



Property Tax Assistance Division
2023 Report

Review of
Appraisal
District
Appraisal
Standards,
Procedures and
Methodology

TARGETED APPRAISAL REVIEW PROGRAM

DUVAL COUNTY APPRAISAL DISTRICT



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Texas Comptroller of Public Accounts

2023 TARGETED APPRAISAL REVIEW

DUVAL COUNTY APPRAISAL DISTRICT

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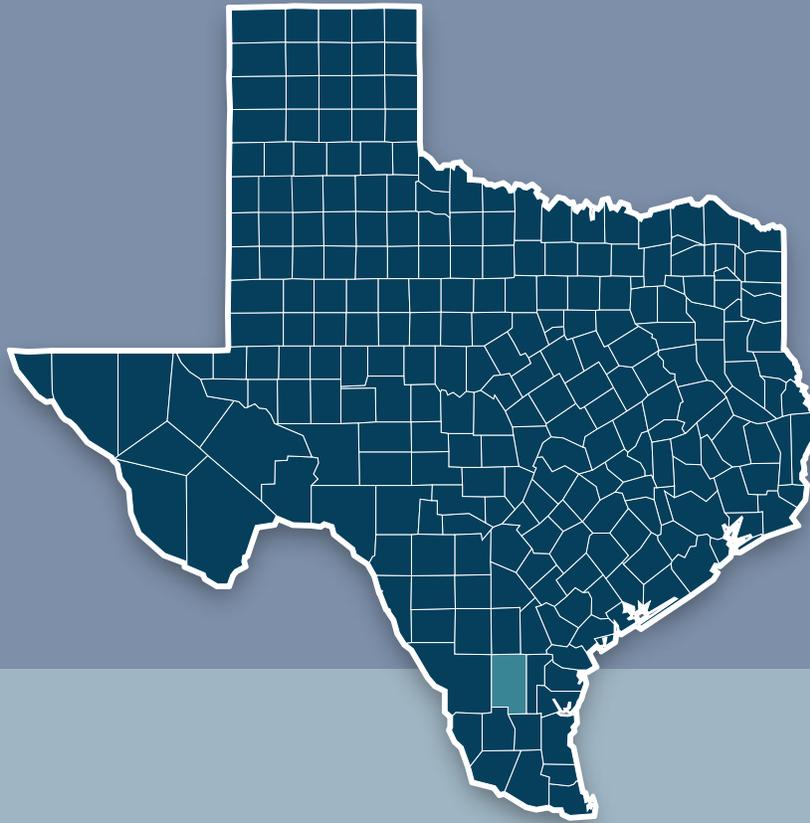




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Executive Summary

In September 2023, the Texas Comptroller of Public Accounts identified Benavides Independent School District (Benavides ISD), Freer Independent School District (Freer ISD) and San Diego Independent School District (San Diego ISD), located in Duval County, as three of 46 school districts meeting the criteria that initiates a Targeted Appraisal Review (TARP) of the appraisal district in which the school district is located. In 2023, the Property Tax Assistance Division (PTAD) conducted the review of the Duval County Appraisal District (Duval).

TARGETED APPRAISAL REVIEW PROGRAM OVERVIEW

If a school district receives invalid School District Property Value Study (SDPVS) findings for three consecutive years, Government Code Section 403.302(k-1) requires PTAD to conduct a review of the appraisal district to determine why a school district’s values are statistically invalid and provide recommendations to the appraisal district regarding appraisal standards, procedures and methodologies.

PTAD reviewers used the [Targeted Appraisal Review Program Guidelines](#) to perform this review. This report contains the findings of the 2023 TARP review of Duval. Over the next year, TARP reviewers will work with Duval to address and resolve recommendations outlined in this report. **Exhibit 1** provides a timeline for the TARP cycle.

Upon substantial compliance with all recommendations, PTAD will issue a formal letter of compliance to Duval and its board of directors.

If the appraisal district fails to comply with recommendations provided in the report and PTAD finds the appraisal district board of directors failed to take remedial action reasonably designed to ensure substantial compliance with each recommendation before the first anniversary of the date the recommendations were made, PTAD will notify the Texas Department of Licensing and Regulation (TDLR), which takes action necessary to ensure the recommendations are implemented as soon as practicable.

EXHIBIT 1

TARP Process Timeline

NOTIFICATION

- PTAD sends TARP notification letters and preliminary data requests to affected appraisal districts.

REVIEWS

- Preliminary data is due to PTAD.
- TARP reviewers complete onsite visits.

RECOMMENDATIONS

- PTAD releases initial TARP reports.
- Appraisal districts have one year to work with their TARP reviewers to substantially comply with TARP report recommendations. PTAD mails formal compliance letters when appraisal districts have substantially implemented all recommendations.

REMAINING RECOMMENDATIONS

- PTAD notifies TDLR of remaining recommendations one year after the initial TARP report is released.
- Appraisal districts have one year to work with TDLR, who determines substantial compliance and reports to the chief appraiser and appraisal district board of directors.



INVALID SCHOOL DISTRICT PROPERTY VALUATION

PTAD identified Benavides ISD, Freer ISD and San Diego ISD in Duval as having invalid SDPVS findings for three consecutive years. **Exhibit 2** highlights the impacted school districts and categories with local values that fell outside the SDPVS statistical confidence interval in the applicable three-year period. PTAD determines the confidence interval using a 5 percent or greater margin of error around PTAD's determined market value. PTAD considers local values valid, or statistically acceptable, when they are within the confidence interval. Values outside this confidence interval are statistically invalid.

EXHIBIT 2

Duval SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2020	Duval	Benavides ISD	Invalid	A	0.8358
2020	Duval	Benavides ISD	Invalid	D1	0.7939
2020	Duval	Benavides ISD	Invalid	E	0.7832
2020	Duval	Benavides ISD	Invalid	J	1.0684
2021	Duval	Benavides ISD	Invalid	D1	0.8346
2021	Duval	Benavides ISD	Invalid	E	0.9205
2021	Duval	Benavides ISD	Invalid	J	0.9385
2022	Duval	Benavides ISD	Invalid	D1	0.7845
2022	Duval	Benavides ISD	Invalid	E	0.732
2022	Duval	Benavides ISD	Invalid	G	0.9345
2022	Duval	Benavides ISD	Invalid	J	1.1568
2020	Duval	Freer ISD	Invalid	A	0.8641
2020	Duval	Freer ISD	Invalid	D1	0.7045
2020	Duval	Freer ISD	Invalid	F1	0.8535
2021	Duval	Freer ISD	Invalid	A	0.91
2021	Duval	Freer ISD	Invalid	D1	0.7336
2021	Duval	Freer ISD	Invalid	E	0.8498
2021	Duval	Freer ISD	Invalid	F1	0.9069
2022	Duval	Freer ISD	Invalid	D1	0.6654
2022	Duval	Freer ISD	Invalid	E	0.8406
2022	Duval	Freer ISD	Invalid	G	0.7983
2022	Duval	Freer ISD	Invalid	J	0.9291
2020	Duval	San Diego ISD	Invalid	A	0.9202
2020	Duval	San Diego ISD	Invalid	D1	0.7763
2020	Duval	San Diego ISD	Invalid	E	0.806
2021	Duval	San Diego ISD	Invalid	D1	0.8104
2021	Duval	San Diego ISD	Invalid	E	0.829
2021	Duval	San Diego ISD	Invalid	J	0.9481
2022	Duval	San Diego ISD	Invalid	D1	0.7516

*Categories are defined in the [Texas Property Tax Assistance Property Classification Guide](#).

Source: Texas Comptroller of Public Accounts, [School District Property Value Study](#)



RECOMMENDATIONS

Based on our findings in the TARP review of Duval, PTAD makes the following recommendations, which are discussed in greater detail throughout this report:

- Conduct staff evaluations annually.
- Conduct a salary survey to establish competitive salaries for the local job market.
- Evaluate the chief appraiser annually.
- Update appraisal district maps to reflect all properties.
- Conduct ratio studies at timely intervals by market area, neighborhood, property class, or stratum and make appropriate adjustments based on results.
- Perform independent analyses to determine necessary value changes.
- Use Duval’s local ratio study results to make reappraisal decisions necessary to produce accurate values.
- Amend the reappraisal plan to address problematic areas.
- Create and follow written quality control procedures, including demonstrating ratio studies to ensure assessment quality.
- Conduct ratio studies regularly for residential properties
- Review and update residential cost schedules annually.
- Develop valuation procedures and cost schedules for manufactured homes and use ratio study results to annually review and update the schedules.
- Collect and calculate net to land for each of the five years in the appropriate period and determine a five-year average net to land. Use calculated values for land designated as agricultural use.
- Conduct ratio studies regularly for vacant land properties and review and update land schedules annually.
- Document land valuation procedures.
- Develop adjustment factors for relevant features based on market analysis.
- Conduct ratio studies regularly for commercial properties.
- Update commercial cost schedules.
- Employ the three approaches to value when appraising commercial properties.
- Collect and maintain local income and expense data.



Section 1 – Overview of County Appraisal District

1.1 COUNTY HISTORY AND DEMOGRAPHICS

According to *The Handbook of Texas Online*, the Texas State Legislature created Duval County in 1858 from parts of Nueces, Live Oak and Starr counties, naming it after Burr H. Duval, a soldier in the Texas Revolution. Duval County is located in southern Texas and encompasses approximately 1,793 square miles. The county includes the Benavides, Freer, Premont, Ramirez and San Diego Independent School Districts.

The county population in 2020, according to the United States Census Bureau, was 9,831. Major population centers include the cities of San Diego having 4,488 residents and Olton having 2,124 residents and a variety of small towns and unincorporated areas.

Based on the 2020 census population, PTAD classifies Duval as Tier 3 for comparison with appraisal districts of similar population size.

Exhibit 3 shows the population brackets for each tier

EXHIBIT 3

County Population by Tier	
Tier	Total Population Range
1	120,000 +
2	Less than 120,000 to 20,000
3	Less than 20,000

Source: Texas Comptroller of Public Accounts

1.2 APPRAISAL DISTRICT ORGANIZATION AND STAFFING

Duval became active in January 1980. As of July 2024, it has seven full-time staff positions and no part-time positions, of which one position is supervisory and three positions are full-time appraisers. Duval contracts with a vendor for professional appraisal services.

Exhibit 4 presents Duval’s general organizational structure.

EXHIBIT 4



Source: Duval County Appraisal District

1.3 TAXING UNITS

Local taxing units, including the school districts, counties, cities, junior colleges and special districts, decide how much money they require to effectively provide public services. They adopt property tax rates based upon taxing unit financial needs (budget). Some taxing units have access to other revenue sources, such as a local sales tax. School districts must rely on the local property tax, in addition to state and federal funds.

Duval provides appraisal services for 13 taxing units, as shown in **Exhibit 5** and does not perform collection services.



EXHIBIT 5

Duval Taxing Units and Collections

Name of Taxing Unit	Appraisal District Collects Property Taxes
Duval County	No
Duval County Vocational School	No
Benavides Independent School District	No
Freer Independent School District	No
Premont Independent School District	No
Ramirez CSD	No
San Diego Independent School District	No
City of Freer	No
City of San Diego	No
City of Benavides	No
Duval County Groundwater District	No
Duval Emergency District #1	No
Duval Emergency District #2	No

Source: Texas Comptroller of Public Accounts

1.4 APPRAISAL DISTRICT BUDGET INFORMATION

Taxing units fund the appraisal district through an annual budgeting process. Tax Code Section 6.06 requires the chief appraiser to develop the budget and the board of directors to hold a public hearing to consider the budget. Each participating taxing unit in the appraisal district must contribute a portion of the budget amount equal to the proportional amount of taxes levied in the taxing unit.

Chapter 5 of the International Association of Assessing Officer's (IAAO's) *Assessment Administration* explains that the budget is the crucial link in an appraisal district's ability to make set rational priorities. A budget typically details how resources will be used to accomplish the appraisal district's goals and objectives. IAAO's *Standard on Property Tax Policy* states that to accomplish its responsibilities in a fair and professional manner, the appraisal district should have a budget that provides for a well-organized staff, sufficient computing resources and necessary data.

Exhibit 6 provides a comparison between Duval's 2022 budget versus the Tier 3 average 2022 budget (excluding collections) to show how Duval's budget aligns with the 2022 Tier 3 average.

EXHIBIT 6

Duval 2022 Budget vs. Tier 3 Average

Duval County Appraisal District Budget (2022)	Tier 3 Average Budget (2022)
\$706,322	\$547,673

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

In 2022, Duval operated with a budget of \$706,322, higher than the Tier 3 average budget of \$547,673. This budget comparison highlights relatively larger financial resources, as reported by Duval in the 2022 *Appraisal District Operation Survey*. A four-year budget history and tier average comparison is available in **Appendix 1**.



1.5 APPRAISAL DISTRICT STAFF INFORMATION

The geographic size of the appraisal district and number of parcels to be appraised directly reflect the number of staff necessary to perform the appraisal district’s responsibilities. The complexity of the appraisals and the experience and expertise of the staff also impact appraisal district needs.

Exhibit 7 provides a comparison between Duval’s 2022 staffing and the Tier 3 average (excluding collections) to determine how Duval staffing and salaries compare with the tier average.

EXHIBIT 7

Duval 2022 Staffing and Salaries vs. Tier 3 Average

	2022	2022 Tier 3 Average
Full Time Staff	7	4
Part Time Staff	0	N/A
Full Time Appraisers	3	3
Lowest Appraiser Salary	\$25,116	\$39,505
Highest Appraiser Salary	\$42,240	\$48,041

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

From 2020 to 2022, Duval has maintained a full-time staff of four to seven employees, which is higher than the 2022 Tier 3 average of four. There have been no part-time staff members during this period. In the appraisal division, the appraisal district employed two to three full-time appraisers each year, similar to the 2022 Tier 3 average. The lowest appraiser salary decreased from \$42,240 in 2020 to \$25,116 in 2022, well below the 2022 Tier 3 average of \$40,079. The drop in salaries is due to less experienced appraisers back filling more tenured and experienced appraiser positions. The highest appraiser salary remained steady at \$42,240 from 2020 to 2022, below the 2022 Tier 3 average of \$48,041. A four-year staff and salary history and Tier 3 average comparison is available in **Appendix 2**.

FINDING

Duval does not conduct staff evaluations annually.

IAAO’s *Introduction to Assessment Administration*, Chapter 3, Organization for Assessment Administration, specifies that evaluating each employee’s performance is a necessary and important function in office administration. It is only fair to the employee to be told regularly how their supervisors perceive their job performance.

The current chief appraiser has been with Duval for five years and worked for a neighboring appraisal district for most of his 33 years in the industry. He explained that staff evaluations are something he plans to implement soon; however, formal evaluations have not been performed since he arrived and likely were not done consistently before his arrival.

The chief appraiser oversees the operations of the appraisal district, including evaluation of appraisal district staff. Annual evaluations of staff enable employees to know of their performance each year, allowing staff to understand any areas where improvement might be needed. When employees are not notified of their job performance annually, they may be unable to correct any deficiencies.

RECOMMENDATION 1

Conduct staff evaluations annually.



FINDING

Duval board of directors has not conducted a salary survey in the previous five years.

IAAO’s *Introduction to Assessment Administration*, Chapter 3, Organization for Assessment Administration, recommends that salary schedules be competitive with the market if the budget permits and that salaries are equitable.

Discussions with the chief appraiser revealed that no salary survey was presented to the board of directors in the past five years. The chief appraiser acknowledged that this was an area that needed work.

The board of directors is responsible for hiring the chief appraiser, who coordinates and oversees the operations of the appraisal district. Establishing a competitive salary in the local job market attracts qualified candidates. Appraisal districts can gather salary information through operations surveys and comparisons with other appraisal districts to develop competitive salaries.

RECOMMENDATION 2

Conduct a salary survey to establish competitive salaries for the local job market.

1.6 TRAINING

IAAO’s *Standard on Professional Development* follows the principle that “assessment jurisdictions benefit when they have knowledgeable and adequately trained personnel to preserve the public’s trust; therefore, it is of the utmost importance.” **Exhibit 8** provides Duval’s annual training budget and number of trainings attended for the past three years. Appraisal districts should maintain adequate training budgets to allow for certification and continued education of staff.

EXHIBIT 8

Duval Training Budget and Number of Trainings

	2022	2021	2020
Training Budget	\$5,000	\$5,000	\$6,000
Number of Trainings Attended	2 to 3	2 to 3	2 to 3

Source: Duval County Appraisal District

In 2021, Duval’s training budget decreased; however, the number of trainings has remained the same over the three-year review period.

1.7 CHIEF APPRAISER

The board of directors is responsible for hiring and periodically evaluating the chief appraiser, who coordinates and oversees appraisal district operations. In organizing and administering an appraisal district, the chief appraiser is responsible for hiring, firing and training personnel; for ensuring compliance with a wide range of legal requirements; and for maintaining policies and procedures for the effective operation of the appraisal district. **Exhibit 9** provides detailed information regarding Duval’s chief appraiser.



EXHIBIT 9

Duval Chief Appraiser Information**Chief Appraiser**

Is the Chief Appraiser permanent, temporary or interim?	Permanent
Does the Chief Appraiser perform appraisals?	Yes
2022 Base Salary	\$63,000
Chief Appraiser – Years at appraisal district	33
Chief Appraiser – Years as a Chief Appraiser	5
Does the Chief Appraiser receive a car allowance?	Yes
What is the amount of the car allowance? (If applicable)	\$2,400
Does the Chief Appraiser receive retirement benefits?	Yes
Does the Chief Appraiser receive medical insurance benefits?	Yes

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey* and Duval County Appraisal District

 FINDING

Duval board of directors does not regularly evaluate the chief appraiser.

Tax Code Section 6.05(c) explains that the chief appraiser is the chief administrator of the appraisal office. Except as provided by Tax Code Section 6.0501, the chief appraiser is appointed by and serves at the pleasure of the appraisal district board of directors.

IAAO's *Introduction to Assessment Administration*, Chapter 3, Organization for Assessment Administration, specifies that evaluating each employee's performance is a necessary and important function in office administration. It is only fair to the employee to be told regularly how their supervisors perceive their job performance.

The chief appraiser was not evaluated in 2018 or 2019. Evaluations for the years 2020, 2021 and 2022 were noted and reviewed on-site.

Chief appraisers should regularly evaluate staff to ensure work completion and correct performance issues. Similarly, the board of directors should evaluate the chief appraiser's performance to ensure adequate performance of the position's duties and responsibilities.

 RECOMMENDATION 3

Evaluate the chief appraiser annually.



1.8 APPRAISAL DISTRICT CONTRACTS

PTAD reviews appraisal district contracts for compliance according to IAAO’s *Standard on Contracting for Assessment Services*. **Exhibit 10** lists Duval’s contracts, which are discussed in more detail in throughout this report.

Project control is important for the stakeholders of both the government agency and the contractor. Having control can help the project manager/program manager compare actual performance against planned performance. The project manager can identify potential problems, evaluate alternative actions and plan for appropriate corrective action.

Project leaders typically create a project plan that includes the tasks to be performed, the project timeline, a budget and project resources. By monitoring the plan and the actual work performed, the project manager can measure both qualitative and quantitative progress.

If the project is deviating from the project timeline, corrective action may be necessary. Deviations can be caused by a number of issues such as change in the project scope or project resources or other setbacks. The corrective plan should be created with input from all project stakeholders.

An appraisal district is a political subdivision of the State of Texas and is subject to the same requirements and has the same purchasing and contracting authority as a municipality under Chapter 252, Local Government Code.

EXHIBIT 10

Duval Contracts			
Type of Contract	Contract Dates	Years with Same Vendor	Does appraisal district actively monitor contract?
Appraisal of Minerals, Industrial, Utility and Personal Property	2022-25	14 years	Yes
Software	2005-2023	19 years	Yes
Mapping	2022	12 years	Yes
GIS	2022	12 years	Yes
Pictometry	2023-26	7 years	Yes

Source: Duval County Appraisal District



Section 2 – Appraisal Administration

2.1 APPRAISAL DISTRICT PARCEL DATA

PTAD collects appraisal district parcel data to determine the ratio of appraisers to parcel count and to compare it with the typical parcel per appraiser average in **Exhibit 11**.

EXHIBIT 11

2022 Duval Parcel Information vs. Typical Parcel Per Appraiser Average

Parcel Information	Duval	Typical Parcel Per Appraiser (Rounded)
Parcel Count	27,124	10,001-70,000
Parcels per Appraisal Staff	6,270*	6,400**

Source: Texas Comptroller of Public Accounts, *Electronic Appraisal Roll Submission*

* Excludes parcels for contracted appraisal services:

** Includes all property categories

In 2022, Duval managed 27,124 parcels placing it in line with appraisal districts in its typical parcel per appraiser range of 10,001 to 70,000 parcels. Duval contracts for appraisal services in Categories F, G, J and L2. Parcels in these categories are removed from the total parcel count to determine the parcels per appraiser of 6,270. This indicates that Duval's parcels per appraiser is in line with the typical parcel per appraiser range, which includes all property categories.

From 2019 to 2022, Duval managed parcel counts ranging from 27,124 to 29,074 (including all property categories) and the parcels assigned per appraiser for properties appraised in house ranged from 6,270 to 9,437. The total market value of certified parcels increased from \$2,859,504,445 to \$3,060,964,898 between 2019 and 2022. **Appendix 3** provides the appraisal district's parcel data over the four-year review period.

2.2 CONTRACTED APPRAISAL SERVICES

Between 2019 and 2022, appraisal district staff appraised 26 to 80 percent of the total appraised value within the appraisal district, specifically for Categories A, B, C1, D, E, F1, L1, M, O and S. From 2019 to 2022, Duval contracted for appraisal services for property Categories F2, G, J and L2. Each year, these contracted firms appraised 20 to 74 percent of the total appraised value within the appraisal district. The cost of these services varied from \$87,600 to \$133,200 over four years. Additionally, the appraisal district uses a geographic information system (GIS) and aerial technology systems.

Duval's contracted appraisal services are listed in **Exhibit 12**.



EXHIBIT 12

Duval's Contracted Appraisal Services

	2022	2021	2020	2019
Appraisal Services Contract	Yes	Yes	Yes	Yes
Contracted Property Categories	F2, G, J and L2			
Percentage of total appraised value appraised by contracted appraisal firms	20%	50%	36%	74%
Appraisal Contract Cost	\$87,800	\$87,600	\$87,600	\$133,200

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

2.3 MAPPING AND/OR AERIAL PHOTOGRAPH

IAAO's *Standard on Digital Cadastral Maps and Parcel Identifiers* (2015), Section 3.7, states basic information contained on maps should include parcel boundaries, identifiers, dimensions and area, subdivision or plat information, block and lot numbers, jurisdictional boundaries, locations and names of streets, railroads, rivers, lakes and other geographic features, situs addresses and geographic boundaries.

Comptroller Rule 9.3002 requires all appraisal offices and tax offices appraising property for ad valorem purposes to develop and maintain a system of tax maps covering the entire area of the taxing units for whom each office appraises property.

Tax maps should be drawn to scale and delineated for lot lines or property lines or both, with dimensions or areas and identifying numbers, letters, or names for all delineated lots or parcels. Each parcel must be assigned parcel identification numbers (PIN) and the PIN recorded on the corresponding appraisal card. The tax map system should be updated annually.

Q FINDING

Duval does not have up-to-date appraisal maps.

IAAO's *Standard on Digital Cadastral Maps*, Section 2, Introduction, states cadastral maps for the entire jurisdiction, regardless of taxable status or ownership, are essential to the performance of assessment functions. Digital cadastral maps enable the assessor to access parcel location and information, reveal geographic relationships that affect property value and provide a platform for the visualization of data layers and analytical results more efficiently.

Out of 75 sampled properties, the reviewer was unable to locate two (2.6 percent) on Duval's maps. The chief appraiser explained that the appraisal district is still working on updating the mapping system. He estimates they are about 70 percent complete, up from 50 percent five years ago when he first became chief appraiser. Duval updates and fixes issues on a case-by-case basis as they arise.

Duval has an in-house mapper on staff in conjunction with a mapping contractor to update the live maps. The appraisal district uses contractor mapping for GIS and Pictometry aerial maps. The contractor maps are available through the website.

💡 RECOMMENDATION 4

Update appraisal district maps to reflect all properties.



2.4 RATIO STUDIES

An appraisal district should perform ratio study analyses to evaluate appraisal performance. Per IAAO's *Standard on Ratio Studies*, there are several key uses of ratio studies including: measurement and evaluation of the level and uniformity of mass appraisal models, internal quality assurance and identification of appraisal priorities, determination of whether administrative or statutory standards have been met, determination of time trends and adjustment of appraised values between reappraisals. Ratio Study Uniformity Standards indicating acceptable general quality are presented in **Exhibit 13**.

EXHIBIT 13

Ratio Study Uniformity Standards

Type of property - General	Type of property - Specific	COD Range*
Single-family residential (including residential condominiums)	Newer or more homogeneous areas	5.0 to 10.0
Single-family residential	Older or more heterogeneous areas	5.0 to 15.0
Other residential	Rural, seasonal, recreational, manufactured housing, 2–4 unit family housing	5.0 to 20.0
Income-producing properties	Larger areas represented by large samples	5.0 to 15.0
Income-producing properties	Smaller areas represented by smaller samples	5.0 to 20.0
Vacant land	N/A	5.0 to 25.0
Other real and personal property	N/A	Varies with local conditions

Source: IAAO's *Standard on Ratio Studies*

These types of property are provided for guidance only and may not represent jurisdictional requirements.

* Coefficient of Dispersion (CODs) lower than 5.0 may indicate sales chasing or non-representative samples.

DUVAL RATIO STUDIES

FINDING

Duval does not conduct ratio studies at timely intervals during the valuation process. They do not run ratio studies by market area, neighborhood, property class or stratum and they do not use ratio study results to determine if adjustments should be made.

IAAO's *Standard on Ratio Studies and Frequency of Ratio Studies*, Section 4.2, recommends that the appraisal district conduct at least four ratio studies to establish the following:

- i. a baseline of current appraisal performance
- ii. preliminary values so that they can correct any significant deficiency
- iii. values used in assessment notices sent to taxpayers
- iv. final values after completion of the first informal phase of the appeals process

The appraisal district can use the final study to plan for the following year. In addition, it can conduct ratio studies as needed to evaluate appraisal procedures, investigate a discrimination complaint, or answer a specific question.



IAAO's *Standard on Ratio Studies*, Section 2.3, Uses of Ratio Studies, states the critical uses of ratio studies are as follows:

- i. measurement and evaluation of the level and uniformity of mass appraisal models
- ii. internal quality assurance and identification of appraisal priorities
- iii. determination of whether the appraisal district has met administrative or statutory standards
- iv. determination of time trends
- v. adjustment of appraised values between reappraisals

IAAO's *Standard on Ratio Studies*, Section 3.3, Stratification states: Stratification divides all the properties within the scope of the study into two or more groups or strata. Stratification facilitates a complete and more detailed picture of appraisal performance and can enhance sample representativeness.

Each type of property subject to a distinct level of assessment could constitute a stratum. Other property groups, such as market areas, school districts and tax units, could constitute additional strata.

The appraisal district should choose strata consistent with factors in the mass appraisal model. When the study's purpose is to evaluate appraisal quality, flexibility in stratification is essential. The general goal is for the appraisal district to identify areas where the assessment levels are too low or lack uniformity and property groups for which the appraisal district may require additional reappraisal work. In such cases, it is also highly desirable to simultaneously stratify based on more than one characteristic.

Stratification can help identify differences in appraisal levels between property groups. In large jurisdictions, stratification by market areas is generally more appropriate for residential properties. In contrast, stratification of commercial properties by either geographic area or property subtypes (e.g., office, retail and warehouse/industrial) can be more effective.

Duval did not perform ratio studies in 2021 and 2022. Duval had approximately 14 confirmed sales in 2021, 84 confirmed sales in 2022 and 60 confirmed sales in 2023. The appraisal districts' CAMA system is capable of proper delineations, but they were not performed because ratio studies were not done in those years. The chief appraiser indicated that changes were made but not based on ratio studies.

The appraisal district relied on historical or outdated information without recent sales data, leading to invalid findings. Using current data would have produced results that meet industry standards and are more reliable.

It is crucial to collect regular sales data, conduct ratio studies and evaluate cost schedules based on these findings to accurately assess reliable market trends and establish developing market values.

RECOMMENDATION 5

Conduct ratio studies at timely intervals by market area, neighborhood, property class, or stratum and make appropriate adjustments based on results.



FINDING

The appraisal district relies on the SDPVS to adjust values rather than performing independent analyses.

The appraisal district and the SDPVS have different purposes. An appraisal district is responsible for appraising property within its jurisdiction for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the appraisal district (Tax Code Section 6.01(b)).

Government Code Section 403.301 indicates that the purpose of the SDPVS is to help ensure equity among taxpayers in the burden of school district taxes and among school districts in the distribution of state financial aid for public education.

The SDPVS is performed on school districts in the year following the tax year for which an appraisal district certified taxable values to the school district. SDPVS results are certified for the prior year, well after an appraisal district has certified its appraisal roll for that year. The SDPVS is backward looking and should not be relied upon to demonstrate current market values.

Continuing to rely on prior tax year data from the SDPVS will result in continued inaccurate market values.

RECOMMENDATION 6

Perform independent analyses to determine necessary value changes.

PTAD'S APPRAISAL DISTRICT RATIO STUDY (ADRS)

Tax Code Section 5.10 requires PTAD to conduct a ratio study to measure the performance of each appraisal district in Texas at least once every two years and to publish the results.

The purpose of the Appraisal District Ratio Study (ADRS) is to measure the uniformity and median level of appraisals performed by an appraisal district within each major category of property.

To conduct the ADRS, PTAD applies appropriate standard statistical analysis techniques to data collected through the SDPVS required by Government Code Section 403.302.

The published report provides ratio study results for each appraisal district studied that year and includes:

- the median levels of appraisal for each major property category.
- the coefficient of dispersion (COD) around the median level of appraisal for each major property category; and
- other appropriate statistical measures.

Exhibit 14 shows the data from PTAD's Appraisal District Ratio Study for Duval in 2021.



EXHIBIT 14

PTAD's Appraisal District Ratio Study, Duval 2021

Category	Number of Ratios**	2021 CAD Reported Appraisal Value	Median Level of Appraisal	Coefficient of Dispersion	% Ratios within (+/-) 10 % of Median	% Ratios within (+/-) 25 % of Median	Price - Related Differential
A. SINGLE-FAMILY RES	186	175,302,150	0.99	13.72	44.62	87.10	1.04
B. MULTI-FAMILY RES	0	3,139,732	*	*	*	*	*
C1. VACANT LOTS	0	3,307,712	*	*	*	*	*
C2. COLONIA LOTS	0	0	*	*	*	*	*
D2. FARM/RANCH IMP	0	1,234,250	*	*	*	*	*
E. RURAL-NON-QUAL	102	127,086,310	0.81	20.67	31.37	73.53	0.96
F1. COMMERCIAL REAL	43	30,002,933	*	*	*	*	*
F2. INDUSTRIAL REAL	0	126,696,350	*	*	*	*	*
G. OIL, GAS, MINERALS	45	41,941,520	0.98	1.79	100.00	100.00	0.99
J. UTILITIES	16	443,261,340	0.95	12.37	75.00	87.50	0.90
L1. COMMERCIAL PER	0	10,878,540	*	*	*	*	*
L2. INDUSTRIAL PER	0	71,105,840	*	*	*	*	*
M. OTHER PERSONAL	0	11,583,330	*	*	*	*	*
O. RESIDENTIAL INV	0	0	*	*	*	*	*
S. SPECIAL INVENTORY	0	0	*	*	*	*	*
OVERALL	392	1,045,540,007	0.96	14.65	49.49	81.63	0.98

Source: Texas Comptroller of Public Accounts, *Appraisal District Ratio Study 2021 Tax Year Findings*

* Category result not calculated. Calculation requires a minimum of five ratios from either of the following:

- Categories representing at least 25 percent of total appraisal district category value.
- Five school districts or half the school districts in the appraisal district, whichever is less.

** Statistical measures may not be reliable when the sample is small.

FINDING

Duval is not appraising property uniformly or equitably.

Ratio Study standards provide a means of measuring whether appraisal efforts have met appropriate expectations. To determine reappraisal priorities, appraisal districts should use ratio studies to measure the level of appraisal and uniformity of appraisal for the overall jurisdiction, for individual mass appraisal neighborhoods or market areas, by types of properties, or any other significant segment that assists in that determination.

The median measures the accuracy of an appraisal district's appraisals in relation to the standard of 100 percent of market value. According to IAAO, the median is the appropriate measure of central tendency for evaluating appraisal performance. The median level of appraisal standard is 0.95-1.05 to indicate accurate market value appraisals. **Exhibit 14** shows Duval has a slightly low overall median level (0.96). This low overall ratio is influenced by significantly lower median levels in Category E (0.81). In contrast, Category A (0.99), Category G (0.98) and Category J (0.95) are closer to the ideal standard.



The Coefficient of Dispersion (COD) is a measure of appraisal uniformity. **Exhibit 13** shows the IAAO suggested COD standards. **Exhibit 14** indicates notable uniformity issues in several categories. The COD for Category E (20.67) exceeds IAAO’s recommended thresholds and indicates excessive variation from the median. Similarly, Category A (13.72) has a high COD, suggesting inconsistent appraisals. On the other hand, Category G (1.79) demonstrates excellent uniformity, meeting professional standards.

The Price-Related Differential (PRD) is a measure of vertical equity, comparing the appraisal of higher valued properties to the appraisal of lower valued properties. IAAO states that anything outside of the PRD range of 0.98 to 1.03 indicates vertical inequity or treating higher and lower priced properties differently. **Exhibit 14** indicates vertical equity issues are apparent in specific categories. The PRD for Category A (1.04) is slightly above the acceptable range of 0.98 to 1.03, suggesting minor appraisal progressivity, where higher-value properties may be over-appraised relative to lower-value ones. The overall PRD (0.98) indicates a balanced appraisal equity across property categories.

Other statistical measures, such as the percentage of ratios within ± 10 percent further reflects disparities in consistency. For instance, Category E has only 31.37 percent of ratios within ± 10 percent of the median and 73.53 percent within ± 25 percent, indicating a lack of precision.

In summary, while certain categories, such as Category G, exhibit strong performance in terms of uniformity and vertical equity, others, particularly categories E and A, require significant improvement in COD and PRD metrics. Aligning these measures with IAAO’s *Standard on Ratio Studies* is essential for enhancing the overall performance and equity of the district’s appraisals.

RECOMMENDATION 7

Use Duval’s local ratio study results to make reappraisal decisions necessary to produce accurate values.

2.5 REAPPRAISAL PLAN

Tax Code Section 6.05(i) requires the appraisal district board of directors to develop a biennial reappraisal plan in even numbered years and to hold a public hearing to adopt the plan. The plan must indicate how the appraisal district will comply with Tax Code Section 25.18 which requires the reappraisal of all real and personal property in the appraisal district at least once every three years to ensure that all property is appraised at 100 percent of market value on Jan 1.

FINDING

Duval does not amend its reappraisal plan to address problematic or critical areas of need.

IAAO’s *Standard on Mass Appraisal*, Section 4.8, Frequency of Reappraisals, states the analysis of ratio study data can suggest groups or strata of properties in greatest need of physical review. Market adjustments can effectively maintain equity when appraisals are uniform within strata and recalibration can provide even greater accuracy. However, only physical reviews can correct data errors and, as stated in Sections 3 .3 .4 and 3 .3 .5, property characteristics data should be reviewed and updated at least every 4 to 6 years. The appraisal district can accomplish this in at least three ways:

- i. Reinspecting all property at periodic intervals (i.e., every 4 to 6 years)
- ii. Reinspecting properties on a cyclical basis (e.g., one-fourth or one-sixth each year)
- iii. Reinspecting properties on a priority basis as indicated by ratio studies or other considerations while ensuring that they examine properties at least every sixth year.



Duval did not perform ratio studies in 2021 and 2022. Duval made costs schedule changes in 2022, approximately a 12 percent adjustment, that were based on overall market increases and prior year SDPVS results, rather than local ratio study data. The chief appraiser noted that adjustments were made across the board without using specific ratio study data. The chief appraiser plans to use ratio studies moving forward, despite challenges due to the rural nature of the county and the lack of sales data. The chief appraiser indicated that no reappraisal plans have been amended in the last five years.

It is imperative to maintain and implement an effective reappraisal plan that addresses problematic areas and conduct ratio study analysis to maintain fair and uniform property values. Performing ratio study analyses is essential in determining reliable market trends and developing market values.

RECOMMENDATION 8

Amend the reappraisal plan to address problematic areas.

2.6 QUALITY CONTROL

An appraisal district should follow a quality control process to ensure that accuracy standards are achieved and maintained. Proper quality control analysis is essential in determining reliable market trends and developing market values. An appraisal district should have written procedures outlining how to perform a proper quality analysis to prevent errors in the process.

FINDING

Duval does not have written quality control procedures.

IAAO's *Standard on Mass Appraisal*, Section 3.3.2.5, Data Collection Quality Control, states that a quality control program is necessary to ensure data accuracy standards are achieved and maintained. The appraisal should perform independent quality control inspections immediately after the data collection phase begins. The inspections should review random samples of finished work for completeness and accuracy and keep tabulations of items coded correctly or incorrectly so that the appraisal district can use the statistical tests to determine whether accuracy standards have been achieved. Stratification by geographic area, property type, or individual data collector can help detect patterns of data error.

IAAO's *Standard on Data Quality*, Section 3.1, Methods for Data Quality Control and Assurance states that the appraisal district, including its managers and policymakers, plays a crucial role in shaping data quality assurance and quality control programs. Factors such as reappraisal frequency, size of the appraisal district and legislated or policy requirements are key considerations in this process, highlighting the integral role of the audience in the implementation of these measures.

The appraisal district should document all data quality management functions as part of a broader enterprise-level quality management framework that contains quality assurance and quality control elements related to (1) the quality of the data itself, (2) the quality of data collection and (3) the quality of data analysis.



Clear, up-to-date policy and procedures documentation that includes:

- Specifications for the data elements to be collected and stored;
- Standard definitions for all data elements and related terms;
- Acceptable methods for the uniform collection and recording of all assessment data;
- Controls on the output for each data-related process or subprocess;
- Standards for the ongoing testing and maintenance of existing data as they age;
- Policy compliance testing and reporting function; and
- Regular procedural reviews.

Although Duval performs the basic functions such as reviewing zero value and editing reports included in the CAMA system, they lack written quality control procedures. A demonstration was provided and noted on-site. The chief appraiser reviews values and information with appraisers concerning their work and periodically rides along with staff.

Proper quality control analysis is essential in determining reliable market trends and developing market values. The appraisal district should establish written procedures outlining how to perform proper quality analysis to eliminate errors in the general process.

RECOMMENDATION 9

Create and follow written quality control procedures, including demonstrating ratio studies to ensure assessment quality.

Section 3 – Categories of Valuation in the SDPVS

PTAD found Benavides ISD’s Categories A, D1, E, G and J to be invalid in the years indicated in **Exhibit 15**. Because these property categories had invalid ratios in at least one of the three review years, these property categories are the basis of this TARP review.

PTAD found Categories B, C1, F and L1, in Benavides ISD to be valid and they are *not* included in the scope of this TARP review.

PTAD found Freer ISD’s Categories A, D1, E, F1, G and J to be invalid in the years indicated in **Exhibit 15**. Because these property categories had invalid ratios in at least one of the three review years, these property categories are the basis of this TARP review.

PTAD found Categories B, C1 and L1 in Freer ISD to be valid and they are *not* included in the scope of this TARP review.

PTAD found San Diego ISD’s Categories A, D1, E and J to be invalid in the years indicated in **Exhibit 15**. Because these property categories had invalid ratios in at least one of the three review years, these property categories are the basis of this TARP review.

PTAD found Categories B, C1, F1, G and L1 in San Diego ISD to be valid and they are *not* included in the scope of this TARP review



EXHIBIT 15

SDPVS Invalid Property Categories 2020-22

ISD	2020	2021	2022
Benavides	A, D1, E and J	D1, E and J	D1, E, G and J
Freer	A, D1 and F1	A, D1, E and F1	D1, E, G and J
San Diego	A, D1 and E	D1, E and J	D1

Source: Texas Comptroller of Public Accounts, [School District Property Value Study Final Findings](#)

3.1 CATEGORY A – SINGLE-FAMILY RESIDENTIAL PROPERTY VALUATION

The Comptroller’s [Texas Property Tax Assistance Property Classification Guide](#) states Category A property includes single-family residential improvements and land on which the improvements are situated. They may or may not be within the city limits or in close proximity to a city.

 FINDING

Duval does not regularly conduct ratio studies for residential properties.

IAAO’s *Standard on Ratio Studies*, Section 4.2, Frequency of Ratio Studies states that appraisal districts should conduct ratio studies at least annually regardless of the reappraisal cycle. This frequency enables the appraisal district to recognize and correct potential problems before they become serious.

Duval did not perform ratio studies in 2021 and 2022. Although cost schedule changes were made in 2022, with about a 12 percent increase, this adjustment was due to the overall market increase and prior SDPVS results, not local ratio studies data. The reasons for not making changes in previous years, despite the accelerating local market, remain unclear.

In the absence of recent sales data, the appraisal district relied on historical and outdated information which led to invalid findings. By not properly adjusting market values annually and now may have to implement large value increases in a single year to ensure properties are appraised at market value. Although the appraisal district lacks a comprehensive sales database, they can combine multiple years of data to identify trends. This approach will improve the appraisal district’s chances of producing values closer to 100 percent of market value.

Collecting sales data and performing ratio studies analysis regularly is essential for determining reliable market trends and developing market values.

 RECOMMENDATION 10

Conduct ratio studies regularly for residential properties.



FINDING

Duval does not update residential cost schedules.

IAAO’s *Standard on Mass Appraisal*, Section 4.2, The Cost Approach, states that the cost approach applies to virtually all improved parcels and, if used properly, can produce accurate valuations. The cost approach is more reliable for newer standard materials, design and workmanship structures. It produces an estimate of the value of the fee simple interest in a property.

Reliable cost data is imperative in any successful application of the cost approach. The data must be complete, typical and current. Current construction costs should be based on the cost of replacing a structure with one of equal utility, using current materials, design and building standards. In addition to specific property types, cost models should include the cost of individual construction components and building items to adjust for features that differ from base specifications. The appraisal district should incorporate these costs into a construction cost manual and related computer software. The software can perform the valuation function. The appraisal district can use the manual when nonautomated calculations are required and provide additional documentation.

The appraisal district can develop construction cost schedules in-house based on a systematic study of local construction costs, obtain them from firms specializing in such information, or have them custom-generated by a contractor. The appraisal district should verify the cost schedules for accuracy by applying them to recently constructed improvements of known cost. The appraisal district should also update construction costs before each assessment cycle.

Duval did not perform ratio studies in 2021 and 2022. Although cost schedule changes were made in 2022, with about a 12 percent increase, this adjustment was due to the overall market increase and prior SDPVS results, not local ratio studies data. The reasons for not making changes in previous years, despite the accelerating local market, remain unclear.

Collecting sales data and performing ratio studies analysis on a regular basis is essential for determining reliable market trends and updating cost schedules to reflect market values. Despite limited sales data, an appraisal district should still update cost schedules using available resources including published cost information or builder information. Multiple years of sales data can be combined to obtain a more accurate picture of current market values. Cost schedules should be adjusted to reflect 100 percent of market value, even if it requires substantial increases.

RECOMMENDATION 11

Review and update residential cost schedules annually.

FINDING

Duval does not have procedures in place for the valuation of mobile/manufactured homes.

IAAO’s *Standard on Mass Appraisal*, Section 4.6.2, Manufactured Housing, states that the appraisal district can value manufactured or mobile homes in several ways depending on the local market and ownership status. Often, mobile homes are purchased separately and situated in a rented space in a mobile home park. In this case, the best strategy is to model the mobile homes separately from the land. At other times, mobile homes are situated on individual lots and bought and sold similarly to stick-built homes. The mobile homes may be intermixed with stick-built homes, particularly in rural areas. In these cases, they can be modeled like that for other residential properties and included in the same models, if the model includes variables to distinguish them and recognize any relevant differences from other homes (e.g., mobile homes may appreciate at a rate different from that for stick-built homes).



The chief appraiser indicated that no procedures are in place for the valuation of mobile/manufactured homes. Duval values mobile homes on a hybrid sales or cost approach and includes them on a residential schedule. The appraisal district lacks separate valuation tables, formulas, or adjustments for mobile and manufactured homes.

Collecting regular sales data and performing ratio studies regularly are essential in determining reliable market trends and developing current market values.

RECOMMENDATION 12

Develop valuation procedures and cost schedules for manufactured homes and use ratio study results to annually review and update the schedules.

3.2 CATEGORY (D) D1 – QUALIFIED OPEN-SPACE LAND PROPERTY VALUATION AND CATEGORY D2 – FARM AND RANCH IMPROVEMENTS SPECIAL USE VALUATION

The Comptroller’s *Texas Property Tax Assistance Property Classification Guide* states Category D1 includes all acreage qualified for productivity valuation under Texas Constitution, Article VIII, 1-d or 1-d-1 and Tax Code Chapter 23, Subchapters C, D, E and H.

It also states Category D2 includes improvements, other than residences, associated with land reported as Category D1. These improvements include all barns, sheds, silos, garages and other improvements associated with farming or ranching.

FINDING

Duval did not collect acceptable income and expense data and did not calculate net to land for each of the five years in the appropriate period. As a result, Duval did not determine a five-year average net to land nor used the calculated values for land designated as agricultural use.

Tax Code Section 23.51(4) states that the chief appraiser shall calculate net to land by considering the income that would be due to the owner of the land under cash lease, share lease, or whatever lease arrangement is typical in that area for that category of land and all expenses directly attributable to the agricultural use of the land by the owner shall be subtracted from this owner income and the results shall be used in income capitalization.

Duval has not conducted net to land calculations for the previous five years. The chief appraiser stated that the appraisal district has not calculated net to land for agricultural use land in multiple years. During the on-site visit, Duval could not present net to land calculations.

Performing net to land analysis is essential in determining reliable market trends and developing productivity values. The appraisal district needs to gather accurate income and expense data and work closely with their Agricultural Appraisal Advisory Board to ensure consistent reporting to PTAD on the Farm and Ranch Survey. In some years, no survey data was submitted. Establishing a clear channel of communication with SDPVS staff is critical and will likely prevent value swings.

RECOMMENDATION 13

Collect and calculate net to land for each of the five years in the appropriate period and determine a five-year average net to land. Use calculated values for land designated as agricultural use.



3.3 CATEGORY E – RURAL LAND, NOT QUALIFIED FOR OPEN-SPACE APPRAISAL PROPERTY VALUATION

The Comptroller’s *Texas Property Tax Assistance Property Classification Guide* states Category E includes only rural land that is not qualified for productivity valuation and the improvements on that land, including residences. Appraisal districts may report any size tract in Category E.

As always, primary use is the determining factor in classifying property. If the land is used as residential inventory, commercial, industrial, or other purposes, classify the property by that use. Likewise, if the land qualifies as open-space land for productivity appraisal, the use determines its classification as Category D1. If the land does not fit in these other categories, report it in Category E.

FINDING

Duval does not conduct ratio studies regularly for vacant land properties and does not review and update land schedules.

IAAO’s *Standard on Mass Appraisal*, Section 4.5, Land Valuation, states that state or local laws may require the appraisal district to separate the value of an improved parcel into land and improvement components. When the appraisal district uses the sales comparison or income approach, an independent land value estimate can be subtracted from the total property value to obtain a residual improvement value. Some computerized valuation techniques separate total value into land and building components.

Duval did not conduct ratio studies from 2019 to 2022, but they have started to use them since. The appraisal district did not adjust land values in prior years and existing schedules were historically used without updates for the last three to five years. The chief appraiser stated that comprehensive adjustments of approximately 12 to 15 percent were implemented during those years, based on prior SDPVS results. It is unclear why they were not made in recent years, despite the local market accelerating in value. Additionally, the chief appraiser was reluctant to accept that property values had significantly increased, which inhibited necessary value adjustments. Despite limited land sales data, the appraisal district could have incorporated multiple years of sales data to analyze the upward trend in land values and update their schedules accordingly.

The appraisal district should annually review and adjust values. Each appraisal office must implement the plan for periodic reappraisal of property and the plan must provide for the reappraisal activities for all real and personal property in the appraisal district at least once every three years. The sales comparison approach is the primary approach to land valuation and is always preferred when sufficient sales are available. In the absence of adequate sales, the appraisal district can use other techniques in land appraisal including allocation, abstraction, anticipated use, capitalization of ground rents and land residual capitalization.

Collecting sales data and performing ratio studies analysis regularly is essential for determining reliable market trends and developing market values.

RECOMMENDATION 14

Conduct ratio studies regularly for vacant land properties and review and update land schedules annually.

FINDING

Duval does not clearly document land valuation procedures.

IAAO’s *Property Assessment Valuation*, Chapter 7 on Land Valuation, states that land valuation is a vital step in the assessment process. Accurate land values form the base of an effective appraisal system. In the cost approach, land values are determined separately and added to estimated building values to produce an appraisal. In the sales comparison and income approaches, the appraisal district should use land values to allocate the total estimated value between land and improvement.



Duval relied solely on sales verification letters for valuation and did not use any third-party sources. The appraisal district noted that they receive these letters in limited quantities, which generally delays the process of gathering enough sales data to determine necessary adjustments, often taking a few years. Duval did not document this process clearly in a manual or standalone document and it lacks procedures for addressing land valuation.

An appraisal district should have established procedures for land valuation, either in a standalone document or as part of the appraisal manual. These procedures should address stratification and market delineation, highest and best use determinations, appropriate units of comparison for various types of land, adjustments for site and location attributes such as topography and view, the years of sales used and land appraisal in areas with few vacant land sales. Without clear procedures for the land valuation process, an appraisal district risks producing inconsistent and inaccurate land values.

 **RECOMMENDATION 15**

Document land valuation procedures.

 **FINDING**

Duval does not develop adjustment factors for relevant features based on market analysis.

IAAO’s *Standard on Mass Appraisal*, Section 4.8, Frequency of Reappraisals, states that Section 5.1 of the Standard on Property Tax Policy states that current market value implies an annual assessment of all property. Annual assessment does not necessarily mean the appraisal district must re-examine each property yearly. Instead, the appraisal district can recalibrate models or market adjustment factors derived from ratio studies or other market analyses based on criteria such as property type, location, size and age.

Typically, appraisers apply factors such as corner lots, topography, lake frontage and lake views to areas affected by these elements. However, the chief appraiser explained that these factors have little to no effect due to the absence of waterfront properties. The appraisal district does not use these factors because it lacks the data or sales to support their application. The chief appraiser further mentioned that while a major highway might impact property values, sales in such areas are rare. Although this decision is rational, no documentation was available for review.

 **RECOMMENDATION 16**

Develop adjustment factors for relevant features based on market analysis.

3.4 CATEGORY F1 – COMMERCIAL REAL PROPERTY VALUATION

The Comptroller’s *Texas Property Tax Assistance Property Classification Guide* states Category F property includes land and improvements associated with businesses that sell goods or services to the public. Businesses considered commercial businesses include wholesale and retail stores, shopping centers, office buildings, restaurants, hotels and motels, gas stations, parking garages and lots, auto dealers, repair shops, finance companies, insurance companies, savings and loan associations, banks, credit unions, clinics, nursing homes, hospitals, marinas, bowling alleys, golf courses and mobile home parks.

 **FINDING**

Duval does not regularly conduct ratio studies for commercial properties.

IAAO’s *Standard on Ratio Studies*, Section 4.2, Frequency of Ratio Studies, states that appraisal districts should conduct ratio studies at least annually regardless of the reappraisal cycle. This frequency enables the district to recognize and correct potential problems before they become serious.



Duval did not conduct ratio studies from 2019 to 2022, but they have started to use them now. The chief appraiser stated that updates and across-the-board adjustments of approximately 12 to 15 percent were made during those years based on prior SDPVS results. However, it remains unclear why no changes were made in prior years when the local market accelerated in value. Additionally, the chief appraiser struggled to accept that property values had significantly increased, which inhibited necessary value adjustments. Despite limited land sales data, the appraisal district could have included multiple years of sales data to analyze the upward trend in land values and update their schedules.

Performing ratio study analysis is essential in determining reliable market trends and developing market values. The appraisal district's reappraisal plan should identify the problematic areas based on the ratio analysis performed. In the absence of recent sales data, the appraisal district relied on historical trends, prior year SDPVS results and or other outdated information which led to not appraising property at market value.

RECOMMENDATION 17

Conduct ratio studies regularly for commercial properties.

FINDING

Duval does not annually review and update commercial cost schedules.

IAAO's *Standard on Mass Appraisal*, Section 4.2, The Cost Approach states the cost approach applies to virtually all improved parcels and, if used properly, can produce accurate valuations. The cost approach is more reliable for newer standard materials, design and workmanship structures. It produces an estimate of the value of the fee simple interest in a property.

Duval did not conduct ratios studies in the prior three years. Although a 12 percent change was made to the cost schedules in 2022, this was due to the overall market increasing in the area and prior SDPVS results, as noted by the chief appraiser. No ratio data was used for this change. The reasons for not making changes in prior years, despite the accelerating local market, remain unclear.

Reliable cost data is imperative in any successful application of the cost approach. The data must be complete, typical and current. Current construction costs should be based on the cost of replacing a structure with one of equal utility, using current materials, design and building standards.

In addition to specific property types, cost models should include the cost of individual construction components and building items to adjust for features that differ from base specifications. The appraisal district should incorporate these costs into a construction cost manual and related computer software. The software can perform the valuation function. The appraisal district can use the manual when nonautomated calculations are required and provide additional documentation.

The appraisal district can develop construction cost schedules in-house based on a systematic study of local construction costs, obtained from firms specializing in such information, or custom-generated by a contractor. The appraisal district should verify the cost schedules for accuracy by applying them to recently constructed improvements of known cost. The appraisal district should also update construction costs before each assessment cycle.

RECOMMENDATION 18

Update commercial cost schedules.



FINDING

Duval does not employ the three approaches to value in appraising commercial property.

IAAO's *Standard on Mass Appraisal*, Section 4.6.4, Commercial and Industrial Property, states that the income approach is the most appropriate method in valuing commercial and industrial property if sufficient income data are available. Direct sales comparison models can be equally effective in large jurisdictions with sufficient sales. When a sufficient supply of sales data and income data is not available, the cost approach should be applied. However, the appraisal district should check the values generated against available sales data. The appraisal district should keep cost factors, land values and depreciation schedules current through periodic review.

Without enough sales data to perform a sales comparison approach for commercial properties, Duval can still use the cost and income approaches. The appraisal district uses a hybrid method, combining sales and cost approaches with third party data for all property types. Duval has not updated its cost schedules in several years.

Despite lacking appropriate sales data to determine market value using the sales approach, the appraisal district can use its subscription to Marshall and Swift to annually update their cost schedules. They can subscribe to commercial real estate industry publications and send out income and expense surveys to try and develop an income approach. Additionally, the appraisal district can gather information from neighboring appraisal districts to develop income valuations for commercial property.

RECOMMENDATION 19

Employ the three approaches to value when appraising commercial properties.

FINDING

Duval does not collect local income and expense data and does not maintain automated income data to analyze reported sales, revenue and expense data to develop typical market rents and other income, vacancy ratios, expense ratios, capitalizations rates, or gross rents.

IAAO's *Standard on Mass Appraisal*, Section 3.5, Income and Expense Data, states that the appraisal district must collect income and expense data for income-producing property and review it with qualified appraisers to ensure their accuracy and usability for valuation analysis. *Mass Appraisal of Real Property, Chapter 2* and *Fundamentals of Mass Appraisal, Chapter 2*, have guidelines for addressing the collection and processing of income and expense data.

Duval does not consistently send income and expense surveys to local commercial businesses. Although some surveys have been sent out over the years, the appraisal district did not receive enough information to develop an income approach. Many commercial properties in the appraisal district are "mom-and-pop" establishments that do not fit normal income approach parameters. However, some commercial properties could be valued using the income approach if the resource material was sought.

Duval does not use multiple resources to develop an income approach. By becoming familiar with the income approach tools in their CAMA system, the appraisal district can develop models to establish typical market rents, vacancy ratios, expense ratios, capitalization rates and gross rent multipliers. This familiarity will provide staff with a wider range of options for applying the income approach to commercial properties.

Duval should develop a process for maintaining automated income data. This includes gathering income and expense information to calculate values using the income approach to value.



Duval can subscribe to commercial real estate industry publications and send income and expense surveys to develop income approach valuations. Additionally, they can gather information from neighboring appraisal districts to understand how they develop income valuations for commercial property.

Although the appraisal district may not have appropriate sales data to determine market value using the sales approach, they can use their subscription to the valuation service Marshall and Swift to update their cost schedules annually. They can also subscribe to commercial real estate industry publications and send out income and expense surveys to try and develop an income approach. Additionally, the appraisal district can gather information from neighboring appraisal districts to develop income valuations for commercial property.

RECOMMENDATION 20

Collect and maintain local income and expense data.

3.5 CATEGORY G – OIL AND GAS, MINERALS AND OTHER SUBSURFACE INTERESTS PROPERTY VALUATION

The Comptroller’s [*Texas Property Tax Assistance Property Classification Guide*](#) states Category G property includes the non-exempt value of oil and gas, other minerals and certain interests in subsurface land. Mines, quarries, limestone, sand, caliche, gravel and other substances that are part of the land are not minerals, but they are classified in Category G as subsurface interests in land.

Duval’s Category G property values were statistically invalid in 2022. The same appraisal services contractor has appraised Duval’s oil and gas, minerals and other subsurface interests property for 14 years. Duval should actively monitor the proposed market values produced by the appraisal contractor to ensure the contractor is performing appraisal and related services for the appraisal district and that such appraisal services comply with Tax Code Section 23.01 relating to the Uniform Standards of Professional Appraisal Practice (USPAP) as it applies to the described properties in the appraisal services contract.

3.6 CATEGORY J – REAL AND PERSONAL PROPERTY: UTILITIES PROPERTY VALUATION

The Comptroller’s [*Texas Property Tax Assistance Property Classification Guide*](#) states Category J property includes the real and personal property of utility companies and co-ops. Usually, utility companies supply continuous or repeated services through permanent physical connections between a plant and a consumer.

Duval’s Category J property values were statistically invalid in 2020-2022. The same appraisal services contractor has appraised Duval’s utility property for 14 years. Duval should actively monitor the proposed market values produced by the appraisal contractor to ensure the contractor is performing appraisal and related services for the appraisal district and that such appraisal services comply with Tax Code Section 23.01 relating to the Uniform Standards of Professional Appraisal Practice (USPAP) as it applies to the described properties in the appraisal services contract.



APPENDICES

APPENDIX 1

Appraisal District Budget

	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Total Budget (Excluding Collections)	\$706,322	\$713,225	\$698,600	\$693,750	\$512,391	\$547,673
Total Property Taxes Levied (All Jurisdictions)	\$19,488,764	\$21,827,925	\$22,145,273	\$18,678,892	\$60,025,749	\$50,052,925
Does the appraisal district collect taxes?	No	No	No	No	N/A	N/A
Number of Taxing Units Appraisal District Collects For (If Applicable)	0	0	0	0	N/A	N/A

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*

APPENDIX 2

Appraisal District Staffing

Appraisal District Staff

	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Staff	7	7	4	4	4	4
Part Time Staff	0	0	0	0	N/A	N/A

Appraisal Staff

	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Full Time Appraisers	3	3	3	2	3	3
Lowest Appraiser Salary	\$25,116	\$45,240	\$42,240	N/A	\$40,079	\$39,505
Highest Appraiser Salary	\$42,240	\$45,240	\$42,240	N/A	\$46,417	\$48,041

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey*



APPENDIX 3

Appraisal District Parcel Information

Duval	2022	2021	2020	2019
Parcel Count*	27,124	27,233	28,281	29,074
Number Taxing Units	12	12	12	12
Parcels per Appraisal Staff**	6,270	6,350	6,300	9,437
Total Market Value Certified	\$3,060,964,898	\$2,983,366,504	\$2,993,661,094	\$2,859,504,445

Parcels per Appraisal Staff Averages

Parcels	Parcels/Appraiser
Under 10,000	5,300 parcels/appraiser
10,001 – 70,000	6,400 parcels/appraiser
70,001 – 200,000	6,700 parcels/appraiser
Over 200,000	7,100 parcels/appraiser

Source: Texas Comptroller of Public Accounts, *Appraisal District Operation Survey and Electronic Appraisal Roll Submission*

* Parcel count includes contracted appraisal services.

**Parcels per appraiser does not include contracted appraisal services.

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