

PROPERTY TAX CASE STUDY DOING THE TWO-STEP

Our Client's Sneaking Suspicion...

Our client, a large Atlantic Canadian company with holdings of many properties across the Maritimes, had been operating a large distribution facility in a secondary Nova Scotian location for over 40 years. The facility was well-suited to its purposes, was fully utilised, and had been expanded by 60% only eight years prior.

The assessment had been stable in the years subsequent to the expansion, increasing by a percentage point or two, sometimes less, each year. Notwithstanding, our client, a savvy real estate owner, had a sneaking suspicion that the property's market value might have been adversely impaired by negative market conditions in the region. They wanted to ensure that they were bearing a fair share (but no more!) of taxes, and turned to Turner Drake for advice.

Turner Drake's Approach

We filed an appeal, and embarked on a physical inspection of the property in order to ensure that the factual information upon which the assessment was based was correct. It wasn't, at least not entirely: both the building's square footage and exterior wall height and area had been overstated, as had the proportion of the building that was refrigerated. The assessor was readily willing to correct these errors, which served to reduce the assessed value by approximately 11%.

What the assessor **wasn't** prepared to do, however, was to adjust the 10% allowance that had been granted under the assessment calculation for "economic depreciation", a.k.a. local market conditions, in spite of the considerable evidence we had compiled from our Compuval™ database demonstrating that industrial properties in the Municipality where the property was situated were selling at much deeper discounts: as much as 95%. The assessor indicated that the 10% allowance had been applied uniformly to all commercial property in the municipal unit, and wasn't prepared to make an exception for the subject.

It became apparent that the appeal was going to become a two-step process, and that it was going to be necessary to proceed to the Regional Appeal Court in order to obtain further relief. We prepared our fully documented Court position, and presented the case in favour of a lower assessed value, predicated on quantifying the amount of economic depreciation inherent in the sales of other large industrial properties in the Municipality (which ranged from 52% to 95%).

Winning Results

The Court agreed that because assessment in Nova Scotia is to market value, the depreciation rates indicated by the sales of similar properties were a relevant consideration in setting the assessment on the subject property. It reduced the assessed value to the level advocated by Turner Drake, saving our client over \$45,000 per annum (or 32%) in taxes...and confirming their earlier suspicion concerning the property's market value.

