

# PROPERTY TAX CASE STUDY PROVINCIAL TAX EXEMPTION

## Noranda's Challenge

The beauty of Chaleur Bay, its sandy beaches, tranquil environment and the hospitality of its inhabitants, masks a harsher reality. This area in North-eastern New Brunswick situated on the Acadian Coastal Drive, has always struggled to survive. Like the tide that rolls along its shore, the area's fortunes too, ebb and flow. Noranda operated a fertiliser plant and loading facility at the Port of Belledune until the late 1990's, at which time the fertilizer plant was closed and the facility was utilised only for bulk handling/shipping. By unhappy co-incidence the Province of New Brunswick decided to re-assess all major industrial facilities in the province. Noranda's Realty Assessment increased from \$7,970,100 to \$16,148,300. They turned to Turner Drake for advice.

## Turner Drake's Approach

Turner Drake were well versed in the frailties of the provincial assessment authority, the Orwellian named Geographic Information Corporation (now Service New Brunswick). Most provincial assessors were career civil servants who, lacking business experience, often counted every brick and stick ... and often missed the forest because of the trees. The Assessment Act required that they base their Realty Assessment on the property's market value as of January 1<sup>st</sup> of the taxation year. However because large industrial properties rarely sold, except as part of the assets of a going concern, the provincial assessors had little sales data and were forced to calculate the market value using a Cost Approach. They attempted to calculate the reproduction cost of the buildings, deducted therefrom physical depreciation, and then added the resultant figure to the land value. Turner Drake obtained a copy of the assessor's calculations and then visited the site to compare the buildings and site improvements with the assessor's records. They identified buildings which were under-utilised and re-created the assessment calculations using the same costing software to identify the assessor's errors, omissions and inconsistencies in the calculations. Turner Drake opened negotiations using a two pronged strategy. Because part of the property was located in a designated Port they argued that the Assessment Act exempted this portion from provincial taxes. Once the provincial assessor had conceded this point, Turner Drake opened up their second front pointing out that portions of the property were under-utilised and thus suffered from quantifiable Functional or External Obsolescence.

## Winning Results

**Turner Drake was able to negotiate provincial tax exemption for the portion of the property located within the Port of Belledune, and a reduction in the total assessment ... a tax saving to Noranda of \$333,556 over the three years under consideration.**

