

PROPERTY TAX CASE STUDY FORKLIFT FRACAS

The Client's Challenge

This wood joist manufacturer located in Saint Jacques, near Edmundston, N.B., occupied a converted furniture plant. Since acquiring the property, they had expanded the facility several times to its present size of 100,000 ft.². Unfortunately the plant was less than ideal for their operations. There were a variety of product handling issues and despite the best efforts of an engineer despatched from the parent company, all could not be resolved satisfactorily. Realty taxes meanwhile, continued to climb. They turned to Turner Drake to resolve that problem.

Turner Drake's Approach

Our Property Tax Division carried out a detailed inspection of the entire plant noting its physical attributes; and carefully mapped the manufacturing process from raw materials receiving, through the manufacturing process, to shipping of the completed product. They interrogated senior personnel to identify production bottlenecks, excess materials handling, and height constraints. They then quantified, in dollar terms, the excess operating costs occasioned by the requirement to utilise additional forklifts. The capital cost of the forklifts, their maintenance and staffing expense were used to compute the functional obsolescence inherent in the plant design. As is usual with a plant that has been converted and expanded, some of the building costs utilised by Service New Brunswick, the assessment authority, to calculate the assessment, were excessive. In order to facilitate our negotiations with Service New Brunswick, we used the same costing system software they had employed. We calculated the physical obsolescence inherent in the buildings and focussed on the functional obsolescence resulting from the materials handling bottlenecks, and the excess building costs resulting from the piecemeal construction of the plant.

Winning Results

We were able to negotiate a reduction in the assessment from \$3,824,500 to \$3,426,600; resulting in realty tax savings of \$14,000/annum.

