Property Tax Case Study
Savings in the Bag

Our Client's Challenge

From their base in rural New Brunswick, the owners of this light manufacturing facility had successfully expanded their business (and their New Brunswick manufacturing plant) to service their clients across North America. Like any business, continued success required continuous improvement and continuous evaluation of their operations. As it became apparent that shipping their product over great distances was less economic than producing their product closer to the markets they served, the owners took a hard look at the value of their assets which brought into question the validity of their property tax assessment. They turned to Turner Drake for advice.

Turner Drake's Approach

Manufacturing plants are typically assessed using a depreciated replacement cost approach. These properties are often overassessed because it takes a great deal of experience to recognise and quantify the existence of functional and external obsolescence. There are no tables for assessors to rely on and unless the assessor knows the right questions to ask and who can provide the answers there is a high probability it will be missed.

Turner Drake's industrial team wasted little time in familiarising themselves with the facility and the business. Their personnel, trained to understand the bricks and mortar but also the economics of manufacturing knew what to look for and the questions to ask. The piece meal construction and poor product flow were sure signs of the existence of functional obsolescence and the business case for a location closer to major markets provided ample evidence that an allowance for external obsolescence was required. Armed with Compuval™, Turner Drake's team was able to quantify the value loss by providing the tax assessor with hard facts, sales of properties that suffered from similar problems, in support of a lower assessment.

Winning Results

Turner Drake developed a negotiating position in support of the correct assessment and was successful in securing a 15% reduction leaving the owners with an additional $20,000 per annum to reinvest in their business!

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