

PROPERTY TAX CASE STUDY

GOLF HANDICAP

Our Client's Challenge

The owner of this golf course had not appealed its assessment in prior years; the provincial assessment authority had warned the owner that the assessment would *increase* if an appeal was filed saying that their assessment calculations understated the value because some site improvements had been omitted. Finally in 2008, the property owner turned to Turner Drake for advice. Giselle Kakamousias of our Property Tax Division handled the assignment.

Turner Drake's Approach

The property consisted of an 18 hole Championship course and a 9 hole Executive course located in the Halifax Regional Municipality (HRM). They had been developed in conjunction with the surrounding 200 + lot residential subdivision. Each purchaser of a single family lot received two lifetime playing privileges allowing them unlimited free golf, subject only to a nominal annual maintenance fee. Effectively a portion of the sale proceeds from the residential lots was utilised to defray a portion of the capital and on-going costs of the golf courses. Indeed about one third of the annual rounds of golf were played by the subdivision residents. Since the golf courses were used as an incentive to sell the residential lots, it was apparent to us that part of the golf course value had been "captured" by the residential lots. A 2000 Utility Review Board (URB) decision had already implicitly recognised this migration in value. Giselle's review of the assessor's calculations confirmed that the assessment authority had omitted about a half million dollars in improvements. However, after reviewing the financial statements and the assessor's cost calculations, she still felt an appeal was justified. Giselle filed an appeal; the assessment authority responded by increasing the assessment. We re-appealed. The 2008 appeals carried over to 2009 so Giselle appealed the assessment for that year too.

Winning Results

The assessment authority used the Cost Approach to calculate the assessed value and made no allowance for obsolescence. Giselle deployed the Income Approach to quantify external obsolescence resulting from the resident players and market conditions for golf courses generally. This calculation was substantiated by an analysis of golf course sales around the Province. The matter was settled without the necessity for a Court appearance: the assessment authority agreed to reduce the assessment by almost 30% to yield aggregate tax savings of \$103,000 for the 2008, 2009 and 2010 taxation years.

