

# Appendix 29

## Ryan Simpson

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**From:** Gerry Krismer <GKRISMER@regina.ca>  
**Sent:** Monday, February 02, 2015 12:28 PM  
**To:** Ryan Simpson  
**Subject:** Re: Warehouse Appeals

They are not using the size of the land to base their rent. They are using the size of the building. This is the same for all properties where someone rents the property but the rate is based on the size of the building.

Gerry Krismer  
City of Regina  
306-535-0159  
Sent from my BlackBerry.

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**From:** Ryan Simpson  
**Sent:** Monday, February 2, 2015 12:12 PM  
**To:** Gerry Krismer  
**Subject:** RE: Warehouse Appeals

I am a little confused. Are you saying the \$3.38PSF for 22,000 square feet of land came from the unheated warehouse?

**Ryan Simpson**  
Senior Analyst, Property Tax, Altus Group Limited  
311 Albert Street, Regina, Saskatchewan S4R 2N6 Canada  
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**From:** Gerry Krismer [mailto:GKRISMER@regina.ca]  
**Sent:** Monday, February 02, 2015 11:56 AM  
**To:** Ryan Simpson  
**Subject:** RE: Warehouse Appeals

Ryan, I have been able to confirm that the reported 3.38 / sqft rent was based on the size of the unheated warehouse of 7600 sqft. As such, the net rent of the property does take into consideration the 7600 sqft building and so too would have the sale of the property.

Gerry Krismer

Assistant City Assessor  
Assessment Branch

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**From:** Ryan Simpson [<mailto:ryan.simpson@altusgroup.com>]  
**Sent:** Monday, February 02, 2015 10:15 AM  
**To:** Gerry Krismer  
**Subject:** RE: Warehouse Appeals

The calculated area was for 27,600sqft while the reported leasable area was 20,000. Seems strange.

**Ryan Simpson**  
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**From:** Gerry Krismer [<mailto:GKRISMER@regina.ca>]  
**Sent:** Monday, February 02, 2015 10:14 AM  
**To:** Ryan Simpson  
**Subject:** RE: Warehouse Appeals

I am not sure what you think was not followed or calculated correctly.

**Gerry Krismer**  
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**From:** Ryan Simpson [<mailto:ryan.simpson@altusgroup.com>]  
**Sent:** Monday, February 02, 2015 9:47 AM  
**To:** Gerry Krismer  
**Subject:** RE: Warehouse Appeals

Good morning Gerry,

I just wanted to give you an update to where we are with your request. Apparently, my client contact is on vacation so I am working with their office to get those blueprints as quickly as possible. I am hopeful to have an answer to your question by late this week.

If I may, I came across this Information Request form for 290 Henderson Drive and based on what you said below, it appears that what was applied (calculated) to their property does not reconcile with what was submitted. Would you be able to provide clarification?

I appreciate it Gerry.

With kind regards,

**Ryan Simpson**  
Senior Analyst, Property Tax, Altus Group Limited  
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**From:** Gerry Krismer [<mailto:GKRISMER@regina.ca>]  
**Sent:** Thursday, January 29, 2015 2:22 PM  
**To:** Ryan Simpson  
**Subject:** RE: Warehouse Appeals

We rely on the rent returns submitted by the owners to set the gross leasable areas.

Gerry Krismer  
Assistant City Assessor  
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**From:** Ryan Simpson [<mailto:ryan.simpson@altusgroup.com>]  
**Sent:** Thursday, January 29, 2015 11:29 AM  
**To:** Gerry Krismer  
**Subject:** RE: Warehouse Appeals

Good morning Gerry,

I am triple checking our calculations and am waiting on updated blue prints from our client to provide you the most accurate calculations. You will receive a response to your question shortly.

If I may, would it be possible to get clarification on gross leasable area? How do you go about calculating that?

With kind regards,

**Ryan Simpson**  
Senior Analyst, Property Tax, Altus Group Limited  
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**From:** Gerry Krismer [<mailto:GKRISMER@regina.ca>]  
**Sent:** Tuesday, January 27, 2015 11:59 AM  
**To:** Ryan Simpson  
**Cc:** Archie Fieldgate  
**Subject:** Warehouse Appeals

Ryan, I am following up on an email I had sent to you a while back in regards to the warehouse appeals.

I have now had a chance to work through the issues under appeal and I want to ensure you are aware of the results.

1135 8<sup>th</sup> Ave – you were concerned that the NOI used to calculate the CAP rate did not include the mezzanine space. In reality, the NOI did include the mezzanine space. However, based on the rent roll supplied by the owner, it was treated as main floor space. I have changed that to be mezzanine space and the NOI of the property actually decreases and as such so does the CAP rate. The new CAP rate for at sale is 10.27% down from 10.41. This change in itself does not impact the median CAP rate of 9.43%.

144 Henderson – you had suggested that the NOI of this property was incorrect as we had treated a 4000 sqft building as heated space. Again, on my review you are correct. With the space changed to unheated, the NOI of the property decreases and so too does the CAP rate. The CAP rate for this sale drops to 9.15% from 9.43%. Since this is the median, the new CAP rate for that stratification drops to 9.15% from 9.43%.

144 Henderson – you had suggested that due to renovations, the effective year built should be greater than 1990. Earlier, I had asked what effective year built you think it should be and how you had come up with the new effective year built. However, I have not heard back from you on this. I have since re-calculated the effective year built using 9 different tests and based on two procedures identified in various assessment / valuation publications on how to calculate an effective age on a property which has multiple additions and years of construction. In all cases, the calculation leads to an effective year built of 1988 and in one or two cases 1989. I am unable to determine an effective year built of 1990 or newer. As such, this property's NOI would not increase and therefore, with the changes noted above, the CAP rate is 9.15 which, again, reduces the median CAP rate for this group.

290 Henderson – you have suggested the sale did not include the unheated warehouse. We are currently verifying what was included in the sale and as well, what option were included in the purchase of the property. At the time of the last sale, the purchaser was aware of the building and in fact indicated they did purchase the property with the option of purchasing the unheated warehouse. Therefore, it could be a simple sale price adjustment (upwards) which would leave the sale in the current groupings. Regardless, even if the sale is removed, it has no impact on the CAP rate analysis as it was not used to establish the CAP rate.

1500 5<sup>th</sup> – you had suggested that, if 290 Henderson is removed, this sale should be included in the CAP rate analysis since the rental rate takes into account the unheated adjustment. As we spoke, the Board in 2014 ruled that this sale is atypical and should not be included in the analysis to set a typical CAP rate. As well, we have many assessment / valuation publications supporting the non-inclusion of these types of sales (physical characteristics) in setting a typical CAP rate. One question you may want to ask yourself, would you use a sale of house that has no plumbing or heating (none, not even the water lines or heating ducts) to set the value of a typical house? In any event, this sale property is so atypical it cannot be used in the CAP rate analysis to set a typical CAP rate.

In the end, the CAP rate for this group drops from 9.43 to 9.15 based on the changes noted above.

Can you please respond with your effective age calculations for 144 Henderson.

Gerry Krismer  
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