



Property Tax Assistance Division
2023 Report

Review of
Appraisal
District
Appraisal
Standards,
Procedures and
Methodology

TARGETED APPRAISAL REVIEW PROGRAM

NUECES COUNTY APPRAISAL DISTRICT



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Texas Comptroller of Public Accounts

2023 TARGETED APPRAISAL REVIEW

NUECES COUNTY APPRAISAL DISTRICT

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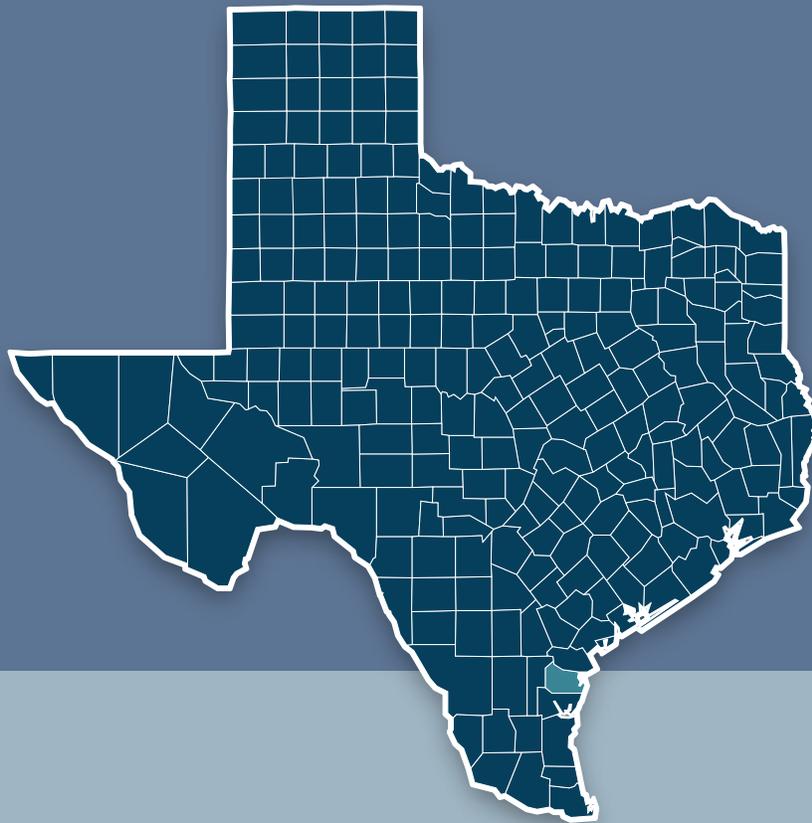




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Executive Summary

In September 2023, the Texas Comptroller of Public Accounts identified Flour Bluff Independent School District (Flour Bluff ISD), Port Aransas Independent School District (Port Aransas ISD) and Tuloso-Midway Independent School District (Tuloso-Midway ISD), located in Nueces 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 Nueces County Appraisal District (Nueces).

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 Nueces. Over the next year, TARP reviewers will work with Nueces 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 Nueces 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 Flour Bluff ISD, Port Aransas ISD and Tuloso-Midway ISD in Nueces as having invalid SDPVS findings for three consecutive years. **Exhibit 2** highlights the impacted school district 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

Nueces SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2020	Nueces	Flour Bluff ISD	Invalid	C1	0.9425
2020	Nueces	Flour Bluff ISD	Invalid	D1	1.2467
2020	Nueces	Flour Bluff ISD	Invalid	F1	0.8563
2021	Nueces	Flour Bluff ISD	Invalid	A	0.9474
2021	Nueces	Flour Bluff ISD	Invalid	D1	1.3879
2021	Nueces	Flour Bluff ISD	Invalid	F1	0.8118
2022	Nueces	Flour Bluff ISD	Invalid	A	0.9355
2022	Nueces	Flour Bluff ISD	Invalid	C1	1.0565
2022	Nueces	Flour Bluff ISD	Invalid	D1	1.1663
2020	Nueces	Port Aransas ISD	Invalid	A	0.893
2020	Nueces	Port Aransas ISD	Invalid	C1	0.8996
2020	Nueces	Port Aransas ISD	Invalid	D1	1.4451
2020	Nueces	Port Aransas ISD	Invalid	F1	0.9155
2021	Nueces	Port Aransas ISD	Invalid	A	0.8989
2021	Nueces	Port Aransas ISD	Invalid	C1	0.8694
2021	Nueces	Port Aransas ISD	Invalid	D1	1.3873
2021	Nueces	Port Aransas ISD	Invalid	F1	0.8897
2022	Nueces	Port Aransas ISD	Invalid	A	0.8488
2022	Nueces	Port Aransas ISD	Invalid	C1	0.9311
2022	Nueces	Port Aransas ISD	Invalid	D1	1.0502
2020	Nueces	Tuloso-Midway ISD	Invalid	A	0.9313
2020	Nueces	Tuloso-Midway ISD	Invalid	D1	0.9462
2020	Nueces	Tuloso-Midway ISD	Invalid	F1	0.861
2020	Nueces	Tuloso-Midway ISD	Invalid	J	0.9175
2020	Nueces	Tuloso-Midway ISD	Invalid	L1	1.0678
2021	Nueces	Tuloso-Midway ISD	Invalid	A	0.9282
2021	Nueces	Tuloso-Midway ISD	Invalid	F1	0.8702
2022	Nueces	Tuloso-Midway ISD	Invalid	A	0.9049
2022	Nueces	Tuloso-Midway ISD	Invalid	C1	0.9024

*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 Nueces, PTAD makes the following recommendations, which are discussed in greater detail throughout this report:

- Review and update residential cost schedules annually.
- Place primary reliance on the sales comparison approach in the appraisal of single-family homes, condominiums and townhomes.
- Review and update land schedules annually.
- Update commercial cost schedules

Section 1 – Overview of County Appraisal District

1.1 COUNTY HISTORY AND DEMOGRAPHICS

According to *The Handbook of Texas Online*, Nueces County was established in 1846 by the Texas State Legislature, named after the Nueces River that forms part of its northern boundary. Nueces County is on the Gulf of Mexico southeast of San Antonio. It is bordered by San Patricio County on the north, Jim Wells County on the west and Kleberg County on the south.

The county includes Agua Dulce, Aransas Pass, Banquete, Bishop, Calallen, Corpus Christi, Driscoll, Flour Bluff, London, Port Aransas, Robstown, Tuloso-Midway and West Oso Independent School Districts. The county population in 2020, according to the United States Census Bureau, was 353,178. Major population centers include the city of Corpus Christi, which has 317,863 residents, along with smaller towns such as Agua Dulce, Bishop, Driscoll, Petronila, Port Aransas and Robstown.

Based on the 2020 census population data, PTAD classifies Nueces as Tier 1 for comparison with appraisal districts of similar population size. **Exhibit 3** shows the population brackets for each tier.

1.2 APPRAISAL DISTRICT ORGANIZATION AND STAFFING

Nueces became active in January 1980. As of July 2024, it has 87 full-time staff positions, of which 11 positions are supervisory and 45 positions are full-time appraisers. Nueces contracts with a vendor for professional appraisal services. **Exhibit 4** presents the Nueces general organizational structure.

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

EXHIBIT 4



Source: Nueces 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.

Nueces provides appraisal services for 37 taxing units, as shown in **Exhibit 5** and does not perform collection services.

EXHIBIT 5

Nueces Taxing Units and Collections

Name of Taxing Unit	Appraisal District Collects Property Taxes	Name of Taxing Unit	Appraisal District Collects Property Taxes
Agua Dulce ISD	No	Emergency Services District #3	No
Aransas Pass ISD	No	Emergency Services District #4	No
Banquete ISD	No	Emergency Services District #5	No
Banquete Water District #5	No	Emergency Services District #1	No
Bishop ISD	No	Emergency Services District #2	No
Calallen ISD	No	Emergency Services District #6	No
City of Agua Dulce	No	Farm to Market Road	No
City of Aransas Pass	No	Flour Bluff ISD	No
City of Bishop	No	Nueces County Hospital District	No
City of Corpus Christi	No	Kenedy County Groundwater	No
City of Driscoll	No	London ISD	No
City of Port Aransas	No	Nueces County	No
City of Robstown	No	Nueces County Water District #4	No
Conservation District	No	Port Aransas ISD	No
Corpus Christi ISD	No	Robstown ISD	No
Del Mar Jr College	No	South Texas Water Authority	No
Drainage #2 Robstown	No	Tuloso-Midway ISD	No
Drainage #3 Bishop	No	West Oso ISD	No
Driscoll ISD	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 recourses and necessary data.

Exhibit 6 provides a comparison between Nueces’ 2022 budget versus the Tier 1 average 2022 budget (excluding collections) to show how Nueces’ budget aligns with the tier average.

EXHIBIT 6

Nueces 2022 Budget, vs. Tier 1 Average

Nueces County Appraisal District Budget (2022)	Tier 1 Average Budget (2022)
\$9,440,592	\$11,501,012

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

In 2022, Nueces operated with a budget of \$9,440,592, slightly lower than the Tier 1 average budget of \$11,501,012. This budget comparison highlights the relatively similar financial resources, as reported by Nueces 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 Nueces’ 2022 staffing (excluding collections) and the Tier 1 average to determine how Nueces staffing and salaries compare with the tier average.

EXHIBIT 7

Nueces 2022 Staffing and Salaries vs. Tier 1 Average

	2022	2022 Tier 1 Average
Full Time Staff	87	86
Part Time Staff	0	N/A
Full Time Appraisers	45	41
Lowest Appraiser Salary	\$54,556	\$47,890
Highest Appraiser Salary	\$61,930	\$93,471

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

From 2019 to 2022, Nueces has maintained 85 to 88 full-time employees, similar with the 2022 Tier 1 average of 86. There have been no part-time staff members during this period. From 2019 to 2022, the appraisal district employed between 40 to 45 full-time appraisers each year, slightly higher than the 2022 Tier 1 average. The lowest appraiser salary rose from \$50,708 in 2019 to \$54,556 in 2022, higher than the 2022 Tier 1 average of \$47,890. The highest appraiser salary decreased from \$76,620 in 2019 to \$61,930 in 2022, significantly below the 2022 Tier 1 average of \$93,471. A four-year staff and salary history and Tier 1 average comparison is available in **Appendix 2**.



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 Nueces’ 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

Nueces Training Budget and Number of Trainings

	2022	2021	2020
Training Budget	\$143,089	\$143,089	\$143,089
Number of Trainings Attended	1-2	1-2	1-2

Source: Nueces County Appraisal District

In 2022, Nueces’ training budget remained steady at \$143,089, consistent with the previous two years. The number of trainings attended by appraisal district staff also remained consistent from one to two 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 Nueces's chief appraiser.

EXHIBIT 9

Nueces Chief Appraiser Information

Chief Appraiser	
Is the Chief Appraiser permanent, temporary or interim?	No
Does the Chief Appraiser perform appraisals?	\$155,967
2022 Base Salary	12
Chief Appraiser – Years at appraisal district	4
Chief Appraiser – Years as a Chief Appraiser	Yes
Does the Chief Appraiser receive a car allowance?	\$8,400
What is the amount of the car allowance? (If applicable)	Yes
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 Nueces County Appraisal District



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 Nueces contracts, which are discussed in more detail 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 alter-native 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

Nueces 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	4+ years	Yes
Software	2010 – 2023	13 years	Yes
Pictometry	2018 – 2023	5 years	Yes

Source: Nueces 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 Nueces Parcel Information vs. Typical Parcel Per Appraiser Average

Parcel Information	Nueces	Typical Parcel Per Appraiser (Rounded)
Parcel Count	212,401	Over 200,000
Parcels per Appraisal Staff	3,628*	7,100**

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

* Excludes parcels for contracted appraisal services:

** Includes all property categories

In 2022, Nueces managed 212,401 parcels placing it on the low side of appraisal districts with over 200,000 parcels. Nueces contracts for appraisal services in Categories F2, G, J and L2. Parcels in these categories are removed from the total parcel count to determine the parcels per appraiser of 3,628. This indicates that Nueces’ parcels per appraiser is lower than the typical parcel per appraiser average, which includes all property categories.

Over the past four years, Nueces managed parcel counts ranging from 210,549 to 216,391 (including all property categories) and the parcels assigned per appraiser for properties appraised in house ranged from 3,628 to 4,061. The total market value of certified parcels increased from \$5,829,641,649 to \$6,540,855,325 between 2019 and 2022. **Appendix 3** provides the appraisal district’s parcel data over the four-year review period.

2.2 CONTRACTED APPRAISAL SERVICES

From 2019 to 2022, appraisal district staff appraised 78 to 85 percent of the total appraised value within the appraisal district, specifically for Categories A, B, C, D, E, F1, L1, M, O and S. From 2019 to 2022, Nueces contracted for appraisal services for property Categories F2, G, J and L2. Each year, these contracted firms appraised from 15 to 22 percent of the total appraised value within the appraisal district. The cost of these services varied from \$270,000 to \$285,433 over four years. The appraisal district also uses a geographic information system (GIS) and aerial technology systems.

Exhibit 12 lists the Nueces contracted appraisal services.



EXHIBIT 12

Nueces'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	15%	22%	21%	18%
Appraisal Contract Cost	\$285,433	\$276,000	\$270,000	\$270,000

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

2.3 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.

Exhibit 13 presents Ratio Study Uniformity Standards indicating acceptable general quality

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.*



NUECES RATIO STUDIES

FINDING

A review of Nueces’ ratio studies onsite indicated they are conducted at timely intervals during the valuation process. Nueces performs ratio studies at the beginning of the reappraisal process to identify areas that are out of range, lack uniformity or need adjustments. Additional ratio studies are performed prior to value finalization and after appeals to measure accuracy and uniformity. Nueces conducts ratio studies by market area and neighborhood, property class and stratum. Nueces reviews results from ratio studies and makes changes based upon the results.

Section 3 – Categories of Valuation in the SDPVS

PTAD found Flour Bluff ISD’s Categories A, C1, D1 and F1 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, E, F2, G, J and L1 in Flour Bluff ISD to be valid and they are *not* included in the scope of this TARP review.

PTAD found Port Aransas ISD’s Categories A, C1, D1 and F1 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, E, F2, G, J and L1 in Port Aransas ISD to be valid and they are *not* included in the scope of this TARP review.

PTAD found Tulo-Midway ISD’s Categories A, C1, D1, F1, J and L1 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, E, F2 and G in Tulo-Midway 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
Flour Bluff	C1, D1 and F1	A, D1 and F1	A, C1 and D1
Port Aransas	A, C1, D1 and F1	A, C1, D1 and F1	A, C1 and D1
Tulo-Midway	A, D1, F1, J and L1	A and F1	A and C1

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

Nueces does not update residential 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.

Reliable cost data are 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.

Nueces’ cost and land schedules for 2020 to 2022 indicated that the appraisal district adjusted improvement values during that time period, but that land values mostly remained unchanged. Although Nueces performed ratio studies annually and updated cost schedules, the adjustments fell short of market value.

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 1

Review and update residential cost schedules annually.

FINDING

Nueces does not place primary reliance on the sales comparison approach in the appraisal of single-family homes, condominiums and townhomes.

IAAO’s *Standard on Mass Appraisal*, Section 4.6.1, Single-Family Residential Property states that the sales comparison approach is the best for single-family residential property, including condominiums. Automated versions of this approach are highly efficient and generally accurate for most properties. The cost approach is a good supplemental approach and should serve as the primary approach when the sales data available are inadequate. Since single-family residential properties are not rented, the income approach is usually inappropriate for mass appraisal of these properties.



Nueces uses a hybrid model that combines the cost and sales approach to value residential properties. This model relies on a price-per-cost calculation based on the cost approach, using data from Marshall and Swift. Nueces last updated the model in 2016; however, the appraisal district recognized the trend of increasing values in 2022 and began updating its schedules. Sales data typically takes primary consideration when valuing completed (non-new construction) homes, with neighborhood factors applied as needed.

 **RECOMMENDATION 2**

Place primary reliance on the sales comparison approach in the appraisal of single-family homes, condominiums and townhomes.

3.2 CATEGORY C1 – VACANT LOTS AND TRACTS PROPERTY VALUATION

The Comptroller’s *Texas Property Tax Assistance Property Classification Guide* states Category C1 property is generally small vacant tracts of land that are typically most suited for use as a building site and do not have the potential to qualify for agricultural use. These properties may be idle tracts in some stage of development or awaiting construction, tracts planned for residential structures, recreational lots or commercial and industrial building sites. Because property use determines classification, there is no minimum or maximum size requirement for Category C1.

 **FINDING**

Nueces 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.

The appraisal district should annually review and values. At least once every four to six years, the properties should be physically inspected and revalued. 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.

The 2020 to 2022 land cost schedules indicated that while Nueces adjusted some schedules in 2022, others remained unchanged. Although values remained mostly flat, some areas experienced increases of up to 50 percent in 2022. Over the three-year period, these adjustments were insufficient to maintain market values. In 2022, the appraisal district effectively caught up to current market trends.

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

 **RECOMMENDATION 3**

Review and update land schedules annually.



3.3 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.

Nueces's Category D1 property values were statistically invalid in 2020 to 2022. Nueces overvalued Category D1 properties in Flour Bluff ISD and Port Aransas ISD in 2020 to 2022 and undervalued D1 in Tuloso-Midway in 2020. Nueces' D1 values were valid in Tuloso-Midway in 2021 and 2022. While Nueces followed the outlined steps, they should consider expanding their agricultural lease questionnaire to include a wider group of agricultural properties in the county to obtain additional lease data to calculate accurate agricultural values.

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

Nueces 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.

Nueces conducts and reviews ratio studies annually and updates its cost schedules accordingly, however the updates made were generally insufficient. Nueces uses Marshall and Swift cost data to update base cost information. Although land values for F1 properties remained mostly flat, the reviewer noted some year-over-year changes. Over the three-year span, Nueces made adjustments that were less than actual market rates indicated and by 2022, the appraisal district was essentially catching up to current market trends.

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 4**

Update commercial cost schedules.

3.5 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.

Nueces’ Category J property values were statistically invalid in 2020. The same appraisal services contractor has appraised Nueces’ utility property for more than 4 years. Nueces 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 L1 – PERSONAL PROPERTY: COMMERCIAL PROPERTY VALUATION

The Comptroller’s [*Texas Property Tax Assistance Property Classification Guide*](#) states Category L1 property includes the personal property of businesses that sell goods or services to the public.

Nueces’ Category L1 property values were statistically invalid in 2020. Nueces overvalued Category L1 properties in Tulos-Midway in 2020. Nueces’ L1 values were valid in Tulos-Midway in 2021 and 2022. While Nueces followed the outlined steps, they should continue to follow their procedures on the discovery and valuation of personal property and verification of rendered values.



APPENDICES

APPENDIX 1

Appraisal District Budget

	2022	2021	2020	2019	Tier 1 Average 2019-2022	Tier 1 Average 2022
Total Budget (Excluding Collections)	\$9,440,592	\$8,921,189	\$8,542,659	\$8,243,638	\$10,530,604	\$11,501,012
Total Property Taxes Levied (All Jurisdictions)	\$880,665,606	\$813,223,183	\$787,379,872	\$729,921,172	\$1,622,664,637	\$1,826,563,025
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, 2019 – 2022 Appraisal District Operation Survey

APPENDIX 2

Appraisal District Staffing

Appraisal District Staff

	2022	2021	2020	2019	Tier 1 Average 2019-2022	Tier 1 Average 2022
Full Time Staff	87	88	87	85	84	86
Part Time Staff	0	0	0	0	N/A	N/A

Appraisal Staff

	2022	2021	2020	2019	Tier 1 Average 2019-2022	Tier 1 Average 2022
Full Time Appraisers	45	45	45	40	40	41
Lowest Appraiser Salary	\$54,556	\$48,698	\$50,708	\$50,708	\$46,888	\$47,890
Highest Appraiser Salary	\$61,930	\$78,481	\$77,810	\$76,620	\$93,615	\$93,471

Source: Texas Comptroller of Public Accounts, 2019 – 2022 Appraisal District Operation Survey



APPENDIX 3

Appraisal District Parcel Information

Nueces	2022	2021	2020	2019
Parcel Count*	212,401	210,549	216,391	214,433
Number Taxing Units	37	37	37	37
Parcels per Appraisal Staff**	3,628	3,657	3,632	4,061
Total Market Value Certified	\$6,540,855,325	\$6,192,419,721	\$6,982,612,553	\$5,829,641,649

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, 2019 – 2022 Appraisal District Operation Survey and Electronic Appraisal Roll Submission

* Parcel count includes contracted appraisal services.

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

Texas Comptroller of Public Accounts
Publication #96-1786-C178 – February 2025

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