

# ATASCOSA CENTRAL APPRAISAL DISTRICT 2021 MASS APPRAISAL REPORT

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## INTRODUCTION

### Scope of Responsibility

The Atascosa Central Appraisal District (CAD) has prepared and published this report to provide our citizens and taxpayers with a better understanding of the appraisal district's responsibilities and activities. This report has several parts: a general introduction and then several sections describing the appraisal effort by the appraisal district.

The Atascosa CAD is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A member board of directors (BOD), appointed by the taxing units within the boundaries of Atascosa County, constitutes the appraisal district's governing body. The chief appraiser, appointed by the BOD, is the chief administrator and chief executive officer of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for fifteen (15) jurisdictions or taxing units in the county. Each taxing unit, such as the county, a city, school district, municipal utility district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services.

Appraisals established by the appraisal district allocate the year's tax burden on the basis of each taxable property's January 1<sup>st</sup> market value. We also determine eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

**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 Property Tax Code Section 1.04(7), 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>.

Property Tax Code Sec. 25.18, requires each appraisal district board to adopt a written plan each even- numbered year for the periodic reappraisal of all property within the boundaries of the appraisal district. The written plan must provide for the update of appraised values for all real property and personal property in the appraisal district at least once every three years. The appraisal district's current policy is to conduct a general reappraisal every three year. However, appraised values are reviewed annually and are subject to change for purposes of equalization.

The appraised value of real estate is calculated using specific information about each property. Using computer- assisted appraisal programs, and recognized appraisal methods and techniques, we compare that information with the data for similar properties, and with recent market data. The appraisal 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. In cases where the appraisal district contracts for professional valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards.

### **Personnel Resources**

The Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of appraisal district operations. The administration department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The appraisal department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal, mineral, and industrial. The appraisal 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 hearings support are coordinated by the support services department.

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

- 1 - Official/Administrator (Executive level administration)
- 3 - Professional (Supervisory and Management)
- 6 - Professional Technicians (Appraisers, program appraisers)
- 5 - Administrative Support (professional, customer service, clerical, mapping and other)

## **Data**

The appraisal district is responsible for establishing and maintaining approximately 72,103 real, personal property and mineral/industrial accounts covering 1,232 square miles within Atascosa County. This data includes property characteristic and 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 that is prioritized by last field inspection date. Sales are routinely validated during a separate field effort; however, numerous sales are validated as part of the new construction and data review field activities. General trends in employment, interest rates, new construction trends, and cost and market data are acquired through various sources, including internally generated questionnaires to buyer and seller, and market data centers and vendors.

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

## **Information Systems**

The information systems department maintains the appraisal district's data processing facility, software applications, Internet website, and geographical information system. The mainframe hardware/system software is desktop and server personal computer's (PC), along with terminal emulation to mainframe windows. Atascosa CAD contracts with Harris Govern and operates on the PACS computer assisted mass appraisal (CAMA) system.

## **SHARED APPRAISAL DISTRICT BOUNDARIES**

The appraisal district established procedures whereby ownership and property data information are routinely exchanged when necessary. Appraisers from adjacent appraisal districts discuss data collection and valuation issues to minimize the possibility of differences in property characteristics, legal descriptions, and other administrative data. HB 1010 amended Section 6.02 of the Texas Property Tax Code to define appraisal district's boundaries as the same as the county's boundaries effective January 1, 2008.

## **INDEPENDENT PERFORMANCE TEST**

According to the Property Tax Code Chapter 5 and the Government Code Section 403.302, the Texas Comptroller of Public Accounts Property Tax Assistance Division (PTAD) conducts a bi-annual property value study (PVS) of each Texas school district and each appraisal district. As a part of this bi-annual study, the Government Code Section 403.302 also requires the Comptroller to: use sales and recognized auditing and sampling techniques, test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and, determine the level and uniformity of property tax appraisal in each appraisal district.

The methodology used in the PVS includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analysis 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 percent of the median, the percentage of properties within 25 percent of the median, and price-related differential (PRD) for properties overall and by state category (i.e., categories A, B, C, D and F1 are directly applicable to real property).

There are 7 independent school districts (ISD) in Atascosa CAD for which appraisal rolls are annually developed. In the year of the study, the preliminary results of this study are released in January 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) in the following July of each year for which there is a PVS. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

In 2009, the Texas Legislature enacted a new law that amended Property Tax Code Section 5.102. It requires the Comptroller's office to review appraisal districts every two years. Called the Methods and Assistance Program (MAP), the reviewers study the governance, taxpayer assistance, operating procedures and the appraisal standards, procedures and methodology of each appraisal district.

# Appraisal Activities

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## INTRODUCTION

### Appraisal Responsibilities

The field appraisal staff 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 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 which are located within the boundaries of Atascosa County. 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 field inspect residential and personal properties in Atascosa County every 3 years, and commercial properties every 2 years. Meeting this goal is dependent on budgetary constraints, availability of qualified staff, and implementation of new legislation.

### Appraisal Resources

- Personnel - The appraisal activities consist of 6 appraisers and 8 clerical personnel.
- Data - The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Mass Appraisal System) from the appraisal district's computer system. The data is loaded into the Districts CAMA Cloud and downloaded into the appraisers' iPad field appraisal devices or 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 information.

## PRELIMINARY ANALYSIS

### Data Collection/Validation

Data collection of real property involves maintaining data characteristics of the property on CAMA. The information contained in CAMA includes site characteristics, such as land size and topography, and improvement data, such as square foot of living area, year built, quality of construction, and condition. Field appraisers use appraisal manuals that establish uniform procedures for the correct appraisal of real property. All properties are coded according to these manuals and the approaches to value are structured and calibrated based on this coding system. The field appraisers use these manuals during their initial training and as a guide in the field inspection of properties. The field appraisers conducting on-site inspections use a personal property manual during their initial training and as a guide to correctly list all personal property that is taxable.

The appraisal procedure manuals that are utilized by the field appraisers are available in the appraisal district offices. If a property owner/agent wants a copy of the appraisal procedural manual, the Public Information Officer will handle this request. Appraisers periodically update the appraisal procedural manuals with input from the valuation group.

### **Sources of Data**

The sources of data collection are through the new construction field effort, data review/relist field effort, data mailers, hearings, sales validation field effort, commercial sales verification, newspapers and publications, and property owner correspondence. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. Paper permits are received and matched manually with the property's account number for data entry.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers drive entire neighborhoods to review the accuracy of our data and identify properties that must be reappraised. The sales validation effort in real property pertains to the collection of data of 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 data and confirmation of the sales price. In commercial, the commercial appraisers are responsible for contacting both grantee and grantor to confirm sales prices and to verify pertinent data.

Property owners are one of the best sources for identifying incorrect data that generates a field check. Frequently, the property owner provides sufficient enough data to allow correction of records without having to send an appraiser on-site. As the appraisal district has increased the amount of information available on the Internet, property owner's requests to correct data inconsistencies has also increased. For the property owner without access to the Internet, letters are often submitted notifying the appraisal district of inaccurate data. Properties identified in this manner are added to a work file and inspected at our earliest opportunity.

### **Data Collection Procedures**

Field data collection requires organization, planning and supervision of the field effort. Data collection procedures have been established for residential, commercial, and personal property. The appraisers are assigned throughout Atascosa County to conduct field inspections. Appraisers conduct field inspections and record information either on the iPad field appraisal device, a property record card, or a personal property data sheet.

The quality of the data used is extremely important in establishing accurate values of taxable property. While production standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection set forth in the appraisal manual as rules to follow. Experienced appraisers are routinely re-trained in

appraisal procedures prior to major field projects such as new construction, sales validation or data review. A quality assurance process exists through supervisory review of the work being performed by the field appraisers. Quality assurance supervision is charged with the responsibility of ensuring that appraisers follow appraisal procedures, identify training issues and provide uniform training throughout the field appraisal staff.

### **Data Maintenance**

The field appraiser is responsible for turning the data entry of his/her fieldwork directly into the data entry department. The data entry department's responsibilities include not only data entry, but also quality assurance.

There are quality control procedures in place in accordance with the International Association of Assessing Officers (IAAO) Standard 3.3.2.5 on Data Collection Quality Control.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### **Field Review**

The date of last inspection, extent of that inspection, and the CAD appraiser responsible are listed on the CAMA record. When a property owner or jurisdiction dispute the appraisal district's records concerning this data during a hearing, via a telephone call or correspondence received, CAMA may be altered based on the evidence provided. Typically, a field inspection is requested to verify this evidence for the current year's valuation or for the next year's valuation. Every year a field review of certain areas or neighborhoods in the jurisdiction is done during the data review/re-inspection field effort.

### **Office Review**

Office reviews are completed on properties where information has been received from the owner of the property. When the property data is verified in this manner, field inspections are typically not required.

## **PERFORMANCE TEST**

The field appraisers are responsible for conducting ratio studies and comparative analysis. Field appraisers, in many cases may conduct field inspections to ensure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics.

# Residential Valuation Process

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## INTRODUCTION

### Scope of Responsibility

The residential field appraisers are responsible for developing equal uniform market values for residential improved and vacant property. There are approximately 24,673 residential improved parcels and 4,409 vacant residential properties in Atascosa County.

### Appraisal Resources

- Personnel - The residential valuation appraisal staff consists of 5 appraisers.
- Data - A common set of data characteristics for each residential dwelling in Atascosa County is collected in the field and the data is entered into the computer. The property characteristic data drives the CAMA approach to valuation.

## VALUATION APPROACH (Model Specification) 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 appraisers a current economic outlook on the real estate market. Information is collected from real estate publications and sources such as continuing education classes.

### Neighborhood and Market Analysis

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 each of the political entities known as ISDs.

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 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.

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the appraisal district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are field inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in cost-derived areas of limited or no sales, or use in direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed below, is performed on a neighborhood basis, and in soft sale areas on a neighborhood group basis.

### **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. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. 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. Residential valuation undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are economic misimprovements, and the highest and best use of such property is the construction of new dwellings. In areas of mixed

residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties. Per Section 23.01 (d), the market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

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

### **Cost Schedules**

All residential parcels in the appraisal district are valued from identical cost schedules using a comparative unit method. The appraisal district's residential cost schedules have been customized to fit Atascosa County's local residential building and labor market. The cost schedules are reviewed regularly.

An extensive review and revision of the residential cost schedule was performed for the 2020 tax year. CAD dwelling costs were compared against Marshall & Swift, a nationally recognized cost estimator. This process included correlation of quality of construction factors from CAD and Marshall & Swift. The results of this comparison were analyzed using statistical measures, including stratification by quality and reviewing estimated building costs plus land to sales prices. As a result of this analysis, a new regional multiplier was developed to be used in the appraisal district's cost process. In addition to the mainframe cost schedules, spreadsheet applications have been created to address unique appraisal situations, such as different levels of remodeling and atypical housing features not normally accounted for in the mainframe benchmark cost system.

### **Sales Information**

A sales file for the storage of snapshot sales data at the time of sale is maintained. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a separate sales information system. Residential improved and vacant sales are collected from a variety of sources, including: appraisal district questionnaires sent to buyer and seller, field discovery, protest hearings, Board of Realtor's MLS, various sale vendors, builders, and realtors. A system of type, source, validity and verification codes was established to define salient facts related to a property's purchase or transfer. School district or neighborhood sales reports are generated as an analysis tool for the appraiser in the development of value estimates.

### **Land Analysis**

Residential land analysis is conducted by each of the residential appraisers. The appraisers develop a base lot, primary rate, and assign each unique neighborhood to one of the square foot land tables. The square foot land table is designed to systematically value the primary and residual land based on a specified percentage of the primary rate. A computerized land table file stores the land information required to consistently value individual parcels within neighborhoods. Specific land influences are used, where necessary, to adjust parcels outside the neighborhood norm for such factors as view,

shape, size, and topography, among others. The appraisers use abstraction and allocation methods to ensure that the land values created best reflect the contributory market value of the land to the overall property value.

### **Statistical Analysis**

The residential field appraisers perform statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on each of the approximately 560 residential valuation neighborhoods in the appraisal district to judge the two primary aspects of mass appraisal accuracy level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each stratified neighborhood within an ISD and summarized by year. These summary statistics including, but not limited to, the weighted mean, median, standard deviation, coefficient of variation, and coefficient of dispersion provide the appraisers a tool by which to determine both the level and uniformity of appraised value on a stratified neighborhood basis. The level of appraised values is determined by the weighted mean for individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods. Review of the standard deviation, coefficient of variation, and coefficient of dispersion discerns appraisal uniformity within and between stratified 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 in an upcoming reappraisal, or whether the level of market value in a neighborhood is at an acceptable level.

### **Market Adjustment or Trending Factors**

Neighborhood, or market adjustment, factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market. The appraisal 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 specified in the cost model.

The following equation denotes the hybrid model used:

$$MV = MA [LV + (RCN - D)]$$

whereas, the market value equals the market adjustment factor times the land value plus the replacement cost new less depreciation. As the cost approach separately estimates both land and building values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values are needed to bring the level of appraisal to an acceptable standard. Market or location adjustments are applied uniformly within neighborhoods to account for locational

variances between market areas or across a jurisdiction.

If a neighborhood is to be updated, the appraiser uses a cost ratio study that compares recent sales prices of properties appropriately adjusted for the effects of time within a delineated neighborhood with the properties' actual cost value. The calculated ratio derived from the sum of the sold properties' cost value divided by the sum of the sales prices indicates the neighborhood level of value based on the unadjusted cost value for the sold properties. This cost-to-sale ratio is compared to the appraisal-to-sale ratio to determine the market adjustment factor for each neighborhood. This market adjustment factor is needed to trend the values obtained through the cost approach closer to the actual market evidenced by recent sales prices within a given neighborhood. The sales used to determine the market adjustment factor will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values.

The market adjustment factor calculated for each update neighborhood is applied uniformly to all properties within a neighborhood. Once the market-trend factors are applied, a second set of ratio studies 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 finally, for the school district as a whole.

## **TREATMENT OF RESIDENCE 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 the new law, beginning in the second year a property receives a homestead exemption; increases in the value of that property are capped. The value for tax purposes (appraised 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

Values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1st of the following year. In that following year, that home is reappraised at its market value to bring its appraisal into uniformity with other properties. An analogous provision applies to new homes. While a developer owns them, unoccupied residences are appraised as part of an inventory using the appraisal district's land value and the developer's construction costs as of the valuation date. However, in the year following sale, they are reappraised at market value.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### **Field Review**

The appraiser identifies individual properties in critical need of field review through sales ratio analysis. Sold properties with a high variance in sales ratios are field reviewed on a regular basis to check for accuracy of data characteristics.

As the appraisal district's parcel count has increased through new home construction, and the homes constructed in the boom years of the late 70's and early 80's experience remodeling, the appraisers are required to perform the field activity associated with transitioning and high demand neighborhoods. Increased sales activity has also resulted in a more substantial field effort on the part of the appraisers to review and resolve sales outliers. Additionally, the appraiser frequently field reviews subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property. After preliminary estimates of value have been determined in targeted areas, the appraiser takes valuation documents to the field to test the computer-assisted values against his own appraisal judgment. During this review, the appraiser is able to physically inspect both sold properties and unsold properties for comparability and consistency of values.

### **Office Review**

Given the ample resources and time required to conduct a routine field review of all properties, homogeneous properties consisting of tract housing with a low variance in sales ratios and other properties having a recent field inspection date are value reviewed in the office. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The dollar amount and percentage of value difference 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.

Once the appraiser is satisfied with the level and uniformity of value for each neighborhood within his/her area of responsibility, the estimates of value is reviewed by a supervisor and approved for the appraisal notice process.

## **PERFORMANCE TESTS**

### **Sales Ratio Studies**

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The appraisal district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each ISD by quarter 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. The neighborhood descriptive statistic, along with frequency distributions and scatter diagrams are reviewed for each neighborhood being updated for the current tax year. In addition to the mainframe sales ratios by school district and

neighborhood, quarterly sales ratios are generated from a PC-based statistical application in Microsoft EXCEL. Reported in the sales ratio statistics for each school district is a level of appraisal value and uniformity profile by land use, sales trends by quarter and 12-month time frame, and appraisal value ranges. The PC-based ratio studies are designed to emulate the findings of the Texas Comptroller of Public Accounts, Property Tax Assistance Division's (PTAD) annual PVS for Category A property.

### **Management Review Process**

Once the proposed value estimates are finalized, the appraiser reviews the sales ratios by neighborhood and presents pertinent valuation data, such as, history of hearing protest, sale-to-parcel ratio, and level of appraisal to the Chief Appraiser for final review and approval. This review includes comparison of level of value between related neighborhoods within and across jurisdiction lines. The primary objective of this review is to ensure that the proposed values have met preset appraisal guidelines appropriate for the tax year in question.

# Commercial Valuation Process

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## INTRODUCTION

### Appraisal Responsibility

This mass appraisal assignment includes all of the commercially classed real property which falls within the responsibility of the commercial field appraisers of the Atascosa CAD and located within the boundaries of this taxing jurisdiction. Commercial appraisers appraise the fee simple interest of properties according to statute. However, the effect 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 portion of 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). All appraisers are assigned to improved commercial property types. The Chief Appraiser and the Assistant Chief Appraiser are responsible for the land valuation.
- **Data** - The data used by the commercial appraiser 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 appraiser 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

### Pilot Study

Pilot studies are utilized to test new or existing procedures or valuation modifications in a limited area (a sample of properties) of the appraisal district and are also considered whenever substantial changes are made. These studies, which are inclusive of ratio studies, reveal whether a new system is producing accurate and reliable values or whether procedural modifications are required. The appraiser implements this methodology when developing both the cost approach and income approach models.

Survey of similar jurisdictions: Atascosa CAD coordinates its discovery and valuation activities with adjoining appraisal districts. Numerous field trips, interviews and data exchanges with adjacent appraisal districts have been conducted to ensure compliance with state statutes. In addition, Atascosa CAD administration and personnel interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers (IAAO), Texas Association of Appraisal Districts (TAAD), Texas Association of Assessing Officers (TAAO), and the Texas Rural Chief Appraiser's Association (TRCA).

## **VALUATION APPROACH (Model Specification)**

### **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. Continuing education is obtained in the form of courses approved by the Property Tax Education Coalition.

### **Neighborhood Analysis**

The neighborhood is comprised of the land area and commercially classed properties located within the boundaries of this taxing jurisdiction. This area consists of a wide variety of property types including residential, commercial and industrial. Neighborhood analysis involves the examination of how physical (environmental), economic, governmental and social forces and other influences affect property values. 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 properties these subsets of a universe of properties are generally referred to as market areas 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. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if re-delineation is required. The geographic boundaries as well as, income, occupancy and expense levels and capitalization rates by age within each economic area for all commercial use types and its corresponding income model may be found in the commercial valuation manual.

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

The highest and best use is the most reasonable and probable use that generates the highest present value of the real estate as of the date of valuation. 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 assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, 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 ensures 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 is significantly different than market value, which approximates market price under the following assumptions:

- no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale,
- well- informed buyers and sellers acting in their own best interests,
- a reasonable time for the transaction to take place, and
- payment in cash or its equivalent.

## **Market Analysis**

A market analysis relates directly to 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.

## **DATA COLLECTION / VALIDATION**

### **Data Collection Manuals**

The primary manual pertinent to data collection and documentation is the commercial/industrial data collection manual. This manual is continually updated, providing a uniform system of itemizing the multitude of components comprising improved properties. All properties located in Atascosa CAD's inventory are coded according to this manual and the approaches to value are structured and calibrated based on this coding system. The most recent revision of the manual was 2020.

Annually, prior to the hearing season and after the sales have been researched, verified, keyed into the database, and quality control has been completed, the sales data are summarized and produced into book form. The sales books are indexed by school district. These books are available for use during protest hearings.

## **Sources of Data**

In terms of commercial sales data, Atascosa CAD receives a copy of the deeds recorded in Atascosa County that convey commercially classed properties. The 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 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. If no information is provided, verification is then attempted via phone calls to both parties. If the sales information is still not obtained, other sources are contacted such as 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 during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

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

Model calibration involves the process of periodically adjusting the mass appraisal formulas, 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. However, at some point, if the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure.

## **Cost Schedules**

The cost approach to value is applied to all 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 comparable properties whenever possible. Cost models are typically developed based on the Marshall & Swift Valuation Service. Cost models include the derivation of RCN of all improvements. These include comparative base rates, per unit adjustments and lump sum adjustments. This approach also employs the sales comparison approach in the valuation of the underlying land value. 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, locational modifiers are necessary to adjust these base costs specifically for Atascosa County. These modifiers are provided by the national cost services.

Depreciation schedules are developed based on what is typical for each property type at that specific age. Depreciation schedules have been implemented for what is typical of each major class of commercial property by economic life categories. Schedules have been developed for improvements with 20, 30, 40, 50, 60 and 70 year expected life. These schedules are then 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 based on 3 levels of renovation and are described in the commercial / industrial manual.

Market adjustment factors such as external and/or functional obsolescence can be applied if warranted. 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 property type or location and can be developed via ratio studies or other market analyses. Accuracy in the development of the cost schedules, condition ratings and depreciation schedules will usually minimize the necessity of this type of an adjustment factor.

### **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 study publications. 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 on local market publications. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an effective gross rent.

Next a secondary income or service income is 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.

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 are included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Different expense ratios are developed for different types of commercial property based on use. For instance, retail properties are most frequently leased on a triple-net basis,

whereby the tenant is responsible for his pro-rata share of taxes, insurance and common area 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. However, any amount in excess of the total per unit expenditure in the first year is the responsibility of the tenant. Under this scenario, if the total operating expense in year one equates to \$8.00 per square foot, any increase in expense over \$8.00 per square foot throughout the remainder of the lease term would be the responsibility of the tenant. As a result, expense ratios are implemented based on the type 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 large lump sums. 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.

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

Rates and multipliers are used to convert income into an estimate of market value. These include income multipliers, overall capitalization rates, and discount rates. Each of these is used in specific applications. Rates and multipliers also 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. These procedures are documented in the International Association of Assessing Officers (IAAO), *Property Assessment Valuation* (2010); Chapter 13 The Income Approach Capitalization Formulas and Rates.

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

Rent loss concessions are made on 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 that for every year that the property's actual occupancy is less than stabilized occupancy a rent loss deduction may be estimated.

### **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 each parcel 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 on the mainframe CAMA system for utilization on all commercial properties in the appraisal district. The schedules and models are summarized in the commercial review manual. This manual is provided to appraisers and is made available to the public upon request.

### **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 available for each property type. These summary statistics including, but not limited to, the weighted mean, standard deviation and coefficient of variation, 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. Review of the standard deviation and the coefficient of variation can discern appraisal uniformity within a specific property type.

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 afford 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 utilizing frequency distribution methods or other statistical procedures or measures. Income model conclusions are compared to actual information obtained on individual commercial properties during the hearings process as well as information from published sources and area vendors. In the absence of the above-mentioned data, the District may rely on surrounding Districts' data in order to develop the capitalization rate.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### **Field Review**

The date of last inspection, extent of that inspection, and the Atascosa CAD appraiser responsible are listed in the CAMA system. If a property owner disputes the appraisal district's records concerning this data in a protest hearing, CAMA may be altered based on the credibility of the evidence provided. Typically, a new field check is then requested to verify this evidence for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is added to a work file. Finally, even though every property cannot be inspected each year, each appraiser typically designates certain segments of their area of responsibility to conduct field checks.

Commercial appraisers are somewhat limited in the time available to field review all commercial properties of a specific use type. However, a major effort is made by appraisers to field review as many properties as possible or economic areas experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. 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 not subject to field inspections and are performed in compliance with the guidelines contained in the commercial review manual. The commercial review manual outlines the application of the three approaches to value (including Discounted Cash Flow - DCF). This manual is rigorously maintained

and updated frequently. The last update of the commercial review manual was in 2020.

Office reviews are typically limited by the data presented in final value reports. The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and appraisal 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).

Once 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. If one of the parcel's component values, land value, improvement value or total value exceeds the permissible change in value range it fails the value edits. In this case, the parcel does not shift to noticing, but it is placed on a withhold list. Therefore, although the value estimates are determined in a computerized mass appraisal environment, value edits and rework lists enable an individual parcel review of value anomalies before the estimate of value is released for noticing.

## **PERFORMANCE TESTS**

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market values. In a ratio study, market values (value in exchange) are typically represented by sales 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 sales to provide necessary representativeness, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial, warehouse 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.

Atascosa CAD has adopted the policies of the IAAO *Standard on Ratio Studies* (2010) regarding its ratio study standards and practices. Ratio studies generally have six basic steps: (1) determination of the purpose and objectives, (2) data collection and preparation, (3) comparing appraisal and market data, (4) stratification, (5) statistical analysis, and (6) evaluation and application of the results.

### **Sales Ratio Studies**

Sales ratio studies are an integral part of establishing equitable and accurate market value estimates, and ultimately assessments for this taxing jurisdiction. The primary

uses of sale ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of properties types for reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and, to calibrate models used to derive appraised values during valuation or reappraisal cycles. However, these studies cannot be used to judge the accuracy of an individual property appraised value. The Atascosa County ARB may make individual value adjustments based on unequal appraisal (ratio) protest evidence submitted on a case-by-case basis during the hearing process.

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. The appraisers utilize desktop applications such as an Excel program to evaluate subsets of data by economic area or a specific and unique data item. On the desktop, this may be customized and performed by building class and age basis. In many cases, field checks may be conducted to ensure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. 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. Appraiser's 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 horizontal equity studies are performed prior to annual noticing.



# Industrial Valuation Process

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## INTRODUCTION

### Appraisal Responsibility

The industrial appraisers and/or contract appraisers of the Atascosa CAD are responsible for developing fair, uniform market values for improved industrial properties and industrial vacant land. The industrial appraiser is also responsible for the valuation of all tangible general industrial personal property in Atascosa County. There are approximately 26 parcels of industrial real property in Atascosa County, of which all are improved parcels. The industrial appraiser appraises approximately 336 parcels of tangible personal property and 518 Utility parcels. Along with these types of property, the industrial appraisers are responsible for the valuation of 24,560 mineral interest accounts in accordance with the Texas Comptroller of Public Accounts *Manual for Discounting Oil and Gas Income*.

### Appraisal Resources

- Personnel - Atascosa CAD contracts with Hugh Landrum & Associates to value properties for which the appraisal district does not have the available personnel or resources.
- Data - The contract appraisal staff inspects their assigned properties to obtain information about buildings, site improvements, process and shop equipment, and various items of personal property. In addition, appraisal personnel use information provided by property owners concerning the cost to purchase, install, and construct items of real and personal property. The individual characteristics of the property being appraised are the primary factors that drive the appraised value.

## VALUATION APPROACH (MODEL SPECIFICATION)

### Area Analysis

The scope of market forces affecting industrial products and the capital goods used in the production process tends to extend beyond regional considerations. The effects of information and transportation technology are such that most industrial market forces are measured globally. One exception to this general concept is the market for industrial land. The pricing of land tends to be closely tied to possible alternative uses in the area. For this reason, appraisers assigned to land valuation analyze market forces for specific areas and adjust land value schedules appropriately.

### Neighborhood Analysis

Neighborhood analysis of the type of properties valued by the industrial appraiser is not meaningful. Industrial properties do not have the type of generic sameness that is appropriate for neighborhood models.

## **Highest and Best Use Analysis**

The highest and best use of real or personal property is the most reasonable and probable use of the property on the date of appraisal that is physically and financially feasible, legal, and that derives maximum production from the property. Usually, the current use of the property is the highest and best use of that property. Industrial facilities are most commonly located in areas that support industrial use. In areas where mixed use does occur, the highest and best use of the property is examined by the appraiser to estimate the effect of this factor.

## **Market Analysis**

Market analysis is the basis for finalizing value estimates on properties for which the industrial appraiser has responsibility. Even though many industrial properties are unique in nature, the market for this type property is analyzed to see how the values of similar or similar as possible properties are affected by market forces.

Industrial properties, such as machine shops, have many similar facilities that can be compared to the subject property in terms of type and size of equipment, type of property fabricated or serviced at the subject facility, and other factors. Those similarities help the appraiser estimate the value of the subject property. However, some facilities, such as specialty power plants, are so unique in nature that the appraiser must use the closest available plant in terms of output quantity, and other factors to estimate the value of the subject property.

Many industrial properties use the same type of building and, depending on the type of business, may use the same type of manufacturing or service equipment. However, the manner in which the entire business operation is put together makes that particular facility unique. The appraisal district uses information from similar businesses to examine the real and personal property values at a particular business, but the individual characteristics of the business being reviewed determine the value estimation. Many of the buildings encountered at industrial facilities are generic in construction, such as pre-engineered metal buildings. The cost per square foot to construct these type structures can be used to estimate values at facilities that have similarly constructed buildings. However, the building as constructed will have differences that must be taken into account when estimating the final value of the property being reviewed.

A similar analysis is used for personal property. Many items of personal property, such as furniture and fixtures, computers, and even machinery and equipment are generic in construction, but individual characteristics that affect value, such as usage, environment where used, and level of care will have an effect on the final value estimation. When cost data for this type property is available and considered reliable, it is used for value estimation purposes at other plant facilities. However, on-site inspection and information provided by the property owner will affect the final value.

## **DATA COLLECTION/VALIDATION**

### **Data Collection Manuals**

An extended range of variations may exist within the same class of industrial property, and there are a multitude of property types within the industrial category. For this reason,

effective data collection procedures would be very difficult to organize in a single comprehensive manual. The appraisal district has adopted the guide for Marshall and Swift's Commercial Building System and the companion data acquisition forms to standardize data collection for buildings assigned to the industrial appraisal staff. The data generated by these forms enables the appraiser to use the software to value industrial buildings.

Industrial personal property also consists of many different classes of assets with a wide range of variation within each class. The appraisal district has adopted the convention of assets and estimating effective age of assets in the field. The field is then compared with information furnished by property owners during the final valuation review.

### **Sources of Data**

The original real and personal property data used by Atascosa CAD was supplied by the Atascosa County Tax Office. Since that time, the appraisal district and contract appraisal personnel have updated that information based on field review. As new facilities are built, the appraisal personnel collect all the real and personal property data necessary to value the property initially and thereafter update the information when the property is again visited. The appraisal district receives building permit information from the cities and from the county when a facility is being built outside an incorporated city.

### **Data Collection Procedures**

The appraisal district and contract appraisal personnel annually or periodically visit assigned industrial properties.

The appraisers take with them the historical data on the buildings and site improvements and the previous of personal property at the facility being visited. Changes to the existing structures and personal property are noted and that information is used for value estimation purposes. If cost information for the real or personal property is supplied later, the field data can be compared to that information to judge the accuracy of the information.

The appraisal district and contract firm appraisal staff members are not assigned any one geographical area of the county. The nature of the business and whether or not the appraisal district has the staff resources available determines which properties are valued by contract firms and which properties are valued by the appraisal district's appraisal staff. New appraisal district appraisers are trained by accompanying appraisers who have performed field visit and appraisal functions for a number of years. Each appraisal district appraiser is responsible for the completeness and correctness of their valuation work, but a new appraiser is encouraged to seek the advice of and review by experienced appraisal staff if that person is not sure of their value estimation results.

## **VALUATION ANALYSIS (MODEL CALIBRATION)**

### **Final Valuation Schedules**

The schedules used by the appraisal district are based on the Marshall and Swift Valuation System for real property improvements. The real property valuation schedules are updated periodically through the use of update books supplied by Marshall and Swift. The valuation schedules incorporated into the appraisal district's records are updated annually using a calculated index factor compiled from data in Marshall and Swift.

Atascosa CAD develops schedules based on indexed Marshall and Swift depreciation factors for use in the valuation of all business and industrial personal property. These schedules are updated annually by Atascosa CAD appraisal staff. The contract appraisal firms use similar schedules and methodology based on their experience in valuing real and personal property.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### **Field Review**

The appraisal district's personnel periodically review their assigned real and personal property accounts where there is evidence of change at a particular facility and when there is not, these accounts are revisited on a two to three-year cycle. Certain properties are reviewed annually because past experience shows that changes are occurring continually in the real or personal property at that facility. Properties assigned to contract appraisal firms are reviewed annually because changes also occur regularly at these facilities.

The results of prior year hearings and indication of building permits being issued are another source of required field visits. Many times, during hearings, issues are presented that cause a value adjustment. Those issues must be field checked to see if these influences will be on going and warrant permanent value adjustment or are transitory and permanent adjustment is not warranted. This information needs to be recorded so the appraiser will be better able to estimate the property value. Building permits must be field checked to see what effect these have on existing structures. Any new construction is noted and the information necessary to value the structure is recorded. Additionally, any structure demolition is noted so the improvement value can be adjusted accordingly.

Part of the field review includes noting any land characteristics that would affect the land value. The appraisal district values all land for the properties over which it has responsibility, including those properties assigned to contract appraisal firms. The contract appraisal firms must advise the appraisal district of any characteristics that would affect the value of the land associated with that assigned facility.

### **Office Review**

All properties not subjected to field review are reviewed in the office by the appraisal district appraiser assigned to particular real or personal properties. The office review

relies on historical information in the real or personal property file as the basis for deciding on the estimated value to be placed on the property for the current tax year.

When valuing real property, the characteristics of the property being reviewed are the driving force in value estimation. Experience in valuing other real property, such as a similar building elsewhere, helps the appraiser decide the estimated value to be placed on the subject improvements.

When valuing personal property, the type of furniture, equipment, computers, etc., will be used along with any cost data provided by the property owner to estimate the value. Experience in valuing similar property at other facilities will help the appraiser estimate the value of the subject facility. Individual characteristics of the property, such as usage and maintenance will have a bearing on the value calculated by use of appraisal district schedules.

## **PERFORMANCE TESTS**

### **Sales Ratio Studies**

Ratio studies are an important tool to examine how close appraised values are to market values. The ratio study may use available sales data or may use independent, expert appraisals. Typically, there are not enough sales of industrial properties to show representativeness of that class of property in a ratio study. Ratio studies of industrial properties usually have to rely on independent appraisals as an indicator of market values.

### **Comparative Appraisal Analysis**

This type of analysis is usually not done on industrial properties due to the unique nature of the property and also because of time and budget constraints regarding available appraisal staff. Only in an instance where a jurisdiction would file a jurisdiction challenge with the ARB would the appraisal district perform such an analysis.

If a jurisdiction challenge is received by Atascosa CAD on an industrial category of properties, the appraisers assigned to those accounts will research the appraisal roll to see what other similar properties exist. The real property values can be compared on an average value per square foot of structure basis, but the differences from one facility to another must be carefully compared because it is unlikely that two different facilities are going to build like improvements and use them in similar ways. In like manner, the personal property values can be compared per category, such as furniture and fixtures, machinery and equipment, etc., but the same comparison of the type of and use of the property must be examined to ensure property comparison.

# **Business Personal Property Valuation Process**

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## **INTRODUCTION**

### **Appraisal Responsibility**

There are four different personal property types appraised by the appraisal district's personal property section: business personal property accounts; leased assets; vehicles; and multi-location assets. There are approximately 1654 business personal property accounts in Atascosa County.

### **Appraisal Resources**

- Personnel - The personal property staff consists of 1 appraiser and 3 support staff.
- Data - A common set of data characteristics for each personal property account in Atascosa County is collected in the field and data entered to the appraisal district's computer. The property characteristic data drives the computer-assisted mass appraisal (CAMA) system. The field data is collected by the personal property appraiser.

## **VALUATION APPROACH (Model Specification)**

### **SIC Code Analysis**

Four-digit numeric codes, called Standard Industrial Classification (SIC) codes that were developed by the federal government. These classifications are used by Atascosa CAD as a way to classify personal property by business type. SIC code identification and delineation is the cornerstone of the personal property valuation system at the appraisal district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. There are 212 CAD personal property SIC codes. SIC codes are delineated based on observable aspects of homogeneity. SIC code delineation is periodically reviewed to determine if further SIC code delineation is warranted.

### **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. 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. The most recent revision of the personal property data collection procedures was in 2020.

### **Sources of Data**

#### **Business Personal Property**

The appraisal district's property characteristic data was originally received from the Atascosa County Tax Office and various school district records in 1980, and where absent, collected through a massive field data collection effort coordinated by the appraisal district over a period of time. When revaluation activities permit, appraisal district appraisers collect new data via annual field inspections. This project results in the discovery of new businesses not revealed through other sources. Tax assessors, city and local newspapers, and the public often provide the appraisal district information regarding new personal property and other useful facts related to property valuation.

#### **Vehicles**

An outside vendor provides Atascosa CAD with a list of vehicles within Atascosa County. The vendor develops this 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)**

### **Cost Schedules**

Cost schedules are developed by SIC code by appraisal district personal property field appraisers. Analyzing cost data from property owner renditions, hearings, state schedules, and published cost guides develops the cost schedules. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per square foot format, but some exception SIC's are in an alternate price per unit format, such as per room for hotels.

### **Statistical Analysis**

Summary statistics including, but not limited to, the median, weighted mean, and standard deviation provide the appraisers an analytical tool by which to determine both

the level and uniformity of appraised value by SIC code. Review of the standard deviation can discern appraisal uniformity within SIC codes.

### **Depreciation Schedule and Trending Factors: Business Personal Property**

Atascosa CAD's primary approach to the valuation of business personal property is the cost approach. The RCN is either developed from property owner reported historical cost or from Atascosa CAD developed valuation models. The trending factors used by Atascosa CAD to develop RCN are based on published valuation guides. The percent good depreciation factors used by Atascosa 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:

$$\text{PVF} = \text{INDEX FACTOR} \times \text{PERCENT GOOD FACTOR}$$

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.

### **Vehicles**

Value estimates for vehicles are provided by an outside vendor and are based on National Automobile Dealers Association (NADA) published book values. An appraiser using PVF schedules or published guides values vehicles that are not valued by the vendor.

### **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 NADA published book values are used. An appraiser using PVF schedules or published guides values assets that are not valued by the vendor.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### **Office Review**

### **Business Personal Property**

An appraisal district valuation computer program exists in a mainframe environment that identifies accounts in need of review based on a variety of conditions. 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.

## **Vehicles**

A vehicle master file is received on disc from an outside vendor and vehicles in the appraisal district's system from the prior year are programmatically matched to current TxDOT records. The vehicles remaining after the matching process are sorted by owner name and the number of vehicles owned then prioritizes the owners. These vehicles are then matched to existing accounts and new accounts are created as needed. An appraiser using PVF schedules or published guides values vehicles that are not valued by the vendor.

## **Leased and Multi-Location Assets**

Leasing and multi-location accounts that have a high volume of vehicles or other assets are loaded programmatically if reported by the property owner electronically.

After matching and data entry, reports are generated and reviewed by an appraiser. Corrections are made and the account is noticed after supervisor approval.

## **PERFORMANCE TESTS**

### **Ratio Studies**

Every other year PTAD conducts a 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 Atascosa CAD's personal property values and ratios are formed.

### **Internal Testing**

Atascosa CAD can test new or revised cost and depreciation schedules by running the valuation program in a test mode prior to the valuation cycle. This can give appraisers a chance to make additional refinements to the schedules if necessary.

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## LIMITING CONDITIONS

The appraised value estimates provided by the appraisal 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.
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.
5. The link to the districts 2020 Methods and Assistance Program Report from the Comptroller's Office is:

<https://comptroller.texas.gov/taxes/property-tax/map/2020/index.php>

6. The link to the districts most current (2019) Property Value Study from the Comptroller's Office is:

<https://comptroller.texas.gov/taxes/property-tax/pvs/2019p/index.php>

Certification Statement:

"I, Michelle L. Berdeaux, Chief Appraiser for the Atascosa Central Appraisal District, solemnly swear that I have made or caused to be made a diligent inquiry to ascertain all property in the appraisal district subject to appraisal by me, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by law."

*Michelle L Berdeaux*

Michelle L Berdeaux, RPA, RTA, CTA, CCA  
Chief Appraiser  
Atascosa Central Appraisal District

**STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE**

<b><u>Name</u></b>	<b><u>Title</u></b>	<b><u>Type of Assistance</u></b>
Brandi Royal	Assistance Chief Appraiser	Appraisal Operations and Review
Tammy Smith	Senior Appraiser	Real Property Appraisal/Analysis
Denney Bowen	Appraiser	Real Property Appraisal/Analysis
Erminia Wilburn	Appraiser	Real Property Appraisal/Analysis
Cathy Jo Soto	Appraiser	Real Property Appraisal/Analysis
Angie Coronado	Appraiser/Data Entry	Business Personal Property Appraisal/Analysis

**THE WRITTEN REAPPRAISAL PLAN AS ADOPTED BY BOARD RESOLUTION IS  
AVAILABLE UPON REQUEST OR ON THE ATASCOSA CAD WEBSITE AT  
[WWW.ATASCOSACAD.COM](http://WWW.ATASCOSACAD.COM)**