

Revaluation and Inspection Cycles—A Plan for Change

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Property Tax Review. March 2004. Volume 5 Issue 1

http://dor.wa.gov/Docs/Pubs/Prop_Tax/PTNews_04_Q1.pdf

Development of new revaluation plans is underway for counties scheduled to begin a new plan with the 2005 assessment year. Those counties will soon be sent a form for use in reporting their proposed plan to the Department. During the review of county plans this past year, one thing was very apparent--the process of changing revaluation or inspection areas/boundaries is a smoother transition when those involved are prepared through advance planning.

Planning tools successfully used by assessors this past year and also basic plan requirements, for both cyclical and annual counties, are provided to assist those counties currently working on a new plan and also as a reminder for those counties several years out from beginning a new plan.

Mark Leander, assessor of **Skagit County** is in the midst of a conversion from a 6-year inspection to a 4-year inspection cycle. The process began during the previous plan and it will be complete by the end of this year. The transition is based on an inspection interval that is phased down from 6-years, to several areas with 5-year intervals, and finally resulting in four areas with a 4-year inspection interval. By the start of a new plan in 2007, the transition to 4-year inspection interval will be complete. The concept of the phased-in change required that additional parcels be incorporated into existing inspection cycles. With an annual revaluation of property, inspections may be more frequent, as long as the plan provides for an inspection at least once during the six years period.

Several factors allowed Assessor Leander to successfully increase workload during the transition: funding for three additional appraisers from 1997 to 2000 to handle the increased volume of new construction, a skilled assessor, and an experienced chief appraiser and staff. The impact on the county and taxing districts from a high volume of new construction and growth encouraged the support of the commissioners and finance director. Through the use of a phased-in approach, Assessor Leander and his team have been able to inspect all property during the transition without extending any inspections outside of a 6- year interval.

Recent reviews of other counties' plans have revealed planning methods that are leading to successful implementation of changes to inspection cycles within their respective counties.

Yakima County Assessor Dave Cook has developed his annual revaluation plan with modifications to his six inspection areas boundaries. Boundary changes are based on an internal assessment that identified neighborhoods which are strongly defined by market activity. Well defined neighborhoods are expected to enhance the use of mass appraisal models as well as provide better utilization of staff resources. Assessor Cook, working together with his IS coordinator, sales analyst and lead appraisers, has focused on the identification of neighborhoods through analysis of sales, market defined neighborhood characteristics, and geographic boundaries. Once the neighborhoods were identified and clustered, then necessary changes to inspection areas boundaries were identified and incorporated within the new revaluation plan.

Snohomish County Assessor Cindy Portmann, together with past assessor Gail Rauch, made the well-planned leap from a 4-year revaluation program to an annual revaluation program with a 6- year inspection cycle. The county went through software conversion during the early 2000's, which has provided time to work with the software application and gain confidence in the system's ability before making the additional transition to an annual revaluation program.

Initial planning for annual revaluation highlighted the critical importance of identifying neighborhoods and planning the configuration of inspection areas that would best utilize resources and bode well in a model-based mass appraisal environment. A consultant was used to work with staff in identifying neighborhoods and the development of inspection areas. Also, the Residential Appraisal Department has been reorganized with a focus on task related work groups.

This reorganization is expected to better support the range of functions in an annual revaluation program.

Assessor Portmann acknowledges that a continuing commitment from the county to provide for development tools, such as advanced training for staff, analysis and modeling software, and use of a consultant, will be important for a successful transition and a strong revaluation program.

The **Thurston County** team, led by Assessor Patricia Costello, has focused on strategic business planning which incorporated (1) needs assessment, (2) redevelopment of business planning, and (3) updating standards, policies, and assessment documentation. The needs assessment included addressing questions such as: Where are we currently? Where do we need to be? What will it take to get there? Periodic reviews are made to determine if the course needs to be adjusted.

Their inspection cycle was changed to maximize mass appraisal efficiencies through integration of market modeling tools and processes. They have redefined market regions, combined neighborhoods, and changed inspection areas. The county has placed a

high priority on data integrity and has expanded its sales validation program to target inspecting and validating valid sales. Combined with the regular inspection program, properties may be inspected more frequently than the 6 year requirement. Also, they have made a significant investment to upgrade appraisal staff skills in using technology and mass appraisal tools (i.e., Microsoft Access, SQL language, ArcInfo, statistical analysis and valuation modeling).

Establishing Revaluation Areas/Inspection Boundaries

Establishing revaluation or inspection areas/boundaries to ensure a balance of workload with resources is an important aspect of developing a revaluation plan. Several concepts guide the development of a revaluation plan whether it is a cyclical revaluation cycle or an annual revaluation with a cyclical inspection cycle.

To meet constitutional and statutory requirements, a revaluation plan shall provide for complete reappraisal of all property; an active and systematic program of revaluation on a continuous basis; and all parcels should be inspected at least once during the plan's timeframe. Physical inspections shall meet the requirements of RCW 84.41.041, WAC 458-20-326 and WAC 458-12-339.

Revaluation Area Boundaries in Cyclical Revaluation

In order to meet the requirements of a systematic program, the prescribed time to make adjustments in your revaluation area boundaries is in conjunction with the start of a new plan/cycle. The new plan easiest to implement is the old plan that has not changed. However, in most jurisdictions, change is constant—as new parcels and improvements to property reflect the growth in communities. Growth may not be evenly distributed throughout the county, and resources shift with budgets, staff changes, technology, and expanded programs.

In many cases, a plan may need only subtle adjustments near growth pockets. If you are toward the last several years of a plan that doesn't seem to work as well as it did in the past, then it may be time to begin developing your next revaluation plan. This is the time to think about growth patterns within your county—do you need to adjust cycle boundaries? Is one area growing at a faster rate than other areas? Is the growth in homogenous neighborhoods? How will non-homogenous growth affect workload? Is there a balance of workload between reval areas? Is the distribution of property type within each area a good fit with the ratio of appraisers skilled in specific use properties? For example, do you have enough commercial staff to handle the commercial in each year of the cycle?

The process has to be a challenge—to meet all these needs and do it within the confines of laws and the ruling in *Dore v. Kinnear*. This case states that a substantially equal amount of taxable real property must be revalued in each year of a cyclical program in order to comply with equal protection requirements of the state and federal constitutions and uniformity of taxation clauses of the state constitution. *Dore v. Kinnear*, 79 Wn.2d 755, 489 p.2d 898 (1971)

Inspection Areas with Annual Revaluation

When properties are revalued on an annual basis, there is a bit more flexibility in making minor adjustments to inspection cycles. However, proposed changes do need to be submitted to and reviewed by DOR before the change is implemented. If it is necessary to make a change in the middle of a plan, it is preferable to maintain the interval of 6 years or less rather than move outside the 6-year interval. The strength of the process used by Skagit County allowed them to maintain an inspection interval of 6 years or less. This process will keep your record of property characteristics current and will support the assessor's statutory presumption of correctness (*Dare v Clifton*, BTA Docket 41953, 1992).

In summary, the easiest plan to implement is one that does not change. However, in most jurisdictions, change is constant as counties experience growth in workload and resources shift with budgets, staff changes, technology, and expanded programs. Plans may change at the right time--we just need to plan for those changes.

County Sales Validation Process Innovations

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Property Tax Review. September 2007. Volume 8 Issue 3

http://dor.wa.gov/Docs/Pubs/Prop_Tax/NewsletterFall2007.pdf

As part of the Department's commitment to assist the assessment community in providing uniform, equitable, and quality assessments, we have undertaken the task of conducting a best practice study focusing on the sales validation process. Best practices are actions or processes that positively impact the assessment administration function. The objective is to provide ideas to enhance the effectiveness of similar programs in other counties. Each county is encouraged to review these practices and decide if any can be adopted to improve the efficiency and effectiveness of their own programs. Best practice reports provide additional tools that counties can use to improve assessment administration. This report, as well as our previous report on best practices used in the administration of the Senior Citizen and Disabled Person Exemption and Deferral Programs, can be found on our website at:

http://dor.wa.gov/Content/FindTaxesAndRates/PropertyTax/prop_BestPractices.aspx

A sales validation process provides a means for sales screening and identification. Assessors must be able to identify sales that require adjustments or are not indicative of the market. The screening process provides a mechanism for the assessor to sort and categorize sales data.

In the course of our interactions with county assessment staff, we recognized that some counties have developed and instituted methods that, when shared, promote uniform and equitable property tax assessments. During our study, we identified essential elements in evaluating whether a process has achieved "best practice" status. These essential elements are documentary evidence, organizational accountability, and compliance function. We examined each county's entire sales validation process, including the administrative process, policies and procedures, and the methodology used to maximize the effectiveness of the process.

The "best practice" processes and actions we identified included:

- ◆ Procedure manual development -- Pierce County.
- ◆ Personnel education -- Pierce County.
- ◆ Single-point review -- Snohomish County, Jefferson County, and Okanogan County.
- ◆ Informational sources -- Pierce County, and Snohomish County.
- ◆ Sales data collection methodology -- Pierce County and Pacific County.

Our goal was to provide information that other counties can draw from. We recognize that each county operates within a distinct setting, yet we hope that the report will provide at least one feature that all administrators can draw from.

We would like to thank the participating counties for their cooperation and willingness to share the information with the rest of the assessment community. I would also like to thank the team volunteers—Mike Braaten, Sindy Parshall, Omar Medina, Scott Sampson, Rob Bricel, Karen Clark, and Pat Baxter—for all their hard work and assistance with this project.