

Atascosa County Appraisal District
Michelle L. Cardenas RPA, RTA, CTA, CCA
Chief Appraiser
P. O. Box 139
Poteet, TX. 78065
Tel: 830-742-3591
Fax: 830-742-3044

ATASCOSA COUNTY APPRAISAL DISTRICT



Reappraisal Plan
Appraisal years 2015 and 2016

09/04/2014

Table of Contents

Executive Summary

Tax Code Requirement

The Written Plan

Plan for Periodic Reappraisal

Market Value

Revaluation Policy (Reappraisal Cycle)

Residential

Commercial

Business Personal Property

Industrial Utilities and Minerals

2015 Appraisal Calendar

2014 Appraisal Calendar

Appraisal Zone Map

Elements of Reappraisal

Performance Analysis

Reappraisal Decision

Analysis of Available Resources

Planning and Organization

System Development

Pilot Study

Data Collection

Production of Values

Preparation of Assessment Role

Final Performance Analysis

Data maintenance

New Construction

Periodic Inspection

Value Updates

Current Resources

Personnel Resources

Staff Education and Training

Data

Information System

Shared Appraisal District Boundaries

Independent Performance Test

Appraisal Activities

Data Collection/Validation

Sources of Data

Field Review

Performance Test

Residential Valuation Process
Validation Approach
Valuation and Statistical Analysis
Individual Value and Review Procedures
Performance Tests

Treatment of Residence Homestead

Agricultural Valuation Process
Approach to Values
Wildlife Management
Field Review

Commercial Valuation Process
Validation Approach
Valuation and Statistical Analysis
Individual Value and Review Procedures
Performance Tests

Industrial Utility and Mineral Valuation Process

Business Personal Property Valuation Process
Validation Approach
Data Collection/Validation
Valuation and Statistical Analysis
Depreciation Schedule and Trending Factors
Individual Value and Review Procedures
Performance Tests

Value Defense

Certification Statement

Atascosa County Appraisal District

2015-2016 Mass Appraisal Report

EXECUTIVE SUMMARY

The Atascosa County Appraisal District (ACAD) has prepared and published this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: an Executive Summary, Tax Code requirement for reappraisal plans, Elements of Reappraisal and then several sections describing the appraisal effort by the appraisal district.

The ACAD is a political subdivision of the State of Texas created for schools, cities and special districts pursuant to Senate Bill 621, which was passed by the 66th Legislative in 1979. HJR 98, approved by the voters in November 1980 as Proposition 3 on the general election ballot amending Article VIII, Section 18 of the Texas Constitution, was implemented by the passage of HB30 in 1981, which mandated counties to participate in the appraisal district. HB30 became effective August 14, 1981. The ACAD commenced operations in 1981 and, as required by law furnished their first appraisal roll for each taxing jurisdiction within the boundaries of the ACAD. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A member board of directors, appointed by the taxing units within the boundaries of ACAD, constitutes the district's governing body. The Chief Appraiser, appointed by the board of directors, 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 15 jurisdictions or taxing units in the ACAD. Appraisals established by the appraisal district allocate the year's tax burden on the basis of each taxable property's January 1st 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.

TAX CODE REQUIREMENT

S. B. 1652 enacted in 2005 by the Texas Legislature, amended the Tax Code to require a written biennial reappraisal plan. The following details the changes to the Tax Code:

The Written Plan

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

- (i) To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of date, time, and place of the hearing. Not later than September 15 of each even numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit in the district and to the comptroller within 60 days of the approval date.*

Plan for Periodic Reappraisal

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

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).*
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:*
 - (1) identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;*
 - (2) identifying and updating relevant characteristics of each property in the appraisal records;*
 - (3) defining market areas in the district;*
 - (4) identifying property characteristics that affect property value in each market area, including:*
 - (A) the location and market area of the property;*
 - (B) physical attributes of property, such as size, age, and condition;*

(C) legal and economic attributes; and

(D) easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;

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

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

(7) reviewing the appraisal results to determine value.

Market Value

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

- ❖ exposed for sale in the open market for a reasonable time for the seller to find a buyer;
- ❖ 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 1st 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 1st.

REVALUATION POLICY (REAPPRAISAL CYCLE)

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district's current policy is to reappraise one-third of the district every year. The 2014 tax year is a reappraisal year. The 2015 tax year is not a reappraisal year. However, appraised values, district wide, are reviewed annually and are subject to change for purposes of equalization and staying abreast of market value. This, in effect, constitutes a reappraisal each year. Personal property is appraised every year.

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 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.

Residential Property

Residential property is physically examined every three years noting condition of the improvement and looking for changes that might have occurred to the property since the last on-site inspection. In some subdivisions where change of condition is frequent, homes are inspected annually. Exterior pictures are taken of homes during each visit. Every subdivision is statistically analyzed annually to ensure sales that have occurred in the subdivision during the past 12 months are within a +/-5% range of appraisal value. If sales do not indicate that range, adjustments are made to the subdivision using a process outlined in detail in the Residential Appraisal section of this report.

Commercial Property

Commercial and industrial real estate is observed annually to verify class and condition. The inspection occurs as Business Personal Property appraisers are checking Business Personal Property accounts. Pictures are taken of the improvements at time of inspection. Real estate accounts are analyzed against sales of similar properties in Atascosa County as well as similar communities in surrounding counties. The income approach to value is also used to appraise larger valued commercial properties such as shopping centers, apartment complexes, office buildings, restaurants, motels and hotels, and other types of property that typically sell based on net operating income.

Business Personal Property

Business personal property is appraised annually with a dedicated appraiser performing visits to develop quality and density observations. A rendition is left for new businesses to complete. Similar businesses are analyzed annually to determine consistency per square foot. Businesses are categorized using Standard Industrial Classification (SIC) codes.

Industrial Utilities and Minerals

All industrial utility and mineral accounts are appraised annually by the firm of Hugh L. Landrum & Associates, Inc..

2014 Tax Calendar

July 2014

18

- Scheduled Board of Directors meeting.
- Submit proposed Reappraisal Plan to Board of Directors.

25

- Certify Appraisal Roll.

31

- Last day for property owners to apply for September 1 inventory appraisal for 2015.

August 2014

1

- Begin 2015 property appraisals for the Jourdanton 1, Pleasanton 2, Pleasanton 3, Poteet 1 and Poteet 2 zones (as defined by the Atascosa Appraisal Zone map).
- Begin 2015 Market analysis.

14

- Last day for Board of Directors to pass resolution to change number of directors, the method for appointing or both and deliver resolution to each taxing entity.

September 2014

1

- Obtain permit information from entities for field review.
- Verify sales data.
- Continue market analysis.
- Continue field checks.

11

- Special Call Board of Directors meeting.

18

- Last day for district Board of Directors to adopt 2015 budget.
- Last day for district Board of Directors to notify taxing entities in writing if a proposal to change a finance method by taxing entities' unanimous consent has been rejected.
- Last day for district Board of Directors to notify taxing entities in writing if a proposal to change the number or method of selecting district directors is rejected by a voting taxing entity.

18

- Deadline for Reappraisal Plan adoption and submission to State Comptroller.
- Hold agricultural advisory board meeting.
- Mail farm and ranch surveys.
- Deadline to adopt district's budget.

October 2014

1

- Verify sales data.
- Continue market analysis.
- Continue field checks.

15

- Notify required entities of Board of Directors members' term expiration.

November 2014

3

- Continue market analysis.
- Continue field checks.
- Verify sales data.

20

- Scheduled Board of Directors meeting.

December 2014

3

- Conduct mail survey to verify homestead exemption eligibility.
- Obtain permit information from entities for field review.
- Continue market analysis.
- Verify sales data.
- Continue field checks.

18

- Scheduled Board of Directors meeting.

January 2015

2

- Remove completion percentage adjustments.
- Mail exemption and special use applications.
- Send wildlife management annual report requests.
- Mail business personal property renditions.
- Mail residence homestead letters.
- Verify sales data.
- New Board of Directors members begin two year term.
- Continue market analysis.
- Continue field checks.

15

- Scheduled Board of Directors meeting.

February 2015

2

- Continue market analysis.
- Verify sales data.
- Continue field checks.

March 2015

2

- Verify sales data.
- Hold agricultural advisory board meeting.
- Continue market analysis.
- Continue field checks.

19

- Scheduled Board of Directors meeting.

30

- Finalize field checks
- Finalize market analysis.

April 2015

1

- Mail notice of appraised value to all property owners, or as soon thereafter as practicable.
- Publish protest procedures.

15

- Deadline for personal property renditions.

30

- Deadline for submission of preliminary values to ISDs.
- Deadline for exemptions and special use applications.

May 2015

1

- Publication of taxpayer protest procedures in local newspapers.

15

- Submit appraisal records to the Appraisal Review Board.
- Last day to mail notices of appraised value, denial of exemptions and denial of special use appraisal.

21

- Scheduled Board of Directors meeting
- Send proposed budget to entities.

June 2015

15

- Last day to submit recommended 2015 budget to Board of Directors and taxing entities.

2014 Tax Calendar

July 2015

16

- Special Call Board of Directors meeting, public hearing on budget and budget adoption.

20

- Submit appraisal roll to Appraisal Review Board for approval.

24

- Certify appraisal roll.

August 2015

3

- Begin 2016 property appraisals for the properties in Charlotte, Jourdanton 2, Karnes, Lytle, Pleasanton 1 and Pleasanton 4 zones (as defined by the Atascosa Appraisal Zone map).
- Begin 2016 Market analysis.

3

- Last day for property owners to apply for September 1 inventory appraisal for 2016.

17

- Last day for Board of Directors to pass resolution to change number of directors, the method for appointing or both and deliver resolution to each taxing entity.

September 2015

3

- Obtain permit information from entities for field review.
- Verify sales data.
- Continue market analysis.
- Continue field checks.

17

- Last day for district Board of Directors to adopt 2016 budget.
- Last day for district Board of Directors to notify taxing entities in writing if a proposal to change a finance method by taxing entities' unanimous consent has been rejected.
- Last day for district Board of Directors to notify taxing entities in writing if a proposal to change the number or method of selecting district directors is rejected by a voting taxing entity.

18

- Deadline for Reappraisal Plan adoption and submission to State Comptroller.
- Hold agricultural advisory board meeting.
- Mail farm and ranch surveys.
- Deadline to adopt district's budget.

October 2015

2

- Verify sales data.
- Continue market analysis.
- Continue field checks.

14

- Notify required entities of Board of Directors members' term expiration.

November 2015

2

- Continue market analysis.
- Verify sales data.
- Continue field checks.

19

- Scheduled Board of Directors meeting.

December 2015

2

- Conduct mail survey to verify homestead exemption eligibility.
- Obtain permit information from entities for field review.
- Verify sales data.
- Continue market analysis.
- Continue field checks.

17

- Scheduled Board of Directors meeting.

January 2016

4

- Remove completion percentage adjustments.
- Mail exemption and special use applications.
- Send wildlife management annual report requests.
- Mail business personal property renditions.
- Mail residence homestead letters.
- Verify sales data.
- Continue market analysis.
- New Board of Directors members begin two year term.
- Continue field checks.

21

- Scheduled Board of Directors meeting.

February 2016

3

- Continue market analysis.
- Verify sales data.
- Continue field checks.

March 2016

3

- Verify sales data.
- Continue market analysis.
- Continue field checks.
- Hold agricultural advisory board meeting.

17

- Scheduled Board of Directors meeting.

31

- Finalize market analysis
- Finalize field checks.

April 2016

4

- Mail notice of appraised value to all property owners, or as soon thereafter as practicable.
- Publish protest procedures.

15

- Deadline for personal property renditions.

29

- Deadline for submission of preliminary values to ISDs.
- Deadline for exemptions and special use applications.

May 2016

2

- Publication of taxpayer protest procedures in local newspapers.

13

- Submit appraisal records to the Appraisal Review Board.
- Last day to mail notices of appraised value, denial of exemptions and denial of special use appraisal.

19

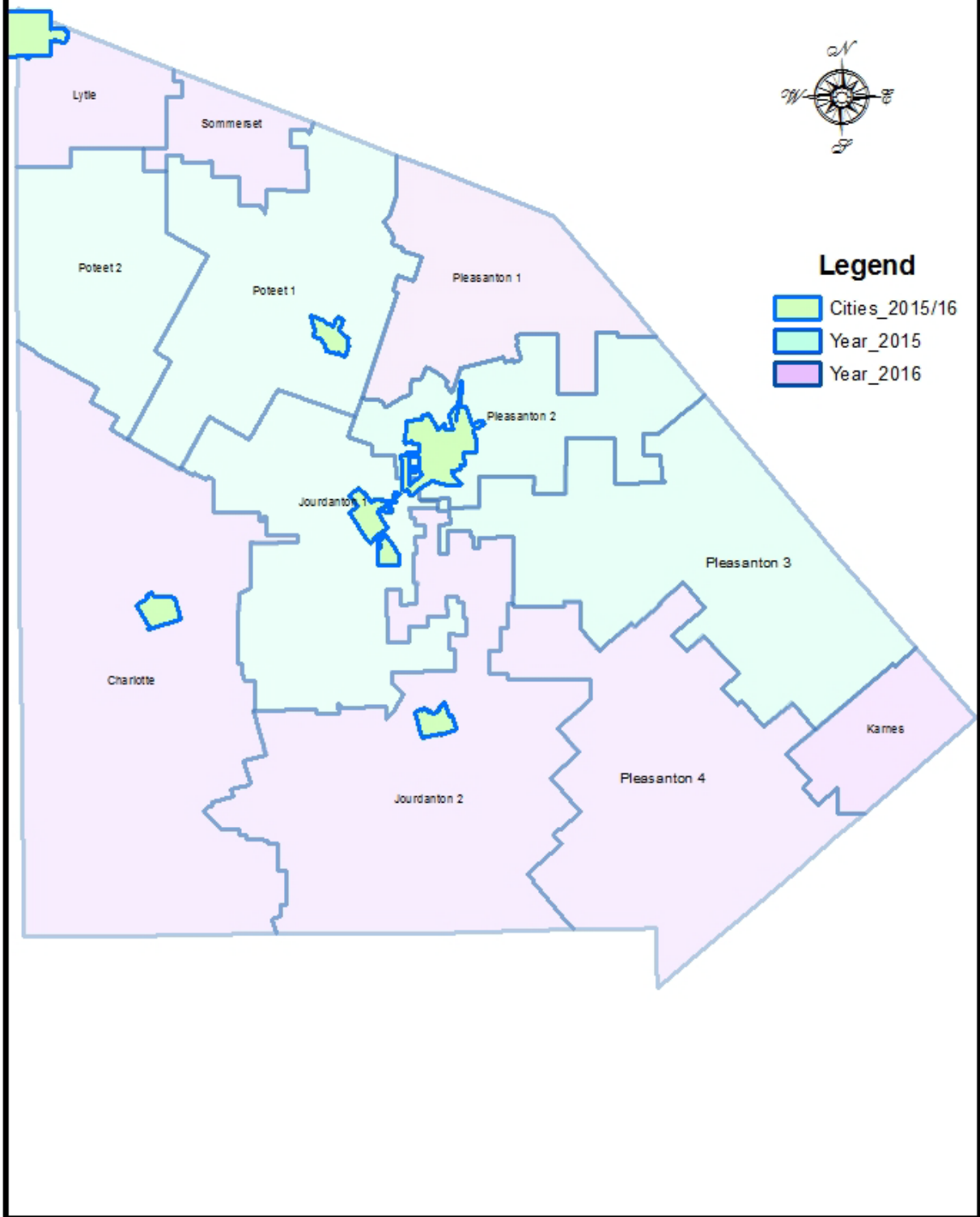
- Scheduled Board of Directors meeting
- Send proposed budget to entities.

June 2016

13

- Last day to submit recommended 2017 budget to Board of Directors and taxing entities.

Atascosa County Appraisal Zones



Revised Jun 2014

ELEMENTS OF REAPPRAISAL

Performance Analysis

Certified values from the previous Tax Year are analyzed with ratio studies to determine appraisal accuracy and appraisal uniformity by market area within property reporting categories. Ratio studies are conducted in compliance with current *Standard on Ratio Studies* of the International Association of Assessing Officers (IAAO, January 2010).

Reappraisal Decision

In some areas, statutes or administrative rules sometimes impose reappraisal requirements. A district may use a cyclical schedule to review and revalue property each year or revalue all properties in mass at periodic intervals; say every other year or every third year. Other reasons may be due to a ratio study or other external factors. Reappraisals require careful planning and commitment of major resources.

Analysis of Available Resources

Staffing and budget requirements for Tax Year 2015 are detailed in the 2015 budget as adopted by the board of directors. Staffing requirements have been identified and will be allocated accordingly to meet mandatory suspense dates. Requirements for the 2016 Tax Year will be detailed in the 2016 budget, as adopted by the board of directors no later than September 15, 2015.

Planning and Organization

Considered the most important aspect of reappraisal, defines goals and completion dates. All key events and suspense dates are published in the district's Tax Year calendar. The calendar is part of the reappraisal plan and is adopted by the board of directors and published in two year increments.

System Development

Custom forms and procedures for collecting and processing property characteristics, sales, and income data are in place and are reviewed annually.

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 district and are also considered whenever substantial changes are made. These studies, which are inclusive of ratio studies, reveal whether a proposed change is producing accurate and reliable values or whether procedural modifications are required. The appraiser implements this methodology when developing the cost approach and income approach models. All ratio studies are conducted in accordance with IAAO and USPAP standards.

Data Collection

Collection of all available data using established procedures and forms. Field checks collect data on new construction, demolition and remodeling while office data collection relies on sales data from available sources and sales verification letters sent to buyers and sellers.

Production of Values

Values are produced using market analysis, development of schedules for residential and commercial properties and calibration of the schedules using sales data. The schedules are then used to set preliminary value of properties.

Preparation of the Assessment Roll

Final values are listed on the roll and notices mailed. Informal and formal appeals are conducted and the roll is certified.

Final Performance Analysis

A final ratio study is performed to measure and evaluate the accuracy of the new values.

Data Maintenance

New Construction

New construction is identified by building permits, septic inspections, mechanics liens, monthly manufactured home report and new subdivision plats.

Periodic Inspection

Every property is re-inspected at least once every three years.

Value Updates

Adjustments that are applied annually to properties between reappraisals are based on ratio studies or other market analysis.

CURRENT RESOURCES

Personnel Resources

The Office of the Chief Appraiser is responsible for the oversight of all operations of the appraisal district including the overall planning, organizing, staffing, coordinating, and controlling of district operations. In addition, the Chief Appraiser serves as the head of the administration department planning, organizing, directing and controlling the business support functions that relate to human resources, budget, finance records management, purchasing, fixed assets, facilities and postal property accounts. The property types appraised include agricultural, commercial, residential and business personal.

The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation (TDLR).

The appraisal district staff consists of 14 full time employees and one contract appraisal firm with the following classifications:

- ❖ 1 - Chief Appraiser
- ❖ 1 – Assistant Chief Appraiser
- ❖ 4 - Staff Appraisers
- ❖ 1 - Bookkeeper/Administrative Assistant
- ❖ 1 - Deeds Supervisor
- ❖ 1 - Deeds Clerk
- ❖ 1 - Mapper
- ❖ 1 - Computer Systems Analyst
- ❖ 1 - Data Entry Clerk
- ❖ 1 - Customer Support Member
- ❖ 1 – Exemptions Transactions Clerk
- ❖ 1 – Contract Appraisal Firm

Staff Education and Training

All personnel that are performing appraisal work are registered with the Texas Department of Licensing and Regulation and are required to take appraisal courses to achieve the status of Registered Professional Appraiser within five years of employment as an appraiser. After they are awarded their license, they must receive 30 hours of continuing education in the 24 month period before the expiration of the registration. This will include; 2 hours in professional ethics, the approved State laws and rules update course, and 3.5 hours of USPAP training. Failure to meet these standards results in the termination of the employee or termination of the contract for contracted personnel.

Data

The district is responsible for establishing and maintaining approximately 36,423 real and personal property accounts and 12,322 mineral property accounts covering 1,232 square miles within Atascosa County Appraisal District. This data includes property characteristic, 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. Sales are routinely validated during a separate field effort. General trends in employment, interest rates, new construction trends, and cost and market data are acquired

through various sources, including internally generated questionnaires to buyers, interviews with real estate professionals and contractors.

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

Atascosa County Appraisal District (ACAD) currently maintains a Geographic Information System (GIS) database using ESRI ArcGIS 10.2.1 software. The GIS database is made up of several layers and datasets that cover a given map extent (Atascosa County). The spatial relationships between these layers are derived through their common geographic location. Defining and describing these real-world locations requires a framework or global coordinate system. A geographic coordinate system is used to assign geographic locations to objects. Atascosa County Appraisal District GIS database uses the Projected Coordinate System “NAD 1983 State Plane Texas South Central FIPS_4204_Feet” to assign locations to the datasets and layers.

ACAD’s GIS system has two parts, aerial photos (Ortho tiles) and geographic datasets.

Ortho Tiles

The ortho tiles or raster datasets are the largest files. The Raster datasets consist of TIF, AUX, and TFW files. Each ortho tile is 12000 x 8000 feet section of the county or a specific city and can be layered with other datasets. There are separate ortho tiles for each city and the county (rural areas).

Geographic Datasets

The geographic datasets are made up of three dataset types. These are Feature Classes, Raster Datasets, and Associated Attribute Tables. Feature classes contain vector based features (sets of points, lines, and polygons), raster datasets contain digital imagery, and associated attribute tables contain descriptive information about the geographic objects (parcels) and features.

There are separate datasets for roads, water (rivers, creeks, drainage, etc), buildings, utility, cultural (fences...), railroad, topography lines, vegetation, school districts, county border, sheet annotation, sub-sheet annotation, and control points. The data sets are divided into two categories, city and county. All the data is contained in MS Access database files.

The GIS database also contains a parcel map of Atascosa County. This parcel map layer contains the Coordinate Geometry (COGO) and survey information, parcel polygons, descriptive attributes (Parcel ID, GEO Reference Number, size in acres...), and feature classes for the parcels. This information is also made up of MS Access database files.

The products produced from the mapping system are for informational purposes and may not have been prepared for or be suitable for legal, engineering, or surveying purposes. It does not represent an on-the-ground survey and represents only the approximate relative location of property boundaries.

Information System

The Atascosa Appraisal District houses a server containing the appraisal records for the district. This information is accessed by multiple PC's in the appraisal office. The PACS software application is utilized and can be accessed by True Automation via the internet for software updates and modifications.

Shared Appraisal District Boundaries

The State of Texas HB 1010 amended the Texas Property Tax Code identifying an Appraisal District's boundaries as the county's boundaries. As stated in Section 6.02 (a), *"The appraisal district's boundaries are the same as the county's boundaries."*

Independent Performance Test

According to Section 403.302 (a) DETERMINATION OF SCHOOL DISTRICT PROPERTY VALUES, of the Texas Government Code;

(a) *The comptroller shall conduct a study using comparable sales and generally accepted auditing and sampling techniques to determine the total taxable value of all property in each school district. The study shall determine the taxable value of all property and of each category of property in the district and the productivity value of all land that qualifies for appraisal on the basis of its productive capacity and for which the owner has applied for and received a productivity appraisal.*

This study is performed every two years, if the school district's value is considered to be valid. If the school district's value is considered invalid, a PVS will be done annually. The code also requires the Comptroller to: test the validity of school district taxable values in each school 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 school district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity, this study utilizes statistical 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% of the median, the percentage of properties within 25% 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). Code also requires the Comptroller to: publish a report of the findings of the study, including the median levels of appraisal and the coefficient of dispersion for each category of property, and any other standard statistical measures deemed appropriate by the comptroller.

There are seven independent school districts in Atascosa CAD for which appraisal rolls are annually developed. The preliminary results of the PVS are released in January in the year following the year of appraisal. The final results of their study are certified to the Education Commissioner of the Texas Education Agency (TEA) in the following July of each year for the year of appraisal. This outside (third party) ratio study provides additional assistance to the ACAD in determining areas of market activity or changing market conditions. The PVS for Atascosa CAD is currently conducted by the Comptroller in odd number years.

Chapter 5 for the TPTC also states that the Comptroller shall conduct a ratio study every two years, as outlined by Section 403.302(a) of the Texas Government Code, and publish the findings to all members of the legislature and to all appraisal districts.

Also required by Chapter 5 of the TPTC is that the Comptroller's Property Tax Division shall review the CAD's governance, taxpayer assistance, operating standards, appraisal procedures, and appraisal methodology at least every two years. This is known as the Methods and Assistance Program (MAP) review. Once the study is completed, the comptroller will notify, in writing, the appraisal district concerning its performance in the review.

The MAP review is currently conducted by the Comptroller in even numbered years.

APPRAISAL ACTIVITIES

The appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes (Appraisers Handbook). 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 properties, which are located within the boundaries of Atascosa CAD. 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 field inspect residential and commercial properties within the boundaries of Atascosa CAD every three years, and personal properties every year. Meeting this goal is dependent on budgetary constraints.

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, quality of construction, and condition. Field appraisers use listing manuals that establish uniform procedures for the correct listing 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. Data collection for personal property involves maintaining a folder containing all renditions, recent valuations and correspondence. The types of information contained in these folders are broken down into inventory, furniture, fixtures and equipment, machinery, and vehicles. Each account is identified with the appropriate SIC code. The field appraisers conducting on-site inspections use the personal property manual during their initial training and as a guide to correctly list all personal property that is taxable.

Field data collection requires organization, planning and supervision of the field effort. Data collection procedures have been established for residential, commercial, and personal property. Appraisers conduct field inspections and record information either on 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. The Chief Appraiser is charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the field appraisal staff.

Sources of Data

The sources of data collection are through the new construction field effort, data review field effort, mailers, hearing, sales validation, 911 new addresses, new electrical hook-ups, manufactured home movement reports, 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 tax account number for fieldwork.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers research entire neighborhoods to verify the accuracy of our data and identify properties that have to be reviewed. The sales validation effort in real property pertains to the collection of data of properties that have sold. 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. Property owners are one of the best sources for identifying incorrect data that generates a field check.

In terms of sales data, Atascosa CAD receives a copy of the deeds recorded in Atascosa County. The deeds involving a change in ownership are entered into the sales information system and researched in an attempt to obtain the pertinent sale information. Other sources of sales data include the hearings process, realtors and appraisers.

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 the new owner. If a questionnaire is answered and returned, the document responses are recorded into the computerized sales database system. Closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

Data Quality Control

In accordance with IAAO Standard on Mass Appraisal 3.3.2.5, it is a requirement of the appraisal district to have accurate records of all properties within its boundaries. In order for the district to do this it must employ a process where quality of work and services can be identified and evaluated. The results must show certain minimum levels of quality are being attained, identify those areas that do not meet the district's specified standards and lead to the correction of any issues identified.

Quality control as it relates to appraisers should be utilized as a learning tool by providing the opportunity for constructive feedback over the course of their development. An appraiser's work should be monitored for understanding of the process, uniformity of procedures followed, and accuracy of work turned in. Quality control will help identify appraiser's having difficulty with appraisal concepts, technical aspects of data collection, or mass appraisal techniques which may lead to retraining. End results of quality control should promote appraiser development and produce a more accurate final product.

Supervisors will provide frontline quality control and will be held responsible for the quality of work done by appraisers under their direct supervision. Quality control tasks should include going to the field with appraisers to ensure correct procedures are being followed and to witness interaction with property owners, random field check of work turned in, and review of field data entered into PACS.

Quality control of the data entry is done to insure that data entry of appraisers work has been entered into PACS correctly.

Field Review

The date of last inspection and the appraiser responsible is listed on the CAMA record. If a property owner or jurisdiction, dispute the district's record 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 field effort.

Performance Test

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

RESIDENTIAL VALUATION PROCESS

The appraisers are responsible for developing equal and uniform market values for residential properties, both vacant and improved. There are 30,462 real property, and 3,121 Mobile Home property accounts in the Atascosa CAD.

Valuation Approach

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 analyzed from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gained from real estate publications and sources such as continuing education in the form of IAAO and TDLR classes and various seminars.

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 Independent School Districts (ISD).

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 of desirability. During decline, general property use may change from residential to a mix 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 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. In addition to physical inspections, aerial/ortho photography may also be used for inspection of properties. This may include the results of any Pictometry Change Finder study. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Sales ratio analysis, discussed below, is performed on a neighborhood basis, by ISD.

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 the market value of a residence homestead shall be determined as a residence homestead, *“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.”*, as stated in the Texas Property Tax Code, 23.01(c). 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.

Valuation and Statistical Analysis

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 replacement cost new (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. Location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs. 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. Some of these modifiers are provided by the national cost services.

Sales Information

A sales file for the storage of "snapshot" sales data at the time of sale is maintained. Residential vacant land sales and residential improved 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: district questionnaires sent to buyer, field discovery, protest hearing, appraiser, builders, and realtors. 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 the appraisers. The appraisers develop a base lot, primary rate, and assign each unique neighborhood to a land table. 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 insure that the land values created best reflect the contributory market value of the land to the overall property value.

Statistical Analysis

The appraisers perform statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on each ISD in the district to judge the two primary aspects of mass appraisal accuracy, level, and uniformity of value. 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.

Market data is reviewed annually through the sales ratio analysis process. 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 designed 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

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 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.

The following equation denotes the hybrid model used:

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

Whereas, the market value (MV) equals the market adjustment (MA) factor times the land value (LV) plus the replacement cost new (RCN) less depreciation (D). 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; however, the low market prices in some areas of the county preclude the adoption of current cost values. Depreciation factors would be excessive given the condition of the structure. 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 market ratio study that compares recent sales prices of properties with in a delineated neighborhood with 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 factor 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 homogeneous 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.

Individual Value and 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 to check for accuracy of data characteristics.

Sales activity has also resulted in a field effort of 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, the appraiser takes valuation documents to the field to test the computer-assisted values against his appraisal judgment. During this review, the appraiser is able to physically inspect both sold properties and unsold properties for comparability and consistency of values. In addition to physical inspections, aerial/ortho photography may also be used for inspection of properties. This may include the results of any Pictometry Change Finder study.

Office Review

Valuation reports comparing previous values against proposed and final values are generated for all residential 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. Aerial/ortho photography may also be used for office reviews. This may include the results of any Pictometry Change Finder study.

Once the appraiser is satisfied with the level and uniformity of value for each neighborhood, the estimates of value are sent out as appraisal notices.

Performance Tests

Sales Ratio Studies

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each ISD to allow the appraiser to review general market trends, and provide an indication of market change over a specified period of time. The neighborhood descriptive statistics are reviewed for each neighborhood being updated for the current tax year.

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 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 district's land value and the developer's construction costs as of the valuation date. However, in the year following the sale, they are reappraised at market value.

AGRICULTURAL VALUATION PROCESS

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.

This is a special valuation for land that is devoted to agricultural production. 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. Although this lower value reduces the taxes on the property, a "rollback" of these taxes will take place when the land stops being used for an agricultural purpose. The rollback recaptures, with interest, the taxes saved for the five (5) years preceding the change in use. Because of the penalty, this valuation is of questionable benefit if your usage is short term or if you have plans to develop the tract within the next six (6) years.

Approach to Values

Atascosa Appraisal District has implemented the standard Cash Lease Method to determine the net to land estimates for the 2015 1-D-1 productivity values by land class. Only typical cash lease information is used to determine these estimates. The types of lease agreements used are; hunting leases and land lease agreements.

Wildlife Management

Texas also has a Wildlife Management program. Under this program there are two main qualifications; one that the land must already have an agricultural exemption and the other is that the owner must use the land to propagate a sustaining breeding, migrating or wintering population of indigenous wild animals. A wildlife management plan must be filed with the district to obtain a wildlife management special use evaluation. The district also requires that an annual report be submitted on all parcels with a wildlife management special use evaluation. Forms are available at the district office or on line at the Texas Parks and Wildlife Office web site www.tpwd.state.tx.us

Field Review

Field reviews are done one a three year schedule. All applications for agricultural exemptions automatically generate a field review. Properties are inspected for minimum requirement to validate the agricultural exemption as defined in the Agricultural Valuation Handbook.

COMMERCIAL VALUATION PROCESS

This mass appraisal assignment includes all of the commercially classed real property which falls within the responsibility of the appraisers of the Atascosa County Appraisal District. The appraisal roll displays and identifies each parcel of real property individually. Appraisers appraise the fee simple interest of properties according to statute. However, the affect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisal of any non exempt taxable fractional interests in real property. Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

The data used by the 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 furnished, length of terms, etc.), and actual constructions 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.

Valuation Approach

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.

Neighborhood Analysis

The neighborhood is comprised of the land area and commercially classed properties located within the boundaries of a 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, 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, special use etc.) based upon an analysis of similar economic or market forces. These include but are not limited to similarities or rental rates, classification of property, date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each property use type is the benchmark of the commercial valuation system. All income model valuation (income approach to value estimates) is economic specific.

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 insures that an accurate estimate of market value 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: (i) no coercion of undue influence over the buyer or seller in an attempt to force the purchase sale, (ii) well-informed buyers and sellers acting in their own best interests, (iii) a reasonable time for the transaction to take place, and (iv) payment in cash or its equivalent.

Market Analysis

A market analysis relates directly to 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.

Valuation and Statistical Analysis

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

In the local market, with a limited supply of commercial property available, the age of the property is of little or no importance. Sales indicate that condition and location are of greater weight in the market. Depreciation schedules are developed based on the condition of each major class of commercial property. For example, one hundred year old properties with average maintenance are prized in the commercial market. Depreciation schedules have been implemented for what is typical of each major class of commercial property. These schedules are then tested to ensure they are reflective of current market conditions. 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.

Income Approach

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. This method is impractical in Atascosa County due to the small number of commercial properties and wide range in use, age, condition and lack of sufficient reliable data. When income information is provided by the owner, potential gross income is computed. The 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 interviews with local market professionals. 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, secondary income or service income is calculated as a percentage of stabilized effective gross rent. Secondary income represents other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income.

Allowable expenses are based on a study of the local market, with the assumption of prudent management. 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 from the effective gross income yields 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.

Capitalization analysis is used in the income approach models. This methodology involves the capitalization of net operation 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. This information is very rare and seldom used. 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 market, cost and income information is considered before values are finalized and notices are mailed.

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.

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

Individual Value Review Procedures

Field Review

The date of last inspection and the Atascosa CAD appraiser responsible are listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, CAMA may be altered based on the credibility of the evidence provided. 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 portions of their area to field check.

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 levels occur between building classes 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 within a given class. This is practical due to the small number of commercial properties of a particular type within Atascosa County. This report summarizes the pertinent data of each property as well as comparing the previous value to the proposed value. This report shows economic factors (cost overrides) and special factors affecting the property valuation such as new construction status. The report lists all property within the class as well as the appraised value per square foot helping to minimize any variations in the appraised value of the sold and unsold properties. A three year sales history (USPAP property history requirement for non residential property) is also included. The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory 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. Once the appraiser is satisfied with the level and uniformity of value for each commercial property, the changed values are input into the CAMA server in order to have a notice printed in May.

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 (values 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 practice, while permitted by USPAP, is not used in Atascosa CAD. The district has adopted the applicable policies of the IAAO STANDARD ON RATIO STUDIES, circa July 1999 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 for taxing jurisdictions. The primary uses of sale ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of property types for reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and to calibrate models used to 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 Appraisal Review Board 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 annually to allow appraisers to review general market trends in their area of responsibility. The appraisers utilize desktop applications such as MS EXCEL programs 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 insure 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 appraiser performs an average unit value comparison in addition to a traditional ratio study. These studies are performed on commercially classed properties by property use type (such as apartment, office, retail and warehouse usage or special use). The objective to this evaluation is to determine appraisal performance of sold and unsold properties. Appraisers' average unit prices of sales and average unit appraised values of the same parcels and the comparison of average value changes of sold and unsold properties. These studies are conducted on substrata such as building class and on properties located within various economic areas. In this way, overall appraisal performance is evaluated geographically, by specific property type to discern whether sold parcels have been selectively appraised. When sold parcels and unsold parcels are appraised equally, the average unit values are similar. These horizontal equity studies are performed prior to annual noticing.

INDUSTRIAL UTILITY AND MINERAL VALUATION

Atascosa County Appraisal District maintains a contract with the appraisal firm Hugh L. Landrum & Associates, Inc., for the primary responsibility of developing fair, uniform market values for industrial properties located within the boundaries of Atascosa CAD. The contract firm is also responsible for the valuation of all tangible general industrial personal property in Atascosa County Appraisal District.

Hugh L. Landrum & Associates, Inc. 1110 NASA Parkway, Suite 400, Houston, TX 77058

BUSINESS PERSONAL PROPERTY VALUATION PROCESS

There are four different personal property types appraised by the district: Business Personal Property accounts; Leased Assets; Vehicles; and Multi-Location Assets. There are approximately 2223 business personal property accounts in Atascosa County Appraisal District.

Valuation Approach

SIC Code Analysis

Four digit numeric codes, called Standard Industrial Classification (SIC) codes, that were developed by the federal government 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 district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. 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 by the comptroller's office 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.

Business Personal Property

The district's property characteristic data was originally received from Atascosa County, Cities, and various school district records in 1981, and where absent, collected through a massive field data collection effort coordinated by the district over a period of time. Each year the personal property appraiser collects new data via a field drive-out. This project results in the discovery of new businesses not revealed through other sources. Various discovery publications such as the local newspaper and phone books are used to discover personal property. Tax assessor, cities, school districts, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

Vehicles

An outside vendor provides Atascosa CAD with a listing of vehicles within Atascosa County. 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 and field inspections.

Valuation and Statistical Analysis

Cost Schedules

Cost schedules are developed by personal property valuations department of the property tax division of the comptroller's office. These cost schedules are developed by analyzing cost data from property owner renditions, hearings and published cost guides. 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.

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 replacement cost new (RCN) is either developed from property owner reported historical cost, from state developed valuation models or Marshall & Swift Guides. The trending factors and the percent good depreciation factors are combined for use by Atascosa CAD. They are both provided by the comptroller's office and are based on published valuation guides. The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

PVF = INDEX FACTOR x 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:

MARKET VALUE ESTIMATE= PVF x HISTORICAL COST

This mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market.

The appraiser inspects each property on an annual basis and lists all taxable property. Market value is estimated by the use of the most recent personal property appraisal manual furnished by the comptroller's office. In the absence of a particular category of property in this manual, Marshall & Swift Guide is utilized to estimate market value. Value of each property is compared to current rendition if submitted by owner. Values are adjusted if the appraiser feels an adjustment is warranted. All properties within a particular SIC code are compared in order to assure equitable treatment of all property.

Vehicles

Value estimates for vehicles are provided by an outside vendor and are based on NADA published book values. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

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

Individual Value Review Procedures

Office Review

All Personal Property accounts are worked in house by the Personal Property Appraiser. All information on this account is reviewed and a value is assigned. This value is input into the computer system for noticing.

Vehicles

A vehicle master file is received in a printout from an outside vendor and vehicles in the district's system from prior year are matched to current DOT records. The vehicles remaining after the matching process are sorted by owner name. These vehicles are then matched to existing accounts and new accounts are created as needed. Vehicles that are not valued by the vendor are valued by an appraiser using published guides.

Leased and Multi-Location Assets

Renditions from leasing and multi-location accounts are matched to the appropriate account and appraised by an appraiser. If the owner provided a self addressed stamped envelope the report is then mailed to the property owner for review.

Performance Tests

Ratio Studies

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

Atascosa County Markets

Atascosa County Market areas are defined by the county line. These market areas are divided into appraisal zones as reflected in the Appraisal Zone Map.

There have been no new apartment complexes built for several years in Atascosa County. There has, however, been an increase in multifamily residential properties in the form of duplexes. We have been able to attain pertinent information on the cost and income of these properties from the property owners. While these properties were in demand as little as a year ago it now appears the laws of supply and demand and competition has slowed the market for these properties somewhat.

The most prolific market currently in Atascosa County is the commercial market fronting Highway 97 in Pleasanton with some activity extending into Jourdanton along Highway 97. A dormant market for many years, this area is experiencing much activity at present. Sales, cost and income information has become available from many sources including new property owners and builders.

The higher-end subdivisions that have been developing in Atascosa County are primarily in Pleasanton ISD. The City of Pleasanton has experienced the most growth in the residential and commercial markets. It also has the most homogeneous subdivisions. Lytle ISD has had some comparable subdivisions developed but not to the extent seen in Pleasanton. Cost information has been available in many cases from mechanics liens and building permits. Market information has been available from sales letters sent out by the district.

Other cities in the county are primarily mid-range residential to low-end residential. The cities of Jourdanton, Charlotte, Poteet and Christine are primarily older residences or mobile homes. With the exception of a few subdivisions, these areas are not homogenous.

Vacant real property (C1) not located within a newer subdivision is one of the weaker markets in Atascosa at present.

The industrial real property market is stable at this time. There have not been new manufacturing/industrial businesses opened or relocated to the county at this time. The ranch market is experiencing more growth than in recent years. Large ranches with wildlife proof fencing and available water are in demand. Brush and native land are in more demand at present than improved, irrigated, or crop land.

New businesses in Atascosa have been consumer related. Most of these are small businesses. Atascosa should see more growth in this category as commercial property along Highway 97 is further developed.

VALUE DEFENSE

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. After protests are received, they will be verified and the Appraisal Review Board will schedule hearings and provide written notice to the property owner or agent of the date and time of the formal hearing. Once a protest is scheduled for a hearing, the district's evidence will be generated and available upon written request.

LIMITING CONDITIONS

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

1. The appraisals were prepared exclusively for ad valorem tax purposes.
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised were performed as staff resources and time allowed.
3. Validation of sales transactions was attempted through questionnaires to buyer, and field review. In the absence of such confirmation, residential sales data obtained from appraisers and real estate professionals was considered reliable.
4. Budgetary restrictions may have an impact on resources and time needed to accomplish reappraisal functions.
5. Staffing restrictions due to the limited job market may impact the district's ability to complete some reappraisal functions.
6. Unexpected increase in workload due to growth created by the Eagle Ford Shale may affect the district's ability to complete some reappraisal functions or may redefine market areas.

Certification Statement:

"I Michelle L. Cardenas, Chief Appraiser for Atascosa County Appraisal District, solemnly swear that I have made or caused to be made a diligent inquiry to ascertain all property in the 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. Cardenas, RPA, RTA, CTA, CCA
Chief Appraiser