

CANADIAN APPRAISER ÉVALUATEUR CANADIEN

Volume 51, Book 4, 2007

Can appraisers adapt to **CLIMATE CHANGE?**

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Our cover:

The new Irving Greenberg Theatre Centre in Ottawa is home to the Great Canadian Theatre Company. A definite 'green' building (see article on page 41), the two floors of windows have special etchings to trap heat in the winter and repel the sun's rays in the summer. Complete with a composting system and a cistern that drains rainwater from the roof for use in its bathrooms, the building is expected to use 45% less water and electricity than other structures of its size.



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*Gordon J. Tomiuk, AACI, P.App
AIC President*

Collaboration is the key to evolution

When I began my term as President six months ago, I took time to reflect upon the Appraisal

Institute of Canada's long list of recent achievements, as well as the many initiatives then underway. At that time, as now, it is heartening to realize that all of the changes we have undergone and continue to experience have been possible thanks to the concerted efforts of national and provincial volunteers, staff, and the support of our membership.

As you may recall, these changes, including new policies and programs that have been rolled out over the years, were necessary to meet the needs of the marketplace, increase the professionalism of our members, raise the profile of the profession and better protect the public. Our objectives and the methods for achieving them were identified in AIC's strategic plans developed in consultation with our members.

The successes we have enjoyed have been the result of the collaboration that has taken place at the chapter, provincial association and national levels. In this respect, it has been the members volunteering on the board, committees, and working groups, with the support of staff across Canada, who have made it all possible and for which we should all be truly appreciative.

Our record of success is proof that teamwork pays off. Instead of 'us versus them,' this organization has embraced

collaboration and cooperation and we have the positive results to prove it. The cooperation that we have seen is based on two things in particular: mutual trust and delegation of responsibility.

As a professional, non-profit organization comprising 11 associations, roles and responsibilities must be clearly spelled out. Volunteers and staff have different functions to carry out and they must work together fully respecting each other and their respective roles.

The Board of Directors is directly accountable to the membership at both the provincial and national levels and it is responsible for managing the organization in accordance with the bylaws approved by the membership. The Board's role mandate is all encompassing, but its main function is to provide policy direction and leadership at the top level, ensuring that the organization achieves its stated goals for the benefit of its members.

Because it has a great many responsibilities, the Board of the Institute delegates specific functions to its committees, including its standing and ad hoc committees. The Executive Committee is established in the bylaws to handle the day to day administration of the Institute and deal with implementation issues. Educational policy matters are dealt with through the Learning Advisory Committee, while professional affairs are handled by the Professional Qualifications and Competency Committee. Professional Practice matters fall under the auspices of the Investigating, Adjudi-

It has been the members volunteering on the board, committees, and working groups, with the support of staff across Canada, who have made it all possible.

“Members have many ways that they can express their views and provide input to the policy-setting process.”

cating and Appeal Committees. The other standing committees such as Standards, Insurance Advisory and Communications continue to focus on their respective mandates in serving the membership.

Staff support the Board and its committees and implement the policies that the committees establish. In so doing, they may develop processes and procedures to deal with the day to day running of programs and activities. AIC staff are professionals who exercise discretion in interpreting policies and carrying out the wishes of the Board and its committees.

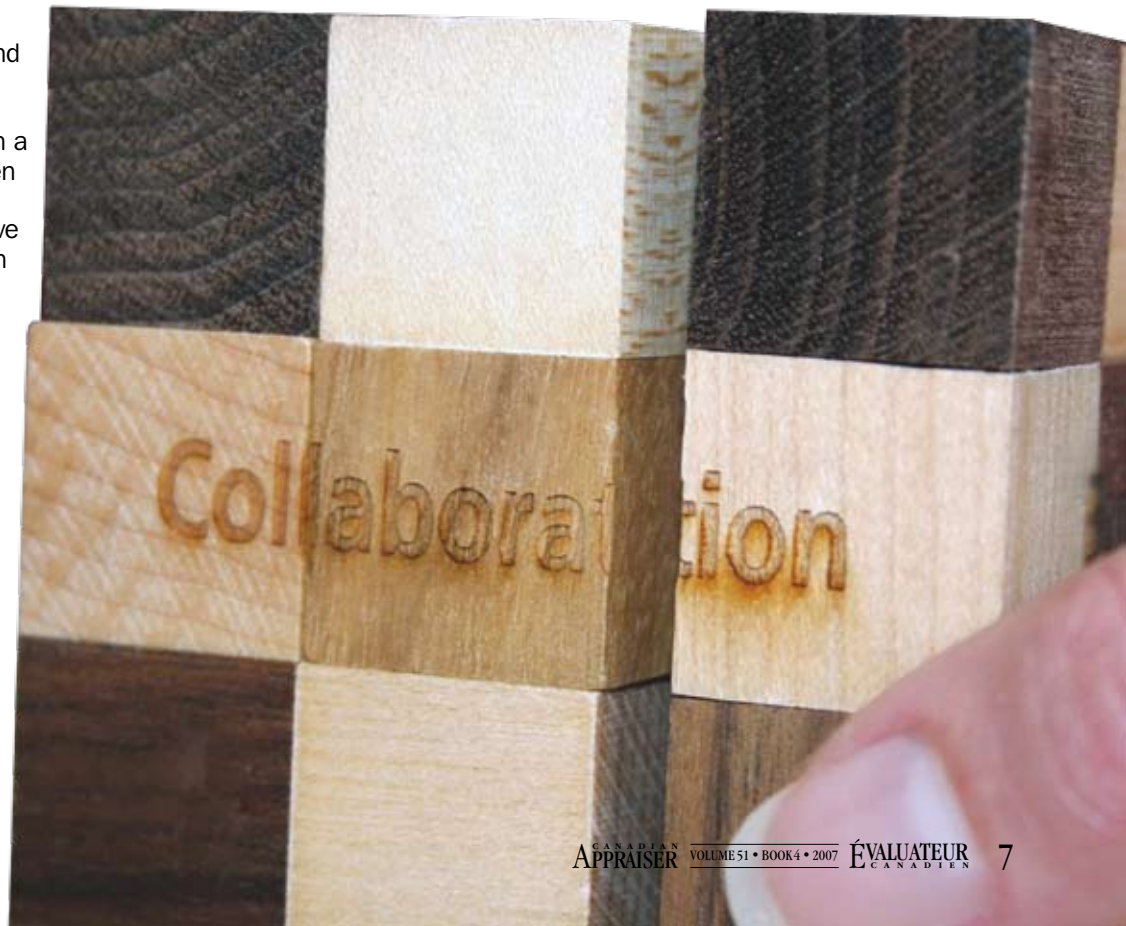
The Board tries to make the best decisions possible, after reviewing all the facts and background material to arrive at decisions that benefit the entire membership. With such a diverse membership, it is often difficult to please everyone. However, the Board is sensitive to member input and, through its directors, solicits and reports back the views and perspectives of the membership, whether they are supportive of Board decisions or opposed. As long as these views are constructive, well intentioned and thoughtful, they are appreciated and taken into consideration when Board decisions are reached.

Members have many ways that they can express their views and provide input to the policy-setting process. The best way is through their chapters and

provincial associations, which, in turn, can express regional perspectives in the form of recommendations to the national Board through their directors. Another way is through the member surveys that the Institute conducts on a variety of issues. Make sure you take the time to respond to the survey questionnaires, because a high response rate is necessary in order to get an accurate picture of members' views. Members may also provide feedback through the dedicated email addresses that AIC establishes to deal with specific topics. There are also online forums that allow mem-

bers to interact and voice thoughts and opinions. The important thing to remember is that all of us are on the same team. All wish to make this a better organization and a better profession.

As we go forward, we should keep in mind that our goals are aligned and aimed at what is best for the entire membership and our organization. The synergy we can create by working together for common goals can propel us to new heights of accomplishment. Let's all pull the sled in the same direction and get to where we need to be much faster and with more tangible results. 🐾





*Gordon J. Tomiuk, A.C.I., P.App
Président de l'ICE*

La collaboration est la clé de l'évolution

Lorsque j'ai entrepris mon mandat de président il y a six mois, j'ai pris le temps de pondérer la longue liste de réalisations récentes de l'Institut et des initiatives en cours. À l'époque, tout comme maintenant d'ailleurs, il est réconfortant de constater que tous ces changements, comme ceux à venir, ont été rendus possibles grâce aux efforts concertés des bénévoles des paliers national et provincial, du personnel et au soutien de nos membres.

Comme vous vous en souviendrez peut-être, ces changements, y compris les nouvelles politiques et les nouveaux programmes qui ont été mis en oeuvre au fil des ans étaient nécessaires en réponse aux besoins du marché, pour accroître le professionnalisme de nos membres, améliorer l'image de la profession et mieux protéger le public. Nos objectifs et les méthodes utilisées pour les atteindre ont été identifiés dans les plans stratégiques de l'ICE qui ont été mis au point en consultation avec les membres.

Les succès que nous avons connus sont le résultat de la collaboration entre les chapitres, les associations provinciales et le palier national. Dans cette veine d'idées, ce sont les membres qui ont participé volontairement au Conseil, aux comités et aux groupes de travail et l'appui de tout le personnel à l'échelle du pays qui ont fait que tout cela a été

possible. Nous avons tous raison d'être vraiment reconnaissants à leur endroit.

Notre fiche de succès est la preuve que le travail d'équipe porte fruits. Plutôt que de travailler dans une atmosphère d'opposition, notre organisme a adopté la collaboration et nous avons les résultats positifs pour le prouver. La collaboration que nous avons connue prend appui sur deux points particuliers : la confiance mutuelle et la délégation des responsabilités.

Comme organisme à but non lucratif comptant onze associations, les rôles et les responsabilités doivent être clairement définis. Les bénévoles et le personnel doivent s'acquitter de fonctions bien différentes et travailler ensemble tout en respectant leurs rôles respectifs.

Le Conseil d'administration est directement responsable à l'endroit des membres aux paliers provincial et national et doit gérer l'organisme conformément aux règlements approuvés par les membres. Le mandat du Conseil est universel et prédominant mais ses fonctions principales consistent à assurer une orientation de politique et un leadership aux paliers supérieurs de sorte que l'organisme puisse réaliser ses objectifs à l'avantage des membres.

Parce qu'il a de nombreuses responsabilités, le Conseil de l'Institut doit déléguer des fonctions spécifiques à ses comités permanents et ad hoc. Le Comité exécutif est nommé dans

Ce sont les membres qui ont participé volontairement au Conseil, aux comités et aux groupes de travail et l'appui de tout le personnel à l'échelle du pays qui ont fait que tout cela a été possible.

Les membres disposent de plusieurs façons pour manifester leurs opinions et contribuer au processus d'élaboration des politiques.

les règlements comme responsable de l'administration quotidienne de l'Institut et des questions d'application. Les questions relatives à l'éducation relèvent du Comité consultatif sur l'apprentissage alors que les affaires professionnelles sont confiées au Comité sur les qualifications et la compétence professionnelles. Par ailleurs, la pratique professionnelle relève des Comités d'enquête, d'adjudication et d'appel. Les autres comités permanents comme le Comité sur les normes, le Comité consultatif sur l'assurance et le Comité des communications doivent s'acquitter de leur mandat respectif à servir les membres.

Le soutien au Conseil est assuré par le personnel et ses comités voient à la mise en oeuvre des politiques qu'ils établissent. Ce faisant, ils peuvent élaborer des processus et des procédures en rapport au fonctionnement quotidien des programmes et des activités. Le personnel de l'ICE consiste en des professionnels qui font preuve de discrétion dans l'interprétation des politiques et la réalisation des directives du Conseil et de ses comités.

Le Conseil déploie tous les efforts pour prendre les meilleures décisions possibles après avoir pris connaissance de tous les faits et de la documentation pertinente. Ainsi, il est en mesure de prendre des décisions qui seront à l'avantage de tous les membres. Compte tenu de la diversité de nos membres, il est souvent difficile de plaire à tout le monde. Cependant, le Conseil demeure sensible à l'opinion des membres et, par le biais de ses administrateurs, sollicite et tient compte des commentaires et du point de vue des membres, que ceux-ci appuient

ou qu'ils s'opposent à ses décisions. Aussi longtemps que ces opinions sont constructives, bien intentionnées et bien pensées, elles seront appréciées et considérées dans toutes les décisions que prend le Conseil.

Les membres disposent de plusieurs façons pour manifester leurs opinions et contribuer au processus d'élaboration des politiques. La meilleure façon consiste à s'adresser à leurs chapitres et associations provinciales qui, en retour, transmettent des recommandations au Conseil national par le biais de leurs administrateurs. Une autre façon consiste à participer aux sondages de l'Institut sur une variété de sujets. Assurez-vous d'avoir le temps de répondre aux questionnaires parce qu'un taux élevé de participation est toujours requis pour obtenir une image précise de l'opinion des membres. Les membres peuvent également faire valoir

leurs positions en les adressant aux diverses adresses de courriel établies par l'ICE pour traiter de sujets particuliers. Enfin, il existe les forums en ligne qui permettent aux membres de faire connaître leurs pensées à divers niveaux. L'important est de se rappeler que nous faisons tous partie de la même équipe et que tous veulent un organisme meilleur et une profession améliorée.

À mesure que nous avançons, nous devons nous rappeler que nos objectifs sont alignés et qu'ils visent toujours ce qu'il y a de mieux pour les membres et notre organisme. La synergie que nous créons par la collaboration dans un but commun peut nous propulser à des sommets encore inconnus. Pour ce faire, il nous suffit de tirer le traîneau dans la même direction pour nous rendre où nous voulons aller plus rapidement avec des résultats encore plus tangibles. 🐾





Georges Lozano, MPA
AIC Chief Executive Officer

AIC Candidates are the future of the profession

Institute members have been impacted by a significant number of program and policy changes in recent years and none more so than Candidate members. Candidates represent some 40% the membership and, in the last two years, more than 700 Candidates have been added to the Institute's roster of members. These new Candidates tend to be younger and as such, are affecting the demographics of the Institute in a very positive way.

It has been almost one year since the Candidate policy came into effect and already we can discern marked differences in the profile of the new Candidates in comparison to the previous. First of all, the new group of Candidates is joining the Institute with a different understanding of the profession and the career path that it provides. They have been attracted by the profession's international stature and recognition as well as by its open-endedness and the many specialties and practice areas that it covers.

Given the significantly more stringent requirements to become a Candidate and, subsequently, to obtain a professional designation, these new Candidates expect a lot of hard work and are prepared to meet this challenge in expectation of the rewards that an AIC designation promises. Many of these Candidates have strong educational backgrounds including undergraduate degrees and other post secondary studies, giving them the broad knowledge base that will serve them well as multidisciplinary professionals. It is interesting to note that the gender balance of this new group of Candidates is significantly different from the previous, with almost 40% of them being women, in

comparison with the less than 30% of membership that women represented in previous years.

Perhaps the greatest difference between the new Candidates and the preceding generation may be the expectations that they have with respect to their chosen areas of work. While approximately two thirds of AIC members have been identified as appraisers who do point in time estimates of value on commercial and residential properties, one third of the membership is involved in other aspects of valuation, both in private practice and as employees within the private and public sectors. Anecdotal evidence suggests that the proportion of new Candidates interested in non-traditional areas of the profession is growing. This is evidenced by the increasing membership in the non-fee sector and the many specialty areas that are emerging.

As highly qualified professionals, AIC's future designated members may choose to work in a wide range of appraisal related jobs in addition to doing appraisals on ICI and residential properties. Increasing numbers will steer towards top management positions within real estate related public and private sector organizations. Others will develop practices that serve specialty real property market niches and offer consulting and advisory services therein. The well-received We Value Canada seminar that all Candidates must take includes a section where they develop career plans and professional goals. It suggests that the profession is about to expand into many new areas of real property advisory services and that appraisers will increasingly be at the forefront of all areas where real property valuation expertise is required.

With great expectations about the interesting career prospect doors that the Institute's designations can open, these Candidates are making it clear that the Institute has an important role to play in helping them reach their professional objectives. In particular, these Candidates expect to draw upon the wealth of knowledge and expertise that senior members of the profession have and can impart in their role as mentors. In short, Candidates are seeking out mentors who will provide them with advice in all areas of the profession and answer their questions as they progress through the path to designation. Experienced designated members of the Institute owe it to the profession to share their knowledge with these young Candidates. The Institute too needs to address the challenge of ensuring that it has a strong mentorship program in place to meet current and future needs.

Beyond mentorship, the supervision of Candidates has been tightened significantly with the introduction of the Candidate cosigning policy and the creation of the Candidate registry. The main objectives of the policy are to protect the public, but, equally important, it is a means of helping to ensure that Candidates receive the level of oversight that they require to become, first and foremost, better professionals and, second, more qualified appraisers. Designated members owe it to themselves and the profession to take this policy to heart and help build a better profession by passing on their knowledge and skills to the next generation.

The Applied Experience program calls for Candidates to develop professional skills and knowledge through practical learning on the job. This requires exposure to all aspects of the profession and, as such, employers, mentors, and all involved in supervising and supporting Can-

didates must do their utmost to help them obtain the varied and progressively more responsible work experience that they need to be well-qualified, multidisciplinary professionals.

Access to information is a key part of Candidate growth and development. This includes not just technical information, but also practical information about day-to-day issues, professional and business considerations, standards and ethics, and so on. In this respect, the Institute is developing a section of the members' web site exclusively for Candidates. In this web area, Candidates will be able to exchange information among themselves and have access to appropriate information resources. Further, AIC is creating a Candidate Focus Group (a CRA Focus Group is also being established) to facilitate communication among Candidates and to provide a forum from which their recommendations and ideas can be forwarded to the Institute, its Board of Directors, and committees.

With respect to this last point, Candidates are making it clear that they need to have a voice within the Institute and the ability to help shape the policies that will ultimately affect them more than the older generation of members who will retire in a relatively short time. Currently, Institute policy states that Candidates are not voting members of the Institute. Further, they may not be identified on the Institute's web site or in the Designated Member Source Guide. While it is understood that, given their non-designated status, Candidates should not enjoy the same rights and privileges as designated members, these future professionals need a commensurate level of recognition within AIC and a mechanism whereby they can have a say in their own future. 🗣️

Candidate requirements

Effective January 1, 2007, all members admitted to Candidacy must fulfill the following requirements:

- a) Hold a university degree at the undergraduate level or higher; OR
- b) Have completed all curriculum requirements for the AAI designation, less 10 courses.

In addition to the above requirement, a Candidate must have successfully completed the minimum introductory education requirements, including the AIC Introductory We Value Canada Workshop and an approved Foundations in Real Estate Appraisal course (BUSI 330 or approved equivalent), in order to be admitted to Candidate membership.

Upon admission to the Institute, the Candidate must complete the mandatory Standards Seminar within 24 months of the date of admission.

All Candidates are required to successfully complete one university credit course towards designation each year to retain Candidate status. Candidates must also complete the Mandatory Standards Seminar once every five years. The first date to report is July 31, 2008, and courses taken between January 1, 2006 and the reporting deadline are eligible.

All Candidates who join the Institute on or after January 1, 2006 will have a maximum of 10 years from the date of admission to candidacy to complete all education, curriculum and experience requirements to obtain their designation.

All Candidates who joined the Institute prior to January 1, 2006 must meet their assigned deadline for completion of education and curriculum requirements, which is established by the previous policy.

In addition, effective January 1, 2008, all Candidates applying for designation, at or after that date, must successfully complete an oral and written examination in order to be awarded a designation.

For full details see:

http://www.aicanada.ca/e/careers_candidate_membership.cfm



Georges Lozano, MPA
AIC Chief Executive Officer

Les membres stagiaires de l'ICE – L'avenir de la profession en dépend

Au cours des dernières années, les membres de l'Institut et les stagiaires en particulier, ont subi l'influence de nombreux changements aux programmes et aux politiques. Les stagiaires représentent environ 40 % de tous les membres et au cours des deux dernières années, plus de 700 stagiaires ont été ajoutés à la liste de membres de l'Institut. Ces nouveaux stagiaires sont plus jeunes, ce qui affecte la démographie de l'Institut d'une façon très positive.

Déjà près d'une année s'est écoulée depuis l'entrée en vigueur de la politique régissant les stagiaires et nous pouvons déjà constater des différences marquées dans le profil des nouveaux stagiaires par rapport aux précédents. D'abord, les nouveaux stagiaires arrivent à l'Institut avec une façon différente de voir la profession et les occasions de carrière qu'elle offre. Ils ont été attirés par la nature et la reconnaissance internationales de la profession, la liberté qu'elle offre et les nombreuses spécialités et pratiques qu'on y retrouve.

Compte tenu des exigences beaucoup plus sévères d'admission à titre de stagiaire et donc de l'obtention de la désignation professionnelle, les nouveaux stagiaires s'attendent de déployer des efforts considérables pour relever ce défi dans l'attente des avantages associés à la désignation de l'ICE. Plusieurs de ces stagiaires ont de solides antécédents pédagogiques, y compris des diplômes de premier cycle et d'autres certificats postsecondaires leur donnant une vaste base de connaissances qui leur viendront certes en aide comme professionnels multidisciplinaires. Fait intéressant à souligner, l'équilibre des sexes chez ces nouveaux stagiaires diffère largement du passé avec les femmes représentant près de 40 % des stagiaires versus moins

de 30 % dans les années précédentes.

Peut-être que la différence la plus importante entre les stagiaires d'aujourd'hui et ceux de la génération précédente réside au niveau des attentes qu'ils ont face au domaine de travail qu'ils choisissent. Bien qu'environ les deux tiers des membres de l'ICE aient été identifiés comme des évaluateurs qui se livrent à l'évaluation traditionnelle de propriétés commerciales et résidentielles, le tiers des membres se livrent à d'autres aspects de l'évaluation en pratique privée et comme employés des secteurs public et privé. L'évidence anecdotique suggère que la proportion de nouveaux stagiaires qui s'intéressent aux secteurs non traditionnels de la profession est à la hausse. Cela est constaté par l'augmentation du nombre de membres dans le secteur salarié et la quantité de nouvelles spécialisations.

Comme professionnels hautement qualifiés, les futurs membres agréés de l'ICE peuvent choisir de se livrer à une variété de travaux liés à l'évaluation en plus de faire l'évaluation d'ICE et de propriétés résidentielles. Un nombre croissant d'entre-eux viseront des postes de direction au sein d'organismes liés à l'immobilier dans les secteurs public et privé. D'autres offriront leurs services consultatifs sur le marché de propriétés spécialisées. L'atelier hautement considéré et intitulé *Nous valorisons le Canada* auquel tous les stagiaires doivent participer inclut l'élaboration de plans de carrière et d'objectifs professionnels. Il suggère une expansion de la profession dans plusieurs nouveaux domaines de consultation immobilière et que les évaluateurs seront au premier plan de tous les secteurs où leur expertise sera requise.

Entretien des attentes élevées face aux occasions de carrière intéressantes que peuvent offrir les désignations de l'Institut, ces stagiaires montrent clairement que l'Institut a un rôle important à

jouter pour les aider à atteindre leurs objectifs professionnels. Tout particulièrement, ces stagiaires s'attendent de puiser à même les vastes connaissances et l'expérience des membres chevronnés de la profession qui agiront comme mentors. En bref, les stagiaires cherchent des mentors qui leur offriront des conseils sur toutes les facettes de la profession et qui répondront à leurs questions à mesure qu'ils progresseront sur la voie de leur désignation. Les membres agréés et hautement compétents de l'Institut se doivent de partager leurs connaissances avec ces jeunes stagiaires. L'Institut se doit également d'assurer qu'un solide programme de mentorat est en place en réponse à ses besoins actuels et futurs.

En plus du mentorat, la surveillance des stagiaires a été renforcée considérablement avec l'introduction de la politique de cosignature des stagiaires et la création d'un registre des stagiaires. Les principaux objectifs de la politique sont de protéger le public, mais elle sert aussi à assurer que les stagiaires reçoivent le niveau de surveillance dont ils ont besoin pour devenir de meilleurs professionnels et des évaluateurs encore plus qualifiés. Les membres agréés se doivent, ainsi qu'à la profession, de prendre cette politique à cœur et de contribuer à

l'amélioration de la profession en transmettant leurs connaissances et leurs compétences à la génération qui suit.

Le programme d'expérience appliquée permet aux stagiaires de développer les compétences et les connaissances professionnelles par l'acquisition d'une expérience pratique au travail. Pour ce faire, le stagiaire est exposé à toutes les facettes de la profession et ainsi, les employeurs, mentors et tous ceux qui participent à la surveillance et au soutien des stagiaires doivent déployer tous les efforts pour qu'ils acquièrent l'expérience de travail variée et progressivement plus responsable dont ils ont besoin pour devenir des professionnels multidisciplinaires hautement qualifiés.

L'accès à l'information est important pour la croissance et la formation du stagiaire et inclut non seulement l'information technique, mais l'information pratique sur les questions de tous les jours, les considérations professionnelles et d'affaires, les normes, l'éthique et ainsi de suite. À ce niveau, l'Institut s'affaire à développer une section exclusivement à l'intention des stagiaires dans la section des membres seulement du site Web. Les stagiaires pourront partager de l'information entre eux et accéder à des ressources éducatives appro-

priées. De plus, l'ICE s'affaire aussi à créer un groupe de spécialistes sur les stagiaires (en plus d'un groupe similaire sur les CRA) pour faciliter la communication entre les stagiaires et servir de forum à même lequel des recommandations et des idées pourront être adressées à l'Institut, son Conseil d'administration et ses comités.

À la lumière de ce dernier point, il est clair que les stagiaires ont un mot à dire au sein de l'Institut et qu'ils doivent pouvoir contribuer à mouler les politiques qui les affecteront encore plus que la génération précédente de membres qui prendront leur retraite d'ici peu. Actuellement, la politique de l'Institut stipule que les stagiaires ne sont pas membres votants de l'Institut. Aussi, ils ne peuvent être identifiés sur le site Web de l'Institut, ni dans le Guide Source des membres agréés. Bien qu'il soit entendu que parce qu'ils n'ont pas encore leur désignation les stagiaires ne peuvent bénéficier des mêmes droits et privilèges que les membres agréés, ces professionnels de l'avenir doivent recevoir un niveau proportionnel de reconnaissance au sein de l'ICE et disposer d'un mécanisme qui leur permettra d'avoir un mot à dire quant à leur avenir. 🌟

Les exigences pour les membres stagiaires

Depuis le 1^{er} janvier 2007, tous les membres admis à la catégorie de stagiaires doivent respecter les exigences qui suivent :

- a) Détenir un diplôme universitaire de premier cycle ou supérieur; OU
- b) Avoir complété toutes les exigences du programme menant à la désignation AACI, moins 10 cours.

En plus des exigences ci-dessus, un stagiaire doit avoir complété les exigences pédagogiques minimum d'introduction, y compris l'atelier *Nous valorisons le Canada* de l'ICE et un cours de base approuvé en évaluation immobilière (BUSI 330 ou une équivalence approuvée) afin d'être admis comme membre stagiaire.

Suite à son admission à l'Institut, le membre stagiaire doit compléter

le colloque obligatoire sur les normes dans les 24 mois suivant ladite date d'admission.

Pour maintenir leur statut de stagiaire, tous les membres stagiaires doivent compléter avec succès un cours universitaire menant à la désignation chaque année. Les stagiaires doivent aussi compléter le colloque obligatoire sur les normes une fois tous les cinq ans. La première date de rapport est fixée au 31 juillet 2008 et les cours suivis entre le 1^{er} janvier 2006 jusqu'à la date de rapport sont admissibles.

Tous les stagiaires qui ont joint les rangs de l'Institut le ou après le 1^{er} janvier 2006 ont un maximum de dix ans à compter de leur date d'admission pour compléter toutes les exigences pédagogiques, du

programme de l'ICE et d'expérience appliquée pour obtenir leur désignation.

Tous les stagiaires qui ont joint les rangs de l'Institut avant le 1^{er} janvier 2006 doivent respecter l'échéance établie pour compléter les exigences pédagogiques et du programme de l'ICE, telles que stipulées dans la politique antérieure.

De plus, à compter du 1^{er} janvier 2008, tous les stagiaires qui feront leur demande de désignation doivent, à cette date ou après celle-ci, avoir complété avec succès un examen oral et écrit afin d'obtenir la désignation convoitée.

Pour plus de détails, veuillez consulter : http://www.aicanada.ca/f/careers_candidate_membership.cfm



AIC 2008-St. John's
VALUATION
Just the tip of the iceberg

Appraisal Institute of Canada
2008 Annual Conference

Delta St. John's, St. John's, Newfoundland & Labrador
June 4 - 7, 2008

The Newfoundland Association of the Appraisal Institute of Canada is very pleased and very proud to host the Institute's 2008 Annual Conference within our unique city at the eastern edge of North America.

St. John's is located on the eastern coast of the island and is the perfect launching pad to explore the world's sixteenth largest island. The island has more than 1,000 villages nestled along 9,600 kilometres of coastline – each with its own history, stories, music and dialect.

While St. John's and Newfoundland, in general, are an amazing vacation destination, you can also anticipate an exciting delegate program. The organizing committee has been planning the educational focus of this conference around the theme **Valuation – Just the Tip of the Iceberg**.

A wide variety of interesting and informative sessions are being planned, including an off-site workshop providing a multi-disciplinary overview of the redevelopment of a former 80-acre

American-Canadian military base in the city. This redevelopment project has been approximately 10 years in the making, and will be well underway during spring 2008. We will be taking you on-site with appraisers, marketing consultants, engineers, architects, planners, etc., and will be demonstrating how the appraisal profession dovetails with these other professions.

Do not miss this opportunity to visit one of Canada's most picturesque, scenic and unique regions, world-renowned for its fabulous hospitality. Start your travel planning now; book early, as space is limited. St. John's is a popular destination during the summer, and hotels regularly sell out. We also recommend that you book a car early if you plan to explore the island. This will be a conference you will not want to miss.

*Glen Power, AACI, P. App
Chair, 2008 Conference Committee*

NOTICE OF ANNUAL GENERAL MEETING

Appraisal Institute of Canada AGM 2008
Delta St. John's, St. John's, Newfoundland & Labrador

Friday, June 6, 2008

Agenda

1. To confirm the Minutes of the June 8, 2007 AGM.
2. To receive Reports
 - a) President
 - b) Management
 - c) AIC Committee Reports
3. To receive audited financial statements for the past year and appoint auditors for the forthcoming year.
4. To elect the Board of Directors of the Appraisal Institute of Canada.
5. To consider AIC By-law revisions as presented by the Board of Directors.
6. To consider resolutions submitted in accordance with the By-laws.
7. To consider all other business as may properly come before the meeting.

Note: Designated members have the right to vote by proxy.

AVIS D'ASSEMBLÉE GÉNÉRALE ANNUELLE

Institut canadien des évaluateurs, AGA 2008
Delta St. John's, St. John's, Terre-Neuve-et-Labrador

Vendredi, le 6 juin 2008

Ordre du jour

1. Approbation du procès-verbal de l'AGA du 8 juin 2007.
2. Présentation des rapports
 - a) du Président
 - b) de la direction
 - c) des comités de l'ICE
3. Présentation des états financiers vérifiés du dernier exercice et nomination des vérificateurs pour le prochain exercice.
4. Élection des membres du Conseil d'administration de l'Institut canadien des évaluateurs.
5. Examen des modifications aux règlements de l'ICE, telles que présentées par le Conseil d'administration national (CAN).
6. Examen des résolutions présentées conformément aux règlements.
- 7 Étude de tous les autres points dûment présentés à l'Assemblée.

Nota : les membres agréés ont le droit de voter par procuration.



FIRST PROFESSIONAL LIABILITY INSURANCE COMPANY

Today, we look at the state of the Appraisal Institute of Canada's liability insurance program, as it approaches its second anniversary as a captive insurance company.



Brian Duncan
AAI, P. App,
President of the Board, FPLICL

FPLICL – two years later

By Brian Duncan, AAI, P. App, President of the Board, FPLICL

As we approach the second anniversary of the creation of the insurance subsidiary company of the Institute named First Professional Liability Insurance Company Limited (FPLICL), it seems appropriate for me, as a President of FPLICL, to provide you with an update of the progress that has been made over the past two years.

As you may be aware, the membership of the Institute approved the creation of an insurance subsidiary company at the May 2005 annual meeting of members. Subsequently, a corporation was created and the assets and liabilities of the Institute's Professional Liability Insurance Program (PLIP) were transferred to it in exchange for 100% ownership.

The concept of establishing an insurance subsidiary company or insurance captive is nothing new and has been practiced by for-profit corporations, primarily as a means of reducing their tax burden. In recent years, non-profit organizations, including professional associations that operate insurance programs on behalf of their members, have also taken to establishing insurance subsidiary companies for another reason

– to prevent the possibility of any liabilities associated with their insurance programs being attached to the parent organization itself.

Before the creation of FPLICL, the Institute was exposed to claims made through the insurance program. Although improbable, a catastrophic claim could have compromised the very existence of the

In addition to protecting the Institute, the insurance subsidiary, which is a separate corporate entity wholly owned by AIC, is better positioned to seek out and obtain liability insurance on the world markets.

Institute, and this is why the insurance subsidiary was established. In addition to protecting the Institute, the insurance subsidiary, which is a separate corporate entity wholly owned by AIC, is better positioned to seek out and obtain liability insurance on the world markets. Moreover, the insurance subsidiary provides the kind of flexibility that the old program did not have, with respect to expanding and enhancing the insurance program to accommodate specialty appraisal services, e.g., machinery and equipment valuation, to name but one.

FPLICL is domiciled in Barbados, a world centre for insurance captives and, particularly, Canadian interests. Barbados was chosen over a number of other captive jurisdictions worldwide, because it best addressed the Institute's needs for an insurance subsidiary with low incorporation and overhead costs. The insurance subsidiary takes its direction from a three-member board, which reports to AIC, the sole shareholder. FPLICL is managed by a company under contract to it – Amphora Captive Insurance Managers in Barbados. Claims management continues to be handled by the former Leonard French &

Co. Ltd., now SCM Adjusters Canada Ltd. in Winnipeg, while the insurance policy is issued by Travelers Guarantee Company of Canada.

I am pleased to say that this arrangement has worked well and that, notwithstanding a few challenges related to the 2006 financial audit, the insurance program is healthy, the stabilization fund is in strong shape, and the needs of the program as recommended by our actuary are being met. This is good news in several ways. First, we are in a positive position to weather any downturns in the real estate market. Second, we have been able to enhance the program by doubling the coverage from \$1 million to \$2 million, at no additional cost to the members. In fact, over the past three years, the program has been able to rebate members from \$10-\$11 for non-fee members and \$200-\$700 for fee members. Last year, we also introduced a \$25,000 identity theft policy for each member at no additional cost. But, low claims and premium stability are only part

of the story. The AIC Insurance Advisory Committee continues to do a commendable job in ably advising on program recommendations, claims management and claims prevention measures that help to mitigate claims and maintain and/or improve our low costs.

In conclusion, the first two years of FPLICL's operation have been very successful, and the finances of the corporation and the insurance stabilization fund are in very

good shape. In the coming year, I am confident that we will be able to pass on additional savings to the membership in the form of premium rebates, as a result of our continued low claims experience combined with sound management practices. I look forward to continuing to serve as President of FPLICL in 2008, while seeking additional program enhancements to further strengthen and improve the program to benefit all AIC members. 🐶

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**DAVID LOPATKA,
AACI, P. APP**

The new AIC

Sitting in his Edmonton office, surrounded by four monitors, two scanners and a printer, 27-year-old **David Lopatka, AACI, P. App** is exactly where he wants to be. True, the technology is great, and so is working on commercial properties at Gettel Appraisals, but what is really behind that smile is the fact that, five years after graduating from university, he is poised to move full steam ahead in the appraisal profession that he loves.

When David completed his Bachelor of Education program at the University of Alberta in 2002, he knew he wanted to do something to expand on his degree. What he did not know was where he was heading.

While searching the job postings on the university's job search website, he stumbled upon a position at a local real estate appraisal firm. Intrigued, he decided to apply. Although he did not get the job, by the end of the interview he was hooked. This was where he wanted to be.

"One of the things that attracted me to appraisal work is that, if you excel, you will get rewarded for your efforts," he explains. "I wanted to work for myself one day. And I found real estate very interesting."

In fact, David was so committed to pursuing this avenue that he was taking three courses towards his AACI even before he was hired by an appraisal firm. He then worked for an entire year before deciding to devote himself full-time to coursework.

Because his education degree did not qualify him for the fast-track Post-Graduate Certificate in Real Property Valuation, David knew that he needed to complete 15 courses for his AACI designation. Taking his former experience to heart, he approached the challenge like a lesson plan. "I outlined every course I was going to take in every semester," he recalls. "I called it my five-year plan."

By 2004, when he decided to resume juggling both work and study, he was able to balance one of the more difficult courses with a lighter course in the same semester. Nonetheless, it was a pace that demanded focus and determination. There was little time for personal interests.

But, David was undeterred. While he was pursuing his appraisal designation, one of his brothers was

There are always opportunities to learn and to grow. The possibilities are endless. That is one reason I love this job.

professional



JASON WHITE

articling as a lawyer and another as a chartered accountant. “I could see how hard they were working and I followed suit,” he explains.

In May 2006, at the age of 26, David obtained his AACI. It had taken him four years.

“I wanted to get it done early in my career, so I could focus on other things,” he explains. “That way, when I was ready to get married and have children, I would not need to worry about it.”

In fact, a little over a year after completing the program, David was saying his wedding vows. Everything was falling into place.

Along with freeing up more time for his personal life, completing his AACI early on has also allowed the young appraiser to focus on rapidly expanding his knowledge of commercial appraising. People he met during his coursework have proven to be an invaluable resource in this professional development.

Besides providing him with a solid foundation for developing his experience and expertise, taking the AACI courses afforded David the opportunity to connect with many other appraisers. “If you are taking courses, try to network as much as you can with the other students,” he recommends. “Some of my closest colleagues and friends are people I met through UBC. It is crucial for getting business data and for helping each other out.”

David believes that appraisers should always have mentors, not only when they are Candidates, but throughout their entire careers. Since being nurtured by his first ‘official’ mentor, Rolf Halvorsen, AACI, P. App, David has enjoyed the

guidance of other senior appraisers including Brian Gettel, the other AACI in the office. (The firm also encompasses a Candidate appraiser as well as ‘The Network,’ a division which tracks all commercial sales in the Edmonton area.)

Despite a busy schedule, David has also found time to volunteer. As a Candidate, he started volunteering with the Edmonton Chapter, planning local appraisal events. He now also serves on the Appraisal Institute of Canada’s Communications Publications sub-committee. “Volunteering is something I have always felt was important,” he explains. “It is about giving back.” He adds that being involved with the Institute provides yet another avenue for developing as a professional.

“There are always opportunities to learn and to grow,” he says. “The possibilities are endless. That is one reason I love this job. It is a fantastic field. I look forward to going to work, and, at the end of the day, when I finish a report, I am proud that my name is on it.”

Over the past year, David has developed increasingly efficient business processes by using technology — including shorthand recognition software — to support his work. He enjoys the challenge of constantly producing higher quality reports while expanding the range of properties he can appraise and the services he can offer. Although David is still in the process of formulating a new five-year-plan, he already knows he would like to become proficient in such areas as expropriation, litigation and surface rights. With an AACI already under

“Based on the demographics, if I work hard and gain as much experience as possible now, I know I will be a valuable asset for years to come.”

his belt, he is well equipped for a promising future in commercial appraising.

On the other side of the country, **Jason White’s** star is also rising. After becoming a Candidate with Atlantic Realty Advisors (ARA) Fredericton Appraisals in May 2006, he is finishing his last course and preparing to start his demonstration appraisal report in the spring. The 28-year-old anticipates obtaining his AACI designa-

tion by the first quarter of 2009.

Since making the decision to join the appraisal profession, his career has progressed rapidly due, in part, to his careful deliberation and preparation before proceeding to a position at ARA. The other contributing factor is the Post-Graduate Certificate in Real Property Valuation, the fast-track program that enabled Jason to leverage his Bachelor of Business Administration.

Upon obtaining his degree from the University of New Brunswick in 2002, the young graduate moved to Ottawa where he worked for a bank. It was not long before he realized this was not where he wanted to be. After back-packing through Europe for a month, Jason returned to Fredericton and accepted a sales position with a company that sold products for financial institutions.

Through a chance invitation to the Fredericton Chamber of Commerce Christmas Party, his life took a significant turn. At the party, Jason met Peter Atkinson, a CRA and partner at ARA Fredericton Appraisals. Peter explained that the demographics of the office — particularly the age of those specializing in commercial appraisals — were prompting the search for a new Candidate.

Impressed by Jason, Peter suggested he put his name forward. Jason then met with the managing partner, Harold Moore, AACI, P. App and shadowed Peter in the field several times. At the same time, Harold strived to make the transition easier. “He emphasized that there was a way to help me start in the industry without my income being based 100% on commission,” recalls Jason. But, saddled with payments for a new house and car, the young salesman was not quite ready to give up a lucrative source of income to study full time.

“Once you are on a different

path, it can be difficult to switch,” says Jason, adding that, had he heard of the appraisal profession while still at university, he might have wanted to take some of the required courses back then. As it was, he spent a year thinking about the move before proceeding.

Several factors were key to Jason’s ultimate decision. One was a concern that his sales job might not provide the potential for advancement afforded by a specialization in the appraisal profession. The other was his growing affection for the nature of appraisal work compared to sales. “I am an analytical person, I like working with numbers,” he explains. “I also like working with people, but I did not like ‘selling’ every day. I knew that a professional appraiser was well-respected, that the demographics in the profession were getting older, and that there would be possibility for advancement within five years.”

When he finally agreed to join ARA Fredericton Appraisals, Jason was required to take the Standards Seminar and the *Business 330 Foundations of Real Estate Appraisal* course. During the eight months it took to complete these requirements, he took the opportunity to acquaint himself with the profession.

“Once I made the commitment, I started coming in and volunteering with the appraisal team,” he explains. “That way, I had a better idea of what to expect.” The flexibility of his sales job also made it possible for him to take the occasional afternoon to observe the team out in the field on an appraisal.

Knowing that an AACI designation was his ultimate goal, Jason decided to immediately become a Candidate, with Joel LaPointe, AACI, P. App as his mentor. But, again, the decision was not an easy one. The steep

learning curve coupled with the reduced income made the transition challenging. “I knew I had to take a short-term loss for a long-term gain,” admits Jason.

A year and a half later, now well on his way to his AACI, the young appraiser is finally beginning to enjoy the advantages of his decision to join the profession. He appreciates the variety in commercial appraisals, including riparian rights along the Miramichi River.

Flexible hours and the fact that the office is only a five minute walk from his home are making it easy to incorporate into his life such activities as outdoor sports. Although he knows that his timetable will be full when he starts the demonstration report, so far he has been able to balance his studies with his work by taking less demanding courses during periods when he knows he will be busier with appraisals. “I have tried to stay a couple of assignments ahead,” he adds. “When it gets really busy in the office, I can’t do anything but work.”

But, it is the work that has enabled him to envision a future in which he might one day specialize in consulting and assessment appeals. Until then, he knows that his plate will be full with demands for his expertise. Demographics reveal the median age of commercial appraisers in New Brunswick to be around 50, indicating that demand may soon outstrip the number of professionals available to do the work.

Jason knows that this puts him in an enviable position. “Based on the demographics, if I work hard and gain as much experience as possible now, I know I will be a valuable asset for years to come,” he says, adding that he is already tackling a number of interesting and exciting projects. “There were obstacles, but I am glad I made the move I did.” 🍷

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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.

MATHIEU MAILLET, AACI, P. App
Altus Group

Mathieu Maillet, AACI, P. App is a Senior Valuation Consultant with Altus Group Limited. In 1997, he began his career in the public sector as an assessor with Service New Brunswick and immediately joined the Appraisal Institute of Canada (AIC). Right from the start, Mathieu was keenly interested in the profession and his regular attendance at local annual meetings and various seminars was noticed by provincial leaders in the association. They asked him to become a provincial committee member for the New Brunswick Association of Real Estate Appraisers (NBAREA) and, although still just a Candidate, he eagerly accepted. He achieved his CRA designation in 2002 and, by then, was serving as South-East Regional Representative for the Board of Directors and continuing his educational path in pursuit of his AACI designation.

Mathieu discovered that his volunteer roles facilitated the meeting of various professionals from a diverse background which, in turn, lead to his career transition. He left his public sector position as an assessor and joined Altus Group in the fall of 2003. At that time, he was nominated to serve on the provincial association executive, but declined due to extensive commitments with his education work and the new challenges brought on by his career change. Nevertheless, Mathieu reports he told his supporters, "I will accept any other position once I achieve my AACI." Apparently, they took him at his word as they quickly nominated him as Vice-President at NBAREA's spring 2006 AGM, when it was apparent that his education path aimed at achieving his AACI was coming to a close. Currently, Mathieu is President of the New Brunswick Association of Real Estate Appraisers and he will serve in this capacity until April 2008 when his term comes to a close.

Mathieu has strong beliefs

about the importance of volunteering. In his words, “The entire organization is built on volunteerism and the good will of our volunteers. In order to maintain a forward-thinking, active, professional organization, there must be a strong pool of members willing to give some of their time to the cause. Personally, I feel it is my duty to give back to the profession that has given me such a rewarding and challenging livelihood. It is our responsibility to maintain a strong professional organization.” Mathieu also offers that by participating to the degree that he does, he believes that he is doing his part to build on the good work of his predecessors.

Obligations to the profession notwithstanding, Mathieu also acknowledges that he derives several benefits from his volunteer work with AIC. “One of the strongest benefits of serving a professional organization is the networking opportunities that I have always enjoyed fostering throughout my professional life,” reports Mathieu. In addition, he mentions that his current volunteer President position has provided him with valuable experience in chairing meetings, facing public speaking fears, and fostering his leadership abilities.

Mathieu promotes the idea of volunteering to other AIC members and remarks that “As human beings we tend to be creatures of habit. Our professional lives begin with a period of adjustment after which we develop a certain comfort zone with our day to day activities. Getting involved with the Appraisal Institute of Canada or at the local level provides exposure to a variety of other professionals that may help or inspire other facets of your appraisal career. Giving to the profession also brings a sense of accomplishment and helps promote your profile within the profession.”

Finally, Mathieu offers these thoughts to newer members: “We are only as strong as our weakest link. If we all contribute to the association, be it in a small or large way, we will build a stronger association than ever. I know we have been bombarded with change and some of you may be getting tired of hearing it but it is not going

to go away. We live in a fast and ever-changing world. We need to embrace change and maintain a forward thinking evolutionary professional organization.”

SUSAN MCRURY, CRA

Royal LePage/Lannon Realty

A real estate broker since 1984, Susan McRury, CRA joined the Appraisal Institute of Canada (AIC) in 1992. Under the direction of a Thunder Bay, Ontario, CRA, she began fee appraising in 1996 and, two years later, received her CRA designation and opened the appraisal division of Royal LePage/Lannon Realty.

Immediately after receiving her designation, Susan became involved at the local level of the AIC as the education chair for the Thunder Bay Chapter. In 2002, Susan enthusiastically accepted the position of Region 7 Director for the Ontario Association of the AIC (OA-AIC). In 2006, she became the Provincial President Elect and continued her role as an active participant with the Ontario Board of Directors. Her role as President Elect allowed her to become involved with the National Board and, in the fall of 2006, Susan became a member of the AIC Members Services Delivery Task Force.

In April of 2007, Susan assumed the Presidency of the OA-AIC. Although Susan acknowledges that serving as President has been demanding, particularly during a period of staff turnover, she is encouraged by the support she has received from the Ontario office staff and the Ontario Board of Directors and she is pleased that she has been able to keep things operating smoothly from her Thunder Bay location.

Susan has been a realtor for over 20 years and she believes this background has contributed much to her time management abilities. As a fee appraiser, active realtor, and busy AIC volunteer, Susan also makes time for her grown children, her new granddaughter, running

a 200-acre farm with her partner, John, and their much enjoyed winter vacations to tropical locales.

Although Susan has many other commitments both personal and professional, she feels that it is both important and beneficial to volunteer with the Institute. As with most of AIC’s volunteers, Susan appreciates that volunteering permits her to keep current with evolving issues. She also says that it offers her a forum where she can voice her opinions on AIC operations, as well as her belief that change is a positive factor for the developing Institute. Susan also identifies other benefits of her volunteering with AIC: “I am always eager to meet new people and find opportunities to broaden my client base. I have also enjoyed working with the Ontario Board over the past five years and I have had the opportunity to meet many new people at the National level as well. Susan values open communication and she comments that it is very important to maintain an ongoing dialogue between the provinces and National, as well as among the members of the Ontario Board of Directors. She also believes that the opportunity to be part of this communication process has enhanced her professional life.

To prospective volunteers, Susan encourages: “Getting involved with the Institute gives you insight into how things are run, where the ideas come from, and how committees function. Getting involved is a great experience and everyone should give it a try.” Susan also believes that the future of appraising is looking very bright. She comments that “the goal of OA-AIC’s pursuit of provincial licensing and self-regulation is to make ourselves look more professional to the public.” In addition, Susan is looking forward to the launching of AIC’s new Canada-wide Marketing and Communications Plan, as it will put the spotlight on AIC members and increase their recognition as professionals.

She is also encouraged by the number of new AIC members and says “I think it is great that there are so many new, young Candidates joining our Institution. That helps to brighten our future.” 🌟

Good things come to those who wait

Decisions at the AGM in Vancouver have allowed us to move along with marketing our profession. The Board, the Communications Committee, provincial associations, staff and members have been anxious to get on with the process. Because it is our organization, we all are able to play a role.

This is the first time that the Appraisal Institute of Canada (AIC) has embarked on such a promotion and our members are excited about the prospect of seeing themselves promoted to our public in a fresh and innovative way. Work resumed immediately after the AGM on this member-driven initiative. And this member is delighted to be part of the Communications Committee, which provides a front row seat on how this will unfold.

This front row seat will certainly be the best spot to view our segment at halftime during the Super Bowl. What? That costs \$2.6 million for a 30-second spot. Ahh, this is why we have partnered with a professional marketing agency to show us the way. In the last issue of *Canadian Appraiser*, we unveiled our marketing agency of record – Cundari SFP of Toronto, an impressive, highly recommended group of professionals. Since then, the Communications Committee has met with Cundari and, to date, they have certainly lived up to expectations.



This is the first time that the Appraisal Institute of Canada (AIC) has embarked on such a promotion and our members are excited about the prospect of seeing themselves promoted to our public in a fresh and innovative way.

So, if one hit during primetime is not it, what is the right approach to get the biggest bang from our budget? What is the best plan for a professional Canadian organization of our size?

To determine this, the first step was to allow Cundari SFP to tap into our members and stakeholders to gain appreciation of our history and to see where it is that we are going. Cundari certainly ‘gets’ who we are

– a group of diverse members in the business of problem-solving real property issues including point-in-time valuations, taxation, acquisition, consulting, leasing, asset management, litigation ... (they were surprised at the length of the list).

They are tuned in to how we are turning our industry into a profession by raising our standards and increasing our educational

requirements, including demanding undergraduate degrees. They are aware of our demographics and our need to grow our Institute so that we can meet market needs and position ourselves with current and potential clients to avoid losing market share to other competing groups (e.g., other property specialists or accountants). They saw the diversity in our Communications Committee, which represents the AIC with members from Western and Eastern Canada, and points in between. We have members in private practice as well as in the public domain, we have designated and Candidate members, and we have a wide range of member experience (recent/young and those who, well, have been around awhile). This group brings a wide perspective for Cundari to create a marketing plan that is best designed to take us where we want to be.

How will our story be told? How do we attract attention? The first thing we will see is a new look that promotes AIC in the form of a new logo and descriptor. We will see ourselves in professional magazines targeting our potential employers, clients and partners. We will have a new website, brochures, exhibit materials, PowerPoint presentations and recruitment materials. All of this will be available for use at AIC, by our provincial associations/chapters, and by members. All of us will have access to the tools which will aid in promoting ourselves and our profession and in getting the message to the target market.

This is a three-year plan, and, because we are skipping the Super Bowl, we have the budget

All of us will have access to the tools which will aid in promoting ourselves and our profession and in getting the message to the target market.

to sustain us. This promotion has been so long in the making that some may have forgotten why it is necessary. The answer, of course, is to enhance the professional image of our members and the Institute. What will raising the profile do? It will help Canadians realize that AIC safeguards the quality and integrity of valuation advisory expertise in Canada. When they deal with our members, everybody wins and the long-term prosperity of business, government and the public is the ultimate outcome. 🐾

Communications Committee

Paul Olscamp, AACI, P. App - Chair

Glen Power, AACI, P. App

Tom Fox, AACI, P. App

Beverley Girvan, AACI, P. App

Grace Ang-Lim, Candidate

To contact this committee email: communications@aicanada.ca

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AIC's *Standards Rules* – the ethical nuances

Ethics charges are serious matters. It is one thing to do something wrong by mistake. It is another matter entirely when one does something wrong on purpose.

The Standards Committee is proposing to add the word 'knowingly' to certain *Ethics Standards Rules*. For example, *Ethics Standards Rule 4.2.1* states that "it is unethical for a member to fail to comply with Bylaws, Regulations and Standards....." That does not mean that, if a member is charged with an Appraisal *Standards Rule* infraction, he or she is automatically charged with *Ethics Standards Rule 4.2.1*. But, if a member 'knowingly' breaks a *Standards Rule*, this ethical rule would also be broken.

Ethics are a set of rules imposed by society to ensure that members of society act in a manner acceptable to society. Honesty and integrity are the cornerstones of ethical rules. Standards Rules, on the other hand, deal with issues of competency.

When a member is charged with an ethical violation, he or she, in essence, is being told that they have acted dishonestly. Anyone who has ever served on the Professional Practice Committees (Investigating, Adjudicating or Appeal) will tell you that not only are ethics charges very serious, they are also very hard to prove.

How does one prove that a member acted dishonestly, or knew that they were purposefully doing something wrong? The most common way this is proven is with cases of repeat offenders. If an appraiser is charged with a breach of a *Standards Rule* a second time, chances are they will be told "We pointed out this mistake before; therefore, you **knew** that it was wrong, but you did it again anyway."

Honesty and integrity
are the cornerstones
of ethical rules.

Not all ethical rules require the word 'knowingly,' and not all ethical rules are hard to prove. For example, the word 'knowingly' may be applicable to *Ethics Rule 4.2.3*, which states that "it is unethical for a member to act in a manner that is misleading." Sometimes an appraiser can unwittingly make a mistake that misleads. For example, if an appraiser correctly measures a house, but incorrectly calculates a living area, that mistake would carry through to the value estimate and the intended user may be misled by both the value conclusion **and** the size of the house. If it results in damages, this type of mistake is covered by our insurance. On the other hand, if the appraiser correctly calculates the living area,

but chooses larger houses as comparables and ignores the sales of similar sized houses, the reader may be purposefully misled and an ethical violation may be charged. If this is proven and damages sought, insurance coverage may be denied.

Ethics Rule 4.2.4 does not require the word 'knowingly.' It states that "it is unethical for a member to act in a manner that is fraudulent." The word 'fraud' already connotes criminal deception. The insurance program does not cover fraudulent activities.

The Standards Committee is hoping to emphasize and clarify the seriousness of ethical rule violations by adding the word 'knowingly.' If you would like to comment on this, please contact the Standards Committee at: Appraisal Institute of Canada, 403 – 200 Catherine Street, Ottawa, Ontario, Canada K2P 2K9, or at the email shown below. 🐣

Standards Committee

Ray Bower, AACI, P. App - Chair
Anne Clayton, AACI, P. App
Brad Wagar, AACI, P. App
Iain Hyslop, AACI, P. App
Brian Varner, AACI, P. App
Chris Perret, AACI, P. App
Craig Soderquist, AACI, P. App

To contact this committee email:
standards@aicanada.ca

California's new *Appraiser Influence Law*

California has approved new legislation making it a crime for anyone to improperly influence or attempt to improperly influence, through coercion, extortion or bribery, the development, reporting, result or review of a real estate appraisal sought in connection with a mortgage loan.

In effect, the bill should prohibit anyone with an interest in a real estate transaction involving an appraisal from improperly influencing, as specified, the reporting, result or review of a real estate appraisal sought in connection with a mortgage loan.

The legislation is referred to as: *An act to amend Section 11323 of the Business and Professions Code, and to add Article 7 (commencing with Sec-*

tion 1090.5) to Chapter 1 of Title 4 of Part 4 of Division 2 of the Civil Code, relating to real estate appraisals, and declaring the urgency thereof, to take effect immediately. (Approved by the Governor on October 5, 2007)

This bill adds prohibitions intended to restrict improper influence on the conclusions of a property appraisal. Specifically, this bill:

- 1) prohibits any person with an interest in a real estate transaction involving an appraisal from improperly influencing an appraisal sought in connection with a mortgage loan;
- 2) allows a person with an interest in a real estate transaction to ask an appraiser to consider additional appropriate information, provide

further detail for the appraiser's value conclusion, or correct errors in the appraisal report;

- 3) makes a violation of these provisions by any person licensed under any state licensing law a violation of that law if it occurred within the scope of the person's licensed duties; and
- 4) includes the development and financing of real property within provisions of existing law prohibiting appraisers from engaging in any appraisal activity in connection with the purchase, sale or transfer of real property, if their compensation is dependent on or affected by the value conclusion generated by the appraisal. ♡

To read this legislation online visit:

http://www.leginfo.ca.gov/pub/07-08/bill/sen/sb_0201-0250/sb_223_bill_20071005_chaptered.pdf



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Draft appraisal reports should be handled with care

Recently, the Investigating Committee has investigated a number of complaints where two or more appraisals, done by the same member, on the same property, have been completed within a very short period of time – in some cases, within days or weeks of each other. While that may not be unusual, the complication arises because the reports are at variance with each other in terms of wording and facts, which could lead to an accusation that one, or both, of the reports is misleading.

Usually, what has happened in these cases is that one of these reports was intended to be a 'draft,' but ended up in the hands of the client/public as an appraisal report, which is then, of course, subject to the *Canadian Standards*.

Each day, appraisers working in private practice encounter a variety of situations, some of which may not be definitively outlined in the *Standards*. To avoid these situations, the following should be considered as a guideline.

In the Volume 51, Book 1, 2007 edition of the *Canadian Appraiser*, we discussed how to handle partially completed appraisal reports. (*Partially Completed Appraisal Reports*, Page 32, Book 2, 2007 http://www.aicanada.ca/e/pdfs/Can_App_Vol_51_Bk_2_15.pdf) These are different from draft reports. The circumstances surrounding whether or not providing a draft report is appropriate would be based on the



'reasonable appraiser' test and the intended use and user of the appraisal report.

When is it appropriate to provide a draft report to your client? These instances may include situations when the facts of the property may be in question such as:

- a retrospective report where the dwelling no longer exists or has changed substantially from the effective date to the inspection date, e.g., water or fire damage;
- a marital dispute where the client no longer resides in the home and there may have been changes to the property from the date of separation, date of marriage, or other effective date;
- difficult assignments where

wording may be critical, e.g., expropriation, legal purposes; and

- instances where it may be reasonable for a client to request that the appraiser elaborate on rationale, research or methodology, e.g., work prepared for court or legal testimony.

Normally, it is not appropriate to provide a 'draft' report for mortgage lending for a financial institution or for sale/marketing purposes for a private client.

In the case of a retrospective report, or where the facts of the property may be in question, it may be easier to complete the description portion of the appraisal report (up to the valuation section)

It should be clear to the client when the draft is delivered that, although wording or facts may be open for discussion, values are not.

and have the parties agree on the factual content of the appraisal. The valuation section would not necessarily be completed at this time. It may be more difficult for the parties to dispute the value later, if they have had an opportunity to review, comment and contribute to the reported facts of the property. Once the report is finalized, if the facts of the property are called into question, it can often lead to a client or reader questioning the credibility of the entire report, even though the discrepancy would not have any influence on the value.

A change of wording in a report when it is in a draft form is much less complicated than a change to a signed, sealed and delivered report. Think about explaining to a judge or the Investigating Committee why a notation on your appraisal report states 'revised.' Or, try explaining to the Investigating Committee why there are two signed appraisal reports issued on the same property, on the same day, with the same value, but there is a variance in the wording and facts between the two reports.

The draft report may be provided in part or in whole, depending on the intended use and user of the report, along with the reasonable appraiser test. Each page that is provided should be clearly marked with 'DRAFT – date.' If more than one draft is provided, mark '2ND DRAFT – date.' Keep either a hard copy or a PDF copy of each draft that is released. These become part of your work file (as required under 4.2.9 with Comments 5.9 – with particular attention to 5.9.4 and 5.9.6). **Never sign a draft report.**

Providing a draft report is a business decision that allows the client to contribute to and review the report before it is finalized. It should be clear to the client when the draft is delivered that, although wording or facts may be open for discussion, values are not.

When dealing with 'drafts,' taking some of these precautionary steps should minimize the chances of a complaint being submitted to the Appraisal Institute of Canada for investigation, with the referenced report as evidence. 🍷

Investigating Committee

David Gabruch, AACI, P. App
– Chair

Deana Halladay, CRA

Sheldon Rajeski, AACI, P. App

Michael Lee, AACI, P. App

Del Stebner, CRA

Trent Gelmici, AACI, P. App

Mike Schulkowsky, AACI, P. App

Doyle Childs, AACI, P. App

Stan Jugovic, AACI, P. App

Darell Thorvaldson, AACI, P. App

John Hutchinson, AACI, P. App,
Special Advisor

Greg Wilkinson, AACI, P. App,
Special Investigator

To contact this committee email:
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Bank appraiser lists

The Appraisal Institute of Canada (AIC) has worked persistently over the past two decades to increase the professionalism of its members. As members of the profession, we all have profited from the sometimes difficult, but nevertheless beneficial process of increased educational and applied experience requirements necessary to obtain and maintain our designated member status.

The CRA and AACI designations are well recognized nationally, and most, if not all, major (national) users of our services appreciate and understand that the members using these designations are well trained, and have achieved a high level of education and applied experience necessary to be granted the use of the designations. The marketing initiative that is underway nationally will further enhance the public perception of our members and the skills we have to offer.

Other professions have also increased the educational requirements of their members. I am sure most of us would agree that (for example) the skills and abilities of members of the accounting industry are much more diversified and enhanced from those of, say, 20 years ago. For these organizations, as for our own, much of this evolution is driven by changing and increasingly complex economics, as well as other factors.

It has long been a concern of some members of our organization that, in certain cases, national and regional users of our services have 'lists' naming approved service providers of valuation services. Admittedly, this can be a cause for concern when, for example, a client uses our services to get a valuation of a property com-

pleted and tells us that the appraisal is going to be used to obtain mortgage financing on the property, but the financial institution has not yet been selected. To indicate to such a client that the finished appraisal may not be acceptable to certain financial institutions can be a source of angst for sure, and may even raise questions about the credentials of the individual completing the work.

As our clients and the public begin to better understand the breadth and depth of our experience and education, they will increasingly trust the services of our members on a broad basis.

However, it remains the right of a customer or user of our services to obtain professional services from individuals they have specifically selected. I do not think most of us would seriously question the credentials of an accountant with a CA or some other professional accounting designation. We trust the organizations to which such individuals belong to grant designations only to those who have completed the necessary requirements. However, we retain the right to base the reasons for our selections of professional service providers on a variety of factors, including a personal

relationship, referral from others we know, or even, in some cases, the price of their services.

We are aware that there are stories of individuals within our own organization who have provided less than exemplary service to clients. Whether we want to admit it or not, this has contributed to the creation of 'bank lists.' In general, to be approved for such a list, an individual must submit a number of samples of his or her work, agree to certain requirements of the financial institution for valuations (always within the parameters of *CUSPAP*, of course), and form some sort of dialogue or relationship with the client to discuss completed work when necessary. Is this an unreasonable requirement?

As an organization, we need to continue to support the Appraisal Institute of Canada in its current, ongoing marketing initiative. As our clients and the public begin to better understand the breadth and depth of our experience and education, they will increasingly trust the services of our members on a broad basis. 🍷

Professional Qualifications and Competency Committee

Anna Meckling, AACI, P. App
– Chair

Steve Kelly, AACI, P. App

Brad Brewster, AACI, P. App

Roland Mayr, AACI, P. App

Robert Tipple, AACI, P. App

Suzanne Teal, Executive Director,
AB AIC

To contact this committee email:
pqcc@aicanada.ca

Continuous improvement is good for the organization and for members

This is not another article about the technicalities of the Continuing Professional Development (CPD) program, but rather one that addresses the learning process or continuous improvement. The Professional Affairs Coordinating Committee (PACC) objective is the ongoing review of the Professional Practice Process to establish what is working and what might need improvement. The concept of continuous learning or life-long learning is the foundation for AIC's CPD program, which acknowledges the imperative of today's marketplace where all professionals are expected to maintain professional competency through systematic continuing professional development.

PACC is the mechanism whereby AIC continuously improves upon its own programs and the professional practice process. PACC listens to advice and recommendations from the chairs of the professional practice committees, with a view to finding effective and cost efficient processes.

To be sure, PACC is also continuously reviewing the implementation of the *Regulations'* amendments to ensure that they are being implemented in a manner consistent with the intent

of the national policy. A recent example was the clarification in the *Regulations* regarding 'Suspension,' in that it could be interpreted as either a suspension of designation and/or suspension of membership in the AIC.

The concept of continuous learning or life-long learning is the foundation for AIC's CPD program.

However, this does not mean that PACC deals only with the improvement of the professional practice process. Sometimes, it may be that input suggests a common theme has arisen which warrants clarifying amendments to the *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)*. The committee chairs bring their unique perspective on complaints to the table, common issues are discussed, and they are referred to an appropriate committee for follow-on action.

New initiatives are also considered. For example, at

the most recent meeting, PACC discussed the concept of peer review and how it might be adopted for use in the professional practice process. Peer review has been an option available to the Counsellor Professional Practice and the Investigating Committee; however, there has not been a national peer review process in place for referring complaints that emerge from the professional practice process. PACC has endorsed the concept and would look forward to implementing a professional practice peer review program. 🍷

Professional Affairs Coordinating Committee

Gordon Tomiuk, AACI, P. App,
AIC President – Chair

Peter Lawrek, AACI, P. App –
Chair of Adjudicating Committee

Hal Love, AACI, P. App – Chair of
Insurance Advisory Committee

David Gabruch, AACI, P. App –
Chair of Investigating Committee

Charles Abromaitis, AACI, P. App
– Chair of Appeal Committee

Ray Bower, AACI, P. App – Chair
of Standards Committee

To contact this committee email:
professionalaffairs@aicanada.ca



Conflict of obligations

Appraisal standards speak to conflicts in many ways. A conflict of interest is addressed in *Ethics Rule 4.2.11*, which, in essence, sets out that any real or perceived conflict must be declared and pre-approval of a client obtained before you proceed. It may still be necessary for the appraiser to decline the assignment for other reasons that arise out of the conflict of interest and a careful review of business practices should be undertaken in such circumstances. A conflict of obligation can also arise. The *Practice Notes* at 12.8.5 set out some of these circumstances.

The purpose of this article is to discuss a more complicated example of a conflict of obligation. Let's begin by assuming that you are a member in good standing with the Appraisal Institute of Canada (AIC), but that you are also a member in good standing with another like-minded appraisal organization. There are many such groups including assessment associations, OEAQ in Quebec, agrology professions, or even an American appraisal association.

Much like AIC, each of these other professional bodies would have its own set of professional standards, bylaws and regulations that have become widely recognized and accepted by clients lenders, government bodies, and the courts, all of whom rely on individuals holding those professional designations.

A most complicated conflict of obligation arises routinely out of these scenarios when dual

membership is involved. At the outset, you have two sets of professional standards and rules to which you must adhere when preparing reports. Writing in Volume 50, Book 4 of the *Canadian Appraiser* (http://www.aicanada.ca/e/pdfs/Can_App_Vol_50_Bk_4_14.pdf), Allan Beatty, AACI, P. App describes how the *Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP)* will

“There is no AIC ‘hat’ to take off while you adhere to another professional association’s requirements.”

likely get you 90% towards satisfying your client's requirements, and that the remainder is about adding in what is required by the other professional standards. Thus, it may be relatively simple to resolve any disparity in the requirements of the two professional bodies.

Remember that appraisal standards are minimum standards and that exceeding these standards is reasonable and occurs in many appraisal reports, including

residential appraisals.

The problem becomes more complicated when you are asked by your client to complete something to a professional standard other than *CUSPAP*. As a member of AIC, you have pledged to abide by AIC bylaws, regulations and standards. Therefore, by your pledge, there is no AIC ‘hat’ to take off while you adhere to another professional association's requirements. You remain obliged to adhere to *CUSPAP*, and, as a professional, the onus rests with you to do so. This is the very least that your clients should expect from you and a very important aspect of professionalism that you should convey to your client's when they innocently ask that you disregard your professional standards.

CUSPAP obliges an appraiser to identify his or her membership status in a report, and to certify compliance with *CUSPAP*. An appraiser is also obliged to set out when a report or parts thereof are not covered under an Errors and Omissions insurance policy. Therefore, it is reasonable to presume that failure to do so would be a breach of the *CUSPAP* ethics.

Finally, it may be that you will have to choose between membership in AIC and continued adherence with AIC bylaws, regulations and *CUSPAP*, and membership in another association in order to remain professional and avoid the conflict of obligations that might arise from multiple memberships in like-minded appraisal associations. 🐼

CRITICAL DATES

The following dates are provided as a reminder to AIC members of critical dates throughout the year pertaining to CPD credits, dues and insurance obligations.

Week of November 12 Insurance Levy billings mailed to members.

December 31 Insurance Levy payments due to SCM Adjusters Canada Ltd. (204) 985-1775. Annette Ethier [aethier@scm.ca]

July 31, 2008 Candidates' first deadline to report course

MEMBER DISCIPLINED

THE APPRAISAL INSTITUTE OF CANADA advises that Mr. David G. Marshall, CRA of Grand Forks, BC, has been found in contravention of the Institute's *Code of Ethics and Standards of Professional Practice*. Sections contravened are:

Canadian Uniform Standards of Professional Appraisal Practice (2002 Edition):
Ethics Standard Rule: 1, 2, 4, 6, 9 and 13.

The member, a designated CRA, completed an appraisal assignment on a commercial property without having had the appraisal report reviewed and counter-signed by an AACI. As a result, the member has negated the mandatory insurance coverage, has misled the reader of the report by giving the impression of professional qualifications that are not possessed, and has undertaken an assignment lacking the necessary competence.

As a result of this conduct, **Mr. David G. Marshall, CRA**, has been given the discipline of Censure and education. Also, pursuant to the Consolidated Regulations of the Appraisal Institute of Canada, costs have been levied.

IN MEMORIAM

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.

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.

John Warren, AACI, P. App
Nanaimo, BC

A. George Oikawa, AACI, P. App
Vancouver, BC

James Perry, AACI, P. App
Saskatoon, SK

William H. Mather, AACI, P. App
Burlington, ON

Eric Windeler, AACI, P. App
Oakville, ON

Michel Bourassa, AACI, P. App
Montreal, QC

Guy Deslauriers, CRA
Lachine, QC

Marcus O'Malley, Candidate, Richmond, New Zealand

2007 Jack Warren Scholarship recipients

Jack Warren Education Trust Scholarships are available to individuals from across Canada pursuing careers in real estate appraisal. Congratulations go to **Tyler Beatty**, of Kelowna, BC; **Melissa Blais**, of North Saanich, BC; **Stephen Cullis**, of Kamloops, BC; and **Henry Wang**, of Surrey, BC; who were selected by the Trust Committee as this year's recipients of the Jack Warren Education Trust Scholarship.

Previous recipients include:

- 2006 Daniel Shields, Sault St. Marie, Ontario
- 2006 Dustin Lamoureux, Victoria, BC
- 2006 Gordon French, Vernon, BC
- 2006 Karen Taber, North Vancouver, BC
- 2006 April Green, Vancouver, BC
- 2005 Hlynn Kenny, St. John's, Newfoundland
- 2005 Charlotte Ciok, Vancouver, BC
- 2005 Anthony Plumtree, Abbotsford, BC

Congratulations also go to **Samantha Sawyer**, BC and **Laina Chwelos**, Alberta who won a free national conference registration. The free registrations were randomly drawn from the names of all past Jack Warren Education Trust recipients. The draw is made each spring and the individuals are notified so that travel arrangements, if necessary, may be made in plenty of time.

- All winners must be current members of the Appraisal Institute of Canada.
- This prize does not include transportation or accommodation to/from/at the conference.
- Winning conference registrations are for the Jack Warren Educational Trust recipient use only and are for the current year's conference. They may not be transferred to another individual or delayed to a future conference.
- The registration fee will be reimbursed following the conference upon confirmation of attendance.

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 Appraisal Institute of Canada website www.appraisal.bc.ca, click on publications, brochures and the Jack Warren Educational Trust.

PGCV grads enhance their career opportunities

In 2003, the Appraisal Institute of Canada (AIC), with its education partner, the Real Estate Division, Sauder School of Business, University of British Columbia, established the UBC Post-Graduate Certificate in Real Property Valuation (PGCV) leading to the AIC's highest level of professional accreditation, designation as an Accredited Appraiser Canadian Institute (AACI). This program presents a unique opportunity for graduates of recognized Canadian business/commerce degree programs to earn a prestigious post-graduate certificate in real property valuation, while fulfilling the educational requirements for designation by AIC.

For more information on admission and requirements for the UBC/AIC post-graduate certificate in Real Property Valuation, visit UBC's web site at www.sauder.ubc.ca/AM/Template.cfm?Section=Real_Estate_Division

In 2006, we had 27 graduates of the PGCV program. This year we congratulate 21 additional graduates on their achievements:

David Jonathan Bassal, Quebec
Steve Blacklock, British Columbia
Blaise Clements, Saskatchewan
Don Edey, Ontario
Shey Ergil, Alberta
Kari Gage, British Columbia
Sara Highsted,
Newfoundland and Labrador
Melody Ming Yan Hui, British Columbia
Janelle Kochan, Alberta
Yen-Mei Li, Ontario
Todd W. C. MacDonald,
Prince Edward Island
Basil Papas, Saskatchewan
Li Ming Qin, Quebec
Guy Robertson, British Columbia
Erin D. Smith, British Columbia
Michael Spatharakis, British Columbia
Stephanie U. Tong, British Columbia
Terence Kevin Mar Tooley,
Saskatchewan
Jason Tucnik, Alberta
Dave Weber, Alberta
Julianne Wright, Ontario

Here are some comments from our 2007 graduates

What prompted you to pursue the PGCV?

In September, 2002, I accepted a position with the Province of Prince Edward Island as an Assessment Intern. Accepting the position meant that I would be obligated to obtain my CRA designation within a certain time frame. Already having a BBA, together with the announcement in 2003 that the AIC and UBC Real Estate Division established the PGCV program, made the decision an easy one.

– **Todd MacDonald**

My employer asked me if I wanted to take over his business when he retired.

– **Erin Smith**

Now that you have completed the program, do you feel it was a good decision for your career in the property industry?

Yes. The courses that are included in the program are very focused and relevant to my career, especially with the opportunity to select two electives.

– **Dave Weber**

As a PGCV graduate, I feel it was an excellent career decision to obtain the AACI designation, as it has and will continue to open doors in both the public and private sector.

– **Todd MacDonald**

Would you recommend this program to other business graduates?

Yes. If a person is interested in pursuing a career in the property industry. It is a challenging program and provides a good depth of theory that can be applied in the industry.

– **Dave Weber**

I believe the AACI designation is becoming more widely recognized and valued. The process involved in pursuing an AACI has been made less daunting through the introduction of the PGCV program.

– **Julianne Wright**

Do you feel that adding the PGCV to your professional credentials has enhanced your career opportunities?

Definitely. Completing the PGCV program was instrumental in achieving the status I now hold in the workplace.

– *Erin Smith*

Yes. I started the program shortly after becoming employed at an appraisal firm. The course material was, in large part, relevant to the real estate appraisal industry, and did help me gain some background knowledge of the industry that I may not have learned otherwise. The PGCV program has also helped me to achieve my AACI designation in a much shorter timeframe from what was the traditional route, which is of interest to employers.

– *Julianne Wright*

Are there any other comments concerning this program that you would like to share with the Appraisal Institute or prospective PGCV students?

The AIC and the UBC Real Estate Division have formed a great team and have created an atmosphere which enables those interested in the Real Estate/Property industry to broaden their knowledge base and, at the same time, make themselves more attractive to potential employers.

– *Todd MacDonald*

This is a very straight forward program that complements the mentoring you receive while completing your candidacy; this approach is streamlined and can be completed in a minimal amount of time allowing you to get to work faster.

– *Erin Smith*

Correspondence courses are not what they used to be. The online capabilities enhance the overall learning experience. As a UBC student enrolled in the PGCV program, I was able to chat to fellow classmates and discuss assignments, submit assignments, receive marks, and ask my tutor questions. The process is no longer as isolating as it once was.

– *Julianne Wright*

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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 July 14 to October 15, 2007:

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 14 juillet au 15 octobre 2007:

AACI, P. App

Accredited Appraiser Canadian Institute

We welcome and congratulate these individuals as fully accredited members of the Institute through the granting of their AACI, P. App designation.

Accueillons et félicitons comme membres pleinement accrédités de l'Institut et leur accordons avec fierté la désignation AACI, P. App.

BRITISH COLUMBIA

Brent McLaren
Eric Pan

SASKATCHEWAN

Basil Papaconstantinou

ONTARIO

David H. Scott

NORTHWEST TERRITORIES

Sheila Malouin

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

Richard W.B. McIntyre

BRITISH COLUMBIA

Richard Jansen
Earl Joostema
Douglas B. Strachan

ONTARIO

Kim LD Fraser
Liette L. Lafrance
Stephen T. Otto

QUEBEC

Sylvain Lacasse
Alain Lefebvre
Richard Schoeneich
Patrick Simard

Candidates / Stagiaires

AIC welcomed the following new Candidate members during the period July 14 to October 15, 2007:

L'ICE souhaite la bienvenue aux personnes suivantes qui ont joint les rangs des membres stagiaires durant la période du 14 juillet au 15 octobre 2007 :

ALBERTA

Brent A. Both
Alan Cahoon
Kevin Haldane
Claude Marie Lemieux
Jarret Thomas Moisan
Adam Arthur Robitaille
Brady Cole Sullivan

BRITISH COLUMBIA

Gary D. Armstrong
Suzanne P. Clarke

Jeffrey David Dicken

Neil Eggie
Marlon R.A. Estevez
Craig D. Hennigar
Shari L. Jablonski
Alex D.L. Lam
Tyra Luckhurst
Jonathan David Matthews

MANITOBA

Jason M. Schellenberg

NOVA SCOTIA

Dana Corbin
Derrick J. Hines
John Patrick Nadin

ONTARIO

Malka G. Adlerstein
Philippe El-Chami
Aaron Harlang
Ryan Alan Hopper
Philip M.T. Leung
Glenn Mariano

David B. Press
Daniel J. Shields
Michael David Whitehead

PRINCE EDWARD ISLAND

J. Dean MacKinnon

QUEBEC

Eric Jurkschat

SASKATCHEWAN

Richard P. Marleau

Students / Étudiants

This new category of membership was implemented January 1, 2007 and now serves as the first step on the path to designation for those completing their requirements for Candidate membership. Students considering the appraisal profession as a career option are also welcomed to this new category of membership.

Cette nouvelle catégorie de membre entrain en vigueur le 1er janvier 2007 et constitue la première étape sur la voie de la désignation pour ceux qui s'affairent à compléter les exigences de la catégorie de membre stagiaire. Les étudiants qui contemplant une carrière comme évaluateur professionnel sont bienvenus à joindre cette nouvelle catégorie de membre.

BRITISH COLUMBIA

Shannon L. Hewitt
Alexis M. LaBonte
Jeff W. Lougheed
Carl James May

MANITOBA

Aaron L. DeGroot
Joseph R. Sjoblom

ONTARIO

Tyrone De Nobriga

Advice to authors

From the Editorial Board

Writing a paper for a professional or trade journal can be intimidating. Will my peers and others see my paper as relevant, well written, and with clear messages? What expectations or standards for publication will I need to meet? Who chooses the articles for publication? Will I receive assistance in writing and editing my paper? In this article, we answer the most common questions facing potential authors.

Every AIC member is a potential author. Our goal is to encourage and support members in sharing their valuation experience and expertise through articles published in the *Canadian Appraiser*. When you share your knowledge with your colleagues across Canada, you have contributed to the body of valuation knowledge and enhanced our profession. Clients and other stakeholders can see the value we place on information sharing and continuous learning.

Q I have an idea for an article, but I do not want to invest a huge amount of time in writing if it will not be accepted for publication. What is my first step?

A Send a brief outline of proposed paper to Mary-Jane Erickson [maryjane@aicanada.ca]. Mary-Jane will circulate your idea to the *Canadian Appraiser* Editorial Board. We will tell you if your concept has been recently covered or if it is likely to appeal to only a small number of members. We will also suggest changes to the outline that will broaden the appeal of the article, if necessary, and provide a target date for publication of the article.

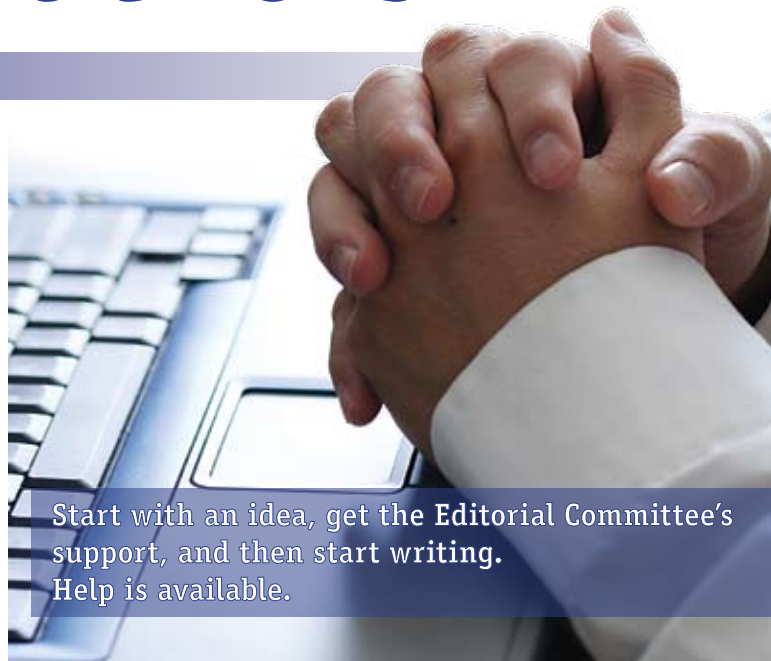
Q What type of assistance is available to authors?

A Once an article idea (outline) is accepted for future publication, editorial assistance will be provided to authors, either through our Communications staff or our magazine publishers, Craig Kelman & Associates Ltd. Keep in mind that the editorial process, which relies on blind peer review, involves flexibility on everyone's part; authors need to be prepared to have their work edited for style, content, and length.

Q Let's assume you accept my article for publication. What's next?

A We will provide you with a target date for publication in the *Canadian Appraiser*. If we cannot accept your proposal, we will provide an explanation.

The *Canadian Appraiser* is published on a quarterly basis. This publication schedule, along with the magazine budget, places limitations on the extent and timing of member content that can be included in any issue. There may be a significant delay between the date an article is accepted for publication and printing. We will try to give authors realistic timeframes and keep you in the loop.



Start with an idea, get the Editorial Committee's support, and then start writing. Help is available.

Q Do I need to meet professional standards for technical writing?

A We do not expect authors to write at the academic journal level or compete with Giller Prize candidates. However, keep in mind that, when you draw conclusions or express opinions in your article, the readers will generally expect a fact pattern to support your findings. The support may be through a case study, documentary research, interviews, or other research you have conducted. Writing a valuation article is quite similar to writing an appraisal report, identify the purpose and goal, state a hypothesis, conduct research, and reach a conclusion. Writing in an active rather than passive style will make your paper more interesting. Think about the articles that have captured your interest and those which are boring or mind-numbing.

A good source for technical or professional writing is the *Canadian Style Guide*. <http://www.fedpubs.com/subject/commun/cdnstyl.htm>. As well, there are many free online resources. Universities are great sources for writing resources. Here are a few recommendations:

- University of Victoria: <http://web.uvic.ca/wguide/>
- University of British Columbia: http://www.writingcentre.ubc.ca/online_resources.html
- University of Toronto Writing Lab: <http://www.ecf.toronto.edu/~writing/resources.htm>

For more information, please feel free to contact the Canadian Appraiser Editorial Committee, through Mary-Jane Erickson.

In our next article, we will include some writing tips to help you gain and keep the reader's attention. 🍀



Being prepared for **unexpected** (and potentially devastating) **life changes**

“Bad things always happen to someone else.” If that phrase sounds familiar, it is because we all say it... and, for the most part, we believe it. But, deep down, we also know that things can and often do happen when they are least expected...even to us.

Unfortunately, many of us are not as prepared as we could or should be for those unexpected occurrences that can literally alter our entire lives... things like a family crisis, an accident or a medical condition such as a heart attack or stroke that can have long-lasting physical, mental, emotional and financial implications. Although individuals working in government or in large corporations must also deal with these situations should they ever arise, independent appraisers working in a private practice,

“If you have plans regarding what you want to achieve in your life, both personally and professionally, you must also have plans for effectively dealing with something as drastic as an accident, heart attack or stroke.”

particularly those operating alone or within the context of a smaller company, and not having access to large group benefit plans, must take extra measures in order to lessen the impact. If they do not, such occurrences can be even more financially devastating for them personally, for their families and for their companies. The good news is that there are steps that can be taken in order to be better prepared.

“Something like a stroke is not like a cold or a broken leg that gets better and goes away...it can be permanent and have far-reaching, life-changing implications,” says Appraisal Institute of Canada (AIC) past-president Keith Goodwin, AACI, P. App, Fellow, who speaks from personal experience having had such a debilitating stroke in April of 2004.

Keith is one of three partners in the firm Appraisals Northwest Ltd. located in Terrace, British Columbia. Unfortunately, due to his stroke, he is now a legal partner, not a working partner. He has been unable to work since his stroke; he will not be returning to regular work; and he is now officially designated as a ‘permanently disabled person’ by the Government of Canada and its Canada Pension Plan.

According to Keith, “The stroke literally forced me into retirement, which presents an entirely different set of circumstances than does retiring voluntarily. Our family has had to use savings and RSPs to supplement our daily living needs; my wife, who was looking to reduce her workload and make other lifestyle changes when my stroke occurred, has had to re-establish

her teaching credentials and return to a part-time teaching career; and, while we are managing to meet the costs of day-to-day living, we are no longer in a position to be building any kind of reserves for the future. Fortunately, I had been working for many years and had managed to build a bit of a nest egg. If something like this were to happen to a younger person, with less years in the workforce, there is a good chance that savings would not have grown to the point where it could provide much of a safety net. As well, that individual may not even be eligible for the Canada Pension Plan.”

“It is absolutely critical that you fully understand every detail of the insurance policy, including the specific wording and its implications.”

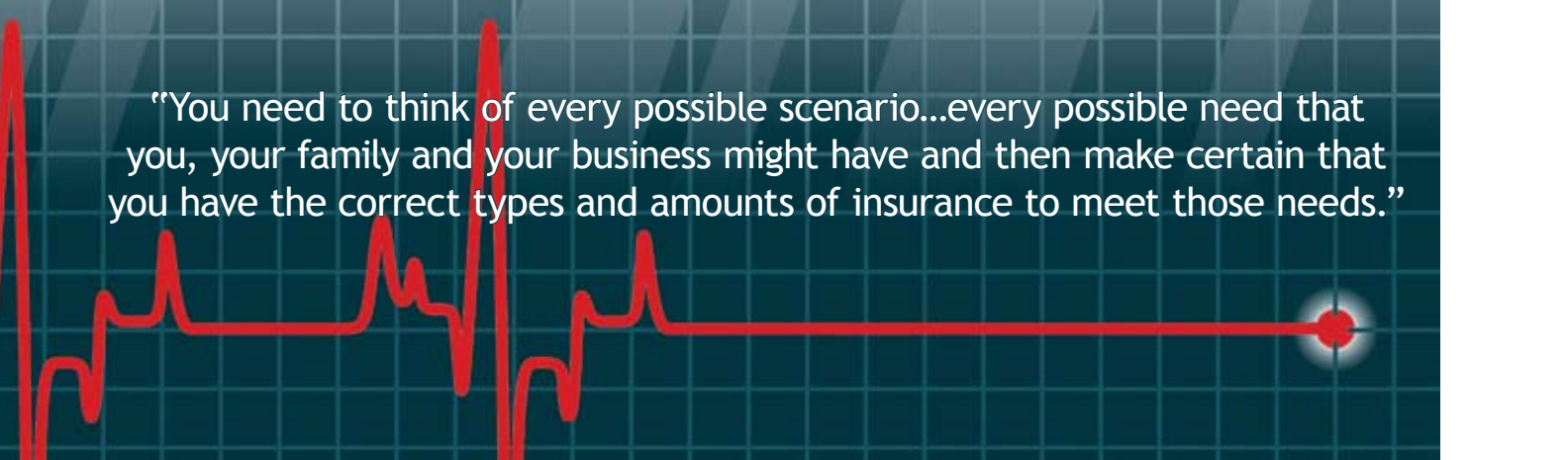
As for the company that he helped establish and build, Keith reflects on such unplanned issues as the increased workload that each of his partners had to take on, the extra support staff that had to be hired, the adaptations and new relationships that clients had to make, and the business growth plans that had to be put on hold. “When someone who was a one-third contributor to a company’s business and clientele is suddenly removed from the picture, the effects are enormous. Fortunately,

I have partners who did everything possible to hold things together, to provide stability and to carry on in the most positive fashion. For someone working alone or who is the main principal in a small business, it could well mean the demise of the company.

“If you have plans regarding what you want to achieve in your life, both personally and professionally, you must also have plans for effectively dealing with something as drastic as an accident, heart attack or stroke,” says Keith emphatically. “You certainly cannot anticipate this kind of thing, but you can take measures to be better prepared so that the impact is not quite as devastating.”

What sorts of precautions can be taken to lessen the impact of such a life-changing event? Naturally, we would all be wise to establish RRSP and RESP plans as soon as possible and to make regular contributions that can begin building resources for needs down the road. If possible, it is equally important to build some ‘rainy day’ savings, since you probably do not want to deplete longer term retirement or educational funding plans if you can avoid it. Remember as well that, if you are in the position of no longer being able to earn money, you likely will not be able to make additional contributions to any RSPs or RESPs, meaning that what you have in the plans at the time of the accident or illness is as much as you will ever have.

As for other important measures you can take, insurance is the key. According to Keith, “Having basic health insurance is a must in order to meet the immediate needs



“You need to think of every possible scenario...every possible need that you, your family and your business might have and then make certain that you have the correct types and amounts of insurance to meet those needs.”

you might have for ambulance, hospital, drugs and other health care required during what I call the survival period. However, you must also secure insurance for the long term that will provide what you need if the absolute worst were to happen.”

Keith also stresses that simply purchasing the insurance is not enough. “It is absolutely critical that you fully understand every detail of the insurance policy, including the specific wording and its implications,” he says. “For example, short- and long-term disability and ‘Return to Work’ terminology should be structured in such a way that your return to work is based on your educational and professional standards. Otherwise, you may find that the insurance company expects you to return to work as a greeter in a retail store. Will the money paid to you be based on your most recent year’s earnings prior to the accident or illness or will it be determined in another fashion? Will the amount you receive be enough to meet your needs? How much of your prescription drugs will be covered and for how long? What are the income tax implications relative to the payments you receive? For example, if you personally paid the premiums on your policy, then any payments you receive for the first two years are not taxable. However, if the company paid the premiums, then the payments to you will be subject to tax. When the insurance company shifts all or part of your payment responsibility to CPP, then that money will be taxed. There are

many, many issues that have to be understood.

“You need to think of every possible scenario...every possible need that you, your family and your business might have and then make certain that you have the correct types and amounts of insurance to meet those needs. There are no shortcuts. And if you don’t take care of these matters and pay attention to every single detail, no one else will,” says Keith.

“You can also increase your odds of never being in such a situation in the first place by maintaining a positive life/work balance.”

While stressing the importance of savings, insurance and due diligence regarding what is covered by insurance and what is not, Keith is also quick to point out that you can also increase your odds of never being in such a situation in the first place by maintaining a positive life/work balance. That means having regular health checks for blood pressure, etc., eating well, being active, making time for personal and family interests away from the workplace, and surrounding yourself with a strong support network that includes family, friends and business associates. “Reflecting on my situation, it is evident that I had allowed myself

to get out of balance...to focus far too much attention on work at the expense of everything else. Although there is still no guarantee that an accident or illness won’t happen, an ounce of prevention is certainly worth a pound of cure. It all boils down to prioritizing what we do in our lives and to making the right choices for our ultimate well being.”

As for his support network, Keith is appreciative of everyone that has rallied around him throughout the past three years. “When something like this happens, I believe there is a three-step process involving survival, recovery and then refocusing your life, which is where I am today. My wife and family, people in the health care system, my business partners, my professional colleagues and the Appraisal Institute of Canada have been there for me every step of the way. Ongoing contact with people is vitally important and I have been very fortunate in that regard.”

‘Fortunate’ is an interesting word choice for Keith, when you consider the impact that a stroke has had on his life. But, it is a word that speaks volumes about the man. And, in light of the personal, life-changing experience he has had, other words he uses such as being prepared for the worst, taking charge of your own situation, fully understanding what you are getting into, and maintaining balance in your life, all come together to provide sound advice that is well worth considering and acting upon.

Editor’s note: *Although it is totally on Keith’s terms, he continues to do limited volunteer work. 🐾*

Can appraisers adapt to CLIMATE CHANGE?

By John Peebles, AACI, P. App

On February 2, 2007, the United Nations-sponsored Intergovernmental Panel on Climate Change (IPCC) released its fourth assessment report, concluding that *climate change is “unequivocal” and that human activity is the main driver of this warming, asserting with near certainty – more than 90% confidence – that carbon dioxide and other heat-trapping greenhouse gases from human activities have been the main causes of warming since 1950.* Whether you agree with IPCC or not, climate change is front page news. Our political and business leaders are increasingly mirroring the public concern over climate change with ‘green’ economic strategies.¹

Evidence that the valuation community is embracing the green megatrend is the *Vancouver Accord*, signed by international industry representatives and valuation professionals on March 2, 2007, at the Vancouver Valuation Summit. *Vancouver Accord* goals are to:

- commit the industry to a review of the relationship between sustainability and standards of valuation;
- promote awareness of and competency in the appropriate methods of addressing sustainability in valuations and worth appraisals; and
- work with those inside and out of the valuation industry to educate and inform about sustainability and its relationship to value and worth.

The objective here is to focus on one of these goals, increasing appraiser awareness of the relationship between green buildings and market value. Why? Green building design is moving from the domain of institutional and special purpose properties to mainstream applications in industrial, retail and office commercial markets. Evidence of this trend can be found in recent

announcements for new green design office and mixed-use projects in major Canadian centres.² Appraisers need to understand the design, operation and economics of green buildings to understand how markets will react to these properties.

Our continuing green education will likely centre on the following questions:

- How do we define green or sustainable buildings? What property attributes will alert us to the differences between green and similar conventional buildings?
 - What are the economics of green buildings, e.g., initial construction and life-cycle costs, annual revenue-operating expenses, and vacancy and market capitalization rates?
 - Is the slogan ‘green value’ fact or marketing hype? How are market forces responding to green buildings?
- Should the appraisal profession account for the potential intangible values of green buildings, such as increased tenant satisfaction and productivity, and social corporate responsibility?

Lower operating expenses, specifically for energy consumption, are often promoted as a benefit of green buildings. This article relies on a literature review and property case study to examine two questions about green building operating expenses.

- (1) Do green buildings, on average, have lower operating expenses (e.g., energy costs)?
- (2) If this expense advantage exists, is it reflected in market value?



The Regional Municipality of Niagara recently expanded its Campbell East, Niagara Region headquarters in Thorold, Ontario and incorporated such energy efficient features as high thermal resistance in the walls and roof, high performance windows, efficient condensing boilers, occupancy sensors for lighting efficiency, and low flow water fixtures, among others. (Photo: Enermodal Engineering Ltd.) Photo courtesy of the Canada Green Building Council www.cagbc.org

Defining green buildings

Before learning whether 'green is a dream,' a clear definition is needed for green or sustainable buildings.

One approach is to identify green buildings through recognized standards. The Green Building Rating System (2004), based on LEEDTM Canada NC,¹ is the Canadian standard for new construction. BOMA² is promoting its Green Certification Program (2003) for existing buildings. Since only 4% of new commercial constructionⁱⁱⁱ in Canada has been LEED certified, strict reliance on this standard will likely exclude many new buildings with various degrees of green technologies. The issue is that many developers may build or rehabilitate to a level equivalent to green standards, but may not apply for certification due to

the time and money required. The BOMA program has broader application, but it is also relatively new and is continuing to build a profile in Canada.^{iv}

While you cannot rely exclusively on standards to identify green buildings, it is possible to identify green buildings through design, construction and operational practices that are consistent with Canadian standards and other green building definitions.^v These practices reduce the negative impact on the environment through^{vi}

- energy efficiency,
- use of natural building materials,
- conservation of water and other natural resources,
- waste avoidance, re-use and recycling, and
- flexible and adaptable spaces.

Green building economics

A review of published literature on green building economics reveals a weight of information on the opportunity to reduce operating costs, but little information on positive impacts for increased building rents and reduced vacancies. *Green Buildings and the Bottom Line* (2006), by the Building Design and Construction Network, exemplifies the limited state of knowledge on green economics. Other documentary sources^{vii} point to the opportunity to achieve a 30% reduction in operating costs with green building design.^{viii} The US EPA (Environmental Protection Agency) has taken a bolder approach in promoting green building economics, stating that a 30% reduction in energy use (commonly achievable in the average commercial office building) can yield the equivalent of a 5% increase in Net Operating Income (NOI) and overall asset value.^{ix}

The Canadian experience with green buildings parallels the US experience. The BC Ministry of Energy, Mines, and Petroleum Resources claims that energy efficiency upgrades can reduce annual energy costs for commercial real estate by an average of 20%.^x The Ministry estimates that about 70% of the projected cost savings will be associated with energy costs^{xi} related to heating, cooling and lighting. In a related study, the federal government (2005) confirmed that the average cost for energy represents about 30% of the total O&M budget for federal office buildings, or about \$20/m² (\$1.85 per ft²).^{xii} Applying the 20-30% rule of thumb for possible energy savings translates into a potential O&M reduction of \$.37-\$55 per ft², or an average annual savings of roughly \$15,000-\$22,000 for a 40,000 ft² office building.

The literature review supports the notion that green buildings generally have lower energy costs in relation to conventional buildings.³ However, no direct evidence was found of the relationship between reduced expenses and market value.

Case study details

The headquarters (HQ) of the Capital Regional District⁴ (CRD) was selected for this case study, since it is one of few recently constructed office buildings in Victoria, and since the CRD intended the building to embody



The Villa Angela Sisters building in Chatham, Ontario utilizes a variety of innovations to optimize energy cost performance by 55% more than the Model National Energy Code for Buildings and realize energy consumption savings of 51%. (Photo: Jorden and Cook Architects) Photo courtesy of the Canada Green Building Council www.cagbc.org

sustainability practices. The CRD HQ, a multi-storey class B office building, is located in the City of Victoria downtown precinct. The building is comprised of two adjoining buildings with integrated interior space, constructed in two phases. The first phase, completed in 2004, was a re-development of the former Victoria Police Headquarters building on Fisgard Street. In the second phase, the adjoining property was acquired and a new building was completed in 2006. Both buildings share some mechanical, electrical and other building systems.

	Phase I	Phase II	Total
Storeys	4	6	
Rentable area ft ²	26,864	47,574	74,438

Table 1: CRD building rentable area
(source: Capital Regional District)

The first step in this case study was to confirm that the CRD HQ met the general requirements for a green building, focusing on the first criteria - energy efficiency.

The building energy efficient features are associated with building envelope design, HVAC, electrical systems, water supply and building controls. A brief overview of these features is provided in the following section.

Thermal mass: In building construction, thermal mass is the use of building materials to absorb, store and later release significant amounts of heat. Buildings with thermal mass elements benefit through reduced spikes in daily energy use, since the mass slows HVAC response time, moderating indoor temperature fluctuations. Another advantage provided by thermal mass is the reduction in cost for heating in winter and cooling in summer. Thermal mass is achieved in the CRD building through exposed inside surface concrete slabs and shear walls. In this example, the additional advantage of exposing structural elements was a reduction in the cost to finish the exposed concrete (gypsum or painting not required) and an associated reduction in long-term maintenance expense for these surfaces.

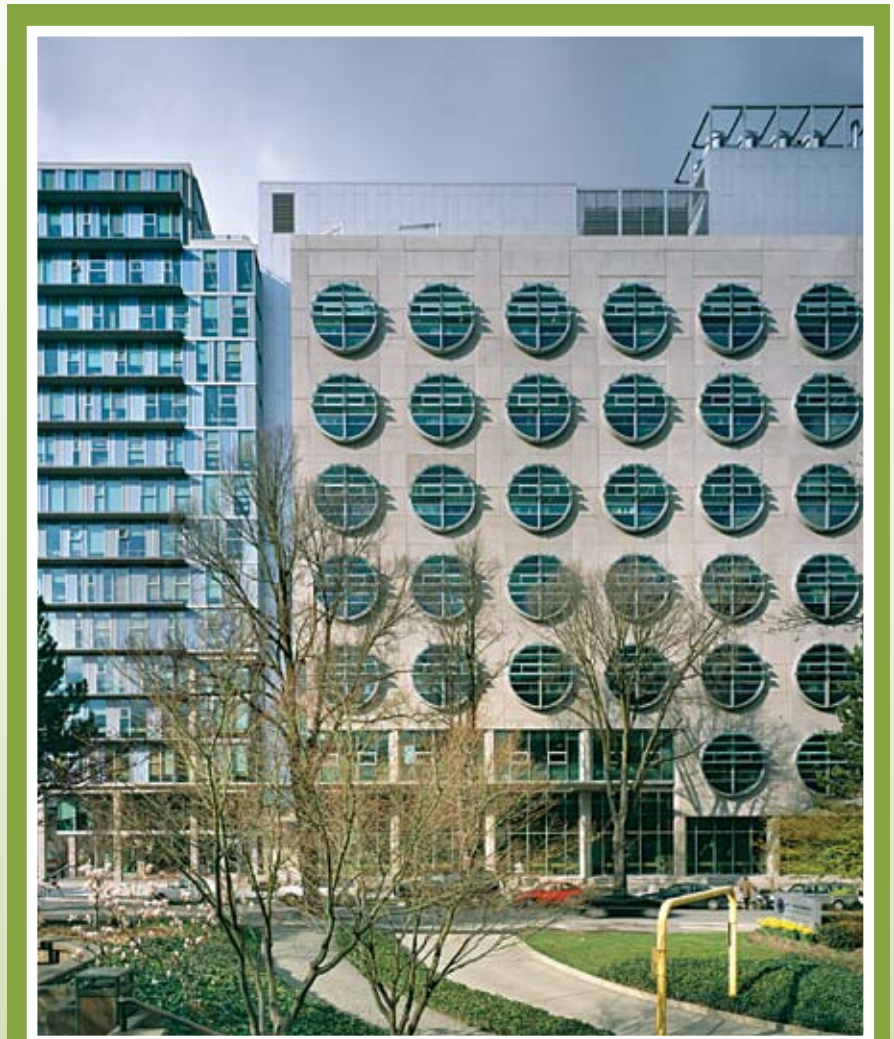
Solar shading: The design goal is to maximize winter solar heat gain and minimize excess solar gain during other seasons. The CRD building achieves this performance goal

through exterior solar shading panels and use of high-performance window units with 'high-e' and insulation properties.

Interior design: A characteristic of open floor plans is the concentration of enclosed spaces, such as offices, meeting rooms and mechanical-electrical rooms, in the building's core to allow unimpeded air circulation in the majority of the occupied space. Older class B buildings in the downtown core of Victoria will typically have a concentration of enclosed offices along exterior window exposures. The CRD building has an open floor plan design with relatively unobstructed access of interior space to natural light and views out. A related benefit of this day-lighting design feature is the cost savings from reduced lighting requirements.

Lighting design: The CRD building features energy efficient 'task-ambient' lighting (hanging fixtures) which reflect light to the ceiling for more even distribution. These fixtures have photocell-controlled dimming ballasts to adjust output of fixtures in response to daylight. Motion detector controls turn office and cubicle lights on and off based on occupancy, and digital systems controls manage lighting during evening and non-peak hours of use.

HVAC: Conditioned air is provided through an under-floor air distribution supply. In this system, the raised floor serves as a supply plenum system versus conventional overhead ductwork associated with Variable Air Volume systems. Use of this system reduces construction and renovation costs, since the costs of installing



The BC Cancer Agency Research Centre in Vancouver, BC is predicting annual energy savings of \$381,269 as a result of many construction and mechanical innovations. (Photo: Henriquez & Partners Architects) Photo courtesy of the Canada Green Building Council www.cagbc.org

or moving duct-work are eliminated, and electrical and data services can be accommodated within the space. The energy advantage of an under-floor system is that, when supply air is introduced at the floor level and returned at the ceiling, natural convection reduces the energy required to distribute the supply air, thus reducing the size of the HVAC units and associated energy consumption.^{xiii} Use of a raised floor system and largely open floor plan also reduces the 'churn' or construction and renovation costs resulting from the need to re-configure space over time. Additional energy efficiency is achieved with optimization of the ventilation systems to reduce electrical load, while keeping the building pressurized. A related design feature in the CRD building is the provision of operable windows to provide natural ventilation when outside conditions permit. The main intangible benefit of these features is the ability to better customize heating and cooling for each work unit and building zone.

The CRD building incorporates a number of additional sustainability measures related to water conservation, use of natural materials, and recycling. For example, water conservation features include low-flow shower heads and toilets, motion sensor faucets, waterless urinals, and a rainwater storage/reuse system to augment non-potable water supply requirements. An analysis of these features is beyond the scope of this article.

Energy savings with green?

To answer the first research question, there was a need to establish typical building energy costs for similar class B (BOMA standard) office buildings in downtown Victoria. Local property managers, brokers and the BC Assessment Authority^{xiv} staff

confirm that the typical range in O&M expense⁵ for class B office buildings in Victoria is \$6-\$7 per ft². The energy component (hydro and gas) of O&M expense for conventional buildings is estimated by local experts to fall within a range of \$1.75-\$2.00 per ft². This expense range is supported by the federal government energy estimate of \$1.85 per ft², noted earlier.

The latest available⁶ CRD building operating expense statements (fiscal year 2006) reveal an energy expense of \$1.26 per ft² versus benchmark energy expense of \$1.75-\$2.00 per ft² of rentable area, representing a difference of \$.49-\$.74 per ft². Has the cited literature demonstrated the premise that green buildings achieve significant energy savings in relation to conventional buildings of similar utility? Not conclusively, for a number of reasons:

- Only one year of performance data was available for the CRD building,⁷ but, according to local property managers, a three-five year operating history is required to understand building performance, especially for green building investments.
- Extreme climatic variation in any year of data (e.g., colder than normal winter or warmer than typical summer) will skew energy consumption numbers.
- The energy consumed by office buildings will be greatly impacted by hours of use, e.g., some private sector buildings may require more daily hours of lighting, heating and cooling than institutional buildings such as the CRD HQ.
- Consistent information required to reliably benchmark performance for conventional and green buildings is scarce.
- There are many different building HVAC systems with consumption rates for gas and hydro, creating

an issue for performance benchmarking.

However, since the energy performance outcomes are representative of the 30% in cited literature, it is assumed that the outcome justifies an attempt at hypothetical value analysis.

Do energy savings = green value?

The first problem to address was the appropriate method for valuation of the energy savings. Gary Wolff (2006) identified four methods to analyze the financial benefits of green buildings: simple pay back, levelized cost, relative net present value, and internal rate of return.^{xv} In the interest of simplicity, there is one method which is well understood by the valuation and investment community, i.e., net present value (NPV).

The biggest difficulty faced in using NPV was the availability of reliable information on the construction cost of the CRD building, versus costs for a similar building with conventional design (e.g., cost of green construction). To overcome this limitation, the National Research Council findings were adopted. These indicate that the *capital costs for constructing a green building are comparable to that of conventional buildings of the same type.*^{xvi} Additional assumptions were made for the investment horizon, yield rate, and stability of energy operating costs over time.

Assumptions were made that a conservative energy cost savings of \$.45/ft² can be achieved with green design and construction, and the total annual savings for the CRD building would be about \$33,500. A 10-year investment horizon and 6% yield rate (e.g., real estate investment trust yields) were also assumed. Capitalizing the annual expense savings over the investment horizon returns a present value of about \$246,500.⁸

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At this point, you may feel the case study is more of an academic exercise, given the growing uncertainty associated with the assumptions. Can the findings be considered conclusive? No - a single case study is not sufficient to draw generalized conclusions. Keep in mind that that the analysis of green value is a new area of valuation practice and the goal of this article is to illustrate how one might undertake a value analysis of the 'green' premium.

Summary

This article has provided an approach for identifying green buildings, a simple method for quantifying the relationship between operating expenses and value, and some areas for additional research. However, the main goal has been to awaken appraisers to green building trends and the need to account for the impact of 'green' on value. There are many additional potential tangible and intangible aspects to green buildings which can be investigated, such as reduced life-cycle cost, improved tenant relations and retention, reduced costs associated with churn rate for interior space, etc.

Are investors looking for this type of real estate intelligence? In *Green Can be Gold*, author David Kozlowski, senior editor of *Building Operating Management*, cites an interview with a prominent Chicago developer stating, "There is not a lot of knowledge or interest on the part of appraisers to go through all the bother of determining NOI (net operating income) based on energy savings." Kozlowski underscores the problem of appraisers falling behind the industry with additional examples of the importance brokers, landlords and developers increasingly place on NOI and energy cost. The counterpoint is that the collective industry understanding of green building economics is so limited in Canada that the market may not be ready for 'due diligence' in green building valuation, especially since much of the energy benefits accrue to tenants.

This article has pointed out a number of gaps in our knowledge of green building economics. Energizing green valuation research to the next level will require partnerships and collaboration between the appraisal and academic community, as well as

real estate organizations. Whether institutional or fee, residential or commercial, appraisers should respond to the Vancouver Valuation Accord by:

- learning about new building technologies;
- staying connected with the evolution of green building trends and standards;
- monitoring market reactions to the increasing number of new green buildings and buildings rehabilitated to a green standard; and
- increasing awareness of government policies to encourage and mandate green or sustainable development.

As well, the Appraisal Institute of Canada is encouraged to support more in-depth research on green valuation methodologies. ☺

End notes:

- 1 Leadership in Energy and Environmental Design Canada New Construction, Green Building Council.
- 2 Building Owners and Managers Association
- 3 A 2004 BOMA BC study funded by the Real Estate Foundation of BC, entitled *Go Green Phase II Report*, recommends that the initial focus for green building performance measurement should be energy efficiency gains due to the complexity of analysis for other factors such as water and waste reduction
- 4 The CRD provides a range of services for unincorporated areas, and coordinated regional and sub-regional in the Greater Victoria area, such as solid waste disposal, water distribution, regional planning, affordable housing, and health facility funding.
- 5 Includes utilities (hydro, gas and water), repairs and maintenance, and insurance.
- 6 The building is relatively new and built in two phases. Hence, operating expenses for 2005 years were not relevant.
- 7 CRD property management staff noted that the building systems will require further calibration to optimize performance.
- 8 For simplicity, it is assumed that energy costs and yield rates will be stable over the investment period.

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