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## Y2K QUALITY INITIATIVE

### Our Relentless Drive For Excellence

On May 1st we launched our Year 2000 Quality Initiative. Designed to relentlessly drive up the quality of our various services, it also aims to push down costs. Two mutually exclusive objectives? We are convinced not ...

Our present quality management system was born fifteen years ago with the departure of our secretary cum bookkeeper cum office manager. A versatile and hardworking lady, she correctly divined that we would not survive unaided and so wrote a manual for her successor. That manual quickly grew into ten volumes detailing every procedure we undertake and has allowed us to continuously improve every aspect of our business. Every member of our staff is encouraged to submit ideas for improvement, and they do ... continuously. Our quality management system is a living document. The Japanese know it as kaizen, we call it, somewhat more prosaically, "Gertie's bible". Now we've decided to raise the bar again.

### Harvesting the Low Hanging Fruit

Michael Dell argues that today a firm's only sustainable competitive advantage lies in the way it executes its mandate, rather than the technology it employs. The latter is now so widely available, no company can deploy it to maintain a lead over its competitors. We're a fan of Dell, we don't own stock but his computers have powered our office for the past seven years and it is difficult not to be impressed with his organisation.

We've divided our firm into teams based on their functional responsibility: Valuation/Counselling, Property Tax, Brokerage and Support. Every two weeks each team convenes to identify at least one area with the potential for a productivity gain. We're interested in first harvesting the low hanging fruit before going for the higher branches. Each team therefore focuses on projects which offer the potential for the highest payback first ... those that will achieve the highest productivity gain, in the shortest possible time, for the lowest cost. They tear apart the present procedures, analyse them in detail and determine how they can be improved, or more effectively deployed, to drive productivity and quality up ... and costs down. The team then takes those ideas and over the next two weeks constructs an improved model, which we then implement. Since many of the procedures extend across areas of functional responsibility, improvements in productivity initiated by one team, are often companywide. Our Valuation/Counselling team kicked off first, and their first two assignments provided immediate productivity gains for our Property Tax Division. We then engaged our Property Tax Division, followed by the Brokerage Division and Support staff.

### What Does It Mean For You?

We've always been proud of our reputation for producing high quality work and chagrined when occasionally we've dropped the ball. Our Y2K Quality Initiative is a rolling programme with no end. However we have targeted September 30th for the initial completion of our procedures review and since we are implementing the improvements every two weeks, we've already started to raise the bar. Our present schedule also anticipates ISO 9001 Certification by year end and while this may be a little ambitious, we're going for the gold!

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You can therefore expect a continuous improvement in the quality and consistency of our products and (we hope) by January 1st 2000, the comfort of dealing with an ISO 9001 certified firm. As our productivity gains bite, you can also expect lower fees (there we've said it!).

## PROPERTY TAX DIVISION

### Nova Scotia's Y2K Problem



North Sydney, N.S.  
(\$57,000 - 37% in tax savings)

### The Opportunity

On June 28th the Province of Nova Scotia pre-published its year 2000 assessment roll. Their objective is to deal with major objections before the roll is finalised in December. This is the fourth year the Assessment Department has employed this strategy. Since it is easier to negotiate reductions in assessment at this pre-publication stage, this is an opportunity to be seized with both hands.

### The Basis

To be valid your property tax assessment has to clear two hurdles. The courts determined that these hurdles have to be tackled in sequence. First, your assessment must not exceed your property's market value as at January 1st 1998, having regard to its physical condition as at December 1st 1999. If it does, you are overassessed. If your assessment passes the first test, you will still be overassessed if your assessment exceeds the prevailing level of assessment for other properties. This, the second hurdle, is more subtle. It is not sufficient simply to identify similar properties with lower assessments, the courts have determined that commercial properties have to be compared with all other commercial properties in the municipality. By abstraction, the same rule applies with respect to residential properties. This comparison has to be achieved by dividing the aggregate 1997 sale prices into the aggregate assessments of those same properties to arrive at the general level of assessment. If the product of this calculation multiplied by your property's market

value is less than the assessment, you are overassessed. So, if the aggregate assessments in the municipality equal 60% of their aggregate sale prices, your property's assessment should not total more than 60% of its market value. If it does, it is overassessed.

### Clearing the Two Hurdles

The albeit preliminary results we have seen so far, indicate that many properties are being assessed at less than their market value. They thus clear the first hurdle. This is the oldest trick in the book. By routinely under-assessing property the assessment authority attempts to undermine your grounds for appeal. They do you no favour: there is a greater likelihood that you bear a disproportionate share of the tax burden since property assessments are essentially random. The policy favours inefficient assessment departments but is politically more attractive since it generates less appeals ... and it creates less work for the assessors. At present, New Brunswick is the only province that comes close to fulfilling its mandate: its Assessment Department is head and shoulders above Ontario and the remaining Atlantic Provinces ... something to bear in mind if you are considering locating a business in any of these five provinces ...

### General Level of Assessment

The general level of assessment is a critical number. Property taxes (realty plus business occupancy) typically comprise 42% of a building's total operating cost so if you are assessed at 90% of market value versus a general level of assessment of 60%, you shoulder 21% of excess operating costs!

Since sales data is not public knowledge in Nova Scotia, it has fallen upon the Assessment Department to compute and release the general level of assessment for the commercial and residential markets in each municipality. It is not an exercise they embrace with evident enthusiasm ... nor should you accept the results, if forthcoming, with any confidence. We have already successfully challenged them in Amherst and expect to do so throughout the

Province. It is not necessary to have the entire population of sales to do so, the general level of assessment can also be generated using random sampling.

### Take Action

Now is the time to review your assessment ... don't wait until the roll is published next January, you miss a great opportunity. Our Property Tax Division is available to review all commercial assessments throughout the province, and residential assessments in the Halifax Regional Municipality. Call Tom Mills or Giselle Kakamousias toll free at 1-800-567-3033 (in Halifax/Dartmouth 429-1811) to review your situation.

### New Brunswick - Power Wiring is In ... and Out

Under the New Brunswick Assessment Act electrical power distribution systems fall within the definition of "real property" and are assessable. Machinery and equipment does not and is not ... so electrical power systems whose sole purpose is to feed process machinery forms part of the equipment, not the real estate, right? Right! Well sometimes! The Court of Appeal of New Brunswick has cast some light on the vexing questions of power wiring and its chameleon like qualities in a January 18th 1996 decision. (*Director of Assessment and Miramichi Pulp & Paper Inc. 69/95/CA*). Although the Appeal Court ruled that the power wiring was part of the real estate, and not the equipment, a careful reading of the decision reveals that this is the exception rather than the rule. Let's take a closer look ...

Miramichi Pulp and Paper Inc. operates a Groundwood pulp mill and sawmill in the former village of Nelson-Miramichi. The mill's electrical system is substantial: "one 138,000 volt substation, one 6,900 volt substation, nine 600 volt substations, forty 600 volt load distribution centres, numerous circuit breaker distribution panels and disconnects and a network of cables located throughout the mill site. The major portion of the Electrical Distribution System is used to operate

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the Production Equipment at the mills, primarily the Greenwood mill. A small portion of the system is used to service the various buildings". The portion of the network which provided services to the mill buildings themselves was not at issue, it was clearly assessable, the question of assessability focussed on the remainder of the electrical system since its primary purpose was to feed the processing equipment. The Appeal Court dismissed the Director of Assessment's arguments that (1) "any electrical power distribution system" meant "all" such equipment, and (2) that the degree of annexation of the power systems made them indivisible from the real estate to which they were affixed. However, the Appeal Court did rule that the power wiring was part of the real estate and therefore assessable because the latter was a mill and unable to function as such without the wiring. Naturally they put it more elegantly. "The electrical distribution system of Miramichi Pulp and Paper is part of the realty because it is necessary for the building to function as a mill." Right!

The Appeal Court decision clarifies the issue considerably. Electrical distribution systems are not assessable provided that their function is to power process machinery; unless the building which houses that process machinery is a special purpose building which could not fulfil its intended use without that electrical distribution system. In the latter event it is assessable.

### Prince Edward Island

The 1999 appeal period has now expired. The province has adopted current market value as its basis for assessment and routinely under-assesses property. In order to appeal your assessment you must benchmark it against other property assessments.

### Newfoundland

The 21 day year 2000 appeal period will start when the roll is published in November. The province uses market value as the basis for its assessments, as does St. John's. However since re-assessments only occur tri-annually, the current (1999) and year 2000 base date

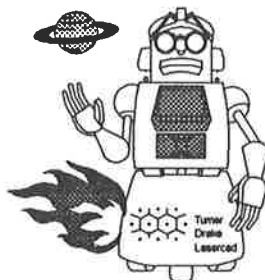
is the 1st January 1996.

### Ontario

We are now in year two of the province's great adventure, current market value assessment. The appeal period has now expired for 1999. The Ontario Assessment Department ... sorry corporation ... is still having trouble coming to grips with the new reality. Each three years (in theory) they re-assess each property in the province at its market value: the 1999 assessments are based on the market value as at 30th June 1996. No doubt this is an alarming prospect: the basis of assessment being no longer wreathed in the mists of antiquity, taxpayers can exercise their right of appeal with some confidence of a logical and fair result. We find some assessors still in denial: they insist on ignoring sales information in favour of figures produced by their valuation manual. Whilst part of this resistance is due to the cultural shift (assessments formerly dated back in some cases to 1947), the assessors generally appear to lack the training and education typically found in Atlantic Canada. Oh Lord!

Point your browser at our web site [www.turnerdrake.com](http://www.turnerdrake.com) if you require further information on property tax or call Tom Mills toll free at 1-800-567-3033.

### FREE GOODIES ... REALLY!



John Matheson, B.B.A.  
(Not exactly as illustrated).

Lasercad™ our space measurement service can be used both for, (1) leasing purposes and, (2) as an asset management tool. We offer Lasercad™ throughout Atlantic Canada and Ontario.

Lasercad™ brings an enhanced degree

of precision to the measurement process. It also harnesses the power of the personal computer to provide Asset and Property Managers with a new productivity tool.

John Matheson, who has been spearheading our space measurement programme has now received permission to give away free "light" versions of the software we utilise for Lasercad™. He is offering to install this software on your system and provide on hour of training, all at no cost to you providing your office is located in the Halifax Regional Municipality. If you are located elsewhere we will install it as part of your next Lasercad™ assignment. The requirements for the software include a Windows 95 operating system, 16 MB of RAM and 30 MB of free disk space. The software offers AutoCAD compatibility thus allowing you to share files and designs with engineers, architects, surveyors, interior designers and real estate consultants (us).

The software allows you to:

- Maintain your building floor layouts.
- Access floor plans and measurements easily.
- Store pertinent lease and document data alongside your floor plans.
- Retain control of your building files on site.
- Receive updated building plans electronically.

If you would like more information on our Lasercad™ service view the "Full Monty" on our web site [www.turnerdrake.com](http://www.turnerdrake.com) or give John Matheson a call at 1-800-567-3033 (Halifax/Dartmouth 429-1811).

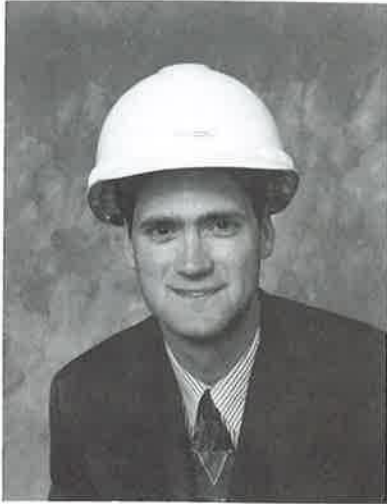
### EGG HEAD

We are pleased to announce that Bruce Scallion, now in his third year of the University of British Columbia's Urban Land Economics programme, achieved the highest score countrywide in their Real Estate Investment and Appraisal II

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examination. Thirty seven students passed the examination out of the fifty three course candidates: Bruce received the highest mark, 95%. His score is particularly noteworthy because he also carries a full workload as a member of our Valuation Division. Well done guy!



Bruce G. Scallion, B.Comm, Eg.Hd.

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## COUNSELLING

### Debunking the bunker



Deep in the Nova Scotia countryside lies the former wartime base, CFS Camp Debert. Much of it lies abandoned now, reclaimed by fireweed, wild rose and pine. Its three 5,000 ft. runways are still operational though and a small industrial park has been grafted onto part of the wartime infrastructure. The military stayed until recently: a much shrunken presence occupying crumbling World War II buildings, 121 fairly modern homes (PMQ housing), a new Combined Mess Complex and a two level underground Bunker. The latter, a relic of the Cold War, was commissioned in 1964, one of a network of seven strung across the country to provide a refuge for politicians, senior civil

servants, and their families, during a nuclear attack ... while the rest of us headed for the basement.

In 1998 this remaining rump of CFS Debert was decommissioned and the real estate handed over to the Colchester Park Development Society, a non-profit organisation charged with deploying the assets to attract industry and jobs to the area. CPDS successfully leased the remaining wartime buildings. They asked our Counselling Division to research and identify "follow on" uses for:

- (1) The Bunker
  - (2) The Combined Mess Complex
- and to explore and examine marketing options for:
- (3) The PMQ housing

In addition our client required us to provide "as built" drawings of the Bunker and Combined Mess Complex, prepare a description of the building and mechanical specifications and analyse the operating costs, all to aid them in their marketing programme.

### Resources Employed

Our client had already commissioned and received environmental and infrastructure studies and made them available to us. The former CFS Debert Facilities Manager now on their staff, had rescued some plans from the military, and provided a good deal of assistance.

Internally we were able to draw on our Brokerage Division for marketing input, our Lasercad™ service for the inspection and "as built" drawings, our Valuation Division for the operating cost analysis and rental information, and our Counselling Division for research. During the assignment it also became apparent that we could save our client money, now and in the future, so our Property Tax Division was engaged to negotiate a more equitable assessment with the Province.

Lee Weatherby, our Vice President Counselling Division was the lead consultant responsible for co-ordination, research ... and remaining sane until the work was complete ...

It was immediately apparent that research for the Combined Mess Complex and PMQ housing was going to be local/regional in nature. The Bunker research however was going to be much broader in scope and would involve military base research primarily in Canada, the United States and the United Kingdom: the Internet would be a key research tool. This article focuses on our use of the Internet as a method of researching alternate uses for the Bunker.

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### Internet Research

In terms of construction specifications, the Bunker is similar to a SCIF (Sensitive Compartmented Information Facility) with radio frequency shielded enclosures and ballistic resistant construction. Since our client had made it quite clear at the outset that the Hell's Angels were not the preferred tenant, we had to cast our net further afield. A sound knowledge of BJATT (Bloody Jargon All The Time) was essential if we were to communicate with the military. The Net yielded forth much information on SCIFs including an article on CFS Debort itself when it was an ADDN (Automated Defence Data Network Communications Node) as well as being host to three lodger units, CMED (Central Medical Equipment Depot), NICS (NATO Integrated Communications System), and Regional Emergency Government Headquarters (REGHQ), until its closure in 1994. Once we had a working command of BJATT we felt sufficiently confident to wing our way around the world on the Internet. Specifically we needed to research other military bases, and particularly underground bunkers, that had been decommissioned, so that we could draw upon that accumulated knowledge and experience.

The bunker was a communications node until recently, so has the advantage of fibre optic cabling which terminates in the main communications vault. Off site data storage is a growth industry so we also used the Internet to retrieve articles on that industry and thence visit their web sites. This allowed us to obtain telephone numbers and the names of the senior personnel. We interviewed all of the largest companies eg. Pierce Leahy, Iron Mountain, and a host of smaller operators. The facilities we reviewed varied from an abandoned limestone quarry in Pennsylvania, a WWII Ministry of Defence vault in the United Kingdom, to a new state of the art storage facility in British Columbia able to withstand earthquakes up to 9.5 on the Richter scale. Our research identified the specifications for space, security issues, location requirements and secure data communications network imperatives.

The Internet also yielded Connections N.S., an excellent web site listing call centres and other information technology companies established in the Province, together with links to their web sites.

### Canada

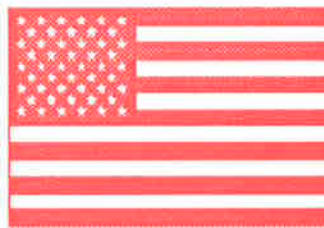
Through our real estate colleagues at Public Works Canada we were able to obtain a list of military bases in Atlantic Canada that had recently been decommissioned. We then searched the Internet for their web sites to obtain background data on the base,



and the names and telephone numbers of their senior managers. The background data provided basic knowledge of their operations and suggested topics for in depth discussion. The Director General, Realty Policy and Planning at National Defence HQ Ottawa, and the (retired) Director of Co-Ordination for Emergency Preparedness Canada, provided us with the location and status of the other underground Bunkers and through telephone interviews with the new operators and facilities managers we were able to build a comprehensive picture of the new uses for which these assets are currently deployed.

A world wide web search produced the Diefenbunker Cold War Museum in Ottawa, the granddaddy of all Canadian bunkers with four storeys capable of housing 500 people. Through our contacts in the consulting and brokerage industry we were able to interview our consulting colleagues who had conducted the original re-use study. A realtor colleague who had marketed the property provided valuable information on his experience. The non-profit society that currently operates the museum were also very helpful.

### United States



The National Association of Installation Developers claims to be "the leading public service organisation in the United States dedicated to the successful conversion and redevelopment of military bases" and we were directed to NAID's web site by a Nova Scotia base manager. From there we were able to get a list of publications and articles on United States base closures and speak to John Lynch a prominent consultant in this field and the author of many of the articles. Mr. Lynch was kind enough to review his experience with U.S. closures and redeployments and directed us to the web sites of those bases.

The Counselors of Real Estate organisation, of which we are a member, provided us with the names of fellow counsellors in the United States that specialise in military base re-use. These colleagues were extremely

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helpful in providing us with information and provided us with the names of key personnel in the U.S. military who were involved in Base closures. The latter also helped us to the web sites of Bases which had similar characteristics to CFS Debert. We then interviewed their property facilities managers.

### United Kingdom



We started our Internet search at the Royal Institution of Chartered Surveyors in London, using their on-site search engine to locate articles and research papers on underground bunkers. We are members of the RICS and their Library Information Service promptly dispatched us the relevant material. A review of these articles revealed that the "Home Office" recently offered 17 nuclear bunkers for sale" ... it was obviously scratch and win time on cold war facilities. We hopped across to the Home Office web site which thoughtfully linked us to the Royal Commission on Historical Monuments of England web site and its article on "Monuments of the Cold War", a project aimed at recording work on recently relinquished Minister of Defence establishments, including nuclear bunkers. We also undertook a world wide web search and located a data storage company which was using a World War II underground vault, and interviewed their senior staff.

### Review

Without the Internet the re-use research for the Bunker would have entailed a literature search utilising our own library, those of the professional consulting and counselling bodies to which we belong, the various university libraries in the metro area and Halifax Regional Municipality's library facilities ... a task of mind boggling proportions and one that would have yielded little, given that decommissioning of cold war facilities and military bases is of recent origin. We would have drawn heavily, but not as effectively, on our colleagues

at the Counselors of Real Estate and the other professional consulting organisations. The Internet allowed us to expand and leverage our contacts in the counselling and brokerage fields and yielded information in quantity and of a quality that was unimaginable just two years ago. So, if you require real estate advice, give Lee a call at 1-800-567-3033, he's fully recovered and raring to go.

For more information on our Counselling Services visit our web site at [www.turnerdrake.com](http://www.turnerdrake.com).

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### VALUATION DIVISION After Armageddon

*During an exam, one of Albert Einstein's students is said to have whispered to the professor, "Dr. Einstein, the questions on this year's exam are exactly the same as the ones on last year's exam." Einstein paused for a moment and replied, "That may be so, but this year the answers are different." Paul Hoffert "The Bagel Effect: A Compass to Navigate our Wired World". McGraw-Hill Ryerson Limited 1998 ISBN: 0-07-552923-8.*



Richard J. Escott, BES, MAI, AACI  
Vice President Valuation Division

The market meltdown of 1990 proved to be the defining event of the post war era. It caused many real estate owners to redefine the role property played in their business. The prolonged growth in North American equity markets during the past ten years, and the surging economies of Canada, and especially the United States, sharpened the debate. In

addition to shelter, real estate typically fulfills two roles: it is the anchor which enables the business to ride out the recession, and it is a proclamation to the enterprise's customers of the firm's wealth and stability. No more! It is now regarded as a consumer of capital that would otherwise generate a higher rate of return if it was more efficiently employed in the operation of the enterprise. As for wealth and stability ... well that theory took a little beating in 1990. So the Royal Bank, Scotia Bank, IBM, et al have sold or are selling their property portfolios leaving the business of owning real estate to those to whom it is a business. Does this mean that the public property companies, the REITs, and OMERS, will eventually own all of Canada, this sacred sod? Where will it end? Is every enterprise in the land to become a tenant? Is the stock market to continue its inexorable rise? Will Canadians crown Garth Turner king? It is to weighty subjects such as these, that the minions who labour in our Valuation Division turn their thoughts, seek divine guidance, and occasionally sink a beer. We are thinkers all, doers too, the hard hats that pepper these pages are not merely to disguise our hair loss. And that's what sets us apart. While competing appraisers, good fellows all, labour at their three approaches to value, our consultants in coveralls are getting their hands dirty, poking around, asking questions ... and more questions ... and even more questions ... and generally making a bloody nuisance of themselves. They measure each tenant space to see if the area's right. They insist on reading the leases, all of them: the tenant files too. They check the operating expenses, item by item, page by page. They push their noses into places Prince Charles wouldn't poke his walking stick. They're the pin-up of every superintendent and stationery engineer in the land. And when they have drunk your coffee pot dry they insist waltzing along to the municipality and assessment office to make themselves as popular there too. They're perfectionists, fanatics, crackpots ... but as Alexander Keith used to say, they do it right.

For more information on our Valuation Services visit our web site at [www.turnerdrake.com](http://www.turnerdrake.com).

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