

# VALUATION CASE STUDY STORMING THE CITADEL

## The Challenge

The Halifax Citadel is that city's signature landmark, as closely identified with the community as the Eiffel Tower is with Paris or Buckingham Palace with London. Although the Federal Government do not pay property taxes per se on property they own, they do, at their discretion, make a Payment in Lieu of Taxes (PILT) based on the assessed value. They argued that the land under the Halifax Citadel had but nominal value, rendered to that sorry state by virtue of its heritage designation, and duked it out with the Halifax Regional Municipality (HRM) over several years and four levels of appeal, eventually reaching the Supreme Court of Canada. The latter heard the appeal, refused to arbitrate a value, and redirected it back to the first level of appeal, the Dispute Advisory Panel (DAP), with guidance on how to resolve the issue. Faced with a growing phalanx of tax consultants on the federal side, HRM turned to Turner Drake for help.

## Turner Drake's Approach

The benchmark mandated by the provincial Assessment Act is market value on January 1st of the assessed year. Re-assessments are undertaken annually in Nova Scotia. We commenced the assignment by undertaking a literature search on the impact of heritage designations on property value and discovered little research had been concluded on the matter. We then researched the assessment of other heritage properties across the country to ascertain if their values were discounted to reflect their heritage status. The evidence suggested that such was not the case. The Halifax Citadel forms the western boundary of the Central Business District and separates it from the residential areas to the north and west. We therefore valued The Citadel land bordering the Central Business District and utilised the sale prices of commercial land for comparative purposes. We repeated the exercise for the remaining land, comparing it with the sale prices of residential land in the neighbourhoods to the north and west. Since the properties that had sold were much smaller than The Citadel we extracted the size adjustment using regression analysis. The value differential due to the zoning was calculated by paired sales analysis. The provincial assessment authority, Provincial Valuation Services Corporation (PVSC), undertook the same exercise employing like methodology and reached a not dissimilar conclusion.

## Winning Results

**The Dispute Advisory Panel (DAP) determined the value for assessment purposes to be \$41 million, a far cry from the nominal value proposed by the Federal Government.**

