

# **REAPPRAISAL PLAN**

**2019-2020**

**SHACKELFORD COUNTY**

**APPRAISAL DISTRICT**

Proposed August 13, 2018

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# EXECUTIVE SUMMARY

The Shackelford County Appraisal District has prepared and published this reappraisal plan to provide our Board of Directors, citizens and taxpayers with a better understanding of the district's responsibilities and activities. This plan has several parts: a general introduction and then, several sections describing the appraisal effort by the appraisal district.

The Shackelford County Appraisal District (CAD) is a political subdivision of the State of Texas created January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A Board of Directors, appointed by the taxing units within the boundaries of the Shackelford County appraisal district, constitutes the district's governing body. The chief appraiser, appointed by the Board of Directors, is the chief administrator of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for eight jurisdictions or taxing units in the county. Each taxing unit sets its own tax rate to generate revenue to pay for police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Property appraisals by the appraisal district allocate the year's tax burden on the basis of each taxable property's market value. The District also determines eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

In this executive summary, please find the legal requirement of a reappraisal plan passed by the Texas Legislature in the 2005 regular session and our response to these requirements immediately below the law in bold italics. Intricate details of how the plan will be implemented are discussed in the body of this document.

## TAX CODE REQUIREMENT

Section 6.05, Tax Code, is amended by adding Subsection (i) to read as follows:

- (i) To ensure adherence with generally accepted appraisal practices, the Board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10<sup>th</sup> day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place of the hearing. Not later than September 15 of each even numbered year, the board shall complete its hearings, make any amendments, and by resolution finally

approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.

## **PLAN FOR PERIODIC REAPPRAISAL**

Subsections (a) and (b), Section 25.18, Tax Code, are amended to read as follows:

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:
  - (1) Identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;

*The Shackelford County Appraisal District receives listings of all deeds filed in Shackelford County through the County Clerk. Deeds are read and abstracted by the clerical staff of the District. Information is recorded in the computer assisted mass appraisal (CAMA) software including grantor, grantee, date of recording, volume, and page in the county clerk's records. Property identification numbers are assigned to each parcel of property that remain with the property for its life.*

*Business personal property is located by canvassing the county, street by street, using data sources such as yellow pages and other business listing publications to ensure that all property owners are located. All businesses are mailed a rendition about January 1 of each year on. Owners are required by state law to list all their business personal property. Failure to render results in an immediate 10% penalty and a possible 50% penalty is fraud is involved in a false rendition. Lists of commercial vehicles are also purchased annually and these vehicles are tied to appropriate business accounts.*

*Renditions are also required of utility companies, railroads, and pipelines. Utility companies, wind farms, railroads, pipelines and minerals are valued by Capital Appraisal Group, a professional appraisal company headquartered in Austin.*

*Maps have been developed for years that show ownership lines for all real estate. These maps are stored digitally using software provided by BIS. The District sends updates of property splits indicated by deeds and surveys to BIS and they make the changes on the maps. The maps are available to the public through the website of the District.*

(2) Identifying and updating relevant characteristics of each property in the appraisal records;

*For 2019, all of the parcels in the rural area of Moran ISD, Lueders ISD, and all of the City of Moran will be updated by personal inspection. The appraisers drive to neighborhoods within the towns and rural areas of Shackelford County and gather data about each home, commercial business, or vacant land tract using an I-pad device. The appraisers drive from property to property noting the condition of the property and observing and noting any changes to the property since the previous year's inspection. Pictures are captured regularly using the I-Pad. Those pictures are stored in the CAMA software and assist the appraiser in making value decisions when he or she returns to the office. Other data stored in the CAMA system includes an exterior sketch of the improvement which allows the computer system to calculate square footage for the various areas of the building, and components within the building such as bathrooms, fireplaces, air conditioning, type of roof, type of exterior, etc. The rural areas of Albany ISD and Clyde ISD will be inspected in 2020 using the same process as noted above.*

*Business personal property is inspected by the appraisers as he or she looks at commercial property. They look at the quality of inventory, how dense the stocking is, and make general notes about equipment that they see. If their observation is different than the rendition made by the taxpayer, additional information is gathered and a higher value may be assigned than the rendered amount.*

(3) Defining market areas in the district;

*Annually, the chief appraiser combines similar types of property into "neighborhoods". These neighborhoods have improvements that are of similar construction and type as well as similar years of construction. Market sales are examined to confirm which areas are similar.*

*Land is also put into regions or neighborhoods with other parcels having similar characteristics, school districts, and amenities. Using these neighborhoods, values are applied to all parcels. The formulae take into consideration location, size, topography, and other characteristics that the market recognizes as significant. The City of Albany and the City of Moran are considered neighborhoods as is Clyde ISD, Albany ISD, Lueders ISD, and Moran ISD.*

(4) Identifying property characteristics that affect property value in

each market area, including:

- (A) The location and market area of the property;
- (B) Physical attributes of property, such as size, age, and condition;
- (C) Legal and economic attributes; and
- (D) Easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;

*Each parcel of property has detailed information recorded in the CAMA system. For land, the legal description, dimensions, size, available utilities, and special characteristics are noted in a form that can be used and compared with other land parcels.*

*Each improvement shows the sketch and dimensions, a picture of the improvement, the class which indicated original construction quality, the year of construction of each part of the improvement, the type of roof, the roof covering, the exterior covering of the improvement, number of baths if available, fireplaces, air conditioning type, and other attributes, as well as overall condition of the improvement.*

(5) Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;

*The CAMA system begins with the cost approach to value to estimate original cost of each improvement. That cost is based on local modifiers to the Marshall-Swift cost system, a nationally recognized cost estimation provider. By utilizing these cost systems, properties are equalized as to their original costs. Components measured in the cost include the size of the structure, number of bathroom fixtures, quality of kitchen appliances and number of built-in appliances, type of roof structure, roof covering, exterior covering, special features such as fireplaces, pools, cabinetry and other special amenities. The market sales are then studied for improvement contributions in each neighborhood and adjustments to cost are applied to each neighborhood in the form of all types of depreciation. Finally, each structure is rated as to its current condition. Ratings range from poor to excellent. Sales are also categorized using the same condition rating system so that sales comparisons will be made to properties of like construction and condition.*

*Utilities, railroads and pipelines are individually appraised using the three approaches to value. The appraisal is a "unit appraisal" that looks at the entire company to be appraised, values it based on original cost less depreciation, net income to the company, and comparable sales if they exist. Then the value for each jurisdiction is set based on the amount of equipment, lines, or customers, within that jurisdiction.*

(6) Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and



*By utilizing sales data for each neighborhood, the appraiser measures accrued depreciation of structures by condition rating. Similar properties with similar condition are assigned values per square foot based on the linear regression formulae for that neighborhood. By utilizing the age, quality, condition, construction components, and other variables, the model is developed and applied to all parcels within the neighborhood.*

*For commercial property and apartments, factors are applied to cost figures to align values with current sales data. Models are developed and the CAMA system applies all the factors and assigns value to each parcel.*

(7) Reviewing the appraisal results to determine value.

*After completing the process of assigning values to all parcels within a neighborhood using the computer assisted mass appraisal programs, printouts are run to make comparisons of values per square foot and comparison of those appraised values per square foot with current sales data from the neighborhood. A sales ratio is run to determine if the values that have been assigned are within required ratios of law (95%-105%).*

*Commercial property and apartments are compared by category or type of business. Adjustments are made in mass by the appraiser utilizing the CAMA system. All similar improvements are compared to verify reasonableness of value and equality.*

*Oil and gas leases are valued individually by Capital Appraisal Group and values and the value of each lease is distributed to each operator interest or royalty interest based on ownership provided by the taxpayer, agent, or crude purchaser.*

#### REVALUATION DECISION (REAPPRAISAL CYCLE)

*The Shackelford County Appraisal District, by policy, reviews all property in the district every year. Inspections are done at least once every three years. The rural area of Moran ISD and Lueders ISD, as well as all of the City of Moran will be re-inspected in 2019 and the rural areas of Albany ISD and Clyde ISD will be inspected in 2020.*

# Shackelford County Appraisal District

## Reappraisal Plan Details

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### INTRODUCTION

#### *Scope of Responsibility*

Except as otherwise provided by the Property Tax Code, all taxable property is appraised at its “market value” as of January 1<sup>st</sup>. Under the tax code, “market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the buyer know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use, and;
- both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), productivity (Sec. 23.41), real property inventory (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), nominal (Sec. 23.18) or restricted use properties (Sec. 23.83) and allocation of interstate property (Sec. 23.03). The owner of real property inventory may elect to have the inventory appraised at its market value as of September 1<sup>st</sup> of the year preceding the tax year to which the appraisal applies by filing an application with the chief appraiser requesting that the inventory be appraised as of September 1<sup>st</sup>.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district’s current policy is to conduct a general reappraisal of taxable property every year. Appraised values are reviewed annually and are subject to change. Business personal properties, minerals and utility properties are appraised every year.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted mass appraisal programs, and recognized appraisal methods and techniques, information is compared with the data for similar properties, and with recent cost and market data. The district follows the standards of

the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

### ***Personnel Resources***

The Chief Appraiser is primarily responsible for overall planning, organizing, coordinating, and controlling of district operations. The appraisers are responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, and business personal. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation. Support functions including records maintenance, information and assistance to property owners, and the conducting of ARB hearings coordinated by office personnel.

The appraisal district staff consists of 4 employees with the following classifications:

- 1 - Official/Administrator/Appraiser (Chief Appraiser)
- 1 – Appraiser/Mapping/Records (Assistant Chief Appraiser)
- 2 - Administrative Support ( customer service, clerical, mapping, and collections)

### ***Staff Education and Training***

Appraisers that are performing appraisal work are registered with the Texas Department of Licensing and Regulation (TDLR) are required to take appraisal courses to achieve the status of Registered Professional Appraiser within five years of employment as an appraiser. After they are awarded their license, they must receive additional training of not less than 75 hours of continuing education every five years. Failure to meet these minimum standards results in the termination of the employee.

Additionally, all appraisal personnel receive extensive training in data gathering processes including data entry into the I-pad used in field work and statistical analyses of all types of property to ensure equality and uniformity of appraisal of all types of property.

### ***Data***

The district is responsible for establishing and maintaining approximately 20000 real and personal property accounts covering Shackelford County. Data collected includes property characteristics, ownership, and exemption information. Property

characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review. Sales are routinely validated during a separate field effort and as part of the new construction and field inspections. General trends in employment, interest rates, new construction trends, cost, and market data are acquired through various sources, including internally generated questionnaires to buyer and sellers, university research centers, market data centers and vendors.

The district has a geographic information system (GIS) that maintains cadastral maps and aerial photography. The district's website makes a broad range of information available for public access, including information on the appraisal process, property characteristics data, certified values, protests and appeal procedures. Downloadable files of related tax information and district forms, including exemption applications and business personal property renditions are also available.

### ***Information Systems***

The chief appraiser and assistant chief appraiser manage and maintain the district's data processing, software applications, Internet website, and geographical information system. Harris-True Automation provides software services for appraisal and collections applications.

### ***Appraisal District Boundaries***

The appraisal district's boundaries are the same as the county's boundaries.

### ***Independent Performance Test***

According to Chapter 5 of the Texas Property Tax Code and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Assistance Division (PTAD) conducts property value study (PVS) of each Texas school district and each appraisal district every other year. As part of this study, the code requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MAP review); tests the validity of school district taxable values in each appraisal district and presumes the appraisal roll values are correct when values are valid; and, determines the level and uniformity of property tax appraisal in each appraisal district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analyses of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the

percentage of properties within 25% of the median, and price-related differential (PRD) for properties overall and by state category.

There are 4 independent school districts that have property in Shackelford CAD for which appraisal rolls are annually developed. The preliminary results of this study are released February 1 in the year following the year of appraisal. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) the following July of each year. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

# Appraisal Activities

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## INTRODUCTION

### ***Appraisal Responsibilities***

The field appraiser is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a comprehensive physical description of personal property, and land and building characteristics. This appraisal activity is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types located within the boundaries of Shackelford County and the jurisdictions of this appraisal district. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to periodically inspect residential, commercial, and personal properties in the district every other year. The appraisal opinion of value for all property located in the district is reviewed and evaluated each year.

### ***Appraisal Resources***

- **Personnel** - The appraisal activities are conducted by 2 appraisers.
- **Data** - The data used by field appraisers includes the existing property characteristic information contained in Computer Assisted Mass Appraisal System (CAMA) from the district's computer system. The data is printed on a property record card, or personal property data sheets. Other data used includes maps, sales data, fire and damage reports, building permits, photos and actual cost and market information. Sources of information are gathered using buyers, sellers, realtors, and appraisers.
- ***Appraisal Frequency and Method Summary***
  - **Residential Property**- Residential property is physically examined every two years with appraisers driving or walking in front of each home, noting condition of the improvement and looking for changes that might have occurred to the property since the last on-site check. Exterior pictures are taken of homes as updates are needed. Every market area is statistically analyzed annually to ensure that sales that have occurred in the subdivision during the past 12 months are within a +/-3% range of appraised value. If the sales do not indicate that range, adjustments are made to the subdivision using a process outlined in detail in the Residential Appraisal section of this report.

- **Commercial Property-** Commercial and industrial real estate is observed semi annually to verify class and condition. Pictures are taken of the improvements as updates are observed. Real estate accounts are analyzed against sales of similar properties in Shackelford County as well as similar communities in West Texas that have similar economies. The income approach to value is also utilized to appraise larger valued commercial properties that typically sell based on net operating income.
- **Business Personal Property-** Business personal property is observed annually with appraisers actually going into businesses to develop quality and density observations. A rendition is left or mailed to new businesses to complete. Similar businesses to the subject are analyzed annually to determine consistency of appraisal per square foot. Rendition laws provide additional information on which to base values of all BPP accounts.

### ***Data Collection/Validation***

Data collection of real property involves maintaining data characteristics of the property on CAMA (Computer Assisted Mass Appraisal) software. The information contained in CAMA includes site characteristics, such as land size and topography, and improvement data, such as square footage of living area and other areas of the improvement, year built, quality of construction, and condition. Field appraisers are required to use a property classification system that establishes uniform procedures for the correct listing of real property. All properties are coded according to a classification system. The approaches to value are structured and calibrated based on this coding system and property description and characteristics. The field appraisers use property classification references during their initial training and as a guide in the field inspection of properties. Data collection for personal property involves maintaining information on software designed to record and appraise business personal property. The type of information contained in the BPP file includes personal property such as business inventory, furniture and fixtures, machinery and equipment, with details such as cost and location. The field appraisers conducting on-site inspections use a personal property classification system during their initial training and as a guide to correctly list all personal property that is taxable.

### ***Sources of Data***

The sources of data collection are through property inspection, new construction field effort, data review/relist field effort, data mailer questionnaires, hearings, sales validation field effort, commercial sales verification and field effort, newspapers and publications, and property owner correspondence by mail or via the Internet. Area and regional real estate brokers and managers are sources of market and property information. Data surveys of property owners requesting market information and property description information is also valuable data. Soil surveys and agricultural

surveys of farming and ranching property owners and industry professionals are helpful for productivity value calibration. Data review of entire neighborhoods is generally a good source for data collection. Appraisers walk or drive entire neighborhoods to review the accuracy of our data and identify properties that have to be relisted. The sales validation effort in real property pertains to the collection of market data for properties that have sold. In residential, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of the property characteristics and confirmation of the sales price.

Property owners are one of the best sources for identifying incorrect data that generates a field check. Frequently, the property owner provides reliable data to allow correction of records without having to send an appraiser on-site. As the district has increased the amount of information available on the Internet, property owners have the opportunity to review information on their property and forward corrections via e-mail. For the property owner without access to the Internet, letters are sometimes submitted notifying the district of inaccurate data. Properties identified in this manner are added to a work file and inspected at the earliest opportunity. Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed throughout the appraisal process from year to year. Appraisal opinion quality and validity relies on data accuracy as its foundation.

### ***Data Collection Procedures***

The appraisers are assigned specific areas throughout the district to conduct field inspections. Appraisers of real estate conduct field inspections and record information using an I-pad device that holds all data dealing with the property and allows for the entry of corrections and additions that the appraiser may find in his or her field inspection.

The quality of the data used is extremely important in estimating market values of taxable property. While work performance standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of the appraiser. A quality assurance process exists through supervisory review of the work being performed by the field appraiser. Quality assurance supervision is charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training.

### ***Data Maintenance***

The appraiser begins an area update by downloading complete files of the area that he/she plans to work. Once the files are downloaded onto the I-pad, the appraiser takes it to the field for his inspection process. The iPad routes the most efficient path for the appraiser to follow in his inspections. The field appraiser is responsible for the data entry of his/her fieldwork into the computer file as the area is surveyed. This



responsibility includes not only data entry, but also quality assurance. The majority of the data collected in the field is input using the iPad and is entered by the appraiser. The data is downloaded back to the main system constantly as internet is available. Data updates and file modification for property descriptions and input accuracy is conducted as the responsibility of the field appraiser and the chief appraiser.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### ***Field Review***

The date of last inspection and the appraiser responsible are listed on the CAMA record and property card automatically as the data from the iPad is uploaded. If a property owner or jurisdiction disputes the district's records concerning this data during a hearing, via a telephone call or other correspondence received, the record may be corrected based on the evidence provided or an on-site inspection may be conducted. Typically, a field inspection is requested to verify this information for the current year's valuation or for the next year's valuation. Every year a field review of real property located in certain areas or neighborhoods in the jurisdiction is done during the data review/re-list field effort. A field review is performed on all personal property accounts, with available situs, each year.

### ***Office Review***

Office reviews are completed on properties where update information has been received from the owner of the property and is considered accurate and correct. Data mailers frequently verify some property characteristics or current condition of the property. When the property data is verified in this manner, and considered accurate and correct, field inspections may not be required. The personal property rendition forms are mailed in December or January of each year to assist in the annual review of the property.

### ***Performance Test***

The chief appraiser is responsible for conducting ratio studies and comparative analysis. Ratio studies are conducted on property located within certain areas or districts. The sale ratio and comparative analysis of sale property to appraised value, forms the basis for determining the level of appraisal and market influences and factors for the neighborhood. This information is the basis for updating property valuation for the entire area of property.

# Residential Valuation Process

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## INTRODUCTION

### *Scope of Responsibility*

The residential appraisers are responsible for estimating equal and uniform market values for residential improved and vacant property. There are approximately 2200 residential improved single and multiple family parcels and 500 vacant residential properties in Shackelford County.

### *Appraisal Resources*

- **Personnel** - The residential appraisal staff consists of 2 appraisers. The following appraisers are responsible for estimating the market value of residential property:  
**Clayton Snyder**, Chief Appraiser  
**Stormi Carruth**, Assistant Chief Appraiser
- **Data** - An individualized set of data characteristics for each residential dwelling and multiple family units in this district are collected in the field and data entered into the computer. The property characteristic data drives the application of computer-assisted mass appraisal (CAMA) under the Cost, Market, and Income Approaches to property valuation.

## VALUATION APPROACH

### *Land Analysis*

Residential land valuation analysis is conducted prior to neighborhood sales analysis. The value of the land component to the property is estimated based on available market sales for comparable and competing land under similar usage. Because of limited sales data in many areas, the abstraction method or allocation method may be used to value land. Specific land influences are considered, where necessary, and depending on neighborhood and individual lot or tract characteristics, to adjust parcels outside the neighborhood norm for such factors as access, view, shape, size, and topography. The appraisers use abstraction and allocation methods to ensure that estimated land values best reflect the contributory market value of the land to the overall property value.

### *Area Analysis*

Data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property

prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources of continuing education including IAAO and TDLR approved classes.

### ***Neighborhood and Market Analysis***

A neighborhood is a group of properties that share important characteristics. A neighborhood is typically a distinct group of properties that is often identified by a geographic (physical) boundary, or a group of properties that reacts in a similar manner to market influences.

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. Residential valuation and neighborhood analysis is conducted on various market areas within each of the political entities known as independent school districts. Analysis of comparable market sales forms the basis of estimating market activity and the level of supply and demand affecting market prices for any given market area, neighborhood or district. Market sales indicate the effects of these market forces and are interpreted by the appraiser into an indication of market price ranges and indications of property component change considering a given time period relative to the date of appraisal. Cost and market approaches to estimate value are the basic techniques utilized to interpret these sales.

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform. Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood with similar characteristics has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes

tends to induce population shift from older homes to newer homes. In the period of stability, or equilibrium, the forces of supply and demand are about equal. Generally, in the stage of equilibrium, older neighborhoods can be more desirable due to their stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability.

In Shackelford County, the cities of Albany and Moran are considered neighborhoods. The rural areas of Albany ISD and Moran ISD as well as Clyde CISD territory are considered neighborhoods.

### ***Highest and Best Use Analysis***

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal, unless the property is appraised under a *JURISDICTIONAL EXCEPTION*. The highest and best use must be physically possible, legal, financially feasible, and productive to the maximum allowed usage of the property. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine the individual property that qualifies for an appraisal under *JURISDICTIONAL EXCEPTION*.

## **VALUATION AND STATISTICAL ANALYSIS (Model Calibration)**

### ***Cost Schedules***

All residential parcels in the district are valued with a replacement cost estimated from cost schedules based on the improvement classification system using a comparative unit method. The district's residential cost schedules are estimated from Marshall and Swift, a nationally recognized cost estimator service. These cost estimates are compared with sales of new improvements and evaluated from year to year and indexed to reflect the local residential building and labor market. Costs may also be indexed for neighborhood factors and influences that affect the total replacement cost of the improvements in a smaller market area based on evidence taken from a sample of market sales.

A review of the residential cost schedule is performed at least every three years. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in the district are considered.

## ***Sales Information***

A sales file for the storage of “snapshot” sales data at the time of sale is maintained for real property. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a sales information system. Residential improved and vacant sales are collected from a variety of sources, including: district questionnaires sent to buyer and seller, field discovery, protest hearings, fee appraisals, and realtors. A system of type, source, validity and verification codes has been established to define salient facts related to a property’s purchase or transfer and to help determine relevant market sale prices. The effect of time as an influence on price was considered by paired comparison and applied in the ratio study to the sales as indicated within each neighborhood area. Neighborhood sales reports are generated as an analysis tool for the appraiser in the development and estimation of market price ranges and property component value estimates. Abstraction and allocation of property components based on sales of similar property is an important analysis tool to interpret market sales under the cost and market approaches to value. These analytical tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

## ***Statistical Analysis***

The residential valuation appraisers perform statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted on each of the residential valuation neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed for each neighborhood. The level of appraised values are determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.

The appraiser, through the sales ratio analysis process, reviews every neighborhood annually. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood properties to the appraised values of these sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level in a neighborhood needs to be updated or whether the level of market value in a neighborhood is at an acceptable level.

Appraisers relate physical individual property changes gathered during the annual property inspection to annual depreciation rates. Sales data are analyzed to estimate annual depreciation of each sale and that data is used to develop typical annual depreciation for each property condition. The software multiplies the annual depreciation times the age of the improvement to arrive at total depreciation. That depreciation is from two sources of depreciation, physical and economic. Additional functional depreciation may be added in a separate category based on taxpayer interviews and the appeals process.

### ***Market and Cost Reconciliation and Valuation***

Neighborhood analysis of market sales to achieve an acceptable sale ratio or level of appraisal is also the reconciliation of the market and cost approaches to valuation. Market factors are developed from appraisal statistics provided from market analyses and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators. The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a pure cost model.

The following equation denotes the hybrid model used:

$$MV = LV + (RCN - AD)$$

In accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus the replacement cost new of property improvements (RCN) less accrued depreciation (AD). As the cost approach separately estimates both land and building contributory values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales. Thus, demand side economic factors and influences may be observed and considered. These market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for locational variances between market areas or across a jurisdiction. In accordance with the Market Approach, the estimated market value of the property equals the basic unit of property, under comparison, times the market price range per unit for sales of comparable property. For residential property, the unit of comparison is typically the price per square foot of living area or the price indicated for the improvement contribution. This analysis for the hybrid model is based on both the cost and market approaches as a correlation of indications of property valuation. A significant unknown for these two indications of value is determined to be the rate of change for the improvement contribution to total property value. The measure of change for this property component can best be reflected and based in the annualized accrued depreciation rate. This cost related factor is most appropriately measured by sales of similar

property. The market approach, when improvements are abstracted from the sale price, indicates the depreciated value of the improvement component, and in effect, measures changes in accrued depreciation. The level of improvement contribution to the property is measured by abstraction of comparable market sales, which is the property sale price less land value. The primary unknown for the cost approach is to accurately measure accrued depreciation affecting the amount of loss attributed to the improvements as age increases and condition changes. This evaluation of cost results in the depreciated value of the improvement component based on age and condition. The evaluation of this market and cost information is the basis of reconciliation and indication of property valuation under this hybrid model.

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales prices indicates the neighborhood level of appraisal based on sold properties. This ratio is compared to the acceptable appraisal ratio, 95% to 105%, to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

If reappraisal of the neighborhood is indicated, the appraiser analyzes available market sales, appropriately adjusted for the apparent effects of time, by market abstraction of property components. This abstraction of property components allows the appraiser to focus on the rate of change for the improvement contribution to the property by providing a basis for calculating accrued depreciation attributed to the improvement component. This impact on value is usually the most significant factor affecting property value and the most important unknown to determine by market analysis. Abstraction of the improvement component from the adjusted sale price for a property indicates the effect of overall market suggested influences and factors on the price of improvements that were a part of this property, recently sold. Comparing this indicated price or value allocation for the improvement with the estimated replacement cost new of the improvement indicates any loss in value due to accrued forms of physical, functional, or economic obsolescence. This is a market driven measure of accrued depreciation and results in a true and relevant measure of improvement marketability, particularly when based on multiple sales that indicate the trending of this rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimates the annual rate of depreciation for given improvement descriptions considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all property within the sale sample to consider and review the effects on the neighborhood sale ratio. After an acceptable level of appraisal is achieved within the sales sample, the entire

neighborhood of property is recalculated utilizing the indicated depreciation rates taken from market sales. This depreciation factor is the basis for trending all improvement values and, when combined with any other site improvements and land value, brings the estimated property value through the cost approach closer to actual market prices as evidenced by recent sale prices available within a given neighborhood. Therefore, based on analysis of recent sales located within a given neighborhood, estimated property values will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The estimated property values calculated for each updated neighborhood are based on market indicated factors applied uniformly to all properties within a neighborhood. Finally, with all the market-trend factors applied, a final ratio study is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both update and non-update neighborhoods and verifies appraised values against overall trends as exhibited by the local market, and finally, for the school district as a whole.

### ***Treatment of Residential Homesteads***

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under that law, beginning in the year after a property receives a homestead exemption, increases in the assessed value of that property are capped or limited to not more than 10% increase annually. The value for tax purposes (assessed value) of a qualified residence homestead will be the LESSER of:

- the market value; or
- the preceding year's appraised value plus 10 percent for each year since the property was re-appraised plus the value of any improvements added since the last re-appraisal.

Assessed values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1<sup>st</sup> of the year following sale of the property and the property is appraised at its market value. An analogous provision applies to new homes. While a developer owns them, unoccupied residences may be partially complete and appraised as part of an inventory. This valuation is estimated using the district's land value and the percentage of completion for the improvement contribution that usually is similar to the developer's construction costs as a basis of completion on the valuation date. However, in the year following changes in completion or sale, they are appraised at market value.



## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### ***Field Review***

The appraiser identifies individual properties in need of field review through sales ratio analysis. Sold properties are field reviewed on a monthly and periodic basis to check for accuracy of data characteristics.

### ***Office Review***

When field review is completed, the appraiser conducts a routine valuation review of all properties as outlined in the discussion of ratio studies and market analysis. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The percentage of value differences are noted for each property within a delineated neighborhood allowing the appraiser to identify, research and resolve value anomalies before final appraised values are released. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year.

When the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value go to noticing.

## **PERFORMANCE TESTS**

### ***Sales Ratio Studies***

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each neighborhood to allow the appraiser to review general market trends within their area of responsibility, and provide an indication of market appreciation over a specified period of time.

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## Commercial and Industrial Property Valuation Process

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### INTRODUCTION

#### *Scope of Responsibility*

This mass appraisal assignment includes all of the commercially described real property which falls within the responsibility of the Shackelford County Appraisal District and located within the boundaries of this taxing jurisdiction. Appraisers appraise the fee simple interest of properties according to statute and court decisions. However, the affect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisal of any non exempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

#### *Appraisal Resources*

**Personnel** - The improved real property appraisal responsibilities are categorized according to major property types of multi-family or apartment, office, retail, warehouse and special use (i.e. hotels, hospitals and, nursing homes).

***The following appraisers are responsible for estimating the market value of commercial and industrial property:***

**Clayton Snyder**, Chief Appraiser  
**Stormi Carruth**, Assistant Chief Appraiser

**Data** - The data used by the commercial appraisers includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used by the appraisers includes actual income and expense data (typically obtained through the hearings process), actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for market trends.

## **PRELIMINARY ANALYSIS**

### ***Market Study***

Market studies are utilized to test new or existing procedures or valuation modifications in a limited sample of properties located in the district and are also considered and become the basis of updating whenever substantial changes in valuation are made. These studies target certain types of improved property to evaluate current market prices for rents and for sales of commercial and industrial real property. These comparable sale studies and ratio studies reveal whether the valuation system is producing accurate and reliable value estimates or whether procedural and economic modifications are required. The appraiser implements this methodology when developing cost approach, market approach, and income approach models.

## **VALUATION APPROACH**

### ***Land Value***

Commercial land is analyzed annually to compare appraised values with recent sales of land in the market area. If appraised values differ from sales prices being paid, adjustments are made to all land in that region. Generally, commercial property is appraised on a price per square foot basis. Factors are placed on individual properties based on corner influence, depth of site, shape of site, easements across site, and other factors that may influence value. The land is valued as though vacant at the highest and best use. If sales are not available, the abstraction or allocation method is used to appraise land.

### ***Area Analysis***

Area data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources.

### ***Neighborhood Analysis***

The neighborhood and market areas are comprised of the land area and commercially classed properties located within the boundaries of this appraisal jurisdiction. These areas consist of a wide variety of property types including multiple-family residential, commercial and industrial. Neighborhood and area analysis involves the examination of how physical, economic, governmental and social forces and other influences may affect property values within subgroups of property locations. The effects of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial and industrial properties these

subsets of a universe of properties are generally referred to as market areas, neighborhoods, or economic areas.

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system

### ***Highest and Best Use Analysis***

The highest and best use is the most reasonable and probable use that generates the highest net to land and present value of the real estate as of the date of valuation, unless the property is appraised with a *JURISDICTIONAL EXCEPTION*. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This perspective assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, is excess land, or a different optimum use if the site were vacant. For vacant tracts of land within this jurisdiction, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to: office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis insures that an accurate estimate of market value (sometimes referred to as value in exchange) is derived.

On the other hand, value in use represents the value of a property to a specific user for a specific purpose. This perspective for value may be significantly different than market value, which approximates market price under the following assumptions: (i) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (ii) well-informed buyers and sellers acting in their own best interests, (iii) a reasonable time for the transaction to take place, and (iv) payment in cash or its equivalent.

### ***Market Analysis***

A market analysis relates directly to examining market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), expense ratio

trends, capitalization rate studies are analyzed to determine market ranges in price, operating costs and investment return expectations.

## **DATA COLLECTION / VALIDATION**

### ***Data Collection Manuals***

Data collection and documentation for commercial/industrial property is continually updated, providing a uniform system of itemizing the multitude of components comprising improved properties.

### ***Sources of Data***

In terms of commercial sales data, Shackelford CAD receives a copy of the deeds recorded in Shackelford County that convey commercially classed properties. These deeds involving a change in commercial ownership are entered into the sales information system and researched in an attempt to obtain the pertinent sale information. Other sources of sale data include the protest hearings process and local, regional and national real estate and financial publications.

For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a computer-generated questionnaire, which is mailed to both parties in the transaction (Grantor and Grantee). If a questionnaire is answered and returned, the documented responses are recorded into the computerized sales database system. Other sources contacted are the brokers involved in the sale, property managers or commercial vendors. In other instances, sales verification is obtained from local appraisers or others that may have the desired information. Finally, closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

### **Valuation Analysis**

Model calibration involves the process of periodically adjusting the mass appraisal formulae, tables and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new construction procedures, materials and/or costs, which can vary from year to year. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to the current market conditions

### ***Cost Schedules***

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data

reporting services as well as actual cost information on local comparable properties whenever possible. Cost models are typically developed based on the Marshall Valuation Service which indicates estimated hard or direct costs of various improvement types. Cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district. These include comparative base rates, per unit adjustments and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employs the sales comparison approach in the evaluation of soft or indirect costs of construction. Evaluating market sales of newly developed improved property is an important part of understanding total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels. In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Shackelford County.

Accrued depreciation is the sum of all forms of loss affecting the contributory value of the improvements. It is the measured loss against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence. Accrued depreciation is estimated and developed based on losses typical for each property type at that specific age. Depreciation estimates have been implemented for what is typical of each major class of commercial property by economic life categories. Estimates of accrued depreciation have been calculated for improvements with a range of variable years expected life based on observed condition considering actual age. These estimates are continually tested to ensure they are reflective of current market conditions. The actual and effective ages of improvements are noted in CAMA. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Effective age estimates are considered and reflected based on five levels or rankings of observed condition, given actual age.

Additional forms of depreciation such as external and/or functional obsolescence can be applied if observed. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific condition adequacy or deficiency, property type or location and can be developed via ratio studies or other market analyses.

The result of estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements. Adding the estimated land value, as if vacant, to the contributory value of the improvements indicates a property value by the cost approach. Given relevant cost estimates and market related measures of accrued depreciation, the indicated value of the property by the cost approach becomes a very reliable valuation technique.

### ***Income Models***

The income approach to value is applied to those real properties which are typically viewed by market participants as “income producing”, and for which the income methodology is considered a leading value indicator. The first step in the income approach pertains to the estimation of market rent on a per unit basis. This is derived primarily from actual rent data furnished by property owners and from local market surveys conducted by the district and by information from area rent study reviews. This per unit rental rate multiplied by the number of units results in the estimate of potential gross rent.

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established from actual data furnished by property owners and local market survey trends. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. This feature may also provide for a reasonable lease-up period for multi-tenant properties, where applicable. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an indication of estimated annual effective gross rent to the property.

Next, a secondary income or service income is considered and, if applicable, calculated as a percentage of stabilized effective gross rent. Secondary income represents parking income, escalations, reimbursements, and other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected and available market information. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income, when applicable.

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-recoverable expenses such as leasing costs and tenant improvements may be included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Relevant expense ratios are developed for different types of commercial property based on use and market experience. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for all operating expenses, such as ad valorem taxes, insurance, and

common area and property maintenance. In comparison, a general office building is most often leased on a base year expense stop. This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. As a result, expense ratios are implemented and estimated based on observed market experience in operating various types of commercial property.

Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air conditioning or major mechanical equipment or appliances) requiring expenditures of lump sum costs. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type, these expenses when annualized are known as replacement reserves. For some types of property, typical management does not reflect expensing reserves and is dependent on local and industry practices.

Subtracting the allowable expenses (inclusive of non-recoverable expenses and replacement reserves when applicable) from the annual effective gross income yields an estimate of annual net operating income to the property.

Return rates and income multipliers are used to convert operating income expectations into an estimate of market value for the property under the income approach. These include income multipliers, overall capitalization rates, and discount rates. Each of these multipliers or return rates are considered and used in specific applications. Rates and multipliers may vary between property types, as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market for individual income property types and uses. These procedures are supported and documented based on analysis of market sales for these property types.

Capitalization analysis is used in the income approach models to form an indication of value. This methodology involves the direct capitalization of net operating income as an indication of market value for a specific property. Capitalization rates applicable for direct capitalization method and yield rates for estimating terminal cap rates for discounted cash flow analysis are derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of property return expectations a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived and estimated from the built-up method (band-of-investment). This method relates to satisfying estimated market return requirements of both the debt and equity positions in a real estate investment. This information is obtained from available sales of property, local lending sources, and from real estate and financial publications.

Rent loss concessions are estimated for specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while



the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss from these real property operations is discounted using an acceptable risk rate. The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances and leasing commissions) becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy. A variation of this technique allows a rent loss deduction to be estimated for every year that the property's actual occupancy is less than stabilized occupancy.

### ***Sales Comparison (Market) Approach***

Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to parcels on the appraisal roll. As previously discussed in the Data Collection / Validation section of this report, pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information which can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

### ***Final Valuation Schedules***

Based on the market data analysis and review discussed previously in the cost, income and sales approaches, the cost and income models are calibrated and finalized. The calibration results are keyed to the schedules and models in the CAMA system for utilization on all commercial properties in the district. Market factors reflected within the cost and income approaches are evaluated and confirmed based on market sales of commercial and industrial properties. The appraisers review the cost, income, and sales comparison approaches to value for each of the types of properties with available sales information. The final valuation of a property is estimated based on reconciling these indications of value considering the weight of the market information available for evaluation and analysis in these approaches to value.

### ***Statistical and Capitalization Analysis***

Statistical analysis of final values is an essential component of quality control. This methodology represents a comparison of the final value against the standard and

provides a concise measurement of the appraisal performance. Statistical comparisons of many different standards are used including sales of similar properties, the previous year's appraised value, audit trails, value change analysis and sales ratio analysis.

Appraisal statistics of central tendency and dispersion generated from sales ratios are calculated for each property type with available sales data. These summary statistics including, but not limited to, the weighted mean, provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value of a particular property type. The level of appraised values can be determined by the weighted mean for individual properties within a specific type, and a comparison of weighted means can reflect the general level of appraised value.

The appraisers review every commercial property type annually through the sales ratio analysis process. The first phase involves ratio studies that compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the appraised values. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal, or whether the level of market value is at an acceptable level.

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of non-recoverable and replacement reserves), net operating income and capitalization rate and multipliers are continuously reviewed. Income model estimates and conclusions are compared to actual information obtained on individual commercial and industrial income properties during the protest hearings process, as well as with information from published sources and area property managers and owners.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### ***Field Review***

The date of last inspection, extent of that inspection, and the Shackelford County appraiser are responsible for data listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, CAMA may be altered based on the credibility of the evidence provided. Normally, a new field check is then requested to verify this information for the current year's valuation or for the next year's valuation.

Field review of real property accounts is accomplished while business personal property is reviewed and inspected in the field. Additionally, the appraisers frequently field review subjective data items such as building class, quality of construction (known as cost modifiers), condition, and physical, functional and economic obsolescence

factors contributing significantly to the market value of the property. In some cases field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. With preliminary estimates of value in these targeted areas, the appraisers test computer assisted values against their own appraisal judgment. While in the field, the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

### ***Office Review***

Office reviews are completed on properties subject to field inspections and are performed in compliance with the guidelines required by the existing classification system. Office reviews are typically limited by the available market data presented for final value analysis. These reviews summarize the pertinent data of each property as well as comparing the previous value to the proposed value conclusions of the various approaches to value. These evaluations and reviews show proposed value changes, income model attributes or overrides, economic factor (cost overrides) and special factors affecting the property valuation such as new construction status, and a three years sales history (USPAP property history requirement for non residential property). The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions. Each appraiser's review is limited to properties in their area of responsibility by property type (improved) or geographic area (commercial vacant land).

When the appraiser is satisfied with the level and uniformity of value for each commercial property within their area of responsibility, the estimates of value go to noticing. Each parcel is subjected to the value parameters appropriate for its use type.

### **Performance Tests**

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market prices. In a ratio study, market values (value in exchange) are typically represented with the range of sale prices, i.e. a sales ratio study. Independent, expert appraisals may also be used to represent market values in a ratio study, i.e. an appraisal ratio study. If there are not enough examples of market price to provide necessary representativeness, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial or industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties statutorily not appraised at market value, but reflect the use-value requirement. An example of this are multi-family housing projects subject to

subsidized rent provisions or other governmental guarantees as provided by legislative statutes (affordable housing) or agricultural lands to be appraised on the basis of productivity or use value.

### ***Sales Ratio Studies***

Sales ratio studies are an integral part of estimating equitable and accurate market values, and ultimately property assessments for these taxing jurisdictions. The primary uses of sale ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of property types for reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and, to calibrate models used to estimate appraised values during valuation or reappraisal cycles. However, these studies cannot be used to judge the accuracy of an individual property appraised value. Overall sales ratios are generated by use type semi-annually (or more often in specific areas) to allow appraisers to review general market trends in their area of responsibility and for the Property Value Study from the Property Tax Division of the Comptroller's Office. These ratio studies aid the appraisers by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

### ***Comparative Appraisal Analysis***

The commercial appraiser performs an average unit value comparison in addition to a traditional ratio study. These studies are performed on commercially classed properties by property use type (such as apartment, office, retail and warehouse usage or special use). The objective to this evaluation is to determine appraisal performance of sold and unsold properties. Appraisers average unit prices of sales and average unit appraised values of the same parcels and the comparison of average value changes of sold and unsold properties. These studies are conducted on substrata such as building class and on properties located within various economic areas. In this way, overall appraisal performance is evaluated geographically, by specific property type to discern whether sold parcels have been selectively appraised. When sold parcels and unsold parcels are appraised equally, the average unit values are similar. These sales and equity studies are performed prior to final appraisal and to annual noticing.

# **Business Personal Property Valuation Process**

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## **INTRODUCTION**

### ***Scope of Responsibility***

There are four different personal property types appraised by the district's personal property section: Business Personal Property accounts; leased assets; vehicles and aircraft; and multi-location assets.

- **Personnel** - The personal property staff consists of two appraisers  
**Clayton Snyder**, Chief Appraiser  
**Stormi Carruth**, Assistant Chief Appraiser
- **Data** - The personal property appraisers collect the field data and maintain electronic property files making updates and changes gathered from field inspections, newspapers, property renditions, sales tax permit listing and interviews with property owners.

### **Appraisal Resources**

- Capital Appraisal Group

## **VALUATION APPROACH**

### ***Highest and Best Use Analysis***

The highest and best use of property is the reasonable and probable use that supports the greatest income and the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of personal property is normally its current use.

## **DATA COLLECTION/VALIDATION**

### ***Data Collection Procedures***

Personal property data collection procedures are published and distributed to all appraisers involved in the appraisal and valuation of personal property. The appraisal procedures are reviewed and revised to meet the changing requirements of field data collection.

**Sources of Data**

The district’s business personal property characteristic data is collected through a field data collection effort. From year to year, reevaluation activities permit district appraisers to collect new data through an annual field inspection. This project results in the discovery of new businesses, changes in ownership, relocation of businesses, and closures of businesses not revealed through other sources. Tax assessors, city and local newspapers, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

Vehicles

An outside vendor provides Shackelford CAD with a listing of vehicles within the jurisdiction. The vendor develops this listing from the Texas Department of Transportation (TxDOT) Title and Registration Division records. Other sources of data include property owner renditions and field inspections.

Leased and Multi-Location Assets

The primary source of leased and multi-location assets is property owner renditions of property. Other sources of data include field inspections.

**VALUATION AND STATISTICAL ANALYSIS (model calibration)**

***Depreciation Schedule and Trending Factors:***

Business Personal Property

Shackelford CAD’s primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from CAD developed valuation models. The trending factors used by the CAD to develop RCN are based on published valuation guides. The percent good depreciation factors used by Shackelford CAD are also based on published valuation guides. The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

$$PVF = INDEX FACTOR \times PERCENT GOOD FACTOR$$

The PVF is used as an “express” calculation in the cost approach. The PVF is applied to reported historical cost as follows:

$$\text{MARKET VALUE ESTIMATE} = \text{PVF} \times \text{HISTORICAL COST}$$

This mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market and reflect current economic pressures of supply and demand.

CAPPA model values are used in the general business personal property valuation program to estimate the value of new accounts for which no property owner's rendition is filed. Model values are also used to establish tolerance parameters for testing the valuation of property for which prior data years' data exist or for which current year rendered information is available. The calculated current year value or the prior year's value is compared to the indicated model value by the valuation program. If the value being tested is within an established acceptable percentage tolerance range of the model value, the account passes that range check and moves to the next valuation step. If the account fails the tolerance range check, it is flagged for individual review. Allowable tolerance ranges may be adjusted from year to year depending on the analysis of the results of the prior year.

### Vehicles

Value estimates for vehicles are provided by an outside vendor and are based on Red Book published book values, and there are also considerations available for high mileage. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

### Leased and Multi-Location Assets

Leased and multi-location assets are valued using the PVF schedules mentioned above. If the asset to be valued in this category is a vehicle, then Red Book published book values are used. Assets that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### ***Office Review***

#### Business Personal Property

Property owner renditions, accounts with field or other data changes, accounts with prior hearings, new accounts, and SIC cost table changes are all considered. The accounts are processed by the valuation program and pass or fail preset tolerance

parameters by comparing appraised values to prior year and model values. The appraisers review accounts that fail the tolerance parameters.

## **PERFORMANCE TESTS**

### ***Ratio Studies***

Every other year the Property Tax Division of the state comptroller's office conducts a property value study (PVS). The PVS is a ratio study used to gauge appraisal district performance. Results from the PVS play a part in school funding. Rather than a sales ratio study, the personal property PVS is a ratio study using state cost and depreciation schedules to develop comparative personal property values. These values are then compared to Shackelford CAD's personal property values and ratios are indicated.



# Rural Land Valuation Process

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## Introduction

### Scope of Responsibility

The appraisal district is responsible for estimating a market value on each rural parcel of land in the County. Additionally, each parcel is assigned an agricultural use value which is based on the production capability of the land and any other income associated with the land that is not taxed in some other manner such as mineral value. Specific requirements of law determine whether the land is taxed as “agricultural” or at its market value. Those details are located in Chapter 23 of the Property Tax Code.

### Development of Market Value

Rural land is considered acreage outside the towns of Shackelford County and not developed into residential tracts. In many cases the land is used for the production of crops or livestock. The market value of land is normally developed using the sales comparison approach. Recent sales are analyzed to examine the driving forces in the transaction. The size of the tract, the mix of pasture to cultivated land, the type of soils on the tract, the quality of hunting in the area, the scenic views on the tract, the proximity of utilities, the type of roads to the parcel, and the influence of potential flooding are just some of the factors that influence the sales price. These factors are captured in as much detail as possible on each parcel so that the market value of all land parcels are equal and uniform.

Using the sales available and the characteristics of those sales, models are developed containing price per acre for various sizes of tracts with adjustments based from the sales data on other factors about each parcel.

### Development of Agricultural Use Value

Although the process of development of agricultural use values is very detailed, the explanation is to offer the reader a general idea of the process of developing those values. The primary concept in the development of value is to determine typical gross income to various types of rural tracts of similar soils and use and then develop typical expenses that the owner must incur to maximize the potential of the land. Subtracting the expenses from the gross income yields what is referred to as “net income to the land”. That net income is then divided by a capitalization rate mandated in state law. Currently that rate is 10% meaning that the owner of the land is entitled to a 10% return on his investment. Therefore the agricultural value is developed by using the following formula:

$$\text{Gross Income} - \text{Expense} = \text{Net Income} / \text{Capitalization Rate}$$

Income and expense figures are developed from surveys, discussions with local landowners, state agricultural publications, and the Agricultural Advisory Committee appointed by the Board of Directors.

# **Minerals (Oil and Gas Reserves) Valuation Process**

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## **INTRODUCTION**

### **Scope of Responsibility**

Minerals-in-place (oil and gas reserves) are real property. Appraisal of minerals, oil and gas reserves, is based on estimating the present value of the economically recoverable reserves of oil and gas. Mineral rights are property rights and may be separable property interests from the land surface property rights. Oil and gas reserves lying under the surface and waiting to be produced are a tangible asset and are appraised as such for ad valorem taxation purposes. The valuation of minerals-in-place is based on estimating the discounted net present value of the oil and gas production over the economic life of the individual lease. Basically, this method of valuation is an income approach using discounted cash flow analysis methodology. Oil and gas properties are also marketed based on proven reserves, and the considered units of comparison in this market are barrels of oil or cubic feet of natural gas. The market approach is based on sales of property where the determining valuation factor is the quantity of proven reserves.

Mineral interests are commonly divided into property ownership interests known as working interests and royalty interests. The valuation of the individual ownership interests begins with the valuation of the mineral lease as a whole. This value is then apportioned to the individual owners according to legal arrangements outlined in the division of interest order for each lease. It is the goal and purpose of the CAD to identify and maintain accurate and current records on every producing mineral property interest within the district, and estimate the market value of each property interest listed on the tax roll.

### **Appraisal Resources**

- Capital Appraisal Group

# Utility Property Valuation Process

## INTRODUCTION

### **Appraisal Responsibility**

Utility properties are the tangible assets of various businesses including electric production, transmission, and distribution companies, railroads, petroleum product gathering and delivery pipelines, telephone and communication providers and others. The valuation of these properties is considered to be complex due to the involvement of both tangible and intangible property elements that comprise these businesses, and the size of some of the utilities that are regional and national companies. The appraisal of these companies becomes complex when considering the valuation of the property as a unit in place, which requires evaluating the property by the approaches to value at the company level. Once the market value of the unit is estimated, that estimated market value is allocated to the appropriate jurisdictions based on the tangible property assets that are located within Shackelford CAD.

### **Appraisal Resources**

Capital Appraisal Group

## LIMITING CONDITIONS

The appraised value estimates provided by the district are subject to the following conditions:

1. The appraisals were prepared exclusively for ad valorem tax purposes.
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised were performed as staff resources and time allowed. Some interior inspections of property appraised were performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.
3. Validation of sales transactions was attempted through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
4. I have attached a list of staff providing significant mass appraisal assistance to the person signing this certification.

### ***Certification Statement:***

"I, Richard Petree, Interim Chief Appraiser at composition of this document, and I, Clayton Snyder, Chief Appraiser to be in 2019 for the Shackelford County Appraisal District, solemnly swear that I will make or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I will include in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, is determined as required by law."

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Richard Petree

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Clayton Snyder

**STAFF PROVIDING SIGNIFICANT  
MASS APPRAISAL ASSISTANCE**

<b><u>NAME</u></b>	<b><u>TITLE</u></b>	<b><u>TDLR NUMBER</u></b>	<b><u>TYPE OF ASSISTANCE</u></b>
Clayton Snyder	Chief Appraiser	74869	Appraisal/Adm.
Stormi Carruth	Asst. Chief Appraiser	75367	Appraisal/Adm.

## 2019 Calendar of Key Events

### **Throughout the year**

#### **CAD Staff:**

Research returned mail.

Mail applications for special appraisals and exemptions requiring annual applications, such as new homestead exemptions, surviving spouse, historic exemptions, ag-use applications due to change of ownership.

Gather sales data from sales confirmation letters, deed records and other sales sources for sales files.

Pick up copies of filed deeds from County Clerk's office.

Research property ownership.

Key name/address changes, splits/combines, new property and personal property into CAMA. Track value loss due to property acquiring 1<sup>st</sup> time exemptions and 1<sup>st</sup> time 1-d or 1-d-1 appraisal, value gain due to new improvements for taxing units.

Send copies of associated mineral deeds to Capital Appraisal Group

Send copies of splits/combine parcels to mapping company

Update address change file as new addresses received.

Process and sell digital copies of appraisal rolls to taxpayers.

Prepare and post Board of Directors agenda for meetings.

Prepare and mail Board of Directors packets for meetings.

Answer phone calls and assist walk-in customers.

### **January 2019**

#### **Appraisal Department**

Conduct field inspections on residential, land, mobile homes, commercial, industrial, pipelines and personal property.

All real property in rural Moran ISD and Lueders ISD, and all of the City of Moran visually inspected and checked for accuracy in class and depreciation.

Take pictures of improvements and download to CAMA.

Check for new construction and demolition of improvements.

Begin planning sales ratio studies for all areas within the CAD.

Review schedules in comparison to available sales data to determine areas needing significant adjustment or close review.

Review renditions as received.

Meet with agricultural advisory board to discuss agricultural issues.

#### **CAD Staff**

Create list of renditions mailed and note date when rendition and/or extension request received.

Chief appraiser schedules 1<sup>st</sup> yearly meeting of Agricultural Advisory Board.

Check for 65 and over homestead exemptions that need to be granted automatically.

Check that mapping updates have been processed as scheduled.

Post updated public service announcement at post office and in CAD office.

Place ¼ page ad in local newspaper on availability of exemptions, rendition requirements, special appraisals, and tax deferrals.

### **February 2019**

#### **Appraisal Department**

Real property appraiser continues to work renditions as received.

Renditions received, scanned, and processed.

Appraisers continue to work on discovery of property and appraisals.

### CAD Staff

Prepare for financial audit by independent CPA firm.

Submit sales information and deed transactions to State Comptroller Office by Feb 1. EARS

Update Rendition Work List to current year and transfer information from received renditions to list.

Receive and key rendition extension requests.

Mineral and special property renditions and /or extension requests are faxed, mailed or emailed to mineral appraisers and the original filed in house.

Contact agent if no appointment form on file for property rendered.

ARB members are signed up for annual training.

### **March 2019**

#### Appraisal Departments:

Real Property appraisers continue to do field work.

Begin wrap-up of field work on Cat A, E, M properties.

Begin wrap-up of ratio studies on real property.

Update residential schedules, Ag schedules, and mobile home depreciation schedules.

Mineral and special property appraisers continue to process received renditions.

Appraisers continue to work on discovery of property and appraisals.

#### CAD Staff:

Mail out depository bid letters, send out first week of March.

Chief Appraiser begins work on 2020 budget.

Continue transferring information from received renditions to CAMA.

Receive and key rendition extension requests.

Mineral and special property renditions and/or extension requests are faxed, mailed or emailed to mineral appraisers and the original filed in house.

Contact agent if no appointment form on file for property rendered.

Key rendered accounts, deleted exemptions, new exemptions, and new frozen accounts.

Review edits and audits before notices run; correct or adjust accounts as needed.

Proof all changes; print out change report and compare to appraisals.

### **April 2019**

#### Appraisal Departments:

Real Property appraiser continues to work property and do analysis.

Coordinate with CAD staff on hearing schedule and protests filed.

BPP appraisers continue to process received renditions.

Appraisers continue to work on discovery of property and appraisals.

#### CAD Staff:

Board of Directors appoints CAD Depository for 2 years.

Chief Appraiser continues work on 2018 Budget.

Continue transferring information from received renditions to list.

Renditions due by April 15<sup>th</sup> unless extension requested; continue to receive and key rendition extension requests.

BPP renditions continue to be worked.

Contact agent if no appointment form on file for property rendered or property protested.

### **May 2019**

#### Appraisal Departments:

Appraiser works with property owners regarding proposed values and protests filed.

Coordinate mineral and special property input to CAD.

#### CAD Staff:

Mail out Notices of Assessed Value.

Chief Appraiser continues work on 2018 budget and sends preliminary budget to entities after Board approval

Check that mapping updates have been processed as scheduled.

Place Protest and Appeals Procedure ad in local newspaper by **May 15**.

Review edits and audits before notices run; correct or adjust accounts as needed.

Renditions receiving 30 day extension are due **May 15** unless chief appraiser extends deadline to **May 30**.

Continue transferring information from received renditions to CAMA.

Receive and key rendition extension requests and accounts granted additional 15-day extension.



Mineral and special property renditions and/or extension requests are faxed, mailed or e-mailed to mineral appraisers and the original filed in-house.  
Contact agent if no appointment form on file for property rendered or property protested.  
Code returned value notices and research ownership and addresses.  
Ensure all ARB members have attended mandatory training and certificates of completion are on file.

## **June 2019**

### Appraisal Departments:

Appraisers work with property owners regarding proposed values and protests filed.  
Coordinate with CAD staff on hearing schedule and protests filed.

### CAD Staff:

Submit completed Operations Survey to State Comptroller.  
Chief Appraiser begins update of USPAP Report (Mass Appraisal Report).  
Chief Appraiser submits recommended 2020 Budget to CAD board and taxing units by June 15.  
Chief Appraiser submits estimated pro-rated budget shares to CAD board and taxing units.  
Contact agent if no appointment form on file for property protested.  
Schedule protest hearing and mail Notice of Protest letters.  
Prepare cause folders for hearings.  
Compile information for evidence packets for property owners filing protests and requesting evidence.  
Coordinate with mineral and special property appraisers on hearing schedule and protests filed.  
Code returned value notices and research ownership and addresses.  
Print and mail personal property rendition penalty letters.  
Mail all approvals/denials on rendition penalty waiver requests.  
Post ARB hearing Agenda as necessary.  
Check rendition list against Preliminary Appraisal Roll to verify properties are being picked up and appraised by mineral and special property appraisers.

## **July 2019**

### Appraisal Departments:

Appraisers work with property owners regarding proposed values and protests filed.  
Appraisers defend values at protest hearings.  
Enter into CAMA all changes ordered by ARB.

### CAD Staff:

Prepare hearing list and information on informal meetings and formal hearings to check on evidence and reason for changes in value by contract appraisers.  
Mail all approvals/denials on rendition penalty waiver requests.  
Post ARB hearing agenda as necessary  
Submit appraisal records to ARB for review.  
Begin ARB hearings  
Provide ARB support; make record of minutes during hearings, make copies as needed, supply forms and orders as needed, etc.  
Mail ARB Notices and Orders certified, return receipt requested.  
Enter into CAMA all changes ordered by ARB.  
ARB approves Appraisal Records by July 20.  
Chief Appraiser certifies Appraisal Roll to taxing units by July 25.  
Submit Certified Appraisal Roll to State Comptroller.

Board of Directors hold budget workshop if deemed necessary.  
Place ¼ page Notice of Budget Hearing Ad in Albany newspaper at least 10 days before the hearing date.  
Submit Notice of Budget Hearing to taxing units at least 10 days before hearing date.

## **August 2019**

### Appraisal Department:

Appraisers continue to work on any pending protest hearings.  
Continue working with taxpayers.  
Coordinate with CAD that rendition penalties are applied correctly.

CAD Staff:

Calculate truth in taxation information for county, cities, and special districts and supply needed information to all schools. Submit to taxing units value loss due to property acquiring 1<sup>st</sup> time exemption and 1<sup>st</sup> time 1-d or 1-d-1, value gain due to new improvements and recap of homesteads.

Submit sales information to State Comptroller's Office by Aug 1. EARS

Submit Certified Appraisal Roll to State Comptroller by Aug 1. EARS

Hold Public Hearing on 2018 Budget.

Continue ARB Hearing process for any rescheduled or newly scheduled protests.

Check rendition list against certified roll to verify values by mineral and special property appraisers.

Compose and mail letter to property owner filing late ag application informing them of the 10% penalty for late filing.

**September 2019**

Appraisal Department:

Continue field work

Begin BOD election process.

CAD staff:

Transfer data to other appraisal districts or tax offices as needed

Board of Directors must adopt 2020 budget by Sept 15.

Begin work on reports of Property Value for State Comptroller's Office.

Check that all qualifying residences have homestead exemptions, if not send applications.

After tax rates are set, files are updated for new tax rates.

Update listing of all taxing unit rates

Generate tax bills and mail

Check that mapping updates have been processed as scheduled.

**October 2019**

Appraisal Department:

Review and update Ag Survey Letter as needed.

Continue field work

Continue to BOD election process.

CAD Staff:

Mail Ag Survey Letters to owners if needed.

Submit completed Reports of Property Value to State Comptroller's Office.

**November 2019**

Appraisal Department:

Continue field work

Continue BOD election process

CAD Staff:

Collect taxes

Continue to update deeds and maps

**December 2019**

Appraisal Department:

Continue field work

Begin wrapping up construction in process appraisals.

Finalize and announce BOD election results

CAD Staff:

Collect taxes.

Continue to update deeds and maps.

## 2020 Calendar of Key Events

### Throughout the year:

#### CAD Staff:

Research returned mail.

Mail applications for special appraisals and exemptions requiring annual applications, such as new homestead exemptions, surviving spouse, historic exemptions, ag-use applications due to change of ownership.

Gather sales data from sales confirmation letters, deed records and other sales sources for sales files.

Pick up copies of filed deeds from County Clerk's office.

Research property ownership.

Key name/address changes, splits/combines, new property and personal property into CAMA. Track value loss due to property acquiring 1<sup>st</sup> time exemptions and 1<sup>st</sup> time 1-d or 1-d-1 appraisal, value gain due to new improvements for taxing units.

Send copies of associated mineral deeds to mineral appraisal company

Send copies of splits/combine parcels to mapping contractor

Update address change file as new addresses received and copy to mineral appraisal company.

Process and sell digital copies of appraisal rolls to taxpayers.

Prepare and post Board of Directors agenda for meetings.

Prepare and mail Board of Directors packets for meetings.

Answer phone calls and assist walk-in customers.

### January 2020

#### Appraisal Department

Conduct field inspections on residential, land, mobile homes, commercial, industrial, pipelines and personal property.

All real property in the rural area of Albany ISD and Clyde ISD visually inspected and checked for accuracy in class and depreciation.

Take pictures of improvements.

Finalize new construction and demolition of improvements.

Begin planning sales ratio studies for all areas within the CAD.

Review schedules in comparison to available sales data to determine areas needing significant adjustment or close review.

Review renditions as received.

Meet with chief appraiser and agricultural advisory board to discuss agricultural issues.

#### CAD Staff

Upload appraisal data for field appraiser.

Create list of renditions mailed and note date when rendition and/or extension request received.

Chief appraiser schedules 1<sup>st</sup> yearly meeting of Agricultural Advisory Board.

Check for 65 and over homestead exemptions that need to be granted automatically.

Check that mapping updates have been processed as scheduled.

Post updated public service announcement at post office and in CAD office.

Place ¼ page ad in local paper on availability of exemptions, rendition requirements, special appraisals, and tax deferrals.

### February 2020

#### Appraisal Department

Prepare for financial audit by independent CPA firm.

Real property appraiser continues to work renditions as received.

BPP renditions received and processed.

Appraiser continues to work on discovery of property and appraisals.

### CAD Staff

Submit sales information and deed transactions to State Comptroller Office by Feb 1. EARS  
Update Rendition Work List to current year and transfer information from received renditions to list.  
Receive and key rendition extension requests.  
Renditions of minerals, utilities, and other accounts worked by mineral appraiser and /or extension requests are faxed, mailed or emailed and the original filed in house.  
Contact agent if no appointment form on file for property rendered.  
ARB members are signed up for annual training.

### **March 2020**

#### Appraisal Departments:

Real Property appraiser continues to work.  
Complete field work on Cat A, E, F, L, and M properties.  
Complete ratio studies on real property.  
Update residential schedules, Ag schedules, and mobile home depreciation schedules.  
Mineral and special properties appraisers continue to process received renditions.  
Appraisers continue to work on discovery of property and appraisals.

#### CAD Staff:

Mail out depository bid letters or consider one time two year extension agreement, send out first week of March.  
Chief Appraiser begins work on 2019 budget.  
Continue transferring information from received renditions to list.  
Receive and key rendition extension requests.  
Minerals and special property renditions and/or extension requests are faxed, mailed or emailed and the original filed in house.  
Contact agent if no appointment form on file for property rendered.  
Key rendered accounts, deleted exemptions, new exemptions, and new frozen accounts.  
Review edits and audits before notices run; correct or adjust accounts as needed.  
Proof all changes; print out change report and compare to appraisals.

### **April 2020**

#### Appraisal Departments:

Real Property appraiser continues field work and analysis.  
Mineral and special property appraisers continue to process received renditions.  
Appraisers continue to work on discovery of property and appraisals.

#### CAD Staff:

Ensure all ARB members have attended mandatory training and certificates of completion are on file.  
Board of Directors selects CAD Depository for 2 years.  
Chief Appraiser continues work on 2021 Budget.  
Continue transferring information from received renditions to list.  
Renditions due by April 15<sup>th</sup> unless extension requested; continue to receive and key rendition extension requests.  
Mineral and special property renditions and/or extension request are faxed, mailed or emailed to contract appraisers and the original filed in-house.  
Contact agent if no appointment form on file for property rendered or property protested.

### **May 2020**

#### Appraisal Departments:

Coordinate with CAD staff on hearing schedule and protests filed.  
Appraiser works with property owners regarding proposed values and protests filed.  
Mineral and special property appraisers continue to process received renditions.

#### CAD Staff:

Chief Appraiser presents proposed budget to Board for preliminary approval and notifies tax units of amounts to budget.  
Check that mapping updates have been processed as scheduled.  
Place Protest and Appeals Procedure ad in local newspaper by **May 15**.  
Review edits and audits before notices run; correct or adjust accounts as needed.  
Mail out Notices of Appraised Value  
Renditions receiving 30 day extension are due **May 15** unless chief appraiser extends deadline to **May 30**.

Continue transferring information from received renditions CAMA system.  
Receive and key rendition extension requests and accounts granted additional 15-day extension.  
Mineral and special property renditions and/or extension requests are faxed, mailed or e-mailed to mineral appraiser and the original filed in-house.  
Contact agent if no appointment form on file for property rendered or property protested.  
Code returned notices and research ownership and addresses.

## **June 2020**

### Appraisal Departments:

Appraisers work with property owners regarding proposed values and protests filed.  
Coordinate with CAD staff on hearing schedule and protests filed.

### CAD Staff:

Submit appraisal records to ARB for review.  
Submit completed Operations Survey to State Comptroller.  
Chief Appraiser begins update of USPAP Report (Mass Appraisal Report).  
Chief Appraiser submits recommended 2021 Budget to CAD board no later than June 15.  
Chief Appraiser submits estimated pro-rated budget shares to CAD board and taxing units.  
Contact agent if no appointment form on file for property protested.  
Schedule protest hearing and mail Notice of Protest letters.  
Compile information for evidence packets for property owners filing protests and requesting evidence.  
Coordinate with mineral and special property appraisers on hearing schedule and protests filed.  
Prepare hearing list and information on information meeting and formal hearing to check on evidence and reason for changes in value by contract appraisers.  
Code returned appraisal notices and research ownership and addresses.  
Print and mail personal property rendition penalty letters.  
Mail all approvals/denials on rendition penalty waiver requests.  
Post ARB hearing Agenda as necessary.  
Check rendition list against Preliminary Appraisal Roll to verify properties are being picked up and appraised by mineral appraiser.

## **July 2020**

### Appraisal Departments:

Appraisers work with property owners regarding proposed values and protests filed.  
Appraisers defend values at protest hearings.  
Enter into CAMA all changes ordered by ARB.

### CAD Staff:

Prepare hearing list and information on informal meetings and formal hearings to check on evidence and reason for changes in value by contract appraisers.  
Mail all approvals/denials on rendition penalty waiver requests.  
Post ARB hearing agenda as necessary  
Begin ARB hearings  
Provide ARB support; make record of minutes during hearings, make copies as needed, supply forms and orders as needed, etc.  
Mail ARB Notices and Orders certified, return receipt requested.  
Enter into CAMA all changes ordered by ARB.  
ARB approves Appraisal Records by July 20.  
Chief Appraiser certifies Appraisal Roll to taxing units by July 25.  
Submit Certified Appraisal Roll to State Comptroller.

## **August 2020**

### Appraisal Department:

Appraisers continue to work on any pending protest hearings.  
Continue working with taxpayers.  
Coordinate with CAD that rendition penalties are applied correctly.

### CAD Staff:

Submit sales information to State Comptroller's Office by Aug 1. EARS  
Submit Certified Appraisal Roll to State Comptroller by Aug 1. EARS

Place ¼ page Notice of Budget Hearing Ad in local newspaper at least 10 days before the hearing date.  
Prepare updated Reappraisal Plan for 2021-2022  
Send Reappraisal Plan to tax units and notify them of hearing on Plan  
Submit Notice of Budget Hearing to taxing units at least 10 days before hearing date.  
Hold Public Hearing on 2021 Budget before September 15  
Hold Public Hearing on Reappraisal Plan  
Continue ARB Hearing process for any rescheduled or newly scheduled protests.  
Check rendition list against certified roll to verify values by mineral appraiser.  
Compose and mail letter to property owner filing late ag application informing them of the 10% penalty for late filing.  
Submit to taxing units value loss due to property acquiring 1<sup>st</sup> time exemption and 1<sup>st</sup> time 1-d or 1-d-1, value gain due to new improvements and recap of homesteads. Calculate truth in taxation information for county, cities, and special districts and supply needed data to schools.

### **September 2020**

#### Appraisal Department:

Work on gathering information of improvements and condition of those improvements and updating of pictures

#### CAD staff:

Send tax rate confirmation and exemption confirmation to each tax unit for certification  
Board of Directors must adopt 2019 budget by Sept 15.  
Begin work on reports of Property Value for State Comptroller's Office.  
Coordinate with P&A to assure tax load process is successful.  
Check that all qualifying residences have homestead exemptions, if not send applications.  
After tax rates are set, files are updated for new tax rates.  
Update listing of all taxing unit rates.  
Check that mapping updates have been processed as scheduled.

### **October 2020**

#### Appraisal Department:

Review and update Ag Survey Letter as needed.  
Continue field work reviewing class schedules and condition of improvements

#### CAD Staff:

Mail bills and respond to bill inquiries  
Mail Ag Survey Letters to owners.  
Submit completed Reports of Property Value to State Comptroller's Office.

### **November 2020**

#### Appraisal Department:

Continue field work

#### CAD Staff:

### **December 2020**

#### Appraisal Department:

Continue field work as needed

#### CAD Staff:

Receive names of Chair and Secretary of ARB appointed by Board of Directors.  
Board of Directors appoints ARB members to 2 year term and 1 year term as needed.



## Appendix A

### STANDARD 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals. USPAP standard 6 is a necessary set of rules that provides structure and guidance for the Shackelford County appraisal staff during the development and implementation of appraisal concepts.

Comment: STANDARD 6 applies to all mass appraisals of real or personal property regardless of the purpose or use of such appraisals. STANDARD 6 is directed toward the substantive aspects of developing and communicating credible analyses, opinions, and conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or without computer assistance. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

- 1) identifying properties to be appraised;
- 2) defining market area of consistent behavior that applies to properties;
- 3) identifying characteristics (supply and demand) that affect the creation of value in that market area;
- 4) developing a model structure that reflects the relationship among the characteristics affecting value in the market area;
- 5) calibrating the model structure to determine the contribution of the individual characteristics affecting value;
- 6) applying the conclusions reflected in the model to the characteristics of the property(ies) being appraised; and
- 7) reviewing the mass appraisal results.

The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

## Standards Rule 6-1

In developing a mass appraisal, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible mass appraisal;

Comment: Mass appraisal provides for a systematic approach and uniform application of appraisal



methods and techniques to obtain estimates of value that allow for statistical review and analysis of results.

This requirement recognizes that the principle of change continues to affect the manner in which appraisers perform mass appraisals. Changes and developments in the real property and personal property fields have a substantial impact on the appraisal profession.

To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in mass appraisal.

- (b) not commit a substantial error of omission or commission that significantly affects a mass appraisal; and

Comment: An appraiser must use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.

- (c) not render a mass appraisal in a careless or negligent manner.

Comment: Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner. This Standards Rule requires an appraiser to use due diligence and due care.

## Standards Rule 6-2

In developing a mass appraisal, an appraiser must:

- (a) **identify the client and other intended users;**
- (b) identify the intended use of the appraisal;

Comment: An appraiser must not allow the intended use of an assignment or a clients objectives to cause the assignment results to be biased.

- (c) identify the type and definition of value, and, if the value opinion to be developed is market value, ascertain whether the value is to be the most probable price:
  - (i) in terms of cash; or
  - (ii) in terms of financial arrangements equivalent to cash; or
  - (iii) in such other terms as may be precisely defined; and

- (iv) if the opinion of value is based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraisers opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data;

Comment: For certain types of appraisal assignments in which a legal definition of market value has been established and takes precedence, the [JURISDICTIONAL EXCEPTION RULE](#) may apply.

**(d) identify the effective date of the appraisal;**

- (e) identify the characteristics of the properties that are relevant to the type and definition of value and intended use , including:
  - (i) the group with which a property is identified according to similar market influence;
  - (ii) the appropriate market area and time frame relative to the property being valued; and
  - (iii) their location and physical, legal, and economic characteristics;

Comment: The properties must be identified in general terms, and each individual property in the universe must be identified, with the information on its identity stored or referenced in its property record.

When appraising proposed improvements, an appraiser must examine and have available for future examination, plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements.

Ordinarily, proposed improvements are not appraised for ad valorem tax. Appraisers, however, are sometimes asked to provide opinions of value of proposed improvements so that developers can estimate future property tax burdens. Sometimes units in condominiums and planned unit developments are sold with an interest in unbuilt community property, the pro rata value of which, if any, must be considered in the analysis of sales data.

- (f) identify the characteristics of the market that are relevant to the purpose and intended use of the mass appraisal including:
  - (i) location of the market area;
  - (ii) physical, legal, and economic attributes;
  - (iii) time frame of market activity; and
  - (iv) property interests reflected in the market;
- (g) in appraising real property or personal property:
  - (i) identify the appropriate market area and time frame relative to the property being valued;
  - (ii) when the subject is real property, identify and consider any personal property, trade fixtures, or intangibles that are not real property but are included in the appraisal;
  - (iii) when the subject is personal property, identify and consider any real property or intangibles that are not personal property but are included in the appraisal;

- (iv) identify known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of similar nature; and
- (v) identify and analyze whether an appraised fractional interest, physical segment or partial holding contributes pro rata to the value of the whole;

Comment: The above requirements do not obligate the appraiser to value the whole when the subject of the appraisal is a fractional interest, physical segment, or a partial holding. However, if the value of the whole is not identified, the appraisal must clearly reflect that the value of the property being appraised cannot be used to develop the value opinion of the whole by mathematical extension.

- (h) analyze the relevant economic conditions at the time of the valuation, including market acceptability of the property and supply, demand, scarcity, or rarity;
- (i) identify any extraordinary assumptions and any hypothetical conditions necessary in the assignment; and

Comment: An extraordinary assumption may be used in an assignment only if:

- it is required to properly develop credible opinions and conclusions;
- the appraiser has a reasonable basis for the extraordinary assumption;
- use of the extraordinary assumption results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

A hypothetical condition may be used in an assignment only if:

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- use of the hypothetical condition results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

- (j) **determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.**

## Standards Rule 6-3

When necessary for credible assignment results, an appraiser must:

- (a) in appraising real property, identify and analyze the effect on use and value of the following factors: existing land use regulations, reasonably probable modifications of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use of the real estate; and

Comment: This requirement sets forth a list of factors that affect use and value. In considering neighborhood trends, an appraiser must avoid stereotyped or biased assumptions relating to race, age, color, gender, or national origin or an assumption that race, ethnic, or religious homogeneity is

necessary to maximize value in a neighborhood. Further, an appraiser must avoid making an unsupported assumption or premise about neighborhood decline, effective age, and remaining life. In considering highest and best use, an appraiser must develop the concept to the extent required for a proper solution to the appraisal problem.

- (b) in appraising personal property: identify and analyze the effects on use and value of industry trends, value-in-use, and trade level of personal property. Where applicable, identify the effect of highest and best use by measuring and analyzing the current use and alternative uses to encompass what is profitable, legal, and physically possible, as relevant to the type and definition of value and intended use of the appraisal. Personal property has several measurable marketplaces; therefore, the appraiser must define and analyze the appropriate market consistent with the type and definition of value.

Comment: The appraiser must recognize that there are distinct levels of trade and each may generate its own data. For example, a property may have a different value at a wholesale level of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser must analyze the subject property within the correct market context.

## Standards Rule 6-4

In developing a mass appraisal, an appraiser must:

- (a) identify the appropriate procedures and market information required to perform the appraisal, including all physical, functional, and external market factors as they may affect the appraisal;

Comment: Such efforts customarily include the development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration.

- (b) employ recognized techniques for specifying property valuation models; and

Comment: The formal development of a model in a statement or equation is called model specification. Mass appraisers must develop mathematical models that, with reasonable accuracy, represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. The models may be specified using the cost, sales comparison, or income approaches to value. The specification format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics. Appropriate approaches must be used in appraising a class of properties. The concept of recognized techniques applies to both real and personal property valuation models.

- (c) employ recognized techniques for calibrating mass appraisal models.

Comment: Calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model. The table entries in a cost manual are examples of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation.

## Standards Rule 6-5

**In developing a mass appraisal, when necessary for credible assignment results, an appraiser must:**

- (a) collect, verify, and analyze such data as are necessary and appropriate to develop:
  - (i) the new cost of the improvements;
  - (ii) accrued depreciation;
  - (iii) value of the land by sales of comparable properties;
  - (iv) value of the property by sales of comparable properties;
  - (v) value by capitalization of income or potential earnings i.e., rentals, expenses, interest rates, capitalization rates, and vacancy data;

Comment: This Standards Rule requires appraisers engaged in mass appraisal to take reasonable steps to ensure that the quantity and quality of the factual data that are collected are sufficient to produce credible appraisals. For example, in real property, where applicable and feasible, systems for routinely collecting and maintaining ownership, geographic, sales, income and expense, cost, and property characteristics data must be established. Geographic data must be contained in as complete a set of cadastral maps as possible, compiled according to current standards of detail and accuracy. Sales data must be collected, confirmed, screened, adjusted, and filed according to current standards of practice. The sales file must contain, for each sale, property characteristics data that are contemporaneous with the date of sale. Property characteristics data must be appropriate and relevant to the mass appraisal models being used. The property characteristics data file must contain data contemporaneous with the date of appraisal including historical data on sales, where appropriate and available. The data collection program must incorporate a quality control program, including checks and audits of the data to ensure current and consistent records.

- (b) base estimates of capitalization rates and projections of future rental rates and/or potential earnings capacity, expenses, interest rates, and vacancy rates on reasonable and appropriate evidence;

Comment: This requirement calls for an appraiser, in developing income and expense statements and cash flow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction.

- (c) identify and, as applicable, analyze terms and conditions of any available leases; and
- (d) **identify the need for and extent of any physical inspection.**

## Standards Rule 6-6

When necessary for credible assignment results in applying a calibrated mass appraisal model an appraiser must:

- (a) value improved parcels by recognized methods or techniques based on the cost approach, the sales comparison approach, and income approach;

- (b) value sites by recognized methods or techniques; such techniques include but are not limited to the sales comparison approach, allocation method, abstraction method, capitalization of ground rent, and land residual technique;
- (c) when developing the value of a leased fee estate or a leasehold estate, analyze the effect on value, if any, of the terms and conditions of the lease;

Comment: In ad valorem taxation the appraiser may be required by rules or law to appraise the property as if in fee simple, as though unencumbered by existing leases. In such cases, market rent would be used in the appraisal, ignoring the effect of the individual, actual contract rents.

- (d) analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the value of the whole must not be developed by adding together the individual values of the various parcels, divided interests, or component parts; and

Comment: When the value of the whole has been established and the appraiser seeks to value a part, the value of any such part must be tested by reference to appropriate market data and supported by an appropriate analysis of such data.

- (e) **when analyzing anticipated public or private improvements, located on or off the site, analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.**

## Standards Rule 6-7

In reconciling a mass appraisal an appraiser must:

- (a) reconcile the quality and quantity of data available and analyzed within the approaches used and the applicability or suitability of the approaches used; and
- (b) employ recognized mass appraisal testing procedures and techniques to ensure that standards of accuracy are maintained.

Comment: It is implicit in mass appraisal that, even when properly specified and calibrated mass appraisal models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy. This responsibility requires appraisers to evaluate the performance of models, using techniques that may include but are not limited to, goodness-of-fit statistics, and model performance statistics such as appraisal-to-sale ratio studies, evaluation of hold-out samples, or analysis of residuals.

## Standards Rule 6-8

A written report of a mass appraisal must clearly communicate the elements, results, opinions, and value

conclusions of the appraisal.

Each written report of a mass appraisal must:

- (a) clearly and accurately set forth the appraisal in a manner that will not be misleading;
- (b) contain sufficient information to enable the intended users of the appraisal to understand the report properly;

Comment: Documentation for a mass appraisal for ad valorem taxation may be in the form of (1) property records, (2) sales ratios and other statistical studies, (3) appraisal manuals and documentation, (4) market studies, (5) model building documentation, (6) regulations, (7) statutes, and (8) other acceptable forms.

- (c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment;

Comment: The report must clearly and conspicuously:

state all extraordinary assumptions and hypothetical conditions; and

state that their use might have affected the assignment results.

- (d) state the identity of the client and any intended users, by name or type;
- (e) state the intended use of the appraisal;
- (f) disclose any assumptions or limiting conditions that result in deviation from recognized methods and techniques or that affect analyses, opinions, and conclusions;
- (g) set forth the effective date of the appraisal and the date of the report;

Comment: In ad valorem taxation the effective date of the appraisal may be prescribed by law. If no effective date is prescribed by law, the effective date of the appraisal, if not stated, is presumed to be contemporaneous with the data and appraisal conclusions.

The effective date of the appraisal establishes the context for the value opinion, while the date of the report indicates whether the perspective of the appraiser on the market or property use conditions as of the effective date of the appraisal was prospective, current, or retrospective.

Reiteration of the date of the report and the effective date of the appraisal at various stages of the report in tandem is important for the clear understanding of the reader whenever market or property use conditions on the date of the report are different from such conditions on the effective date of the appraisal.

- (h) state the type and definition of value and cite the source of the definition;

Comment: Stating the type and definition of value also requires any comments needed to clearly indicate to intended users how the definition is being applied.

When reporting an opinion of market value, state whether the opinion of value is:

In terms of cash or of financing terms equivalent to cash; or

Based on non-market financing with unusual conditions or incentives.

When an opinion of market value is not in terms of cash or based on financing terms equivalent to cash, summarize the terms of such financing and explain their contributions to or negative influence on value.

- (i) identify the properties appraised including the property rights;

Comment: The report documents the sources for location, describing and listing the property. When applicable, include references to legal descriptions, addresses, parcel identifiers, photos, and building sketches. In mass appraisal this information is often included in property records. When the property rights to be appraised are specified in a statute or court ruling, the law must be referenced.

- (j) describe the scope of work used to develop the appraisal; exclusion of the sales comparison approach, cost approach, or income approach must be explained;

Comment: Because intended users reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

When any portion of the work involves significant mass appraisal assistance, the appraiser must describe the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant mass appraisal assistance in the certification, in accordance with SR 6-9.

- (k) describe and justify the model specification(s) considered, data requirements, and the model(s) chosen;

Comment: The appraiser must provide sufficient information to enable the client and intended users to have confidence that the process and procedures used conform to accepted methods and result in credible value conclusions. In the case of mass appraisal for ad valorem taxation, stability and accuracy are important to the credibility of value opinions. The report must include a discussion of the rationale for each model, the calibration techniques to be used, and the performance measures to be used.

- (l) describe the procedure for collecting, validating, and reporting data;**

Comment: The report must describe the sources of data and the data collection and validation processes. Reference to detailed data collection manuals must be made, as appropriate, including where they may be found for inspection.

- (m) describe calibration methods considered and chosen, including the mathematical form of the final model(s); describe how value conclusions were reviewed; and, if necessary, describe the availability of individual value conclusions;

- (n) when an opinion of highest and best use was developed, discuss how that opinion was determined;

Comment: The mass appraisal report must reference case law, statute, or public policy that describes highest and best use requirements. When actual use is the requirement, the report must discuss how use-value opinions were developed. The appraisers reasoning in support of the highest and best use opinion must be provided in the depth and detail required by its significance to the



appraisal.

- (o) identify the appraisal performance tests used and set forth the performance measures attained;
- (p) describe the reconciliation performed, in accordance with Standards Rule 6-7; and
- (q) **include a signed certification in accordance with Standards Rule 6-9.**

## Standards Rule 6-9

Each written appraisal review report must contain a signed certification that is similar in content to the following form:

**I certify that, to the best of my knowledge and belief:**

- the statements of fact contained in this report are true and correct.
- the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.
- my engagement in this assignment was not contingent upon developing or reporting predetermined results.
- my compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have (or have not) made a personal inspection of the properties that are the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)
- no one provided significant mass appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant mass appraisal assistance must be stated.)

Comment: The above certification is not intended to disturb an elected or appointed assessors work plans or oaths of office. A signed certification is an integral part of the appraisal report. An appraiser, who signs any part of the mass appraisal report, including a letter of transmittal, must also sign this certification.

In an assignment that includes only assignment results developed by the real property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes personal property assignment results not developed by the real property appraiser(s), any real property appraiser(s) who signs a certification accepts full responsibility for the real property elements of the certification, for the real property assignment results, and for the real property contents of the appraisal report.

In an assignment that includes only assignment results developed by the personal property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes real property assignment results not developed by the personal property appraiser(s), any personal property appraiser(s) who signs a certification accepts full responsibility for the personal property elements of the certification, for the personal property assignment results, and for the personal property contents of the appraisal report.

When a signing appraiser(s) has relied on work done by others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser(s) is required to have a reasonable basis for believing that those individuals performing the work are competent and that their work is credible.

The names of individuals providing significant mass appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of their assistance be contained in the certification, but disclosure of their assistance is required in accordance with SR 6-8(j).