County of San Mateo

Inter-Departmental Correspondence

Department: ASSESSOR-COUNTY CLERK-RECORDER-ELECTIONS
File #: 24-068

Board Meeting Date: 1/30/2024

Special Notice / Hearing: None
Vote Required: Majority

To: Honorable Board of Supervisors

From: Mark Church, Assessor-County Clerk-Recorder & Chief Elections Officer

Subject: Authorize Agreement with C3 AI for Residential and Commercial Property Appraisal Valuation Software Using Artificial Intelligence (AI), Machine Learning (ML) Tools, and Analytics and Waiver of the Request for Proposal Process

RECOMMENDATION:

Adopt a resolution waiving the Request for Proposals (RFP) process and authorizing an agreement with C3 AI to provide Appraisal Valuation Software using Artificial Intelligence (AI), Machine Learning (ML) Tools, and Analytics for Residential and Commercial property valuation, for the term of January 30, 2024, through January 30, 2029 in an aggregate amount not to exceed $5,475,000.

BACKGROUND:

The Assessor-County Clerk-Recorder & Elections Department (ACRE) envisions using Machine Learning (ML) and Artificial Intelligence (AI) tools, products, and capabilities to enable the transparent, effective, efficient, and legally compliant assessment of property within the County, while enhancing the ease of training ACRE staff, and supporting the continued high-level of County service provided to the people and businesses within San Mateo County. To that end ACRE has explored contracting with AI and ML companies to assist in property valuations.

On April 9, 2021 ACRE conducted an RFP for an Appraisal Valuation Pilot Project Services and selected C3 AI out of four (4) vendor proposals. On April 30, 2021 ACRE Department signed an Agreement (Agreement No. 13000-21-D025) with C3 AI.
From July 1, 2021 through March 31, 2022 ACRE completed two pilot projects with C3 AI to demonstrate the capabilities of C3 AI Property Appraisal applications (C3 Applications) for residential and commercial property valuations.

The pilot successfully integrated ACRE's core data source systems in the C3 AI Application and delivered automated insights such as suggesting lease/rent comparables and condition rating to streamline ACRE's appraisal process. The pilot demonstrated how C3 AI can build customized AI and ML appraisal software to increase ACRE's productivity and expand the staff's capacity to

accommodate the county's growth and increased workload.

The San Mateo County Sheriff has also entered into a similar agreement with C3 AI and this Board waived the competitive process.

DISCUSSION:
ACRE's 2020 Strategic Plan specifies the development of the APAS system to modernize and replace the 20+ year old legacy system and calls for the procurement of Assessor Property Appraisal Valuation Products for residential and commercial properties utilizing AI and Machine Learning (ML) tools. The ACRE team gained valuable information to assist in the lease/rent comparables for commercial properties and condition rating for residential properties following the completion of the two pilot projects with C3 AI.

ACRE also reached out to Riverside County, which selected C3 AI products for property appraisal to increase the efficiency, fairness, consistency, and accuracy of the property valuation process and gathered references and positive feedback. Riverside County deployed the C3 AI Residential Application and is currently conducting a C3 AI Commercial Application Pilot project.

As part of the implementation of the Assessor Property Assessment System (APAS) project and APAS Data Cleansing and Conversion project, ACRE has cleansed and migrated approximately 30 million property assessment data from the legacy system to the APAS system and is now well positioned to initiate the Property Appraisal Valuation project.

Additionally, ACRE engaged with Gartner Consulting and reviewed their research to assist ACRE in evaluating AI products in the marketplace.

This agreement is an extension of the approved pilot program with C3 AI, initiated after C3 AI was selected from the ACRE's issued RFP for Appraisal Valuation Pilot Project Services.

C3 AI's AI/ML functionality has the capability to produce automated insights from the ACRE aggregate source data and other third-party data providers. C3 AI offers end-to-end, comprehensive AI lifecycle management services, which will allow ACRE to update data models and configurations of AI/ML models during the term of the agreement.

The agreement is for five (5) years and the cost includes the license and subscription fees, up to four (4) Full Time Equivalents (FTE) for advisory services, cloud hosting and engineering services. C3 AI offers a development platform which can be utilized in many other areas such as analyzing and developing the Department's operational procedures, training, and policy materials.
Upon execution of this agreement, C3 AI will deploy into production their C3 AI Residential and Commercial C3 AI Property Appraisal Applications (C3 Applications).

The C3 AI Applications will provide dashboards, screens, and AI tools to assist ACRE with appraisal valuations, including defensible evidentiary packages for the defense of ACRE property assessments before the Assessment Appeals Board.

For these reasons, staff recommends that the Board of Supervisors find that the best interest of the County would be served by waiving the competitive process and approving the agreement with C3 AI.

The resolution contains the County's standard provisions allowing amendment of the County fiscal obligations by a maximum of $25,000 (in aggregate).

The County Attorney has reviewed and approved the resolution and amendment as to form.

<u>FISCAL IMPACT</u>:
Appropriations to cover the costs of this agreement for the first year in the amount of $1,000,000 are included in the FY 2023-24 Non-Departmental Services Recommended Budget. Appropriations to cover the remaining costs of this agreement are not included in the Assessor-County Clerk-Recorder's FY 2023-24 Recommended Budget and will be included in future budgets. These costs will be fully funded by a transfer from Non-Departmental Services.