

Developing Reassessment Specifications

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Abstract

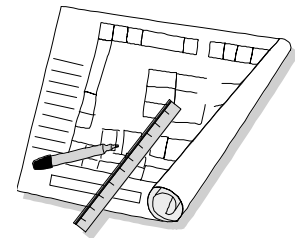
A successful reassessment or revaluation project is a massive task. It involves forethought, planning, research, goal-setting and constant oversight. This paper combines the thoughts of a Consultant, a County Auditor (who is also the Assessor) and a Mass Appraisal Contractor. Their goal is helping you create an effective, comprehensive, well-thought-out reassessment specifications document.

A reassessment program is a partnership--whether a reassessment is performed by your staff, or by a professional mass appraisal firm. Like any other successful partnership, goals and success criteria must be set, and plans for meeting those goals and criteria must be thoroughly discussed well ahead of beginning the project. Each member of the reassessment team must understand how their assignment fits the project's overall picture.

Your reassessment specifications must be carefully thought-out, discussed among the principals involved, and the project's success criteria selected and written down. If they are not, your reassessment project will very likely end up pleasing no one and disappointing everyone.

WHAT IS A SPECIFICATIONS DOCUMENT?

Just what is a specifications document? It is a well-thought-out blueprint outlining how your reassessment program will operate. It also includes a list of the items required for your program's success. The specifications document helps you, and whoever will be supervising your program, do a thorough job of meeting your performance criteria.



Specifications come in many formats. We've worked with projects whose specifications were only a brief verbal agreement, and we have conducted reassessment programs where the specifications contained fifty pages of detailed information. There is no magic length. To get the best reassessment for your money, though, you must clearly understand your goals, thinking them through and defining them to get the results you desire.

Writing a specifications document forces you to:

1. plan how your reassessment will be run;
2. set individual goals for each section of the program;
3. select the criteria by which the program's success will be judged;
4. examine the reassessment resources available in your office and in your community;
5. determine the time, human resources, and legal restrictions within which the program must operate.

Your specifications document helps your staff understand your goals for the program. Also, if you contract out any, or all, of the work, it assists you in writing your request for proposal (RFP), thereby helping prospective vendors to prepare realistic proposals and bids encompassing exactly the work you require of them.

PLAN BEFORE YOU WRITE



The saying, “If you fail to plan, you plan to fail,” is especially applicable to a reassessment program. There is a direct relationship between the quality of your planning and the quality of your reassessment program. You must define how you want this particular program conducted. The best analogy is a habit from Stephen R. Covey’s book, *The 7 Habits of Highly Successful People*: “Begin with the end in mind.” Decide what you want this reassessment to accomplish for you, and for your jurisdiction, before you begin developing your specifications.

Here are a few thought-starters:

- Define the project’s scope. Is it a full reassessment? Will all classes of property be revalued?
- Will you be using the same reassessment staff as in the past?
- Do you want every property inspected, or only an electronic statistical analysis of values?
- Do you want a contractor to conduct the statistical analysis of your jurisdiction prior to any fieldwork?
- Do you want your in-house reassessment staff to gather data before the statistical analysis is run?
- How do you want the statistical analysis carried out?
- How detailed will the data gathering be?
- Is it important to the project’s success that the data gathering staff talk with homeowners?
- What approaches to value do you expect the reassessment team to use? How do you expect your team to reconcile the values from each of the approaches to value into a final, overall value for your tax base?
- Does your jurisdiction have a particular valuation requirement, or may you use all three traditional value approaches?
- Do you expect the reassessment team to conduct an income and expense analysis of all commercial properties?
- Do you expect the reassessment team to calibrate your existing model, or do you expect them to use either multiple regression analysis or feedback analysis?

These, and other questions, are what you must answer if you want a cost-effective, successful reassessment. You create the questions, answers, and goals by brainstorming—having your professional staff assist you in developing clear, understandable, specific, written tasks and goals

for this reassessment program. The “Specifications Composition Guide” at the end of this article can serve as a brief outline for you.

Caveat

If you currently use a mass appraisal contractor but are considering changing companies, be aware of some problems which can arise. The soon-to-be-supplanted vendor might:

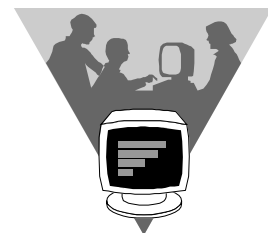
- claim they own the data which resides in the CAMA (computer assisted mass appraisal) system, especially if the vendor owns the system;
- require additional payment for copying data files for the new vendor’s use;
- “accidentally” lose or overwrite CAMA files and other important documentation.

Therefore, before advertising for a new contractor, be sure your current vendor contract:

1. clearly spells out who owns which data;
2. addresses how data will be transferred to either your office’s custody or to a new contractor’s system, and the format(s) in which data are to be transferred;
3. states if downloads to magnetic tape are included in the original agreement’s; and
4. spells out if you will incur any up-front costs in gaining access to the data. If there are costs, those, too, should be outlined in your current agreement.

SCOPE OF THE WORK

Activities that can greatly alter the scope of your reassessment project include the installation of a new (CAMA) system, integration with other CAMA systems, data conversion, the kind of mass appraisal project that is planned, and the types of properties to be appraised. (Additional CAMA concerns are also addressed in “Examine Your Value Elements” later in this paper.)



CAMA Concerns

Acquiring a new CAMA system roughly doubles the complexity of a mass appraisal project. Our best advice is to prepare a completely separate specification document and RFP for the CAMA system you require and include a detailed list of system integration requirements. While preparing your reassessment’s specification document, ensure that your timetable takes into account the time needs of both the CAMA system’s installation and reassessment project tasks.

Converting data from your current system to your new system requires time, expertise, and patience. Successful conversions require staff who are intimately knowledgeable about both systems, particularly which data elements will accurately convert and which elements will not convert. (Sketches usually fall into the latter category.) In your CAMA specifications, specify which party is responsible for each portion of the data conversion.

Our best advice, however, is purchasing and installing a CAMA system about a year after your reassessment project is complete. This gives both you and your supplier time to work out the system's bugs well in advance of your next reassessment.

Partial or Total Reassessment?

An early planning step is, of course, determining the scope of the reassessment project. The first step is understanding why the reassessment is being undertaken.

- Was this reassessment ordered by a body other than the Assessor? If so, who? What are their requirements?
- What are your jurisdiction's assessment requirements?
- When was the last reassessment completed? What were its strengths and weaknesses?
- Must all classes of property be physically inspected and revalued? If not, which classes will be revalued?
- What are the strengths and weaknesses in data maintenance since the last reassessment?

Data Collection

The next step is determining the information that needs to be collected from the field and how the data collection process will proceed. (There's more on this step under "Examine Your Value Elements" below.) Will your in-house staff be doing the fieldwork, or will you hire a contractor? If your staff will do the fieldwork, and a contractor the valuation and analysis, consider the implications to the project if either the data collection work is poorly done, or the valuation and analysis work is not quite up to your standards. Unclear guidelines could result in considerable finger-pointing by the time you reach the project's assessment notice and appeal stage.

Below are several questions with which to begin your brainstorming.

- Who will perform the actual collection of data?
- How detailed will the data gathering be?
- Will property sales be used in valuing properties? How current must they be? Are there any sale validity requirements or restrictions? Does your CAMA system track sales information? How easily can it be accessed?
- Which approaches to value may, and may not, be used?
- What information are you and your staff allowed to request from property owners? If owners do not comply with your request, what recourse do you have for obtaining the information?
- Who will be valuing special use properties such as industrial and commercial properties, abated and exempt parcels, and utility properties? Should a different individual or firm be hired to appraise only these parcels?
- Will you require income and expense information and documentation for income-producing properties? If so, is someone on your reassessment staff experienced in utilizing this information?

- Are interior inspections needed?
- Is it important that the data gathering staff talk with homeowners?
- Do you want each property to have a 360-degree walk-around inspection, or will a drive-by review of values suffice?

Determine Quality Standards and Procedures

Carefully consider the implications of the quality standards you set. For example, requiring a set percentage of appraisal accuracy, or a particular ratio standard, could allow an unscrupulous team member to cherry-pick sales to ensure that their reports will meet your performance standards. Ensure that the standards you set, and the reports you require, will affect the project's quality positively.

If you decide to inspect (or quality control) your data collectors' work, we recommend focusing on individual work products rather than on examining a fixed percentage of properties. The aim of re-inspection is ensuring that the data collection team takes data quality seriously and that only competent, conscientious data collectors are employed.

Your specifications should spell out whether a mass appraisal summary report, following Uniform Standards of Professional Appraisal Practice (USPAP) guidelines, is required and the form the report should take. Regardless of whether or not this item is implemented, you should at least insist that all reassessment team members provide adequate documentation of all analyses they make which lead up to neighborhood delineations, land rates, building schedules, direct market models, etc.

DETERMINE YOUR TIME FRAME

A reassessment program is a massive undertaking. There is a tremendous amount of data to be gathered, analyzed, corrected, and organized. There is a public relations program to be carried out, and appeals to be heard. In addition, there is also the daily work in the assessor's office to be completed. Because all these tasks take time and manpower, it is imperative to set a realistic timeline for your project—while allowing time for unexpected delays such as bad weather, illness, and computer breakdowns.



It is essential that your specifications clearly define the project's beginning and ending dates, the dates when project meetings will be held, and dates when written progress reports will be due. These meetings and reports will measure your project's actual progress against your earlier projections. (During these meetings you also need to clearly see that your statistical analysis, data gathering, public relations, and preliminary results are on track and meeting your long-range objectives.)

EXAMINE YOUR CURRENT INFORMATION BASE

It is hard to know where you are going if you don't know your beginning point. A self-evaluation of where your jurisdiction is today needs to be one of the first tasks you perform as



you are considering a reassessment program. The International Association of Assessing Officer's (IAAO) book, *Assessment Practices Self-Evaluation Guide*, contains 100 questions that can help you examine your operation. An analysis conducted using this publication will give you a clear benchmark of the point from which your reassessment is starting. It can also be a tremendous help in improving the overall quality of your office.

Some sample questions include:

- What is the quality of the data on your property record cards?
- How accurate is your assessment information?
- What data are in your database? What items do you want to add or subtract from your database?
- How accurate are your maps? When were they last updated?
- What was the date of your last aerial flight?
- What is the mathematical formula used in your CAMA's valuation process?
- What is the state of your public relations and your relationships with:
 - ▶ Other elected or appointed officials
 - ▶ The taxpaying public
 - ▶ The tax spending units
 - ▶ Your office professionals

Before either writing your specifications document or requesting RFPs, it is essential that you know where your program is today, so you can share its current status with everyone who will be working on your program.

SET YOUR GOALS

It is important that your reassessment goals be realistic. No matter who conducts the reassessment program, it will neither work miracles, nor will it correct years of database neglect. So carefully craft your goals in realistic terms.

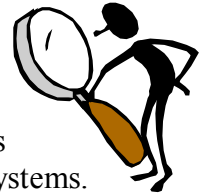
Although this section of the specifications is the most important, it is also the one on which the majority of assessment officials spend the least amount of time.



In a clearly labeled section of your specifications, define what "success" is in your terms. Is it a specific IAAO measure? If so, the IAAO's *Standards on Assessment-Ratio Studies* is a major asset in helping you define what you want out of a reassessment. Other IAAO standards, and books like *Property Appraisal and Assessment Administration*, can be a tremendous help in creating your definition of success.

While developing your goals, give some thought to establishing targets for coefficients of dispersion, measures of central tendency, and other statistical measures which allow you to quantify your program's quality. If you set standards for accuracy in data gathering and data entry, be sure you have methods for evaluating them.

EXAMINE YOUR VALUE ELEMENTS



Most jurisdictions use a CAMA program for the majority of their reassessment-related work. Consequently, one of the greatest challenges assessors face today is unearthing, and understanding, the many formulas residing within their CAMA systems. Be sure to schedule a sufficient amount of time during the specifications development phase to discuss, and understand, its inner-workings.

Your CAMA system is one of the most important tools for operating your reassessment program. It is essential that you understand how your CAMA system operates before using it in the valuation process. If you fail to understand its operation, then you won't know if the system correctly modified your factors, or if the new values are correct. Below are some thought-starters:

- What are your CAMA system's elements of value?
- To what types of real estate components does your system assign values; how much value is assigned to each component?
- How do the components fit together within your jurisdiction?
- Can you modify the curve of the depreciation schedule and the grading system so they will match the profile of your community? What steps do you take to make this modification?
- Does your CAMA have a commercial and/or industrial module(s)?
- Does your CAMA system allow you to use the income approach to value? If so, what factors impact value within that approach? How is the capitalization rate determined? How is it applied?

ANALYZE YOUR RESOURCES



As you plan your reassessment program, include a comprehensive analysis of your monetary, human, and physical resources. The resources you have available, coupled with how accurate your jurisdiction's data are, will dictate the kind and quality of assessment program you will be able to conduct.

Use these questions to get your creative juices flowing:

- Do you have sufficient funds available for the kind of job you have envisioned?
- Does either your in-house staff, or your current contractor, have the expertise to do the job you require?
- Are there enough qualified, experienced people available, either in your office or on the contractor's staff, who can dedicate their time solely to this project?
- Do you have office space for a reassessment team? Do you have training time and space?
- Can you reproduce your maps and your property record cards for the team's use?

- Do you have an Internet site that can be used as either a data gathering resource or as a data verification resource?
- Do you have rooms available in which to hold informal and formal hearings?
- What statistical tools are available in your office?
- Will you need additional statistical tools to help make the reassessment a success?
- Have you used a multiple regression analysis, have you developed an appropriate model for use in your jurisdiction?
- What local and national economic data do you regularly receive?
- Do you have the Korpacz Real Estate Investor Survey or similar reports?
- What data is available through local Chamber of Commerce groups?
- What rent study data do you have for commercial properties—including subsidized apartments?
- What valuation manuals are available in your office?
- What sales data are available in your office?
- Will a local multiple listing service and/or area real estate brokers cooperate with you in gathering and sharing market and rental information?

SELECT YOUR REASSESSMENT METHOD

Your next big decision, prior to writing your specifications, is, “Should my reassessment be conducted by my staff or by a professional mass appraisal firm?”



If your staff is large enough so that a large number of employees can dedicate their time solely to the reassessment, there are several advantages to conducting an in-house reassessment. Your staff knows:

- your resources and limitations;
- your time constraints;
- the property owners;
- the economics of the area;
- area developers, realtors and appraisers.

Using a professional mass appraisal firm also has several advantages. Their staff:

- is often new to the area, so they see it with an unbiased eye;
- do not know the property owners, so are less likely to be influenced by friendships;
- are knowledgeable in several valuation methods;
- are experienced in using a variety of CAMA systems and statistical analysis packages;
- are accustomed to producing work quickly and efficiently.

Interview and Research Your Reassessment Choice

Regardless of the reassessment method you choose, you need a project leader—someone who is a liaison between you and the reassessment team. Interview people for this position as you would for any position in your office. Their strengths should include:

- the technical capability to understand how a reassessment operates (and, preferably, hold an IAAO or other professional designation);
- understand, and be able to use, both your CAMA system and all the statistical analysis packages that will be used;
- have conducted reassessments in several jurisdictions similar to yours;
- have strong work references and a strong work ethic;
- be an accomplished communicator who can interact with staff members, property owners, elected officials, and the real estate community;
- be a flexible leader;
- have a good rapport with you.

If you decide on a professional firm, you must go one step further. Research the firm, its officers and managers, and call its clients for their opinions of the company's work. Interview the owner or the key appraisal leader, not just the firm's marketer. Ask to interview the person who will be supervising the day-to-day work on your project; have them explain their work methods, philosophy, and public relations capabilities. Ask if they will have the same trained, experienced people on your project from beginning to end. Ask pointed questions regarding their commitments to other projects during your contract's term. Determine if the firm is financially sound.

While interviewing contractors, keep a detailed, comprehensive file on each one—including any handouts they supply. (The handouts will often be useful during the reassessment.)

IT PAYS TO “ADVERTISE”

As you develop your specifications, be sure to include public relations support as a separate section. This should include, at a minimum, media releases, brochures, handouts, public service announcements, public speakers and press kits. If you'll be using a professional appraisal firm, ensure that:

- they are willing, able and qualified to assist with your public relations program when asked, and
- a knowledgeable executive will be available to speak to community groups such as the Rotary, Optimists, and school boards.



While developing your public relations specifications, you should also plan how you will communicate your initial “where we are now” findings to seven groups:

1. taxpayers
2. elected officials
3. school boards
4. Courthouse staff

5. other employees of the jurisdiction
6. the local news media (newspaper, radio and television)
7. realty organizations

On-going communication during your project is important for four reasons. It:

1. shows you are willing to talk about how the reassessment is progressing;
2. begins educating your public about the reassessment and the real estate trends in your jurisdiction;
3. is an opportunity to begin teaching the local news reporters about how the assessment process works;
4. helps make your reassessment a non-news event by the time it is completed.

There are many stakeholders in a reassessment program. They range from the individual taxpayer, to the units of governments which spend the taxpayers' money, to the legislative body which will be impacted by the reassessment program. The communications program you develop will help determine your success with each of these groups.

THE ASSESSOR'S ROLE



In addition to planning the reassessment and authoring the specifications document, your role includes ensuring that your document is followed during both the proposal stage and throughout the actual reassessment program.

You are the leader and the chief executive of this program. Your team takes its performance, commitment, and quality cues from you. So in your personal planning, be sure you schedule time each week for progress meetings and for your active participation in the program. This includes making time for unscheduled weekly visits to the project office. Your tasks there could include:

- a quick quality check of selected fieldwork;
- experiencing the CAMA system's operation by data entering several parcels;
- discussing the current state of the project, including sales verification and related statistics, with the individuals responsible for those tasks;
- riding with a field lister to see how they interact with the property owners;
- examining the neighborhood maps; doing an in-field verification of several of them;
- holding a short meeting with the field staff discussing their concerns and field findings.

Plan on being a visible, integral part of the reassessment program.

The Pre-Proposal Meeting

After the specifications are mailed, many jurisdictions have a by-invitation pre-proposal meeting with the professional appraisal firms. Often the Assessor also invites a selection of the jurisdiction's elected officials to the meeting, thus allowing them to see how the reassessment RFP works.

At the meeting the Assessor thoroughly reviews the specifications and contractors ask questions. This forum allows an interchange of ideas and often results in a revised specifications document. Minutes from the meeting are distributed to all participants.

SUMMARY

Both writing a successful specifications document, and running a successful reassessment program, rest on three general principles.

1. Pre-writing planning, research and preparation.
2. Active participation in the program.
3. Active communication with all the program's stakeholders.



Most of the ideas developed in this article are based on our experiences. It is our firm hope that some of these ideas will benefit you, and ultimately your taxpayers, as you design and carry out a program of which you can be proud, and which will also add to your jurisdiction's reputation for fairness and equity.

Specifications Composition Guide

Plan the project

1. Begin with an end goal in mind
 - a. detail the items that will make this reassessment a “success”
2. Examine where your jurisdiction is now
 - a. determine the documents and programs available for
 - i. planning
 - ii. analysis
 - iii. income records, etc.
 - b. examine your CAMA system’s capabilities and drawbacks
3. List your restrictions
 - a. personal time
 - b. legal time limits
 - c. money
 - d. staff
 - e. space
 - f. other
4. Decide who will do the work
 - a. in-house
 - b. contractor
 - c. combination of both

Write the specifications

1. Define the goals
 - a. performance standards
 - b. the criteria that will make the reassessment a success in your eyes
 - c. valuation methods to be used (cost, market, income, other)
 - d. legal restrictions (relevant laws)
 - e. tax lien date
 - f. deadline for work to begin and end
 - g. progress reports and/or meetings
2. Define the qualifications the reassessment team (including any contracted firm) must possess
 - a. personnel qualifications
 - b. if using a contractor, company qualifications
3. Define the reassessment team’s responsibilities
 - a. data capture & fieldwork
 - i. fieldwork tasks
 - a) residential and agricultural
 - (1) property inspection criteria
 - (2) photographs
 - (3) callbacks (in-person and/or by mail)

- b) commercial and industrial
 - (1) property inspection criteria
 - (2) photographs
 - (3) callbacks (in-person and/or by mail)
 - (4) income and expense reporting requirements
 - c) exempt properties
 - d) other property classes
 - ii. narrative reports for specific property classes
 - iii. buildings on leased land
 - iv. building cost schedule development
 - b. market data analysis and model development
 - i. sales analysis
 - ii. income and expense gathering and/or analysis
 - iii. neighborhood analysis
 - iv. land appraisal
 - a) include front foot, square foot, and acre values and value adjustments
 - c. quality control
 - i) review requirements
 - d. use of jurisdiction resources
 - i) what the jurisdiction will furnish
 - ii) what the contractor will furnish
 - iii) office space, equipment, telephones, computer equipment and lines, etc.
 - e. progress reporting
 - i) frequency
 - ii) minutes
 - iii) written progress reports
 - iv) project log
 - f. value review, reconciliation and defense
 - i) review of values
 - a) statistical
 - b) in-field (if necessary)
 - ii) informal and formal hearings
 - iii) appeals to the State
 - g. public relations
 - i) how
 - ii) who
 - iii) frequency
- 4. Contractor issues
 - a. work and delivery deadlines
 - b. insurance
 - c. billing and compensation
 - i) restrictions and late completion penalties
 - ii) independent contractor (allowed, disallowed)
 - iii) subcontracting
 - iv) contract between jurisdiction and the contractor

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