10 Day Submission
BOR Received: May 1, 2017

REGINA
Infinite Horizons
City of Regina

May 1, 2017

CITY OF REGINA
BOARD OF REVISION
2476 VICTORIA AVENUE
REGINA, SK S4P 3C8

Dear Sir/Madam:

RE: 2017 Board of Revision Industrial Appeals 2017-28071 to 2017-28115 of Various Property Owners Appeals

Enclosed is a copy of the City Assessor's Submission relating to Various Industrial Property Owners Appeals, which is currently scheduled to be heard by the 2017 Board of Revision on Monday, Tuesday, May 15, 16 2017. Please find the City Appeal submission in one binder for all Industrial properties.

Sincerely,

Gerry Krismer
City Assessor

GK: lp

Enclosures(s)

Cc: Altus Group Limited,
C/O Archie Fieldgate

Assessment & Tax Department
Queen Elizabeth II Court ♦ Box 1790 ♦ Regina, Saskatchewan S4P 3C8 ♦
P 306 777- 7240, **F** 306 777-6822

10 Day Submission
BOR Received: May 1, 2017

Appeal No.: Various/2017
MULTIPLE ADDRESSES

CITY OF REGINA
BOARD OF REVISION

Between:

MULTIPLE PROEPRTY OWNERS

APPELLANT

- and -

THE ASSESSOR OF
THE CITY OF REGINA

RESPONDENT

WRITTEN SUBMISSION ON BEHALF OF THE CITY OF REGINA

Industrial Group A Lead Appeal

OFFICE OF THE CITY ASSESSOR
2476 Victoria Avenue
Regina, Saskatchewan
S4P 3C8

TABLE OF CONTENTS

Contents

This purpose of this document is to respond, in accordance with subsection 200(4) of *The Cities Act* (the "Act"), to allegations of error raised in the Appellant's Notice of Appeal to the Regina Board of Revision (the "Board") relating to the assessment of the subject properties located in Regina, Saskatchewan (the "Property"). This document identifies the subject property under appeal, provides the legislative and valuation background against which properties are assessed in Saskatchewan, and contains all of the factual and evidentiary information required to explain how the subject property was assessed.

Account #	Address	Appeal #
10018739	580 Henderson Drive	28118
10022438	570 McDonald Street	28117
10268143	4750 E Victoria Avenue	28113
10013963	415 N. Longman Crescent	28109
10076954	375 N. Longman Crescent	28106
10018725	363 Maxwell Crescent	28105
10178193	330 4th Avenue East	28104
10169644	2216 E. Emmett Hall Road	28100
10250374	2120 1st Avenue	28096
10201133	2107 E. Turvey Road	28095
10226517	202 Solomon Drive	28093
10018790	1903 E. Turvey Road	28091
10226524	1802 E. Stock Road	28090
10033440	1715 Elliot Street	28088
10013958	135 Henderson Drive	28080
10027983	1301 Fleury Street	28079
10027949	1111 MacKay Street	28073
10013951	100 N. McDonald Street	28071
10018693	1405 E Pettigrew Ave	28082
100268143	4750 E Victoria Ave	28113
10268140	4600 E Victoria Ave	28112
10268975	4150 E Victoria Ave	28110

SUMMARY OF SALIENT TERMS AND CONDITIONS

[1] The following information is a summary of important factors, terms and limiting conditions that are essential to the understanding of this appeal submission and the assessment of the subject property.

Regulatory Governance

[2] The analyses, opinions and conclusions were developed and this report has been prepared in conformity with:

- the relevant Provincial laws and regulations of the Province of Saskatchewan and Bylaws of the City of Regina;
- the Code of Ethics of the Saskatchewan Assessment Appraisers' Association (SAAA), the International Association of Assessing Officers (IAAO) and the Appraisal Institute of Canada (AIC);
- the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP); and
- the Uniform Standards of Professional Appraisal Practice (USPAP).

[3] In the City of Regina Assessment Branch, 17 of 21 valuators are licensed through the Saskatchewan Assessment Appraisers' Association. Two of the 21 valuators also are accredited with the senior appraiser designation (AACI) through the Appraisal Institute of Canada (AIC), and six are certified as senior assessment evaluators (CAE) with the International Association of Assessing Officers (IAAO).

Compliance with CUSPAP and USPAP

[4] An appeal submission is created and presented for the purpose of providing an explanation of how an assessment was determined as well as providing evidence in response to issues raised before a Board of Assessment Appeal or Court. It is not intended to complete any of the functions required to analyze, develop and communicate an opinion of value as required under a property appraisal. Therefore, an appeal submission is not an appraisal; it falls under the realm of expert testimony. However, CUSPAP dictates that expert testimony that addresses

value and is presented in a public forum, such as in Boards of Assessment Appeal, must comply with the reporting standards of CUSPAP.

[5] USPAP does not specifically address the issue of appeal submissions. However, USPAP does note that "an individual's public identification as an appraiser establishes an expectation that valuation services will be performed in compliance with USPAP."[1]

Important Terms, Dates and Definitions

Client - City of Regina.

Intended Use - explanation of assessment and supporting evidence for appeal purposes before the City of Regina Board of Revision.

Intended Users - the City of Regina Board of Revision (and Saskatchewan Municipal Board's Assessment Appeals Committee and Court of Appeal, as needed), the City of Regina Assessment Branch, and the Appellant.

Purpose - to respond to allegations of assessment error and to comply with *The Cities Act*, ss.200(4).

Type of Value - market value in fee simple prepared using mass appraisal: pursuant to *The Cities Act*, c.163(f.1) and (f.2) and ss.164.1(2).

Effective (Base) Date of Valuation - January 1, 2015 (retrospective): pursuant to *The Cities Act*, c.163(d); and per SAMA Board Order Dated December 13, 2013 made pursuant to *The Assessment Management Agency Act*, c.12(1)(d).

Scope of Work

[6] Scope of work refers to the type and extent of research and analysis necessary to complete an assignment. The scope of work undertaken by the Assessor to value the subject property for assessment purposes is described in paragraphs [32] through [52] of this submission.

Analysis of Exposure Time

[7] Exposure time refers to the estimated length of time the property interest appraised would have been offered on the market before the hypothetical consummation of a sale at market value

[1] Refer to USPAP, Advisory Opinion 32 (AO-32), p.A-113.

on the effective date of the appraisal. CUSPAP and USPAP require that each real property appraisal report contain sufficient information to enable the intended users of the appraisal to understand the report properly. USPAP notes that meeting this requirement does not require the reporting of exposure time in all assignments.

[8] The Assessor does not collect information on length of time a property is on the market.

Hypothetical Conditions[2]

[9] CUSPAP and USPAP describe a Hypothetical Condition as "that which is contrary to what exists but is supposed for the purposes of analysis" and may be used where the hypothetical condition is clearly required for legal purposes. Hypothetical Conditions assume conditions contrary to known facts about physical, legal or economic characteristics of a subject property. There is one Hypothetical Condition present in this valuation, namely:

1. *The Cities Act*, ss.165(3.1) – each assessment must reflect the facts, conditions and circumstances affecting the property as of January 1 of each year as if those facts, conditions and circumstances existed on the applicable base date.

[10] This is considered a hypothetical condition because the property characteristics as of January 1 may have been different, or not even existed, on the base date.

Extraordinary Assumptions[3]

[11] CUSPAP and USPAP describe an Extraordinary Assumption as "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions." CUSPAP requires each Hypothetical Condition to be accompanied by a corresponding Extraordinary Assumption. There is one Extraordinary Assumption present in this valuation; it is the same as the Hypothetical Condition noted above.

[12] This is considered an extraordinary assumption because the property characteristics as of January 1 are assumed to exist on the base date.

---

[2] Refer to 2016 CUSPAP 2.34 and 7.10 and 2016-17 USPAP SR 6-2(i).

[3] Refer to 2016 CUSPAP 2.26 and 7.9 and 2016-17 USPAP SR 6-2(i).

Jurisdictional Exceptions[4]

[13] The Jurisdictional Exception Rule exempts appraisers from the part or parts of CUSPAP and USPAP that are contrary to the law or public policy of a particular jurisdiction. There are four Jurisdictional Exceptions claimed in this report:

1. *The Cities Act*, c.163(f.1) and ss.165(1) – require the appraiser to prepare the assessed value of property using mass appraisal methods.

2. *The Cities Act*, ss.165(3.1) – each assessment must reflect the facts, conditions and circumstances affecting the property as of January 1 of each year as if those facts, conditions and circumstances existed on the applicable base date.

3. *The Cities Act,* ss.210(1.1) and ss.226(3) – a non-regulated property assessment shall not be varied on appeal using single property appraisal techniques.

4. SAMA Board Order Dated December 13, 2013 made pursuant to *The Assessment Management Agency Act*, c.12(1)(d) – market data that occurred or arose after January 1, 2015 shall not be used to determine the assessed value of non-regulated properties, unless owners' fiscal years do not follow the calendar year and end on or before May 31, 2015.

[4] Refer to 2016 CUSPAP 2.42 and 7.10.6 and 2016-17 USPAP Definitions and Jurisdictional Exception Rule.

VALUATION METHODOLOGY

Property Assessment Valuation Standards

[14] As set out in section 164 of the Act, all property in the city is subject to assessment. Further, section 164.1 of the Act requires that assessments must be determined in accordance with one of two standards. The two Valuation Standards used to determine assessments in Saskatchewan are:

- the Market Valuation Standard for non-regulated property; and
- the Regulated Property Assessment Valuation Standard for regulated property.

[15] As well and pursuant to the Act, assessments for all properties reflect the retrospective base date of January 1, 2015; are determined using mass appraisal techniques; and reflect the facts, conditions and circumstances affecting properties as of the base date.

Market Valuation Standard

[16] The *Market Value Assessment in Saskatchewan Handbook* (the "Handbook") provides guidance for the assessment of all properties valued using the Market Valuation Standard. The Handbook describes how the three approaches to value may be used and is intended to integrate with *Marshall and Swift's Residential Cost Handbook* and the *Marshall Valuation Service* (commercial properties). While the Handbook does not have the force of law, it may be used in conjunction with relevant Saskatchewan legislation, accompanying regulations and SAMA Board Orders.

[17] According to clause 163(f.1) of the Act, the Market Valuation Standard is "...achieved when the assessed value of the property:

- is prepared using mass appraisal;
- is an estimate of the market value of the estate in fee simple in the property;
- reflects typical market conditions for similar properties; and
- meets quality assurance standards established by order of the agency."

[18] The Market Valuation Standard contains several terms that require further definition, namely *mass appraisal*, *market value* and *fee simple*.

[19] Clause 163(f.3) of the Act defines *mass appraisal* as "...the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing."

[20] Clause 163(f.2) of the Act defines *market value* as "...the amount a property should be expected to realize if the estate in fee simple in the property is sold in a competitive and open market by a willing seller to a willing buyer, each acting prudently and knowledgeably, and assuming that the amount is not affected by undue stimuli."

[21] The term *fee simple* is not defined in the Act. The *Market Value Assessment in Saskatchewan Handbook* defines *fee simple* (or *estate in fee simple* or *fee simple estate*) as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the four powers of government: taxation, expropriation, police power, and escheat."

Assessment Publications

[22] In order to effectively implement the new legislative requirements with respect to assessment in Saskatchewan, the following publications are available for regulated and non-regulated property assessments:

- The **Saskatchewan Assessment Manual** – speaks primarily to regulated property assessments and has the force of law.
- The **Market Value Assessment in Saskatchewan Handbook** – provides direction for the assessment of non-regulated property and does not have the force of law.
- The **2015 Cost Guide** – provides direction to SAMA's Assessment Services Division for the assessment of non-regulated property and does not have the force of law
- **Marshall Valuation Service** and **Residential Cost Handbook** publications – used in the application of the cost approach to value and do not have the force of law.
- Various valuation theory textbooks published by the Appraisal Institute of Canada, the Appraisal Institute (United States) and the International Association of Assessing Officers, among others – do not have the force of law.

[23] Use of any of the above publications (or any other publication) must be in combination with relevant Saskatchewan legislation, accompanying regulations and SAMA Board Orders.

Approaches to Value

[24] The standard appraisal methods, contained in the definition of mass appraisal, include three standardized approaches to value property: the Sales Comparison Approach to Value, the Cost Approach to Value and the Income Approach to Value.

[25] The Sales Comparison Approach to Value is an approach for estimating market value-based assessments by comparison to the sale prices of similar properties that have sold recently. The Sales Comparison Approach is based on the theory that value is directly related to the sale prices of similar properties, and the assumption that a purchaser would not pay more to purchase a property than that paid for comparable properties of similar utility. This approach is most commonly used in valuing residential properties.

[26] The Cost Approach to Value is used for estimating market value-based assessments that quantifies the cost in current dollars, less depreciation, to replicate the property being assessed. This approach is based on the assumption that a potential purchaser would pay no more for the property than the cost of its replacement, less depreciation. The assessment industry relies on the Marshall Valuation Service and Residential Cost Handbook rates to determine replacement costs. This approach was commonly used for valuing commercial properties in the city prior to the implementation of the Income Approach to Value in 2009.

[27] The Income Approach to Value is used to estimate market value-based assessments by analyzing the anticipated future benefits or income from a property and converting this income into an estimate of present value.

[28] Some property types such as agricultural land, railway, resource equipment, heavy industrial properties and pipelines continue to be valued under a regulated property assessment standard using an assessment manual established by SAMA. Other property types that are non-regulated, such as residential, commercial and multi-family properties, are not required to be valued based on a specific assessment manual but are valued using one of the three valuation approaches (noted above) to ensure that the requirements of the Market Valuation Standard are

met.

Difference between Market Value and Sale Price

[29] The market value-based assessment of a property is sometimes confused with the sale price of an individual property. A property's sale price is, by definition, not the same as its estimate of market value assessment. The sale price of a property is a historical fact – it is the amount the purchaser agreed to pay and the seller agreed to accept for the sale of the property under the circumstances surrounding the sale. A market value-based assessment is not a historical fact – it is an estimate of value.

[30] Sale price information is necessary to develop market value assessments. Assessors gather information on properties that have sold to determine the ranges of sale prices in the marketplace. This statistical data is used as part of the process for calculating market value-based assessments. Assessments are calculated by analyzing the range of sale prices of groups of properties at a specific point in time. Several sales of similar properties are compared to determine market value-based assessments of specific types of properties that have similar characteristics.

[31] While the actual sale price of a property might be in the same range as the sales of similar properties, the resulting market value-based assessment estimate is a composite analysis of all of the similar sales.

SCOPE OF WORK

Classification

[32] The classification of properties into groups with similar physical and value-driven characteristics is an important step in the mass appraisal valuation process. Classification involves a six-step process:

1. Identify valuation parameters
2. Collect appropriate data
3. Analyze collected data
4. Develop guidelines for applying valuation parameters
5. Apply valuation parameters
6. Test results

[33] Valuation parameters are important elements in the valuation process that determines property assessments. Every valuation process employs one or more valuation parameters. The value of every type of property is guided by and relates to a number of variables. These include: physical variables, such as building size, construction style, condition, site size and location; supply and demand conditions in the marketplace; and legal restrictions such as zoning. Valuation parameters are guides as to what variables are pertinent at any given time and should be considered in the analysis of values. Parameters in the three approaches to value include costs of construction, rents and other income, operating expenses, capitalization rates and sale prices, among other things.

[34] The Assessor collects data pertinent to the properties being assessed and the valuation approaches being used. These data are collected from existing assessment records, property owners, property inspections, and government and industry publications. These collected data are analyzed through sorting and classifying, tabulating and refining through use of statistical techniques. Once this analysis is complete, guidelines are developed in order to determine how to apply these parameters across the inventory of properties being assessed. This is done to ensure flexibility to enable adjustment to market realities while at the same time ensuring that similar properties are assessed similarly. The final step is to apply the valuation parameters to the inventory of properties

and to test the final results against recent sale prices.

[35] The objectives of this classification process are to:

1. enable the assessment of a large number of properties easily and efficiently;
2. stratify properties into classes so that comparisons are meaningful;
3. provide a broad enough definition of classes so that there are sufficient numbers within groups to establish valuation parameters and assessments; and
4. achieve large classes that have similar characteristics in order to assess similar properties similarly using mass appraisal, and resulting in equitable results.

Income Approach

[36] The income approach entails, for the most part, three steps:

1. determine market rents;
2. determine market capitalization rates (cap rate) or market Gross Income Multipliers (GIM); and
3. estimate the assessed value.

1. Determine Market Rents

[37] In preparation for the income approach to value for 2017, the Assessor requested the rent rolls (detailed description of the actual rents being charged to the specific tenants of the property) and income expense statements (detailed description of all income and expenses relating to the property) for all commercial, industrial and multi-family properties covering the years of 2013, 2014 and 2015.

[38] Legislation requires that the value of a property is to be based on the current facts and conditions as if they existed on the retrospective base date of January 1, 2015. Therefore, the purpose of the rent analysis is to establish what typical rents were as of the base date. The rent analysis includes the review of the 2013, 2014 and 2015 rents rolls. However, the final rent models are developed from the 2015 rent rolls as this best reflects typical market rents for the

base date. It is useful to have previous rent rolls because this information assists the Assessor in determining the rents under typical market conditions.

[39] When valuing income-producing properties, as mentioned earlier, there are two basic rent models that can be developed: a gross income model and a net income model.

Gross Income Model

[40] A gross income model is typically developed for multi-family properties, the gross income being the potential gross income of the property prior to the deduction of applicable expenses. The reason a gross income model is developed for these properties is that these types of properties typically rent on a gross rent basis, and expenses related to these properties vary greatly from year to year and property to property.

Net Income Model

[41] A net income model is typically developed for commercial properties, the net income being the potential net income of the property after deducting all allowable expenses. The reason a net income model is developed for these properties is that the properties in this group are typically rented on a net dollar per square foot basis. The operating expenses (snow removal, heat, electrical, property taxes, etc.) are also passed on to the tenant, on a percentage basis, in addition to the base rent.

[42] It is standard appraisal practice that, for commercial properties, the value is based on the potential net earnings of the property. In determining value, the industry uses a mathematical formula for overall capitalization rates that reflects the relationship between net income and sale price.

[43] Based on the rent rolls returned, the Assessor found that most owners reported either the actual net rent per tenant, or a gross rent per tenant and the operating costs for each tenant. From the latter, the Assessor was able to determine the net rent for each tenant. If a property owner provided gross rents per tenant but did not include any indication of the operating costs per tenant, then those rents were not included in the Assessor's analysis. In Regina, the majority of rent rolls and financial statements were reported as net figures.

[44] Eleven net rent models were developed for the various types of properties. The various

models are Auto Dealership, Hotel/Motel, Office, Retail Enclosed Shopping Centres, Commercial, Industrial, Mini-Storage, Parking, Parkade, Mixed-Use and Multi-Family. These models comply with the Market Valuation Standard and follow accepted valuation industry practices as indicated by the Handbook, appraisal and assessment textbooks, or local practices.

[45] The subject properties are valued using a net rent model.

2. Determine Capitalization Rates or GIMs

[46] Along with rent rolls and income and expense information, the Assessor also reviewed all transfers of titles received from the Information Services Corporation (ISC). Relying on transfers of properties registered at ISC between January 1, 2011 and December 31, 2014, the Assessor screened the transfers based on the potential relationship between the vendor and purchaser. If it was found that there was no indication of any relationship, then sales verification forms were sent to both the purchaser and vendor. The purpose of the verification process is to flesh out the details of the transfer. At the same time, requests were made for the sale agreement, mortgage documents and appraisals of the property, if any, from the purchaser and vendor.

[47] After receiving the verification forms, the Assessor reviewed these forms to further filter out any transfer that appeared not be to a sale. If a verification form had not been returned, the Assessor mailed follow-up questionnaires to the purchaser and vendor encouraging the return of the forms.

[48] Once the transfers were reviewed and the Assessor established that the transfers were a result of valid arm's length sales, then these sales were adjusted to reflect only the value of the real estate. Adjustments are necessary as some transfers include personal property, partial interests or other factors that may be considered atypical conditions. With all the sales in hand, the Assessor completed an analysis of the sale prices to determine if, over time, sale prices were increasing, decreasing or not changing at all. The Assessor's analysis established that sale prices of both multi-family and commercial properties were typically increasing over time and generally increasing in most neighbourhoods in Regina. Therefore, sale prices were adjusted to reflect what the sale price would have been had the property sold on the base date of January 1, 2015.

[49] Finally, the Assessor compared the income and sale price components of different properties in order to determine a multiplier that measures the relationship between the two. The potential *net* income establishes a multiplier known as a capitalization rate, which is represented in the following formula:

$$\text{Capitalization Rate} = \frac{\text{Potential Net Income}}{\text{Value (or Sale price)}}$$

3. Estimate Assessed Value

[50] Once the typical rent for a property type is determined, the Assessor applies this rent back to the subject property to determine the typical rental income. For a multi-family property, the potential *gross* rent is applied and for other commercial properties, the potential *net* rent is applied.

[51] For properties with net rents, the Assessor capitalizes the net income into an estimate of value by applying a mathematical formula. The value is determined by dividing the potential net income by the capitalization rate:

$$\text{Value} = \frac{\text{Potential Net Income}}{\text{Capitalization Rate}}$$

FACTS

Appellant

[52] The Appellants are all represented by FS - ALTUS GROUP LIMITED and the Appellant filed a Notice of Appeal with the Board of Revision (the "Board") on March 6, 2017.

Non-Regulated Property

[53] The property that is the subject of this appeal is a non-regulated property that is valued pursuant to the Market Valuation Standard.

[54] In the valuation of properties for assessment purposes, the Assessor is required by legislation to achieve the Market Valuation Standard as detailed in paragraphs [16] through [21]. In doing so, the Assessor must use one of the three standardized approaches to property valuation as noted in paragraphs [24] through [28]. The subject property under appeal is an industrial property and was valued using the Income Approach to Value.

Valuation Model

[55] The application of the Income Approach to Value for this group of properties resulted in the development of the Industrial Model, which was applied to the subject property. This model is summarised as follows:

INDUSTRIAL MODEL

IDENTIFICATION of MODEL AREA

The Industrial model is an income model that values the majority of properties that are zoned for industrial uses (IA, IA1, IB, IP, IT, RR and WH). Properties with these zoning designations that are considered special purpose in nature or for which there is little or no available market data (rents or sales) are valued outside of this model using the Cost Approach to Value.

The Industrial model is applied to those properties which are primarily located within the City of Regina's (the City's) industrial study areas (5201, 5203, 5204, 5205, 5206, 5207 and 5208). As a result of the market analysis for the 2017 revaluation it was determined that there were five distinct industrial study neighbourhoods located within the City's municipal boundaries, each with varying types and ages of commercial buildings, land sizes and locational characteristics. These neighbourhoods are defined on the enclosed map and individually described below.

Zoning Descriptions

Properties valued by the Industrial model reflect numerous zoning classifications. The following are cursory, generalized descriptions only and are not meant to reflect complete details concerning the predominant zonings found within the City's industrial study area:

- IA, IA1 – Light Industrial: accommodates the manufacturing of finished products or parts predominantly from previously prepared materials. The IA1 zone is confined to existing industrial properties that are located on the fringes of the Inner City
- IB, IB1 – Medium Industrial: allows for manufacturing, processing, assembly, distribution, service and repair activities that require outdoor use and storage. This zoning is restricted to locations on the interior of industrial neighbourhoods along collector roadways
- IC, IC1 – Heavy Industrial: industrial uses which, due to appearance, noise, odour, risk of emission of toxic waste, risk of fire or explosion hazards, etc. are incompatible with commercial, residential and other land uses. Accordingly, new office, business and retail uses within this zone are limited. Development with direct access to local and collector residential streets is not allowed in this zone
- IP – Prestige Industrial Service: accommodates industrial and related business service uses that incorporate high standards of design, landscaping and open space. The IP zone is found in locations that are visible, have adequate facilities and services and will provide a buffer for adjacent residential and commercial uses

- IT – Industrial Tuxedo Park: provides for light to medium industrial uses, including commercial and service, on those properties located in Tuxedo park

- LP – Logistics Park: specialized industrial park that supports transportation and logistics related development and complementary industrial and commercial uses.

- WH – Dewdney Avenue Warehouse: intent is the preservation of the warehouse character through retention and reuse of existing warehouses. Accommodates a wide range of administrative, service, retail, wholesale and light manufacturing uses

- RR – Railway Zone: regulate land uses that are directly associated with transportation by railroad, switching and terminal operations

Neighbourhood 5201

Neighbourhood 5201 is comprised of three small pockets encompassing all industrial zoned parcels located within the boundaries of North Central Regina. The west most pocket is located on the south side of the CN tracks, west of Albert Street and North of 1st Avenue. The central pocket is situated on the north side of the CN tracks between the laneway east of Albert Street and the laneway immediately west of Scarth Street with 1st Avenue North providing its northern boundary. The east pocket is likewise located north of the CN tracks with Winnipeg Street as its eastern boundary and 5th Avenue North as its northern most boundary.

The properties situated in this neighbourhood are zoned IA, IA1 (light industrial) and IB (medium industrial) and feature, for the most part, small light industrial properties.

64% of the industrial buildings found in this neighbourhood were constructed in the 1960s and 1970s reflecting an average year built of 1976. Buildings range in size from approximately 600 square feet to 45,500 square feet with an average size of approximately 7,500 square feet.

Improved lot sizes range from approximately 2,000 square feet to 4.40 acres with an average lot size of 21,500 square feet.

Neighbourhood 5203

Neighbourhood 5203 is known as the Ross Industrial Park and is the largest industrial area in the city. This area encompasses the City's northeast corner and is roughly bordered by Winnipeg Street to the west, the CN tracks to the southwest, CP tracks to the southeast, the eastern municipal boundary of the city to the east and the northern municipal boundary of the city to the north.

The northern one-third of this neighbourhood is almost entirely occupied by the Consumers' Co-operative Refineries (CCRL). Imperial Oil, Enbridge Pipelines and several other large oil tank farms are located along the west boundary of this neighbourhood and abut the southern boundary

of the CCRL property. The Ross Industrial Park features a broad mixture of zones with the majority of properties (85%) zoned IA (light industrial) or IB (medium industrial). There are 36 IC (heavy industrial), 15 IP (prestige industrial) and 22 properties zoned RR (railway). This neighbourhood comprises a broad range of property sizes, types and uses from light to heavy and prestige industrial. Property uses include small workshops to large manufacturing operations, chemical processing, mega warehousing (>200,000 square foot buildings), industrial, office, retail and restaurant uses necessary to service the area.

The majority of the buildings situated in this neighbourhood (52%) were constructed in the 1970s and 1980s with a further 29% being constructed since 2000. The average year built for buildings in this neighbourhood is 1982. Buildings range in size from approximately 110 square feet to 395,000 square feet with an average size of 25,500 square feet.

Improved lot sizes range from approximately 6,000 square feet to 337 acres with an average lot size of eight acres.

Neighbourhood 5204

Neighbourhood 5204 is located immediately adjacent to the southwest corner of the Ross Industrial Park and encompasses all industrial zoned properties that are located along its west, south and eastern borders. Specifically along the east side of Winnipeg Street (west border), between the CP tracks and 7th Avenue (south border), and along the west side of McDonald Street (east border). These properties are primarily zoned IA and IA1 (light industrial). Three of the 127 properties in this neighbourhood are zoned IB (medium industrial).

71% of the buildings in this neighbourhood are small industrial buildings which were constructed in the 1950s through 1980s reflecting an average year built of 1969. Buildings in this neighbourhood range in size from approximately 222 square feet to 28,000 square feet with an average size of 4,750 square feet.

Improved lot sizes range from approximately 3,100 square feet to 1.83 acres. The average lot size in this neighbourhood is 12,500 square feet.

The analysis completed for the 2017 revaluation resulted in a decision to combine the 31 available rents for neighbourhood 5204 with the 201 rents from neighbourhood 5205.

Neighbourhood 5205

Neighbourhood 5205 is located in central Regina just north of the downtown core. This area is referred to as the Old Warehouse District and is bordered on its south side by the CP tracks abutting the north side of Saskatchewan Drive, 4th Avenue to the north, Albert Street to the west and Winnipeg Street to the east. This area is somewhat transitional in nature with many properties being used for a mix of general commercial uses including retail, office, nightclubs and residential condominiums.

The majority of the properties on this neighbourhood (85%) are zoned IA, IA1 (light industrial) and IB (medium industrial) and feature, for the most part, small light industrial properties with buildings constructed from the 1910s to 2015 with the majority (64%) being built in the 1950s through the 1980s, reflecting an overall average year built of 1960. The area along Dewdney Avenue abutting the CP rail yards (between Albert and Broad Streets) features larger mill style warehouses constructed in the early 1900s. This section is zoned WH which as noted earlier, is a zoning designation that is intended to preserve the character of these buildings, many of which are now used for restaurant, nightclub, office and residential uses. Five of the properties in this neighbourhood are zoned RR.

Buildings range in size from approximately 150 square feet to 333,000 square feet with an average size of 18,500 square feet. Improved lot sizes range from approximately 2,200 square feet to 22.50 acres with an average lot size of 45,950 square feet.

As noted above, Neighbourhoods 5204 and 5205 have been combined for analysis purposes for the current revaluation. The following data supported the decision to combine these two industrial neighbourhoods for market analysis purposes.

Report

NET_PSF

Study_Area	N	Median	Mean	Minimum	Maximum	% of Total N	Std. Deviation
5204.00	31	8.8836	9.2132	5.08	22.27	13.4%	3.21711
5205.00	201	9.0500	9.1982	1.09	22.75	86.6%	3.62171
Total	232	9.0195	9.2002	1.09	22.75	100.0%	3.56380

Neighbourhood 5206

Neighbourhood 5206 is sandwiched between Neighbourhoods 5201 and 5205 in North Central Regina. This area is roughly bordered by McIntyre Street to the west, Winnipeg Street to the east, the CN tracks to the north and 4th Avenue to the south. As well, this neighbourhood extends north up Winnipeg Street from Ross Avenue (south) to the Ring Road (north). This northerly arm encompasses the former Imperial Oil Refinery site that ceased operations in the late-1970s and is now occupied by the City's Transit Operations and the local Food Bank, among other uses.

This neighbourhood primarily features a mixture of IA (light industrial) and IB (medium industrial) zoning and is generally developed with medium to large property sizes featuring mostly warehousing and manufacturing uses.

This neighbourhood has had the majority of its buildings constructed steadily since the 1950s, reflecting an average year built of 1975. Buildings range in size from approximately 400 square feet to 194,000 square feet with an average size of 60,000 square feet.

Improved lot sizes range from approximately 11,000 square feet to 31 acres with an average lot size of 5.15 acres.

Neighbourhood 5207

Neighbourhood 5207 is known as Tuxedo Park and is located in East Central Regina immediately south of Neighbourhoods 5204 and 5205 and the most southerly portion of Neighbourhood 5203. This area is roughly bordered by Broad Street to the west, Park Street to the east, the CP tracks to the north and 10th Avenue, Arcola Avenue and Victoria Street to the south.

This neighbourhood is predominantly zoned IT (light to medium industrial), features a small pocket (41 properties) of IA1 (light industrial) zoning in its west arm, and three IC (heavy industrial) sites. There is a mixture of small, medium and large property sizes featuring a mixture of industrial and general commercial uses, including retail and office uses. Although there has been steady construction in this neighbourhood from the 1950s to present day, the majority of the buildings (61%) were constructed in the 1960s, 1970s and 1980s, reflecting an overall average year built for this neighbourhood of 1977.

Buildings range in size from approximately 150 square feet to 170,000 square feet with an average size of 16,100 square feet.

Improved lot sizes range from approximately 1,900 square feet to 12.30 acres. The average lot size in this neighbourhood is 1.47 acres.

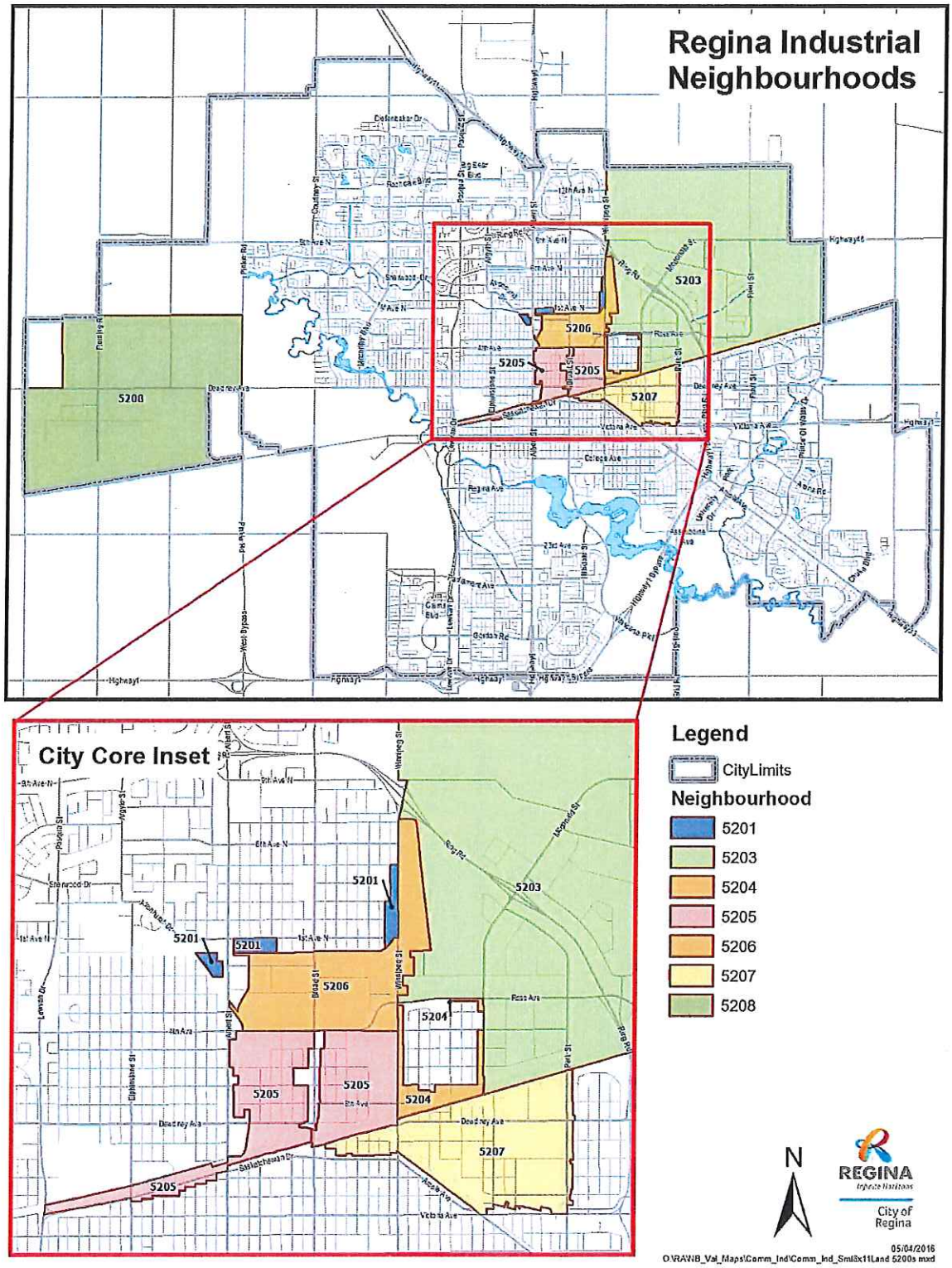
Neighbourhood 5208

Neighbourhood 5208 is the City's newest industrial area and is located on land annexed to the City extending west of the city along the CP tracks. This area, now referred to as the Global Transportation Hub or GTH, is bordered by West Boundary Road to the west, the Sakimay Reserve to the east, Dewdney Avenue to the north and the CP tracks to the south.

The majority of this neighbourhood is zoned LP (logistics park) and is intended to accommodate inter-modal shipping, trucking and mega-style warehousing on large sites. Loblaw's has developed and is operating a one-million+ square foot inter-modal shipping centre in this neighbourhood. Smaller distribution facilities have been developed over the past six years. The southern portion of this neighbourhood is zoned RR (railroad) and houses Canadian Pacific Railway's inter-modal facility.

Buildings range in size from approximately 100 square feet to 1,054,000 square feet with an average size of 252,000 square feet.

Improved lot sizes range from approximately 1,100 square feet to 298.81 acres. The average lot size in this neighbourhood is 58.8 acres.


Regina Industrial Neighbourhoods
City Core Inset
5200
5201
5203
5204
5205
5206
5207
Legend
CityLimits
Neighbourhood
5201
5203
5204
5205
5206
5207
5208
N
REGINA
City of Regina
05/04/2016
O:\RAWB_Val_Maps\Comm_Ind\Comm_Ind_SmlBx11Land 5200s.mxd

EXECUTIVE SUMMARY

Industrial Model

Rent Model

Description:	Rate ($/sqft)
Base Rent	$8.88
Positive Adjustments to Base Rent:	
Office space In a Loft Building	$6.36
Restaurant or Retail space in a Loft Building	$3.91
All space in a Retail Building	$1.30
All space in a Office Building	$3.81
Fast Food Restaurant Building	$18.90
Building built in 1980 to 1999, inclusive	$0.97
Buildings built in 2000 or newer	$2.83
Negative Adjustments to Base Rent:	
Space located in a Basement	-$2.86
Upper Floor space including finished Mezzanine	-$1.79
Buildings Located in Neighbourhood 5201	-$1.20
Buildings Located in Neighbourhoods 5204 and 5205	-$0.60
Buildings built before 1950	-$2.22
Single-tenant Warehouse space >= 65,000 sqft	-$2.53
Other Adjusments	
Unheated Warehouse space	-43%

SCOPE of DATA and ANALYSIS

Industrial Rent Model

Each year, the City Assessor requests copies of rent rolls for all non-residential properties in the City of Regina. The data for the development of the mass appraisal net rent model came from the data provided in these returned rent rolls.

A total of 882 net and effective net rents were analyzed using multiple regression analysis. The rent model is an additive model that predicts rents based on the lease area size, building and space classification, location and effective age of building. The following table provides a breakdown of these rents along with general statistical measurements.

Industrial Rent Statistics

Strata	Count	Mean	Median	Minimum	Maximum
Overall	882	$9.79	$9.52	$1.09	$36.17
Office Lease Space in a Loft Building	19	$10.83	$12.50	$3.24	$18.00
Restaurant or Retail Lease Space in a Loft Building	24	$9.09	$8.14	$4.60	$16.00
Warehouse Lease Space in a Loft Building	3	$2.33	$1.39	$1.09	$4.50
Single Tenant Retail Lease Space	73	$10.57	$10.68	$4.13	$15.00
Single Tenant Office Lease Space	71	$12.82	$11.44	$2.35	$36.17
Freestanding Fast Food Restaurant	3	$29.36	$29.00	$26.00	$33.09
Single Tenant Warehouse Lease Space	365	$9.25	$9.19	$2.08	$22.75
Single Tenant Industrial Flex Lease Space	313	$9.51	$9.50	$3.20	$21.94
Single Tenant Service Repair Lease Space	6	$9.38	$8.75	$4.07	$17.55
Single Tenant Unheated Warehouse Lease Space	5	$5.68	$5.75	$5.00	$6.36

Vacancy and Shortfall

Typical 2015 base date vacancy and shortfall adjustments were estimated from the returned rent rolls from property owners. The overall industrial vacancy rates were estimated as follows:

Rent Type	N	Sum (sqft)
OWNER	170	1,055,810
TENANT	1,109	7,025,273
VACANT	93	403,808
Total	1,372	8,484,891

Vacancy = 403,808/8,484,891 = 0.0476 (4.76%)

The estimates for main floor vacancies are as follow:

Rent Type	N	Sum (sqft)
OWNER	150	946,528
TENANT	982	6,181,932
VACANT	71	382,569
Total	1,203	7,511,029

Vacancy = 382,569/7,511,029 = 0.0509 (5.09%)

The upper floor and mezzanine vacancies were determined as follows:

Rent Type	N	Sum (sqft)
OWNER	12	19,889
TENANT	69	143,859
VACANT	19	20,037
Total	100	183,785

Vacancy = 20,037/183785 = 0.1090 (10.90%)

The typical operational costs reported as a ratio to typical net rents for warehouse properties is 41%. The historic ratio of costs associated with vacant space in comparison to costs associated with occupied space (dark space ratio) was 67%. The shortfall adjustment is calculated as follows:

Shortfall = (op cost/net rent ratio) x (dark space ratio) x (typical Vacancy)
= 0.41 x 0.67 x 0.0476
= 0.0131 (1.31%)

Overall Capitalization Rates and Adjustments

Economic Capitalization Rates were estimated by dividing the predicted base date net operating income (generated from the net rent model) by the adjusted sale prices for all qualified industrial sales. Sales used in this analysis occurred between January 1, 2011 and December 31, 2014. These sales have been confirmed as appropriate for sales analysis purposes through a sales verification process which included the mailing of questionnaires to all vendors and purchasers

with further follow-up and field inspection of the sold properties, as required.

Sales have been adjusted for non-realty items and other significant factors, when warranted. Sales were also adjusted to the base date of January 1, 2015. The indicated time adjustment was approximately 1.3% per month for the first 28 months (January 2011 to April 2013) and no further adjustment for sales occurring after April 2013.

The economic capitalization rate analysis involved 132 sales, detailed in the following table.

Sales

ACCOUNT	ADDRESS	SALE YEAR	SALE MONTH	ADJUSTED SALE PRICE	PREDICTED INCOME	ECONOMIC CAP
10013922	290 HODSMAN ROAD	2012.00	8.00	1180931	57876	4.90
10013945	315 HODSMAN ROAD	2013.00	2.00	1026167	64200	6.26
10013946	325 HODSMAN ROAD	2014.00	5.00	999998	62000	6.20
10013951	100 N MCDONALD STREET	2012.00	12.00	14005179	432300	3.09
10013957	125 HENDERSON DRIVE	2011.00	3.00	1201585	60700	5.05
10013976	370 N LONGMAN CRESCENT	2014.00	5.00	574999	29500	5.13
10013978	350 N LONGMAN CRESCENT	2011.00	1.00	992093	61300	6.18
10013978	350 N LONGMAN CRESCENT	2012.00	8.00	1194481	61300	5.13
10013990	235 N MCDONALD STREET	2014.00	2.00	1649997	113600	6.88
10014003	1110 E PETTIGREW AVENUE	2012.00	11.00	13013865	868100	6.67
10018417	502 QUEBEC STREET	2011.00	4.00	381754	14300	3.75
10018420	464 QUEBEC STREET	2013.00	6.00	711999	31400	4.41
10018435	353 QUEBEC STREET	2014.00	3.00	150000	17900	11.93
10018441	370 QUEBEC STREET	2014.00	8.00	275000	13800	5.02
10018633	420 HOFFER DRIVE	2012.00	2.00	5212196	458700	8.80
10018657	515 MCDONALD STREET	2011.00	7.00	708258	41500	5.86
10018662	435 MCDONALD STREET	2011.00	11.00	1382556	60300	4.36
10018674	580 PARK STREET	2013.00	10.00	8949984	502500	5.61
10018682	264 E 1ST AVENUE	2012.00	3.00	1685532	99700	5.92
10018688	909 E PETTIGREW AVENUE	2012.00	10.00	2323242	123100	5.30
10018689	1105 E PETTIGREW AVENUE	2011.00	9.00	1821351	115200	6.32
10018690	1117 E PETTIGREW AVENUE	2011.00	6.00	4384509	355200	8.10
10018693	1405 E PETTIGREW AVENUE	2011.00	7.00	2728104	153800	5.64
10018705	380 HENDERSON DRIVE	2013.00	4.00	1579997	69700	4.41
10018717	445 MAXWELL CRESCENT	2011.00	2.00	2042667	88900	4.35
10018718	435 MAXWELL CRESCENT	2011.00	4.00	3067669	174500	5.69
10018733	205 N LEONARD STREET	2013.00	6.00	2794995	154300	5.52

10018736	705 HENDERSON DRIVE	2012.00	7.00	7469747	374000	5.01
10018744	380 MAXWELL CRESCENT	2011.00	7.00	1606696	66300	4.13
10018745	1150 E WEAVER STREET	2011.00	9.00	1246187	62700	5.03
10018747	1130 E WEAVER STREET	2011.00	12.00	983649	41500	4.22
10018752	470 MAXWELL CRESCENT	2013.00	9.00	1149998	68300	5.94
10021967	645 ANGUS STREET	2013.00	11.00	945998	50300	5.32
10021970	620 ANGUS STREET	2012.00	11.00	777632	43100	5.54
10022100	2350 2ND AVENUE	2013.00	5.00	2599995	220285	8.47
10022138	805 TORONTO STREET	2011.00	10.00	1110330	78700	7.09
10022390	805 WINNIPEG STREET	2012.00	6.00	1251660	65100	5.20
10022453	310 E 4TH AVENUE	2012.00	3.00	2483941	209800	8.45
10022463	942 PARK STREET	2012.00	2.00	2186726	139500	6.38
10022516	1750 E MACRAE DRIVE	2014.00	1.00	849998	35200	4.14
10022528	1507 E ROSS AVENUE	2012.00	3.00	2353830	165500	7.03
10026892	1835 5TH AVENUE	2013.00	11.00	1249998	111300	8.90
10026894	1140 ROSE STREET	2013.00	6.00	364999	16800	4.60
10026927	1430 MCINTYRE STREET	2012.00	12.00	1579531	73100	4.63
10026930	1374 MCINTYRE STREET	2012.00	9.00	333861	11600	3.47
10026936	1324 MCINTYRE STREET	2011.00	2.00	349772	26816	7.67
10026940	1333 MCINTYRE STREET	2012.00	10.00	226921	20800	9.17
10026960	1428 LORNE STREET	2012.00	10.00	302562	15500	5.12
10026998	1366 CORNWALL STREET	2013.00	5.00	384999	15800	4.10
10027014	1355 CORNWALL STREET	2012.00	11.00	789366	34000	4.31
10027017	2139 8TH AVENUE	2013.00	1.00	453745	16000	3.53
10027056	1431 SCARTH STREET	2013.00	4.00	389999	15700	4.03
10027119	1255 CORNWALL STREET	2012.00	2.00	539193	31000	5.75
10027154	1401 ST JOHN STREET	2013.00	6.00	1049998	77500	7.38
10027197	1361 HALIFAX STREET	2012.00	5.00	461066	50200	10.89
10027200	1625 8TH AVENUE	2013.00	1.00	1507286	76000	5.04
10027246	1516 6TH AVENUE	2011.00	4.00	327218	29300	8.95
10027247	1136 ST JOHN STREET	2011.00	11.00	871882	34200	3.92
10027266	1162 OSLER STREET	2013.00	2.00	2869572	192700	6.72
10027267	1148 OSLER STREET	2012.00	8.00	1219741	79100	6.48
10027272	215 7TH AVENUE	2013.00	4.00	741999	42800	5.77
10027290	555 7TH AVENUE	2013.00	11.00	159499	7400	4.64
10027298	1335 BRODER STREET	2013.00	5.00	374999	23900	6.37
10027321	1326 ATKINSON STREET	2014.00	6.00	250000	25100	10.04
10027327	1349 WALLACE STREET	2012.00	5.00	219006	11400	5.21
10027343	1337 WINNIPEG STREET	2013.00	3.00	229612	12700	5.53

10027348	980 DEWDNEY AVENUE	2013.00	4.00	1899997	79700	4.19
10027354	728 DEWDNEY AVENUE	2014.00	9.00	416999	16800	4.03
10027919	1025 WINNIPEG STREET	2012.00	11.00	357988	10500	2.93
10027920	1037 WINNIPEG STREET	2011.00	5.00	483115	29700	6.15
10027925	135 6TH AVENUE	2013.00	5.00	1628247	103600	6.36
10027980	1420 FLEURY STREET	2013.00	11.00	2669995	183400	6.87
10027982	1410 FLEURY STREET	2014.00	11.00	1999996	80100	4.01
10027987	580 E DEWDNEY AVENUE	2013.00	8.00	1465997	77500	5.29
10032066	2825 SASKATCHEWAN DRIVE	2012.00	6.00	1678362	117700	7.01
10032088	2901 SASKATCHEWAN DRIVE	2012.00	9.00	990633	44100	4.45
10032114	1873 CAMERON STREET	2014.00	5.00	275000	41200	14.98
10032130	3426 SASKATCHEWAN DRIVE	2012.00	5.00	945185	82600	8.74
10033263	1500 WINNIPEG STREET	2013.00	3.00	769879	37300	4.84
10033272	1160 9TH AVENUE	2013.00	10.00	349999	11600	3.31
10033335	1600 TORONTO STREET	2013.00	12.00	304999	18600	6.10
10033463	1575 ELLIOTT STREET	2013.00	2.00	2154951	282300	13.10
10033464	1539 ELLIOTT STREET	2014.00	9.00	770999	57100	7.41
10033800	1601 MCARA STREET	2012.00	3.00	1052718	83800	7.96
10033807	500 E 10TH AVENUE	2014.00	5.00	3599984	392000	10.89
10033814	715 E DEWDNEY AVENUE	2011.00	9.00	1310094	109700	8.37
10033823	305 E DEWDNEY AVENUE	2011.00	5.00	2113081	135800	6.43
10033828	101 DEWDNEY AVENUE	2013.00	3.00	1012998	62400	6.16
10033847	1920 MCARA STREET	2012.00	8.00	1006840	46900	4.66
10033876	1818 MCARA STREET	2011.00	12.00	368869	20736	5.62
10033878	1774 MCARA STREET	2011.00	8.00	550272	41900	7.61
10033885	1705 MCARA STREET	2013.00	5.00	474999	27600	5.81
10033897	1842 MACKAY STREET	2014.00	12.00	824999	47200	5.72
10033920	1740 FRANCIS STREET	2012.00	3.00	650556	44200	6.79
10033928	535 E 12TH AVENUE	2012.00	10.00	994130	62300	6.27
10059440	127 HODSMAN ROAD	2013.00	6.00	215000	9100	4.23
10059441	129 HODSMAN ROAD	2013.00	7.00	180000	8900	4.94
10059451	332 HODSMAN ROAD	2014.00	6.00	266865	11600	4.35
10059725	1135 E WEAVER STREET	2011.00	12.00	555762	33000	5.94
10065679	1347 WINNIPEG STREET	2013.00	9.00	280000	13826	4.94
10070876	1168 WINNIPEG STREET	2012.00	10.00	270144	19000	7.03
10070876	1168 WINNIPEG STREET	2012.00	11.00	373349	19000	5.09
10070877	1170 WINNIPEG STREET	2013.00	6.00	528999	33900	6.41
10070879	1180 WINNIPEG STREET	2014.00	2.00	499999	25500	5.10
10086976	1301 OSLER STREET	2013.00	10.00	1549997	95100	6.14

10091137	1330 OSLER STREET	2013.00	10.00	1149998	63800	5.55
10091223	1201 LORNE STREET	2013.00	7.00	1399998	105000	7.50
10093003	390 N LONGMAN CRESCENT	2012.00	8.00	1718725	91200	5.31
10093276	310 E 6TH AVENUE	2012.00	5.00	1757814	132900	7.56
10093276	310 E 6TH AVENUE	2014.00	5.00	2099996	132900	6.33
10113530	505 PARK STREET	2013.00	9.00	2589995	166900	6.44
10113531	535 PARK STREET	2014.00	1.00	3699993	320200	8.65
10120535	602 DEWDNEY AVENUE	2013.00	4.00	138000	14200	10.29
10120676	1800 GARNET STREET	2012.00	12.00	579162	27200	4.70
10133583	1355 LORNE STREET	2014.00	10.00	459999	17300	3.76
10136588	722 DEWDNEY AVENUE	2014.00	2.00	417499	16800	4.02
10147651	2102 E TURVEY ROAD	2012.00	10.00	594318	26300	4.43
10167385	20 2206 DEWDNEY AVENUE	2012.00	7.00	207805	10300	4.96
10167387	22 2206 DEWDNEY AVENUE	2012.00	7.00	247119	9700	3.93
10213813	1660 REYNOLDS STREET	2013.00	5.00	848998	63200	7.44
10226517	202 SOLOMON DRIVE	2014.00	2.00	3499994	149500	4.27
10256290	1 1801 E TURVEY ROAD	2012.00	2.00	461309	28700	6.22
10256291	2 1801 E TURVEY ROAD	2012.00	2.00	461309	28400	6.16
10256292	3 1801 E TURVEY ROAD	2012.00	8.00	426909	28400	6.65
10256294	5 1801 E TURVEY ROAD	2012.00	10.00	416022	28400	6.83
10256295	6 1801 E TURVEY ROAD	2013.00	2.00	399179	28400	7.11
10256296	7 1801 E TURVEY ROAD	2013.00	6.00	388999	28700	7.38
10259150	730 DEWDNEY AVENUE	2014.00	8.00	416999	16800	4.03
10271843	412 DEWDNEY AVENUE	2014.00	1.00	639999	29000	4.53
10271844	410 DEWDNEY AVENUE	2012.00	5.00	393382	16500	4.19
10271845	408 DEWDNEY AVENUE	2012.00	10.00	414423	16300	3.93
10271846	406 DEWDNEY AVENUE	2013.00	12.00	374999	16300	4.35
10271847	404 DEWDNEY AVENUE	2013.00	12.00	321599	16500	5.13
10271848	402 DEWDNEY AVENUE	2013.00	10.00	324999	16500	5.08
10271849	414 DEWDNEY AVENUE	2014.00	10.00	689999	32300	4.68
10271850	400 DEWDNEY AVENUE	2014.00	9.00	409999	18400	4.49

The reconciliation process for determining the industrial economic capitalization rates applied to each property involved the use of Multiple Regression Analysis. The variables that were determined to affect the economic capitalization rate were the Industrial Light Manufacturing building type, effective age, site coverage ratio and total building area <> 10,000 square feet, which was supported by a consultation process with individuals active in the Regina real estate market. Industry recognized published capitalization rate data were also reviewed. The economic capitalization rates are as follow:

Overall Capitalization Rates

Description	Rate
Base Cap Rate	6.862
Condo	-1.101
Site Coverage Adjustment, Less than 30%, to minimum 9%	-.060
Area Adjustment, from 10,000, per 1000sqft, to 50,000	.044
Industrial Light Manufacturing Type Adjustment	-.940

Extra Land

Extra Land is the difference between a property's actual parcel size, and the maximum parcel size that would be required to accommodate the existing improvement.

Site coverage in the Industrial model ranges from 6% to 88%. The median site coverage is 30%. When site coverage is less than the median value, the Capitalization Rate for the building is adjusted according to the results of the regressed Capitalization Rate model, to a minimum of 9% site coverage.

When the site coverage ratio is less than 9%, then:

Extra Land Value = (Lot Size-(building foot print / .09))/Lot Size*Land Assessment

MODEL TESTING

In mass appraisal, the most effective means of evaluating the accuracy of assessed values is a ratio study. A ratio study compares the assessed values produced by the valuation models to arm's length sale transactions in the marketplace.

The legislated statistical requirement affecting the assessment of commercial properties in Saskatchewan is for the median ratio of a city-wide assessment-to-sales study to be within the range of 0.95 to 1.05.

The median assessment-to-sales ratio and Coefficient of Dispersion for this Industrial valuation model is provided below:

Assessment to Sales Summary Results

Number of Sales	136
Median	0.976
Coefficient of Dispersion	0.232

Assessment Models Presented to Tax Agents and Appeal Tribunals

[56] On October 20, 2016, the Assessor invited local tax agents and members of the Board of Revision and Saskatchewan Municipal Board's Assessment Appeals Committee to an information session and presentation of the Assessor's new valuation models for the 2017 – 2020 assessment cycle. The Assessor explained how the models were developed, how to apply the models to various types of properties, and how they differed from the valuation models used in the previous assessment cycle.

ISSUES UNDER APPEAL

[57] The Appellant filed the notice of appeal on March 6, 2017 and makes this appeal on the following grounds:

A. The subject property is considered by the Assessor to be a non-regulated property pursuant to subsection 163(f.4) of the Cities Act (the Act). As such, the Appellant is alleging that the subject property has been over assessed as a result of the subject's base Cap rate being adjusted downward within the Assessor's assessed value calculation. Subsequently, site coverage has been calculated while failing to account for areas and features that directly limit the availability of extra or excess land.

B. Equity has not been achieved pursuant to subsection 165(5) of the Act. This legislation speaks to the application of the market valuation standard which in turn speaks to the use of Mass Appraisal. As such, the Appellant is alleging that with the Assessor using site specific Cap Rates, he has moved away from the concept of Mass Appraisal.

C. The Market Valuation Standard has not been achieved for the subject property. The Appellant is alleging here again that with the Assessor using site specific Cap Rates, he has moved away from the concept of Mass Appraisal.

[58] In support of this ground, the Appellant provides the following material facts:

A. Site Coverage

- The City of Regina has employed a new methodology whereby a special site specific coverage adjustment is being applied to the Assessor's Modeled Base Cap Rate with the intention of reflecting excess land that is on the site.

- In determining the percentage of site coverage, being a major factor within the site specific coverage formula, the Assessor only considers the foot print of the buildings that are located on site. Such areas of the site that are covered with canopy's (sic), fuel tanks (above or below ground), business signage, garbage bins, etc. are not being considered within the site specific coverage formula.

- Nor, what has not been considered within the site specific coverage formal is the fact that there are City Bylaws that require a property owner to provide a certain level of parking areas for both tenants and customers. This also means that a certain area of land would also be required for the movement of automobiles.

B. Equity

- Subsection 165(5) of the Act states that: equity in non-regulated property assessment is achieved by applying the market valuation standard so that the assessments bear a fair and just proportion to the market value of similar properties as of the applicable base date.

C. Market Valuation Standard

- Subsection 136 (f.1) of the Act states: market valuation standard means the standard achieved when the assessed value of property is prepared using mass appraisal.

- Subsection 163 (f3) (sic) defines the term mass appraisal as: the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing.

- In the Saskatchewan Court of Appeal Case, Sasco Developments Ltd. Vs. The City of Moose Jaw, 2012 SKCA 24, the Court on pg. 5, made it clear of its understanding of mass appraisal vs site specific values when it stated on pg. 5, the techniques associated with mass appraisal are grounded in the data common to a group of properties, whereas the techniques associated with single property appraisal are

grounded in the main in data specific to a particular property.

DISCUSSION and SUPPORTING REASONING

Issues under Appeal

Site Coverage Adjustment:

[59] The sole issue raised by the Appellant in this appeal surrounds the use of a site coverage adjustment to the CAP rate. The Appellant alleges that the CAP rate adjustment the Assessor has established offends mass appraisal principles.

[60] Although the appellant alleges the use of a site coverage adjustment offends mass appraisal principles, the Appellant has failed to provide any basis for this argument. Further, if one were to believe this is true and follow this through to the end, every adjustment made in assessment would not meet the mass appraisal principles. This would lead to an absurd result.

[61] The Assessor for the City of Regina employs Multiple Regression Analysis (MRA) in all their assessment models including the direct sales models and the income models. MRA is a widely-accepted procedure in the mass appraisal industry and has been used by the City of Regina since 2005. The International Association of Assessing Officers (IAAO) recognizes the use of MRA in mass appraisal in the Standard on Automated Valuation Models (AVM) and can be found on their web site at www.iaao.org.

[62] Subsection 163(f.3) of the Act as defines mass appraisal as:

> Means the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing.

[63] MRA involves the use a computer software program (the City of Regina uses SPSS) and analysing common data to determine what features add or detract from the data being analysed.

[64] In the case of rental information, MRA is used to determine what features of the various properties add or detract from the properties ability to generate income. The Assessor would analyse the reported rents and test common features like age, location, size, type of property, etc.

for all the reported rents. In the end, the Assessor will develop a rental model which is then applied back to each property based on the specific features of the property.

[65] In the case of sales analysis, MRA is used to determine what features of sold properties impact the CAP rates. The Assessor would analyse the sold properties calculate CAP rates and test common features like location, age, building quality, site coverage, etc. In the end, the Assessor will develop a CAP model which is then applied back to all the properties based on the specific information of the property to determine the assessed values of the properties.

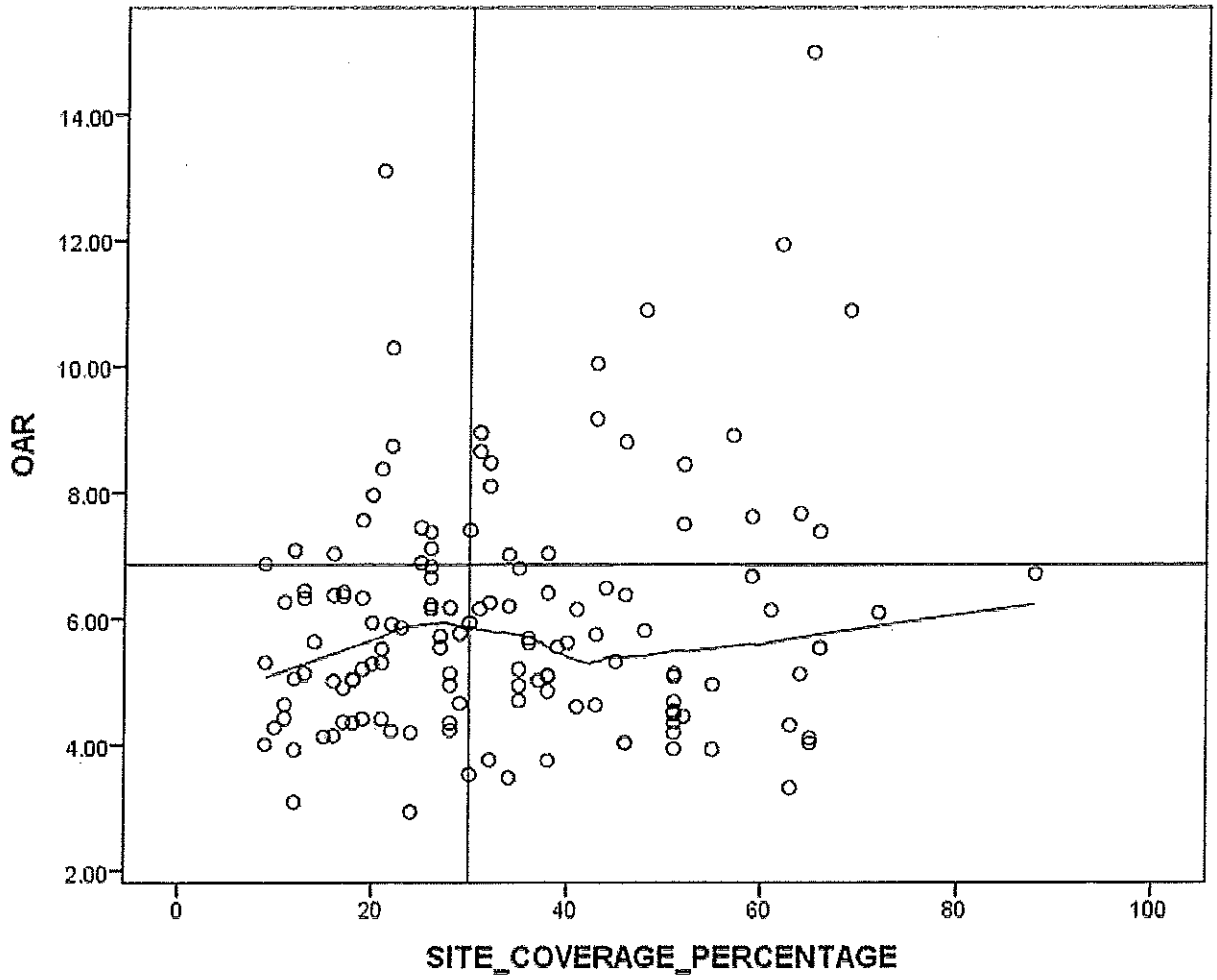
[66] Following this process for all the industrial properties, the Assessor will have valued all the industrial properties using mass appraisal.

[67] In the present case, the Assessor has established a rent model using MRA and analysing 882 reported rents. This rent model is applied to all the industrial properties based on the specific size of the rentable areas, specific location, specific age, specific type of space, etc. The results are a predicted income for the specific property based on the consistent application of the rental model.

[68] The Assessor analysed the economic CAP rates based on the sales of industrial properties. Using MRA, the Assessor was able to establish that the common features of the sales that were consistently impacting the CAP rates which includes site coverage. In fact, using MRA and analysing CAP rates, the Assessor was able to establish that sales of properties with less than 30% site coverage show a declining CAP rate.

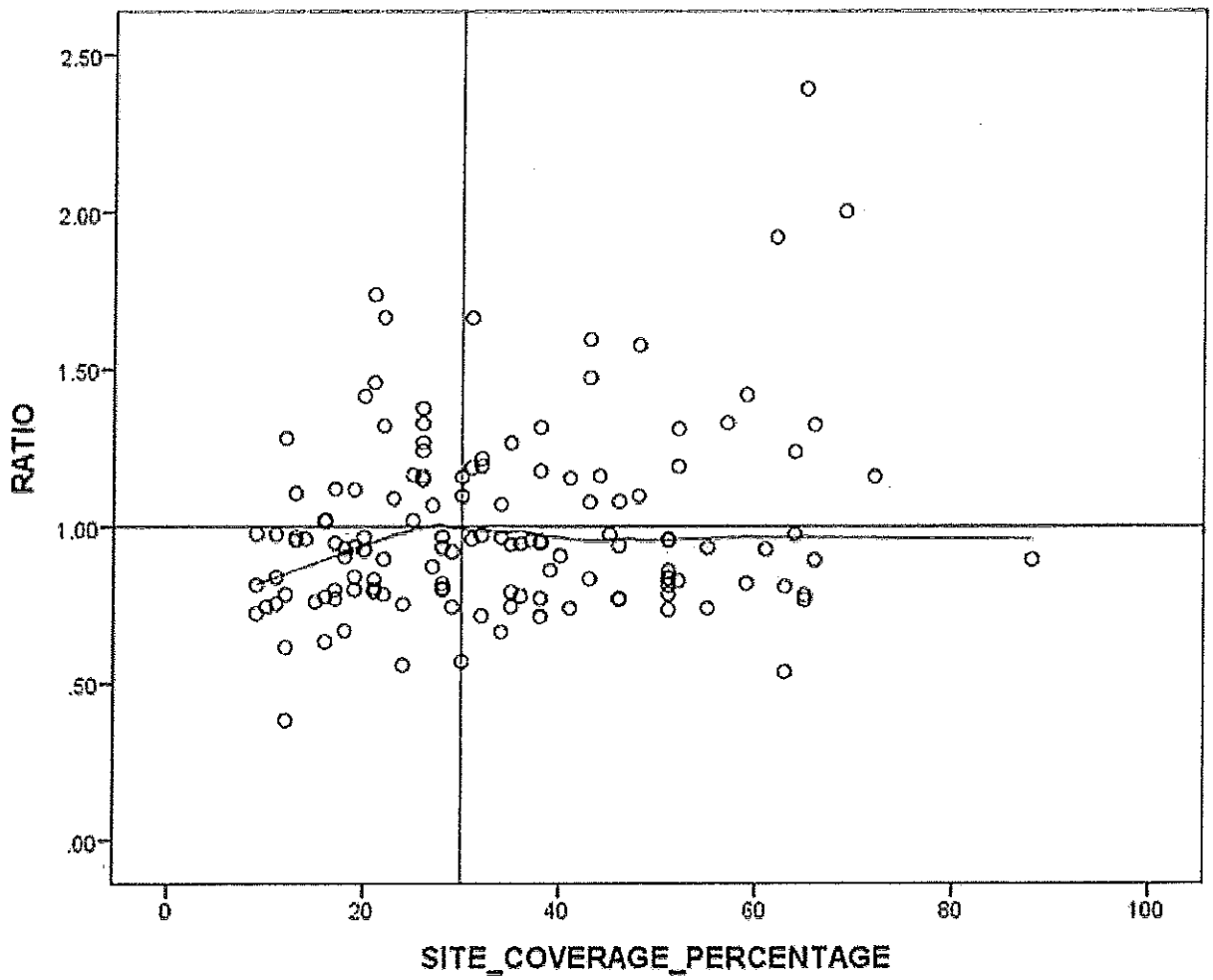
Description	Rate
Base Cap Rate	6.862
Condo	-1.101
Site Coverage Adjustment, Less than 30%, to minimum 9%	-.060
Area Adjustment, from 10,000, per 1000sqft, to 50,000	.044
Industrial Light Manufacturing Type Adjustment	-.940

[69] The adjustment to the CAP rate is a -0.060 per percentage of site coverage less than 30%. As an example, if a property had a site coverage of 20% the base CAP rate would be reduced by 0.60. The math is $6.862+((30 - 20) \times -0.060) = 6.262$.



[70] The above graph shows the calculated CAP rates (vertical axis OAR) for each sale and is plotted against the site coverage variable on the horizontal axis. The vertical line is the 30% site coverage and the horizontal line is the base CAP rate of 6.862. It is clear that the CAP rates of the industrial property sales trend downward starting at 30% site coverage. It was from this analysis the Assessor established the CAP rate adjustment.

[71] Since the industrial CAP rate includes adjustments for other features including site coverage, the following graph better illustrates, when the site coverage is isolated, the downward trend for sales of properties with less than 30% site coverage.



[72] The above graph shows the ASR (vertical axis OAR) for each sale and is plotted against the site coverage variable on the horizontal axis. The vertical line is the 30% site coverage and the horizontal line is the ASR target of 1.00. It is clear that the ASR's of the industrial property sales trend downward starting at 30% site coverage.

[73] The City of Regina has established a CAP adjustment for site coverage. The CAP rate adjustment was established based on sales of industrial properties where the site coverage is less than 30%. The sales used to establish this adjustment ranged in site coverage of less than 30% to 9%. Using MRA, the Assessor was able to establish and adjustment of -0.060 per percentage of site coverage which is less than 30%. This is "capped" at 9% site coverage since there were no sales less than 9% site coverage. Properties with less than 9% site coverage receive the

maximum adjustment of -1.26 ((30 – 9) x -0.060) to the base cap rate.

[74] Properties with a site coverage of less than 30% receive an adjustment to the base CAP rate of 6.862 based on the property's actual site coverage. In this fashion, all properties with the same site coverage will receive the same adjustment. This is similar to how the rent model is developed and applied. In the Assessor's rent model, the market rent applied to a property is dependant on the actual rentable area of the property. Therefore, if two properties are identical, the same rent would be applied.

[75] The Appellant is alleging that the Assessor site coverage adjustment is a site-specific adjustment and this somehow offends that mass appraisal principles. As mentioned previously, all assessments are prepared based on the specific features of a property. As well, many adjustments (not just the CAP rate adjustment) within the Assessor's valuation model are not "lump sum" or static adjustments. Within the rent model, adjustments for age and tenant size all slide with the actual data of the property.

[76] Not only is the CAP rate adjusted for site coverage, an adjustment for building type and size is also applied. The adjustment for size is a sliding adjustment very similar to the the adjustment for site coverage in that for every 1000 sqft over 10,000 sqft, the CAP rate in INCREASE. Therefore, a building designed for a single tenant of 25,000 sqft would receive an adjustment of +0.66 to the base CAP rate of 6.862 which would result in an applied CAP rate of 7.522 (6.862 + ((25000 – 10000) x 0.044)). Another similar building that is 27,000 sqft would receive an adjustment of +0.748 which would result in an applied CAP rate of 7.610.

[77] It should be noted; the Appellant has not alleged that the size adjustment amounts to a site-specific adjustment. It may be, that since the adjustment increases the CAP rate (decreases the value), the Appellant knows that if this adjustment were removed, the CAP rate would go down and the value would increase. However, if one accepts the size adjustment is correct, then so too must the site coverage adjustment.

[78] Adjustments for site coverage are not uncommon adjustments within other assessment jurisdictions who employ mass appraisal techniques. Included in Appendix A is an excerpt from B.C. Assessment Authority's guide (the guide) for Industrial, Commercial, Investment (ICI) properties which can be found on BC Assessment's website at https://www.bcassessment.ca.

[79] At pages 20 and 21, the guide describes excess land and surplus land. On page 21, the guide refers to surplus land as "extra" land. The City of Regina's model does not try to define excess or surplus, rather the adjustment is for extra land.

[80] On page 25 of the guide, it explains that surplus land can be accounted for by applying a CAR rate adjustment. This is exactly what the City of Regina has done.

[81] Included in Appendix B are excerpts from the City of Edmonton's Assessment department which can be found at www.edmonton.ca/assessment. Within Edmonton's Commercial narrative, they describe both excess and surplus land. Within the Industrial narrative, they too have established that the typical site coverage is about 30% and adjustments would be made for properties with less than 30% site coverage. They go on to explain that properties with low site coverage add to the market desirability for multiple reasons including the potential for future expansions of the improvements or for subdivision.

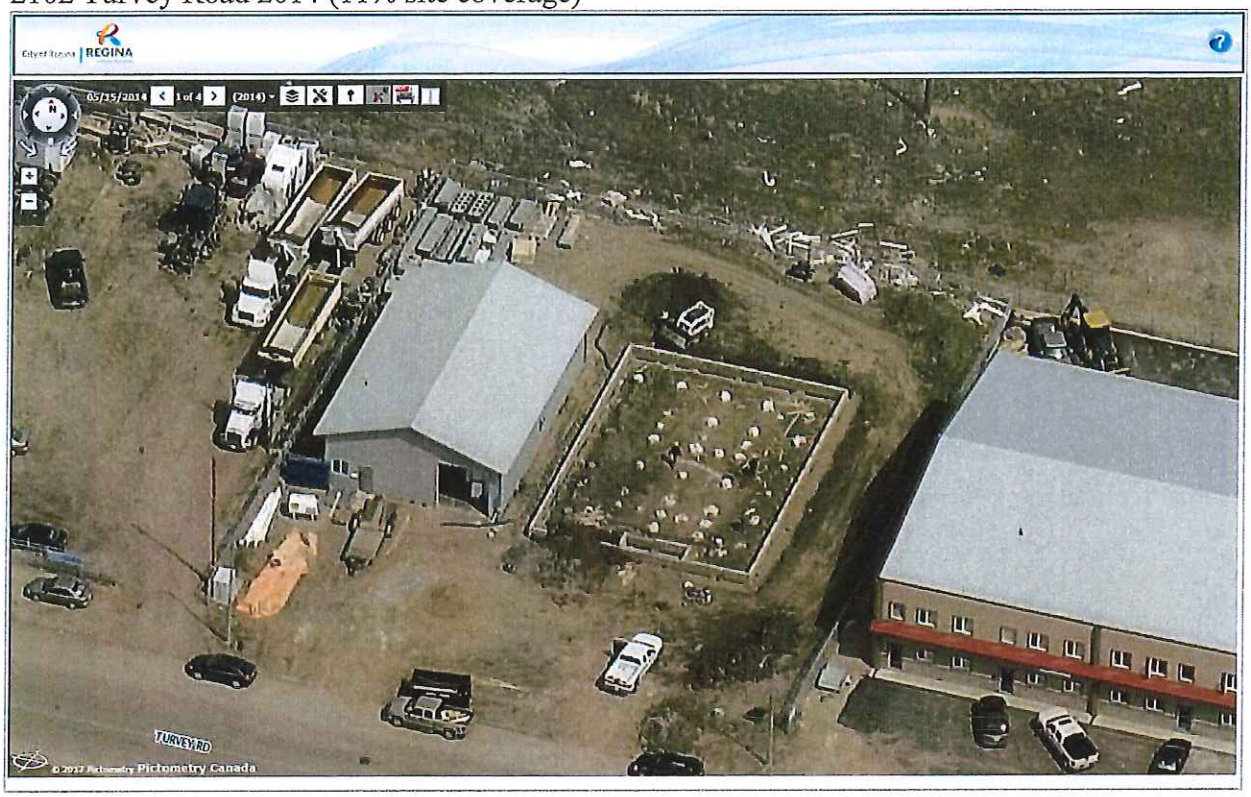
[82] Edmonton also describes how to calculate site coverage (main floor area / lot size). They go on to explain that areas of any "cost" buildings are not included in the calculation of the site coverage.

[83] The City of Regina has calculated the site coverage by dividing the main floor area of the building by the lot size. The City of Regina, just like the City of Edmonton, does not include the floor area of "cost" buildings (tanks, canopies, etc.) in the calculation. The declining CAP rate for sales of properties with less than 30% site coverage is a true indication of the desirability of properties with a low site coverage.

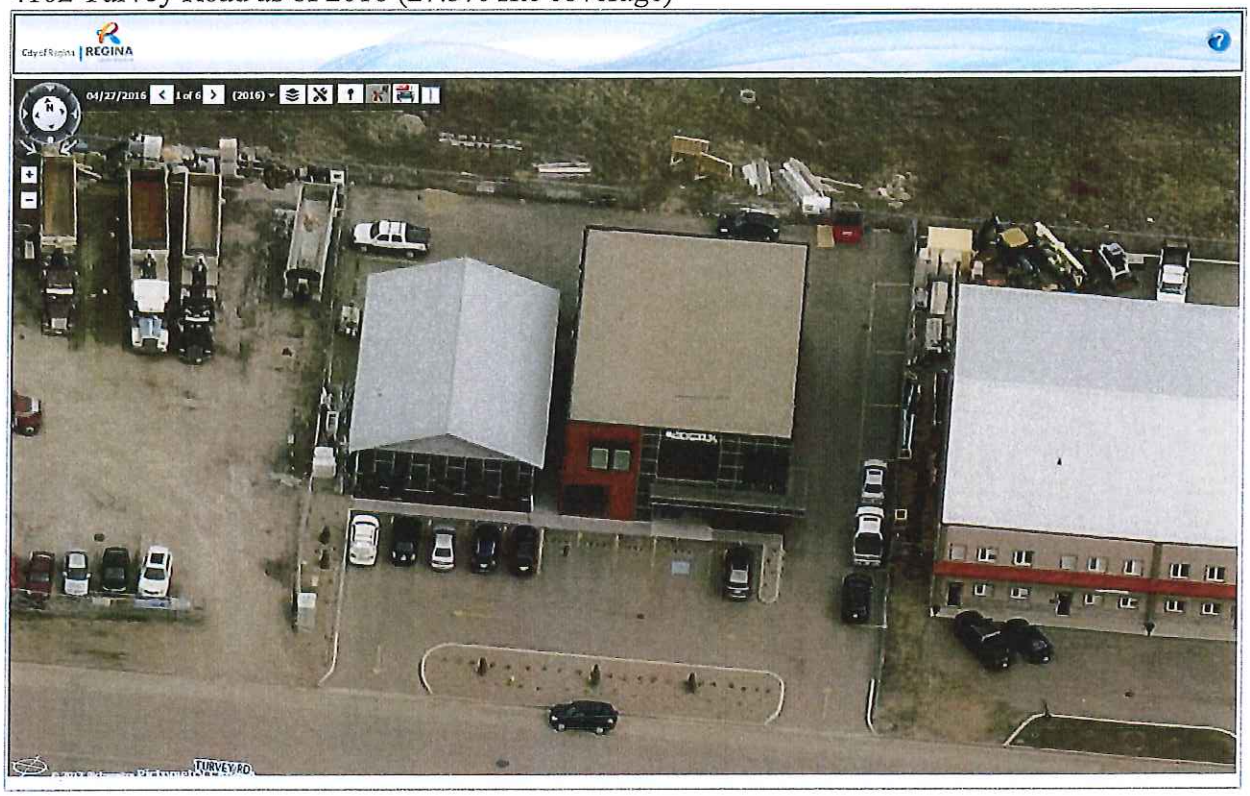
[84] In Regina, in around the base date of January 1, 2015, there was a high demand for industrial land. In fact, properties with extra land were being further developed or the extra land was being used for a secondary purpose.

[85] In the case of the 2102 Turvey Road (which is one of the sales used in the Assessor's analysis) at the time of sale (2013), the property had a site coverage of about 11% and the indicated CAP rate from that sale was 4.43%. The actual applied CAP rate is 4.446%. This demonstrates that the Assessor CAP rate adjustment is working quite well. Further, since the time of sale, the new owners have added an additional building with a main floor area of 3621 sqft feet which now brings the site coverage to 27.5%.

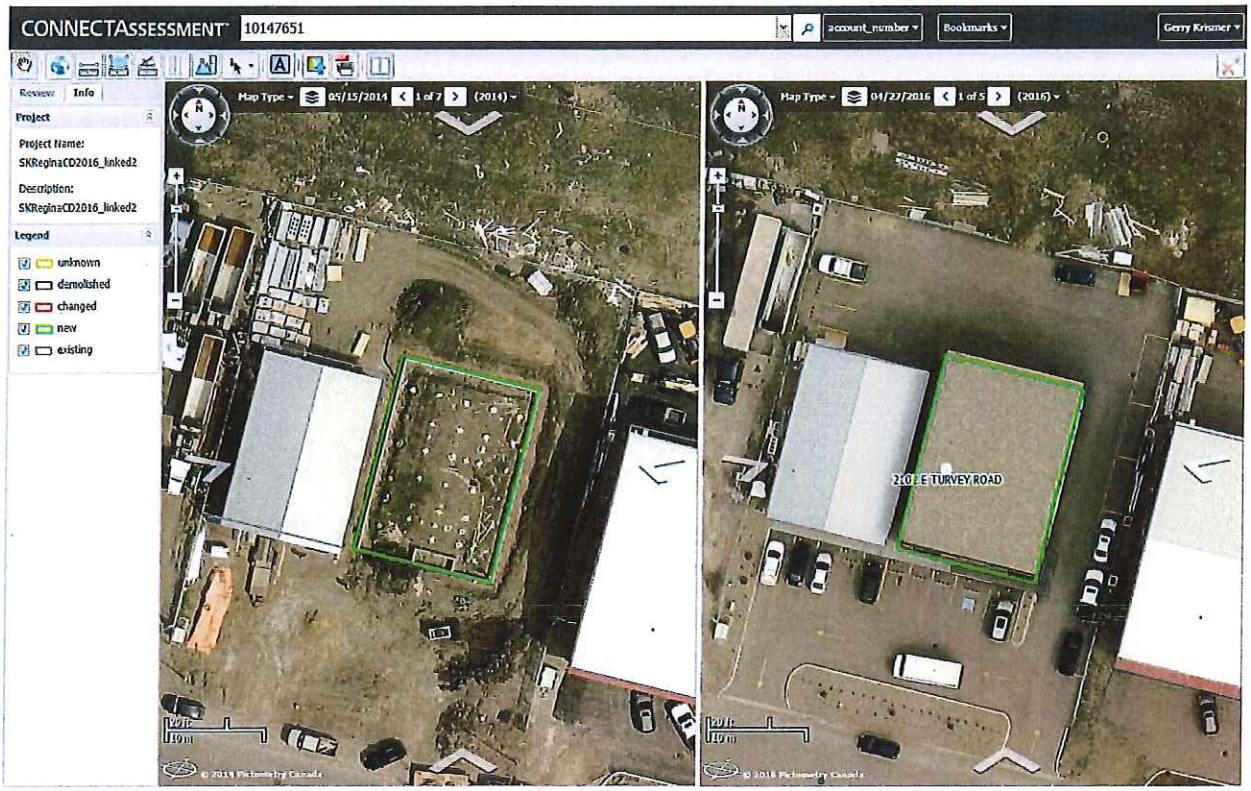
2102 Turvey Road 2014 (11% site coverage)



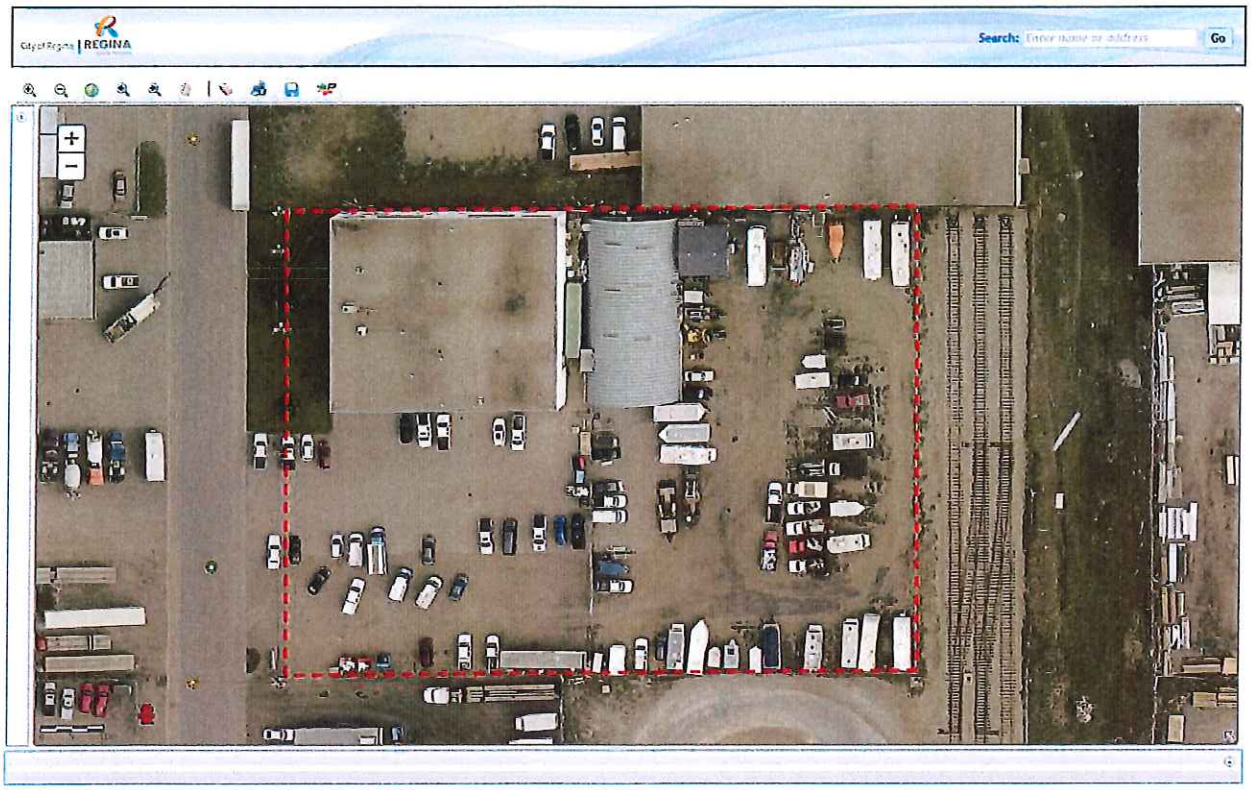
4102 Turvey Road as of 2016 (27.5% site coverage)

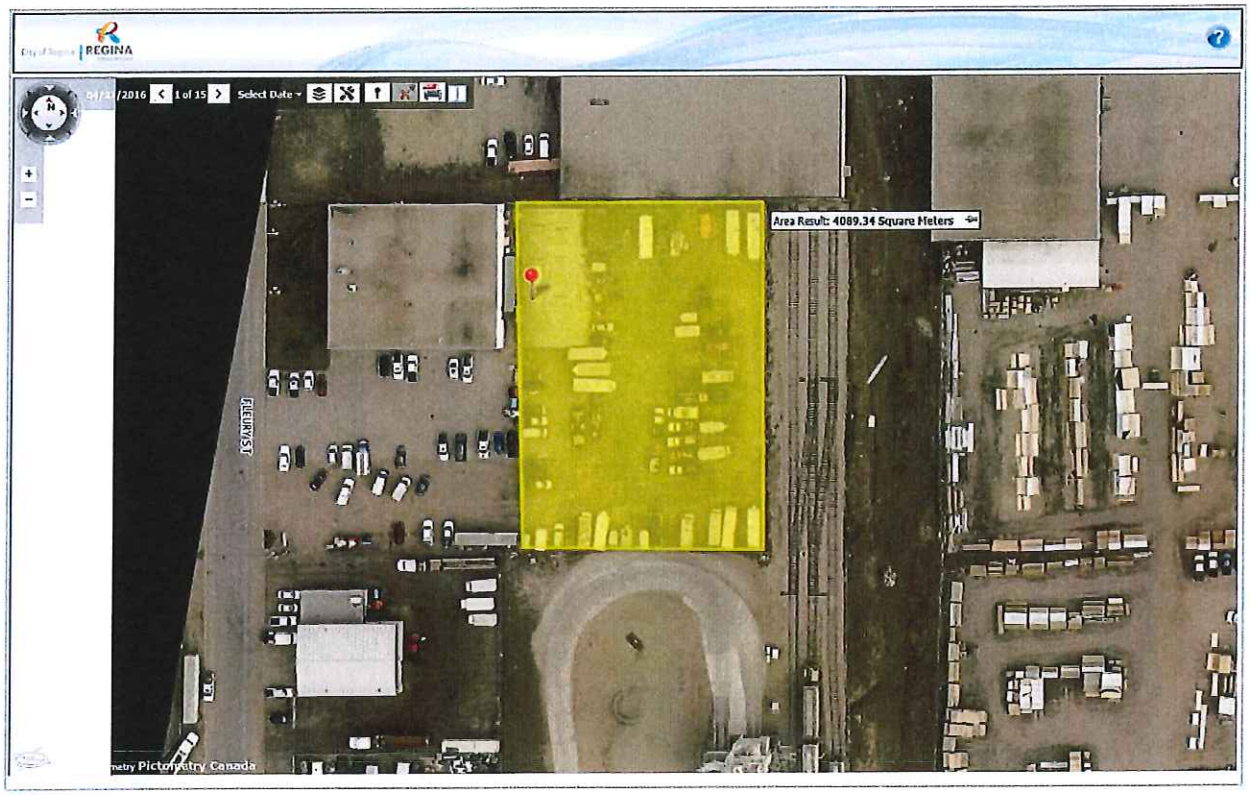


Below is a side by side comparison of 2102 Turvey Road with 2014 of the left and 2016 on the right. The highlighted areas identify the changes from 2014 to 2016. Areas highlighted in green are the new buildings and the areas highlighted in purple are the demolished (moved) buildings.



[86] As an example of a secondary use, the property located at 915 Fleury Street is an example of the extra land being put to a secondary use. This property has a site coverage of 20.7%. The rear of the parcel is not used in conjunction with the main purpose of the property (plumbing and heating company) and is actually used as a storage compound for boats, trailers and recreation vehicles. The rear portion is about 44,000 sqft (4089 sqm). The front portion of the property is about 40,000 sqft. The main building on the property has a floor area of 12,393. The site coverage on the front portion is about 31%. This demonstrates that the property can operate within the City's requirements with a site coverage of 30% and still use the extra land for a secondary use without offending the site requirements.





[87] As demonstrated with the two examples above, properties with a low site coverage have the ability to put the extra land to another use and may explain why purchasers are willing to pay more (in proportion) for properties with less than 30% site coverage. As well, the also explains why the CAP rates for properties with less than 30% are declining.

[88] The Appellants have alleged that City bylaws require properties to have this excess land and as such should not be valued. However, based on the City's current zoning by-law this is not the case.

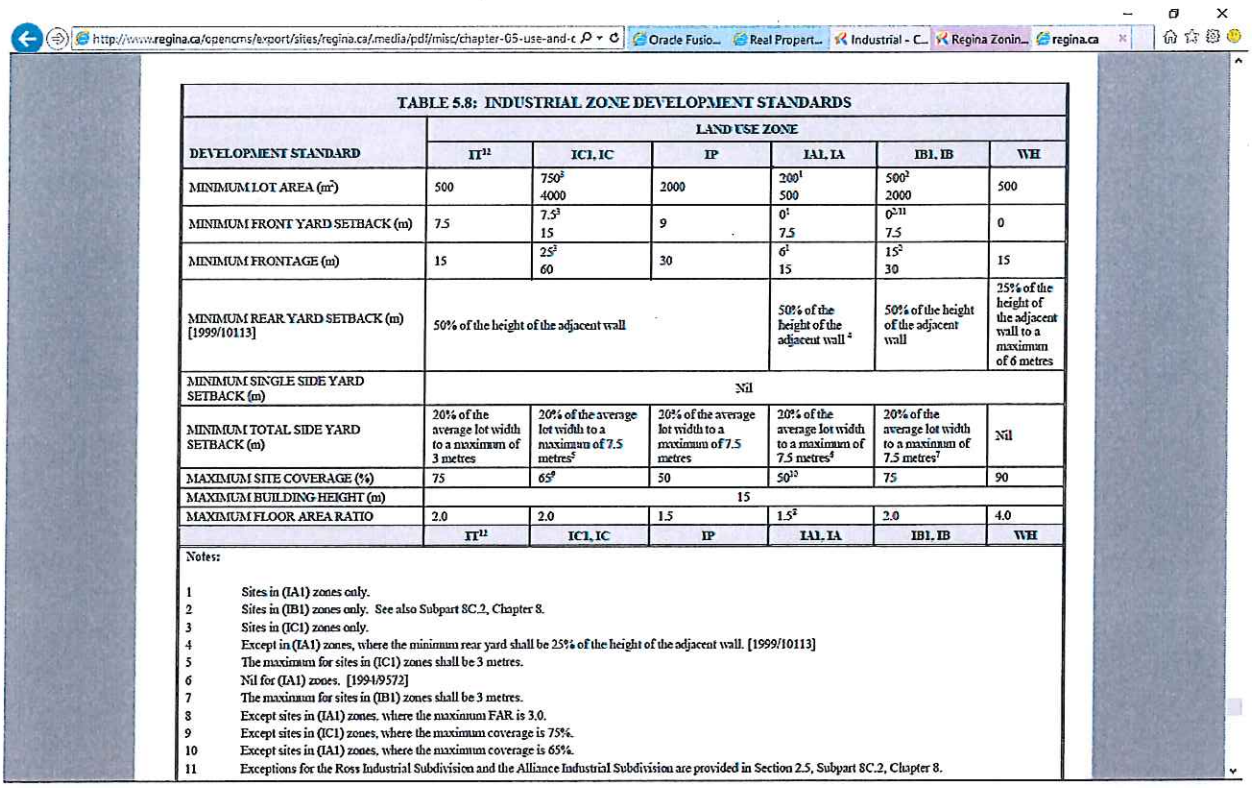


TABLE 5.8: INDUSTRIAL ZONE DEVELOPMENT STANDARDS

DEVELOPMENT STANDARD	LAND USE ZONE					
	IT[11]	IC1, IC	IP	IA1, IA	IB1, IB	WH
MINIMUM LOT AREA (m^2)	500	750[3] 4000	2000	200[1] 500	500[2] 2000	500
MINIMUM FRONT YARD SETBACK (m)	7.5	7.5[3] 15	9	0[1] 7.5	0[2,11] 7.5	0
MINIMUM FRONTAGE (m)	15	25[3] 60	30	6[1] 15	15[2] 30	15
MINIMUM REAR YARD SETBACK (m) [1999/10113]	50% of the height of the adjacent wall			50% of the height of the adjacent wall [4]	50% of the height of the adjacent wall	25% of the height of the adjacent wall to a maximum of 6 metres
MINIMUM SINGLE SIDE YARD SETBACK (m)	Nil					
MINIMUM TOTAL SIDE YARD SETBACK (m)	20% of the average lot width to a maximum of 3 metres	20% of the average lot width to a maximum of 7.5 metres[5]	20% of the average lot width to a maximum of 7.5 metres	20% of the average lot width to a maximum of 7.5 metres[6]	20% of the average lot width to a maximum of 7.5 metres[7]	Nil
MAXIMUM SITE COVERAGE (%)	75	65[9]	50	50[10]	75	90
MAXIMUM BUILDING HEIGHT (m)	15					
MAXIMUM FLOOR AREA RATIO	2.0	2.0	1.5	1.5[8]	2.0	4.0
	IT[11]	IC1, IC	IP	IA1, IA	IB1, IB	WH

Notes:

1 Sites in (IA1) zones only.
2 Sites in (IB1) zones only. See also Subpart 8C.2, Chapter 8.
3 Sites in (IC1) zones only.
4 Except in (IA1) zones, where the minimum rear yard shall be 25% of the height of the adjacent wall. [1999/10113]
5 The maximum for sites in (IC1) zones shall be 3 metres.
6 Nil for (IA1) zones. [1994/9572]
7 The maximum for sites in (IB1) zones shall be 3 metres.
8 Except sites in (IA1) zones, where the maximum FAR is 3.0.
9 Except sites in (IC1) zones, where the maximum coverage is 75%.
10 Except sites in (IA1) zones, where the maximum coverage is 65%.
11 Exceptions for the Ross Industrial Subdivision and the Alliance Industrial Subdivision are provided in Section 2.5, Subpart 8C.2, Chapter 8.

[89] Within the Commercial zones, the maximum site coverage ranges from a low of 50% (IA zone) to a high of 90% (WH zone). The properties located at both 2102 Turvey Road and 915 Fleury Street are zoned IB which sets the maximum site coverage at 75%. This would support the idea that a property with less than the maximum site coverage may have the ability to expand or subdivide which adds to the value of the property.

[90] Further, using 2102 Turvey Road as an example, the property was allowed to expand from 11% site coverage to at least 27.5%. This supports the idea that properties can have a site coverage at a minimum of 30% and still meet the City's requirements for off street parking, access, egress and the like. As well, this supports the Assessors analysis and "break point" of 30% site coverage.

[91] An Assessment to Sales Ratio (ASR) is calculated for all the sold properties by estimating the assessment based on the Assessor's rent model and the Assessor's CAP rate. The

target median ASR is 1.00 meaning that the median assessment equals the sale price. An ASR below 1.00 indicates the assessments are below the sale price and ASR above 1.00 indicates the assessments are above the sale price. In the present case, with the site coverage adjustment applied to the CAP rates, the resulting ASR's are produced:

Case Processing Summary

		Count	Percent
SITE_LT30	.00	73	53.7%
	1.00	63	46.3%
Overall		136	100.0%
Excluded		0	
Total		136	

Ratio Statistics for ESP_INCOME / TASP

Group	Median	95% Confidence Interval for Median			Coefficient of Dispersion
		Lower Bound	Upper Bound	Actual Coverage	
.00	.917	.846	1.016	96.6%	.235
1.00	.969	.884	1.063	95.7%	.202
Overall	.929	.889	1.004	95.2%	.224

The confidence interval for the median is constructed without any distribution assumptions. The actual coverage level may be greater than the specified level.

[92] In the table above, "0" represents the sales of properties with a site coverage greater than 30% and "1" represents the sales of properties with a site coverage of less than 30%. The median ASR for the "0" group is 0.917 which shows a sight undervaluation however the confidence intervals include the target of 1.00. The median for the "1" group is 0.969 which also shows a slight undervaluation however the confidence intervals include 1.00 and does not show a systemic problem in the model.

[93] If the site coverage adjustment is removed, the base CAP rate drops to 6.526 which would cause all the assessment of properties with a site coverage over 30% to increase. The following are the statistics if the site coverage variable is removed:

Coefficients[a]

Model: 3

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	6.526	.242		26.916	.000
CONDO	-.865	.475	-.169	-1.822	.071
NET_AREA_10000	.041	.016	.218	2.523	.013
INDLMFG	-.941	.358	-.234	-2.629	.010

a. Dependent Variable: OAR

Case Processing Summary

		Count	Percent
SITE_LT30	.00	73	53.7%
	1.00	63	46.3%
Overall		136	100.0%
Excluded		0	
Total		136	

Ratio Statistics for ESP_INCOME / TASP

		95% Confidence Interval for Median			
Group	Median	Lower Bound	Upper Bound	Actual Coverage	Coefficient of Dispersion
.00	.951	.893	1.069	96.6%	.239
1.00	.930	.831	.967	95.7%	.201
Overall	.944	.895	.965	95.2%	.222

The confidence interval for the median is constructed without any distribution assumptions. The actual coverage level may be greater than the specified level.

[94] This demonstrates that the sale of properties with a site coverage of less than 30% would have an ASR of 0.93 which is below the target level of 1.00 but more importantly, the confidence intervals do not include 1.00 which would indicate a systemic undervaluation of this group of properties.

[95] Further, if the base CAP rate is not adjusted for the removal of the site coverage and the site coverage is simply removed, the following statistics would result:

Case Processing Summary

		Count	Percent
SITE_LT30	.00	73	53.7%
	1.00	63	46.3%
Overall		136	100.0%
Excluded		0	
Total		136	

Ratio Statistics for ESP_INCOME / TASP

Group	Median	95% Confidence Interval for Median			Coefficient of Dispersion
		Lower Bound	Upper Bound	Actual Coverage	
.00	.917	.847	1.016	96.6%	.235
1.00	.880	.792	.921	95.7%	.206
Overall	.901	.851	.921	95.2%	.222

The confidence interval for the median is constructed without any distribution assumptions. The actual coverage level may be greater than the specified level.

C

[96] This demonstrates that the sale of properties with a site coverage of less than 30% would have an ASR of 0.88 which is below the target level of 1.00 but more importantly, the confidence intervals do not include 1.00 which would indicate a systemic undervaluation of this group of properties.

[97] Since receiving the Appellant's written submission, it appears they are now alleging that the Assessor has incorrectly calculated the site coverage. In accordance with the City of Regina Zoning by-law, the site coverage is calculated by dividing the main floor area of the building by the total lot size. The main floor area of the building, according to the by-law, does not include underground tanks, above ground tanks, business signage, bins, etc.

SAMA Quality Assurance Requirements

[98] In order to address the requirements of clause 163(f.1)(iv) of the Act, SAMA established the following quality assurance standards on September 12, 2012:

1. The acceptable range for the median assessed value to adjusted sale price ratio for all residential property in a municipality shall be 0.950 – 1.050, provided that the municipality shall strive to achieve a median assessed value to adjusted sale price ratio of 1.000; and

2. The acceptable range for the median assessed value to adjusted sale price ratio for all other property valued using the market valuation standard in a municipality shall be 0.950 – 1.050, provided that the municipality shall strive to achieve a median assessed value to adjusted sale price ratio of 1.000.

[99] The median assessed value to adjusted sale price ratios for both residential and non-residential properties for the 2015 assessment is 1.00, as identified through the following statistical output:

Year	Improved Residential and Commercial Properties Median ASR
2015	1.00

[100] The Assessor has met the quality assurance standards set by the agency and has satisfied all of the requirements of the Market Valuation Standard as mandated by the Act. These are the only standards that the Assessor is legislatively required to meet; the Assessor is not required to meet nor bound by IAAO standards.

CONCLUSION

We submit that the Appellant has not provided evidence of an error by the Assessor in fact, in law or in the application of standard appraisal practice. Without evidence of an error, the assessed value of the Property as determined by the Assessor must be upheld. The Assessor determined the assessed value of the Property and all other non-regulated properties in the City by consistently applying standard appraisal practice uniformly throughout the City, thereby achieving equity in assessment.

We therefore respectfully request that this appeal be dismissed.

All of which is respectfully submitted this 1st day of May 2017.

Office of the City Assessor

Per: Gerry Krismer
City Assessor

This document was delivered by:

Office of the City Assessor
City Hall
2476 Victoria Avenue
Regina, Saskatchewan, S4P 3C8
Whose address for service is as above
Person in charge of file: GERRY KRISMER

Appendix A

ICI Land

Last Document Review Date: October 9, 2014

TABLE OF CONTENTS

EXCESS AND SURPLUS LAND

The Dictionary of Real Estate Appraisal [Fifth Edition ©2010], published by the Appraisal Institute (US), defines these two terms as follows:

Excess Land

"Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may (does) have the potential to be sold separately and is valued separately."

NOTE

Word "does" is added for clarity, not in the original definition.

Surplus Land

"Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel".

The Appraisal Institute (US), in a document entitled "Common Errors and Issues", [©2012] states that:

"Excess land is commonly mishandled in assignments. It is often confused with surplus land. It is too often lumped in with the value of the entire property or ignored altogether. Excess land may be sold off separately from the rest of the property, so in effect, the subject property becomes two subject properties. Excess land may have a different highest and best use than the rest of the site. This must be addressed in the highest and best use analysis. Further, excess land will have to be treated separately in the valuation process. An entirely different set of comparable data may be required. The value of excess land must be reported separately. Be careful about adding the value of the

excess land to the value of the rest of the property, as the sum of the parts may or may not equal the whole.

Surplus land does not have a separate value, as it cannot be sold off separately. It is 'extra' land that may or may not contribute value to the overall property. It does not have an independent highest and best use. It may have the same value per unit of comparison (e.g., value per square foot, value per acre) as the rest of the site, or it may contribute less per unit of comparison".

Land Analysis – Excess Land

(Examples can be found in the Appendix B)

Analyzing zoning and legally mandated requirements, including for site coverages, floor/space ratios, parking, ingress and egress, setbacks, and so on, is the first step in determining if excess or surplus land may exist. If the property just meets the required minimums, then neither excess nor surplus land is likely to exist. If, however, the subject site exceeds some or all of these mandatory requirements, then it is possible that excess or surplus land might exist. Marketplace norms for the property and building type must then be considered.

The analysis then steps into consideration of typical marketplace norms for the building style, type, design etc., in its particular location as situated on the subject site. What might be excess or surplus land in one location, may not be in a more suburban or rural location (where more land is a typical market expectation). Therefore, a competitive market set must be considered to determine these expectations. This analysis of a competitive market set will also consider issues such as the physical siting of the structure, site configuration, topography, site coverages, floor/space ratios, parking, ingress/egress etc., but now from the viewpoint of what is the typical or acceptable marketplace norm, rather than the minimums legally permitted.

The following steps are helpful to determine whether either excess or surplus land exists, and to what extent:

1. Obtain a copy of the site plan, or use an aerial photo from a municipal website, to determine the location of the existing building(s).

2. Check the zoning to make sure that all requirements for site coverage, floor space ratio (FSR), ingress/egress, parking, setbacks, etc., are considered.

3. If those minimums are met, then consider marketplace norms through an analysis of your competitive market set.

4. Review the typical site coverage for the competitive market set, while considering parking norms, ingress and egress needs and norms, topography, etc. In considering the marketplace norms, however, ensure that you are only considering other properties that do not have apparent excess land.

TIP

If this is an income-producing rental (i.e., a fast food restaurant, at say $35/square feet of building), and many of your comparables have a 20 percent site coverage, and all of that land/building ratio is included in a similar rental rate, then no excess land would generally exist for your subject at or above that ratio.

5. From your review of the competitive market set, determine marketplace norms for (especially) site coverages, but including also any additional areas needed vehicular parking and maneuvering. Ensure that you have considered any oddities of the subject site – unusual topography that limits development, unusual configurations (especially those that are inefficient) that need additional maneuvering space, and so forth.

6. After considering the oddities (if any) of your site and sited building, define the indicated site coverage for your subject based on those marketplace norms and the oddities (if any) of your subject site.

7. Divide the building size by the defined site coverage ratio to find out the land size that the marketplace considers as

needed to support the existing improvements. This gives you the 'needed land area' as considered by the marketplace.

8. From the total land area subtract the 'needed land area'. If this number is positive, and not *De Minimus*, then this land will need to be valued.

9. If the land has its own HBU (i.e., different type or style of development than what exists and/or it could be subdivided), then it can be defined as 'excess land'. Excess land may have value at a different, sometimes higher, rate than the balance of the land, but would not usually be less than a proportional contribution (including a size curve) to the site in its' entirety.

10. If, on the other hand, the additional land can only be used to expand the existing facility along an economies of scale idea (diminishing returns), provide additional parking, manuevering, or outdoor storage space, etc., then the land is most likely 'surplus land'. Although surplus land can have the same proportional value as the balance of the site, this is much rarer. Its value contribution needs to be thought about in the context of the economics of its potential use.

NOTE

Excess land almost always has the same rate code and is valued the same as the entire parcel as vacant – this will assist with determining the difference between excess and surplus as surplus land typically (but not always) contributes less due to inferior utility.

The component apportionment percent is used to distinguish the appropriate amount of excess land and the remainder of the parcel (i.e., 30 percent excess land and 70 percent remaining parcel). Generally, use the component apportionment percent as opposed to creating an artificial subdivision. The only exception to this method would be where the excess is worth more than the balance of the site, typically due to better spot zoning/OCP, for instance. In that case, consider a two-component methodology, with appropriate deductions from each component to achieve said subdivision into two differently zoned parcels.

NOTE

Most areas will have some properties with two methods of valuation (e.g., costed gas station with an income-valued convenience store). In these instances, you will have an excess land portion attributed to the improvements valued on the cost approach, together with a portion of the land designated or attributed to the income improvements. In some cases, there will be a residential/commercial split where the excess also needs to be considered.

Adjustments for Excess Land

Any adjustments made to the land value are reflected on all components with the exception of waterfront (width valuation). Remember – the entire lot is one legal lot. Regardless of whether there is excess land or not, value the lot as vacant at its HBU. If adjustments are required they apply to the entire lot regardless of where they are located, such as corner adjustments, easements, access issues, location adjustments, etc. This will also assist in determining if the land is actually excess land.

Excess land is valued as a separate component as it adds value over and above the current use. The excess land portion still forms part of the total land value as vacant; however, it is not being used at its HBU and is not required to support the existing improvement.

For example, a 100,000 square feet lot is valued at $75 per square foot and requires an adjustment for size -5 percent and +10 percent for corner as well as an adjustment for an access easement along the back of the property. It is discovered that only 75,000 square feet is required to support the existing improvements and 25,000 square feet is researched and deemed excess land – the adjustments of; -5 percent for size, +10 percent for the corner and the easement remain on the excess land portion as well. The indicated rate for both the excess piece and the main component should be the same.

Surplus Land

Surplus land cannot be subdivided nor is it required to support the existing structure. Surplus land may be a portion

of land that is only suitable for uses such as parking or storage, such as an odd shaped portion of the lot, land that is required for a buffer, is encumbered by no-build restrictions, easements or overhead power lines, or has riparian or topographical challenges. Surplus land may or may not contribute some value to the property; or subdivision is not possible.

Land Analysis

The following steps must be taken in the determination of surplus land:

1. Is there unutilized land?
2. Can it be subdivided or used for further expansion of the existing improvements? If so, this is excess land – not surplus.
3. Are you able to identify that the land contributes value to the overall site however at contributes less than the HBU?
4. Is the unutilized land typical within the competitive market set?
5. Can the surplus land be rented out as land or yard storage, parking, etc.?
6. Is there enough surplus land that is market supported to consider its contribution (*De Minimus* rule)?

Surplus land is often accounted for by:

1. Land or yard storage rental rates typical of the competitive market set.
2. A CAP rate adjustment.
3. Direct comparison approach using valueBC rate code with appropriate adjustments to reflect the diminished utility and value.

Analyzing sales and understanding what the market considered within the competitive market set is necessary to determine which approach is applicable.

The CAP rate adjustment or direct comparison methods are recommended as they are typically the most supportable approach to surplus land. Yard storage rates are typically minimal, such as one dollar, which, in most cases, would contribute less than the value of the land; however, if there is lease information for yard storage and is typical of the competitive market set this is acceptable. If yard storage is not typical of the competitive market set, you cannot consider including it in the income stream.

There is no flag on valueBC for surplus so utilize the manual adjustment surplus land and add in the comments.

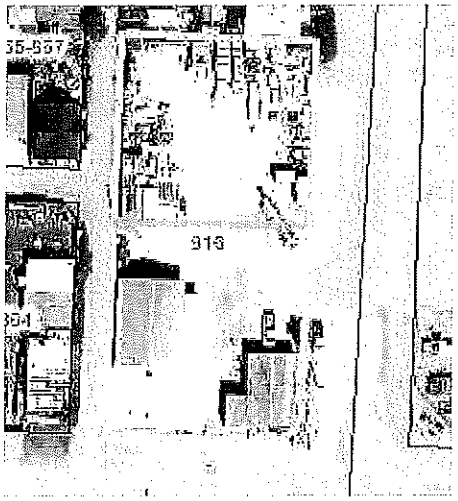
NOTE

Use caution when valuing surplus land to avoid double counting. For example, if surplus land valuation is included in the capitalization rate or as a yard storage rental rate, do not adjust the land component further unless market evidence indicates otherwise as this would be considered double counting.

APPENDIX B: EXAMPLES OF EXCESS/SURPLUS LAND CALCULATIONS

Note that all excess or surplus land calculations begin with estimating the amount of land required to support the existing improvements. In addition, good notes should be placed on the system, clearly explaining what/where the excess land exists. In some or many cases, consider attaching an aerial photo with the surplus areas delineated and explained with notes, as in the examples that follow.

Example A



This industrial property is used for light manufacturing, consistent with many throughout the area. Your research reveals the following sizes and ratios:

At a market rent, usually a similar property to the subject can be obtained, but with only a 25 to 35 percent site coverage as typical, while owner-occupied properties are more likely to have a 20 to 30 percent coverage. From the above analysis, it can be seen that the subject offers subdivision or further development potential. Comparing to market norms and the actual zoning bylaw, it can be seen that the subject could be subdivided into some sort of configuration (yellow arrow for obvious suggestion).

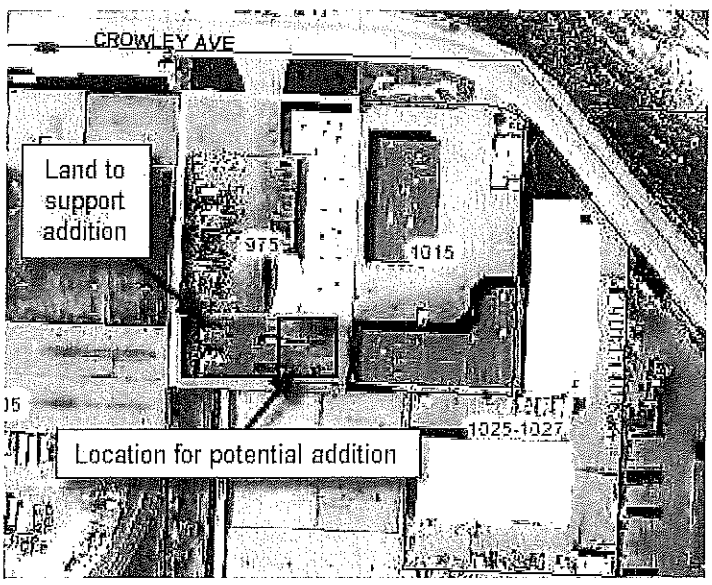
Assuming that you concluded that, in the subject's case after considering all factors including access, manuevering,

topography, site configuration, etc., the site coverage ratio should be 30 percent, then the excess or surplus calculation would be as follows:

- Area required to support subject bldgs: 4066/30% = 13,555 square feet (49%)
- Actual site size: = 27,878 square feet
- Excess or Surplus Land: 14,323 square feet (51%)

In this case, since it appears that the land could be subdivided, it would be termed excess land. It should be fully valued using a component apportionment of 51 percent to the excess land, with the balance valued via the income approach that's attached to the improvements, with a component apportionment of 49 percent to that (non-excess) land portion. Finally, because the property is subdividable, the appraiser should most likely add a positive adjustment for this feature on both components (of an equal percentage) since the underlying rate code, in this case, does not include subdividability as part of the base rate.

Example B



In this case, by comparing to nearby, similarly used properties at 1015 and 1025-1027 (shown above), we can see that the property appears to have some unused potential. In those two instances, those properties are achieving site coverages of, respectively, 37 and 47 percent, leading us to

observe that the 29 percent of the subject is probably too low, indicating an under-utilization of the land. Sketching this out, we can see at least initially, that a building expansion should be available on the area defined in red, that might use (including access and manuevering) all of the area in orange. In that case, the area in orange is roughly 17,500 square feet. This equals 27 percent of the site, indicating that this should be the apportionment percentage for the second land component. This indicates that the existing improvement would now achieve a 39 percent site coverage on the hypothetical 47,942 square feet site (the 73 percent component), which is now within market norms for the property and building, considering its siting, oddities, and locale.

By considering the property itself, the zoning bylaw and market norms, we can see that this case is reasonable, but that no further subdivision is available. We further anticipate that an expansion of the existing building into this area would achieve a similar rent as the rest of the subject, and the comparables. Since the additional land does not have a different HBU from the balance of the site, nor is it subdividable, it would be termed as surplus land.

However, the underlying economics of a proposed building addition are believed to mirror the rest of the building on the site (or similar buildings in the area). Therefore, neither land component apportionment would need a positive nor negative adjustment for this feature. Both land components would have identical manual adjustments or characteristic adjustments applied (if any).

Example C – Mixed Income/Cost Property

This is an example of a typical case of a convenience store combined with a drive-through fast food restaurant (with a small seating area) on a gas station site, plus, in this case, a car wash. This is a very typical modern development now. The fast food and convenience store total some ±4,100 square feet and the site is ±54,000 square feet. In addition to that, there is a drive-through car wash (stationary/non-tracked), plus the canopy over the multiple pump station.

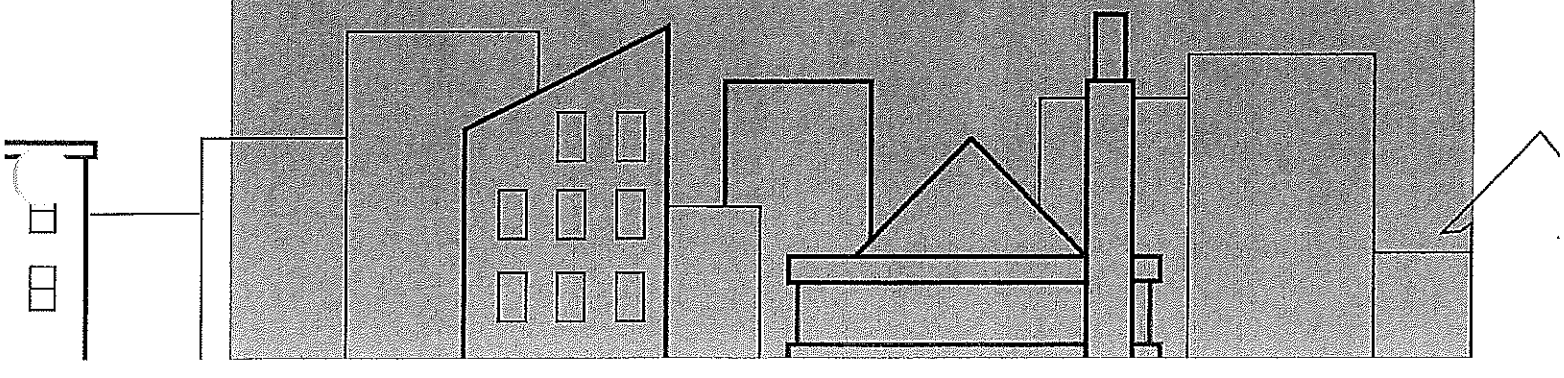
Appendix B

2017
ASSESSMENT METHODOLOGY
INDUSTRIAL WAREHOUSES

A summary of the methods used by the City of Edmonton in determining the value of industrial warehouse properties in Edmonton for assessment purposes.

edmonton.ca/assessment

Edmonton



Main Floor Area is based on the exterior measurements of the building. Economies of scale dictate that larger buildings trade for a lower unit of comparison than smaller buildings.

Industrial Group Location: Industrial Warehouse Study Areas are geographic areas defined using location boundaries and property characteristics. See enclosed maps entitled Industrial Study Areas. In sequence of desirability, the study areas are as follows:

- Industrial Group 12 - Major Roadways South
- Industrial Group 18 - Core South
- Industrial Group 2 - Major Roads Northwest
- Industrial Group 20 - Partially Serviced
- Industrial Group 17 - Core Northwest
- Industrial Group 39 - Northeast
- Industrial Group 49 - Yellowhead Corridor East
- Industrial Group 28 - Queen Mary Park
- Industrial Group 22 - Un-serviced

Site Coverage (total main floor area of the account ÷ lot size): the relationship between main floor area of buildings not valued using the cost approach and entire size of the parcel. It is expressed as a percentage.

Typical site coverage is approximately 30%. Lower site coverage indicates that the given property has more land which increases the property's market desirability. Reasons for the increased desirability include potential future expansion of the improvements or subdivision of the parcel and improved storage capacity. By contrast, high site coverage properties have relatively less land which results in limited development potential and adversely affects functionality and access.

It is not uncommon for industrial accounts valued on the Direct Comparison approach to have an additional building on the property valued on the Cost approach. A building that the city has deemed a cost building is lower quality than the main building and would have a lower assessment per square foot than the main building. These are referred to as "Cost Buildings" and are valued using the Marshall & Swift Manual, which applies the depreciated replacement cost new.

Cost buildings can be temporary structures such as arch rib fabric buildings, re-locatable office trailers, unheated sheds and storage buildings. These structures can also lack heating, electricity or flooring.

Area of the Cost Buildings is excluded from the site coverage calculation.

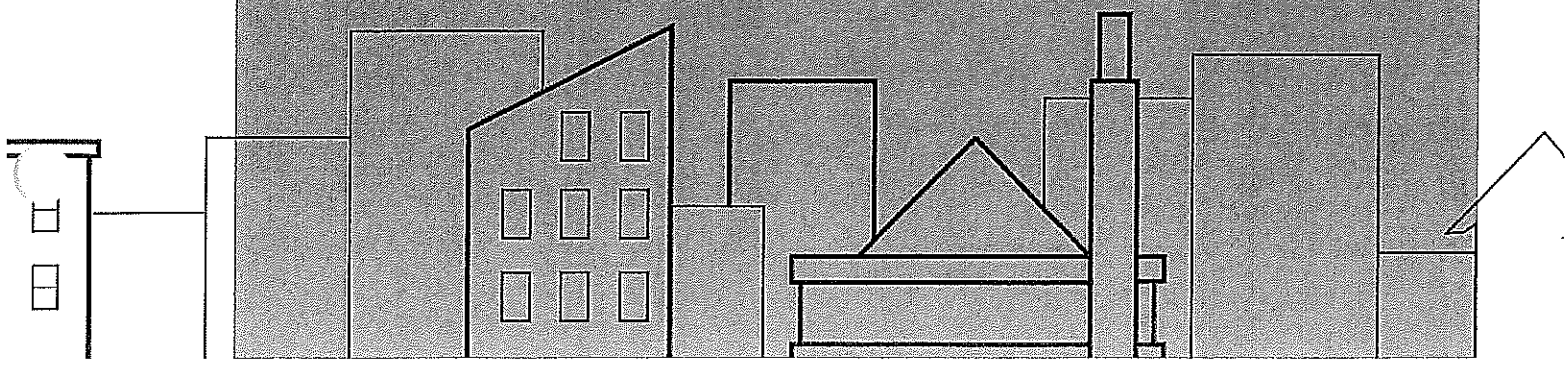
Effective Age (also known as Effective Year Built): is represented by the overall utility and condition of the assessed property. Maintenance of a property can influence the effective age of the building. If a building has an addition or receives superior maintenance than other properties in the market place, then the effective age will be less than the actual or chronological age.

2017
ASSESSMENT METHODOLOGY
COMMERCIAL - NEIGHBOURHOOD, POWER AND BOX RETAIL

A summary of the methods used by the City of Edmonton in determining the value of nieghbourhood shopping centres, power centres and box retail properties in Edmonton for assessment purposes.

edmonton.ca/assessment

Edmonton



Adjustments

Additional Building is the assessed value added for other buildings situated on the subject site.

Associated Lots is a reduction to a primary improved property based upon a separate but related associated parcel(s). This adjustment is applied when all, or part, of the land from the associated parcel(s) is required to satisfy the operation of the primary property.

Buildings Under Construction are improvements that are not complete as of the condition date. The adjustment is based on the cost rates from the Marshall & Swift manual, for the portion completed (also called percent complete).

Construction Allowance is an allowance provided for leasable space that is without dividing walls, floor coverings, ceiling or other finishes (ie. shell space). The adjustment is based on the cost rates from the Marshall & Swift manual. This is for new space before tenant finishing is complete.

Contamination refers to property that has been affected by environmental contamination which includes adverse conditions resulting from the release of hazardous substances into the air, surface water, groundwater, or soil. Contaminated property, in some cases, may warrant an adjustment.

Excess Land on an improved site is the land not needed to serve or support the existing improvement. It is also the portion of the parcel not needed to accommodate the site's primary highest and best use. Excess land may be separated from the larger parcel (sub-divided) and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. Excess land value is derived from assessed commercial land values. Please refer to the 2017 Commercial Land Methodology Guide.

Service Station Equipment (SSE) is the value of the service station equipment, including pumps, underground tanks, canopy structures, car wash structures and equipment.
The cost value is based on the Marshall & Swift Manual.

Surplus Land is the land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Surplus land may or may not contribute positively to value, and may or may not accommodate future expansion of an existing or anticipated improvement. For the 2017 assessment, a 50% discount to the excess land rate was applied.

Topography refers to the surface features of a property and may include hills, swamps, gullies, or ravines. Adjustments may be applied when topographical constraints affect the overall suitability of a parcel for potential development.

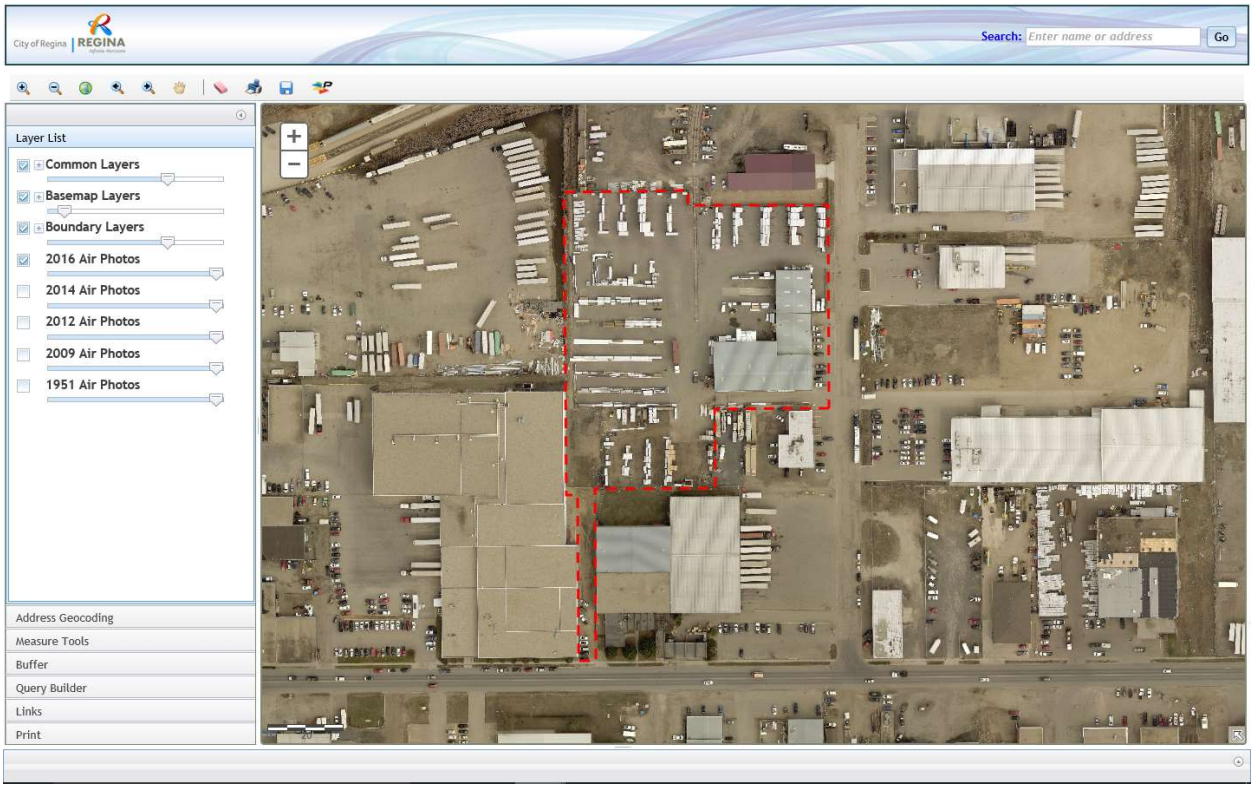
APPENDIX C

ACC_ID	ADDRESS	SITE_COVERAGE_PERCENTAGE	OAR	RATIO
10027980	1420 FLEURY STREET	9	6.87	1.12
10027982	1410 FLEURY STREET	9	4.01	0.87
10093003	390 N LONGMAN CRESCENT	9	5.31	0.95
10226517	202 SOLOMON DRIVE	10	4.27	0.87
10027290	555 7TH AVENUE	11	4.64	0.87
10033928	535 E 12TH AVENUE	11	6.27	1.12
10147651	2102 E TURVEY ROAD	11	4.43	0.99
10022138	805 TORONTO STREET	12	7.09	1.48
10027247	1136 ST JOHN STREET	12	3.92	0.7
10013951	100 N MCDONALD STREET	12	3.09	0.42
10013957	125 HENDERSON DRIVE	12	5.05	0.89
10013976	370 N LONGMAN CRESCENT	13	5.13	1.11
10018689	1105 E PETTIGREW AVENUE	13	6.32	1.06
10113530	505 PARK STREET	13	6.44	1.25
10018693	1405 E PETTIGREW AVENUE	14	5.64	1.07
10018744	380 MAXWELL CRESCENT	15	4.13	0.85
10018736	705 HENDERSON DRIVE	16	5.01	0.67
10022516	1750 E MACRAE DRIVE	16	4.14	0.86
10022528	1507 E ROSS AVENUE	16	7.03	1.1
10027298	1335 BRODER STREET	16	6.37	1.11
10013922	290 HODSMAN ROAD	17	4.9	0.83
10018662	435 MCDONALD STREET	17	4.36	0.87
10027925	135 6TH AVENUE	17	6.36	1.21
10033823	305 E DEWDNEY AVENUE	17	6.43	1.01
10018717	445 MAXWELL CRESCENT	18	4.35	0.71
10018745	1150 E WEAVER STREET	18	5.03	1

10027200	1625 8TH AVENUE	18	5.04	0.97
10027327	1349 WALLACE STREET	19	5.21	0.89
10018705	380 HENDERSON DRIVE	19	4.41	0.85
10093276	310 E 6TH AVENUE	19	7.56	1.17
10093276	310 E 6TH AVENUE	19	6.33	0.98
10018752	470 MAXWELL CRESCENT	20	5.94	.97
10027987	580 E DEWDNEY AVENUE	20	5.29	1.02
10033800	1601 MCARA STREET	20	7.96	1.48
10018420	464 QUEBEC STREET	21	4.41	.87
10018688	909 E PETTIGREW AVENUE	21	5.30	.81
10018733	205 N LEONARD STREET	21	5.52	.82
10033463	1575 ELLIOTT STREET	21	13.10	1.76
10033814	715 E DEWDNEY AVENUE	21	8.37	1.51
10018747	1130 E WEAVER STREET	22	4.22	.81
10032130	3426 SASKATCHEWAN DRIVE	22	8.74	1.35
10018682	264 E 1ST AVENUE	22	5.92	.91
10120535	602 DEWDNEY AVENUE	22	10.29	1.71
10018657	515 MCDONALD STREET	23	5.86	1.11
10027348	980 DEWDNEY AVENUE	24	4.19	.76
10027919	1025 WINNIPEG STREET	24	2.93	.56
10213813	1660 REYNOLDS STREET	25	7.44	1.16
10013990	235 N MCDONALD STREET	25	6.88	1.01
10256290	1 1801 E TURVEY ROAD	26	6.22	1.20
10256291	2 1801 E TURVEY ROAD	26	6.16	1.18
10256292	3 1801 E TURVEY ROAD	26	6.65	1.28
10256294	5 1801 E TURVEY ROAD	26	6.83	1.31
10256295	6 1801 E TURVEY ROAD	26	7.11	1.37
10256296	7 1801 E TURVEY ROAD	26	7.38	1.42

10021970	620 ANGUS STREET	27	5.54	.85
10033897	1842 MACKAY STREET	27	5.72	1.04
10013978	350 N LONGMAN CRESCENT	28	6.18	.94
10013978	350 N LONGMAN CRESCENT	28	5.13	.78
10059440	127 HODSMAN ROAD	28	4.23	.81
10059441	129 HODSMAN ROAD	28	4.94	.94
10059451	332 HODSMAN ROAD	28	4.35	.83
10033847	1920 MCARA STREET	29	4.66	.71
10027272	215 7TH AVENUE	29	5.77	.88

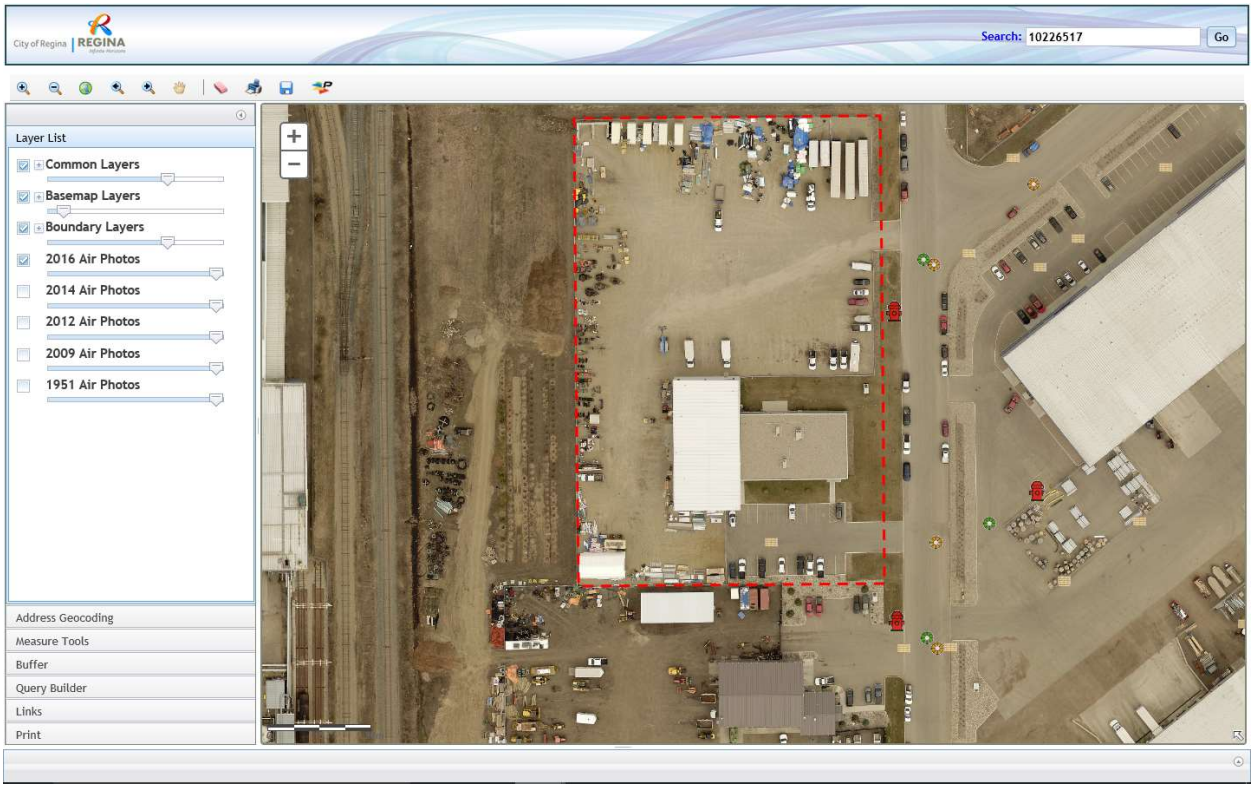
1420 Fleury Street – 9% site coverage



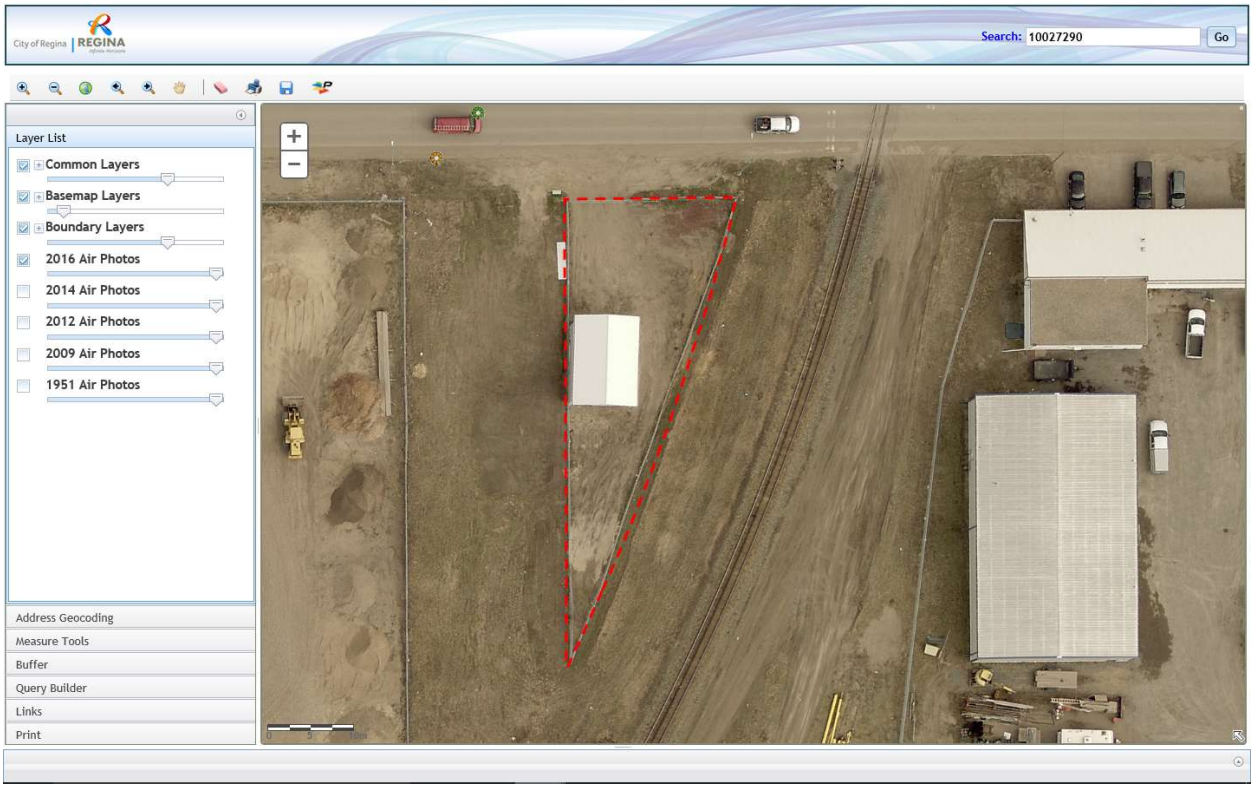
1410 Fleury Street – 9% site coverage

390 N Longman Crescent – 9% site coverage

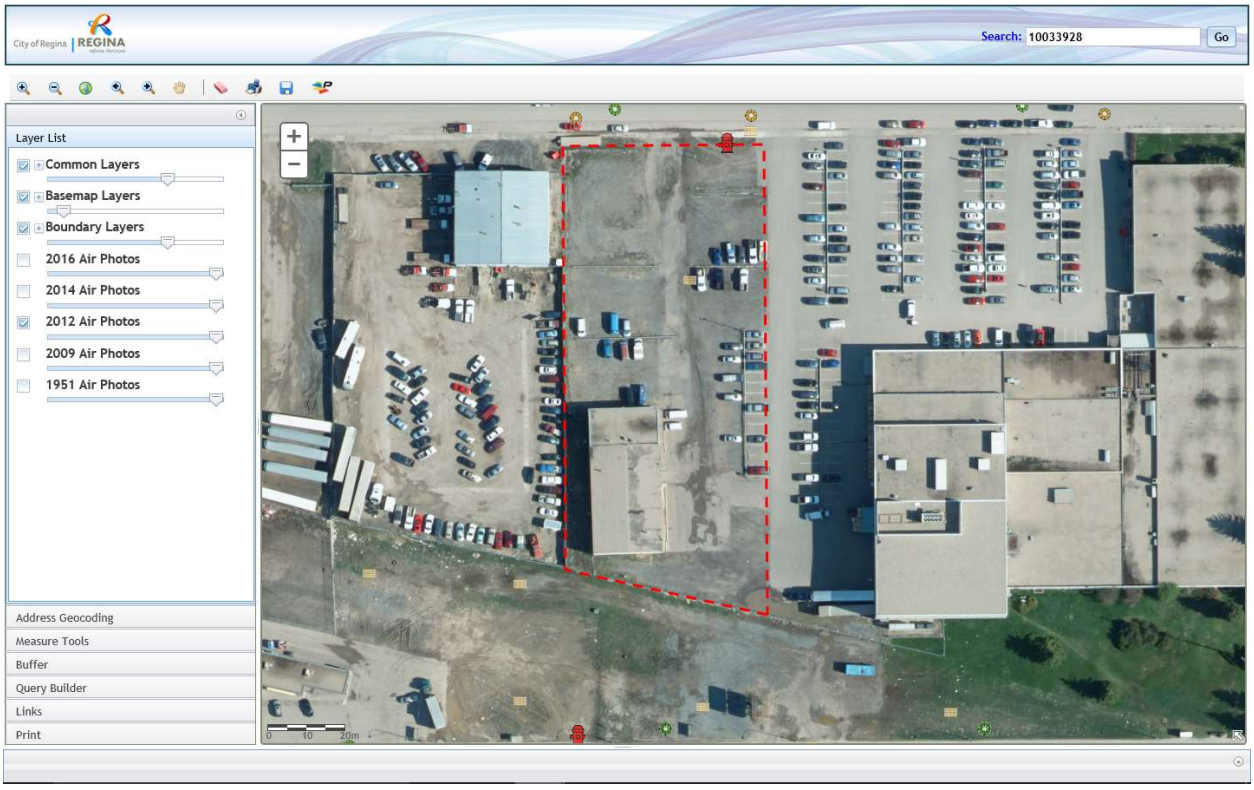
202 Solomon Drive – 10% site coverage



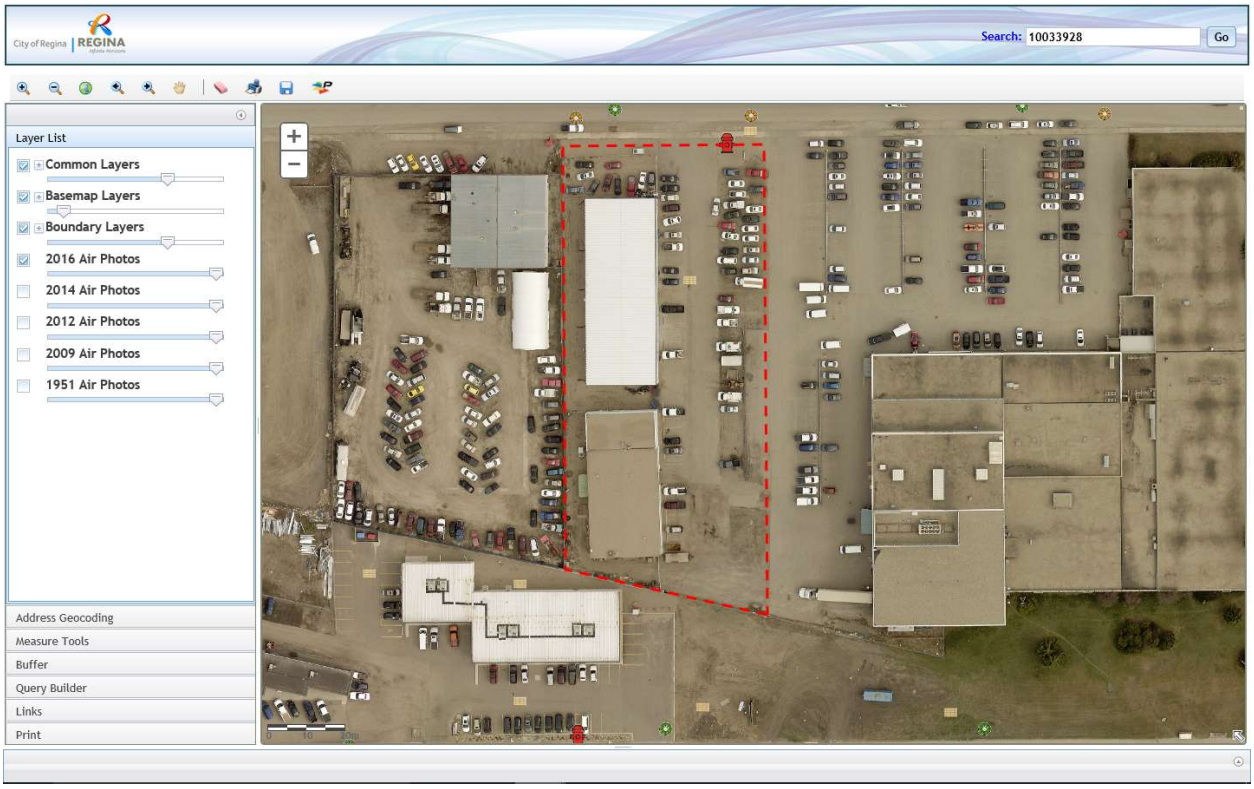
555 7th Avenue – 11% site coverage



535 E 12th Avenue – 11% site coverage – time of sale

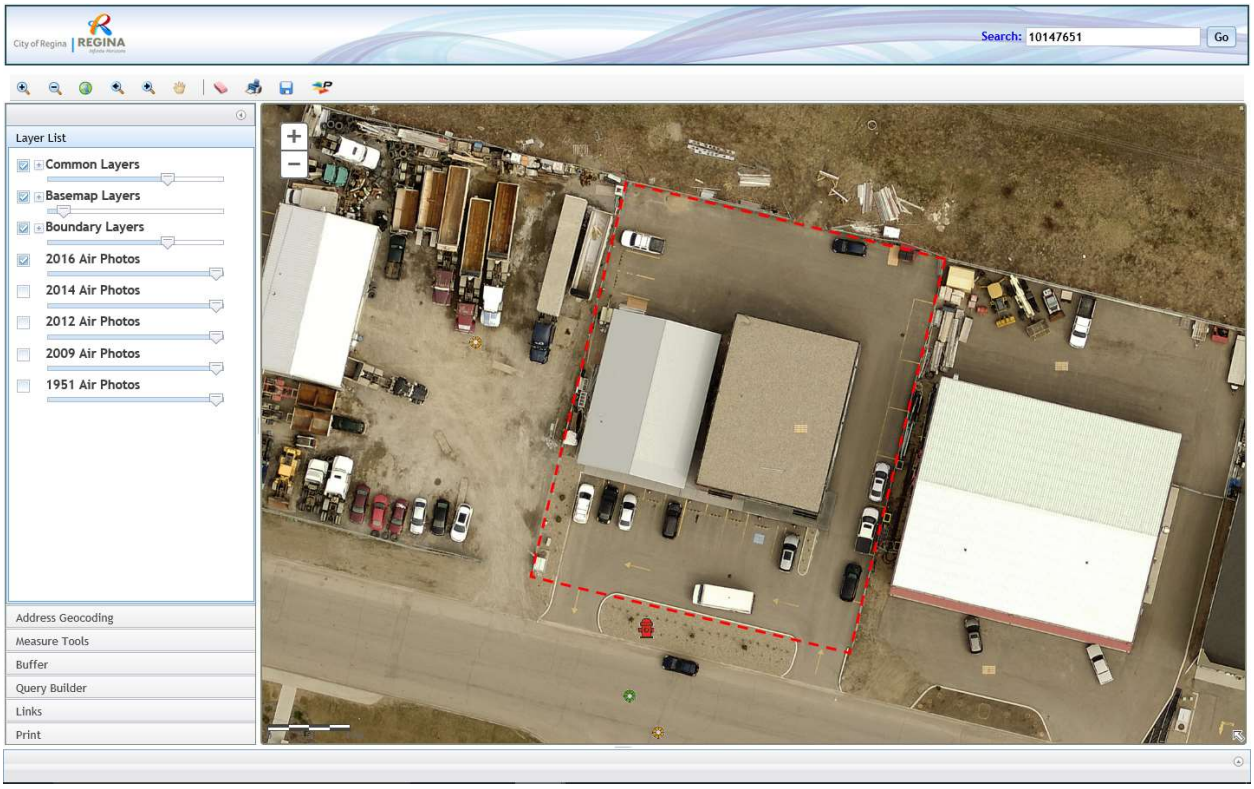


535 E 12th Avenue – 25% site coverage – current

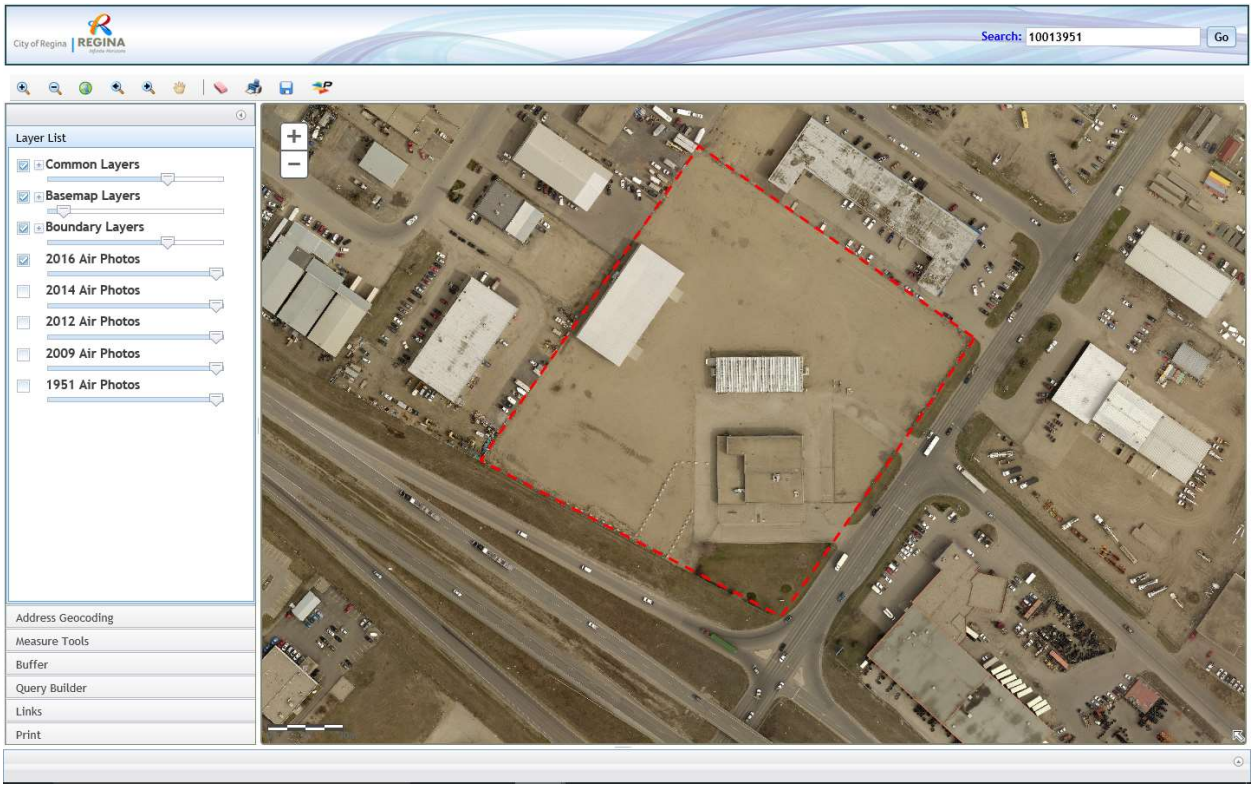


2102 Turvey Road – 11% site coverage - time of sale

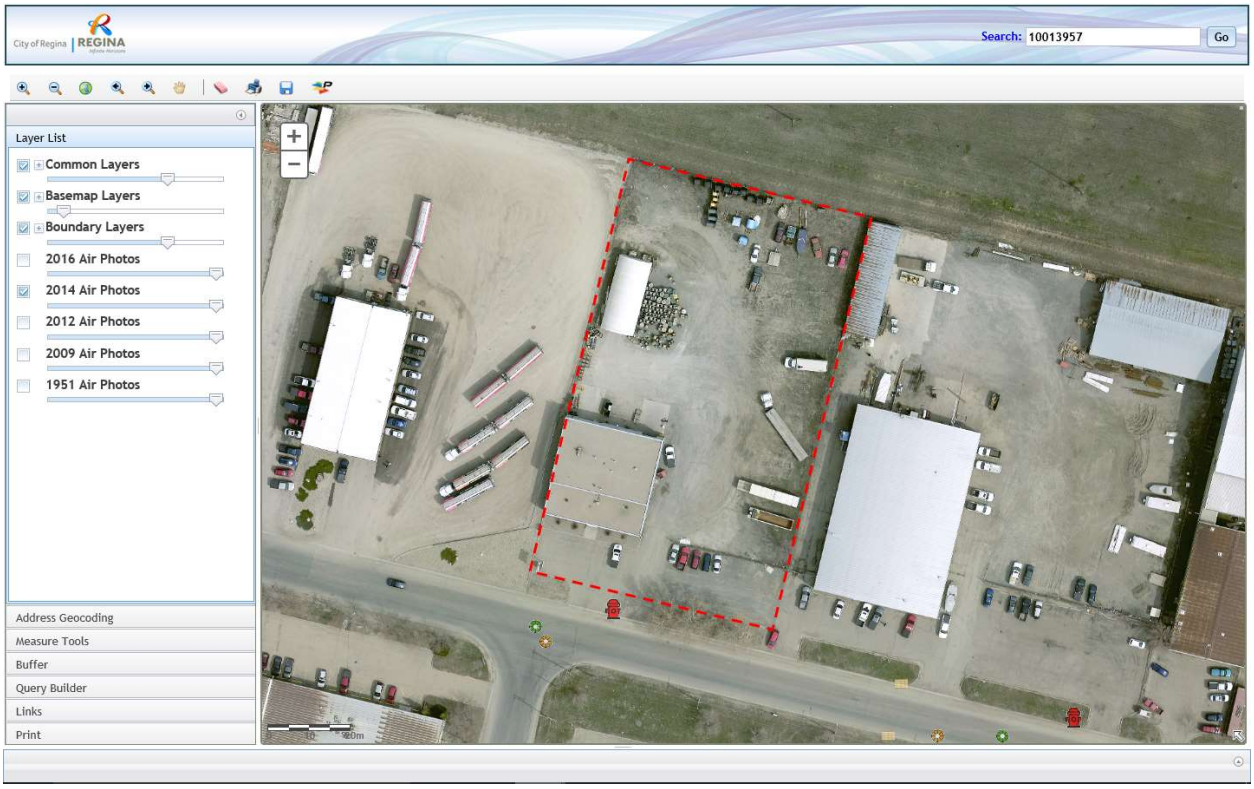
2102 Turvey Road – 27.5% site coverage – current



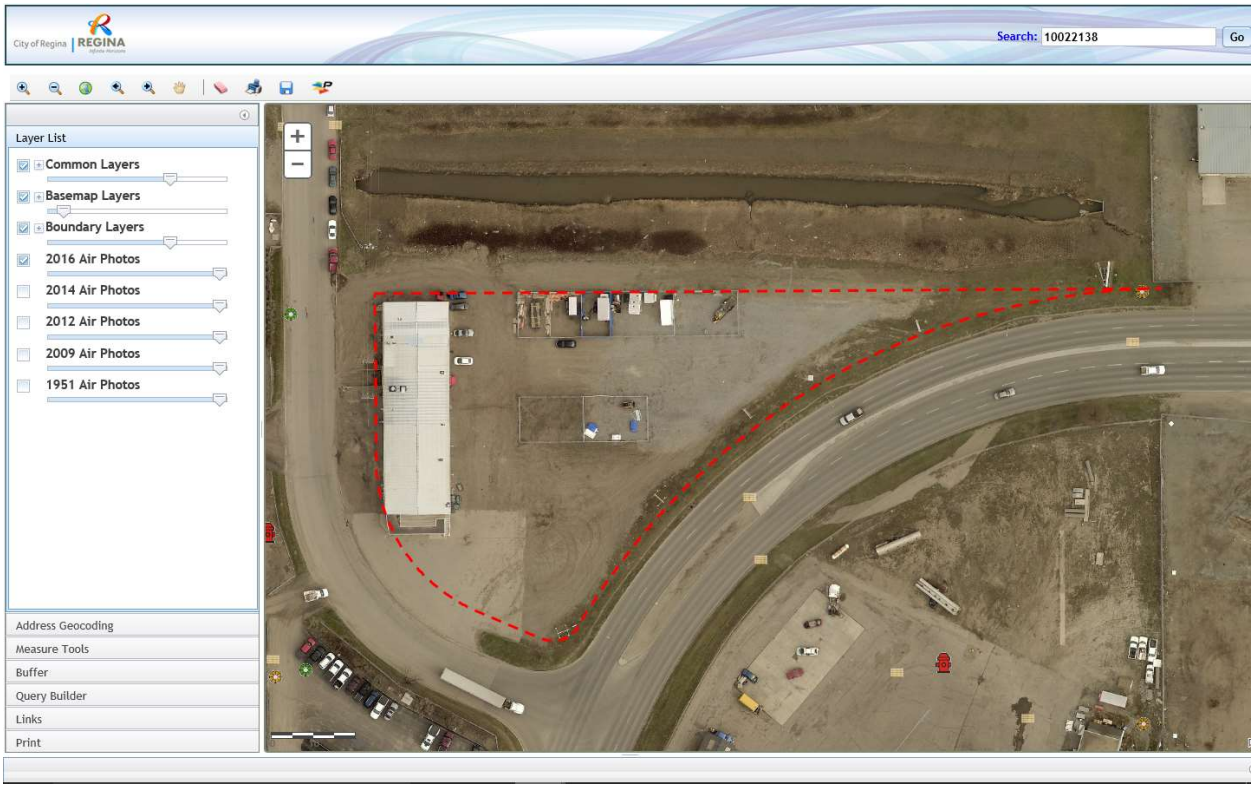
100 N McDonald Street – 12% site coverage



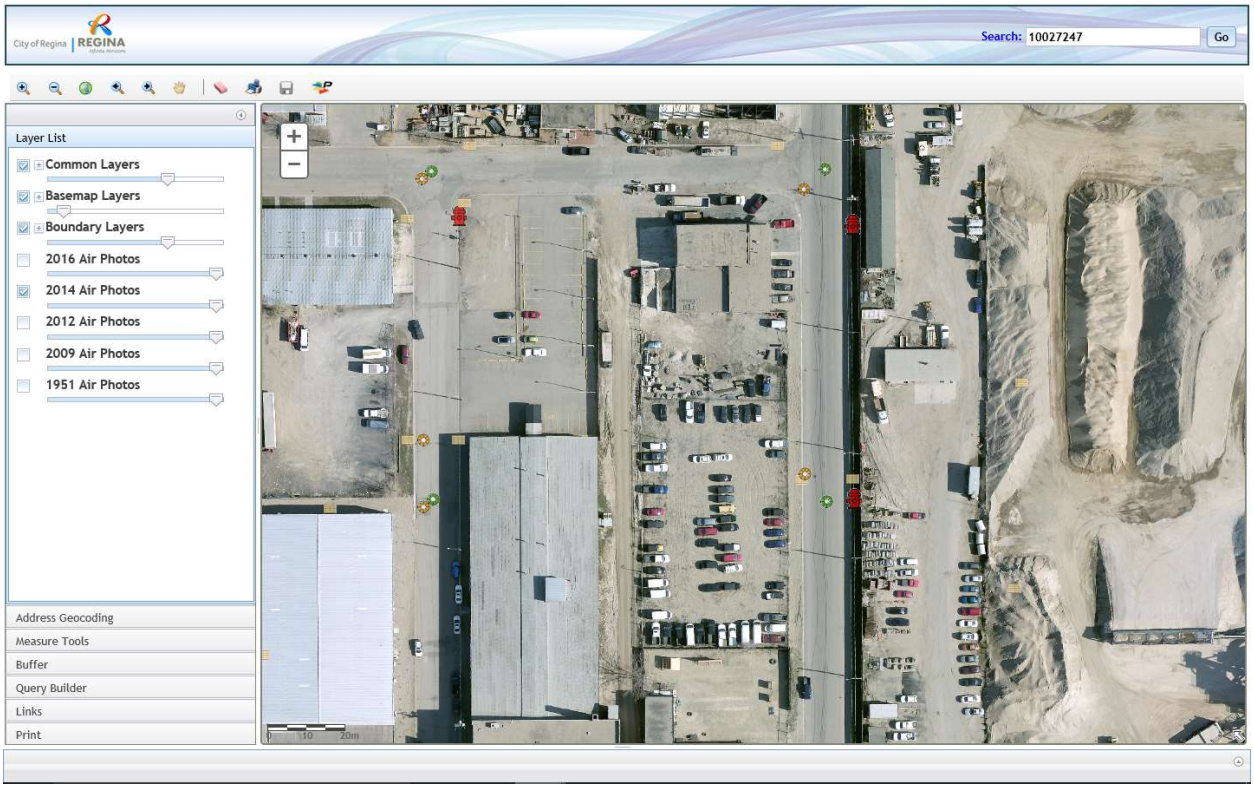
125 Henderson Drive – 12% site coverage



805 Toronto Street – 12% site coverage

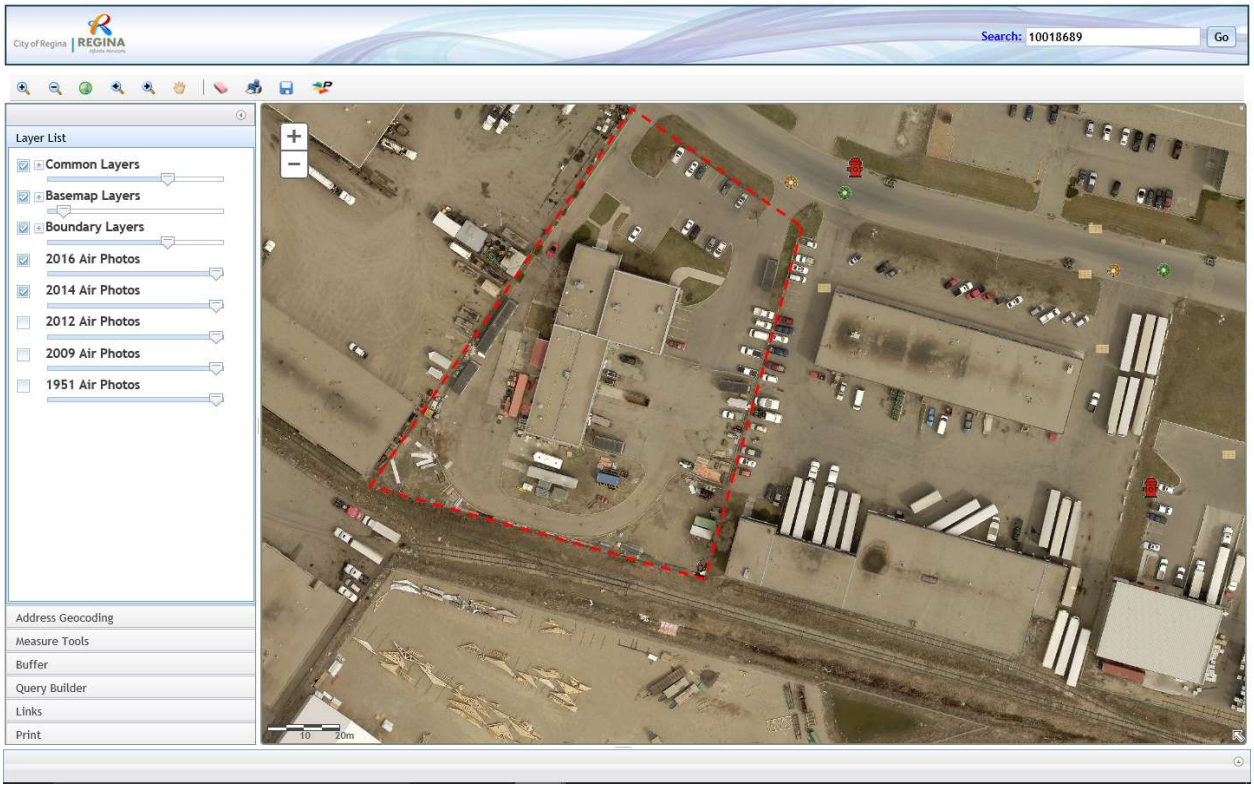


1136 St John Street – 12% site coverage

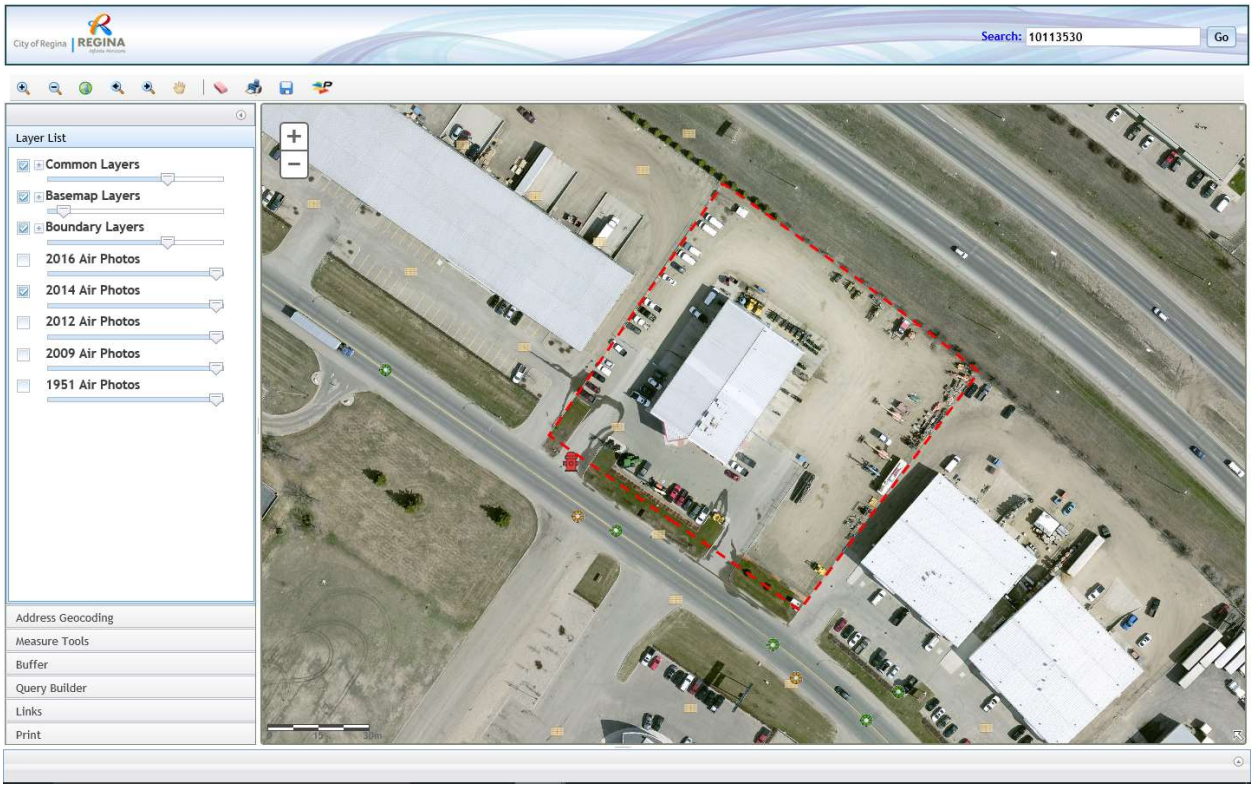


370 N Longman Crescent – 13% site coverage

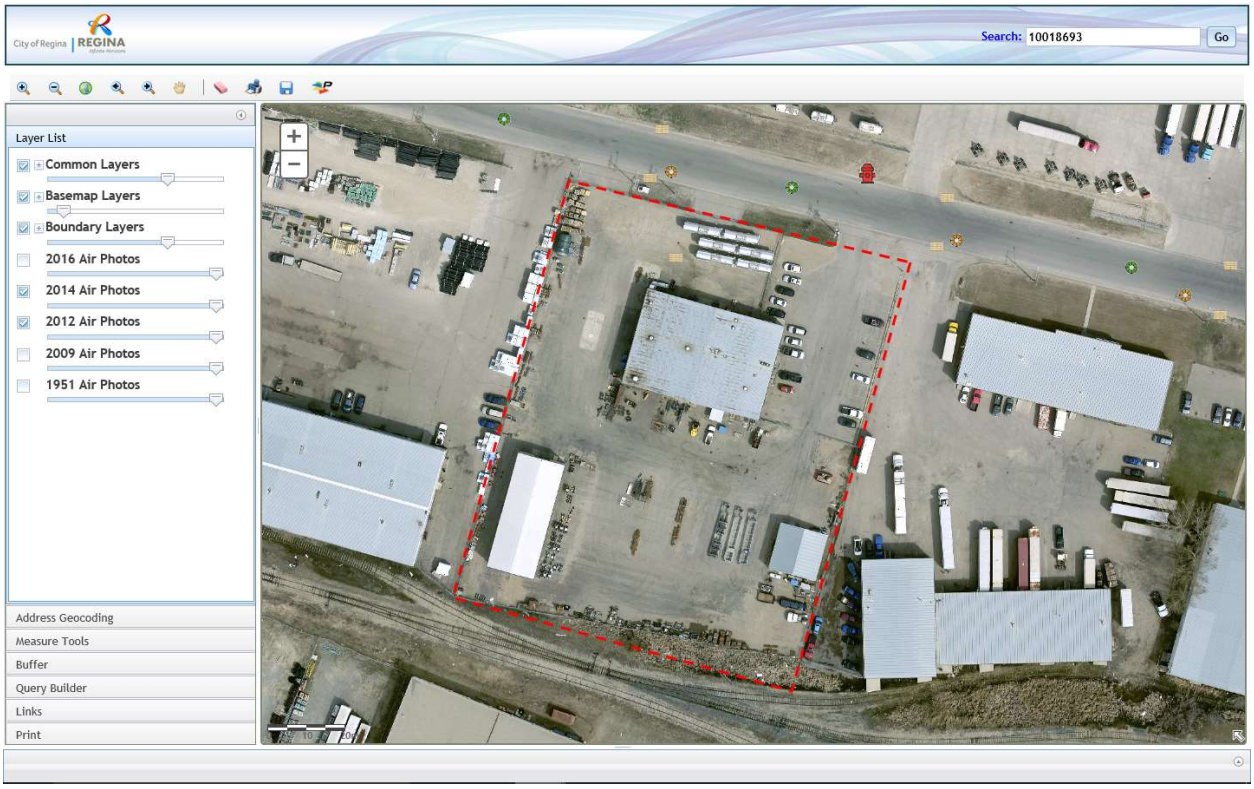
1105 E Pettigrew Avenue – 13% site coverage



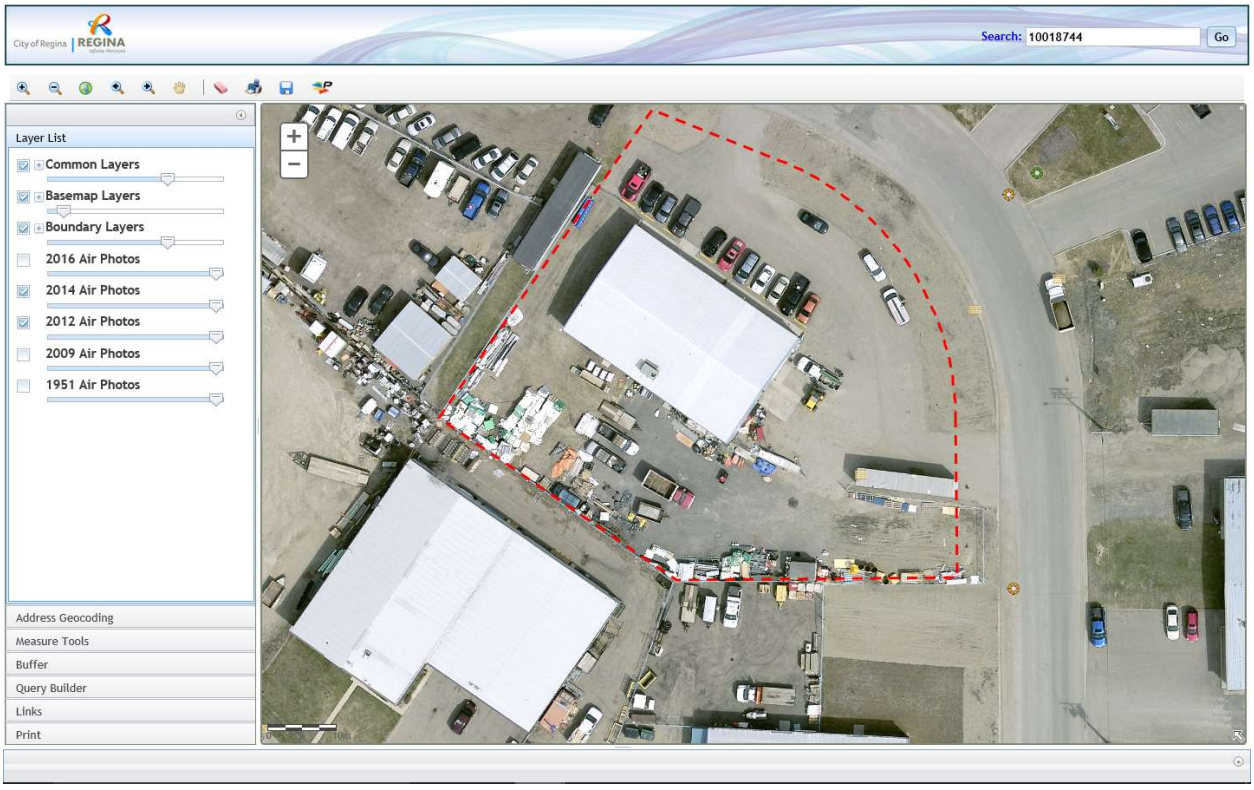
505 Park Street – 13% site coverage



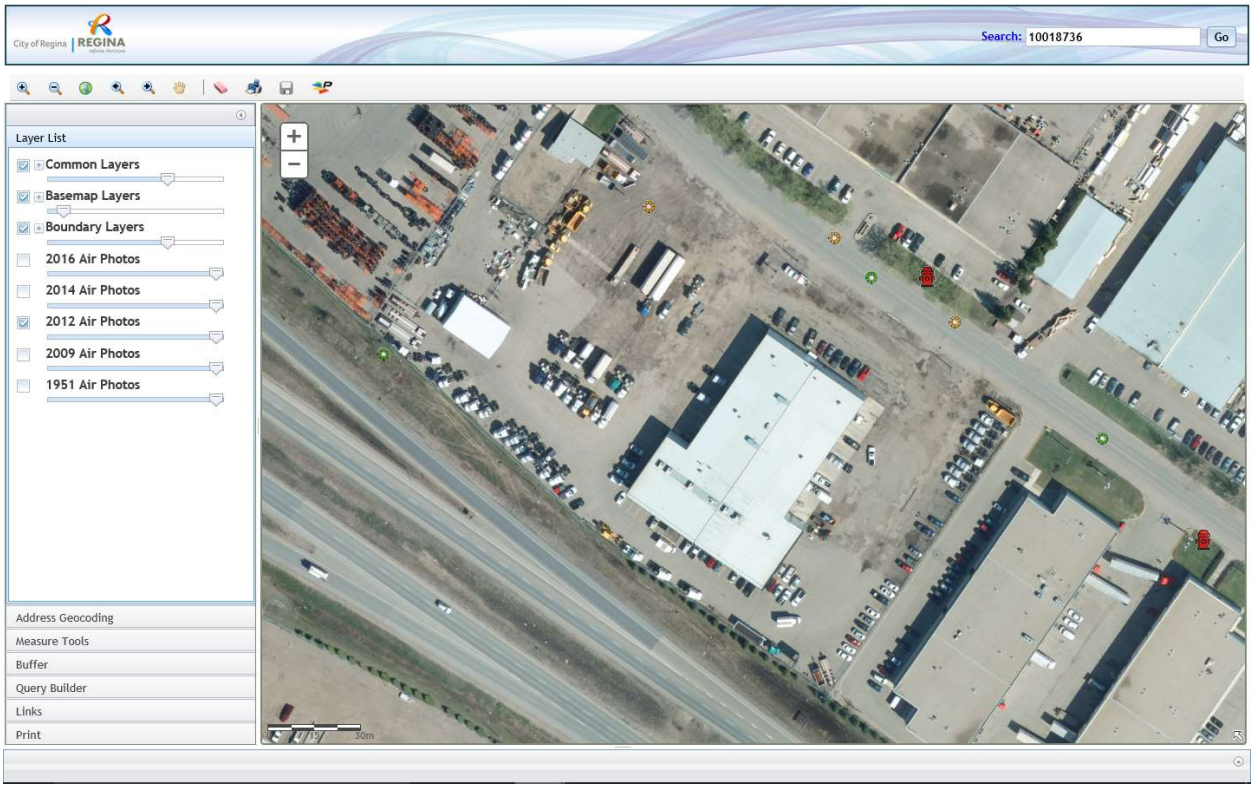
1405 E Pettigrew Avenue – 14% site coverage



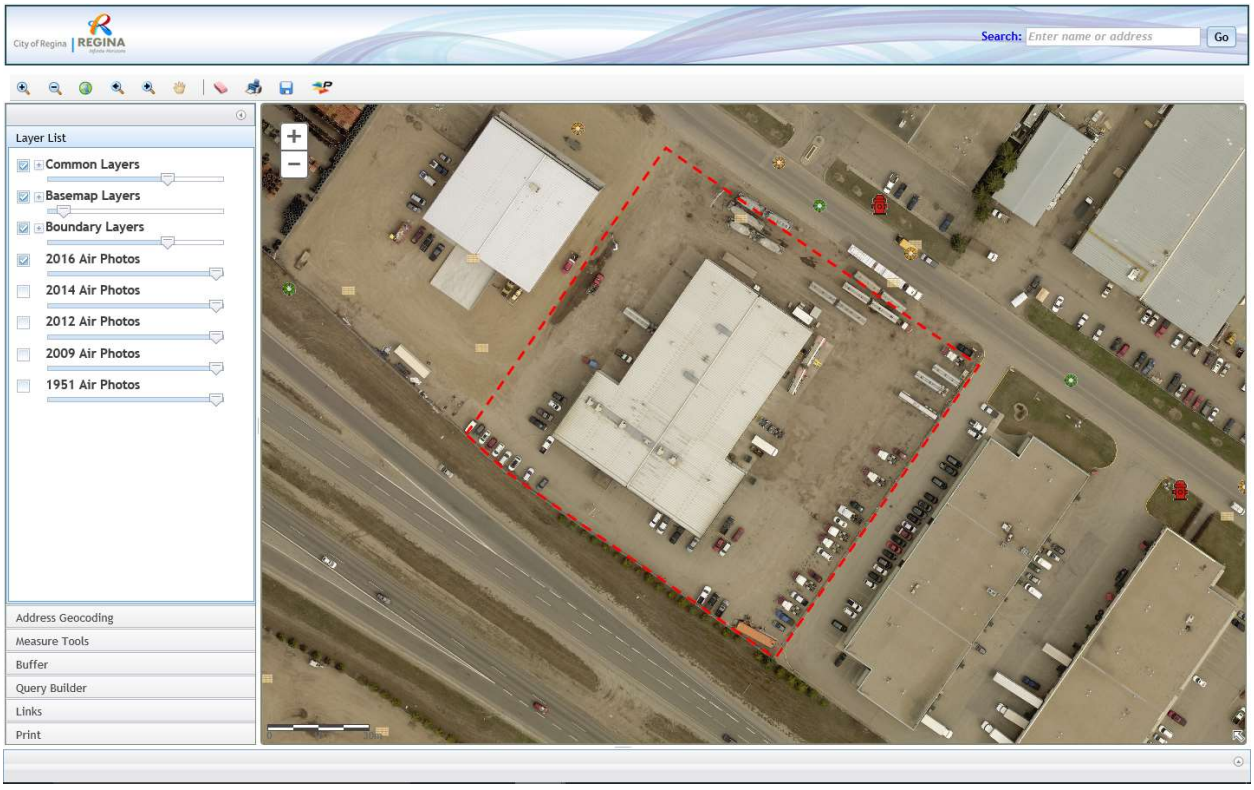
380 Maxwell Crescent – 15% site coverage



705 Henderson Drive – 16% site coverage - time of sale

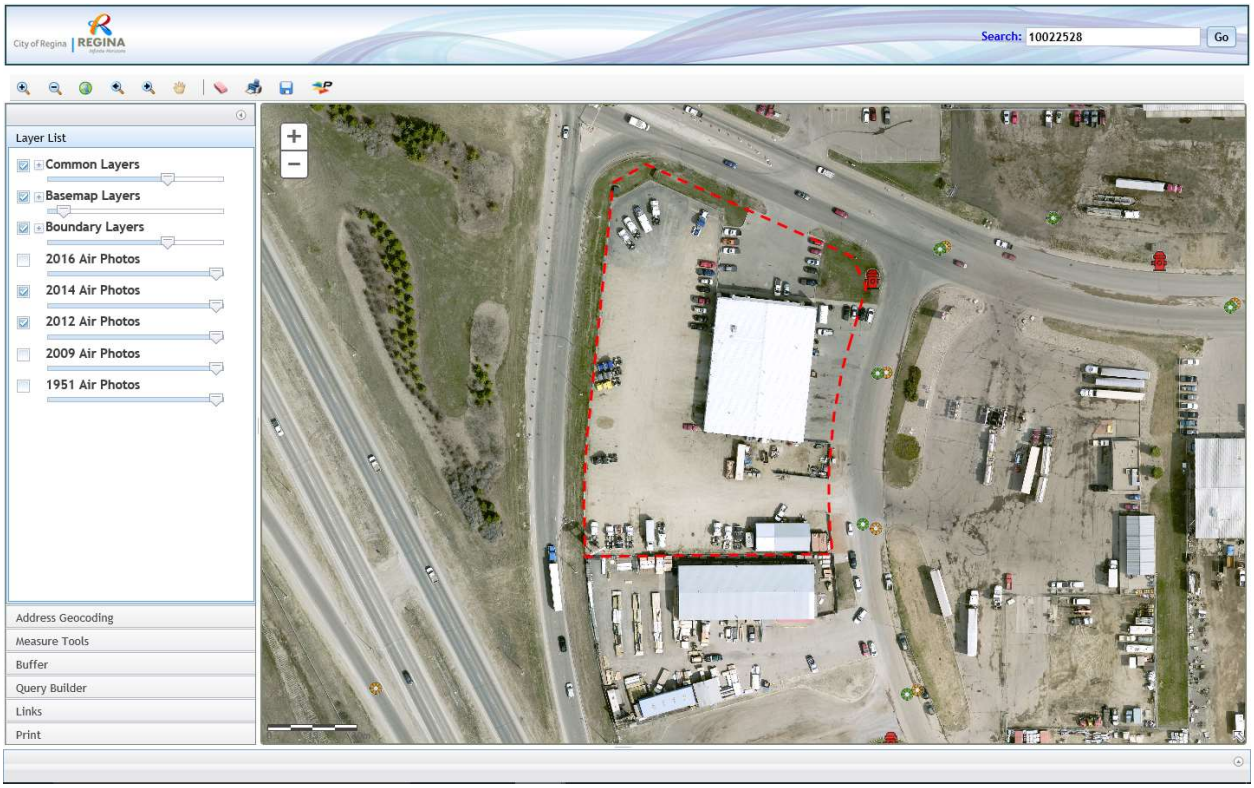


705 Henderson Drive – 24.5% site coverage - current state west portion sold



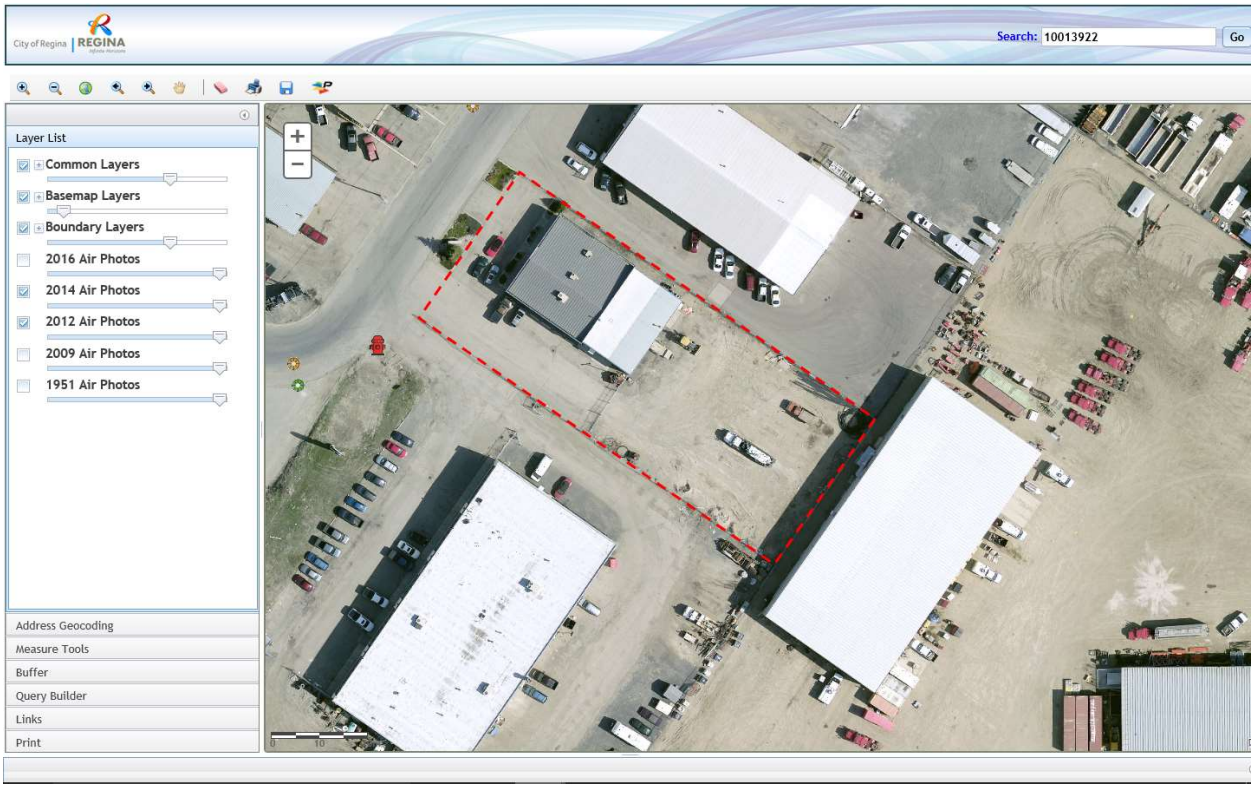
1750 E Macrae Drive – 16% site coverage

1507 E Ross Avenue – 16% site coverage



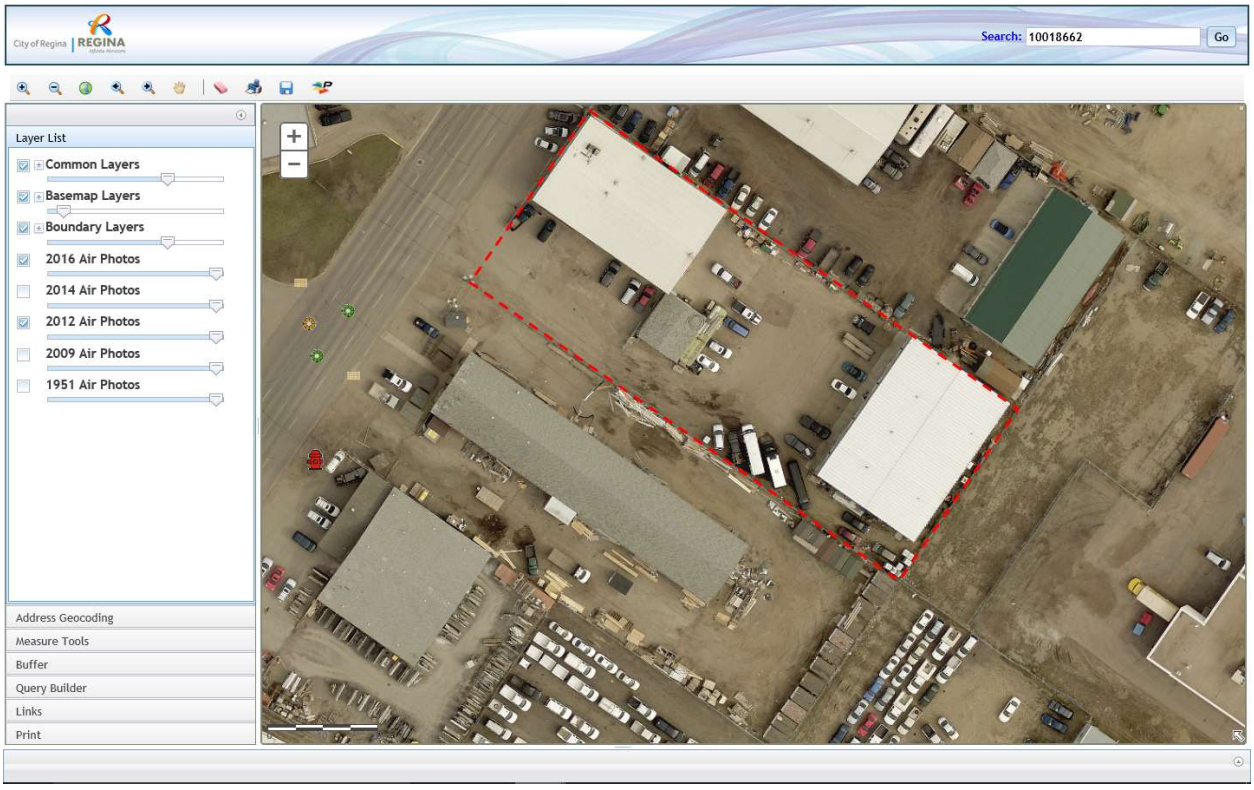
1335 Broader Street – 16% site coverage

290 Hodsman Road – 17% site coverage



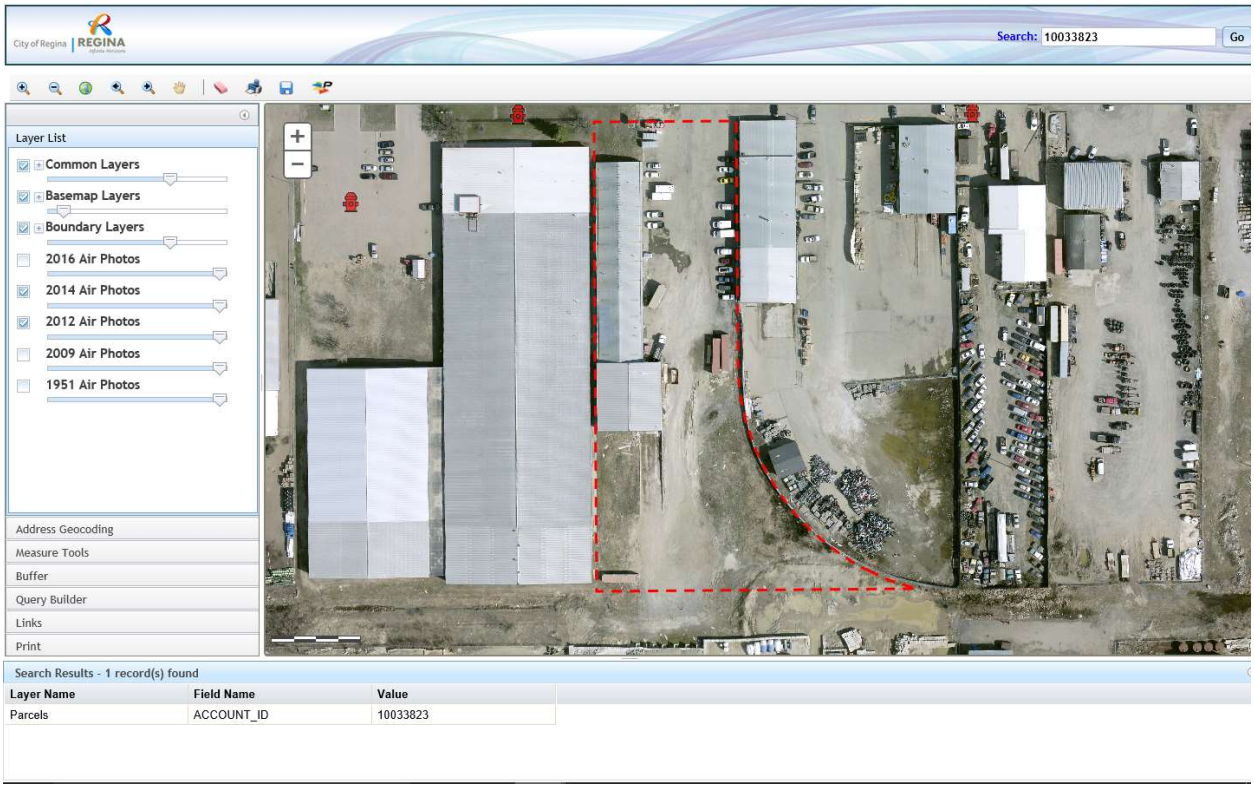
435 McDonald Street – 17% site coverage – time of sale

435 McDonald Street – 35% site coverage – current



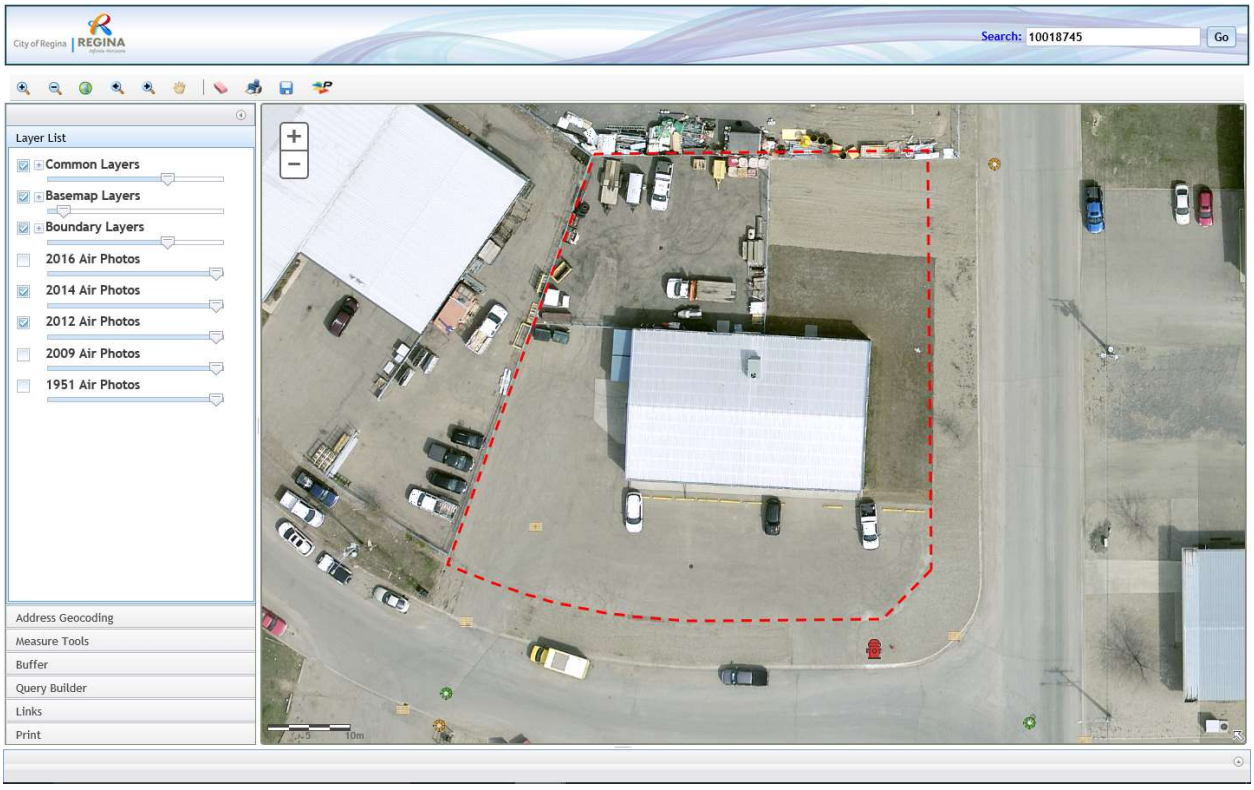
135 6th Avenue – 17% site coverage

305 Dewdney Avenue – 17% site coverage

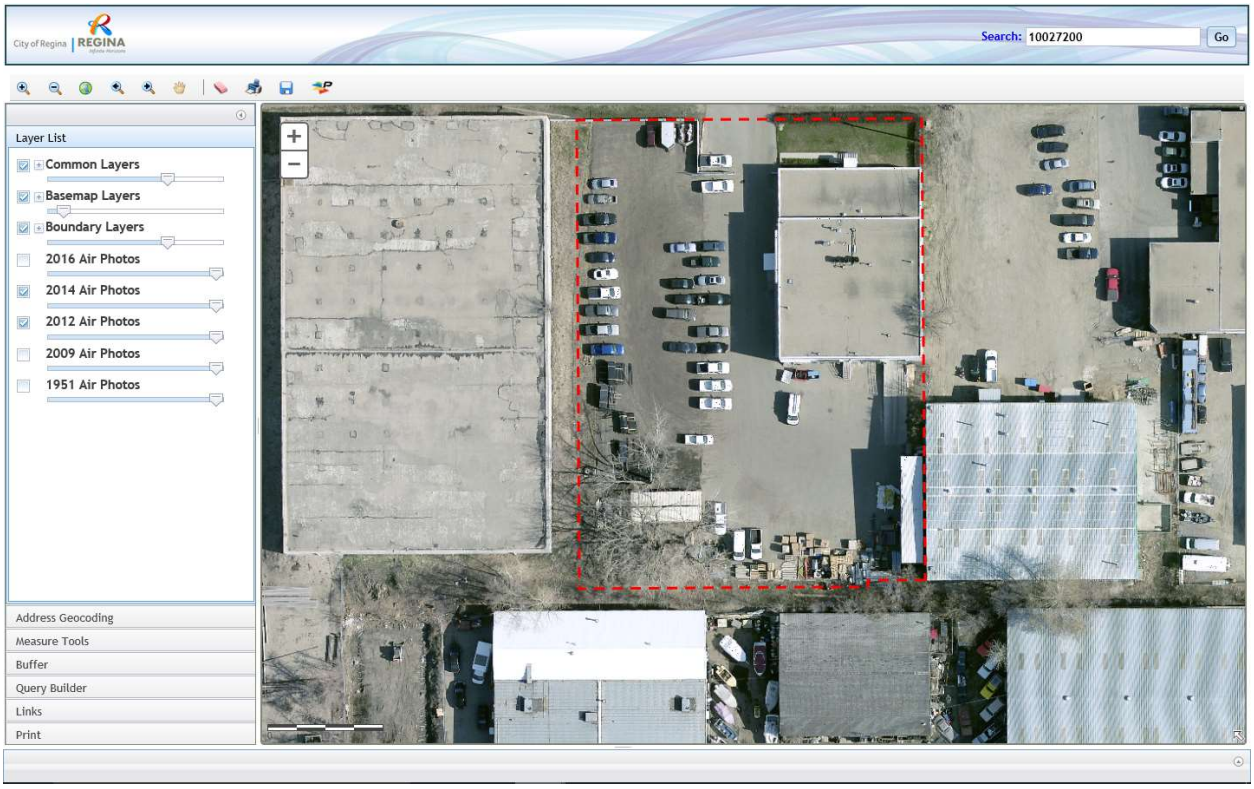


445 Maxwell Crescent – 18% site coverage

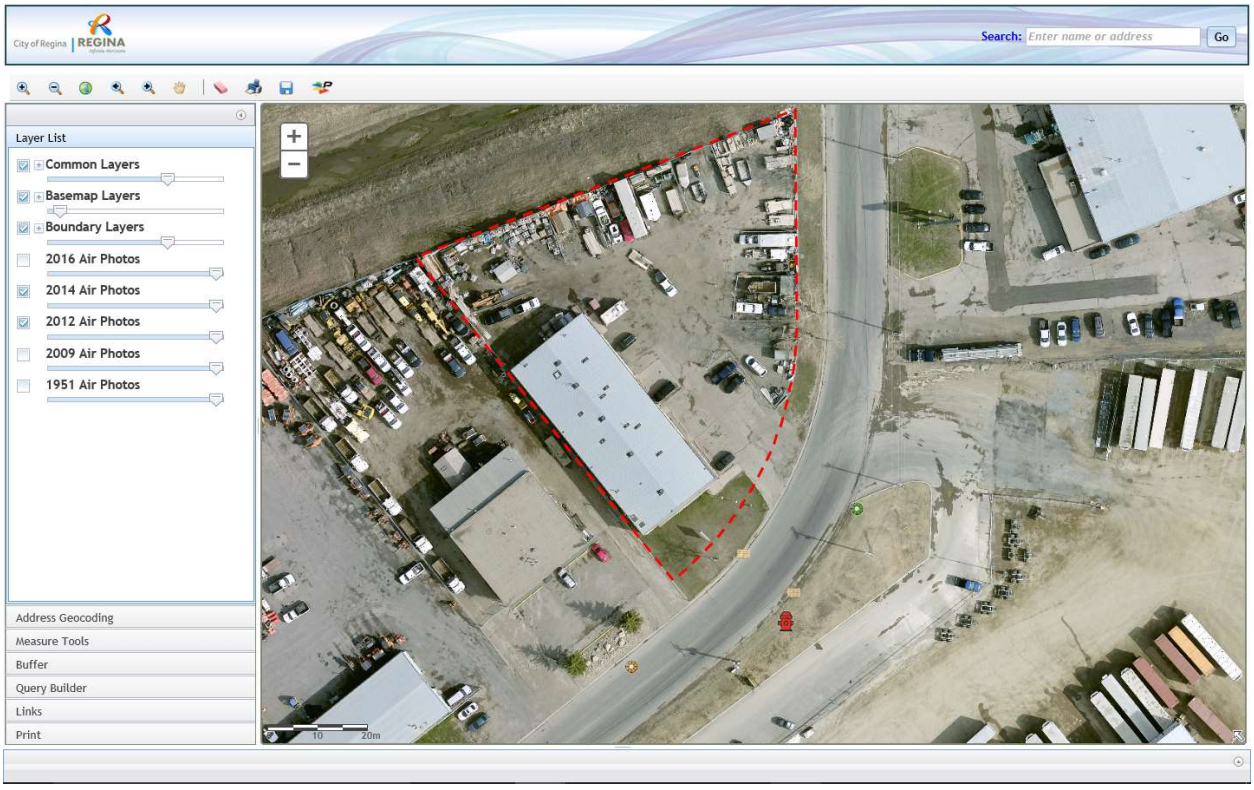
1150 E Weaver Street – 18% site coverage



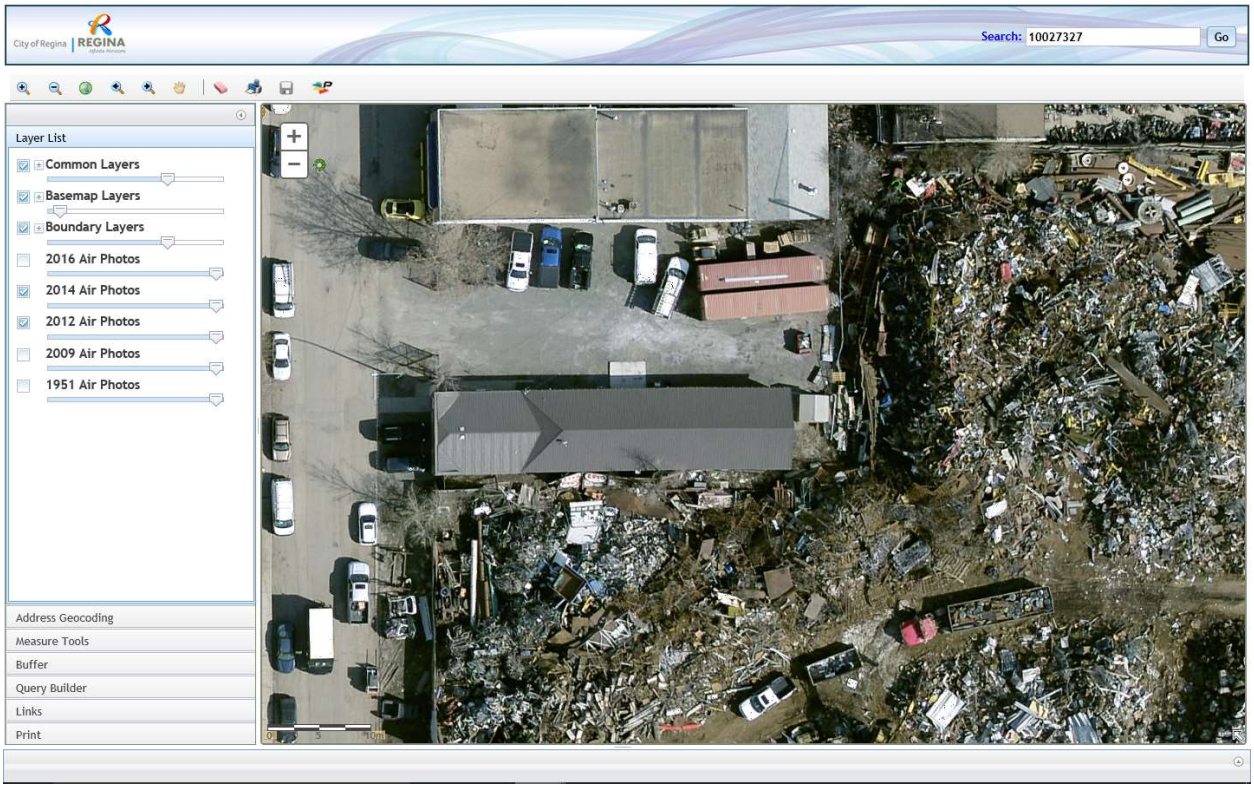
1625 8th Avenue – 18% site coverage



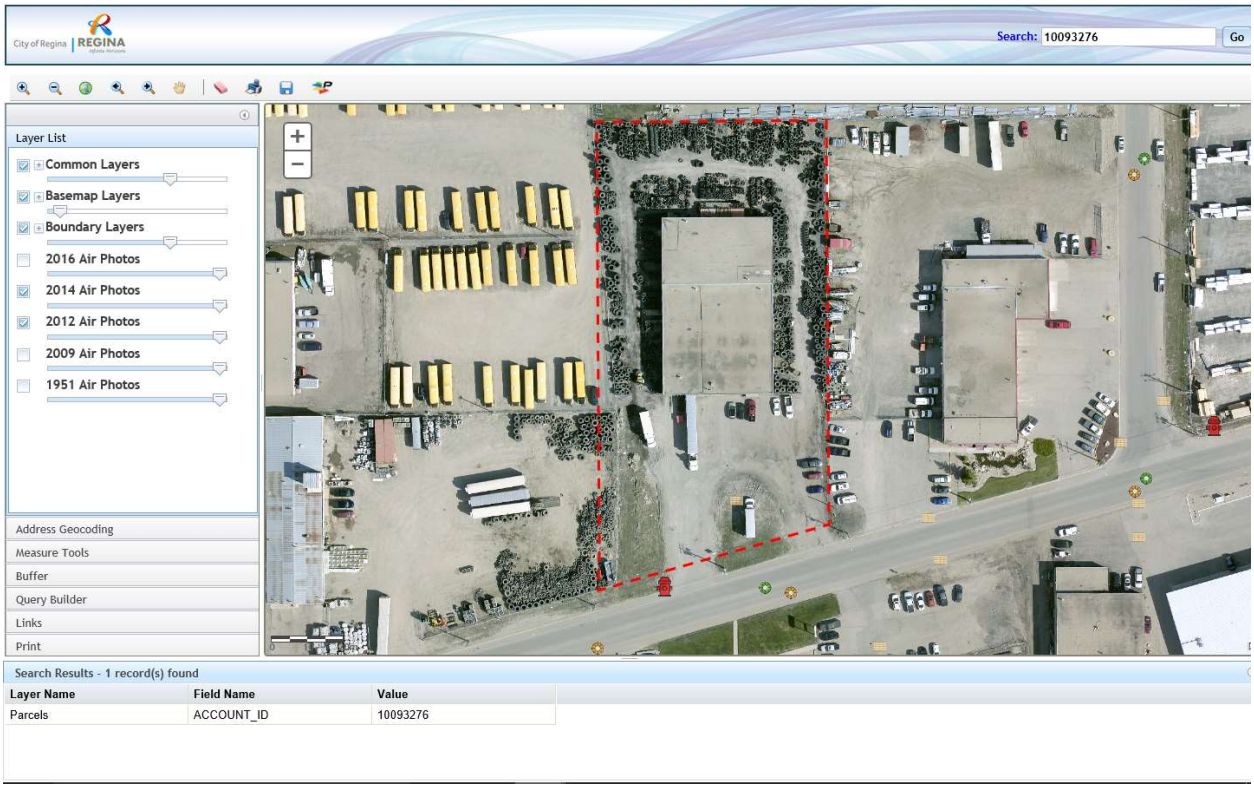
380 Henderson Drive - 19% site coverage



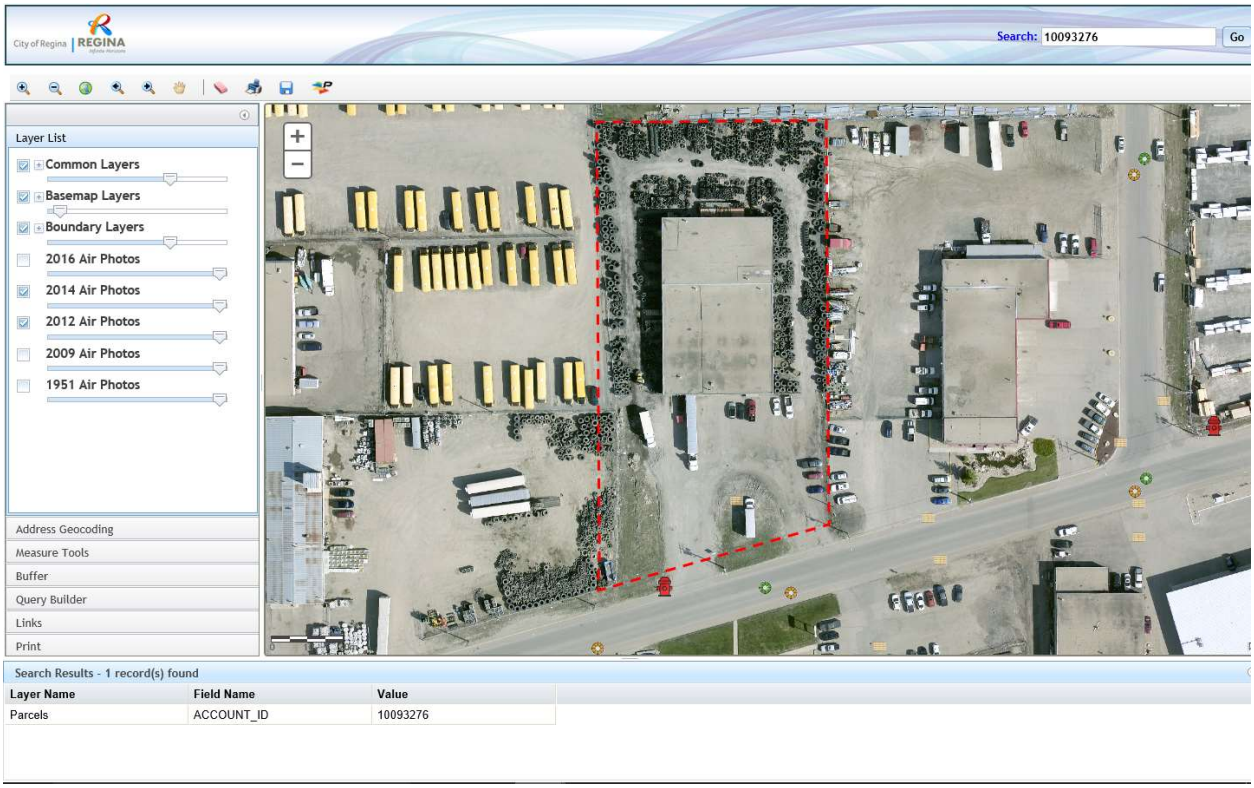
1349 Wallace Street – 19% site coverage



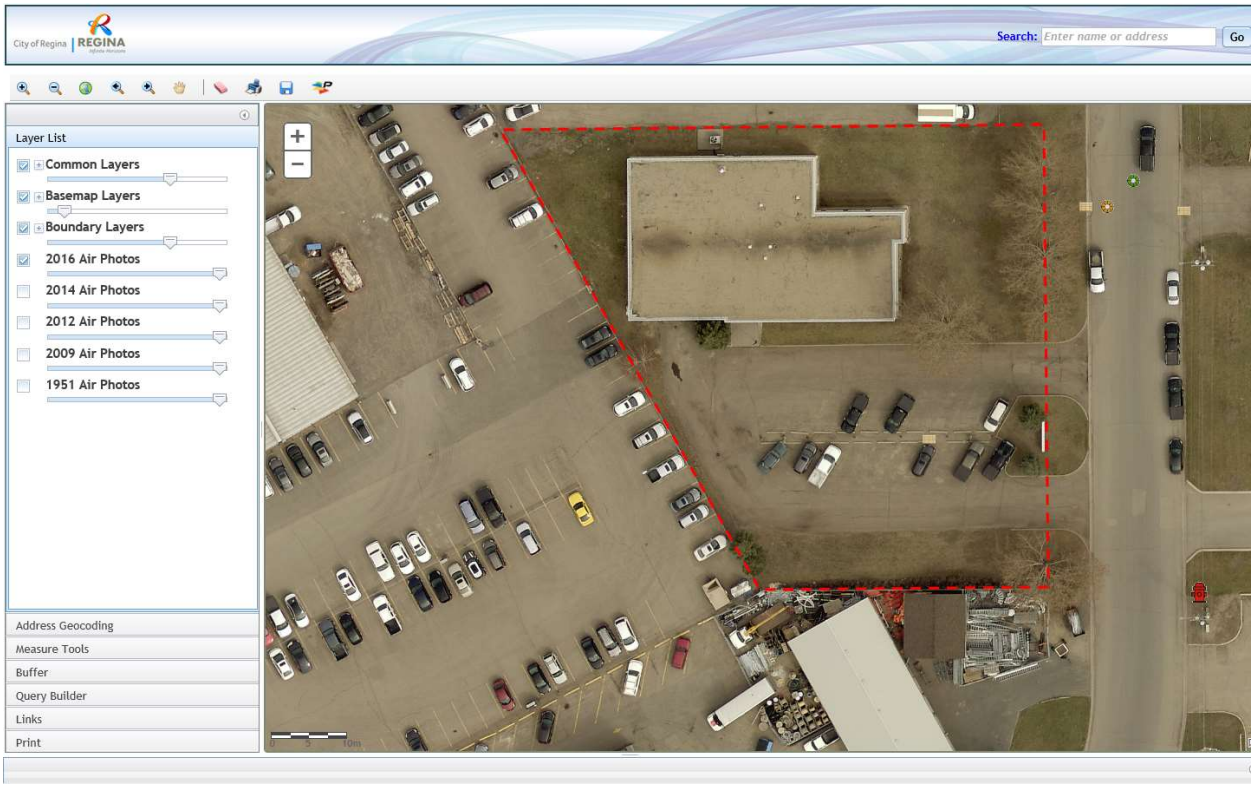
310 E 6th Avenue – 19% site coverage



310 E 6th Avenue – 19% site coverage

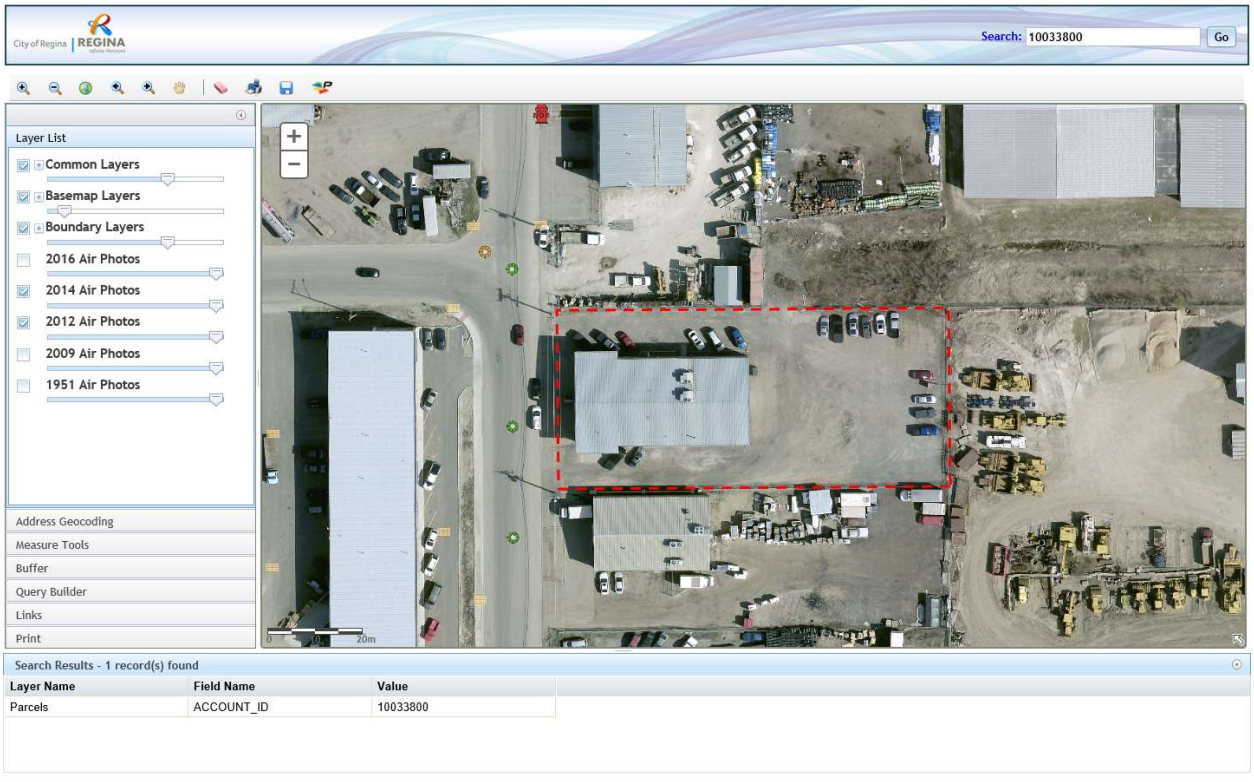


470 Maxwell Crescent – 20% site coverage



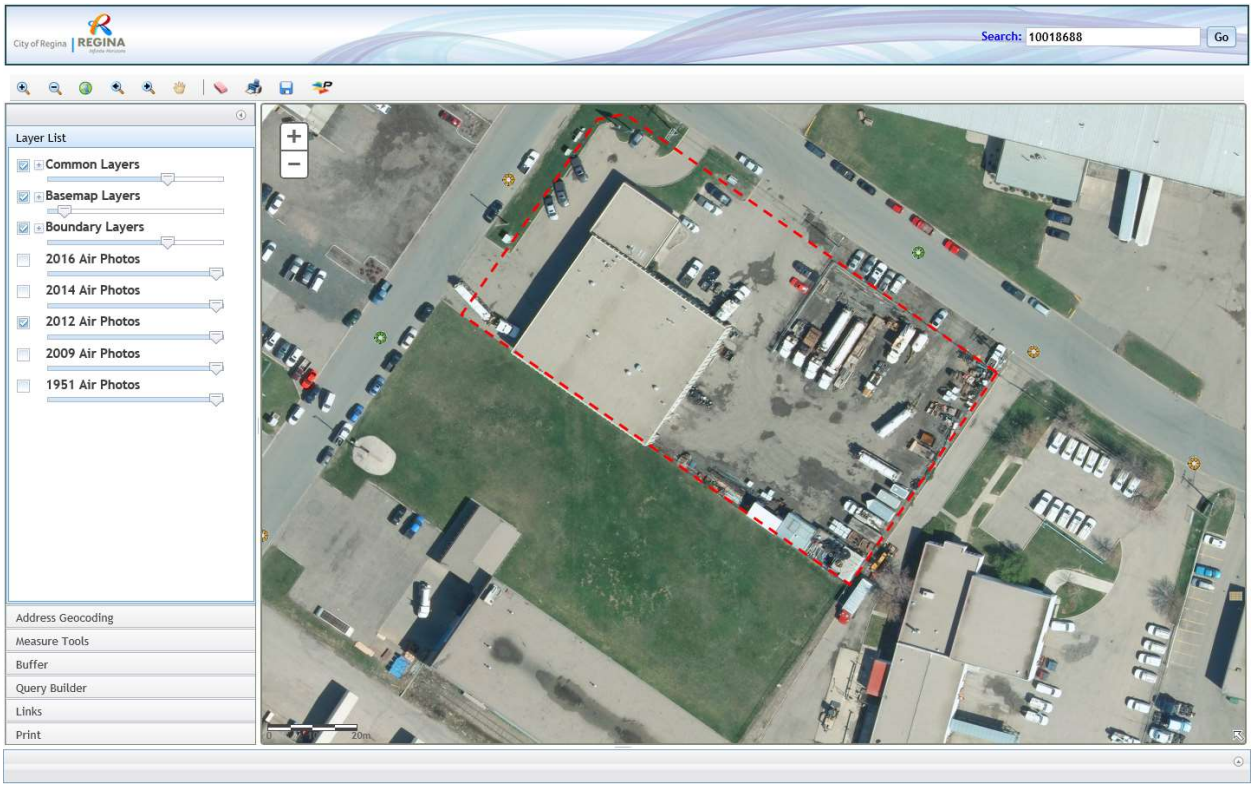
580 E Dewdney Avenue – 20% site coverage

1601 McAra Street – 20% site coverage

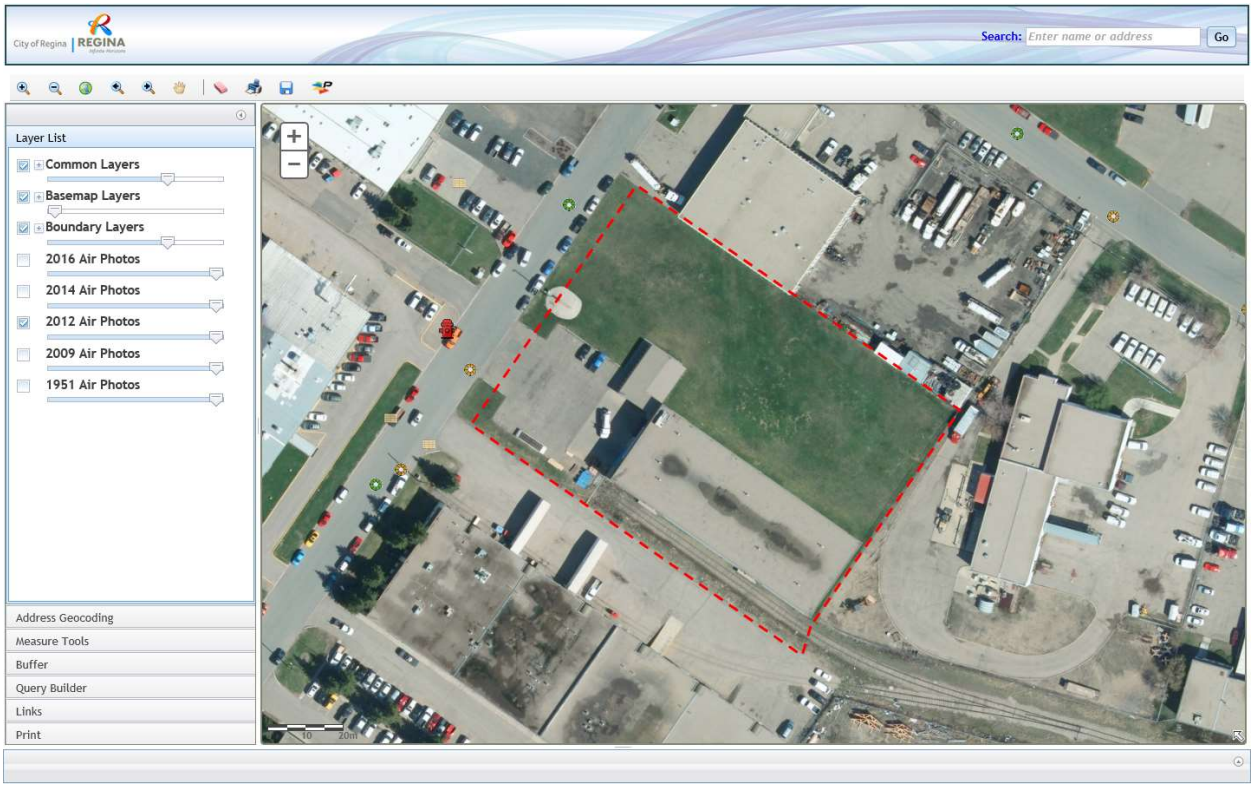


464 Quebec Street – 21% site coverage

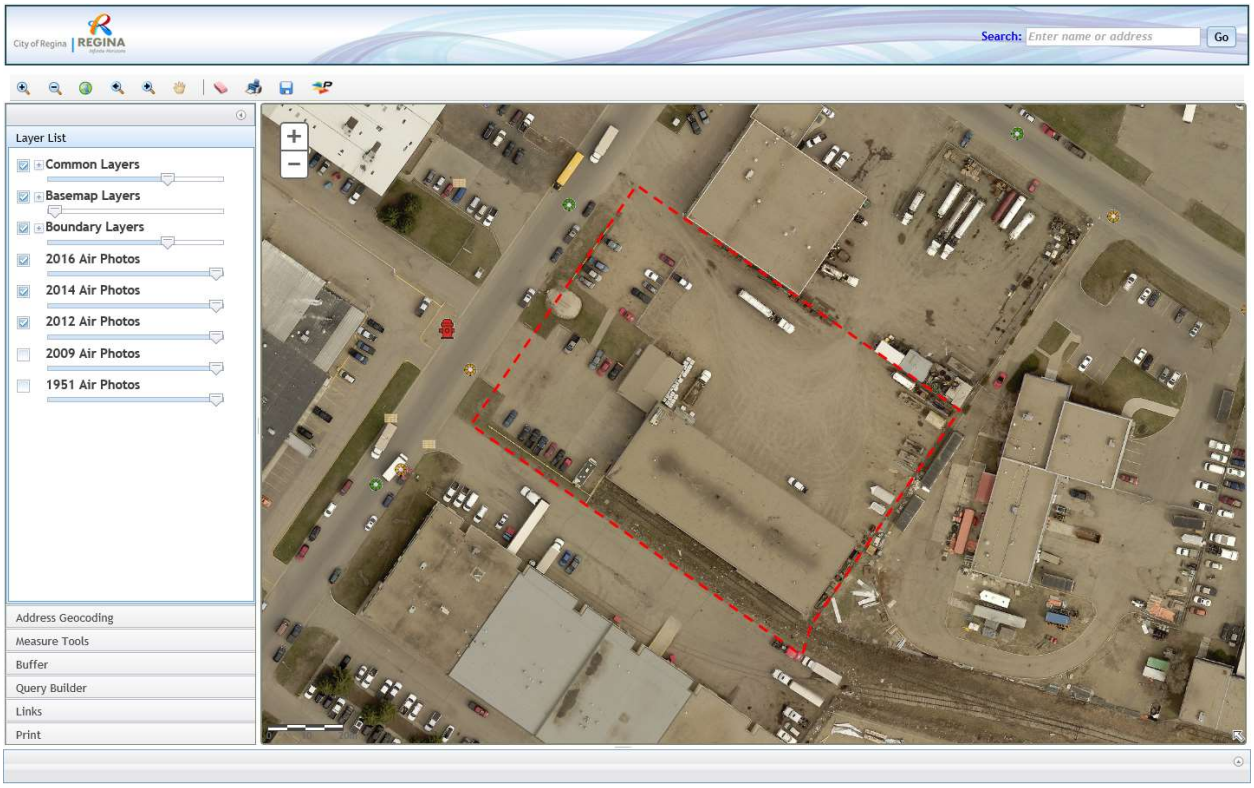
909 E Pettigrew Avenue – 21% site coverage



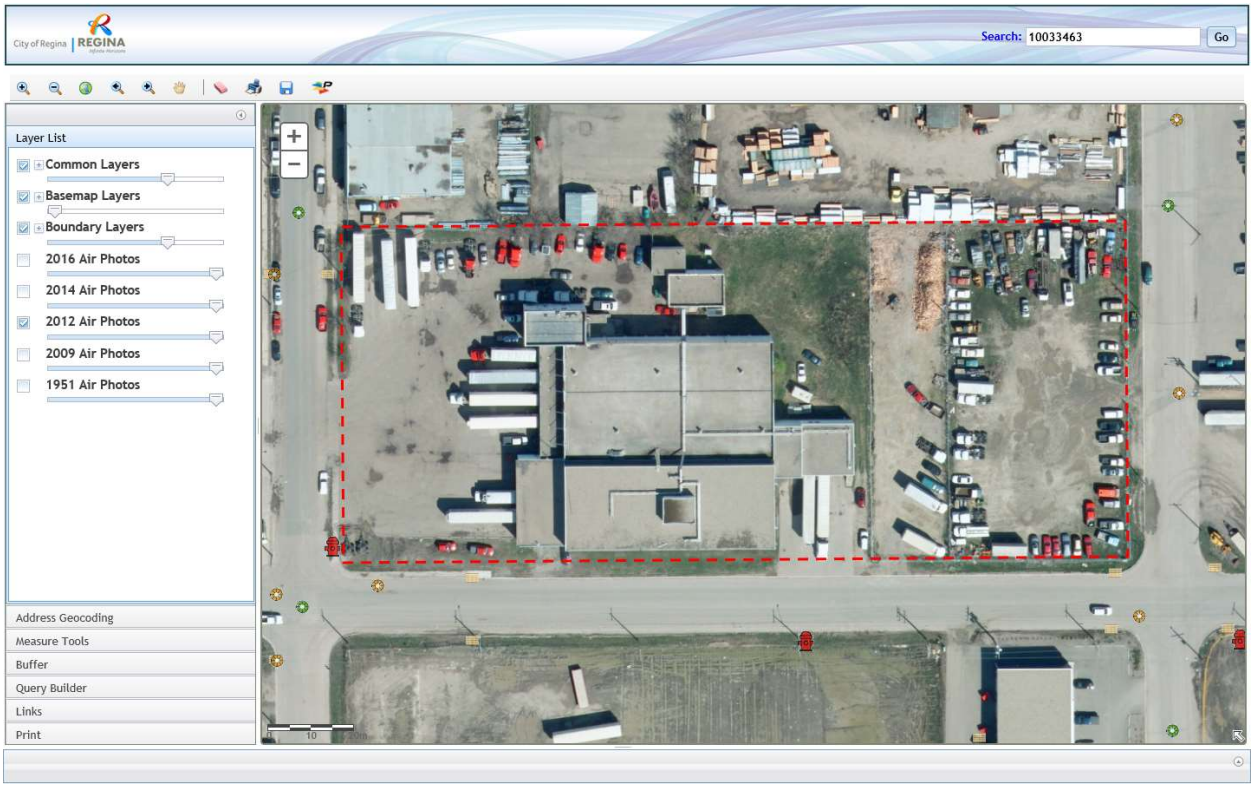
205 N Leonard Street – 21% site coverage – time of sale



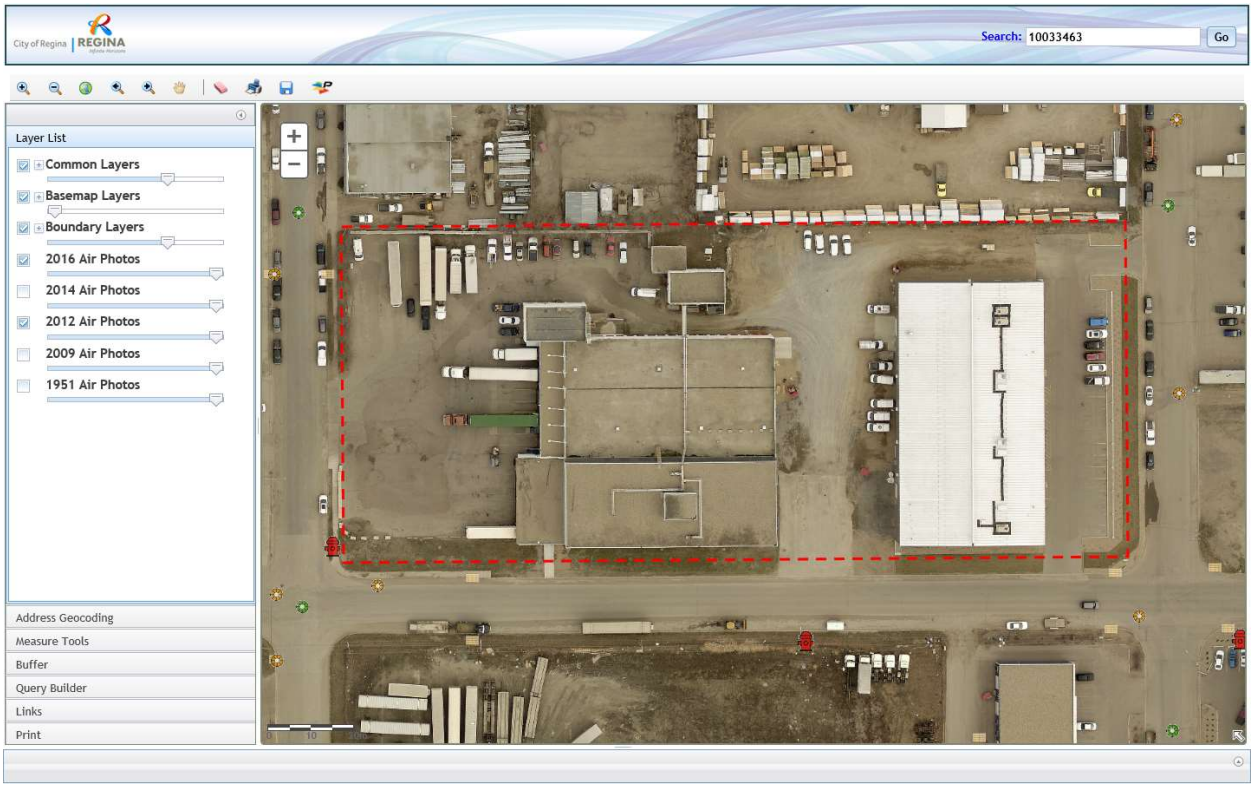
205 N Leonard Street – 21% site coverage – current



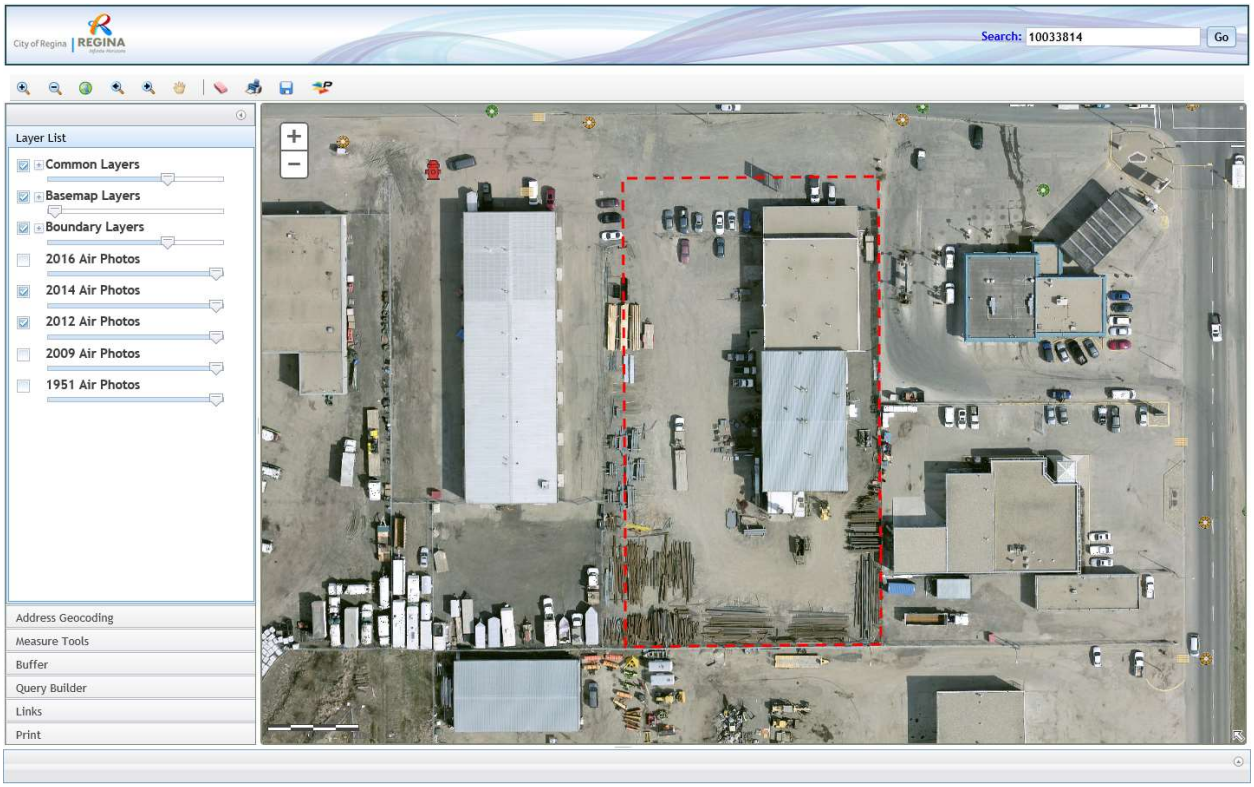
1575 Elliott Street – 21% site coverage – time of sale



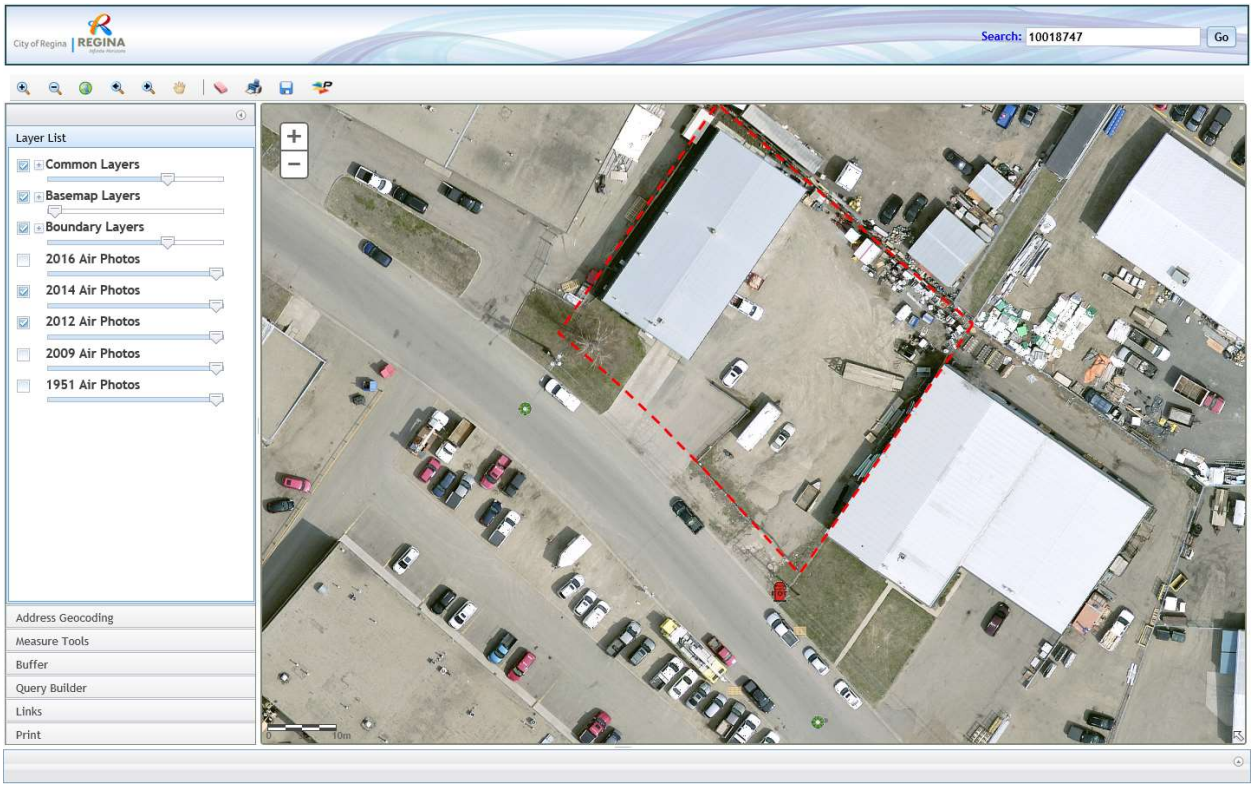
1575 Elliott Street – 34% site current - current



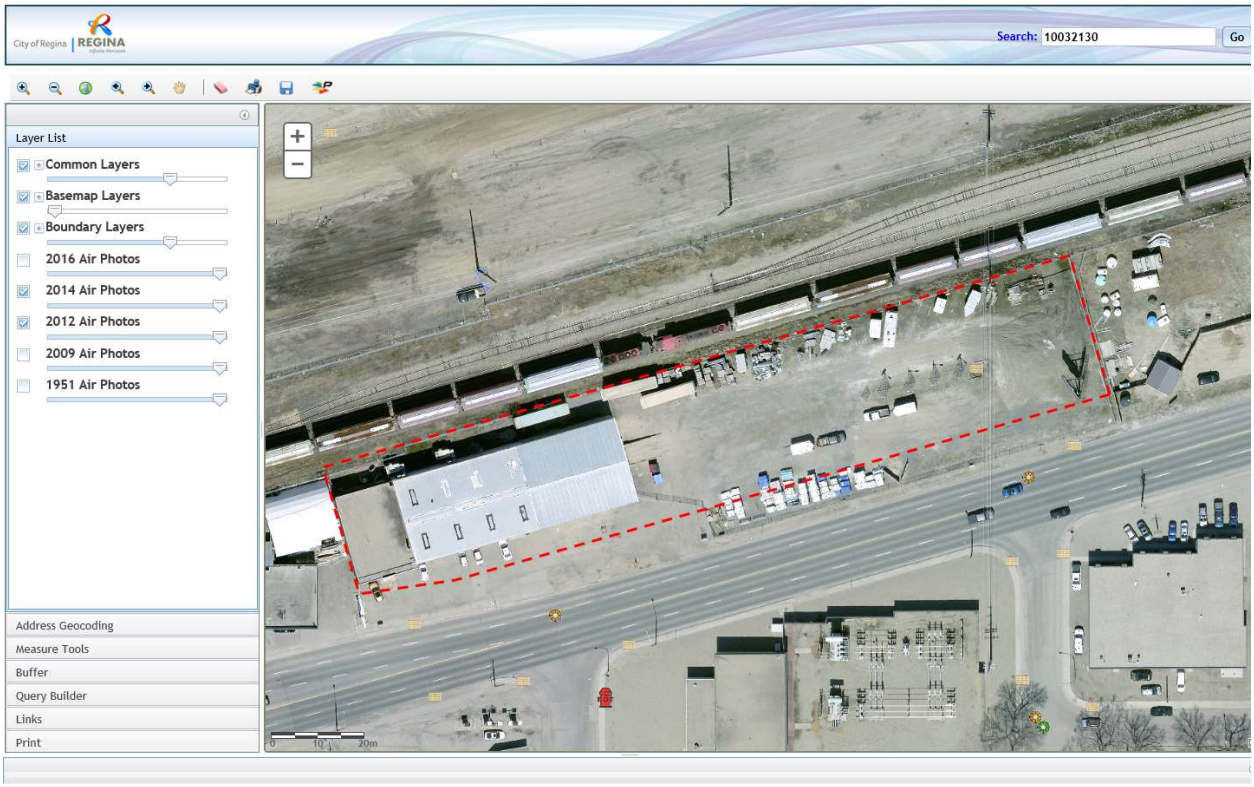
715 E Dewdney Avenue – 21% site coverage



1130 E Weaver Street – 22% site coverage



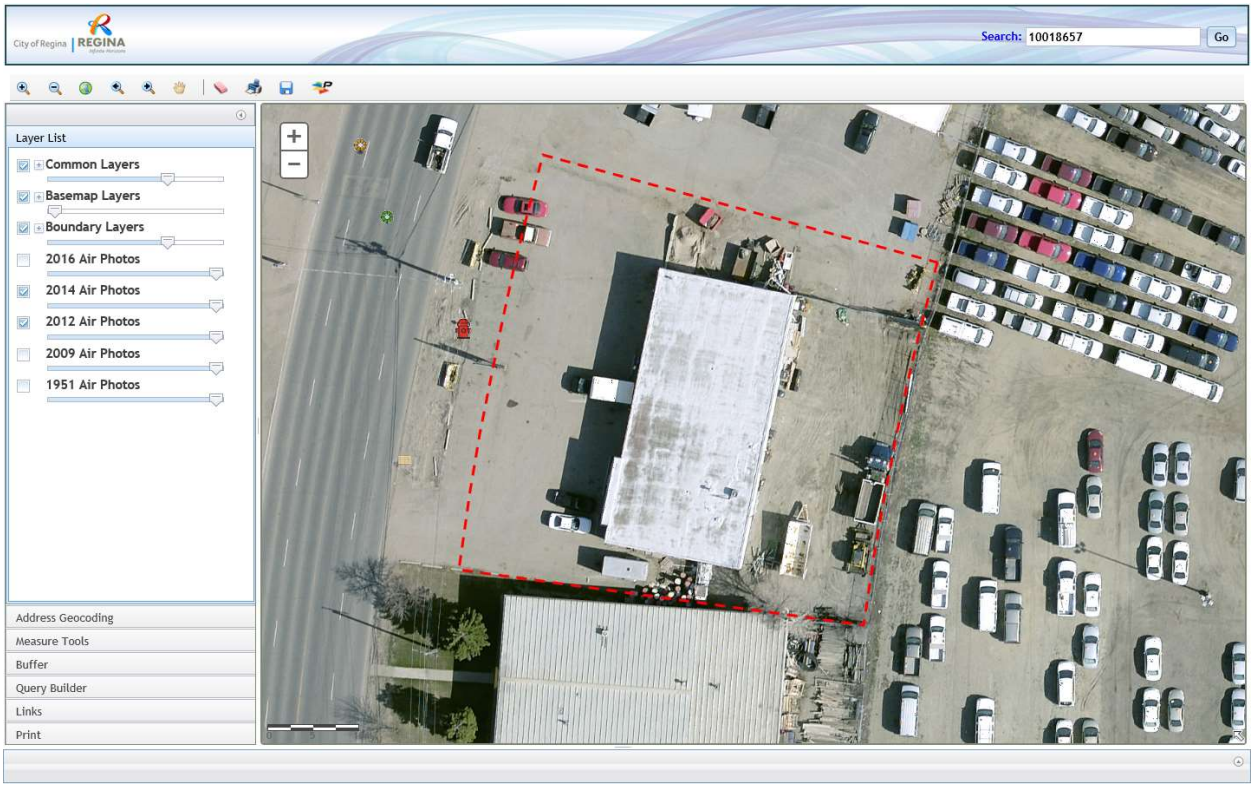
3426 Saskatchewan Drive – 22% site coverage



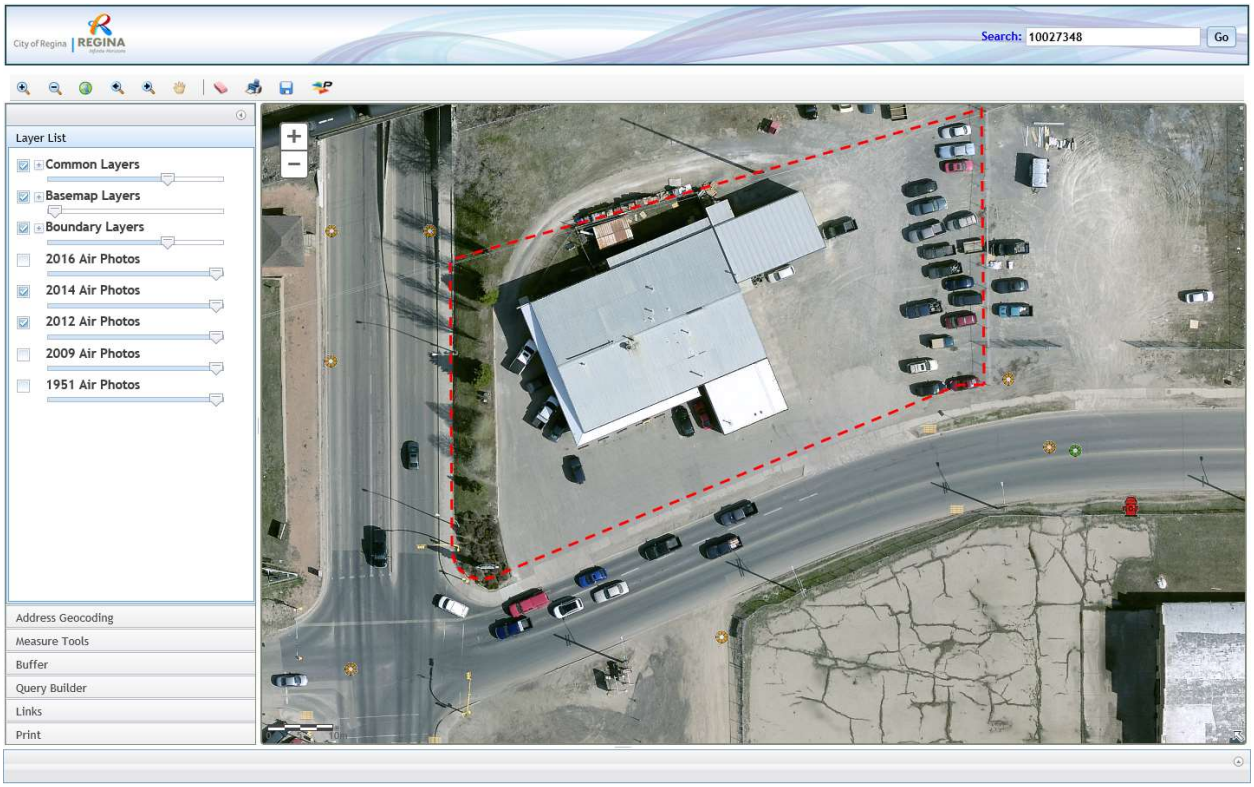
264 E 1st Avenue – 22% site coverage

602 Dewdney Avenue – 22% site coverage

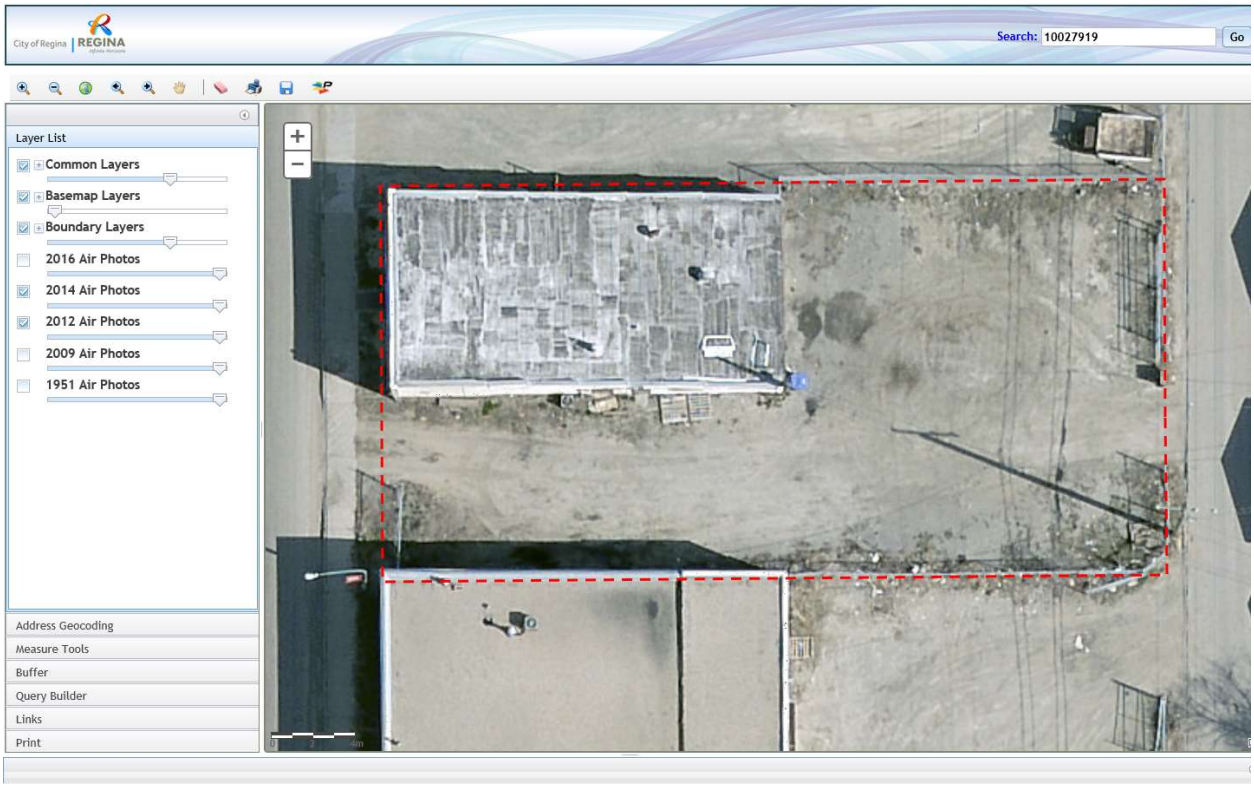
515 McDonald Street – 23% site coverage



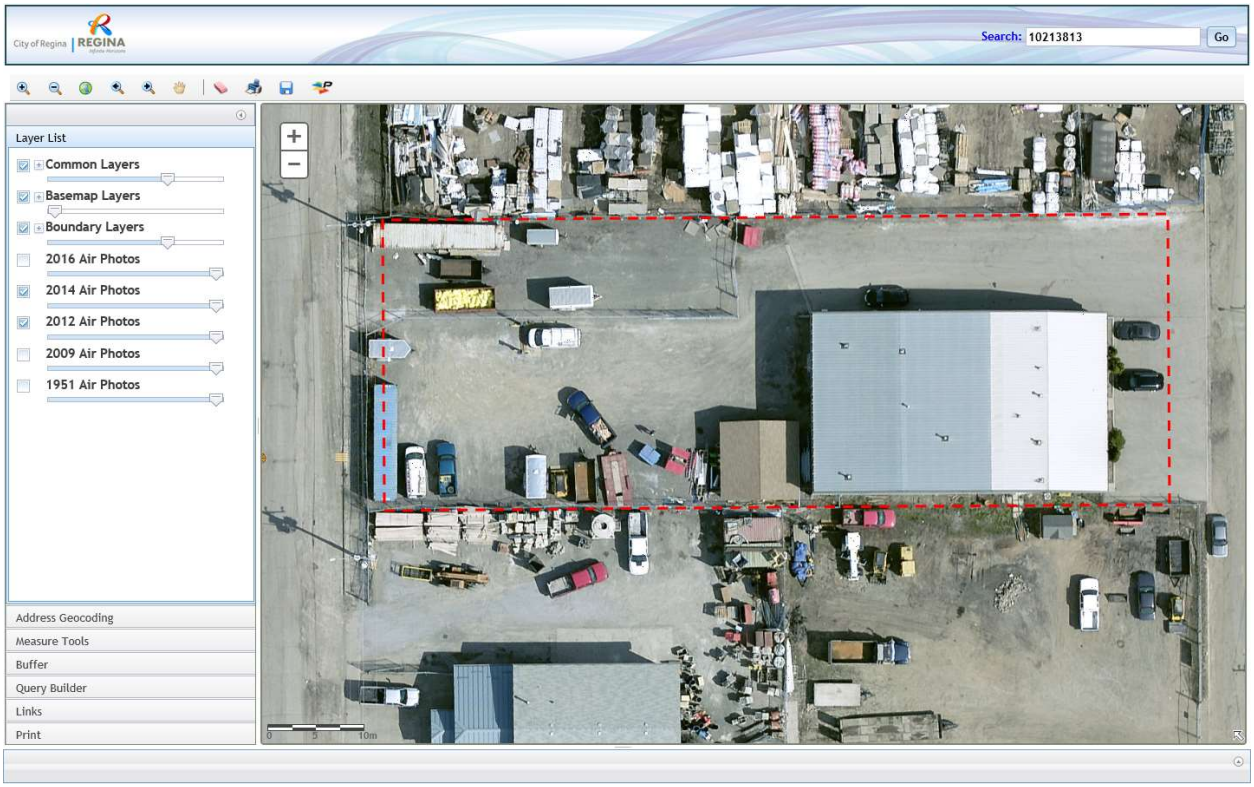
980 Dewdney Avenue – 24% site coverage



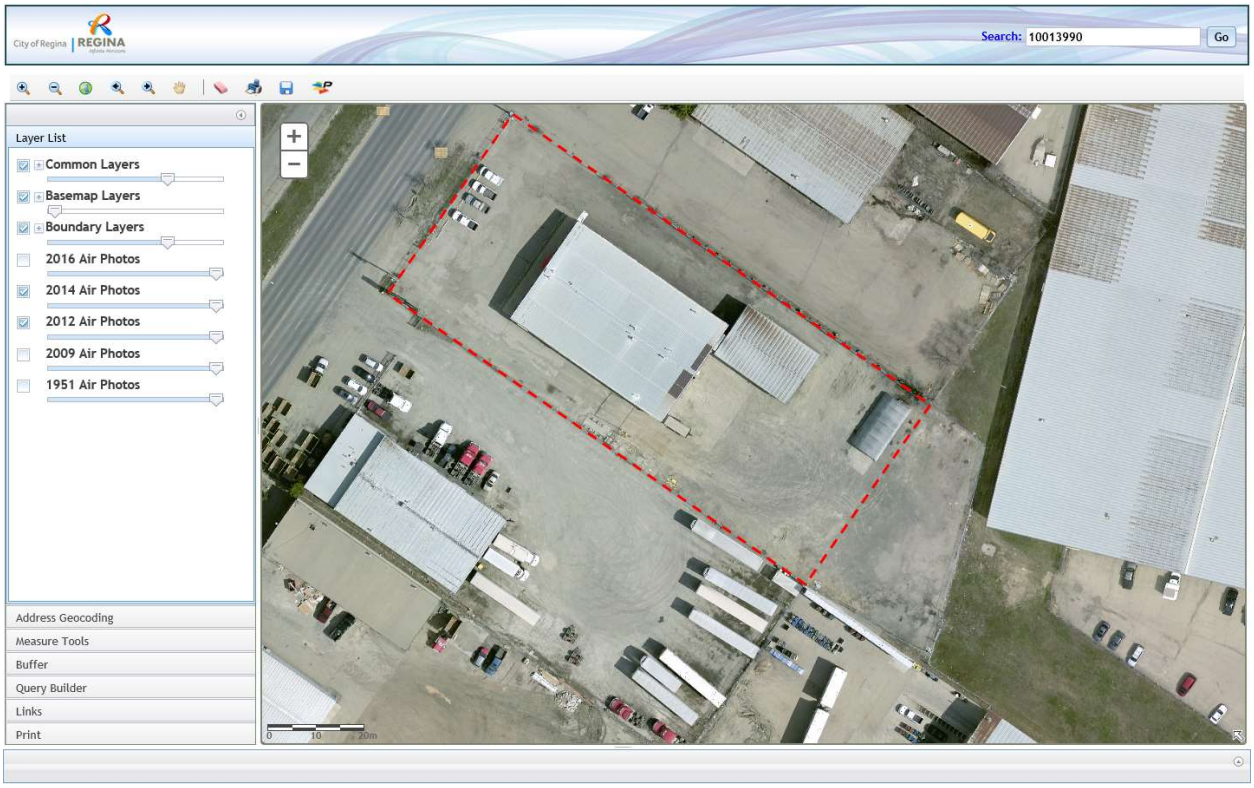
1025 Winnipeg Street – 24% site coverage



1660 Reynolds Street – 25% site coverage



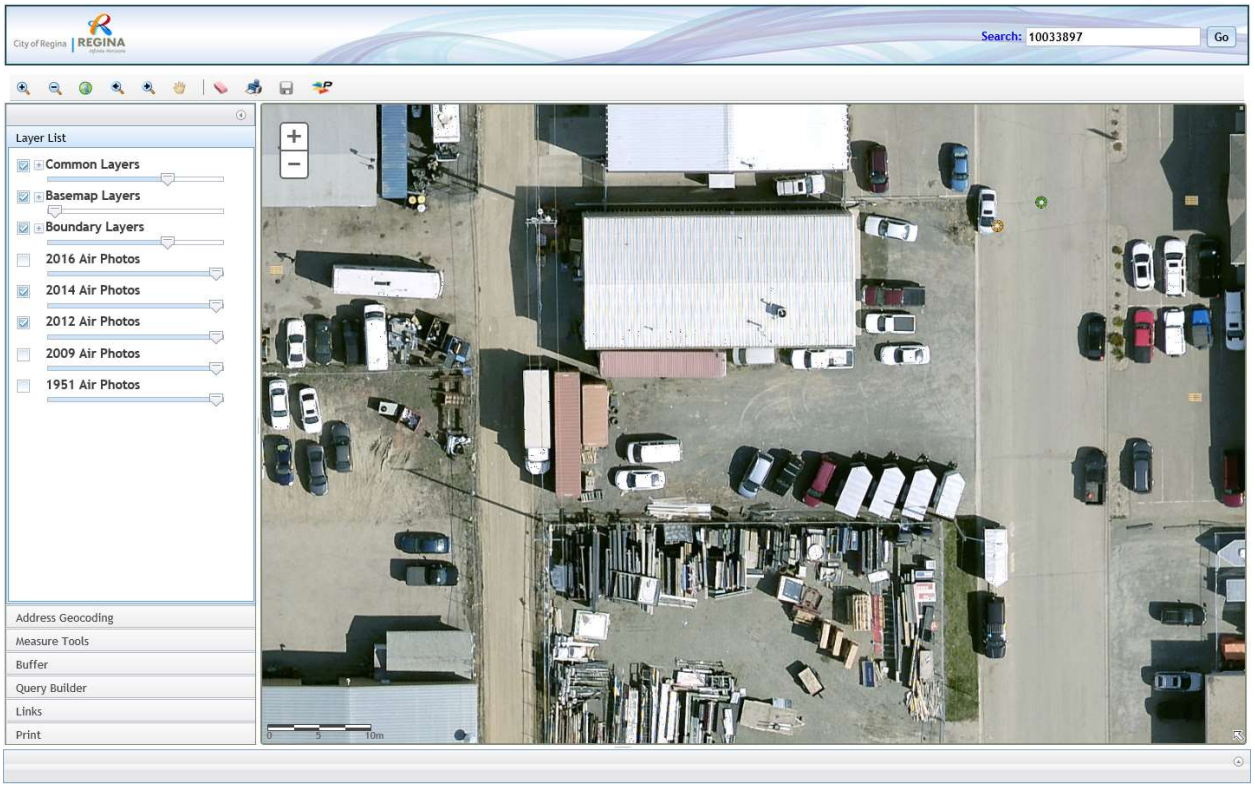
235 N McDonald Street – 25% site coverage



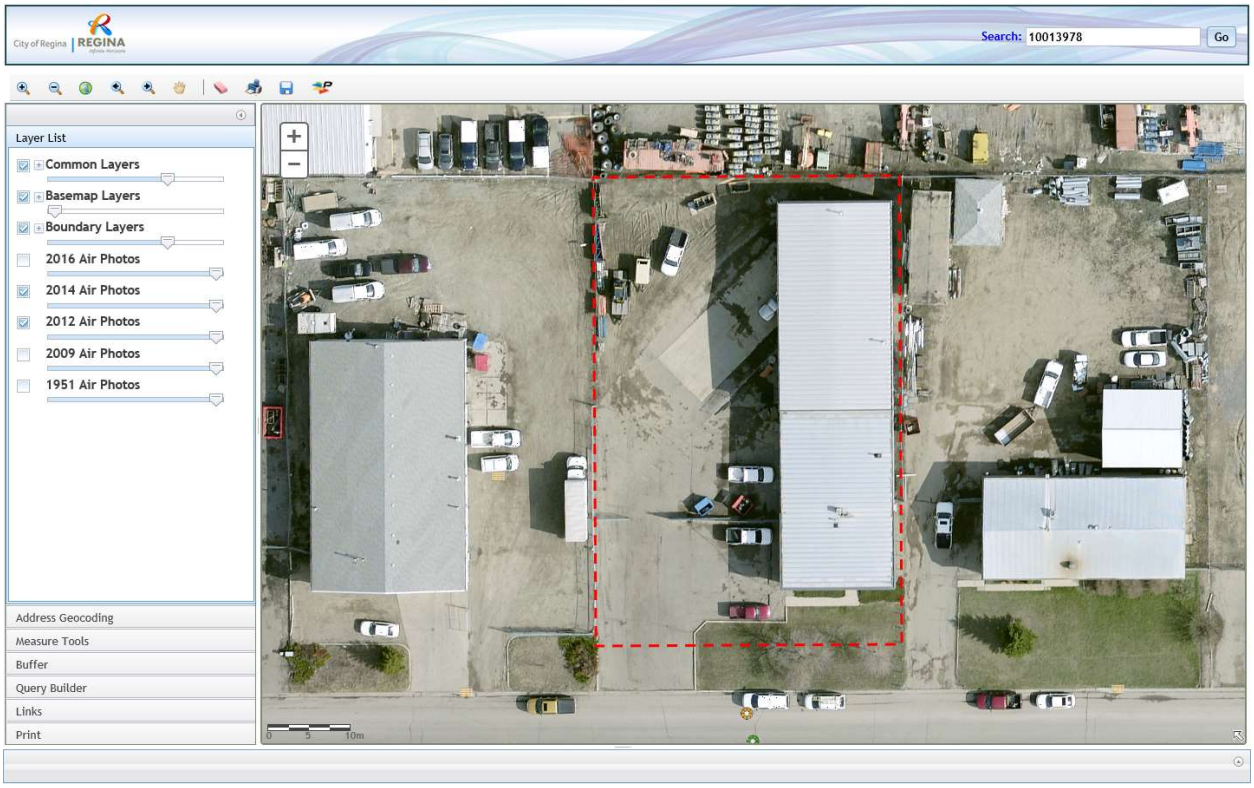
1 to 7 – 1801 E Turvey Road – 26% site coverage

620 Angus Street – 27% site coverage

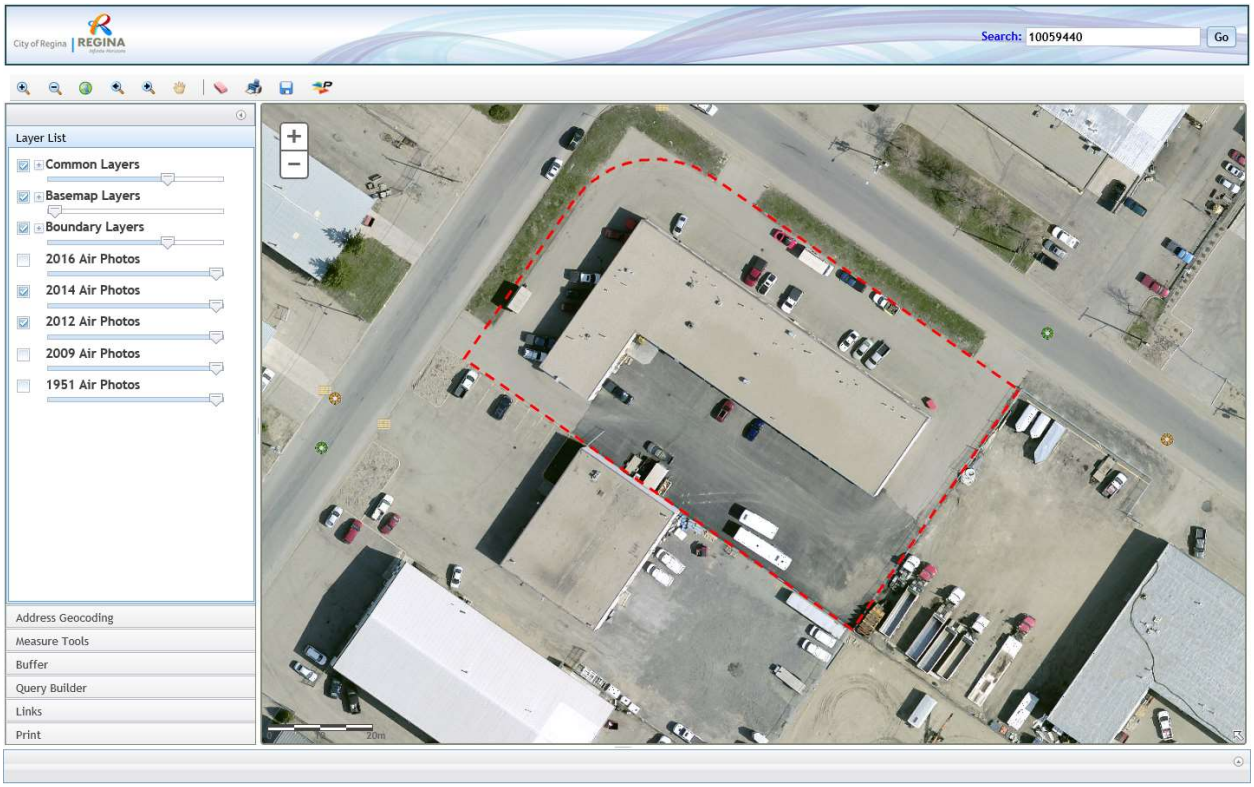
1842 MacKay Street – 27% site coverage



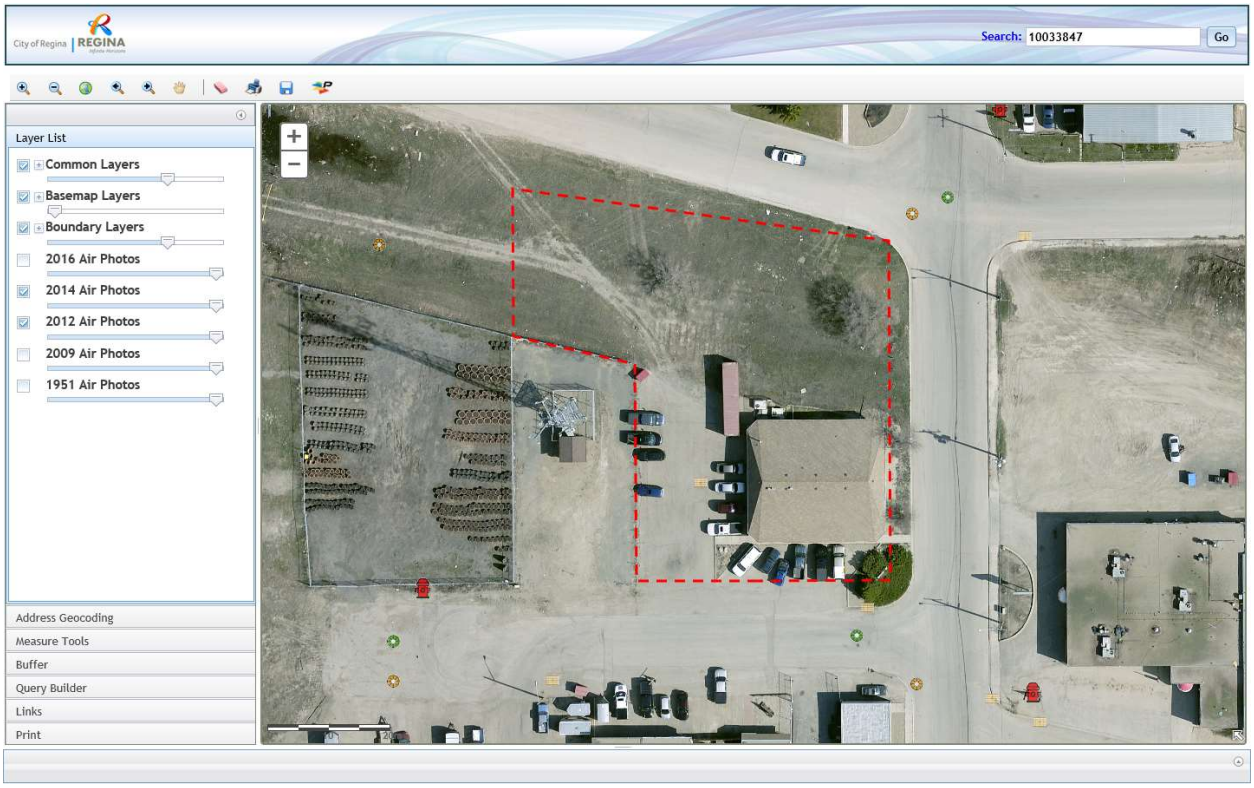
350 N Longman Crescent – 28% site coverage



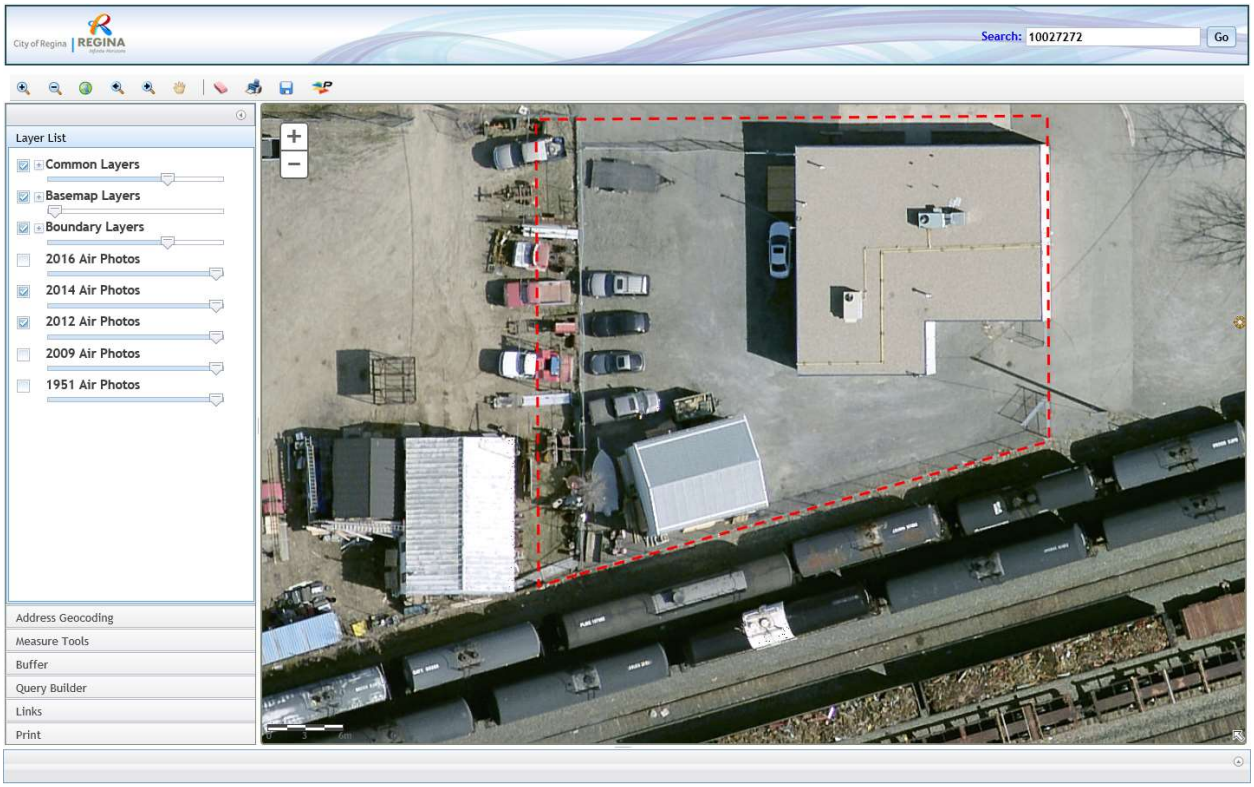
127, 129 and 332 Hodsman Road – 28% site coverage



1920 McAra Street – 29% site coverage



215 7th Avenue – 29% site coverage



84 pages removed as non responsive

Non Responsive

Appeal No.: 28100/2017
2216E EMMETT HALL ROAD
10169644

CITY OF REGINA
BOARD OF REVISION

Between:

FEDERATED CO-OPERATIVES LIMITED

APPELLANT

- and -

THE ASSESSOR OF
THE CITY OF REGINA

RESPONDENT

WRITTEN SUBMISSION ON BEHALF OF THE CITY OF REGINA

CARRY-FORWARD DOCUMENT

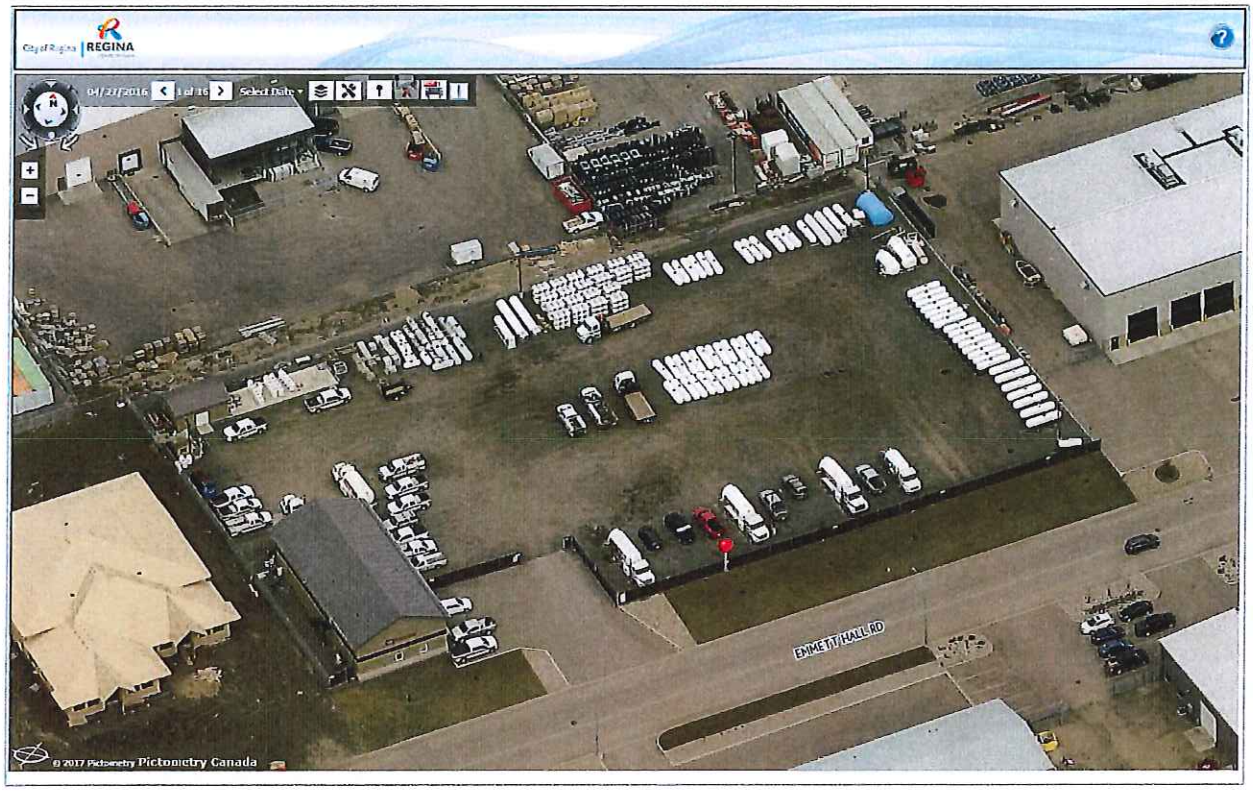
OFFICE OF THE CITY ASSESSOR
2476 Victoria Avenue
Regina, Saskatchewan
S4P 3C8

APPENDED ITEMS

Appendix A – Copy of Assessment Notice

Appendix B – Income (SPSS Detail) Report

Balance of Appendix Items are contained in the Lead Industrial Group A Appeal



FACTS

Assessed Person

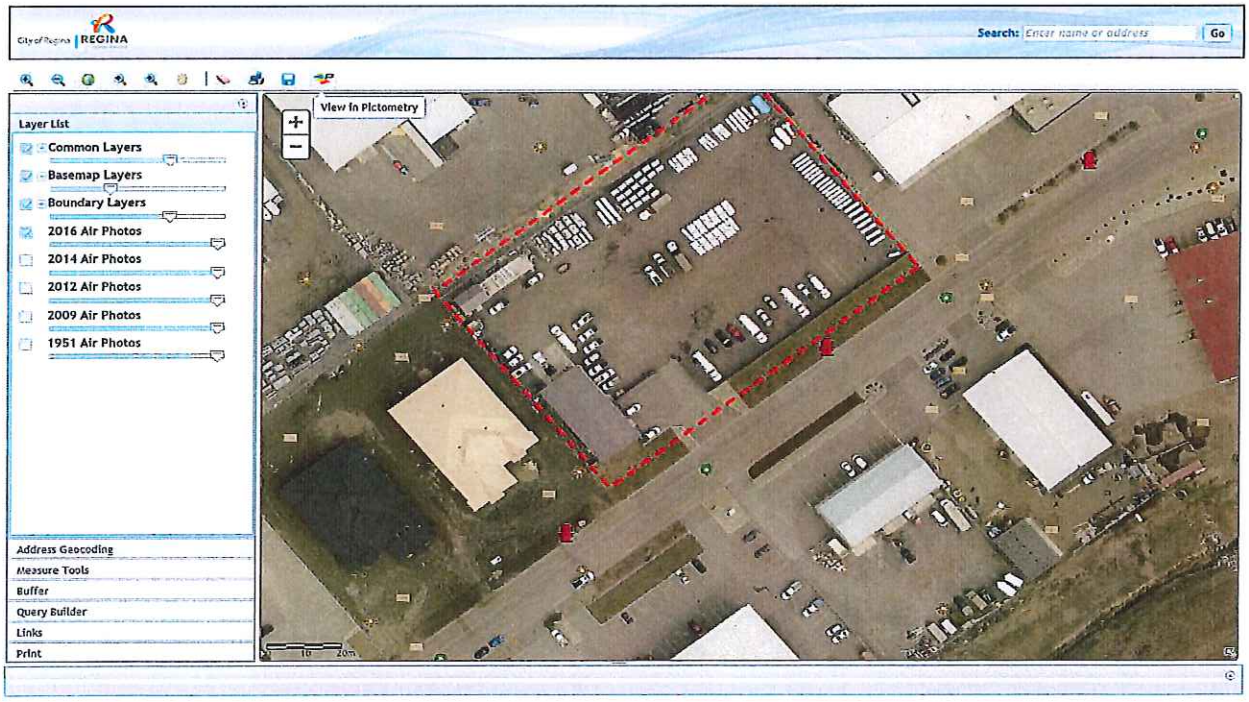
[1] The Assessed Person, FEDERATED CO-OPERATIVES LIMITED, is the owner of the Property.

Assessed Value

[2] The total assessed value of the Property is $1,641,400 for 2017. The primary use of the property is Industrial and the value was arrived at using the Income Approach to Value.

[3] The primary building on the property is a industrial light manufacturing which was constructed in 2010 and the valuation model used to value the property is the Industrial model.

[4] In the present case, the zoning of the subject property is IB which allows for 75% site coverage. As well, in the present case, subject property has a main floor area of 3,864 sqft and the lot size is 87,015 sqft. This results in a site coverage of 4.4%. As well, the subject property is 3,864 sqft and therefore also receives an adjustment for size. Based on the formula to calculate the CAP rate, the applied CAP rate is 4.44640 (6.862+((30 – 9) x -0.060)+(((87,015 – 10,000) / 1000) x 0.044))-0.94.



[5] If the site coverage adjustment is removed, the base CAP rate drops to 6.526 which would cause all the assessment of properties with a site coverage over 30% to increase.

Non-Regulated Property

[6] The property that is the subject of this appeal is a non-regulated property that is valued pursuant to the Market Valuation Standard.

LEAD APPEAL

[7] In order to reduce the amount of duplication in this appeal, all evidence and argument contained in the Lead Industrial Group A Appeal is intended to be carried forward for this appeal.

This document was delivered by:

Office of the City Assessor
City Hall
2476 Victoria Avenue
Regina, Saskatchewan, S4P 3C8
Whose address for service is as above
Person in charge of this file: Gerry Krismer

Appendix A

NOTICE OF ASSESSMENT
2017 DUPLICATE

000001

FEDERATED CO-OPERATIVES LIMITED
ATTENTION: REAL ESTATE MANAGER
PO BOX 1050 STN MAIN
SASKATOON SK S7K 3M9

Property Information
Account Number
10169644
Property Address
2216 E EMMETT HALL ROAD
Assessed Parcel
Plan: 101987590 Block: 40 Lot: 3
Property Type
IMPROVED PARCEL

Mail Date: Jan. 5, 2017
Appeal Deadline: Mar. 6, 2017

Assessment Information

Assessed Person(s) FEDERATED CO-OPERATIVES LIMITED

School Support **Public** 71 % **Separate** 29 %

Current Assessed Value **1,641,400**

Subclass (Provincial Percent)	Taxable Assessment	Exemptions
Commercial (100%)	1,641,400	Taxable(100%) From Jan-Dec

Total Taxable Assessment: 1,641,400

If you would like more information about your property characteristics, or to learn more about your Assessment Notice, please visit **Regina.ca** or call **306-777-7000.**

This notice was mailed on **January 5, 2017**. If you wish to appeal your assessment, your appeal should be made on the enclosed form. Your appeal must be filed with the Secretary of the Board of Revision, no later than **March 6, 2017**.

This is not a tax bill. This statement shows the assessment on this property upon which taxes are to be levied. An official tax bill will be forwarded to you or your agent in due course.

E.&O.E.

Assessment, Tax and Real Estate Department
Queen Elizabeth II Court | 2476 Victoria Avenue
PO Box 1790 | REGINA SK S4P 3C8
P: 306-777-7000 | F: 306-777-6822
Regina.ca

Appendix B

City of Regina - Production v7.06 - Taxation and Assessment Suite
Income (SPSS) Detail Report

Account: 10169644 **Nbhd:** 1999 - Ross Industrial **Asmt Period:** 2010 / **Type:** REGULAR **As of:** Apr. 28, 2017

Filing #: 475548040 **Zoning:** IB **EVZ:** IB **LUC1:** **LUC2:** **For:** 2017

Land Use: 3720: (100%) Storage and Warehousing ; TAXABLE (100%)

Mkt Area: **Master:** N **Bldg Only:** N **Reinspect:** 2023 **Approach:** INCOME

Study Area: 5203 **Lease:** N **Mobile Home:** N **Lot Size:** 87,015.000 **UOM:** IMP

Address: 2216 E EMMETT HALL ROAD
REGINA SK
S4N 3M3

Legal: Plan: 101987590 Block: 40 Lot: 3 **Parcel:** Plan: 101987590 Block: 40 Lot: 3

SPSS Calculation Output

Building - 1	Warehouse Main	3,479.99979	40,712
Building - 1	Warehouse Upper	1,619.99990	16,052
Vacancy - 1	Main Floor and BMT Vacancy	-5.09000	-2,072
Vacancy - 1	Upper Vacancy	-10.90000	-1,749
Shortfall - 1	Shortfall	-1.31000	-693
Building - 1	NOI		52,248
Building - 1	Cap Rate	4.44640	1,175,081
Building - 1	Total Building Value		1,175,081
Land	Site Coverage Adjustment	4.44000	466,335

Final Assessment: 1,641,400

87 pages were removed as non-responsive

Non Responsive

Appeal No.: Various/2017
MULTIPLE ADDRESSES

CITY OF REGINA
BOARD OF REVISION

Between:

MULTIPLE PROEPRTY OWNERS

APPELLANT

- and -

THE ASSESSOR OF
THE CITY OF REGINA

RESPONDENT

WRITTEN SUBMISSION ON BEHALF OF THE CITY OF REGINA

Industrial Group B Lead Appeal

OFFICE OF THE CITY ASSESSOR
2476 Victoria Avenue
Regina, Saskatchewan
S4P 3C8

TABLE OF CONTENTS

Contents

This purpose of this document is to respond, in accordance with subsection 200(4) of *The Cities Act (*the "Act"*)*, to allegations of error raised in the Appellant's Notice of Appeal to the Regina Board of Revision (the "Board") relating to the assessment of the subject properties located in Regina, Saskatchewan (the "Property"). This document identifies the subject property under appeal, provides the legislative and valuation background against which properties are assessed in Saskatchewan, and contains all of the factual and evidentiary information required to explain how the subject property was assessed.

Account #	Address	Appeal #
10218234	1735 Francis	28089
10022488	855 Park	28127
10018734	115 McDonald	28074
10028466	1155 Park	28076
10264262	12202 Ewing	28077
10013949	130 Hodsman	28078
10022143	1400 1st	28081
10027989	1450 Park	28083
10018732	155 N Leonard	28084
10033463	1575 Elliot	28085
10112642	1600 E Ross	28086
10033930	1700 Park	28087
10033929	1964 Park	28092
10247034	2101 Fleming	28094
10022117	2133 1st	28097
10022119	2201 1st	28098
10018625	221 N Winnipeg	28099
10014005	250 Henderson	28101
10018701	310 Henderson	28102
10241453	316 1st	28103
10018639	402 McDonald	28108
10018672	455 Park	28111
10022404	515 1st	28114
10018759	555 Henderson	28116
10018674	580 Park	28119
10022484	603 Park	28121
10018730	610 Henderson	28122
10008850	615 N Winnipeg	28123
10018737	651 Henderson	28124

10018652	680 McLeod	28125
10022485	745 Park	28126
10151105	921 Broad	28129
10268997	4000 E Victoria	28107

SUMMARY OF SALIENT TERMS AND CONDITIONS

[1] The following information is a summary of important factors, terms and limiting conditions that are essential to the understanding of this appeal submission and the assessment of the subject property.

Regulatory Governance

[2] The analyses, opinions and conclusions were developed and this report has been prepared in conformity with:

- the relevant Provincial laws and regulations of the Province of Saskatchewan and Bylaws of the City of Regina;
- the Code of Ethics of the Saskatchewan Assessment Appraisers' Association (SAAA), the International Association of Assessing Officers (IAAO) and the Appraisal Institute of Canada (AIC);
- the Canadian Uniform Standards of Professional Appraisal Practice (CUSPAP); and
- the Uniform Standards of Professional Appraisal Practice (USPAP).

[3] In the City of Regina Assessment Branch, 17 of 21 valuators are licensed through the Saskatchewan Assessment Appraisers' Association. Two of the 21 valuators also are accredited with the senior appraiser designation (AACI) through the Appraisal Institute of Canada (AIC), and six are certified as senior assessment evaluators (CAE) with the International Association of Assessing Officers (IAAO).

Compliance with CUSPAP and USPAP

[4] An appeal submission is created and presented for the purpose of providing an explanation of how an assessment was determined as well as providing evidence in response to issues raised before a Board of Assessment Appeal or Court. It is not intended to complete any of the functions required to analyze, develop and communicate an opinion of value as required under a property appraisal. Therefore, an appeal submission is not an appraisal; it falls under the realm of expert testimony. However, CUSPAP dictates that expert testimony that addresses

value and is presented in a public forum, such as in Boards of Assessment Appeal, must comply with the reporting standards of CUSPAP.

[5] USPAP does not specifically address the issue of appeal submissions. However, USPAP does note that "an individual's public identification as an appraiser establishes an expectation that valuation services will be performed in compliance with USPAP."[1]

Important Terms, Dates and Definitions

Client - City of Regina.

Intended Use - explanation of assessment and supporting evidence for appeal purposes before the City of Regina Board of Revision.

Intended Users - the City of Regina Board of Revision (and Saskatchewan Municipal Board's Assessment Appeals Committee and Court of Appeal, as needed), the City of Regina Assessment Branch, and the Appellant.

Purpose - to respond to allegations of assessment error and to comply with *The Cities Act*, ss.200(4).

Type of Value - market value in fee simple prepared using mass appraisal: pursuant to *The Cities Act*, c.163(f.1) and (f.2) and ss.164.1(2).

Effective (Base) Date of Valuation - January 1, 2015 (retrospective): pursuant to *The Cities Act*, c.163(d); and per SAMA Board Order Dated December 13, 2013 made pursuant to *The Assessment Management Agency Act*, c.12(1)(d).

Scope of Work

[6] Scope of work refers to the type and extent of research and analysis necessary to complete an assignment. The scope of work undertaken by the Assessor to value the subject property for assessment purposes is described in paragraphs [32] through [52] of this submission.

Analysis of Exposure Time

[7] Exposure time refers to the estimated length of time the property interest appraised would have been offered on the market before the hypothetical consummation of a sale at market value

[1] Refer to USPAP, Advisory Opinion 32 (AO-32), p.A-113.

on the effective date of the appraisal. CUSPAP and USPAP require that each real property appraisal report contain sufficient information to enable the intended users of the appraisal to understand the report properly. USPAP notes that meeting this requirement does not require the reporting of exposure time in all assignments.

[8] The Assessor does not collect information on length of time a property is on the market.

Hypothetical Conditions[2]

[9] CUSPAP and USPAP describe a Hypothetical Condition as "that which is contrary to what exists but is supposed for the purposes of analysis" and may be used where the hypothetical condition is clearly required for legal purposes. Hypothetical Conditions assume conditions contrary to known facts about physical, legal or economic characteristics of a subject property. There is one Hypothetical Condition present in this valuation, namely:

1. *The Cities Act*, ss.165(3.1) – each assessment must reflect the facts, conditions and circumstances affecting the property as of January 1 of each year as if those facts, conditions and circumstances existed on the applicable base date.

[10] This is considered a hypothetical condition because the property characteristics as of January 1 may have been different, or not even existed, on the base date.

Extraordinary Assumptions[3]

[11] CUSPAP and USPAP describe an Extraordinary Assumption as "an assumption, directly related to a specific assignment, which, if found to be false, could alter the appraiser's opinions or conclusions." CUSPAP requires each Hypothetical Condition to be accompanied by a corresponding Extraordinary Assumption. There is one Extraordinary Assumption present in this valuation; it is the same as the Hypothetical Condition noted above.

[12] This is considered an extraordinary assumption because the property characteristics as of January 1 are assumed to exist on the base date.

---

[2] Refer to 2016 CUSPAP 2.34 and 7.10 and 2016-17 USPAP SR 6-2(i).

[3] Refer to 2016 CUSPAP 2.26 and 7.9 and 2016-17 USPAP SR 6-2(i).

Jurisdictional Exceptions[4]

[13] The Jurisdictional Exception Rule exempts appraisers from the part or parts of CUSPAP and USPAP that are contrary to the law or public policy of a particular jurisdiction. There are four Jurisdictional Exceptions claimed in this report:

1. *The Cities Act*, c.163(f.1) and ss.165(1) – require the appraiser to prepare the assessed value of property using mass appraisal methods.

2. *The Cities Act*, ss.165(3.1) – each assessment must reflect the facts, conditions and circumstances affecting the property as of January 1 of each year as if those facts, conditions and circumstances existed on the applicable base date.

3. *The Cities Act,* ss.210(1.1) and ss.226(3) – a non-regulated property assessment shall not be varied on appeal using single property appraisal techniques.

4. SAMA Board Order Dated December 13, 2013 made pursuant to *The Assessment Management Agency Act*, c.12(1)(d) – market data that occurred or arose after January 1, 2015 shall not be used to determine the assessed value of non-regulated properties, unless owners' fiscal years do not follow the calendar year and end on or before May 31, 2015.

[4] Refer to 2016 CUSPAP 2.42 and 7.10.6 and 2016-17 USPAP Definitions and Jurisdictional Exception Rule.

VALUATION METHODOLOGY

Property Assessment Valuation Standards

[14] As set out in section 164 of the Act, all property in the city is subject to assessment. Further, section 164.1 of the Act requires that assessments must be determined in accordance with one of two standards. The two Valuation Standards used to determine assessments in Saskatchewan are:

- the Market Valuation Standard for non-regulated property; and
- the Regulated Property Assessment Valuation Standard for regulated property.

[15] As well and pursuant to the Act, assessments for all properties reflect the retrospective base date of January 1, 2015; are determined using mass appraisal techniques; and reflect the facts, conditions and circumstances affecting properties as of the base date.

Market Valuation Standard

[16] The *Market Value Assessment in Saskatchewan Handbook* (the "Handbook") provides guidance for the assessment of all properties valued using the Market Valuation Standard. The Handbook describes how the three approaches to value may be used and is intended to integrate with *Marshall and Swift's Residential Cost Handbook* and the *Marshall Valuation Service* (commercial properties). While the Handbook does not have the force of law, it may be used in conjunction with relevant Saskatchewan legislation, accompanying regulations and SAMA Board Orders.

[17] According to clause 163(f.1) of the Act, the Market Valuation Standard is "...achieved when the assessed value of the property:

- is prepared using mass appraisal;
- is an estimate of the market value of the estate in fee simple in the property;
- reflects typical market conditions for similar properties; and
- meets quality assurance standards established by order of the agency."

[18] The Market Valuation Standard contains several terms that require further definition, namely *mass appraisal*, *market value* and *fee simple*.

[19] Clause 163(f.3) of the Act defines *mass appraisal* as "...the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing."

[20] Clause 163(f.2) of the Act defines *market value* as "...the amount a property should be expected to realize if the estate in fee simple in the property is sold in a competitive and open market by a willing seller to a willing buyer, each acting prudently and knowledgeably, and assuming that the amount is not affected by undue stimuli."

[21] The term *fee simple* is not defined in the Act. The *Market Value Assessment in Saskatchewan Handbook* defines *fee simple* (or *estate in fee simple* or *fee simple estate*) as "absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the four powers of government: taxation, expropriation, police power, and escheat."

Assessment Publications

[22] In order to effectively implement the new legislative requirements with respect to assessment in Saskatchewan, the following publications are available for regulated and non-regulated property assessments:

- The **Saskatchewan Assessment Manual** – speaks primarily to regulated property assessments and has the force of law.
- The **Market Value Assessment in Saskatchewan Handbook** – provides direction for the assessment of non-regulated property and does not have the force of law.
- The **2015 Cost Guide** – provides direction to SAMA's Assessment Services Division for the assessment of non-regulated property and does not have the force of law
- **Marshall Valuation Service** and **Residential Cost Handbook** publications – used in the application of the cost approach to value and do not have the force of law.
- Various valuation theory textbooks published by the Appraisal Institute of Canada, the Appraisal Institute (United States) and the International Association of Assessing Officers, among others – do not have the force of law.

[23] Use of any of the above publications (or any other publication) must be in combination with relevant Saskatchewan legislation, accompanying regulations and SAMA Board Orders.

Approaches to Value

[24] The standard appraisal methods, contained in the definition of mass appraisal, include three standardized approaches to value property: the Sales Comparison Approach to Value, the Cost Approach to Value and the Income Approach to Value.

[25] The Sales Comparison Approach to Value is an approach for estimating market value-based assessments by comparison to the sale prices of similar properties that have sold recently. The Sales Comparison Approach is based on the theory that value is directly related to the sale prices of similar properties, and the assumption that a purchaser would not pay more to purchase a property than that paid for comparable properties of similar utility. This approach is most commonly used in valuing residential properties.

[26] The Cost Approach to Value is used for estimating market value-based assessments that quantifies the cost in current dollars, less depreciation, to replicate the property being assessed. This approach is based on the assumption that a potential purchaser would pay no more for the property than the cost of its replacement, less depreciation. The assessment industry relies on the Marshall Valuation Service and Residential Cost Handbook rates to determine replacement costs. This approach was commonly used for valuing commercial properties in the city prior to the implementation of the Income Approach to Value in 2009.

[27] The Income Approach to Value is used to estimate market value-based assessments by analyzing the anticipated future benefits or income from a property and converting this income into an estimate of present value.

[28] Some property types such as agricultural land, railway, resource equipment, heavy industrial properties and pipelines continue to be valued under a regulated property assessment standard using an assessment manual established by SAMA. Other property types that are non-regulated, such as residential, commercial and multi-family properties, are not required to be valued based on a specific assessment manual but are valued using one of the three valuation approaches (noted above) to ensure that the requirements of the Market Valuation Standard are

met.

Difference between Market Value and Sale Price

[29] The market value-based assessment of a property is sometimes confused with the sale price of an individual property. A property's sale price is, by definition, not the same as its estimate of market value assessment. The sale price of a property is a historical fact – it is the amount the purchaser agreed to pay and the seller agreed to accept for the sale of the property under the circumstances surrounding the sale. A market value-based assessment is not a historical fact – it is an estimate of value.

[30] Sale price information is necessary to develop market value assessments. Assessors gather information on properties that have sold to determine the ranges of sale prices in the marketplace. This statistical data is used as part of the process for calculating market value-based assessments. Assessments are calculated by analyzing the range of sale prices of groups of properties at a specific point in time. Several sales of similar properties are compared to determine market value-based assessments of specific types of properties that have similar characteristics.

[31] While the actual sale price of a property might be in the same range as the sales of similar properties, the resulting market value-based assessment estimate is a composite analysis of all of the similar sales.

SCOPE OF WORK

Classification

[32] The classification of properties into groups with similar physical and value-driven characteristics is an important step in the mass appraisal valuation process. Classification involves a six-step process:

1. Identify valuation parameters
2. Collect appropriate data
3. Analyze collected data
4. Develop guidelines for applying valuation parameters
5. Apply valuation parameters
6. Test results

[33] Valuation parameters are important elements in the valuation process that determines property assessments. Every valuation process employs one or more valuation parameters. The value of every type of property is guided by and relates to a number of variables. These include: physical variables, such as building size, construction style, condition, site size and location; supply and demand conditions in the marketplace; and legal restrictions such as zoning. Valuation parameters are guides as to what variables are pertinent at any given time and should be considered in the analysis of values. Parameters in the three approaches to value include costs of construction, rents and other income, operating expenses, capitalization rates and sale prices, among other things.

[34] The Assessor collects data pertinent to the properties being assessed and the valuation approaches being used. These data are collected from existing assessment records, property owners, property inspections, and government and industry publications. These collected data are analyzed through sorting and classifying, tabulating and refining through use of statistical techniques. Once this analysis is complete, guidelines are developed in order to determine how to apply these parameters across the inventory of properties being assessed. This is done to ensure flexibility to enable adjustment to market realities while at the same time ensuring that similar properties are assessed similarly. The final step is to apply the valuation parameters to the inventory of properties

and to test the final results against recent sale prices.

[35] The objectives of this classification process are to:

1. enable the assessment of a large number of properties easily and efficiently;
2. stratify properties into classes so that comparisons are meaningful;
3. provide a broad enough definition of classes so that there are sufficient numbers within groups to establish valuation parameters and assessments; and
4. achieve large classes that have similar characteristics in order to assess similar properties similarly using mass appraisal, and resulting in equitable results.

Income Approach

[36] The income approach entails, for the most part, three steps:

1. determine market rents;
2. determine market capitalization rates (cap rate) or market Gross Income Multipliers (GIM); and
3. estimate the assessed value.

1. Determine Market Rents

[37] In preparation for the income approach to value for 2017, the Assessor requested the rent rolls (detailed description of the actual rents being charged to the specific tenants of the property) and income expense statements (detailed description of all income and expenses relating to the property) for all commercial, industrial and multi-family properties covering the years of 2013, 2014 and 2015.

[38] Legislation requires that the value of a property is to be based on the current facts and conditions as if they existed on the retrospective base date of January 1, 2015. Therefore, the purpose of the rent analysis is to establish what typical rents were as of the base date. The rent analysis includes the review of the 2013, 2014 and 2015 rents rolls. However, the final rent models are developed from the 2015 rent rolls as this best reflects typical market rents for the

base date. It is useful to have previous rent rolls because this information assists the Assessor in determining the rents under typical market conditions.

[39] When valuing income-producing properties, as mentioned earlier, there are two basic rent models that can be developed: a gross income model and a net income model.

Gross Income Model

[40] A gross income model is typically developed for multi-family properties, the gross income being the potential gross income of the property prior to the deduction of applicable expenses. The reason a gross income model is developed for these properties is that these types of properties typically rent on a gross rent basis, and expenses related to these properties vary greatly from year to year and property to property.

Net Income Model

[41] A net income model is typically developed for commercial properties, the net income being the potential net income of the property after deducting all allowable expenses. The reason a net income model is developed for these properties is that the properties in this group are typically rented on a net dollar per square foot basis. The operating expenses (snow removal, heat, electrical, property taxes, etc.) are also passed on to the tenant, on a percentage basis, in addition to the base rent.

[42] It is standard appraisal practice that, for commercial properties, the value is based on the potential net earnings of the property. In determining value, the industry uses a mathematical formula for overall capitalization rates that reflects the relationship between net income and sale price.

[43] Based on the rent rolls returned, the Assessor found that most owners reported either the actual net rent per tenant, or a gross rent per tenant and the operating costs for each tenant. From the latter, the Assessor was able to determine the net rent for each tenant. If a property owner provided gross rents per tenant but did not include any indication of the operating costs per tenant, then those rents were not included in the Assessor's analysis. In Regina, the majority of rent rolls and financial statements were reported as net figures.

[44] Eleven net rent models were developed for the various types of properties. The various

models are Auto Dealership, Hotel/Motel, Office, Retail Enclosed Shopping Centres, Commercial, Industrial, Mini-Storage, Parking, Parkade, Mixed-Use and Multi-Family. These models comply with the Market Valuation Standard and follow accepted valuation industry practices as indicated by the Handbook, appraisal and assessment textbooks, or local practices.

[45] The subject properties are valued using a net rent model.

2. Determine Capitalization Rates or GIMs

[46] Along with rent rolls and income and expense information, the Assessor also reviewed all transfers of titles received from the Information Services Corporation (ISC). Relying on transfers of properties registered at ISC between January 1, 2011 and December 31, 2014, the Assessor screened the transfers based on the potential relationship between the vendor and purchaser. If it was found that there was no indication of any relationship, then sales verification forms were sent to both the purchaser and vendor. The purpose of the verification process is to flesh out the details of the transfer. At the same time, requests were made for the sale agreement, mortgage documents and appraisals of the property, if any, from the purchaser and vendor.

[47] After receiving the verification forms, the Assessor reviewed these forms to further filter out any transfer that appeared not be to a sale. If a verification form had not been returned, the Assessor mailed follow-up questionnaires to the purchaser and vendor encouraging the return of the forms.

[48] Once the transfers were reviewed and the Assessor established that the transfers were a result of valid arm's length sales, then these sales were adjusted to reflect only the value of the real estate. Adjustments are necessary as some transfers include personal property, partial interests or other factors that may be considered atypical conditions. With all the sales in hand, the Assessor completed an analysis of the sale prices to determine if, over time, sale prices were increasing, decreasing or not changing at all. The Assessor's analysis established that sale prices of both multi-family and commercial properties were typically increasing over time and generally increasing in most neighbourhoods in Regina. Therefore, sale prices were adjusted to reflect what the sale price would have been had the property sold on the base date of January 1, 2015.

[49] Finally, the Assessor compared the income and sale price components of different properties in order to determine a multiplier that measures the relationship between the two. The potential *net* income establishes a multiplier known as a capitalization rate, which is represented in the following formula:

$$\text{Capitalization Rate} = \frac{\text{Potential Net Income}}{\text{Value (or Sale price)}}$$

3. Estimate Assessed Value

[50] Once the typical rent for a property type is determined, the Assessor applies this rent back to the subject property to determine the typical rental income. For a multi-family property, the potential *gross* rent is applied and for other commercial properties, the potential *net* rent is applied.

[51] For properties with net rents, the Assessor capitalizes the net income into an estimate of value by applying a mathematical formula. The value is determined by dividing the potential net income by the capitalization rate:

$$\text{Value} = \frac{\text{Potential Net Income}}{\text{Capitalization Rate}}$$

FACTS

Appellant

[52] The Appellants are all represented by FS - ALTUS GROUP LIMITED and the Appellant filed a Notice of Appeal with the Board of Revision (the "Board") on March 6, 2017.

Non-Regulated Property

[53] The property that is the subject of this appeal is a non-regulated property that is valued pursuant to the Market Valuation Standard.

[54] In the valuation of properties for assessment purposes, the Assessor is required by legislation to achieve the Market Valuation Standard as detailed in paragraphs [16] through [21]. In doing so, the Assessor must use one of the three standardized approaches to property valuation as noted in paragraphs [24] through [28]. The subject property under appeal is an industrial property and was valued using the Income Approach to Value.

Valuation Model

[55] The application of the Income Approach to Value for this group of properties resulted in the development of the Industrial Model, which was applied to the subject property. This model is summarised as follows:

INDUSTRIAL MODEL

IDENTIFICATION of MODEL AREA

The Industrial model is an income model that values the majority of properties that are zoned for industrial uses (IA, IA1, IB, IP, IT, RR and WH). Properties with these zoning designations that are considered special purpose in nature or for which there is little or no available market data (rents or sales) are valued outside of this model using the Cost Approach to Value.

The Industrial model is applied to those properties which are primarily located within the City of Regina's (the City's) industrial study areas (5201, 5203, 5204, 5205, 5206, 5207 and 5208). As a result of the market analysis for the 2017 revaluation it was determined that there were five distinct industrial study neighbourhoods located within the City's municipal boundaries, each with varying types and ages of commercial buildings, land sizes and locational characteristics. These neighbourhoods are defined on the enclosed map and individually described below.

Zoning Descriptions

Properties valued by the Industrial model reflect numerous zoning classifications. The following are cursory, generalized descriptions only and are not meant to reflect complete details concerning the predominant zonings found within the City's industrial study area:

- IA, IA1 – Light Industrial: accommodates the manufacturing of finished products or parts predominantly from previously prepared materials. The IA1 zone is confined to existing industrial properties that are located on the fringes of the Inner City
- IB, IB1 – Medium Industrial: allows for manufacturing, processing, assembly, distribution, service and repair activities that require outdoor use and storage. This zoning is restricted to locations on the interior of industrial neighbourhoods along collector roadways
- IC, IC1 – Heavy Industrial: industrial uses which, due to appearance, noise, odour, risk of emission of toxic waste, risk of fire or explosion hazards, etc. are incompatible with commercial, residential and other land uses. Accordingly, new office, business and retail uses within this zone are limited. Development with direct access to local and collector residential streets is not allowed in this zone
- IP – Prestige Industrial Service: accommodates industrial and related business service uses that incorporate high standards of design, landscaping and open space. The IP zone is found in locations that are visible, have adequate facilities and services and will provide a buffer for adjacent residential and commercial uses

- IT – Industrial Tuxedo Park: provides for light to medium industrial uses, including commercial and service, on those properties located in Tuxedo park

- LP – Logistics Park: specialized industrial park that supports transportation and logistics related development and complementary industrial and commercial uses.

- WH – Dewdney Avenue Warehouse: intent is the preservation of the warehouse character through retention and reuse of existing warehouses. Accommodates a wide range of administrative, service, retail, wholesale and light manufacturing uses

- RR – Railway Zone: regulate land uses that are directly associated with transportation by railroad, switching and terminal operations

Neighbourhood 5201

Neighbourhood 5201 is comprised of three small pockets encompassing all industrial zoned parcels located within the boundaries of North Central Regina. The west most pocket is located on the south side of the CN tracks, west of Albert Street and North of 1st Avenue. The central pocket is situated on the north side of the CN tracks between the laneway east of Albert Street and the laneway immediately west of Scarth Street with 1st Avenue North providing its northern boundary. The east pocket is likewise located north of the CN tracks with Winnipeg Street as its eastern boundary and 5th Avenue North as its northern most boundary.

The properties situated in this neighbourhood are zoned IA, IA1 (light industrial) and IB (medium industrial) and feature, for the most part, small light industrial properties.

64% of the industrial buildings found in this neighbourhood were constructed in the 1960s and 1970s reflecting an average year built of 1976. Buildings range in size from approximately 600 square feet to 45,500 square feet with an average size of approximately 7,500 square feet.

Improved lot sizes range from approximately 2,000 square feet to 4.40 acres with an average lot size of 21,500 square feet.

Neighbourhood 5203

Neighbourhood 5203 is known as the Ross Industrial Park and is the largest industrial area in the city. This area encompasses the City's northeast corner and is roughly bordered by Winnipeg Street to the west, the CN tracks to the southwest, CP tracks to the southeast, the eastern municipal boundary of the city to the east and the northern municipal boundary of the city to the north.

The northern one-third of this neighbourhood is almost entirely occupied by the Consumers' Co-operative Refineries (CCRL). Imperial Oil, Enbridge Pipelines and several other large oil tank farms are located along the west boundary of this neighbourhood and abut the southern boundary

of the CCRL property. The Ross Industrial Park features a broad mixture of zones with the majority of properties (85%) zoned IA (light industrial) or IB (medium industrial). There are 36 IC (heavy industrial), 15 IP (prestige industrial) and 22 properties zoned RR (railway). This neighbourhood comprises a broad range of property sizes, types and uses from light to heavy and prestige industrial. Property uses include small workshops to large manufacturing operations, chemical processing, mega warehousing (>200,000 square foot buildings), industrial, office, retail and restaurant uses necessary to service the area.

The majority of the buildings situated in this neighbourhood (52%) were constructed in the 1970s and 1980s with a further 29% being constructed since 2000. The average year built for buildings in this neighbourhood is 1982. Buildings range in size from approximately 110 square feet to 395,000 square feet with an average size of 25,500 square feet.

Improved lot sizes range from approximately 6,000 square feet to 337 acres with an average lot size of eight acres.

Neighbourhood 5204

Neighbourhood 5204 is located immediately adjacent to the southwest corner of the Ross Industrial Park and encompasses all industrial zoned properties that are located along its west, south and eastern borders. Specifically along the east side of Winnipeg Street (west border), between the CP tracks and 7th Avenue (south border), and along the west side of McDonald Street (east border). These properties are primarily zoned IA and IA1 (light industrial). Three of the 127 properties in this neighbourhood are zoned IB (medium industrial).

71% of the buildings in this neighbourhood are small industrial buildings which were constructed in the 1950s through 1980s reflecting an average year built of 1969. Buildings in this neighbourhood range in size from approximately 222 square feet to 28,000 square feet with an average size of 4,750 square feet.

Improved lot sizes range from approximately 3,100 square feet to 1.83 acres. The average lot size in this neighbourhood is 12,500 square feet.

The analysis completed for the 2017 revaluation resulted in a decision to combine the 31 available rents for neighbourhood 5204 with the 201 rents from neighbourhood 5205.

Neighbourhood 5205

Neighbourhood 5205 is located in central Regina just north of the downtown core. This area is referred to as the Old Warehouse District and is bordered on its south side by the CP tracks abutting the north side of Saskatchewan Drive, 4th Avenue to the north, Albert Street to the west and Winnipeg Street to the east. This area is somewhat transitional in nature with many properties being used for a mix of general commercial uses including retail, office, nightclubs and residential condominiums.

The majority of the properties on this neighbourhood (85%) are zoned IA, IA1 (light industrial) and IB (medium industrial) and feature, for the most part, small light industrial properties with buildings constructed from the 1910s to 2015 with the majority (64%) being built in the 1950s through the 1980s, reflecting an overall average year built of 1960. The area along Dewdney Avenue abutting the CP rail yards (between Albert and Broad Streets) features larger mill style warehouses constructed in the early 1900s. This section is zoned WH which as noted earlier, is a zoning designation that is intended to preserve the character of these buildings, many of which are now used for restaurant, nightclub, office and residential uses. Five of the properties in this neighbourhood are zoned RR.

Buildings range in size from approximately 150 square feet to 333,000 square feet with an average size of 18,500 square feet. Improved lot sizes range from approximately 2,200 square feet to 22.50 acres with an average lot size of 45,950 square feet.

As noted above, Neighbourhoods 5204 and 5205 have been combined for analysis purposes for the current revaluation. The following data supported the decision to combine these two industrial neighbourhoods for market analysis purposes.

Report

NET_PSF

Study_Area	N	Median	Mean	Minimum	Maximum	% of Total N	Std. Deviation
5204.00	31	8.8836	9.2132	5.08	22.27	13.4%	3.21711
5205.00	201	9.0500	9.1982	1.09	22.75	86.6%	3.62171
Total	232	9.0195	9.2002	1.09	22.75	100.0%	3.56380

Neighbourhood 5206

Neighbourhood 5206 is sandwiched between Neighbourhoods 5201 and 5205 in North Central Regina. This area is roughly bordered by McIntyre Street to the west, Winnipeg Street to the east, the CN tracks to the north and 4th Avenue to the south. As well, this neighbourhood extends north up Winnipeg Street from Ross Avenue (south) to the Ring Road (north). This northerly arm encompasses the former Imperial Oil Refinery site that ceased operations in the late-1970s and is now occupied by the City's Transit Operations and the local Food Bank, among other uses.

This neighbourhood primarily features a mixture of IA (light industrial) and IB (medium industrial) zoning and is generally developed with medium to large property sizes featuring mostly warehousing and manufacturing uses.

This neighbourhood has had the majority of its buildings constructed steadily since the 1950s, reflecting an average year built of 1975. Buildings range in size from approximately 400 square feet to 194,000 square feet with an average size of 60,000 square feet.

Improved lot sizes range from approximately 11,000 square feet to 31 acres with an average lot size of 5.15 acres.

Neighbourhood 5207

Neighbourhood 5207 is known as Tuxedo Park and is located in East Central Regina immediately south of Neighbourhoods 5204 and 5205 and the most southerly portion of Neighbourhood 5203. This area is roughly bordered by Broad Street to the west, Park Street to the east, the CP tracks to the north and 10th Avenue, Arcola Avenue and Victoria Street to the south.

This neighbourhood is predominantly zoned IT (light to medium industrial), features a small pocket (41 properties) of IA1 (light industrial) zoning in its west arm, and three IC (heavy industrial) sites. There is a mixture of small, medium and large property sizes featuring a mixture of industrial and general commercial uses, including retail and office uses. Although there has been steady construction in this neighbourhood from the 1950s to present day, the majority of the buildings (61%) were constructed in the 1960s, 1970s and 1980s, reflecting an overall average year built for this neighbourhood of 1977.

Buildings range in size from approximately 150 square feet to 170,000 square feet with an average size of 16,100 square feet.

Improved lot sizes range from approximately 1,900 square feet to 12.30 acres. The average lot size in this neighbourhood is 1.47 acres.

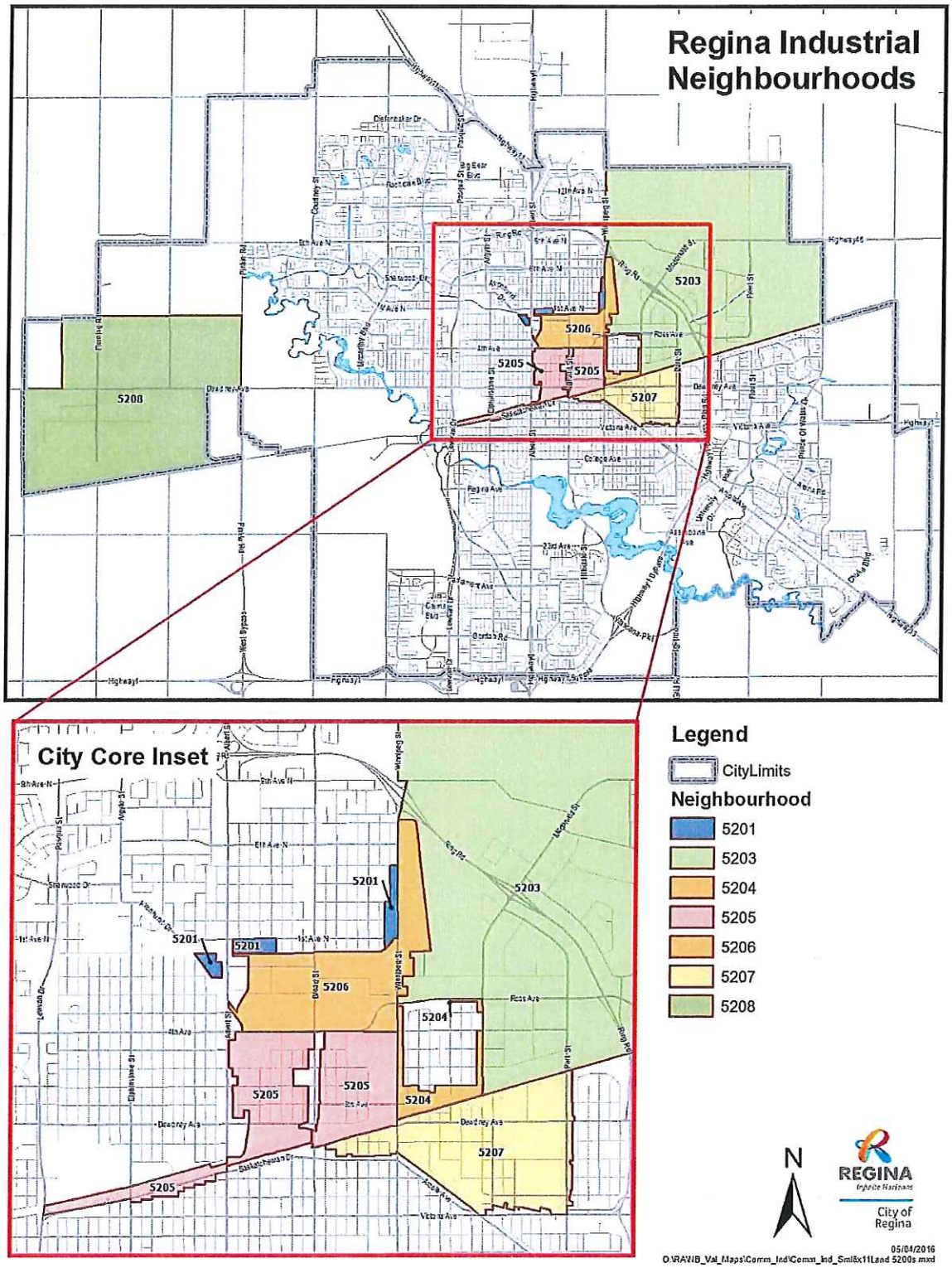
Neighbourhood 5208

Neighbourhood 5208 is the City's newest industrial area and is located on land annexed to the City extending west of the city along the CP tracks. This area, now referred to as the Global Transportation Hub or GTH, is bordered by West Boundary Road to the west, the Sakimay Reserve to the east, Dewdney Avenue to the north and the CP tracks to the south.

The majority of this neighbourhood is zoned LP (logistics park) and is intended to accommodate inter-modal shipping, trucking and mega-style warehousing on large sites. Loblaw's has developed and is operating a one-million+ square foot inter-modal shipping centre in this neighbourhood. Smaller distribution facilities have been developed over the past six years. The southern portion of this neighbourhood is zoned RR (railroad) and houses Canadian Pacific Railway's inter-modal facility.

Buildings range in size from approximately 100 square feet to 1,054,000 square feet with an average size of 252,000 square feet.

Improved lot sizes range from approximately 1,100 square feet to 298.81 acres. The average lot size in this neighbourhood is 58.8 acres.


Regina Industrial Neighbourhoods
City Core Inset
5201
5203
5204
5205
5206
5207
5208
Legend
CityLimits
Neighbourhood
5201
5203
5204
5205
5206
5207
5208
N
REGINA
City of Regina
05/04/2016
O:\RAWB_Val_Maps\Comm_Ind\Comm_Ind_Sml8x11Land 5200s.mxd

EXECUTIVE SUMMARY

Industrial Model

Rent Model

Description:	Rate ($/sqft)
Base Rent	$8.88
Positive Adjustments to Base Rent:	
Office space In a Loft Building	$6.36
Restaurant or Retail space in a Loft Building	$3.91
All space in a Retail Building	$1.30
All space in a Office Building	$3.81
Fast Food Restaurant Building	$18.90
Building built in 1980 to 1999, inclusive	$0.97
Buildings built in 2000 or newer	$2.83
Negative Adjustments to Base Rent:	
Space located in a Basement	-$2.86
Upper Floor space including finished Mezzanine	-$1.79
Buildings Located in Neighbourhood 5201	-$1.20
Buildings Located in Neighbourhoods 5204 and 5205	-$0.60
Buildings built before 1950	-$2.22
Single-tenant Warehouse space >= 65,000 sqft	-$2.53
Other Adjusments	
Unheated Warehouse space	-43%

SCOPE of DATA and ANALYSIS

Industrial Rent Model

Each year, the City Assessor requests copies of rent rolls for all non-residential properties in the City of Regina. The data for the development of the mass appraisal net rent model came from the data provided in these returned rent rolls.

A total of 882 net and effective net rents were analyzed using multiple regression analysis. The rent model is an additive model that predicts rents based on the lease area size, building and space classification, location and effective age of building. The following table provides a breakdown of these rents along with general statistical measurements.

Industrial Rent Statistics

Strata	Count	Mean	Median	Minimum	Maximum
Overall	882	$9.79	$9.52	$1.09	$36.17
Office Lease Space in a Loft Building	19	$10.83	$12.50	$3.24	$18.00
Restaurant or Retail Lease Space in a Loft Building	24	$9.09	$8.14	$4.60	$16.00
Warehouse Lease Space in a Loft Building	3	$2.33	$1.39	$1.09	$4.50
Single Tenant Retail Lease Space	73	$10.57	$10.68	$4.13	$15.00
Single Tenant Office Lease Space	71	$12.82	$11.44	$2.35	$36.17
Freestanding Fast Food Restaurant	3	$29.36	$29.00	$26.00	$33.09
Single Tenant Warehouse Lease Space	365	$9.25	$9.19	$2.08	$22.75
Single Tenant Industrial Flex Lease Space	313	$9.51	$9.50	$3.20	$21.94
Single Tenant Service Repair Lease Space	6	$9.38	$8.75	$4.07	$17.55
Single Tenant Unheated Warehouse Lease Space	5	$5.68	$5.75	$5.00	$6.36

Vacancy and Shortfall

Typical 2015 base date vacancy and shortfall adjustments were estimated from the returned rent rolls from property owners. The overall industrial vacancy rates were estimated as follows:

Rent Type	N	Sum (sqft)
OWNER	170	1,055,810
TENANT	1,109	7,025,273
VACANT	93	403,808
Total	1,372	8,484,891

Vacancy = 403,808/8,484,891 = 0.0476 (4.76%)

The estimates for main floor vacancies are as follow:

Rent Type	N	Sum (sqft)
OWNER	150	946,528
TENANT	982	6,181,932
VACANT	71	382,569
Total	1,203	7,511,029

Vacancy = 382,569/7,511,029 = 0.0509 (5.09%)

The upper floor and mezzanine vacancies were determined as follows:

Rent Type	N	Sum (sqft)
OWNER	12	19,889
TENANT	69	143,859
VACANT	19	20,037
Total	100	183,785

Vacancy = 20,037/183785 = 0.1090 (10.90%)

The typical operational costs reported as a ratio to typical net rents for warehouse properties is 41%. The historic ratio of costs associated with vacant space in comparison to costs associated with occupied space (dark space ratio) was 67%. The shortfall adjustment is calculated as follows:

Shortfall = (op cost/net rent ratio) x (dark space ratio) x (typical Vacancy)
= 0.41 x 0.67 x 0.0476
= 0.0131 (1.31%)

Overall Capitalization Rates and Adjustments

Economic Capitalization Rates were estimated by dividing the predicted base date net operating income (generated from the net rent model) by the adjusted sale prices for all qualified industrial sales. Sales used in this analysis occurred between January 1, 2011 and December 31, 2014. These sales have been confirmed as appropriate for sales analysis purposes through a sales verification process which included the mailing of questionnaires to all vendors and purchasers

with further follow-up and field inspection of the sold properties, as required.

Sales have been adjusted for non-realty items and other significant factors, when warranted. Sales were also adjusted to the base date of January 1, 2015. The indicated time adjustment was approximately 1.3% per month for the first 28 months (January 2011 to April 2013) and no further adjustment for sales occurring after April 2013.

The economic capitalization rate analysis involved 132 sales, detailed in the following table.

Sales

ACCOUNT	ADDRESS	SALE YEAR	SALE MONTH	ADJUSTED SALE PRICE	PREDICTED INCOME	ECONOMIC CAP
10013922	290 HODSMAN ROAD	2012.00	8.00	1180931	57876	4.90
10013945	315 HODSMAN ROAD	2013.00	2.00	1026167	64200	6.26
10013946	325 HODSMAN ROAD	2014.00	5.00	999998	62000	6.20
10013951	100 N MCDONALD STREET	2012.00	12.00	14005179	432300	3.09
10013957	125 HENDERSON DRIVE	2011.00	3.00	1201585	60700	5.05
10013976	370 N LONGMAN CRESCENT	2014.00	5.00	574999	29500	5.13
10013978	350 N LONGMAN CRESCENT	2011.00	1.00	992093	61300	6.18
10013978	350 N LONGMAN CRESCENT	2012.00	8.00	1194481	61300	5.13
10013990	235 N MCDONALD STREET	2014.00	2.00	1649997	113600	6.88
10014003	1110 E PETTIGREW AVENUE	2012.00	11.00	13013865	868100	6.67
10018417	502 QUEBEC STREET	2011.00	4.00	381754	14300	3.75
10018420	464 QUEBEC STREET	2013.00	6.00	711999	31400	4.41
10018435	353 QUEBEC STREET	2014.00	3.00	150000	17900	11.93
10018441	370 QUEBEC STREET	2014.00	8.00	275000	13800	5.02
10018633	420 HOFFER DRIVE	2012.00	2.00	5212196	458700	8.80
10018657	515 MCDONALD STREET	2011.00	7.00	708258	41500	5.86
10018662	435 MCDONALD STREET	2011.00	11.00	1382556	60300	4.36
10018674	580 PARK STREET	2013.00	10.00	8949984	502500	5.61
10018682	264 E 1ST AVENUE	2012.00	3.00	1685532	99700	5.92
10018688	909 E PETTIGREW AVENUE	2012.00	10.00	2323242	123100	5.30
10018689	1105 E PETTIGREW AVENUE	2011.00	9.00	1821351	115200	6.32
10018690	1117 E PETTIGREW AVENUE	2011.00	6.00	4384509	355200	8.10
10018693	1405 E PETTIGREW AVENUE	2011.00	7.00	2728104	153800	5.64
10018705	380 HENDERSON DRIVE	2013.00	4.00	1579997	69700	4.41
10018717	445 MAXWELL CRESCENT	2011.00	2.00	2042667	88900	4.35
10018718	435 MAXWELL CRESCENT	2011.00	4.00	3067669	174500	5.69
10018733	205 N LEONARD STREET	2013.00	6.00	2794995	154300	5.52

10018736	705 HENDERSON DRIVE	2012.00	7.00	7469747	374000	5.01
10018744	380 MAXWELL CRESCENT	2011.00	7.00	1606696	66300	4.13
10018745	1150 E WEAVER STREET	2011.00	9.00	1246187	62700	5.03
10018747	1130 E WEAVER STREET	2011.00	12.00	983649	41500	4.22
10018752	470 MAXWELL CRESCENT	2013.00	9.00	1149998	68300	5.94
10021967	645 ANGUS STREET	2013.00	11.00	945998	50300	5.32
10021970	620 ANGUS STREET	2012.00	11.00	777632	43100	5.54
10022100	2350 2ND AVENUE	2013.00	5.00	2599995	220285	8.47
10022138	805 TORONTO STREET	2011.00	10.00	1110330	78700	7.09
10022390	805 WINNIPEG STREET	2012.00	6.00	1251660	65100	5.20
10022453	310 E 4TH AVENUE	2012.00	3.00	2483941	209800	8.45
10022463	942 PARK STREET	2012.00	2.00	2186726	139500	6.38
10022516	1750 E MACRAE DRIVE	2014.00	1.00	849998	35200	4.14
10022528	1507 E ROSS AVENUE	2012.00	3.00	2353830	165500	7.03
10026892	1835 5TH AVENUE	2013.00	11.00	1249998	111300	8.90
10026894	1140 ROSE STREET	2013.00	6.00	364999	16800	4.60
10026927	1430 MCINTYRE STREET	2012.00	12.00	1579531	73100	4.63
10026930	1374 MCINTYRE STREET	2012.00	9.00	333861	11600	3.47
10026936	1324 MCINTYRE STREET	2011.00	2.00	349772	26816	7.67
10026940	1333 MCINTYRE STREET	2012.00	10.00	226921	20800	9.17
10026960	1428 LORNE STREET	2012.00	10.00	302562	15500	5.12
10026998	1366 CORNWALL STREET	2013.00	5.00	384999	15800	4.10
10027014	1355 CORNWALL STREET	2012.00	11.00	789366	34000	4.31
10027017	2139 8TH AVENUE	2013.00	1.00	453745	16000	3.53
10027056	1431 SCARTH STREET	2013.00	4.00	389999	15700	4.03
10027119	1255 CORNWALL STREET	2012.00	2.00	539193	31000	5.75
10027154	1401 ST JOHN STREET	2013.00	6.00	1049998	77500	7.38
10027197	1361 HALIFAX STREET	2012.00	5.00	461066	50200	10.89
10027200	1625 8TH AVENUE	2013.00	1.00	1507286	76000	5.04
10027246	1516 6TH AVENUE	2011.00	4.00	327218	29300	8.95
10027247	1136 ST JOHN STREET	2011.00	11.00	871882	34200	3.92
10027266	1162 OSLER STREET	2013.00	2.00	2869572	192700	6.72
10027267	1148 OSLER STREET	2012.00	8.00	1219741	79100	6.48
10027272	215 7TH AVENUE	2013.00	4.00	741999	42800	5.77
10027290	555 7TH AVENUE	2013.00	11.00	159499	7400	4.64
10027298	1335 BRODER STREET	2013.00	5.00	374999	23900	6.37
10027321	1326 ATKINSON STREET	2014.00	6.00	250000	25100	10.04
10027327	1349 WALLACE STREET	2012.00	5.00	219006	11400	5.21
10027343	1337 WINNIPEG STREET	2013.00	3.00	229612	12700	5.53

10027348	980 DEWDNEY AVENUE	2013.00	4.00	1899997	79700	4.19
10027354	728 DEWDNEY AVENUE	2014.00	9.00	416999	16800	4.03
10027919	1025 WINNIPEG STREET	2012.00	11.00	357988	10500	2.93
10027920	1037 WINNIPEG STREET	2011.00	5.00	483115	29700	6.15
10027925	135 6TH AVENUE	2013.00	5.00	1628247	103600	6.36
10027980	1420 FLEURY STREET	2013.00	11.00	2669995	183400	6.87
10027982	1410 FLEURY STREET	2014.00	11.00	1999996	80100	4.01
10027987	580 E DEWDNEY AVENUE	2013.00	8.00	1465997	77500	5.29
10032066	2825 SASKATCHEWAN DRIVE	2012.00	6.00	1678362	117700	7.01
10032088	2901 SASKATCHEWAN DRIVE	2012.00	9.00	990633	44100	4.45
10032114	1873 CAMERON STREET	2014.00	5.00	275000	41200	14.98
10032130	3426 SASKATCHEWAN DRIVE	2012.00	5.00	945185	82600	8.74
10033263	1500 WINNIPEG STREET	2013.00	3.00	769879	37300	4.84
10033272	1160 9TH AVENUE	2013.00	10.00	349999	11600	3.31
10033335	1600 TORONTO STREET	2013.00	12.00	304999	18600	6.10
10033463	1575 ELLIOTT STREET	2013.00	2.00	2154951	282300	13.10
10033464	1539 ELLIOTT STREET	2014.00	9.00	770999	57100	7.41
10033800	1601 MCARA STREET	2012.00	3.00	1052718	83800	7.96
10033807	500 E 10TH AVENUE	2014.00	5.00	3599984	392000	10.89
10033814	715 E DEWDNEY AVENUE	2011.00	9.00	1310094	109700	8.37
10033823	305 E DEWDNEY AVENUE	2011.00	5.00	2113081	135800	6.43
10033828	101 DEWDNEY AVENUE	2013.00	3.00	1012998	62400	6.16
10033847	1920 MCARA STREET	2012.00	8.00	1006840	46900	4.66
10033876	1818 MCARA STREET	2011.00	12.00	368869	20736	5.62
10033878	1774 MCARA STREET	2011.00	8.00	550272	41900	7.61
10033885	1705 MCARA STREET	2013.00	5.00	474999	27600	5.81
10033897	1842 MACKAY STREET	2014.00	12.00	824999	47200	5.72
10033920	1740 FRANCIS STREET	2012.00	3.00	650556	44200	6.79
10033928	535 E 12TH AVENUE	2012.00	10.00	994130	62300	6.27
10059440	127 HODSMAN ROAD	2013.00	6.00	215000	9100	4.23
10059441	129 HODSMAN ROAD	2013.00	7.00	180000	8900	4.94
10059451	332 HODSMAN ROAD	2014.00	6.00	266865	11600	4.35
10059725	1135 E WEAVER STREET	2011.00	12.00	555762	33000	5.94
10065679	1347 WINNIPEG STREET	2013.00	9.00	280000	13826	4.94
10070876	1168 WINNIPEG STREET	2012.00	10.00	270144	19000	7.03
10070876	1168 WINNIPEG STREET	2012.00	11.00	373349	19000	5.09
10070877	1170 WINNIPEG STREET	2013.00	6.00	528999	33900	6.41
10070879	1180 WINNIPEG STREET	2014.00	2.00	499999	25500	5.10
10086976	1301 OSLER STREET	2013.00	10.00	1549997	95100	6.14

10091137	1330 OSLER STREET	2013.00	10.00	1149998	63800	5.55
10091223	1201 LORNE STREET	2013.00	7.00	1399998	105000	7.50
10093003	390 N LONGMAN CRESCENT	2012.00	8.00	1718725	91200	5.31
10093276	310 E 6TH AVENUE	2012.00	5.00	1757814	132900	7.56
10093276	310 E 6TH AVENUE	2014.00	5.00	2099996	132900	6.33
10113530	505 PARK STREET	2013.00	9.00	2589995	166900	6.44
10113531	535 PARK STREET	2014.00	1.00	3699993	320200	8.65
10120535	602 DEWDNEY AVENUE	2013.00	4.00	138000	14200	10.29
10120676	1800 GARNET STREET	2012.00	12.00	579162	27200	4.70
10133583	1355 LORNE STREET	2014.00	10.00	459999	17300	3.76
10136588	722 DEWDNEY AVENUE	2014.00	2.00	417499	16800	4.02
10147651	2102 E TURVEY ROAD	2012.00	10.00	594318	26300	4.43
10167385	20 2206 DEWDNEY AVENUE	2012.00	7.00	207805	10300	4.96
10167387	22 2206 DEWDNEY AVENUE	2012.00	7.00	247119	9700	3.93
10213813	1660 REYNOLDS STREET	2013.00	5.00	848998	63200	7.44
10226517	202 SOLOMON DRIVE	2014.00	2.00	3499994	149500	4.27
10256290	1 1801 E TURVEY ROAD	2012.00	2.00	461309	28700	6.22
10256291	2 1801 E TURVEY ROAD	2012.00	2.00	461309	28400	6.16
10256292	3 1801 E TURVEY ROAD	2012.00	8.00	426909	28400	6.65
10256294	5 1801 E TURVEY ROAD	2012.00	10.00	416022	28400	6.83
10256295	6 1801 E TURVEY ROAD	2013.00	2.00	399179	28400	7.11
10256296	7 1801 E TURVEY ROAD	2013.00	6.00	388999	28700	7.38
10259150	730 DEWDNEY AVENUE	2014.00	8.00	416999	16800	4.03
10271843	412 DEWDNEY AVENUE	2014.00	1.00	639999	29000	4.53
10271844	410 DEWDNEY AVENUE	2012.00	5.00	393382	16500	4.19
10271845	408 DEWDNEY AVENUE	2012.00	10.00	414423	16300	3.93
10271846	406 DEWDNEY AVENUE	2013.00	12.00	374999	16300	4.35
10271847	404 DEWDNEY AVENUE	2013.00	12.00	321599	16500	5.13
10271848	402 DEWDNEY AVENUE	2013.00	10.00	324999	16500	5.08
10271849	414 DEWDNEY AVENUE	2014.00	10.00	689999	32300	4.68
10271850	400 DEWDNEY AVENUE	2014.00	9.00	409999	18400	4.49

The reconciliation process for determining the industrial economic capitalization rates applied to each property involved the use of Multiple Regression Analysis. The variables that were determined to affect the economic capitalization rate were the Industrial Light Manufacturing building type, effective age, site coverage ratio and total building area <> 10,000 square feet, which was supported by a consultation process with individuals active in the Regina real estate market. Industry recognized published capitalization rate data were also reviewed. The economic capitalization rates are as follow:

Overall Capitalization Rates

Description	Rate
Base Cap Rate	6.862
Condo	-1.101
Site Coverage Adjustment, Less than 30%, to minimum 9%	-.060
Area Adjustment, from 10,000, per 1000sqft, to 50,000	.044
Industrial Light Manufacturing Type Adjustment	-.940

Extra Land

Extra Land is the difference between a property's actual parcel size, and the maximum parcel size that would be required to accommodate the existing improvement.

Site coverage in the Industrial model ranges from 6% to 88%. The median site coverage is 30%. When site coverage is less than the median value, the Capitalization Rate for the building is adjusted according to the results of the regressed Capitalization Rate model, to a minimum of 9% site coverage.

When the site coverage ratio is less than 9%, then:

Extra Land Value = (Lot Size-(building foot print / .09))/Lot Size*Land Assessment

MODEL TESTING

In mass appraisal, the most effective means of evaluating the accuracy of assessed values is a ratio study. A ratio study compares the assessed values produced by the valuation models to arm's length sale transactions in the marketplace.

The legislated statistical requirement affecting the assessment of commercial properties in Saskatchewan is for the median ratio of a city-wide assessment-to-sales study to be within the range of 0.95 to 1.05.

The median assessment-to-sales ratio and Coefficient of Dispersion for this Industrial valuation model is provided below:

Assessment to Sales Summary Results

Number of Sales	136
Median	0.976
Coefficient of Dispersion	0.232

Assessment Models Presented to Tax Agents and Appeal Tribunals

[56] On October 20, 2016, the Assessor invited local tax agents and members of the Board of Revision and Saskatchewan Municipal Board's Assessment Appeals Committee to an information session and presentation of the Assessor's new valuation models for the 2017 – 2020 assessment cycle. The Assessor explained how the models were developed, how to apply the models to various types of properties, and how they differed from the valuation models used in the previous assessment cycle.

ISSUES UNDER APPEAL

[57] The Appellant filed the notice of appeal on March 6, 2017 and makes this appeal on the following grounds:

A. The Subject assessment appears to have been developed in error through a misapplication of the capitalization rate adjustment for building size. Moreover, the CAP rate size threshold established by the Assessor is maximized or capped at 50,000 square feet appears notwithstanding 65,000 square feet appears more appropriate.

B. The subject property is considered by the Assessor to be a non-regulated property pursuant to subsection 163(f.4) of the Cities Act (the Act). As such, the Appellant is alleging that the subject property has been over assessed as a result of the subject's base Cap rate being adjusted downward within the Assessor's assessed value calculation. Subsequently, site coverage has been calculated while failing to account for areas and features that directly limit the availability of extra or excess land.

C. Equity has not been achieved pursuant to subsection 165(5) of the Act. This legislation speaks to the application of the market valuation standard which in turn speaks to the use of Mass Appraisal. As such, the Appellant is alleging that with the Assessor using site specific Cap Rates, he has moved away from the concept of Mass Appraisal.

D. The Market Valuation Standard has not been achieved for the subject property. The Appellant is alleging here again that with the Assessor using site specific Cap Rates, he has moved away from the concept of Mass Appraisal.

[58] In support of this ground, the Appellant provides the following material facts:

A. Size Adjustment

- The Industrial model applies an adjustment for size in the sales capitalization rate analysis and in the rent analysis.
- The CAP rate size threshold is maximized or capped 50,000 square feet.
- The current maximized capitalization rate adjustment for size is 1.76. An adjustment of 0.044 per every 1000 square feet about 10,000 square feet.
- The rent model applies a size adjustment of -2.53 per square foot greater than or equal to 65,000 square feet.
- The sales with site coverage larger than 30% and net building areas greater than or equal to 65,000 square feet less the -$2.53 psf adjustment have cap rates that continue to trend upwards.
- There are no industrial sales between 50,462 square feet and 87,760 square feet with site coverage greater than 30%.

B. Site Coverage

- The City of Regina has employed a new methodology whereby a special site specific coverage adjustment is being applied to the Assessor's Modeled Base Cap Rate with the intention of reflecting excess land that is on the site.
- In determining the percentage of site coverage, being a major factor within the site specific coverage formula, the Assessor only considers the foot print of the buildings that are located on site. Such areas of the site that are covered with canopy's (sic), fuel tanks (above or below ground), business signage, garbage bins, etc. are not being considered within the site specific coverage formula.
- Nor, what has not been considered within the site specific coverage formal is the fact that there are City Bylaws that require a property owner to provide a certain level of parking areas for both tenants and customers. This also means that a certain area of land would also be required for the movement of automobiles.

C. Equity

- Subsection 165(5) of the Act states that: equity in non-regulated property assessment is achieved by applying the market valuation standard so that the assessments bear a fair and just proportion to the market value of similar properties as of the applicable base date.

D. Market Valuation Standard

- Subsection 136 (f.1) of the Act states: market valuation standard means the standard achieved when the assessed value of property is prepared using mass appraisal.

- Subsection 163 (f3) (sic) defines the term mass appraisal as: the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing.

- In the Saskatchewan Court of Appeal Case, Sasco Developments Ltd. Vs. The City of Moose Jaw, 2012 SKCA 24, the Court on pg. 5, made it clear of its understanding of mass appraisal vs site specific values when it stated on pg. 5, the techniques associated with mass appraisal are grounded in the data common to a group of properties, whereas the techniques associated with single property appraisal are grounded in the main in data specific to a particular property.

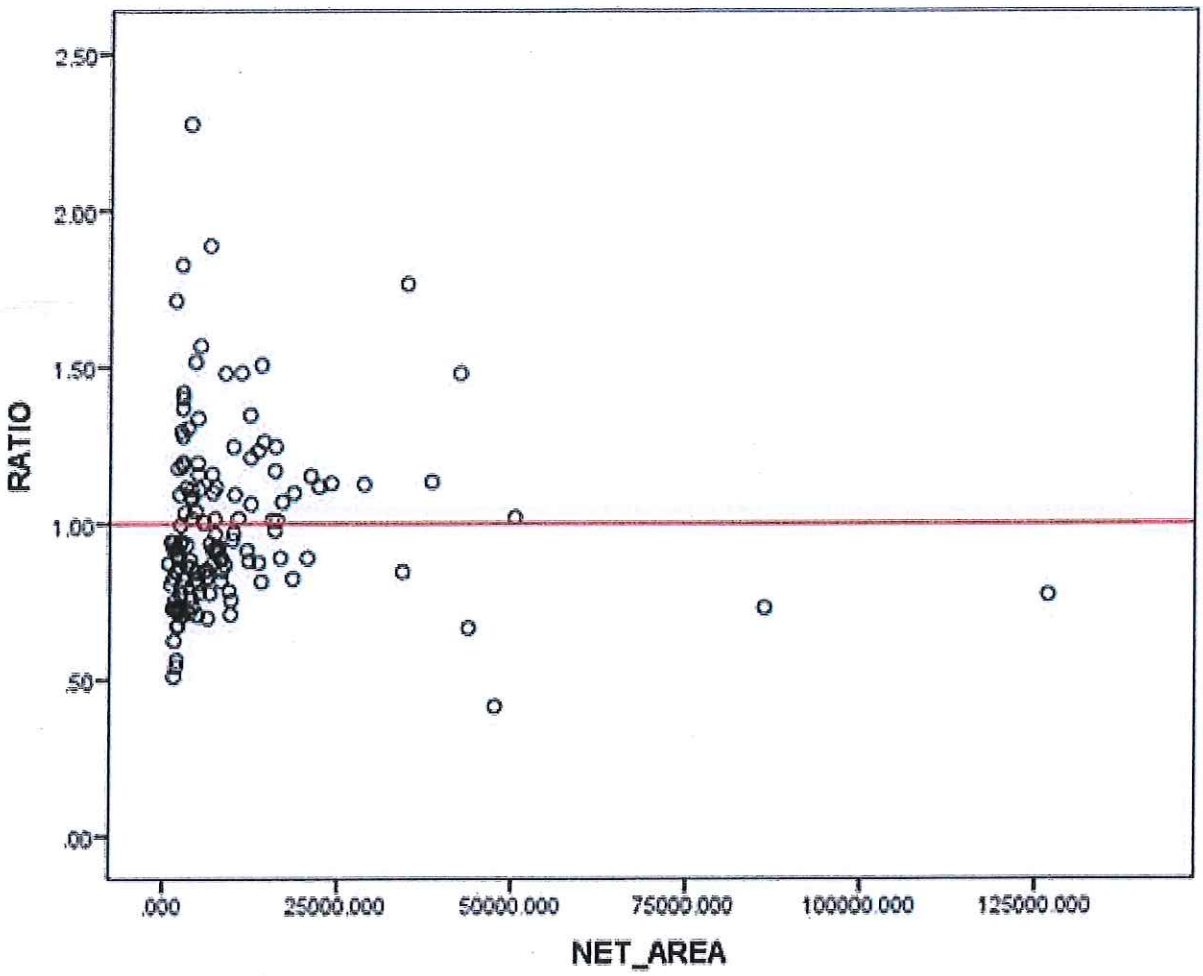
DISCUSSION and SUPPORTING REASONING

Issues under Appeal

Size Adjustment

[59] The first issue raised by the Appellant in this appeal surrounds the allegation that a size adjustment is warranted in the CAP rates beyond the currently applied maximum of 50,000 sqft.

[60] The Assessor has established, based on the available sales, an adjustment of 0.044 to the base CAP rate for every 1000 sqft of building size above 10,000 sqft. This adjustment is the "capped" at 1.76 which is equal to 50,000 sqft. This is based on that fact that the sales larger than 50,000 sqft do not support the continuation of the adjustment. Any building greater than 50,000 sqft will continue to receive the adjustment of 1.76.



[61] The above graph demonstrates the Assessment to Sales Ratios (ASR) for all the sold properties in the industrial model. An ASR below the target of 1.00 would indicate that the assessments are below the sale price and an ASR above the target of 1.00 would indicate the assessment is above the sale price.

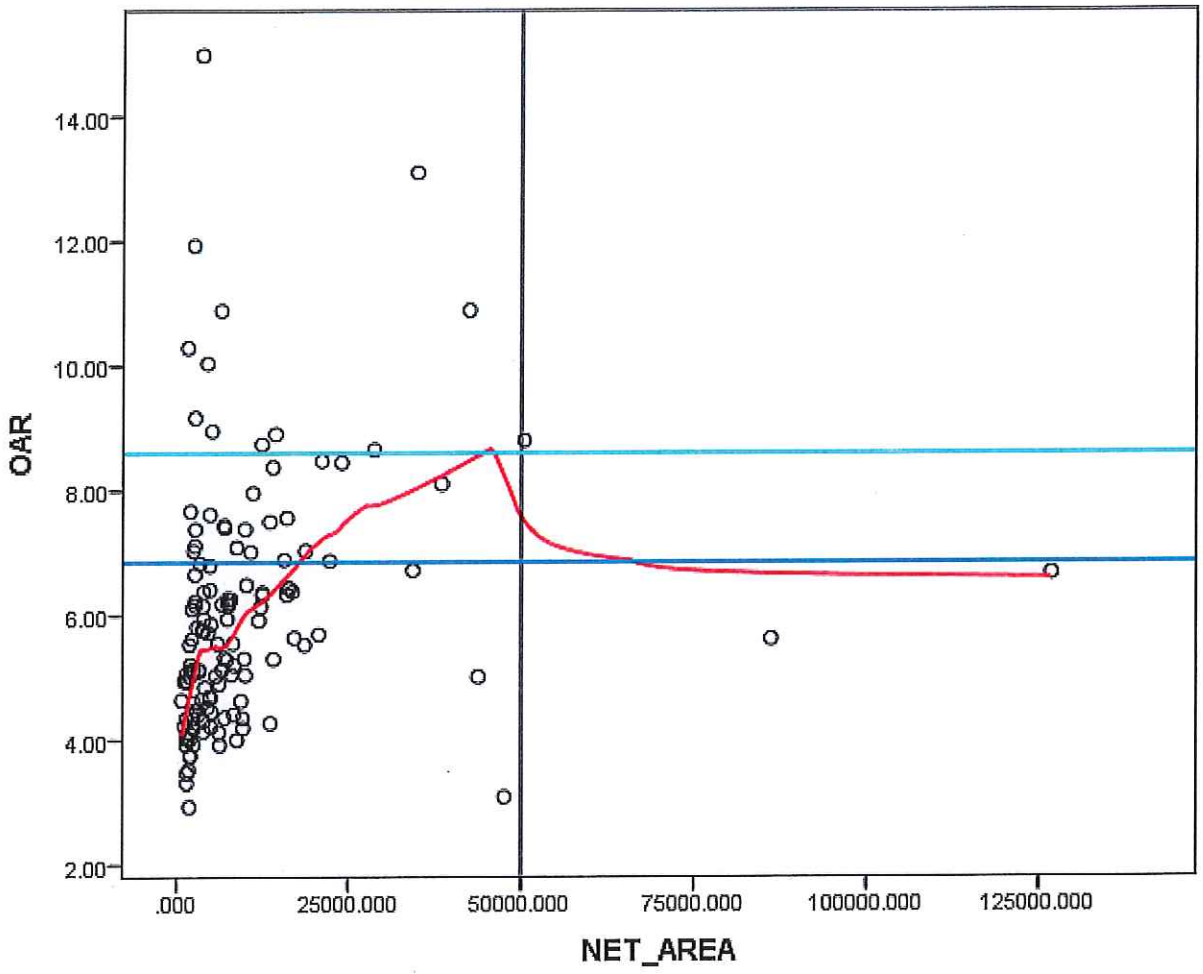
[62] In the present case, the sales above 50,000 sqft are below the line of 1.00 except for one which is almost on the line of 1.00. This does not support the Appellant's allegation.

[63] As demonstrated below, the CAP rates for sales of properties over 50,000 sqft are actually trending downward not upward as the Appellant alleges.

Case Summaries[a]

	ACC_ID	ADDRESS	NET_AREA	OAR	Unstandardized Predicted Value	RATIO
1	10014003	1110 E PETTIGREW AVENUE	126799.992	6.67	8.63090	.77
2	10018633	420 HOFFER DRIVE	50461.999	8.80	8.63090	1.02
3	10018674	580 PARK STREET	86180.006	5.61	7.69077	.73
Total N	3	3	3	3	3	3

a. Limited to first 100 cases.



[64] Since receiving the Appellant's submission, the Appellant is attempting to misuse or abuse various statistics to arrive at a preconceived idea.

[65] At paragraph 42 of their submission, the Appellant is suggesting that the two largest sales be removed from the analysis as they are receiving a rent rate adjustment for size. To follow through with the Appellant's suggestion that, if a sale is receiving a rent adjustment from the base rent it should not be excluded from the CAP rate analysis, almost every sale would be removed.

[66] As mentioned previously, the Assessor has established a "base" rent and adjusts that rent for each property based on the characteristics of the property. Therefore, following the Appellant's submission, only sales where solely the base rent is used can be included in the CAP rate analysis. Not only is this illogical, it would offend decision of the SMB where are sales must be used.

[67] In *Various c/o Altus Group Limited v. Regina (City) (SMB 2011-0022 et al)* the Committed address the inclusion of sales:

> a. All valid sales should be used for developing a capitalization rate. [40]
> b. The Committee finds that although the appellant is challenging the level of time adjustment applied in 2005 and 2006, its approach involves interpreting the available data in a **restrictive manner which works best for its position.** In the Committee's view, this does not establish that the assessor's approach of using information from all available sales to determine the applicable time adjustment was in error. [45]

[68] Next, the Appellant goes on to extrapolate the CAP rate analysis extending the cut off to 71,000 sqft. At paragraph 43 of the Appellant's submission, the Appellant makes the statement that "sales less than 71,000 square feet demonstrate an extrapolated trend that continues to increase above the 50,000 square foot size adjustment threshold.

[69] This statement is misleading as there is only one sale above 50,000 sqft and its size is 50,461. There are no sales between 50,0462 sqft and 71,000 sqft so there is no way to extrapolate the sales to 71,000 sqft.

[70] As mentioned above, there are 3 sales above 50,000 square feet.

Case Summaries[a]

	ACC_ID	ADDRESS	NET_AREA	OAR	Unstandardized Predicted Value	RATIO
1	10014003	1110 E PETTIGREW AVENUE	126799.992	6.67	8.63090	.77
2	10018633	420 HOFFER DRIVE	50461.999	8.80	8.63090	1.02
3	10018674	580 PARK STREET	86180.006	5.61	7.69077	.73
Total N	3	3	3	3	3	3

a. Limited to first 100 cases.

[71] The sales above 50,000 sqft actually show a declining CAP rate and as such, there would be no basis to randomly select 71,000 sqft. If anything, the sales support the theory that the CAP rates should be declining after 50,000 sqft not staying constant.

[72] Again, the Assessor's sales analysis demonstrates that, based on sales information, after 10,000 sqft, the CAP rates were increasing. The Assessor developed a CAP rate adjustment of 0.044 per 1000 sqft which would be added to the base CAP rate of 6.862. This is applied both above and below 10,000 sqft with the adjustment being a negative adjustment for properties below 10,000 sqft.

Description	Rate
Base Cap Rate	6.862
Condo	-1.101
Site Coverage Adjustment, Less than 30%, to minimum 9%	-.060
Area Adjustment, from 10,000, per 1000sqft, to 50,000	.044
Industrial Light Manufacturing Type Adjustment	-.940

[73] That is, for every 1000 sqft above 10,000 sqft, the CAP rate increases. Therefore, a property of 50,000 sqft would have a CAP rate of 8.622 applied (((50000 – 10000)X0.044/1000))+6.862). And for every 1,000 sqft below 10,000 sqft, the CAP arte decreases. When comparing to the sales above, the sale at 50,462 demonstrates a CAP rate of 8.63009 which is almost identical to the Assessor's calculated CAP rate and supports the Assessor's analysis.

[74] Although the sales greater than 50,000 sqft demonstrate a lower CAP rate, the Assessor, using his knowledge of the market place and his discretion, did not decrease the CAP rate beyond 50,000 sqft even though the sales may show it could be done. In the case of the two largest sales, the calculated CAP rate for each sale was 5.61 and 6.67 (86,180 sqft and 126,799 sqft). The Applied CAP rate remains at 8.622 which is the maximum CAP rate in the Assessor model.

[75] The Appellant goes on to attempt to extrapolate the CAP rate adjustment out to 71,000 sqft. The Appellant correctly states, that if the sales used in the analysis are normally distributed, and based on accepted standards, 68% of the sales will fall within +/- 1 standard deviation of the mean. Then 95% of the sales will fall within +/- 2 standard deviation of the mean and finally 99% of the sales will fall within +/- 3 standard deviation of the mean. This does not set the "break points" it simply states that, based on a normal distribution, 68, 95 and 99% of the sales will fall with a certain boundary of the mean.

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NET_AREA	136	720.000	126799.992	10067.27260	15410.93536
Valid N (listwise)	136				

[76] The above table is based on all the sales and demonstrates a mean size of 10,067 and a standard deviation of 15,410. If this were a normal distribution, you could calculate:

Group	Minimum Size	Maximum Size
+/- 1 Deviations (68%)	0	25,477
+/- 2 Deviations (95%)	0	40,887
+/- 3 Deviations (99%)	0	56,297

[77] The Appellant attempts to complete an analysis of the sales. However, the Appellant restricted his analysis to those greater than 10,000 sqft. It is unclear why this was done. As well, it appears the Appellant has also not included the two largest sales in his analysis.

[78] Regardless, the Appellant has claimed that the sales over 10,000 sqft are not normally

distributed among the variation in size. In other words, the size of the sales are not normally spread though the sales sample. What the Appellant then does is determine, based on a non-normally distributed set of data and using the Chebyshev's Theorem, a distribution.

[79] Using the Appellant's list of sales and limiting the sales to 50,461 sqft, the mean (average) size of the sales is 20,593 and the standard deviation of 11,334 you can calculate the percentage of the population that falls within +/- 2 and 3 standard deviations.

[80] This theorem does not calculate "break points" is simply estimates what percent of the population falls within certain size ranges. Based on the math provided by the appellant, at +/- 2 standard deviations 75% of the population would fit. This is in comparison to a normally distributed group where 95% of the population would fit. It then estimates that at +/- 3 standard deviations 88% of the population will fit in comparison to a normally distributed group where 95% of the population would fit.

[81] In the case of +/- 2 standard deviations, this would indicate that 75% of the sales sizes would fall between 0 and 43,281 sqft. At +/- 3 standard deviations, 88% of the sales would fall between 0 and 54,595 sqft. This would indicate that, based on the sales, 12% of the sales would be greater than 54,595.

[82] What the Appellant then calculates is what would the size range be if 95% of the population were to be included. The Appellant has established that 95% of the sales would fall within +/- 4.47 standard deviations of the mean. The Appellant believes that this establishes a "break point".

Group	Minimum Size	Maximum Size
+/- 2 Deviations (75%)	0	43,281
+/- 3 Deviations (88%)	0	54,595
+/- 4.47 Deviations (95%)	0	71,258

[83] However, if you use all the sales above 10,000 sqft the results are:

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
NET_AREA	37	10056.964	126799.992	25579.62084	23098.14608
Valid N (listwise)	37				

Group	Minimum Size	Maximum Size
+/- 2 Deviations (75%)	0	71,775
+/- 3 Deviations (88%)	0	94,873
+/- 4.47 Deviations (95%)	0	128,800

[84] Following the Appellants position, the size range is greater than the largest sales and demonstrates the weakness of their analysis as this is saying that 95% of the sales greater than 10,000 sqft would fall between 0 and 128,800 sqft. The largest sales is only 126,799 and as such, 100% of the sales greater than 10,000 sqft are actually within this range.

[85] The Appellant at paragraph 53 of their submission, states that the 95% confidence level is common place in the assessment world. Regardless, the Appellant is attempting to use the 95% confidence idea and somehow tie this to the Chebyshev's Theorem.

[86] This is incorrect, at paragraph 53, where the Appellant states; "We require a 95% confidence therefore"... the appellant somehow believes he has calculated a size range that you can be 95% confident about. This is incorrect. As mentioned earlier, what the Appellant has calculated is a size range of where 95% of the sales will fall. This does not set a "break point" or a confidence interval.

[87] The Appellant has included a list sizes at Appendix W of their submission. It is assumed that this is the list of the sales and the size used. However, this information does not match what the Assessor has used. The Appellant lists 37 sales between 10,000 sqft and 65,000 sqft yet the Assessor only shows 35. It is unclear what the Appellant has analysed.

[88] The following are the sales in the various size groups.

10027200	1625 8TH AVENUE	10,000 to 50,641
10027267	1148 OSLER STREET	10,000 to 50,641
10032066	2825 SASKATCHEWAN DRIVE	10,000 to 50,641
10033800	1601 MCARA STREET	10,000 to 50,641
10018682	264 E 1ST AVENUE	10,000 to 50,641
10086976	1301 OSLER STREET	10,000 to 50,641
10032130	3426 SASKATCHEWAN DRIVE	10,000 to 50,641
10027925	135 6TH AVENUE	10,000 to 50,641
10018689	1105 E PETTIGREW AVENUE	10,000 to 50,641
10091223	1201 LORNE STREET	10,000 to 50,641
10226517	202 SOLOMON DRIVE	10,000 to 50,641
10033814	715 E DEWDNEY AVENUE	10,000 to 50,641
10018688	909 E PETTIGREW AVENUE	10,000 to 50,641
10026892	1835 5TH AVENUE	10,000 to 50,641
10013990	235 N MCDONALD STREET	10,000 to 50,641
10093276	310 E 6TH AVENUE	10,000 to 50,641
10093276	310 E 6TH AVENUE	10,000 to 50,641
10113530	505 PARK STREET	10,000 to 50,641
10033823	305 E DEWDNEY AVENUE	10,000 to 50,641
10022463	942 PARK STREET	10,000 to 50,641
10018693	1405 E PETTIGREW AVENUE	10,000 to 50,641
10018733	205 N LEONARD STREET	10,000 to 50,641
10022528	1507 E ROSS AVENUE	10,000 to 50,641
10018718	435 MAXWELL CRESCENT	10,000 to 50,641
10022100	2350 2ND AVENUE	10,000 to 50,641
10027980	1420 FLEURY STREET	10,000 to 50,641
10022453	310 E 4TH AVENUE	10,000 to 50,641
10113531	535 PARK STREET	10,000 to 50,641
10027266	1162 OSLER STREET	10,000 to 50,641
10033463	1575 ELLIOTT STREET	10,000 to 50,641
10018690	1117 E PETTIGREW AVENUE	10,000 to 50,641
10033807	500 E 10TH AVENUE	10,000 to 50,641
10018736	705 HENDERSON DRIVE	10,000 to 50,641
10013951	100 N MCDONALD STREET	10,000 to 50,641
10018633	420 HOFFER DRIVE	10,000 to 50,641
10018674	580 PARK STREET	>50641
10014003	1110 E PETTIGREW AVENUE	>50641

[89] There is nothing in any assessment manual or publication that requires the sales be stratified based on the standard deviation or that the sales be stratified based on 95% of the population. This is what the Appellant suggest. The sales are to be stratified based on what the sales are demonstrating regardless of the % of the population. The sales support the Assessor's analysis where the CAP rates were increasing to about 50,000 sqft and after size, the sales do not support an increasing CAP rate.

[90] Find agrevo smb

Site Coverage Adjustment:

[91] The second issue raised by the Appellant in this appeal surrounds the use of a site coverage adjustment to the CAP rate. The Appellant alleges that the CAP rate adjustment the Assessor has established offends mass appraisal principles.

[92] Although the appellant alleges the use of a site coverage adjustment offends mass appraisal principles, the Appellant has failed to provide any basis for this argument. Further, if one were to believe this is true and follow this through to the end, every adjustment made in assessment would not meet the mass appraisal principles. This would lead to an absurd result.

[93] The Assessor for the City of Regina employs Multiple Regression Analysis (MRA) in all their assessment models including the direct sales models and the income models. MRA is a widely-accepted procedure in the mass appraisal industry and has been used by the City of Regina since 2005. The International Association of Assessing Officers (IAAO) recognizes the use of MRA in mass appraisal in the Standard on Automated Valuation Models (AVM) and can be found on their web site at www.iaao.org.

[94] Subsection 163(f.3) of the Act as defines mass appraisal as:

> Means the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing.

[95] MRA involves the use a computer software program (the City of Regina uses SPSS) and analysing common data to determine what features add or detract from the data being analysed.

[96] In the case of rental information, MRA is used to determine what features of the various

properties add or detract from the properties ability to generate income. The Assessor would analyse the reported rents and test common features like age, location, size, type of property, etc. for all the reported rents. In the end, the Assessor will develop a rental model which is then applied back to each property based on the specific features of the property.

[97] In the case of sales analysis, MRA is used to determine what features of sold properties impact the CAP rates. The Assessor would analyse the sold properties calculate CAP rates and test common features like location, age, building quality, site coverage, etc. In the end, the Assessor will develop a CAP model which is then applied back to all the properties based on the specific information of the property to determine the assessed values of the properties.

[98] Following this process for all the industrial properties, the Assessor will have valued all the industrial properties using mass appraisal.

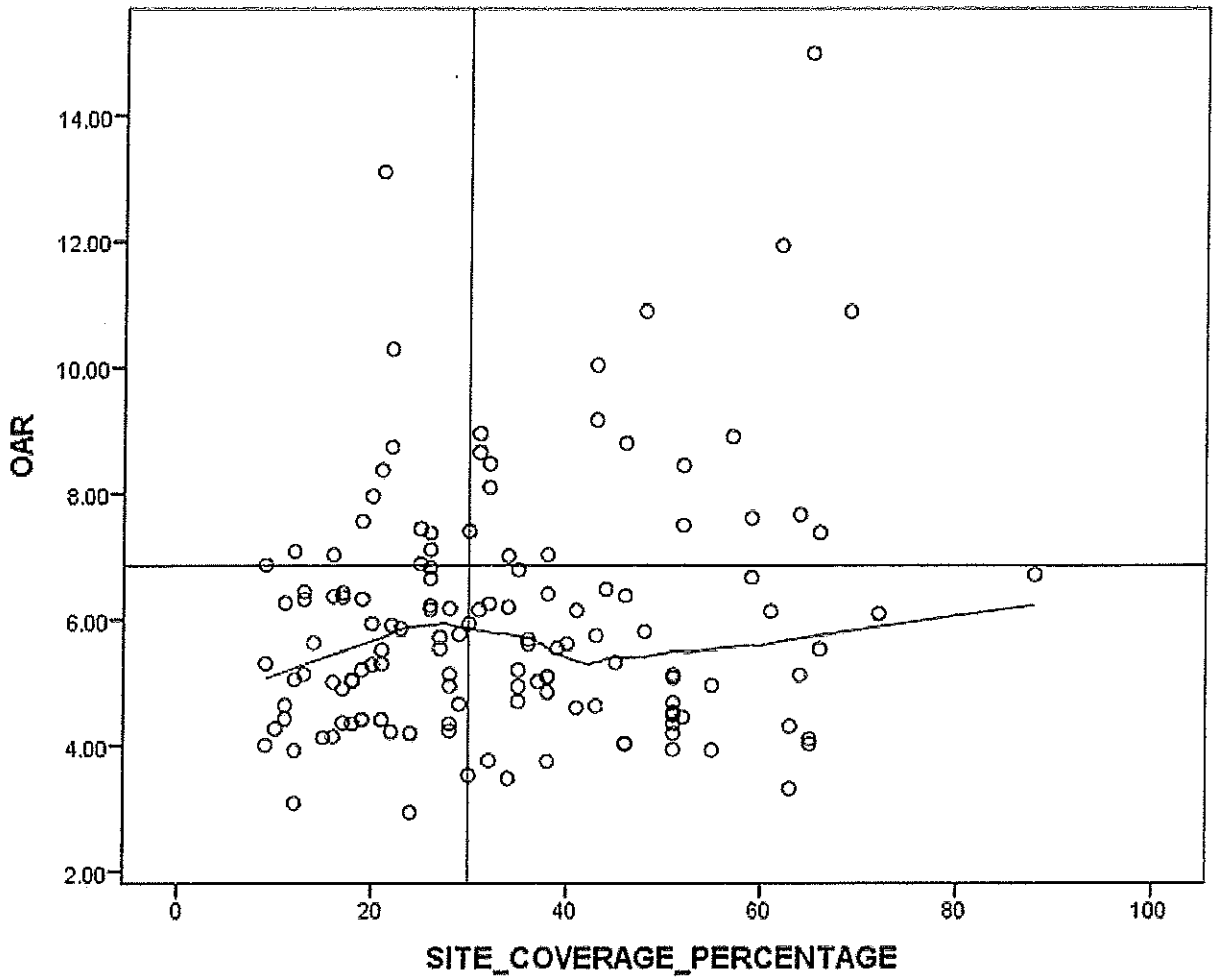
[99] In the present case, the Assessor has established a rent model using MRA and analysing 882 reported rents. This rent model is applied to all the industrial properties based on the specific size of the rentable areas, specific location, specific age, specific type of space, etc. The results are a predicted income for the specific property based on the consistent application of the rental model.

[100] The Assessor analysed the economic CAP rates based on the sales of industrial properties. Using MRA, the Assessor was able to establish that the common feature of the sales that were consistently impacting the CAP rates which includes site coverage. In fact, using MRA and analysing CAP rates, the Assessor was able to establish that sales of properties with less than 30% site coverage show a declining CAP rate.

Description	Rate
Base Cap Rate	6.862
Condo	-1.101
Site Coverage Adjustment, Less than 30%, to minimum 9%	-.060
Area Adjustment, from 10,000, per 1000sqft, to 50,000	.044
Industrial Light Manufacturing Type Adjustment	-.940

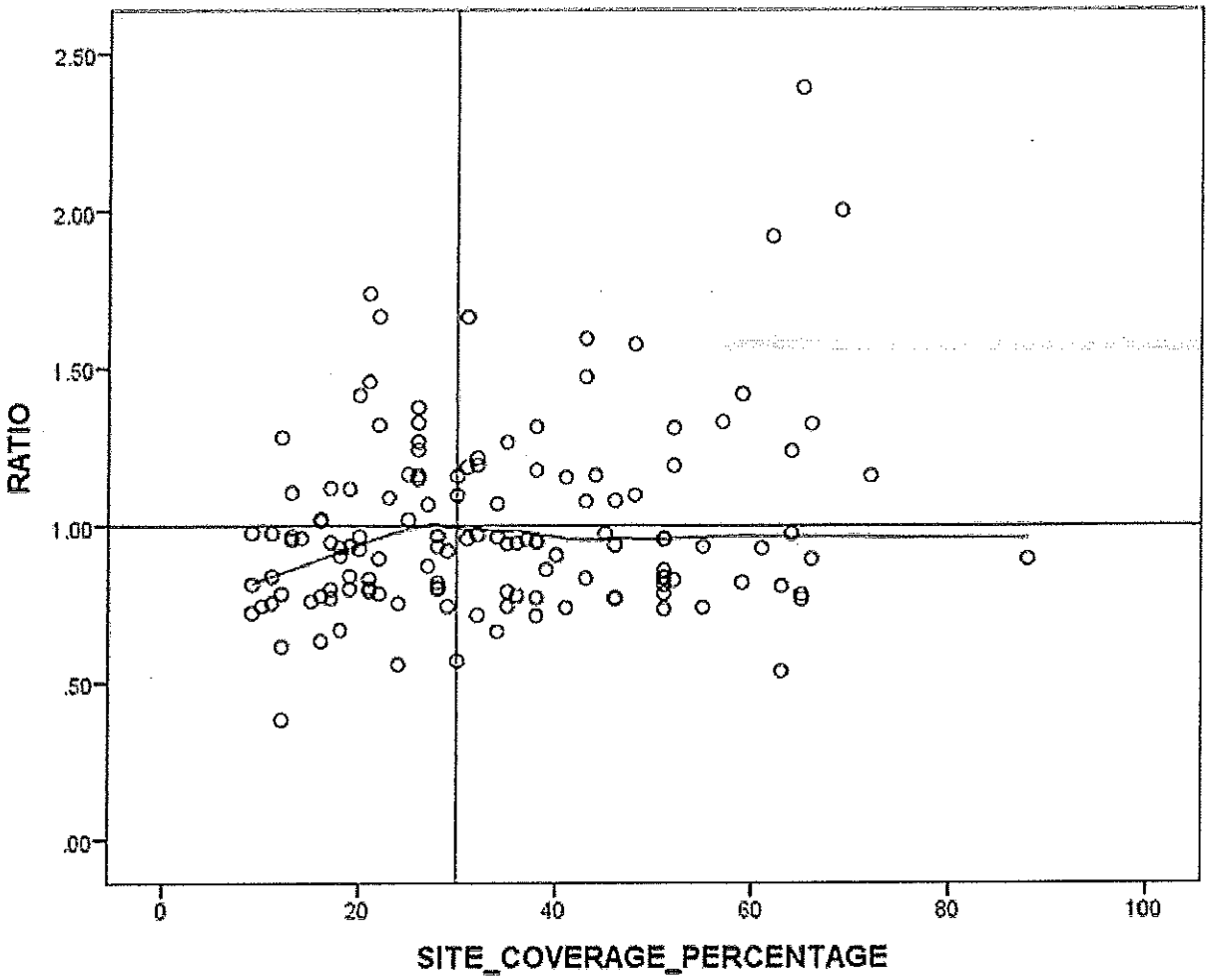
[101] The adjustment to the CAP rate is a -0.060 per percentage of site coverage less than 30%. As an example, if a property had a site coverage of 20% the base CAP rate would be reduced by

0.60. The math is 6.862+((30 - 20) x -0.060) = 6.262.



[102] The above graph shows the calculated CAP rates (vertical axis OAR) for each sale and is plotted against the site coverage variable on the horizontal axis. The vertical line is the 30% site coverage and the horizontal line is the base CAP rate of 6.862. It is clear that the CAP rates of the industrial property sales trend downward starting at 30% site coverage. It was from this analysis the Assessor established the CAP rate adjustment.

[103] Since the industrial CAP rate includes adjustments for other features including site coverage, the following graph better illustrates, when the site coverage is isolated, the downward trend for sales of properties with less than 30% site coverage.



[104] The above graph shows the ASR (vertical axis OAR) for each sale and is plotted against the site coverage variable on the horizontal axis. The vertical line is the 30% site coverage and the horizontal line is the ASR target of 1.00. It is clear that the ASR's of the industrial property sales trend downward starting at 30% site coverage.

[105] The City of Regina has established a CAP adjustment for site coverage. The CAP rate adjustment was established based on sales of industrial properties where the site coverage is less than 30%. The sales used to establish this adjustment ranged in site coverage of less than 30% to 9%. Using MRA, the Assessor was able to establish and adjustment of -0.060 per percentage of site coverage which is less than 30%. This is "capped" at 9% site coverage since there were no sales less than 9% site coverage. Properties with less than 9% site coverage receive the

maximum adjustment of -1.26 ((30 – 9) x -0.060) to the base cap rate.

[106] Properties with a site coverage of less than 30% receive an adjustment to the base CAP rate of 6.862 based on the property's actual site coverage. In this fashion, all properties with the same site coverage will receive the same adjustment. This is similar to how the rent model is developed and applied. In the Assessor's rent model, the market rent applied to a property is dependant on the actual rentable area of the property. Therefore, if two properties are identical, the same rent would be applied.

[107] The Appellant is alleging that the Assessor site coverage adjustment is a site-specific adjustment and this somehow offends that mass appraisal principles. As mentioned previously, all assessments are prepared based on the specific features of a property. As well, many adjustments (not just the CAP rate adjustment) within the Assessor's valuation model are not "lump sum" or static adjustments. Within the rent model, adjustments for age and tenant size all slide with the actual data of the property.

[108] Not only is the CAP rate adjusted for site coverage, an adjustment for building type and size is also applied. The adjustment for size is a sliding adjustment very similar to the the adjustment for site coverage in that for every 1000 sqft over 10,000 sqft, the CAP rate in INCREASE. Therefore, a building designed for a single tenant of 25,000 sqft would receive an adjustment of +0.66 to the base CAP rate of 6.862 which would result in an applied CAP rate of 7.522 (6.862 + ((25000 – 10000) x 0.044)). Another similar building that is 27,000 sqft would receive an adjustment of +0.748 which would result in an applied CAP rate of 7.610.

[109] It should be noted; the Appellant has not alleged that the size adjustment amounts to a site-specific adjustment. It may be, that since the adjustment increases the CAP rate (decreases the value), the Appellant knows that if this adjustment were removed, the CAP rate would go down and the value would increase. However, if one accepts the size adjustment is correct, then so too must the site coverage adjustment.

[110] Adjustments for site coverage are not uncommon adjustments within other assessment jurisdictions who employ mass appraisal techniques. Included in Appendix A is an excerpt from B.C. Assessment Authority's guide (the guide) for Industrial, Commercial, Investment (ICI) properties which can be found on BC Assessment's website at https://www.bcassessment.ca.

[111] At pages 20 and 21, the guide describes excess land and surplus land. On page 21, the guide refers to surplus land as "extra" land. The City of Regina's model does not try to define excess or surplus, rather the adjustment is for extra land.

[112] On page 25 of the guide, it explains that surplus land can be accounted for by applying a CAR rate adjustment. This is exactly what the City of Regina has done.

[113] Included in Appendix B are excerpts from the City of Edmonton's Assessment department which can be found at www.edmonton.ca/assessment. Within Edmonton's Commercial narrative, they describe both excess and surplus land. Within the Industrial narrative, they too have established that the typical site coverage is about 30% and adjustments would be made for properties with less than 30% site coverage. They go on to explain that properties with low site coverage add to the market desirability for multiple reasons including the potential for future expansions of the improvements or for subdivision.

[114] Edmonton also describes how to calculate site coverage (main floor area / lot size). They go on to explain that areas of any "cost" buildings are not included in the calculation of the site coverage.

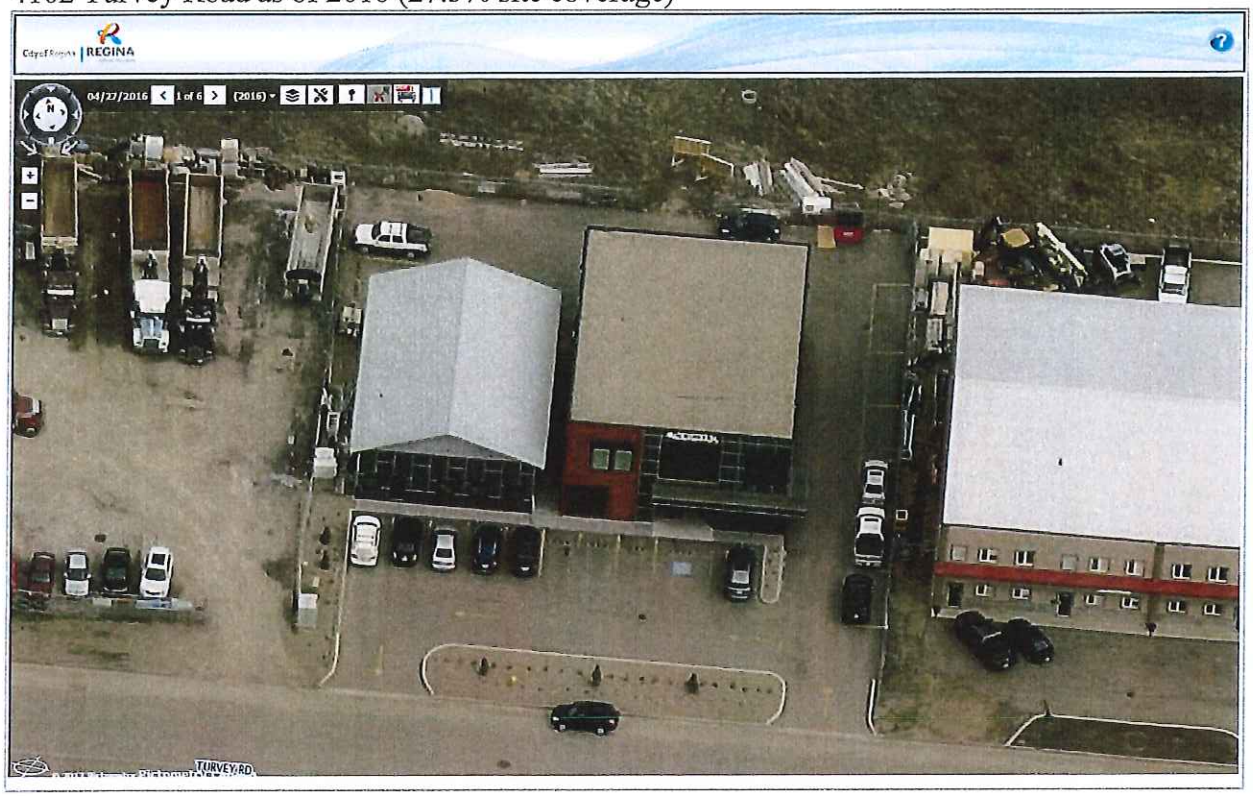
[115] The City of Regina has calculated the site coverage by dividing the main floor area of the building by the lot size. The City of Regina, just like the City of Edmonton, does not include the floor area of "cost" buildings (tanks, canopies, etc.) in the calculation. The declining CAP rate for sales of properties with less than 30% site coverage is a true indication of the desirability of properties with a low site coverage.

[116] In Regina, in around the base date of January 1, 2015, there was a high demand for industrial land. In fact, properties with extra land were being further developed or the extra land was being used for a secondary purpose.

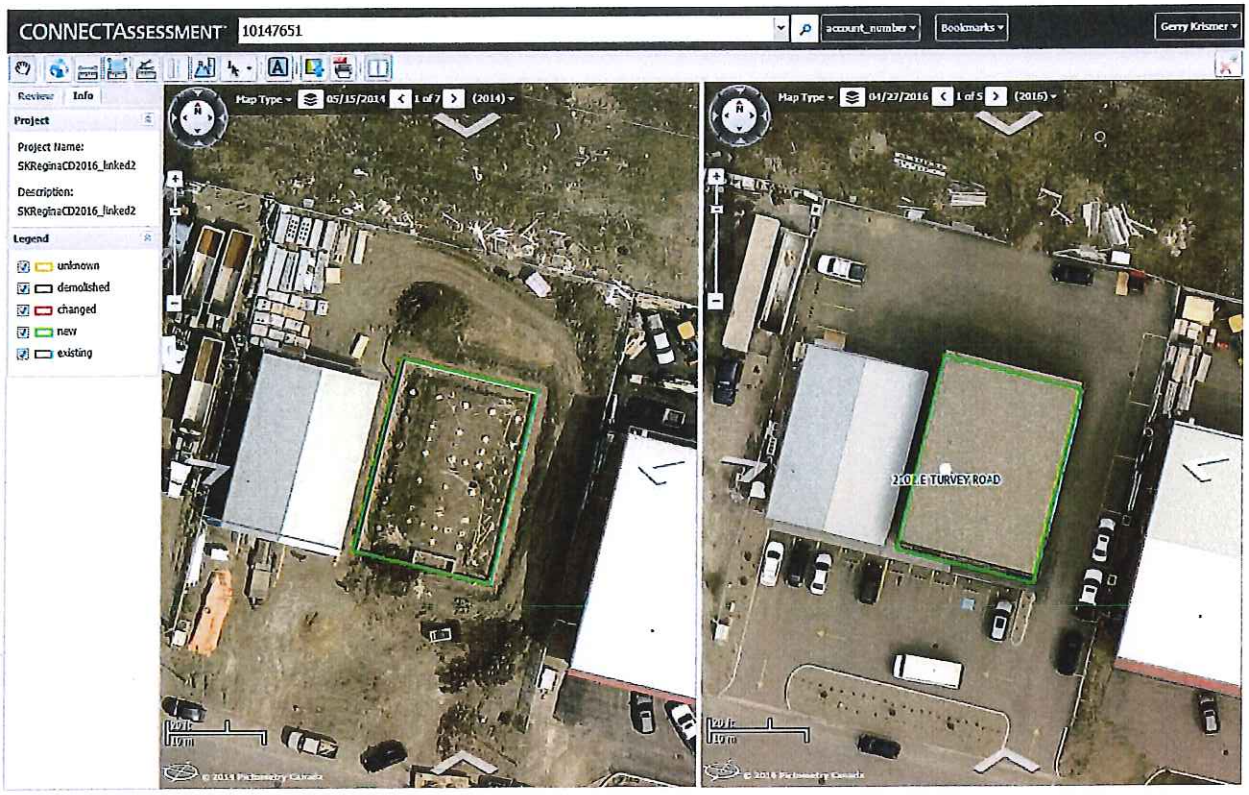
[117] In the case of the 2102 Turvey Road (which is one of the sales used in the Assessor's analysis) at the time of sale (2013), the property had a site coverage of about 11% and the indicated CAP rate from that sale was 4.43%. The actual applied CAP rate is 4.446%. This demonstrates that the Assessor CAP rate adjustment is working quite well. Further, since the time of sale, the new owners have added an additional building with a main floor area of 3621 sqft feet which now brings the site coverage to 27.5%.

2102 Turvey Road 2014 (11% site coverage)

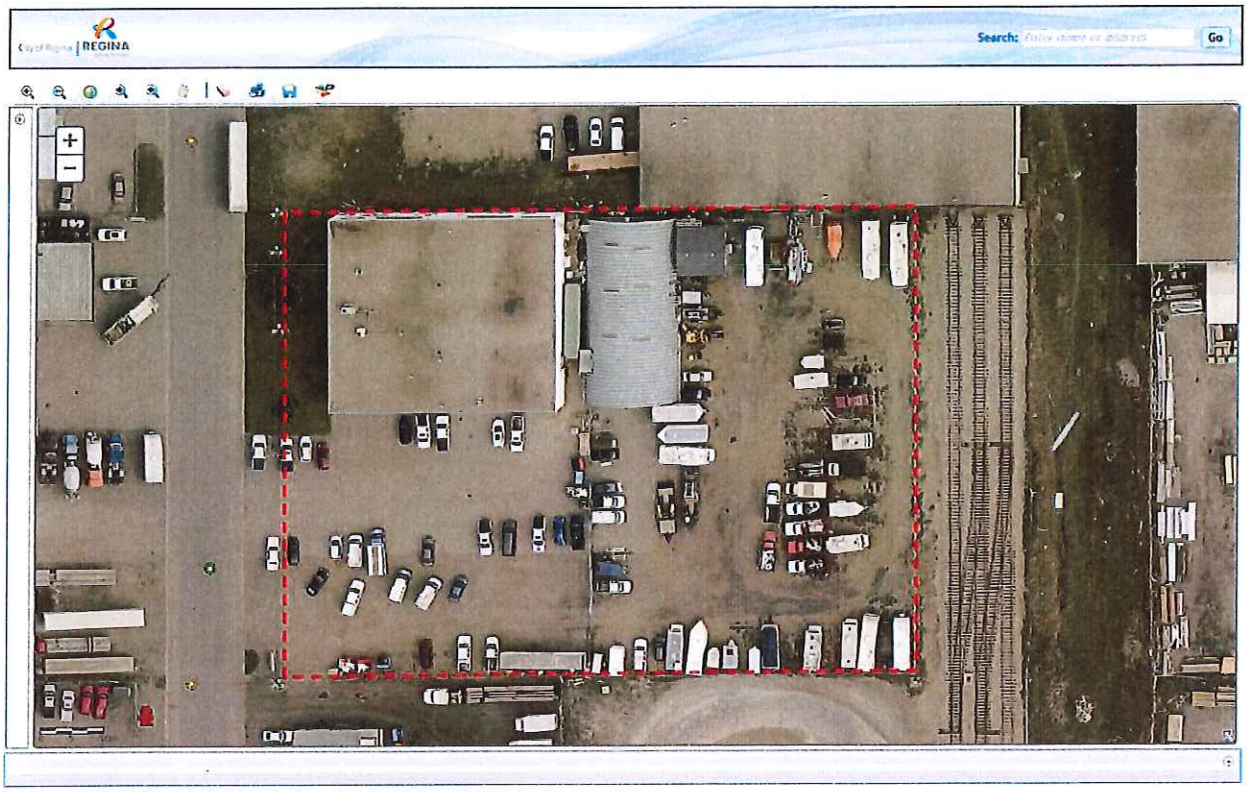
4102 Turvey Road as of 2016 (27.5% site coverage)

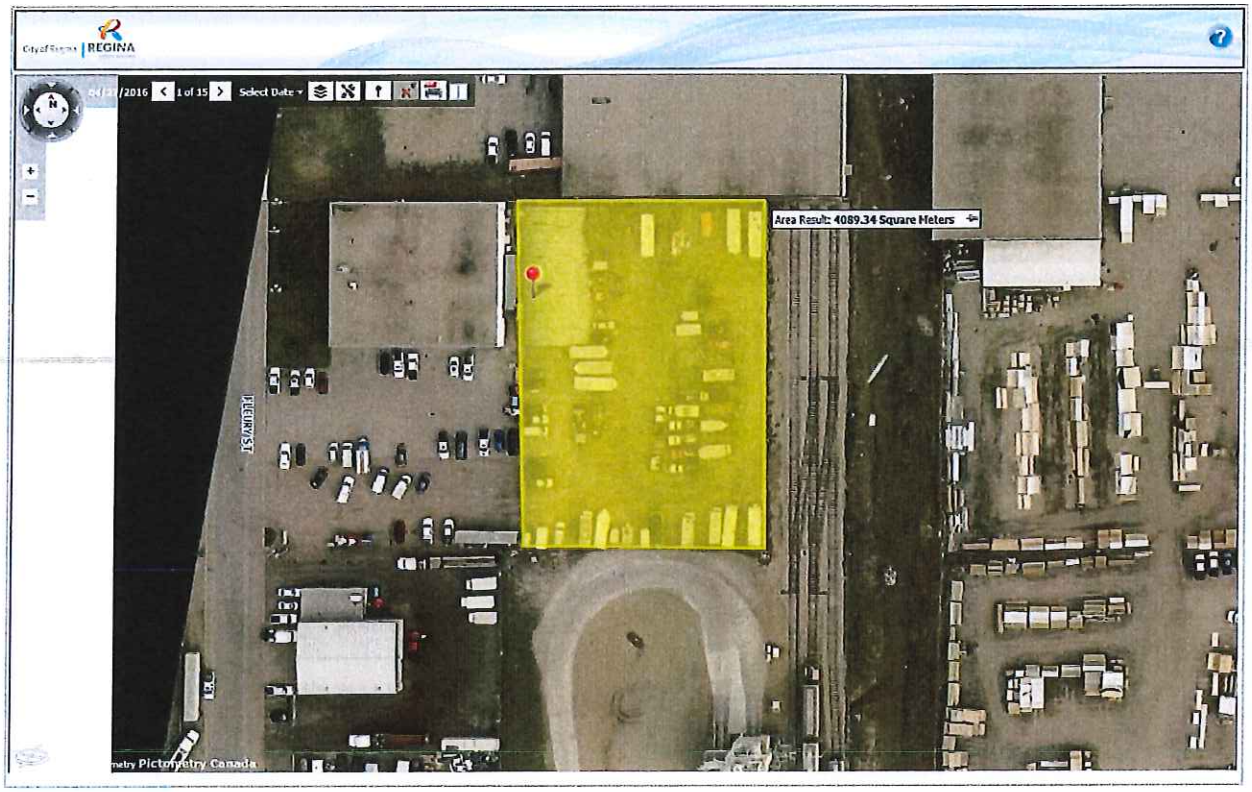


Below is a side by side comparison of 2102 Turvey Road with 2014 of the left and 2016 on the right. The highlighted areas identify the changes from 2014 to 2016. Areas highlighted in green are the new buildings and the areas highlighted in purple are the demolished (moved) buildings.



[118] As an example of a secondary use, the property located at 915 Fleury Street is an example of the extra land being put to a secondary use. This property has a site coverage of 20.7%. The rear of the parcel is not used in conjunction with the main purpose of the property (plumbing and heating company) and is actually used as a storage compound for boats, trailers and recreation vehicles. The rear portion is about 44,000 sqft (4089 sqm). The front portion of the property is about 40,000 sqft. The main building on the property has a floor area of 12,393. The site coverage on the front portion is about 31%. This demonstrates that the property can operate within the City's requirements with a site coverage of 30% and still use the extra land for a secondary use without offending the site requirements.





[119] As demonstrated with the two examples above, properties with a low site coverage have the ability to put the extra land to another use and may explain why purchasers are willing to pay more (in proportion) for properties with less than 30% site coverage. As well, the also explains why the CAP rates for properties with less than 30% are declining.

[120] The Appellants have alleged that City bylaws require properties to have this excess land and as such should not be valued. However, based on the City's current zoning by-law this is not the case.

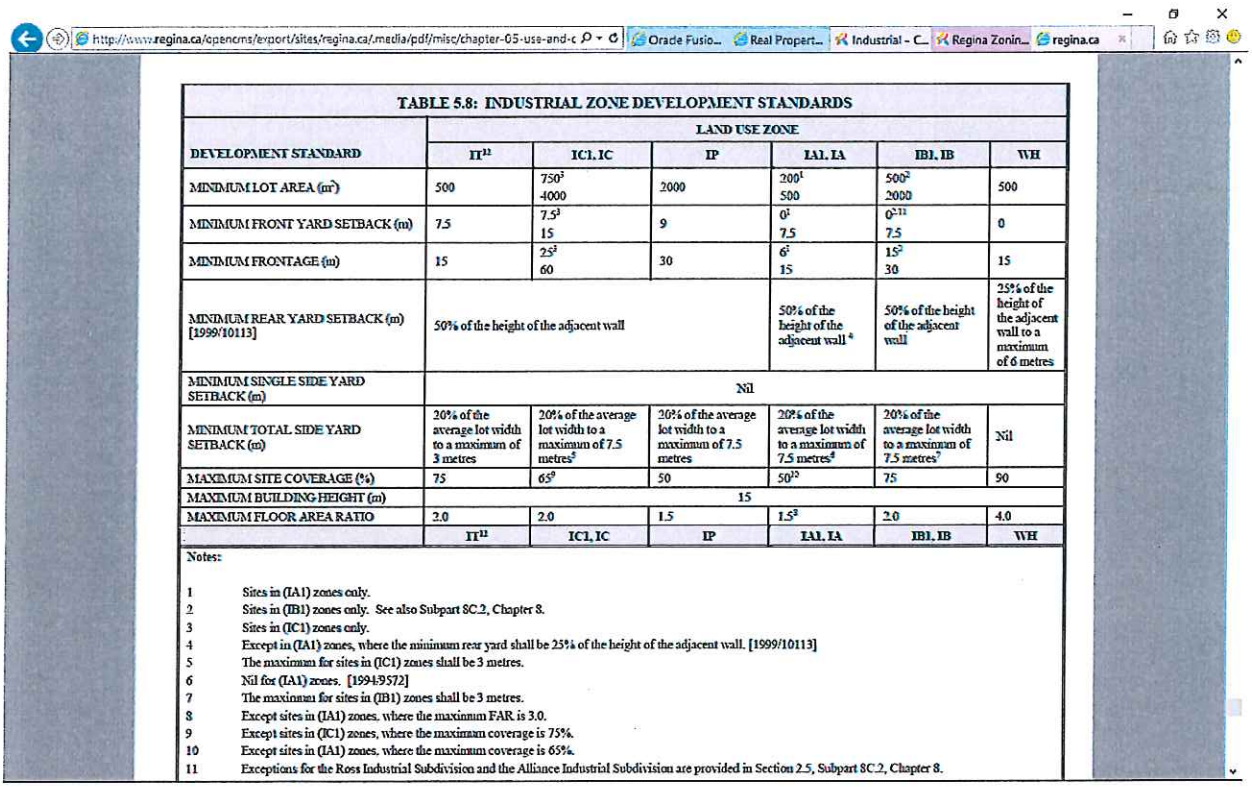


TABLE 5.8: INDUSTRIAL ZONE DEVELOPMENT STANDARDS

DEVELOPMENT STANDARD	LAND USE ZONE					
	IT[11]	IC1, IC	IP	IA1, IA	IB1, IB	WH
MINIMUM LOT AREA (m²)	500	750[3] 4000	2000	200[1] 500	500[2] 2000	500
MINIMUM FRONT YARD SETBACK (m)	7.5	7.5[3] 15	9	0[1] 7.5	0[2,11] 7.5	0
MINIMUM FRONTAGE (m)	15	25[3] 60	30	6[1] 15	15[2] 30	15
MINIMUM REAR YARD SETBACK (m) [1999/10113]	50% of the height of the adjacent wall			50% of the height of the adjacent wall [4]	50% of the height of the adjacent wall	25% of the height of the adjacent wall to a maximum of 6 metres
MINIMUM SINGLE SIDE YARD SETBACK (m)	Nil					
MINIMUM TOTAL SIDE YARD SETBACK (m)	20% of the average lot width to a maximum of 3 metres	20% of the average lot width to a maximum of 7.5 metres[5]	20% of the average lot width to a maximum of 7.5 metres	20% of the average lot width to a maximum of 7.5 metres[8]	20% of the average lot width to a maximum of 7.5 metres[7]	Nil
MAXIMUM SITE COVERAGE (%)	75	65[9]	50	50[10]	75	90
MAXIMUM BUILDING HEIGHT (m)	15					
MAXIMUM FLOOR AREA RATIO	2.0	2.0	1.5	1.5[8]	2.0	4.0
	IT[11]	IC1, IC	IP	IA1, IA	IB1, IB	WH

Notes:

1 Sites in (IA1) zones only.
2 Sites in (IB1) zones only. See also Subpart 8C.2, Chapter 8.
3 Sites in (IC1) zones only.
4 Except in (IA1) zones, where the minimum rear yard shall be 25% of the height of the adjacent wall. [1999/10113]
5 The maximum for sites in (IC1) zones shall be 3 metres.
6 Nil for (IA1) zones. [1994/9572]
7 The maximum for sites in (IB1) zones shall be 3 metres.
8 Except sites in (IA1) zones, where the maximum FAR is 3.0.
9 Except sites in (IC1) zones, where the maximum coverage is 75%.
10 Except sites in (IA1) zones, where the maximum coverage is 65%.
11 Exceptions for the Ross Industrial Subdivision and the Alliance Industrial Subdivision are provided in Section 2.5, Subpart 8C.2, Chapter 8.

[121] Within the Commercial zones, the maximum site coverage ranges from a low of 50% (IA zone) to a high of 90% (WH zone). The properties located at both 2102 Turvey Road and 915 Fleury Street are zoned IB which sets the maximum site coverage at 75%. This would support the idea that a property with less than the maximum site coverage may have the ability to expand or subdivide which adds to the value of the property.

[122] Further, using 2102 Turvey Road as an example, the property was allowed to expand from 11% site coverage to at least 27.5%. This supports the idea that properties can have a site coverage at a minimum of 30% and still meet the City's requirements for off street parking, access, egress and the like. As well, this supports the Assessors analysis and "break point" of 30% site coverage.

[123] An Assessment to Sales Ratio (ASR) is calculated for all the sold properties by estimating the assessment based on the Assessor's rent model and the Assessor's CAP rate. The

target median ASR is 1.00 meaning that the median assessment equals the sale price. An ASR below 1.00 indicates the assessments are blow the sale price and ASR above 1.00 indicates the assessments are above the sale price. In the present case, with the site coverage adjustment applied to the CAP rates, the resulting ASR's are produced:

Case Processing Summary

		Count	Percent
SITE_LT30	.00	73	53.7%
	1.00	63	46.3%
Overall		136	100.0%
Excluded		0	
Total		136	

Ratio Statistics for ESP_INCOME / TASP

Group	Median	95% Confidence Interval for Median			Coefficient of Dispersion
		Lower Bound	Upper Bound	Actual Coverage	
.00	.917	.846	1.016	96.6%	.235
1.00	.969	.884	1.063	95.7%	.202
Overall	.929	.889	1.004	95.2%	.224

The confidence interval for the median is constructed without any distribution assumptions. The actual coverage level may be greater than the specified level.

[124] In the table above, "0" represents the sales of properties with a site coverage greater than 30% and "1" represents the sales of properties with a site coverage of less than 30%. The median ASR for the "0" group is 0.917 which shows a sight undervaluation however the confidence intervals include the target of 1.00. The median for the "1" group is 0.969 which also shows a slight undervaluation however the confidence intervals include 1.00 and does not show a systemic problem in the model.

[125] If the site coverage adjustment is removed, the base CAP rate drops to 6.526 which would cause all the assessment of properties with a site coverage over 30% to increase. The following are the statistics if the site coverage variable is removed:

Coefficients[a]

Model: 3

	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Sig.
(Constant)	6.526	.242		26.916	.000
CONDO	-.865	.475	-.169	-1.822	.071
NET_AREA_10000	.041	.016	.218	2.523	.013
INDLMFG	-.941	.358	-.234	-2.629	.010

a. Dependent Variable: OAR

Case Processing Summary

		Count	Percent
SITE_LT30	.00	73	53.7%
	1.00	63	46.3%
Overall		136	100.0%
Excluded		0	
Total		136	

Ratio Statistics for ESP_INCOME / TASP

		95% Confidence Interval for Median			
Group	Median	Lower Bound	Upper Bound	Actual Coverage	Coefficient of Dispersion
.00	.951	.893	1.069	96.6%	.239
1.00	.930	.831	.967	95.7%	.201
Overall	.944	.895	.965	95.2%	.222

The confidence interval for the median is constructed without any distribution assumptions. The actual coverage level may be greater than the specified level.

[126] This demonstrates that the sale of properties with a site coverage of less than 30% would have an ASR of 0.93 which is below the target level of 1.00 but more importantly, the confidence intervals do not include 1.00 which would indicate a systemic undervaluation of this group of properties.

[127] The following are the results if the Site Coverage Adjustment is removed:

Account #	Address	Appeal #	Current	Site Cover	Difference
10218234	1735 Francis	28089	15,304,400	15,533,800	229,400
10022488	855 Park	28127	14,565,400	13,489,600	-1,075,800
10018734	115 McDonald	28074	5,658,500	5,683,900	25,400
10028466	1155 Park	28076	7,175,500	6,549,700	-625,800
10264262	12202 Ewing	28077	22,529,800	20,425,000	-2,104,800
10013949	130 Hodsman	28078	5,421,200	5,723,900	302,700
10022143	1400 1st	28081	8,064,500	8,514,900	450,400
10027989	1450 Park	28083	11,383,200	12,018,800	635,600
10018732	155 N Leonard	28084	8,638,000	9,120,400	482,400
10033463	1575 Elliot	28085	5,727,300	6,047,100	319,800
10112642	1600 E Ross	28086	6,738,200	6,924,800	186,600
10033930	1700 Park	28087	10,107,600	10,392,000	284,400
10033929	1964 Park	28092	9,834,800	10,384,000	549,200
10247034	2101 Fleming	28094	104,355,400	109,056,400	4,701,000
10022117	2133 1st	28097	10,152,600	10,714,700	562,100
10022119	2201 1st	28098	6,867,100	7,250,600	383,500
10018625	221 N Winnipeg	28099	10,919,900	10,486,900	-433,000
10014005	250 Henderson	28101	25,977,600	27,425,700	1,448,100
10018701	310 Henderson	28102	30,715,800	32,431,000	1,715,200
10241453	316 1st	28103	8,648,100	9,131,000	482,900
10018639	402 McDonald	28108	6,762,500	7,140,200	377,700
10018672	455 Park	28111	14,252,800	14,134,500	-118,300
10022404	515 1st	28114	9,133,500	8,997,200	-136,300
10018759	555 Henderson	28116	9,652,100	10,191,100	539,000
10018674	580 Park	28119	5,945,700	6,271,200	325,500
10022484	603 Park	28121	10,422,300	11,004,300	582,000
10018730	610 Henderson	28122	6,163,100	5,877,400	-285,700
10008850	615 N Winnipeg	28123	7,829,200	7,834,500	5,300
10018737	651 Henderson	28124	9,522,400	10,054,100	531,700
10018652	680 McLeod	28125	4,767,400	5,033,600	266,200
10022485	745 Park	28126	6,405,700	6,024,200	-381,500
10151105	921 Broad	28129	5,214,600	5,260,200	45,600
					10,270,500

[128] Further, if the base CAP rate is not adjusted for the removal of the site coverage and the site coverage is simply removed, the following statistics would result:

Case Processing Summary

		Count	Percent
SITE_LT30	.00	73	53.7%
	1.00	63	46.3%
Overall		136	100.0%
Excluded		0	
Total		136	

Ratio Statistics for ESP_INCOME / TASP

Group	Median	95% Confidence Interval for Median		Actual Coverage	Coefficient of Dispersion
		Lower Bound	Upper Bound		
.00	.917	.847	1.016	96.6%	.235
1.00	.880	.792	.921	95.7%	.206
Overall	.901	.851	.921	95.2%	.222

The confidence interval for the median is constructed without any distribution assumptions. The actual coverage level may be greater than the specified level.

[129] This demonstrates that the sale of properties with a site coverage of less than 30% would have an ASR of 0.88 which is below the target level of 1.00 but more importantly, the confidence intervals do not include 1.00 which would indicate a systemic undervaluation of this group of properties.

[130] Since receiving the Appellant's written submission, it appears they are now alleging that the Assessor has incorrectly calculated the site coverage. In accordance with the City of Regina Zoning by-law, the site coverage is calculated by dividing the main floor area of the building by the total lot size. The main floor area of the building, according to the by-law, does not include underground tanks, above ground tanks, business signage, bins, etc.

SAMA Quality Assurance Requirements

[131] In order to address the requirements of clause 163(f.1)(iv) of the Act, SAMA established the following quality assurance standards on September 12, 2012:

1. The acceptable range for the median assessed value to adjusted sale price ratio for all residential property in a municipality shall be 0.950 – 1.050, provided that the municipality shall strive to achieve a median assessed value to adjusted sale price ratio of 1.000; and

2. The acceptable range for the median assessed value to adjusted sale price ratio for all other property valued using the market valuation standard in a municipality shall be 0.950 – 1.050, provided that the municipality shall strive to achieve a median assessed value to adjusted sale price ratio of 1.000.

[132] The median assessed value to adjusted sale price ratios for both residential and non-residential properties for the 2015 assessment is 1.00, as identified through the following statistical output:

Year	Improved Residential and Commercial Properties Median ASR
2015	1.00

[133] The Assessor has met the quality assurance standards set by the agency and has satisfied all of the requirements of the Market Valuation Standard as mandated by the Act. These are the only standards that the Assessor is legislatively required to meet; the Assessor is not required to meet nor bound by IAAO standards.

CONCLUSION

We submit that the Appellant has not provided evidence of an error by the Assessor in fact, in law or in the application of standard appraisal practice. Without evidence of an error, the assessed value of the Property as determined by the Assessor must be upheld. The Assessor determined the assessed value of the Property and all other non-regulated properties in the City by consistently applying standard appraisal practice uniformly throughout the City, thereby achieving equity in assessment.

We therefore respectfully request that this appeal be dismissed.

All of which is respectfully submitted this 1st day of May 2017.

Office of the City Assessor

Per: Gerry Krismer
City Assessor

This document was delivered by:

Office of the City Assessor
City Hall
2476 Victoria Avenue
Regina, Saskatchewan, S4P 3C8
Whose address for service is as above
Person in charge of file: GERRY KRISMER

Appendix A

ICI Land

Last Document Review Date: October 9, 2014

TABLE OF CONTENTS

EXCESS AND SURPLUS LAND

The Dictionary of Real Estate Appraisal [Fifth Edition ©2010], published by the Appraisal Institute (US), defines these two terms as follows:

Excess Land

"Land that is not needed to serve or support the existing improvement. The highest and best use of the excess land may or may not be the same as the highest and best use of the improved parcel. Excess land may (does) have the potential to be sold separately and is valued separately."

NOTE

Word "does" is added for clarity, not in the original definition.

Surplus Land

"Land that is not currently needed to support the existing improvement but cannot be separated from the property and sold off. Surplus land does not have an independent highest and best use and may or may not contribute value to the improved parcel".

The Appraisal Institute (US), in a document entitled "Common Errors and Issues", [©2012] states that:

"Excess land is commonly mishandled in assignments. It is often confused with surplus land. It is too often lumped in with the value of the entire property or ignored altogether. Excess land may be sold off separately from the rest of the property, so in effect, the subject property becomes two subject properties. Excess land may have a different highest and best use than the rest of the site. This must be addressed in the highest and best use analysis. Further, excess land will have to be treated separately in the valuation process. An entirely different set of comparable data may be required. The value of excess land must be reported separately. Be careful about adding the value of the

excess land to the value of the rest of the property, as the sum of the parts may or may not equal the whole.

Surplus land does not have a separate value, as it cannot be sold off separately. It is 'extra' land that may or may not contribute value to the overall property. It does not have an independent highest and best use. It may have the same value per unit of comparison (e.g., value per square foot, value per acre) as the rest of the site, or it may contribute less per unit of comparison".

Land Analysis – Excess Land

(Examples can be found in the Appendix B)

Analyzing zoning and legally mandated requirements, including for site coverages, floor/space ratios, parking, ingress and egress, setbacks, and so on, is the first step in determining if excess or surplus land may exist. If the property just meets the required minimums, then neither excess nor surplus land is likely to exist. If, however, the subject site exceeds some or all of these mandatory requirements, then it is possible that excess or surplus land might exist. Marketplace norms for the property and building type must then be considered.

The analysis then steps into consideration of typical marketplace norms for the building style, type, design etc., in its particular location as situated on the subject site. What might be excess or surplus land in one location, may not be in a more suburban or rural location (where more land is a typical market expectation). Therefore, a competitive market set must be considered to determine these expectations. This analysis of a competitive market set will also consider issues such as the physical siting of the structure, site configuration, topography, site coverages, floor/space ratios, parking, ingress/egress etc., but now from the viewpoint of what is the typical or acceptable marketplace norm, rather than the minimums legally permitted.

The following steps are helpful to determine whether either excess or surplus land exists, and to what extent:

1. Obtain a copy of the site plan, or use an aerial photo from a municipal website, to determine the location of the existing building(s).

2. Check the zoning to make sure that all requirements for site coverage, floor space ratio (FSR), ingress/egress, parking, setbacks, etc., are considered.

3. If those minimums are met, then consider marketplace norms through an analysis of your competitive market set.

4. Review the typical site coverage for the competitive market set, while considering parking norms, ingress and egress needs and norms, topography, etc. In considering the marketplace norms, however, ensure that you are only considering other properties that do not have apparent excess land.

TIP

If this is an income-producing rental (i.e., a fast food restaurant, at say $35/square feet of building), and many of your comparables have a 20 percent site coverage, and all of that land/building ratio is included in a similar rental rate, then no excess land would generally exist for your subject at or above that ratio.

5. From your review of the competitive market set, determine marketplace norms for (especially) site coverages, but including also any additional areas needed vehicular parking and maneuvering. Ensure that you have considered any oddities of the subject site – unusual topography that limits development, unusual configurations (especially those that are inefficient) that need additional maneuvering space, and so forth.

6. After considering the oddities (if any) of your site and sited building, define the indicated site coverage for your subject based on those marketplace norms and the oddities (if any) of your subject site.

7. Divide the building size by the defined site coverage ratio to find out the land size that the marketplace considers as

needed to support the existing improvements. This gives you the 'needed land area' as considered by the marketplace.

8. From the total land area subtract the 'needed land area'. If this number is positive, and not *De Minimus*, then this land will need to be valued.

9. If the land has its own HBU (i.e., different type or style of development than what exists and/or it could be subdivided), then it can be defined as 'excess land'. Excess land may have value at a different, sometimes higher, rate than the balance of the land, but would not usually be less than a proportional contribution (including a size curve) to the site in its' entirety.

10. If, on the other hand, the additional land can only be used to expand the existing facility along an economies of scale idea (diminishing returns), provide additional parking, manuevering, or outdoor storage space, etc., then the land is most likely 'surplus land'. Although surplus land can have the same proportional value as the balance of the site, this is much rarer. Its value contribution needs to be thought about in the context of the economics of its potential use.

NOTE

Excess land almost always has the same rate code and is valued the same as the entire parcel as vacant – this will assist with determining the difference between excess and surplus as surplus land typically (but not always) contributes less due to inferior utility.

The component apportionment percent is used to distinguish the appropriate amount of excess land and the remainder of the parcel (i.e., 30 percent excess land and 70 percent remaining parcel). Generally, use the component apportionment percent as opposed to creating an artificial subdivision. The only exception to this method would be where the excess is worth more than the balance of the site, typically due to better spot zoning/OCP, for instance. In that case, consider a two-component methodology, with appropriate deductions from each component to achieve said subdivision into two differently zoned parcels.

NOTE

Most areas will have some properties with two methods of valuation (e.g., costed gas station with an income-valued convenience store). In these instances, you will have an excess land portion attributed to the improvements valued on the cost approach, together with a portion of the land designated or attributed to the income improvements. In some cases, there will be a residential/commercial split where the excess also needs to be considered.

Adjustments for Excess Land

Any adjustments made to the land value are reflected on all components with the exception of waterfront (width valuation). Remember – the entire lot is one legal lot. Regardless of whether there is excess land or not, value the lot as vacant at its HBU. If adjustments are required they apply to the entire lot regardless of where they are located, such as corner adjustments, easements, access issues, location adjustments, etc. This will also assist in determining if the land is actually excess land.

Excess land is valued as a separate component as it adds value over and above the current use. The excess land portion still forms part of the total land value as vacant; however, it is not being used at its HBU and is not required to support the existing improvement.

For example, a 100,000 square feet lot is valued at $75 per square foot and requires an adjustment for size -5 percent and +10 percent for corner as well as an adjustment for an access easement along the back of the property. It is discovered that only 75,000 square feet is required to support the existing improvements and 25,000 square feet is researched and deemed excess land – the adjustments of; -5 percent for size, +10 percent for the corner and the easement remain on the excess land portion as well. The indicated rate for both the excess piece and the main component should be the same.

Surplus Land

Surplus land cannot be subdivided nor is it required to support the existing structure. Surplus land may be a portion

of land that is only suitable for uses such as parking or storage, such as an odd shaped portion of the lot, land that is required for a buffer, is encumbered by no-build restrictions, easements or overhead power lines, or has riparian or topographical challenges. Surplus land may or may not contribute some value to the property; or subdivision is not possible.

Land Analysis

The following steps must be taken in the determination of surplus land:

1. Is there unutilized land?
2. Can it be subdivided or used for further expansion of the existing improvements? If so, this is excess land – not surplus.
3. Are you able to identify that the land contributes value to the overall site however at contributes less than the HBU?
4. Is the unutilized land typical within the competitive market set?
5. Can the surplus land be rented out as land or yard storage, parking, etc.?
6. Is there enough surplus land that is market supported to consider its contribution (*De Minimus* rule)?

Surplus land is often accounted for by:

1. Land or yard storage rental rates typical of the competitive market set.
2. A CAP rate adjustment.
3. Direct comparison approach using valueBC rate code with appropriate adjustments to reflect the diminished utility and value.

Analyzing sales and understanding what the market considered within the competitive market set is necessary to determine which approach is applicable.

The CAP rate adjustment or direct comparison methods are recommended as they are typically the most supportable approach to surplus land. Yard storage rates are typically minimal, such as one dollar, which, in most cases, would contribute less than the value of the land; however, if there is lease information for yard storage and is typical of the competitive market set this is acceptable. If yard storage is not typical of the competitive market set, you cannot consider including it in the income stream.

There is no flag on valueBC for surplus so utilize the manual adjustment surplus land and add in the comments.

NOTE

Use caution when valuing surplus land to avoid double counting. For example, if surplus land valuation is included in the capitalization rate or as a yard storage rental rate, do not adjust the land component further unless market evidence indicates otherwise as this would be considered double counting.

APPENDIX B: EXAMPLES OF EXCESS/SURPLUS LAND CALCULATIONS

Note that all excess or surplus land calculations begin with estimating the amount of land required to support the existing improvements. In addition, good notes should be placed on the system, clearly explaining what/where the excess land exists. In some or many cases, consider attaching an aerial photo with the surplus areas delineated and explained with notes, as in the examples that follow.

Example A

This industrial property is used for light manufacturing, consistent with many throughout the area. Your research reveals the following sizes and ratios:

At a market rent, usually a similar property to the subject can be obtained, but with only a 25 to 35 percent site coverage as typical, while owner-occupied properties are more likely to have a 20 to 30 percent coverage. From the above analysis, it can be seen that the subject offers subdivision or further development potential. Comparing to market norms and the actual zoning bylaw, it can be seen that the subject could be subdivided into some sort of configuration (yellow arrow for obvious suggestion).

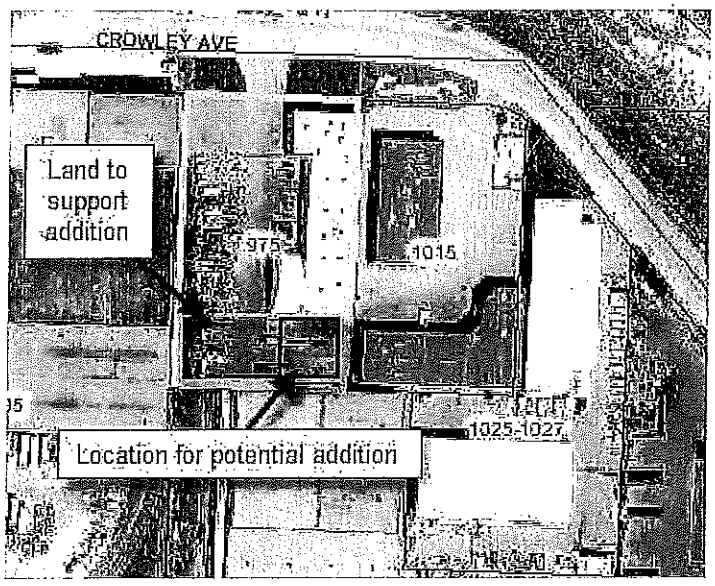
Assuming that you concluded that, in the subject's case after considering all factors including access, manuevering,

topography, site configuration, etc., the site coverage ratio should be 30 percent, then the excess or surplus calculation would be as follows:

- Area required to support subject bldgs: 4066/30% = 13,555 square feet (49%)
- Actual site size: = 27,878 square feet
- Excess or Surplus Land: 14,323 square feet (51%)

In this case, since it appears that the land could be subdivided, it would be termed excess land. It should be fully valued using a component apportionment of 51 percent to the excess land, with the balance valued via the income approach that's attached to the improvements, with a component apportionment of 49 percent to that (non-excess) land portion. Finally, because the property is subdividable, the appraiser should most likely add a positive adjustment for this feature on both components (of an equal percentage) since the underlying rate code, in this case, does not include subdividability as part of the base rate.

Example B



In this case, by comparing to nearby, similarly used properties at 1015 and 1025-1027 (shown above), we can see that the property appears to have some unused potential. In those two instances, those properties are achieving site coverages of, respectively, 37 and 47 percent, leading us to

observe that the 29 percent of the subject is probably too low, indicating an under-utilization of the land. Sketching this out, we can see at least initially, that a building expansion should be available on the area defined in red, that might use (including access and manuevering) all of the area in orange. In that case, the area in orange is roughly 17,500 square feet. This equals 27 percent of the site, indicating that this should be the apportionment percentage for the second land component. This indicates that the existing improvement would now achieve a 39 percent site coverage on the hypothetical 47,942 square feet site (the 73 percent component), which is now within market norms for the property and building, considering its siting, oddities, and locale.

By considering the property itself, the zoning bylaw and market norms, we can see that this case is reasonable, but that no further subdivision is available. We further anticipate that an expansion of the existing building into this area would achieve a similar rent as the rest of the subject, and the comparables. Since the additional land does not have a different HBU from the balance of the site, nor is it subdividable, it would be termed as surplus land.

However, the underlying economics of a proposed building addition are believed to mirror the rest of the building on the site (or similar buildings in the area). Therefore, neither land component apportionment would need a positive nor negative adjustment for this feature. Both land components would have identical manual adjustments or characteristic adjustments applied (if any).

Example C – Mixed Income/Cost Property

This is an example of a typical case of a convenience store combined with a drive-through fast food restaurant (with a small seating area) on a gas station site, plus, in this case, a car wash. This is a very typical modern development now. The fast food and convenience store total some ±4,100 square feet and the site is ±54,000 square feet. In addition to that, there is a drive-through car wash (stationary/non-tracked), plus the canopy over the multiple pump station.

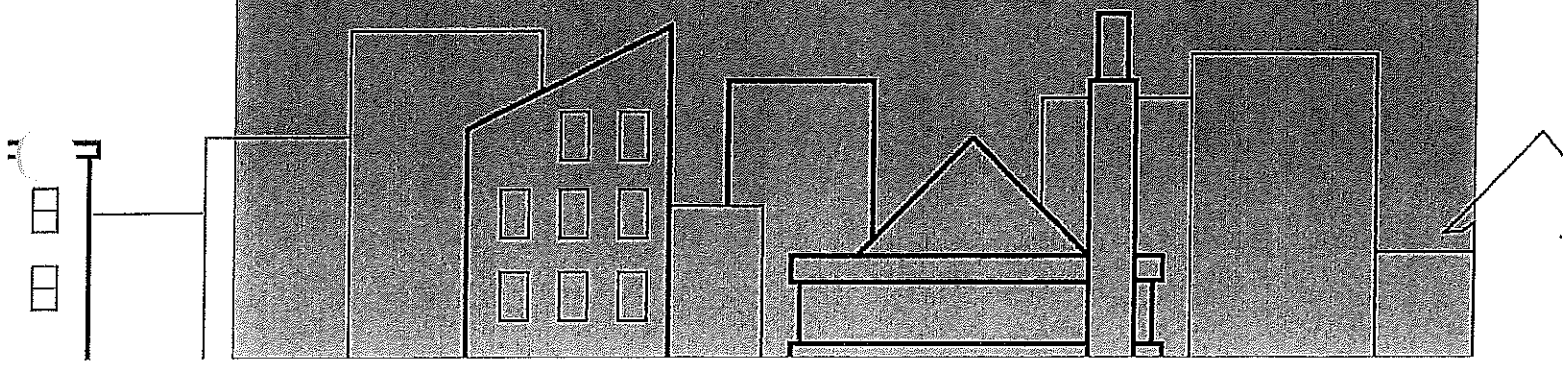
Appendix B

2017
ASSESSMENT METHODOLOGY
INDUSTRIAL WAREHOUSES

A summary of the methods used by the City of Edmonton in determining the value of industrial warehouse properties in Edmonton for assessment purposes.

edmonton.ca/assessment

Edmonton



Main Floor Area is based on the exterior measurements of the building. Economies of scale dictate that larger buildings trade for a lower unit of comparison than smaller buildings.

Industrial Group Location: Industrial Warehouse Study Areas are geographic areas defined using location boundaries and property characteristics. See enclosed maps entitled Industrial Study Areas. In sequence of desirability, the study areas are as follows:

- Industrial Group 12 - Major Roadways South
- Industrial Group 18 - Core South
- Industrial Group 2 - Major Roads Northwest
- Industrial Group 20 - Partially Serviced
- Industrial Group 17 - Core Northwest
- Industrial Group 39 - Northeast
- Industrial Group 49 - Yellowhead Corridor East
- Industrial Group 28 - Queen Mary Park
- Industrial Group 22 - Un-serviced

Site Coverage (total main floor area of the account ÷ lot size): the relationship between main floor area of buildings not valued using the cost approach and entire size of the parcel. It is expressed as a percentage.

Typical site coverage is approximately 30%. Lower site coverage indicates that the given property has more land which increases the property's market desirability. Reasons for the increased desirability include potential future expansion of the improvements or subdivision of the parcel and improved storage capacity. By contrast, high site coverage properties have relatively less land which results in limited development potential and adversely affects functionality and access.

It is not uncommon for industrial accounts valued on the Direct Comparison approach to have an additional building on the property valued on the Cost approach. A building that the city has deemed a cost building is lower quality than the main building and would have a lower assessment per square foot than the main building. These are referred to as "Cost Buildings" and are valued using the Marshall & Swift Manual, which applies the depreciated replacement cost new.

Cost buildings can be temporary structures such as arch rib fabric buildings, re-locatable office trailers, unheated sheds and storage buildings. These structures can also lack heating, electricity or flooring.

Area of the Cost Buildings is excluded from the site coverage calculation.

Effective Age (also known as Effective Year Built): is represented by the overall utility and condition of the assessed property. Maintenance of a property can influence the effective age of the building. If a building has an addition or receives superior maintenance than other properties in the market place, then the effective age will be less than the actual or chronological age.

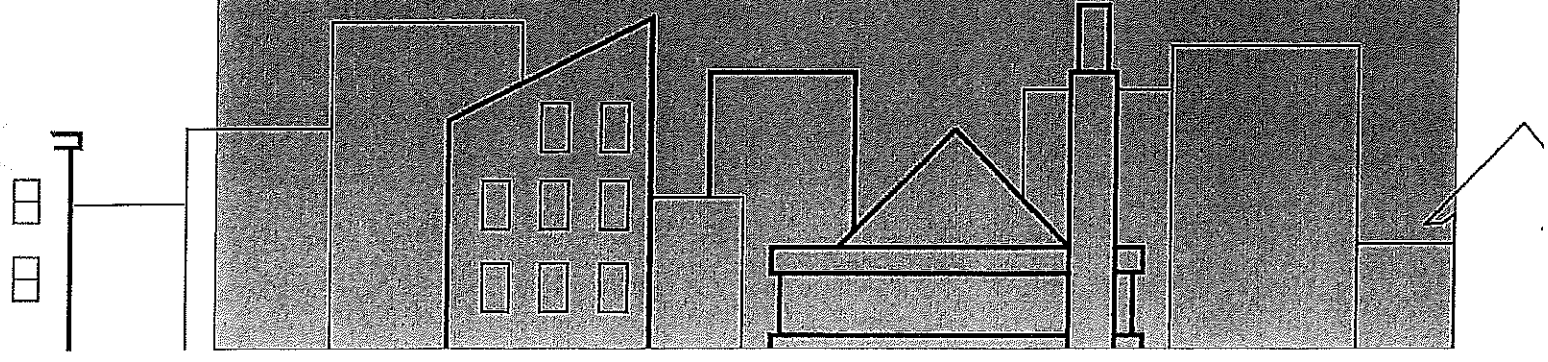
2017 ASSESSMENT METHODOLOGY

COMMERCIAL - NEIGHBOURHOOD, POWER AND BOX RETAIL

A summary of the methods used by the City of Edmonton in determining the value of nieghbourhood shopping centres, power centres and box retail properties in Edmonton for assessment purposes.

edmonton.ca/assessment

Edmonton



Adjustments

Additional Building is the assessed value added for other buildings situated on the subject site.

Associated Lots is a reduction to a primary improved property based upon a separate but related associated parcel(s). This adjustment is applied when all, or part, of the land from the associated parcel(s) is required to satisfy the operation of the primary property.

Buildings Under Construction are improvements that are not complete as of the condition date. The adjustment is based on the cost rates from the Marshall & Swift manual, for the portion completed (also called percent complete).

Construction Allowance is an allowance provided for leasable space that is without dividing walls, floor coverings, ceiling or other finishes (ie. shell space). The adjustment is based on the cost rates from the Marshall & Swift manual. This is for new space before tenant finishing is complete.

Contamination refers to property that has been affected by environmental contamination which includes adverse conditions resulting from the release of hazardous substances into the air, surface water, groundwater, or soil. Contaminated property, in some cases, may warrant an adjustment.

Excess Land on an improved site is the land not needed to serve or support the existing improvement. It is also the portion of the parcel not needed to accommodate the site's primary highest and best use. Excess land may be separated from the larger parcel (sub-divided) and have its own highest and best use, or it may allow for future expansion of the existing or anticipated improvement. Excess land value is derived from assessed commercial land values. Please refer to the 2017 Commercial Land Methodology Guide.

Service Station Equipment (SSE) is the value of the service station equipment, including pumps, underground tanks, canopy structures, car wash structures and equipment.
The cost value is based on the Marshall & Swift Manual.

Surplus Land is the land not necessary to support the highest and best use of the existing improvement but, because of physical limitations, building placement, or neighborhood norms, cannot be sold off separately. Surplus land may or may not contribute positively to value, and may or may not accommodate future expansion of an existing or anticipated improvement. For the 2017 assessment, a 50% discount to the excess land rate was applied.

Topography refers to the surface features of a property and may include hills, swamps, gullies, or ravines. Adjustments may be applied when topographical constraints affect the overall suitability of a parcel for potential development.

Removed 123 pages of non-responsive records

Non Responsive

Appeal No.: 28099/2017
221N WINNIPEG STREET
10018625

CITY OF REGINA
BOARD OF REVISION

Between:

3346286 MANITOBA LIMITED

APPELLANT

- and -

THE ASSESSOR OF
THE CITY OF REGINA

RESPONDENT

WRITTEN SUBMISSION ON BEHALF OF THE CITY OF REGINA

CARRY-FORWARD DOCUMENT

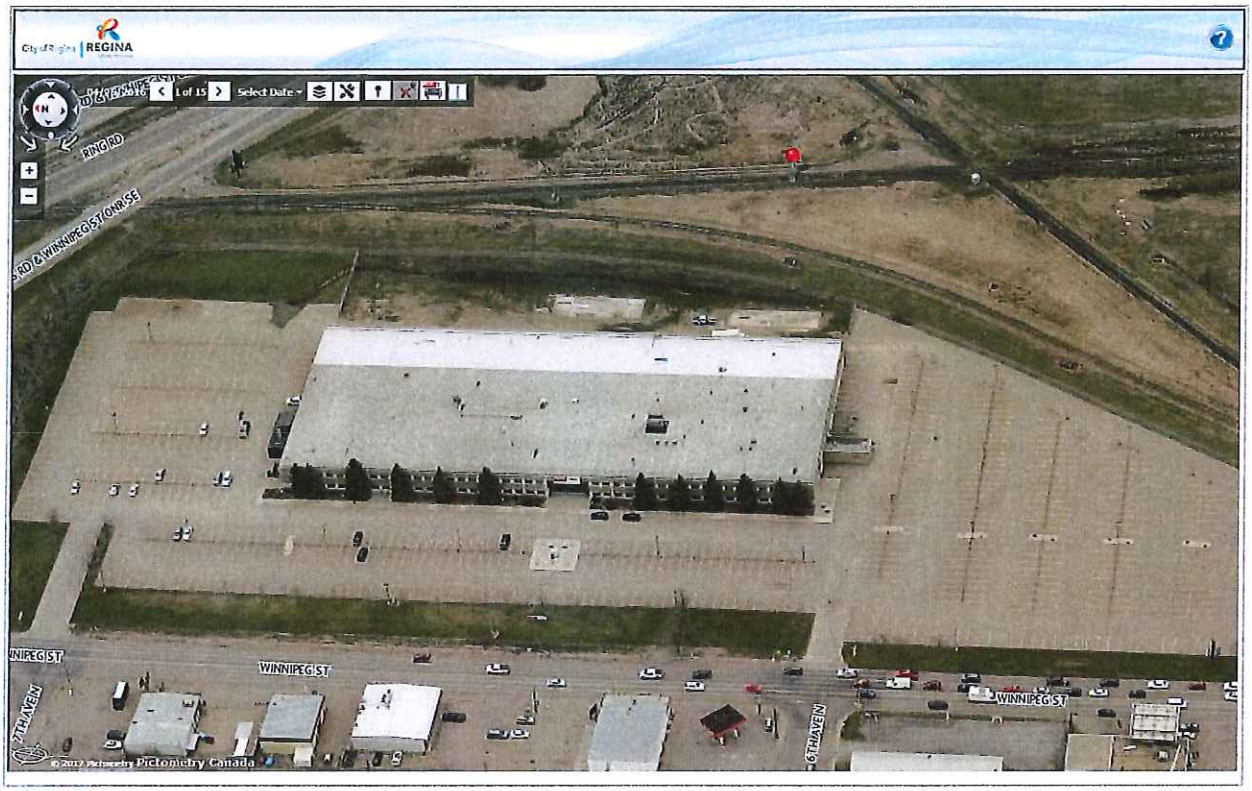
OFFICE OF THE CITY ASSESSOR
2476 Victoria Avenue
Regina, Saskatchewan
S4P 3C8

APPENDED ITEMS

Appendix A – Copy of Assessment Notice

Appendix B – Income (SPSS Detail) Report

Balance of Appendix Items are contained in the Lead Industrial Group B Appeal



FACTS

Assessed Person

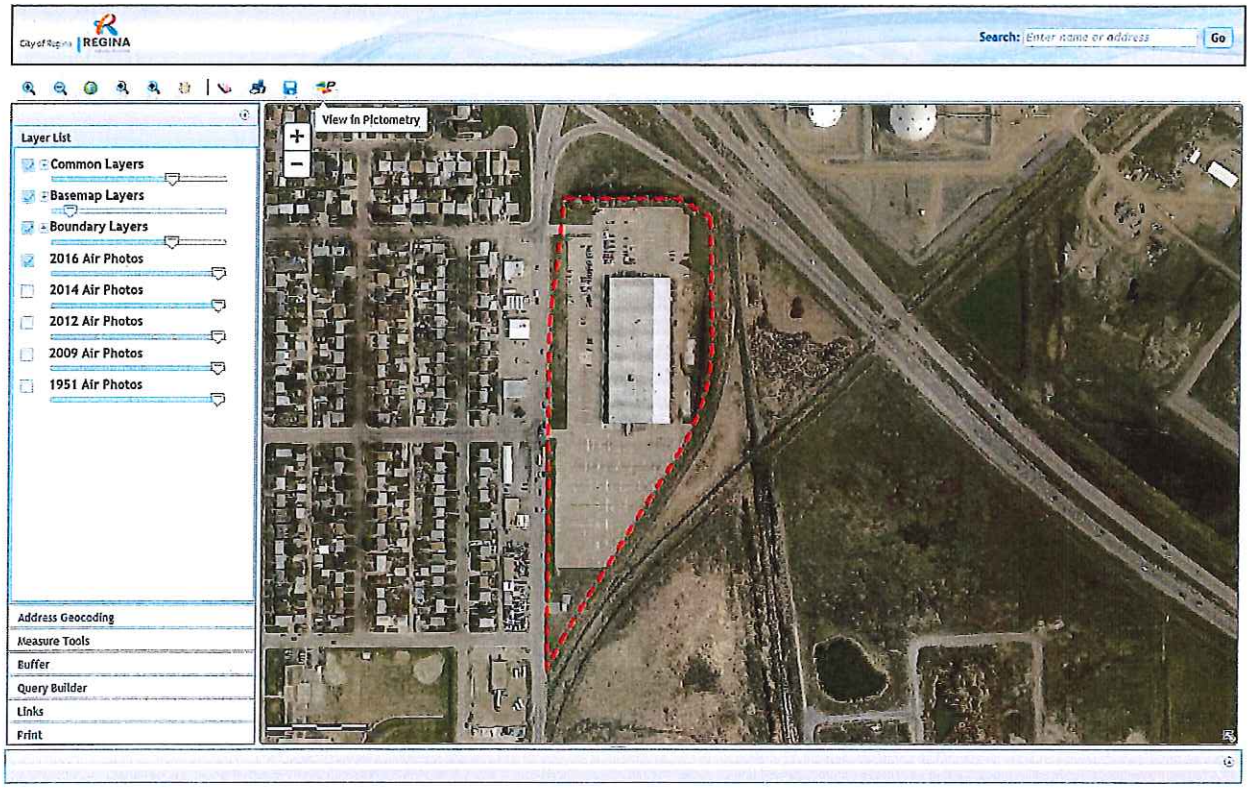
[1] The Assessed Person, 3346286 MANITOBA LIMITED, is the owner of the Property.

Assessed Value

[2] The total assessed value of the Property is $10,919,900 for 2017. The primary use of the property is Industrial and the value was arrived at using the Income Approach to Value.

[3] The primary building on the property is a distribution warehouse which was constructed in 1984 and the valuation model used to value the property is the Industrial model.

[4] In the present case, the zoning of the subject property is IB which allows for 75% site coverage. As well, in the present case, subject property has a main floor area of 95,812 sqft and the lot size is 564899 sqft. This results in a site coverage of 17%. As well, the subject property is 136,173 sqft and therefore also receives an adjustment for size. Based on the formula to calculate the CAP rate, the applied CAP rate is 7.83960(6.862+((30 – 17) x -0.060)+(((50000 – 10,000) / 1000) x 0.044)).



[5] If the site coverage adjustment is removed, the base CAP rate drops to 6.526 which would cause all the assessment of properties with a site coverage over 30% to increase.

Non-Regulated Property

[6] The property that is the subject of this appeal is a non-regulated property that is valued pursuant to the Market Valuation Standard.

LEAD APPEAL

[7] In order to reduce the amount of duplication in this appeal, all evidence and argument contained in the Lead Industrial Group B Appeal is intended to be carried forward for this appeal.

This document was delivered by:

Office of the City Assessor
City Hall
2476 Victoria Avenue
Regina, Saskatchewan, S4P 3C8
Whose address for service is as above
Person in charge of this file: Gerry Krismer

Appendix A

NOTICE OF ASSESSMENT
2017 DUPLICATE

000001

3346286 MANITOBA LIMITED
C/O SHINDICO REALTY INC.
200-1355 TAYLOR AVENUE
WINNIPEG MB R3M 3Y9

Property Information
Account Number
10018625
Property Address
221 N WINNIPEG STREET
Assessed Parcel
Plan: FA4603 Block: C Lot: ; Plan: 101221142 Block: C Lot: ; Plan: 84R22521 Block: T Lot:
Property Type
IMPROVED PARCEL

Mail Date: Jan. 5, 2017
Appeal Deadline: Mar. 6, 2017

Assessment Information

Assessed Person(s) 3346286 MANITOBA LIMITED

School Support **Public** 71 % **Separate** 29 %

Current Assessed Value **16,982,400**

Subclass (Provincial Percent)	Taxable Assessment	Exemptions
Commercial (100%)	16,982,400	Taxable(100%) From Jan-Dec

Total Taxable Assessment: 16,982,400

If you would like more information about your property characteristics, or to learn more about your Assessment Notice, please visit **Regina.ca** or call **306-777-7000.**

This notice was mailed on **January 5, 2017**. If you wish to appeal your assessment, your appeal should be made on the enclosed form. Your appeal must be filed with the Secretary of the Board of Revision, no later than **March 6, 2017**.

This is not a tax bill. This statement shows the assessment on this property upon which taxes are to be levied. An official tax bill will be forwarded to you or your agent in due course.

E.&O.E.

Assessment, Tax and Real Estate Department
Queen Elizabeth II Court | 2476 Victoria Avenue
PO Box 1790 | REGINA SK S4P 3C8
P: 306-777-7000 | F: 306-777-6822
Regina.ca

Appendix B

City of Regina - Production v7.06 - Taxation and Assessment Suite
Income (SPSS) Detail Report

Account: 10018625 **Nbhd:** 1999 - Ross Industrial **Asmt Period:** 2003 / **Type:** REGULAR **As of:** Apr. 28, 2017

Filing #: 475202000 **Zoning:** IB **EVZ:** IB **LUC1:** **LUC2:** **For:** 2017

Land Use: 3400: (100%) Office Building ; TAXABLE (100%)

Mkt Area: **Master:** N **Bldg Only:** N **Reinspect:** 2017 **Approach:** INCOME

Study Area: 5206 **Lease:** N **Mobile Home:** N **Lot Size:** 564,899.697 **UOM:** IMP

Address: 221 N WINNIPEG STREET
REGINA SK
S4R 8T6

Legal: Plan: 84R22521 Block: T
Plan: 101221142 Block: C
Plan: FA4603 Block: C

Parcel: Plan: FA4603 Block: C Lot: ; Plan: 101221142 Block: C Lot: ; Plan: 84R22521 Block: T Lot:

SPSS Calculation Output

Building - 1	Warehouse Main	91,799.99447	671,000
Building - 1	Warehouse Upper	44,085.03502	248,082
Vacancy - 1	Main Floor and BMT Vacancy	-5.09000	-34,153
Vacancy - 1	Upper Vacancy	-10.90000	-27,040
Shortfall - 1	Shortfall	-1.31000	-11,238
Building - 1	NOI		846,649
Building - 1	Cap Rate	7.83960	10,799,649
Building - 1	Total Building Value		10,799,649
Building - 2	Warehouse Main	288.05165	2,834
Vacancy - 2	Main Floor and BMT Vacancy	-5.09000	-144
Shortfall - 2	Shortfall	-1.31000	-35
Building - 2	NOI		2,654
Building - 2	Cap Rate	7.83960	33,862
Building - 2	Total Building Value		33,862
Building - 3	Cost Building Value		86,423
Building - 3	Total Building Value		86,423

Final Assessment: 10,919,900

Removed 144 pages of non-responsive records

Non Responsive