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Commissioner Grover Robinson

From 2004 to 2010, the County Tax Appraiser assessed ad-valorem taxes on the improvements on parcels on Pensacola Beach. The Florida Supreme Court recently ruled that such assessments are legal.

In 2011, the County Tax Appraiser began assessing ad-valorem taxes on both the land and the improvements. Certain leaseholders (notably 765 Portofino leaseholders) are continuing their challenge of the legality of assessing ad-valorem taxes on the leased land.

The Escambia County Board of County Commissioners (BOCC) has orally agreed to escrow the taxes the County collects on the land portion of the parcels on Pensacola Beach. This makes good sense, because if the Courts do decide that the land should not be taxed, the County will have the escrowed funds to refund those taxes. If the Courts decide that the land IS taxable, the BOCC has committed to remit the escrowed funds to the Santa Rosa Island Authority (SRIA), and in turn the SRIA would use such funds to refund lease fees paid from 2011 to the date lease fees are eliminated (as per the BOCC resolution in June 2011).

We think this is the correct thing to do, and applaud the BOCC for taking such steps to mitigate the losses of the "double-taxed" leaseholders on Pensacola Beach.

To be fair to everyone, it is essential that the land taxes escrowed by the County are correct. We believe the County is significantly under-escrowing such taxes due to an arbitrary and incorrect allocation of taxes collected on condominium units on Pensacola Beach.

Florida law treats condominiums differently than other real estate, and the Tax Appraiser does not normally allocate any value to the land – all condominium values are allocated to improvements. For the years 2004 through 2010, when the Tax Appraiser only taxed the improvements, the tax Appraiser used an artificial formula that allocated – on the average – 85% to improvements and 15% to land. Portofino challenged this allocation, and the Courts agreed with Portofino that the portion allocated to land should be approximately 50% (varies a bit by year). This resulted in significant taxes being refunded to Portofino leaseholders in early 2013.

Beginning in 2011, when the Tax Appraiser began assessing taxes on both the land and the improvements, once again 100% of the values were allocated to the improvements. This meant that the County had to choose what percent of the improvements represented land, and therefore determine

the escrowed taxes on that condominium land. The County incorrectly chose to only allocate only 15% of the condominium values to land, even though the Courts have determined that it should be approximately 50%. We feel the 50% land allocation is the most reasonable defensible allocation for both Portofino condominiums and all other condominiums on the Beach.

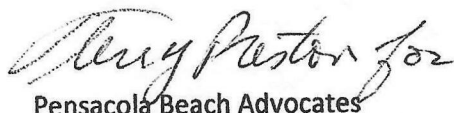
When this was pointed out to you and Amy Lovoy recently by the PBA, you agreed that the Portofino land allocation should be 50% (although nothing is being done to adjust the Portofino taxes escrowed from 2011, 2012 and 2013), but you insisted that the County would continue to use 15% for all other condominiums. In the face of the Court precedent for Portofino, PBA strongly protests this action by the County. This causes the escrowed taxes to be understated by \$1,000,000 or more per year. If it takes two more years to settle all the land tax lawsuits and roll back lease fees, the escrowed funds will be \$5,000,000 or more short.

You stated that the other condominiums had lost their right to challenge the Tax Appraiser over the percentage used, as such challenges have to be made within 45 days of the tax bills being issued. We disagree. The condo owners had nothing to challenge since 100% of the appraised value had been assigned to their improvements. How could they challenge a percentage allocation that was never stated by the Tax Appraiser? The 15% percentage is an estimate (an incorrect one) made by the County, not by the Tax Appraiser.

PBA urges the County to correct this error and escrow the proper amount of land taxes from 2011 to the time that the Courts rule on the land taxation and lease fees are rolled back. The County has a unique opportunity to do so now. Since leaseholders are required to pay all prior taxes on improvements (going back to 2004) by July 25, 2014, these "windfall" tax dollars could be used to fund the approximate \$3,000,000 shortfall in the current land tax escrow.

This issue may have dire implications for the future funding of Pensacola Beach operations. You have stated that you feel the County's funding of Pensacola Beach operations should be capped at the amount of taxes collected on Pensacola Beach land. PBA strongly disagrees with this arbitrary limit of County funding. No other district in Escambia County has such restrictions. But if such restrictions were placed on funding future Pensacola Beach operations, and were calculated based on the incorrect percentage for condominiums, this further limits your proposed funds by \$1,000,000 or more per year.

Sincerely,


Terry Preston for
Pensacola Beach Advocates

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