

# PROPERTY TAX CASE STUDY

## TAX CREEP

### Our Client's Challenge

Our client's property was afflicted with a common ailment; each year the assessment, and thus its property tax load, increased. The annual increases were moderate, but relentless. The New Brunswick Assessment Act requires that property be assessed at its market value, as of January 1<sup>st</sup> of the taxation year. The property was located in a neighbourhood which was transitioning from industrial to commercial use ... so land values were rising. However this was an industrial building still used primarily for warehousing albeit with some showroom space. The client turned to Turner Drake for advice. Our Rick Escott took on the assignment.

### Turner Drake's Approach

Several court cases have established that, whilst market value is the legislated basis for the assessed value, "existing" rather than "highest and best use" governs the determination of market value. In this case land values had been increasing as commercial uses infiltrated what was once an industrial area. Purchasers intending to redevelop lots for commercial use were driving the increases in land values. The subject property was a purpose built warehouse and although a portion had been modernised, and a section was now utilized as a showroom for the owner's business, the majority was still used as a warehouse. We undertook a detailed inspection of the property; our Commercial/Industrial Survey Form runs to 16 pages. We investigated everything to do with the physical, fiscal and legal attributes of the property. In this case we focused on functional constraints resulting from the physical limitation of the building and site.

### Winning Results

**We were successful in negotiating a 26% reduction in the assessed value with Service New Brunswick, the provincial assessment authority, thus saving our client \$24,700 per year.**

