

March 2, 2015

Jim Nicol  
Secretary of Board of Revision  
2476 Victoria Avenue  
PO Box 1790  
Regina, SK S4P 3C8

Dear Jim:

**Re: Hearing of March 23/24, 2015, Warehouse Issue – Various Appellant’s**

Please find attached Altus’s written submission with respect to the above hearings.

As a Preliminary Issue, Altus will be putting forth a request to the Board of Revision make the following Amendments to its Notice of Appeals. In all Notices

1. **Add the following new ground:** “The Assessor erred by removing the sale of 1500 5th avenue from the sales array. By removing a valid sale the Assessor has artificially increased the ASR of the sales array to 1.10 from 1.00; effectively increasing the COD from 6.6% to 7.2%. In doing so the Assessor has not achieved Fair and Just Proportion as contemplated in The Act.”
2. **And under Section 3: A Cap Rate Issue: Remove the third Bullet that states:** “The City of Regina has not accounted for the office mezzanine in the time of the sale net operating income for 1135 8<sup>th</sup> Avenue, Regina. “
3. **For Appeal # 27703 - 680 McLeod Street and Appeal # 27674 - 745 Park Street,** we wish to abandon the ground that speaks to an error in the assessable square footage.
4. **For Appeal # 27675 - 2201 - 1<sup>st</sup> Avenue,** we wish to amend our Notice that speaks to a error of 200 Square Feet in Assessable square footage to an error of over 18,000 square footage plus.

Yours truly,



Archie M Fieldgate  
Senior Consultant/Business Development  
cc: Gerry Krismer – Deputy Assessor

20 DAY SUBMISSION: RECEIVED MARCH 2, 2015

BOR #2015-27703 et al

TO THE BOARD OF REVISION  
OF  
THE CITY OF REGINA  
ON APPEAL

BETWEEN:

ACKLANDS-GRAINGER Inc.  
(Lead Case)

(APPELLANT)

-And-

THE CITY OF REGINA

(RESPONDENTS)

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SUBMISSION TO THE BOARD ON BEHALF OF THE APPELLANT

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Altus Group Limited  
311 Albert Street  
Regina, Saskatchewan  
S4R 2N6

<b>Tab</b>	<b>Appeal Number</b>	<b>Address</b>	<b>Account Number</b>
1	2015-27703 (Lead)	680 McLeod Street	10018652
2	2015-27677	221 N Winnipeg Street	10018625
3	2015-27678	100 N McDonald Street	10013951
4	2015-27679	1117 E Pettigrew Avenue	10018690
5	2015-27680	1135 8th Avenue	10236634
6	2015-27681	115 McDonald Street	10018734
7	2015-27682	1155 Park Street	10028466
8	2015-27683	130 Hodsman Road	10013949
9	2015-27684	140 E 4 <sup>th</sup> Avenue	10022447
10	2015-27685	1400 1st Avenue	10022143
11	2015-27686	1575 Elliott Street	10033463
12	2015-27687	1600 E Ross Avenue	10112642
13	2015-27688	1700 Park Street	10033930
14	2015-27689	1715 Elliott Street	10033440
15	2015-27690	180 N Leonard Street	10013998
16	2015-27692	2101 Fleming Road	10247034
17	2015-27693	2107 E Turvey Road	10201133
18	2015-27694	2133 1st Avenue	10022117
19	2015-27695	270 Hodsman Road	10013924
20	2015-27696	295 Henderson Drive	10250233
21	2015-27697	310 Henderson Drive	10018701
22	2015-27698	316 E 1st Avenue	10241453
23	2015-27699	455 Park Street	10018672
24	2015-27700	495 Henderson Drive	10018763
25	2015-27701	555 Henderson Drive	10018759
26	2015-27602	580 Park Street	10018730
27	2015-27674	745 Park Street	10022485
28	2015-27675	2201 1st Avenue	10022119

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## **I. INTRODUCTION**

1. This submission concerns an issue which stems from the calculation of assessed value by the City of Regina Assessment Department. Effectively, the issue is an error in assessing a property that sold and belongs within the warehouse stratification and model. As well as, the incorrect application of adjustments and the removal of a comparable sale in the large warehouse sales array modeled calculations.

## **II. THE PROPERTY IN QUESTION**

2. This appeal was filed on behalf of the appellant with respect to the warehouse (the "Subject Property") located at 680 McLeod Street in Regina and how the capitalization (Cap) rate applied creates an assessment that does not meet the market valuation standard.

3. 680 McLeod Street is one of three current warehouse cap rates under the Warehouse Model. The subject property is stratified under Warehouse Buildings that have a leasable area of 25,000 square feet or greater. This stratification has 3 sales and is applied a 9.43% cap rate.

4. The current assessment of the subject property is \$4,424,200.

5. The grounds of appeal are almost identical for the 28 Warehouse buildings which raise the same issues as raised by the assessment of the subject property. In order to avoid the duplication of materials, the submission is filed with the understanding that the Board of Revision will allow the parties to carry forward the evidence and argument from this appeal. A detailed list of these properties can be found before the Table of Contents on page 2.

6. The Prospective Appellants in all of these matters will be collectively called the "Owners".

### III. BASIC CONCEPTS

#### A. The Assessment System

7. In Saskatchewan, the base date for property assessment valuations for the 2013 revaluation is January 1<sup>st</sup>, 2011(2013 to 2016 assessment roll years).

8. Section 164 (1) of *The Cities Act* provides that “all property in a city is subject to assessment”.

9. Section 165 of *The Cities Act* sets out the basic principles which govern the assessment of property. It states:

165(1) An assessment shall be prepared for each property in the city using only mass appraisal.

(2) All property is to be assessed as of the applicable base date.

(3) The dominant and controlling factor in the assessment of property is equity.

(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.

(4) Equity in regulated property assessments is achieved by applying the regulated property assessment valuation standard uniformly and fairly.

(5) Equity in non-regulated property assessments is achieved by applying the market valuation standard so that the assessments bear a fair and just portion of the market value of similar properties as of the applicable base date.

10. The Assessor prepares an assessment roll as per section 174 of *The Cities Act* and then provides property owners with notice of the assessments. Owners have the right to appeal assessments to a Board of Revision (BOR). The remedial authority of the BOR is described as follows in section 210 of *The Cities Act*:

210(1) After hearing an appeal, a board of revision or, if the appeal is heard by a panel, the panel may, as the circumstances require and as the board or panel considers just and expedient:

(a) confirm the assessment; or

(b) change the assessment and direct a revision of the assessment roll accordingly:

1. subject to section (3), by increasing or decreasing the assessment of the subject property;
2. by changing the liability to taxation or the classification of the subject property; or
3. by changing both the assessed value of the subject property and its liability to taxation or its classification.

## B. The Saskatchewan Assessment Handbook

11. For the previous 2009 revaluation, the Market Valuation Standard was implemented for the first time. Key components of SAMA's "Vision for the 2009 Revaluation" were as follows:

*"To build public trust by providing fair, transparent, understandable and defensible property valuations in a results based, mass appraisal, market value assessment system, used for the distribution of taxation.*

*The principles for the 2009 revaluation are to implement a market value system that:*

- 1) Permits the use of the cost, sales comparison, and income approach where appropriate in all jurisdictions;*
- 2) Uses regulation for properties such as agricultural land, oil and gas well production equipment, linear property and heavy industrial property..."*

12. The implementation of this vision requires a significant mind set change for all involved. The vision contemplates a move from a sheltered and isolated view of property appraisal methodology to one that embraces a contemporary valuation methodology that accurately measures the economic realities of the real estate market.

13. The primary function of the Handbook is to provide guidance for the assessment of properties valued using the Market Valuation Standard.

14. Section 163 (f.1) of the *The Cities Act* states "**market valuation standard**" means the standard achieved when the assessed value of the property:

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

15. (f.2) “**market value**” is defined as the “... the amount that property should be expected to realize if the estate in fee simple in the property was 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.

16. (f.3) “**mass appraisal**” is defined 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.

17. Properties with similar characteristics in comparable locations are valued using computer based mass appraisal techniques. Single property appraisal is the valuation of particular property as of a given date. The main difference is the scale and quality control procedures.

18. **Equity** continues to be the dominant and controlling factor for assessment. For non-regulated properties such as the subject, equity 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.

19. Assessments are calculated by analyzing the range of sale prices of groups of properties at a specific point in time. Sales of similar properties are compared to determine typical market values of specific types of properties that have similar characteristics.

20. Page 1 of the Valuation Parameters, **Appendix 9** states that the Assessor is obligated by legislation to establish the fee simple value of real estate. To achieve this end, the valuation process should reflect the views and methods used in the marketplace. The process should be applicable to all properties but it should have enough flexibility to deal with the variations and market conditions encountered. Further, Assessors would use standard appraisal methodology for support if circumstances warrant applying a different parameter. In this way, the process incorporates flexibility and accountability.

21. Page 3 of the Valuation Parameters states that the market value of every type of property is guided by and relates to a number of common characteristics or variables:



- 1) The physical characteristics of the property:
  - Property use;
  - Building size/area;
  - Construction style/materials;
  - Condition of improvements;
  - Building configuration;
  - Site size, and;
  - Location.
- 2) The supply and demand conditions in the market place.
- 3) Legal Restrictions:
  - i.e. zoning

Every valuation process relies upon these types of inputs.

22. Also on page 3, the Valuation Parameters outlined in each valuation process are guides to indicate appropriate variables to consider in the analysis of values (i.e. the valuation formula) and the values that would be appropriate to use in the valuation model. The following are examples of the types of factors that may be considered in developing valuation parameters:

- a. The costs of construction.
- b. The income characteristics of the real estate:
  - Rents;
  - Other income; and
  - Operating expenses, etc.
- c. The market place:
  - Risk profiles (i.e. capitalization rates: Direct vs Yield Capitalization); and
  - Market sales prices.

#### **IV. THE ASSESSOR'S APPROACH**

23. The Assessor is charged with determining the assessed value for the subject property with the use of mass appraisal. Mass Appraisal is 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. The base date is January 1<sup>st</sup>, 2011.

24. The Assessor has assessed the subject using the income approach by calculating the Net Operating Income (NOI) for the property using the Warehouse Model.

25. Once the NOI was calculated, the Assessor applied a 9.43% cap rate to develop the final market value. The 9.43% cap was determined by using the median calculated capitalization from 3 warehouse sales.

26. As per the model developed by the Assessor, the indicated time adjustment was approximately 5.8% per month for the first 10 months (January 2008 to October 2008) and no further adjustment for sales occurring after October 2008.

#### **V. THE BOARD OF REVISION**

27. Acklands-Grainger Inc. appealed to the BOR with the following grounds;

Civic Address: 680 McLeod Street  
Account Number: 10018652

##### **SECTION 2:**

I make this appeal on the following grounds:

- A. The applied CAP Rate of 9.43% for Warehouse properties greater than or equal to 25,000 square feet is too low.
- B. Equity has not been maintained as the assessment does not bear a fair and just proportion to the market value of similar properties.
- C. The Market Valuation Standard has not been achieved for the subject property.

### **SECTION 3:**

In support of these grounds, I hereby state the following material facts to be true and accurate:

#### **A. Cap Rate Issue**

- The Warehouse Model is an income model that values the majority of warehouse and industrial properties in Regina. The Warehouse model is a city-wide model in application. There are several distinct neighbourhoods located within the City of Regina boundaries.
- The sale of 144 Henderson Drive has to be further adjusted. The City calculated 4000 building square feet of the property as heated warehouse instead of valuing it correctly as unheated warehouse. The property having gone under renovation since 2001 should no longer be valued with an Effective Age of 1988 and instead should account for the change in condition through an Effective age of 1990 or greater. Lastly, the City has erred in the application of the Effective Age of the 1977 original building, 1988 addition and 1992 addition; once corrected the building will show an Effective Age greater than 1990.
- The City of Regina has not accounted for the office mezzanine in the time of sale net operating income for 1135 8<sup>th</sup> Avenue, Regina.
- The City of Regina has incorrectly applied a 16% obsolescence factor for unheated warehouse area though the improper application of the 290 Henderson Drive sales. The unheated warehouse at 290 Henderson Drive was not Estate in Fee simple.
- In the development of the -16% obsolescence factor for unheated warehouse; the City removed three sales from the large warehouse sales array. Two sales being 290 Henderson Drive and the third being 1500 5<sup>th</sup> Avenue. Since there is insufficient evidence to support a -16% obsolescence factor, 1500 5<sup>th</sup> Avenue should be returned to the large warehouse sales array.

#### **B. Equity**

- Section 165 states that equity is maintained by applying the market valuation standard so that the assessments bear a fair and just proportion to the market value of similar properties. Section 163 also states that the assessment must also reflect typical market conditions for similar properties. Section 163 also states that the assessment must also reflect typical market conditions for similar properties in order to achieve the market valuation standard. The current assessment value, which is based on a significantly lower cap rate, does not reflect the typical market conditions for similar warehouse properties.

### **C. Market Value Standard**

- Using a higher cap rate for the subject results in an assessment that reflects typical conditions for warehouse properties that are 25,000 square feet or greater on the base date. The Assessor has not achieved the market value of the subject with the current assessment.

## **VI. ISSUES**

### **Preliminary Issues**

28. Add the following new ground: “The Assessor erred by removing the sale of 1500 5th avenue from the sales array. By removing a valid sale the Assessor has artificially increased the ASR of the sales array to 1.10 from 1.00; effectively increasing the COD from 6.6% to 7.2%. In doing so the Assessor has not achieved Fair and Just Proportion as contemplated in The Act.”

29. And under Section 3: A Cap Rate Issue: Remove the third Bullet that states:

*“The City of Regina has not accounted for the office mezzanine in the time of the sale net operating income for 1135 8th Avenue, Regina. “*

30. For Appeal # 27703 - 680 McLeod Street and Appeal # 27674 - 745 Park Street, we wish to abandon the ground that speaks to an error in the assessable square footage.

31. For Appeal # 27675 - 2201 - 1st Avenue, we wish to amend our Notice that speaks to a error of 200 Square Feet in Assessable square footage to an error of over 18,000 square footage plus.

### **Assessment Error Issue**

32. The basic issue before the Board is that the Assessor erred in development of the cap rate analysis which is incorrectly applied to the subject property. The cap rate applied to the subject is developed using incomplete sales information that significantly changes the conclusions of the original warehouse model.

33. We intend to show that the Assessor erred by removing similar sales and incorrectly calculating the cap rate of sales from the large warehouse sales array. The sales were not analyzed correctly and the valuation process was fatally flawed. Equity cannot be achieved when the valuation model does not accurately account for all the relevant factors. Finally, we intend to show that the current assessment does not meet the market valuation standard set out in *The Cities Act*.

## VII. FACTS

34. In 2014, Altus appealed to the Board of Revision (BOR) alleging an incorrect sales valuation of \$1,596,000 for 1500 5<sup>th</sup> Avenue. From Altus's perspective, the Assessor did not properly account for the unheated warehouse and applied a heated warehouse rental rate of \$6.28 per square foot for the entire property.

35. The result of the 2014 appeal was that the Assessor found another sale they incorrectly valued and instead of making a positive cap rate adjustment; indicated to the BOR that the model would completely change. Thereby, effectively admitting an error while convincing this BOR to dismiss the appeal.

36. The changes the Assessor implemented removed three sale properties that had unheated warehouse space accounting for 25% or more of each respective property. In the decision the BOR states, "The Assessor recalculated the 25 properties – considering them all as typical. The revised Cap Rate would be 10.32 percent, but three of the properties are atypical, and to use this calculation would be in error."

37. The result of the Assessor's recommendation was to remove some of the higher cap rates from the sales array. Thereby, lowering the median cap rate from 9.92% to 9.43% and applying an additional unheated warehouse adjustment of -16% beyond the -50% adjustment already found in the net rental model of negative \$3.14 per square foot.

38. The key characteristics of the Warehouse Model are average applied rent, effective age and leasable area. Based on these components the City has derived adjustments for the calculation of the predicted NOI and the stratification of warehouse capitalization rates. Altus

has been able to recreate the Assessor's calculations within 1% of the assessed value. Examples are found in **Appendix 1**.

39. Through subsequent discussions with the Assessor, Altus was able to discern and review a list of "filtered out sales" in **Appendix 2** that was provided by the Assessor. These sales were removed from the sales analysis because their calculated capitalization rates were not between 5% and 16% as is discussed in an email with the Assessor found in **Appendix 3**.

## **VIII. ARGUMENT**

### **144 Henderson Drive Effective Age**

40. The sale of 144 Henderson Drive has to be further adjusted. The City calculated 4,000 building square feet of the property as heated warehouse instead of valuing it correctly as unheated warehouse. The property having gone under renovation since 2001 should no longer be valued with an Effective Age of 1988 and instead should account for the change in condition through an Effective age of 1990 or greater. Lastly, the City has erred in the application of the Effective Age of the 1977 original building, 1988 addition and 1992 addition; once corrected the building will show an Effective Age greater than 1990.

41. The City SPSS report for 144 Henderson Drive can be found in **Appendix 4** along with the ISC sales documentation.

42. The Provincial assessment Authority (SAMA) has two methods of calculating effective age which can be found in **Appendix 5** under the Market Value Assessment in Saskatchewan Handbook. It outlines the Observed Condition Method which is not suggested under the mass appraisal system and the Age-Life Method. The Age-Life Method uses weighted averages for both size and value. What we must consider is the entire property. Therefore, we need to look at the complete area and all the portions or sections found within to derive an accurate effective age and condition of the structure(s).

43. Specifically, the 1987 building addition to the east has finished mezzanine space. Prior to 1993 this entire section was warehouse space. During the 1993 Southeast addition, the 1987 area changed 2,625 sqft into finished lockers and lunchroom space. Included was a 1993 finished mezzanine above the main floor renovation. This renovation included the moving of walls and building of the upper floor mezzanine spaces. A finished mezzanine hallway over the main floor warehouse was built as an egress to the outside which accounts for roughly 220 sqft. Above the finished mezzanine lunchroom, washrooms and lockers is an additional storage mezzanine mimicking the finished mezzanine space below at 2,625 sqft. This area was built in 1993 as well. In 2008 the 2<sup>nd</sup> floor finished mezzanine was renovated on the southeast corner. 800 sqft was changed to a filing room with new insulation, drywall, removal and the building of new walls and increased lighting and changed electrical.

44. Altus was able to recreate the effective year calculation by the City of Regina and has provided our analysis in **Appendix 6**. The City has explained in an email that they have performed 9 different calculations, or separate tests to derive the effective age.

45. The City of Regina in response to an inquiry by Altus asking for a set of objective standards one would use to derive effective age, the City responded by defining effective year of construction and economic life. This email can be found in **Appendix 7**.

46. As stated above, SAMA, the provincial assessment authority, has outlined the correct process in developing effective age for any property. This analysis can be found in **Appendix 12**. In particular it shows that once the weighted average is developed and applied the year of construction, the final number is rounded to its nearest full number. In addition, SAMA's warehouse model and valuation parameters can be found in **Appendices 8 and 9**.

47. Another process presented by SAMA under the Age-Life method is to use the RCN value to derive the effective age of the property. This can be found in **Appendix 5** as well. Replacement cost new takes into account all area including mezzanine space. Replacement Cost New and Depreciation play a pivotal role in the valuation and condition of a property.

48. Altus has acquired warehouse rents which we ask to be considered “**Confidential**” under Section 202 of the *Cities Act* and can be found in **Appendix 10**. These rents are comparable to those used in the development of the age adjustment break and as such are related to 144 Henderson Drive. Analysis of these rents shows roughly a \$7.50 psf rate which is consistent with the applied rate of newer properties. The difference is that these properties have an effective age older than the applied adjustment shear of 1990 and newer. Altus has no way of discerning whether the City applied adjustment shear is correct and based on evidence the age adjustment should take place in the late 1980’s. The evidence illustrates that the age adjustment of an additional \$1.25 per square foot should be made for 144 Henderson Drive.

49. Additionally, the condition of the property is currently not being taken into account by the rent model. The property has undergone extensive renovation and the condition has increased. Thorough review of the model demonstrates that there is no condition adjustment made in calculating assessment value. The only possible means to account for this increased value and reduced depreciation is by manipulating the effective age of the property. Correlation analysis and the Mann-Whitney U Test show that condition/quality is a factor when analyzed. Good quality properties receive a higher adjusted sale price per square foot than Average properties. Storage warehouses were used as they were the only warehouse property type that had enough sales in both the good and average categories to produce reliable results. Effectively, differentiating between good and average qualities of similar property types and showing that quality in regards to the purchase rate per sqft results in significant differences not currently being accounted for in the model. This analysis is found in **Appendix 11**.

50. From **Appendix 12**, a property condition report specifically states on page 6-3A “The typical lifespan of this type of roof is between 25-30 years. The 1978 flat roof section appears to be in good condition and there is no evidence or reports of leakage. This roof may have been replaced previously. Given the current visually apparent condition and lack of problems, it seems reasonable to assume that localized repairs, as required, and at a cost less than the capital threshold, will allow general repairs to be deferred beyond the timeframe of the report.”

51. Given the length of time and projected life of the roof it would indicate that the roof was renovated in the early 2000s. After discussion with the owners and tenants of the facility the



roof was renovated prior to its end of life of 25-30 years. This is indicative of a property that added value in the remodel of its roof to account for substantive issues prior to its age-life completion. Thereby, slowing depreciation of the property and adding value.

52. Pictures of the property can be found in **Appendix 13**. These show the differences over time from both ground level and a bird's eye view of 144 Henderson Drive. Also included are interior photographs. This demonstrates the change in quality and condition and provides visual evidence of the need to include a means to account for the increased value.

53. Depreciation through renovation, upgrades, and repairs is diminished. Quorex, the property contractor, has provided work/job documentation and site plans found in **Appendix 14**. 144 Henderson Drive meets the 1990 age adjustment threshold when the aggregate of the property is taken. This results in supporting the position that 144 Henderson Drive should receive the additional \$1.25 per square foot adjustment and increasing its cap rate to 11.02%.

54. The City of Regina defines effective year built as "The effective year of construction of a structure. This is used when major renovations have taken place and parts of the building now contain new material." This reference can be found on the City's website in their Glossary. Additionally, the City of Regina on their "Understand Your Assessment" webpage describes how one's assessment value is determined. They then go onto refer Regina tax payers, "To learn more about assessment, you can also visit the Saskatchewan Assessment Management Agency website of the Queen's Printer at the Province of Saskatchewan website to access all online publication of all provincial regulations and documents including assessment." The website page can be found in **Appendix 15**.

55. The provincial authority of assessment in Saskatchewan is the Saskatchewan Assessment Management Agency (SAMA). When it comes to assessment and assessment practices their guides are fundamental in gathering further understanding. Specifically, found in **Appendix 16** is an email of SAMA's process in determining the effective age of a property.

## 144 Henderson Drive Issue of Area & Square Footage

56. Firstly, the area used to calculate this property's assessment, in Altus's respectful view, is incorrect. The blue prints indicate an exact total building footprint of 63,098 sqft compared to 62,446 sqft currently being applied; an additional unheated warehouse space of 4,000 sqft built in 2004 plus finished mezzanine space of 2,625 sqft, 220 sqft of finished mezzanine hallway and the storage mezzanine space of 2,625 sqft make up the total area of the property. Finished leasable mezzanine should be also be included in the calculation area as explained by the City of Regina through email in **Appendix 7** for the purposes of assessment as well as the unheated warehouse should receive the unheated warehouse rate adjustment of \$3.14 per square foot. The City of Regina currently has the net leasable area of 66,446 sqft and gross area of 69,018 sqft listed on their website for the property. The difference is calculated to be the area is that not currently being leased but part of the tenant agreement at no cost.

57. The City states in an email found in **Appendix 17** that they develop their gross leasable rates on those supplied by the owners.

58. To further understand Gross Leasable Area (GLA) the provincial assessment authority, SAMA defines gross leasable area in their glossary which can be found in **Appendix 18**.

59. The City of Regina, however, has explained that Gross Leasable Area is the unit of measure when it comes to Regina warehouses. An email from the City explains the requirement of GLA for warehouses and can be found in **Appendix 19**.

60. By following the provincial assessment authority's process in that measurements are to be taken from the exterior point to the centre point of a partition wall; 144 Henderson Drive in deriving the proper effective age is not 1988 but rather 1990 taking into consideration the condition and quality of the building. Altus' analysis can be found in **Appendix 20**. This not only meets the requirement of applying an age adjustment of \$1.25 per square foot but there is no evidence from the City of Regina to support the age adjustment cut off at 1990 and in fact from the evidence provided by Altus shows the age adjustment should be in the late 1980's. This demonstrates multiple errors committed by the Assessor in the valuation of 144

Henderson Drive. The leasable area of 144 Henderson Drive is 66,446 sqft; thereby, increasing the sale net operating income of 144 Henderson Drive to \$485,100.

61. Based on an email from Dale Greisser from Avison Young, found in **Appendix 21**, the total gross area is calculated on exterior dimensions. Rentable area used in the lease is typically the building footprint. It also includes finished mezzanine space if specified in the lease agreement. Altus was able to recreate the time of sale net operating income initially developed by the City of Regina using the leasable area as well as provide the correct time of sale net operating income using the correct effective age. This analysis can be found in **Appendix 22**. The cap rate is determined by taking the time of sale net operating income and dividing it by the adjusted sale price. Therefore the correct cap rate for 144 Henderson Drive is  $\$485,100/\$4,399,891= 11.02\%$ .

## 290 Henderson Drive

62. The City of Regina, in Altus’s respectful view, has incorrectly applied a 16% obsolescence factor for unheated warehouse area though the improper application of the 290 Henderson Drive sales. The unheated warehouse at 290 Henderson Drive was not Estate in Fee simple. The 290 Henderson Drive SPSS Report and ISC sales documentation can be found in **Appendix 23**. The site plan and inspection pictures can be found in **Appendix 24**.

63. Last year Altus proved that the City of Regina had incorrectly determined the sale net operating income of 1500 5th Avenue and as a result it came to light that the sales of 290 Henderson drive were also incorrectly valued. Through the appeal process the City decided that it would remove three sales from the sales array to apply a negative adjustment for unheated warehouses and lower the large warehouse capitalization rate. It removed 1500 5<sup>th</sup> Avenue and both sales of 290 Henderson Drive, thereby introducing an unheated warehouse adjustment of 16% obsolescence. The 2013 original sales list for large warehouses in Regina is shown below.

Acct#	Address	mm	yy	2013 Assessment	Group	Adj. Sale Price	Pred. Income	CAP Rate
10014014	144 Henderson Drive	4	2010	\$4,184,200	9.92%	\$4,399,891	\$415,000	9.43%
10236634	1135 8th Avenue	9	2009	\$2,388,000	9.92%	\$2,449,939	\$255,000	10.41%
10218234	1735 Francis Street	11	2010	\$2,244,200	9.92%	\$2,474,939	\$222,600	8.99%
10018697	290 Henderson Drive	9	2010	\$1,546,000	9.92%	\$1,499,963	\$172,400	11.49%

64. As you can see, there are 4 large warehouse sales, one of which is the September 2010 sale of 290 Henderson Drive. That sale was used in the original sales analysis and considered typical with all other large warehouse sales. Below is the current sales array with the three sales incorrectly removed by the Assessor:

Acct#	Address	mm	YY	2015 Assessment	Group	Adj. Sale Price	Pred. Income	CAP Rate
10014014	144 Henderson	4	2010	\$4,400,700	9.43%	\$4,399,891	\$415,000	9.43%
10236634	1135 8th Avenue	9	2009	\$2,476,800	9.43%	\$2,449,939	\$255,000	10.41%
10218234	1735 Francis Street	11	2010	\$ 2,402,100	9.43%	\$2,474,939	\$222,600	8.99%
10018697	290 Henderson Drive	9	2010	\$1,258,600	9.43%	\$1,499,963	\$125,000	8.33%
10018697	290 Henderson Drive	2	2010	\$1,258,600	9.43%	\$974,976	\$125,000	12.82%
10027251	1500 5th Avenue	3	2008	\$ 833,500	9.43%	\$1,038,692	\$116,400	11.20%

65. In 2014, the appeals presented by Altus proposed the addition of 1500 5th Avenue and as a corollary introduced the February sale of 290 Henderson Drive, at which point the city deemed 290 Henderson to be atypical and removed all three sales from the large warehouse sales array creating an obsolescence factor for unheated warehouses.

66. This indicated that the City of Regina considered 290 Henderson Drive to be a valid and comparable sale to similar Regina warehouses. And only after the appeal was presented in 2014 by Altus was the property considered to be atypical.

67. We ask that the following information is marked “**Confidential**” under Section 202 of the *Cities Act*. Found in **Appendix 25** is the lease agreement of the 22,000 sqft of land at the 290 Henderson Drive location. The tenant put up a 7,600 sqft unheated warehouse and based on an email found in **Appendix 26** was not generating revenue for the property owner. This lease agreement was in place from October 1, 2008 to September 30, 2013. At which point, the tenant was given the option to either tear down the building or sign another lease at a much higher rate. The tenant decided to sell the 7,600 sqft unheated warehouse building to the property owner of the 20,000 sqft adjacent building for \$60,000 after the September 30, 2013 lease completion. This unorthodox transaction is confirmed through email found in **Appendix 27** between Altus and the current property manager VR Enterprises.

68. Estate in Fee Simple is the 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. This reference can be found in **Appendix 9** from SAMA's Market Value Assessment in Saskatchewan Handbook. In this case, the unheated warehouse was not part of the 2010 sales, the owner was not in absolute ownership of the property and as stated in the lease agreement and once the lease agreement came to completion the building was then purchased in 2013 for \$60,000.

69. Since the unheated warehouse did not sell during the 2008 to January 1, 2011 assessment period; it would be incorrect to use both 290 Henderson Drive sales to determine an obsolescence factor. The 7,600 sqft unheated warehouse did not sell with the rest of the property during the allotted assessment period, what did sell was 20,000 sqft of heated warehouse. This therefore, removes the 290 Henderson Drive sales from the large warehouse stratification and places them in the small warehouse stratification for properties 1970 and newer.

70. We ask that the following information is marked "**Confidential**" under Section 202 of the *Cities Act*. Additionally, the 2011 Information Request form sent into the City of Regina for 290 Henderson Drive found in **Appendix 28** which indicates a rentable area of 20,000 sqft for buildings with an additional 22,000 sqft for land. The calculated area in deriving the time of sale NOI for this property is 27,600 sqft by the City of Regina. This is counter intuitive based on an email received from the City of Regina found in **Appendix 29** which indicates that the City determines the gross leasable area from the submitted information from the property owner. If that were the case, this property would have been classified as a small warehouse and not associated with the large warehouse stratification.

### **1500 5<sup>th</sup> Avenue**

71. In the development of the -16% obsolescence factor for unheated warehouse; the City removed three sales from the large warehouse sales array. Two sales being 290 Henderson Drive and the third sale being 1500 5<sup>th</sup> Avenue. Since there is insufficient evidence to support a

negative 16% obsolescence factor, 1500 5<sup>th</sup> Avenue should be returned to the large warehouse sales array.

72. The assessment calculation and ISC documentation can be found in **Appendix 30**.

73. The -16% obsolescence factor is contingent on three sales being two 290 Henderson Drive sales and 1500 5<sup>th</sup> Avenue. Since 290 Henderson Drive can no longer be used to develop the large warehouse stratification it effectively places the single sale of 1500 5<sup>th</sup> Avenue in limbo.

74. The primary concern surrounds the issue of the Market Valuation Standard. Section 163 (f.1) of *The Cities Act* states “market valuation standard” means the standard achieved when the assessed value of the property:

- is prepared using **mass appraisal**;

75. (f.3) “**mass appraisal**” is defined 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**. (*emphasis added*)

76. Statistical testing requires the use of more than one sale. The Court of Appeal in the case of *Cadillac Fairview vs. The City of Saskatoon, 2000 SKCA 84*, made it clear that a single sale was insufficient data. Notwithstanding the Court was dealing with a costing Manual driven system in 2000, Altus holds the position that this remains good case law even for the income approach. Especially when one needs more than one sale to conduct statistical testing.

77. The IAAO Property Appraisal and Assessment Administration handbook states, “The primary tool used to measure mass appraisal performance is the ratio study.... Sales that do not represent open-market, arms-length transfers should not be used in ratio studies.”

78. The IAAO then goes onto state on page 517 under the Delineation of Objectives, “The objectives of the study determine its scope, content, depth and flexibility.” Both of these quotes can be found in **Appendix 31** and what this indicates is that valid sales cannot simply be

removed, that there needs to be flexibility in the model capitalization stratifications to account for all properties within the market place to reflect variations and market conditions.

79. In fact SAMA's Valuations Parameters page 2, found in **Appendix 9** states, "The valuation process should be applicable to all properties and should have enough flexibility to reflect the variations and market conditions encountered as of the base date."

80. This is further supported in the decision AAC 2011-0046 on paragraph 50 states, "*The discretionary powers afforded the assessor by the Court is not absolute. The Court is clear in stating the assessed value resulting from the assessor in applying his discretion cannot produce an undesirable result.*" By failing to include the sale of 1500 5<sup>th</sup> Avenue, the City achieves an undesirable result as the stratification loses its flexibility and no longer is representative of the varied warehouses, including unheated warehouses, found within the Regina market place.

81. The issue of comparability may arise considering the majority of this property is unheated warehouse; however the income rental model accounts for this discrepancy. Effectively what occurs is that through the rental model a 50% reduction is applied to all unheated space thereby reducing the price per square foot from \$6.28 to \$3.14, resulting in a lower net operating income which shrinks the calculated cap rate.

82. This adjustment takes into account the unheated space which then aligns its operating income and cap rate with similar heated warehouse structures. By implementing an obsolescence factor, the City has accounted twice for the warehouse being largely unheated in determining its assessment.

83. Within the Regina market there are warehouses with unheated space that are assessed through the income rental model at \$3.14 per square foot but are not being represented within the large warehouse sales array. What the City of Regina has done by removing 1500 5<sup>th</sup> Avenue and calling it atypical has eliminated any form of representation of unheated warehouse from the sales stratification and ultimately the cap rate analysis. Through their sales analysis, the city has ignored the equity of unheated warehouses throughout the City of Regina by means of a quintessential capitalization rate.

84. If it is determined that the 290 Henderson Drive sales are still to be included with the large warehouse sales stratification than 1500 5<sup>th</sup> Avenue no longer has the largest capitalization rate at 11.20% and instead a heated warehouse of 12.82% becomes the highest sale capitalization rate within the large warehouse sales array.

85. If 1500 5<sup>th</sup> Avenue is included with the large warehouse sales array and is one of four warehouse sales used to develop the correct capitalization rate, the corresponding COD is 6.56% which falls in between the IAAO standard range of 5% and 15%. This analysis can be found in **Appendix 32**.

### **Fair & Just Proportion**

86. As referenced at paragraph 18, *the Act* speaks to the terms “fair & just proportion” within the definition of equity (*equity 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*).

87. After extensive research, there appears to be no definition of the terms Fair & Just Proportion within *the Act*, the glossary from the City of Regina’s Assessment terms nor the SAMA handbook or the Manual.

88. Again in the Cadillac Fairview Case that Altus references in above paragraph 74. The Court referenced the issue of terms not being specifically defined in Legislation/Regulations. At paragraph 36 of that case, the Court stated:

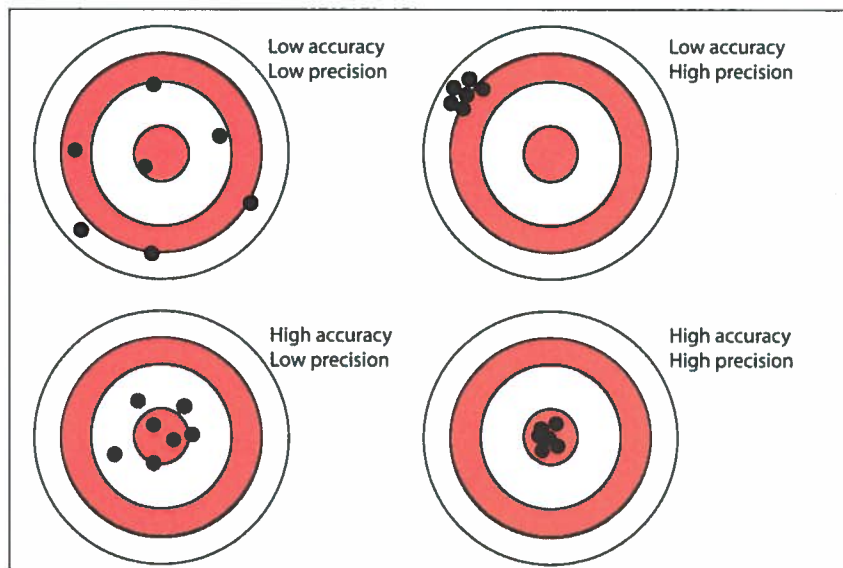
*“The word comparable is not defined in the manual, nor are the words compare, comparative, comparison, or similar. **We must take them to have their ordinary dictionary meaning, subject, of course, to the context in which they are used, that is, the surrounding words and the manual as a whole...**” (Altus’s emphasis)*

89. Thus, with the Court’s direction in mind, the term Fair is defined by Merriam-Webster as; being marked by impartiality and honesty: free from self-interest, prejudice, or favouritism. Fair is consonant with merit or importance and is sufficient but not ample, or rather, adequate. The term “Just” is defined as; having a basis in or conforming to fact or



reason, to conform to a standard of correctness. Correctness is not defined as precision but rather accuracy, true or the proper value. Proportion references a harmonious relationship of parts to each other or to the whole. This suggests that “Fair and Just proportion” must require that an assessment be valued proportionately to similar properties. The application of a consistent Capitalization Rate is not sufficient to establish equity, but must require the application of a correct, accurate or true capitalization rate in establishing its fair market value.

90. One could refer to the example of a dart board. Where if you get three darts on the same 20 point location, then that grouping is considered to be precise or consistent but not accurate. If you hit the bulls-eye with all three darts, then that grouping is considered to be accurate, true, correct, consistent and precise. The definitions and analysis of Accuracy and Precision can be found in **Appendix 33**.



91. If the City removes the sale of 1500 5<sup>th</sup> Avenue and the correct effective age is applied to 144 Henderson Drive, the modeled ASR becomes 1.10 with an applied capitalization rate of 9.43%. This indicating that equity has not been achieved thereby supporting the position that the Market Valuation Standard has not been either. By including the sale of 1500 5<sup>th</sup> Avenue and applying a capitalization rate of 10.72% to large warehouses the overall COD increases 0.066% to 9.66% from 9.605%. The ASR ratio now becomes 1.00.

92. The only conceivable way to achieve Fair & Just Proportion would be to include the sale of 1500 5<sup>th</sup> Avenue within the large warehouse sales array. It provides similar statistics, is more representative of warehouses in the Regina market and meets the standard of Equity and Market Value. Fair and Just proportion is only ever met when the model performs accurately.

## IX. STATISTICAL TESTING

### Model Comparison – ASR’s & COD’s

93. A detailed look at the sales analysis can be located in **Appendix 34**. This is an overall look at the 2013-2015 warehouse model and subsequent capitalization rate stratifications.

2013 Warehouse City of Regina Modeled Analysis				
	Count	CAP Median	Median ASR	COD
City: Less than 25,000 Sqft/ Effective Year 1980 & Newer	16	6.79%	0.9991	11.49%
City: 25,000 Sqft or Greater	<u>4</u>	9.92%	1.0000	8.77%
City: Less than 25,000 Sqft/ Effective Year Pre-1980	2	10.18%	1.0003	0.63%
Overall	22	NA	0.99888	10.01%

\*\*\*Before the removal of 290 Henderson Drive and before the applied -16% obsolescence factor.

Altus’ Proposed 2014 Warehouse Modeled Analysis				
	Count	CAP Median	Median ASR	COD
City: Less than 25,000 Sqft/ Effective Year 1980 & Newer	16	6.79%	1.00058	11.49%
City: 25,000 Sqft or Greater	5	10.41%	0.99985	8.20%
City: Less than 25,000 Sqft/ Effective Year Pre-1980	2	10.18%	1.00033	0.63%
Overall	23	NA	0.99985	9.83%

\*\*\* Altus found that 1500 5<sup>th</sup> Avenue was incorrectly valued. Correcting this error decreased its capitalization rate from 19.62% to 11.20% and dropped it back into the large warehouse stratification from the filtered out sales.

## 5 Large Warehouse Sales Analysis

94. In addition, the following chart provided by Altus for 2014 shows the breakdown and contrasts the City's capitalization rate, ASR and COD for their 2014 warehouse model. Below Altus uses a comparative approach in valuing the 5 warehouse sales that are greater than or equal to 25,000 square feet. The first set shows how the 5 sales would react to the City of Regina's at the time applied capitalization rate of 9.92%. The second set shows how the 5 sales would react to Altus' proposed capitalization rate of 10.41%.

25,000 Square Feet and Greater Sales Analysis Using 5 Sales									
Group	Address	Adj \$ Price	Pred. Income	CAP Rate	Applied CAP	Calc. Pred. Income	Project Assmt	ASR	COD
Regina	1735 Francis St	\$ 2,474,939.00	\$ 222,600.00	8.99%	9.92%	\$ 222,497.02	\$ 2,242,913.47	0.906	0.143
Regina	1135 8th Ave	\$ 2,449,393.00	\$ 255,000.00	10.41%	9.92%	\$ 254,981.81	\$ 2,570,381.16	1.049	0.000
Regina	144 Henderson Dr	\$ 4,399,891.00	\$ 415,000.00	9.43%	9.92%	\$ 414,909.72	\$ 4,182,557.67	0.951	0.099
Regina	290 Henderson Dr	\$ 1,499,963.00	\$ 172,400.00	11.49%	9.92%	\$ 172,345.75	\$ 1,737,356.34	1.158	0.109
Regina	1500 5th Ave	\$ 1,038,692.00	\$ 123,500.00	11.89%	9.92%	\$ 123,500.48	\$ 1,244,964.50	1.199	0.149
City's Applied Capitalization Rate = 9.92%							Median ASR	1.049	
							COD	10.00%	
Group	Address	Adj \$ Price	Pred. Income	CAP Rate	Applied CAP	Calc. Pred. Income	Project Assmt	ASR	COD
Altus	1735 Francis St	\$ 2,474,939.00	\$ 222,600.00	8.99%	10.41%	\$ 222,497.02	\$ 2,137,339.25	0.864	0.136
Altus	1135 8th Ave	\$ 2,449,393.00	\$ 255,000.00	10.41%	10.41%	\$ 254,981.81	\$ 2,449,393.00	1.000	0.000
Altus	144 Henderson Dr	\$ 4,399,891.00	\$ 415,000.00	9.43%	10.41%	\$ 414,909.72	\$ 3,985,684.16	0.906	0.094
Altus	290 Henderson Dr	\$ 1,499,963.00	\$ 172,400.00	11.49%	10.41%	\$ 172,345.75	\$ 1,655,578.76	1.104	0.104
Altus	1500 5th Ave	\$ 1,038,692.00	\$ 116,300.00	11.20%	10.41%	\$ 116,333.50	\$ 1,117,195.01	1.076	0.076
Altus' Applied Capitalization Rate = 10.41%							Median ASR	1.000	
							COD	8.20%	

## Model Comparison – ASR's & COD's continued

95. Once Altus brought this issue forth in 2014, the City responded by claiming the model would completely change. The claim was made that 290 Henderson Drive was also incorrectly valued and that its cap rate would also decrease. Instead of applying a smaller cap rate for 290 Henderson Drive and include 1500 5th Avenue within the 25,000 square feet and larger sales array; the City simply removed three sales to develop an obsolescence factor leaving only three of the smaller cap sales to comprise the large warehouse stratification. The problem however, is the obsolescence factor, in Altus's respectful view, was created in error. The following chart summarizes the City of Regina's changes recognizing the application of the -16% obsolescence factor and the use of only three sales in the development of the large warehouse capitalization rate.

<b>2014 Warehouse City of Regina Revised Modeled Analysis</b>				
	<u>Count</u>	<u>CAP Median</u>	<u>Median ASR</u>	<u>C.O.D.</u>
City: Less than 25,000 Sqft/ Eff. Year 1980 & Newer	16	6.77%	1.000	11.59%
City: 25,000 Sqft or Greater	3	9.43%	1.000	5.00%
City: Less than 25,000 Sqft/ Eff. Year Pre-1980	2	10.18%	1.000	.63%
Overall	21	NA	1.000	9.61%
Obsolescence Factor for UW>25% of Property= -16% Obs	3	11.20%	1.000	<b>13.98%</b>
3 Sales included in Large Whse Sales Array	6	Applied 9.43%	1.052	13.92%
Overall	24	NA	1.001	<b>11.26%</b>

\*\*\*What this shows is that the obsolescence factor when stratified by its self is significantly worse statistically when broken out. It also shows that the City by applying a 9.43% capitalization rate produces a 1.05 Median ASR and a COD of 13.92% for unheated warehouses. What this demonstrates is a need for a more representative capitalization rate. A capitalization rate that is flexible enough to account for the wide variety of warehouses found within the Regina market, yet meets the Market Valuation Standard.

96. Altus' proposed model using 4 large warehouse sales (removing 290 Henderson Drive) as it does not meet the criteria as of the time of sale to be valued in the large warehouse stratification shows the following:

<b>Altus' Proposed 2015 Warehouse Modeled Analysis</b>				
	<u>Count</u>	<u>CAP Median</u>	<u>Median ASR</u>	<u>COD</u>
City: Less than 25,000 Sqft/ Effective Year 1980 & Newer	16	6.77%	1.000	11.57%
City: 25,000 Sqft or Greater	4	10.72%	1.000	<b>6.56%</b>
City: Less than 25,000 Sqft/ Effective Year Pre-1980	2	10.18%	1.000	0.63%
Overall	22	NA	1.000	9.67%

97. Alternatively, if the Board wishes to know the impact on the statistics if 290 Henderson Drive remains in the sales array, the following chart summarizes those results.

<b>Altus' Proposed 2015 Warehouse Modeled Analysis</b>				
	<u>Count</u>	<u>CAP Median</u>	<u>Median ASR</u>	<u>COD</u>
City: Less than 25,000 Sqft/ Effective Year 1980 & Newer	16	6.77%	1.000	11.57%
City: 25,000 Sqft or Greater	6	10.72%	1.000	11.32%
City: Less than 25,000 Sqft/ Effective Year Pre-1980	2	10.18%	1.000	0.63%

Overall	22	NA	1.000	10.61%
***This analysis used 6 large warehouse sales.				

98. It is clear that Altus’ model is superior as well as flexible. A more representative cap rate is applied to account for the variances within the Regina market. Both COD’s are 9.6% and Altus’ ASR is 1.00. Altus’ proposal rectifies the City’s errors.

**X. MARKET VALUATION STANDARD**

99. Equity can only be achieved in non-regulated properties 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. (Section 165 (5) of *The Cities Act*).

100. *The Cities Act* defines market valuation standard as the standard achieved when the assessed value of property;

- i) is prepared using mass appraisal;
- ii) is an estimate of the market value of the estate in fee simple in the property;
- iii) reflects typical market conditions for similar properties;
- iv) meets quality assurance standard established by order of the agency;

101. After evaluating the valuation parameters of the current stratification, we found that the sales grouping did not provide the required equity to satisfy the requirement that the market value was determined by similar properties.

**XI. SUMMARY**

102. In the respectful view of Altus, it believes that the Assessor erred by failing to remove both of the 290 Henderson Drive sales from the current stratification which accounts for the true size of the property at the time of sale and recognizes the Estate in Fee Simple issue surrounding the 7,600 sqft unheated warehouse. The lease agreement supplied by the owner as well as the acknowledgement that the unheated warehouse did not sell with the property

during the assessment period or by the base date of January 1, 2011 demonstrates the error in using that property to develop the -16% obsolescence factor.

103. With respect, Altus believes that the Assessor erred by failing to include 1500 5th Avenue into the sales array which once corrected develops a capitalization rate that is more representative of the varied Regina warehouse market. The model becomes more robust, comprehensive and flexible in the assessment valuation of Regina warehouses. IAAO states, *“the purpose of the study is to evaluate appraisal quality, flexibility in stratification is essential.”*

104. Again with respect, Altus believes that the Assessor erred in the valuation of 144 Henderson Drive by incorrectly assigning the wrong value to the unheated warehouse space and the incorrect application of the effective age. By properly accounting for all the areas and sections of the property to determine effective age, the threshold of applying an additional \$1.25 per square foot adjustment is then met in calculating the net operating income and subsequent cap rate.

105. Lastly, the basic issue before the Board is whether to accept the Assessor’s analysis of 144 Henderson Drive in the development of their net operating income as well as the City applied capitalization rate of 9.43% using 3 sales; or accept Altus’ position that 144 Henderson Drive is undervalued. Additionally, whether 1500 5th Avenue should be included in the sales array to accurately represent the Regina warehouse market and achieve “Fair and Just Proportion”. Finally, whether the 290 Henderson Drive sales do not meet the requirements to be placed in the large warehouse sales stratification, nor be utilized in the development of an obsolescence factor.

## **XII. ORDER REQUESTED**

106. It is respectfully submitted that the 3 sales currently used by the Assessor to value the subject be found in error because they alone do not represent the large warehouses in Regina and by removing comparable sales without adequate justification or statistical support eliminates the prospect of achieving the Market Valuation Standard.

107. It is requested that the Board of Revision address the issue of condition and effective age for 144 Henderson Drive. Additionally, that the Board of Revision addresses the issue of the 4,000 sqft of unheated warehouse space.

108. It is requested that the Board of Revision address the application of the two 290 Henderson Drive sales in the development of the -16% obsolescence factor.

109. It is requested that the Board of Revision address the issue of comparability for 1500 5<sup>th</sup> Avenue, the income relationship within the rental model and the requirement for a representative sales stratification for the purpose of city wide assessment valuation.

110. It is requested that the Board of Revision address the issue of “Fair and Just Proportion” and whether a consistent or a correct and accurate capitalization rate is preferred.

111. It is requested that the Board of Revision find that the market valuation standard has not been achieved for the property under appeal, as the current assessment does not reflect the mass market value of the subject.

112. We request that a capitalization rate of 10.72% be used to determine the assessment of the subject.

## **XIII. APPENDIX – See attached.**

Altus Group  
Ryan Simpson

# Appendices

1. 680 McLeod Street Assessment Calculations
2. Regina Warehouse Trimmed Sales
3. Regina Warehouse Acceptable Capitalization Rate Range
4. 144 Henderson Drive ISC & SPSS Documents
5. SAMA's Depreciation Analysis
6. City of Regina's original Effective Age calculation for 144 Henderson Drive
7. City of Regina email on Effective Age calculation parameters
8. Excerpt SAMA's Warehouse Handbook
9. Excerpt SAMA's Valuation Parameters
10. "Confidential" Rental Data
11. Regina Warehouse Correlation Analysis & Mann Whitney U Testing
12. "Confidential" 144 Henderson Drive 2009 Property Condition Report
13. 144 Henderson Drive Property Pictures (Street & Aerial)
14. "Confidential" Property Contractor – Quorex – Job Order Materials & Site Drawings/Prints
15. Understanding Your Assessment & City of Regina email
16. SAMA's email on Effective Age
17. City of Regina Gross Leasable Area email (area supplied by owners)
18. Excerpt SAMA Glossary
19. Rentable Mezzanine Space
20. Effective Age Calculation for 144 Henderson Drive
21. Dale Greisser from Avison Young email on Gross Leasable Area in Regina
22. 144 Henderson Drive NOI calculations and capitalization rate
23. 290 Henderson Drive SPSS Report and ISC documents
24. 290 Henderson Drive site inspection pictures, site drawings & sketches
25. "Confidential" 290 Henderson Drive Lease Agreement
26. 290 Henderson Drive Email Correspondence
27. "Confidential" 290 Henderson Drive 2011 Information Request Forms
28. "Confidential" 1500 5<sup>th</sup> Avenue calculations, ISC documentation, SPSS & Field Sheets
29. City of Regina – 290 Henderson Drive – Leasable area email
30. IAAO Delineation Objectives, Ratio Studies & Tools of Appraisal
31. IAAO Outlier Trimming Analysis for 1500 5<sup>th</sup> Avenue
32. Fair & Just Proportion definitions
33. Large Regina Warehouse Sales Analysis & Statistical Testing
34. Excerpt, IAAO Standard on Ratio Studies, Appendix B Outlier Trimming Guidelines
35. Excerpt UBC BUSI 443, Foundations of Real Property Assessment and Mass Appraisal

Tab A – "Confidential" – 2201 1<sup>st</sup> Avenue Property Information