

# Hill County Appraisal District



## 2015-2016 Reappraisal Plan

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Chief Appraiser

All taxable property in Hill County is appraised by Hill County Appraisal District (HCAD) at its market value as of January 1, unless otherwise provided by law.

Generally accepted mass appraisal techniques are used by HCAD to estimate the market value of approximately 46,224 parcels that include residential, mobile homes, commercial, agricultural/rural land, industrial properties, business personal property and gas mineral interests. And these generally accepted appraisal techniques comply with the Uniform Standards of Professional Appraisal Practice (USPAP).

The appraisal district is responsible for local property tax appraisal and exemption administration for 27 jurisdictions or taxing units in the county. HCAD performs assessing and collection functions for 17 of the jurisdictions. Each taxing unit, such as the county, 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. Property appraisals and estimated values by the appraisal district allocate the year's tax burden on the basis of each taxable property's market value. HCAD also determines eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

The Hill County Appraisal District (HCAD), in accordance with Section 6.03 of the Texas Property Tax Code, is governed by a board of directors. The board elects a chairperson and a secretary to serve each term. The board of directors approves an annual budget and sets overall policies for the district.

The Chief Appraiser is primarily responsible for the overall planning, organizing, staffing, coordinating, and controlling of district operations. The Chief Appraiser assists in the appraisal of all types of properties including commercial and land properties.

The appraisal staff is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal, mineral, utilities, and industrial. In a district the size of HCAD, each employee performs a variety of functions.

The appraisal district staff currently consists of 15 employees and an Engineering Firm:

- 1 – Chief Appraiser
  - 2 – Assistant Chief Appraiser/Deputy Tax Assessor Collector
  - 5 – Appraisers (includes 1 appraiser trainee)
  - 1 – Geographical Information Specialist/Mapper
  - 6 -- Administrative and customer service/clerical
  - 1 -- Capitol Appraisal Group, Inc. (Engineering Firm)
- \*\*\*Temporary Part-Time help hired as needed

A reappraisal plan is an overview of the District's work and every effort is made to ensure the equalization and uniformity of market values.

The Hill County Appraisal District has prepared and published this reappraisal plan to adhere to Section 6.05, Texas Property Tax Code in order to provide our Board of Directors, citizens and taxpayers with a better understanding of the district's responsibilities and activities.

### **Staff Education and Training**

The district's appraisers and tax assessors/collectors are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered and in full compliance with the Texas Department of Licensing and Regulation.

There are 11 of the 15 staff members that have successfully received their Registered Professional Appraiser (RPA) and/or Registered Tax Assessor (RTA) certifications; or currently working toward the designation.

In addition to the mandated required courses for appraisers and assessors/collectors, HCAD offers additional specialized training to all staff members. The chief appraiser attends a Public Fund Investment training course biennially. Customer service and public relations training, and sexual harassment training is offered to each employee. Additional webinar training on various topics is offered by the State Comptroller's office. Employees receive online training through the Texas Municipal League (TML) in areas such as *Safety in The Workplace; Customer Service; Handling Difficult Customers; Developing Effective Communication Skills; Preventing Accidents in The Workplace; Defensive Driving Basics* (primarily for appraisers); *Preventing Slips, Trips and Falls*; and various other training topics. Employee's also received *Safety in The Workplace* training from the Hill County Sheriff's Office.

Staff training is also received by attending conferences, seminars, user meetings, local association chapter meetings, and on the job.

### **District Demographics**

The district is responsible for establishing and maintaining approximately 46,224 real and personal property accounts covering 993 square miles within Hill County. Data variables maintained include property characteristics, ownership, and exemption information. When available and accessible to HCAD, general trends in employment, interest rates, new construction trends, costs and market data are acquired through various sources.

There taxing jurisdictions include (12) school districts located in Hill County with an additional (7) school districts that overlap into the county. There are (10) cities that impose taxes, (2) emergency service districts, (1) water district, (1) college, and the county.

The district boasts a geographic information system (GIS) that maintains cadastral maps and various layers of data and aerial (Pictometry) photography.

The district's website makes a broad range of information available for public access including information on the appraisal process; data on property characteristics; certified values; protests and appeal procedures. HCAD website contains links for downloadable files of related tax information directly from the State Comptroller's website; and district forms, including exemption applications and business personal property renditions. Instructions for online property appeals and copies of the district budget and utility usage are also available.

HCAD strives to offer the public a high level of transparency by utilizing accessibility from the World Wide Web at [hillcad.org](http://hillcad.org).

### **Information System**

The assistant chief appraiser and map technician manage and maintain the district's data processing, software applications, internet website, and furnish all necessary data to the district's software vendor-True Automation (TA). HCAD uses a system with Dell's Power Edge T610 server. The user base is networked through the mainframe using Windows 2008. TA provides software services for appraisal, collection, and GIS applications.

### **Reappraisals**

It is HCAD's practice to physically review, inspect and appraise property at least every three years. The county is split into three cycles with different areas that are physically reviewed annually. HCAD budget limitations prohibit the district from staffing enough employees and resources to review the entire county in a given year. However, values district wide are reviewed annually to ensure compliance with state laws and as discussed in *IAAO's Property Appraisal and Assessment Administration*.

The district undertakes various activities every year – inspecting each property, updating models and appraising properties. A property is considered to be reappraised when these activities are done, even if the value does not change. Properties located in a non-reappraisal area are reviewed annually using aerial photographs, maps, property sketches, ratio studies, surveys, deeds and other legal documentation. The annual review of all properties in Hill County enhances the level of market and uniformity, and updates all relevant characteristics of each property.

New property is discovered annually in all areas of the county. Building permits are utilized from areas that require permits for new construction, remodeling, upgrades, and making additions, etc. Appraisers also gather information on new construction from aerial maps, photos, deeds, newspapers, independent appraisals, word-of-mouth, and all available sources.

Residential properties are physically examined every three years with appraisers reviewing each home, noting the condition of the improvement; listing the individual characteristics of each property such as age, size, economic attributes and or restrictions; and looking for changes that might have occurred to the property since the last on-site check. In some areas where change of condition is frequent, homes are examined annually. Exterior pictures are taken of homes and attached to the electronic file of each property. Every neighborhood is statistically analyzed annually.

Industrial accounts and a large number of commercial properties are reviewed annually to verify class and condition; listing the individual characteristics of each property such as age, size, economic attributes and or restrictions; and looking for changes that might have occurred to the property since the last on-site check. Pictures are taken of the improvements when possible. These accounts are analyzed against sales of similar properties in HCAD when available as well as similar properties in Central Texas. The income approach to value is also utilized to appraise larger valued commercial properties such as shopping centers, apartment complexes, office buildings, motels and other types of property that typically sell based on net operating income.

The mineral and utility properties in addition to several large industrial properties are outsourced to Capitol Appraisal Group, Inc (CAGI). HCAD staff monitors the work submitted from CAGI and typically rides a large portion of the county with a CAGI appraiser.

Working and royalty interests of producing wells will be appraised annually by CAGI. The most recent production data available from the Texas Railroad Commission will be downloaded into appraisal software that estimates economically recoverable reserves. Those reserves are then valued based upon formulas as set forth by the State Comptroller's office. A discount is applied over the anticipated life of the well in order to consider the value of money over time to recover those reserves. Each producing lease is valued as a unit and then that value is divided according to the various owners of the lease listed in division orders.

Utility companies and pipelines are appraised annually by CAGI using a unit value developed using all three approaches to value. For example, a utility company's total value in the State is estimated using cost, market, and income approaches to value and then the entire value is allocated using the components of that utility company that

have situs in the various taxing units of HCAD. Components include such things as miles of transmission lines, miles of distribution lines, substations, etc. for an electric utility.

Business personal property (BPP) accounts are reviewed annually. BPP accounts appraised using the Texas Comptroller of Public Accounts Personal Property Manual *IAAO's Property Appraisal and Assessment Administration*. BPP accounts are discovered by various means such as renditions, newspaper articles, personal inspections, area drive-outs and all sources available. The personal property appraiser will analyze and test density schedules based on rendition and prior year hearing documentation.

### **Mass Appraisal**

Mass Appraisal is the valuing of a large universe of properties as of a given date, in a uniform order, utilizing standard methodology, employing a common reference for data, and allowing for statistical testing.

The main goal is the structuring of a systematic mass appraisal program to effect the appraisal of properties in such a way as to yield valid, accurate, and equitable property valuation at a reasonable cost dictated by budgetary limitations, and within a time span totally compatible with assessing administration needs. To be effective the reappraisal program must ...

- incorporate the application of proven and professionally acceptable techniques and procedures;
- provide for the compilation of complete and accurate data and the processing of that data into an indication of value approximating the prices actually being paid in the market place;
- provide the necessary standardization measures and quality controls essential to promoting and maintaining uniformity throughout the jurisdiction;
- provide the appropriate production controls necessary to execute each phase of the operation in accordance with a carefully planned budget and work schedule, and
- provide techniques especially designed to streamline each phase of the operation, eliminating functions, and reducing the complexities inherent in the appraisal process to more simplified but equally effective procedures.

The prime objective of mass appraisals for tax purposes is to equalize property values. Not only must the value of one residential property be equalized with another, but it must also be equalized with each agricultural, commercial, and industrial property

within Hill County in compliance with the *Uniform Standards of Professional Appraisal Practice (USPAP)* and as discussed in *IAAO's Property Appraisal and Assessment Administration*.

The common denominator or the basis for equalization is the market value...that price which an informed and prudent person, fully aware of the existence of competing properties and not being compelled to act, is justified in paying for a particular property.

Regardless of whether the principle criteria are actual selling prices, income-producing capabilities, or functional usefulness, like properties must be treated alike. The primary objective is equalization. The various approaches to value, although valid in themselves, must never the less be coordinated one to the other in such a way as to produce values which are not only valid and accurate, but are also equitable. The same "yardstick" of values must be applied to all properties, and must be applied by systematic and uniform procedures.

It is obvious that sales on all properties are not required to effectively apply the market-data approach. The same is true regarding any other approach. What is needed is a comprehensive record of all the significant physical and economic characteristics of each property in order to compare the properties of "unknown" values with the properties of "known" values. All significant differences between properties must in some measure, either positively or negatively, be reflected in the final estimate of value.

Each property must be given individual treatment, but the treatment must be uniform and standardized, and essentially no different than that given to any other property. All the factors affecting values must be analyzed and evaluated for each and every property within the jurisdictional boundaries of Hill County. It is only by doing this that equalization between properties and between classes of properties can be ultimately achieved.

The objective of an individual appraisal is to arrive at an opinion of value, the key elements being the validity of the approach and the accuracy of the estimate. The objective of a mass appraisal for tax purposes is essentially the same. However, in addition to being valid and accurate, the value of each property must be equitable to each other property, and what's more, these valid, accurate, and equitable valuations must be generated as economically and efficiently as possible.

**Uniformity** is assured by measuring central tendency (mean, median, or weighted mean). The Coefficient of Dispersion (C.O.D.) provides data about the quality and uniformity of appraisal. A measure of central tendency near 1.00 or 100% is an indication that properties are being appraised at or near market value. Similar measures of central tendency for different geographical areas and classes of property are utilized to ensure that appraisals are evenly distributed.

Section 23.01 of the Texas Property Tax Code states:

- (a) Except as otherwise provided by this chapter, all taxable property is appraised at its market value as of January 1.
- (b) The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the appraisal district determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice (USPAP). The same or similar appraisal methods and techniques shall be used in appraising the same or similar kinds of property. **However, each property shall be appraised based upon the individual characteristics that affect the property's market value.**

### Market Areas

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 organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods.

A neighborhood is a section of a community, subdivision or area that is identifiable by certain distinguishing characteristics. A neighborhood has direct and immediate effects on value. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the physical, economic, governmental and social forces on the properties are generally uniform.

In geographic stratification, boundaries are drawn to delineate specific areas. This will group similar or like properties in a given area together where characteristics may differ from surrounding areas. Geographic stratification's will reflect market influences and conditions in each given area so more accurate and supportable models are produced.

Neighborhood codes are used to identify homogeneous market areas and provide geographic control for valuation. In mass appraisal applications, neighborhood ratings develop factors used to index each neighborhood in a positive or negative direction. This will achieve a level of market for each property located within the boundaries of a particular neighborhood in a uniform manner.

The first step in neighborhood analysis at the Hill County Appraisal District is to identify a group of properties that share certain common traits. Once a potential neighborhood has been identified the next step is to define its boundaries. This process is known as

“delineation”. Characteristics for each individual property are identified and listed in the appraisal records. The individual characteristics are used in neighborhood delineation include, but are not limited to, 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 will influence the neighborhood. 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 our 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.

Through this process, benchmark properties are determined. The benchmark property is the standard or median type property for a market area and used as a point of reference in determining uniformity and level of market.

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 but is very common in certain areas of Hill County. 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 Hill County Appraisal District. All the residential analysis work done in association with the residential valuation process is neighborhood specific. There are in excess of 130 HCAD residential valuation neighborhoods. At HCAD, 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 analysis areas of limited or no sales, or use in a direct sales comparison analysis. Sales ratio analysis is performed on a neighborhood basis and in some cases 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, residential valuation 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.

### Ratio Studies

The primary tool used to measure mass appraisal performance is the **ratio study**. Every neighborhood is reviewed annually by utilizing the sales ratio analysis process. The first phase involves neighborhood ratio studies, which compares 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, make a preliminary decision as to whether the value level in a neighborhood needs to be updated in the upcoming year, or whether the level of market value in a neighborhood is at an acceptable level. This is produced prior to the setting of preliminary values and certification of values. A ratio study compares appraised values to market values. In a ratio study, market values are typically represented by sales prices. Independent, expert appraisals may also be used to represent market values in a ratio study. 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*.

HCAD has adopted the policies of the IAAO STANDARD ON RATIO STUDIES 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 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 of reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and, to calibrate models used to derive at appraised values during valuation or reappraisal cycles. Models are

statically used with known data to estimate unknown data and multiple correlated dependent variables are predicted.

In many cases, field checks may be conducted to insure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the appraiser by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

Ratio studies are conducted on each of the approximately one hundred and thirty neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy...*level and uniformity of value* and to evaluate whether values are equitable and consistent with the market. These statistics including, but not limited to, the weighted mean, standard deviation and coefficient of variation, provide the appraiser an analytical tool by which to determine both the level and uniformity of appraised values on a stratified neighborhood basis. The level of appraised values can be determined by the weighted mean for individual properties within a neighborhood, and a comparison of neighborhood-weighted means can reflect the general level of appraised value between comparable neighborhoods. Review of the standard deviation and the coefficient of variation can discern appraisal uniformity within and between stratified neighborhoods.

**Market Adjustment Factor:** Market adjustment factors are developed from appraisal statistics provided from ratio studies and is used to ensure that estimated values are consistent with the market. This applies the conclusions reflected in the model testing to the characteristics of the properties being appraised.

The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not specified in the cost model. The following equation denotes the hybrid model used:

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

where 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.

If a neighborhood is to be updated, the appraiser uses a cost ratio study that compares recent sales prices of properties 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 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. It is the strict policy of the Hill County Appraisal District to treat unsold properties in the same manner as sold properties. At no time will it be accepted to appraise a property on the pretense of its sale price, in a method different from unsold properties.

When sold properties are used as comparables, property characteristics that effect value will be identified, such as size, age, condition, location, market area (neighborhood), legal attributes, etc. Relevant characteristics will be identified for each property in the appraisal records.

Properties will be identified through physical inspection or by other means including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches as noted previously in the Plan.

The International Association of Assessing Officers (IAAO) identifies time adjustments as a necessary component of any sales ratio study. The estimated market values are all set according to market conditions as of January 1 of the study year. However, sales are occurring throughout the study period, from January 1 throughout the study year. Time adjustments are used to adjust the sale price to the date of appraisal to reflect any changes in market conditions that have occurred between the assessment date and the sale date. Doing this makes the ratio for each sale become a better representation of the accuracy of that particular assessment by bringing the two values used to calculate the ratio to the same point in time. Consequently, the median ratio better reflects the overall appraisal level of that market area and is used to measure appraisal quality. Applying the time trend to the sale prices changes the median.

The lack of a time adjustment is often the result of a lack of sufficient data in an area.

The fact that time adjustments are not made in an area does not mean that prices are not changing; only that the changes that may be present are not consistent or detectable over the period being tested. If additional data show that a different time adjustment is more appropriate, Hill CAD will review this information and modify the time adjustment accordingly.

Not all sales are used in the time trend analysis. Only sales identified as good, open-market, arms-length transactions are used to develop time adjustments. Additionally, extreme ratios tend to distort the calculations used to measure time adjustments and these outliers are not considered in time adjustment calculations.

## **Sales**

Sales are gathered by every source available to the district. The Multiple Listing Service of the Ellis-Hill Association of Realtors is a reliable source of data, for both property description and market sales data, in addition to deeds, independent appraisals, and questionnaires. Details of the sale transaction are verified through these same means. Area real estate brokers are also sources of market and property information. Due to Texas being a non-disclosure state, sales data is difficult at times to retrieve especially on commercial properties. Comparable sales used in the market data comparison method of appraisal are from any 24-month period before and after the assessment date.

Sales are researched to verify the accuracy of the information and the details involved in the transaction. The appraiser determines elements such as if the property sold between relatives; was conveyed with personal property; included additional property; was a forced or distress sale; involved special financing; and if the price was the total consideration.

HCAD utilizes a coding system within the district's software for each sale type to indicate the details of the sale.

Independent appraisals are used as indicators for market value in representative samples. Foreclosure (forced) sales are also considered by the appraiser when determining the market level.

## **Costs Schedules**

Costs schedules are a key element within the Hill CAD appraisal system. A review of the residential, land and commercial cost schedules are performed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties in Hill County are analyzed and the property data characteristics of these properties are verified. HCAD replacement costs are compared against Marshall & Swift, a nationally recognized cost estimator, and the indicated replacement cost abstracted from these market sales of comparably improved structures.

Schedules are updated as data indicates from the yearly analysis. Land schedules are stratified by the school districts within Hill County and land is priced by the square foot, per acre and/or per lot value. Using ratio studies, land values are compared to current sale prices with consideration given to the individual characteristics of the property. In recent years, rural land sales require deed research to determine if the conveyances include mineral rights.

**Zoning regulations** primarily control a property's use. Existing and potential property uses must be checked against zoning regulations to determine if they are conforming or nonconforming uses.

Income, expense, and occupancy data will be gathered and analyzed as available. Hill County does not have the necessary data to develop cap rates and typically uses cap rates from McLennan, Ellis, Dallas and Tarrant counties.

Quality control reviews are conducted to verify the accuracy of HCAD data.

### **Agricultural Valuation**

This is a special valuation for land that is devoted primarily to agricultural production and the contents from this plan are taken from the agricultural valuation guidelines for HCAD. Agricultural or productivity value is based on the land's capacity to produce crops or livestock instead of its value on the real estate market.

Agricultural valuation (1-d-1) is the same as "open space" valuation. The Texas Constitution provides for the special valuation of "open space land devoted to farm or ranch purposes." In other words, undeveloped non-agricultural land does not qualify.

Section 23.51 of the Property Tax Code sets the standard for determining whether the land qualifies for an agricultural evaluation under 1-d-1. In order to qualify, your land must meet the following criteria:

1. The land must currently be devoted to an agricultural use.
2. There must be a history of agricultural usage. Agricultural production must be shown for five (5) of the preceding seven (7) years. For example, to qualify for the 2015 tax year, five (5) years of agricultural usage must be established within years 2007 through 2014, allowing two (2) of the seven (7) years to be dormant. Owner records, lease agreements, income tax records, or a notarized affidavit statement from adjoining landowners may be helpful in establishing history. Land being qualified for the open space appraisal for the first time must be used for five continual years before qualifying. Note: Land within the corporate city limits of a city must develop a 5 continual year history.
3. The principle use of the land must be agricultural. If the land is used for more than one purpose, the most important or primary use must be agricultural. Generally, small acreage tracts with a residence will be considered principally residential.
4. The agricultural usages of the land must meet the local degree of intensity standards. These standards define the required level of use, management practices, etc. that are typical for Hill County.

Agricultural appraisal applies only to land. It does not apply to improvements on land such as farm or ranch outbuildings, barns, and storage tanks. These items are appraised separately at market value. Appurtenances to the land such as stock tanks, roads, and fences are included in the land value and are not appraised separately.

#### **APPLY FOR AGRICULTURAL VALUATION**

An application form can be obtained at the Hill County Appraisal District office or downloading from the appraisal district website at [hillcad.org](http://hillcad.org). The application must be completed and returned by April 30<sup>th</sup>. A late application can be accepted up until the time the records are approved in July (usually mid- July). However, there is a 10% penalty for late applications.

A new owner must submit a new application when the ownership of the land changes, and if you believe that the land will continue to qualify for the agricultural appraisal. The fact that agricultural valuation was granted in the previous tax year is not a guarantee the application will be approved.

An appraiser will review all applications and field review your property to verify the property qualifies pursuant to the statutory requirements.

Once the application is approved, you do not have to re-apply each year. A new application is necessary only if there has been a change from what was reported on your initial application or if the Chief Appraiser requests a new application. Any changes in the use of the land will require the owner to submit a new and current application.

#### **MANAGEMENT PRACTICES: NATIVE/IMPROVED PASTURES**

1. Adequate Fencing – suitable to contain livestock; securable gate.
2. Fertilized and weed controlled (mechanical or chemical) prudent for geographic location, soil type, weather conditions, variety of grass being managed.
3. Economic return generated – sale of livestock or hay produced.
4. Land may be left idle for the following reasons:
  - a. A normal crop of livestock rotation, as required by participation in a government program and/or to serve some other agricultural necessity. This could include fence repair, water replacement or repair, soil shaping, etc. In the event that land is idle for the above stated purpose, it must be evident that these improvements are in progress and being accomplished within a reasonable period of time. During idle periods the land must be maintained in a workmanlike manner.

Stocking rates are expected to correspond to the carrying capacity of the land use.

### PRINCIPLE USAGE

The principle usage of a tract of land must be agricultural. The principle use of any tract of land less than 5.0 acres with a residence will generally be considered residential. A smaller acreage tract typically can qualify only if it is a part of a larger operating unit and used at a level which meets the degree of intensity standards of Hill County.

### LEASED LAND

When land is leased for an agricultural usage, lease agreements reflecting fair market price or some other form of generally accepted compensation may help establish qualification. There is very minimal cash-lease cropland in Hill County.

### ORCHARD DENSITY

Number of trees per acre – Pecans

Improved:

1 – 15 years old – 17 trees

15 – 40 years old – 8 plus

40 + years old – 4 plus

Natives:

1 – 15 years old – 17 trees

15 – 40 years old – 8 plus

40 + years old – 4 plus

Number of trees per acre – Peaches

Improved:

70 – 100 trees

Natives:

70 – 100 trees

### MANAGEMENT PRACTICES

1. Economic Return Generated – Orchard should be managed to maximize pecan/peach sales. Home use of pecans/peaches will generally not qualify.
2. Spraying – As recommended in the Texas Agricultural Extension publication, "Homeowners' Fruit and Nut Spray Schedule."
3. Fertilizing = At least one fertilizer application per year per tree.
4. Weed control mechanical or chemical.
5. Drip or some other means of adequate irrigation for establishment.
6. Harvesting – Harvest techniques to maximize yield.

### MINIMUM TYPICAL MANAGEMENT PRACTICES FOR SMALL ACREAGE PRODUCTION

NURSERY STOCK AND/OR NURSERY GREENHOUSE:

1. Minimum 2 acres
2. Sufficient Stock Planted
3. Weed Control
4. Insect Control

5. Proper Equipment
6. Manage and Harvest

ORGANIC FARMING:

1. Plant – 2 acre minimum – (All Produce Combined)
2. Organic Gardening – State Certified
3. Land Preparation – Plow – Turn Soil – 1 acre minimum
4. Weed Control
5. Insect Control
6. Organic Acceptable Fertilizers
7. Manage and Harvest

Cropland:

1. Minimum 10 acres (smaller tracts may qualify if used in connection with a larger tract)
2. Land must be free of brush
3. Shred and/or disk to destroy stalks and form a mulch
4. Chisel and/or plow three times (Conservation till is acceptable with proof of chemicals used)
5. Apply fertilizer according to soil test or typical for area
6. Plant
7. Cultivate
8. Must try to harvest average county yield

The Hill County Appraisal District realizes that some exceptions to the norm exist and will review each applicant's situation on an individual basis.

Texas Property Tax Code Section 23.51 (3) states, "*Category*" means the value classification of land considering the agricultural use to which the land is principally devoted. The chief appraiser shall determine the categories into which land in the appraisal district is classified. In classifying land according to categories, the chief appraiser shall distinguish between irrigated cropland, dry cropland, improved pasture, native pasture, orchard, and waste. The chief appraiser may establish additional categories. The chief appraiser shall further divide each category according to soil type, soil capability, irrigation, general topography, geographical factors, and other factors that influence the productive capacity of the category. The chief appraiser shall obtain information from the Texas Agricultural Extension Service, the Natural Resources Conservation Service of the United States Department of Agriculture, and other recognized agricultural sources for the purposes of determining the categories of land existing in the appraisal district.

Hill County Appraisal District has elected to use soil types to further divide the agricultural categories into subclasses. Sub-classing allows the district to use differences in production to vary the values by subclass within a category.

## WILDLIFE MANAGEMENT

Wildlife management is considered an agricultural use under the law. The first criterion of wildlife management use is that the land must currently be under agricultural use valuation to be eligible for wildlife management valuation. Texas Administrative Code Title 34, Part 1, Chapter 9, Subchapter G, Rule §9.2005 defines how to determine eligibility of land for wildlife management.

It states,

- A. *A tract of land's wildlife use requirement is a number expressed as a percentage and calculated by subtracting one from the total number of acres in the tract of land and dividing the result by the total number of acres in the tract of land. The following formula expresses the calculation, with "A" representing the tract of land's total acreage:  $(A-1) \div A = R$ , wherein A is the total property size in acres and R is the ratio.*
- B. *If the number of acres in the tract of land is equal to or greater than the number of acres in the tract of land on January 1 of the preceding tax year, the tract of land is not subject to the wildlife use requirement.*
- C. *If the number of acres in the tract of land is fewer than the number of acres in the tract of land on January 1 of the preceding tax year, the wildlife use requirement the tract of land must meet to qualify for agricultural appraisal based on wildlife management use shall be 92% for the Blackland Prairie Region wildlife use appraisal region.*
- D. *The wildlife management use requirement that applies to a tract of land located in a wildlife management property association shall be 90*

Second, the landowner must be actively using the land at the time the wildlife management begins. The land can be appraised as qualified open-spaced land if at least three of the following ways are used to propagate a sustaining breeding, migrating, or wintering populations of indigenous wild animals for human use, including food, medicine, or recreation:

- habitat control – using the land to create or promote an environment that is beneficial to wildlife
- erosion control – practices that attempt to reduce or control soil erosion
- predator control – practices intended to manage the population of predators to benefit target wildlife population
- provision of supplemental supplies of water – owner actively provides water in addition to natural resources
- provision of supplemental supplies of food - owner actively provides food in addition to the level produced naturally on land
- provision of shelters - creating or maintaining vegetation or artificial structures that provide shelter from the weather, escape cover from enemies or nesting and breeding sites

- census counts – periodic surveys to determine number and composition of target wildlife population and effectiveness of management program.

Some activities that are appropriate for certain regions of Texas would be inappropriate in others. Hill CAD uses wildlife management plans listing activities appropriate in the Blackland Prairies ecological region.

A wildlife management plan (state form PWD 885-W7000) must be submitted in addition to your 1-d-1 Application for Agricultural Appraisal. Applications are available at the Appraisal District. The Texas Parks & Wildlife Department website can provide the guidelines and state forms for wildlife management. The Comptroller of Public Accounts is also another source for wildlife management information. Refer to *Guidelines for Qualifications of Agricultural Land in Wildlife Management Use*.

The productivity value of wildlife management land is based on what the land's agricultural value was upon the conversion from agriculture to wildlife management. The special use valuation per acre for wildlife management maintains the same agricultural value as before its conversion to wildlife management.

**RULE 9.2003. Wildlife Management Plan**

“(a) A wildlife management plan shall be completed on the form prescribed by Texas Parks and Wildlife Department (TPWD) for each tract of land for which qualification for agricultural appraisal is sought based on wildlife management use. A copy of this wildlife management plan form may be obtained by contacting Texas Parks and Wildlife Department, 4200 Smith School Road, Austin, Texas 78744-3291 or online through [www.tpwd.state.tx.us](http://www.tpwd.state.tx.us). A chief appraiser may accept, but may not require, a wildlife management plan that is not on the form prescribed by TPWD if the wildlife management plan contains all of the information required by this section.

(b) The wildlife management plan shall be provided to the appraisal district in which the tract of land is located.

(c) The wildlife management plan must include:

- (1) ownership information, property description and current use;
- (2) the landowner's goals and objectives for the tract of land;
- (3) the specific indigenous wildlife species targeted for management; and
- (4) the specific management practices and activities to be implemented in support of the specific indigenous wildlife species targeted for management.

(d) The specific management practices and activities in the wildlife management plan shall be intended to benefit the specific indigenous wildlife species targeted for management, and shall be consistent with the practices and activities recommended in *Guidelines for Qualification of Agricultural Land in Wildlife Management Use* and the *Comprehensive Wildlife Management Planning Guidelines* for the ecoregion in which the tract of land is located, and the landowner's goals and objectives.

(e) If the tract of land provides habitat for species federally listed as endangered, threatened, or a candidate for listing as endangered or threatened, the wildlife

management plan shall ensure that the specific management practices and activities do not harm the listed endangered, threatened, or candidate for listing as endangered or threatened species.

(f) A wildlife property association may prepare a single wildlife management plan, provided all required information is included for each tract of land in the wildlife management property association and the plan is signed by each landowner or an agent of the landowner designated in the manner required by Tax Code, §1.111 and §9.3044 of this title (relating to Appointment of Agents for Property Tax).

(g) Hill County Appraisal District shall require, for each tract of land qualified for agricultural appraisal based on wildlife management use, that an annual report be filed showing how the wildlife management plan was implemented in any given year. A wildlife management property association may file a single annual report, if the report shows how the wildlife management plan was implemented on each tract of land in the wildlife management property association. If the report is required, it shall be completed on the form prescribed by TPWD and shall be signed by the landowner or an agent of the landowner designated in the manner required by Tax Code, §1.111 and §9.3044 of this title. If a single report is filed by a wildlife management property association, the report shall be signed by each landowner or an agent for each landowner designated in the manner required by Tax Code, §1.111 and §9.3044 of this title. A copy of the annual report form may be obtained by contacting Texas Parks and Wildlife Department, 4200 Smith School Road, Austin, Texas 78744-3291 or online through [www.tpwd.state.tx.us](http://www.tpwd.state.tx.us)."

For land to be a granted wildlife management valuation, the land must meet the requirements of these guidelines, the State Comptroller's requirements listed in the *Manual for the Appraisal of Agricultural Land*, Texas Parks and Wildlife's eco-region guidelines, and the Comptroller's Rule 9.2005. (added 2011)

#### **ROLLBACK TAX INFORMATION**

Texas law imposes a "rollback" tax when land which has received special agricultural valuation (Article 8, Section 1-d-1) changes from agricultural to non-agricultural. The "rollback" recaptures, with interest, the taxes saved as a result of the special agricultural valuation, for the five (5) years preceding the change in use.

A change in use can be as subtle as a discontinuation of agricultural activity and leaving the land idle, or as obvious as physical development of that tract. Land may be left idle for the purpose of participating in a government program, or for a normal crop or livestock rotation procedure, without triggering a rollback.

A property owner may divest part of the tract for use as his own residence homestead without triggering a rollback, as long as the remaining acreage continues to qualify for the special agricultural valuation. The owner avoids the "rollback" only as long as he

continues to use the home as his residence. In effect, the owner must occupy the house for five (5) years to prevent any rollback of taxes.

Removal or denial of special agricultural valuation will not necessarily trigger a rollback of taxes. As long as the land remains in an agricultural use, rollback taxes are avoided, even if that agricultural usage is not the level necessary for special agricultural valuation.

The Chief Appraiser makes this determination and must send the owner a written Notice of Change of Use Determination. The owner may appeal this decision by filing a protest, with the Appraisal Review Board (ARB), within 30 days after the notice is mailed. In most instances, the matter can be resolved informally with appraisal district staff, and a formal hearing is unnecessary.

The rollback tax is the difference between the taxes paid under special agricultural valuation and the total taxes that would have been paid on the market value, for each of the five (5) years preceding the use change. A seven percent (7%) annual interest is calculated for each year's taxes; from the date those taxes would have become due. Special agricultural valuation is then removed for the year in which the change takes place, and the land is taxed at its market value.

The "rollback" tax, in effect, is a deferred tax, which follows the property as it changes hands. The owner of the property at the time the tax is assessed is responsible for these taxes. You may want to reference your purchase contract or closing papers to see if any special provisions were agreed to with the seller. Failure to pay these taxes could result in a tax lien against the property.

After the purchase, you should file a Statement of Intended Use with the Chief Appraiser; this form is available at the Appraisal District office. If you wish, you may waive the 30-day protest period in order to expedite processing of the rollback taxes. If you indicate that you will continue to use the property for agricultural purposes and you feel the property may still qualify for special agricultural valuation, you must file an Agricultural Land – Special Valuation application between January 1<sup>st</sup> and April 30<sup>th</sup>.

For additional information regarding the "Rollback" tax, please contact the Hill County Appraisal District at (254)582-2508.

## **APPRAISAL REVIEW BOARD PROCESS**

The hearing process has a significant impact on the success of a reappraisal plan, and the reverse is also true. If hearings run late into the fall, the reappraisal process cannot begin on time. Conversely, if values are not ready to be noticed in early May, the hearings process cannot begin as early as would otherwise be the case to cope with the increased demand for formal and informal hearings. The objective for each year's

hearing process will be to improve efficiency in every way possible, to ensure certification to the statutory date. HCAD staff focuses on streamlining the process of entering protests, ensuring that high value properties are available for scheduling earlier in the season, beginning the informal process by May 1, better planning for allocation of commercial resources, between formal and informal hearings, expediting both formal and informal hearings, developing quicker methods of processing hearing results, and improved reporting. Evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings will be developed and provided to the property owner or agent in compliance with HB 201. All protests are scanned into the CAMA system and attached to each applicable account.

### THE CONCEPT OF LAND

Land is the surface of the earth and the major source of all mineral, vegetable, and animal matter; it is the foundation for the social and economic activities of people as well as a commodity and the root of wealth.

The concept of land is an economic concept. A common understanding of the attributes of land are recognized by appraisers:

- Each parcel of land is unique in its location and composition.
- Land is physically immobile.
- Land is durable.
- The supply of land is finite.
- Land is useful to people.

In real estate appraisals, the emphasis on land is **location**.

Land is valued as if vacant and available for the highest and best use. Similar land recently sold is analyzed and comparisons are made for such factors as size, time, location, and physical characteristics.

In making appraisals for ad valorem tax purposes, it is generally necessary to estimate separate values for the land and the improvements on the land. In actuality, the two are not separated and the final estimate of the property as a single unit must be given prime consideration. However, in arriving at the final estimate of value, aside from the requirements for property tax appraisals, there are certain other advantages in making a separate estimate of value for the land:

An estimate of land value is required in the application of the Cost Approach. An estimate of land value must be deducted from the total property-selling price in order to derive at indications of depreciation through market-data analysis.

(Depreciation being equal to the difference between the replacement cost new of a structure and the actual price paid in the market place for the structure).

As land is not a depreciable item, a separate estimate of land value is required for bookkeeping and accounting purposes; likewise, the total capitalization rate applicable to land will differ from the rate applicable to the improvements on the land. Since land may or may not be used to its highest potential, the value of land may be completely independent of the existing improvements on the land.

### COMPARABLE SALES METHOD

The most frequently used method in estimating the value of land is the **Comparable Sales Method** in which land values are derived from analyzing the selling prices of similar sites. This method is in essence, the application of the market-data approach to value and all the considerations pertaining are thereto equally applicable here.

The appraiser must select comparable and valid market transactions, and must weigh and give due consideration to all the factors significant to value, adjusting each to the subject property. The comparable sites must be used in the same way as is the subject property, and subjected to the same zoning regulations and restrictions. It is also preferable, whenever possible to select comparables from the same or a similar neighborhood or area. The major adjustments will be to account for variations in time, location, and physical characteristics to include size, shape, topography, landscaping, access as well as other factors which may significantly influence the selling price, such as the productivity of farm land.

Although it is always preferable to use sales of unimproved lots for comparables, it is not always possible to do so. Older neighborhoods are not likely to yield a sufficient number of representative sales of unimproved lots to permit a valid analysis. In such cases, in order to arrive at an estimate of land values using the comparable sales approach, it is necessary to consider improved property sales and to estimate the portion of the selling price applicable to the structures. The procedure would be to estimate the replacement cost of the buildings as of the date of sale, estimate the accrued depreciation and deduct that amount from the replacement cost resulting in the estimated selling price of the buildings which can be deducted from the total selling price of the property to derive at the portion of the selling price which can be allocated to the land. The equation is as follows:

$$\begin{array}{r} \text{Selling Price of Property} \\ - \quad \text{Estimated Depreciated Value of Buildings} \\ \hline = \quad \text{Indication of Land Value} \end{array}$$

In order to apply the comparable sales method it is first necessary to establish a common unit of comparison. The units generally used in the valuation of land are price

per front foot, price per square foot, and price per acre. The selection of any one particular unit depends upon the type of property under appraisal ... frontage being commonly used for platted, uniform type lots and square footage and acreage for larger, unplatted tracts, as well as irregularly shaped lots or tracts lacking in uniformity.

The utility of a site will vary with the frontage, width, depth and overall area. Similarly, the unit land values should be adjusted to account for differences in size and shape between the comparables and the subject property. Since such an adjustment is generally necessary for each lot, it is beneficial that the appraiser adopts and/or develops standardized procedures for adjusting the lot size and the unit values to account for the variations. Some of the techniques commonly employed are as follows:

**STANDARD LOT SIZING TECHNIQUES** provide for the adjustment of the frontage width, and depth of irregular shaped lots to make the units of measurement more comparable with uniform rectangular lots.

**STANDARD DEPTH TABLES** provide for the adjustment of front foot unit values to account for variations in the relative utility value of excessive or insufficient frontage as compared to a predetermined norm.

**FRONTAGE TABLES** provide for the adjustment of front footage unit values to account for variations in the relative utility value of excessive or insufficient frontage as compared to a predetermined norm.

**ACREAGE TABLES** provide for the adjustment of acreage unit values to account for variations in the relative utility value of excessive or insufficient acreage as compared to a predetermined norm.

During the process of adjusting the comparable sales to account for variations between them and the subject property, the appraiser must exercise great care to include all significant factors and to properly consider the impact of each of the factors upon the total value. If done properly, the adjusted selling prices of the comparable properties will establish a range in value in which the value of the subject property will fall. Further analysis of the factors should enable the appraiser to narrow the range down to the value level, which is most applicable to the subject property.

#### **THE LAND RESIDUAL TECHNIQUE**

In the absence of sufficient market data, income-producing land may be valued by determining the portion of the net income attributable to the land and capitalizing the net income into an indication of value. The procedure is as follows:

1. Determine the highest and best use of the land that may be either its present use, or hypothetical use.

2. Estimate the net income that the property can be expected to yield.
3. Estimate the replacement cost new of the improvements.
4. If the case involves the present use, estimate the proper allowance for depreciation, and deduct that amount from the replacement cost new of the improvements to arrive at an estimate of their depreciated value.
5. Develop separate capitalization rates for the structures and the land.
6. Calculate the income requirements of the improvements, and deduct that amount from the total net income to derive that portion of the income that could be attributed to the land.
7. Capitalize the residual income attributable to the land to an indication of value.

### **COST OF DEVELOPMENT METHOD**

This method finds its widest application in the appraisal of huge tracts of undeveloped land suitable for residential, commercial, and industrial development. It is a technique that requires a great deal of data, time, and skill and is therefore generally used only in those cases where an insufficient number of comparable sales are available for analysis. This method involves making estimates of the value of the site fully developed for its highest and most likely use and deducting an estimate of the total cost of developing the site to derive an indication of its present value. The procedure for employing the method is as follows:

1. Determine the highest and most likely use of the site, including the optimum size of the lots if the use involves subdividing.
2. Estimate the most likely selling price of the development site(s) by the comparable sales method.
3. In cases involving subdividing, determine the optimum number of sites that can be developed.
4. Calculate the aggregate selling price that the developer can expect to receive.
5. Estimate the developing cost to include the cost of improvements, taxes, insurance, engineering fees, interest, advertising, sale, profit, and other related expenditures, and deduct that amount from the anticipated gross sale, to arrive at an indication of the present value of the developed site.

**Zoning regulations** primarily control a property's use. Existing and potential property uses must be checked against zoning regulations to determine if they are conforming or nonconforming uses. When the present use does not conform to current zoning regulations, the appraiser should consider how this fact might affect property value.

This section is adapted from guidelines provided by the State Comptroller's office to assist in the market valuation of rural lands. Appraised values based on market

valuation must be established for all taxable land in each taxing jurisdiction, regardless of whether the land qualified or would qualify for productivity valuation. Market value must be retained for land receiving productivity valuation in the event of rollback purposes. In addition, market values could be submitted to the Appraisal Review Board for determination of protests.

The rural land market can better be understood by dividing it into three types of markets, each based on the principle factor which influences value. Discussion of these market influences and common examples of each are presented below.

#### **The Production Land Market**

The principle factor influencing value of rural land in the production land market is the income potential associated with agricultural production. In the productive capacity of soils, demographic and topographic features which influence the ability of a producer to use the land for agricultural purposes must be considered.

#### **The Investment Land Market**

The principle factor influencing the market value of rural land in the investment land market is the appreciation potential of land investments. The investment land market is not composed strictly of speculators who purchase land with the intent to make a quick profit by resale, but also includes individuals who purchase land for conversion into subdivisions or for other types of development. In addition, the investment land market includes individuals who purchase land as a means of preserving their capital for a later use, or as a hedge against inflation.

#### **The Consumptive Land Market**

The principle factor influencing the market value of rural land in the consumptive land market is the satisfaction that land ownership provides. The consumptive land market is often characterized by the purchase of small tracts of land to be used for recreational purposes. For instance, an individual who lives in a city or town may purchase a 10-acre tract of land in a rural area to visit on weekends with his family.

Generally, the value of land located within 200 miles of major population centers is most heavily affected by consumptive market influences and such is the case in Hill County.

The most distinctive feature of the rural land market is that all three types of market influences, in combination with supply, establish market values. For this reason, it is important that the appraiser be knowledgeable of the key factors that influence value and of the relative influence each of these factors has upon value when establishing procedures for the valuation of rural land in a jurisdiction.

### **ANALYSIS OF THE LOCATION MARKET**

From a practical standpoint, using a fee-appraisal approach to appraise each individual tract of land in a jurisdiction is not possible. Fee appraisers make detailed appraisals of individual parcels by obtaining comparable sale of other land in the jurisdiction and adjusting each comparable sale to the subject property to estimate the value of the subject property. In this way, fee appraisers allow market transitions that have occurred regarding other properties to define the market value of the subject property. Common types of adjustments made by fee appraisers to comparables in estimating market values of subject properties include adjustments for date of sale, for size of tract, for productivity factors, for improvement value, and for special amenities.

Appraisers must also use market transactions to define factors that influence rural land values in their jurisdiction. However, unlike fee appraisers, we cannot compare each tract individually to each market transaction identified to make adjustments because of the volume of properties to be appraised. We must, therefore, incorporate the factors indicated by market transactions into general standards of schedules of value. Such schedules are normally comprised of per acre prices that will be multiplied by the number of acres in an individual tract to develop an estimate of the value of the tract. Schedules of this kind should be divided into as many categories or classes as are necessary to reasonably reflect market values when applied to individual tracts of land found in the jurisdiction.

### **CLASSIFICATION AND VALUATION OF RURAL LAND**

The following steps are essential to the development of a sound system for valuation of rural lands:

1. Obtain a general overview of current selling prices of rural land in the jurisdiction. Identify the factors that influence market values and the relative importance of each and delineate into applicable market areas.
2. Obtain as many verified sales of rural land in the jurisdiction as possible. Identify the terms of each sale to insure that only arms-length transactions are considered. Foreclosure sales are considered.
3. Adjust sales prices for time, terms, and improvements, when warranted.
4. Identify each sale by location on a map of the jurisdiction or market area.

5. Classify the adjusted sales into groups based on the principle factors and individual characteristics influencing value. Possible groupings include influences based on:
  - a. location, such as by areas, distance from city or town or from road frontage;
  - b. productivity factors, such by soil type or by availability of water; and
  - c. size of tract
6. Develop preliminary valuation schedules based on the per-acre selling price of the schedules based on the per-acre selling price of the adjusted sales and the market influences identified.
7. Test the schedules against the sale used in the development to determine their effectiveness and make revisions where necessary.
8. Develop appraisal cards for individual parcels that include those items of information necessary for application of the schedule.
9. Apply the valuation schedules to individual parcels to estimate market values.

As has been indicated above, the first step in the mass-appraisal process regarding rural land is to become familiar with the selling prices of land and the market influences at work in the jurisdiction. This can be accomplished through discussion with any number of individuals, including local realtors and property owners.

The second step is to gather as many sales of rural land as possible within the jurisdiction and to verify them as bona fide transactions. Each sale must be adjusted for time, improvements, and size of tract, special amenities, crops, and location when appropriate.

When the sales have all been adjusted to a common base, each should be plotted on a map. This will help the appraiser analyze the data by allowing him to see all of the sales locations simultaneously. The entire data set should then be analyzed to determine the key factors that have caused differences in selling prices. In most rural areas, the use of land in and for agriculture will be the key factor. Irrigated cropland and orchards will usually have the highest value, followed by dryland, cropland, then native pastureland or rangeland. There is currently no timberland located in Hill County. The majority of agricultural land is used for cropland and improved pasture.

ADDENDUM

**CALENDAR OF KEY EVENTS  
2015**

**RESIDENTIAL**

	2014				2015							
	Sep.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Land Analysis	X	X	X	X	X	X	X					
Neighborhood Delineation	X	X	X									
Re-inspection/Sales Validation	X	X	X	X	X	X	X					
Sales Ratio Analysis/Valuation	X				X			X				
Model Specification					X	X						
Model Calibration						X	X					
Final Value Review	X			X			X	X				
New Construction/Discovery	X	X	X	X	X	X	X	X				
New Construction Value Review					X	X	X	X				
Review/Appeal of PVS						X	X		X			
New Subdivisions	X	X	X	X	X	X	X	X	X	X	X	X
Split-outs/Combinations	X	X	X	X	X	X	X	X	X	X	X	X
Jurisdiction Estimates	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Correction Hearings	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Corrections	X	X	X	X	X	X	X	X	X	X	X	X
Field Checks	X	X	X	X	X	X	X	X	X	X	X	X
Current Year Hearings									X	X	X	X

**CALENDAR OF KEY EVENTS  
2015**

**COMMERCIAL**

	2014				2015							
	Sep.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Land Analysis	X	X	X	X	X	X	X					
Re-inspection	X	X	X	X	X	X	X	X				
Key Income & Expense Data	X	X	X									
<b>Valuation:</b>												
Land	X	X	X	X	X	X	X	X				
Income				X	X	X	X	X				
Cost				X	X	X	X	X				
Sales Ratio Analysis/Valuation	X			X	X	X	X					
Permit Research			X	X	X	X						
New Construction/Discovery	X	X	X	X	X	X	X					
New Construction Value Review					X	X	X	X				
Review/Appeal of PVS						X	X		X			
New Subdivisions	X	X	X	X	X	X	X	X	X	X	X	X
Split-outs/Combinations	X	X	X	X	X	X	X	X	X	X	X	X
Sales Verification	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Correction Hearings	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Corrections	X	X	X	X	X	X	X	X	X	X	X	X
Current Year Hearings									X	X	X	X

**CALENDAR OF KEY EVENTS  
2015**

**INDUSTRIAL**

	2014				2015							
	Sep.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PP Rendition Penalty Waivers/Hrgs	X	X	X	X	X							
<b>Appraisal Contractors:</b>												
Review Contracts			X	X								
Assign Accounts	X	X	X	X	X	X	X	X	X	X	X	X
Deliver estimates of value							X	X				
Land Analysis	X	X	X	X	X	X	X					
Re-inspection/Discovery	X	X	X	X	X	X	X					
<b>Valuation:</b>												
Industrial Real Property	X	X	X	X	X	X	X	X				
Industrial Personal Property					X	X	X	X	X			
Permit Research	X	X	X	X	X	X						
New Construction/Value Review				X	X	X	X					
Prior Year Correction Hearings	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Corrections	X	X	X	X	X	X	X	X	X	X	X	X
Current Year Hearings									X	X	X	X

**CALENDAR OF KEY EVENTS  
2015**

**PERSONAL PROPERTY**

	2014				2015							
	Sep.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PP Rendition Penalty Waivers/Hrgs	X	X	X	X	X							
<b>Appraisal Contractors:</b>												
Review Contracts			X	X								
Assign Accounts	X	X										
Deliver estimates of value								X	X	X		
Re-inspection/Discovery	X	X	X	X	X	X	X					
<b>Valuation:</b>												
Modeling				X	X	X	X					
Rendition Rvw/Finalize Values							X	X	X			
Rendition Processing						X	X	X	X			
Prior Year Correction Hearings	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Corrections	X	X	X	X	X	X	X	X	X	X	X	X
Current Year Hearings									X	X	X	X

**CALENDAR OF KEY EVENTS  
2016**

**RESIDENTIAL**

	2015				2016							
	Sep.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Land Analysis	X	X	X	X	X	X	X					
Neighborhood Delineation	X	X	X									
Re-inspection/Sales Validation	X	X	X	X	X	X	X					
Sales Ratio Analysis/Valuation	X				X			X				
Model Specification					X	X						
Model Calibration						X	X					
Final Value Review	X			X			X	X				
New Construction/Discovery	X	X	X	X	X	X	X					
New Construction Value Review					X	X	X	X				
Review/Appeal of PVS						X	X		X			
New Subdivisions	X	X	X	X	X	X	X	X	X	X	X	X
Split-outs/Combinations	X	X	X	X	X	X	X	X	X	X	X	X
Jurisdiction Estimates	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Correction Hearings	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Corrections	X	X	X	X	X	X	X	X	X	X	X	X
Field Checks	X	X	X	X	X	X	X	X	X	X	X	X
Current Year Hearings									X	X	X	X

**CALENDAR OF KEY EVENTS  
2016**

**COMMERCIAL**

	2015				2016							
	Sep.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
Land Analysis	X	X	X	X	X	X	X					
Re-inspection	X	X	X	X	X	X	X	X				
Key Income & Expense Data	X	X	X									
<b>Valuation:</b>												
Land	X	X	X	X	X	X	X	X				
Income				X	X	X	X	X				
Cost				X	X	X	X	X				
Sales Ratio Analysis/Valuation				X	X	X	X					
Permit Research			X	X	X	X						
New Construction/Discovery	X	X	X	X	X	X	X					
New Construction Value Review							X	X				
Review/Appeal of PVS						X	X		X			
New Subdivisions	X	X	X	X	X	X	X	X	X	X	X	X
Split-outs/Combinations	X	X	X	X	X	X	X	X	X	X	X	X
Sales Verification	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Correction Hearings	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Corrections	X	X	X	X	X	X	X	X	X	X	X	X
Current Year Hearings									X	X	X	X

**CALENDAR OF KEY EVENTS  
2016**

**INDUSTRIAL**

	2015				2016							
	Sep.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PP Rendition Penalty Waivers/Hrgs	X	X	X	X	X							
<b>Appraisal Contractors:</b>												
Review Contracts			X	X								
Assign Accounts	X	X	X	X	X	X	X	X	X	X	X	X
Deliver estimates of value							X	X				
Land Analysis	X	X	X	X	X	X	X					
Re-inspection/Discovery	X	X	X	X	X	X	X					
<b>Valuation:</b>												
Industrial Real Property	X	X	X	X	X	X	X	X				
Industrial Personal Property					X	X	X	X	X			
Permit Research	X	X	X	X	X	X						
New Construction/Value Review							X	X				
Prior Year Correction Hearings	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Corrections	X	X	X	X	X	X	X	X	X	X	X	X
Current Year Hearings									X	X	X	X

**CALENDAR OF KEY EVENTS  
2016**

**PERSONAL PROPERTY**

	2015				2016							
	Sep.	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug
PP Rendition Penalty Waivers/Hrgs	X	X	X	X	X							
<b>Appraisal Contractors:</b>												
Review Contracts			X	X								
Assign Accounts	X	X										
Deliver estimates of value								X	X			
Re-inspection/Discovery	X	X	X	X	X	X	X					
<b>Valuation:</b>												
Modeling				X	X	X	X					
Rendition Rvw/Finalize Values							X	X	X			
Rendition Processing						X	X	X	X			
Prior Year Correction Hearings	X	X	X	X	X	X	X	X	X	X	X	X
Prior Year Corrections	X	X	X	X	X	X	X	X	X	X	X	X
Current Year Hearings									X	X	X	X