Review of Appraisal District Appraisal Standards, Procedures and Methodology

TARGETED APPRAISAL REVIEW PROGRAM

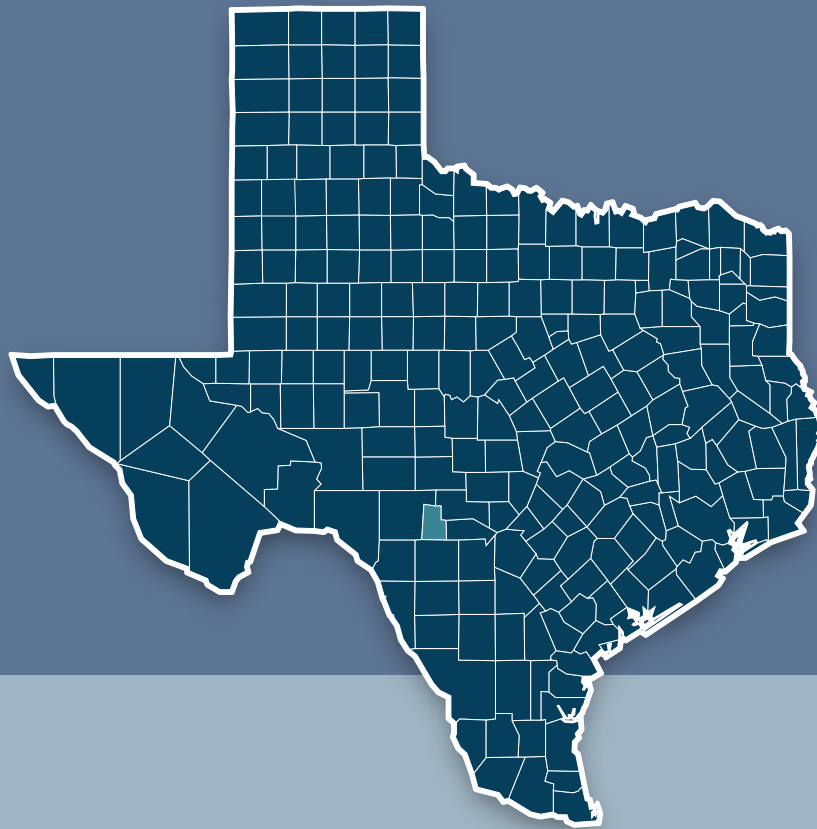## REAL COUNTY APPRAISAL DISTRICT

GLENN HEGAR
Texas Comptroller of Public Accounts

2023 TARGETED APPRAISAL REVIEW

REAL COUNTY APPRAISAL DISTRICT

Chief Appraiser: Juan Saucedo

Reviewer: Bob Drury

TABLE OF CONTENTS

Executive Summary

In September 2023, the Texas Comptroller of Public Accounts identified Leakey Independent School District (Leakey ISD), located in Real County, as one 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 Real Central Appraisal District (Real).

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 Real. Over the next year, TARP reviewers will work with Real 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 Real 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 Leakey ISD in Real 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

Real SDPVS Results 2020-2022

SDPVS Year	County	School District	Findings	Category*	Ratio
2020	Real	Leakey Independent School District	Invalid	A	0.8756
2020	Real	Leakey Independent School District	Invalid	C1	0.9009
2020	Real	Leakey Independent School District	Invalid	E	0.8828
2021	Real	Leakey Independent School District	Invalid	D1	1.0534
2021	Real	Leakey Independent School District	Invalid	E	0.7531
2022	Real	Leakey Independent School District	Invalid	A	0.7798
2022	Real	Leakey Independent School District	Invalid	E	0.6954
2022	Real	Leakey Independent School District	Invalid	F1	0.9216

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

● Conduct a salary survey to establish competitive salaries for the local job market.
● Create a job description for the chief appraiser position to clearly define the responsibilities and expectations.
● Ensure appraisal district staff are properly trained to use all features and capabilities of the CAMA software system.
● Conduct ratio studies by market area, neighborhood, property class or stratum and make appropriate adjustments based on results.
● Use Real's local ratio study results to make reappraisal decisions necessary to produce accurate values

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 Real County in 1913, named after State Senator Julius Real from Kerr County. Real County is in southwest Texas, bounded on the north and west by Edwards County, on the east by Kerr and Bandera counties and on the south by Uvalde County.

The county includes the Leakey and Nueces Canyon Independent School Districts.

The county population in 2020, according to the United States Census Bureau, was 2,758. Major population centers include the city of Camp Wood, with 517 residents and Leakey, with 315 residents.

Based on the 2020 census population, PTAD classifies Real as Tier 3 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

Real became active in January 1980. As of July 2024, it has 5 full-time staff positions, of which two positions are supervisory and three positions are full-time appraisers. Real contracts with a vendor for professional appraisal services. **Exhibit 4** presents Real's 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

Real Organization Structure

- Board of Directors
  - Chief Appraiser
    - Collections
    - Collections / Appraiser
    - Appraiser
    - Appraiser / Deeds/ Clerical

Source: Real 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.
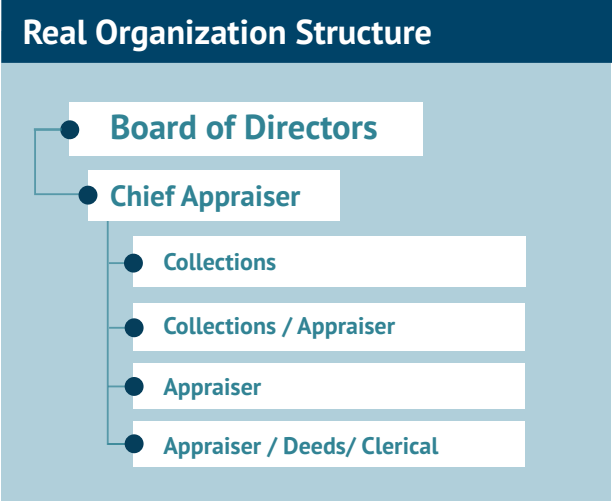
Real provides appraisal services for nine taxing units and collection services for three taxing units, as shown in **Exhibit 5**.

EXHIBIT 5

Real Taxing Units and Collections

Name of Taxing Unit	Appraisal District Collects Property Taxes
City of Camp Wood	Yes
Leakey Independent School District	Yes
Nueces Canyon Independent School District	Yes
Real County	No
Real-Edwards Water District	No
Southwest Texas Junior College	No
Utopia Independent School District	No
Utopia Vanderpool ESD	No
Uvalde Independent School District	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 Real's 2022 budget (excluding collections) versus the Tier 3 average 2022 budget (excluding collections) to show how Real's budget aligns with the tier average.

EXHIBIT 6

Real 2022 Budget vs. Tier 3 Average

Real County Appraisal District Budget (2022)	Tier 3 Average Budget (2022)
$625,158	$547,673

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

In 2022, Real operated with a budget of $625,158, slightly higher than the 2022 Tier 3 average budget of $547,673. This budget comparison highlights the relatively larger financial resources, as reported by Real 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 Real's 2022 staffing (excluding collections) and the Tier 3 average (excluding collections) to determine how Real staffing and salaries compare with the tier average.

EXHIBIT 7

Real 2022 Staffing and Salaries vs. Tier 3 Average		
	2022	**2022 Tier 3 Average**
Full Time Staff	5	4
Part Time Staff	0	N/A
Full Time Appraisers	3	3
Lowest Appraiser Salary	$36,400	$39,505
Highest Appraiser Salary	$36,400	$48,041

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

From 2019 to 2022, Real has maintained a full-time staff from three to five employees, similar to the 2022 Tier 3 average of four. In the appraisal division from 2019 to 2022, the appraisal district employed between one to three full-time appraisers each year, which is similar to the 2022 Tier 3 average. The lowest appraiser salary increased from $32,500 in 2019 to $36,400 in 2022, below the 2022 Tier 3 average of $39,505. The highest appraiser salary rose from $32,500 in 2019 to $36,400 in 2022, significantly 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

Real 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.

Appraisal districts can gather salary information through operations surveys and comparisons with other appraisal districts to establish competitive salaries.

Real board of directors hired a new chief appraiser in 2018. According to the chief appraiser, the board of directors has not conducted a salary survey in the last five years.

💡 RECOMMENDATION 1

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 Real'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

Real Training Budget and Number of Trainings			
	2022	**2021**	**2020**
Training Budget	14,000	11,000	9,000
Number of Trainings Attended	34	17	2

Source: Real County Appraisal District

In 2022, Real's training budget increased from $9,000 to $14,000 and their trainings also increased from 2 to 34 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 Real's chief appraiser.

EXHIBIT 9

Real Chief Appraiser Information	
Chief Appraiser	
Is the Chief Appraiser permanent, temporary or interim?	Permanent
Does the Chief Appraiser perform appraisals?	Yes
2022 Base Salary	$72,000
Chief Appraiser – Years at appraisal district	5
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)	$1,380
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 Real County Appraisal District

🔍 FINDING

Real lacks a job description for the chief appraiser.

IAAO's *Introduction to Assessment Administration*, Chapter 3, Organization for Assessment Administration, states that performance evaluations measure the employee's ability to successfully carry out the responsibility of the position in terms of the job description. The job description must be the basis for measuring the employee's ability to successfully carry out the responsibilities of the position.

Although the chief appraiser has been with the appraisal district since 2018, he was unable to locate a written job description for his position.

It is crucial for the chief appraiser to understand the responsibilities expected by the board of directors. A clear job description will improve communication, set expectations and aid in evaluating the chief appraiser's performance.

💡 RECOMMENDATION 2

Create a job description for the chief appraiser position to clearly define the responsibilities and expectations.

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 Real 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 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

Real Contracts

Type of Contract	Contract Dates	Years with Same Vendor	Does appraisal district actively monitor contract?
Appraisal of Real Property	2010-2024	14 years	Yes
Appraisal of Minerals, Industrial and Utilities	2003-2024	21 years	Yes
Software	2003-2024	21 years	Yes
Mapping	2021-2024	3 years	Yes
GIS	2021-2024	3 years	Yes
Pictometry	2019-2023	4 years	Yes

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

Parcel Information	Real	Typical Parcel Per Appraiser (Rounded)
Parcel Count	9,335	under 10,000
Parcels per Appraisal Staff	1,917*	5,300**

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

* Excludes parcels for contracted appraisal services.
** Includes all property categories.

In 2022, Real managed 9,335 parcels placing it on the high side of appraisal districts with under 10,000 parcels. Real contracted for appraisal services in 2022 in Categories D1, F1, F2, G and J. Parcels in these categories are removed from the total parcel count to determine the parcels per appraiser of 1,917. This indicates that Real's parcels per appraiser are lower than the typical parcel per appraiser average, which includes all property categories.

From 2019 to 2022, Real managed parcel counts ranging from 9,050 to 9,340 (including all property categories) and the parcels assigned per appraiser for properties appraised in house ranged from 0 to 5,733. The total market value of certified parcels increased from $1,318,149,841 to $1,992,609,325 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 0 to 80 percent of the total appraised value within the appraisal district, specifically for Categories A, B, C, E, L1, M, O and S. From 2019 to 2022, Real contracted for appraisal services for property D1, F1, F2, G and J Categories. Each year, these contracted firms appraised 20 to 100 percent of the total appraised value within the appraisal district. The cost of these services varied from $55,000 to $80,000 over four years. The appraisal district also uses a geographic information system (GIS) and aerial technology systems. **Exhibit 12** lists Real's contracted appraisal services.

EXHIBIT 12

Real's Contracted Appraisal Services				
	2022	**2021**	**2020**	**2019**
Appraisal Services Contract	Yes	Yes	Yes	Yes
Contracted Property Categories	D1, F1, F2, G and J	D1, F1, F2, G and J	A, B, C1, D1, D2. E, F1, F2, G, J, L1, L2, M, O and S	A, C1, D1, D2, E, F1, F2, G J, L1 and L2
Percentage of total appraised value appraised by contracted appraisal firms	20%	20%	100%	75%
Appraisal Contract Cost	$55,000	$75,000	$80,000	$62,431

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

2.3 COMPUTER ASSISTED MASS APPRAISALS (CAMA)

IAAO's *Standard on Mass Appraisal*, Section 6.3.2, Software, explains the appraisal district can internally develop CAMA software, adapted from software developed by other public agencies, or purchased (in whole or in part) from private vendors. The appraisal district must tailor it to adapt externally developed software to the requirements of the user's environment. Each alternative has advantages and disadvantages. The appraisal district should have software designed to be easily modified and well-documented at both the appraiser/user and programmer levels.

CAMA software works simultaneously with various general-purpose software, typically including word processing, spreadsheet, statistical and GIS programs. These programs and applications must be able to share data and work together cohesively.

🔍 FINDING

Real staff does not use its CAMA system to its full potential.

Staff indicated that they have to submit query requests through the software vendor if a special query is needed as the staff are unable to run these queries themselves. The CAMA system includes a ratio study analysis report that the appraisal district does not use. Instead, staff rely on Excel spreadsheets compiled by a contract appraiser that lack essential measures of central tendency.

Inadequate training on the CAMA software results in additional time spent completing tasks that could be done more efficiently in-house. Insufficient knowledge of the ratio study program prevents the appraisal district from accurately identifying, sorting, stratifying and analyzing sales data and central tendencies, which impairs the accuracy of property valuations. Few appraisal districts fully leverage their CAMA software's capabilities.

💡 RECOMMENDATION 3

Ensure appraisal district staff are properly trained to use all features and capabilities of the CAMA software system.

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. **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.

REAL RATIO STUDIES

🔍 FINDING

Real does not conduct ratio studies by market area, neighborhood, property class or stratum or 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 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.

Real primarily conducts ratio studies before mailing appraisal notices. Appraisal districts should also conduct ratio studies after certifying the appraisal roll to assess values post protest season.

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)).

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 4

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

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 PTADs Appraisal District Ratio Study for Real in 2022.

EXHIBIT 14

PTAD's Appraisal District Ratio Study, Real 2022

Category	Number of Ratios**	2022 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	113	227,577,562	0.81	31.33	20.35	50.44	0.98
B. MULTI-FAMILY RES	0	612,199	*	*	*	*	*
C1. VACANT LOTS	0	21,257,452	*	*	*	*	*
C2. COLONIA LOTS	0	0	*	*	*	*	*
D2. FARM/RANCH IMP	0	1,227,983	*	*	*	*	*
E. RURAL-NON-QUAL	43	320,585,464	0.66	40.51	13.95	44.19	1.03
F1. COMMERCIAL REAL	49	42,879,308	0.97	17.23	38.78	81.63	1.03
F2. INDUSTRIAL REAL	0	2,235,740	*	*	*	*	*
G. OIL, GAS, MINERALS	0	4,430	*	*	*	*	*
J. UTILITIES	0	26,927,209	*	*	*	*	*
L1. COMMERCIAL PER	0	7,630,438	*	*	*	*	*
L2. INDUSTRIAL PER	0	5,546,700	*	*	*	*	*
M. OTHER PERSONAL	0	136,849	*	*	*	*	*
O. RESIDENTIAL INV	0	2,298,833	*	*	*	*	*
S. SPECIAL INVENTORY	0	0	*	*	*	*	*
OVERALL	205	658,920,167	0.82	29.77	23.41	49.76	0.99

Source: Texas Comptroller of Public Accounts, *Appraisal District Ratio Study 2022 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

Real 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 Real has an overall low median level of appraisal (0.82) and a low median level of appraisal in Category A (0.81) and Category E (0.66). These low ratios indicate that properties are appraised below market value.

The Coefficient of Dispersion (COD) is a measure of appraisal uniformity. **Exhibit 13** shows the IAAO suggested COD standards. **Exhibit 14** shows that Real has a high overall COD (29.77) and a high COD in Category A (31.33) and Category E (40.51), indicating uniformity issues across major property types. These figures indicate higher variability in appraisal ratios, suggesting inconsistencies in valuation. This level of dispersion suggests the average deviation of the ratios from the median is excessive, potentially affecting the reliability of the appraisal assessments.

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 0.98-1.03 indicates vertical inequity or treating higher and lower priced properties differently. **Exhibit 14** shows the PRD overall (0.99) and the PRD in the studied categories to be within the appropriate range, suggesting that Real is treating higher and lower valued properties similarly.

Because ADRS only reviews certain property categories, Real should perform its own ratio studies at a micro-level to determine which neighborhoods would benefit from full reappraisal or if a trend factor could be applied.

RECOMMENDATION 5
Use Real's local ratio study results to make reappraisal decisions necessary to produce accurate values.

Section 3 – Categories of Valuation in the SDPVS

PTAD found Leakey ISD's Categories A, C1, D1, E 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, F2, G, J and L1 in Leakey 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**
Leakey	A, C1 and E	D1 and E	A, E and F1

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.

Real's Category A property values were statistically invalid in 2020 and 2022. Real undervalued appraisals during the rapidly appreciating market from 2020 to 2022. Real did not run ratio studies effectively and did not implement indicated changes. A recommendation related to this category can be found earlier in this report under the Ratio Studies section.

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.

Real's Category C1 property values were statistically invalid in 2020. Real undervalued appraisals during the rapidly appreciating market in 2020. Real did not run ratio studies effectively and did not implement indicated changes. Real is running all land categories together in one ratio study. Category C1 ratio studies need to be run separately. Also, Real is working on identifying what exactly should be included in Category C1 and what should be included in Category E. Real's C1 values were valid in Leakey ISD in 2021 and 2022.

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.

Real's Category D1 property values were statistically invalid in 2021. Real overvalued Category D1 properties in 2021, even though Real followed steps outlined. The appraisal district attributes the invalid finding as a difference of opinion with PTAD. Real's D1 values were valid in Leakey ISD in 2022. Real should make efforts to obtain additional lease data to calculate accurate agricultural values by expanding their agricultural lease questionnaire to include a wider group of agricultural properties in the county.

3.4 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.

Real's Category E property values were statistically invalid from 2020 to 2022. Real undervalued appraisals during the rapidly appreciating market from 2020 to 2022. Real did not run ratio studies effectively and did not implement indicated changes. A recommendation related to this category can be found earlier in this report under the Ratio Studies section.

3.5 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.

Real's Category F1 property values were statistically invalid in 2022. Real undervalued appraisals during the rapidly appreciating market in 2022. Real did not run ratio studies effectively and did not implement indicated changes. A recommendation related to this category can be found earlier in this report under the Ratio Studies section.

APPENDICES

APPENDIX 1

Appraisal District Budget

	2022	2021	2020	2019	Tier 3 Average 2019-2022	Tier 3 Average 2022
Total Budget (Excluding Collections)	$625,158	$579,544	$540,852	$421,998	$512,391	$547,673
Total Property Taxes Levied (All Jurisdictions)	$10,871,522	$9,167,150	$9,362,133	$8,065,434	$60,025,749	$50,052,924
Does the appraisal district collect taxes?	Yes	Yes	Yes	Yes	N/A	N/A
Number of Taxing Units Appraisal District Collects For (If Applicable)	3	3	3	3	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	5	4	3	3	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	2	1	3	3
Lowest Appraiser Salary	$36,400	$35,200	$32,500	$32,500	$40,079	$39,505
Highest Appraiser Salary	$36,400	$35,200	$32,500	$32,500	$46,417	$48,041

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

APPENDIX 3

Appraisal District Parcel Information

Real	2022	2021	2020	2019
Parcel Count*	9,335	9,340	9,050	9,271
Number Taxing Units	9	9	9	9
Parcels per Appraisal Staff**	1,917	1,910	0	5,733
Total Market Value Certified	$1,992,609,325	$1,389,904,065	$1,313,641,450	$1,318,149,841

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.*