

PROPERTY TAX CASE STUDY HELP IS CLOSE TO HOME

The Client's Challenge

Our client, a Home Hardware franchisee had previously occupied an older and smaller retail store without on-site parking. He took the opportunity to lease a larger store with on-site parking, owned by Home Hardware corporate. The sting however was in the tail: the new store came with a considerably higher tax bill for which the dealer was responsible. Our client raised his concerns with head office, who in turn consulted their tax advisors... and were told nothing could be done. Undaunted, the dealer insisted that a tax firm close to home be retained: Turner Drake went to work.

Turner Drake's Approach

The 17,000 ft.² store was modern, it had been completed in 2005. The site and building construction cost undoubtedly exceeded the assessment. This posed a problem because the New Brunswick Assessment Act mandates that the assessment has to be based on current market value. One method for ascertaining market value is the Cost Approach... the replacement cost new of the buildings, less depreciation, is added to the land value. No doubt this was the reason Home Hardware's tax advisors had counselled that an appeal was a lost cause. However we were very familiar with the area. The store was situated in the downtown core, an odd location for a "big box"; its peers were located in the region's growing power centre. The store's weak location was reflected in its market rent and our negotiations with the provincial assessment authority, Service New Brunswick, focused on this, the property's Achilles' heel.

Winning Results

Turner Drake was able to negotiate a 22% reduction in the assessed value, a saving of \$12,500 per year in property taxes... all of which fell down to our client's bottom line.

