



Meeting the Unique Property Tax Challenges of the Data Center Industry

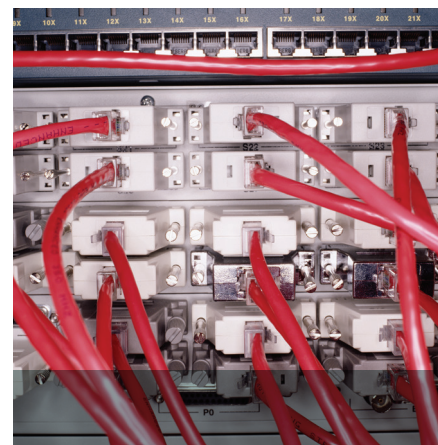
Ryan's Property Tax practice is the largest in North America, with more than 700 professionals across 39 locations. We provide North American coverage, the benefit of our local market knowledge, and a comprehensive range of services to help effectively manage property tax requirements with the goal of avoiding overpayment.

We have extensive experience in the data center industry with a team of experts that includes licensed attorneys, appraisers, and CMLs. Our software maintains all your information in a single database, allowing us to track and report on your property tax deadlines, assessed values, tax amounts, and appeal activities. You will work with a single point of contact on our team who will maintain regular communication with you.

Trends Impacting the Data Center Industry

Position in economic / industry cycle

- There is a continued strong demand for data centers driven by changes in computing models, storage models, globalization, and virtualization.
- Changing computing models facilitate global and virtual access to data, such as software as a service (SaaS) and open architecture. These new models require more data center storage capacity.
- There is a shift in storage models as data centers begin to store public, private, and hybrid clouds for clients.
- State and local jurisdictions will continue to offer incentives in order to attract the new data centers, while government carbon reduction incentives to promote green energy will impact the structures and improvements of data centers.
- The demand for 100% uptime and greater reliability has driven up the expense of improving the infrastructure of current data centers.
- For corporate customers, data center consolidation is an attractive option, as it largely reduces capital and operational expenses for one or more of their facilities.



Ryan property tax solutions:

- Commercial Real Estate
- Complex Personal Property
- Property Tax Compliance

Key Components Affecting Tax Valuations

- Real property versus personal property classifications—recognizing the difference between permanent structures vs. removable fixtures
- Underdeveloped security structure (software) in maintaining confidential corporate data
- Corporate-owned facilities vs. investor-owned data centers
- Shifts in new and more efficient technology of servers, which may drive functional obsolescence sooner in existing IT equipment
- Consolidation of IT activity, resulting in a decrease in application performance and bandwidth constraints
- Effective market rents for powered base buildings
- Proper adjustments to account for many differences/requirements for data centers

Client Success Stories

Proactively educating the assessor's office

Client issue: The client was faced with increased property tax assessments in a large jurisdiction due to the many sales and redevelopment projects occurring in the jurisdiction. Costs in the jurisdiction were as much as ten times the current assessments.

What we found: The assessor was not comfortable with the jurisdiction's approach to valuation and was having a difficult time locating all the data centers. The client's goal was to focus on the next tax year and establish a methodology for assessing data centers.

Approach and solution: Ryan and the client decided it was best to take a proactive approach and educate the assessor on the industry so that the property could be assessed for value using the most "tax-friendly" methodology. After several meetings with the staff at the assessor's office and analyzing different valuation models, it became apparent that a "Property Tax Cost Segregation" model was the best choice for our client.

Results: The assessor adopted our model, and the resulting tax valuations are significantly below initial development costs and/or sales prices.

Pursuing a new assessment approach

Client issue: After the client built a "state of the art" data center, they were faced with a significant property tax assessment in a large jurisdiction.

What we found: The assessing jurisdiction was double-assessing a portion of the new construction, as well as including non-assessable items, which resulted in an over-assessment of the property.

Approach and solution: The goal was to establish an assessment methodology for current and future years. In this instance, Ryan diligently reviewed the county assessment workpapers and analyzed and examined the new construction costs. After reviewing the property in detail and meeting with the County Assessor's personnel, Ryan was able to pursue a favorable assessment approach.

Results: The assessor accepted our methodology, which resulted in significant tax savings that also affected future tax years.



Ryan property tax consulting services:

- Annual Assessment Review
- Audit Support
- Business Personal Property
- Management Reports
- Pre-Acquisition Reports
- Property Tax Budgets
- Real and Personal Property
- Tax Appeals Services
- Tax Return Preparation

In North America, Ryan, LLC and Ryan ULC provide clients with tax consulting, recovery, compliance, advocacy, technology and other client-related professional services. Ryan, LLC is a member firm of Ryan International, a Swiss Verein. Ryan ULC is a constituent entity of Ryan International, a Swiss Verein. Ryan International is a Swiss Verein whose member firms and constituent entities form a leading network of tax advisory and consulting firms, each of which may be licensed to use the name "Ryan" in connection with providing tax advisory and consulting services to its clients. The member firms of Ryan International and their constituent entities operate throughout North America, Europe and Asia in accordance with local regulatory requirements but are not a part of a single international partnership. The responsibility for the provision of services to a client is defined in the terms of engagement between the client and the applicable member firm or constituent entity. Neither Ryan International nor any member firm or constituent entity of Ryan International is liable or responsible for the professional services performed by any other member firm or constituent entity. Ryan International is not itself engaged in the practice of providing professional services. Rather, it is an international umbrella entity organized as a Verein under Swiss law. Not all member firms and constituent entities provide the full range of services mentioned within this brochure. "Ryan" and "Firm" refer to the global organizational network and may refer to one or more of the member firms of Ryan International, each of which is a separate legal entity.

Award-Winning Tax Services®

For additional information

1.855.RYAN.TAX

ryan.com

© 2017 Ryan, LLC. All rights reserved.