

CORAL BAY COMMUNITY COUNCIL, INC.

Mailing: 9901 Estate Emmaus, St. John, VI 00830

Office: 8-1 Estate Emmaus, Coral Bay, St. John, U.S. Virgin Islands

E-mail: coralbaycommunitycouncil@hotmail.com Phone/Fax: 340-776-2099

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September 13, 2007

Hon. Gregory Francis, Lt. Governor
Government House
US Virgin Islands delivered via fax

Dear Lt. Governor Frances,

Advisory Council

Guy Benjamin
Mary Blazine
Elvis Marsh

The Coral Bay Community Council is a 240-member nonprofit organization concerned with planning and development issues in Coral Bay. At a recent community meeting, I was asked to write an open letter on behalf of the participants and the CBCC to express serious concerns surrounding the property tax revaluation process.

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Updating the property tax system and assuring that it is fundamentally based on accurate "fair market value" property valuations is crucial to the US Virgin Islands' future. We need this funding base to improve our infrastructure, education, and public services. This can only be achieved if there is broad consensus that the tax system is fair and equitable.

It is equally crucial that the valuations and proposed exemptions respect the reality that many residents who have owned property on St. John since the 1980's or all their lives, are facing 600 to 1000 percent increases (or more) in valuations, and thus face potential tax increases which their incomes will not cover. The government will need to consider these abruptly higher taxation possibilities in legislating the new tax rate policy, with a careful, considered selection of assessments, rates, exemptions, and caps.

First, however, before we can reasonably consider this tax policy, the underlying valuations must be consistently done for all three islands. As residents of St. John began to review their residential revaluations, questions about the accuracy of the valuation process came to the forefront immediately. These problems need to be cured as quickly as possible – so that the taxation process can go forward. If they are not fixable quickly, perhaps it would be well-advised to send out the 2006 bill soon under the old method, while continuing to work to make the valuations fair, and to select equitable tax rate policy.

The Tax Assessor's office sent out proposed valuations for owner's review and is engaging in an "informal hearing" process to correct errors on individual property's market valuations. Residents of St. John are concerned that we are uncovering what appear to be patterns of inconsistencies in the revaluation process on St. John (and perhaps for all the Virgin Islands). We are confident these are correctable, and perhaps inevitable at this early stage of a major revaluation – and write this letter to encourage active work on improving the valuations prior to taxation, and also to recommend annual market updates, since real estate values go up and down.

The valuations we received are intended to be the January 2006 valuation. For St. John, that probably is the high point in market valuations, with declines since then. In St. Thomas, sales prices have continued to increase in 2006 & 2007. Unless we have a government commitment to do annual valuation updates, there will be continuing inequities in taxation in the future.

Right now, the base valuation needs to be correct, as of January 2006 – for all the islands. From inquiries we've made, it appears that only St. John has widespread problems with overvaluation concerns. (Put simply, even though most of us on St. John, don't intend to sell our houses, we would happy to trade our houses for a check for the valuation amount. We doubt people on St. Thomas or St. Croix would feel the valuation check was quite enough money to sell their homes.) As citizens began to look for the reasons for this, we found that the valuation computer model starts with a \$360 per square foot average valuation for houses (building only) on St. John, compared to a valuation of \$93 on St. Thomas, and \$89 on St. Croix. Where did these numbers come from? The breadth of this disparity is not being caused because every small home on St. John is worth four times a similar one on St. Thomas. Nor is it the difference in construction costs. It is most likely being caused by the limited number of sales in 2005 on St. John, (54 houses and 64 parcels of land) - virtually all at the premium end of the market! The St. John average is being based on sales of fancy vacation villas, not regular residents' homes. The opposite is true on St. Thomas.

Computer modeling is an important tool, but it needs to be double-checked and adjusted when it does not square with reality. In this case, the number of sales on St. John is probably too small and too high end, and the overall housing stock is too diverse to be captured in the current model. A possibility for fair adjustment would be to include St. John in the St. Thomas figures (as we are for everything else) for the purpose of the baseline model averages, then adding a St. John factor. We would like to be able to discuss this and other model parameters with the model developers, and share a lot of neighborhood information so that we can assist in finding a fair and accurate valuation process for St. John. It can be done.

Other valuation model concerns:

- No factor for bordering National Park, premium water views, etc.
- Inconsistencies in use of inspection terms (type of house, quality, view, etc.)
- Bias of premium villa sales “undervalued” on quality components as average homes – which has a tendency to overvalue the more ordinary properties in the neighborhood.
- Equal vacant land, not valued equally
- Very unequal homes valued equally

Right now the public only has internet access to one page of the assessment data, rather than the complete files which show the actual components in the valuation. We would like to request access to this data.

Many home owners on St. John have asked for a review of the valuation of their homes; this is in progress. We will need to see the adjusted amounts. Furthermore, no land properties over 2 acres on St. John have been valued yet in the publicly available system, over 50 homes are not valued yet, nor have the 2006 sales adjustments been entered, so we can see that impact on valuation. There is still much work to be done, and we ask that citizens be included in improving the analysis so that the valuations are correct, and no one will feel the need for further legal action.

We would be happy to provide additional neighborhood and comparative property analyses to help expedite the process. We also urge citizens to participate actively in making the property valuations accurate, and making your concerns known to the government.

Sincerely,

(signed)

Sharon Coldren
President, CBCC

Cc: Governor deJongh
Virgin Islands Legislature
Tax Assessor
Special Master
Press