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URBAN DECAY — THE WRITING'S ON THE WALL



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Graffiti first found a home in Atlantic Canada during the late 1990s. On January 11th 2000 we wrote to the Halifax Regional Municipality advising them that their \$100,000 clean-up problem in Halifax Central Business District would explode into a \$1 million mess unless they took prompt action. Ours was not the first voice raised, the councillor for the area had already voiced her concern a few months previously. The C.B.D. is a treasure trove of heritage buildings: all were threatened. The late Kate Carmichael, Downtown Halifax Business Commission's energetic Executive Director threw herself into the fray, organised an Anti-Graffiti Clean-up Day and voiced her alarm *"A downtown covered with graffiti says a lot to tourists and visitors. It says we don't care. It creates the impression that many areas are unsafe, and it destroys Downtown Halifax's unique heritage identity. It is time for businesses, citizens, H.R.M. Council and H.R.M. Police to say 'enough is enough'".* The media treated the matter as an "is it art, or vandalism?" issue. City fathers smiled indulgently ... and went back to sleep. A similar reluctance to treat

the matter seriously prevailed throughout the Atlantic Region; graffiti spread like SARS. Two years later H.R.M.'s new Mayor and Council finally launched the Community Response Initiative, an attempt to rid us of "graffiti, scrawl, vandalism, litter and other incidents of property damage and destruction". Gary Martin its Co-ordinator, now estimates that annual clean-up costs, including law enforcement, are "easily \$1 million". He, we and you are losing the battle. Does it really matter? There is now a body of empirical data which explores that very question.

Graffiti, Quo Vadis?

The Oxford Illustrated Dictionary (1962 Edition) defines graffiti as *"drawing or writing scratched on wall etc. esp. on ancient walls as at Pompeii; decoration by scratches through plaster showing different coloured under-surface"*. In Cambridge, guides at King's College carefully point out graffiti scratched on the ancient walls by Oliver Cromwell's soldiers when they stabled their horses there 350 years' ago. Our graffiti appears to be of more recent origin and is generally credited as having been spawned in Philadelphia in the late 1960s, and in New York at about the same time. The City of Victoria defines graffiti as *"any writing, etching, drawing or symbol applied to any public or private property without consent of the owner or their agent and as such is an act of*

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vandalism and a crime" ... no doubt in their city council's mind apparently as to whether graffiti is "art"! In the United States, graffiti developed into two categories: "gang graffiti" used to mark territorial boundaries; and "Hip-Hop tagger graffiti" of the type currently washing across our region. The latter emerged out of the Hip-Hop culture in the Bronx and was disseminated on subway cars, and later, freight trains. It crossed the Atlantic to Amsterdam in the 1970s and eventually detoured to our region in the late 1990s. Hip-Hop taggers are usually males aged between 8 and 18 and are therefore treated as juveniles by the courts. This can be a limiting factor if the property owner wishes to launch civil proceedings since the police may be unable to release the identify of the individual when they catch them (45 arrests have been made in H.R.M. since June 2002). We understand that most graffiti writers in H.R.M. are aged between 15 and 24, with some aged up to 30, from all socio-economic backgrounds. Graffiti writers are motivated by a desire to be recognised, i.e. achieve "fame", by placing their signature tag in high traffic areas (this also makes their work identifiable to the police). They operate in "crews" usually with a unique three digit name; in H.R.M. crews are somewhat more economical, apparently settling for two digits instead, e.g. CB (Chemical Bombers; HW (House Wreckers). They can do an enormous amount of damage, in a short period, with little effort. One individual in the United States tagged 1,000 buildings in a few months; \$0.5 million USD of damage! Damage to property in the United States is estimated at between \$7 and \$18 billion USD and in Canada at "several hundred million". The Greater London Authority in England undertook a detailed costing of graffiti damage last year and placed it in excess of £100 million (\$230 million CAD) ... about half that of San Diego on a per capita basis. These are squandered resources which could otherwise be re-invested in health care, educational or other facilities.

Graffiti Grammar

Graffiti varies in complexity from simple scribble to complex paintings: the higher



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in the hierarchy, the greater the prestige ("fame") which attaches to the writer. The latter can elevate his "fame", literally, by creating "heavens" tags on inaccessible locations such as highway signs, the top of power station walls, etc. The following types of graffiti are common in Atlantic Canada:

Type of Graffiti	Description
Text	Writing conveying socio-political, racist, religious, amorous or other messages.
Stencil	Paint sprayed over a stencil figure and/or message.
Tag	Stylized signature or symbol in a single colour created quickly and randomly in as many high traffic areas as possible. Often on lamp posts, parking meters, "butt out" boxes, walls, etc.
Throw Up	Bubble type graffiti in at least two colours, created quickly and frequently in high traffic locations.
Piece	Complex (Master) piece created by talented individuals in several colours. Usually found on public "walls" donated by the municipality or other body.

The World Trade Organisation protests produced "scratchiti"; text etched into glass with acid, or scratched with a drill bit or other sharp instrument which usually necessitated replacement of the window. It is applied to retail display, subway, bus and train windows, metal and other facings on buildings. The damage is usually irreversible.

Graffiti Grief

In the early 1990s New York City

Mayor Rudolph Giuliani and his first Police Commissioner, William Bratton, declared war on graffiti and minor misdemeanours. They revisited the "Principles of Law Enforcement" first enunciated by Sir Robert Peel, founder of London's Metropolitan Police (Scotland Yard) in 1829, that "*the basic mission for which police exist is to **prevent** crime and disorder*" and launched their "broken windows" initiative. *Crime rates in New York City plunged. Between 1990 and 1998, murder declined by over 70%, robbery by over 60%, total violent offences by over 50%, and total property felonies by over 60%. These declines were the steepest ever recorded. Indeed the slide in murder was so abrupt it significantly affected the national murder rate.*

The "broken windows" theory had been formulated by Professors James Q. Wilson (Harvard University) and George Kelling (The Manhattan Institute for Policy Research). They suggested that the failure to control minor offences, such as prostitution and disorderly conduct, destabilised neighbourhoods by creating a sense of public disorder ... and that people were likelier to turn to crime in neighbourhoods where the toleration of petty crimes, such as graffiti scrawling and window breaking indicated a lack of effective societal control. Eliminate minor crime and you return "ownership" of the neighbourhood to the community. William Bratton had implemented the "broken windows" theory in 1990 when he was the New York Transit police chief. Graffiti covered subway cars were immediately taken out of service and cleaned before being returned to use. In retrospect the idea appears obvious: graffiti is an expression of contempt for the community. A neighbourhood that has been "bombed", withdraws into itself: residents report a sense of unease, their world has been violated. In the United States, municipalities report that people start to re-use public spaces such as parks, once graffiti has been eliminated.

The assertion that there was a causal link between minor misdemeanours and major crime was tested by Dr. G. Kelling of The Manhattan Institute and Dr. W. Sousa of Rutgers University—Newark in their study published in December 2001.

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They explored the results of Mayor Giuliani and Commissioner Bratton's "broken windows" policing by subjecting it to rigorous statistical testing and discovered that there was a one in one thousand chance that the results were unrelated. Their analysis indicated a decline of one violent crime for every 28 misdemeanour arrests; the initial 10 year period of broken windows policing prevented 60,000 violent crimes, a decline of 5% overall. Toronto police too have noticed a link between the swift and persistent removal of graffiti and a reduction (2%) in the level of crime in the neighbourhood. They also conducted a safety perception survey and discovered that 9% of participants felt safer, and believed their neighbourhood cleaner, once graffiti was gone: eradication was a quality of life issue with virtually all the inhabitants.

"Urban Decay—The Writing's On The Wall" will be concluded in the next issue of Newsletter.

PROPERTY TAX DIVISION

A Matter of Competence

Selecting properties to illustrate tax savings in Newsletter is never an easy task. 95% of the tax savings are the result of negotiated settlements with the various assessment jurisdictions. Paradoxically a large negotiated tax reduction is evidence of a competent public assessor, a Professional confident enough in their own ability to recognise an error and correct it, once we have presented them with the facts. Somebody less comfortable in their own skin will refuse to negotiate and delegate the decision making to the Appeal Board. It is sometimes not economic to take the matter to the Appeal Board, the tax savings are outweighed by the court costs ... and the latter are recoverable, but rarely. So most of the cases whose photographs we show in Newsletter are a testament to the competence of the assessor involved, with a little help from ourselves of course, rather than an indictment of the system.

Assessments are the outcome of a mass appraisal process, and the appeal mechanism is a safety valve designed to

ensure that it functions properly. The success of any tax system depends on its acceptance by the taxpayer: unless it is broadly perceived to be equitable, it will be rejected. That surely was the lesson learned in January 1215 when the people rose up, seized taxing power from the monarch, and embodied the principle in Magna Carta.

Prince Edward Island

The 2003 Assessment Notices were mailed on April 30th: the appeal period expired on June 15th. The legislated basis for your 2003 assessment is the market value of your property on January 1st 2003. In practice however the Provincial Assessors usually fail to meet this criteria and routinely under-assess property. This tactic reduces the number of appeals because most property owners apply the market value benchmark as their decision rule for launching an appeal. Unfortunately this results in inequitable tax loads; similar properties may carry different assessments, but the owners of the disadvantaged properties fail to appeal because their property is still assessed below its market value. *It is our experience that Assessment Departments in the four Atlantic Provinces and Ontario, under-assess property by an average of 20% to 30% in order to reduce their work load.* Some jurisdictions attempt to address this problem of under, but inequitable, assessment practice by embodying a "uniformity" provision in their Assessment Act requiring that all property be assessed in a uniform manner ... so if the Assessment Department under-assesses by an average of 30%, all property assessed at more than 70% of its market value is deemed to be over-assessed. There is no such provision in the Prince Edward Island (or New Brunswick) Assessment Acts. However most assessors tacitly accept that assessments should be uniform: so if your property is over-assessed compared to similar properties, commonsense usually carries the day. The devil is in the details: you have to demonstrate that your property is assessed at a higher per unit rate, e.g. per ft.², hotel room, apartment suite, etc. than comparable properties. As always in tax matters, the taxpayer carries the

burden of proof!

We have built an Assessment Database for the Island and the remainder of the Atlantic region, which allows us to undertake unit rate comparison by property type. We can also run time series analyses and compare assessment increases on a year over year basis. We can also compare the assessments with sales in our Transactional Database ... and can view the Assessment and Transactional Databases simultaneously.

Mike Turner is our P.E.I. Tax Team Leader. He will be pleased to discuss your property assessment and can be reached toll free at 1-800-567-3033 (email: mturner@turnerdrake.com).

New Brunswick



Rue Champlain, Dieppe, N.B.
(\$20,000/annum - 18% in tax savings)

Service New Brunswick mailed out its 2003 Assessment Notices on March 3rd. You had 30 days in which to appeal: if you did not do so, possess your soul in patience until next year. If you did file an appeal, read on. The basis for your assessment is the market value of your property on January 1st. Any factors which were known, or could have been foreseen, at that time which adversely impact on your property's value, can be taken into account even if they occurred post January 1st. For example, the slow down in the U.S. economy has impacted export driven industry such as sawmills this summer ... and is expected to effect tourism. Many properties are under-assessed, i.e. assessed at less than their January 1st 2003 market value ... 30% appears to be the rough rule of thumb "discount". This is unfortunate because properties may be unfairly assessed vis à vis comparable properties, but owners may not have filed an appeal. Although there is no uniformity provision in the Assessment Act a similar situation

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pertains to that in P.E.I. Many assessors are reasonable people; warm hearted even, no doubt they too lavish attention on dogs, cats, and cuddly toys. They tacitly accept that assessments must be uniform to be equitable, and may be open to reasoned argument.

Contact our N.B. Tax Team, Rick Escott or André Pouliot toll free at 1-800-567-3033 (email rescott@turnerdrake.com or apouliot@turnerdrake.com) if you would like to discuss your assessment ... or the cuddly toy thing.

Nova Scotia



Chester, Nova Scotia
(\$18,000/annum - 47% in Tax Savings)

On June 20th Service Nova Scotia, a.k.a. the Provincial Assessment Department, published their "pre-roll" for 2004. If your Realty Assessment is going to increase by more than 3%, Service Nova Scotia should have so advised you in their June 20th mailout. However you would be wise to check yourself by visiting the free web site they have created for this specific purpose at www.nsassessment.ca.

If your property is enrolled in our PAMSTTM Property Tax manager programme you can focus on other matters: our tax team is already reviewing your proposed 2004 assessment and will keep you posted on their progress by email and through your personal Client Area on our web site.

If your property is not PAMSTTM protected, you *must* adopt a pro-active stance if you want to ensure you are not unfairly assessed next year. Do not wait until the appeal period in 2004! Service Nova Scotia increasingly regard the pre-roll period, rather than the appeal period, as the time to negotiate. Nova Scotia is the only Atlantic Canadian province to publish a pre-roll. Their objective is to deal with over-assessments now, rather than wait until next year. If you do not take advantage of this opportunity, Service Nova Scotia will regard your inaction as evidence that you are satisfied with your Realty or Business Occupancy Assessment. They may refuse to deal with your appeal next year and insist that it be dealt with by the Appeal Court instead, a more costly and often less beneficial route for you.

Indeed they may cite your inaction as evidence that your assessment is correct, during the Appeal Court hearing! So get cracking ...

Tom Mills and Giselle Kakamousias are our Nova Scotia Tax Team. They can be reached toll free at 1-800-567-3033 (429-1811 in H.R.M.) or by email: tmills@turnerdrake.com and gkakamousias@turnerdrake.com.

SERVICE NEW BRUNSWICK LOSES IT ... AGAIN!



Fotosearch

Our Property Tax Division is currently conducting assessment appeals in seven provinces: during the past 27 years we have completed thousands of appeals. We have yet to see anything which remotely approaches the Assessment Department's treatment of heavy industrial property owners, in New Brunswick.

In the late 1990s the Provincial Assessment Department, newly "rebranded" as "Service New Brunswick" ... it had formerly laboured under the Orwellian title of the "Geographic Information Corporation" ... embarked on a programme to re-assess all "heavy industrial" property in the province at its market value. The provincial Assessment Act requires that all property be assessed in this manner and the exercise was part of SNB's remit. They tackled the pulp and paper industry first and the results, published in 2001, showed assessment increases ranging from 16% to 310%. These values included, unfairly in our view, equipment wiring and heavy equipment foundations. As a result of the ensuing concern by the pulp and paper industry, a political decision was taken to remove the power wiring and foundations, and freeze assessments at their 2000 level until 2003. (We were not part of those consultations. We have no faith in short term political solutions; in our experience they have a habit of coming back to bite you). Starting in 2003, the re-assessment increases for all "heavy industrial property" are to be phased in over a three year period. "Heavy industrial property" has a broad definition and includes properties such as pulp mills, sawmills, meat processing plants, power generation

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stations, et al. It appears that SNB are still smarting about the aforesaid political intervention. During a recent talk to the Canadian Manufacturers and Exporters Association, SNB's chief industrial assessor made reference to the fact that industrial property owners had benefited from their past low assessments and inferred that they had no right to grumble about the current re-assessment.

In a commendable display of transparency SNB decided this year to make its assessment calculations available by offering them to each property owner, rather than waiting until the latter requested them. So far so good ... dib dib dib ... SNB acting in the best Scouting tradition. Alas things then appear, in SNB's view, to have gone astray. Instead of meekly accepting SNB's figures, some taxpayers had the temerity to appeal their property tax assessment. Now it is true that the provincial assessors appear to have laboured long and hard, visiting each property, counting every brick and stick, poking in each nook and cranny, producing a voluminous amount of paper, carefully bound and typed ... light years away from the chicken scratchings that normally pass muster as assessment calculations. Unfortunately life is a journey, not a destination ... and Service New Brunswick appear not to appreciate that fact. Taxpayers in the Province had just 30 days in which to file an appeal, or they lost their right to do so for this year. (It used to be 60 days but the Province, no doubt advised by SNB, cut the appeal period in half in 1999). Thirty days was an inadequate time period for the owner of a heavy industrial property to determine if the assessment was fair and reasonable: SNB's assessors had taken several years. Many property owners prudently decided to file protective appeals to buy time in which to review the very substantial increases in their tax load. Service New Brunswick reacted in an asinine manner. Apparently incensed by the taxpayers' ingratitude, SNB furiously fired off return correspondence demanding that the taxpayer provide information on the "specific issues" that prompted their appeal. There followed shortly thereafter another letter in which SNB identified buildings erected within the past 10 years on the property and insisted that the unfortunate taxpayer provide them with **detailed** documentation for each building (*contract documents for the civil, electrical, mechanical, including scope of work for each contract, materials specifications, standard of workmanship, list of drawings, quantities and cost breakdown for all items, actual start and completion dates, ... and in the case of owner supplied equipment and material, the material quantities and costs, equipment hours and costs, own labour costs including wage rates, CPP and EI benefits, worker's compensation, vacation pay, pension costs, training and industry advancement costs, any other costs ... engineering, architectural, management and administrative services; broken down by consultant ... taxes including GST/HST ... final*

certificate of payment for all contracts with a breakdown of all quantities and costs ... change orders with a detailed description, quantity breakdown, final cost by change). Strangely, the provincial assessor had not asked for any of this information **before** they published their assessment calculations even though they were on site at the properties for several weeks. Yet the reason they now advanced was that they "require(d) this level of detail" to compute the assessment accurately. Perhaps their request was a clerical error? Apparently not! According to SNB "*The Request for Information on this property was not a clerical error. Again, I must refer you to Section 8(2) of the Assessment Act which states in part that 'every owner, user, or occupier of real property shall upon request give to the Director ...' The legislation clearly places the onus to provide requested information upon these parties.*". Taxpayers were given just 30 days to respond to SNB's hissyfit. Cowed, many rushed to comply, diverting much time, effort and money away from productive matters, in an attempt to assuage SNB's rage. Alas, their efforts proved to be in vain. Detailed schedules of costs were insufficient ... even when the information demanded by SNB did not exist. SNB ranted and raged that only "source documents" would suffice and threatened the Revenue Administration Act which required "written authorisation from the Director of Audit Services before any records of this nature can be disposed of, or destroyed".

The absurdity of the situation is highlighted by the fact that SNB's tantrums are based on a misconception. The Assessment Act mandates that all property in the province has to be assessed at "its real and true value as of January 1 of the year for which the assessment is made". There is nothing in the Act which validates the methodology being employed by Service New Brunswick to assess heavy industrial property. Their approach is based on the premise that purchasers arrive at the value of heavy industrial property based on the cost to construct it. In our experience such is rarely, if ever, the case. Purchasers focus on the operating economics of the plant and its ability to earn a profit. Service New Brunswick cite Section 8(2) of the Assessment Act as their (belated) justification for their present hysteria, viz. "*Every owner, user or occupier of Real Property, shall upon request give the Director, within thirty days of the delivery or mailing of the Request, all information in his knowledge that will assist the Director to make a proper assessment of the Real Property or to reconsider an assessment*". However the information requested by SNB **does not** include the substantive issues which impact on the market value of the property: in large part the requested information is an irrelevancy. Service New Brunswick's attention is focused in entirely the wrong direction ... and as usual taxpayers bear the burden.

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If you are being harassed by SNB, relax, pour yourself a coffee or something stronger, then call our New Brunswick Tax Team Rick Escott or André Pouliot toll free at 1-800-567-3033 for assistance.

THE 'A' TEAM



B Team

Congratulations to all our professional staff who completed courses in the University of British Columbia's Bachelor of Business in Real Estate degree this Spring ... and swept the board with 'A's in their respective subjects. Our Egg Head award goes to Bruce Scallion: he received the top marks countrywide in Commercial Building Construction, a repeat of his performance in December when he received top marks in UBC's Appraisal Case Studies course. Bruce has a B.Comm. from St. Mary's University and is a Senior Consultant in our Valuation Division. Other members of our 'A' team are Giselle Kakamousias, AACI (B.Comm. Dalhousie University) the Manager of our Property Tax Division; Mark Turner, Dana Corbin and Nigel Turner (all of whom hold St. Mary's University B.Comms.). Giselle, Mark and Dana are previous Egg Head award winners.

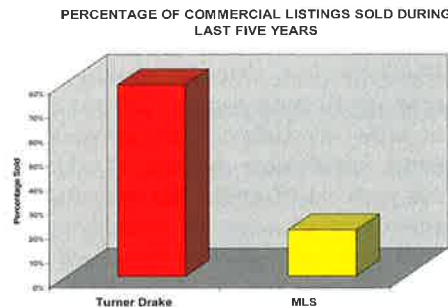
Since we first adopted U.B.C.'s demanding real estate programme ten years ago as part of our training regime, our consulting staff have swept the field, routinely achieving top marks countrywide. Of course, being from Atlantic Canada we strive to excel ...

BROKERAGE DIVISION

Sales—Walking The Walk!

Dealing with a real estate broker is rarely

one of life's most satisfying experiences. It is a relationship founded on mutual suspicion, created in large part by the way compensation is calculated. The vendor only pays the broker a fee if the sale is consummated, and the commission itself is based on a percentage of the sale price. The salesperson employed by the broker is retained on a similar basis. Vendors believe, often correctly, that brokers attempt to maximise their return by minimising their sales effort, and frequently try to rectify this perception by negotiating as short a listing period as possible, based on the assumption that the broker will be forced to inject more effort if they have a limited opportunity in which to sell. The broker is not paid anything unless the property is sold, so he will gauge his marketing effort accordingly: the lower the probability of the property selling; the less he will invest in his marketing programme. It is a vicious circle: a long term objective based on a short term relationship; hardly a sound basis for success. But ... we've turned that situation on its head ... we do things differently and as the graph shows, the results speak for themselves.



Thomas Edison remarked that "genius is one percent inspiration and ninety-nine percent perspiration"; our sales marketing programme is based on the same dictum:

Commitment—Our Listing Agreement delineates *our obligations* to the vendor not just the other way around. It describes our Marketing Programme, establishes benchmarks and due dates, and provides a method for the vendor to measure our marketing effort.

Communication—We provide the vendor with monthly progress reports; and continuous access to their own password protected Client Area on our web site so that they can monitor

progress, provide input and receive feedback.

Expertise—Real estate is complex and multi-faceted. We are the only commercial broker in Atlantic Canada with Valuation, Property Tax, Counselling and Brokerage Divisions ... all staffed by salaried professionals.

Experience—We have provided the business community in Atlantic Canada with professional real estate services for 27 years, and currently do so in seven provinces.

Satisfaction—In a September 2002 ISO Survey, 98% of clients rated us as "good" or "excellent". We had a 39% response rate to this mail survey.

Success—We succeed in weak markets, as well as in good economic times. Over the five year period ending May 2003, we sold 79% of all our listings.

Quality—We work hard to be the best; we are the only commercial real estate broker in Atlantic Canada to be registered to the ISO 9001 quality standard.

Exposure—We have a well defined Marketing Programme designed to expose the property to its target market. Our web site www.turnerdrake.com receives 700,000 hits per year. The Brokerage section of the site delivers comprehensive information about each property and is easy to navigate. We maintain the site ourselves and host it on our own server.

Focus—We concentrate on investment, commercial, industrial (I.C.I.) property preferably in a price range of \$0.5 million to \$5.0 million, located within a 100 kilometre radius of Halifax Regional Municipality (H.R.M.). We are one of the very few commercial brokers in H.R.M. with access to the Nova Scotia Association of Realtor's Multiple Listing Service™ (MLS™).

Multiple Listing Service™ (MLS™) are trademarks of the Canadian Real Estate Association.

For more information on our Brokerage Division visit our web site at www.turnerdrake.com and follow the links (products → brokerage).