
After the Contract is Signed -- Is the Honeymoon Really Over?

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This paper is a result of a series of discussions held in preparation for a presentation made at the 1989 session of the International Association of Assessing Officers (IAAO) Conference held in Fort Worth, Texas. Panel members included John Boedecker, RES, Assessor of Cerro Gordo County, Iowa, the Hon. Anthony P. Iriti, Auditor and Assessor of Hancock County, Ohio, and Mr. Ronald Huber, Chief Deputy Auditor for Real Estate of Franklin County, Ohio.

The series of discussions mentioned above led to the question, "What can be done to assure that a jurisdiction will have a successful reassessment program?" This article makes some suggestions in answer to that question.

A summary of our discussion boils down to one piece of advice:

Be involved.

The degree to which you, as the assessing official, are involved in your reassessment program is the degree to which it will be successful. The extent to which you ignore the project, allowing it to run on its own, is the extent to which your program will be less than successful.

Between these two extremes is the point at which most mass appraisal programs are carried out.

I realize that many auditors feel that the original thesis for utilizing a mass appraisal firm was that they simply did not have the staff, or the time, to carry out the program. Yet you must find the time to be involved throughout the process, from the very beginning in the establishment of the mass appraisal office and the systems and procedures that will be utilized for this appraisal, through the end of the program and the informal and formal hearings. Only then will you have the results that suit your county's needs and desires.

Following are several suggestions for successfully working with your contractor.

<p>1. Goals + Expectations Standard Operating Procedures</p>

Your contract sets forth the *basic* agreement between the

jurisdiction and the mass appraisal contractor.

However, at the project's start, it is important to assure that clear goals are established between both the county and the company's management, and also between you and the project supervisor and/or you and your primary contact within the firm.

It is essential that both the project supervisor and the firm's management fully understand your goals for this revaluation program.

One of the most efficient ways of ensuring that there is no miscommunication between you and the firm is writing a series of Standard Operating Procedures (SOP) that clearly set forth, in detail, the policies, procedures, rules, and goals you require as a part of this program.

I am not suggesting that you try to change the terms or conditions of the contract, but rather you should illustrate and expand upon the points contained in it.

Writing the SOP at the re-appraisal program's beginning establishes, among other things, the key goals that the firm must fulfill to result in an end product (the revaluation) which meets your requirements. It also clearly explains to the company how you are going to determine the quality of their work product. This is important because this is where the greatest problems of, and misunderstandings about, the program can arise if they are not addressed early in the project.

You need to have a *very complete understanding with the mass appraiser* as to what deliverables, or work product, you will receive. You need to have this understanding between the two of you *written* in your project's Standard Operating Procedure.

The IAAO standard dealing with mass appraisal is an excellent reference and a place to look for areas you might cover in your Standard Operating Procedures.

S.O.P. Suggestions

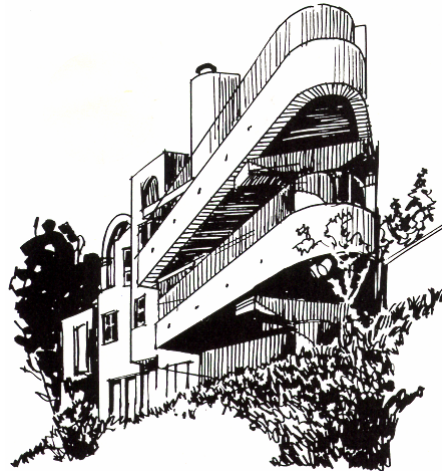
a. Require a Project Log

A good project supervisor for a mass appraisal firm will maintain a project log containing several important pieces of information:

- ✓ The names and identification information for every individual assigned to the project, their vehicle descriptions and license num

bers, and the beginning and ending employment dates for each person.

- ✓ The log should be a journal of the activities of the mass appraisal program. It should contain questions you have raised with the firm and their answers, as well as their questions to you and your responses and deci-



sions. Problems or complaints from the public should also be included.

- ✓ It should contain a list of public speaking engagements along with articles clipped from local papers and a list of interviews held.

If all of these are filed in the job log, you'll have a complete history of exactly what happened during the project.

The county should also keep a project log of its own.

b. Maintain Control of Your Materials

Since a reassessment firm may well be using a substantial amount of material that is the property of the auditor's

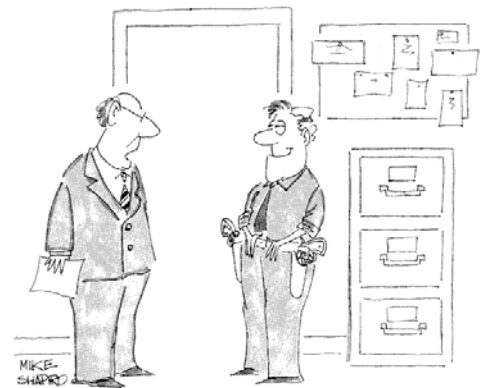
office, work with your firm's project supervisor to develop a standard procedure for materials control. These records should be maintained as an integral part of your, and their, job logs.

Typical items could include tax maps, property record cards, data files that you have built on sales, information that you have developed on rents paid, expenses of various types of property, and similar items.

Your materials control program is vital to your program's success. Nothing can destroy the relationship between the contractor and an auditor more quickly than a loss of material.

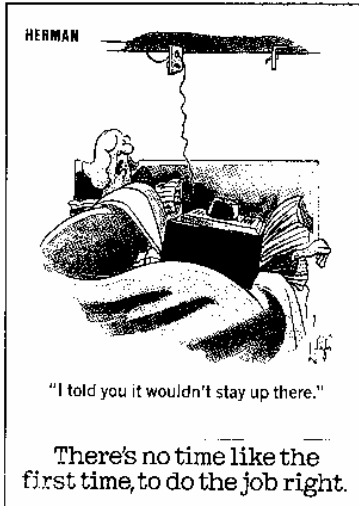
c. Require a Thorough Field Inspection

There are many excellent tools in the assessing profession, including the wonders brought to use by computer technology (for example, the development of an estimate of value using the multiple regression approach,



"Expecting trouble, Albright?"

combining comparative time-adjusted sales analyses, and an estimate of appropriate comparable properties). I do not, however, believe that these are substitutes for the judgment of the appraiser or substitutes for effective data gathering.



I believe very strongly in making a field inspection an integral part of a mass appraisal program. There are simply too many individuals who make changes in structures without securing building permits. In addition, the quality of the maintenance of many structures may have dramatically changed over the years. As a result, there is a need for regular field inspections using all the tools at our disposal.

Another of the key areas to cover in your SOP is how much effort the firm will make to attempt to view the interior of a parcel of real property. Will they make only one try, or are they willing to set aside a specific appointment time for interior inspections when the property owners can be home?

A complete explanation of the procedures you want followed when no one is at home should be set forth in the SOP. These procedures should be provided not only to the project supervisor, but also to every person assigned to the project.

d. Define Procedures For Commercial And Industrial Property Valuation

We've been concentrating a good deal of our discussion on residential property. This obviously constitutes the majority of the properties with which we must deal. There is, however, another very significant segment of the project: the commercial and industrial properties.

Here it is *essential* that your contractor gather effective data. Your SOP should detail how it will be done.

If you haven't done so prior to signing the contract, now is the time to interrogate the management of your appraisal firm about the capabilities of their commercial and industrial appraisers at the time the contract is signed, or even better, before signing. For example:

- ✓ Have they attended IAAO's Course 302, The Mass Appraisal of Commercial Property?
- ✓ Are they competent and capable in the manipulation of capitalization rates or gross income multipliers?
- ✓ Do they have standards by which they judge income streams?

- ✓ How do they propose to develop the capitalization rate?
- ✓ How effective is their data gathering plan regarding loan rates, return on equity, and other similar information from your jurisdiction?
- ✓ Is the industrial appraiser merely a data gatherer who can write an effective cost report and upgrade existing costs, or is he/she competent to estimate the reproduction cost new as may be appropriate and determine depreciation, physical, functional, and economic, from the market?
- ✓ What market references does the firm utilize?

I suggest that on each parcel of property visited (and, according to Ohio Law, they all should be visited) the appraisal firm's representative should give an income and expense statement to the person he/she speaks with.

This income and expense statement should have a complete set of instructions and should contain a means of returning it to the county.

The statement's information should be analyzed by you and then given to the mass appraisal firm.

Your contractor should *also* make a strong attempt of their own to gather information on income and expenses and then develop an estimate of value using the income approach to value on a real or model basis for each parcel. Too often, mass appraisal firms will rely on nothing more than a cost table.

e. Informal & Formal Hearing Procedures

If your contract includes informal and formal hearings (and I believe this should be an integral part of every contract), you need to define the who, what, where, how and why of the hearing procedures. For example, if a Notice of Valuation will be sent to the property owner, who's responsible for this task?

This is another area to be worked out with the firm and included in your SOP. We'll discuss this again briefly later in this article.

2. Develop, and Stick to, a Project Plan

The second vital document you need to develop with your mass appraisal firm is a project plan. (There is a substantial amount of low cost project management software available either through standard vendors or through shareware vendors.)

The project plan should be developed, reviewed, and updated on a monthly basis. It can be the key discussion tool between the project supervisor and the assessing officer for their monthly meetings.

This is the *one* document that tells you *exactly* where you stand, the amount of work that needs to be done, and whether or not your program is on an acceptable schedule. Lateness can damage the public's perception of you as an assessing official and it can contribute a great deal to the ruin of an otherwise good reassessment program.

3. Actively Participate in the Program

The degree to which you, as an assessing official, participate in the revaluation program is generally going to be the degree to which you receive a high quality result.

There are some firms that will carry out a quality program with or without your involvement, but those firms are few and far between. It is essential that you, as the assessing officer and the individual ultimately responsible for the values that are to be established, be actively involved with the program.

a. Review Field Work Weekly

What do I mean by active involvement? I mean that you should go into the field typically one day each week with a data gatherer or reviewer that *you select*. Spend a full day with that individual observing his/her techniques. For example:

- ✓ Does the individual have knowledge of the data they are to gather or the review procedures they are to carry out?
- ✓ Are they courteous to your taxpayers?
- ✓ Are they efficient in their work habits?
- ✓ Is their appearance acceptable to you and a proper representation of you and your office?

- ✓ Does the individual follow the procedures that you and the firm have agreed upon in the SOP regarding data gathering, review, and answering taxpayer questions?
- ✓ Does the individual have reasonable answers to questions raised by taxpayers?

A revaluation requires a large commitment in time both by you and your staff. Many auditors simply do not have a lot of time to devote to this thorough a program.

If your time demands are extremely high, I encourage you and your staff members to go out at least once a month. At least your mass appraisal contractor will know that you care and that you are actively involved in monitoring the program.

b. Review the Contractor's Work

Make time to physically review 25 to 50 cards on a random basis once per month by taking those cards back into the field, conducting a re-inspection of the physical facts, and measuring your judgment against that of the individual who conducted the activities in the current phase of the revaluation program.

- ✓ Are you satisfied with the information and its quality?
- ✓ Do you find frequent discrepancies between the physical facts and the information recorded on the data gathering form?

- ✓ Are there judgmental differences? If there are, are they significant? If they are, it is time to meet immediately with the project supervisor and with a representative of the management of the firm to set forth the differences and to solve these problems before a large amount of data is gathered.

Make sure you review the data gathered by several individuals. In other words, do not follow the same individual regularly unless you've found a consistent error.

Most contracts contain the provision that the assessing officer may require the removal of any individual from the project. Do not hesitate to use that provision if, in your opinion, an individual is not carrying out the task to your specifications and standards.



c. *Monitoring Sales and Value Development*

You, or one of your staff members, should frequently monitor sales activity versus new value development.

This is carried out by taking a group of sales – perhaps all of the sales in a particular month – and comparing the sales that have taken place with the values estimated by your appraisal firm. If there are significant differences, or a trend that develops showing that the firm is either generally high or generally low in comparison to these sales, then you will need to make immediate changes in either the pricing schedule or the procedures being used.

d. *Involve Your Staff*

Be sure to actively involve your staff in these review procedures. There is nothing more useful to you and your staff than going into the field to see how the program is being carried out because, ultimately, this program will be *yours*. The degree to which you know exactly what work was completed and how it was done, and that your staff has participated in these activities, will affect the long-range quality and the success of your program.

e. *Plan to Monitor Hearings*

The monitoring program should continue throughout the reappraisal program up to and through the informal and formal hearings.

Monitor those hearings. What complaints or problems are taxpayers raising? How is the firm responding to those problems?

Take a group of complaints and go to the field with one the hearing officers to investigate

those complaints. I strongly recommend that you do not make changes without first verifying the facts in the field.

4. **Communicate Effectively with Property Owners, Officials & Your Appraisal Firm**

The old saying that communication is a two-way street is absolutely true in a reassessment program and perhaps it's even more than a two-way street. You must effectively communicate with taxpayer/property owners.

They must know what is happening, why it is happening, and what they might expect from this reassessment program. The taxpayer should be able to *clearly and quickly* identify a data collector who, by your authority, is at his/her door. That taxpayer should also have a complete understanding of the data collector's purpose for being there. They need to know what to expect.

At the same time, it is extremely important to communicate with your own jurisdiction. Make sure the other officers within your unit clearly understand what is happening in the reappraisal program, how it is to be conducted, and what they might expect in the way of prospective questions from the public. Keeping your fellow officials informed will be a real help in ensuring the success of the program.

The third point of communication involves talking with the mass appraisal firm.

It is essential that you meet frequently with the mass appraisal project supervisor and with your management representative. (If your firm appoints both a project supervisor and a management contact person be sure you have a clear understanding as to who is responsible for your project and to whom you can take your complaints, problems, criticisms, and compliments concerning the work being carried out.)

Meet with those persons frequently and make sure that you are absolutely candid with them at all times. Any problem, any discussion, any point in question should be relayed quickly and efficiently. You should not allow that problem or question to be forgotten until you are fully satisfied with the answer. (Remember to place the questions and answers in your project log book!)

5. Sell the Revaluation Program to Your Publics

A revaluation program will have an impact upon a great many citizens and taxpayers in your jurisdiction. They will, in all probability, see their values change, especially if it's been some time since you've had a revaluation. They may not totally understand those changes, so it is essential that you communicate with your citizens – your customers (and voters) – before, during, and after the

program. Some methods include using news releases, press conferences, radio public service announcements (PSAs), public appearances, brochures, fact sheets and callback cards.

a. News releases

The firm that you hire should provide you with a series of news releases that fit your situation. These news releases should be suitable for the print and electronic media, depending upon your particular jurisdiction, and the news sources that serve the area.

News releases should be sent to all print and electronic media regularly. I generally suggest that you should have something in the hands of the media once every two weeks, dealing with such subjects as the inspection process, questions the appraiser may ask, identification of data gatherers and appraisers, and other similar topics.



b. Press Conferences

The minimum acceptable standard for a mass appraisal firm is that they provide you with an individual who is knowledgeable and capable to meet with members of the press.

At that meeting a media kit should be provided to each news representative. The kit includes a clear statement of the goals and objectives of the revaluation program, the procedures utilized to carry it out, the time frame in which it will be carried out, the end result, and the rights of the taxpayer at the program's end.

It should also include the qualifications and capabilities of the firm carrying out the revaluation program, a clear method for contacting that firm and a clear means of contacting you.

c. Public Appearances

In a revaluation program it is essential that the mass appraisal firm carrying out the program provide you with speakers to carry the message of equality and fair treatment for all taxpayers to the citizens of your jurisdiction.

The company should furnish you with a qualified, capable, and knowledgeable speaker who is willing to address public service organizations.

You will find many service organizations in your jurisdiction that are looking for speakers. Address these groups frequently, both during the revaluation program and also between revaluations.

Don't be afraid to go "on the road" yourself, too! Few people really understand what it is that we do for a living and even fewer understand how we do it. Take every opportunity to educate your public to the important job you are doing for them.

d. Brochures & Callback Cards

Discuss with your appraisal firm the use and distribution of brochures and callback card.

Ideally, a brochure describing the program and its procedures should be left with every taxpayer. This brochure can be

one of your primary documents for reaching out to property owners. In a large county the brochures can be professionally typeset and printed, while in a county with a smaller budget, the fact sheet and brochure can be created on a typewriter or PC and photocopied.

If a property owner is home when the data collector visits, a brochure should be handed to that person. If no contact is made, then a brochure should be left at each house. Some firms utilize a plastic bag into which they insert a brochure and a "callback" card, providing a method for the property's occupant to complete and return the form to add information to the appraisal record.

6. Establishing Informal Hearing Procedures

We mentioned earlier in this discussion the concept of communicating, and perhaps even marketing, the results of the re-appraisal program to the taxpayer base which you serve.

One of the best and most efficient ways you can assure the quality of the job, and its acceptance by the taxpaying public, is to provide them with an informal opportunity to discuss the values which have been established with the mass appraisal firm that established those values. (I have long held the view that a firm that has the courage to establish the values should have the courage to present and discuss those values with the property-owning public.)

Again, these procedures should be included as part of your Standard Operating Procedures.

7. Formal (Board of Revision, or BOR) Appeals

Ohio provides a first level of appeal in the local taxing jurisdiction called the Board of Revision. In general, the values established by the Auditor are presumed correct at the local level and must be overturned by weight of evidence and information presented by the taxpayer.

Your S.O.P. should include a clause stating that a representative of your mass appraisal firm will attend each of these hearings and whether or not they will be present at the field inspection.

Your mass appraisal firm should be at the hearings as a resource for Board members. In these hearings it is inappropriate to call upon the mass appraisal firm to defend its values, but, at the same time, it is appropriate for the appraiser to answer questions and provide information to Board members.

8. Appeals to the State

Appeals beyond the local level should be aggressively defended whenever and wherever it is, in the opinion of the auditor, to be in the best interest of the community to do so.

There must be a clear understanding between the company and the assessor as to who is

responsible for prosecuting these appeals and what responsibilities are incumbent upon the mass appraiser for providing an expert witness.

Further, it's important that there is a clear understanding between the assessor and the mass appraisal firm as to whether or not a new and an additional appraisal must be completed and what quality of appraisal is required. For example, is there a need to develop a full narrative appraisal report for a residential property under appeal?

There is nothing as frustrating to any appraiser as appearing at a formal hearing carrying a lone property record card and discovering that the taxpayer has in hand a comprehensive narrative appraisal prepared by a fully competent and capable appraiser. You are simply not prepared to effectively defend your values against that kind of homework.

In Summary . . .

Many of the ideas presented in this discussion are a result of hard lessons learned in the mass appraisal business and from the experiences of government appraisers.

The single idea that is most important and pervades everything that has been said is:

The involvement of the assessing official is essential to the success of the mass appraisal process.