CANADIAN UNIFORM STANDARDS

OF PROFESSIONAL APPRAISAL PRACTICE

Effective 01/01/2008

Standards Committee
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Appraisal Institute of Canada

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1. INTRODUCTION

This 2008 edition of the *Canadian Uniform Standards of Professional Appraisal Practice* ("The Standards," or CUSPAP), first introduced in January 2001, respects the expanding role of the valuation professional within the Appraisal Institute of Canada. The Standards meet the sponsor criteria of the Appraisal Foundation in their international membership category, and endorse International Valuation Standards as an authority promoting world-wide acceptance of standards for property valuation. Four Standards have been developed:

- Ethics Standard
- Appraisal Standard
- Review Standard
- Consulting Standard

Rules provide minimum performance Standards for ethics [see section 4], appraisal [see section 6], review [see section 8] and consulting [see section 10] assignments.

Comments clarify, interpret, explain and elaborate on the Rules, and form an integral part of the Standards; for the purpose of these Standards, their application is compulsory.

Practice Notes [see section 12] offer advice, examples and resolution; their application is not compulsory.

Definitions [see section 2] form an integral part of the Standards; for the purpose of these Standards, their application is compulsory.

Finding material is made easy whether by hard copy or electronic retrieval through a system of section and sub-section numbering.

2. DEFINITIONS

Definitions form an integral part of The Standards and for the purpose of these Standards, their application is compulsory:

2.1 **AACI:** Accredited Appraiser Canadian Institute designation. [see 5.1.3, 5.1.4, 5.6.3, 12.1.1, 12.4.1]

2.2 **AIC:** Appraisal Institute of Canada

2.3 **ACCEPTED APPRAISAL STANDARDS:** this is a level of professional practice qualifications that affect current appraisal teachings, experience and work performance that reasonable appraisers would believe to be justified.

2.4 **ACCRUED DEPRECIATION:** The difference between an improvement's cost new and its value as of any given date. [see 7.17.2.iii]

2.5 **AD VALOREM FEE:** A fee levied in proportion to the value of the property being appraised.

2.6 **APPRAISAL:** A formal opinion of value: prepared as a result of a retainer; intended for reliance by identified parties, and for which the appraiser assumes responsibility

Comment: An expression of value is not an appraisal if it is not the result of a retainer, if it is not intended to be relied upon, and if it is one for which the appraiser would not be expected to accept responsibility.

2.7 **APPRAISAL PRACTICE:** the work or services performed by appraisers, defined by three terms in these standards: appraisal, review, and consulting.

Comment: These three terms are intentionally generic, and not mutually exclusive. For example, an estimate of value may be required as part of a review or consulting service. The use of other nomenclature by an appraiser (e.g. analysis, counselling, evaluation, study, submission, valuation) does not exempt an appraiser from adherence to these standards.

2.8 **APPRAISAL REPORT:** [see 7.1, 9.1, 11.2, 12.11]

Types include:

- Narrative - comprehensive and detailed;
- Short Narrative - concise and briefly descriptive.
- Form - a standardized format combining check-off boxes and narrative comments.

2.9 **APPRAISAL REVIEW:** the act or process of developing and communicating an opinion about all or part of an appraisal. [see 8.1.1, 8.1.2, 8.2.3, 9.1.5, 9.3.1, 9.5, 9.8.1, 9.9, 12.43.1.ii, 12.48]

Comment: The subject of an appraisal review assignment may be all or part of an appraisal report, the work file, or a combination of these.

2.10 **ASSEMBLAGE:** the merging of adjacent properties into one common ownership or use. [see 6.2.19, 7.21]

2.11 **ASSIGNMENT:** an appraisal, consulting or review service provided as a consequence of an agreement between an appraiser and client.

2.12 **ASSUMPTION:** that which is taken to be true. [see 2.24, 6.2.10, 7.11, 8.2.7, 10.2.8, 11.5, 12.30]

2.13 **BIAS:** a preference or inclination used in the development or communication of an appraisal, review, or consulting assignment that precludes an appraiser's impartiality.

2.14 **CRA:** Canadian Residential Appraiser designation. [see 5.1.4, 5.6.2, 5.6.3, 12.1.1, 12.4.1, 12.35]

2.15 **CLIENT:** the party or parties who engages an appraiser in a specific assignment. [see 7.2, 9.2, 11.3, 12.14]

2.16 **COMPETENCE:** having the required or adequate ability or qualities to perform the specific assignment. [see 4.2.7, 5.13, 12.9]

2.17 **CONFIDENTIAL INFORMATION:** information, not otherwise publicly available, provided in the trust that the recipient will not disclose it to another. [see 5.11.4, 12.8.11]

2.18 **CONSULTING:** the act or process of analysis of real estate data, and recommendations or conclusions on diversified problems in real estate, other than an appraisal or review assignment.

2.19 **CONTINGENT FEE:** compensation that is dependent on the result. [see 5.14, 12.10]

2.20 **COSIGNATURE:** personalized evidence indicating authentication of the work performed by the members as joint authors, where each is responsible for content, analyses, and the conclusions in the report; a member cannot cosign a report with a student or non-member. [see 2.51, 7.29.6, 9.9.6, 11.13.5]

Comment: A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media, where the member has sole personalized control of affixing the signature.

2.21 **COUNCIL:** the National Governing Council of the Institute.

2.22 **DEPRECIATION:** a loss in property value from any cause.

2.23 **EFFECTIVE DATE:** the date at which the analyses, opinions and advice in an appraisal, review or consulting service apply. [see 6.2.7, 7.8, 8.2.4, 10.2.5]

2.24 **EXTRAORDINARY ASSUMPTION:** an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions. [see 7.11, 9.5.2, 12.31]

2.25 **EXTRAORDINARY LIMITING CONDITION:** a necessary modification or exclusion of a Standard Rule. May diminish the reliability of the report. [see 12.32]

2.26 **FEASIBILITY ANALYSIS:** a study of the cost-benefit relationship of an economic endeavour. [see 11.10, 12.46]

2.27 **HAZARDOUS SUBSTANCE:** any material within, around or near the property in question that has sufficient form, quantity and bio-availability to create a negative impact on value.

2.28 **HIGHEST AND BEST USE:** the reasonably probable and legal use of property, that is physically possible, appropriately supported, and financially feasible, and that results in the highest value. [see 6.2.14, 7.15, 12.34]

2.29 **HYPOTHETICAL CONDITION:** that which is contrary to what exists, but is supposed for the purpose of analysis. [see 6.2.11, 7.12, 10.2.9, 12.31, 12.32]

2.30 **INSTITUTE:** the Appraisal Institute of Canada and its authorized Committees.

2.31 **INTANGIBLE PROPERTY (INTANGIBLE ASSETS):** non physical assets, including but not limited to franchises, trademarks, patents, copyrights, goodwill, equities, mineral rights, securities, and contracts, as distinguished from physical assets such as facilities and equipment.

2.32 **INTENDED USE:** the use or uses of an appraiser's reported appraisal, consulting, or review assignment opinions and conclusions, as identified by the appraiser based on communication with the client at the time of the assignment. [see 6.2.2, 7.3, 8.2.2, 9.3, 10.2.2, 12.15]

2.33 **INTENDED USER:** the client and any other party as identified, by name or type, as users of the appraisal, consulting, or review report, by the appraiser based on communication with the client at the time of the assignment. [see 6.2.1, 7.2, 9.2, 10.2.1, 11.3]

2.34 **INVESTMENT ANALYSIS:** a study that reflects the relationship between acquisition price and anticipated future benefits of a real estate investment. [see 11.9, 12.45]

2.35 **JURISDICTIONAL EXCEPTION:** permits the appraiser to disregard a part or parts of these Standards that are determined to be contrary to law or public policy in a given jurisdiction and only that part shall be void and of no force or effect in that jurisdiction. [see 3.6, 7.12.4, 12.40.8, 12.49]

2.36 **LARGER PARCEL:** the subject property when considered together with contiguous or nearby property, the value of which is impacted by common ownership. [see 7.21, 12.27]

2.37 **LEASE:** a legal agreement which grants to another the right to use, occupy, or control all or part of a property for a stated period of time at a stated rental. [see **Error! Reference source not found.**, 12.31.1, 12.32.6]

2.38 **LIMITING CONDITION:** a statement in the appraisal identifying conditions that impact the value conclusion. [see 7.11, 7.18, 12.29.5, 12.32.2]

2.39 **MARKET ANALYSIS:** a study of real estate market conditions for a specific type of property. [see 11.8, 11.10, 12.44, 12.46]

2.40 **P.APP:** Professional Appraiser designation. [see 5.1.4, 12.1.1]

2.41 **PERSONAL PROPERTY:** identifiable portable and tangible objects which are considered by the general public as being "personal," e.g. furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property, tangible and intangible, that is not classified as real estate. [see 6.2.21, 7.10.1, 7.23]

2.42 **PROFESSIONAL ASSISTANCE:** Professional assistance involves support to the member that has a direct and significant bearing on the outcome of his or her report. A member may rely on significant professional, valuation, consulting, or review appraisal assistance of an employee. Such assistance would generally be provided by insured members of the Institute or other professionals. Inspection of a property is professional assistance as it forms part of the analysis leading to an opinion.

2.43 **PROFESSIONAL PRACTICE PEER GROUP:** committees authorized under the by-laws of the Institute to administer Canadian Uniform Standards. [see 5.5.1]

2.44 **REAL ESTATE:** land, buildings, and other affixed improvements, as a tangible entity. [see 10.2.4, 11.7]

2.45 **REAL PROPERTY:** the interests, benefits, and rights inherent in the ownership of real estate. [see 7.10, 11.7]

Comment: In some jurisdictions, the terms real estate and real property have the same legal meaning. The separate definitions recognize the traditional distinction between the two concepts in appraisal theory.

2.46 **REASONABLE APPRAISER:** one who maintains a level of performance that would be acceptable to the professional practice peer group. [see 5.5, 7.1.2, 7.16.2, 7.18, 7.19, 9.1.2, 11.2.2, 12.17, 12.40.1]

2.47 **RECERTIFICATION OF VALUE:** an inspection performed to confirm whether or not the hypothetical conditions in the appraisal have been met. [see 7.12.1.v]

2.48 **REPORT:** any communication, written or oral, of an appraisal, review, or consulting service that is transmitted to the client upon completion of an assignment. [see 2.8, 2.48, 7.1, 9.1, 11.2, 12.11]

Comment: Most reports are written and most clients mandate written reports. Oral report requirements are included to cover court testimony and other oral communications of an appraisal, review or consulting service.

2.49 **RETAINER:** engagement by a client of an appraiser to produce a formal report for an intended use.

2.50 **SCOPE OF WORK:** the type and extent of research and analysis in an assignment. [see 2.50, 6.2.4, 7.5, 7.11.3, 8.1.1, 8.2.5, 8.2.8, 9.5, 9.6.1, 10.2.7, 12.17]
Scope of work includes, but is not limited to, the following:

- the degree to which the property is inspected or identified;
- the extent of research into physical or economic factors that could affect the property;
- the extent of data research; and
- the type and extent of analysis applied to arrive at opinions or conclusions.

2.51 **SIGNATURE:** personalized evidence indicating authentication of the work performed by the member, where the member is responsible for content, analyses, and the conclusions in the report. [see 2.20, 7.29.6, 9.9.6, 11.13.5]

Comment: A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media, where the member has sole personalized control of affixing the signature.

2.52 **TECHNICAL ASSISTANCE:** Technical assistance involves support to the member in the preparation of a report, such as collecting property data and other factual information, but does not in itself include interpretation or analysis. A member may rely on technical assistance from Student members of the Institute or others, keeping in mind that the responsibility for the finished product rests with the member signing the report.

2.53 **UNIT OF MEASUREMENT:** a unit of measurement is defined as a feature of a property that can be measured, for purposes of comparison, with the same common element or component of another property. For example, a selling price per "unit" could express a figure on a per square foot basis, per acre basis, or per suite basis.

2.54 **VALUE:** the monetary relationship between properties and those who buy, sell, or use those properties. [see 5.14.1.iii, 6.1.1, 6.2.3, 6.2.24, 6.2.25, 7.4.2, 7.6, 7.8.1, 7.27, 12.16]

Comment: Value expresses an economic concept. As such, it is never a fact, but always an opinion of the worth of a property at a given time in accordance with a specific definition of value. In appraisal practice, value must always be qualified, e.g., market value, liquidation value, investment value, rental value.

2.55 **WORKFILE:** documentation necessary to support an appraiser's analyses, opinions and conclusions. [see 2.55, 5.10.1, 5.10.2, 5.10.6, 7.1.3, 9.1.4, 9.1.6, 11.2.5, 12.13]

3. FOREWORD

3.1 GENERAL INFORMATION

3.1.1 The intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice by establishing requirements for appraisal, review and consulting assignments. These Standards begin with the Ethics Standard which sets out the requirements for integrity, impartiality, objectivity, independent judgment and ethical conduct. The Standards apply to all activities of any member involving an analysis, opinion or conclusion relating to the nature, quality, utility or value of a specified interest in – or aspects of – identified real estate.

3.1.2 A Member of the Appraisal Institute of Canada must develop and communicate his/her analysis, opinions and advice in a manner that will be meaningful to the client, that will not be misleading in the market place, and that will be in compliance with these Standards.

3.1.3 A member must not render Appraisal, Review or Consulting services in a careless or negligent manner. This requires a member to use due diligence and due care. The fact that the carelessness or negligence of a member has not caused an error that significantly affects his or her opinions or conclusions and thereby seriously harms an intended user does not excuse such carelessness or negligence.

3.1.4 Authority for interpretation and application of these Standards is found in the terms of reference of appropriate Committees of the Institute.

3.2 RULES

3.2.1 The Rules are based upon accepted appraisal teaching that incorporates the minimum compulsory content of principles for appraising, reviewing or consulting assignments necessary to provide a credible result. It is not anticipated that the fundamental concepts incorporated in these rules will change significantly over time; nonetheless, they will be amended by the Standards Committee as required.

3.3 COMMENTS

3.3.1 Comments are provided to expand upon the interpretation and application of Rules. They are an integral part of these Standards and must be viewed as extensions of the Rules having the same force and effect. It may be anticipated that comments will be added or changed more frequently than Rules to respond to those industry issues that develop over time. Amendments to Comments will be made only if critical to the implementation of the Rules.

3.4 PRACTICE NOTES

3.4.1 Practice notes supplement the general discipline of applying Standards, which an appraiser learns through a combination of education and experience. These practice notes are not binding on the member. They are intended to

provide a convenient resource for everyday application, giving examples for application of Rules for appraisal, review and consulting. As new issues emerge that require practical examples for implementation, Practice Notes will be developed to promote discussion and provide leadership to members in understanding how to comply with Standards.

3.5 HOW TO USE THIS DOCUMENT

3.5.1 These Standards are set up in three tiers or levels.

3.5.2 The three tiers: **Rules**, **Comments** and **Practice Notes**, apply to three Standards for the common appraisal activities: **Appraisals**, **Review** and **Consulting**.

3.5.3 Tier one for each Standard is an expression of the Rules for that Standard. In the majority of assignments, reference need only be made to the Rules, which are written to be as concise as possible.

3.5.4 Note that each section and subsection of the Standards is numbered. References to other sections of the document are noted in blue, in the format #.#.#.i Simply click the numbered reference in the electronic version of the Standards to jump to that reference.

3.5.5 If further explanation of a Rule is required, links are provided to the Comments or second tier. The numbers in brackets at the end of a section refer to the line number at the beginning of the appropriate Comment.

3.5.6 The third tier of reference is the Practice Notes. When there is a Practice Note linked to a Rule, the line number reference will also be shown in the right column. Note that a link is referenced not only at the Rule level but also at the Comments level, when applicable. This minimizes the need to navigate back and forth through the pages of the document in order to retrieve the full text of Comments and Practice Notes that are linked to a particular Rule. While Comments follow immediately after the Rules for each Standard, Practice Notes form a single section. A Practice Note may be linked to Rules under more than one Standard.

3.5.7 A comprehensive Index provides back-up features for quick access to linked Rules, Comments and Practice Notes.

3.6 JURISDICTIONAL EXCEPTION [see 2.35]

3.6.1 An assignment condition that voids the force of a part or parts of the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP), when compliance would be contrary to law or public policy applicable to the assignment. [see 4.2.5; 12.40.6]

3.6.2 Jurisdiction relates to the legal authority to legislate, apply or interpret law at either the federal, provincial or local levels of government. It is misleading not to identify the part or parts disregarded and the legal authority justifying this action. In every case, it is ultimately the responsibility of the appraiser and not the client or other intended users, to determine whether the use of Jurisdictional Exception is appropriate. It is unethical for a member to complete an assignment that a Reasonable Appraiser could not support.

4. ETHICS STANDARD RULES

4.1 Preamble

4.1.1 Members of the Institute pledge to conduct themselves in a manner that is not detrimental to the public, the Institute, or the real property appraisal profession. Members' relationships with other members and the Institute shall portray courtesy and good faith and show respect for the Institute and its procedures.

4.2 Rules

It is unethical for a **member**: [see 5.1]

4.2.1 to knowingly fail to comply with Bylaws, Regulations and Standards, and the Professional Liability Insurance Program, of the Institute; [see 5.9]

4.2.2 to knowingly engage in conduct that will prejudice his/her professional status, the reputation of the Institute, the appraisal profession, or any other member; [see 5.2]

4.2.3 to knowingly act in a manner that is misleading; [see 5.3]

4.2.4 to act in a manner that is fraudulent; [see 5.2.4, 12.3]

4.2.5 to knowingly complete an assignment that reasonable appraisers could not support; [see 5.5]

4.2.6 to claim qualifications, including Continuing Professional Development credits, improperly; [see 5.6, 5.8]

4.2.7 to undertake an assignment lacking the necessary competence; [see 5.13]

4.2.8 to refuse to co-operate with the Institute; [see 5.7]

4.2.9 not to have access to records; [see 5.10]

4.2.10 to disclose results of an assignment to anyone but the client, except with the client's permission; [see 5.11]

4.2.11 to fail to reveal any conflict of interest; [see 5.12]

4.2.12 to accept an appraisal assignment that is contingent on the result. [see 5.14]

5. ETHICS STANDARD – COMMENTS

5.1 Member [see 12.1]

5.1.1 Member as used herein is that as defined in the Institute's Bylaws, Article VII-3.

5.1.2 Institute as used herein refers to the Appraisal Institute of Canada and to any authorized National, Provincial and Chapter committee.

5.1.3 Only members holding the grade or rank of AACI are entitled to use of the term "Accredited Appraiser."

5.1.4 Only members holding AACI, P.App, CRA or P.Val. designations are entitled to use the term "designated member."

5.2 Conduct [see 4.2.2, 12.2]

5.2.1 Members must perform assignments ethically, objectively and competently in a meaningful manner in accordance with these Standards.

5.2.2 Members must not engage in activities within a group or organization that these Standards would preclude them from doing as an individual.

5.2.3 Members cannot avoid their ethical responsibilities and obligations by doing indirectly what they cannot do directly.

5.2.4 Conduct by a member that results in criminal charges may be subject to an interim suspension of their designation or other sanctions as deemed appropriate by a Professional Practice Committee, until such time as the matter is resolved.

5.3 Misleading Report [see 4.2.3, 12.3]

5.3.1 It is unethical for a member to develop, use or permit others to use, for any purpose any report which the member knows, or ought to know, is misleading.

5.3.2 A member must not submit false or misleading information to an authorized committee of the Institute.

5.3.3 **NOTE**: A misleading report can be caused by omission or commission and may result from a single large error or a series of small errors that, when taken in aggregate, lead to a report that is deemed to be misleading.

5.4 Misleading Advertising

5.4.1 Members pledge to avoid advertising or solicitation which is false, misleading, exaggerated or otherwise contrary to the public interest.

5.4.2 To serve the public effectively, members must properly and accurately inform the public as to the functions of the profession and the qualifications and credentials of its members. This will enable the public requiring such professional services to select a member of the profession upon the basis of an individual's reputation for professional competence or the confidence that the public has come to place in a professional designation. The public interest is not served by the distribution or use of misleading or deceptive advertising material, or by practices which impair the confidence of the public in the

profession. Members of the Institute may use advertising media not only to inform prospective clients and the public that their professional services are available, but also to advise such parties as to the range, nature and cost of such professional services.

5.4.3 Members must ensure however, that such advertising is not misleading or calculated to create unrealistic expectations. In promoting an appraisal practice, members are required to take particular care that they observe only the highest standards of objectivity and impartiality. The Institute recognizes the right of its members to engage in the personal solicitation of clients and business in any manner that does not offend the legitimate interests of the public and the profession. Hence, these Standards prohibit personal solicitation only when it violates the standards set for advertising in general, or when such solicitation implies that the impartiality and objectivity of the member in performing appraisal services will be compromised by the member to accommodate the desires of the client.

5.4.4 The use of a corporation, partnership or other business entity (or multiple entities) will not shield a member from the ethical requirements of the Institute. Even if the name of the member is not mentioned directly, it is unethical for a member to knowingly permit a business entity that is wholly or partially owned or controlled by such member to solicit appraisal business in a manner that is misleading or otherwise contrary to the public interest.

5.4.5 No one may refer to or make use of the name of the Appraisal Institute of Canada or its professional designations and trademarks in a misleading or deceptive manner. For example, the name of the Institute or its designations may be used to refer factually and accurately to an individual appraiser's membership, but such usage must never suggest that a business Organization is a member. These designations and their trademarks are awarded only to an individual member and must never be used to give the impression that a business organization holds any designation. Further, any advertisement, leaflet, pamphlet, brochure or other material used for promotional or solicitation purposes which refers to the Institute or to the Institute's professional designations or trademarks must be dignified, conservative and in keeping with the highest professional standards. The use of the Institute logos will be determined by the Board of Directors.

5.4.6 Promoting the Candidate membership category in such a way that it might be perceived as a designation is misleading. AIC Candidate members must refrain from using initials or abbreviations that might be interpreted as relating to a designated status, i.e. CAN, as this is not an AIC designation, but refers to status within the Appraisal Institute of Canada.

5.4.7 AIC Candidates are able to identify themselves as a Candidate Member of the Appraisal Institute of Canada (AIC). AIC Candidate members may identify that they are working under the mentorship of a designated member of the Institute and identify the mentor's name and designation.

5.5 Reasonable Appraiser [see 4.2.5]

5.5.1 One who maintains a level of performance that would be acceptable to the Professional Practice Peer Group.

5.5.2 If reasonable appraisers conclude that there is no rational foundation for an analysis or opinion, then such analysis or opinion would not be justified.

5.6 Qualifications [see 4.2.6]

5.6.1 It is unethical for members to fail to identify their status with the Institute in a report, except as provided for below.

5.6.2 It is unethical for CRA members to use that designation except in connection with the appraisal, review or consulting on individual undeveloped residential dwelling sites and of dwellings containing not more than four (4) self-contained family housing units; [see 12.35]

5.6.3 It is unethical for CRA members to sign appraisal, review or consulting reports on properties other than those referred to above, unless the report is co-signed by an AACI;

5.6.4 It is unethical for candidate members to sign any appraisal, review or consulting report unless the report is co-signed by an appropriately designated member. [see 2.20, 7.29.6, 9.9.6, 11.13.5];

5.6.5 It is unethical for affiliate, associate or student members to hold themselves out in any way as a practising member of the Institute.

5.7 Co-operate [see 4.2.8]

5.7.1 A member must not fail or refuse to provide, or unreasonably delay the submission of, a written report, workfile or other material that is or that should be in the possession or control of such member upon the request of the Institute.

5.8 Continuing Professional Development [see 12.4]

5.8.1 Failure to obtain the required credits, including completion of any mandatory course and/or seminar, will result in the levy of non-compliance penalties as determined by the Board from time-to-time and as outlined in the Consolidated Regulations of the Appraisal Institute of Canada. These may include fines, suspension of designation and/or other consequences. Reinstatement of designation and membership in good standing occurs only when all requirements of the non-compliance penalties have been met.

5.9 Liability Insurance [see 12.5]

5.9.1 Members must be properly registered in the Liability Insurance Program of the Institute.

5.9.2 It is unethical for a member to claim or suggest there is insurance coverage when there is not.

5.9.3 If the conditions surrounding an assignment result in it not being covered by the insurance program, the member must make it clear to the client prior to accepting the assignment that no recourse to the program exists for that assignment.

5.9.4 If the assignment is such that insurance coverage does not exist, the Certification and Letter of Transmittal (if applicable) must contain an Extraordinary Limiting Condition to that effect.

5.10 Records [see 12.6]

5.10.1 A member must prepare a workfile for each assignment. The workfile must include the name of the client and the identity, by name or type, of any other intended users; true copies of any written reports, documented on any type of media; summaries of any oral reports or testimony, or a transcript of testimony; the appraiser's signed and dated certification; all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with this rule and all other applicable Standards, or references to the location(s) of such other documentation.

5.10.2 A member must retain the workfile for a period of at least seven (7) years after preparation or at least two (2) years after final disposition of any judicial proceeding in which testimony was given or any PLIP proceeding, whichever period expires last and have custody of the workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile.

5.10.3 If a member is unable to retain a copy of each appraisal, whether by reason of an employer's internal rules or by change of employer, all reasonable steps must be taken by the member to ensure the availability of such appraisals when requested. For example, members should obtain written commitment from employers that appraisal will be made available when required.

5.10.4 A photocopy or an electronic copy of the entire actual written appraisal, review, or consulting report sent or delivered to a client satisfies the requirement of a true copy.

5.10.5 Care should be exercised in the selection of the form, style, and type of medium for written records, which may be handwritten and informal, to ensure they are retrievable by the appraiser throughout the prescribed record retention period.

5.10.6 A workfile must be in existence prior to and contemporaneous with the issuance of a written or oral report. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

5.11 Disclosure [see 12.7]

5.11.1 Members pledge to uphold the confidential nature of the appraiser/client relationship.

5.11.2 A member must not disclose the analyses, opinions, or conclusions in an assignment to anyone other than:

5.11.2.i. the client and those persons specifically authorized by the client to receive such information;

5.11.2.ii. third parties, when the member is legally required to do so by due process of law; or

5.11.2.iii. an authorized Committee of the Institute.

5.11.3 A member must not disclose information provided by a client on a confidential basis to anyone other than:
- 5.11.3.i. those persons specifically authorized by the client to receive such data;
- 5.11.3.ii. third parties, when required to do so by due process of law; or
- 5.11.3.iii. an authorized Committee of the Institute.

5.11.4 When serving the Institute in any capacity, a member must not disclose or use confidential information obtained in connection with such service.

5.12 Conflict [see 12.8]

5.12.1 Members pledge to develop, support and communicate each analysis, opinion and conclusion without regard to any personal interest.

5.12.2 It is unethical for a member to accept an assignment if the member has any direct or indirect, current or contemplated, personal interest in the subject matter or the outcome of the assignment unless such personal interest:
- 5.12.2.i. is revealed to the client in writing prior to acceptance of the assignment; and
- 5.12.2.ii. is fully and accurately revealed in each report.

5.12.3 The payment of concealed fees, commission or things of value in connection with the procurement of appraisal, review or consulting assignments is unethical. [see 12.8.14]

5.13 Competence [see 12.9]

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

5.14 Contingent [see 12.10]

5.14.1 It is unethical for a member to accept an appraisal or review assignment if compensation for the assignment is contingent upon:
- 5.14.1.i. reporting a predetermined value;
- 5.14.1.ii. a direction in value that favours the client as a result of improper influence;
- 5.14.1.iii. the amount of the value opinion (i.e. ad valorem);
- 5.14.1.iv. the attainment of a stipulated result; or
- 5.14.1.v. the occurrence of a subsequent event directly related to the value opinion.

5.14.2 When both an appraisal and a consulting assignment are performed by an appraiser, compensation for the consultation may be on a contingent fee basis. The appraiser must:

5.14.2.i. make arrangements with the client such that the consulting appraiser's compensation for developing the real property appraisal is on a basis that complies with this Ethics Rule; or

5.14.2.ii. retain (or suggest that the client retain) another appraiser to perform the real property appraisal under compensation arrangements that do not violate this Ethics Rule; and

5.14.2.iii. properly certify the real property consulting report, including therein a clear disclosure of the separate compensation arrangements for the appraisal portion and the real property consulting portion of the assignment.

5.14.3 The purpose of this rule is to ensure that appraisers properly understand how they may comply with this Ethics Standard when performing a real property consulting assignment in which a real property appraisal is necessary and compensation for performing the assignment is contingent on the attainment of a stipulated result or the occurrence of a subsequent event (such as in connection with real property assessment appeal).

5.14.4 If no report (as defined) is prepared, a member acting as a broker, sales agent or listing agent, in determining a listing price for a client, is not deemed to be providing a formal appraisal of market value. This must be made clear to the client.

5.14.5 A member acting as a broker or sales/listing agent may not be covered by the insurance program of the Institute for claims arising from expressions of value prepared for listing purposes.

5.14.6 In summary:

- appraisal must not be on a contingent fee basis;
- expert testimony based on his/her appraisal report must not be on a contingent fee basis;
- consulting may be on a contingent fee basis;
- a member may be an appraiser and consultant on the same assignment.

6. APPRAISAL STANDARD RULES

6.1 Preamble

6.1.1 This Standard deals with the procedures for the development and communication of a formal opinion of value, and incorporates the minimum content necessary to produce a credible report that will not be misleading.

6.2 Rules

In the report [see 7.1] the appraiser must:

6.2.1 identify the client and other intended users, by name; [see 7.2]

6.2.2 identify the intended use of the appraiser's opinions and conclusions; [see 7.3]

6.2.3 identify the purpose of the assignment, including a relevant definition of value; [see 7.4]

6.2.4 identify the scope of work necessary to complete the assignment; [see 7.5]

6.2.5 identify whether the appraisal is current, retrospective, prospective, or an update; [see 7.6]

6.2.6 provide an analysis of reasonable exposure time linked to a market value opinion; [see 7.7]

6.2.7 identify the effective date of the appraiser's opinions and conclusions; [see 7.8]

6.2.8 identify the date of the report; [see 7.9]

6.2.9 analyze the effect on value, if any, of the terms and conditions of the lease(s), when developing an opinion of the value of a leased fee or a leasehold estate; [see 7.10, 7.20]

6.2.10 identify all assumptions and limiting conditions; [see 7.11]

6.2.11 identify any hypothetical conditions (including proposed improvements); [see 7.12]

6.2.12 identify land use controls; [see 7.13]

6.2.13 state the existing use and the use reflected in the appraisal; [see 7.14]

6.2.14 define and resolve the highest and best use; [see 7.15]

6.2.15 describe and analyze all data relevant to the assignment; [see 7.16]

6.2.16 describe and apply the appraisal procedures relevant to the assignment; [see 7.17]

6.2.17 support the reason for the exclusion of any of the usual valuation procedures; [see 7.18]

6.2.18 detail the reasoning supporting the analyses, opinions and conclusions of each valuation approach; [see 7.19]

6.2.19 analyze the effect on value of an assemblage; [see 7.21]

6.2.20 analyze the effect on value of anticipated public or private improvements; [see 7.22]

6.2.21 analyze the effect on value of any personal property; [see 7.23]

6.2.22 analyze any Agreement for Sale, option, or listing of the property; [see 7.24]

6.2.23 analyze any prior sales of the property; [see 7.25]

6.2.24 review and reconcile the data, analyses and conclusions of each valuation approach into a final value estimate; [see 7.26]

6.2.25 report the final value estimate; [see 7.27]

6.2.26 include a signed certification of value; [see 7.28]
Note: An appraiser who signs a certification of value accepts responsibility for the appraisal and the contents of the appraisal report. [see 7.29, 7.1]

7. APPRAISAL STANDARD – COMMENTS

7.1 Report [see 12.11]

7.1.1 A report transmitted through any medium must comply with this Standard.

7.1.2 Appraisers must take steps meeting the "Reasonable Appraiser" test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically. [see 5.5, 6.2.26]

7.1.3 A workfile must be prepared for each assignment, and include a true copy of any written report, documented on any type of media. [see 12.13]

7.1.4 To the extent that it is both possible and appropriate, each oral real property appraisal report, including expert testimony that addresses value, must comply with the Appraisal Standard Rules. [see 12.13.2]

7.2 Client and Intended Users [see 12.14]

7.2.1 The client is generally the party or parties ordering the appraisal report. It does not matter who pays for the work. [see 3.6]

7.2.2 The client/appraiser relationship lasts at least until the completion of the intended use of the original appraisal or release from client.

7.2.3 A party receiving a report copy from the client does not, as a consequence, become a party to the client relationship.

7.2.4 Intended users must be identified by the appraiser on the basis of communication with the client. If identification by name is not appropriate or practical the appraiser may identify an intended user by type.

7.3 Intended Use [see 12.15]

7.3.1 An appraiser must identify and consider the client's intended use of the appraiser's reported opinions and conclusions in order to properly define the problem under study and to understand the development and reporting responsibilities of the assignment. The client's intended use of the opinions and conclusions must be stated in an appraisal report. The intended use of an appraiser's reported conclusions and opinions is established by the client. An appraiser identifies the client's intended use by communicating with the client before accepting the assignment.

7.4 Purpose [see 12.42]

7.4.1 Liability to the client may depend on the appraiser's understanding of the client's objective (intended use) in ordering the appraisal. The purpose of the appraisal states what value is being estimated, in response to the client's intended use or objective.

7.4.2 A definition of the value found is required together with the source of the definition. [see 12.16]

7.5 Scope of Work [see 12.17]

7.5.1 The amount and type of information researched and analysis applied. Scope includes, but is not limited to, the extent of:

7.5.1.i. inspection

7.5.1.ii. research into physical and economic factors that could affect the property [see 7.16]

7.5.1.iii. data research, verification, and inspection of comparables

7.5.1.iv. analysis applied

7.5.2 The scope of work applied must be sufficient to result in opinions/conclusions that are credible in the context of the intended use of the appraisal. The appraiser has the burden of proof to support the scope of work decision and the level of information included in a report.

7.6 Current Value Opinion [see 6.2.5]

7.6.1 Refers to an effective date contemporaneous with the date of the report, at the time of inspection or at some other date within a reasonably short period from the date of inspection when market conditions have not or are not expected to have changed.

7.6.2 Retrospective Value Opinion [see 12.18, 12.29.2] refers to an effective date prior to the date of the report. The use of clear language and consistent terminology in a retrospective report (e.g. past tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the retrospective effective date. Data subsequent to the effective date may be considered as confirmation of trends evident at that date. It is up to the appraiser to determine an appropriate cut-off date. In the absence of such data, the effective date is the cut-off date.

7.6.3 Prospective Value Opinion [see 12.31] refers to an effective date following the date of the report; it is a forecast. The use of clear language and consistent terminology in a prospective report (e.g. future tense throughout) is necessary for the reader not to be misled and to understand market conditions as of the prospective effective date. Prospective value opinions are intended to reflect the current perceptions of market participants as to the future. These opinions should be judged on the market support for the forecasts when made, not whether in hindsight they in fact occurred. An Extraordinary Assumption must be clearly portrayed in the report citing the market conditions from which the prospective value opinion was developed, and absolving the appraiser from responsibility for unforeseeable events that alter market conditions prior to the effective date.

7.6.4 Updated Value Opinion [see 12.19] refers to an extension of an original appraisal, changing the effective date. In the update any changes in the status of the subject, in market conditions or in any respect affecting value since the prior appraisal must be reported, with analyses of these changes in developing an updated opinion. The updated report must clearly show that it can only be relied upon by a reader familiar with the original.

7.7 Exposure Time [see 12.20]

7.7.1 Is referred to in most market value definitions. In an appraisal, the term means the estimated length of time the property interest being appraised would have been offered on the market before the hypothetical consummation of a sale at market value on the effective date of the appraisal; a retrospective estimate based upon an analysis of past events assuming a competitive and open market. It is always presumed to have preceded the effective date of the appraisal. It may be expressed as a range, and should appear in that section of the report that presents the discussion and analysis of market conditions, and with the final value conclusion. Exposure time is different for various types of real estate and under various market conditions. Rather than appear as an isolated estimate of time, it must refer to the property appraised, at the value estimated. The overall concept of reasonable exposure time encompasses not only adequate, sufficient and reasonable time, but also adequate, sufficient and reasonable marketing effort. The distinction between exposure time (i.e. past) and marketing time (i.e. future) must be made clear if both are referred to in the report.

7.8 Effective Date [see 6.2.7]

7.8.1 Establishes the context for the value opinion; the date of value.

7.9 Date of Report [see 6.2.8]

7.9.1 Being the date of its completion as identified on the Letter of Transmittal, indicates whether the perspective of the appraiser on the market or property use conditions as of the effective date of the appraisal was retrospective, current or prospective. Where retrospective or prospective, the date of the report and the effective date of the appraisal must be included in tandem throughout, to provide the reader with a clear understanding of any distinction in conditions between the two dates. Compliance is required with the Standards in effect as at the date of the report.

7.10 Characteristics of the Property [see 6.2.9,12.21]

7.10.1 Relevant to the purpose and intended use of the report, strengths and weaknesses must be analysed and included in the report:

7.10.1.i. the property identification by civic address and/or legal description or other such specific reference to describe the location of the property with certainty;

7.10.1.ii. the real property interest to be valued; [see 12.25]

7.10.1.iii. physical, legal and economic attributes;

7.10.1.iv. any personal property, trade fixtures or intangible items that are not real property but are included in the appraisal;

7.10.1.v. any known or apparent title restrictions, easements, encumbrances, leases, reservations, covenants, contracts, judgments, special assessments, liens, or other items of a similar nature; [see 12.21.2, 12.32.3]

7.10.1.vi. consideration of known detrimental conditions; [see 12.22]
7.10.1.vii. whether the subject property is a fractional interest, physical segment, or partial holding; [see 12.27]
7.10.1.viii. the extent of inspection of the subject property; [see 12.29] ~ (Note: inspection of the subject property is mandatory, subject to any Extraordinary Limiting Condition) [see 12.32]

7.11 Assumptions and Limiting Conditions [see 12.30]

7.11.1 Ordinary Assumptions and Limiting Conditions should be grouped together and disclosed in an identified section of the report.

7.11.2 Extraordinary Assumption refers to a hypothesis - either supposed or unconfirmed, which, if not true, could alter the appraiser's opinions and conclusions. Full disclosure of any Extraordinary Assumption must accompany statements of each opinion/conclusion so affected (see also Hypothetical Conditions) [see 12.31]

7.11.3 Extraordinary Limiting Condition refers to a necessary modification or exclusion of a Standard Rule. The burden is on the appraiser to explain and justify such necessity in the report, and to conclude before accepting an assignment and invoking an Extraordinary Limiting Condition that the scope of work applied will result in opinions/conclusions that are credible. [see 12.32]

7.12 Hypothetical Conditions [see 6.2.11, 12.31.1.ii]

7.12.1 May be used when they are required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison. Common hypothetical conditions include proposed improvements and prospective appraisals. When appraising proposed improvements, examine and have available for future examination:

7.12.1.i. plans, specifications, or other documents sufficient to identify the scope and character of
7.12.1.ii. the proposed improvements;
7.12.1.iii. evidence indicating the probable time of completion of the proposed improvements; and
7.12.1.iv. reasonably clear and appropriate evidence supporting development costs, anticipated earnings, occupancy projections, and the anticipated competition at the time of completion.
7.12.1.v. a recertification of value does not change the effective date of the appraisal. [see 12.12]

7.12.2 For every Hypothetical Condition, an Extraordinary Assumption is required in the report. [see 7.11.2]

7.12.3 Hypothetical conditions can apply whether the assignment is for the purpose of developing a retrospective, current, prospective or update value opinion. It must be clear to the reader that:

7.12.3.i. the property condition does not in fact exist as at the date of appraisal;
7.12.3.ii. the analysis performed to develop the opinion of value is based on a hypothesis, specifically that the property condition is assumed to exist when, in fact, it does not;

7.12.3.iii. certain events need to occur, as disclosed in the report, before the property condition will, in fact, exist;

7.12.3.iv. the appraisal does not consider unforeseeable events that could alter the value conclusion;

7.12.3.v. a different value conclusion would likely result but for the hypothesis.

7.12.4 Appraisals for expropriation can incur hypothetical conditions, and may require the appraiser to invoke the Jurisdictional Exception protocol. [see 12.27.2, 3.6]

7.12.5 The hypothetical condition must be clearly disclosed in the report, with a description of the hypothesis, the rationale for its use and its effect on the result of the assignment. An analysis based on a hypothetical condition must not result in an appraisal report that is misleading.

7.13 Land Use Controls [see 12.33]

7.13.1 Must be identified and their effect on use and value analyzed, together with any reasonably probable modifications of such regulations in light of economic demand, the physical adaptability of the real estate, and market area trends.

7.14 Use [see 6.2.13]

7.14.1 The use of the real estate existing as of the effective date of the appraisal must be included to distinguish the use from the highest and best use.

7.15 Highest and Best Use [see 12.34]

7.15.1 The report must contain the appraiser's opinion as to the highest and best use of the real estate, unless an opinion as to highest and best use is irrelevant. If the purpose of the assignment is market value, the appraiser's support and rationale for the opinion of highest and best use is required. The appraiser's reasoning in support of the opinion must be provided in the depth and detail required by its significance to the appraisal, based on the relevant legal, physical and economic factors. As land is usually appraised as though vacant and available for development to its highest and best use, opinions are required both as to:

7.15.1.i. the land, as if vacant, and;

7.15.1.ii. the property, if improved.

7.16 Describe and Analyze [see 6.2.15]

7.16.1 The appraiser must take reasonable steps to ensure that the information and analyses provided are sufficient for the client and intended users to adequately understand the rationale for the opinion and conclusions.

7.16.2 In the process of collecting and verifying relevant information the appraiser must perform this function in a manner consistent with "Reasonable Appraiser" standards. All three approaches require the collection of comparable data. The decision to inspect comparables and the extent of verification of data will be determined by the scope of the assignment, but in all cases the appraiser must conform to "Reasonable Appraiser" standards. [see 5.5, 7.5]

7.17 Appraisal Procedures

7.17.1 When a direct comparison approach is applicable, an appraiser must analyze such comparable data as are available to indicate a reasonable value conclusion. [see 12.36]

7.17.2 When a cost approach is applicable, an appraiser must:

- 7.17.2.i. develop an opinion of site value by an appropriate appraisal method or technique;
- 7.17.2.ii. analyze such comparable cost data as are available to estimate the cost new of the improvements (if any); and
- 7.17.2.iii. analyze such comparable data as are available to estimate the difference between cost new and the present worth of the improvements (accrued depreciation).

7.17.3 When an income approach is applicable, an appraiser must:

- 7.17.3.i. analyze trends, forecasts and such comparable rental data as are available to estimate the market rental of the property;
- 7.17.3.ii. analyze such comparable operating expense data as are available to estimate the operating expenses of the property;
- 7.17.3.iii. analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and
- 7.17.3.iv. base projections of future rent and expenses on reasonably clear and appropriate evidence.

7.17.4 When a discounted cash flow analysis is applicable, an appraiser must: [see 12.37]

- 7.17.4.i. analyze such data as are available from the real estate and capital markets and from surveys of investor opinions;
- 7.17.4.ii. ensure that input data is specific to the type of property being appraised;
- 7.17.4.iii. clearly display all relevant data, cash flow projections and assumptions on which the analyses are based; and
- 7.17.4.iv. identify and describe any computer software used in the analyses.

7.17.5 When an automated valuation model is applicable, an appraiser must: [see 12.38]

- 7.17.5.i. have a basic understanding of how the AVM operates;
- 7.17.5.ii. determine if use of the AVM is appropriate for the assignment;
- 7.17.5.iii. ensure that the AVM does not exclude relevant data necessary for a credible result; and
- 7.17.5.iv. when developing opinions or conclusions in an appraisal, respond to these Standards.

7.18 Exclusions

7.18.1 Excluding any of the three traditional approaches to value that would be considered pertinent under the “Reasonable Appraiser” standard, constitutes an Extraordinary Limiting Condition that requires disclosure with reasoning. The exclusion of a relevant approach must not result in a report that is misleading.

7.19 Reasoning

7.19.1 Reasoning requires the logical review, analyses and interpretation of the data in a manner that would support the conclusion, not mislead the reader and be to a level consistent with the "Reasonable Appraiser" standard.

7.20 Leased Fee/Leasehold Estate

7.20.1 May be less than, equal to or greater than the value of all interests in the property.

7.21 Assemblage

7.21.1 The value of the whole may be less than, equal to or more than the sum of the components of the various estates or parcels. Establishes the effect on value, if any, of the "larger parcel". May be omitted when not relevant to the assignment.

7.22 Anticipated Improvements

7.22.1 Whether located on or off the site must be considered and analyzed as to their effect on value, if any. May be omitted when not relevant to the assignment.

7.23 Personal Property [see 6.2.21]

7.23.1 Including tangible or intangible items that are not real property but that are included in the appraisal. May be omitted when not relevant to the assignment, otherwise competency in personal property appraisal is required when it is necessary to allocate the overall value. [see 2.41]

7.24 Agreement for Sale/Option/Listing [see 12.18, 12.39]

7.24.1 Must be analyzed and reported if any agreement for sale, option or listing of the subject property occurred within one year prior to the date of valuation, if such information is available to the appraiser in the normal course of business.

7.25 Prior Sales [see 12.39]

7.25.1 Must be analyzed and reported if any sale of the subject property occurred within three years prior to the effective date of the appraisal, if such information is available as at the date of valuation to the appraiser in the normal course of business.

7.25.2 Any impact on the price paid under known undue stimulus must be reported.

7.26 Review and Reconcile [see 6.2.24]

7.26.1 The quality and quantity of data available and analyzed within the approaches used, and the applicability and reliability of those approaches in the context of the scope of the assignment.

7.27 Final Value [see 6.2.25]

7.27.1 May be a single point value, a range of values or an indication of value, for example, "not less than" or "not greater than" a specified amount.

7.28 Certification [see 6.2.26]

7.28.1 Each written real property appraisal report must contain a signed certification that is similar in content to that contained in Box 7.28.1.

Re: (Property Identification)

I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct;
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal impartial, and unbiased professional analyses, opinions, and conclusions;
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment;
- My engagement in and compensation for this assignment were not contingent upon developing or reporting predetermined results, the amount of the value estimate, or a conclusion favouring the client;
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Canadian Uniform Standards;
- I have the knowledge and experience to complete the assignment competently;
- No one provided significant professional assistance to the person(s) signing this report. (If there are exceptions, the name of each individual providing significant professional assistance and the extent of that assistance must be stated.);
- As of the date of this report the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for members;
- The undersigned is (are all) members in good standing of the Appraisal Institute of Canada.
- I did not (did) personally inspect the subject property of the report under review; (if review appraiser did personally inspect the property, state the date of inspection)
- Based upon the data, analyses and conclusions contained herein, the market value of the interest in the property described, as at (insert date), is estimated at (insert value);

Signature and date of certification.

(if more than one person signs, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.) [see 7.1.2]

Box 7.28.1 ~ Certification

7.29 Responsibility [see 6.2.26, 12.40]

7.29.1 A member signing a report assumes responsibility for the entire report including technical assistance in the form of factual information that is collected by an assistant. Technical assistance is not significant professional assistance unless it involves analysis, opinions and conclusions.

7.29.2 If the certification of value bears only one signature, then that individual is responsible for the entire report.

7.29.3 Members must disclose in the certification, any significant professional assistance in the preparation of a report.

7.29.4 Members must disclose in the certification, and accept responsibility for, any significant valuation assistance in the preparation of a report.

7.29.5 If the certification of value bears the signature of the member and employer/supervisor/prime contractor, then both individuals are responsible for the entire report;

7.29.6 If the certification of value bears the signature of two or more members as joint authors, then each is responsible for the entire report, and a member cannot cosign a report with a student or non-member;

7.29.7 Another person with authorization may sign the certifying member's name, unless contrary to the law of the relevant jurisdiction. [see 12.30.1.ii, 3.6]

8. REVIEW STANDARD RULES

8.1 Preamble

8.1.1 In performing an appraisal review assignment, an appraiser acting as a reviewer must develop and report a credible opinion as to the quality of another appraiser's work and must clearly disclose the scope of work performed in the review assignment.

8.1.2 This Standard deals with the procedures for the development and communication of a real property appraisal review, and incorporates the minimum content necessary to produce a credible review report that is not misleading. The Appraisal Review determines compliance with the Appraisal Standard. This Standard does not dictate the form, format or style of appraisal review reports which are functions of the needs of users and appraisers. The substantive content of the appraisal review report determines its compliance.

8.1.3 There is a distinction between the terms "technical review" and "administrative review".

8.1.4 A technical review is work performed by an independent third party appraiser in accordance with this Review Standard, of an appraisal report prepared by another appraiser for the purpose of forming an opinion as to whether the analysis, opinions and conclusions in the report under review are appropriate and reasonable. The review appraiser does not sign/co-sign the appraisal report that is under review. [see 12.41]

8.1.5 An administrative review is work performed by clients and users of appraisal services as a due diligence function in the context of making a business decision.

8.1.6 This Standard is not applicable to:

8.1.6.i. Administrative Review;

8.1.6.ii. Supervisory co-signing;

8.1.6.iii. Professional Practice Peer Review

8.2 Rules

In the report [see 9.1], the review appraiser must:

8.2.1 identify the client and other intended users, by name; [see 9.2]

8.2.2 identify the intended use of the review appraiser's opinions and conclusions; [see 9.3]

8.2.3 identify the purpose of the appraisal review assignment; [see 9.4]

8.2.4 identify the report under review, the appraiser(s) that completed the report under review, the real estate and real property interest appraised, and the effective date of the opinion in the report under review;

8.2.5 identify the date of the review;

8.2.6 identify the scope of work of the review process that was conducted; [see 9.5]

8.2.7 identify all assumptions and limiting conditions;

8.2.8 provide an opinion as to the completeness of the report under review within the scope of work applicable in the review assignment; [see 9.6]

8.2.9 provide an opinion as to the apparent adequacy and relevance of the data and the propriety of any adjustments to the data; [see 9.7]

8.2.10 provide an opinion as to the appropriateness and proper application of the appraisal methods and techniques used;

8.2.11 provide an opinion as to whether the analyses, opinions and conclusions in the report under review are appropriate and reasonable;

8.2.12 provide the reasons developed for any disagreement or agreement with the appraisal report being reviewed; [see 12.43]

8.2.13 include all known pertinent information; and,

8.2.14 include a signed certification; [see 9.8]
Note: A review appraiser who signs a certification accepts responsibility for the review and the contents of the review report.

9. REVIEW STANDARD – COMMENTS

9.1 Report [see 12.11]

9.1.1 A review report transmitted through any medium must comply with this Standard.

9.1.2 The function of reviewing an appraisal requires the preparation of a separate review report by an appraiser performing the review, setting forth the results of the review process. Appraisers must take steps meeting the "Reasonable Appraiser" test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically.

9.1.3 The review report is a supplementary critique intended for use in conjunction with the report under review.

9.1.4 A workfile must be prepared for each assignment, and include a true copy of any written report, documented on any type of media. [see 12.13]

9.1.5 To the extent that it is both possible and appropriate, each oral appraisal review report, including expert testimony that addresses the appraisal review, must comply with the Review Standard Rule.

9.1.6 A workfile must be in existence prior to and contemporaneous with the issuance of a written or oral review report. A written summary of such oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

9.2 Client and Intended Users [see 12.14]

9.2.1 A review appraiser must identify the client and, to the extent practical, other intended users as part of the process of identifying the client's intended use of the review.

9.3 Intended Use [see 12.15]

9.3.1 A review appraiser must identify and consider the client's intended use of the review appraiser's reported opinions and conclusions in order to properly define the problem under study and to understand the development and reporting responsibilities in a review assignment. The client's intended use of the opinions and conclusions must be stated in an appraisal review report.

9.3.2 The intended use of a review appraiser's reported conclusions and opinions is established by the client. A review appraiser identifies the client's intended use by communicating with the client before accepting the assignment.

9.4 Purpose [see 12.42]

9.4.1 A review appraiser must ascertain whether the purpose of the assignment includes the development of an opinion of value of the subject property of the appraisal under review.

9.4.2 If the client's objective in the assignment includes the review appraiser developing an opinion of value of the subject property in the appraisal under review, that opinion is an appraisal whether: [see 12.48]

9.4.2.i. it concurs with the opinion of value in the appraisal under review;

9.4.2.ii. at the same date of the value in that appraisal; or

9.4.2.iii. as of a different date; or

9.4.2.iv. it differs from the opinion of value in the appraisal under review:

- at the same date of the value in that appraisal or;
- as of a different date.

9.4.3 Pursuant to either a or b above, the review appraiser must identify and state any new information relied upon, the reasoning and basis for the opinion of value and all assumptions and limiting conditions (if different from or in addition to those in the appraisal report under review) connected with the opinion of value.

9.4.4 Those items in the report under review that the review appraiser concludes are in compliance with the Appraisal Standard can be used in the review appraiser's development process. Those items not deemed to be in compliance must be replaced with information or analysis developed in accordance with the Appraisal Standard in order to produce a credible value opinion.

9.5 Scope of Work [see 12.17]

9.5.1 A review appraiser must indicate the extent of the review process.

9.5.2 A review appraiser must identify any Extraordinary Assumptions necessary in the review assignment. An Extraordinary Assumption may be used in an appraisal review assignment only if it is required to properly develop credible opinions and conclusions; the review appraiser has a reasonable basis for the Extraordinary Assumption; and, use of the Extraordinary Assumption results in a credible analysis. [see 12.31]

9.5.3 A review appraiser must ascertain whether the scope of the assignment includes the development of an opinion of value on the subject property. The review appraiser is not required to replicate the steps completed by the original appraiser. Those items in the appraisal under review that the review appraiser concludes are credible and in compliance with the appraisal standard can be extended to the review appraiser's value opinion development process on the basis of an extraordinary assumption by the review appraiser. Those items not deemed to be in compliance must be replaced with information or analysis by the review appraiser, developed in conformance with the appraisal standard to produce a credible value opinion. When the purpose of an appraisal review includes the review appraiser developing an opinion of value, in addition to developing an opinion as to the quality of the appraisal under review, the review appraiser's scope of work must be in compliance with the requirements of this standard in developing the opinion as to the quality of the appraisal under review and, the appraisal standard involved in the appraisal under review.

9.5.4 When the purpose of an appraisal review includes the review appraiser developing an opinion of value, the review appraiser may use additional information either locally, regionally, or nationally - that was not available to the original appraiser in the development of the value opinion in the report under review. It is not necessary that the review appraiser's value opinion be set forth in a separate appraisal report. The reviewer's opinion of value can be set forth within the appraisal review report however, that value opinion

must be prepared and reported in accordance with the Appraisal Standard.

9.6 Completeness [see 8.2.8]

9.6.1 The review appraiser must form an opinion as to the completeness of the appraisal under review. This requires review of the appraisal to determine whether or not it met the requirements set by its stated purpose and scope of work.

9.7 Data [see 8.2.9]

9.7.1 The review must be conducted in the context of market conditions as of the effective date of the opinion in the report being reviewed.

9.7.2 Data that could not have been available to the appraiser on the date of the report being reviewed must not be used by a review appraiser in the development of a review.

9.8 Certification [see 8.2.14]

9.8.1 Each written real property appraisal review report must contain a signed certification that is similar in content to that in Box 9.8.1.

9.9 Responsibility [see 12.40]

Re: (Property Identification)

I certify to the best of my knowledge and belief that:

- The facts and data reported in the review process are true and correct;
- The analyses, opinions, and conclusions in this review report are limited only by the assumptions and limiting conditions stated in this review report, and are my personal, unbiased professional analyses, opinions, and conclusions;
- I have no (or the specified) present or prospective interest in the property that is the subject of this review report, and I have no (or the specified) personal interest with respect to the parties involved;
- I have no bias with respect to the property that is the subject of this review report or to the parties involved with this assignment;
- My engagement in this assignment was not contingent upon developing or reporting predetermined results;
- My compensation is not contingent on any action or event resulting from the analyses, opinions, or conclusions in, or the use of, this review report;
- My analyses, opinions, and conclusions were developed and this review report was prepared in conformity with the Canadian Uniform Standards;
- I have the knowledge and experience to complete the assignment competently; [see 5.13.1]
- I did not (did) personally inspect the subject property of the report under review; (if review appraiser did personally inspect the property, state the date of inspection)
- No one provided significant professional assistance to the person signing this review report; (if there are exceptions, the name of each individual providing significant professional assistance must be stated)
- As at the date of this review the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for members.
- The undersigned is (are all) members in good standing of the Appraisal Institute of Canada.

Signature and date of certification
(If more than one person signs, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.) [see 5.6.3, 5.6.4]

Box 9.8.1 ~ Certification

9.9.1 A member signing a report assumes responsibility for the entire report including technical assistance in the form of factual information that is collected by an assistant. Technical assistance is not significant professional assistance unless it involves analysis, opinions and conclusions.

9.9.2 If the certification bears only one signature, then that individual is responsible for the entire report;

9.9.3 Members must disclose in the certification, any significant professional assistance in the preparation of the report;

9.9.4 Members must disclose in the certification, and take responsibility for, any significant appraisal review assistance in the preparation of the report;

9.9.5 If the certification bears the signature of the member and employer/supervisor/prime contractor, then both individuals are responsible for the entire report;

9.9.6 If the certification bears the signature of two or more members as joint authors, then each is responsible for the entire report, and a member cannot cosign a report with a student or non-member;

9.9.7 Another person with authorization may sign the certifying member's name, unless contrary to the law of the relevant jurisdiction. [see 3.6]

10. CONSULTING STANDARD RULES

10.1 Preamble

10.1.1 This Standard deals with the procedures for the development and communication of a real property consulting service and incorporates the minimum content necessary to produce a credible result that is not misleading. [see 11.1]

10.2 Rules

In the report [see 11.2] consultant must:

10.2.1 identify the client and other intended users, by name; [see 12.14]

10.2.2 identify the intended use of the opinions and conclusions; [see 11.3]

10.2.3 identify the purpose of the consultation; [see 11.4]

10.2.4 identify the real estate/property under consideration, if any;

10.2.5 identify the effective date of the consulting service;

10.2.6 identify the date of the report;

10.2.7 identify the scope of work and the extent of the data collection process; [see 12.17]

10.2.8 identify all assumptions and limiting conditions; [see 11.4]

10.2.9 identify any hypothetical conditions (including proposed improvements);

10.2.10 collect, verify, reconcile and report all pertinent data as may be required to complete the consulting service. [see 11.6]

10.2.11 describe and apply the consulting procedures relevant to the assignment; [see 11.7]

10.2.12 detail the reasoning that supports the analyzes, opinions, and conclusions;

10.2.13 report the consultant's final conclusions/recommendations (if any);

10.2.14 include a signed certification [see 11.12]
Note: A consultant who signs a certification accepts responsibility for the consultation and the contents of the consultation report.

11. CONSULTING STANDARD – COMMENTS

11.1 Consulting [see 10.1.1]

11.1.1 Is a broad term that is applied to studies of real estate other than estimating value. Land utilization studies, highest and best use analysis, marketability, feasibility, investment studies or other research related assignments are examples of real property consulting. The consultant must have the ability to understand and implement correctly those recognized methods in an objective and unbiased manner. The standard developed for consulting services does not provide for real property appraisal. If an appraisal is required within the consulting assignment, it must be developed under the Appraisal Standard. Appraisers must explain logically and convincingly the reasoning that leads to their conclusions. The flow of information should be orderly and progressive, leading from the broadest to the most specific level of analysis possible. Those topics most critical to the consulting conclusion should receive the most detailed emphasis.

11.2 Report [see 12.11]

11.2.1 A report transmitted through any medium must comply with this Standard.

11.2.2 Appraisers must take steps meeting the "Reasonable Appraiser" test to protect the integrity of transmitted reports, including a digital signature security feature for reports transmitted electronically.

11.2.3 Any software program used to transfer a report electronically must provide, at a minimum, a digital signature security feature for all appraisers signing a report.

11.2.4 Electronically affixing a signature to a report carries the same level of authenticity and responsibility as an ink signature on a paper copy report. [see 12.13]

11.2.5 A workfile must be prepared for each assignment, and include a true copy of any written report, documented on any type of media. [see 12.13.2]

11.2.6 To the extent that it is both possible and appropriate, each oral real property consulting report, including expert testimony that addresses value, must comply with the Consulting Standard Rules.

11.3 Client and Intended Users [see10.2.1, 12.15]

11.3.1 An appraiser must identify and consider the client's intended use of the appraiser's reported opinions and conclusions in order to properly define the problem under study and to understand the development and reporting responsibilities of the assignment. The client's intended use of the opinions and conclusions must be stated in a consulting report. The intended use of an appraiser's reported conclusions and opinions is established by the client. An appraiser identifies the client's intended use by communicating with the client before accepting the assignment.

11.4 Purpose [see 10.2.3, 12.42]

11.4.1 The consulting service should clearly identify the client's objective and define the problem to be considered.

11.5 Assumptions [see 10.2.8, 12.30]

11.5.1 A consulting report must be sufficiently comprehensive so that the client can visualize the problem and follow the reasoning through each step of the analytical process. It is essential that throughout the report the data, analysis, assumptions and conclusions are logical and adequately supported. Basic analytical and statistical principles, logical reasoning and sound professional judgement are essential ingredients of the report.

11.6 Data [see 10.2.10]

11.6.1 If market value is required within the consulting assignment then the appraisal must conform with the Appraisal Standard.

11.7 Real Property Consulting [see 10.1.1]

11.7.1 In performing real estate or real property consulting services, a consultant must:

- 11.7.1.i. identify alternative courses of action to achieve the client's objective, and analyze their implications;
- 11.7.1.ii. identify both known and anticipated constraints to each alternative and consider their probable impact;
- 11.7.1.iii. identify the resources actually or expected to be available to each alternative and consider their probable impact;
- 11.7.1.iv. identify the optimum course of action to achieve the client's objective.

11.8 Market Analysis [see 12.44]

11.8.1 In performing a market analysis, a consultant must:

- 11.8.1.i. define and delineate the market area;
- 11.8.1.ii. identify and analyze the current supply and demand conditions that make up the specific real estate market;
- 11.8.1.iii. identify, measure, and forecast the effect of anticipated development or other changes and future supply;
- 11.8.1.iv. identify, measure, and forecast the effect of anticipated economic or other changes and future demand.

11.9 Cash Flow/Investment Analysis [see 12.45]

11.9.1 In developing a cash flow and/or investment analysis, a consultant must:

- 11.9.1.i. analyze the quantity and quality of the income stream;
- 11.9.1.ii. analyze the history of expenses and reserves;
- 11.9.1.iii. analyze financing availability and terms;
- 11.9.1.iv. select and support the appropriate method of processing the income stream;

11.9.1.v. analyze the cash flow return(s) and reversion(s) to the specified investment position over a projected time period(s).

11.10 Feasibility Analysis [see 12.46]

11.10.1 In developing a feasibility analysis, a consultant must:

11.10.1.i. prepare a complete market analysis;

11.10.1.ii. apply the results of the market analysis to alternative courses of action to achieve the client's objective;

11.10.1.iii. consider and analyze the probable costs of each alternative;

11.10.1.iv. consider and analyze the probability of altering any constraints to each alternative;

11.10.1.v. consider and analyse the probable outcome of each alternative.

11.11 Reserve Fund Study [see 12.47]

11.11.1 In performing a reserve fund study, a consultant must:

11.11.1.i. define and delineate the pertinent components to be covered by the Reserve Fund Study;

11.11.1.ii. prepare a benchmark analysis;

11.11.1.iii. prepare a cashflow projection;

11.11.1.iv. consider and report on any apparent deficiency in reserve fund contributions;

11.11.1.v. prepare a reserve fund model.

11.12 Certification [see10.2.14]

11.12.1 Each written consulting report must contain a signed certification that is similar in content to the form outlined in Box 11.12.1.

Re: (Property Identification)
I certify to the best of my knowledge and belief that:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the issue that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to the issue that is the subject matter of this report or to the parties involved with this assignment.
- My compensation is not (or is) contingent on an action or event resulting from the analyses, opinions, or conclusions in, or the use of, this report. (If the compensation is contingent, the basis of such contingency must be disclosed in this certification and in any letter of transmittal and executive summary.)
- My analyses, opinions, and conclusions were developed, and this report has be prepared, in conformity with the Canadian Uniform Standards.
- I have the knowledge and experience to complete the assignment competently. [see 5.13]
- I have (or have not) made a personal inspection of the property (if any) that is the subject of this report.
- If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the property.
- No one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)
- As of the date of this report the undersigned has fulfilled the requirements of The Appraisal Institute of Canada Continuing Professional Development Program for members.
- The undersigned is (are all) members in good standing of the Appraisal Institute of Canada.

Signature and date of certification

(if more than one person signs, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the subject property.) [see 5.6]

Box 11.12.1 ~ Certification

11.13 Responsibility [see 12.40]

11.13.1 A member signing a report assumes responsibility for the entire report including technical assistance in the form of factual information that is collected by an assistant. Technical assistance is not significant professional assistance unless it involves analysis, opinions and conclusions.

11.13.2 If the certification bears only one signature, then that individual is responsible for the entire report;

11.13.3 Members must disclose in the certification, any significant consulting assistance in the preparation of the report;

11.13.4 If the certification bears the signature of the member and employer/supervisor/prime contractor, then both individuals are responsible for the entire report;

11.13.5 If the certification bears the signature of two or more members as joint authors, then each is responsible for the entire report, and a member cannot cosign a report with a student or non-member;

11.13.6 Another person with authorization may sign the certifying member's name, unless contrary to the law of the relevant jurisdiction.

12. PRACTICE NOTES

12.1 Member Categories (Bylaw Article VII-3) [see 4.2]

12.1.1 Designated Member: A Designated Member shall be a person admitted to the Institute and enrolled on the register of the Institute as holding one of the following grades or ranks, as conferred by the Board of Directors upon any person who has complied with the requirements for their use:

12.1.1.i. Accredited Appraiser Canadian Institute (AACI)

12.1.1.ii. Professional Appraiser (P.App)

12.1.1.iii. Canadian Residential Appraiser (CRA)

12.1.1.iv. Professional Valuator (P.Val.)

12.1.2 Candidate Member: A Candidate Member shall be a person admitted to the Institute and enrolled on the register of the Institute as a Candidate, who is of legal age and has not completed the requirements for any designation.

12.1.3 Student Member: A Student Member shall be a person admitted to the Institute and enrolled on the register of the Institute as a Student who, at the time of their application, is of legal age, is enrolled as a full or part-time student in a recognized course of study, and who is not eligible for any other membership category in the Institute.

12.1.4 Associate Member: An Associate member shall be a person enrolled on the register of the Institute as an Associate, and who is not eligible for any other membership category in the Institute.

12.1.5 Affiliate Member: An Affiliate Member shall be a corporation or organization enrolled on the register of the Institute as an Affiliate.

12.1.6 The foregoing is a summary: for full details refer to the Institute.

12.2 Conduct [see 4.2.2]

12.2.1 Users of valuation, review and consulting services rely on the experience, knowledge and integrity of the members. Without these cornerstones, the credibility of the profession will suffer.

12.2.2 Members pledge to assist the Institute in carrying out its responsibilities to the public and to users of its services.

12.3 Fraudulent [see 4.2.4]

12.3.1 Fraud generally involves an intentional act to encourage someone such as a client to rely on an intentionally defective and/or misleading position. e.g: a defective/misleading appraisal.

12.4 Continuing Professional Development [see 4.2.6]

12.4.1 In 1991, members voted to adopt a mandatory recertification program. In 2002, the Institute progressed from recertification to a mandatory Continuing Professional Development (CPD) Program. The new CPD program was designed to reflect the increased level of professionalism of the membership and recognize the growing multidisciplinary nature of the profession. The CPD

program was introduced first in a five year cycle from 2002-2007 and then annualized in 2007. Under this program, designated members and candidates must recertify use of their designation every five years. This is an ongoing requirement throughout the professional life of the member. The first five-year cycle commenced July 1 1992; the current reporting cycle is from October 1 2002 to September 30 2007. During each cycle, AACI, CRA and Candidate members are required to accumulate 60 professional development credits. A Professional Development credit is defined as one (1) hour of organized learning on a subject that advances the knowledge or skills of professionals working with the principles of related to real property. Pre-approval is not required. Members may carry 20 credits forward to the next cycle.

12.4.2 The foregoing is a summary of conditions that is neither definitive nor exhaustive; for full details, refer to the Institute.

12.5 Liability Insurance [see 4.2.1]

12.5.1 For the purposes of liability insurance coverage:

12.5.1.i. a fee appraiser is a member who provides any appraisal or valuation-related consulting or counselling services in Canada on a fee-for-service basis (whether the fee is paid to the member or to the employer), and/or where the product of the service may be provided to any party other than the member's employer, firm, partnership or corporation.

12.5.1.ii. a non-fee appraiser is a member who provides appraisal services exclusively for the internal use of his/her employer and whose appraisal reports are kept in-house and are not provided to an outside party, although a fee may be paid by that outside party to cover the cost of the preparation of the report. Notwithstanding the above, government and crown corporation employees may register as non-fee appraisers, (including those who are employed by one government department but provide appraisal services to other governments, government departments or government-owned corporations), whether or not a fee is paid for the services provided. A member who is temporarily unemployed or holding employment, which does not relate to appraising, may register as a non-fee appraiser for the period during which he/she is not providing any appraisal services.

12.5.2 The Institute insures members for activities for which the Institute has qualified them. These activities are appraisals, reviews, consulting and related services required as part of the assignment.

12.5.3 The Institute does not insure members for the conduct of services for which the Institute has not qualified them.

12.5.4 A member is not insured for assignments completed during periods of membership suspension, retirement or when not registered/licensed in a jurisdiction where licensing is required. A member is not insured for assignments completed during periods of suspension of membership or retirement.

12.5.5 Associates [see 12.1.4], students [see 12.1.3] and non-members are ineligible for coverage and significant professional assistance in an assignment by an associate, student or non-member may void the member's insurance coverage through the Liability Insurance Program of the Institute. Student members may provide technical assistance in an assignment as defined in section 2.52.

12.5.6 Office staff may assist in functions such as typing, title searches and general data collection without affecting the insurance coverage of the appraiser. However, these support services may not extend to such items as contributing to the writing of the report, interpreting sales or reconciliation of data or conclusions. [see 2.52]

12.5.7 The foregoing is a summary of conditions that is neither definitive nor exhaustive; refer to the Institute for full details.

12.6 Records [see 4.2.9]

12.6.1 The period for which a member must retain or have access to records may exceed seven years due to:

12.6.1.i. Legislation, which may vary across Canada for differing types of assignments;

12.6.1.ii. The commencement date for retention, which can run from the time the member discovers (or could by the exercise of reasonable care have discovered) a possible cause of action (for example, under the “Limitations Act”).

12.6.1.iii. Documentation for a mass appraisal for ad valorem taxation may be in the form of 1) property records, 2) sales ratio and other statistical studies, 3) appraisal manuals and documentation, 4) market studies, 5) model building documentation, 6) regulations 7) statutes, and 8) other acceptable forms.

12.7 Conduct Disclosure [see 4.2.10]

12.7.1 In the normal course of business within an office, files may be open for review by other appraisers and by support staff. The burden is on the appraiser responsible for the assignment to ensure that no confidences are breached.

12.7.2 In particularly sensitive assignments, a client may require a confidentiality agreement in which case all files may have to remain sealed. [see 5.10]

12.7.3 A duty of confidentiality can arise even when no retainer exists.

12.7.4 If the performance of a prior appraisal is to be kept confidential, a member must decline a new assignment on the same property, where a condition requires disclosure of any prior appraisal.

12.8 Conflict [see 4.2.11]

12.8.1 A conflict of interest arises when the perception or potential for the ability of the appraiser to exercise the required professional judgment is undermined.

12.8.2 Recognizing a conflict does not eliminate it.

12.8.3 Declaration to the client may not resolve the conflict; circumstances may require withdrawal from the assignment.

12.8.4 Conflicts of interest fall into two categories - a “conflict of obligation”, where the appraiser cannot satisfy one obligation without sacrificing another, and a “conflicting interest”, where the self-interest of the appraiser, or some other person to whom the appraiser is obligated, cannot be satisfied without failing to satisfy the client’s interest.

12.8.5 In dealing with a “conflict of obligation”, the most obvious problem is when an appraiser has two or more clients whose interests at first glance appear to be in harmony, but subsequent events or a closer analysis prove to be in conflict. This has been termed "simultaneous representation".

12.8.6 Such events may include joint instructions from parties involved in a matrimonial dispute that commences in a civilized manner, but subsequently escalates. In this instance, appraisers can find themselves not only attracting criticism from both partners, but find themselves the centre of attention as a dispute over the matrimonial assets assumes an ever-increasing profile. The end result is at least one of the parties has a very poor opinion of the appraiser and the profession in general.

12.8.7 In such instances, the only defence is a preventive one, with the appraiser advising the parties to get separate appraisals and, failing this, the appraiser should consider declining the instructions.

12.8.8 This is one of the least complicated of “conflicts of obligation”; others can be far more complicated.

12.8.9 A continual problem for appraisers is a second appraisal instruction on the same property, but from a different client. A circumstance may arise when an appraiser, who had previously completed an appraisal for an owner contemplating a sale, is requested to appraise the property for the purchaser or the purchaser’s financial institution. This instance can be termed “successive representation” but can also be termed a “no-win” situation for the appraiser.

12.8.10 It is obvious that, under such circumstances, the appraiser is under great pressure to at least re-affirm the original value. To do otherwise would be to cast doubt on the original appraisal, which would hardly enhance the appraiser’s standing in the eyes of the owner; but to ignore the actual sale value could do a disservice to the new client.

12.8.11 Even if this situation is not a problem, the owner may have previously provided confidential information that the owner may not want divulged to the new owner. Failure to include that information in the second report, if material, would lead to a breach of the Standards, whereas including the information would betray the confidentiality promised to the original client, again a breach of the Standards. This situation is best resolved by declining the second set of instructions if you are privy to confidential information. In any event, the consent of the first client should be obtained before proceeding with the second appraisal.

12.8.12 A conflicting interest can arise, for example, if the member proceeds, during the period that commences at the time the member is contacted concerning an assignment and expires a reasonable length of time after the completion of such assignment, to deliberately acquire property or assume a position that

could possibly affect the member's professional judgement or violate the fiduciary duty to the client unless, prior to such acquisition or change of position:

12.8.12.i. the member carefully considers the facts and reasonably concludes that the proposed acquisition or change of position will not affect professional judgement or violate any fiduciary duty to the client; and

12.8.12.ii. the member makes full disclosure to the client and obtains from the client a written statement consenting to or approving such acquisition or change of position; and

12.8.12.iii. at the time of such disclosure, the member gives the client the right to terminate the appraisal assignment without payment of any fee or other charge; and

12.8.12.iv. the facts concerning such acquisition or change of position are completely and accurately described in each written and oral appraisal report resulting from the appraisal assignment.

12.8.13 As a general rule, in all circumstances where an appraiser proceeds subsequent to a declaration of conflict, such a conflict must be first confirmed in writing as well as referred to in any reports.

12.8.14 Disclosure of fees, commissions or things of value connected to the procurement of an assignment must appear in the certification of the written report and in any transmittal letter in which conclusions are stated.

12.9 Competence [see 4.2.7]

12.9.1 The steps necessary and appropriate to complete an assignment competently include personal study by the appraiser, association with an appraiser reasonably believed to have the necessary knowledge or experience, or retention of others who possess the required knowledge and experience.

12.9.2 The concept of competency also extends to appraisers required to travel to geographic areas where they lack the required knowledge and experience. An understanding of local market conditions goes beyond hard data such as demographics, costs, sales and rentals. If an appraiser cannot spend the time necessary in a market area to gain this understanding, affiliation with a local qualified appraiser could ensure competence.

12.10 Contingent [see 4.2.12]

12.10.1 Objectivity is of fundamental importance in appraisal, review and consulting assignments. Competency, rather than financial incentives, should be the primary basis for awarding and accepting an assignment.

12.10.2 An appraiser may be consulted by a client to attempt to negotiate a lower assessment for taxation purposes, or higher compensation for a taking by an expropriation authority, for example.

12.10.3 The first issue is how the appraiser can address value in a consulting assignment without being required to meet the Appraisal Standard.

12.10.4 An answer lies in the definition of an appraisal.

12.10.5 If the appraiser has not been retained specifically to produce a formal appraisal, if the opinions expressed are not intended to be relied upon, and if the appraiser would not be expected to assume responsibility for the opinions expressed, then no appraisal has been undertaken and the Appraisal Standard does not have to be met.

12.10.6 The second issue goes to the question of contingent fees. If no formal appraisal has been undertaken, then a contingency fee arrangement is proper, subject to disclosure in any written report. If a formal opinion of value has been undertaken which generates a subsequent opportunity for a contingency fee arrangement (such as in consulting for brokerage or settlement negotiations) disclosure is required in any written report. (see illustration in Box 12.10.6.)

Illustration

Q.1: Is an appraiser obligated to disclose contingent fee arrangements when discussing, negotiating, addressing or promoting an expression of value in a consulting assignment?

Response: Ethics Standard requires disclosure of contingent compensation only in written reports.

Box 12.10.6 ~ Contingent Fees

12.10.7 Appraiser/Broker Disclosures must be handled appropriately so that intended users are not confused about the role the member is taking when acting in a real estate or mortgage broker capacity, as opposed to providing a value opinion, or providing recommendations in the case of a consulting service. An agency relationship implies that the individual will maximize the position of their client. Appraisal, review and consulting services are provided on an objective, unbiased and impartial basis, when the individual is acting as an appraiser. Care must be taken to ensure the client understands this difference, in order to properly understand the opinion or advice offered. When appropriate, such disclosures shall be made in writing, and members shall observe their obligation to ensure the client is aware that insurance coverage under the AIC program is not applicable to their activities as a broker.

12.11 Report [see 4.2, 8.2, 10.2]

12.11.1 These Standards do not dictate the form, format or style of reporting. These are functions of the needs of users and appraisers. The substantive content of a report determines its compliance. (Refer to definitions of "Appraisal Report")

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

12.11.3 Reports may be in either imperial or metric measurements (or both), whichever is commonly in use in the subject market.

12.11.4 A Letter of Engagement, as a contract between an appraiser and client, could contain:

Name of client;
Property Identification;
Purpose of report;
Intended use;
Interests considered;
Date of Valuation;
Appraisal, Review or Consulting procedures;
Type of Report;
Extraordinary Assumptions and Limiting Conditions;
Client supplied data;
Access to Property;
Fee/Retainer
Number of copies of report;
Time for acceptance;
Time for data provision;
Time for delivery of report;
Provisions for contract amendments;
Acceptance of contract;
Additional Terms of Reference

See Box 12.11.4 for an example of a Narrative Appraisal format.

An example of a Narrative Appraisal format:

Title Page

Part One - Introduction

- Letter of Transmittal
- Table of Contents
- Executive Summary

Part Two - Basis of the Appraisal

- Intended Use of the Report
- Purpose of the Assignment
- Property Rights Appraised
- Definition of Value
- Effective Date of Value
- Scope of Work
- Assumptions and Limiting Conditions

Part Three - Factual Information

- Identification of the Property, including title information
- Area, City and Neighbourhood Data
- The Site
- The Building
- Existing Use
- Assessments and Taxes
- Sales History
- Land Use Controls

Part Four - Analyses and Conclusions

- Characteristics of the market
- Highest and Best Use of the Land as if Vacant
- Highest and Best Use of the Property as Improved
- Appraisal Procedures
- Land Value
- Cost Analysis
- Income Analysis
- Direct Comparison Analysis
- Reconciliation
- Final Value Estimate and Exposure Time Analysis
- Certification

Addenda

- Appropriate Plans and Maps
- Relevant Documents including Letter of Engagement
- Title Search
- Photographs

Note: The Executive Summary should contain the salient facts and important conclusions together with a concise narrative description of the assignment and its results.

Box 12.11.4 ~ Narrative Appraisal Format

12.12 Progress Reports [see 7.12.1.v]

12.12.1 A progress report, prepared to portray percentage complete without reference to value, is considered to be an extension of the original report. It is misleading to state a value for a partially completed improvement by simply deducting the cost to complete (or percentage) from the value as though complete.

12.13 Workfile [see 7.1.3, 9.1.4, 11.2.5]

12.13.1 Preserves evidence of the appraiser's consideration of all applicable data as may be required to support the findings and conclusions of the appraiser. Care should be exercised in the selection of the form, style, and type of medium for written records, which may be hand-written and informal, to ensure they are retrievable by the appraiser throughout the prescribed record retention period as set by the Appraisal Institute of Canada and/or pertinent legislation.

12.13.2 A workfile should be in existence prior to and contemporaneous with the issuance of a written or oral report. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

12.14 Client [see 6.2.1, 8.2.1, 10.2.1]

12.14.1 A statement similar to the following may be appropriate:

"This report is intended for use only by (identify the client) and (identify any other intended users by name and type). Use of this report by others is not intended by the appraiser, and any liability in this respect is strictly denied".

12.15 Intended Use [see 6.2.2, 8.2.2, 10.2.2]

12.15.1 A statement similar to the following may be appropriate:

"This report is intended only for use in (describe the use), and for no other use".

12.15.2 An appraiser must identify the client and to the extent possible other intended users by communication with the client prior to accepting the assignment using care not to violate confidentiality requirements. Identification of the intended use of the report is one of the essential steps in defining the consultation problem to ensure the use of the report is not misleading.

12.16 Value [see 6.2.3]

12.16.1 One definition of market value is:

"The most probable price which a property should bring in a competitive and open market as of the specified date under all conditions requisite to a fair sale, the buyer and seller each acting prudently and knowledgeably, and assuming the price is not affected by undue stimulus."

12.16.2 The definition may be expanded by adding:

12.16.2.i. Implicit in this definition are the consummation of a sale as of the specified date and the passing of title from seller to buyer under conditions whereby:

- buyer and seller are typically motivated;
- both parties are well informed or well advised, and acting in what they consider their best interests;
- a reasonable time is allowed for exposure in the open market;
- payment is made in terms of cash in Canadian dollars or in terms of financial arrangements comparable thereto;
- the price represents the normal consideration for the property sold unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

12.16.3 Market value as defined by International Valuation Standards:

"Market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arms-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

12.16.4 Members performing appraisal services that may be subject to litigation are cautioned to seek the exact legal definition of value in the jurisdiction in which the services are being performed.

12.16.4.i. Market value may be different from investment value, going concern value and value in use.

12.16.5 An appraisal assignment for an estimate of value other than market value could be misleading if prepared in isolation without reference to market value.

12.17 Scope of Work [see 6.2.4, 8.2.5, 10.2.7]

12.17.1 Refers to the due diligence undertaken by the appraiser including the terms of reference from the client (see Box 12.17.1).

NOTE: The Scope Section of the report should reflect the circumstances of each particular assignment. An appraiser must have sound reasons to support the scope of work decisions, and must be prepared to support the decision to exclude any information or procedure that would appear to be relevant to the client, an intended user or the "reasonable appraiser".

Inspection: We inspected the interior and exterior of the property on (date), accompanied by (Name). Our identification of the property also involved a review of mapping prepared by the local municipality, and our earlier files on the property. The photographs appended were taken (date).

Type of Analysis (The following example relates to an update assignment): The approaches as applied to our previous report of (insert date) were investigated as to their relevance to this assignment, including a review of market data necessary to properly apply these approaches. In this regard the (Direct Comparison, Income and/or Cost Approaches - as appropriate) have been applied and later reconciled to a final estimate of value.

Data Research: We received our instructions from (name), who provided information on the property and on changes to it since our (date) appraisal. Publications produced by the (local authority) provided information on applicable land use controls. Sources of market evidence included, as appropriate, the local real estate board, Land Title Office transactions – including those reported by Data Systems and local assessors, and real estate agents, vendors and purchasers active in the market. The (name) service provided information on the state of title.

Audits and Technical Investigations: We did not complete technical investigations such as:

- Detailed inspections or engineering review of the structure, roof or mechanical systems;
- An environmental review of the property;
- A site or building survey;
- Investigations into the bearing qualities of the soils; or
- Audits of financial and legal arrangements reported by (name) concerning the leases.

Verification of Third Party Information: The analysis set out in this report relied on written and verbal information obtained from a variety of sources we considered reliable. Unless otherwise stated herein, we did not verify client-supplied information, which we believed to be correct. The mandate for the appraisal did not require a report prepared to the standard appropriate for court purposes or for arbitration, so we did not fully document or confirm by reference to primary sources all information herein.

Box 12.17.1 ~ Scope of Work Example

12.18 Retrospective Value Opinion [see 6.2.5]

12.18.1 A retrospective appraisal is complicated by the fact that the appraiser already knows what occurred in the market after the effective date. Use of direct excerpts from reports prepared at the retrospective effective date can help the appraiser and the reader better understand market conditions as of the retrospective effective date. Competence is required as at the date of the report, but not necessarily at the retrospective effective date.

12.19 Update [see 6.2.5]

12.19.1 A recommended practice is to bind the original appraisal with the update for the client.

12.19.2 Three conditions should be met before an update assignment is accepted:

12.19.2.i. The original appraiser or firm and client are involved;

12.19.2.ii. The real estate has undergone no significant change since the original appraisal;

12.19.2.iii. The time between the effective date of the original appraisal and the up-date is not unreasonably long for the type of real estate involved. All approaches to value developed in the original appraisal should be updated with new data.

12.19.3 An appraiser should consider whether an Extraordinary Assumption is required in order to adopt the results of the original assignment. [see 7.11.2]

12.20 Exposure Time [see 6.2.6]

12.20.1 The opinion of the time period for reasonable exposure is not intended to be a prediction of a date of sale or a one-line statement. Instead, it is an integral part of the analyses conducted during the appraisal assignment. The opinion may be expressed as a range and can be based on one or more of the following:

12.20.1.i. statistical information about days on market;

12.20.1.ii. information gathered through sales verification; and

12.20.1.iii. interviews of market participants.

12.20.2 Related information gathered through this process may include the identification of typical buyers and sellers for the type of real estate involved and typical equity investment levels and/or financing terms.

12.20.3 The reasonable exposure period is a function of price, time, and use, not an isolated opinion of time alone. As an example, an office building could have been on the market for two years at a price of $2,000,000, which informed market participants considered unreasonable. Then, the owner lowers the price to $1,600,000 and starts to receive offers, culminating in a transaction at $1,400,000 six months later. Although the actual exposure time was 2.5 years, the exposure time at a value range of $1,400,000 to $1,600,000 would be six months. The answer to the question “what is reasonable exposure time?” should always incorporate the answers to the question “for what kind of real estate at what value range?” rather than appear as a statement of an isolated time period.

12.20.4 Problems can arise when clients attempt to make business decisions or account for assets without understanding the difference between exposure time and marketing time.

12.20.5 Marketing time is an opinion of the amount of time it might take to sell a property interest in real estate at the concluded market value level during the period immediately after the effective date of an appraisal.

12.20.6 Related information includes other market conditions that may affect marketing time, such as the identification of typical buyers and sellers for the type of property involved and typical equity investment levels and/or financing terms. Marketing time is a function of price, time, use, and anticipated market conditions such as changes in the cost and availability of funds - not an isolated opinion of time alone. Marketing decisions rest with the client.

12.21 Characteristics of the Property [see 6.2.9]

12.21.1 The real estate involved in the appraisal can be specified, for example, by a legal description, address, map reference, copy of a survey or map, property sketch and/or photographs or the like. The information can include a property sketch and photographs in addition to written comments about the legal, physical, and economic attributes of the real estate including assessment and property tax data relevant to the purpose and intended use of the appraisal. Any unusual aspect and any contrasts between the subject property and adjoining uses should be highlighted. Any assumptions as to ownership should be specified.

12.21.2 A title search will normally be required to reveal the legal attributes and restrictions that may affect property value. (See Extraordinary Limiting Conditions) For litigation support purposes, title searches should also be conducted on properties used as comparables. A search is not intended to result in an expression of opinion as to the state of title itself. [see 7.10, 12.32]

12.22 Detrimental Conditions [see 7.10.1.vi]

12.22.1 When qualified specialists have documented the existence of detrimental conditions and estimated the costs of remediation or compliance, an appraiser may be in a position to develop an opinion of "as is" value and should be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible appraisal. The value of an interest in impacted (e.g. contaminated) real estate may not be measurable simply by deducting the remediation or compliance cost estimate from the opinion of value as if unaffected. Other factors may influence value, including any positive or negative impact on marketability (stigma) and the possibility of change in highest and best use.

12.22.2 Stand alone environmental consulting services are not eligible for E&O coverage with FPLIC. [see 10.1.1, 11.1.1, 12.5, 5.9]

12.23 Recognition of Detrimental Conditions

12.23.1 An appraiser is a trained and experienced observer of real estate, however, recognizing, detecting, or measuring detrimental conditions is often beyond the scope of the appraiser's expertise. If the appraiser becomes aware of detrimental conditions through disclosure by the client and/or known facts prior to the acceptance of an appraisal assignment, this should be recorded as an observation in the report. In completing a checklist as part of the process, the appraiser should respond only to those questions that can be answered competently by the appraiser within the limits of his or her particular expertise in this area. Failure to address known detrimental conditions in an appraisal could result in a misleading report.

12.24 Remediation and Compliance Cost Estimation

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

12.25 Value Opinions of Interests in Impacted Real Estate

12.25.1 Many clients employ experts in various disciplines separately and simultaneously, and make business decisions based on comparing the results of findings from the various experts. These clients may request an appraiser to appraise real estate that is, or is believed to be, influenced by detrimental conditions under a hypothetical condition that it is not impacted. An appraiser may invoke this extraordinary assumption when (1) the resulting appraisal is not misleading, (2) the client has been advised of the assumption, and (3) the hypothetical condition has been disclosed in compliance with these Standards. [see 6.2.11]

12.26 Mould [see 7.10.1.vi]

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

12.27 Fractional Interest [see 6.2.9]

12.27.1 An appraiser does not generally have to value the whole of a property (or the larger parcel) when the subject of an appraisal is a small component. The burden of proof is on the appraiser to determine if the assignment would tend to mislead or confuse without a valuation of the whole.

12.27.2 Appraisal of a partial taking through expropriation may require consideration of the "larger parcel" and injurious affection (loss in value to the remainder). [see 7.12.4]

12.28 Legal Attributes [see 7.10.1.iii]

12.28.1 Members must be aware of the duty to investigate the legal attributes of certain property types. Condominium values, for example, can be affected by specific condominium bylaws that apply in some projects. The status of the reserve fund, special assessments for units in the complex and restrictions on common property can also influence values. While selecting sales from within the same complex can mitigate some of these concerns, particular care should be taken when it becomes necessary to rely on sales from outside of the complex.

12.29 Inspection of Subject Property [see 6.2.9, 7.11.2]

12.29.1 An appraiser's inspection should, at the minimum, be thorough enough to (a) adequately describe the real estate in the appraisal report, (b) develop an opinion of highest and best use, when such an opinion is necessary and appropriate, and (c) make meaningful comparisons in the valuation of the property.

12.29.2 There are situations where interior and exterior inspections are not possible as of the effective date of the appraisal. For example, inspections are not physically possible where improvements have been destroyed, removed, or not yet built, or if performing a retrospective or prospective appraisal. Inspections are not legally or contractually possible if the appraiser is denied access by the property owner. [see 6.2.11, 12.32.1]

12.29.3 An appraiser cannot rationally develop an appraisal if adequate information on the subject real estate is not available. Consequently, where physical characteristics information is not available through an opportunity for an inspection (e.g. snow conditions) or from reliable third-party sources, an appraiser has the duty to obtain the necessary information to develop the appraisal before continuing or to withdraw from the assignment.

12.29.4 The same sources that are used to research and verify comparable data can be used to obtain information about the subject property. An appraisal developed without the benefit of an interior and complete exterior inspection by the appraiser is subject to the same standards that would apply if the appraiser had made a complete personal inspection.

12.29.5 The examples cited below are illustrations of the wording of an Extraordinary Limiting Condition in an appraisal report for a client that requested a drive-by inspection or where an inspection is not possible.

> The appraiser has been requested to perform a drive-by inspection and not to disturb the occupants by entering the building. The physical characteristics used to develop this appraisal are based on an inspection that the appraiser made three years ago when the property was appraised for estate tax purposes. For the purpose of this appraisal it is assumed that the interior condition of the subject property has not materially changed during the past three years. The subject property was observed from the public street as of the effective date of the appraisal. This exterior inspection revealed that the outside of the building has been repainted and the roof has been replaced or the appraiser has been requested to perform a drive-by inspection and not to disturb the occupants by entering the building. The physical characteristics used to develop this appraisal are based on the assessment records of (cite jurisdiction) and on the multiple listing service information of (cite source). The subject property was observed from the public street as of the effective date of the appraisal. On the basis of the observed conditions, the assessment records and multiple listing service information appears to be accurate. For the purposes of this appraisal it is assumed that the interior condition of the subject property is consistent with the exterior conditions as observed and that the information concerning the interior condition as provided by the assessor's records and the multiple listing service is accurate.

Box 12.29.5 ~ Example of Wording of an Extraordinary Limiting Condition

12.30 Assumptions and Limiting Conditions [see 6.2.10, 8.2.7, 10.2.8]

12.30.1 Examples of ordinary assumptions and limiting conditions:

12.30.1.i. Ordinary Assumptions

- reliability of data sources;
- compliance with government regulations;
- normal financing;
- marketable title;
- no defects in the improvements;
- bearing capacity of soil;
- no encroachments;
- diligence by intended users.

12.30.1.ii. Limiting Conditions:

- denial of liability to non-intended users and for any non-intended use;
- conclusions may be valid only at the date of valuation;
- responsibility denied for legal factors;
- fees for attendance at legal proceedings to be agreed;
- report must not be used partially;
- possession of report does not permit publication;
- disclosure for peer review may be required;
- cost estimates are not valid for insurance purposes;
- value conclusion is in Canadian dollars;
- denial of responsibility for any unauthorized alteration to a report;
- validity requires original signature.
- (See Handbook of Disclosure Guidelines, AIC 1996 for a full inventory of clauses)

12.31 Extraordinary Assumptions [see 6.2.10]

12.31.1 Examples of extraordinary assumptions and hypothetical conditions:

12.31.1.i. Extraordinary Assumptions:

- an absence of contamination where such contamination is probable; [see 12.22]
- the presence of municipal sanitary sewer where unknown or uncertain;
- assumed zoning where the zoning is unknown or uncertain;
- assumed condition where an interior inspection is not possible. [see 12.29]

12.31.1.ii. Extraordinary Assumptions (Hypothetical Conditions):

- repairs or improvements have been completed;
- execution of pending lease;
- rezoning has been achieved;
- an expropriation scheme is disregarded;
- a prospective appraisal; [see 6.2.5]
- municipal sanitary sewer when none is available;
- aggregate (retail) or bulk (wholesale) marketing of units.

12.31.2 Extraordinary Assumptions presume as fact otherwise uncertain information about physical, legal or economic characteristics of the subject property, or about conditions external to the subject property such as market conditions or trends, or the integrity of data used in an analysis. Extraordinary Assumptions (Hypothetical Conditions) presume as fact simulated but untrue information about physical, legal or economic characteristics of the subject property or external conditions.

12.32 Extraordinary Limiting Conditions [see 6.2.10]

12.32.1 Examples of extraordinary limiting conditions:

12.32.1.i. Extraordinary Limiting Conditions:

- exclusion of a relevant valuation approach; [see 7.18]
- no interior inspection of the subject improvements; [see 12.29.2]
- no title search; [see 7.10.1.v, 12.32.3]
- no liability insurance coverage. [see 4.2.1]

12.32.1.ii. Certain conditions are unacceptable in any assignment where they:

- compromise an appraiser's impartiality, objectivity or independence;
- limit the scope of work to such a degree that the results are not credible given the purpose of the assignment and the intended use of the results;
- limit the contents of a report that results in the report being misleading.

12.32.2 Assignment limitations affect the level of risk accepted by each party to an assignment. In some assignments, it might be reasonable to apply an extraordinary limiting condition to recognize assignment restrictions, whereas in other assignments, the use of the same limiting condition may not be acceptable.

12.32.3 Title; [see 7.10.1.v] ~ The practice of appraisal requires a rudimentary ability to interpret legal documents pertinent to real property. The appraiser is most likely not legally qualified, and should therefore withhold comment on legal matters beyond those typically required in the appraisal process.

12.32.4 It should be clear in the report that the appraiser is not providing a report on title but only describing the interest appraised.

12.32.5 Nonetheless, legal aspects such as the effect of existing leases can directly impact Property value and need to be considered.

12.32.6 (In this respect, if a lease is to be disregarded and the assignment is of the fee simple interest and not the leased fee, an Extraordinary Assumption [Hypothetical Condition] is required.) If a lease is to be considered, the tenant is described as holding a leasehold interest whereas the landlord has a leased fee interest. Appraisals that take existing leases into account should, for clarity, identify their conclusions as representing the value of the leased fee, not simply the market value of the property.

12.33 Land Use Controls [see 6.2.12]

12.33.1 Should be considered under all levels, such as Provincial Regulations, official community plans, zoning, subdivision control, by-laws, parking, environmental, flood plain and water course set-backs.

12.33.2 An illegal use should be valued in accordance with the definition of Highest and Best Use employed in the report, which typically refers to (or assumes) a legally permissible use. The only basis for valuation under the existing illegal use would be where a variance to the by-law could reasonably be expected, thereby resulting in either a conforming or legal non-conforming use. Any Extraordinary Assumptions in this regard should be clearly stated in the report, in any location referring to a final value estimate, as well as in the land use discussion and Highest and Best Use analysis.

12.34 Highest and Best Use [see 6.2.14]

12.34.1 May be defined as:

"That reasonably probable and legal use of vacant land or an improved property which is physically possible, appropriately supported, financially feasible, and that results in the highest value."

12.34.2 The highest and best use of a property is an economic concept that measures the interaction of four criteria: legal permissibility, physical possibility, financial feasibility, and maximum profitability.

12.34.3 Estimating the highest and best use of a property is a critical appraisal component that provides the valuation context within which market participants and appraisers select comparable market information.

12.34.4 An appraiser considers highest and best use of the property as if vacant separately from the highest and best use of the property as improved. This is because the highest and best use of the site as if vacant and available for

development determines the value of the land, even if the property's existing improvement does not represent the highest and best use of the site.

12.34.5 Highest and Best use of land or a site is the use among all reasonable alternative uses that yields the highest present land value, after payment for labour, capital and co-ordination. The conclusion assumes that the parcel of land is vacant or can be made vacant by demolishing any improvements.

12.34.6 If for valid reason, as explained in the report (e.g. rent review, value in use, insurance coverage,) a highest and best use is irrelevant, no Extraordinary Limiting Condition is required.

12.35 CRA [see 5.6]

12.35.1 In determining limits placed on a CRA member in undertaking an assignment, the test lies in the highest and best use- actual or assumed- of the property being appraised.

12.36 Direct Comparison [see 6.2.16]

12.36.1 A contract sale price of the subject property can be a good indicator of its market value, and it may be logical and reasonable for the appraiser to conclude that they are the same. However, this is not always the case. In some situations, the subject contract price may exceed or be less than what is typical in a market. A contract sale price, while a significant piece of market data, must not become a target in an appraisal assignment.

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

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

12.36.4 The date of sale could be taken as:

12.36.4.i. the time of the meeting of the minds
12.36.4.ii. the execution of an interim agreement
12.36.4.iii. the removal of subject to clauses
12.36.4.iv. acceptance of an offer to purchase
12.36.4.v. multiple listing record
12.36.4.vi. execution of title transfer by the vendor
12.36.4.vii. registration in the land title office

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

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

12.36.7 In selecting the date of sale, consistency is the preferred approach. Rather than attempting to speculate as to the length of the interval between agreement and closure, less weight can be given to those sales dates that are inconsistent with the model selected.

12.36.8 In summary, while it may be argued that no sale has occurred until the transfer is registered, there may be a long delay in registration. The basic answer to the question - "what is the date of sale" - is the date the price was finally agreed upon. Researching that date for all of the comparables may be impractical. Where consistency is not possible, any variation should be explained.

12.36.9 Sales occurring after the effective date of valuation may be useful in the analysis but are subject to appropriate weight.

12.37 Discounted Cash Flow Analysis [see 6.2.16]

12.37.1 Discounted Cash Flow (DCF) methodology is based on the principle of anticipation i.e., value is created by the anticipation of future benefits. DCF analysis reflects investment value and market value appraisals, as well as for other purposes such as sensitivity tests.

12.37.2 DCF analysis is an additional tool available to the appraiser and is best applied when developing value opinions in the context of one or more other approaches.

12.37.3 To avoid misuse or misunderstanding when DCF analysis is used in an appraisal assignment to develop an opinion of market value, it is the responsibility of the appraiser to ensure that the controlling input is consistent with market evidence and prevailing market attitudes. Market-value DCF analyses should be supported by market-derived data, and the assumptions should be both market and property specific. Market-value DCF analyses are intended to reflect the expectations and perceptions of market participants along with available factual data. They should be judged on the market support for the forecasts when made, not whether specific items in the forecasts are realized. An appraisal report that includes the results of DCF analysis must clearly state the assumptions on which the analysis is based and must set forth the relevant data used in the analysis.

12.37.4 DCF accounts for and reflects those items and forces that affect the revenue, expenses, and ultimate earning capacity of real estate and represents a forecast of events that would be considered likely within a specific market. For example, in the appraisal of a multi-tenant property, a lease-by-lease analysis addresses contract and market rents, specific escalations, operating expenses, pass-through provisions market-derived or specific concessions, capital expenditures, and any other measurable specific provisions applicable. Revenue growth rate or decline rate assumptions are premised upon analysis or supply/demand factors and other economic conditions and trends within the market area of the subject. Operating expense change rates should reflect both overall expense trends and the specific trend of significant expense items.

12.37.5 Discount rates applied to cash flows and estimates of reversion should be derived from data and information in the real estate and capital markets. Surveys of investor opinion and yield indices are also useful in the rate selections process, but only when the type of and market for the real estate being appraised is consistent with the type of and market for the real estate typically acquired by the investors interviewed in the survey. Considerations used in the selection of rates are risk, inflation, and real rates of return.

12.37.6 When reversion capitalization rates are used, they should reflect investor expectations considering the real estate type, age and condition, cash flow characteristics, and related factors. The projection period is a variable and should be set out on the basis of the facts and circumstances of each analysis.

12.37.7 The results of DCF analyses should be tested and checked for errors and reasonableness. Because of the compounding effects in the projection of income and expenses, even slight input errors can be magnified and can produce unreasonable results. For example, it is good practice to test whether cash flows are changing at reasonable rates, and to compare the reversion capitalization rate with the inferred entrance capitalization rate to see if the relationship between these rates is reasonable and explainable.

12.38 Automated Valuation Model [see 6.2.16]

12.38.1 An Automated Valuation Model (AVM) is a computer program that analyses data using an automated process. For example, AVM's may use regression, adaptive estimation, neural network, expert reasoning and artificial intelligence programs.

12.38.2 Five critical questions for an appraiser proposing to use an AVM in an appraisal, review or consulting assignment are:

12.38.2.i. Does the appraiser have a basic understanding of how the AVM works?

12.38.2.ii. Can the appraiser use the AVM properly?

12.38.2.iii. Are the AVM and the data it uses appropriate given the intended use of assignment results?

12.38.2.iv. Is the AVM output credible?

12.38.2.v. Is the AVM output sufficiently reliable for use in the assignment?

12.38.3 Note that an AVM's output is not, by itself, an appraisal, and communication of an AVM's output is not, in itself, an appraisal report.

12.39 Agreement for Sale/Option/Listing/Prior Sales [see 6.2.22, 6.2.23]

Sample Entries:
In the analysis of the sales history of the subject property, a member must exercise due diligence, but this need not necessarily include a search of the public record. The necessity for a search of the public record will depend on the nature and scope of the assignment, according to the reasonable appraiser standard. For example, for residential form appraisals for mortgage purposes it may not be necessary to search public records where the sales history for the subject is available elsewhere. For the purpose of this Practice Note, Public Record means Land Title Office/Register of Deeds.

The owner reports that the subject property was not under a current agreement or option and was not offered for sale on the open market at the effective date. According to public records, the subject property had not changed hands during the three years prior to the effective date.

The property being appraised is known to be the subject of a pending purchase and sale agreement, but the appraiser was unable to obtain the terms of the agreement. The current owner confirmed that the property is under agreement, but declined to disclose the terms of the agreement or to discuss the nature of the agreement.

The subject property is currently offered for sale at a listing price of $XXX,XXX. A copy of the listing agreement with March Smith, real estate broker, is included in the addendum to this report.

The appraiser should consider the relevance of sales which occurred subsequent to the effective date in a retrospective appraisal.

The subject property was sold by John Jones to the current owner on June 1, 20xx, for a reported price of $XXX,XXX. The parties to the transaction have affirmed that the seller received all cash and that the reported price was unaffected by special or creative financing or sales concessions granted by anyone associated with the sale. This sale is analyzed in the Direct Comparison Approach section of the appraisal report.

According to the public records, there have been no other transfers of the subject property within the past three years.

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

Box 12.39 ~ Sample Entries

12.40 Responsibility [see 6.2.26, 8.2.14, 10.2.14]

12.40.1 Significant participation and significant professional assistance are terms that are best delineated through the "reasonable appraiser" test.

12.40.2 A member may rely on significant professional assistance of an employee, co-worker, independent contractor or assistant if:

12.40.2.i. the member reasonably believes the individual is competent, and

12.40.2.ii. the individual's work is credible, and

12.40.2.iii. the individual and the significant professional assistance is identified in the certification.

12.40.3 As proficiency is demonstrated by an assistant, it is appropriate for the principal appraiser to place greater reliance on the work of that assistant. In the context of a real property appraisal assignment, an assistant who has meaningful appraisal education and extensive work experience may well be competent to inspect the real estate and prepare the appraisal report alone, subject to an appropriate final reconciliation by the principal appraiser who will be signing or

co-signing the report. In this situation, the assistant's contribution is both significant and professional. Members are cautioned that the use of an assistant who is not properly registered in the Appraisal Institute of Canada liability insurance program may be placing their insurance coverage at risk. The appropriate final reconciliation should include a discussion of all aspects of the appraisal process between the assistant and the principal appraiser.

12.40.4 If a member signs the certification alone, the contribution of any significant professional assistance must be acknowledged, and the specific tasks performed by the assistant should be clearly stated.

12.40.5 Joint preparation of a report required in litigation can provide opposing counsel with opportunities to test whether the evidence is credible, probative and even admissible. For example, how did both appraisers conclude exactly the same final value independently, or did one prevail over the other?

12.40.6 Members in the employ of a public institution are required to comply with the Rules in preparing "in-house" appraisal, review or consulting reports if these reports are subject to public review. [see 3.6.1, 6.2.1]

12.40.7 Where these reports are provided "in-house" and not subject to public review, it is generally accepted that such reports can be prepared according to the procedural and policy requirements of that particular institution. However, if these conclusions are to or may be presented in a public forum such as before Boards of Assessment Appeal or Courts, then the appraisal, review or consulting standards will apply.

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

12.40.9 If relying on significant professional assistance, it is recommended that liability be limited by identifying in the certification, whose information was relied upon, and stating what verification, if any, of that information was undertaken. Under this circumstance, a member should consider whether an Extraordinary Assumption is required. [see 7.29]

12.41 Technical Review [see 8.1.4]

12.41.1 In a technical review, the review appraiser goes beyond checking for a level of completeness and consistency in the report under review by providing comment on the content and conclusions of the report. The review appraiser may or may not have first-hand knowledge of the subject property or of data in the report.

12.42 Purpose [see 6.2.3, 8.2.3, 10.2.3]

12.42.1 The member's objective (e.g.: market value, compliance, feasibility) differs from intended use, which is the client's objective.

12.43 Disagreement/Agreement [see 8.2.12]

12.43.1 When a review appraiser develops an opinion of value, the review appraiser may:

12.43.1.i. use additional information that was not available to the original appraiser in the development of the appraisal under review;

12.43.1.ii. include the appraisal component in the appraisal review report;

12.43.1.iii. adopt those items in the appraisal under review with which the review appraiser concurs without repeating them in the review report.

12.43.2 It is only with respect to those items where the review appraiser's opinion differs from those in the appraisal under review where there must be replacement information or analysis development in accordance with the Appraisal Standard.

12.44 Market Analysis [see 11.8, 10.2.11]

12.44.1 The consultant should carefully define and delineate the pertinent market area for the analysis. Supportive reasoning for the selection of the boundaries must be stated. The consultant should identify the specific class(es) of the real estate under consideration and analyze the forces that are likely to affect supply/demand relationships.

12.44.2 The consultant is expected to provide a comprehensive physical and economic description of the existing supply of space for the specific use within the defined market area, an explanation of the competitive position of the subject, and a forecast of how anticipated changes in future supply (additions to or deletions from inventory) may affect the subject property.

12.44.3 The consultant is expected to project the quantity and price or rent level of space that will be demanded within the particular sub-market. The capture or penetration rates of competitive projects should be examined in sufficient detail to lead to a reasoned conclusion as to the forecasted price or rent levels at which the market is likely to accept the subject space and the estimated absorption or rent-up time period.

12.44.4 An assignment from a lender requesting comparables to support a pre-determined loan amount is considered to be research within a consulting service provided no appraisal, as defined, is completed.

12.45 Cash Flow/Investment Analysis [see 10.2.11,11.9]

12.45.1 Since real estate investment decisions are predicated on financial implications, the consulting service should define the client's investment criteria, consider major variables in the real estate and financial markets, and forecast the anticipated results. Definitions of the financial indices used (such as internal rate of return) and explanations of the financial analysis techniques and computer programs employed should be included.

12.46 Feasibility Analysis [see 11.10]

12.46.1 The consultant should compare the following criteria from the client's project to the results of the market analysis: the project budget (all construction costs, fees, carrying costs, and ongoing property operating expenses); the time

sequence of activities (planning, construction and marketing); the type and cost of financing obtainable; cash flow forecasts over the development and/or holding period; and yield expectations. The consultant should have enough data to estimate whether the project will develop according to the expectations of the client and is economically feasible in accordance with the client's explicitly defined financial objectives.

12.47 Reserve Fund Study [see 10.2.11]

12.47.1 Since Reserve Fund Studies are completed to provide financial planning advice, the consulting service should consider the stated policies in the condominium corporation defining those components to be covered by the study and incorporate a comprehensive benchmark analysis including life cycle analysis, current and future replacement costs and future reserve fund accumulations. The Study should provide comments on any apparent deficiency in the reserve fund account or in future reserve fund accumulation, along with a cash flow model covering an appropriate time frame.

12.48 Value Opinions in Appraisal Review Assignments [see 9.4.2]

12.48.1 The Review Standard provides for a review appraiser to address all or part of the appraisal being reviewed. This includes addressing its completeness, relevance, appropriateness and reasonableness within the context of the Appraisal Standard under which the appraisal was prepared. An appraisal review assignment may or may not include the development and reporting by the review appraiser of his or her own estimate of value. When a separate estimate of value is to be included, the assignment becomes a two-stage assignment - an appraisal review plus a value estimate by the review appraiser.

12.48.2 It is essential to develop a well-defined scope of work with the client to ensure a clear understanding of what steps are and are not necessary in an assignment. Key elements are the purpose of the assignment and the intended use of the report.

12.48.3 When the appraisal review is only for the purpose of determining compliance, the review appraiser should use extreme care to ensure the appraisal review report does note include language that implies the review appraiser developed an opinion of value concerning the subject property of the appraisal under review. When the review appraiser uses language to signify concurrence with the value or a different value opinion, the review appraiser has additional appraisal development and reporting obligations.

12.48.4 The following are examples (without limitation) of intended use and language used in a review where the review appraiser DOES NOT include his or her own estimate of value:

12.48.4.i. the review appraiser may develop and report an opinion as to the quality of the appraisal under review and:

12.48.4.ii. only state the corrective action to be taken by the original appraiser with regard to curing any deficiency, leaving the client to

decide whether to interact with the original appraiser to accomplish the correction; or,

12.48.4.iii. act on behalf of the client to interact with the original appraiser to ensure any deficiency is appropriately corrected by that appraiser.

12.48.5 Examples of the language that might be used:

12.48.5.i. the value conclusion stated in the appraisal report is (or is not) supported;

12.48.5.ii. the value conclusion is (or is not) appropriate and reasonable given the data and analyses presented;

12.48.5.iii. the value conclusion stated in the report was (or was not) developed in compliance with applicable standards and requirements;

12.48.5.iv. the content, analyses and conclusions stated in the report under review are (or are not) in compliance with applicable standards and requirements;

12.48.5.v. I reject the value conclusion as being unreliable due to the errors and/or inconsistencies found;

12.48.5.vi. I accept (or approve) the appraisal report for use by the client.

12.48.6 The following are examples (without limitation) of intended use and language used in an appraisal review where the review appraiser DOES include his or her own estimate of value:

12.48.6.i. The review appraiser may develop and report an opinion as to the quality of the appraisal under review and:

- make corrections to cure a deficiency, expressing the result as the appraisal reviewer's own opinion of value, which is to be developed within the same scope of work as was applicable in the appraisal under review; or
- make corrections to cure a deficiency, expressing the result as the review appraiser's own opinion of value, but develop that opinion using a different scope of work than was applicable in the appraisal under review; or
- regardless of the appraisal review result, develop his or her own opinion of value, using the same scope of work as was in the appraisal under review; or
- regardless of the appraisal review result, develop his or her own opinion of value, using a different scope of work than was applicable in the appraisal under review.

12.48.7 Examples of the language that might be used:

- I concur (or do not concur) with the value;
- I agree (or do not) with the value;
- in my opinion, the value is $X (or the same);
- in my opinion the value is incorrect and should be $X;
- in my opinion the value is too high (or too low).

12.48.8 Such language, or language with similar meaning to the intended users of the report, represents that the review appraiser has completed the steps required to develop his or her own value opinion. Such language indicates that the review appraiser has either concurred with the appraiser's value opinion as his or her own, or has developed a different opinion of value. It is important that this language be consistent with the scope of work described in the appraisal review report.

12.48.9 Note that if a review appraiser rejects the value, he or she should use care in how the result is stated. If the language of such rejection is based on errors or inconsistencies in the appraisal under review and does not include any qualifiers that would relate to a direction in value, then it does not infer an appraisal by the review appraiser.

12.48.10 However, if such rejection is stated in relation to a value or value range, such as indicating a direction in value (i.e., more than, less than), or to an established benchmark, then that language indicates the review appraiser has clearly bridged over into the appraisal stage. This is an important distinction which must be kept in mind by the review appraiser when composing any language regarding the original appraiser's opinions or conclusions. In addition, whichever category such language may fall under, it must also be consistent with the purpose, scope and intended use of the appraisal review assignment results.

12.49 Assessment [see 12.40]

12.49.1 In developing a mass appraisal, a member must be aware of, understand and correctly apply those recognized methods and techniques necessary to produce and communicate credible results.

12.49.2 The Jurisdictional Exception may apply to sections of the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP), an assessment administration is subject to provincial/territorial laws and assessment case law. [see 3.6]

12.49.3 Members working in assessment may claim a Jurisdictional Exception where:

12.49.3.i. legislation overrides the Standards rules or,

12.49.3.ii. where assessment jurisdiction policy or the evidentiary procedures of the assessment appeal process will not allow assessors to provide any or all of the information required by the Standards.

12.49.4 Members working in assessment should be able to explain why a Jurisdictional Exception was claimed.

12.49.5 The assessment appeal process varies in Canada according to local practice, jurisdiction and the governing legislation. Depending on location, an appeal could proceed through one or more levels of 'quasi judicial" administrative tribunals and panels, and the court system. Again, depending on location, the value defended by the assessor may be one that is determined through the mass appraisal process, or alternatively, a value which is based on appraisal principles for individual properties.

12.49.6 At the administrative tribunal or panel level, an oral report may be acceptable.

13. INDEX

Each entry in the index includes a reference code. The codes refer to the corresponding sections of the Standards. Each item in the index references the section(s) where they appear.

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14. CHANGES TO CUSPAP FROM 2007 EDITION

The following table highlights the proposed changes implemented by the Appraisal Institute of Canada's Standards Committee for the 2008 edition of the *Canadian Uniform Standards of Professional Appraisal Practice* (CUSPAP). The references in the following table are to the section numbers of the 2007 edition. The table also identifies text that has been deleted.

Section	Item	Rationale
2.20	Add new definition for cosignature: **COSIGNATURE:** personalized evidence indicating authentication of the work performed by the members as joint authors, where each is responsible for content, analyses, and the conclusions in the report; a member cannot cosign a report with a student or non-member. [see 2.51, 7.29.6, 9.9.6, 11.13.5] **Comment:** A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media, where the member has sole personalized control of affixing the signature.	Clarification in keeping with the Liability Insurance Program for co-signatures.
2.42	Edit definition for Professional Assistance to read: **PROFESSIONAL ASSISTANCE:** Professional assistance involves support to the member that has a direct and significant bearing on the outcome of his or her report. A member may rely on significant professional, valuation, consulting, or review appraisal assistance of an employee. Such assistance would generally be provided by insured members of the Institute or other professionals. Inspection of a property is professional assistance as it forms part of the analysis leading to an opinion.	
2.51	Edit definition for Signature to read: **SIGNATURE:** personalized evidence indicating authentication of the work performed by the member, where the member is responsible for content, analyses, and the conclusions in the report. [see 2.20, 7.29.6, 9.9.6, 11.13.5] **Comment:** A signature can be represented by a hand written mark, a digitized image controlled by a personalized identification number, or other media, where the member has sole personalized control of affixing the signature.	Replacement of word "appraiser" with "member" consistent with other changes in the responsibility sections of CUSPAP.

Section	Item	Rationale
2.52	Edit the definition for Technical Assistance to read: **TECHNICAL ASSISTANCE:** Technical assistance involves support to the member in the preparation of a report, such as collecting property data and other factual information, but does not in itself include interpretation or analysis. A member may rely on technical assistance from Student members of the Institute or others, keeping in mind that the responsibility for the finished product rests with the member signing the report.	
4.2.1	Add the word "knowingly"	Clarifies the fact that a mistake resulting in Standards Rules does not necessarily lead to a violation of an ethical rule.
4.2.2	Add the word "knowingly"	Clarifies the fact that a mistake resulting in Standards Rules does not necessarily lead to a violation of an ethical rule.
4.2.3	Add the word "knowingly"	Clarifies the fact that a mistake resulting in Standards Rules does not necessarily lead to a violation of an ethical rule.
4.2.5	Add the word "knowingly"	Clarifies the fact that a mistake resulting in Standards Rules does not necessarily lead to a violation of an ethical rule.
5.2.4	Rewrite section to read "Conduct by a member that results in criminal charges may be subject to an interim suspension of their designation or other sanctions as deemed appropriate by a Professional Practice Committee, until such time as the matter is resolved."	Such suspensions or sanctions may be imposed to protect the public and the Appraisal Institute of Canada from the repercussions of continuing criminal activity.
5.3	Rename section entitled "Misleading" to "Misleading Report"	Separates misleading reports section from misleading advertising.
5.3.2	Renumber current section 5.3.6 to 5.3.2	Housekeeping change to reflect addition of new subsection.
5.3.3	Renumber current section 5.3.8 to 5.3.3	Housekeeping change to reflect addition of new subsection.
5.4	Create new section entitled "Misleading Advertising" numbered 5.4 and move points 5.3.4, 5.3.5	Separates misleading reports section from misleading advertising.
5.4.1	Renumber sections 5.3.2, 5.3.3, 5.3.4, 5.3.5, and 5.3.7 to 5.4.1, 5.4.2, 5.4.3, 5.4.4, and 5.4.5 respectively	Housekeeping change to reflect addition of new subsection.
5.4.6	Insert new section numbered 5.4.6 which reads "Promoting the Candidate membership category in such a way that it might be perceived as a designation is misleading. AIC Candidate members must refrain from using initials or abbreviations that might be interpreted as relating to a designated status, i.e. CAN, as this is not an AIC designation, but refers to status within the Appraisal Institute of Canada.	Clarification for candidates and in keeping with AIC policy.

Section	Item	Rationale
5.4.7	Insert new section numbered 5.4.7 which reads "AIC Candidates are able to identify themselves as a Candidate Member of the Appraisal Institute of Canada (AIC). AIC Candidate members may identify that they are working under the mentorship of a designated member of the Institute and identify the mentor's name and designation."	Clarification for candidates and in keeping with AIC policy.
5.6.3	Remove the words ", and issued without reference to the CRA designation	Recognizes education and qualifications of CRAs that have assignments co-signed by an AACI.
5.6.4	Add cross references to 2.20, 7.29.6, 9.9.6, 11.13.5	
5.8.2	Delete subsection 5.8.2	
5.8.3	Delete subsection 5.8.3	
5.9.1	Remove the word "Professional" and abbreviation "(PLIP)"	
5.13.1.iii	Replace the words "describe the lack of knowledge and/or experience and the steps taken to complete the assignment competently in the report" with the words "if the appraiser lacks experience or knowledge to undertake an assignment, the appraiser must describe steps taken to complete the assignment competently, in the report."	Presents a "positive" solution to disclosure as opposed to the "negative" disclosure of a lack of knowledge.
5.14.1.ii	Insert the words "as a result of improper influence"	
6.2.6	Replace the word "identify" with the word "provide"	Clarifies that reasonable exposure time must be analyzed and not just identified
6.2.9	Replace the words "identify the location and characteristics of the property and the interest appraised" with the words "analyze the effect on value, if any, of the terms and conditions of the lease(s), when developing an opinion of the value of a leased fee or a leasehold estate" Add new cross reference to 7.20.	
	Remove section 6.2.19 which reads "when developing an opinion of the value of a leased fee or a leasehold estate, analyze the effect on value, if any, of the terms and conditions of the lease(s); [see 7.20]"	Duplicate to rewritten section 6.2.9.
7.6.2	Add a cross reference to section 12.29	Provides a link to the relevant Practice Note.
7.24	Add a cross reference to section 12.18	Provides a link to the relevant Practice Note.
7.28.1	Remove the words "designated members and candidate" from 9th bullet point in Box 7.28.1.	Consistency with Box 11.12.1.

Section	Item	Rationale
7.28.1	Add 10th bullet to box 7.28.1 which reads "The undersigned is (are all) members in good standing of the Appraisal Institute of Canada."	
7.28.1	Replace the bullets that start "The undersigned personally inspected…" and "Or, the undersigned did not…" with a single bullet point that reads "I did not (did) personally inspect the subject property of the report under review; (if review appraiser did personally inspect the property, state the date of inspection).	Consistency with Boxes 9.8.1 and 11.12.1.
7.29.3	Replace the word "Appraiser" with the word "Member"	
7.29.4	Replace the word "Appraiser" with the word "Member"	
7.29.5	Replace the word "appraiser" with the word "member"	
7.29.6	Replace the word "appraisers" with the word "members"	
7.29.7	Replace the word "appraiser's" with the word "member's"	
9.2.2	Remove subsection 9.2.2 which reads "Report by communication with the client prior to accepting the assignment."	Removal of a sentence that did not make sense.
9.9.3	Replace the words "Review appraisers" with the word "members"	
9.9.4	Replace the words "Review appraisers" with the word "members"	
9.9.5	Replace the words "review appraiser" with the word "member"	
9.9.6	Replace the words "appraisal reviewers" with the word "members"	
9.9.7	Replace the words "appraisal reviewer's" with the word "member's"	
9.8.1	Remove the words "designated members and candidate" from 11th bullet point in Box 9.8.1.	Consistency with boxes 7.28.1 and 11.12.1.

Section	Item	Rationale
9.8.1	Add 12th bullet to box 9.8.1which reads "The undersigned is (are all) members in good standing of the Appraisal Institute of Canada."	
11.12.1	Add 12th bullet to box 11.12.1which reads "The undersigned is (are all) members in good standing of the Appraisal Institute of Canada."	
11.13.3	Replace the word "Appraiser" with the word "member" and delete the word "appraisal"	
11.13.4	Replace the word "appraiser" with the word "member"	
11.13.5	Replace the word "appraisers" with the word "members"	
11.13.6	Replace the word "appraiser's" with the word "member's"	
12.5.2	Add ", reviews," to the second sentence to read "These activities are appraisals, review, consulting and related services required as part of the assignment."	Describes all activities regulated for members.
12.5.4	Add the words "of membership" to the sentence which now reads "A member is not insured for assignments completed during periods of suspension of membership or retirement."	Clarification of non-coverage instances.
12.5.5	Add the words "Liability Insurance Program of the" and remove the words "Appraisal" and "of Canada insurance program" Add cross references to 12.1.4 and 12.1.3.	Provides links to the appropriate Practice Notes.
12.5.6	Remove the words "selecting sales" and add See reference to 2.52 (definition of Technical Assistance).	
12.22.2	New subsection which reads "Stand alone environmental consulting services are not eligible for E& O coverage with FPLIC. [see 10.1.1, 11.1.1, 12.5, 5.8]	Clarification of non-coverage instances.

Section	Item	Rationale
12.23.1	In the first sentence, remove the word "but" and replace with ", however,". Change the second sentence to read "If the appraiser becomes aware of detrimental conditions through disclosure by the client and/or known facts prior to the acceptance of an appraisal assignment, this should be recorded as an observation in the report."	Assists in handling situations where detrimental conditions are discovered.
12.29.2	Add the words ", or if performing a retrospective or prospective appraisal" at the sentence "For example, inspections are not physically possible where improvements have been destroyed, removed, or not yet built." Add see references to 6.2.11 and 12.32.1	
12.32.1	Remove the words "assumptions and hypothetical" and add the word "limiting"	
12.32.1.i	Add the words "Limiting Conditions" and remove the word "Assumptions"	
12.40.2	Replace the word "appraiser" with the word "member"	
12.40.2.i	Replace the word "appraiser" with the word "member"	
12.40.4	Replace the words "the principal appraiser" with the words "a member"	
12.40.6	Replace the word "Appraisers" with the word "Members"	
12.40.9	Replace the words "an appraiser" with the word "a member"	
12.42.1	Replace the word "appraiser's" with the word "member's"	
Index	Change the link in the Index for Consulting from 2.17 to 2.18	