

DIRECTIVE #94-027

TO: County Appraisers and County Commissioners

SUBJECT: Vendors and Contract Specifications for Real Estate Appraisal Services

This directive is adopted pursuant to the provisions of K.S.A. 1993 Supp. 79-505, and shall be in force and effect from and after the Director of Property Valuation's approval date. (The Director of Property Valuation shall hereinafter be referred to as the "Director.")

K.S.A. 79-1478 authorizes counties to contract with private appraisal firms in conjunction with their duty to appraise property for Kansas property tax purposes if two special requirements are satisfied. First, the private appraisal firm must be one which currently enjoys approved status and consequently appears on an approved list, periodically-updated by the Director. Second, the contract executed must satisfy the specifications of the Director.

K.S.A. 79-1478 imposes an express duty upon the counties to contract with an "appraisal firm" from the Director's approved list, and to execute contracts which meet the Director's specifications. In order to assure compliance with the statute, the Director previously directed county appraisers and county commissioners to utilize only those private appraisal firms appearing on Property Valuation Division's approved list. (See Directive Number 92-003). K.S.A. 79-1478 imposes an implied duty upon the Director to adopt and implement standards for appraisal firms and specifications for contracts. The purpose of this directive is to set forth the standards and specifications for county contracts made with private appraisal firms in conjunction with the county's duty to appraise **real property** for Kansas property tax purposes.

The Director takes the position that the term "**private appraisal firm**," "**appraisal firm**" or "**firm**," as used herein and in other directives, rules, guidelines, etc., for the purpose of interpreting the authority of the county to contract under K.S.A. 79-1478, should refer to any person, association, company, corporation, partnership, joint venture or other entity which the county enlists to perform any form of appraisal services for property tax purposes, including, but not limited to: appraising real property, collecting data or analyzing data for purposes of appraising real property, or performing real estate appraisal consultation services. This definition is set forth by the Director in order to assure that *all* real estate appraisal services or real estate appraisal consultation services which are enlisted by a county for property taxation purposes are accountable and subject to the same scrutiny and standards.

Below are: I. The requirements imposed upon a private appraisal firm in order to qualify for the Director's approved list after the issuance of this directive; II. The requirements a private appraisal firm must continue to meet in order to remain on the Director's approved list after the issuance of this directive; and III. Certain requirements a contract must satisfy in order to be approved by the Director.

I. In order for a private appraisal firm to qualify for the Director's approved list, the firm must:

- (1) Document a least five (5) years of mass appraisal experience in the valuation of real property for ad valorem taxation. The Director will require the following specifics for review:

- a) The description of project work, including dates, duration of the contract, scope of work, commitment of staff, number of parcels involved and the geographic area;
 - b) A summary of any CAMA involvement or experience with advanced valuation methodologies (multiple regression analysis, adaptive estimation procedure, iterating correlative estimation, bayesian regression,etc.); and
 - c) Names, addresses and telephone numbers of contracting agencies which may be contacted for verification of all information submitted; in addition, the firm must:
- (2) Provide background information on the history of the appraisal firm, its work product and personnel. The Director will require the following specifics for review:
- a) A list of all previous and current mass appraisal contracts entered into within the last five (5) years, not documented in the above question, which were awarded by a government agency. This list must include the disclosure of any contracts relating to the area of property appraisal which resulted in any form of contract dispute. An explanation of the alleged dispute, litigation, settlement, or other resolution of the matter must also be submitted;
 - b) A list of qualifications and resumes for all appraisal personnel who will be establishing final values and performing final review in any prospective contract with a Kansas county;
 - c) Samples of appraisal contracts, data collection and appraisal manuals, public relations material and progress reporting forms developed for mass appraisal projects;
 - d) Proof the project manager(s) or consultant(s), and any person performing a final value review have successfully completed both a basic appraisal and basic income and expense course; and
 - e) A list of KSCAMA courses successfully attended by consultants, project managers and other appraisal personnel.

II. In order for a private appraisal firm to maintain its approved status it must:

- (1) Disclose to the Director all information pertinent to its approved status or be subject to immediate removal from the approved list;
- (2) Submit only truthful information pertaining to its approved status or be subject to immediate removal from the approved list;
- (3) Continue to satisfactorily complete all appraisal contracts with counties and have a record indicating that all appraisal contracts with counties have been satisfactorily completed within the last five (5) years, or for as long as the appraisal firm has had appraisal contracts with counties, if less than (5) five years;
- (4) Continue to satisfactorily complete all appraisal contracts with Kansas counties and have a record indicating that the appraisal firm has complied with and continues to comply with all provisions set forth in Kansas Statutes, regulations, standards, guidelines, directives and manuals

for the preceding five (5) years, or for so long as the appraisal firm has had appraisal contracts with Kansas counties, if less than (5) five years;

- (5) Have all appraisal contracts with Kansas counties that are entered into after the effective date of this Directive satisfy the specifications of the Director and be approved and signed by the Director;
- (6) Have all personnel or persons that are assigned to supervise or perform the appraisal or consultant services for the county successfully complete the Introduction to KSCAMA Course, KSCAMA System, Management Course and KSCAMA Reports Course by January 1, 1995;
- (7) Have all personnel or persons assigned to supervise or perform the appraisal or consultant services for a Kansas county complete thirty (30) mid-level or advanced PVD course hours for each calendar year following the year approved status is initially secured under this Directive. The courses required by number II.(6) above shall not count towards satisfying this requirement; and finally,
- (8) Provide the Director an annual update of the qualifications of all employees that are assigned to Kansas appraisal contracts. In addition, the private appraisal firm must provide the Director with the qualifications of all new employees assigned to Kansas within thirty (30) days after they are hired. Finally, the private appraisal firm must provide the Director with the qualifications of all employees promoted, transferred or reassigned to a Kansas county within thirty (30) days after the promotion, transfer or reassignment. The Director reserves the right to remove a firm from the approved vendor list.

Failure to comply with the aforementioned requirements set forth by the Director may result in the removal of the appraisal firm from the approved vendor list. The Director will send notice to a firm if it fails one or more of the aforementioned criteria in the form of a Show Cause Order issued pursuant to K.S.A. 79-1403. The appraisal firm will have the burden of coming before the Director to show cause why the firm should not be removed from the Director's approved list.

III. In order for a contract to satisfy the standard established by the Director, it must:

- (1) Contain terms that comply with all relevant provisions set forth in Kansas statutes, regulations, standards, guidelines, directives and manuals;
- (2) Specify that it is a breach of contract for a private appraisal firm to fail to comply or to fail to *continue* to comply with all relevant provisions set forth in Kansas statutes, regulations, standards, guidelines, directives and manuals; as the same are updated throughout the term of the contract;
- (3) Present adequate detail in the contract specifications; for example, the contract specifications must clearly delineate the responsibility of the contractor versus the county for each and every phase, either by phase, portions of a phase or by phases;

- (4) Be consistent with the most recent *Appraisal Maintenance Specifications* promulgated by the Director and contain a provision that the contractor must *continue* to comply with *Appraisal Maintenance Specifications* as the same are updated throughout the term of the contract;
- (5) Require that sufficient documentation is provided by the private appraisal firm to enable the county to report its progress to the Director as required by law;
- (6) Require that adequate documentation be provided by the private appraisal firm to allow the county to satisfactorily represent its position at hearings concerning the value of the property;
- (7) Specifically allow the county and/or the Division of Property Valuation, to review, on a sample or any other basis, the work performed by the private appraisal firm during any stage of completion;
- (8) Provide that a percentage of the total consideration the county agrees to pay the appraisal firm under the contract be withheld until the project is completed and the county has inspected and approved the private appraisal firm's performance;
- (9) Require that the project manager(s) in charge of the appraisal work or consultant(s) maintain their approved status under this Directive *throughout* the period of the contract; and
- (10) Specify that time is of the essence and that the failure to satisfy deadlines necessary to comply with current statutes, regulations, specifications, directives, or guidelines constitutes a material breach of contract.

Approved: April 5, 1994

David C. Cunningham
Director of Property Valuation