PROPERTY TAX CASE STUDY
A FUR DEAL

The Client's Challenge

Our client owned a three storey office building recently vacated by a government tenant who had been paying a rent which was 20% to 30% above market. The Nova Scotia Assessment Act mandates that the assessment be based on the property's value on January 1st, two years prior to the assessment year, i.e. the 2008 assessment was based on the market value as at January 1st 2006; at which time the property was leased to the government. Now vacant, the tax load was crushing: the owner turned to Turner Drake for help.

Turner Drake's Approach

The property was originally a retail store with refridgerated fur storage in the basement. The floors above grade had been converted into offices in the 1990s. By 2008, demand for refridgerated fur storage had evaporated and the office market was soft. Sales information is not public knowledge in Nova Scotia, but our investigation of the market uncovered few sales: an indication that demand was very weak. We surveyed other government occupied space in the area and compiled a list of eight rents of comparable space. These rents demonstrated that the market rent for the space at the January 1st 2006 base date was substantially lower than the rent paid by the government tenant. There was no rental information available for refridgerated fur storage so we relied upon the rent paid when the basement was last occupied. It was key that we establish that any January 1st 2006 purchaser would assume that the government tenant would vacate when their lease ended. In support of that thesis we were able to find an Auditor General's letter, issued shortly after lease commencement, advising the owner that the rent was well above market and asking them to voluntarily reduce the rent.

Winning Results

Negotiations proved fruitless and the matter proceeded to the Regional Assessment Appeal Court. Minutes before the hearing started the assessor capitulated and reduced the assessment by 24% … to yield tax savings of $10,000 per year.

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