policies in these plans have considerable affect on development potential of properties within their planning areas.

For the appraisal of residential development land, anticipated timing of development is critical to value. Not only is it dependent on the availability, cost and timing of servicing, but also on the planning status of the property. For example, has a subdivision application been submitted to the municipality and, if so, what is its status? Is it in the initial stages of processing or has it proceeded past the draft plan approval stage? Are there any issues that are holding up planning approval?

Highest and best use

This section typically begins with a definition of highest and best use (HBU) and mention of the four criteria; legally permissible, physically possible, financially feasible, and maximally productive or profitable. Then, a discussion follows to lead the reader to a concluding HBU. One requirement of *CUSPAP* that several appraisers are still not doing is estimating HBU as if

the site is vacant and then estimating HBU as improved, or 'as is.'

In many instances, it is not enough to discuss what is legal (zoning). The appraiser must address those uses that have a reasonable chance of becoming legal. We have all seen many situations where the zoning on a site is different than the official plan's land use designation (or the secondary plan). This is often the case in developing areas, either at the fringes of cities or in older sections that are in transition and being redeveloped (e.g., brownfields). In these situations one must assess the probability of the use contemplated in the official plan being approved through the zoning amendment process (usually it is quite high). In some instances there is even a high probability of re-zoning to a use that is not designated in the Official Plan, based on strong market demand and/or the nature and compatibility of nearby land uses. Also, there are situations where the actions of municipal council are at odds with the land use regulations. If there is a pattern of such precedents, the appraiser cannot ignore them and should try to determine the reasons behind these decisions. Some municipal councils tend to abide by their planning policies more so than other councils when assessing development proposals.

The appraiser should not limit the analysis to the usual four criteria. Other factors such as the political climate and pressure for social change are important. For example, a fast food commercial use may be permitted by the official plan and zoning, be physically possible, be in demand, and be the most profitable use of a site, however, if there is strong opposition to the use from the neighbourhood, due to traffic and noise concerns, and if there are better alternative development sites, the appraiser should not ignore the local political and social realities. Even if council cannot outright deny the use, they can impose very restrictive conditions of site plan approval that could effectively discourage the use (e.g., density, egress and ingress, parking, setbacks, etc.). Strong opposition from the neighbourhood could lead to an appeal of local council's decision to a provincially appointed tribunal (e.g., the OMB in Ontario) that may result in a denial of

development as proposed or a costly delay. Most often, what is permitted in the land use regulations will be allowed, however, the point is that the appraiser should be aware of potentially contentious situations where the social and political climate may be a factor. In these instances, a higher risk rate may need to be applied in the valuation.

There are often situations where the highest and best use is not clear given existing land use regulations. In recent years, governments at all levels have striven to dispose of surplus properties. Usually, such properties are designated and zoned public use, institutional, park, etc. The challenge to the appraiser is to estimate the HBU of the property. In one report reviewed, the appraiser identified several land use scenarios based on varying combinations of land uses (e.g., low density residential, commercial office, park, flood plain) and assignment of different probabilities for the land uses in each scenario. With adequate discussion of the rationale for the assigned probabilities, this is an excellent approach to dealing with this often encountered dilemma.

A simple point to always keep in mind when estimating the HBU is to identify the market for the property (probable purchasers). This may sound obvious and all appraisers do it at some level, but it is not always explicitly conveyed to the client in the report.

Valuation Introduction

Almost always, the introduction consists of a description of the three standard approaches to value. Then, there is usually a statement explaining why one or two of the standard approaches were not applied. Often, the appraiser then launches into one of the approaches to value, as appropriate, however, if there are specialized methodologies being applied, they should be described first. For example, in most expropriations involving partial takings, the appraiser uses the before and after approach. In these instances, the appraiser should write a paragraph that explains that methodology. The same is true if the valuation involves a parcel that has no development potential by itself where the highest and best use is to merge the property with an adjacent property. Here, the appraiser should briefly explain the rationale behind the concept of value-in-contribution and the methodology used in the valuation exercise (i.e., the 'larger parcel' method). Other methodologies like the discounted cash flow, if used, should be described in the valuation introduction as well.

Even when specific methodologies are not being applied, the appraiser should think about whether a sentence or two should be inserted that lays out for the reader where the appraiser is going in the analysis. This is especially true in a multi-step valuation analysis. On more than a couple of occasions, I have read

part way through a valuation analysis and wondered what the appraiser is doing specifically, where the analysis is going, and how it fits in with the overall valuation? The appraiser's approach may make perfect sense, although, without a brief explanation at the beginning, it may not be readily apparent to the reader of the report. Therefore, in addition to the pre-printed or stock paragraph titled 'Introduction' in the valuation section, in some instances a short explanation can be a big help to the reader and improve the flow of the report.

Conclusion

The foregoing is an excerpt from an article that was written based on a collection of thoughts and observations over time that occurred during my experience in the role of a review appraiser. The opportunity to review a wide range of reports from many appraisers throughout the province provided several examples of excellent reports and highlighted some areas where appraisers, in general, could improve. In the end, it is not the format or writing style that matters so much as it is the appraiser's ability to clearly communicate an analysis to the client in a professionally well written and convincing manner. 🍷

Keith Anderson, AACI, P. App
is an Appraiser Coordinator
with the City of Hamilton, ON.

Our advertisers

The following companies/organizations have chosen the pages of *Canadian Appraiser* in which to promote their products and/or services. While this does not constitute endorsement by the Appraisal Institute of Canada, we thank them for their participation and encourage our readers to consider their support.

ACI (www.appraiserchoice.com) ... pages 2,3 and 48

Bradford Technologies
(www.bradfordsoftware.com)..... page 17

CIMBL (www.cimbl.ca) page 27

InterBay Funding (www.interbay.com) page 47

Leica Disto (www.disto.com)..... page 33

Marshall & Swift (www.marshallswift.com)... page 21

NationWide Appraisal Services
(www.nationwideappraisals.com)..... page 35



The *Canadian Appraiser* article topics in need of authors



The Canadian Appraiser welcomes the submission of articles on the topics listed below.

- Access rights
- Agricultural properties based on quotas (poultry and dairy)
- Automated valuation models
- Banks
- Bed-and-breakfast establishments
- Broadcasting – valuing a cell tower
- Cemeteries
- Chemical plants
- Client relations and managing expectations
- Condominium reserve fund studies
- Correctional facilities (and impact of proximity)
- Crown lease values
- Development approach for office or industrial space
- Direct comparison approach with limited sales data
- Expropriation
- Greenhouses
- Halfway houses
- Highest and best use of residential acreages
- Home renovations cost-benefit analysis
- Industrial land
- Long-term leases
- Marketing professional services
- Market value estimations on First Nations lands
- Mass appraisal and associated challenges
- Micropolitan communities
- Mining and/or mineral rights
- Monopolies
- Municipal buildings (libraries, post offices, city halls, fire stations, etc.)
- Museums
- First Nations lands
- Nuclear power plants
- Parking lots or garages
- Proximity to airports and aircraft corridors and related restrictions
- Railroad right-of-ways
- Remote access and effect on value
- Riparian rights (river water rights for fishing and other access)
- Roads and streets: their value not impact on value of other properties
- Safety and the appraiser
- Solar power and its effect on value
- Supermarkets
- Swimming pools
- Tax appeal
- Traffic and its effect on housing prices
- Water rights
- Wharves and docks

Canadian Appraiser magazine is one of the Appraisal Institute of Canada's most effective tools for communication with and between members. Every issue is distributed Canada-wide to the Institute's entire membership of AACIs, CRAs and Candidates. An expanded distribution and subscription list extends the reach of this magazine to Institute members' clients, affiliate organizations and libraries.

Through content licensing arrangements *Canadian Appraiser* articles are made available to researchers and students by way of various research libraries' electronic databases. As well, all articles are posted on AIC's web site where they are fully available to Internet users via popular search engines.

In addition to regular features dealing with such significant initiatives as continuing professional development, standards, liability insurance, communications and professional practice, each issue also provides a venue for members to share their knowledge, expertise and experience by contributing articles they have written on timely and informative appraisal-related topics.

The CPD Program allows for members to earn a maximum of 40 credits for authoring articles throughout the 5-year cycle. Credits should be reported on the basis of one credit per hour required to author the articles.

If you are interested in contributing an article, please contact Joanne Charlebois, AIC's Director of Communications at (613) 234-6533 ext. 224 or joannec@aicanada.ca

CALENDAR OF EVENTS

AIC Board of Directors Meeting
October 21 - 23, 2005
Victoria Inn, Winnipeg, Manitoba

2006 Annual conference of the Appraisal Institute of Canada
May 24 - 27, 2006
Delta Prince Edward Hotel
Charlottetown, Prince Edward Island

For further information contact info@aicanada.ca

BC British Columbia Association AIC Standards Seminars
September 21 & 22 - Nelson
November 4 & 5 - Lower Mainland

Annual General Meeting
September 22, 2005
Prestige Lakeside Resort & Convention Centre
Nelson

For further details contact Kathy Porter
kathy@appraisal.bc.ca

MB Manitoba Association AIC Standards Seminar
September 30 & October 1, 2005
Victoria Inn, Winnipeg

Geothermal Systems - What's Their Value?
A review of commercial, industrial, agricultural and residential systems,
October 20, 2005 @ 1:30 PM
Victoria Inn, Winnipeg
Presented by David Hatherton, CEO, NextEnergy Inc., Elmira, ON and Lee Robins, NextEnergy Inc., Brandon
Attend this seminar held in conjunction with the Manitoba Association's Annual General Meeting and join us for the Reception that follows with the Institute's Executive and Board of Directors.

Annual General Meeting
October 20, 2005 @ 5:30 p.m.
Victoria Inn, Winnipeg
This year's Annual General Meeting is being held in conjunction with the Institute's Board of Directors Meeting.

For further information contact Lynne Smith Dark
mbaic@mts.net or call (204) 943-1177.

NB New Brunswick Association of Real Estate Appraisers Standards Seminar
November 25 & 26, 2005
Saint John

For further information contact
Susan MacKenzie nbarea@nb.aibn.com

NS The Nova Scotia Real Estate Appraisers Association NSREAA will host the first Atlantic Appraisers Conference in Halifax, Nova Scotia, September 30 - October 2, 2005. The proposed agenda includes a Friday evening reception, concurrent educational sessions for all day Saturday and Sunday morning, and a Saturday evening Harbour Cruise/Dinner/Dance. The conference will be held at the Westin Nova Scotian Hotel on Halifax's historic waterfront.

Standards Seminar
October 28-29, 2005
Glengarry Conference Centre, Truro

For further information contact Davida Mackay
nsreaa@nsappraisal.ns.ca
phone: (902) 422-4077

ON Ontario Association AIC Standards Seminar

September 23 & 24	Toronto
October 28 & 29	North Bay
November 25 & 26	Toronto
December 16 & 17	Toronto

Seminars:
Environmentally Impacted Properties, Legal, Engineering & Valuation Perspectives
September 16, 2005 - Toronto

Analyzing the Commercial Lease & Contaminated Real Estate
September 16, 2005 - Thunder Bay
November 11, 2005 - London

Proving Market Value & Expropriation Law
October 21, 2005 - Kingston

Case Studies - Seniors' Housing Properties
November 4, 2005 - Toronto

Conference & AGM
St. Pete Beach - Florida
April 25 - 29, 2006

For further information contact info@oaaaic.on.ca

SK Saskatchewan Association AIC Standards Seminar
Saskatoon - October 14 & 15
Presenter: Allan Beatty

Professional Development Conference
Regina - September 23

AGM and Spring Professional Development Conference
Regina - March 24 & 25, 2006

For further information contact Marilyn Steranka
skaic@sasktel.net



Main St
InterBay Funding

Small is The New Big

InterBay Funding Corp. is a unique lender that has made small commercial properties big business. We are looking for appraisers who are familiar and experienced at valuing Main Street commercial properties.

If you are interested in adding a client that looks at small commercial properties as big business, contact us at:

realestate@interbay.com



Introducing CRAL Version 8.6.1!

CRAL

\$595

** Discount available for additional users*

Includes:

- ✓ **CRAL**
- ✓ **Sketch**
- ✓ **Pocket Zoo**
- ✓ **Digital Signature**
- ✓ **Annual Premier Support and Updates**

INDUSTRIAL STRENGTH APPRAISAL SOFTWARE

CALL TODAY!

800.234.8727

appraiserschoice.com