

PROPERTY TAX CASE STUDY CHANGING TIMES

Our Client's Challenge

Times change, the products for which this plant was originally designed in 1972, were no longer in demand. The business had adapted by refocusing its product line and today produces steel doors and frames, aerospace components and customised items built to order. The building however, designed for a different production process, in another era, proved to be less adaptable to its changing role. The property assessment too was firmly focused on the past. The property owner turned to Turner Drake for advice.

Turner Drake's Approach

Obsolescence and depreciation negatively impact market value and since the latter is the basis for the property assessment it is essential that Physical, Functional and External Obsolescence be identified and quantified ... so we put our client to work. We had to have a comprehensive knowledge of the production process, and the ability of the building to accommodate raw materials handling, storage, processing and dispatch of the finished product. We therefore undertook a comprehensive inspection of the property and interrogated the plant management. This allowed us to establish the functional deficiencies in a building erected in a different age for a disparate production process. In order to assess the impact of the external factors, it was essential that we had a grasp of the competitive environment in which the firm operated. Access to, and competition for raw materials, labour and the market for the finished product were external to the property but impacted upon its market value. We opened negotiations with Service New Brunswick (SNB), the provincial assessment authority, and established that they had underestimated the Physical Depreciation inherent in a building of this age and construction. We demonstrated that they had ignored Functional Obsolescence: the entire second floor was vacant and the main level was not fully utilized; the adjacent, growing residential neighbourhood posed additional operational constraints from a noise perspective. External Obsolescence was also a factor: the United States absorbed a large part of the factory's finished product and increased shipping costs, border delays, a fluctuating Canadian dollar and the increasingly sluggish economy, were taking their toll.

Winning Results

We were able to negotiate a reduction in the assessment from \$1,192,400 to \$720,000 ... yielding annual tax savings of \$22,433.

