



## CASE STUDY

# The Litigation Ladder

Many institutional owners treat a civil suit filed after a bad ARB result as the final step in the appeal process. In practice, it is often just the point where firms begin to separate themselves.

**The largest national firms operate at the first level of this ladder.** Their business model is built for volume, supported by fee structures that reward speed over outcomes. The currency here is local relationships. When your advisor's strongest argument is that they know the people across the table, you are at this level. Your leverage extends no further than those relationships. These strong relationships discourage your representation from pushing or resisting too hard, as the relationship is more valuable than any one appeal.

**Some firms reach the second level,** where the suit gets filed, discovery proceeds, expert reports are exchanged. The lawsuit exists on paper, but it carries no credible risk. Appraisal districts are sophisticated counterparties. They know when an impasse is reached, which firms will try a case and which ones will fold. When your advisor's answer to a best-and-final offer is to convince you to agree, you have your answer about which kind of firm you hired.

**Very few firms operate at the third level.** It requires demonstrated willingness to try cases, a track record of winning them, and a preparation strategy built from day one around the possibility that the case goes to verdict. The driver at this level is not legal argument or the inconvenience of discovery costs. It is the appraisal district's calculation of what a jury trial risks for them. The goal is not to try cases, it is to settle at superior outcomes because you have the ability to say "No" to a bad deal.

### Hanover Company chose us because we operate at the third level.

Their Houston five-star high-rise, Hanover Southampton, shows what that looks like in practice. HCAD's noticed value came in at a 34.4% increase over the prior year, and the ARB reduction was inconsequential. Unwilling to accept those results, they retained us for litigation.

Every case we take is prepared for trial from day one. That discipline is what gives owners leverage, moving them from accepting the district's line in the sand to drawing their own. ←

Owners like Hanover understand that at the institutional level, leverage is not created by filing a lawsuit. It is created by representation that casts a credible shadow of trial. And *that* is what changes the risk calculus for appraisal districts.

## Key Takeaways

- >> Local relationships and ARB familiarity are not strategy.
- >> An appraisal district's best-and-final offer is only final if your representation can't or won't go to trial.
- >> Only owners who refuse mediocre results can reach the third level's payoff.

Our result for Hanover was a final value of \$79M, 4.2% below the prior year.

