

PROPERTY TAX CASE STUDY

TERMINAL TAXES

Our Client's Challenge

Two terminals, two separate owners, one problem... declining container traffic and rising property taxes. Both owners turned to Turner Drake for advice.

Turner Drake's Approach

Property assessments in Nova Scotia are to be based, according to the Assessment Act, on the property's market value two years prior to the assessment year. When sales data is lacking, Service Nova Scotia (SNS), the provincial assessment authority, has to fall back on methods such as the Cost Approach to calculate market value. This situation commonly occurs with special purpose properties such as container piers since they trade on the open market but rarely. The Cost Approach involves determining the cost to construct the facility, deducting depreciation and obsolescence (physical, functional, external) and then adding the resultant figure to the value of the land. The latter is determined by reference to sales of comparable parcels. Unfortunately sales of large urban sites (container piers consume 60 to 70 acres each) are virtually non-existent. When appraising industrial land, SNS applies the same rate per square foot to all of the parcel, irrespective of its size. We argued that this technique made little sense for container terminals, since they were so large. Pro-rata land values typically decrease with the parcel size. A more accurate method of ascertaining value would be to split the lot into primary and secondary parcels, and assign different values per square foot to each based on the most comparable sales data available. The provincial assessor agreed but was reluctant to move away from the Department's standard methodology. We therefore utilized the downturn in the port's shipping traffic to argue that External Obsolescence should be applied to the land as well as the buildings since container piers are unique properties, devoted to a single purpose, for the foreseeable future. External Obsolescence is normally only applied to buildings, in this instance a very small part of the assessed value, but SNS agreed to reduce the value of the entire property.

Winning Results

Turner Drake were able to negotiate assessment reductions for 2008 and 2009 for both container terminals, yielding tax savings of \$87,000 and \$97,000.

