



INSIGHT

*The Positive Voice
for Landlords*



Tapped Out

Proposed hikes to water and tax rates would 'hammer' investment property owners.

The value of a 45-unit building could plummet by \$200,000

By David Napier

Ours is a municipality where the harbour only recently stopped bubbling with effluent and 20-person work crews are routinely (and forever?) dispatched to chip away at the decrepit labyrinth of water mains that snake below HRM streets. Given the inefficiencies in the system, it is hard to comprehend that investment property owners may be forced to pay as much as 40% more for water provision and disposal services.

This jaw-dropping rate increase that would, according to the Halifax Regional Water Commission (HRWC) officials, be justified given the age and decrepitude of the related infrastructure running beneath HRM. But for informed investment property owners, any such hike would be as unwarranted as it is extreme.

"This is going to be a big hit to residential landlords," says Peter Polley, President of PolyCorp and a member of the IPOANS Board of Directors. Having waded through the 735-page application HRWC made to the UARB, Polley says most landlords will see a rise in the water rates of approximately 20%, while others could see theirs skyrocket by 100%.

"Landlords are going to get hammered," he says.

The irony, notes Polley, is that those investment property owners with newer and more efficient sprinklers, piping systems, and low-flow toilets may feel the increases more than those running inefficient systems in their properties. "The percentage increase for a water-efficient building could be very high," says Polley, adding that an inefficient property (what he calls "a water pig") could be "disproportionately low". (See "Shell Game" sidebar, p. 2)



Polley has, on behalf of IPOANS members, sounded the clarion call on the water rate issue while soliciting support from large users of water who are not Association members, including several local universities, a major grocery store chain, Crombie REIT, Shannex, and Capital Health to form the "Large Users Group".

The cost of the rate increase to landlords was made crystal clear for IPOANS members in attendance at a recent luncheon thanks to Greg Taylor, President, Investment Sales, for Colliers International in Halifax, who delivered a presentation titled **Erosion of Value: The Impact of Government Spending Decisions on Multi-Family Real Estate**.

Taylor began by breaking down the proposed HRWC rate increase in terms of its net effect on two buildings in the urban HRM area – the first, an 18-unit building on the peninsula; the second, a 45-unit building off the peninsula.

An accountant by training, Taylor admitted that

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IPOANS in the community

As part of an ongoing survey of IPOANS members, *InSight* reporter **Natalie Richardson** asked a handful of investment property owners what they are doing to improve the communities in which they live, work and play. Their stories are as varied as they are compelling. (For more of IPOANS in the Community see the Association website.)

Southwest

Giving back to the community is part of the corporate culture and philosophy at Southwest Properties, due in large part to the efforts of Jim Spatz, Chairman and CEO, and Gordon Laing, President and Chief Operating Officer.



Southwest teams with Habitat for Humanity

"We provide a family atmosphere for our residents and employees, and therefore we tend to support charities that impact the physical, mental and educational well being of families, and in particular, charities that are important to our employees," says Laing.

A prime example of how the company honours these family values within the corporate climate is through its recent involvement with the Alzheimer Society of Nova Scotia. "This cause is close to the company as Simon Spatz (Jim's dad and the founder of the company) was afflicted with the disease, and we have a couple of staff members who are involved in fundraising," he says.

One of the ways Southwest offers support is through organizing and sponsoring a signature event for

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President's Message



Tax Hikes and Water Rates Should Have Members Steaming

Jeremy Jackson

The past few months have seen IPOANS solidify its role as a leader in the battle for fair taxation and reasonable water rates.

The unfair exclusion of apartment owners from the property tax cap is a relatively well-understood issue for investment property owners and has been cleverly highlighted in a video that was prepared for IPOANS by the comedy troupe, Picnic Face, which

Tea Party Brewing



appears on the IPOANS website. As for the fight over water rates, it has been under-reported in the local media and has gone pretty much undetected by many landlords despite the fact that many property owners will, under the proposed Halifax Regional Water Commission plan, face rates that soar between 20% and 40% from their current levels.

Taken collectively, the tax CAP exclusion, the potential water rate increase, and the imminent 2% jump in the HST, these taxation items will cause overall property values to drop. Just how much they will drop was the subject of a pair of presentations delivered to IPOANS members at a recent and lively luncheon.

Greg Taylor, President of Investment Sales for Colliers International, dissected the impact of all three tax items on two typical HRM apartments (18-unit and

45-unit) in a presentation titled, **Erosion of Value: The Impact of Government Spending Decisions on Multi-Family Real Estate**. Taylor estimated that the 18 unit building will lose over \$30,000 in value while the 45 unit will lose \$200,000! The full presentation, with detailed calculations, can be found on the IPOANS website.

IPOANS Vice President and Legislative Chair, Peter Polley, then spoke passionately on the water rate issue and sounded the alarm bell for property owners whose water rates may soar if the HRWC is not turned back at upcoming UARB hearings this September.

Please read the feature story and join the fight. If push-comes-to-shove this could – and should – turn into our own local version of the Boston Tea Party, where unfair taxation led to organized rebellion.



IPOANS website under MAJOR reconstruction

We are completely revamping our website in an effort to add significant value to our members. The new site, scheduled to launch in late July, will include all IPOANS-specific news updates, savings calculators, supplier deals and upcoming events, but will also feature an apartment-owner focused news wire service into which members can tap for the latest headlines and stories related to property ownership issues in HRM, Nova Scotia, Canada and beyond.



Shell Game

The City's decision to shift storm- and waste-water costs to the HRWC means roughly \$10 million off-loaded from the City's accounts and the tax burden placed on citizens via their water bills.

The decision by the Halifax Regional Municipality to off-load roughly \$10 million for the cost of storm-water and waste-water disposal to the Halifax Regional Water Commission is fraught with questions and creates an additional "hidden" tax burden for local property owners of all stripes, says Peter Polley.

"It's a shell game," insists Polley, President of PolyCorp and a member of the IPOANS Board. "Historically the City paid all the storm-water costs which made sense because the City is the largest producer of storm water and therefore the largest 'customer' in the system. After all, they own the streets," Polley adds.

Under the new arrangement, however, storm water became a budget item for the HRWC to deal with, which they did by simply passing the cost along to residential home-owners, residential landlords, and local businesses.

"The City has wiped almost \$10 million off their books but not done so as part of a transparent process," charges Polley. "Now it never shows up in the (municipal) budgetary process."

He points out that a precedent exists for HRM to continue paying for storm water disposal. "HRM pays Halifax Water for fire protection services, so why shouldn't HRM pay for storm-water services?" Polley says.



Tapped Out (Cont'd)

traditionally he never bothered to look at things like meter size and sprinkler line sizes, instead choosing to crunch numbers and costs based on units and consumption. His recent, in-depth study has yielded dramatic data.

Owners of the 18- and 45-unit buildings will, under the HRWC proposal, see their rates increase 18.6% (\$756) and 17.6% (\$3,813) respectively. With a cap rate of 8%, the value reduction on each property will be a whopping \$9,450 and \$47,662 respectively.

Taylor went on to reveal how increasing property taxes and also bumping up HST will impact the operating costs and future values of two such buildings. The 18-unit building was assessed at \$340,000 in 2006, while its assessment jumped to \$406,500 in 2010 – an increase of \$66,500. The 45-unit building went from \$2.28 million in 2006 to \$3.08 million in 2010, a difference of \$798,500.

The assessment translated into an increasing tax burden – 20% and 32%, respectively – and a decreasing value – less \$11,150 for the 18-unit building, and less \$131,600 for the 45-unit building.

When Taylor factored in the 2% hike in the HST, and bundled the resulting numbers with the increase from HRWC and to property taxes, the bottom-

line income reduction to the landlords of the respective buildings totaled \$2,593 for the 18-unit building and \$15,987 for the 45-unit building. Given a cap rate of 8%, these dollar amounts translate into staggering negative impacts on respective property value: values would plummet by \$32,412 and (wait for it) \$199,837.

Turner Drake & Partners Ltd. data was cited to show that metro apartment assessment rates jumped by almost 50% between 2005 and 2010, but at the same time apartment rents rose by only a fraction of that amount.

"Something is fundamentally wrong with how this rate increase application is set up," said Polley, pointing out that the HRWC is the first regulated utility in Canada to operate wastewater and storm water assets.

"It's a dysfunctional mess."

"We've got to tear this apart this year," Polley added, "because this is the base year [for water rates] going forward."

IPOANS has obtained official intervener status at the upcoming UARB hearings slated for this September, and is being represented at this forum by legal counsel.

IPOANS in the community (Cont'd)

the society called "An Evening to Remember". The event is held each July and brings together approximately 100 guests for a fantastic meal with wines from Bishop's Cellar paired to suit each course.

The company's other community endeavours span a broad spectrum, including the Parker Street Food and Furniture Bank, partnering with HRM to aid restoration of Point Pleasant Park efforts after Hurricane Juan, the Atlantic Jewish Foundation, Neptune Theatre and Habitat for Humanity, for which last year Southwest's team participated in 'Build Day' by donning hard hats and hammering nails in the framework of a house built for the cause – building affordable housing and promoting homeownership as a means of breaking the cycle of poverty – in Spryfield.

"These causes are all very important to both Gordon and Jim," says Office Manager Louann Scallion-Morine, adding they are always looking for ways to give back.

Templeton

At Templeton Properties, giving back to the community is more mindset than mindful.

This is clear in the company's plans for the transformational redevelopment project proposed for Fenwick Tower, which hopes to see approval by early fall. Templeton has made a commitment to delegate 10% of the entire development as affordable housing (rent not exceeding 30% of a tenant's household income).

"(District 12 Councillor) Dawn Sloane said if we were able have 2% as affordable housing, we would be doing great, 4% would set standards nationwide. We are making it 10%," says Joe Metlege, Vice President of Operations at Templeton Properties.

Prioritizing charitable work, he adds, is also a means of being "extremely socially responsible" and has always been a natural part of the way he and his father, company founder Andrew Metlege, operate the family business. While the charities and organizations the company gives to rotates yearly, Templeton Properties regularly donates to Laing House, a peer support organization for youth with mental illness, where Joe sits on the Board of Directors.



"I heard about Laing House from a tenant actually," says Joe when asked how he got involved. "I liked the fact that Laing House helps youth, is Halifax based, was started by Haligonians and is a smaller organization where every dollar counts."

In addition, Templeton Properties is part of a group of Canadian Lebanese community builders who donated generously to the QEII's new Charles V. Keating Emergency and Trauma Centre where there is a space – the Cedar Triage Area – whose name pays homage to the group and the country's national emblem, the Lebanon Cedar. Templeton Properties also adds the Alzheimer Society and the Heart and Stroke Foundation to the list of organizations it supports.

"We don't see charity or community involvement as additional to our business, we see it as fundamental to our business."

Mark Bergman

Mark Bergman is proof that being a small-scale landlord doesn't translate to small-scale community contributions.



As a landlord in Halifax with close friends in India, Bergman had the privilege of visiting southern India twice and learning about housing challenges there, especially for orphans. During his visits in 2004 and 2005, Bergman made numerous trips to a struggling orphanage called Abode of Peace which housed almost 100 children. He met the founders, staff, orphans, and reviewed the orphanage's financial statements.

"Upon returning to Halifax, I initiated and led a fundraising effort and presented the need to my network of professionals in Halifax. We were pleased to raise a full year of rent for the orphanage along with much-needed funds for food and clothing for the children," says Bergman, an independent rental property owner with about 20 units.

Most of the children Bergman met in the southern Indian communities were orphaned due to the rampant-HIV crisis. He and his band-mates (Bergman is a musician who plays drums in a local band) played music and spoke to various orphanages in India about culture in Canada and tried to impart a positive message about giving back.

"When I met the founders of Abode of Peace, they were running out of money for meat, eggs, milk and clothes for the children," says Bergman, who day-job is that of a realtor with Red Door Realty. After returning to Halifax he spread the word about the cause and within a couple of months, he was impressed by how willing his fellow Haligonians were to help.

Being able to cover their rent, food and clothing costs for the year was rewarding, says Bergman, but providing a more sustainable impact in the housing sector is somewhat more challenging: "I look forward to returning (to India) again and finding out more about how to do just that."



Message From The Executive Director

Rex MacLaine

IPOANS will not be sitting idle during the summer months. We're arranging for future Information Sessions, teeing up our Annual Golf Tournament, and working with the various committees to

develop an attractive event calendar for the remainder of the year.

Looking back, we have made significant headway with our legislative initiatives (in the areas of property tax and residential tenancies), the Think Green Committee, and the successful launch of the IPOANS Certified Apartment Manager's Course, offered at the Nova Scotia Community College's Waterfront Campus.

The Course was extremely well attended in its first session (April – June) and will accept new enrollment for the courses running between September 21st and October 26th, as well as beginning January 2011. This comprehensive course is designed for both veteran and aspiring individuals in Property Management and consists of five modules: Management of Residential Issues; Property Marketing; Tenant Relations; Property Maintenance; and Tenancy Law & By-Law Compliance.

Ask the Expert

By **Mark Smallwood**,
Institutional Sales Manager,
Kent Building Supplies

Building a better building

Planning, forecasting and building relationships that make a difference.

Repair, maintenance, and renovation products represent a significant expense for investment property owners. While some repair expenses are unforeseeable, many maintenance and renovation expenses can be planned, budgeted and negotiated on an annual basis. The more a product supplier knows about your properties and your business, the better equipped they may be to supply the right product and service solutions on time at a competitive price. Consider taking the following steps.



Step 1 Meet with a sales representative from your preferred supplier(s) and tour their store or facility. Together you can review your previous year material expenses and try to forecast your requirements for the coming year.

Step 2 Inquire about installation and other services. Some suppliers offer supply and installation of products that they sell. Some suppliers offer miscellaneous services, such as interior design, cutting keys, keying locksets, custom blind cutting, paint-colour matching, kitchen design, deck design and cut-shop services to name a few.

Step 3 Ask about payment terms and financing options. Some suppliers offer in-house accounts, proprietary credit cards with financing options – or both. Review your requirements for account usage, billing information and payment processing; there may be opportunities to streamline your operation.

Step 4 Ask about new and innovative products. Manufacturers acknowledge that the investment property community represents a significant opportunity for repair, maintenance, and renovation products. New products that are economical, easy to install, durable and easy to clean and maintain are introduced on a regular basis, but you may not have time to discover them on your own. Examples include: Armstrong Luxe Plank vinyl strip flooring with an authentic hardwood look; Alexandria MDF Wainscot Panels; and Bluwood mould-, rot- and termite-resistant framing lumber.

There are many advantages to establishing a relationship with a dedicated sales associate. The key is to find a representative who understands your needs and objectives, and who is willing to work hard to add value to your business.

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