

# PROPERTY TAX CASE STUDY CONDO SIZED SAVINGS

## Challenge

The owners of this condo conversion project had a problem. Their portfolio, 104 condo units spread across a 15 building complex in the Port City, saw a significant increase in its assessed value. In one sense the owners were victims of their own success. They had recently capitalised on a surge in demand for condominiums which had driven up the average price of condos in their development: but when demand slowed they were forced to withdraw the units from the market and operate them as rentals. The owners knew that taxes would be a problem. The tax burden faced by apartment owners in New Brunswick is higher than in other jurisdictions and can often account for 40% to 50% of a building's total operating cost. Knowing taxes would have a direct impact on their ability to hold the units, the owners turned to Turner Drake for advice.

## Turner Drake's Approach

The situation warranted a thorough review. The increase in the assessments was not a random event. It was driven by recent sales from within the project itself. Turner Drake weighed the options. The owners needed a strategy for pursuing relief on all of the 104 assessments without incurring the cost of pursuing 104 separate appeals. One option was to treat the property like a large apartment complex. The rental income generated by the property supported a lower assessment but the approach is rarely used to assess condos in New Brunswick; and cases from other jurisdictions only favour it where all of the units in the complex are under common ownership. With 40% of the units owned by others, a settlement would require a different approach. Turner Drake started by completing an inspection of a representative sample of units from the portfolio and by analysing the sales of other units from within the complex. It became apparent that the assessment failed to reflect the fact that the developer had provided incentives in the form of renovations and/or cash allowances. The majority of the units held by the owner had not been upgraded so the assessment for each unit could be adjusted to account for the impact that the incentives had on the overall price. The issue, easily observable and understood by the assessor, offered a high probability for agreement without resorting to costly litigation.

## Winning Results

**Confronted with a framework for settling the appeal, the assessor agreed to lower the assessments, thereby reducing the owner's tax load by 25% and producing a savings of \$82,671 per annum.**

