

**IN THE DISTRICT COURT OF THE VIRGIN ISLANDS
DIVISION OF SAINT THOMAS AND SAINT JOHN**

VIRGIN ISLANDS UNITY DAY GROUP, INC.)	
)	CIVIL NO. 08-047
Plaintiff,)	
)	ACTION FOR VIOLATION OF
v.)	42 U.S.C. § 1983; VIOLATION
)	OF REVISED ORGANIC ACT;
GOVERNMENT OF THE VIRGIN ISLANDS,)	TEMPORARY AND PERMANENT
ROY MARTIN, in his official capacity as)	INJUNCTIVE RELIEF
Tax Assessor,)	
)	
Defendants.)	
)	

**DECLARATION OF ROBERT GLOUDEMANS IN SUPPORT OF
MOTION FOR PRELIMINARY INJUNCTION**

ROBERT J. GLOUDEMANS deposes and says:

1. I am an adult male resident of the State of Arizona. I have personal knowledge of the matters set out in this Declaration and could competently testify thereto if called as a witness.

2. I am a partner in the firm of Almy, Gloudemans, Jacobs & Denne. The firm works exclusively in property tax and assessment administration, chiefly for governments and related institutions. The firm provides analysis of property tax policy, legislation and technical issues; structured evaluations of property tax systems and practices; assistance with strategic planning, business process engineering, systems design and project management; technical specifications, manuals and course materials; training; mass appraisal modeling and value defense; and help with integration of property tax, land titling, and geographic information systems.

3. I am a former Senior Research Associate for the International Association of

Assessing Officers ("IAAO"). I was also formerly employed as Supervisor of Computer Assisted Appraisal and Director of Research and Equalization for the Arizona Department of Revenue. I am the author of the IAAO publication *Mass Appraisal of Real Property* (IAAO, 1999). I was also a principal author and senior technical editor of *Property Appraisal and Assessment Administration*, one of the fundamental IAAO documents on the subject of property appraisal and assessment administration. I am also a coauthor of two other IAAO publications, *Assessment Practices: Self-Evaluation Guide* and *Improving Real Property Assessment: A Reference Manual*.

4. I am also the principal author of many IAAO assessment standards, including the *Standard on Mass Appraisal of Real Property* (March 84), *Application of the Three Approaches to Value in Mass Appraisal* (Aug 85), and the *Standard on Ratio Studies* (July 90). As well, I contributed to more recent updates to these same standards and contributed to others, including the *IAAO Standard on Automated Valuation Models* (Sep 03).

5. I have taught IAAO and other courses and workshops on assessment administration, mass appraisal, and ratio studies for over thirty-five States and Provinces. I have directed or participated in assessment consulting projects for over 100 government agencies, including major revaluation projects in Alberta, Arizona, Colorado, the District of Columbia, Florida, Manitoba, Montana, Northern Ireland, Ontario, Saskatchewan, Tennessee, and Washington.

6. My areas of specialization are mass appraisal model building, mass valuation training, and ratio studies.

7. I have had an opportunity to review Act No. 6991, signed by Governor John deJongh on March 10, 2008. I note that the Act provides that "In assessing the fair market value of real

property, the Tax Assessor shall use the applicable standards promulgated by the International Association of Assessing Officers ("IAAO"), and shall promulgate such rules and regulation as necessary to implement the IAAO standards for all classifications of property set forth in section 2301(b) of this title." As noted above, I was either the principal author or co-author of many of those IAAO standards and recommended practices, particularly those relating to mass appraisal and the use of ratio studies

8. I have had an opportunity to review the following documents:
 - a. Joe Hunt's report, "Mass Appraisal Review of the United States Virgin Islands Commercial Property Revaluation" dated June 15, 2005;
 - b. Mr. Hunt's letter to the Court re "USVI Property Revaluation" dated March 25, 2007;
 - c. Mr. Hunt's letter to the Court re "USVI Property Revaluation" dated March 31, 2008;
 - d. Documents represented as being the record of sales on St. John for the time period 2002 through 2005 used by BearingPoint as data for its Sales Ratio Study to validate the revaluation of real property on St. John, and
 - e. Act 6991

9. Based on these documents I conclude that one can have no confidence that the revaluation was in fact conducted or completed in compliance with IAAO and USPAP standards. Indeed, I find the reports more troubling than reassuring. These reservations relate to the fact that Mr. Hunt provides no studies or documentation supporting his conclusions, appears to have relied solely on information conveyed by the vendor rather than undertaking any meaningful independent investigations, and raises a number of relevant, troubling observations that he fails to answer in subsequent reports.

10. I am very troubled by the complete lack of documentation for the conclusions stated in Mr. Hunt's reports. I would have expected to see such things as a list of training courses (e.g., courses, dates offered, and number of attendees); a timeline or summary of key project tasks and dates completed; an outline of market areas and neighborhoods used in the revaluation; a summary of value per square foot (or some such) and value changes by property type and market area or neighborhood; and sales ratio reports documenting valuation results. While I understand the desirability of not overloading the Court with technical materials, I am surprised by the complete lack of any high level presentation of key materials, especially the distribution of values and value changes and particularly ratio studies. The reports themselves fail to comply with IAAO standards, and if they are representative of the work performed by BearingPoint, that work also fails to comply with IAAO standards.

11. Mr. Hunt appears to have conducted no independent analysis of data or valuation accuracy. If I understand correctly, Mr. Hunt was to conduct a random, independent audit of no more than 10% of properties. I saw no assurances that anything meaningful of this sort was conducted (rather I was left with the opposite impression). Certainly, Mr. Hunt presents no statistics or documentation along these lines. I am also troubled by the impression (based on remarks in at least two if not all three of the reports) that, rather than addressing data quality issues proactively, those issues were to be sorted out in the value review process. While some problems for over-valued properties can be ascertained and corrected at this stage, data quality is the cornerstone of accurate values – and should be addressed up front during the data collection and review process rather than left to the final step of the revaluation process. The importance of assembling accurate data in preparation for a revaluation is emphasized in the IAAO literature (see, for example, the discussion

in section 3 of the IAAO *Standard on Mass Appraisal of Real Property*, 2006).

12. I am also troubled by the time frame for the revaluation described in these materials. Mr. Hunt's review of the commercial revaluation is dated June 15, 2005 with notices scheduled to be set out at the end of the month dependent on satisfactory completion of the informal review process. Yet page 5 of the same report states that "The commercial data collection project was completed in June 2005...". How could data be reviewed and valuation analyses completed in June if data collection was not completed until June? To further the confusion, the third report states that "Commercial property values were completed as of January 1, 2005..." Additionally, I get the impression from the latter two reports, that commercial values were not finalized in 2005 at all (and maybe not until 2006). While there may be explanations for these discrepancies, one gets the impression that the entire process was rushed, with care and accuracy sacrificed to expediency.

13. In his March 25, 2007 letter Mr. Hunt states that only 2002-2005 sales were used in the residential reappraisal:

"Because of timing and difficulties inherent in the existing Virgin Islands GIS, 2006 sales were not used in these phases of the revaluation. The 2006 property sales should be processed and used in a sales ratio study as a final check on the new residential values. A sales ratio study, using sales that occurred after the revaluation was conducted, will provide an important final measure of quality for the revaluation and should be conducted as a condition of final approval."

I see no evidence in the March 31, 2008 letter that this critical study was completed or what its results were; nor do I see any evidence of a residential ratio study using the 2006 sales. I agree with Mr. Hunt's statement that such a review would provide an important final measure of quality and that it should have been conducted as a condition of final approval.

14. Returning to the commercial revaluation, Mr. Hunt notes on page 7 of his first report that values were based on the cost and income approaches (only) due to the dearth of commercial property sales. On page 3 he states: "Actual income, expense, and lease data are also difficult to discover and verify. Consequently, the need for a highly technical system with strong data management and analytical capabilities is extremely important." I can find no statistics or discussion regarding the number of properties providing usable income data or of what specific valuation methods were used. Since it is not until the March 31, 2008 letter that Mr. Hunt states that the "income and expense survey is complete", one wonders how much usable income and expense data were available to support the June 2005 values and whether the revaluation relied largely on the cost approach, which is the least related of the three approaches to actual market behavior, especially if there were inadequate sales to adjust cost rates and values to the market. The IAAO literature contains considerable discussion of methods for adjusting cost rates to the market, but I see nothing to indicate that those techniques were applied here.

15. On page 10 of the June 15, 2005 report there is a statement that "A study of 'percent of assessment' increase in new assessed values for the year 2004, as compared to the 2003 value, indicated an average increase in assessments of 61%. Within this group, 40% of the assessments actually went down and the remaining 60% increased." I regard such an observation as disturbing in the absence of further explanation. While one would hardly expect all properties to change in value at similar rates, this degree of spread is highly unusual and one would expect some sort of summary or explanation of value changes by property type and area to put the reader at ease. Some properties must have increased enormously for 40% of properties to experience actual declines in value in the face of an overall 61% increase. Again, while this may in fact be the case, one would expect there

to be some specific statistics and explanations for such wide value changes.

16. The inability to harness GIS in the reappraisal, as reported by Mr. Hunt, did not help as GIS could have been used (among other things) to display values, value changes, and sales ratios on thematic maps for review by appraisers and other concerned parties. Regardless, one would expect at least to see statistics and a related discussion of value, value changes, and ratio statistics by location and property type.

17. At various points Mr. Hunt raises concerns about important incomplete tasks (such as follow up data reviews, CAMA systems training, resolution of property address errors, and GIS integration) that are never answered in subsequent reports.

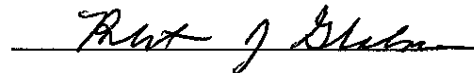
18. In summary, there is a complete absence of evidence indicating that the revaluation was completed in accordance with IAAO or USPAP standards. While Mr. Hunt's observations and opinions deserve due consideration, I see no indication that he conducted any meaningful independent analyses and cannot but help be concerned by the complete lack of documentation. While the revaluation probably had its strong points and *may* have achieved expected standards, Mr. Hunt's reports alone provide no evidence of that. In fact, they raise more questions and concerns than they resolve.

19. I have also been provided with information regarding sales and assessed values of properties on St. John. It has been represented to me that the data was used by BearingPoint to conduct its ratio study to validate assessed values. I have used those figures to independently calculate the sales ratios for St. John property. The results of those calculations are attached to this Declaration as Exhibit A.

20. Assuming that the sales data provided to me was properly selected and calibrated in accordance with the IAAO Publication "Standard on Ratio Studies" these figures indicate that high end properties on St. John are being systematically under-assessed and low end properties are being systematically over-assessed. In any event, the numbers themselves fall far outside of IAAO standards.

21. On the other hand, assuming that the sales were not properly selected and verified, this would indicate a fundamental problem with market data collection, and verification and calls into serious question the validity of the entire reassessment project..

I DECLARE UNDER PENALTY OF PERJURY THAT THE FOREGOING IS TRUE AND CORRECT TO THE BEST OF MY KNOWLEDGE, INFORMATION, AND BELIEF AND THAT THIS DECLARATION WAS EXECUTED AT Tulsa, Oklahoma, ON SEPTEMBER 3, 2008



Robert Gloudemans

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EXHIBIT A

Scenario 1: All Sales Except 25 Land Sales Valued with New Houses

Ratio Statistics for VALUE / PRICE

Sale Type	Count	Median	Weighted Mean	Minimum	Maximum	PRD	COD
House	116	1.286	1.263	.447	65.168	1.584	.795
Land	294	1.223	1.195	.160	28.129	1.456	.674
Overall	410	1.254	1.235	.160	65.168	1.468	.702

Scenario 2: Excludes 25 Vacant Land, Ratios < .25, and Ratios > 4.00

Ratio Statistics for VALUE / PRICE

Sale Type	Count	Median	Weighted Mean	Minimum	Maximum	PRD	COD
House	112	1.267	1.191	.447	2.783	1.106	.275
Land	277	1.212	1.171	.291	3.900	1.202	.403
Overall	389	1.216	1.183	.291	3.900	1.167	.369

Scenario 3: All Sales Except 8 Land Sales with Unknown March 1 Land Values

Ratio Statistics for UPDATE_VALUE / PRICE

Sale Type	Count	Median	Weighted Mean	Minimum	Maximum	PRD	COD
House	116	1.286	1.263	.447	65.168	1.584	.795
Land	311	1.242	1.189	.160	28.129	1.464	.665
Overall	427	1.265	1.232	.160	65.168	1.470	.696

Scenario 4: Excludes 8 Land Sales with No Land Value, Ratios <.25, and Ratios > 4.00

Ratio Statistics for UPDATE_VALUE / PRICE

Sale Type	Count	Median	Weighted Mean	Minimum	Maximum	PRD	COD
House	112	1.267	1.191	.447	2.783	1.106	.275
Land	292	1.215	1.165	.275	3.950	1.209	.406
Overall	404	1.221	1.180	.275	3.950	1.172	.371