PROPERTY TAX CASE STUDY
SICK CIVIL SERVANTS

Our Client's Challenge

Seven years ago our client erected a two storey office building. It was custom built for the single tenant, a government department. During the first five year term of the lease, some of the government employees complained of feeling ill due, they claimed, to a "sick building syndrome". Extensive air quality testing established that there were no such issues. However the government tenant decided to vacate the building anyway at the end of the first lease term, in 2005. Our client was then faced with three challenges; (1) they had to convert a building purpose built for a single tenant to multiple tenant occupancy; (2) the building had been splashed all over the media as being "sick" and whilst this had been proven untrue, the stigma remained; (3) the provincial assessor refused to acknowledge that the foregoing had any impact on the property's value until there was a five to six year record of "chronic vacancy". The client turned to Turner Drake for help. The assignment was handled by Mark Turner of our Property Tax Division.

Turner Drake's Approach

In Nova Scotia the "base date" for assessment purposes is January 1st, two years prior to the assessment year, i.e. January 1st 2006 for the 2008 assessment year. The 2008 assessed value is therefore based on the 2005 financial statements. The building had a 73% vacancy rate on the base date, and the landlord had been forced to discount the rents, assume all operating costs, and provide assurances to the new tenants as to the building's "health". Despite the foregoing, and apparently blinded by the building's youth and good physical condition, the provincial assessor refused to concede that the property's value had been adversely impacted by the actions of the former government tenant. During the negotiations, he agreed to reduce the assessment by just 17%, so we proceeded to the Regional Assessment Appeal Court (RAAC).

Winning Results

The RAAC agreed with our position that the 2008 assessed value should be reduced by 54%, yielding annual tax savings of $15,508.

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