

# PROPERTY TAX CASE STUDY PERSISTENCE PAYS

## The Client's Challenge

Only the strong survive in Newfoundland, and nowhere is that more true than in retailing. This is an intensely competitive marketplace and our client, a "big box" retailer had managed to survive and prosper by "sweating the details". Property taxes are a fixed expense; every dollar saved is a dollar earned. It was critical that their property tax burden was no higher than their competitors. They turned to Turner Drake for help.

## Turner Drake's Approach

We compared the property assessment, on a ft.<sup>2</sup> basis, with all of the company's other stores. Having established that it was the highest of any store, we obtained a copy of the assessment records. Since the Assessment Authority uses market value as the basis of its assessments, we compiled sale prices for big box properties in the Atlantic Region and analysed them on a ft.<sup>2</sup> basis. (Property sales information is confidential in the Maritimes so we have painstakingly created our own database from various sources, some legal). Having established that the property was over-assessed, we created a rental database for large retail stores in Greater St. John's. Using a logarithmic regression model, a statistical curve fitting and forecasting technique, we processed the data to establish the property's rental value, which we then capitalised into a market (assessed) value. We then represented our client in Court for the 2004 – 2006 assessment cycle.

Although the assessment was not increased for the 2007 - 2009 assessment cycle, we again filed an appeal. Using the prior Court case to identify further weaknesses in the Assessor's case, we expanded and refined our analysis of retail rents. Using two logarithmic regression models we established the rental differential between big box "finished" retail e.g. Wal-Mart, and "unfinished" retail such as our client property. The matter was again adjudicated by the Court.

## Winning Results

**The first Court decision reduced the assessment from \$8.0 million to \$7.5 million for the 2004 - 2006 assessment cycle, yielding tax savings of \$48,000. the second Court decision reduced the assessment from \$7.5 million to \$6.5 million, yielding additional tax savings of \$85,500.**

