

PROPERTY TAX CASE STUDY OPENING DOORS

The Client's Challenge

When our client decided to expand its production, it faced a tough choice: open up a new plant close to Montreal, one of its major markets, or stay in Saint-André, New Brunswick. The former favoured economics, the latter the existing workforce. The company had operated from its present site since 1981; the Acadians who populate the area are a stubborn, self-reliant people used to triumphing over adversity. The company President opted to double the size of the existing plant: Saint-André was his community, he liked living there, and he had a responsibility to his employees. His realty taxes however almost tripled; the property assessment jumped from \$580,700 to \$1,400,700. He turned to Turner Drake for help.

Turner Drake's Approach

The plant manufactured overhead doors. Originally constructed during the Second World War, the facility had expanded in 1972, 1979, 1986, 1987, 1990 and 2002. Our Property Tax Division started by inspecting every square inch of it, carefully documenting the production flows from raw materials receiving, through the manufacturing process, to shipping of the completed product. They interrogated senior personnel, vigorously searching out bottlenecks and other functional inadequacies typically found in a plant constructed over four decades. Since Service New Brunswick, the provincial assessment authority, had computed their assessed value using a "cost to construct" approach, we compared the plant with a new facility constructed on a "greenfield" site, to assist in identifying functional obsolescence. In order to facilitate our negotiations with Service New Brunswick, we used the same costing system software but calculated the physical obsolescence inherent in buildings of this age, the functional obsolescence resulting from the piecemeal building additions, and the external obsolescence flowing from the plant's isolation from its major markets.

Winning Results

We were able to negotiate a 24% reduction in the assessment from \$1,407,500 to \$1,070,800, with Service New Brunswick, without the necessity for a costly court action.

