

# GARZA CENTRAL TAX APPRAISAL DISTRICT



124 EAST MAIN  
FAX (806) 495-2055  
TELEPHONE (806) 495-3518

DRAWER F

POST, TEXAS 79356

September 16, 2014

Dear Ms. Alvarado:

Please see 2015-2016 Plan for Periodic Reappraisal.

Thank you,

Irene Fry, Chief Appraiser

GARZA CENTRAL APPRAISAL DISTRICT

PLAN FOR PERIODIC REAPPRAISAL

*2015/2016*

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## **TAX CODE REQUIREMENT:**

Passage of Senate Bill 1652 amended Section 6.05 of the Texas Property Tax code by adding Subsection (i) to read as follows:

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

### Plan for Periodic Reappraisal Requirement:

Senate Bill 1652 amends Section 25.18, Subsections (a) and (b) to read as follows:

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

5. developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;
6. applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
7. reviewing the appraisal results to determine value.

#### REVALUATION DECISION (REAPPRAISAL CYCLE):

The Garza CAD, by policy adopted by the Board of Directors and the Chief Appraiser, reviews cost tables and schedules for every class of property in the District every year, with adjustments made to the schedules when needed annually. The reappraisal year is a complete appraisal of all properties in the district. Tax year 2016 is a reappraisal year and tax year 2019 is a reappraisal year.

#### PERFORMANCE ANALYSIS:

Performance Analysis — the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the International Association of Assessing Officers. Mean, median, and weighted ratios are calculated for properties in reporting categories to measure the level of appraisal accuracy. The mean ratio is calculated in each reappraised category to indicate the level of appraisal accuracy by property reporting category. In 2016, the reappraisal year, this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance. In 2016, the reappraisal year, this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance. In 2014 and 2015, any reporting category that may have been excluded from reappraisal due to lack of data to support reappraisal will be tested and analyzed to arrive at an indication of uniformity or equity of existing appraisals.

## ANALYSIS OF AVAILABLE RESOURCES:

Staffing and budget requirements for tax year 2015 are detailed in the 2015 budget, as adopted by the Board of Directors of the Garza Central Appraisal District, and attached to the written biennial plan by reference. This reappraisal plan is adjusted to reflect the available staffing in tax year 2014 and anticipated staffing for tax year 2015. Budget restraints can impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2015-2016 time period.

Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current. In the reappraisal year, real property appraisal depreciation tables are tested against verified sales data to ensure they represent current market data. Personal property density schedules are tested and analyzed based on renditions and prior year documentation. Due to lack of sales of personal property in the district, the Comptroller's Guide is utilized to appraise personal property and for testing and analysis purposes.

Information Systems (IS) support is detailed and system upgrades are scheduled. Existing maps and data requirements are continually updated and kept current.

## PLANNING AND ORGANIZATION:

A calendar of key events with critical completion dates is prepared for each area of work. This calendar identifies key events for appraisal, clerical, customer service, and information systems. A calendar is prepared for tax years 2015 and 2016. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

## MASS APPRAISAL SYSTEM:

Computer Assisted Mass Appraisal (CAMA) system revisions are completed by the Information Systems Software Provider. System revisions and procedures are performed by the Provider. Garza Central Appraisal District contracted with the firm of Capitol Appraisal Group, Inc. for these services.

### Real Property Valuation

Revisions to cost models, income models, and market models are specified, updated, and tested each tax year. Garza Central Appraisal District contracts with Lisco Appraisal Firm for these services.

Cost schedules are tested with market data (sales) to insure that the appraisal district is in compliance with Texas Property Tax Code, Section 23.011. Replacement cost new tables as well as depreciation tables are tested for accuracy and uniformity using ratio study tools and compared with cost data from recognized industry leaders, such as Marshall & Swift.

Land schedules are updated using current market data (sales) and then tested with ratio study tools. Value schedules are developed and tested on a pilot basis with ratio study tools.

### Personal Property Valuation

Density schedules are tested using data received during the previous tax year from renditions and hearing documentation. Valuation procedures are reviewed, modified as needed, and tested. The latest edition of the Comptroller's Guide is utilized heavily in the appraisal of personal property in the district.

### Noticing Process

25.19 appraisal notice forms are provided by the IS Provider. The Provider reviews and edits for updates and changes required by legislative mandates. The district publishes, in the local newspaper, information about the notices and how to protest. The district makes available the latest copy of the Comptroller's pamphlet *Taxpayer's Rights, Remedies, and Responsibilities*.

### Hearing Process

Protest hearing scheduling for informal and formal Appraisal Review Board hearings is reviewed and updated as required. Standards of documentation are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process and requirements. The district makes available the Texas Comptroller of Public Accounts Appraisal Review Board Survey to anyone that appears before the Board. Compliance with Chapter 41 of the Property Tax Code is insured.

### DATA COLLECTION REQUIREMENTS:

Field and office procedures are reviewed and revised as required for data collection. Activities for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, re-inspection of the universe of properties on a specific cycle, and field or office verification of sales data and property characteristics.

### New Construction/Demolition

New construction field and office review procedures are identified and revised as required. Sources of building permits are confirmed. The City of Post provides a listing of permits issued during the previous year. Additionally, the Post Dispatch news articles are kept throughout the year for reference purposes, if it reports any new construction or demolition.

## Remodeling

Properties with extensive improvement remodeling are identified and field inspections are scheduled to update property characteristic data.

## Re-inspection of Problematic Market Areas

Real property market areas, by property classification, are tested for low or high ratio sales and/or high coefficients of dispersion. Market areas that fail any or all of these tests are determined to be problematic. Field inspections are scheduled to verify and/or correct property characteristic data. Additional sales data is researched and verified.

## Re-inspection of the Universe of Properties

The International Association of Assessing Officers' *Standard on Mass Appraisal of Real Property*, specifies that the universe of properties should be re-inspected on a cycle of 3 years. The re-inspection includes physically viewing the property, photographing, and verifying the accuracy of the existing data. The field appraiser has an appraisal card of each property to be inspected and makes notes of changes, depreciation changes, remodeling, additions, etc. The annual re-inspection requirements for tax years 2015 and 2016 are identified and scheduled in the written reappraisal plan.

## Field or Office Verification of Sales Data and Property Characteristics

Sales information must be verified and property characteristic data contemporaneous with the date of sale captured. The sales ratio tools require that the property that sold must equal the property appraised in order that statistical analysis results will be valid.

## PILOT STUDY BY TAX YEAR:

New and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. The procedures used for model specification and calibration are in compliance with USPAP, STANDARD RULE 6.

## VALUATION BY TAX YEAR:

Using market analysis of comparable sales and locally tested cost data, valuation models (Cost Per Square Foot Schedules) are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers and the Uniform Standards of

Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies. Performance standards are those as established by the *IAAO Standard on Ratio Studies*. Property values in all market areas are updated each reappraisal year.

Defining market areas within the district: Market areas for residential properties are delineated within the City of Post, City of Southland and the City of Justiceburg as well as the immediately surrounding areas. Rural residential properties represent one market area and Lake Alan Henry properties represent another. Market areas are reviewed annually for presence of competing property characteristics.

#### AREA ANALYSIS:

Data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs will be collected from private vendors and public sources. This information will provide the field appraiser a current economic outlook on the real estate market.

The general market areas for Garza County are as follows: 1. City of Post – Post is by far the largest city within the county with a population of approximately 5,376 citizens. It is located to the southeast of Lubbock, Texas and encompasses 3.8 square miles. Median household income in 2000 was \$25,034. 2. City of Justiceburg – The rural community of Justiceburg lies 15 miles southeast of Post. The population of Justiceburg in 2000 was approximately 60 citizens. 3. City of Southland – This market area is located 20 miles northwest of the City of Post. The population of Southland is approximately 160 as of the year 2000. 4. Lake property – Property located near and around Lake Alan Henry in Garza County is a rural market area located approximately 18 miles southeast of the City of Post. 5. Rural area of Garza County is another market area with an adjustment to value up or down based on the proximity to the market areas above mentioned. The five market areas are obvious to the general public. While the Garza Central Appraisal District believes these are important to consider as market areas, upon detailed review of the properties within each of these areas, the appraisers have segmented many properties into neighborhoods in order to better appraise properties at market value and to remain as equal and uniform as possible.

#### THE MASS APPRAISAL REPORT:

Each even numbered tax year, the required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 15th The Mass Appraisal Report is completed in compliance with STANDARD RULE 6— 8 of the *Uniform Standards of Professional Appraisal Practice*. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6—9 of *USPPAP*. This written reappraisal plan is attached to the report for reference.

VALUE DEFENSE:

Evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings is specified and tested.

# THE WRITTEN REAPPRAISAL PLAN FOR GARZA CENTRAL APPRAISAL DISTRICT

## PLANNING A REAPPRAISAL

Variation in reappraisal requirements requires Garza Central Appraisal District to carefully plan its work before beginning any reappraisal. Although the planning process may vary in specifics, it should involve five (5) basic steps:

1. Assess current performance.
2. Set reappraisal goals.
3. Assess available resources and determine needs.
4. Re-evaluate goals and adjust as necessary.
5. Develop a work plan.

## STEPS IN A REAPPRAISAL

The International Association of Assessing Officers (IAAO) textbook, Property Appraisal and Assessment Administration, lists ten steps in a reappraisal. These steps outline those activities performed by Garza Central Appraisal District for the completion of periodic reappraisals. Activities are listed below in the order in which they occur:

1. Performance Analysis:
  - ratio study
  - equity of existing values
  - consistency of values with market activity
2. Revaluation Decision:
  - statutory –at least once every three years
  - administrative policy
3. Analysis of Available Resources:
  - staffing
  - budget
  - existing practices
  - information system support
  - existing data and maps

4. Planning and Organization
  - target completion dates
  - identify performance objectives
  - specific action plans and schedules
  - identify critical activities with completion dates
  - set production standards for field activities
5. Mass Appraisal System:
  - forms and procedures revised as necessary
  - CAMA (computer assisted mass appraisal) system revisions as required
6. Conduct Pilot Study
  - test new/revised appraisal methods as applicable
  - conduct ratio studies
  - determine if values are accurate and reliable
7. Data Collection
  - building permits and other sources of new construction
  - check properties that have undergone remodeling
  - re-inspection of problematic properties
  - re-inspection of universe of properties on a cyclic basis
8. Valuation:
  - market analysis (based on ratio studies)
  - schedules development
  - application of revised schedules
  - calculation of preliminary values
  - tests of values for accuracy and uniformity
9. The Mass Appraisal Report
  - establish scope of work
  - compliance with Standards Rule 6-7 of USPAP
  - signed certification by the chief appraiser as required by Standards Rule 6-8 of USPAP
10. Value Defense:
  - prepare and deliver notices of value to property owners
  - hold informal hearings
  - schedule and hold formal appeal hearings
  - \*\*Note the burden of proof (evidence) of market values and equity falls on the appraisal district.\*\*

**GARZA CENTRAL APPRAISAL DISTRICT**  
**Residential, Commercial, Rural, and Personal**  
**Property**  
**2015/2016 Reappraisal Plan**

Pursuant to Section 25.18 of the Texas Property Tax Code, the GARZA Central Appraisal District has established the following reappraisal plan to provide for the reappraisal of all property within the district at least once every three (3) years. The plan establishes a two-fold approach:

1. Three-Year Cycle: The CAD is divided into three areas. Each year, all real residential and commercial property within one of the areas will be reappraised, regardless of any ratio study/report findings. These areas are identified as follows:
  - a. Area One: City of Post and Post I.S.D. Blocks 55, 11, 40, 12, and 25. To be completed in 2015.
  - b. Area Two: Post LS.D. Blocks 8, 2, 5, 6, 7, 8, 22, 50, and 97. To be completed in 2016.
  - c. Area Three: All of the Southland LS.D. District and Blocks 9, 13, 14, 19, 30, and 80 of the Post Independent School District. To be completed in 2017

\*\*Note: all income producing personal property within the CAD is appraised on an annual basis, regardless of its location.\*\*

2. Annual Ratio Reports: In addition to the three year cycle stated above, ratio studies shall be performed annually to determine areas or categories of properties within the CAD which need to be reappraised during the current year based on sales ratios. Any areas or categories whose ratios are above or below statutory requirements shall be reappraised in the current year regardless of the area in which they are located.

This two-fold approach will insure not only that all residential and commercial property within the CAD is reappraised at least once every three years, but also that all other categories within the CAD are reviewed annually so that the appraisal district stays current with respect to market value in those areas where residential and or commercial property values appear to be changing rapidly.

## **Organization**

Field inspections are carried out by the field appraiser as directed by the chief appraiser. The field appraiser physically inspects areas required by the reappraisal cycle, checks all existing data, works building permits, takes photographs of improvements, thaws plans of new improvements for entry into computer, rechecks any property on which a question or problem has arisen. Other duties may be required and will be executed upon direction of the chief appraiser.

Data entry of field work notes and sketches is performed by appraisal district staff.

The chief appraiser performs market analysis. Sales data is gathered throughout the year from deed records, sales confirmation letters from property owners, and other sources. The market data is analyzed, sales data is confirmed, outliers are identified, existing classification system is reviewed, market schedules are reviewed and updated as necessary, and final market schedules are applied to the universe of properties.

### **2015 Reappraisal Schedule**

- Mid December 2014:** Begin planning sales ratio studies for all areas within the CAD.  
Gather current sales data from sales confirmation letters, deed records, and other sources.
- January to March:** Mail homestead applications, special-use valuation applications, personal property renditions, exemption applications, and any other required forms.  
Complete field inspections as provided by the reappraisal plan area.  
Begin running sales ratio reports. Compare with CAD values and sales information. Identify necessary schedule adjustments.
- March through April:** Continue running sales ratio reports.  
Refine sales analysis and mass appraisal schedules.  
Statistically test schedules.  
Complete data entry of all reappraisal and maintenance changes.  
Assist field appraiser with reappraisal functions as needed. Finalize all field work and data collection activities. Execute mass appraisal/maintenance activities as required. Prepare for mailing 2015 Notices of Value.
- May through June:** Hold informal hearings.  
Respond to property owners' inquiries, protests, and questions from notice mailings.  
Provide certified estimated values to taxing units. Hold ARB hearings.

**July:** Process and mail ARB orders.  
Enter into computer all changes as ordered by ARB and notify other CADs if the ordered change falls into an overlapping area.  
ARB approval of appraisal records by July 20th Certification of appraisal records and values to taxing units by July 25th

**As Needed throughout the year:** Handle any outstanding protests by scheduling ARB hearings.

### **2016 Reappraisal Schedule**

The same timetable and duties apply in each year. The field appraiser shall physically inspect all property in as described in Area Two (2). The chief appraiser and CAD staff shall continue to complete the same duties and reappraisal steps as outlined.

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**GARZA CENTRAL APPRAISAL DISTRICT  
2014 MASS APPRAISAL SUMMARY REPORT**

**Introduction**

**Purpose**

The purpose of this report is to better inform the property owners within the boundaries of the Garza Central Appraisal District (GCAD) and to comply with Standards Rule 6-7 of Uniform Standards of Professional Appraisal Practice (USPAP), effective January 1, 2014. Standards Rule 6-7 addresses a written summary report of a mass appraisal for ad valorem taxation. Mass appraisal is the process of valuing a group of properties as of a given date, using standard methods, and employing common data, which allows for statistical testing. The intended use of the appraised values is to establish a tax base upon which a property tax will be levied. Each taxing unit within GCAD boundaries will use the appraised values for ad valorem tax purposes only.

The purpose of the appraisals performed by GCAD is to estimate market value on January 1 of each year as defined by the Texas Property Tax Code (Sec. 1.04) on all taxable property within the boundaries of GCAD. "Market Value" is defined by Sec. 1.04 as the price at which property would transfer for cash or its equivalent under prevailing market conditions if:

- (A) exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- (B) both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- (C) both the seller and the purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

**Responsibilities**

The appraisal district is responsible for appraising property in the district for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on the property in the district. GCAD serves the public and taxing entities of Garza County. Taxing entities in Garza County are composed of two school districts, one city, the county, and one special district.

In 2014 the appraisal district certified \$1,276,543,016 in market value, before exemptions and ag-use valuations, with a parcel count of 14,333. The following are those parcels by property type:

|  |       |
|--|-------|
| Real – single family                       | 1,456 |
| Real – multi-family                        | 5     |
| Real – vacant lots                         | 802   |
| Real – vacant acreage                      | 2,704 |
| Real – farm & ranch improvements           | 107   |
| Real – commercial & industrial             | 375   |
| Real – oil, gas and other mineral reserves | 7,891 |
| Real & Personal – utilities                | 364   |
| Tangible Personal – business               | 160   |
| Tangible Personal – mobile homes           | 472   |

In 2014 the appraisal district certified to Garza County a total of \$1,245,930,188 in market value, before exemptions and ag-use valuations, with a parcel count of 14,253. The following are those parcels by property type:

|                                    |       |
|------------------------------------|-------|
| Real – single family               | 1,456 |
| Real – multi-family                | 5     |
| Real – vacant lots and small tract | 802   |
| Real – vacant acreage              | 2,690 |
| Real – farm & ranch improvements   | 107   |
| Real – commercial & industrial     | 374   |
| Real – oil, gas and other mineral  | 7,862 |
| Real & Personal – utilities        | 360   |
| Tangible Personal – business       | 160   |
| Tangible Personal – mobile homes   | 472   |

Note: The difference between the appraisal district totals and those for Garza County are because the appraisal district’s territory is greater than Garza County. The appraisal district extends into Crosby, Kent, Lubbock, and Lynn counties. These overlaps occur when the appraisal district performs the appraisals for a city or school district that taxes property in the adjoining county.

### **Organizational Structure**

The Garza Central Appraisal District was created by the Texas Legislature. GCAD appraises property and prepares assessments of real and personal property taxes for five taxing entities in Garza County, Texas. GCAD is a political subdivision of the State of Texas. The appraisal district is governed by a five-member board of directors appointed by the taxing entities in the County. The board appoints the chief appraiser who serves at the pleasure of the board. The board also approves the budget and sets policy. The chief appraiser is the chief administrator of the appraisal district and may employ and compensate professional, clerical, and other personnel as provided by the budget. The

chief appraiser may delegate authority to her employees. GCAD currently has three full-time employees. Refer to appendix one to see an overview of the district's flow chart.

All appraisers are required to be registered with the Texas Department of Licensing & Regulation (TDLR). The TDLR registration requires that each appraiser must successfully complete a five year educational program and pass a required number of course hours within a specified time. Additionally, all appraisers must pass review exams at levels three and four of the certification program. After successfully completing the required curriculum and approval of a demonstration appraisal, an appraiser is awarded the designation of Registered Professional Appraiser (RPA). There is also a requirement of at least thirty hours of continuing education units every two years in order to re-certify the RPA designation. The continuing education units must include: 1) Two hours in Professional Ethics; 2) A State Laws & Rules Update Course; and 3) seven hours in USPAP. GCAD currently has two RPAs on staff. The GCAD appraisal staff stays abreast of current trends affecting property through review of published materials, attendance at conferences, course work, continuing education, and in-house training programs.

Each appraiser is assigned a geographical area or specific property types within the boundaries of GCAD. Appraisers are responsible for the discovery, listing, and appraisal of all types of property, within their assigned area, unless specific types of property have previously been assigned to another appraiser. Senior appraisers assist all other appraisers in appraising property in each area, conducting training, performing quality control, and improving appraisal techniques and methods. Supervisors and senior appraisers continually strive to improve the quality and performance of all appraisals.

### **Mission Statement**

The mission of the Appraisal District of Garza County is to appraise all property in the Garza County Appraisal District at market value equally and uniformly, and to communicate that value annually to each taxpayer and taxing jurisdiction.

### **Philosophy Statement**

The Garza Central Appraisal District believes that the most important asset of the District is its people. Every employee is important and deserves to be treated fairly with consideration and respect. GCAD believes in providing good working conditions, a safe, clean, and friendly work place to help each employee do his or her job effectively. We also believe that every employee has an obligation to develop his or her talents to the fullest.

The Garza Central Appraisal District exists for the purpose of providing services to the property owners and taxing units within our jurisdiction. It is important that we recognize our responsibility to provide quality services on a cost effective basis. Every property owner should be approached in a respectful, positive and friendly manner. Property owners should be assisted in a timely and courteous fashion. GCAD employees have an

obligation as public servants to promote goodwill toward all property owners; not only in manner but also by example.

Because of the nature of our work, not every property owner will be pleased with the outcome of their contact with GCAD. What is important is that everyone who comes in contact with our office should have reason to feel that their matter was handled in a fair, equitable, and professional manner by a knowledgeable and qualified person.

### **Assumptions and Limiting Conditions**

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Garza Central Appraisal District.
4. All properties are appraised in fee simple interest in accordance with Texas Property Tax Code Section 25.06. (Jurisdictional exception to Standards rule 6-4 (c) and 6-5 (c) of USPAP)
5. All sketches in the appraisal records are intended to be visual aids with rounded measurements and should not be construed as surveys or engineering reports, etc.
6. All information in the appraisal records has been obtained by members of the appraisal district's staff or other reliable sources.
7. The appraisal staff has inspected, as permitted, by observation, the land and the improvements thereon; however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters, unless specifically considered in an individual appraisal.
8. All interior inspections are performed at the property owner's request by appointment. All other inspections performed are external and assume the quality, condition and desirability of the interior are approximately equal to that of the exterior, unless otherwise known.
9. Agricultural land is appraised at market value using a market data based on market sales information. However, it may also be subject to appraisal using an income

model specified in Section 23, Sub-chapters C, D, and E of the Texas Property tax Code. (Jurisdictional Exception to 6-4 (b) of USPAP)

10. Subsurface rights (minerals and oil) are not considered in making these appraisals.

The following summary reports are presented to be more specific the appraisal of various property types within Garza Central Appraisal District. Refer to appendix two to see the district's mass appraisal flow chart.

## **Single-Family Residences 2014 Summary Report**

### **Overview**

Single-family residences consist of all land and real property improvements which by the nature of their design and/or construction are suitable for single-family use only. This includes manufactured homes, which are classified as real property when the owner of the land is also the owner of the manufactured home and personal property when the owner of the manufactured home does not own the land.

### **Assumptions and Limiting Conditions**

The appraisals completed by GCAD for single-family residences are subject to the following assumptions and limiting conditions:

1. The Garza Central Appraisal District's staff has physically inspected all single-family residences in Garza County and normally reinspects these properties at least once every three years. Interior inspections have not been done on a majority of the properties in the county because (1) most residential owners are not at their residence during regular business hours, (2) permission to inspect is not always granted, (3) the safety of the appraiser may be question, and (4) respect for privacy rights of the property owner should be exercised.
2. The opinion of value for each single-family property applies to land and improvement only. The value of personal property of an owner has not been included with the value of the real estate.
3. Residential real property inventory as defined by the Texas Property Tax Code in Section 23.12 shall be considered as inventory and the market value shall be the price for which it would sell as a unit to a purchaser who would continue the business. (Jurisdictional exception to Standard rule 6-5 (d) of USPAP)
4. Single-family qualified properties used to provide affordable housing are appraised to comply with Section 23.22 of the Texas Property Tax Code. (Jurisdictional Exception to Standards Rule 6-4 (b) of USPAP)

### **Data Collection and Validation**

Two basic types of data are collected: data which is specific to each property and data which is indicative of a particular class of property that has been predefined by GCAD.

Property-specific data is collected as part of the inspection process, building permits and through submission by the property owner. As part of the inspection process, the improvements are measured and classified. The appraiser also estimates the effective age (condition) of the improvements. Any additional or unusual features are also noted at the time of the inspection. Data on individual properties is maintained on the appraisal card(s) for that property. Data on individual properties is verified through previously existing records, published reports, building permits, analysis of comparable properties, and through submission by the property owner. Appraisal data is available for review at the appraisal district office.

Data pertaining to a class of properties is grouped together according to the differing quality levels, and then used to develop valuation models for each property class. Such data is collected in a variety of ways. Cost information is obtained from nationally recognized sources and from data submitted by owners. All local information is used to verify, supplement, or modify costs from these published sources.

Market sales information is collected through a variety of sources including surveys of buyers and sellers, deed records, from local real estate professionals, and from several reporting services.

### **Valuation Approach and Analysis**

Improvements are appraised using replacement cost new less depreciation models. Replacement costs are estimated from published sources, other publicly available information, and comparable properties. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence, and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if diminished utility and comparable sales are found to justify such. A comparable sales model is used when appropriate sales information is available. The model is calibrated for site values, improvement quality, living area, condition and extra features.

Land values are based on selling prices for the appropriate highest and best use of the site, and as though it was vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of a highest and best use different from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

## Testing

Field testing of appraisals is performed through the regular inspection of subject properties. Neighborhood profiles are developed by market area and a statistical review of the appraisers is performed. Ratio studies are performed and are the preferred method for measuring performance. The results of the performance measures used to indicate the validity of the appraisal models used. All appraisers perform ratio studies for their assigned area. The outside appraiser, along with the chief appraiser, review and assist each other in adjusting models to current market information. Performance is also measured through comparison with valid single-property appraisals submitted for staff consideration. The appraiser considers the submitted appraisal report to confirm and verify data. Appraisal results are also tested annually by the Property Tax Division of the Texas Comptroller's Office. Appraisal methods and procedures are also reviewed by the Property Tax Division.

## **Multi-Family Properties 2014 Summary Report**

### Overview

Multi-family properties with situs in this district are appraised at market value as previously defined.

### Assumptions and Limiting Conditions

The appraised value derived is subject to the following assumptions and limiting conditions:

1. For multi-family properties only, the market value stated is for land, improvements and the personal property common to the classification and economic area. The business personal property value is insignificant to the overall value.
2. The Garza Central Appraisal District's staff has physically inspected all apartment complexes for the tax year 2014. Duplex properties are inspected by the residential appraiser as they field inspect residential property, at least once every three years.
3. For a multi-family property that is used to provide affordable housing are appraised to comply with Section 23.22 of the Texas Property Tax Code. (Jurisdictional Exception to Standards Rule 6-2 (b) of USPAP)

## Data Collection and Validation

Two basic types of data are collected: data which is specific to each property and data which is indicative of a particular property class that has been predefined by GCAD.

The property appraised has multi-family use. This classification of properties includes apartment complexes and duplex properties. Properties of the classification are discovered and their characteristics recorded during periodic field inspections, investigation of building permits issued through political entities, and investigation of mechanic liens recorded with the county clerk. Geographically, these properties are located throughout the county.

Sales data is taken from deed records, local real estate professionals, a sales service publication, written appraisal reports, and contact with principals. Sales are validated with the principals when possible. Sales data for properties is account-specific and retained electronically.

General market data is gathered from multiple sources. Environmental, economic, political, and social influences vary geographically and by property use. Neighborhoods have been delineated to reflect competing properties within a use and the influences on that use. Apartment properties were assigned a comparative classification in the inspection process. Duplexes are classed in compliance with predefined classing criteria.

Apartment income and occupancy information is gathered from owners, operators and published sources. Occupancy data is validated by apartment association surveys and broker surveys. Income data is arrayed by neighborhood and comparative class to seek rent anomalies or outliers. Market rent and occupancy levels are established by neighborhood, comparative class, condition, desirability, and age. Historical income and occupancy trends are studied, and those trends are forecast and projected into future years. Expenses from previous years' data, as supplied by the owner or operator of the property, consumer price index information, and expense surveys by apartment associations of other metropolitan areas are reviewed. From this research, expense trends are analyzed and projected.

Investor's surveys are reviewed and their requirements and expectations are considered, as are trends from previous surveys. A range of investor yield rates is selected, and a gradient scale is used in consideration of the neighborhood characteristics and comparative class of properties. Income models are built for classes and neighborhoods in which a sufficient amount of quality data exists. Where data is inadequate or inconsistent, models are interpolated.

## Valuation Approach and Analysis

Based on the principal of substitution, land values are determined by selling prices for similarly positioned functional tracts. Sites are analyzed for highest and best use as though they were vacant. Highest and best use of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of a highest and best use different from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

A discounted cash flow analysis (DCF) is performed for each apartment property. A value per unit is charted and stratified by neighborhood and comparative class. A sales value per unit is also charted by neighborhood and comparative class for recent sales. Unit values of sales are then compared to unit values from the individual DCFs. Acceptable ranges of value are established for these comparative units. Preliminary property values are adjusted to meet with agreed ranges and then unique property considerations are addressed.

New apartment construction is valued based on actual cost, when available. If actual costs are not available, national cost manuals are compared to the estimated cost on the building permit.

For apartment complexes within the appraisal district, personal property value is included with the real property estimate. This practice is due to the district's reliance on sales information and the income approach to value. Sales prices reported to the district are for the total property, real and business personal, and, the income approach develops a value indication for all property necessary to sustain stabilized income, for the total property. The business personal property value is considered an insignificant portion of the overall property value.

Duplex properties are appraised by market adjusted cost models. Property classifications are delineated and each classification's descriptive characteristics are set forth in GCAD appraisal manuals. Sales ratio studies are generated for each neighborhood. Neighborhood adjustments are applied as necessary and individual properties are reviewed for reasonableness.

## Testing

Field testing of appraisals is performed through the regular inspection of subject properties. A computer-assisted statistical review of property value changes is conducted. Ratio studies are reviewed for level of appraisal and appropriateness of neighborhood

boundaries. Results of the performance measures used indicate the validity of the appraisal models.

Preliminary values are analyzed in consideration of classification and neighborhood. Value indications are compared to renditions and valid multi-family property appraisals submitted for staff consideration. The appraiser considers the submitted appraisal report to confirm and verify data as would be done with a sale. Final value recommendations are tested for reasonableness by performing a sales ratio study and, individually, during the appeal process. During the appeal process, property specific income and expenses are reviewed for reasonableness and values are adjusted as necessary.

Appraisal results are tested annually by the Property Tax Division of the Comptroller of Public Accounts for the State of Texas. Appraisal methods and procedures are also reviewed by the Property Tax Division.

## **Commercial Property** **2014 Summary Report**

### **Overview**

This type of property consists of all land and improvements in Garza County that are classed "commercial" according to that property's highest and best use.

### **Assumptions and Limiting Conditions**

The appraisals completed by GCAD are subject to the following assumptions and limiting conditions:

1. The opinion of value for each property applies to land and improvements only. The value of trade fixtures, furnishings and other equipment has not been included with the value of the real estate.
2. The Garza Central Appraisal District's staff has physically inspected all properties in the county. Normally staff will re-inspect these properties at least once every three years. Complete interior inspections have not been done on a majority of the properties in the county.

### **Data Collection and Validation**

Two basic types of data are collected: data which is specific to each property and data which is indicative of a particular class property that has been predefined by GCAD.

Property-specific data is collected as part of the inspection process and through submission by the property owner. As part of the inspection process, the improvements

are measured and classified. Properties are classified according to construction type and quality. The appraiser also estimates the effective age and condition of the improvements. Any additional or unusual features are also noted at the time of the inspection. Data on individual properties is maintained on the appraisal card(s) for that property. The data includes legal description, situs, owner address, parcel number, and the property-specific information such as class, quality, measurements, condition, etc. Data on individual properties is verified through previously existing records, published articles and reports, building permits, mechanics liens, analysis of comparable properties, and through information obtained from the property owner. Appraisal cards are available for review at the appraisal district office.

Data pertaining to a class of properties is used to develop valuation models for that property class. Such data is collected in a variety of ways. Cost information is obtained from nationally recognized sources, as well as from new construction permits, mechanics liens, local contractors, reliable sources of sales on new property, and renditions submitted by the property owners. Cost information on newly constructed improvements is also used to verify and/or modify costs from published sources. New models and cost tables are currently under construction using this information and are being used in test areas. Renditions are confidential submissions by property owners and cannot be used for other properties. However, data from renditions may be compared with data obtained from cost manuals to test their accuracy. A comprehensive appraisal manual for commercial real property is maintained by GCAD.

Market sales information is collected through surveys of buyers and sellers in addition to real estate publications, reports, and public records.

Income and expense information is obtained from surveys of rental properties.

### **Valuation Approach and Analysis**

Land values are based on selling prices for the appropriate highest and best use of the site analyzed as though vacant. Highest and best analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of a highest and best use different from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

Improvements are valued using replacement/reproduction cost new less depreciation. Cost tables are constructed using published sources as a guide and adjustments are applied using local market information. Adjustments are also applied for functional and economic obsolescence if utilization, sales, and income information warrant. An income approach is also used when economic and/or subject property income information is available. A sales comparison (market data) model based on the selling price of similar properties is used when sufficient information is available.

The cost approach to value is most accurate and reliable when appraising new construction. In older areas or areas of transition, cost is calculated and considered. However, due to the difficulty of measuring accrued depreciation, more weight is applied to the sales comparison (market) and income approaches.

### **Appraisal Procedures Followed**

Cost Schedules: All commercial improved parcels in the district are valued from cost tables using a property class system. The district's commercial cost schedules were developed using a nationally published cost service with adjustments made for local condition. The cost schedules were reviewed for 2014.

Sales Information: The Commercial Department maintains a sales file for commercial improved property and vacant land. Sales information is collected from district sales letter questionnaires sent to buyers and sellers, field discovery, protest hearings, published sales information reports, and shared information with appraisers and brokers.

### **Valuation Process**

Area Analysis: Data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources. Information is obtained from real estate publications and local realtors and financial institutions.

Neighborhood Analysis: The neighborhood is comprised of the land area and commercially classed properties located within the boundaries of this taxing jurisdiction. This area consists of a wide variety of property types including residential, commercial and industrial. Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods.

Commercial neighborhoods are defined by each of the improved property use types (apartment, office, retail and warehouse, etc.) based upon an analysis of similar economic or market forces. These include, but are not limited to, similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if re-delineation is required.

## Market Analysis

A market analysis relates directly to market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), expense ratio trends, capitalization rate studies are analyzed.

## Valuation Analysis

Cost Approach: The cost approach to value is applied to all improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on comparable properties whenever possible. These include comparative base rates, per unit adjustments and lump sum adjustments. This approach also employs the sales comparison approach in the valuation of the underlying land value. Location modifiers are necessary to adjust cost data to reflect conditions in a specific market. Because a national cost service is used as a basis for the cost models, locational modifiers are necessary to adjust these base costs for the Garza County area. These modifiers are provided by the national cost services.

Depreciation schedules are developed based on what is typical for each property type at that specific age. Depreciation schedules have been implemented for what is typical of each major class of commercial property by economic life categories. Schedules have been developed for improvements with 15, 20, 25, 30, 35, 40, 45, 50, 55, 60 and 70 year expected life. The utilization of the depreciation schedules involves a national date service.

Market adjustment factors such as external and or functional obsolescence can be applied, if warranted. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific property type or location.

Income Approach: The income approach to value was applied to those real properties which are typically viewed by market participants as "income producing", and for which the income methodology is considered a leading value indicator. The first step in the income approach pertains to the estimation of market rent on a per unit basis. This can be derived from a variety of sources ranging from local market study publications, to actual rent data furnished by property owners. This per unit rental rate multiplied by the number of units results in the estimate of potential gross income.

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established based on local market study publications. This allowance accounts for periodic fluctuations in

occupancy, both above and below an estimated stabilized level. The market derived stabilized allowance is then subtracted from the potential gross income estimate to arrive at an effective gross income.

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. Different per unit expenses are developed for different types of commercial property based on use. This information is obtained from real estate and financial publication. Subtracting the allowable expenses (inclusive of replacement reserves) from the effective gross income results in an estimate of net operating income.

Rates and multipliers are used to convert income into an estimate of market value. These include income multipliers, overall capitalization rates, and discount rates. Each of these is used in specific applications. Rates and multipliers also vary between property types, as well as by location, quality, condition, design, age and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market.

Capitalization analysis is used in the income approach. This methodology involves the capitalization of net operating income as an indication of market value for a specific property. Capitalization rates, both overall (going-in) cap rates for the direct capitalization method and terminal cap rates for discounted cash flow analyses, can be derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of what a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived from the built-up method (band-of-investment). This method relates to satisfying the market return requirements of both the debt and equity positions of a real estate investment. This information is obtained from real estate and financial publications.

Sales Comparison (Market) Approach: Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to each parcel on the appraisal roll. Pertinent date from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information, which can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies--which affords the analyst an excellent means of judging the present level and uniformity of the appraised values.

Final Valuation Reconciliation: Based on the market data analysis and review discussed previously, the three approaches to value are analyzed and reconciled to arrive at a final value estimate. On most income producing properties the Income Approach is considered to typically reflect the actions of buyers and sellers in the market place with a

lesser degree of reliance placed on the Sales Comparison Approach. The Cost Approach is a good indicator of value when the property is new and represents the highest and best use of the land.

### Testing

Field testing of appraisals is performed through the regular inspection of subject properties. Neighborhood profiles are developed by market area and a statistical test of the appraisals is performed. The statistical report included appraisal to sales ratio, coefficient of dispersion, and other statistical measures. The performance measures used validate the results of the appraisal model. The chief appraiser performs ratio studies for the district, reviews and adjusts the models to reflect current market information.

## Business Personal Property 2014 Summary Report

### Overview

Business personal property is the tangible personal property owned by a business or by an individual for the purpose of producing income. Other tangible personal property is exempt according to Sec. 11.14 (a) of the Texas Property Tax Code.

### Assumptions and Limiting Conditions

The appraisals completed by the Garza CAD are subject to the following assumptions and limiting conditions. Garza Central Appraisal District staff makes an effort to physically inspect each business located within this jurisdiction, existing business as well as new. Those businesses we are unable to access are sent personal property renditions.

### Data Collection and Validation

Data on new and existing businesses is collected through personal inspection, newspaper articles, government reports, comparison to like businesses, renditions and other confidential information supplied by the owner. Due to the multitude of personal property types, there is no standard data collection form or manual.

### Valuation Approach and Analysis

Personal property, as defined by the Uniform Standards of Professional Appraisal Practice is "identifiable, portable and tangible objects which are considered by the general public to be 'personal', e.g. furnishings, artwork, antiques, gems and jewelry,

collectibles, machinery and equipment: all property that is not classified as real estate". The Texas Property Tax Code Section 1.04(5) defines tangible personal property as "...personal property that can be seen, weighed, measured, felt, or otherwise perceived by the senses but does not include a document or other perceptible object that constitutes evidence of a valuable interest, claim, or right and has negligible or no intrinsic value". The Texas Property Tax Code Section 1.04(4) defines personal property as "...property that is not real property".

The purpose of the appraisals of business personal property is to estimate market value on January 1<sup>st</sup> of each year as previously defined in the introduction. A separate definition of market value for inventory is found in the Texas Property Tax code Sec. 23012(a), "...the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business". The Texas Property Tax Code sets forth three (3) ways in which inventory may be valued, if the requirements are met:

- A. Sec. 23.12(f) allows some inventories to qualify for appraisal as of September 1<sup>st</sup> of the year before January 1<sup>st</sup> of the taxable year.
- B. Sec. 23.121, 23.127, 23.1241, and 23.12D dictate that dealers in new and used vehicle, vessels, outboard motors and trailers, manufactured housing, and heavy equipment are valued differently. (Jurisdictional exception to Standard Rule 6-3(b) & (c))
- C. Sec. 23.12 (a) covers the inventories of remaining businesses.

Personal property is appraised using original cost less depreciation models. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence, and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if utilization for the subject property justifies such. In the case of some personal property types, such as licensed vehicles and aircraft, market data from published pricing guides is used to construct a market value model. In other cases, models are based on quality and density information available through published sources or through private sources. These models are cost based.

### Testing

Field testing of appraisals is performed through the inspection of subject properties. The periodic assistance of a senior appraiser or the chief appraiser also contributes to the testing process by assisting newer, less experienced appraisers with inspections.

Sales for most types of personal property are infrequent. Furthermore, many market transactions occur for multiple sites and include real and personal property, tangible and intangible, thereby making analysis difficult, subjective and inadequate to develop a statistical analysis. Performance is measured through comparison of like businesses.

## **Procedures for Applying “Capped” Homestead Property Values**

In reappraising a residence homestead for a tax year, if the market value is determined to be in excess of 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, the value for that tax year may not exceed an increase of 10% per year. This is according to Sec. 23.23 of the Property Tax Code. This does not apply to new improvements on the property. This “capped” procedure is written into the software used by the Appraisal District, and is automatically applied to the parcel if the limitations apply.

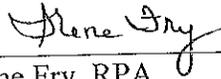
## **Ratio Study Procedures**

Ratio Studies are used by the District to provide us with vital information about our appraisal performance. The ratio studies we run are the principal tool used by the District to assure the quality of mass appraisals. The Garza Central Appraisal District is capable of running a Ratio Study at any time with the software used by the District. Ratio Studies are to be run at least annually after sales data is gathered and input. The reports are to be run sorted by school districts. The District will use the information from the studies for monitoring appraisal results, identifying revaluation priorities, adjusting valuations to the market and assisting our staff in planning and scheduling.

### Certification

I certify that, to the best of my knowledge and belief:

1. Statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is the appraisal staff's personal, unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, save and except the ownership of my personal residence and personal auto, and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent on the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
6. I have made or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by law.



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Irene Fry, RPA  
Chief Appraiser