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UPDATE

It's tax time: your opportunity to reduce your property tax load. Our Property Tax Division leads you through the process.

The Internet: over hyped, over weight and over here. Not our site though; its understated, to the point and offers lots of free information ... most of it useful.

It's an ill wind that blows no good. Contaminated property keeps our Valuation Division hopping. We hope it doesn't happen to you, but if it does, the number to call is ...

Canadian appraisers have abandoned international appraisal standards. Too complicated, too demanding, too expensive ... too much trouble. Oh dear!

We have a new hand at the helm of our Lasercad™ department. Meet Laserboy Mark II.

Brokerage – no slowdown, yet ...

PROPERTY TAX DIVISION

New Brunswick – By George!



King George Highway, Miramichi, N.B.
(\$80,600/annum – 38% in tax savings)

Beware the Ides of March

These are exciting times: March 1st heralds the

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start of a thirty day period during which the provincial government invites you to reduce your property taxes. Naturally they are a little coy: buttoned down bureaucrats are wont to disguise their exuberance, to cloak the good news under the bad. So the Assessment Notice which plops onto your desk may well appear to indicate a tax increase ... and indeed will turn into such an ogre unless you read the fine print. But there, you will discover the good news. If you appeal, that tax increase may turn from wicked witch into fairy godmother. There is a catch of course: there has to be grounds for reducing the assessment. This is how it works ...

New Brunswick legislation requires that your year 2001 assessment has to be based on the market value of your property on the 1st January 2001. Service New Brunswick, the provincial assessment body, purports to do just that ... and your Assessment Notice pretends that the assessment is computed on this basis. This is complete fiction of course. The unfortunate assessor is required to calculate your assessment during the previous year in order to get the Assessment Notices out on time. Picture the poor fellow, a mere mortal lacking the most primitive of supernatural powers, gazing glumly at his computer screen, guessing what your property might be worth on January 1st. Tut! Wait, it gets worse ... There are not many of them; we exaggerate not, assessors are a trifle thin on the ground. Even if one factors in the possibility that a couple may be aliens; they face an impossible task ... appraising every property in the province in just 365 days. You can see the problem ... the solution lies with you: do the neighbourly thing, assist the assessor do his job; appeal. We'll be sending you decision rules to help determine whether your property is over-assessed. Canada Post willing, they should arrive with your Assessment Notice. They are the result of careful research by our Giselle Kakamousias: a serious and rather formidable young lady with eight years experience in our Property Tax Division, principally in New Brunswick. You should not appeal unless you are overassessed; however we advise you do so if there is any doubt on the matter because the appeal period only lasts for thirty days. We can assist you in that decision: despite the light tone of this article we do not advise frivolous appeals. Call Tom Mills, André Pouliot or Mike Turner toll free at 1-800-567-3033 for free advice. Giselle Kakamousias, our New Brunswick Team Leader is away on maternity leave until June ... however she is adept at balancing a baby on each hip, is only a phone call or mouse click away, and will be

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assisting Tom Mills, our VP Property Tax Division "behind the scenes" throughout the appeal period. If you do not receive your set of decision rules, call us, we will be pleased to fax or e-mail them to you.

☎For more information on Property Tax, visit our web site at www.turnerdrake.com and follow the links (products → property tax).

Nova Scotia Double Double Dipper



Joseph Zatzman Drive, Dartmouth, N.S.
(\$59,200/annum – 32% in Tax Savings)

Nova Scotia is one tough place to do business. The Provincial Government has run out of money and its attempts to divest itself of the Sysco Steel Mill have failed again. Cape Breton based Sysco, a \$3 billion liability, also leaves the legacy of the tar ponds, arguably the worst environmental problem on the continent. The Province is desperately scrambling to increase taxes: the latest attempt, user fees on user fees. Municipalities will now be invoiced for the cost of property assessment by the province, and will in turn pass them through to the taxpayer via property taxes. Meanwhile the Province has decided to levy user fees (\$10 per account) on parties seeking assessment information ... whilst also collecting the cost of the assessment process through income tax. The Municipalities in turn are scrambling for tax revenue ... cut backs were a short lived phenomenon ... whilst all the while blaming the Provincial Government. It pays to keep a keen eye on your realty, business occupancy and manufacturing equipment assessments. The Province's attempt to target the Sable Gas development by changing the assessability of equipment in an effort to tax the gas pipeline and processing plant, ensnared much wider game (Newsletter Vol. 2 No. 67). The definition of "structure" now "includes an article that

is affixed to or permanently resting upon land or buildings and that enhances the value of the land or buildings or improves their usefulness for the purposes for which they are used and, without limiting the generality of the foregoing, includes a pipeline, gas plant, fractionation plant, petroleum industrial plant or natural gas industrial plant, any related petrochemical industrial plant, any hydrocarbon plant, a slug catcher and all attachments necessary to operate the foregoing".

In effect it renders all manufacturing and other equipment assessable if it enhances the value of the land or buildings or improves their usefulness. It is difficult to imagine what equipment falls outside this definition: everything without wheels is now taxable. However it has been challenged. The definition is contained in regulations which, it is argued, are ultra vires the enabling Act. The Provincial Government therefore re-introduced the definition as part of Bill 80 ... and then took it out again pending the outcome, over the next six months, of its negotiations with Sable Gas. Only in Nova Scotia you say ...

2001 Assessments

The appeal period ended on February 5th (February 14th for out of province taxpayers). Year 2001 assessments are based on your property's market value as at January 1st 1999, having regard to its physical condition on December 1st 2000. Property assessments increased by 6% overall in the Halifax Regional Municipality (HRM). The (Halifax) Central Business District, Burnside Industrial Park, Bayers Lake Park and the Quinpool/Connaught area were commercial assessment "hot spots" that experienced large increases over last year. The Sysco Steel saga has killed property values in industrial Cape Breton and commercial assessments in Sydney declined as a result ... though not, we suspect, sufficiently. Elsewhere in the province, assessments are generally unchanged from last year.

Our Property Tax Division has filed more appeals this year, than last and we anticipate that the number of cases will continue to increase. The Halifax Regional Municipality has appealed

assessments it considers to be too low ... some councillors believe that the Province does an inadequate job. This year, for the first time HRM has to pay the Provincial Assessment Department for the process ... at a cost of \$6 million ... thus rubbing salt in the wound. They have a point: the assessment process in HRM no longer fulfils its legislative mandate. Commercial assessments are arbitrary: many are too low, others too high. The tax burden is spread inequitably and sabotages the intent of the Assessment Act. The Assessment Department attempts to frustrate the appeal process rather than address the root cause. HRM taxpayers and their elected representative are right to be angry: they should refuse to pay the bill.

If you have appealed your year 2001 assessment and have not yet spoken to us, call Tom Mills, André Pouliot or Mike Turner toll free at 1-800-567-3033 (429-1811 in Halifax Regional Municipality). We can often pre-qualify your property on the phone and advise whether you have good grounds for your appeal ... there is no charge for this advice, other than a coffee when we are next in your neighbourhood.

Prince Edward Island

The Assessment Department purports to re-assess annually. This year's assessment should be based on your property's market value as at January 1st 2001: the same methodology employed by New Brunswick. There the similarity ends. In practice the Province no longer bothers: assessments are arbitrary, capricious, fail to respect the legislative requirement of market value, and unfairly penalise taxpayers, especially businesses. We doubt this year will be different. The system benefits only the Provincial Assessment Department: appeals are difficult. Since there is no "uniformity" provision in the Assessment Act and properties are assessed below their market value base, taxpayers are left without grounds for appeal. The fundamental principles which underpin any sound taxation system: transparency, fairness and the ability to address inequity, are lacking. If circumstances change, we'll let you know ... in the interim invest your dollars in a more stable tax environment.

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Newfoundland

Year 2001 Assessment Notices were mailed at the end of last year: the 21 day appeal period has now expired. This is a tri-annual re-assessment year: your property's assessment is meant to represent its market value as at the 1st January 1999. However there is a "uniformity" provision in the assessment legislation so your property may be over-assessed *even if it is assessed below its market value*. If you have appealed your 2001 assessment ... or would like to get a head start on next year's ... call Rick Escott toll free at 1-800-567-3033.

Ontario

You should have received your year 2001 Assessment Notice in November last year. This is the second tri-annual re-assessment. The first, in 1998, generated some excitement since all parts of the province moved to "market value assessment". Assessments were based on the property's market value as at 30th June 1996 instead of the various base dates previously utilised by the municipalities, which varied between 1949 and 1992. Your 2001 assessment re-adjusts the assessment base date to June 30th 1999. There is a "uniformity" provision in the legislation but the courts have interpreted it differently than in Nova Scotia. (In Canada's Ocean Playground, "uniformity" is interpreted as "consistency of value" ... if commercial properties are assessed at 80% of market value, then any property assessed at a higher level, is overassessed). In Ontario, "uniformity" has been interpreted as "consistency of methodology" ... if the assessor employs a methodology which results in, for example, industrial properties being assessed at less than market value, then that is the way to go!

The deadline for filing your appeal with the Assessment Review Board is March 31st 2001. However we can negotiate on your behalf with the Assessment Department at anytime. First you should determine if you are over-assessed: call Rick Escott or Tom Mills toll free 1-800-567-3033. We prefer clients not spend money unnecessarily and often can determine on the phone whether it is worth your while proceeding. The usual fee applies ... free cup of coffee when we

are next in your neighbourhood, a mention in your will if we're not ...

INTERNET

Atlantic Canada's Real Estate Oracle



We launched our web site www.turnerdrake.com on April Fool's Day, 1999. The site reflects our corporate character: understated, organised, to the point ... and a little off base with timing. We built the site for you. It is a reference source on the various areas we service: Property Tax, Valuation, Counselling, Lasercad™ Space Measurement and Brokerage (Sales and Leasing). Much of the information, such as regional case law on property tax and expropriation, is not readily available elsewhere. The "Research" section of the site delivers information to assist you better manage your property assets. The articles are based on primary and secondary research using a variety of sources, some obscure. They have appeared in our Newsletter; usually spread across several issues and are well researched, topical, definitive ... and free. For example, the checklists in our "Contamination" article help determine if your property is free from environmental problems ... perhaps you prefer not to know ... The site is easily navigable even by the over thirty generation and includes a search engine so you can cut to the quick. We are now expanding and updating the site. Microforum, née Icom Alliance ... note the name ... the eyes of Atlantic Canada are on you John ... are handling the work. 50% of the present 42 pages are being updated and we are adding another 7 pages of research articles and Space Measurement frequently asked questions (FAQs). The structure of the site remains

unchanged, so extracting information continues to be a snip. Microforum are also working on a further refinement to turn it into a true Business to Business (B2B) tool ... we'll keep you posted.

The changes will be implemented over the next thirty days so point your browser often at www.turnerdrake.com to access information on:

- Property Tax – appeal dates, base dates, case law in Atlantic Canada and Ontario.
- Space Measurement – we've added answers to those vexing questions that daily dominate the hearts and minds of the region's landlords and tenants. No more tossing and turning on the pillow tonight guys (and ladies), we have the solution to your problem ... well, maybe not **that** problem.
- Expropriation – we've codified case law by legal precedent. Read it, absorb it ... you now know more on the subject than any acquiring authority ... not much of an accomplishment to be sure, but it's all you need to tilt the playing field in your favour.
- Buying? Renting? We've built the better mousetrap. Learn how Purchaser/Tenant Representation can save you time and money.
- Market Meltdown? Shudder! Ponder the Wharton study on the market crises in the United States, Sweden, Australia and the Far East. We've thrown in our experience in Atlantic Canada and added a dash of HVS International's wisdom to demonstrate how you can avoid being caught with your pants down the next time around.
- Market Intelligence – we place four markets; Moncton, Saint John, Charlottetown and St. John's under our microscope.
- Boom – Atlantic Canada is on the cusp of a boom. This time it may actually happen: we tell you why.

VALUATION DIVISION

Contaminated Property

The United States is an excellent bell weather: real estate events there almost

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always presage those in Canada. It is sobering to reflect that Sydney's tar ponds would still be tolerated as an acceptable trade off for employment, were it not for Love Canal, the U.S. environmental disaster that stirred the conscience of the continent.

For some reason it has to happen south of the border before it is taken seriously here ... but when it does, hell hath no fury, like a woman scorned. Environmental pollution barely featured in our lexicon fifteen years ago: today a month rarely passes without us providing valuation advice on the effects of contamination. A quick review of some recent cases disclosed the following:

- (1) Halifax County, N.S. – an above ground oil tank leaked 168 litres of heating oil into the basement of the house. The site was cleaned up but it was impossible to remove all the contaminated soil because of its location.
- (2) Bedford, N.S. – a domestic oil tank overflowed and travelled down hill under the footings of a neighbouring dwelling. It was possible to remove the contaminated soil without demolishing the house ... at a cost. It was a question of determining whether the removal was cost effective. We were asked to measure the loss in value if the contaminated soil was not removed, so that this figure could be weighed against the remediation cost.
- (3) Lunenburg County, N.S. – an oil tanker truck failed to stop (and turn) at traffic lights and rammed the ground floor of a building, discharging part of its load.
- (4) Hants County, N.S. – leaking oil tanks were removed from an automobile garage and the site was remediated. We were asked to measure the loss in value arising out of the fact that the site, having once been contaminated, was now "stigmatised".
- (5) Halifax City, N.S. – a former industrial site was remediated to commercial rather than residential standards. Although redevelopment for apartments would have been the optimal use of the site, the additional site clean-up cost rendered such use economically unfeasible.

It has been estimated that 80% of urban property in the United Kingdom are "brownfield sites", i.e. have some contamination. In our experience a similar portion of inner core sites in Canada are contaminated. Not

surprisingly, there is a growing tendency to remediate sites to a specified standard and then to manage the environmental hazard, rather than clean them up completely. This presents some challenges for our valuation staff and has the happy consequence of keeping them awake, part of the time.

☞ If you want to find out if your property is contaminated, visit our web site at www.turnerdrake.com (news & research → research → contamination). You'll never sleep soundly again.

VALUATION DIVISION

Too Tough? Canada Abandons International Appraisal Standards



The Canadian appraisal industry's attempt to meet international standards is now rubble: the country's consumers are the main casualty. In a bizarre twist, Maritime businesses are being forced to accept the lower replacement standards under appraisal industry drafted legislation that gullible Nova Scotia and New Brunswick politicians passed three to five years ago. At that time the private members' bills were promoted to the two legislatures as consumer protection legislation because they incorporated the international appraisal standard, USPAP (Uniform Standards of Professional Appraisal Practice). Unfortunately the legislation contained a loophole, USPAP could be replaced by any standard adopted by the Appraisal Institute of Canada. The latter abandoned USPAP on January 1st 2001 and replaced it with their own "Canadian" Uniform Standards, an oxymoron since they discard the objective standards criteria of USPAP altogether and replace them with a "reasonable appraiser" test. So long as the appraisal assignment is conducted in a manner which would be acceptable to "a reasonable appraiser", it meets the "standard". Furthermore the "standards" define a reasonable appraiser as being a person who maintains a level of performance that would be acceptable to the "Professional Practice Peer Group". But since the latter are comprised of members of the Appraisal Institute of

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Canada, there is a clear conflict of interest since the AIC also administer their own professional practice liability insurance program. In any matter of professional malpractice the AIC will be both judge and jury ... and since they also suffer financially if there is a successful malpractice insurance claim, they have an obvious bias in any matter concerning their members. It will now be very difficult for purchasers of appraisal services who have suffered professional malpractice, to successfully pursue insurance claims against the AIC. Effectively, it substantially degrades the rights of consumers seeking remedy for professional malpractice through the court system because the "standards" replace the objective criteria of USPAP with a moving target "the reasonable appraiser" who is defined in turn by AIC ... who also suffer financially if they rule against their own member ... who ... well you get the idea ...

International Appraisal Standards

We live in a global economy: foreign direct investment world-wide may be in excess of \$1 Trillion (U.S.) annually. The U.K. based Economist Intelligence Unit estimates that the property component, including both direct and indirect investment in real estate, comprises between 5% to 20% of this figure. Hardly small change. In addition, as the 1998 Wharton Study discovered (Newsletters Vol. 2 Nos. 65 & 66), *"one striking feature of the current Asian financial crisis is that the most seriously affected countries first experienced a collapse in property prices and a consequent weakening of their banking systems before experiencing an exchange rate crisis"*. Closer to home, the virtual collapse of the savings and loan industry in the United States, and the trust companies in Canada, in the late 1980s were the result of real estate loans based on faulty and fraudulent appraisals. (At least one member of our staff moved their RRSP away from a trust company because of the appraisals they commissioned locally, reasoning that they were indicative of their lending practices nationwide. At the time this major trust company was flying high: two years later they were bankrupt). The savings and loan crisis signalled the need for appraisal standards and the United States implemented the Uniform Standards of Appraisal Practice (USPAP) in January 1989. There was resistance to them in Canada: appraisers objected that clients would not pay for the extra work. In June 1991 however the Canadian Deposit Insurance Corporation (CDIC), which backstopped most of the banks and trust companies, grew tired of waiting and brought in its own regulations for appraisers. The Appraisal Institute of Canada advised its members that its current standards no longer met those required by CDIC. Finally, in January 1994, the Appraisal Institute of Canada adopted USPAP. For the first time, Canadians had a meaningful set of objective standards which were also recognised continentwide.

Outside North America, a similar scenario unfolded.

Following the 1974 property market crash in the United Kingdom, the Royal Institution of Chartered Surveyors (RICS) published their "Guidance Notes on the Valuation of Assets". Known as the "red book", these standards were endorsed by the Bank of England, the London Stock Exchange, the City Panel on Take-overs and Mergers, banking associations and others. It was adopted as a template by many Commonwealth countries, particularly in Africa and the Far East. The red book was rewritten and republished in 1995.

In 1981 the European Group of Valuers Association published the "guide bleu" based on the RICS red book, for use throughout the European Community.

In 1985, the International Valuation Standards Committee (IVSC) developed international standards, again based on the RICS red book, dubbed ... you guessed it ... the white book. The latter was rewritten in 1994 and again last year with special reference to North America (International Valuation Standards 2000) and is an amalgamation of standards world-wide, including USPAP.

So?

USPAP is recognised by the Canadian Courts as providing the definitive set of standards for appraisers. Any report intended to be used in evidence, or destined to be relied upon outside Canada eg. conduit financing reports for Merrill Lynch, GMAC, should comply with USPAP. Appraisal assignments conducted under the Canadian Uniform Standard are far less rigorous in execution and reporting, take substantially less time and are far cheaper. The Appraisal Institute of Canada insists that Canadian banks have agreed to accept them, so apparently you can utilise them for financing purposes ... and presumably anywhere else where a less rigorous investigation of the property and the factors impacting on its value, is required.

For more information on international appraisal standards visit the following web sites: www.appraisalfoundation.org and www.ivsa.org.

LASERCAD™ DEPARTMENT



André Pouliot, B.Comm., Eg. Hd.

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We are pleased to formally announce the appointment of André Pouliot as Manager of our Lasercad™ Department. André joined us direct from St. Mary's University. He trained in our Property Tax Division and is currently enrolled in the University of British Columbia's Diploma in Urban Land Economics programme. He thus has a sound knowledge of leases and the factors that contribute to value. We believe that this type of knowledge enables us to offer clients a "seamless service". We provide our Lasercad™ property measurement service in every major city in Atlantic Canada, Toronto, Ottawa and Montreal.

André takes over the reins from John Matheson, who left us to apply his CAD skills with NSPC's facilities management team. We wish John every success in this endeavour.

Our Lasercad™ operation is registered to the ISO 9001 quality standard. *In addition to accuracy ($\leq 2\%$ closing error), ISO 9001 requires us to implement procedures to maintain confidentiality of client supplied information. These procedures are independently audited.*

Frequently Asked Questions

Since the various measurement standards such as BOMA (office buildings), ULI (shopping centres), SIOR (industrial buildings), CREA (residential) cannot cover every situation, we co-operate with our main competitor in Atlantic Canada, Graphics Unlimited to arrive at common interpretations for "oddball" situations. We thus hope to prevent expensive landlord/tenant disputes over non-measurement issues. In a further effort to avoid this type of conflict we are publishing FAQs (and the answers) on our web site. You can help yourself and us, by sending André details of any problems you may have encountered, together with the resolution (if there was one). His e-mail address is apouliot@turnerdrake.com.

☎For more information on Lasercad™ visit our web site at www.turnerdrake.com and follow the links (products → counselling → space measurement).

BROKERAGE



3550 Kempt Road, Halifax, N.S.
(Asking Price \$310,000)

Feature Property

"Very flexible: ideal for a multitude of small business uses" is how Verna Turner of our Brokerage Division describes this property recently listed with us by Hertz Equipment Rental, through NAI (New America International). She points out that a prior use was a car dealership. With a 1,900 ft.² building (half finished as retail/showroom), a fenced compound, parking for about 10 vehicles, and all the snow you can shovel, the property fits the profile for many small business users.

No Slowdown Yet

With everybody looking over their shoulder at the slowdown in the United States, and the 1990 market meltdown still a recent memory, there is some understandable nervousness about the property markets. Not, however in our Brokerage Division. When it comes to rental; it's a race for space and he who hesitates is lost. We have had a number of clients who, having agonised for a couple of weeks over which space to lease, found that it had been rented in the interim. Office vacancy in the Halifax C.B.D. now hovers at 6% and is still dwindling. Historically a vacancy rate of 8% has triggered land assembly for office development, and 4% a building boom. Rents will rise another 25% before that occurs this time, and suburban developments are bleeding off some demand. The C.B.D. is the major tax generator for Halifax Regional Municipality but familiarity breeds contempt: the downtown economy is fragile. Unless it receives the attention it deserves from HRM the city will lose its centre. The provincially owned Waterfront Development Corporation,

which controls virtually all of the undeveloped land along the harbour in the downtown area, has just released its Final Draft Report. This planning project actually extends three blocks deep back from the water's edge, though its principal focus is the harbourside. A leisurely two years in the making, the Report is still a work in progress and may be overtaken by events ... or the imperative of the province's dire financial condition.

Burnside Industrial Park continues to enjoy its highest occupancy levels ever, ... vacancy is just 6%. There are pockets of vacancy in some multi-tenant strips, ranging from 2,000 ft.² to 6,000 ft.². Office development continues to expand: two proposed buildings are projected to come on stream in the \$13/ft.² to \$14/ft.² net absolute range ... with free parking. Suburban office development is also occurring close to the Bayers Lake retail node: Xwave, an Aliant company, will move into a new 80,000 ft.² building there this year. Burnside and Bayers Lake are municipally funded office and industrial parks. Bayers Lake, a failed industrial park, was heavily subsidised by the City of Halifax (now H.R.M.) and transformed into a very successful retail park ... at the expense of existing retail centres on Halifax Peninsula. There is a corollary with the growth of suburban office space in the parks as the Halifax CBD chokes on traffic congestion and lack of parking.

☎For more information on properties we have for sale and lease, visit our web site at www.turnerdrake.com and follow the links (products → brokerage).

TERMINATED?

We've culled our mailing list: an arbitrary exercise which focussed on reducing multiple mailings to the same company. If you fell foul of our felt tip and want to be restored, please phone our switchboard toll free at 1-800-567-3033 (429-1811 in H.R.M.) or e-mail us at tdp@turnerdrake.com. We'll be pleased to resurrect you.

On the other hand, if you want to be terminated, we'll be glad to do that too.
