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*Paul Olscamp, AAI, P. App  
AIC President*

# AIC initiatives and achievements

**A**lready six months have passed since I assumed the office of President. Should the months ahead follow a similar course to the last six, the position and responsibility attached to this office will indeed prove to be interesting and challenging.

AIC has been in a state of constant change over the last number of years and continues to evolve as we keep our future squarely within our sights. My comments in this article summarize current initiatives – looking at related work, progress and achievements to date.

Our priorities are numerous, but the top three are:

- branding
- the Strategic Plan, and
- member services delivery

By the time this magazine reaches you, all members will have had the opportunity to express their opinion via the branding poll and we will know their thoughts on a new Institute name and suggested designation changes. Once tabulated, the results of this critically important poll will be presented to your Board of Directors, as guidance to assist them in the final decision process.

Once the membership has approved the branding direction, and this question has been resolved, we are committed

to embarking on a communications and marketing program on a scale not seen before in our history. This is yet another step in our commitment to realizing our goal of elevating our profession, as outlined in our Strategic Plan.

As I wrote in my last article, AIC has been faithful to its initial Plan, which has served as the roadmap to achieving our vision for the future. The work of developing a new Plan has already begun. I am pleased to report that the Board of Directors, together with all provincial presidents, had a productive and successful meeting that resulted in the development of the framework for a new Strategic Plan. A sub-committee, with representation from both groups, is now working on compiling all information as presented and discussed into a draft document to be presented at the February Board meeting. It is our goal that, once this document has been refined and agreed upon, AIC, together with all the provinces, will adopt it and not depart from it. To meet the needs of each association, individual operational plans may then be developed.

The Member Services Delivery Task Force, similarly comprised of representatives from the Board and senior elected officials from all provinces, has met on two occasions. Their mandate is:

“Our members, regardless of whether they are in BC or PEI, should be assured of program delivery that is consistent and uniform.”

Whether providing value opinions and advisory services, or managing programs, employers and clients will know that the AIC designations are their best choice.

- To collaboratively explore the current and alternative service delivery models
- To develop a service delivery model that is efficient, consistent, and accurate
- To eliminate redundancies and to produce measurable benefits for AIC members (the ultimate goal).

The results and report from this group will also be presented to the February meeting of the Board for consideration and action on recommendations presented.

Your Board of Directors believes it is its fiduciary responsibility to examine the economies of scale of member service delivery, to determine if duplication exists, and, if so, to determine how to cost effectively avoid this. Ultimately, it is our view that our members, regardless of whether they are in BC or PEI, should be assured of program delivery that is consistent and uniform.

The office of president of the Institute has afforded me the opportunity to speak with and engage our members. On occasion, I am asked "What is the value of being a member of the Institute?" Let me share with you what I say to those members:

- As a professional organization, we deliver a quality designation, which is built on a good education and quality standards.
- We should not underestimate the value of our designation. The value of the AIC designations cannot be overstated. Feedback from the stakeholder community has time and again shown that it places a higher value on the

qualifications and professionalism of AIC designated members than anything else, including their AIC Professional Liability Insurance. They are also more widely recognized by the courts, where AIC members are increasingly recognized as experts in their area of expertise.

- Feedback from our annual Advisory Council meetings tell us that our members are in demand for the 'added value' they bring to the decision-making process. Demand for our professional valuation advice is high. To quote one participant, "There is a need for creative thinkers who are well trained, and who can do such things as sensitivity analysis, market studies, etc." This fits within our vision of expanded scope for you, the member.
- Ask yourselves how we have achieved this – through a lot of hard work and policy changes which are now paying off.

Some of those policy changes related to:

- Increased educational and admissions requirements (triple E concept)
- University degree is now an exit requirement for achieving an AIC designation
- There are several options to complete the degree requirement through distance education. Innovative education partnerships with the University of British Columbia, Thompson Rivers University, and Athabasca University provide students the opportunity to complete the majority of their academic

requirements for AIC designation and their undergraduate degree concurrently.

- New course in development phase by UBC, our primary educational partner
- **New** course number *BUSI 344* is being developed and is expected to be available by January 2007. It is a more general computer-assisted mass appraisal course, and becomes the AIC curriculum requirement on implementation, replacing the current course *BUSI 444*. Meanwhile, the *BUSI 444* course is being updated and will continue to be offered as an assessment specific course, for which *344* becomes the prerequisite once available.
- We have expanded our educational partners to include Athabasca University, Thompson Rivers University, Seneca College, UQUAM (University of Quebec at Montreal)
- We revisited our professional studies program and concluded that, while it is of high quality, there are additional enhancements required to ensure that it properly prepares our members as multidisciplinary real property valuation professionals. We are redeveloping some of our courses as noted above, enhancing others, and adding new ones where required. Our educational requirements have been strengthened so that an undergraduate degree is necessary in order to obtain both designations.
- Our admission requirements have been revised to align our expectations as a professional body with



“The Institute is responding to the demands of you, the member, that we are a relevant player in the marketplace, recognized as the leader in providing real estate valuation advice and opinion.”

those of our candidates. Candidates will require a combination of education and curricular studies that will place them within 10 courses of an AACI. New members without these qualifications may join the Institute as students, but will not be able to sign reports or be insured. Instead, students will be able to provide significant technical assistance to AIC designated members, or acquire practical experience within the workplace. Students contemplating candidacy and designation will need to find a mentor and enroll in the AIC program of professional studies to prepare themselves to become candidates.

- These new requirements come into effect January 1, 2007 and apply only to new members of AIC who join after that date. Candidates who joined on or after January 2006 have 10 years to obtain a designation, and must take a minimum of one university credit course per year. After 10 years, candidates who fail to achieve a designation will lose their status as candidates and be categorized as student members of the Institute.
- In addition, effective January 1, 2007, all candidates applying for designation, at or after that date, must successfully complete an oral and written examination in order to be awarded the designation.
- All of these important changes taking place internally are transforming the Institute and its members into a strong profession

that will be able to take a leadership position in the real estate market.

As a result of these changes, we are attracting a lot more members – 860 since the beginning of last year to be exact.

Our new marketing thrust will aim to establish AIC designated members as the professionals of choice whenever real property is involved. Whether providing value opinions and advisory services, or managing programs, employers and clients will know that the AIC designations are their best choice.

In the months ahead, advancing the profession will require all our efforts to create more business opportunities for our members and to attract bright young graduates to the ranks of the Institute. A concerted effort will be required to ensure that the next generation will be hired and mentored by highly qualified Institute members.

### Building for the future

We are indeed in the middle of an ambitious program of professionalizing and repositioning the Institute and its members. Its success will depend on our ability to work together.

As I have said, and as you all know only too well, the Institute has been experiencing significant change. This has resulted in achievements as well, some of which are:

- We have welcomed 205 candidates to the Institute last year and in excess of 847 candidates in the past two years.

- We have implemented the student member category
- We started 2005 with 5135 members. We are experiencing steady growth, and, as of October 2006, had 5205 members. The attrition we are experiencing due to members retiring continues to be offset by the growth we are experiencing with candidates joining the Institute.
- We have introduced new courses and seminars. The Post Graduate Certificate in Real Property Valuation Program (PGCV) has had 515 registrants since 2002. Course *BUSI 330* continues to see rising enrollments, with 681 students in the past three terms.
- We have achieved increased recognition as standard setters
- We are recognized as having world class professional designations and our Institute is held in high regard by other allied and professional associations, both nationally and worldwide.
- AIC has increasingly established itself as a media resource in the past year, with substantial media coverage being garnered.

One thing can be said with certainty; the Institute is not a static body. The Institute is responding to the demands of you, the member, that we are a relevant player in the marketplace, recognized as the leader in providing real estate valuation advice and opinion.

Thank you. I look forward to meeting many of you in the coming months. 🍷





*Paul Olscamp, AACI, P. App  
Président de l'ICE*

# Initiatives et réalisations de l'ICE

**D**éjà six mois se sont écoulés depuis que j'ai assumé la présidence de l'Institut. Si les mois à venir suivent la même tendance que les six derniers, le poste et les responsabilités y afférentes se révéleront effectivement intéressants et coulés de défis à relever.

L'ICE est dans un état de constante évolution depuis les quelques dernières années et continue dans cette voie à mesure que nous donnons suite à notre vision de l'avenir. Les commentaires que je présente dans cet article visent à résumer les initiatives courantes et à examiner le travail connexe, le progrès et les réalisations à ce jour.

Nos priorités sont nombreuses, mais les trois principales sont les suivantes :

- le positionnement,
- le plan stratégique, et
- les services que nous offrons aux membres

Au moment où vous lirez ces lignes, tous les membres auront eu l'occasion de participer au sondage sur le positionnement et nous connaissons leur position face à un nouveau nom pour l'Institut et aux modifications suggérées aux désignations. Une fois compilés, les résultats de ce sondage des plus importants seront présentés à votre Conseil d'administration qui les utilisera comme guide au processus décisionnel final.

Une fois que les membres auront approuvé l'initiative de positionnement et que cette question aura été résolue, nous amorcerons une campagne de communication et de marketing à une échelle jamais vue auparavant dans notre histoire. Il s'agit là d'une autre étape dans le cadre de notre engagement à l'endroit de l'objectif général du plan stratégique d'élever notre profession à un niveau encore inégalé.

Comme je l'ai mentionné dans mon dernier article, l'ICE a été fidèle à son plan préliminaire qui a servi de base à la réalisation de notre vision de l'avenir. L'élaboration d'un nouveau plan a déjà été mise en branle. J'ai maintenant le plaisir d'annoncer que le Conseil d'administration, en collaboration avec tous les présidents provinciaux, ont tenu une réunion des plus réussies qui a donné lieu à l'élaboration d'une structure pour un nouveau plan stratégique. Un sous-comité formé de membres des deux groupes s'affaire maintenant à compiler l'information présentée et discutée en un document qui sera ensuite présenté à la réunion du Conseil en février. Notre objectif est qu'une fois ce document finalisé et approuvé, il sera adopté et suivi à la lettre par l'ICE et toutes les provinces. En réponse aux besoins de chaque association, il sera alors possible d'élaborer des plans opérationnels individuels.

Le Groupe d'études sur les services aux membres, formé lui aussi de représentants du Conseil et de dirigeants élus de toutes les provinces, s'est réuni à deux reprises. Il a pour mandat :

- d'examiner, collectivement, les systèmes actuel et de rechange à la prestation de services,
- élaborer un système efficace, cohérent et précis,
- dans le but ultime d'éliminer les redondances et produire des avantages mesurables pour les membres de l'ICE.

Les résultats et le rapport de ce Groupe seront aussi présentés à la réunion de février du Conseil à des fins de considération et d'action sur les recommandations présentées.

Votre Conseil d'administration est d'avis qu'il relève de ses responsabilités

fiduciaires d'examiner les économies d'échelle liées à la prestation de services aux membres, de déterminer s'il existe des redondances et, dans l'affirmative, de déterminer une façon efficace par rapport aux coûts d'éviter de telles situations. Nous croyons que nos membres, qu'ils soient en C.-B. ou à l'Î.-P.-É., doivent avoir accès à des programmes cohérents et normalisés.

La présidence de l'Institut m'a permis de rencontrer et de discuter avec les membres et, à l'occasion, on me demande « quelle est la valeur d'une adhésion à l'Institut? »

Permettez-moi de vous faire part de ma réponse à cette question :

- Comme organisme professionnel, nous offrons une désignation de qualité qui prend appui sur une bonne éducation et des normes de qualité.
- Nous ne devons pas sous-estimer la valeur de notre désignation. On ne peut accorder suffisamment d'importance à la valeur des désignations de l'ICE. Les commentaires des intervenants ont maintes et maintes fois révélé que par dessus tout, ils accordent une valeur élevée aux qualifications et au professionnalisme des membres de l'ICE, même plus qu'à leur assurance-responsabilité professionnelle. Ils sont largement reconnus par les tribunaux comme spécialistes dans leurs domaines respectifs.
- Les commentaires découlant des réunions de notre Comité consultatif révèlent aussi que les membres sont en demande pour la « valeur ajoutée » qu'ils contribuent au processus décisionnel. La demande pour des services de consultation en évaluation est également très élevée. Qu'il suffise de citer un participant qui disait : « il existe un besoin pour des penseurs qui font preuve de créativité et qui peuvent accomplir des tâches comme des analyses critiques, des études de marché, etc... » Cela cadre parfaitement avec notre vision d'une portée accrue de la pratique des membres.
- Vous vous demandez comment nous y sommes parvenus? Grâce un travail acharné et aux modifications de politique qui portent maintenant fruits.

Voici quelques-unes de ces modifications de politique :

- Exigences pédagogiques et d'admission accrues (concept du triple-E).
- Le diplôme universitaire est maintenant une exigence de sortie pour l'obtention d'une désignation de l'ICE.
- Il existe plusieurs options pour l'obtention du diplôme via les programmes d'études à distance. Des partenariats innovateurs avec l'Université de la Colombie-Britannique, l'Université Thompson Rivers, et l'Université Athabasca offrent aux étudiants l'occasion de compléter en même temps la plupart des cours menant à une désignation de l'ICE et leur programme d'études de premier cycle.
- Notre principal partenaire en éducation, l'U.C.-B., s'affaire à élaborer un nouveau cours.
- **Le nouveau** cours *BUSI 344* est en voie d'être mis au point et devrait être disponible à compter de janvier 2007. Il s'agit davantage d'un cours en évaluation de masse assistée par ordinateur et fera partie des exigences du programme de l'ICE, remplaçant le cours actuel *BUSI 444*. Entre-temps, le cours *BUSI 444* fait l'objet d'une mise à jour et sera toujours offert comme cours spécifique à l'évaluation et pour lequel le cours 344 deviendra une exigence préalable une fois disponible.
- Nous avons multiplié le nombre de nos partenaires en éducation pour inclure l'Université Athabasca, l'Université Thompson Rivers, le Collège Seneca, et l'UQUAM (Université du Québec à Montréal)
- Nous avons revu notre programme d'études professionnelles et conclu que malgré son niveau élevé de qualité, il était possible de l'améliorer afin d'assurer que les membres soient adéquatement préparés à une profession multidisciplinaire dans le domaine de l'évaluation immobilière. Nous sommes à revoir certains cours tel que mentionné ci-dessus alors que d'autres seront améliorés et ajoutés au besoin. Nos exigences pédagogiques ont été raffermies si bien qu'un diplôme de premier cycle est maintenant requis pour obtenir les deux désignations.

- Nos exigences d'admission ont aussi été revues pour aligner nos attentes comme organisme professionnel par rapport à celles de nos stagiaires. Ceux-ci doivent avoir une combinaison d'éducation et suivre un programme qui les place à 10 cours de la désignation AACI. Les nouveaux membres qui ne possèdent pas ces qualifications peuvent joindre les rangs de l'Institut comme membres étudiants mais ne pourront pas signer de rapports et ne seront pas admissibles à l'assurance. Plutôt, les étudiants seront autorisés à fournir de l'aide technique aux membres agréés de l'ICE ou acquérir de l'expérience pratique en milieu de travail. Les étudiants qui contemplant le statut de stagiaire et l'obtention d'une désignation devront trouver un mentor et s'inscrire au programme d'études professionnelles de l'ICE afin de se préparer à devenir stagiaires.
- Ces nouvelles exigences doivent entrer en vigueur le 1<sup>er</sup> janvier 2007 et s'appliquent uniquement aux nouveaux membres de l'ICE qui se joignent après cette date. Les stagiaires qui ont joint les rangs de l'Institut le ou après le mois de janvier 2006 ont 10 ans pour obtenir une désignation et doivent suivre chaque année un minimum d'un cours universitaire donnant droit à des crédits. Après 10 ans, les stagiaires qui n'obtiennent pas leur désignation perdront le statut de stagiaire et seront rétrogradés à la catégorie de membres étudiants de l'Institut.
- De plus, à compter du 1<sup>er</sup> janvier 2007, tous les stagiaires qui demanderont une désignation le ou après cette date devront subir et réussir un examen oral et écrit avant d'obtenir la désignation en question.
- Toutes ces modifications internes importantes contribuent à transformer l'Institut et ses membres en une profession solide qui servira certes de modèle sur le marché de l'immobilier.

Comme résultat de ces modifications, le nombre de membres ne cesse de croître. En effet, 860 personnes ont joint nos rangs depuis le début de l'an dernier.



Notre nouveau programme de marketing visera à établir les membres agréés de l'ICE comme professionnels de choix dans le secteur de l'immobilier. Qu'il s'agisse de formuler une opinion sur la valeur, d'offrir des services de consultation ou de gérer des programmes, les employeurs et les clients sauront que les désignations de l'ICE constituent le choix par excellence.

Dans les mois à venir, l'avancement de la profession fera appel aux efforts de tous pour créer encore plus d'occasions d'affaires pour les membres et attirer les meilleurs jeunes étudiants au sein de l'Institut. Un effort concerté sera requis pour assurer que la prochaine génération sera engagée et supervisée par les membres hautement qualifiés de l'Institut.

**Bâtir pour l'avenir** – Nous sommes effectivement au cœur d'un programme ambitieux visant le professionnalisme et le repositionnement de l'Institut et de ses membres et son succès dépendra de notre aptitude à collaborer.

Comme je l'ai déjà dit et comme vous le savez tous, l'Institut a subi de profondes transformations qui ont également donné lieu à de nombreuses réalisations :

Nous avons reçu 205 stagiaires l'an dernier et plus de 847 au cours des deux dernières années.

- Nous avons créé une catégorie de membres étudiants.
- Nous avons commencé l'année 2005 avec 5 135 membres et avons connu une croissance régulière. Au mois d'octobre 2006, nous comptons 5 205 membres. La baisse que nous subissons à cause des membres qui prennent leur retraite continue d'être compensée par la croissance du nombre de stagiaires qui se joignent à l'Institut.
- Nous avons introduit de nouveaux cours et colloques. Le Programme du certificat d'études supérieures en évaluation immobilière (PESEI) a vu la participation de 515 personnes depuis 2002. Le cours *BUSI 330* continue de voir un nombre croissant de participants avec

681 étudiants au cours des trois dernières périodes scolaires.

- Nous avons été reconnus comme organisme responsable d'établir les normes de la profession.
- Nos désignations sont reconnues à l'échelle mondiale et l'Institut est hautement considéré par d'autres associations connexes et professionnelles aux paliers national et international.
- Au cours de l'an passé, l'ICE a été de plus en plus reconnu comme ressource de choix par les médias, et a suscité une attention médiatique sans précédent.

Chose certaine, l'Institut est un organisme dynamique! Il répond aux demandes des membres, joue le rôle d'intervenant pertinent sur le marché, et est reconnu comme chef de file dans les secteurs de l'évaluation et de la consultation immobilières.

Dans l'espoir de rencontrer plusieurs d'entre-vous au cours des mois à venir, je vous dis un merci bien sincère. ☺

# Letter to the Editor



## Co-operation and professionalism much appreciated

2006 was a year of extensive travel for us. We inspected and appraised more than 200 commercial properties across Ontario, Quebec and Nova Scotia. It seemed that we were rarely in our offices. Many of the properties we appraised were difficult assignments, so we reached out to various members of the Appraisal Institute of Canada. We found that our peers were professional, forthcoming and, in some cases, went far beyond our expectations to assist us, with very special consideration to the members in Quebec who showed exceptional hospitality.

We could not have done our work without mutual co-operation, mutual respect and the efforts of fellow professionals. In some cases, we made data exchanges, in others we paid. The fees charged for their time and data were more than reasonable and their extra efforts went above our expectations in many cases. This is a simple letter of appreciation to the many members we met and dealt with this year. This spirit of co-operation goes a long way to show that professionalism is in place in many offices.

The best of the holiday season.

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**Georges Lozano, MPA**  
AIC Chief Executive Officer

# Welcome Students

**E**ffective January 1, 2007, the *Student Member* category becomes the new entry point for membership in the Appraisal Institute of Canada (AIC). This coincides with the implementation of the new admission requirements for candidates. As you may be aware, starting in January, in order to be admitted to candidacy status, members will need either a degree from an accredited university or an educational background that places them no more than 10 courses short of an AACI.

As a result, starting in January, the path to the professional designations offered by AIC will typically start with enrollment in the Institute as a *Student Member*.

*Student Members* are individuals who may be enrolled full- or part-time in a recognized course of study, and are not eligible for any other membership category in the Institute. It is expected that some may be working in some capacity in the real property industry sector and interested in becoming designated professionals. Others will be working on their degree and AIC courses full-time.

*Student Members* perform work related to the appraisal profession as employees of appraisal firms, lending institutions, real estate brokerages or agencies, and others whose work interrelates with the appraisal profession. They may assist designated

members, but only in a technical capacity – not professional.

The *Standards* state that an appraiser may rely on technical assistance in the form of factual information that is collected by an assistant. Students may only provide technical assistance to appraisers. They should not provide any significant professional assistance such as providing analysis, opinions and conclusions.

*Student Members* may provide support in the area of real property valuation and related work as employees. They may do technical work related to the preparation of appraisal reports, including research and data gathering under the supervision of a designated member of the Institute and as prescribed by AIC *Standards*. *Student Members* may not inspect properties unsupervised.

*Student Members* are not eligible for the professional liability insurance and cannot sign any appraisal reports or otherwise give value opinions. Designated members using students for technical assistance will be covered by the liability insurance policy.

*Student Members* shall not hold themselves out as valuation professionals. They can identify themselves only as *Student Members* of the Institute and should specify the number of credits/courses they have successfully completed.

*Student Members* may work at full-time jobs and advance their careers,

The path to the professional designations offered by AIC will typically start with enrollment in the Institute as a *Student Member*.



while learning as part-time students. The AIC distance-learning program is designed to encourage *Student Members* to work full-time in a valuation or real property related position, while concurrently completing their AIC program of studies. A \$50 rebate on national dues will be provided to *Student Members* for successful completion of each eligible University of British Columbia (UBC) course taken up to a maximum of two courses per year. *Student Members* who are enrolled full-time as a student in a recognized post-secondary institution or who are enrolled in the AIC program of professional studies on a full-time basis are exempt from student dues. Full-time enrollment is defined as enrollment in no less than four AIC courses per year.

*Student Members* may enter the AIC program of professional studies at a level that is consistent with their educational background. If new to valuation, they will likely enter at the foundation level. If they have already completed substantially equivalent courses at an approved post-secondary institution, they may apply for transfer credits to enter at a more advanced level. Many *Student Mem-*

*bers* will have degrees, so, as soon as they have taken the Standards Seminar *BUSI 330* and *We Value Canada*, they may be eligible to be admitted to candidate status.

Application for admission to *Student Membership* will be made through the AIC provincial associations, accompanied by supporting documentation for completion of education requirements and the applicable membership fee. Like all AIC members, students will be expected to uphold the Institute's *Bylaws, Regulations, Code of Ethics* and *Canadian Uniform Standards of Professional Appraisal Practice* and will sign a pledge to that effect upon joining.

The Institute or its education provider will assist in arranging program curriculum, providing appraisal texts, and recommending qualified mentors to students. It is recommended and expected that *Student Members* have a qualified mentor early on to help ensure a successful progression towards the achievement of a professional designation. The mentor must be a designated member of the Appraisal Institute of Canada.

*Students Members* may advance to interesting, challenging and rewarding

positions long before achieving AIC designations. *Student Members* of the Institute will benefit in the following ways:

- mentored program leading to a professional designation;
- increased access to employers;
- opportunities for networking and dialogue with Canada's leading valuation professionals; and
- guidance to ensure that they take appropriate courses and successfully move on to candidates and then designated status.

Why hire a student? For employers, AIC *Student Members* can take the guesswork out of identifying and hiring on to the appraisal team. Employers should recognize that AIC *Student Members* are motivated and focused on obtaining a professional designation from the Institute. They should appreciate that *Student Members* are interested in the profession and can be valuable additions to their teams as technical assistants.

Starting in January 2007, let us welcome our *Student Members* and encourage them to make appraisal their career of choice as designated members of the Appraisal Institute of Canada. 🇨🇦

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

# Bienvenue à tous les étudiants

À compter du 1er janvier 2007, la catégorie de *membre étudiant* devient le nouveau point d'entrée en vue d'une adhésion à l'ICE. Cette mesure coïncide avec l'entrée en vigueur des nouvelles conditions d'admission pour les stagiaires. Comme vous le savez peut-être déjà, pour être admis comme membre stagiaire à compter de janvier, les membres devront détenir un diplôme d'une université reconnue ou avoir une formation pédagogique qui les situe à mois de 10 cours de la désignation AACI.

Donc, dès janvier, la voie aux désignations professionnelles offertes par l'Institut canadiens des évaluateurs commencera avec l'inscription à titre de *membre étudiant*.

Les *membres étudiants* sont ceux qui sont inscrits à temps complet ou partiel à un programme de cours reconnu et qui ne sont pas admissibles à aucune autre catégorie de membres de l'Institut. Il est prévu que certains travailleront possiblement dans le secteur immobilier et qu'ils s'intéresseront à une carrière comme professionnels agréés. D'autres poursuivront leurs études à temps complet pour obtenir leur diplôme, ainsi que les cours de l'ICE.

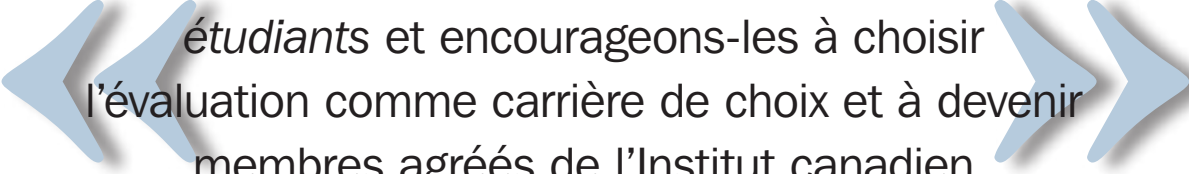
Les *membres étudiants* s'acquittent de travaux liés à la profession d'évaluateur comme employés de cabinets d'évaluateurs, d'institutions prêteuses, de courtiers ou d'agences immobilières, ou auprès d'autres parties dont le travail est lié à la profession d'évaluateur. Ils peuvent aider les membres agréés mais à un niveau technique seulement, non professionnel.

Les normes stipulent qu'un évaluateur peut compter sur l'aide technique sous forme d'information factuelle colligée par un adjoint. Les étudiants ne peuvent que fournir de l'aide technique aux évaluateurs. Ils ne doivent fournir aucune aide professionnelle significative telle qu'une analyse, des opinions ou des conclusions.

Comme employés, les *membres étudiants* peuvent prêter leur concours dans le domaine de l'évaluation immobilière et de travaux connexes. Ils peuvent accomplir du travail technique lié à la préparation des rapports d'évaluation y compris la recherche et la cueillette de données sous la surveillance d'un membre agréé de l'Institut et tel que prescrit dans les normes de l'ICE. Les *membres étudiants* ne peuvent inspecter des propriétés sans surveillance.

La voie aux désignations professionnelles offertes par l'Institut canadiens des évaluateurs commencera avec l'inscription à titre de *membre étudiant*.





Souhaitons la bienvenue à nos *membres étudiants* et encourageons-les à choisir l'évaluation comme carrière de choix et à devenir membres agréés de l'Institut canadien des évaluateurs.

Les *membres étudiants* ne sont pas admissibles à l'assurance-responsabilité professionnelle et ne peuvent signer aucun rapport d'évaluation ou formuler d'opinion relativement à la valeur. Les membres agréés qui ont recours aux services de membres étudiants pour de l'aide technique sont couverts conformément à la politique régissant l'assurance-responsabilité.

Les *membres étudiants* ne se présenteront pas comme évaluateurs professionnels. Ils peuvent se présenter uniquement comme *membres étudiants* de l'Institut et doivent préciser le nombre de crédits/de cours qu'ils ont complétés avec succès.

Les *membres étudiants* peuvent occuper des postes à temps complet et progresser dans leur carrière tout en étudiant à temps partiel. Le programme d'études à distance de l'ICE a été conçu pour encourager les *membres étudiants* à travailler à temps complet dans une poste lié à l'immobilier tout en poursuivant le programme d'études de l'ICE. Un rabais de 50 \$ sur les cotisations nationales sera offert aux *membres étudiants* pour la réussite de chaque cours admissible de l'U.C.-B. jusqu'à concurrence de deux par année. Les *membres étudiants* qui sont inscrits à temps complets dans un établissement postsecondaire reconnu ou qui sont inscrits à temps complet au programme d'études professionnelles de l'ICE sont des exempts de la cotisation d'étudiant. L'inscription à temps complet est définie comme une inscription à quatre cours de l'ICE par année au minimum.

Le *membre étudiant* peut s'inscrire au programme d'études professionnelles de l'ICE à un niveau qui convient à ses antécédents pédagogiques. Si le milieu de l'évaluation est nouveau pour lui, il commencera probablement au niveau de base. S'il a déjà complété des cours qui sont relativement équivalents dans un établissement postsecondaire, il pourra demander les crédits qui lui permettront de s'inscrire à un niveau supérieur. Plusieurs *membres étudiants* seront titulaires d'un diplôme alors dès qu'ils auront complété le colloque sur les normes, le cours BUSI 330, et le colloque Nous valorisons le Canada, ils seront peut-être admissibles au statut de stagiaire.

La demande d'adhésion comme *membre étudiant* se fait auprès des associations provinciales de l'ICE. Elle doit être accompagnée de la documentation appropriée en rapport aux antécédents pédagogiques et des droits applicables. Comme tous les membres de l'ICE, les étudiants doivent se conformer aux statuts, règlements, code d'éthique et aux règles uniformes de pratique professionnelle en matière d'évaluation de l'Institut et devront signer un engagement à cet effet.

L'Institut ou son fournisseur de services éducatifs verra à dresser le programme d'éducation, à offrir des textes sur l'évaluation et à recommander des mentors qualifiés aux étudiants. Il est recommandé et prévu que les *membres étudiants* auront un mentor qualifié dès le début de sorte à assurer le succès de leur progression vers la désignation professionnelle. Le mentor doit

être membre agréé l'Institut canadien des évaluateurs.

Les *membres étudiants* peuvent occuper des postes intéressants, satisfaisants et enrichissants bien avant d'obtenir une désignation de l'ICE. Les *membres étudiants* de l'Institut auront à profiter des avantages suivants :

- Programme de mentorat menant à une désignation professionnelle
- Visibilité accrue auprès des employeurs
- Occasions de réseautage et de dialoguer avec les professionnels de l'évaluation du Canada
- Conseils visant à assurer la pertinence de leurs cours et qu'ils passent avec succès au statut de stagiaire et de membres agréés

Pourquoi donc retenir les services d'un étudiant ? Pour des employeurs, les *membres étudiants* de l'ICE peuvent éliminer les surprises associées à la recherche et à l'embauche d'employés supplémentaires. Les employeurs doivent reconnaître que les *membres étudiants* de l'ICE sont motivés et concentrés sur l'obtention d'une désignation professionnelle de l'Institut. Ils doivent comprendre aussi que les *membres étudiants* s'intéressent à la profession et qu'ils peuvent constituer un ajout inestimable à leurs équipes en tant qu'adjoints techniques.

Alors dès janvier 2007, souhaitons la bienvenue à nos *membres étudiants* et encourageons-les à choisir l'évaluation comme carrière de choix et à devenir membres agréés de l'Institut canadien des évaluateurs. 🐾

# AIC Advisory Council findings

**T**he Advisory Council is the Appraisal Institute of Canada's primary advisory resource on current and emerging needs in the public and private sectors for real estate appraisal and related services. It includes senior representatives from the public and private real property industry sector. The Institute relies on the annual Advisory Council meetings for advice in these areas, and with respect to the Institute's new and ongoing initiatives, products and services. The advice from Advisory Council members supports and assists the Institute in its efforts to develop, establish and improve professional practice standards for the appraisal profession. The Advisory Council meets once each year. The meeting is in the form of a round-table discussion on topics of mutual interest. This year, the Advisory Council met in Toronto on September 22, 2006.

## Findings

- There is a need for appraisers to provide services in support of the legal profession.
- The quality of narrative reports has improved greatly over the last five years.
- There is a need for more creative thinkers who are well-trained to do such things as sensitivity analysis, market studies, etc.
- There is a growing demand for appraisers who can perform more senior work including highest and best use studies, valuation of complex properties, asset management advice, feasibility studies, impact analysis, and financial options scenarios.
- There is a growing need for appraisal specialists in areas such as native land claims.
- The professional links between appraisers and assessors need be further strengthened.
- More focused training, workshops and seminars are needed.
- Mortgage fraud is a growing concern and appraisers are being looked upon to play a role in mitigating fraud.
- There is a trend by banks toward using centralized appraisal services and appraisal management firms.
- Appraisers need to become better acquainted with accounting concepts.
- 'Green' buildings and valuations are an emerging concept.
- There are growing opportunities for appraisers in the public sector.
- The appraisal and assessment communities need to interact and exchange information and technologies on a more regular basis.

Through ongoing and regular consultation with the Advisory Council, the Institute is better able to develop and implement programs that will help AIC members better meet the needs of their clients and stakeholders. 🗣️

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## FIRST PROFESSIONAL LIABILITY INSURANCE COMPANY

*This month, Philip Carson and Michael Bailey of Miller Thomson LLP's Calgary office take on a topic that is important to us all – our ability in contract to reduce or limit the legal risks that we as appraisers take on in providing appraisal reports. As demonstrated below, there are few airtight ways to 'bullet proof' your appraisal report. At the end of the day, your preparation and attention to detail are always the best loss prevention tools you can use, although language that limits liability is helpful where the contract you make with a client precludes your appraisal from being handed out to others for their reliance.*



**Brian Duncan**  
AAI, P. App.,  
Chairman of the Board,  
FPLIC

# Controlling your legal risk

By Philip Carson, LL.B. and Michael Bailey, LL.B.

**C**onsulting professionals such as appraisers face two sources of liability: contract and tort (typically negligence). An appraiser is well equipped to deal with these potential sources of liability when he or she understands its risks and takes steps to be protected from liability.

Contractual duties exist only between the appraiser and the client. In contrast, duties leading to tort liability can arise between the appraiser and either the client or third parties with whom the appraiser has no contractual relationship.

### Contractual control of risk

In circumstances where an appraiser and a client enter into a written contract, the relationship between the parties, and the liability which may adhere to those parties for their behaviour, is defined and governed by the terms of the contract. Conceivably, a contract could be drafted to include an 'exclusionary clause' so as to exclude any claim by the client against the appraiser, even claims arising from a completely erroneous

appraisal. A properly drafted clause would expressly exclude liability for negligence in the preparation of the appraisal. However, in commercial realty, such one-sided contracts rarely exist.

Even if an appraiser was fortunate enough to have clients who are willing to sign such an agreement, provisions that attempt to exclude all liability are not immune from attack. A court may refuse to enforce an exclusionary clause when there has been a fundamental breach of the contract such that the plaintiff has been denied substantially all of the benefit of the contract: *Hunter Engineering Co. v. Syncrude Canada Ltd.* [1989] 1 S.C.R. 426. While this principle has not been considered in the context of a lawsuit against an appraiser, it may be the case that providing a client with an appraisal that is completely erroneous does, in fact, deny the client of the service for which it contracted. The result could be that the exclusionary clause is not enforceable.

Some circumstances may elevate the duty of the appraiser

to the client to a level that is more than simply a contractual duty. It has been suggested that, if the appraiser undertakes to make the purchase decision for the client, the appraiser may have a higher duty to the client in the form of a fiduciary relationship: *VSH Management Inc. v. Neufeld*, 2002 BCSC 755. In that particular case, the court found that a fiduciary duty did not arise. Nevertheless, an appraiser should recognize that, if given authority to make a purchase decision for a client, that authority should be given in writing and there should be a written agreement expressly excluding the appraiser from liability for a poor business decision. Further, any contract for appraisal services should expressly exclude liability claims against both the company and potentially exposed individuals, such as individual appraisers, officers and directors of the company.

### Control of tort risk

In almost all circumstances, an appraiser will attempt to limit his or her tort liability by including in the

appraisal a section that expresses the assumptions and limitations of the appraisal and limits the use of the appraisal by parties other than the party for whom the report was prepared. This provision, typically called 'limiting conditions,' is intended to limit the exposure of the appraiser to tort liability, both to the client and to third parties who may rely on the appraisal.

An appraiser is held to the following standard of conduct (*Avco Financial Services v. Holstein* (1980), 109 D.L.R. (3d) 128 (Sask. Q.B.):

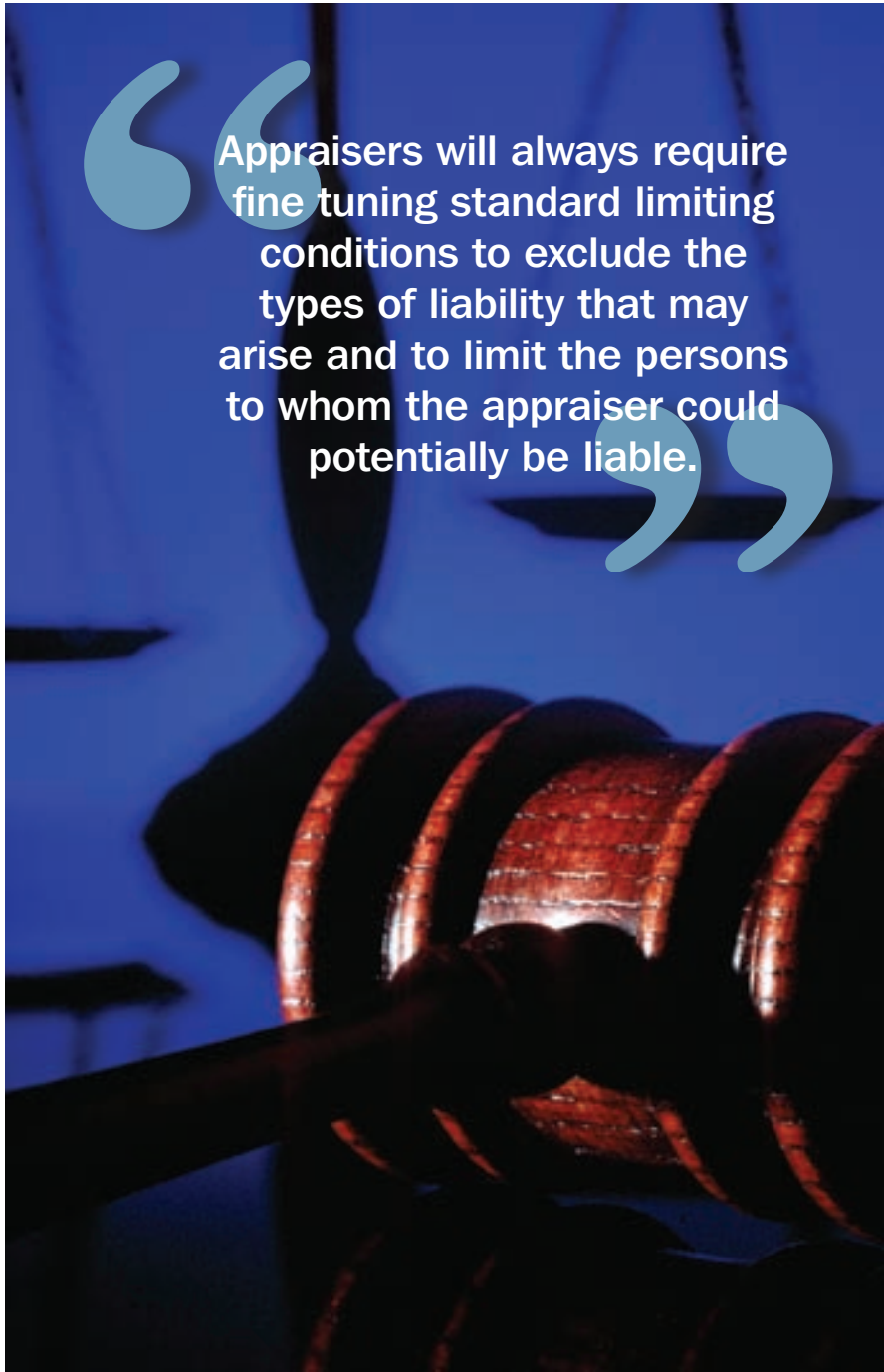
The duty owed by an appraiser to his or her client is identical in principle to the duty owed by all professionals to people who employ them. It is always implied that he or she will carry out the duty with a reasonable degree of care, knowledge and skill. An appraiser who fails to live up to that standard is negligent and is liable for the client's loss.

The limiting conditions may serve to protect the appraiser from liability to the client. However, if the appraisal is flawed by not conforming to the standards of the profes-

sion, or limiting conditions do not cover the circumstances leading to the loss claimed, limiting conditions will not protect against liability to the client. As an example, in *A. Hosie & Co. v. Indian Head Credit Union Ltd.*, [1994] S.J. No 126 (Sask. Court of Appeal), an appraiser noted a bulge in a wall. The appraiser reported the bulge in the appraisal report and adjusted the valuation downward on account of this defect. It turned out that the building was structurally unsound and was, in fact, a liability. The appraiser was found negligent for failing to adequately warn the client of this defect and its potential impact on value. The limiting condition excluded liability for loss of value due to hidden defects and soil conditions, but did not exclude liability for visible defects. As a result, the appraiser was liable to the lender for its losses.

The lesson from the preceding cases is that, in order to protect against tort liability to the client (aside from following proper appraisal methodology), the limiting conditions should reflect all of the aspects of the report for which the appraiser does not intend to be held accountable and contemplate the parties who are entitled, and not entitled, to rely upon the report.

In addition to duties owed to the client, an appraiser has a duty to those who, at the time an appraisal was prepared, ought to have been reasonably expected to rely upon the appraisal. Whether an advisor is an appraiser, an accountant or another advising professional, the legal principles are the same. In a leading decision, *Hercules Management Ltd. v. Ernst & Young*, [1997] 2 S.C.R. 165, the Supreme Court of Canada considered the liability of an accounting firm for errors in a financial statement. The court held that the accountant had a duty to persons relying on financial statements for the same purpose for which they were prepared. In that case, the financial statements were prepared to assist in the management of the company, and the accountant was found to have a duty to existing shareholders using them for management of the company. The accountant was liable to those shareholders for losses occasioned by reliance on the erroneous



Appraisers will always require fine tuning standard limiting conditions to exclude the types of liability that may arise and to limit the persons to whom the appraiser could potentially be liable.

statements. In contrast, the accountant had no duty, and no liability, to persons who used the financial statements for investment decisions, because the financial statements were not prepared for that purpose.

The same principles were considered and applied in the context of an appraiser. In *Grey Mortgage Investment Corp. v. Campbell & Pound Ltd.*, 2002 BCSC 685 (British Columbia Supreme Court), an appraiser prepared a report for a lender for the purpose of arranging mortgage financing. The appraiser was found, as a result of the limiting conditions set out in the appraisal report, to have **no** duty to lenders other than the client. The same appraiser also prepared a report for the owner of the property, and was found to have a duty to lenders that relied on that report, because it was reasonable for the appraiser to expect that a report prepared for the owner would be used to attract financing. Although the appraiser had no duty in the first instance and was found to have a duty when the report was completed for the owner/private client, it should be

noted that, in both instances, the appraiser was exonerated and the judge found the appraisal stood on its own.

Limiting conditions must be carefully drafted. In *Royal Bank of Canada v. Burgoyne*, [1996] N.S.J. 276 (Nova Scotia Court of Appeal), the appraiser prepared a report for a client for examining the feasibility of expanding his business, but the client took the appraisal to the bank to secure financing. The appraisal over-valued the property, and the bank sued the appraiser. The appraiser attempted to rely on the limiting conditions as a defence to the claim. The limiting condition read, in part, as follows:

The client to whom this report is addressed may use it in deliberations affecting the subject property only ... and under no circumstances whatsoever shall the appraiser personally be held liable for any loss or damage that may occur to any person or persons by reason of their reliance upon this appraisal report.

The court found that the limiting conditions were inadequate to

exclude liability to the client, as the words "may use it in deliberations affecting the subject property" were ambiguous as to whether seeking financing were "deliberations," even though the report was not prepared in contemplation of financing. The ambiguity was resolved against the appraiser. However, the same words were sufficient to prevent the bank from relying on the report.

The foregoing examples teach us that limiting conditions in an appraisal report create a partial, but not perfect barrier to liability. Appraisers will always require fine tuning standard limiting conditions to exclude the types of liability that may arise and to limit the persons to whom the appraiser could potentially be liable. ☹

*Philip Carson and Michael Bailey are insurance defence lawyers at Miller Thomson LLP's Calgary office. They thank Denis Rivard of Leonard French & Co., Claims Manager to First Professional Liability Insurance Co., for his assistance with this article.*

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## Mentoring matters Part II

## The candidate member

According to **Simon Poon, AACI, P. App**, a commercial appraiser with Campbell & Pound in Vancouver, “I think the best way to learn is hands-on.” “Just like with the guided case study, it is about holding your hand for the first little while, then letting you walk, and finally run, by yourself.”

When Simon first joined the firm as a candidate appraiser in 2002, Vancouver’s housing market was overheating. Facing a shortage of residential appraisers, Campbell & Pound invited the University of British Columbia (UBC) Commerce graduate to learn the residential side of the business.

**Dan Jones, AACI, P. App**, took Simon under his wing. “When I trained with Dan, we did a bit of everything,” recalls the younger appraiser. “Having an overview is very useful because, afterwards, you know how to do a variety of appraisal work. That was one of the nice things about having people like Dan as mentors. They have done different kinds of appraisals many times and they know exactly what they are doing.”

The mentoring soon expanded to encompass commercial valuations. For each appraisal, Dan would take Simon through the process and highlight the differences in approach for evaluating everything from a right of way to an expropriation. Then there were those unusual properties not covered in the textbooks. As the candidate worked with his mentor, his scope of expertise continued to expand and deepen.

“Eventually, you get into doing something that you realize you are better at than anything else,” says Simon. He was soon focusing exclusively on commercial appraisals. At the same time, he was still working on his courses. But, thanks to the major in Urban

Lands that he completed for his Bachelor of Commerce degree, Simon was on the fast track for his designation. He received his AACI in May 2005. By that time, he had decided to concentrate on bank and insurance appraisals, as well as on valuations related to divorces and hearings.

“When it comes to your career, one of the best things about having



**SIMON POON, AACI, P. APP**

“You can always go back to your mentor with questions, even after you get your designation.”

a mentor is that it gives you instant credibility,” notes Simon. Vancouver clients recognize the name Campbell & Pound and embrace the new appraiser with confidence. From the beginning, they know that his work is backed by other appraisers in the company.

Simon also benefits from being able to rely on Dan’s continued support. “You can always go back to your mentor with questions, even after you get your designation,” he explains. “There is always that unusual property you are not sure what to do with. Having ready access to someone with lots of experience is invaluable.”

The newly-minted appraiser never hesitates to turn to his colleagues for information and advice. In fact, from the beginning, Simon was eager to initiate and develop a mentorship relationship. “If you do not know anybody in the industry, it is difficult,” he notes, explaining that, when he first received his candidate status, he posted his résumé on the Appraisal Institute of Canada (AIC) web site and waited for a mentor to contact him. “I think that it would be helpful to formalize the system by creating a registry on the web site. If both mentors and candidates know who is available, they can connect more easily.”

Today, there is no official number to call or web site to access for a candidate looking for a mentor. This can make the process daunting, particularly for candidates in outlying areas, where geographical distance sometimes separates appraisers and potential protégés.

This is certainly an issue in northwestern Ontario, where **Loren Knopf, CRA**, serves as the only appraiser for an area 250 km to the north, 150 km to the east, and

200 km to the south. But, it was not Loren who went looking for a mentor when he first became a candidate in 2002. Rather, it was the area's retiring appraiser, **Terry Tillberg, CRA**, who who initiated the search when he needed to be replaced.

Royal LePage Landry Real Estate in Kenora, Ontario approached Loren in the spring of 2002. That December, the candidate started his first course for the CRA designation. "We were trying to fast track it," he recalls. "Terry was retiring in July 2004. If you do one course a term, it would take three years."

To expedite the process, Loren quit his job as an automobile service and parts manager in September 2003 and devoted himself to full-time studies. It was only in the early part of spring 2004 that he started going with Terry on appraisals.

"I was so involved in covering the course material that it was difficult to do anything else," recalls Loren, explaining that many of his early visits with Terry involved observing rather than participating in the appraisals. As the course load lightened, he was able to accompany the senior appraiser more often and eventually start recording the necessary information to write a report back at the office. At that point, Terry would review the appraisals and offer suggestions.

Loren describes the entire process as something that he and Terry invented as they went along. When they first contacted AIC to notify them of the mentorship arrangement, there were no specific targets and few guidelines. "AIC has a list of general principles that must be mastered, but the mentor and candidate must also rely on their own devices," says Loren.

He suggests that the mentorship program be formalized, with set guidelines for the mentor, targets to achieve, and timelines in which to complete one goal before moving on to another. One of the reasons he believes in developing a more structured program is that setting objective criteria would prevent the candidate member



**LOREN KNOPF, CRA**

“AIC has a list of general principles that must be mastered, but the mentor and candidate must also rely on their own devices.”

from simply acquiring the mentor's "habits," both good and bad.

Another reason is the need to reinforce the value of the mentor and candidate doing on-site visits together. Loren feels very fortunate in having been able to do this, but he knows of other candidates who have had to rely on completing

appraisals by themselves and then mailing them to a distant appraiser for approval. This problem is endemic in sparsely populated outlying regions.

Certainly, Loren does not have the same opportunities Simon in Vancouver has of being able to continue the mentoring process even after the "required" mentorship has ended. When the Kenora appraiser realized that neither the textbooks nor Terry Tillberg could teach him the seven principles of valuation that he needed to learn for his CRA, it was AIC that stepped in to provide the missing pieces.

In fact, for the last six months of his candidacy, after Terry retired, Loren continued on his own and has done so since obtaining his designation in January 2005.

Loren will always be grateful for all that Terry taught him during the brief period they worked together. However, he is pleased to hear that AIC has increased the time it expects appraisers to work with a mentor. "Having a two-year mentorship program is certainly better than six months," he says. "In such a short time, it was hard to get a good feel for the work you are going to be doing." On the other hand, he feels that two years might be a bit too long and might deter potential CRAs from entering the profession.

As to the possibility of AIC creating a Mentor of the Year award, he shares the same feelings as Simon in Vancouver. "I don't know how you would judge that," says Simon. "But, it is a good idea to give some recognition to a mentor who gives a lot of time."

"It is a wonderful idea," concurs Loren, "but, how do you define who has done the best mentoring? It might be nice just to recognize all the mentors who have brought a candidate to completion in a given year." After all, regardless of the number of candidates they have personally helped, mentors are the key to ensuring that new and capable appraisers will continue to populate the profession for years to come. 🍷



## VOLUNTEER RECOGNITION



# Commitment and dedication... the keys to our success

*The Appraisal Institute of Canada (AIC) is blessed with a rich abundance of determined and dedicated volunteers who make the work of the Institute possible and who help move the profession forward in progressive and fundamental ways. Under heavy commitments both professionally and personally, AIC members have stepped to the fore and proudly serve in so many ways. Whether through elected office, serving on a committee, or assisting in conference planning, their contributions are invaluable.*

*We are pleased to recognize and honour our dedicated volunteers in Canadian Appraiser magazine. In each issue, you will meet some of your colleagues and learn why serving the Institute is so important to them both personally and professionally. We always need individuals to serve the Institute, now and in the future...we are sure that their stories will inspire you to get involved.*

**Ray Bower**, AACI, P. App  
Ray Bower Appraisal Services Inc.

**Ray Bower, AACI, P. App**, President of Ray Bower Appraisal Services Inc. in Windsor, Ontario has accrued more than 20 years of volunteer experience with the Appraisal Institute of Canada (AIC). During that time, he broadened his volunteering scope from the chapter arena to the national landscape. His mentor encouraged him to begin attending chapter meetings in the late 1970s and, by 1983, Ray was the Chair of the Windsor Chapter – a position he held for six years. This led to an opportunity to serve on the Board of Directors for the Ontario Association of the AIC. Again, Ray committed over the long-term and stayed on the board for 12 years, including a year as provincial president.

Always one to consider practicalities, Ray jokes about his initial involvement at

the provincial level and the motivating factor that traveling to Toronto to conduct board business enabled him to visit with his family who lived in the city. With ongoing AIC involvement, Ray grew to realize that participating in this volunteer experience offered many more rewards than just the convenient family visiting arrangement.

Ray's work on the provincial board led to his rapid immersion in committee business and a steep learning curve. Ray says, "Back in those days, the provincial associations ran numerous committees and directors were appointed as chairs. Without any preconceived notions of these various committees or the respective director responsibilities, I ended up on the Professional Practice Committee. In essence, that began my true educational experience."

Eventually, Ray's volunteer work extended to the national organization and he has been an active member of AIC's national



volunteer contingent since 1994, when he became a Certified Lecturer for the Appraisal Standards Seminar. Currently, Ray is serving as Chair of the AIC Standards Committee.

Despite his busy personal and professional life, Ray values his volunteer experience with AIC. He acknowledges that it has contributed to his continuing education and says “the people I have met along the way have proven to be a valuable asset. I constantly rely on their experience and knowledge when it comes to gathering information, whether on the market information or on procedures, precedents or methodologies. I am still active in my day to day practice, and, by continuing to volunteer, I manage to keep my ear to the ground and stay abreast of current issues.”

Ray also appreciates the contribution his volunteer years have made to his professional life. “The network of people I have met through volunteering with the AIC leads to various assignments across Canada. I have the ability to refer work to other members that I have met through volunteering. If I travel outside of my local area, I know appraisers who can assist me. Appraisers also refer local work to my office, rather than travel. This referral network is a direct result of knowing other volunteers and an indirect result of volunteering.”

Ray encourages all members of the Institute to consider adding some AIC volunteer work to their résumés and says that “The benefits of volunteering include gaining knowledge and experience that will eventually be rewarded by an improved quality of product. There is also the added benefit of obtaining assignments one may not have otherwise obtained.”

When reflecting on his years of volunteering, Ray offers “Most volunteers I have met have the best interests of AIC at heart. They strive to improve the organization, while often improving themselves at the same time.”

**Peter MacLellan, AACI, P. App**  
AEC International

Halifax member, **Peter MacLellan, AACI, P. App**, works for AEC International, an international municipal property tax and assessment consulting firm. Peter started volunteering almost immediately after joining the Appraisal Institute of Canada (AIC) in 1971, and is modest about his earliest contributions saying in those days “candidates were seen as nice people who made good coffee.” Nonetheless, he found it rewarding and has persisted with volunteering ever since.

Peter first considered a career in accounting, but his focus was redirected when he became inspired by AACI mentors like David Hildebrand, George Hayward, Fred Losier and John McEachern. Their dedicated commitment to leadership and volunteering appealed to him, and he was encouraged to strive to mirror their accomplishments and success – a bar he says he is still determined to reach.

Peter views volunteer work as a love/hate relationship. He hates the time demands, but acknowledges how much he loves the involvement. “It is not much different from your family relationship. Family and career are the two most important things in your life. When you have children, you are constantly going here and there, raising funds, and essentially volunteering for whatever it is that you can do to strengthen the team. At the end of the day, you make great friends and the family is that much stronger. The AIC is a family too. You want to see it become stronger, healthier and better. It is a ‘no brainer’ for me. Volunteer roles are a balance where your personal and professional lives are so integrated and intertwined.”

When asked to elaborate on how his AIC volunteering has contributed to his professional life, Peter admits, “I could write a short novel on how my experience with the Institute has benefited me in my professional life. Volunteer roles and Institute challenges have done nothing but benefit me professionally.” Peter recently retired after 18 years as Chief

Appraiser for the provincial Assessment Services Division of Service Nova Scotia and then assumed a challenging position with AEC – a goal of his for many years. He points out that working with AIC members and staff has provided him with countless opportunities and exposure to professional men and women he would never have been able to meet socially or professionally had he not been in a volunteer role. He acknowledges that these contacts have crossed over many times during his life, contributed to his diverse background, and helped prepare him to assume his current position.

“Thirty years ago, real estate appraisal was a profession that was seen by many as a second career,” he says. “But, coming out of the 1960s, there were a few professional visionary thinkers. These dedicated men and women of the Institute, both staff and members, had the drive and vision to see the profession accepted at a level with lawyers and accountants. They forged alliances within government and business, and brought the assessment and banking community into the ranks. Their greatest achievement was bringing the academic community into the equation and, thus, raising the educational level to meet international academic acceptance.”

Peter adds, “Today, the new members are younger, better educated and not afraid of challenges. However, if you intend to advance, you have to be seen. Not seen by just your boss or clients, but by your peers. Your education and work product will get you part way there. Having the conviction and dedication to do what needs to be done as a volunteer will take you much further, faster, and, in the long run, it will be much more rewarding.”

Peter’s final comments for newer members: “Still not convinced? Getting involved brings with it valuable life-building professional skills, such as compromising, negotiating, networking, public speaking and managing. Best of all, as a volunteer with the Institute, I can guarantee that you will gain some of the best friends and associates you have not yet met.” 🍷

# Appraise the best that Vancouver has to offer!

The Appraisal Institute of Canada and the 2007 Conference Committee invite you to spectacular Vancouver, British Columbia from June 6-9, 2007 for *Streams, Currents & New Waves*. Start planning your trip to our newest Olympic city to participate in 2007's most important educational and networking event for the appraisal community in Canada. The 2007 conference will be held at the Westin Bayshore, Vancouver, on the edge of scenic Burrard Inlet. Close to the city centre, the Vancouver Aquarium, Stanley Park, olde Gastown, and Robson Street shopping, the Westin Bayshore offers world-class meeting facilities that will enhance your conference experience.

Exciting and innovative program ideas and tours, along with wonderful opportunities to network with your peers, will make the 2007 conference an event not-to-be-missed!

## Streams, Currents & New Waves

The Conference Committee and staff have been working hard to develop a strong educational program offered in the following streams:

- ~ **Hot topics** focusing on current valuation issues, industry trends and emerging opportunities in the valuation profession.
- ~ **Tools, techniques & tips** focusing on technology and new approaches enabling our profession to keep pace with ever changing models, systems and approaches in real property valuation and consultation.
- ~ **Personal growth, lifestyle and balance** addressing the need for sustained health in all aspects of our professional, social and personal lives.





## Featured speakers...keys to starting and ending your day right

Conference organizers are pleased to have six highly-regarded keynote speakers to start and end each day. A diverse range of presentations to inform, enlighten, inspire and entertain.

### **Mike Harcourt ~ Former Premier of British Columbia.**

Former British Columbia Premier Mike Harcourt will present his thought-provoking vision on new ways to plan for the future of our communities and our environment. He will deliver his encouraging message on what one can accomplish with perseverance and hard work.

### **Randall Bell ~ the 'Master of Disaster'**

In tumultuous times, when bad things happen to good people, Randall Bell answers the call. An award-winning economist, consultant and author, Mr. Bell has traveled the world and provided his invaluable insights into some of the world's most high-profile disasters and crimes. Drawing on his vast experience, his fascinating presentation will provide delegates with insights on how to build a game plan to avoid life's pitfalls while establishing a framework for high achievement.

### **Stuart McLean ~ host of CBC Radio's The Vinyl Café.**

Those of you who are familiar with Mr. McLean from his work on radio will not want to miss his irreverent and wry humour, as he presents his unique perspectives on life. Broadcaster, journalist and best-selling author of award winning books *Home from the Vinyl Café* and *Vinyl Café Unplugged*, Mr. McLean's lighthearted and idiosyncratic stories will surely strike a chord with delegates.

### **Andrew Ramlo ~ Director of Urban Futures**

A prominent demographer, urbanist and planning consultant, Andrew Ramlo uses his profound ability to relay difficult material with enthusiasm and clarity. An expert at forecasting demographic and economic change, he will outline strategies designed to address the challenges and opportunities that organizations and individuals will face in the decades to come.

### **Dr. Lloyd Atkinson ~ Economic and Financial Consultant**

Dr. Atkinson, an economic superstar who offers a fascinating and accessible take on the global economy, will enlighten delegates on what is in store for the Canadian economy. Formerly Executive Vice-President and Chief Economist for the Bank of Montreal, Dr. Atkinson will explain the intricacies of Canada's current economic climate and share his knowledge and experience to provide accurate and clear-sighted predictions of where the economy is heading, helping delegates plan their path to future success.

### **Dr. Kenford Nedd ~ Medical doctor and specialist in behavioural medicine**

As a practicing medical doctor in the field of family medicine, specializing in behavioural medicine and stress, Dr. Nedd treats stress-related disorders in both clinical and corporate settings. An internationally renowned keynote speaker, broadcaster and author, Dr. Nedd will deliver an inspirational address focusing on how to engineer the body and brain for peak performance; how to establish control over the body and emotions; how to boost your memory and brainpower; and how to become happier and more motivated in our stressful times.

## Rounding out the program...

A wide array of other educational, informative and thought-provoking programs have also been lined up to make the 2007 conference an incredible learning opportunity. Some of the tentatively scheduled sessions include:

- ~ What's Happening with Investment Properties?
- ~ Appraising the Tough Ones
- ~ New Horizons – The Why, the What and the How
- ~ Disasters and Their Effects on Value
- ~ The New Forms Aren't New Anymore...Are You in Compliance?
- ~ Current Development Trends
- ~ Global Real Estate Trends
- ~ The Art of the Successful Flip
- ~ Cross-Canada Jurisprudence Review

## Networking, field trips and unique opportunities to experience Vancouver...

The Conference Committee has worked hard developing opportunities to network and socialize with your peers, as well as offering unique opportunities to experience, hands-on, development activity with the Vancouver region. These opportunities will truly round out your conference experience.

Conference co-chairs **Craig Barnsley** and **Kelvin Coley-Donohue** and the rest of the Conference Committee encourage you to head west in 2007. They would love to welcome you to Vancouver in June 2007...to show you the best that Vancouver has to offer!



### The web site is your link to up to the minute Conference info...

The official conference web site is your source for complete information on the 2007 AIC Conference. Additional information will be continually added as details are finalized. Visit the AIC 2007 web site at:

[aicanada.ca/e/aic2007](http://aicanada.ca/e/aic2007)



## INTERNATIONAL VALUATION

BY BRAD WAGAR, AACI, P. APP  
IVSC REPRESENTATIVE

# Countdown to convergence

**F**rom a valuation standards perspective, the year that is drawing to a close has been quite active. For those of you who may not have been tracking some of the events, I will attempt to share why you might want to keep current going forward and why these changes represent a real opportunity.

The best place to start is to briefly summarize some of the more significant events that occurred in the realm of the accounting profession and accounting standards. I think it will quickly become apparent why we, as valuers, should not only be aware of the accounting profession, but to plan on being increasingly involved with it. Three acronyms you should commit to memory are IASB, FASB and AcSB.

In September 2002, the International Accounting Standards Board (IASB) based in London and the Financial Accounting Standards Board (FASB) in the United States entered into the *Norwalk Agreement*. The essence of this agreement is that both parties would use best efforts to make existing accounting standards compatible as soon as practicable; and to co-ordinate their future work programs. More recently, in April and October 2005, both organizations reaffirmed their commitment to this project frequently referred to as the 'Convergence' project. How does this affect us?

Well, as you might expect, before you attempt to make any set of standards compatible with another, you had better have a common set of terms and definitions. The old expression "the United Kingdom and the United States are separated by a common language" was never more true. The global accounting profession uses numerous, substantially similar, but often different standards. To com-



pond matters, these various standards frequently have similar wording, but appreciably different meanings depending on one's interpretation.

One of the terms the IASB and the FASB had to agree on was 'fair value,' which is a rough equivalent to our 'market value.' Fair value is not easily defined, however. This is due in large part to accountants working with both sides of the balance sheet, and, as a consequence, needing a value definition that works not only for assets, but liabilities and equity as well. To date, unlike business valuers, most of the Appraisal Institute of Canada's members have only had to deal with assets, and, more often than not, only one class of assets – real property. As you might expect, coming up with a definition for value that works well globally for assets, liabilities and equity is a little more involved. Why should we care?

The principal reason valuers need to be aware of these issues and events is that countless business activities increasingly happen globally, and a great many of these activities require capital. Whether it is debt capital or equity capital, countries and companies alike want access to the world's capital markets. Ready access to the capital markets is almost entirely dependent upon meaningful and timely financial information. While the financial instruments will be many and varied, more often than not the decision to buy, lend, or participate at all, comes down to the assessment of risk ...**risk often measured against value.**

Access to global capital markets really and truly only occurs if it includes access to the US capital markets. While this reality is in large part what prompted the IASB and the FASB Convergence project, the high

profile collapses of companies like Enron and WorldCom certainly added additional fuel to the push for more rigorous standards.

So, consider the following events, realities and acronyms and their impact on how you might fill your day:

- *International Financial Reporting Standards (IFRS)* are increasingly used in many parts of the world, including the European Union, Russia, South Africa, Hong Kong, Australia and Singapore. It is estimated that the accounting activities of over 100 countries are influenced by IFRS.
- According to PricewaterhouseCoopers' (PwC) *Similarities and Differences – A comparison of IFRS and US GAAP – February 2006*, IFRS "Generally uses historical cost, but intangible assets, property plant and equipment (PPE) and investment property may be revalued to fair value." This option for revaluation is an option not presently found in US generally accepted accounting principles (GAAP). That said, the need for updated values often occurs for a variety of reasons, including purchase price allocation for companies being acquired, taking companies public, for investment companies, for impairment testing, etc.
- FASB and IASB have started the Convergence project, one of the elements of which is to establish a Fair Value Measurement (FVM) methodology to establish values for various classes of assets, liabilities and equity.
- IASB asked the Canadian Institute of Chartered Accountants (CICA) to work on recommendations on what a Fair Value Measurement methodology should involve.
- FASB and IASB seek input from a variety of sources, to include the International Valuation Standards Committee (IVSC), on valuation issues having to do with or impacting fair value.
- The Appraisal Foundation (TAF) in the US and the International Valuation Standards Committee enter into the *Madison Agreement*, which essentially initiates future convergence of the *Uniform Standards of Profes-*

*sional Appraisal Practice (USPAP)* and the *International Valuation Standards (IVS)*. Similar to the IASB/FASB *Norwalk Agreement*, the objective of the *Madison Agreement* is not to create identical sets of word-for-word standards, but rather to ensure that the same words have the same meanings and, more importantly, that the two sets of standards do not contradict each other.

- Closer to home in January 2006, the Canadian Accounting Standards Board (AcSB) states in its Strategic Plan, "The AcSB has concluded, given the increasing globalization of capital markets and other recent developments, that it is timely for publicly accountable Canadian enterprises to adopt globally accepted, high quality accounting standards by converging Canadian GAAP with International Financial Reporting Standards (IFRSs) over a transitional period." The transition period was identified as five years.
- In case the handwriting on the wall is not clearly visible, IASB recently stated that fair value should be defined as "the price that would be received for an asset or paid to transfer a liability in a transaction between market participants at the measurement date." Sounds somewhat familiar, does it not?

What does this really mean and what does one do?

- First, no one should run out and try to memorize the International Financial Reporting Standards. Both the accounting standards and the valuation standards are evolving and it will continue to be a moving target for a while. Awareness of the issues is the key point.
- You should watch for courses and/or continuing professional development opportunities which will further your understanding of Valuation for Financial Reporting (VFR) requirements.
- Watch for articles or announcements from the Toronto Valuation Accord (TVA), of which the Appraisal Institute of Canada was a founding organization. The TVA was formed specifically to work with the accounting profession in North

America on the subject of Valuation for Financial Reporting. You will no doubt encounter the expression Mark-to-Market (M2M), which also refers to market-based values being used in financial statements.

- Give some thought to establishing a strategic and symbiotic relationship with a business valuer, who will need your expertise and vice versa?
- In the beginning, it is likely that the client, the client's accountant and you will have to come to a common understanding of both the scope of work and the compliance requirements, as this field of work will be new territory for all of us.
- Like everything in life, the more assignments we complete and the more issues we are exposed to and/or deal with, the more comfortable and expert we will become. For example, Australian valuers deal with IFRS all the time, and so can we.
- There will be more business opportunities. As more entities access the global capital markets, more companies and accounting firms will need qualified value estimates for reporting and auditing purposes. Fortunately, it will not happen right away and we all have time to prepare for this type of work.

When is all this likely to happen?

Well, all those close to accounting standards are saying convergence will effectively occur in the next three to five years. In more local terms, 2010 is envisioned as the last year that publicly accountable enterprises will report under current Canadian GAAP, and 2011 as the first year of reporting under a complete set of IFRS-based Canadian standards. Looking south and across the pond, 2009 is the year the US Securities and Exchange Commission (SEC) and the Committee of European Securities Regulators are working towards for the removal of the requirement imposed on European (IFRS) registrants with the SEC to reconcile their financial statements to US GAAP.

All of which begs the questions, "Can we be ready in four years?" and "Where and how will *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)* fit in?" 🐼

# Appraising on an international scale



**I**n the ever changing financial markets, the latest buzzword is 'globalization.' The pace at which capital moves among international markets has never been greater. Real estate assets figure prominently in the transactions that are at the core of this activity, as do operations that engage real estate as one of a group of assets engaged in a larger whole.

It follows that Canadian practitioners will be called upon in even greater numbers to either conduct valuation assignments beyond our borders, or to complete assignments in Canada for international clients in

support of raising capital, purchase and sale, purchase price allocation or financial reporting (see *Brad Wagar's article on this topic on pages 26-27 of this issue*). The question that arises is how Appraisal Institute of Canada (AIC) members can complete this work and remain in compliance with our standards. On the surface, the answer is simple. Our members must follow our rules.

The notable exception is if and when a Jurisdictional Exception applies. However, those situations are relatively rare and narrowly applied. Members working outside of Canada, or working in Canada for

clients from abroad, must be aware of situations where rules other than those set by the AIC may also apply. This can occur as a result of agreement with the client, or imposed through regulatory means. For example, at the request of a client, members may voluntarily agree to complete a report under, say, the *Uniform Standards of Professional Appraisal Practice (USPAP)*, the primary standard in use in the United States. This may be simply due to the fact that those are the standards the client knows best. This is distinct from a situation where an appraiser is working on an assignment in the US. All



states require *USPAP* to be applied, when the appraisal is completed in support of a lending transaction by a federally regulated financial institution (this applies to properties over a certain value threshold). Only some states are 'mandatory' where **all** appraisals must be completed by a state-licensed appraiser. So, *USPAP* is absolutely required in some cases while, in others, when this standard is applied is only dictated through agreement with the client.

While this is just one example, the solution is common to all situations where more than one standard is in play. That is, the appraiser must conform to the highest minimum of those standards that apply. Where an assignment is being completed under a standard that has less stringent requirements than ours, the member will still have to comply with *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*. A simple example is the requirement to report prior sales of the subject property over the past three years, as well as listings, offers to purchase or agreements for sale within the past year (if such information is available in the normal course of business). If a second standard were being followed, where reporting on market activity was not required at all, performance by an AIC member would still be judged under our rule. The reverse is also true. A member would have to comply if the second standard demanded a higher level of performance, however, they would not be out of compliance with our standards as a result.

Beyond this general rule, a few other developments are worth noting under this topic. A few years ago, the AIC Board of Directors adopted a policy that recommends members follow the *International Valuation Standards (IVS)* in any area where *CUSPAP* was silent. The *IVS* has three primary standards: Standard 1: Market Value Basis of Valuation; Standard 2: Valuation Bases other than Market Value; and Standard 3: Valuation Reporting. In addition to the standards, this set of rules includes three application

statements: Valuation for Financial Reporting; Lease Classification; and Valuation for Lending Purposes. Guidance material is then presented in 14 topical areas including real property, intangible assets, business valuation, plant and equipment, and so forth. The *IVS* is available for purchase or it can be downloaded for free at [www.ivsc.org](http://www.ivsc.org)

While the recent focus of the International Valuation Standards Committee has been on ensuring that valuation standards were aligned with the requirements of the international accounting profession, the standard is quite complete and has been adopted as the rules of practice in some countries. For many applications, this standard will be useful when working for clients familiar with it, on assignments for financial reporting, or in countries where this standard is the norm. The main differences between this standard and ours are primarily related to verbiage.

The other standard most likely to be encountered is *USPAP*, with which many AIC members are familiar. The most recent developments in the 2006 edition of *USPAP* remove the departure provision, as well as the notion that an assignment could be 'complete' or 'limited.' The emphasis has shifted to a greater focus on the Scope of Work. This brings *USPAP* into a much closer alignment with *CUSPAP*. *USPAP* still requires that the type of report be identified (i.e., whether it is Self-Contained, Summary, or Restricted Use). Here again, the AIC standard does not require labels on the report type. So, conforming to *USPAP* is not contrary to *CUSPAP*. *USPAP* is available for purchase at the Appraisal Foundation web site or for free download at [www.appraisalfoundation.org](http://www.appraisalfoundation.org)

Two important caveats must be added to this discussion. First, the AIC insurance program does not cover work done outside of Canada. Of course, the *Ethics Rules* still apply, which requires disclosure of the lack of coverage under our policy. Therefore, members completing work outside of Canada should seek

separate cover for this work, and, accordingly, make the disclosure a non-issue.

The second observation is that the AIC *Ethics Rules* have a dual competency requirement – one that might be termed technical and the other geographic. The AIC standards provide guidance as to how such competence might be gained and demonstrated. However, it is up to the member to be able to show compliance, if his or her performance is questioned.

*CUSPAP* has been recognized by many organizations as being a robust set of rules. When working internationally, or for international clients, following *CUSPAP* should get members 90% of the way towards compliance. The balance is largely a matter of different terminology, and reaching compliance will require only that a member put extra effort into a few areas.

Remember, the highest minimum will apply by regulation, rule, or the appraiser's acceptance of the terms of reference for the assignment. Be careful out there! 🍀

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# Increasing AIC ranks

**T**he New Horizons initiative of the Appraisal Institute of Canada (AIC) has allowed our profession to take a serious look at where we have been, where we are today, and, perhaps most importantly, where we are going. Moving forward, I believe that we have a more dynamic, versatile and qualified group of valuation professionals than ever before.

The degree requirement that has been implemented by AIC will result in better qualified designated appraisers with strong analytical skills. However, as a profession, we must be cognizant of the fact that, for the new graduates we seek to attract, there are opportunities in a broad number of areas. Competition is fierce for the brightest and best of graduates from universities across Canada. The re-branding initiative currently underway will help attract new people into our profession. Expanding opportunities from traditional point-in-time valuations, which have been the focus of our profession, to a more multidisciplinary approach, should lead to new income streams for many. With increased opportunities to make above-average income, it seems logical that the profession's appeal will increase in the eyes of these university graduates.

The need for growth in the workforce across Canada is being met, in part, by immigration. Increasingly, North American professional organizations are looking abroad to find qualified personnel to meet their succession planning needs. In 2001, Citizenship and Immigration Canada reported that 44% of skilled workers entering Canada indicated an intention to work in professions related to the ones they left in their countries.

Developing a model to recognize the education, applied experience, and qualifications of valuation pro-

fessionals entering Canada is an immediate and complex concern for the Institute. The Learning Advisory Committee (LAC), together with the Professional Qualifications and Competencies Committee (PQCC), has been investigating innovative solutions that will assist in these individuals' transition into the AIC.

Although international valuation standards have been developed and published, these have not been universally adopted. The educational standards for appraisers vary significantly within and between countries. For example, AIC recently introduced a degree requirement for both the CRA and AACI designations. A degree is currently a requirement for accreditation by many, but not all, comparable valuation organizations. The AIC also provides a fast track option for completion of the AACI designation for graduates with a recognized business or commerce degree who then need only to complete the educational requirements of the designation, along with the applied experience program. However, challenges are presented when individuals entering Canada have completed their country of origin's requirements to practice as appraisers, and want to have their education and experience recognized here.

With a view to developing a model for designation portability, the World Association of Valuation Organizations (WAVO) has been investigating levels of education and practical experience required to obtain professional designations in various countries. It is safe to say that no two countries are the same, and the requirement to obtain professional designation within various countries varies substantially. A bachelor degree from a university outside of Canada can be quite different in terms of concepts taught, length of program and academic rigor.

Various models have been developed by other professional organizations to recognize foreign credentials.

The PQCC and the LAC are engaged in an examination of some of these models to see if their experiences can be used to form policy. Within the framework of the applied experience program, as well as the comprehensive written exam that is being developed, we hope to be able to fairly assess the competencies of incoming appraisers after a period of time.

Further enhancement and modification of the mentoring program to address the circumstances of these new Canadians will assist them in adapting to the unique aspects of appraising in Canada. These initiatives fill a critical need for the kind of membership growth that will allow AIC to further its goals for enhanced professionalism and growing diversity of practice for future members. 🍀

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# Depth and breadth of Applied Experience

**I**t is becoming increasingly challenging for the Applied Experience (AE) interview panel to interview candidates for accreditation, when the candidate's real estate related background involves something other than the preparation of written appraisal reports for a variety of commercial and residential properties. In fact, candidates may have quite a varied background and may not be involved in the creation of 'traditional' appraisals at all. The Appraisal Institute of Canada (AIC) recognized that, as long as the experience of the candidate is related to real estate and the First Principles of value, their work experience or background may be in such areas as:

- All areas of valuation
- Negotiation
- Due diligence
- Arbitration
- Project management
- Strategic advice
- Appraisal review
- Feasibility H&B use studies
- Expropriation
- Lease administration
- Native land claim
- Financing
- Consulting
- Litigation Site selection analysis
- Management of valuation related organizations
- Environmental specialization
- Research
- Land agency
- Property management
- Land use planning



- Property development
- Quantity surveying
- Land surveying
- Accounting
- Engineering
- Law
- Right of Way agents
- Forestry
- Security issues
- Property sales

The common thread for all of these candidates, despite their employment background, is that they are involved in real estate and the application of the first principles of value. Those first principles are:

- Property identification
- Property content
- Definition of value
- Function – purpose
- Highest and best use
- Land use regulations
- Economic variables
- Legal issues
- Research

Once the interview panel is satisfied that the candidate has a real estate related background and has the appropriate amount of experience in the application of the first principles (one or two years depending upon the designation being applied for), the interview should then focus on the depth and breadth of that experience. This is quite different from, and should not be confused with the point-in-time appraisal of all kinds of properties – both commercial and residential.

Depth and breadth of experience for a candidate who, for example, works for a residential land development company may never involve the preparation of a full appraisal report and certainly may not involve the appraisal of office buildings or shopping centres. However, the candidate may successfully demonstrate depth and breadth of applied experience of the first principles

## The Applied Experience examination

In 2001, the Appraisal Institute of Canada (AIC) introduced the Applied Experience Program (AEP), as a new model for the articling requirement for candidate members of the Institute. The AEP was designed to provide candidates proceeding to designation with experience in the application of the principles of value in a professional working environment, and to foster the development of the professional skills expected by the clients of Institute members. A mentoring component ensures that knowledgeable designated members guide candidates in their development and in the application of the principles of value and professional skills. Mentors instruct the candidates in 'First Principles' as related to work experience in one of the recognized Areas of Applied Experience, and advise them on the development of the critical professional skills – ethics, communications and critical thinking.

The Applied Experience Subcommittee of the Learning Advisory Committee has spent the last year developing the format and principles for the written Applied Experience Examination for the AACI, P. App designation, for implementation in early 2007. The CRA examination will be developed and introduced at a later date. The conversion of the examination from an oral to a written model, complemented by a personal interview with a local panel of examiners, is one of the final measures adopted by the AIC Board in fulfillment

of the commitment to an overall upgrade to the path to designation. This is not a change in policy, in that the AEP program has always included an examination that tests the ability to apply knowledge in a workplace setting, demonstrate breadth and depth of experience, and assess critical professional skills: ethics, critical thinking and effective communications. Rather, it is a change in the assessment methodology and delivery of same, aligning it with the evaluation approach of comparable professional organizations, and providing for improved consistency in the assessment of candidates' readiness for designation and in the scheduling of examinations.

The three-hour exam will include one case study/scenario, as well as short answer, multiple choice and true/false questions. There will be several case study options to allow participants to choose the one that best demonstrates their knowledge of principles.

The policy on the written examination requirement is effective January 1, 2007. The requirement for the written examination will be waived for those applying for the CRA designation, until that examination model has been set. The first written examination for those applying for the AACI, P. App designation will take place in April 2007 at examination centres across the country. Candidates will receive full details on the process for registration for examinations in early January.

despite the fact that they have not prepared 'traditional' appraisal reports for a wide variety of properties. The interview panel, in this example, would want to focus on the number, size, variety and complexity of the development properties that the candidate has been involved in and to which they have applied the first principles. Examples would include the candidate having applied the first principles for development properties within different economic areas or municipalities, the developments involved relatively complex issues (i.e., legal, physical, economic) that needed to be resolved or overcome, and the type of development (although residential) may have involved different density issues. There are a number of areas to be explored by the interview panel in order to satisfy it that a candidate in this case has sufficiently completed the applied experience requirements for accreditation.

A troubling issue for some AE interview panels is the review of a candidate who is involved in the valuation of property and has demonstrated the application of the first principles, but whose appraisal focus was primarily on residential properties. Under the historic AIC articling program and accreditation interview for the AACI designation, the panel would expect the candidate to provide work samples (narrative appraisal reports) that focused primarily on IC&I properties. This requirement is no longer necessary. As in the first example above (the candidate who worked for a residential land development company), a candidate primarily involved in residential appraisal work should still be offered the opportunity to illustrate the depth and breadth of his or her experience in this recognized field. If the candidate's experience is limited to simply one or two areas, such as the preparation of form appraisals for standard housing units in developed urban areas, the candidate would be found to be lacking in both depth and breadth of experience. However, the candidate can demonstrate sufficient depth and breadth of experience if his or her experience in residential appraisal includes the

application of the first principles in areas such as urban housing, rural properties, acreage, homes in economic and/or legal transitional areas, complex valuations, potential subdivision development properties, buildings suffering from abnormal depreciation, partially constructed or developed properties, etc.

In both of these examples, the focus of the interview panel would be on ensuring that the candidate has sufficient real estate related experience in the application of the first principles. The depth and breadth of experience should focus on the type of work that the candidate is involved in and not necessarily on providing examples of point-in-time valuation of IC&I properties, when such experience is not related to the kind of work to which the candidate is exposed.

Some interview panels are concerned that allowing a candidate to earn an AACI designation without the candidate having actual experience in the valuation of IC&I properties exposes our AIC membership to risk and/or weakens the meaning of the AACI designation. These concerns are mitigated and properly addressed within the *Canadian Uniform Standards of Professional Appraisal Practice* (see below):

**Canadian Uniform Standards of Professional Appraisal Practice (2007 Edition)**

**1.1 Competence**

- 1.1.1 Prior to accepting an assignment or entering into an agreement to perform any assignment, an appraiser must properly identify the problem to be addressed and have the knowledge and experience to complete the assignment competently; or alternatively:
  - 1.1.1.i. disclose the lack of knowledge and/or experience to the client before accepting the assignment; and
  - 1.1.1.ii. take all steps necessary or appropriate to complete the assignment competently; and
  - 1.1.1.iii. describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report. 🗣️

**Next steps:** The advice in this article focuses on the AE oral examination process that is currently in effect. Upon implementation of the new written component to the final examination leading to awarding of the designation in the coming year, the oral examination will be modified so that it is complementary to the written assessment. However, many of the principles noted in this article will remain relevant points of reference for examiners, and adherence to them will assist AIC in maintaining uniformity of the AE examination process across Canada.

*Questions or requests for clarification should be directed to Leacy O'Callaghan-O'Brien, Senior Advisor, Professional Development and Member Services at [leacyo@aicanada.ca](mailto:leacyo@aicanada.ca)*

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2.	1.2	<a href="#">Kathryn Brown &amp; Associates</a>
3.	1.4	<a href="#">Sheehan Home Appraisal</a>
4.	1.4	<a href="#">Waldschmidt Appraisal Company</a>
5.	1.9	<a href="#">Holt Appraisal Services</a>
6.	2.0	<a href="#">Frangoulis Corp</a>
7.	2.2	<a href="#">KB Appraisal</a>
8.	2.3	<a href="#">Jim Free And Associates</a>
9.	2.4	<a href="#">Appraisals Etc.</a>
10.	2.5	<a href="#">Shewan-Neng Tsuei</a>
11.	2.6	<a href="#">Doris Appraisal</a>
12.	2.6	<a href="#">Appraisals Unlimited</a>
13.	2.7	<a href="#">Taketa, Miller And Associates</a>
14.	2.9	<a href="#">Shies Ashorian &amp; Assoc.</a>

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# From the Counsellor's Desk

BY ROBERT PATCHETT, LL.B, CD, AIC COUNSELLOR, PROFESSIONAL PRACTICE

## Designated members and candidates: finding a match that will work

### CLASSIFIED AD:

I am a member in good standing of the Appraisal Institute of Canada. I am searching for an AIC Candidate to join my growing appraisal practice. Designated Member available to candidate for mentoring and co-signing appraisal reports.

**Y**our busy appraisal practice is growing and you need to maintain your steady income and your clientele. The real challenge now arises: what compensation package can you offer a new recruit? If there were ever a time to consult an expert, this is it. You should find an accountant and/or a lawyer to assist you with this decision.

As a candidate, you are seeking a designated member, preferably more than one, to co-sign your reports. If you restrict yourself to one designated member, what happens when he or she is sick or on vacation and not available to co-sign your reports? In addition, you will want to be assured that the designated members have you properly registered in AIC's Candidate Registry. [www.aicanada.ca/e/candidate\\_registry.cfm](http://www.aicanada.ca/e/candidate_registry.cfm)

In either scenario, candidates and designated members should consider the following:

**Business model:** Will this be employment or an independent contractor arrangement? There is a

guide available from Canada Revenue Agency that outlines how they will consider an individual's employment status. There are advantages and disadvantages to both business models and you should seek advice on which is preferable under the circumstances.

**Fee splitting:** If you are not on salary, this is likely to be the heart of any compensation considerations. How do you decide what is reasonable? What do other fee splitting industries do? I know that, when my parents owned and operated a taxi service, the fee split was 60/40, with 60% going to the driver plus gasoline. In the appraisal profession, it is not that simple. Here are some factors you may wish to consider:

- Do you bring your own clientele? How many?
- Do you receive assignments from the designated member? How often?
- Are you on a bank's list of approved appraisers? Can you get on the list?
- Who does the billing and collections?
- Who maintains the records?
- Can the fee split be adjusted over time, e.g., start at 60/40 and progress to 30/70 after three years?

**Dues and insurance:** If you are a true independent contractor, then you are paying your dues and insurance levies, as well as the usual business costs. As an employee, these may be paid by your employer.

However, should there be a complaint or an insurance claim filed, and you are both assessed costs, who pays this?

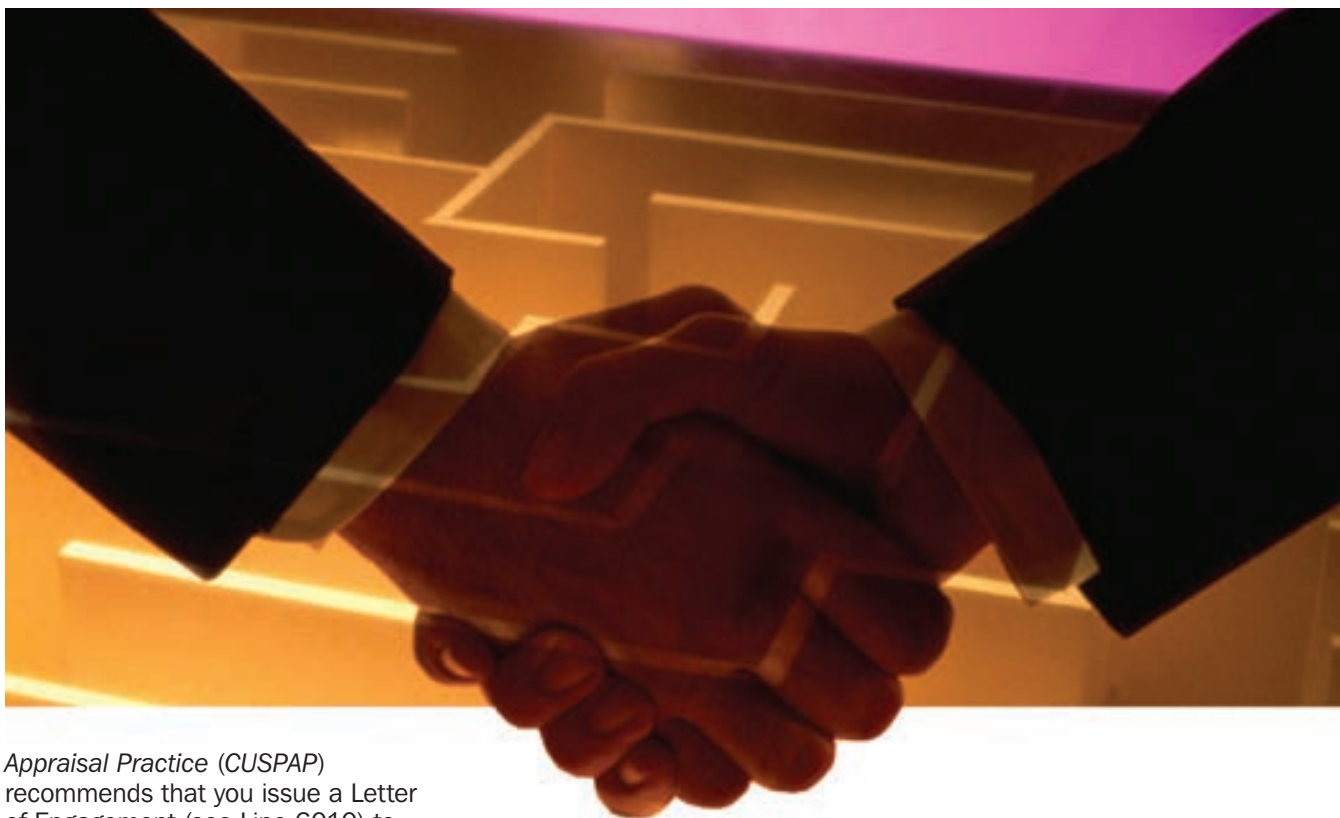
**Review process:** You will want to be assured that there is adequate time to review appraisal reports and exchange ideas and advice. It will be important that both the designated member and the candidate are practicing in the particular specialty, and have the competence and experience for the appraisal work that is undertaken. As a candidate, the time necessary to review routine assignments reduces as you acquire more experience, but, there will always be unusual circumstances that require your seeking advice.

**File retention:** The *Standards* (Ethics Rule 7) require that you have a workfile and that you have custody of the workfile, or that you make appropriate retention, access and retrieval arrangements. It is important to determine whether the candidate or the designated member creates and retains the workfile. This should be settled in advance and it is recommended that, in the absence of an Accessibility Agreement, you each maintain a workfile.

**Membership:** You will want to ensure that both the designated member and the candidate remain members in good standing, and that, should a problem arise in this regard, you can work to resolve it.

Finally, much as the *Canadian Uniform Standards of Professional*





*Appraisal Practice (CUSPAP)* recommends that you issue a Letter of Engagement (see Line 6010) to your clients that sets out what you will do and how it will be reported, it is strongly recommended that any employment contract/business contract be confirmed in writing. Subsequently, should the need arise for you to consult an expert, having this document as a reference will enable that person to give you the right kind of advice so that you can make informed decisions.

Entering into a designated member/candidate partnership will be a significant decision for both individuals. Be sure to take the time to learn about each other, to ask questions, and to ensure that the match works for each of you. You can ask almost any question; consider each other's reputations in the community and what mutual benefits exist. Take the time in research and interviewing to find the right person – someone you know you can work with. At this early stage, you are laying the foundation and it is quite possible that, as the business grows, the relationship may evolve into one of long-term business partners. 🍷

## Canada Revenue Agency web sites

### **Determining employment status:**

[www.cra-arc.gc.ca/E/pub/tg/rc4110/rc4110-e.html](http://www.cra-arc.gc.ca/E/pub/tg/rc4110/rc4110-e.html)

### **Additional info on employee versus self-employed:**

[www.cra-arc.gc.ca/tax/business/topics/payroll/clarify/menu-e.html](http://www.cra-arc.gc.ca/tax/business/topics/payroll/clarify/menu-e.html)

### **Sole proprietorships and partnership:**

[www.cra-arc.gc.ca/tax/business/topics/solepartner/menu-e.html](http://www.cra-arc.gc.ca/tax/business/topics/solepartner/menu-e.html)

### **Corporations info from CRA:**

[www.cra-arc.gc.ca/tax/business/topics/corporations/menu-e.html](http://www.cra-arc.gc.ca/tax/business/topics/corporations/menu-e.html)

## Other links of interest

### **Canada Business:**

<http://canadabusiness.gc.ca/gol/cbec/site.nsf>

### **Industry Canada's *Strategis*:**

<http://strategis.ic.gc.ca/engdoc/main.html>

### **Provincial government info:**

[http://www.gc.ca/othergov/prov\\_e.html](http://www.gc.ca/othergov/prov_e.html)



# Branding you Branding your profession Branding the Institute ....so, what's next?

**I**t is true. Appraisal Institute of Canada (AIC) members are currently seen as the foremost authority at estimating market value of Canadian real estate. However, it is time to enhance that picture. AIC members are capable of much more, and it is time to let our employers, clients and stakeholders know our secret. It is time to broadcast the message that AIC accredited members are qualified to deliver analytical advice and professional opinions across a wide spectrum of services. We are ready to share this news with stakeholders.

Most of our present clients recognize that AIC members excel at delivering point-in-time appraisals. We need to change that perception – to expand its boundaries and explain that we bring more than one dish to the table. Here are some of the services we should be promoting:

- condo reserve fund studies;
- market rent analysis;
- lease reviews;
- value added proposed renovations; and
- market studies.

Over the past few years, AIC has been guiding its members in elevating their qualifications, expanding their scope and acquiring specialty training as a way to set the stage. In this way, the Institute has been positioning itself to be ready for the imminent rebranding, marketing and communications campaign.

What will this campaign do for our profession and our careers? The main purpose of the campaign is to give AIC renewed exposure and to help our stakeholders redefine their perception of AIC members and their capabilities. The campaign will do this by offering:

- Common branding for the profession, the image and the quality of work.
- Increased market exposure as a result of branding.
- Higher client/stakeholder awareness of valuation services and issues.
- Increased career opportunities for members and potential members.
- Greater demand for services, resulting in higher fees and remuneration.
- Increased demand for full range of valuation services.
- Improved mobility opportunities for all members – both geographic and career mobility.
- Raised awareness of the profession and its expanding scope of work.
- A better bottom line

Here are some of the messages we plan to put forward as an organization and as individual members taking ownership for marketing ourselves in our own markets:

- Our accreditation and membership standards are the highest in the Canadian industry.

- We are the ones our clients should call when decisions in real estate are being made.
- Our services are superior to those of our competitors – this is why we are worth more.
- We are proud of our members and excited about our bright future in the Canadian real property marketplace.

By the time this magazine reaches your mailbox, AIC members will have shared their opinions on the branding of the Institute by way of the AIC Branding Poll. That input will help guide the Institute in taking the next step in the branding process – either promoting the ‘one-brand’ strategy or adhering to the status quo. The AIC Board of Directors will use the results of the poll to assist in deciding how to proceed at the February 2007 Board meeting, including preparation of any necessary motions for membership votes at the June 2007 Annual General Meeting. The Marketing Plan will be implemented once the decision on branding has been made and approved by the membership. Following that, you will see a very intense, professional and high quality branding exercise continue to evolve at the national and provincial levels.

Provincial associations and individual Institute members will receive extensive documentation providing practical tips and instructions for

AIC accredited members are qualified to deliver analytical advice and professional opinions across a wide spectrum of services.

using the Institute logos, colours and messaging to assist them in expanding their markets and gaining a competitive edge.

The exercise will provide strong, persuasive and consistent messaging to our clients and employers regarding the capabilities and skills of our members and why they will want to make sure an AIC designated member is consulted whenever real properties decisions are being made.

I look forward to this next stage in the branding exercise. It is the stage at which all the hard work of the past few years will finally begin to pay off. It is an exciting time to be an AIC member and to contemplate the expanded scope of opportunities we will enjoy. 🍷

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### **Moving ahead with promotion and recruitment**

Promotion and recruitment are vital elements contributing to the health and strength of the Institute. Because of this, even before our Marketing and Communications Plan ramps up, AIC is addressing this need. Our most recent effort is the 'REAL' campaign and here is how it is rolling out:

#### **What we are saying**

- ❑ Real estate valuation is a professional career offering a multitude of fee and non-fee opportunities.
- ❑ AIC members' expanded scope of practice qualifies them to provide a wide range of real estate valuation and advisory services.
- ❑ AIC members are a valuable asset to private and public sector corporations.
- ❑ There are new requirements for AIC designation.
- ❑ The AIC path to professional designation is suited to new graduates and professionals seeking a career change or enhancement.

#### **Who we are telling**

- ❑ Current and potential employers
- ❑ Lending community
- ❑ Public sector
- ❑ New clients for fee services
- ❑ Post-secondary and university students and graduates
- ❑ Accounting, legal and real estate professionals

#### **How we are telling them**

- ❑ Real Careers pamphlet
- ❑ Real Investment brochure
- ❑ Major city newspaper advertisements
- ❑ Careers Section of AIC web site
- ❑ Attendance at trade shows
- ❑ University newspapers
- ❑ Trade and professional magazines
- ❑ University career associations
- ❑ Career information web sites
- ❑ Provincial associations – volunteers

**Check this page of the AIC web site to see the ads and brochures currently in circulation:** [www.aicanada.ca/e/careers\\_REAL.cfm](http://www.aicanada.ca/e/careers_REAL.cfm)

# When is an ethics standard violation serious?

**F**rom the perspective of the Investigating Committee, a violation of any ethics standard is of concern. Why? The ethics standards are the heart and sole of our profession. These standards are what we, as members of the Appraisal Institute of Canada (AIC), hold out to the public to assure them that we maintain professional standards in the field of property valuation and advisory services.

Asking the question, “When is an ethics standard violation serious?” begs another question; “When is an ethics standard violation minor?” When an ethics standard is violated, it is violated. There is no descriptor of serious or minor that can be applied.

Where the argument for serious versus minor comes into play is within the violation of the ethics standard. It zeros in on the ‘action’ of the member. For example, did the member violate the ethics standard with intent to deceive or defraud, or did the member, through incompetence, carelessness, or both, violate the ethics standard?

How do you distinguish serious from minor? It would not be unreasonable to suggest most of us would have various interpretations or opinions regarding what *serious* and *minor* mean. Even the dictionary offers differing definitions of these terms. To the Investigating Committee, *serious*, in the context of this discussion, means a violation of the ethics standard resulting from the actions of the member that can have far reaching negative repercussions to the reputation of the AIC and its members.

*Minor*, on the other hand, would be viewed as not having the same degree of negative repercussions to the AIC and its members. However, it still would not be treated lightly.

If, through the investigation process, it is found that the member was intentionally deceptive or participated in fraudulent activity in the course of his or her work; that is a serious action. If the member was unintentionally misleading, but misleading nonetheless, because of incompetence, carelessness, or both, it can be argued that the member’s action is something less than serious, and, therefore, minor in nature. Regardless, in each example, the ethics standard is violated.

The repercussions of the member’s action can be compared to a violation of a ‘speed zone.’ If you are caught speeding at five kilometres over the speed limit because you did not see the sign (carelessness), generally, your penalty will be something less than for someone who speeds through the same speed zone at 40 kilometres per hour over the speed limit to avoid being pulled over (intentional and reckless). In either case, both drivers violated the ‘speed limit.’

The Investigating Committee takes into account the member’s actions which resulted in a violation(s) of the ethics standard. When charges are determined, the recommended discipline will likely vary depending on whether the actions of the member are categorized as serious or minor. Not unlike the ‘speed limit’ example.

What has to be distinguished is the fact that the spectrum between

serious and minor concerns itself with the ‘action’ of a member. There is no ‘serious or minor’ descriptor that attaches to a violation of an ethics standard. 🍷

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## A public education opportunity

I hope you noticed that this article is titled *Real Estate Fraud* rather than *Mortgage Fraud*. Real Estate Fraud is an all encompassing moniker that acknowledges that the types of fraud emerging within our sphere of influence do not always involve a mortgage.

This task force is continually striving to identify those opportunities within our products and services that fraudsters exploit, and we are seeking ways to reduce or eliminate them. We will examine not only mortgage fraud issues, but also copyright infringements, changed valuation statements, conflicts of interest issues, and so on.

The current initiatives within the Institute relating to fraud include:

- Providing information on the Institute's web site with links to articles and tip sheets regarding mortgage fraud specifically.
- Providing members with information concerning electronic document transmission security for delivery of valuation documents.
- Staying in direct contact with provincial volunteers working with provincial governments and current fraud committees.
- Continued and expanded promotion of members and the standards and ethics which guide them.

As you are aware, the Institute has been monitoring the real estate fraud issue for some time now and taking every opportunity to keep members informed of this evolving issue, while looking for occasions to disseminate relevant information to the public. A good example of this is the Institute's use of press releases to raise the public's awareness of ways that real estate fraud can impact them and how ensuring that an Institute member is a key player in any real

estate transaction serves to eliminate this crime. The Institute is committed to helping the public make this essential connection so that they understand what our membership can do for the public to aid in the fight against fraudulent activities.

A November 6, 2006 Institute press release is the latest example of this initiative. It notified the public of recent news surrounding Ontario Superior Court Justice Randall Echlin's statement that obtaining the services of a "proper in-person appraisal involving contact with the occupants of the subject premises would have uncovered the fraud." This AIC press release was heavily viewed and picked up by a number of news lines and internet links, expanding our message to the public.

Despite Justice Echlin's statement, let us not focus on what others should and should not do, but, rather, what can we, as AIC members, do to reduce opportunities for real estate fraudsters. The fact sheet highlighting Justice Echlin's judgement, which we produced and distributed at the recent national conference for Canadian Institute of Mortgage Brokers and Lenders (CIMBL), is one such positive response.

We have the responsibility as well as the opportunity to be a significant part of the solution to real estate fraud in Canada. It is up to us, as individual valuers in these very busy markets, to take the time to become educated, to promote ourselves, and to do our best to enhance the public's knowledge and contribute to their ability to protect themselves. This is a key message we have to help communicate to the public: ***In all instances, you have the right to engage the services of an AIC member. An AIC member***

***can give you third party advice that should be considered a compulsory step in the due diligence process of every real estate transaction in Canada.***

Here are web sites with additional information on real estate fraud:

- [http://www.aicanada.ca/e/aboutaic\\_public.cfm](http://www.aicanada.ca/e/aboutaic_public.cfm)
- <http://www.mortgagefraud.square-space.com/canada/>
- <http://www.reca.ca/>
- [http://realtytimes.com/rtpages/20050421\\_camortgage-fraud.htm](http://realtytimes.com/rtpages/20050421_camortgage-fraud.htm)

Working together, we can continue to educate the public about real estate fraud and promote ourselves within our chosen markets. I encourage you to submit any pertinent real estate fraud information and questions to this task force so that we might share this data with your fellow members. ☺

### Ad Hoc

#### Real Estate Fraud Task Force

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# AIC designations granted / 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 September 6, 2006 to November 17, 2006:

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 6 septembre au 17 novembre 2006 :

## 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

Andrew Swoboda  
Pamela Vadori

#### British Columbia

Ian Bilson  
Dean R. DePellegrin  
A Roy Nesbitt  
My K. Phung  
Heidi Scheper  
Joanne Sviatko

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Robert I. P. Kerr

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Bradley Hookey  
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#### Ontario

Steven A. Elliot  
Claudio Polito  
Brett J. Puckrin  
Peter A. Thompson  
Ian K. Tilley

#### Saskatchewan

Janelle Lynn Baerg

## 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

Warren Powers  
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Rose Cheveldave  
Rachel S. Duren  
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Kyle Merkley  
Michel P. Pilon  
Anthony Cheng  
Stephen W. Stubbs  
James P. Maki

#### Quebec

Martin Lemay

## Candidates / Stagiaires

AIC welcomed the following new candidate members during the period September 6, 2006 to November 17, 2006:

*L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 6 septembre au 17 novembre 2006 :*

#### ALBERTA

Deanna Allen  
Gregory Capnerhurst  
Satpaul Chana  
Glen Doll  
Jenny Folkard  
Glenn Foo  
Jordan Gillespie  
Melanie Gillis  
Marni Hope  
Ron Karsten  
Aaron Kwong  
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Jean Marc LeBlanc

#### ONTARIO

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Mark McManus  
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Michael Petti  
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Olga Roudnitski  
Mark Shepherd  
Maria Surina  
Matthew Telford  
Bonnie Tinney  
Martin Tosello  
Germain Vinet

#### QUEBEC

Domenico Ragno

#### SASKATCHEWAN

Greg Buchan

## ON THE MOVE

### Successful real estate expert takes skills to Sierra Leone

With 30 years' experience in commercial real estate consulting, 55-year-old **Paul Fish**, currently with the national firm Altus Helyar, is now applying his extensive real estate background in a challenging new volunteer assignment in Sierra Leone, West Africa. For a six-month period that began in October, Paul is volunteering as a revenue mobilization advisor with the Makeni Town Council. The position involves working with members and stakeholders in the council to create a fair property valuation and tax assessment system. He is also training local staff in its use and helping to increase the capacity of local community members to build fair and inclusive systems that are accepted by all members of the community. Paul is working through *Voluntary Service Overseas (VSO)*, an international development agency that sends skilled volunteers to over 30 developing countries.



Paul's work will strengthen the ability of people to participate in their communities and influence decisions that affect their lives. The system he develops will ensure fairness and responsiveness at the city council level, while ensuring accountability for subsequent valuation and tax-setting. Strengthening newly-created local councils to deliver key services has been identified as one of the key barriers to development in the country.

**NOTE: If you or someone you know in the real estate industry is changing positions, taking on new responsibilities, moving to a new company or location, winning awards, etc., please send the information to [joannec@aicanada.ca](mailto:joannec@aicanada.ca) so that we can include it in our new ON THE MOVE section of *Canadian Appraiser*.**

## Jack Warren Scholarship recipients

The Jack Warren Educational Trust Committee is pleased to announce the recipients of the 2006 scholarships. The annual scholarship is available to individuals from across Canada pursuing careers in real estate appraisal. Congratulations go to **Gordon C. French**, Vernon, BC; **April Green**, Vancouver, BC; **Dustin Lamoureux**, Victoria, BC; **Daniel J. Shields**, Sault St. Marie, ON; and **Karen Taber**, North Vancouver, BC.

Previous recipients include:

- 2005 – Charlotte Ciok, Vancouver, BC; Hlynn Kenny, St. John's, Newfoundland; Anthony Plumtree, Abbotsford, BC
- 2004 – Bronwen Vaughan, Victoria, BC; Karen Osland, Victoria, BC; Samantha Sawyer, Vancouver, BC
- 2003 – Kristin Linquist, Port Moody, BC; Anita Powell, High River, AB
- 2002 – David Bush, Victoria, BC
- 2001 – Sandra Carlson, Aldergrove, BC; Yvonne McIntyre, Nanaimo, BC
- 2000 – Daryn Stewart, Salmon Arm, BC
- 1999 – Brent Kaup, Edmonton, AB; Laina Chwelos, St. Albert, SK; Colleen Underwood, Surrey, BC

For more information or to obtain an official application form, please contact the British Columbia Association of the Appraisal Institute of Canada, #845 – 1200 West 73rd Avenue, Vancouver, BC, (604) 266-8287, or visit the BC Association AIC web site at [www.appraisal.bc.ca](http://www.appraisal.bc.ca), click on publications, brochures and the Jack Warren Educational Trust.

### UQAM Bourse de l'Institut canadien des évaluateurs

Une bourse de 1 000 \$ est présentée chaque année à l'étudiant qui obtient la note la plus élevée dans le « cours d'évaluation approfondie » offert par la Chaire SITQ en immobilier de l'Université du Québec à Montréal. La récipiendaire de la bourse 2006 est Nathalie Hudon de Longueuil, Québec.

## IN MEMORIAM

**S**ince June 2006, the following members of the Appraisal Institute of Canada have passed away. On behalf of everyone connected with the Institute and the profession, we extend our sincerest sympathies to their families, friends and associates.

*Depuis le mois de juin 2006, les membres suivants de l'Institut canadien des évaluateurs sont décédés. Au nom de tous ceux qui oeuvrent de près ou de loin au sein de l'Institut et de la profession, nous exprimons nos plus sincères condoléances à leurs familles, amis et associés.*

**Karan Dool, AACI, P. App**  
Sault Ste. Marie, ON

**John Hansen, CRA**  
Thunder Bay, ON

**Manfred Hohne, AACI, P. App**  
Kelowna, BC

**Lou F. Jordan, AACI, P. App**  
Windsor, ON

**Paul Lean, AACI, P. App**  
Kingston, ON



# The appraisal of submerged land

By Brian E. McConnell, AACI, P. App, B.A.  
and David T. Osland, AACI, P.App, CD

## Introduction

A submerged land parcel can also be called a water covered parcel or a water lot. In appraisal terms, a submerged land parcel would be valued under the valuation methodology for aquatic land. An aquatic land parcel is considered as land with the additional factor that it is covered with water, which, depending on many factors, may or may not enhance the value of that parcel.

Appraisers will encounter submerged land assignments as fee simple valuations and as leasehold valuations, either at the commencement of the lease or at the periodic rent review dates. The main difficulty in the fee simple or leasehold valuations of aquatic lands is the paucity of market sales, which creates the difficulty in employing the direct comparison approach to value.

The vast majority of aquatic lands is owned by the Crown and is mainly administered on a leasehold basis. Aquatic properties require the consideration of several additional factors that are not necessarily relative to upland properties. These include:

- *accessibility*: from the adjacent upland and from the navigable channel;
- *depth of water*: exposure to currents, waves, wind and draft of vessel;
- *period usable*: whether it is subject to ice conditions or fluctuations of tide;
- *availability of services*: municipal regulations, type of shoreline, nature of underwater surface; and
- *land use controls*: zoning regulations, harbour and navigation regulations.

## Valuation methodology

Over time, there have been eight basic methods developed for the fee simple appraisal of aquatic lands.

These methods are as follows:

1. *Zoning method* – This is based on the principle that the value of aquatic land decreases as the distance from the upland increases. Employing this valuation method requires the support of the sales of a number of aquatic parcels that vary in depth or distance from the upland. Typically, such sales support or market evidence is not available and, accordingly, this valuation method is not commonly used.

2. *Abstraction method* – This is based on determining the value of aquatic lands by analysis of sales of combined land and water areas and deducting from these sales the value of the upland to determine the value of the aquatic land on a residual basis.

3. *Value by extraction method* – This method entails valuing the aquatic lands as if filled land and deducting from this filled value the costs of filling the water. This method does not and would not apply for valuing most aquatic lands, as it is unreasonable to project the filling of most water covered parcels being valued to create an upland filled parcel. This method has been used where shallow water areas occur, but is not applicable in most valuations due to site conditions and unknown fill costs, as well as the uncertainties over the legality of filling an aquatic site. Those considerations particularly apply in the federal harbours in Canada.

4. *Percentage method* – This method is developed by assigning a value to the aquatic lands as a percentage of the adjoining upland in circumstances of lands comprised of upland and aquatic land. This methodology does not apply in the case of a wholly-submerged land parcel.

5. *Utility method* – This is a variation of the zoning method where value rates for aquatic lands as a percentage of upland value rates vary due to varying utility.



High utility aquatic lands are valued at higher value rates than low utility aquatic lands. This valuation method is used extensively by those engaged in valuing aquatic lands, either in fee simple or leasehold.

6. *Capitalization method* – Aquatic lands are often held under license or lease, and, as such, the value can be determined by capitalizing their net license or lease income to a capital value. This method could be considered as a test of reasonableness to the more directly applicable methods, such as the utility method.

7. *Direct comparison method* – This method values aquatic lands on the basis of the sales of other aquatic lands. It can rarely be relied on due to the lack of directly comparable market data, i.e., the sales of fee simple water lots.

8. *Land residual method* – This method values aquatic lands by allocating the net revenue from an improved property to its component parts: first the building, second the upland, and third the aquatic land, and through capitalization, determining the aquatic land value. This method is not commonly relied upon.

To summarize, the most common method in valuing submerged lands is the utility method. The capitalization method could also be considered, however, with this method, the terms and conditions of the leases and licences under which the nearby comparable sites are held must be carefully analyzed. Also, the selection of the capitalization rate requires careful scrutiny in order to yield a credible value estimate. Still, as a secondary test, this method deserves consideration.

## The utility method: a case study example

### Background

The authors recently valued a fee simple, submerged land, parcel in a federal harbour. In order to protect the confidentiality of the parties, the details of the parcel valued by the authors cannot be discussed in this article.

### The valuation steps

The process in developing the utility method of valuing the subject submerged land parcel in the federal harbour is set out as follows:

#### Step one

Research was undertaken of land transactions in the subject area judged to be applicable to the service-industrial nature of the subject parcel. From that market data, the market value base rate for upland service-industrial land that applied to the subject submerged land was determined. In this case, the base rate was a per square foot rate.

#### Step two

The utility adjustment factor to be applied to the upland base value rate was estimated for the subject submerged parcel through research and analysis of the following data:

- 1) The sale rates indicated by relatively recent sales of sites in another federal harbour where such sales exist. These transactions encompassed both upland and submerged land components;
- 2) Federal and provincial government and harbour boards' policies with respect to leasing of aquatic lands;
- 3) Sale rates for houseboat sites in a federal harbour were paired to upland/waterfront lot sale rates adjacent to that harbour; and

4) Water-covered site lease rates in the subject federal harbour were compared to upland/filled foreshore lease rates in the same harbour.

### Step three

The estimated utility adjustment factor was applied to the service-industrial upland base value rate to determine the applicable value rate for the subject submerged land parcel. The resulting adjusted value rate was then applied to the area of the subject submerged land parcel to yield the fee simple market value estimate for the subject parcel.

## Examples of utility factors

The summarized utility adjustment factor data that the authors researched in connection with the fee simple valuation of the subject submerged land parcel was as follows:

Summary of researched utility adjustment factor data

Data source	Indicated utility adjustment factor (water-covered vs upland/filled foreshore)
1 Another federal harbour fee simple sales (water-covered areas vs upland)	24%-50%
2 Government/harbour boards' policies	10%-50%
3 Houseboat site sales vs waterfront lot sales	17%-34%
4 Subject harbour site leases (water-covered areas vs filled/upland areas)	35%-50%

The number one data involved fee simple transactions of sites that had a waterfront land component together with an adjoining water-covered component area. This data was studied in order to reveal the various rates paid for inner (high utility) water areas and outer (low utility) water areas. In both cases, the rates are expressed as a percentage of upland value rates. This data dated back over the past 10 years. From this data, it was concluded that, in this harbour, with this class of site, the inner (high utility) water areas were indicated to achieve utility value rates in the range of 24-50% of the respective upland value rates. Outer (low utility) water areas were indicated to be valued generally at 5-10% of the respective upland area.

The number two data included federal and provincial government policies. Where the water-covered site is developed, say with floats and berths, the typical policy utility rate is 50% of upland value. Ingress-egress areas are generally policy rated at 25%.

The number three data involved residential information derived from leasehold houseboat sites that were compared on a price per square foot basis to waterfront residential lot prices. The utility factor ranged from 17-34%.

The number four data took in the comparison of lease rates per square foot of water-covered sites versus upland/filled foreshore sites. These sites were of a service-industrial/service-commercial nature. The lease commencement dates ranged from 2001-2005. This data yielded a utility adjustment factor of 35-50%.

Based on the researched data a utility adjustment factor of 30% was determined for the subject submerged land parcel in the federal harbour under analysis. The fee

simple valuation of the subject submerged land parcel then was undertaken as follows:

Procedure	Illustrative example
Base upland value rate per square foot (step one)	\$25.00 PSF
x	x
Utility adjustment factor (step two)	30 %
=	=
Rate per square foot applicable to the subject submerged land parcel	\$7.50 PSF
x	x
Area of subject submerged land parcel	Say 50,000 SF
=	=
Fee simple value for the subject submerged land parcel	\$375,000.00

## Conclusions

As with most appraisal assignments, the fee simple valuation of a submerged land parcel requires clear thinking and strong market research. Both the appraiser's clear thinking and his or her market research are valuable resources that a client will appreciate and rely upon. Historically, submerged land has been valued on the basis of pre-determined factors. As circumstances change, the requirement increases for market-based valuations. As always, it is the appraisers' role to independently research the market and to apply that market evidence to a carefully considered valuation methodology. 🐾

*Brian E. McConnell, AACI, P. App is the president of Brian McConnell & Associates, Victoria.*

*David T. Osland, AACI, P. App is president of Baker & Osland Appraisals Ltd., Victoria.*

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**AIC Board of Directors Meeting** – February 17-18, 2007  
- Ottawa

For information contact [info@aicanada.ca](mailto:info@aicanada.ca)

**AB Alberta Association (AIC)**

**Spring Conference**  
Friday, March 2 - Saturday, March 3 – Edmonton

**Two-Day Standards Seminar**  
**Edmonton** February 23-24, 2007  
April 20-21, 2007  
**Calgary** April 27-28, 2007  
May 25-26, 2007

For details of two additional Standards Seminars, contact [info@appraisal.ab.ca](mailto:info@appraisal.ab.ca) or (403) 207-7892

**BC British Columbia Association (AIC)**

**Standards Seminars**  
*Although venues have not yet been selected for all locations, we are currently accepting registrations for the following dates.*  
February 2-3, 2007 – Lower Mainland  
March 2-3, 2007 – Victoria  
April 20-21, 2007 – Lower Mainland  
May 11-12, 2007 – Prince George  
May 25-26, 2007 – Lower Mainland  
June 15-16, 2007 – Nanaimo  
September 14-15, 2007 – Okanagan or Kamloops  
September 21-22, 2007 – Lower Mainland  
October 19-20, 2007 – Victoria  
November 23-24, 2007 – Lower Mainland  
The registration form can be found at: [http://www.appraisal.bc.ca/news\\_events/index.php/listing/181](http://www.appraisal.bc.ca/news_events/index.php/listing/181)

Payment in the form of a cheque or money order must be received 4-6 weeks prior to the seminar. Credit card payments will be processed 4-6 weeks prior to the seminar. For details, contact Kathy Porter [kathy@appraisal.bc.ca](mailto:kathy@appraisal.bc.ca)

**MB Manitoba Association (AIC)**

**Home Inspection Refresher Series of Seminars**  
• **Damp Basements & Identifying Structural Defects**  
- Tom van Leeuwen, RHI, Senior Inspector, Pillar to Post Professional Home Inspection, Wednesday, Jan.10, 2007  
Damp basements are the #1 problem in new houses, old houses and all houses in between. With spring flooding looming, this session will help prepare for that inevitable situation when you encounter it.

• **Digital Signatures: Your official signature and security seal in the electronic world**  
- NOTARIUS with Charles Tremblay, Business Development Manager, Wednesday, February 7, 2006  
Saving data over open networks or transferring data via the Internet could compromise the integrity and confidentiality of your documents. What is the digital signature issued by the AIC to its members? The official AIC digital signature is used for:  
- Irrefutably linking your professional identity to your electronic documents;  
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Take advantage of Mr. Tremblay's presence to subscribe to the service in person and save Process Servers fees for identity verification.

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

**NB New Brunswick Association of Real Estate Appraisers**

**2007 AGM and Annual Conference**  
April 19-20, 2007 – Moncton

**An Appraisal Standards Seminar** is scheduled for March 2007. For details, contact Susan MacKenzie [nbarea@nb.aibn.com](mailto:nbarea@nb.aibn.com)

**NS Nova Scotia Real Estate Appraisers Association**

**NSREAA Annual General Meeting** – Saturday, March 3, 2007 – Halifax

**Standards Seminars**  
June 15-16, 2007 – Halifax

For further information, contact Davida Mackay email: [nsreaa@nsappraisal.ns.ca](mailto:nsreaa@nsappraisal.ns.ca), (902) 422-4077

**ON Ontario Association (AIC)**

**Standards Seminars**  
January 5-6, 2007, Toronto  
March 23-24, 2007, Toronto  
April 11-12, 2007, Kitchener  
June 1-2, 2007, Toronto  
June 22-23, 2007, Kingston

February 9-10, 2007 – Fee Symposium, Toronto  
April 13-14, 2007 – Annual Conference and AGM, Kitchener  
January 19 – Public Sector Accountability & Update on the Law of R.E. Appraisers, Burlington  
February 16 – Water-The New Realty Problem & Mold - Where, How, When and Why, Ottawa  
March 2 – Legal Privilege and Its Application to Appraisals & How to Prepare for a Discovery Hearing, Toronto  
March 30 – Update on the Law of R.E. Appraisers' Liabilities & Public Sector Accountability, Barrie  
April 27 – Small Business Program, Toronto  
May 4 – Time Well Spent: A Guide to Personal Organization and Self Management in a Busy Workplace & Grow Houses & Illicit Drugs, London  
June 8 – Examinations for Discovery and Cross-Examination & Capital Gains on Rental and Primary Property, Toronto  
June 29 – Water-The New Realty Problem & Appraising Water Front Properties, Peterborough  
September 7 – A Commercial Inspection Walk-Through & Preparation and Participation in Examinations for Discovery & Cross-Examination, Toronto  
September 14 – Mold - Where, How, When and Why & Water - The New Realty Problem, Kingston  
September 21 – "From MFP to Sponsorgate: Regulatory Changes Mean Business for Appraisers" & Small Claims Court, Toronto  
October 26 – Small Claims Court & Time Well Spent: A Guide to Personal Organization and Self Management in a Busy Workplace, Toronto  
November 16 – Update on the Law of R.E. Appraisers' Liabilities & Public Sector Accountability, Toronto

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March 5-9, 2007 – BUSI 330, BUSI 400 – Toronto  
July 16-20, 2007 – BUSI 330, BUSI 400 – Toronto

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For further information, contact [lrigas@oaic.on.ca](mailto:lrigas@oaic.on.ca)

**SK Saskatchewan Association (AIC)**

**Standards Seminar**  
February 23-24, 2007 – Regina

For information, contact Marilyn Steranka [skaic@sasktel.net](mailto:skaic@sasktel.net)

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