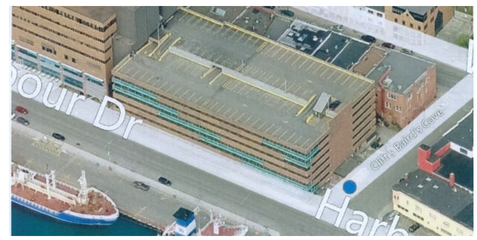
PROPERTY TAX CASE STUDY
PARKING PROBLEMS

The Challenge

Public access 24/7, hostile weather conditions and occasionally like minded customers … owning and operating a parking garage in St. John's central business district is not for the faint of heart. Our client cheerfully accepted them as par for the course. A tax assessment however, which failed to face reality was the last straw. They turned to Turner Drake for advice.

Turner Drake's Approach



For almost four decades, we have quietly helped property owners in the City of St. John's lighten their tax load. We rolled up our sleeves and went to work. The property was a 720 space, steel frame parking garage built in 1977. The Assessment Act mandated a 1st January 2014 Base Date for the 2016 to 2018 assessment cycle. The structure was therefore 34 years old at the Base (valuation) Date, well past its mid-life. Parking garages are particularly prone to the weather … and St. John's gets lots of it. During the winter the City is battered by blizzards … the rest of the year fog and rain are frequent visitors. For variety, the temperature can plunge to sub-zero double digits one day and bounce back into the black the next turning snow encrusted vehicles into salty pools of precipitation. This freeze thaw cycle is particularly hard on steel and concrete structures such as parking garages. Constant repair and maintenance is a necessity as the concrete decks absorb the salt water which then rusts the rebar. The costs vary widely from year to year after the building reaches its mid-life. Repair and replacement is expensive and is completed on a section by section basis.

We requested, received and reviewed the City of St. John's Assessment Division's calculations. They indicated that the property had been valued using the Income Approach. As is required for properties so assessed, the Assessment Division had demanded that the owner provide them with their operating statements for the years 2011 to 2013. The Assessor had utilised the actual 2013 gross income and had then deducted 30% for operating expenses. The resultant net operating income had been "capitalised" into an assessed value of $11.5 million. There were multiple problems with this approach. The actual operating expense ratio varied widely each year depending on the repairs being undertaken by a factor of 3. The Assessor had included property taxes: a nonsense since property taxes are asymptotic, they vary with the assessment … and off site management costs were assumed to be zero.

Winning Results

The matter eventually proceeded to the Assessment Review Court. Our Rick Escott prepared a written submission and appeared personally to present our client's case. The Court reduced the assessment from $11,500,000 to $9,937,900, thus providing our client with savings of more than $100,000 over the 2016—2018 assessment cycle.