

# PROPERTY TAX CASE STUDY

## SERVING PEPSI™

### Pepsi's Challenge

Crystal Beverages' use of their 106,000 ft<sup>2</sup> bottling plant exceeded its design capacity. The site at 220 Henri Dunant Street, Moncton was cramped: parking and circulation space around the building was inadequate; the building was poorly sited on the lot; and there was insufficient warehouse space, forcing them to rent additional off-site storage. They appealed their assessment ... and the provincial assessment authority, the Geographic Information Corporation (now Service New Brunswick), promptly increased it from \$2,407,000 to \$2,846,000, presumably to teach them a lesson. Crystal Beverages turned to Turner Drake for help.

### Turner Drake's Approach

Turner Drake started by analysing the process flow in the plant from materials receiving, through processing, to dispatch of the finished product. Donning hard hats, work boots, coveralls, ear and eye protection, they witnessed and diagrammed the entire process noting bottlenecks, duplication of handling, physical constraints such as ceiling heights, bay sizes, storage capacity; and the circulation problems imposed by the site size and poor siting of the building. They extensively interviewed the Plant Manager, Plant Engineer and other individuals involved in the day-to-day operations of the plant. They also interviewed suppliers to obtain further insight into the logistical challenges associated with the property. Turner Drake were then able to quantify the annual operating cost penalty associated with these plant inefficiencies. They utilised the on-line resources of the American Appraisal Institute's excellent Lum Library to research and identify court tested techniques for converting excess operating costs into a capitalised sum of Functional Obsolescence. Turner Drake were able to identify and quantify ten such categories of excess costs.

### Winning Results

**The New Brunswick Assessment and Planning Appeal Board heard the case and allowed the appeal in its entirety reducing the Realty Assessment to Turner Drake's figure of \$1,555,000 ... a tax saving of \$39,000/annum over the existing assessment, and \$59,000/annum over that proposed by the provincial assessment authority.**

