

IN THE MATTER OF A MEETING  
OF THE BOARD OF REVISION  
HELD AT THE CITY HALL, REGINA, SASKATCHEWAN  
ON MARCH 23, 2015

EVIDENCE REGARDING

**APPEAL NO. 27703**  
680 McLeod Street

Before: Ms. S. Dechaine, Panel Chair  
Mr. C. Kesten, Member  
Ms. L. Paidel, Member

Appearing for the Appellant (Altus Group):  
Mr. A. Fieldgate  
Mr. R. Simpson

Appearing for the Respondent (City of Regina):  
Mr. G. Krismer  
Mr. R. Schultze

Secretary to the Board:  
Ms. Thompson

1 (HEARING CONVENED AT 9:00 A.M.)

2 CHAIRPERSON: Good morning, everyone.

3 My name is Stella Dechaine and I am chair.

4 And on my right, my panel member is?

5 MR. KESTEN: Cyril Kesten.

6 CHAIRPERSON: And to my left?

7 MS. PAIDEL: I'm Linda Paidel.

8 CHAIRPERSON: And if you would

9 introduce yourself, Mr. Fieldgate?

10 MR. FIELDGATE: My name is Archie

11 Fieldgate with Altus Group. We represent the

12 appellant on the docket today -- appellants.

13 MR. SIMPSON: Ryan Simpson with the

14 Altus Group.

15 CHAIRPERSON: And for the City?

16 MR. KRISMER: Gerry Krismer with the

17 City of Regina, Assessment Branch.

18 MR. SCHULTZE: Rob Schultze, City of

19 Regina, Assessment Branch.

20 CHAIRPERSON: Thank you. And,

21 Ms. Thompson, if you will call the first

22 appeal?

23 THE CLERK: So it's 2015 27703, 680

24 McLeod Street.

25 CHAIRPERSON: One piece of information,

1 please make sure you shut your mics off  
2 between your uses, all cell phones are volume  
3 down or off, please. And we've been informed  
4 that we need to be out of this room by 3:30  
5 this afternoon, and then our appeal will  
6 carry on tomorrow morning. So 3:30 is our  
7 cut off date for time.

8 All right, so we're  
9 ready, if you will proceed. Are there any  
10 preliminary matters?

11 MR. FIELDGATE: Yes, Madam Chair. With  
12 our submission we provided to the board and  
13 Mr. Krismer we have a letter to Jim Nichol,  
14 Secretary to the Board of Revision,  
15 requesting to amend our notice. Do you have  
16 that letter, Madam Chair?

17 CHAIRPERSON: Yes, we do.

18 MR. FIELDGATE: Okay. First of all,  
19 number 4 at the bottom, just stroke that out  
20 completely. We've already clarified with our  
21 clients, and we had a breakdown in  
22 communication with them, so we had -- we  
23 don't have to amend our ground on that  
24 particular one. So number 4 is out.

25 CHAIRPERSON: Mr. Krismer, you're in

1 agreement?

2 MR. KRISMER: Well, I'm not clear,  
3 Madam Chair, what it relates to. I  
4 understand what they're saying is they're  
5 withdrawing the alleged error of 18,000  
6 square feet. I'm not clear whether or not  
7 they're leaving the original ground of appeal  
8 in the notice for that property though.

9 MR. FIELDGATE: I apologize to  
10 Mr. Krismer, he's correct, we're not asking  
11 to amend our notice, we're going to leave the  
12 200 square feet in there, in the original  
13 notice.

14 CHAIRPERSON: Okay. So basically it's  
15 ignore --

16 MR. FIELDGATE: Number 4.

17 CHAIRPERSON: -- number 4?

18 MR. FIELDGATE: Yes. And then the first  
19 three is pretty well self-explanatory, we  
20 would like to amend our notice to reflect  
21 what we have in that particular letter, Madam  
22 Chair.

23 CHAIRPERSON: Mr. Krismer?

24 MR. KRISMER: For clarification  
25 purposes, and it may sound a little bit

1           picky, but where is point number 1 being  
2           added? Is it being added under Section  
3           number 2 or Section number 3 or Section  
4           number 4 in the Notice of Appeal?

5   MR. FIELDGATE:                    Just a moment, please,  
6           Madam Chair. Again, I apologize to my  
7           friend, Mr. Krismer. We would like to add it  
8           under B, under equity, because we have a  
9           ground talking about fair and just proportion  
10          in Section 2, Item B, so we would like to add  
11          this, and I apologize again, under equity,  
12          Section B.

13   CHAIRPERSON:                    So then it would become  
14          the second bullet in Section 3?

15   MR. FIELDGATE:                    That is correct. In  
16          conjunction with Item B under -- we make our  
17          appeal on the following grounds, Item B under  
18          Section 2, it says equity not been  
19          maintained, and it talks about fair and just  
20          proportion, and we should have added this  
21          under equity as another bullet.

22   CHAIRPERSON:                    Mr. Krismer?

23   MR. KRISMER:                    I'm fine with that, Madam  
24          Chair. Identifying that, I do have -- I just  
25          want to make sure I'm clear on this as well.

1 Dealing with issue number 2, this removing  
2 the third bullet, dealing with "the City of  
3 Regina has not accounted for," just to be  
4 clear on that, that that's an issue that goes  
5 through all the appeals and that you're not  
6 taking issue with that statement in the  
7 assessment of 1135-8; is that correct?

8 MR. FIELDGATE: Well, number 2, we've  
9 actually taken 1135-8th Avenue out of our  
10 notice. We've asked for that to come out.

11 MR. KRISMER: I understand in the  
12 notice dealing with all the properties you've  
13 taken the third bullet out, but I'm asking  
14 whether or not that allegation is a live  
15 issue dealing specifically with the appeal  
16 for 1135-8th?

17 MR. FIELDGATE: Can you put that a  
18 different way, Mr. Krismer? Sorry, I  
19 apologize.

20 MR. KRISMER: I'm under the assumption  
21 that these are all carried forward and we're  
22 changing the notice for appeal for all the  
23 appeals on the docket today. All I'm asking,  
24 seeing that 1135-8th Avenue is one of the  
25 properties under appeal, is the issue of the

1           mezzanine space being missed a live issue  
2           dealing solely with -- excepting that -- I'll  
3           accept that you're removing that third bullet  
4           from all of the carry forward notices, but  
5           are you alleging that specific error in the  
6           assessment of the 1135-8th Avenue appeal?  
7           That appeal solely?

8           CHAIRPERSON:                    Are we working on two  
9           different editions? I think we were still  
10          talking about number 1 being added, that was  
11          agreed to by both, okay. And you have  
12          proceeded to address number 2, but  
13          Mr. Fieldgate hasn't brought it up yet. Am I  
14          correct in that? Is that where the confusion  
15          is?

16          MR. FIELDGATE:                 I'm sorry, I thought I  
17          mentioned it, but I guess maybe I didn't.  
18          I'm sorry.

19          CHAIRPERSON:                    So number 1 on the March  
20          2nd letter is in addition to Section 3,  
21          Equity, bullet 2? That's been agreed to?

22          MR. FIELDGATE:                 That's correct.

23          CHAIRPERSON:                    Okay. Now we're looking  
24          on the March 2nd letter, number 2, where  
25          they're removing 1135-8th Avenue, the

1           mezzanine issue. So that is all that's being  
2           removed from all of the appeals. Now,  
3           Mr. Krismer, can you re-make your question,  
4           sorry?

5       MR. KRISMER:                    No, that's fair. We're  
6           removing that from all the appeals, but  
7           1135-8th is also a property specifically  
8           under appeal, so are they making that  
9           allegation just for that appeal? That's all  
10          I'm asking, is it specific to that appeal?  
11          Let alone is it spread amongst them all, but  
12          is it specific to the appeal of 1135-8th that  
13          we missed the mezzanine for 1135-8th? That's  
14          all I'm asking.

15       MR. SIMPSON:                    Thank you, Madam Chair,  
16           thank you, Mr. Krismer. I would say that the  
17           ground is being removed completely.

18       CHAIRPERSON:                    Can you use your mic a  
19           little better? Speak a little closer?

20       MR. SIMPSON:                    I'm sorry.

21       CHAIRPERSON:                    Thank you.

22       MR. SIMPSON:                    The ground will be  
23           removed completely as it pertains to the  
24           carry forward cases and to 1135-8th Avenue in  
25           particular. I hope that clears it up.



1 CHAIRPERSON: Mr. Krismer, is that  
2 clear now?

3 MR. KRISMER: That's clear enough --

4 CHAIRPERSON: Thank you.

5 MR. KRISMER: -- for issue number 2.

6 CHAIRPERSON: Yes.

7 MR. FIELDGATE: Madam Chair, for number 3  
8 point, we just want to abandon the ground to  
9 speak to square footage for the subject  
10 property and also for 745 Park Street when we  
11 come to it.

12 CHAIRPERSON: Mr. Krismer?

13 MR. KRISMER: Just a point of  
14 clarification, I guess. Where in the Notice  
15 of Appeal for 680 McLeod did you even allege  
16 an error in the square footage of 680 McLeod?

17 MR. SIMPSON: The notice I have in  
18 front of me specifically addresses the CAP  
19 rate issue for all properties. As far as  
20 680, a separate notice, I believe, was done  
21 up for it that had the additional point of  
22 square footage. I don't have that in front  
23 of me.

24 CHAIRPERSON: It is not in our docket.

25 Mr. Krismer?

1 MR. KRISMER: I just wanted to be clear  
2 that I was dealing with the same Notices of  
3 Appeal, I guess, from the outset. We didn't  
4 have it in our Notice of Appeal for 680  
5 McLeod, I wanted to, I guess, clarify whether  
6 or not the board had it in their Notice of  
7 Appeal for 680 McLeod, which you do not. So  
8 I wanted to make sure that we're all working  
9 from the first thing originally, and then  
10 hopefully we all have the same Notices of  
11 Appeal for the remaining properties. That's  
12 my biggest concern right off the very  
13 beginning, as we don't have it.

14 MR. FIELDGATE: That's fair ball. I  
15 appreciate Mr. Krismer's concern, and since  
16 that's not in our notice that we have in the  
17 book here and it's not in your notice, so I  
18 guess it's a moot point.

19 CHAIRPERSON: But the area is still  
20 being --

21 MR. FIELDGATE: We won't worry about  
22 that. The 745 Park Street, there's one in  
23 there we will take out.

24 MR. KRISMER: Right. So clarification  
25 for appeal number 27703 for 680 McLeod

1 Street, that's the appeal that we're dealing  
2 with right now, there's nothing to amend as  
3 relates to that matter. Solely dealing with  
4 appeal number 27674 for 745 Park, that they  
5 want to abandon the ground that speaks to the  
6 error in the assessable square footage  
7 specially for 745 Park; would that be  
8 correct?

9 MR. FIELDGATE: That is correct,  
10 Mr. Krismer.

11 CHAIRPERSON: Are there any further  
12 preliminary matters, Mr. Fieldgate?

13 MR. FIELDGATE: No, Madam Chair.

14 CHAIRPERSON: Mr. Krismer?

15 MR. KRISMER: I will say this, Madam  
16 Chair. The issue on 1135 8th, and I'll  
17 suggest that it's clearly up to the board to  
18 amend the Notice of Appeals, however in our  
19 written submission to you on 1135 8th, or on  
20 all the properties, we addressed that sale  
21 and, in fact, there was an error in the  
22 property at the time of sale, and that the  
23 result of that error causes the  
24 capitalization rate to decrease. And what,  
25 in fact, is happening, is once they've

1 realized it and -- to be quite honest with  
2 you, Madam Chair, this is a communication I  
3 had with Mr. Simpson back in January, that  
4 with the alleged error the correction to the  
5 error, which we agree with, the  
6 capitalization rate actually decreases. So  
7 by removing that issue in their Notice of  
8 Appeal, they're not getting to the  
9 correctness of the CAP rate in the first  
10 instance. So I don't know how you remove  
11 something that we agree with simply because  
12 it causes a decrease in the CAP rate when it  
13 was part of the Notice of Appeal. It is the  
14 board's, I guess, jurisdiction to amend the  
15 Notice of Appeal. It is the appellant's  
16 Notice of Appeal, but it raises a real red  
17 flag that I guess we will have to address  
18 through our submission dealing with that  
19 property.

20 CHAIRPERSON: Any other preliminary  
21 matters?

22 MR. FIELDGATE: No, Madam Chair.

23 CHAIRPERSON: Mr. Krismer, anything  
24 else?

25 MR. KRISMER: No, Madam Chair. But I

1 do have a copy of that email and the date of  
2 that email if you wish for the board's  
3 purpose. It was actually January 27th, 2015,  
4 to Mr. Simpson in regards to 1135 8th Avenue  
5 and the effect of their alleged error. So  
6 it's not like it wasn't around for  
7 effectively two months.

8 CHAIRPERSON: Have you put it in your  
9 submission?

10 MR. KRISMER: No, I have not, Madam  
11 Chair.

12 CHAIRPERSON: Would it be fine if he  
13 gave us copies, Mr. Fieldgate?

14 MR. FIELDGATE: Yes, that's fine, Madam  
15 Chair.

16 CHAIRPERSON: If we could get that that  
17 would be great, and we're going to adjourn  
18 for ten just to discuss this. We will be  
19 back by 25 to.

20 *(Recessed at 9:18 a.m.)*

21 *(Reconvened at 9:40 a.m.)*

22 CHAIRPERSON: Sorry, we're a little  
23 late, but we had a long discussion. On the  
24 issues and the letter dated March 2nd, okay,  
25 the board is going to place the order to have

1           one -- point 1 added to Section 3, Bullet 2  
2           of the Notice of Assessment for all 28  
3           properties under appeal.

4                         Number 2 is the removal  
5           of Section 3, the CAP rate for 1135 8th  
6           Avenue, and that bullet will be removed from  
7           all 28 appeals.

8                         Number 3, the board  
9           orders that the Section 2(a) referring to  
10          square footage for the property 2674, that's  
11          the appeal number, and 745 Park Street, will  
12          be ordered.

13                        And number 4 is just  
14          stricken from the record.

15                        And now, Mr. Fieldgate,  
16          you can proceed with your argument.

17          MR. KRISMER:                 I just have one more  
18          point of clarification, Madam Chair, if I  
19          could. In their written submission, and I  
20          might be preempting them, but on page 2 of  
21          their written submissions, that's the page  
22          right behind the covering letter, it's the  
23          list of all the appeals. Appeal number 26  
24          they have listed as 2015-27602, that should  
25          be 27702. And the account ID for that

1 property, they have it listed as 10018730, it  
2 should be 10018674.

3 CHAIRPERSON: Mr. Fieldgate, is that  
4 correct?

5 MR. FIELDGATE: That's fine, thank you  
6 very much, Madam Chair. Thank you,  
7 Mr. Krismer, for pointing it out.

8 Mr. Simpson is going to  
9 run our case today for us, Madam Chair.  
10 Thank you.

11 CHAIRPERSON: Mr. Simpson, please  
12 proceed.

13 MR. SIMPSON: Thank you, Madam Chair,  
14 good morning. Good morning, honoured panel  
15 members. I'm going to move through this  
16 relatively quickly. To start I'll begin with  
17 a brief kind of outlining as to what we feel  
18 the appeals are about. Currently the  
19 assessors used three sales, large warehouse  
20 sales, in development of their 9.43 percent  
21 capitalization rate. We believe one of those  
22 sales needs to be adjusted.

23 Additionally, the  
24 assessor has developed capitalization rate  
25 adjustments using 290 Henderson Drive and

1           1500 5th Avenue. We believe that these sales  
2           also need to be adjusted and brought back  
3           into the standard stratification.

4                           I will start with 1500  
5           5th Avenue if it pleases the board. No,  
6           sorry, scratch that.

7   CHAIRPERSON:                    Just a minute,  
8           Mr. Simpson. We're not hearing you well.

9   MR. SIMPSON:                    I'm sorry.

10   MS. PAIDEL:                    I can increase the mic  
11           volume.

12   MR. SIMPSON:                    Is this better?

13   CHAIRPERSON:                    Yes.

14   MR. SIMPSON:                    Okay. I will begin on  
15           page 13 of our submission under the heading  
16           Argument for 144 Henderson Drive effective  
17           age.

18                            Currently the net  
19           operating income of -- currently the net area  
20           of this property is 66,446 square feet, 4,000  
21           of which is unheated warehouse. In the  
22           development of their current capitalization  
23           rate that value is in error, they're not  
24           properly accounting for 4,000 square feet of  
25           unheated warehouse, as they've applied heated



1 warehouse rate value to that portion of the  
2 property.

3 The property itself has  
4 undergone renovation since 2001 and should no  
5 longer be valued with an effective age of  
6 1988. Through the changing condition, as  
7 well as an analysis of the effective --  
8 sorry, analysis of the gross area of the  
9 property, the effective age should be 1990.

10 Found in Appendix 4, page  
11 9, is the City SPSS report and the ISC  
12 documentation for that property. So as you  
13 can see, the area that's 66,446 being applied  
14 and the valuation of the net operating income  
15 is at a rate per square foot of \$6.28. What  
16 should occur is 4,000 square feet of that  
17 should be applied \$3.14 per square foot.

18 If I can get you to turn  
19 back to page 13 of our submission, the  
20 provincial assessment authority, SAMA, has  
21 two methods in calculating effective age of a  
22 property. That outlines the -- yeah, it  
23 outlines the observed condition method, which  
24 isn't suggestive of mass appraisal and the  
25 age/life method. The age/life uses both

1 weighted averages for size and value.

2 You must consider the  
3 entire property, and therefore we look at all  
4 of the areas and portions and sections of the  
5 buildings to derive an effective age of 1990.

6 Specifically at the heart  
7 of this particular property issue regarding  
8 this property is the 1987 building addition.  
9 It would be to the east of the original  
10 structure. In 1993 there was mezzanine space  
11 added, as well as the main floor being  
12 completely -- or 2,572 square feet of the  
13 main floor being gutted, renovated, walls  
14 torn down, new walls put up, new flooring put  
15 in, new electrical, new plumbing.  
16 Additionally, at that same time, in 1993, the  
17 second story mezzanine was also built. This  
18 area consists of lockers, kind of a cafeteria  
19 area, a sitting area, bathrooms, that sort of  
20 thing. And at the same time, there was a  
21 third level mezzanine created for storage and  
22 an area for office work. That area isn't  
23 finished however.

24 If I could get you to  
25 turn to appendix -- just one moment, please.

1                   If I could get you to  
2                   turn to appendix 13, page 211, of our  
3                   submission. I have some pictures. The first  
4                   picture you see is the main floor lunchroom  
5                   and a locker room, and this would be adjacent  
6                   to the original structure.

7                   On the next page, 212,  
8                   shows the staircase leading up to the second  
9                   level finished mezzanine, as well as the exit  
10                  that leads to outside. Right below that,  
11                  it's a horizontal picture, and I took this  
12                  picture to show where the wall was removed.

13                  On page 213 is the second  
14                  floor finished mezzanine, lockers, tables  
15                  cooler area, microwaves. Now, these  
16                  structures, the renovations occurred in 1993,  
17                  so not the 1987 of the original building.

18                  Page 216 is at the far  
19                  end or the south end of the mezzanine. It's  
20                  a finished hallway. This hallway is an  
21                  egress that leads to -- it's an escape route  
22                  that leads to outside. It's roughly 220  
23                  square feet when I measured it for that  
24                  portion, the hallway portion.

25                  On page 218 is the third

1 floor or the mezzanine storage space and work  
2 area. As you can see it's not finished.  
3 Decent lighting, used for an office in part,  
4 but more so storage space.

5 And if you turn to page  
6 222, you're able to get up on to the top of  
7 the structure, and from different points of  
8 view of looking out, south, east, north, so  
9 on and so forth. I will touch on it in a  
10 bit, but the condition report confirms that  
11 there were renovations done to the roof  
12 either in the late 1990s or early 2000s.  
13 There wasn't a specific date mentioned, but  
14 it is discussed briefly in the condition  
15 report.

16 So Altus was able to  
17 recreate the effective year calculation by  
18 the City of Regina, and that can be found at  
19 Appendix 6, page 59. On the following pages  
20 are 2000 and I believe 2003 City of Regina  
21 data that they created the last time they  
22 were -- they were there, and so these numbers  
23 are summarized on page 60.

24 Based upon those numbers,  
25 it does show as 1988, however we feel that's

1 incorrect, as it doesn't account for the  
2 mezzanine space or the renovated main floor  
3 space, 1993. It does not account for the  
4 egress and other portions of the property.

5 Starting in paragraph 46  
6 of our submission 14, I discuss the property  
7 condition report. And in that paragraph I  
8 also indicate that in appendices 8 and 9 are  
9 SAMA's evaluation guides and parameters. The  
10 warehouse model being found in Appendix 8 and  
11 the valuation parameters, I believe, found in  
12 Appendix 9. But first I will take you to  
13 Appendix 12 for the condition report, and  
14 this was done March 17th, 2010.

15 18(1)(b)

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CHAIRPERSON: We've just learned that what you were referring to is in the confidential information, which I haven't opened, so I will do that now.

MR. SIMPSON: I'm very sorry. I should have pointed out it was confidential, my apologies, Madam Chair.

CHAIRPERSON: Carry on, we found it.

MR. SIMPSON: 18(1)(b)  
18(1)(b)

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Paragraph 48, page 15 of  
our submission, Altus has acquired warehouse  
rents, and we ask that these be deemed  
confidential under section 202 of *The Cities*  
*Act*, and they can be found in Appendix 10,  
page 158. Probably in the envelope.



18(1)(b)

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18(1)(b)

That

analysis can be found in Appendix 11, page  
172. This was done through IBM's SPSS

1 program. And on page 174 is the summary  
2 chart of that analysis.

3 In rejecting the null  
4 hypothesis it indicates that there is a  
5 difference in distributions between the  
6 groups, and as such they should be broken  
7 out.

8 So if you're looking at a  
9 group of sales and you're trying to decide if  
10 they should be broken into separate  
11 groupings, separate stratifications, what  
12 happens is you run the Mann-Whitney U Test,  
13 as example -- as an example, to see at which  
14 point the statistics or the distribution or  
15 the data points provide the least overlap,  
16 and at that overlap -- or at that reduced  
17 overlap is where you apply your break point  
18 and separate -- and where you can separate  
19 out different stratifications.

20 I will skip this section,  
21 we've already discussed the property  
22 condition report.

23 In paragraph 52, page 16  
24 of our submission, I talk about bird's eye  
25 photographs of 144 Henderson Drive taken from

1 Google Earth, that can be found at Appendix  
2 13 with the other pictures that we were  
3 looking at before.

4 Nearing the end, pages  
5 231, it shows the unheated warehouse. Again  
6 on page 232. And Google Earth goes as far  
7 back as 2002 for their historical photos, and  
8 as you can see on page 233 there is no  
9 unheated warehouse at that point.

10 Discussions with the owner indicated that it  
11 was built in 2003, I believe, or 2004.

18(1)(b)

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18 18(1)(b) and those can be found at Appendix 14,  
19 page 234. And I'll go there in just a  
20 second.

18(1)(b)

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18(1)(b)

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18(1)(b)

This reference can be found on the City's web site and in their glossary, both of which can be found in Appendix 15, page 261. On their web site as well, which I have a printed page from, they speak to understanding your assessment, which describes how one's assessment value is determined.

They state, to learn more about your assessment you can visit SAMA, go to SAMA's web site, or the Queen's Printer. To me this demonstrates that they rely heavily on the models and the, I guess, guidelines put out by the City -- or by the provincial assessment authority.

I contacted -- I contacted SAMA to get their interpretation on

1           what -- what process they use in determining  
2           the effective age of the property, and that  
3           can be found in Appendix 16, page 265. I had  
4           asked SAMA to describe the effective year, or  
5           how to derive the effective year of a  
6           property, and they responded by saying the  
7           effective year built uses all commercial  
8           building sections in calculation. So to me  
9           that would mean the mezzanine space should  
10          also be included in determining effective age  
11          of the property, which would additionally  
12          include the egress, the renovated main floor  
13          of that 1987 original structure being  
14          renovated in 1993 to change the flooring,  
15          move the walls, put in new electrical, so on  
16          and so forth, as well as the second floor  
17          finished mezzanine.

18                            If I could get you to  
19          turn to page 17 of our submission, I go into  
20          greater detail regarding the area and square  
21          footage. The blueprints of the property show  
22          a total building footprint of 63,098 square  
23          feet, compared to the 62,446 that is  
24          currently being applied. I believe that is  
25          due to the net areas or what is being

1 collected as far as rent is concerned on the  
2 property.

3 An additional unheated  
4 warehouse space of 4,000 square feet was  
5 built in 2004, plus a finished mezzanine  
6 space. Twenty-six twenty-five, 220 square  
7 feet of mezzanine, to make up the total area  
8 of the property. A finished leasable  
9 mezzanine should also be included in the  
10 calculation area, as explained by the City of  
11 Regina, found in Appendix 7, for the purposes  
12 of assessment, and that can be found on page  
13 75 of our submission.

14 It states that effective  
15 year of construction means the year of which  
16 had the building actually been built in the  
17 year would reflect -- be reflective of the  
18 remaining economic life of the building. So  
19 by adding to a property, by renovating a  
20 property, you're slowing down depreciation of  
21 that property, and in slowing down the  
22 depreciation of that property you're adding  
23 to the economic life of that property.

24 Just one moment, Madam  
25 Chair.





1 of the joint partition from the outside  
2 walls. Basically, all the area found within  
3 the building should be considered when  
4 utilizing gross leasable area.

5 By following the  
6 provincial assessment authority's process, in  
7 that measurements are to be taken from the  
8 exterior point to the center point of the  
9 partition wall, 144 Henderson Drive, and in  
10 determining the proper effective age of the  
11 property is not 1998, but rather 1990, take  
12 in consideration the condition and quality of  
13 the building as well. Altus's analysis can  
14 be found in Appendix 20, page 287 of our  
15 submission.

16 In this analysis I took  
17 all of the areas discussed, the mezzanine,  
18 the storage, the egress, and included it in  
19 the calculation of the effective age, and  
20 what occurs on the fifth column at the bottom  
21 is an effective age of 1990. Now, because of  
22 this, the property should receive 18(1)(b) per  
23 square foot additional adjustment to the  
24 current 18(1)(b) per square foot value being  
25 applied to the property.





1 CHAIRPERSON: Let's take a five-minute  
2 break and then we will start on 290.

3 *(Recessed at 10:32 a.m.)*

4 *(Reconvened at 10:41 a.m.)*

5 CHAIRPERSON: Now we will start with  
6 290 Henderson.

7 MR. SIMPSON: Thank you, Madam Chair.  
8 The City of Regina, in Altus's respectful  
9 view, has incorrectly applied a 16 percent  
10 obsolescence factor for unheated warehouse  
11 through the improper application of two 290  
12 Henderson Drive sales. The heated warehouse  
13 at 290 Henderson Drive was not an estate in  
14 fee simple as it wasn't 100 percent  
15 unencumbered by external forces.

16 The 290 Henderson Drive  
17 SPSS report and ISC documentation can be  
18 found in Appendix 23, which is on page 295,  
19 and the site plan and inspection pictures can  
20 be found in Appendix 24, page 310.

21 If I can get you to turn  
22 to page 296 from Appendix 23, it shows the  
23 income SPSS detail report for 290 Henderson  
24 Drive. Under the heading "SPSS calculation  
25 output," it lists roughly 20,000 square feet

1 for heated warehouse. And if you scroll  
2 down, it lists 7,600 feet for unheated  
3 warehouse built in 1996.

4 The reason this property  
5 is in issue is that through communications  
6 with the current owner and Chris Fluter from  
7 VR Enterprises, the unheated warehouse  
8 component of this property did not sell until  
9 2013 -- the end of 2013. 18(1)(b)

10 18(1)(b)

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21 In Appendix 25, starting

22 on page 322, 18(1)(b)

23 18(1)(b)

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18(1)(b)

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On page 332 it was asked  
of Ms. Fluter -- Chris Fluter responded, I  
asked what value was placed on the unheated  
warehouse at the time of sale, in other words  
what value did you allocate to the main  
warehouse and to the unheated warehouse?



1 Chris responded by saying, we purchased the  
2 land at 290 Henderson Drive, the building was  
3 not included in the deal. There was a crazy  
4 cheap land lease, roughly \$6,000 per year.  
5 When that lease ran out we told the tenants  
6 that we would not be willing to renew that  
7 lease, and therefore they were required to  
8 take down the building and fence and return  
9 the space to original. The tenant then  
10 offered to sell us the building for \$60,000,  
11 which Bob, the owner, felt was reasonable.  
12 The transaction occurred October 2013.

13 Estate in fee simple --  
14 on page 20 of our submission, paragraph 68.  
15 Estate in fee simple is the absolute  
16 ownership unencumbered by any other interest  
17 to estate subject only to the limitation  
18 imposed by the four powers of government,  
19 taxation, expropriation, police  
20 power (inaudible).

21 COURT REPORTER: Sorry, can you say that  
22 again?

23 MR. SIMPSON: Sorry. Estate in fee  
24 simple is the absolute ownership unencumbered  
25 by any other interest or estate, subject only

1 to the limitations imposed by the four powers  
2 of government, taxation, expropriation,  
3 police power and I believe it's pronounced  
4 escheat, but it's spelled E-S-C-H-E-A-T.

5 So, effectively, the two  
6 290 Henderson Drive sales that occurred in  
7 2010, one in February and one I believe it  
8 was September, did not include the unheated  
9 warehouse. That was later purchased in 2013  
10 outside of the base date range.

11 Since the 16 percent  
12 obsolescence factor is based on sale  
13 properties that have 25 percent or more of  
14 their property space listed as unheated  
15 warehouse, and that 290 Henderson Drive for  
16 both sales didn't include unheated warehouse,  
17 it would be inappropriate to use those sales  
18 in the calculation of the obsolescence  
19 factor. In fact, what did sell was 20,000  
20 square feet of heated warehouse.

21 In the City of Regina's  
22 model they have three stratifications,  
23 properties greater than 25,000 square feet,  
24 properties newer than 1970 and less than  
25 25,000 square feet, and properties older than



18(1)(b)

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Now, if I may, Madam  
Chair, I'd like to jump into 1500 5th Avenue.

1 CHAIRPERSON: Just hold off a minute.

2 Okay.

18(1)(b)

3 MR. SIMPSON:

4 18(1)(b)

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If it is determined that

290 Henderson Drive sales are to be included

1 with the large warehouse stratification, then  
2 1500 5th Avenue is no longer the largest  
3 capitalization rate at 11.20 percent, and  
4 instead a heated warehouse of 12.82 percent  
5 becomes the highest sale capitalization  
6 within the large warehouse sales array.

7 If 1500 5th Avenue is  
8 included with the large warehouse sales array  
9 and is one of four warehouses -- warehouse  
10 sales used to develop the correct  
11 capitalization rate, the corresponding COD  
12 will become roughly 6.6 percent, which falls  
13 in between the IAAO standard range of 5 to 15  
14 percent. And this analysis can be found at  
15 Appendix 33, page 418, of our submission.

16 In that chart you will  
17 see four sales, 1735 Francis, 1135 8th, 144  
18 Henderson, and 1500 5th Avenue. The  
19 corresponding median CAP rate is 10.72  
20 percent, with a median ASR of 1.000 and a COD  
21 of 6.5 -- I have 6.57 percent here.

22 Additionally, I'd like  
23 you -- I'd like to take you to Appendix 31,  
24 page 384. In IAAO's ratio studies guide they  
25 have an outlier trim analysis, which looks at

1           the -- that looks at whether or not a  
2           property falls in range of what is considered  
3           a standard for that grouping. I ran the  
4           stats, and the acceptable range using  
5           interquartile analysis is anything between  
6           12.54 percent as a high, and 6.86 as a low,  
7           using the City's current three sales as the  
8           base -- the base values for analysis. And  
9           what occurs is 1500 5th Avenue at a  
10          capitalization rate of 11.20 percent falls  
11          within range, and so it's not an outlier  
12          statistically. And the reason for this is  
13          within the rental income model the City  
14          applies a 15 percent reduction for unheated  
15          space. In doing so, it shrinks or it drops  
16          the net operating income, it shrinks the  
17          capitalization rate and makes it comparable  
18          to the other sales.

19    Now, if I may, Madam  
20          Chair, I'd like to move on to fair and just  
21          proportion.

22          CHAIRPERSON:                    Please proceed.

23          MR. SIMPSON:                    As referenced at  
24    paragraph 18 of our submission, the Act  
25    speaks to the terms of fair and just

1 proportion. Within the definition of equity,  
2 equity is achieved by applying the market  
3 valuation standard so the assessments bear a  
4 fair and just proportion to the market value  
5 of similar properties as of the applicable  
6 base date.

7 There is no definition of  
8 the terms fair and just proportion within the  
9 Act, the glossary from the City of Regina's  
10 assessment terms, nor the SAMA handbook. In  
11 *Cadillac Fairview* the Court references the  
12 issue of terms not being specifically defined  
13 in legislation or regulations. At paragraph  
14 36 of that case the Court states, "The word  
15 'comparable' is not defined in the manual,  
16 nor are the words 'compare,' 'comparative,'  
17 'comparison' or 'similar.' We must take them  
18 to have their ordinary dictionary meaning,  
19 subject, of course, to the context in which  
20 they are used, surrounding words." This  
21 being an older case, we still feel it  
22 pertains to these set of -- or the income  
23 approach.

24 So with the Court's  
25 direction in mind, the term "fair" is defined

1 by Miriam Webster as being marked by  
2 impartiality and honesty, free from self  
3 interest, prejudice or favouritism. Fair is  
4 consonant with merit or importance, and is  
5 sufficient, but not ample or rather adequate.  
6 The term "just" is defined as having basis in  
7 or conforming to fact or reason to conform to  
8 a standard of correctness. Correctness is  
9 not defined as precision, but rather  
10 accuracy, true or the proper value.  
11 Proportion references a harmonious  
12 relationship in parts to each other or a  
13 whole.

14 This suggests a fair and  
15 just proportion must require that an  
16 assessment be valued proportionately to  
17 similar properties. The application of a  
18 consistent capitalization rate is not  
19 sufficient to establish equity, but must  
20 require the application of a correct,  
21 accurate or true capitalization rate in  
22 establishing its fair market value.

23 On page 24 of our  
24 submission I have a chart there that examines  
25 the differences between accuracy and

1 precision.

2 So if the City removes  
3 the sale of 1500 5th Avenue, and the correct  
4 effective age is applied to 144 Henderson  
5 Drive, the model ASR becomes 1.1 with an  
6 implied capitalization rate of 9.43 percent.  
7 This indicating that equity has not been  
8 achieved, and thereby supporting the position  
9 that the market valuation standard has not  
10 been either. By including the sale of 1500  
11 5th Avenue and applying a capitalization rate  
12 of 10.7 to the large warehouses, the overall  
13 COD increases .066 percent from -- or to 9.66  
14 percent from 9.605 percent. So a very small  
15 difference by including this one sale, almost  
16 negligible, and the ASR becomes 1.

17 Just a moment, Madam  
18 Chair.

19 Apologies, Madam Chair.

20 The only way to achieve  
21 fair and just proportion would be to include  
22 the sale of 1500 5th Avenue. By doing so --  
23 well, first, the sale can be adjusted, right,  
24 it was adjusted through the application of  
25 the rental income model. It's in line with

1 the other capitalization rates, as it doesn't  
2 fall outside the outlier analysis. And --  
3 and in doing so, you create a stratification  
4 grouping that is more comprehensive, it's  
5 more robust, and it accounts for the variance  
6 of warehouses within the Regina marketplace.

7 In doing so, or in adding  
8 1500 5th Avenue, it provides similar  
9 statistics, is more representative, meets the  
10 standard of equity and market value, and fair  
11 and just proportion is only ever met when the  
12 model performs accurately.

13 A more detailed look at  
14 the statistics of this can be found in  
15 Appendix 33. Again, it's the large warehouse  
16 stratification chart. And then on the  
17 following page is the overall calculation.  
18 By applying the 10.72, and I believe it's  
19 6.77 for the small warehouse grouping, and --  
20 newer warehouse grouping, and 10.18 for the  
21 older small warehouse grouping, we still  
22 achieve a median ASR of 1.000, and the COD is  
23 9.67 percent, with IAAO's acceptable range  
24 between 5 and 15 percent.

25 Back to page 25 of our

1 submission just to briefly outline the  
2 statistical charts and changes.

3 On page 27 of our  
4 submission at the top, 2014 warehouse, City  
5 of Regina revised model analysis. And in  
6 here we have the different counts, and I have  
7 a description at the bottom of the first  
8 chart. What this chart shows is that the  
9 obsolescence factor when stratified by itself  
10 is worse statistically when broken out. It  
11 is -- it also shows that the City, by  
12 applying a 9.43 percent capitalization  
13 produces a 105 median ASR and a COD of 13.92  
14 percent for unheated warehouses. What this  
15 demonstrates is a need for a more  
16 representative capitalization rate, a  
17 capitalization rate that is flexible enough  
18 to account for the wide variety of warehouses  
19 found within the Regina market, yet meets the  
20 market valuation standard.

21 Altus's proposed model  
22 using four warehouse sales, as it is in  
23 paragraph 96, the chart there. So by  
24 applying the four sales to the large  
25 warehouse grouping we get roughly a 6.6



1 percent capitalization rate, and an overall  
2 of 9.67 percent COD rate. Pardon me, CODs.

3 Altus's model is more  
4 flexible and robust than the City's current  
5 model. Both CODs are 9.6 percent and Altus's  
6 ASR, like the City's, is one.

7 Moving on to market  
8 valuation standard on page 28. Equity can  
9 only be achieved in non-regulated properties  
10 by applying the market valuation standard, so  
11 that the assessments bear a fair and just  
12 proportion to the market value of similar  
13 properties as of the applicable base date.

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

20 Lastly, Madam Chair, in  
21 Altus's respectful view it believes the  
22 assessor erred by failing to remove both the  
23 290 Henderson Drive sales from the current  
24 large warehouse stratification.

25 The 7,600 square foot

1           unheated warehouse didn't sell in either 2010  
2           sales and didn't actually sell until 2013 for  
3           \$60,000 -- roughly \$60,000. The most logical  
4           adjustment to be made in this case would to  
5           simply not include the predicted net income  
6           of the unheated warehouse against the sale  
7           price of those two sales. And in doing so  
8           the -- I guess in doing so the use in the 16  
9           percent obsolescence factor cannot work, as  
10          they're -- as the property then did not have  
11          25 percent or more of its space as unheated  
12          warehouse as for what sold. The lease  
13          agreement supplied by the owner, as well as  
14          through email, indicates this.

15                                 With respect, Altus  
16          believes the assessor erred by failing to  
17          include 1500 5th Avenue into the sales array,  
18          which once corrected develops a CAP rate that  
19          is more representative of the varied Regina  
20          warehouse market. The model becomes more  
21          robust, comprehensive and flexible in the  
22          assessment valuation of Regina warehouses.

23                                 IAAO states the purpose  
24          of the study, ratio study, is to evaluate  
25          appraisal quality, flexibility and

1 stratification is essential. Again, with  
2 respect, Altus believes that the assessor  
3 erred in evaluation of 144 Henderson Drive by  
4 incorrectly assigning the wrong value to  
5 unheated warehouse space, and that the  
6 incorrect allocation of the effective age by  
7 improperly accounting for all the warehouse  
8 areas and sections of the property to  
9 determine effective age. The threshold of  
10 applying an additional \$1.25 per square foot  
11 adjustment is then met in calculating the net  
12 operating income and subsequent CAP rate.

13 Lastly for my main  
14 submission, the basic issue before the board  
15 is whether to accept the assessor's analysis  
16 of 144 Henderson Drive in development of  
17 their net operating income, as well as the  
18 City applied capitalization rate of 9.43  
19 percent using only three sales, or accept  
20 Altus's position that 144 Henderson Drive is  
21 undervalued, additionally whether 1500 5th  
22 Avenue should be included in the sales array  
23 to accurately represent Regina warehouse  
24 market and achieve fair and just proportion.  
25 Finally, whether the two 290 Henderson Drive

1 sales do not meet the requirements to be  
2 placed in the large warehouse sales  
3 stratification, nor be utilized in the  
4 development of the obsolescence factor.

5 It is respectfully  
6 submitted that the three sales currently used  
7 by the assessor to value the subject be found  
8 in error because they alone do not represent  
9 the large warehouses in Regina, and by  
10 removing comparable sales without adequate  
11 justification or statistical support,  
12 eliminates the prospect of achieving the  
13 market valuation standard. It is requested  
14 that the Board of Revision address the issue  
15 of condition and effective age of the 144  
16 Henderson Drive, additionally that the Board  
17 of Revision address the issue of the 4,000  
18 square feet of unheated warehouse space.

19 It is requested that the  
20 Board of Revision address the application of  
21 the two 290 Henderson Drive sales in the  
22 development of the near 60 percent  
23 obsolescence factor. It is requested that  
24 the Board of Revision address the issue of  
25 comparability for 1500 5th Avenue, and the

1 income relationship within the rental model  
2 and the requirement for a representative  
3 sales stratification for the purpose of city  
4 wide assessment valuation.

5 It is requested that the  
6 Board of Revision address the issue of fair  
7 and just proportion, and whether a consistent  
8 or a correct and accurate capitalization rate  
9 is referred. It is requested that the Board  
10 of Revision find that the market valuation  
11 standard has not been achieved for the  
12 property under appeal, as the current  
13 assessment does not reflect the mass market  
14 value of the subject.

15 We request that a  
16 capitalization rate of 10.72 be used to  
17 determine the assessment of the subject.

18 With that, Madam Chair,  
19 I'm done my main submission, I would ask --  
20 would you like me to get into my rebuttal?

21 CHAIRPERSON: Not at this time.

22 MR. SIMPSON: Thank you, Madam Chair.

23 CHAIRPERSON: So that completes your  
24 argument?

25 MR. SIMPSON: For my main submission,

1 Madam Chair, yes, it does.

2 CHAIRPERSON: Okay, thank you.

3 Mr. Krismer, do you have questions at this  
4 time that can be completed in 20 minutes, or  
5 are we starting after lunch?

6 MR. KRISMER: I would suggest, Madam  
7 Chair, that they continue on into their --  
8 what they call their rebuttal. It's not  
9 rebuttal, it's their five-day submission, and  
10 then complete their case, and then I will get  
11 into cross-examination of their entire case.

12 CHAIRPERSON: Sorry, I didn't  
13 understand that. Thank you.

14 Carry on with your  
15 rebuttal.

16 MR. SIMPSON: Thank you, Madam Chair.

17 Thank you, Madam Chair,  
18 my five-day rebuttal submission just  
19 addresses a few points to the City's  
20 response. In the City's submission they --  
21 on page 282 they refer to the \$3.38 per  
22 square foot as found on the income and  
23 request information for 290 Henderson Drive,  
24 and they claim that was based on size of the  
25 unheated warehouse. And so in coming up with

1           the valuation they removed 2.50 per square  
2           foot as operating costs, to come up with a  
3           value they believe to be representative of  
4           the property.

5                                 In my rebuttal  
6           submission, starting on page 30, I sent a  
7           quick email to Chris Fluter again asking her  
8           to confirm -- if you turn to page 4, I asked  
9           Chris, I said, "Hi Chris, the City of Regina  
10          has come back and assessed a 3.88 per square  
11          foot found on the rent roll, see attached,  
12          for the 22,000 square feet, subtract 88 cents  
13          per square foot for the land, equals 2.50 for  
14          operating costs; is that correct?"

15                                 And Chris responds on  
16          page 30 there, "Ryan, I have spoken to I  
17          believe you, as well as for sure the City  
18          regarding this, numerous times actually.  
19          That is 100 percent a mistake on the roll.  
20          When that portion of the land was leased out  
21          by the previous owners of the building and  
22          lands they leased it out as a land lease in  
23          the amount of 6,500 per year. The building  
24          that the tenant chose to put up on that plot  
25          of land has no bearing on the amount of rent

1 collected. The original owner, and by  
2 inheritance, us, did not own or have anything  
3 to do with the building that was put up on  
4 the property. So no, nothing for square  
5 footage, nothing for operating costs,  
6 straight up 6,500 per year for the plot of  
7 land. I am sorry that this mistake is on the  
8 rent roll. Yes, I signed the sheet, and I  
9 would have been more diligent in  
10 double-checking my staff's numbers. I hope  
11 that clears something up."

12 In the City of Regina's  
13 submission -- just bear with me one moment,  
14 Madam Chair.

15 In my rebuttal submission  
16 on page 8 I highlighted the age-life method  
17 and process in calculating effective age from  
18 SAMA's handbook -- the depreciation guide, I  
19 apologize. Again, determining the effective  
20 year built or the effective age of an entire  
21 property is mostly an arithmetic exercise  
22 that can be found about halfway down page 8.

23 Again, page 9 I have, I  
24 guess, circled, so to speak, that you indeed  
25 have to round once you come to that



1 calculation.

2 On page 10, it's the  
3 glossary, and there it lists age-life method,  
4 a method of estimating accrued depreciation  
5 founded on the premise that in the aggregate  
6 any mathematical function can be used to  
7 infer accrued depreciation from the age of a  
8 property in its economic life, so I just want  
9 to highlight the aggregate there.

10 On page 11 through 14 of  
11 our rebuttal submission Altus attempted to  
12 recreate what the City had done in their  
13 submission as far as the effective age  
14 calculation for 144 Henderson Drive, and we  
15 were able to do so -- as you can see on page  
16 11, the far left-hand column has structure  
17 and then it goes 1 to 12, and then 20, with  
18 the year built, areas, percentage, so on and  
19 so forth.

20 And what page 11 amounts  
21 to for the effective age through the RCN  
22 value is 1988 and a half, and through the  
23 area of 1989 or 1989.25. On page 12 is also  
24 the creation of the City's weighting of  
25 building ages with the exclusion of unheated

1 warehouse, and in that we have an RCN value  
2 of 1988.3 and area of 1988.4.

3 On page 13 is the  
4 re-creation of the City's weighting building  
5 ages with the exclusion of both the unheated  
6 warehouse and the mezzanine, again 1988 for  
7 the RCN value and 1988.4 for the area.

8 On page 14 are floor  
9 usage calculations that the City has  
10 submitted, or forwarded in their submission.  
11 And then on page 15 is Altus's revised  
12 calculation using City ages and all building  
13 components. So the reason there was a slight  
14 discrepancy in age is on the field sheets,  
15 with our initial calculation for effective  
16 age, the City field sheet showed the main  
17 structure being built in 1978, so that is  
18 what was applied originally, and in this case  
19 I applied 1977.

20 Additionally, on page 15  
21 of our rebuttal document, the 1987 component  
22 that was added on, I believe it's listed at  
23 roughly 8,400 square feet, in my analysis  
24 what I did was I looked at the 1993  
25 renovation where they tore down walls and

1           ripped up the floor, and I said that -- or  
2           determined that that area was more  
3           representative of a 1993 year, and so I  
4           subtracted the area from the 8,400 or 8,600  
5           square feet, and I applied that remaining  
6           value of roughly 6,000 to year built of 1987,  
7           and then took the renovated area and applied  
8           1993 effective age to that section when it  
9           was renovated. As well as the mezzanine  
10          space and the third floor mezzanine as well.  
11          I applied 1993 effective age values or year  
12          built values to those in determining the  
13          effective age of the property.

14                         So the blue is everything  
15          that's missing as far as areas go from the  
16          City's analysis. The main floor lunchroom  
17          area at 1993, the second floor filing room  
18          which was renovated in 2008, the second --  
19          yeah, the second floor lunchroom and locker  
20          room, the finished mezzanine space, 1993, the  
21          third floor mezzanine space of 1993, and the  
22          finished hallway and egress at 1993 as well.  
23          And the aggregate of the property in doing so  
24          gives us a 1990.

25                         Finally, on page 16 is a

1 sales analysis for the unheated warehouse.  
2 The City of Regina on page 287 -- on page 287  
3 of their submission lists four properties  
4 with unheated space, and these would be sale  
5 properties that they determined had some  
6 level of unheated space to them. They've  
7 concluded on page 288 of their submission  
8 that the median ASR for those properties for  
9 unheated warehouse grouping was 1.22. Altus,  
10 in our rebuttal submission, the sales  
11 analysis for unheated warehouses at the top,  
12 we used the City applied capitalization rate  
13 to see if we'd come up with the same thing,  
14 and we did.

15 What occurred was an all  
16 median ASR of 1.14, large warehouse ASR of  
17 1.22, which matches their chart, and with a  
18 COD of 21 percent or 22 percent.

19 Altus supplied  
20 capitalized -- on the second chart Altus  
21 applied capitalization rate to City derived  
22 net operating incomes. So what occurs when  
23 we apply the 10.72 percent capitalization  
24 rate to large warehouses, the median ASR for  
25 large warehouses drops to 1.04 with an 18

1           percent COD.

2                               We found there was a  
3           slight discrepancy with the net operating  
4           income being applied in the City's analysis.  
5           And so in changing that, Altus's -- the third  
6           chart, Altus's analysis to actual net  
7           operating income using the City's 9.15  
8           percent capitalization rate, we get a large  
9           warehouse ASR of 1.22 and a COD of 19  
10          percent.

11                              In the next chart we  
12          applied the 9.43 percent capitalization rate  
13          currently utilized by the City of Regina, and  
14          in this case we get a large warehouse ASR of  
15          1.18 with a 20 percent COD. And focussing  
16          just in on the unheated warehouses, Altus's  
17          analysis to actual net operating income using  
18          Altus's capitalization rate we have an all  
19          median ASR of 1.15, the COD of 13 percent,  
20          for large warehouses again 1.04 with 16  
21          percent. So by implementing the 10.72  
22          percent capitalization rate, the median ASR  
23          is better, substantially better, and the COD  
24          becomes better as well.

25                              With that, Madam Chair, I

1 am done. Thank you.

2 CHAIRPERSON: With that, I think we  
3 will break for lunch and then resume at 1:10  
4 with your cross-examination.

5 MR. SIMPSON: Thank you, Madam Chair.

6 MR. KRISMER: Thank you.

7 *(Recessed at 11:49 a.m.)*

8 *(Reconvened at 1:10 p.m.)*

9 CHAIRPERSON: I hope everyone had a  
10 good lunch and we're back to it. Now  
11 beginning with cross-exam, Mr. Krismer.

12 MR. KRISMER: Thank you, Madam Chair.

13 MR. KRISMER: CROSS-EXAMINATION:

14 MR. KRISMER: And just maybe for  
15 housekeeping as well, Mr. Simpson, looking at  
16 your rebuttal submission, and the page 2  
17 dealing with line 26 in the rebuttal. Page  
18 2, line 26. As we had in the original  
19 appeal, you would agree the appeal ID --  
20 appeal ID for line 26 dealing with 580 Park  
21 should end in 702; would that be correct?

22 MR. SIMPSON: Correct.

23 MR. KRISMER: And on line 26, again  
24 dealing with 580 Park, the account number  
25 should end in 674; is that correct?

1 MR. SIMPSON: Correct.

2 MR. KRISMER: Now, just to make it  
3 clear, Mr. Simpson, are you a member of the  
4 Appraisal Institute of Canada?

5 MR. BISHOFF: No, I'm not.

6 MR. FIELDGATE: Are you a member of the  
7 International Association of Assessing  
8 Officers?

9 MR. SIMPSON: I am not.

10 MR. KRISMER: And are you a member of  
11 the Saskatchewan Assessment Appraisers  
12 Association?

13 MR. SIMPSON: No.

14 MR. KRISMER: And as such, you do not  
15 carry a license in Saskatchewan through the  
16 Saskatchewan Assessment Appraisers  
17 Association?

18 MR. SIMPSON: Correct.

19 MR. KRISMER: And just for  
20 clarification, you're not bound by a code of  
21 ethics that any of those three organizations  
22 would impose on their members; is that  
23 correct?

24 MR. SIMPSON: Correct, just my own.

25 MR. KRISMER: Just your own code of

1 ethics. Turning to page 7 of your written  
2 submission, Mr. Simpson, and I'm looking at  
3 paragraph 20. You reference Appendix 9 in  
4 your submission, and you state at page 1 --  
5 or you reference at page 1 of that appendix  
6 item a statement, and you include a statement  
7 that says, "To achieve this end, the  
8 valuation process should reflect" dot dot  
9 dot. Where on page 1 does it state that?  
10 Page 1 of Appendix 9?

11 MR. SIMPSON: Sorry. So to be clear,  
12 you're asking where in paragraph 20 to  
13 achieve this end the valuation process should  
14 reflect the views and methods used in the  
15 marketplace, and you're asking where that is  
16 found on page 127 of our submission?

17 MR. KRISMER: That's correct.

18 MR. SIMPSON: Right. In reference to  
19 where the first sentence says page 1 of the  
20 valuation parameters, Appendix 9 states the  
21 assessor is obligated by legislation to  
22 establish the fee simple value of real  
23 estate, that portion was referencing the page  
24 1 of the valuation parameters. I'm not sure  
25 the second sentence specifically designates



1                   itself to that same page. Did that make  
2                   sense? I'm sorry.

3       MR. KRISMER:                   No, it didn't.

4       MR. SIMPSON:                   Okay.

5       MR. KRISMER:                   I'm asking where on page  
6                   1 of Appendix 9 is that statement? You can  
7                   say it doesn't say that.

8       MR. SIMPSON:                   Well, I'm a little  
9                   confused because the first sentence, page 1  
10                  of the valuation parameters, Appendix 9,  
11                  states that the assessor is obligated by  
12                  legislation to establish the fee simple value  
13                  to real estate. Now, the second sentence, to  
14                  achieve this end, I don't believe in that  
15                  sentence it states that specifically on page  
16                  1, it was just kind of a summary to the first  
17                  sentence. Am I wrong in my interpretation?

18      MR. KRISMER:                   I believe you're wrong.  
19                  But if I were to suggest to you, Mr. Simpson,  
20                  that, in fact, that entire paragraph comes  
21                  from the handbook that was in place in 2009,  
22                  but is not part of the handbook that we have  
23                  before us today, would that be correct?

24      MR. SIMPSON:                   I'd have to review the  
25                  handbook. Thank you. Valuation parameters?

1           Sure. I just wanted to -- can I read the  
2           whole thing?

3                           Thank you, Mr. Krismer.

4           Yes, it's found in that page.

5   MR. KRISMER:                   So it's found in the  
6           previous handbook, but not in the current  
7           handbook; would that be correct?

8   MR. SIMPSON:                   Word for word it looks to  
9           be in the previous handbook.

10   MR. KRISMER:                   Pretty much word for  
11           word? That entire paragraph is word for word  
12           from the previous handbook, correct? And was  
13           it your position that the assessor must  
14           follow the handbook? So am I -- is it fair  
15           to assume then, Mr. Simpson, seeing that  
16           you've relied upon this as your foundation,  
17           that you're relying upon a handbook that  
18           doesn't even exist today for your entire  
19           position?

20   MR. SIMPSON:                   Not at all.

21   MR. KRISMER:                   Not at all, okay.

22   MR. SIMPSON:                   I would say that under  
23           market value on page 127, property should be  
24           expected to realize that the estate in fee  
25           simple in the property is sold (inaudible).

1 COURT REPORTER: I'm sorry?

2 MR. SIMPSON: Sorry. If the estate in  
3 fee simple in the property is sold in a  
4 competitive open market, and it goes on to  
5 describe that. So I would say they're  
6 related in that respect.

7 MR. KRISMER: That's fine.

8 MR. SIMPSON: Thank you.

9 MR. KRISMER: Moving to paragraph 21 of  
10 your submission, and I apologize to the  
11 board, I guess it's best to keep almost two  
12 documents open at the same time. Number 1,  
13 the main document; then number 2, the  
14 appendices as we reference back and forth.

15 Page 3 -- or page 7 of  
16 your written submission at paragraph 21, it  
17 states, "Page 3 of the valuation parameters  
18 states that the market value of every type of  
19 property is guided by and relates to a number  
20 of common characteristics or values." You  
21 would agree that that statement is not true  
22 in that page 3 states not the market value,  
23 but that the market value based assessment;  
24 would you -- would that be correct?

25 MR. SIMPSON: Yes, it states the market

1 value based assessment of every type of  
2 property is guided by and relates to a number  
3 of common characteristics or variables.

4 MR. KRISMER: Correct. So just to be  
5 clear that we're not missing what the intent  
6 of the manual or the guide is, it's not the  
7 market value, but market value based  
8 assessment, so it's misquoted in your  
9 submission you would agree?

10 MR. SIMPSON: I wouldn't necessarily  
11 characterize that, as the quotes are  
12 generally in quotations; are they not?

13 MR. KRISMER: Moving down to page 8 of  
14 your written submission, you list off bullets  
15 1, 2 and 3, then you state, "every valuation  
16 process relies upon these types of inputs."  
17 Where does it say that in the guide?

18 MR. SIMPSON: It would say on two  
19 points, on page 3 of 129, the submission, it  
20 discusses the type of properties guided and  
21 relates to a number of common characteristics  
22 or variables, as I believe every valuation  
23 process relies upon these types of inputs or  
24 variables. And then down farther it says,  
25 "The valuation parameters outlined in each

1 valuation process are guides to indicate  
2 appropriate variables."

3 MR. KRISMER: Right. But I'm just  
4 making sure that that statement in here that  
5 appears to be a direct quote from the  
6 handbook, is not in the handbook. It doesn't  
7 state anywhere after it was -- after, i.e.,  
8 zoning, on page 3, it doesn't state every  
9 valuation process relies upon these types of  
10 inputs. You would agree with that?

11 MR. SIMPSON: If it were a quote I  
12 would agree with that, but it's not being  
13 used in that respect.

14 MR. KRISMER: Okay. Staying with page  
15 3 of that guide or the handbook, you've got a  
16 quote on page 8 of your submission that  
17 states, "The marketplace: Risk profiles,  
18 i.e. capitalization rates: Direct versus  
19 yield capitalization." You would agree that  
20 that "direct versus yield capitalization" is  
21 also not included in the guide or the  
22 handbook?

23 MR. SIMPSON: It says at point 3 near  
24 the bottom of page 129, "i.e. capitalization  
25 rates." Now, as far as I'm aware, correct me

1           if I'm wrong, capitalization rates refer to  
2           direct and yield capitalization.

3   MR. KRISMER:                    So those are your  
4           comments, not comments from the handbook?

5   MR. SIMPSON:                    After the colon, yes,  
6           within the submission.

7   MR. KRISMER:                    Now, on page 13 of your  
8           written submission, in paragraph 39 -- and  
9           you're talking about the filtered out sales  
10          in Appendix 2?

11   MR. SIMPSON:                    Yes, those should have  
12          been underlined, not in quotations, my  
13          apologies.

14   MR. KRISMER:                    Pardon me?

15   MR. SIMPSON:                    Where it says "filtered  
16          out sales" it should have been underlined,  
17          not put in quotations. I apologize for that.

18   MR. KRISMER:                    In Appendix 2 these  
19          filtered out sales, it lists five. You would  
20          agree those were the filtered out sales from  
21          the 2013 analysis? You would agree with  
22          that?

23   MR. SIMPSON:                    Yes, those were the sales  
24          that were supplied to me by Scott Miller.

25   MR. KRISMER:                    For 2013, correct?

1 MR. SIMPSON: Yes, and when I inquired  
2 the following years, as far as any changes to  
3 the model, I was told there were none.

4 MR. KRISMER: You would agree though  
5 that the three sales -- or two -- the two  
6 sales in that, 290 Henderson and 1500 5th,  
7 were not filtered out for 2014, but were, in  
8 fact, held out as unheated warehouse? You  
9 would agree with that statement?

10 MR. SIMPSON: Yes.

11 MR. KRISMER: So those aren't filtered  
12 out sales? In fact, the economic CAP rates  
13 for those two sales aren't the economic CAP  
14 rates that the assessor currently has; you  
15 would agree with that?

16 MR. SIMPSON: Currently, correct.

17 MR. KRISMER: And you would agree that  
18 the other sale of 290 Henderson is not on  
19 this list? You would agree with that?

20 MR. SIMPSON: Correct.

21 MR. KRISMER: So that's not the  
22 filtered sales for 2014; would that be  
23 correct?

24 MR. SIMPSON: If that's what you're  
25 telling me now, sure.

1 MR. KRISMER: Well, you relied upon  
2 2013?

3 MR. SIMPSON: After asking if there  
4 were any changes.

5 MR. KRISMER: If I could get you to  
6 turn to Tab 3 of your submission.

7 MR. SIMPSON: Sure.

8 MR. KRISMER: And this is the email  
9 from Mr. Miller to you. And he's talking  
10 about the filtered out sales of 16 or 5  
11 percent.

12 MR. SIMPSON: Yes.

13 MR. KRISMER: When I look to your  
14 submission that you put in today, dealing  
15 with the two sales of 290 Henderson and the  
16 one sale of 1500 5th, you would agree that  
17 the assessor's economic CAP rate for those  
18 three sales are not greater than 16 percent  
19 under the current analysis?

20 MR. SIMPSON: Under the current  
21 analysis for the two 290 Henderson Drive  
22 sales and the one 1500 5th Avenue sale, the  
23 capitalization rates both -- or all three  
24 fall below the 16 percent threshold.

25 MR. KRISMER: Correct. So our filter



1           hasn't changed, as the City said, but the  
2           filtered sales have changed? You would agree  
3           with that statement?

4   MR. SIMPSON:                    So the filtered list  
5           hasn't -- I'm sorry, could you clarify for  
6           me, please?

7   MR. KRISMER:                    The filter that the City  
8           uses, 5 percent, 16 percent, has not changed,  
9           but the number of filtered sales has changed  
10          for 2014, and you're aware of that?

11   MR. SIMPSON:                    For the filtered sales as  
12          a total grouping as being removed from the  
13          standard analysis, I would say they have  
14          remained the same. But as far as the list  
15          that comprises the filtered out sales, you've  
16          removed two of them to create an obsolescence  
17          that's -- and those sales not being part of  
18          the standard sales array.

19   MR. KRISMER:                    But they weren't removed,  
20          they were not though filtered out from the  
21          sales analysis; you would agree with that?  
22          They were used, they were used by the City in  
23          its sales analysis?

24   MR. SIMPSON:                    Put that way, sure.

25   MR. KRISMER:                    Right. So that statement

1           that they were removed is not accurate then?

2       MR. SIMPSON:                   I would say they were  
3           removed from the standard analysis, they were  
4           created -- or they were used to create an  
5           obsolescence after the fact or after the  
6           calculation or determination of the typical  
7           capitalization rates for the stratifications  
8           imposed.

9       MR. KRISMER:                  I think the board gets  
10           the point that they were not filtered.

11      MR. SIMPSON:                  Perfect.

12      MR. KRISMER:                  They were removed at a  
13           point in the analysis, but they were not  
14           filtered. And I think they get the point  
15           that the sales indicated in your Tab 2 are  
16           not the sales that the assessor filtered  
17           then.

18      MR. SIMPSON:                  Sure.

19      MR. KRISMER:                  Turning to page 13 of  
20           your submission, and you make reference to  
21           the Provincial Assessment Authority. And  
22           under Appendix 5 of your submission you made  
23           the statement that the observed condition  
24           method, which is not suggested under mass  
25           appraisal, you would agree that it doesn't

1           say "it is not suggested"? You would agree  
2           with that statement?

3   MR. SIMPSON:                   Paragraph 42 of page 13?

4   MR. KRISMER:                   Yes. If you want the  
5           reference in your appendix items, it's page  
6           39 in your appendix.

7   MR. SIMPSON:                   Thank you. I believe in  
8           paragraph 42 I was referencing the two  
9           methods as they pertained to calculating  
10          effective age and generally understanding  
11          them to be found in Appendix 5. The next  
12          sentence, where it states "it outlines the  
13          observed condition method which is  
14          not suggested under the mass appraisal system  
15          and" (inaudible).

16   COURT REPORTER:               I'm sorry, I didn't hear  
17          what you just said.

18   MR. SIMPSON:                   Where it says it outlines  
19          the observed condition method, which is not  
20          suggested under the mass appraisal system and  
21          the age-life method. I believe I got that  
22          from the IAAO, but I wasn't specifically  
23          quoting that. It was a summarization, I  
24          suppose.

25   MR. KRISMER:                   When I look at page 39 of

1           your appendix dealing with the observed  
2           condition method, because that's what you  
3           referenced in your submission.

4   MR. SIMPSON:                   Mmhmm.

5   MR. KRISMER:                   You would agree that it  
6           states the observed condition method, when  
7           applied in detailed manner has limited  
8           applicability for mass appraisal. You would  
9           agree with that? That's what it states?

10   MR. SIMPSON:                   Because it requires a  
11           great deal of analysis and judgment  
12           concerning the condition and expected life of  
13           the component -- of each component. It may  
14           be of use for unique properties where other  
15           methods do not adequately measure real  
16           depreciation, the breakdown --

17   CHAIRPERSON:                   Excuse me, Mr. Simpson.

18   MR. SIMPSON:                   Sorry.

19   CHAIRPERSON:                   When you're reading move  
20           the mic closer so you're speaking clearer  
21           into it or something.

22   MR. SIMPSON:                   Yes, ma'am.

23   CHAIRPERSON:                   Thank you.

24   MR. SIMPSON:                   At the bottom of page 39,  
25           page -- page 39 of our submission, page 15 of

1           the depreciation analysis guide, it states,  
2           "Due to its complexity and time requirements,  
3           the observed condition breakdown method has  
4           limited applicability for use in mass  
5           appraisal."

6       MR. KRISMER:                    You would agree it says  
7           limited applicability, but it doesn't say it  
8           is not applicable, and nowhere does it say  
9           that it is not suggested for mass appraisal,  
10          just limited?

11       MR. SIMPSON:                   In that particular  
12          analysis guide, you're correct, it doesn't  
13          say that. But I wasn't quoting from the  
14          guide for that sentence.

15       MR. KRISMER:                   So when you state in your  
16          submission SAMA has two methods which can be  
17          found in Appendix 5 --

18       MR. SIMPSON:                   Right.

19       MR. KRISMER:                   -- that you choose not to  
20          reference that and it's a quote from  
21          somewhere else?

22       MR. SIMPSON:                   No, that quote itself,  
23          where it states on paragraph 42 "The  
24          provincial assessment authority, SAMA, has  
25          two methods of calculating effective age,

1           which can be found in Appendix 5 under the  
2           market value assessment in Saskatchewan  
3           handbook." And the second sentence, "It  
4           outlines the observed condition method, which  
5           is not suggested under mass appraisal system  
6           and the age-life method," that's a different  
7           sentence or a different thought.

8       MR. KRISMER:                        So where would you find  
9           that statement?

10       MR. SIMPSON:                        IAAO.

11       MR. KRISMER:                        Can you point me to it?

12       MR. SIMPSON:                        No.

13       MR. KRISMER:                        So you don't know if  
14           the --

15       MR. SIMPSON:                        I do know, I just don't  
16           have the IAAO's entire ratio studies guide in  
17           evidence today.

18       MR. KRISMER:                        So you have nothing in  
19           your submission to support that statement;  
20           would that be correct?

21       MR. SIMPSON:                        Correct.

22       MR. KRISMER:                        Now, you make the  
23           statement "the age-life method uses weighted  
24           averages for both size and value."

25       MR. SIMPSON:                        Correct.

1 MR. KRISMER: Did you weight it based  
2 upon value?

3 MR. SIMPSON: I had no way of properly  
4 developing that analysis.

5 MR. KRISMER: You had no way of  
6 calculating the replacement cost new of those  
7 sections from Marshall & Swift; is that  
8 correct?

9 MR. SIMPSON: I believe a lot of that  
10 comes down to the interpretation of the  
11 assessor, so I would be in error to --

12 MR. KRISMER: You're saying that only  
13 assessors can use Marshall & Swift? Is that  
14 what you're saying?

15 MR. SIMPSON: No, I'm not.

16 MR. KRISMER: Oh. You would agree that  
17 back in 2013 your company purchased field  
18 sheets from the assessor for all the sold  
19 properties, and those field sheets would have  
20 included the calculation of the replacement  
21 cost new, and you would have had that  
22 information in your hands, but you chose not  
23 to do the analysis based upon value; is that  
24 correct?

25 MR. SIMPSON: Just one second. I can

1 recall seeing the field sheets and RCN  
2 values.

3 MR. KRISMER: Do you want me to go get  
4 them for you? Mr. Fieldgate?

5 MR. FIELDGATE: Madam Chair, it's  
6 possible Mr. Simpson was not aware of those,  
7 is what I'm thinking.

8 MR. KRISMER: I think that would be a  
9 correct assumption, yeah. And, again, just  
10 to make sure, and recognizing then what I  
11 asked earlier about your memberships in the  
12 Appraisal Institute of Canada, the IAAO or  
13 the SAAA, you make the statement in paragraph  
14 42, "What we must consider is the entire  
15 property." Where does it ever say that in  
16 the market value assessment handbook under  
17 age-life?

18 MR. SIMPSON: I don't know.

19 MR. KRISMER: It doesn't say it? You  
20 would agree with me if I suggested it doesn't  
21 say it?

22 MR. SIMPSON: I would have to review  
23 the entire document.

24 MR. KRISMER: In dealing at -- in  
25 Appendix 5 and looking at page 14 of Appendix



1           5, where does it state that the area and the  
2           RCN must include all mezzanines and all  
3           finished areas within a building?

4       MR. SIMPSON:                    On the bottom -- or in  
5           the middle of page 16 of that analysis,  
6           determining -- or calculating effective age,  
7           the heading determining the effective year  
8           built or effective age of an entire property  
9           is an arithmetic exercise. I believe that's  
10          generally where I pulled it from.

11       MR. KRISMER:                   But nowhere in the guide  
12           does it suggest that you include mezzanines  
13           or finished areas that are within a building  
14           to determine the effective age of the  
15           building; would that be correct? It doesn't  
16           state that?

17       MR. SIMPSON:                   Not that I'm aware.

18       MR. KRISMER:                   Right. So that's just  
19           your interpretation again on the handbook?

20       MR. SIMPSON:                   On the handbook, but  
21           after speaking to the City of Regina where  
22           the issue as to what method or area gets  
23           subjected to warehouses, I was informed it  
24           was the gross leasable area.

25       MR. KRISMER:                   I'm not dealing with

1 rents, I'm not dealing with CAP rates, I'm  
2 dealing with effective age. So where did the  
3 assessor ever telling you that mezzanines or  
4 areas within a building are to be used to  
5 establish the age of the building?

6 MR. SIMPSON: Just one moment. To  
7 answer your question, I believe on page 76 of  
8 our submission, that might give the best  
9 reasoning.

10 MR. KRISMER: On page 76 can you point  
11 me to where the assessor said that mezzanines  
12 or interior finish areas of a building are  
13 used to establish the effective year built of  
14 the building?

15 MR. SIMPSON: Sure. Up near the top  
16 there, it says, "Ryan, the year of  
17 construction can either be the actual year of  
18 construction or the effective year of  
19 construction where either the building has  
20 depreciation influences not typical of  
21 buildings that were actually built in the  
22 same year, or portions of the building were  
23 not actually built in the same year. I would  
24 say that portions of the building that's  
25 being referenced there in the bottom of the

1 first sentence would suggest that all  
2 portions, including mezzanine space, be  
3 included in the determination of the  
4 effective year of the building." Thank you.

5 MR. KRISMER: So when I turn you back  
6 to your Tab 5, in dealing with the diagram  
7 that is in the handbook, and is this not an  
8 example then of a property where portions of  
9 the building, not mezzanines, but portions of  
10 the property, were built in different years?  
11 Would that be correct?

12 MR. SIMPSON: As far as I know, that  
13 was just one such example for illustrating  
14 the calculation, but, correct.

15 MR. KRISMER: But that would line up  
16 with the assessor's remarks that portions of  
17 a building, in this case four different  
18 portions of a building were built in a  
19 different year, but no mention anywhere that  
20 the interior build out, if you add a hallway,  
21 that that somehow affects the effective age  
22 of the building? The assessor never said  
23 that?

24 MR. SIMPSON: That's what I took  
25 "portions" to mean.

1 MR. KRISMER: Keeping in mind that's  
2 what you interpret it to be, even though you  
3 are not an assessor?

4 MR. SIMPSON: Correct.

5 MR. KRISMER: Page 14 of your written  
6 submission -- and I'll just back up before I  
7 get to paragraph 14. I just thought about  
8 it, these are your opinions of what the  
9 handbook states; is that correct? Of what it  
10 states about portions of a building, this is  
11 your opinion of it?

12 MR. SIMPSON: I was under the  
13 impression that adding to a property slowed  
14 its depreciation. And based on that  
15 standard, through the slowing of  
16 depreciation, increasing the economic life of  
17 the property. So from that perspective, to  
18 answer your question, yes.

19 MR. KRISMER: Page 14 of your  
20 submission, paragraph 43, you make a number  
21 of statements about the various additions,  
22 year built, renovations. Where is this  
23 information in your submission? Where is  
24 your support for that information?

25 MR. SIMPSON: The photographs, for one.

1 MR. KRISMER: So the photographs show  
2 the year it was done? Those were recent  
3 photos; were they not?

4 MR. SIMPSON: Yeah, those are recent  
5 photos.

6 MR. KRISMER: Is there a sign on each  
7 one of those photos saying completed in 2008?

8 MR. SIMPSON: Just the titles.

9 MR. KRISMER: Just your titles. Where  
10 is the information here, a building permit --

11 MR. SIMPSON: Sure.

12 MR. KRISMER: -- or anything of the  
13 like, showing that that's when it was done?

14 MR. SIMPSON: Appendix 14, starting on  
15 page 234, 18(1)(b)

16 MR. KRISMER: 18(1)(b)

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18 MR. SIMPSON: 18(1)(b)

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23 MR. KRISMER: 18(1)(b)

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25 MR. SIMPSON: 18(1)(b)

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11 MR. SIMPSON: 18(1)(b)

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16 MR. KRISMER: 18(1)(b)

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18 MR. SIMPSON: 18(1)(b)

19 MR. KRISMER: 18(1)(b)

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22 You haven't included any permits that  
23 would show --

24 MR. SIMPSON: I wouldn't say that.

25 MR. KRISMER: Did they take out any

1 building permits for any of this work?

2 MR. SIMPSON: From my discussions with  
3 them, they said yes, but I don't have that in  
4 evidence, so --

5 MR. KRISMER: Right. Turning to  
6 Appendix 6, Mr. Simpson, I'm looking at this  
7 workup of recalculation of the City of  
8 Regina's effective age.

9 MR. SIMPSON: Yeah.

10 MR. KRISMER: And on line number 8 and  
11 line number 13 you show that as 1978; is that  
12 correct?

13 MR. SIMPSON: Yes, that's correct.

14 MR. KRISMER: And you would agree that  
15 based upon the reports that you have in your  
16 submission, be it the property condition  
17 report or the like, that they list the  
18 original building being built in 1977; is  
19 that correct?

20 MR. SIMPSON: I was working off of the  
21 following pages. That was developed by the  
22 City of Regina.

23 MR. KRISMER: Where did you get those  
24 pages from?

25 MR. SIMPSON: I found them in our



1 system. A very, very old archive folder.

2 MR. KRISMER: So these are -- if I'm  
3 not mistaken, these would have been field  
4 sheets that would have been used back in  
5 about 2003. You were able to locate these  
6 field sheets, but you were unable to locate  
7 the field sheets I provided you two years  
8 ago; would that be correct?

9 MR. SIMPSON: I was unaware of those  
10 field sheets you provided Altus, I guess, two  
11 years ago.

12 MR. KRISMER: But you were able to find  
13 field sheets from 2003. Now, looking at  
14 that, Tab 6, there's a bunch of different  
15 types of building structures on that, and you  
16 would agree that those were used, based upon  
17 an assessment manual, a provincially derived  
18 assessment manual, for that year that were  
19 mandated to use; would that be correct?

20 MR. SIMPSON: Sure.

21 MR. KRISMER: And you didn't use the  
22 cost new from that to test your effective  
23 age, even though it's right there on the  
24 sheet you didn't test it based upon that  
25 date?

1 MR. SIMPSON: There were a couple that  
2 were hard to read or I couldn't really make  
3 out, so I thought it would be a futile  
4 exercise to try.

5 MR. KRISMER: Just disregard it, don't  
6 inquire about it? Looking at those on page  
7 65 of that submission, what is 416, the code  
8 416, for?

9 MR. SIMPSON: I'd have to look at the  
10 reference sheet. I don't know.

11 MR. KRISMER: What reference sheet  
12 would you look at?

13 MR. SIMPSON: There's different sheets  
14 that will indicate what the codes are.

15 MR. KRISMER: If I were to suggest  
16 that's called office finish, would you  
17 disagree with me?

18 MR. SIMPSON: On what page?

19 MR. KRISMER: 65.

20 MR. SIMPSON: It looks to say office  
21 finish, yeah.

22 MR. KRISMER: And would you agree with  
23 me if I were to suggest that back in 2003,  
24 based upon the mandated provincial cost  
25 manual, that -- for warehouses, if office

1 finish was found within a warehouse that we  
2 were to add that value to the assessment,  
3 would you disagree with me?

4 MR. SIMPSON: If office was found in a  
5 warehouse building?

6 MR. KRISMER: Correct.

7 MR. SIMPSON: That you would add it to  
8 the assessment of the property?

9 MR. KRISMER: Correct.

10 MR. SIMPSON: Sure.

11 MR. KRISMER: And under the current  
12 Marshall & Swift cost guide is that still the  
13 same?

14 MR. SIMPSON: I don't know.

15 MR. KRISMER: Would you disagree with  
16 me if I were to suggest it is not the same?

17 MR. SIMPSON: I would have to look. I  
18 don't know.

19 MR. KRISMER: You don't know how  
20 Marshall & Swift works?

21 MR. SIMPSON: I would have to look at  
22 the -- I'd have to look at it.

23 MR. KRISMER: Would you agree with me  
24 if I were to suggest that there is no such  
25 thing as office finish within the current

1 Marshall & Swift cost guides?

2 MR. SIMPSON: I don't know.

3 MR. KRISMER: So you're looking at data  
4 some, what, 12 years ago, to support your  
5 allegation that there's an error today? And  
6 outdated cost manual, outdated handbook?

7 MR. SIMPSON: I believe this appendix  
8 was to try and create the 1988 effective age  
9 that you claim belongs to that property, is  
10 that all it was attempting at doing there.

11 MR. KRISMER: But you never inquired  
12 with the assessor how the assessor developed  
13 his?

14 MR. SIMPSON: Specifically to 144  
15 Henderson Drive?

16 MR. KRISMER: Correct.

17 MR. SIMPSON: Not specifically to that  
18 individual property, no.

19 MR. KRISMER: You would agree on  
20 January 27th of 2015 I had asked if you could  
21 provide me with your effective age  
22 calculations for 144 Henderson Drive, and you  
23 did not respond to that email; would that be  
24 correct?

25 MR. SIMPSON: No, I did respond. I was

1 working on confirming areas with the clients.

2 MR. KRISMER: But you never did provide  
3 that information?

4 MR. SIMPSON: Well, I received -- if  
5 you turn to page -- I had received your  
6 inquiry and was just confirming a couple  
7 things with the clients. And then I got an  
8 email that can be located in Appendix 15,  
9 page 262, and I wasn't sure how to respond  
10 after that.

11 MR. KRISMER: That's an email where you  
12 had sent a question out to SAMA?

13 MR. SIMPSON: And I believe they had  
14 sent it to you, and then it kind of bounced  
15 around a bit.

16 MR. KRISMER: SAMA forwarded it to me,  
17 and I simply stated, it looks like he's  
18 fishing, by copy to Ryan. Did you not like  
19 my response? Where did you respond to my  
20 first question?

21 MR. SIMPSON: After that email I wasn't  
22 sure how to respond, so I didn't.

23 MR. KRISMER: Dealing with page 14 of  
24 your written submission in appendix -- or on  
25 paragraph 46, it states that the Provincial

1           Assessment Authority has outlined the correct  
2           process in developing effective age for any  
3           property, and you state it can be found in  
4           Appendix 12. Where is it in Appendix 12?

5   MR. SIMPSON:                    That would have been a  
6           typo, I apologize.

7   MR. KRISMER:                    What appendix is it in?

8   MR. SIMPSON:                    That would be in the  
9           depreciation guide, which should be  
10          appendix -- page 20.

11   MR. KRISMER:                    Now, you include in there  
12          SAMA's warehouse model and valuation  
13          parameters in Appendices 8 and 9. What is  
14          the relevancy of those appendices?

15   MR. SIMPSON:                    Well, the valuation  
16          parameters we discussed a little bit thus  
17          far, so I thought they were relevant. And  
18          then as far as --

19   MR. KRISMER:                    Well, are they relevant?

20   MR. SIMPSON:                    I would say the valuation  
21          parameter is quite relevant. There have been  
22          a couple questions asked regarding that  
23          particular appendix thus far.

24   MR. KRISMER:                    Appendix 9, not Appendix  
25          8. So what is the relevancy of Appendix 8?

1 MR. SIMPSON: Appendix 8 on page 99  
2 speaks to the difference between direct  
3 capitalization and yield capitalization. So  
4 regarding my first paragraph -- couple  
5 paragraphs there, I believe it was pages 6 or  
6 pages 7, when you're asking me about direct  
7 and yield capitalization I believe I  
8 referenced it in that appendix.

9 MR. KRISMER: But there's no allegation  
10 that the assessor erred in his -- using a  
11 direct capitalization rate.

12 MR. SIMPSON: It was simply to  
13 illustrate where that came from.

14 MR. BISHOFF: And that said, in  
15 paragraph -- page 99 of your submission, Tab  
16 A. In paragraph 47 on page 14 you state,  
17 "Another process presented by SAMA under the  
18 age-life method is to use the RCN value to  
19 derive the effective age of the property.  
20 This can be found in Appendix 5 as well."

21 MR. SIMPSON: Yes.

22 MR. KRISMER: Next it says,  
23 "Replacement cost new takes into account all  
24 area, including mezzanine space." Where does  
25 it say that?

1 MR. SIMPSON: I believe that's the same  
2 issue as before, where it was a different  
3 sentence and a different thought taking  
4 place, it was more of a summarization.

5 MR. KRISMER: And then would that be  
6 correct in the next statement where you say  
7 replacement cost new and depreciation play a  
8 pivotal role, a pivotal role in the valuation  
9 and condition of a property?

10 MR. SIMPSON: I believe so, yes.

11 MR. KRISMER: And you would agree that  
12 replacement cost new and depreciation play a  
13 pivotal role in the cost approach, not the  
14 income approach; would that be correct?

15 MR. SIMPSON: In the determination of  
16 effective age of the property.

17 MR. KRISMER: So if replacement cost  
18 new and depreciation play a pivotal role in  
19 determining the effective age of a property,  
20 why haven't you used the replacement cost new  
21 in determining the effective age of a  
22 property?

23 MR. SIMPSON: As stated previously, I  
24 was --

25 MR. FIELDGATE: Madam Chair, hindsight



1           being a great thing, probably Mr. Simpson  
2           should have done that, but he didn't do it,  
3           so that's his answer. That's the short of  
4           it.

5   MR. KRISMER:                    Is he incapable of doing  
6           it?

7   CHAIRPERSON:                    He didn't do it. Next  
8           question.

9   MR. KRISMER:                    Thank you, Madam Chair.  
10           Paragraph 49 of your submission, that's on  
11           page 15, it's under information in Appendix  
12           10, that you wanted to be declared  
13           confidential.

14   MR. SIMPSON:                    18(1)(b)

15   MR. KRISMER:                    18(1)(b)

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18(1)(b)

MR. FIELDGATE: Well, Madam Chair, this goes to a bigger issue that we've always had since the 2009 income approach came in, when the SAMA authority will not give us exactly where the rents are being collected from. All we can do is do the best we can with what we've got to try and prove an error. But Mr. Krismer is right, we don't know for a fact if it was right or wrong because we don't have all the information. And that's an ongoing problem we have, and a problem we have right across the province. That's -- that's the gist of it, Madam Chair.

MR. KRISMER: And if Mr. Fieldgate wishes, I have some questions for him now, seeing that he's willing to answer a few. Mr. Fieldgate, is it not true that in legislation and in law supported by the Courts, the assessment is assumed correct?

1           Is that correct.

2       MR. FIELDGATE:                   Yes, that's what the  
3           Courts have said, Mr. Krismer.

4       MR. KRISMER:                    So what is it that you  
5           think the assessor is doing wrong that would  
6           lead you to believe, without all the data,  
7           that somehow the assessment is wrong?

8       MR. FIELDGATE:                   Well, I guess if you're  
9           suggesting it, if the public is supposed to  
10          simply take the assessor and say, I guess --  
11          and say you're right in everything you do, I  
12          guess that's what it would come to, but we're  
13          saying what we found, some other data that  
14          sort of puts that in doubt. But we don't  
15          know for a fact if your information is right  
16          or wrong or if you've done it right or wrong  
17          because we don't have all the materials. And  
18          I understand why you won't give it to us, I  
19          know you have a challenge keeping things  
20          confidential, but that's the situation we  
21          have to deal with as tax agents I guess.  
22          That's the nutshell.

23      MR. KRISMER:                    And you have no way of  
24          determining whether the information in Tab 6  
25          is the same information that was provided to

1           the assessor; is that correct? Or Tab 10,  
2           I'm sorry?

3       MR. FIELDGATE:                    I'm sorry, Mr. Krismer,  
4           can you repeat the question, please?

5       MR. KRISMER:                    You have no way of  
6           determining whether the information included  
7           in Tab 10 is the same information that the  
8           property owners provided the assessor; would  
9           that be correct?

10      MR. FIELDGATE:                  That would be correct.

11      MR. KRISMER:                    Okay. Moving along, and  
12           I'll just -- we might have to take a break  
13           here in a minute for the reporter to catch  
14           up. You make the statement in paragraph 48,  
15           "Based on evidence, the age adjustment should  
16           take place in the late 1980s." Now, I'm  
17           looking at these six properties, how late in  
18           the late 1980s should that adjustment be?  
19           '88? '89? '87? How late?

20      MR. SIMPSON:                    Based upon the rates --  
21           based upon the rates it was determined to be  
22           between '86 and '88.

23      MR. KRISMER:                    Okay. So if the board  
24           has a pen in hand, and if you have a pen in  
25           hand, going over those six properties, I have

1 a property built in 1975, 1976, 1977, 1980,  
2 1986 and 1988. So you're saying based upon  
3 data from those six sales, that somehow it  
4 should be between '86 and '88; is that  
5 correct?

6 MR. SIMPSON: I don't know --

7 MR. KRISMER: The top two -- the top  
8 two rents?

9 MR. SIMPSON: I don't know if those  
10 effective ages are correct.

11 MR. KRISMER: You didn't look that up?

12 MR. SIMPSON: No, we did, we just don't  
13 have that evidence here because we didn't --

14 MR. KRISMER: Well, there is evidence  
15 here.

16 MR. SIMPSON: -- receive permission.  
17 Well, we didn't receive permission to put  
18 that evidence in.

19 MR. KRISMER: But you've got them built  
20 right on those pages, '86, '75, '76 --

21 MR. SIMPSON: If you have a  
22 calculator -- if you have a calculation I'd  
23 be happy to hear it.

24 MR. KRISMER: Okay. I think the point  
25 is made, is that based upon six it's



1 MR. SIMPSON: But not the rent because  
2 we weren't privileged to the rents the City  
3 used.

4 MR. KRISMER: Did you ask the property  
5 owners if you could have access to their  
6 rents?

7 MR. SIMPSON: I sent out a few emails.

8 MR. KRISMER: And they said?

9 MR. SIMPSON: Some answered, some  
10 didn't. I think one said yes.

11 MR. KRISMER: So you make the  
12 statement, "The property has undergone  
13 extensive renovations and the condition has  
14 increased. Thorough review of the model  
15 demonstrates there's no condition adjustment  
16 made in calculating assessment value. The  
17 only possible means to account for this  
18 increased value and reduced depreciation is  
19 by manipulating the effective age of the  
20 property." Where is your analysis that as  
21 the condition of the property changes that  
22 there is an increase in value?

23 MR. SIMPSON: I did a correlation  
24 analysis specifically for any given property.  
25 I don't think I've done a specific site



1 analysis.

2 MR. KRISMER: Can you point me to that  
3 analysis, please?

4 MR. SIMPSON: The correlation?

5 MR. BISHOFF: Yes.

6 MR. SIMPSON: Sure. That would be in  
7 Appendix 11, page 173.

8 MR. KRISMER: And when you're  
9 completing this analysis on page 173, what  
10 are you testing for correlation?

11 MR. SIMPSON: Economic CAP rate, and  
12 then the other variables would have been  
13 unheated space, location, year, size, quality  
14 and type.

15 MR. KRISMER: Where is condition in  
16 this analysis?

17 MR. SIMPSON: I had referenced that as  
18 quality code, at least that's how I entered  
19 it into the system.

20 MR. KRISMER: Where did you get the  
21 condition from?

22 MR. SIMPSON: I believe I got it from  
23 your web site.

24 MR. KRISMER: So am I correct in  
25 looking at page 175 of your submission that

1           you have quality code 1 and 2, and that's  
2           what you were analyzing there?

3       MR. SIMPSON:                        Yes.

4       MR. KRISMER:                       And you would agree,  
5           quality code has nothing to do with the  
6           condition of the property.

7       MR. SIMPSON:                       Like I said, that was  
8           just what I called it.

9       MR. KRISMER:                       If you wish, Mr. Simpson,  
10          if I were to get on the web site and you  
11          pulled this from it, you would agree our web  
12          site does not have the condition of the  
13          property on our web site?

14      MR. SIMPSON:                       If it says quality, then  
15          it says quality.

16      MR. KRISMER:                       It says quality.

17      MR. SIMPSON:                       Okay.

18      MR. KRISMER:                       And quality is not  
19          condition; you would agree with that?

20      MR. SIMPSON:                       Yes.

21      MR. KRISMER:                       So when you make the  
22          statement that increase in condition results  
23          in an increase in value, you have yet to test  
24          condition against value; you will agree with  
25          that?

1 MR. SIMPSON: I suppose it would be  
2 quality.

3 MR. KRISMER: Quality of the building?

4 MR. SIMPSON: Yes, sir.

5 MR. KRISMER: And you're stating that  
6 as the quality of the building changes, the  
7 value goes up. Where did you test that?

8 MR. SIMPSON: What do you mean by where  
9 did I test that?

10 MR. KRISMER: You're saying in page 173  
11 you did some kind of correlation analysis,  
12 where in that correlation analysis is the  
13 sale price?

14 MR. SIMPSON: It's looked at through  
15 the economic CAP rate.

16 MR. KRISMER: So are you saying that as  
17 the CAP rate changes on a sale, that that  
18 sale price really is changing?

19 MR. SIMPSON: Sure.

20 MR. KRISMER: Could it not just be a  
21 change in income? If a property sold for a  
22 million dollars and it had an income of  
23 100,000 --

24 MR. SIMPSON: Mmhmm.

25 MR. KRISMER: -- it could have an

1 economic CAP rate of 10 percent, correct?

2 MR. SIMPSON: Sure.

3 MR. KRISMER: If a property sold for a  
4 million dollars --

5 MR. SIMPSON: Right.

6 MR. KRISMER: -- and it had an income  
7 of \$80,000 --

8 MR. SIMPSON: Right.

9 MR. KRISMER: -- the CAP rate would be  
10 something less than 10 percent, correct?

11 MR. SIMPSON: Yes.

12 MR. KRISMER: So even though the sale  
13 prices were identical, the CAP rates change  
14 due to the income. So I'm going to go back  
15 then and say where, and on page 173, did you  
16 test for condition and increased value?

17 MR. SIMPSON: The income within the  
18 capitalization rates are what is modelled,  
19 and based upon that we found it to be  
20 relatively reliable, which is why we used  
21 that statistic.

22 MR. KRISMER: So looking at that, and  
23 I'm just going to draw your attention to it,  
24 so your suggestion then that the quality code  
25 and the economic CAP rate are highly

1 correlated, and therefore there should be  
2 something reviewed on that? Is that -- is  
3 that my interpretation?

4 MR. SIMPSON: Sure, yes.

5 MR. KRISMER: Looking at page 173, and  
6 for the board's purpose, on page 173 is the  
7 correlation analysis, Mr. Simpson?

8 MR. SIMPSON: Mmhmm.

9 MR. KRISMER: And down at the very  
10 bottom it has Pearson's correlation, I'm  
11 assuming you're relying upon that?

12 MR. SIMPSON: In some respects.  
13 Through my UBC class actually, we were  
14 looking at correlations, R squared being the  
15 value, and anything around .8, .75, .8 or  
16 higher is considered to be good correlation.

17 MR. KRISMER: That's fine.

18 MR. SIMPSON: Yeah.

19 MR. KRISMER: That's fine.

20 MR. SIMPSON: So when I look at  
21 economic CAP rate I compare it to quality  
22 code, and it's <sup>18(1)</sup><sub>(b)</sub> that suggested to me that  
23 it was -- it had a decent good correlation.

24 MR. KRISMER: You had ended at --  
25 Pearson correlation, the actual number is

1           18(1)(b)    on that stat; you would agree with that?

2       MR. SIMPSON:                    Based upon the Pearson,  
3                    but not the Sig 2 tail.

4       MR. KRISMER:                   And can you describe the  
5                    Sig 2 tail to me?

6       MR. SIMPSON:                    Sure.

7       MR. KRISMER:                   To make it easy on you,  
8                    Mr. Simpson, to explain a correlation of one,  
9                    that's a perfect correlation; you would agree  
10                   with that?

11      MR. SIMPSON:                    Yes.

12      MR. KRISMER:                   And looking at the  
13                   correlation analysis that would have come out  
14                   of this analysis, when you look at a perfect  
15                   correlation of one to one I notice that the  
16                   only time that appears is when you compare  
17                   unheated space to unheated style to style.  
18                   So if you follow that down a diagonal there's  
19                   a one, and that's the only time that that  
20                   happens, is when there's a -- it matches the  
21                   two variables, variable equals variable?

22      MR. SIMPSON:                    Okay.

23      MR. KRISMER:                   And if I'm looking at the  
24                   Sig 2 tail, it's actually blank on every one  
25                   of those. So, in other words, the Sig 2 tail

1           has nothing to do with correlation; you would  
2           agree with that statement? You would agree  
3           that that's the significance level, not a  
4           correlation analysis?

5   MR. SIMPSON:                                Sure.

6   MR. KRISMER:                                Then looking at that and  
7           looking at the correlation, and you say it's  
8           highly correlated economic CAP rate to  
9           quality code, again if the board looks at the  
10          bottom row, taking their economic CAP rate  
11          over to the column with quality code, the  
12          correlation is 18(1)(b) You would agree that  
13          that's a far cry from 18(1)(b) You would agree  
14          with that?

15   MR. SIMPSON:                                Based upon Pearson, yes.

16   MR. KRISMER:                                In other words, quality  
17          is not correlated to your economic CAP rate?

18   MR. SIMPSON:                                I don't know.

19   MR. KRISMER:                                Dealing with that same  
20          test -- and I think we will take a break  
21          after this, Madam Chair -- you make the  
22          statement that show condition and quality is  
23          a factor when analyzed. Where did you test  
24          for condition and quality?

25   MR. SIMPSON:                                I guess it would have

1           been the page 174 Mann-Whitney new  
2           statistical test.

3       MR. KRISMER:                   And you were testing on  
4           that adjusted sale price per net area  
5           compared to quality code of the property. It  
6           shows comparable warehouses differ in value  
7           based on condition and quality. How did you  
8           test for condition and quality in that test?

9       MR. SIMPSON:                   Condition/quality, I  
10          combined the two it looks like.

11       MR. KRISMER:                   You combined them, but  
12          you don't know what the condition is of those  
13          properties?

14       MR. SIMPSON:                   It would have been  
15          condition or quality, in which case quality.

16       MR. KRISMER:                   But do you know what the  
17          condition is of those sales?

18       MR. SIMPSON:                   I was just working --  
19          whatever was on your web site.

20       MR. KRISMER:                   So if condition isn't on  
21          our web site --

22       MR. SIMPSON:                   Then it would have been  
23          quality.

24       MR. KRISMER:                   It would have been  
25          quality. So your allegation that condition



1           impacts the capitalization rate has not been  
2           tested; is that correct?

3       MR. SIMPSON:                    Correct.

4       MR. KRISMER:                   And you would agree that  
5           there's no allegation that the stratification  
6           of these sales should be broken by quality of  
7           building versus the assessor's current  
8           analysis? There's no allegation of that,  
9           correct? Quality?

10      MR. SIMPSON:                   In stating condition, I  
11           believe it was a miss, or it was a typo, and  
12           I was trying to relate condition or quality  
13           as it relates to one sort of understanding.

14      MR. KRISMER:                   So it's either condition  
15           or it's quality, it's not a combination --

16      MR. SIMPSON:                   Right. So when it's  
17           based upon your web site, it would have been  
18           quality.

19      MR. KRISMER:                   Correct.

20      MR. SIMPSON:                   Right.

21      MR. KRISMER:                   But you haven't tested  
22           condition, correct?

23      MR. SIMPSON:                   Correct.

24      MR. KRISMER:                   So the allegation that  
25           the capitalization rate is impacted by the

1 condition of the property has yet to be  
2 tested by you; is that correct? Is that  
3 correct?

4 MR. SIMPSON: Condition might have been  
5 the wrong allegation -- or the condition  
6 might have been the wrong word to use in the  
7 allegation, and what should be in its place  
8 is quality. And in that case it was tested.

9 MR. KRISMER: So are you suggesting  
10 that good quality buildings should have a  
11 different capitalization rate than average  
12 quality buildings?

13 MR. SIMPSON: Or an adjustment.

14 MR. KRISMER: Can you point me to where  
15 in your Notice of Appeal it states that?

16 MR. SIMPSON: I believe in the notice  
17 it referenced condition; is that right?  
18 Right. Sorry, my mistake. It states  
19 condition in the notice, I believe now that  
20 it should be quality.

21 MR. KRISMER: Are you asking to amend  
22 your Notice of Appeal to allege that the  
23 capitalization rate should have been  
24 stratified by quality of building, not  
25 condition of building?

1 MR. SIMPSON: Based upon the evidence  
2 in -- or the correlation evidence and the  
3 Mann-Whitney evidence, yes.

4 MR. KRISMER: So are you abandoning all  
5 the other issues in your Notice of Appeal?

6 MR. SIMPSON: I withdraw that  
7 statement. We're going to have to discuss  
8 this.

9 MR. KRISMER: You can discuss this in a  
10 minute --

11 MR. SIMPSON: Sure.

12 MR. KRISMER: -- as we take a break.

13 I'm just going to finish off this tab here.

14 MR. SIMPSON: Absolutely.

15 MR. KRISMER: How many sales did you  
16 test in that Mann-Whitney test?

17 MR. SIMPSON: We looked at all the  
18 sales initially. We found that the only type  
19 of property to fall into both groupings above  
20 and below -- yeah, and as far as quality is  
21 concerned, storage warehouse was the only one  
22 that fell into both.

23 MR. KRISMER: For quality?

24 MR. SIMPSON: For quality, and so we  
25 looked at that.

1 MR. KRISMER: But you were -- okay.

2 You dealt solely with storage warehouses, and  
3 you found that within storage warehouses  
4 quality is important; is that what you found?

5 MR. SIMPSON: Yeah.

6 MR. KRISMER: Is the subject property a  
7 storage warehouse?

8 MR. SIMPSON: No.

9 MR. KRISMER: No. So what is the  
10 relevancy of testing quality in storage  
11 warehouses --

12 MR. SIMPSON: Sure.

13 MR. KRISMER: -- when the subject isn't  
14 a storage warehouse?

15 MR. SIMPSON: Absolutely. The model  
16 that's applied is just a general warehouse  
17 model, and as such it gets applied to all  
18 sorts of different warehouses throughout the  
19 City of Regina. And because of that, the --  
20 because of that, analyzing based on storage  
21 warehouses -- just a second, sorry.

22 MR. KRISMER: You would agree that no  
23 matter if it's storage or distribution or  
24 whatever type of warehouse, that they all  
25 have a quality code? You would agree with

1                   that? You would agree that that's true?

2       MR. SIMPSON:                    Sure.

3       MR. KRISMER:                   And you're testing  
4                   quality to sale price?

5       MR. SIMPSON:                    Yes.

6       MR. KRISMER:                   But you restricted it  
7                   solely to storage warehouses?

8       MR. SIMPSON:                   As that was the most  
9                   complete group.

10      MR. KRISMER:                   But every group has it.  
11                   Now, looking at your economic CAP rate  
12                   correlation now, this is on page 173, you  
13                   would agree that the economic CAP rate and  
14                   the type of building, whether storage  
15                   warehouse or distribution or the like, does  
16                   not correlate? You would agree with that  
17                   statement?

18      MR. SIMPSON:                    Sure.

19      MR. KRISMER:                   So, in other words,  
20                   there's no need to restrict it to any type of  
21                   building, that that analysis should be done  
22                   on the entire package; would that be correct?

23      MR. SIMPSON:                    I don't know.

24      MR. KRISMER:                   Looking at your  
25                   correlation analysis -- and I'll end with

1           this one -- on page 173 you have 24 rents,  
2           and on page 175 I only see 21. Where are the  
3           other three rents?

4   MR. SIMPSON:                    I believe -- I believe  
5           1205 East Pettigrew was removed. They fell  
6           outside of the acceptable capitalization rate  
7           range.

8   MR. KRISMER:                    But I'm asking you, you  
9           analyzed 24?

10   MR. SIMPSON:                    Mhmm.

11   MR. KRISMER:                    You've got 21 and you  
12           analyzed 10. What analysis are you  
13           completing at any point in time, seeing it's  
14           on a completely different data set every time  
15           you test?

16   MR. SIMPSON:                    I don't know.

17   MR. KRISMER:                    I think, Madam Chair, it  
18           would be a good time for a little bit of  
19           break. And if Mr. Simpson wants to regroup  
20           and maybe talk about the change in the Notice  
21           of Appeal and that, that would be great. If  
22           we could have a 10 or 15 minute break?

23   CHAIRPERSON:                    We have to be out of here  
24           by -- we have to leave this room by 3:30.

25   MR. KRISMER:                    I can carry on as long as

1 the board is fine with me carrying on.

2 CHAIRPERSON: If you need to regroup

3 that's fine, we can do that for ten?

4 MR. FIELDGATE: If we could, Madam Chair.

5 CHAIRPERSON: Okay, we will do that.

6 So we will be back at ten after.

7 *(Recessed at 3:04 p.m.)*

8 *(Reconvened at 3:15 p.m.)*

9 CHAIRPERSON: Mr. Simpson?

10 MR. SIMPSON: Thank you, Madam Chair.

11 To clarify the issue regarding the count of  
12 sales between 24 and I -- I believe it's 22,  
13 not 21. 22, yeah, 22 on page 175.

14 CHAIRPERSON: That's correct.

15 MR. SIMPSON: Those two sales that were  
16 removed were 1205 East Pettigrew Avenue.  
17 There was a resale. Recently this past year  
18 the assessment value has changed. It was  
19 found out that unheated warehouse made up a  
20 relative amount of the property, and as such  
21 the CAP rates dropped to below 5 percent.

22 CHAIRPERSON: And the other property?

23 MR. SIMPSON: It was a resale, so about  
24 1205 East Pettigrew, and then 1205 East  
25 Pettigrew again.

1 CHAIRPERSON: Oh, times two?

2 MR. SIMPSON: Yes, ma'am.

3 CHAIRPERSON: Twice then. And comments  
4 on quality and condition, where is this at?

5 MR. SIMPSON: What ended up happening  
6 was in my notice I did speak to condition, it  
7 should have been quality, but that ship has  
8 sailed I guess, so we now --

9 CHAIRPERSON: Where specifically in the  
10 notice?

11 MR. SIMPSON: Oh, it would have been --  
12 it would have been part of the second bullet  
13 point under A, CAP rate issue.

14 CHAIRPERSON: So the 144 Henderson?

15 MR. SIMPSON: Yeah. We're not -- just  
16 a moment, Madam Chair. So at the end of the  
17 day, Madam Chair, we're not going to amend  
18 the notice. The correlation analysis would  
19 be incorrect.

20 CHAIRPERSON: Thank you. Okay, do you  
21 have any further cross-examination,  
22 Mr. Krismer.

23 MR. KRISMER: I do, Madam Chair, quite  
24 a bit of cross-examination. I am hoping to  
25 get to a point where we can end and then



1           carry on tomorrow morning. I don't believe I  
2           will finish this afternoon.

3   CHAIRPERSON:                    Okay. Be efficient.

4   MR. KRISMER:                    I'll try to be.

5   MR. KRISMER:                   CROSS-EXAMINATION:

6   MR. KRISMER:                    Mr. Simpson, dealing with  
7           your Tab 11 still, and again you have these  
8           types of properties that you list in there,  
9           storage, distribution and the like under type  
10          on page 175, I take it you took that  
11          information from our web site; is that  
12          correct?

13   MR. SIMPSON:                    Yes, I believe that's  
14          correct.

15   MR. KRISMER:                    And can you tell me  
16          whether or not that type of building is the  
17          type of building at the time of sale, or did  
18          something change on some of those properties  
19          since the time of sale?

20   MR. SIMPSON:                    I don't know.

21   MR. KRISMER:                    So you're not analyzing  
22          the property as of the date of sale, you're  
23          analyzing based upon current data; would that  
24          be correct?

25   MR. SIMPSON:                    Whatever was on the web

1 site.

2 MR. KRISMER: Right. But that's not  
3 what it was at the time of sale. Dealing  
4 with your 521 and 485 East 6th Avenue, the  
5 two sales, are you aware that at the time of  
6 the sale one was a service repair garage and  
7 one was industrial light manufacturing, and  
8 that you've analyzed those as storage  
9 buildings?

10 MR. SIMPSON: I wasn't aware.

11 MR. KRISMER: You're not aware of that?

12 MR. SIMPSON: No.

13 MR. KRISMER: Were you able to locate  
14 521 and 485 East 6th Avenue on our web site?

15 MR. SIMPSON: No, I don't believe so.

16 MR. KRISMER: No. I don't think you  
17 can, as those properties have been combined  
18 into one assessment since the time of sale.

19 MR. SIMPSON: Right. To clarify, I  
20 believe I had -- this is dating back quite a  
21 while -- a member of your office, as to these  
22 properties at some -- as to what they were at  
23 the time of sale, and perhaps that's where I  
24 got the storage from, but maybe it's a  
25 mistake. I'm not sure. I do know that --

1 MR. KRISMER: Just going earlier,  
2 Mr. Simpson, you said you just took the data  
3 that was provided to you in 2013?

4 MR. SIMPSON: Well, for -- yeah, for  
5 most of the properties. I can provide you  
6 and the board with the email exchange if you  
7 prefer?

8 MR. KRISMER: No. Mr. Simpson, dealing  
9 with your Appendix 12?

10 MR. SIMPSON: Sure.

11 MR. KRISMER: 18(1)(b)

12

13

14 MR. SIMPSON: 18(1)(b)

15 MR. KRISMER: 18(1)(b)

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17 MR. SIMPSON: 18(1)(b)

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20 MR. KRISMER: 18(1)(b)

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22 MR. SIMPSON: 18(1)  
(b)

23 MR. KRISMER: 18(1)(b)

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25 MR. SIMPSON: 18(1)(b)

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18(1)(b)

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MR. KRISMER:

18(1)(b)

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MR. SIMPSON:

18(1)(b)

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MR. KRISMER:

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MR. SIMPSON:

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MR. KRISMER:

18(1)(b)

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MR. SIMPSON:

18(1)(b)

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MR. KRISMER:

18(1)(b)

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MR. SIMPSON:

18(1)(b)

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MR. KRISMER:

18(1)(b)

25

1 MR. SIMPSON: 18(1)(b)

2 MR. KRISMER: 18(1)(b)

3

4 MR. SIMPSON: 18(1)(b)

5 MR. KRISMER: 18(1)(b)

6

7 MR. SIMPSON: 18(1)(b)

8 MR. KRISMER: 18(1)(b)

9

10

11 Appendix 13 are the  
12 photos of the property?

13 MR. SIMPSON: Sure.

14 MR. KRISMER: And you would agree that  
15 those photos don't provide anything and don't  
16 contain anything as it relates to the change  
17 in quality and condition and increase in  
18 value? They're just photos, there's no value  
19 in those? I mean, there's no showing they  
20 did this and the value changed by X, and they  
21 did this and the value changed by Y? You  
22 would agree with that statement?

23 MR. SIMPSON: Sure.

24 MR. KRISMER: And quickly turning to  
25 Tab 16, that's the email from SAMA to you,

1           and dealing with your effective age  
2           calculation?

3       MR. SIMPSON:                   Mmhmm.

4       MR. KRISMER:                   It states, "Hello, Ryan,  
5           the effective year built uses all commercial  
6           building sections in a calculation." Is that  
7           correct?

8       MR. SIMPSON:                   Yes.

9       MR. KRISMER:                   "The equation is as  
10           follows: Weighted average based upon the  
11           RCN," or replacement cost new. You would  
12           agree with that statement?

13      MR. SIMPSON:                   Yes.

14      MR. KRISMER:                   Yet you didn't do the  
15           replacement cost new analysis; is that  
16           correct?

17      MR. SIMPSON:                   Correct.

18      MR. KRISMER:                   So in your paragraph 55  
19           on page 16, it says when it comes to  
20           assessment and assessment practices, their  
21           guides are fundamental in gathering further  
22           understanding. Specifically found in  
23           Appendix 16 is an email of SAMA's process in  
24           determining the effective age of a property.  
25           You didn't complete that analysis, correct?

1 MR. SIMPSON: No.

2 MR. KRISMER: So you haven't completed  
3 the analysis in accordance with SAMA's  
4 instructions; is that correct?

5 MR. SIMPSON: One of the analyses.

6 MR. KRISMER: But on page 16 --

7 MR. SIMPSON: Right.

8 MR. KRISMER: -- they set it out?

9 MR. SIMPSON: One analysis.

10 MR. KRISMER: But that's -- when I look  
11 at -- I'm not going to debate this.

12 Paragraph 55, the provincial authority of  
13 assessment in Saskatchewan, see Appendix 16.  
14 Where did they say in Appendix 16 area?

15 MR. SIMPSON: Well, one person from  
16 SAMA -- like, it's in their model, the  
17 depreciation analysis. There's multiple  
18 methods, so I don't understand the problem.

19 MR. KRISMER: With that, Madam Chair, I  
20 think it would be a great time to break for  
21 the day and resume tomorrow morning. I know  
22 it's lengthy for the board, and I apologize,  
23 but there are a lot of statements being made  
24 in this appeal that have to be canvassed very  
25 closely, and it's for many reasons. And that

1           being not only for your purpose to understand  
2           the complexity of it itself, you're the first  
3           body to make the decision, but 99 percent of  
4           the time this goes on to the Municipal Board,  
5           and without a full transcript of what, in  
6           fact, was presented for evidence and argument  
7           in the cross-examination, many times leads to  
8           a completely different picture being argued  
9           at the committee. And I want to ensure this  
10          is complete before it moves out of this room,  
11          as it forms the record of the board for an  
12          appeal to the committee. So I apologize it's  
13          taking a long time, but it's required, Madam  
14          Chair.

15       CHAIRPERSON:                    Thank you for the  
16          explanation. Okay, it is closing in on that  
17          3:30, so we are going to wrap for today, and  
18          we will see you all back here at 9 a.m.  
19          tomorrow. And just for your information on  
20          the confidentiality, we have put a board  
21          order in place for all six appendices as  
22          confidential information.

23       MR. SIMPSON:                    Thank you very much.

24       CHAIRPERSON:                    And you will be receiving  
25          copies of those as soon as she makes them.



