

2017-28122 (lead) et al.

CITY OF REGINA
BOARD OF REVISION

BETWEEN:

Abcomp Holdings Ltd.

APPELLANT

- and -

THE CITY OF REGINA

RESPONDENT

WRITTEN REBUTTAL SUBMISSION ON BEHALF OF
THE APPELLANT

HEARING DATE: MAY 15th, 2017

Prepared by:
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Appeal #	Appellant	Civic Address	Roll #	2017 Assessment
28122	Abcomp Holdings Ltd.	610 Henderson Drive	10018730	\$6,163,100
28125	Acklands-Grainger Inc.	680 McLeod Street	10018652	\$4,767,400
28089	101161069 Saskatchewan Ltd.	1735 Francis Street	10218234	\$17,836,100
28084	Whiterock Chestemere Regina Inc.	155 N. Leonard Street	10018732	\$8,638,000
28108	Whiterock 402 McDonald Street Regina Inc.	402 McDonald Street	10018639	\$6,762,500
28121	Whiterock 603 Park Street Regina Inc.	603 Park Street	10022484	\$10,422,300
28124	Whiterock 651 Henderson Drive Regina Inc.	651 Henderson Drive	10018737	\$9,522,400
28102	Whiterock 651 Henderson Drive Regina Inc.	310 Henderson Drive	10018701	\$30,715,800
28086	Ecco Heating Products Ltd.	1600 E Ross Ave	10112642	\$6,728,200
28119	Consumers Co-operative Refineries Limited	580 Park Street	10018674	\$5,945,700
28123	Sherwood Co-operative Association Limited	615 N Winnipeg Street	10008850	\$7,829,200
28127	855 PARK STREET PROPERTIES GP LTD.	855 Park Street	10022488	\$15,132,100
28111	JOHN DEERE CANADA ULC	455 Park Street	10018672	\$14,252,800
28074	N & T Properties Ltd.	115 and 111 McDonald St	10018734	\$5,658,500
28087	Loblaw Properties West Inc.	1700 Park Street	10033930	\$10,107,600
28094	101143561 SASKATCHEWAN LTD.	2101 Fleming Road	10247034	\$104,355,400
28129	Loblaw Properties West Inc.	921 Broad Street	10151105	\$5,214,600
28126	MASTERFEEDS GP INC	745 Park Street	10022485	\$6,405,700
28085	1575 ELLIOTT STREET PROPERTIES LTD.	1575 Elliot Street	10033463	\$5,727,300
28098	2201 - 1ST AVENUE HOLDINGS LTD.	2201 1st Avenue	10022119	\$6,867,100
28077	Hoopp Realty Inc.	12202 Ewing Avenue	10264262	\$22,529,800
28103	Tiger Fera Investment Inc.	316 E 1st Avenue	10241453	\$8,648,100

Appeal #	Appellant	Civic Address	Roll #	2017 Assessment
28076	605114 Saskatchewan Ltd.	1155 Park Street	10028466	\$7,175,500
28092	Postmedia Network Inc.	1964 Park Street	10033929	\$9,834,800
28083	101055353 Saskatchewan Ltd	1450 Park Street	10027989	11,383,200
28078	Ralph McKay (Canada) Limited	130 Hodsman Road	10013949	\$5,421,200
28081	WestRock Company of Canada Inc.	1400 1st Avenue	10022143	\$8,064,500
28097	Saskatchewan Telecommunications Holding Corporation	2133 1st Avenue	10022117	\$10,152,600
28099	3346286 Manitoba Limited	221 N Winnipeg Street	10018625	\$10,919,900
28114	Warner Bus Industries Ltd.	301 1st Ave (515 1st Ave)	10022404	\$9,133,500
28116	Western Limited	555 Henderson Drive	10018759	\$9,652,100
28107	Sachick Holdings Ltd	4000 E Victoria Avenue	10268997	\$8,921,200
28101	CWS Logistics Ltd.	250 Henderson Drive	10014005	\$25,977,600

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I. INTRODUCTION

1. This rebuttal submission stems from the ten day written explanation provided by the City of Regina. The materials and argument are requested to be carried forward to all industrial appeals as described above.

II. PRELIMINARY MATTERS

2. The City Assessor has not provided an explanation or statistical testing demonstrating how it determined the Building Area threshold of 50,000 square feet as it relates to the Capitalization rate size adjustment.

3. Altus pursuant to section 201(1)(a) of *The Cities Act* wishes to declare **Appendix B** as confidential information.

III. LEGISLATIVE AND ASSESSMENT BACKGROUND

4. The relevant provisions of *The Cities Act* are as follows:

5. 163 In this Part:

(f.1) "market valuation standard" means the standard achieved when the assessed value of property:

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

(emphasis added)

(f.2) "market value" means the amount that a property should be expected to realize if the estate in fee simple in the property is sold in a competitive and open market by a willing seller to a willing buyer, each acting prudently and knowledgeably, and assuming that the amount is not affected by undue stimuli;

(f.3) "mass appraisal" means the process of preparing assessments for a group of properties as of the base date using standard appraisal methods, employing common data and allowing for statistical testing; *(emphasis added)*

(f.4) "non-regulated property assessment" means an assessment for property other than a regulated property assessment;

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

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

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

(3.1) Each assessment must reflect the facts, conditions and circumstances affecting the property as at January 1 of each year as if those facts, conditions and circumstances existed on the applicable base date.

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

203(1) Boards of Revision are not bound by the rules of evidence or any other law applicable to court proceedings and have power to determine the admissibility, relevance and weight of any evidence.

226(1) After hearing an appeal, the appeal board may:

(a) confirm the decision if the board revision;

(b) modify the decision of the board of revision to ensure that:

i. errors in and omissions from the assessment roll are corrected;

ii. an accurate, fair and equitable assessment for the property is placed on the assessment roll.

IV. ARGUMENT

A. Size Adjustment

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

7. Altus reviewed our data and found the inclusion of 435 McDonald Street and 535 E 12th Avenue were analyzed in error based upon the limited information the City provided. Altus has re-ran the analysis and results in the following¹:

Tests of Normality

	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Total Net Area	.232	35	.000	.805	35	.000

a. Lilliefors Significance Correction

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Total Net Area	35	10057	50462	20881.40	11588.886
Valid N (listwise)	35				

8. The default significance level (alpha) is 5% which corresponds to a 95% confidence level. Assessment in Saskatchewan has relied on the 5% alpha in the past and currently still. In establishing a 95% confidence in determining an appropriate change-point for industrial sales, the following formula is used:

In applying the 95% default confidence; $0.95 = 1 - \frac{1}{K^2} \rightarrow K = 4.47$

Change Point = $\bar{X} + K * \sigma \rightarrow 20881.40 + 4.47 * 11588.886 = 72,683.72 \text{ sqft.}$

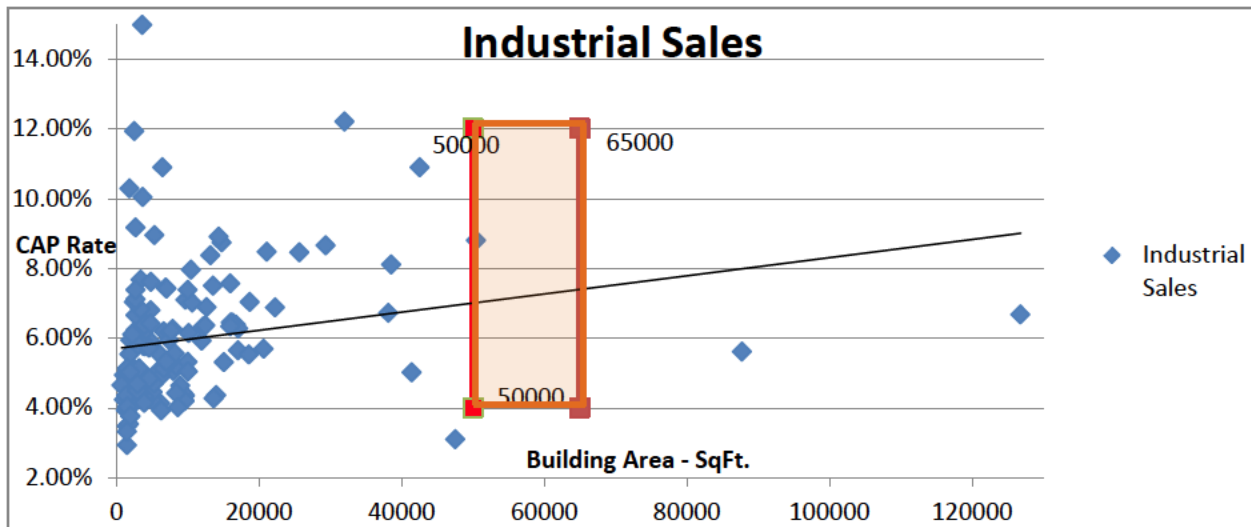
9. Two sales located at 1110 E Pettigrew, account number 10014003 and 580 Park Street, account number 10018674; are 126,800 and 87,760 square feet respectively. They are larger than the

¹ Appendix A - Revised Statistical Testing: Normality and Descriptives

65,000 square foot single tenant requirement that receive the -\$2.53 per square foot adjustment to its modeled income.

10. In its Ten Day Response the City Assessor has taken the position that those two sales and the sales less than 10,000 sqft in size should have been included in the analysis. The Assessor states in paragraph 77, *“The Appellant attempts to complete analysis of the sales. However, the Appellant restricted his analysis to those greater than 10,000 sqft. It is unclear why this was done. As well, it appears the Appellant has also not included the two largest sales in his analysis.”*

11. First, the reason sales less than 10,000 square feet were removed was to analyze the positive capitalization rate adjustment for building size. Sales less than 10,000 square feet are applied a negative capitalization rate adjustment and in an attempt to use comparable sales; smaller building areas were removed from the analysis. In response to the Assessor’s request, Altus included sales with building areas less than 10,000 square feet.



12. Single-tenant properties greater than or equal to 65,000 square feet were also removed because they were not comparable to properties with smaller building sizes. The Assessor had applied a unique adjustment of -\$2.53 psf for large single tenant properties greater than or equal to 65,000 square feet of leasable space. The current sales array does not reflect large properties that are multi-tenanted or those that are single tenanted but below the 65,000 square foot threshold

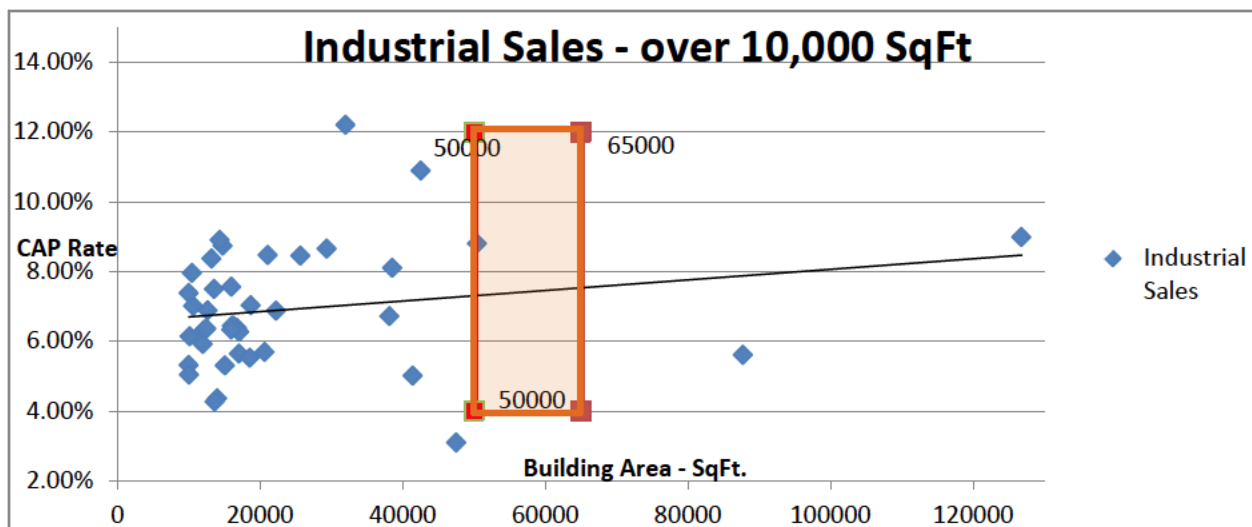
13. To accommodate the Assessor’s request in determining if the larger sales should be included; further investigation by the Appellant found that 1110 E Pettigrew Avenue is not a single tenant property with lease space greater than or equal to 65,000 square feet.²

14. As this property is not in fact a single tenant property it should not receive the model rent adjustment for size of -\$2.53 psf. This correction in the in the model net operating income results in a revised Capitalization Rate of 8.98%. The altered assessment then results in an ASR for the property that in now above 1.00 based on the current capitalization rate of 8.622%.

15. In determining the revised capitalization rate for 1110 E Pettigrew Avenue, the following summary indicates an 8.98% CAP Rate to account for multi-tenanted use.

Property	CAP Rate	Adj. SP	Pred. Inc.	Area(sqft)	R.Pred.Inc	Rev.CAP
1110 E Pettigrew Ave	6.67%	\$13,013,865	\$868,100	126,600	18(1)(b)	8.98%

16. Increasing the size adjustment threshold above 50,000 square feet will increase the maximum capitalization rate and therefore address the problem of an ASR above 1.00 by reducing the assessment value.



² Appendix B -1110 E Pettigrew Avenue Multi-tenant documentation

17. Altus still holds the position that the unique adjustment applied to single tenant properties greater than 65,000 square feet leads to the conclusion that they are not comparable and therefore cannot be accurately included in the sales array for the purpose of establishing a maximum size threshold for the positive building size adjustment.

18. It has been determined that 1110 E Pettigrew is a multi-tenanted structure based on the documentation cited before; which would significantly change the predicted model income and increase the capitalization rate. The inclusion of the largest sales continues to support a finding that the sales capitalization rates continue to rise and support a finding that the capitalization rate size adjustment should be expanded beyond 50,000 square feet.

19. The Assessor holds the position that the Chebyshev Theorem cannot be used to forecast or extrapolate the maximum building size threshold for the purpose of deriving a capitalization rate. Respectfully, we would disagree. This statistical test has been used in past appeals and is well established statistical test at estimating a population based on a sample size. The sales collected by the Assessor are a sample of the marketplace.

20. The assessor's sales were tested for normality and it was confirmed they are not normally distributed. It was concluded that the use of the Three-Sigma Rule is therefore not supported in establishing the group's parameters. Abnormally distributed data is therefore analyzed using the Chebyshev Theorem. The default statistic for many statistical tests including Mann-Whitney³, Kruskal-wallis and others has and is 95% confidence. This well-known statistical test is then used to evaluate the applicability of the size adjustment, not to the sample size but with respect to the Industrial property population within the City of Regina.

B. Site Coverage

21. The Assessor in his ten day submission provided excerpts of Edmonton's Industrial Methodology. The full methodology can be referenced in Appendix D. In speaking with our Altus staff in Edmonton and through correspondence with the Edmonton assessment department the issue

³ Appendix C – City of Regina 2017 Multi-Family Submission excerpt – 95% confidence (5% Alpha)

of Costed Item Areas has been is typically resolved through the removal of those areas from the Lot Size.⁴

V. CONCLUSION

22. The appellant requests that the Board of Revision find the Assessor has erred in the valuation of the subject property and that Altus has met its onus in demonstrating an error with the model.

23. Based upon the statistical sales data, it is evident that the building size threshold of 50,000 square feet should be extended to 72,600 square feet. This is supported by the upward trend in capitalization rates as well as the statistical testing establishing the upward limit.

24. Additionally, the site coverage calculation needs to account for the limitations imposed through the Bylaw as well as removing the costed item areas from the Lot Size.

ALL OF WHICH IS RESPECTFULLY SUBMITTED this 10th day of May, 2017.

ALTUS GROUP LIMITED

Per: _____
Agent for the Appellant

⁴ Appendix D – 2017 Assessment Methodology Industrial Warehouses

APPENDICES

- A.** Revised Statistical Testing: Normality & Descriptives
- B.** **Confidential: 1110 E Pettigrew Avenue Documentation**
- C.** City of Regina 2017 Multi-Family excerpts
- D.** 2017 Assessment Methodology Industrial Warehouses – Edmonton
- E.** CV of Dr. Andrei Volodin – Professor of Statistics at the University of Regina