

REAPPRAISAL PLAN
2019-2020
CONCHO CENTRAL
APPRAISAL DISTRICT

Adopted September 6, 2018

Table of Contents

Area Analysis	Page 33
Neighborhood Analysis	Page 33
Highest and Best Use Analysis	Page 33
Market Analysis	Page 34
Data Collection and Validation	Page 34
Data Collection Manuals	Page 34
Sources of Data	Page 35
Valuation Analysis	Page 35
Cost Schedules	Page 35
Income Models	Page 37
Sales Comparison Approach	Page 39
Final Valuation Schedules	Page 39
Statistical and Capitalization Analysis	Page 39
Individual Value Review Procedures	Page 40
Field Review	Page 40
Office Review	Page 41
Performance Tests	Page 41
Sales Ratio Studies	Page 42
Comparative Appraisal Analysis	Page 42
Business Personal Property Valuation Process	Page 44
Scope of Responsibility	Page 44
Appraisal Resources	Page 44
Valuation Approach	Page 44
SIC Code Analysis	Page 44
Highest and Best Use Analysis	Page 44
Data Collection and Validation	Page 45
Valuation and Statistical Analysis	Page 45
Cost Schedules	Page 46
Statistical Analysis	Page 46
Depreciation Schedule and Trending Factors	Page 46
Computer Asstd. Personal Property Appraisal	Page 46
Individual Value Review Procedures	Page 47
Performance Tests	Page 48
Minerals Valuation Process	Page 49
Scope of Responsibility	Page 49
Appraisal Resources	Page 49
Valuation and Statistical Analysis	Page 49
Pricing, Operating Expenses, and Reserve Analysis	Page 50
Value Review Procedures	Page 51

EXECUTIVE SUMMARY

The Concho Central Appraisal District has prepared and published this reappraisal plan to provide our Board of Directors, citizens and taxpayers with a better understanding of the district's responsibilities and activities. This plan has several parts: a general introduction and then, several sections describing the appraisal effort by the appraisal district.

The Concho Central Appraisal District (CAD) is a political subdivision of the State of Texas created January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A Board of Directors, appointed by the taxing units within the boundaries of the Concho Central Appraisal District, constitutes the district's governing body. The chief appraiser, appointed by the Board of Directors, is the chief administrator of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for ten jurisdictions or taxing units in the county. Each taxing unit sets its own tax rate to generate revenue to pay for police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Property appraisals by the appraisal district allocate the year's tax burden on the basis of each taxable property's market value. The District also determines eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

In this executive summary, please find the legal requirement of a reappraisal plan passed by the Texas Legislature in the 2005 regular session and our response to these requirements immediately below the law in bold italics. Intricate details of how the plan will be implemented are discussed in the body of this document.

TAX CODE REQUIREMENT

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

- (i) To ensure adherence with generally accepted appraisal practices, the Board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of 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

(2) Identifying and updating relevant characteristics of each property in the appraisal records;

For 2019, all of the parcels in the Eden ISD and overlapping Brady ISD from McCulloch County will be updated by personal inspection. The appraisers drive to neighborhoods within the towns and rural areas of Concho County and gather data about each home, commercial business, or vacant land tract using an appraisal card. The appraisers drive from property to property noting the condition of the property and observing and noting any changes to the property since the previous year's inspection. Other data stored in the CAMA system includes an exterior sketch of the improvement which allows the computer system to calculate square footage for the various areas of the building, and components within the building such as bathrooms, fireplaces, air conditioning, type of roof, type of exterior, etc. The Paint Rock ISD area will be inspected in 2020 using the same process as noted above.

Business personal property is inspected by the appraisers as he or she looks at commercial property. They look at the quality of inventory, how dense the stocking is, and make general notes about equipment that they see. If their observation is different than the rendition made by the taxpayer, additional information is gathered and a higher value may be assigned than the rendered amount.

(3) Defining market areas in the district;

Annually, the chief appraiser combines similar types of property into "neighborhoods". These neighborhoods have improvements that are of similar construction and type as well as similar years of construction. Market sales are examined to confirm which areas are similar.

Land is also put into regions or neighborhoods with other parcels having similar characteristics, school districts, and amenities. Using these neighborhoods, values are applied to all parcels. The formulae take into consideration location, size, topography, and other characteristics that the market recognizes as significant.

By utilizing sales data for each neighborhood, the appraiser measures accrued depreciation of structures by condition rating. Similar properties with similar condition are assigned values per square foot based on the linear regression formulae for that neighborhood. By utilizing the age, quality, condition, construction components, and other variables, the model is developed and applied to all parcels within the neighborhood.

For commercial property and apartments, factors are applied to cost figures to align values with current sales data. Models are developed and the CAMA system applies all the factors and assigns value to each parcel.

(7) Reviewing the appraisal results to determine value.

After completing the process of assigning values to all parcels within a neighborhood using the computer assisted mass appraisal programs, printouts are run to make comparisons of values per square foot and comparison of those appraised values per square foot with current sales data from the neighborhood. A sales ratio is run to determine if the values that have been assigned are within required ratios of law (95%-105%).

Commercial property and apartments are compared by category or type of business. Adjustments are made in mass by the appraiser utilizing the CAMA system. All similar improvements are compared to verify reasonableness of value and equality.

Oil and gas leases are valued individually by Capitol Appraisal Group and values and the value of each lease is distributed to each operator interest or royalty interest based on ownership provided by the taxpayer, agent, or crude purchaser.

REVALUATION DECISION (REAPPRAISAL CYCLE)

The Concho Central Appraisal District, by policy, reviews all property in the district every two years. Inspections are done at least once every two years. The Eden ISD and overlapping Brady ISD parcels will be re-inspected in 2019 and Paint Rock ISD will be inspected in 2020.

the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

Personnel Resources

The Chief Appraiser is primarily responsible for overall planning, organizing, coordinating, and controlling of district operations. The appraisers are responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, and business personal. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation. Support functions including records maintenance, information and assistance to property owners, and the conducting of ARB hearings coordinated by office personnel.

The appraisal district staff consists of 3 employees with the following classifications:

- 1 - Official/Administrator (Chief Appraiser)
- 2 – Administrative Support (Customer service, clerical, mapping, and collections)

Staff Education and Training

Appraisers that are performing appraisal work are registered with the Texas Department of Licensing and Regulation (TDLR) are required to take appraisal courses to achieve the status of Registered Professional Appraiser within five years of employment as an appraiser. After they are awarded their license, they must receive additional training of not less than 30 hours of continuing education every two years. Failure to meet these minimum standards results in the termination of the employee.

Additionally, all appraisal personnel receive extensive training in data gathering processes including data entry into the I-pad used in field work and statistical analyses of all types of property to ensure equality and uniformity of appraisal of all types of property.

Data

The district is responsible for establishing and maintaining approximately 9950 real and personal property accounts covering Concho County. Data collected includes property characteristics, ownership, and exemption information. Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review. Sales are routinely validated during a separate field effort and as part of the new construction and field inspections. General

released February 1 in the year following the year of appraisal. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) the following July of each year. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

- **Commercial Property-** Commercial and industrial real estate is observed semi annually to verify class and condition. Pictures are taken of the improvements as updates are observed. Real estate accounts are analyzed against sales of similar properties in Concho County as well as similar communities in West Texas that have similar economies. The income approach to value is also utilized to appraise larger valued commercial properties that typically sell based on net operating income.
- **Business Personal Property-** Business personal property is observed annually with appraisers actually going into businesses to develop quality and density observations. A rendition is left or mailed to new businesses to complete. Similar businesses to the subject are analyzed annually to determine consistency of appraisal per square foot. Rendition laws provide additional information on which to base values of all BPP accounts.

Data Collection/Validation

Data collection of real property involves maintaining data characteristics of the property on CAMA (Computer Assisted Mass Appraisal) software. The information contained in CAMA includes site characteristics, such as land size and topography, and improvement data, such as square footage of living area and other areas of the improvement, year built, quality of construction, and condition. Field appraisers are required to use a property classification system that establishes uniform procedures for the correct listing of real property. All properties are coded according to a classification system. The approaches to value are structured and calibrated based on this coding system and property description and characteristics. The field appraisers use property classification references during their initial training and as a guide in the field inspection of properties. Data collection for personal property involves maintaining information on software designed to record and appraise business personal property. The type of information contained in the BPP file includes personal property such as business inventory, furniture and fixtures, machinery and equipment, with details such as cost and location. The field appraisers conducting on-site inspections use a personal property classification system during their initial training and as a guide to correctly list all personal property that is taxable.

Sources of Data

The sources of data collection are through property inspection, new construction field effort, data review/relist field effort, data mailer questionnaires, hearings, sales validation field effort, commercial sales verification and field effort, newspapers and publications, and property owner correspondence by mail or via the Internet. Area and regional real estate brokers and managers are sources of market and property information. Data surveys of property owners requesting market information and property description information is also valuable data. Soil surveys and agricultural

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection and the appraiser responsible are listed on the CAMA record and property card. If a property owner or jurisdiction disputes the district's records concerning this data during a hearing, via a telephone call or other correspondence received, the record may be corrected based on the evidence provided or an on-site inspection may be conducted. Typically, a field inspection is requested to verify this information for the current year's valuation or for the next year's valuation. Every year a field review of real property located in certain areas or neighborhoods in the jurisdiction is done during the data review/re-list field effort. A field review is performed on all personal property accounts, with available situs, each year.

Office Review

Office reviews are completed on properties where update information has been received from the owner of the property and is considered accurate and correct. Data mailers frequently verify some property characteristics or current condition of the property. When the property data is verified in this manner, and considered accurate and correct, field inspections may not be required. The personal property rendition forms are mailed in December or January of each year to assist in the annual review of the property.

Performance Test

The chief appraiser is responsible for conducting ratio studies and comparative analysis. Ratio studies are conducted on property located within certain areas or districts. The sale ratio and comparative analysis of sale property to appraised value, forms the basis for determining the level of appraisal and market influences and factors for the neighborhood. This information is the basis for updating property valuation for the entire area of property.

and costs are collected from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources of continuing education including IAAO and TDLR approved classes.

Neighborhood and Market Analysis

A neighborhood is a group of properties that share important characteristics. A neighborhood is typically a distinct group of properties that is often identified by a geographic (physical) boundary, or a group of properties that reacts in a similar manner to market influences.

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. Residential valuation and neighborhood analysis is conducted on various market areas within each of the political entities known as independent school districts. Analysis of comparable market sales forms the basis of estimating market activity and the level of supply and demand affecting market prices for any given market area, neighborhood or district. Market sales indicate the effects of these market forces and are interpreted by the appraiser into an indication of market price ranges and indications of property component change considering a given time period relative to the date of appraisal. Cost and market approaches to estimate value are the basic techniques utilized to interpret these sales.

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform. Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood with similar characteristics has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes. In the period of

Sales Information

A sales file for the storage of "snapshot" sales data at the time of sale is maintained for real property. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a sales information system. Residential improved and vacant sales are collected from a variety of sources, including: district questionnaires sent to buyer and seller, field discovery, protest hearings, fee appraisals, and realtors. A system of type, source, validity and verification codes has been established to define salient facts related to a property's purchase or transfer and to help determine relevant market sale prices. The effect of time as an influence on price was considered by paired comparison and applied in the ratio study to the sales as indicated within each neighborhood area. Neighborhood sales reports are generated as an analysis tool for the appraiser in the development and estimation of market price ranges and property component value estimates. Abstraction and allocation of property components based on sales of similar property is an important analysis tool to interpret market sales under the cost and market approaches to value. These analytical tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

Statistical Analysis

The residential valuation appraisers perform statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted on each of the residential valuation neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed for each neighborhood. The level of appraised values is determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.

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

property. The market approach, when improvements are abstracted from the sale price, indicates the depreciated value of the improvement component, and in effect, measures changes in accrued depreciation. The level of improvement contribution to the property is measured by abstraction of comparable market sales, which is the property sale price less land value. The primary unknown for the cost approach is to accurately measure accrued depreciation affecting the amount of loss attributed to the improvements as age increases and condition changes. This evaluation of cost results in the depreciated value of the improvement component based on age and condition. The evaluation of this market and cost information is the basis of reconciliation and indication of property valuation under this hybrid model.

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales prices indicates the neighborhood level of appraisal based on sold properties. This ratio is compared to the acceptable appraisal ratio, 95% to 105%, to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

If reappraisal of the neighborhood is indicated, the appraiser analyzes available market sales, appropriately adjusted for the apparent effects of time, by market abstraction of property components. This abstraction of property components allows the appraiser to focus on the rate of change for the improvement contribution to the property by providing a basis for calculating accrued depreciation attributed to the improvement component. This impact on value is usually the most significant factor affecting property value and the most important unknown to determine by market analysis. Abstraction of the improvement component from the adjusted sale price for a property indicates the effect of overall market suggested influences and factors on the price of improvements that were a part of this property, recently sold. Comparing this indicated price or value allocation for the improvement with the estimated replacement cost new of the improvement indicates any loss in value due to accrued forms of physical, functional, or economic obsolescence. This is a market driven measure of accrued depreciation and results in a true and relevant measure of improvement marketability, particularly when based on multiple sales that indicate the trending of this rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimates the annual rate of depreciation for given improvement descriptions considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all property within the sale sample to consider and review the effects on the neighborhood sale ratio. After an acceptable level of appraisal is achieved within the sales sample, the entire

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The appraiser identifies individual properties in need of field review through sales ratio analysis. Sold properties are field reviewed on a monthly and periodic basis to check for accuracy of data characteristics.

Office Review

When field review is completed, the appraiser conducts a routine valuation review of all properties as outlined in the discussion of ratio studies and market analysis. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The percentage of value differences are noted for each property within a delineated neighborhood allowing the appraiser to identify, research and resolve value anomalies before final appraised values are released. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year.

When the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value go to noticing.

PERFORMANCE TESTS

Sales Ratio Studies

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each neighborhood to allow the appraiser to review general market trends within their area of responsibility, and provide an indication of market appreciation over a specified period of time.

PRELIMINARY ANALYSIS

Market Study

Market studies are utilized to test new or existing procedures or valuation modifications in a limited sample of properties located in the district and are also considered and become the basis of updating whenever substantial changes in valuation are made. These studies target certain types of improved property to evaluate current market prices for rents and for sales of commercial and industrial real property. These comparable sale studies and ratio studies reveal whether the valuation system is producing accurate and reliable value estimates or whether procedural and economic modifications are required. The appraiser implements this methodology when developing cost approach, market approach, and income approach models.

VALUATION APPROACH

Land Value

Commercial land is analyzed annually to compare appraised values with recent sales of land in the market area. If appraised values differ from sales prices being paid, adjustments are made to all land in that region. Generally, commercial property is appraised on a price per square foot basis. Factors are placed on individual properties based on corner influence, depth of site, shape of site, easements across site, and other factors that may influence value. The land is valued as though vacant at the highest and best use. If sales are not available, the abstraction or allocation method is used to appraise land.

Area Analysis

Area 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.

Neighborhood Analysis

The neighborhood and market areas are comprised of the land area and commercially classed properties located within the boundaries of this appraisal jurisdiction. These areas consist of a wide variety of property types including multiple-family residential, commercial and industrial. Neighborhood and area analysis involve the examination of how physical, economic, governmental and social forces and other influences may affect property values within subgroups of property locations. The effects of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial and industrial properties these

trends, capitalization rate studies are analyzed to determine market ranges in price, operating costs and investment return expectations.

DATA COLLECTION / VALIDATION

Data Collection Manuals

Data collection and documentation for commercial/industrial property is continually updated, providing a uniform system of itemizing the multitude of components comprising improved properties.

Sources of Data

In terms of commercial sales data, Concho CAD receives a copy of the deeds recorded in Concho County that convey commercially classed properties. These deeds involving a change in commercial ownership are entered into the sales information system and researched in an attempt to obtain the pertinent sale information. Other sources of sale data include the protest hearings process and local, regional and national real estate and financial publications.

For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a computer-generated questionnaire, which is mailed to both parties in the transaction (Grantor and Grantee). If a questionnaire is answered and returned, the documented responses are recorded into the computerized sales database system. Other sources contacted are the brokers involved in the sale, property managers or commercial vendors. In other instances, sales verification is obtained from local appraisers or others that may have the desired information. Finally, closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

Valuation Analysis

Model calibration involves the process of periodically adjusting the mass appraisal formulae, tables and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new construction procedures, materials and/or costs, which can vary from year to year. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to the current market conditions

Cost Schedules

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data

The result of estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements. Adding the estimated land value, as if vacant, to the contributory value of the improvements indicates a property value by the cost approach. Given relevant cost estimates and market related measures of accrued depreciation, the indicated value of the property by the cost approach becomes a very reliable valuation technique.

Income Models

The income approach to value is applied to those real properties which are typically viewed by market participants as "income producing", and for which the income methodology is considered a leading value indicator. The first step in the income approach pertains to the estimation of market rent on a per unit basis. This is derived primarily from actual rent data furnished by property owners and from local market surveys conducted by the district and by information from area rent study reviews. This per unit rental rate multiplied by the number of units results in the estimate of potential gross rent.

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 from actual data furnished by property owners and local market survey trends. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. This feature may also provide for a reasonable lease-up period for multi-tenant properties, where applicable. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an indication of estimated annual effective gross rent to the property.

Next, a secondary income or service income is considered and, if applicable, calculated as a percentage of stabilized effective gross rent. Secondary income represents parking income, escalations, reimbursements, and other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected and available market information. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income, when applicable.

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-recoverable expenses such as leasing costs and tenant improvements may be included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Relevant expense ratios are developed for different types of commercial property based on use and market experience. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for all operating expenses, such as ad valorem taxes, insurance, and

the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss from these real property operations is discounted using an acceptable risk rate. The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances and leasing commissions) becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy. A variation of this technique allows a rent loss deduction to be estimated for every year that the property's actual occupancy is less than stabilized occupancy.

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 parcels on the appraisal roll. As previously discussed in the Data Collection / Validation section of this report, pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information which can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

Final Valuation Schedules

Based on the market data analysis and review discussed previously in the cost, income and sales approaches, the cost and income models are calibrated and finalized. The calibration results are keyed to the schedules and models in the CAMA system for utilization on all commercial properties in the district. Market factors reflected within the cost and income approaches are evaluated and confirmed based on market sales of commercial and industrial properties. The appraisers review the cost, income, and sales comparison approaches to value for each of the types of properties with available sales information. The final valuation of a property is estimated based on reconciling these indications of value considering the weight of the market information available for evaluation and analysis in these approaches to value.

Statistical and Capitalization Analysis

Statistical analysis of final values is an essential component of quality control. This methodology represents a comparison of the final value against the standard and

factors contributing significantly to the market value of the property. In some cases, field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. With preliminary estimates of value in these targeted areas, the appraisers test computer assisted values against their own appraisal judgment. While in the field, the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties subject to field inspections and are performed in compliance with the guidelines required by the existing classification system. Office reviews are typically limited by the available market data presented for final value analysis. These reviews summarize the pertinent data of each property as well as comparing the previous value to the proposed value conclusions of the various approaches to value. These evaluations and reviews show proposed value changes, income model attributes or overrides, economic factor (cost overrides) and special factors affecting the property valuation such as new construction status, and a three years sales history (USPAP property history requirement for non-residential property). The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions. Each appraiser's review is limited to properties in their area of responsibility by property type (improved) or geographic area (commercial vacant land).

When the appraiser is satisfied with the level and uniformity of value for each commercial property within their area of responsibility, the estimates of value go to noticing. Each parcel is subjected to the value parameters appropriate for its use type.

Performance Tests

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market prices. In a ratio study, market values (value in exchange) are typically represented with the range of sale prices, i.e. a sales ratio study. Independent, expert appraisals may also be used to represent market values in a ratio study, i.e. an appraisal ratio study. If there are not enough examples of market price to provide necessary representativeness, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial or industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties statutorily not appraised at market value, but reflect the use-value requirement. An example of this are multi-family housing projects subject to

Business Personal Property Valuation Process

INTRODUCTION

Scope of Responsibility

There are four different personal property types appraised by the district's personal property section: Business Personal Property accounts; leased assets; vehicles and aircraft; and multi-location assets.

- **Personnel** - The personal property staff consists of:
Concho CAD Staff
- **Data** - The personal property appraisers collect the field data and maintain electronic property files making updates and changes gathered from field inspections, newspapers, property renditions, sales tax permit listing and interviews with property owners.

VALUATION APPROACH

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the greatest income and the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of personal property is normally its current use.

DATA COLLECTION/VALIDATION

Data Collection Procedures

Personal property data collection procedures are published and distributed to all appraisers involved in the appraisal and valuation of personal property. The appraisal procedures are reviewed and revised to meet the changing requirements of field data collection.

current year rendered information is available. The calculated current year value or the prior year's value is compared to the indicated model value by the valuation program. If the value being tested is within an established acceptable percentage tolerance range of the model value, the account passes that range check and moves to the next valuation step. If the account fails the tolerance range check, it is flagged for individual review. Allowable tolerance ranges may be adjusted from year to year depending on the analysis of the results of the prior year.

Vehicles

Value estimates for vehicles are provided by an outside vendor and are based on Red Book published book values, and there are also considerations available for high mileage. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

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

INDIVIDUAL VALUE REVIEW PROCEDURES

Office Review

Business Personal Property

Property owner renditions, accounts with field or other data changes, accounts with prior hearings, new accounts, and SIC cost table changes are all considered. The accounts are processed by the valuation program and pass or fail preset tolerance parameters by comparing appraised values to prior year and model values. The appraisers review accounts that fail the tolerance parameters.

PERFORMANCE TESTS

Ratio Studies

Every other year the Property Tax Division of the state comptroller's office conducts a property value study (PVS). The PVS is a ratio study used to gauge appraisal district performance. Results from the PVS play a part in school funding. Rather than a sales ratio study, the personal property PVS is a ratio study using state

Rural Land Valuation Process

Introduction

Scope of Responsibility

The appraisal district is responsible for estimating a market value on each rural parcel of land in the County. Additionally, each parcel is assigned an agricultural use value which is based on the production capability of the land and any other income associated with the land that is not taxed in some other manner such as mineral value. Specific requirements of law determine whether the land is taxed as "agricultural" or at its market value. Those details are located in Chapter 23 of the Property Tax Code.

Development of Market Value

Rural land is considered acreage outside the towns of Concho County and not developed into residential tracts. In many cases the land is used for the production of crops or livestock. The market value of land is normally developed using the sales comparison approach. Recent sales are analyzed to examine the driving forces in the transaction. The size of the tract, the mix of pasture to cultivated land, the type of soils on the tract, the quality of hunting in the area, the scenic views on the tract, the proximity of utilities, the type of roads to the parcel, and the influence of potential flooding are just some of the factors that influence the sales price. These factors are captured in as much detail as possible on each parcel so that the market value of all land parcels are equal and uniform.

Using the sales available and the characteristics of those sales, models are developed containing price per acre for various sizes of tracts with adjustments based from the sales data on other factors about each parcel.

Development of Agricultural Use Value

Although the process of development of agricultural use values is very detailed, the explanation is to offer the reader a general idea of the process of developing those values. The primary concept in the development of value is to determine typical gross income to various types of rural tracts of similar soils and use and then develop typical expenses that the owner must incur to maximize the potential of the land. Subtracting the expenses from the gross income yields what is referred to as "net income to the land". That net income is then divided by a capitalization rate mandated in state law. Currently that rate is 10% meaning that the owner of the land is entitled to a 10% return on his investment. Therefore, the agricultural value is developed by using the following formula:

$$\text{Gross Income} - \text{Expense} = \text{Net Income} / \text{Capitalization Rate}$$

Minerals (Oil and Gas Reserves) Valuation Process

INTRODUCTION

Scope of Responsibility

Minerals-in-place (oil and gas reserves) are real property. Appraisal of minerals, oil and gas reserves, is based on estimating the present value of the economically recoverable reserves of oil and gas. Mineral rights are property rights and may be separable property interests from the land surface property rights. Oil and gas reserves lying under the surface and waiting to be produced are a tangible asset and are appraised as such for ad valorem taxation purposes. The valuation of minerals-in-place is based on estimating the discounted net present value of the oil and gas production over the economic life of the individual lease. Basically, this method of valuation is an income approach using discounted cash flow analysis methodology. Oil and gas properties are also marketed based on proven reserves, and the considered units of comparison in this market are barrels of oil or cubic feet of natural gas. The market approach is based on sales of property where the determining valuation factor is the quantity of proven reserves.

Mineral interests are commonly divided into property ownership interests known as working interests and royalty interests. The valuation of the individual ownership interests begins with the valuation of the mineral lease as a whole. This value is then apportioned to the individual owners according to legal arrangements outlined in the division of interest order for each lease. It is the goal and purpose of the CAD to identify and maintain accurate and current records on every producing mineral property interest within the district, and estimate the market value of each property interest listed on the tax roll.

Appraisal Resources

- Capitol Appraisal Group

LIMITING CONDITIONS

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

1. The appraisals were prepared exclusively for ad valorem tax purposes.
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised were performed as staff resources and time allowed. Some interior inspections of property appraised were performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.
3. Validation of sales transactions was attempted through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
4. I have attached a list of staff providing significant mass appraisal assistance to the person signing this certification.

Certification Statement:

"I, Ashley Mayfield, Chief Appraiser for the Concho Central Appraisal District, solemnly swear that I will make or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I will include in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, is determined as required by law."

Ashley Mayfield, RPA
Chief Appraiser

2019 Calendar of Key Events

Throughout the year

CAD Staff:

Research returned mail.

Mail applications for special appraisals and exemptions requiring annual applications, such as new homestead exemptions, surviving spouse, historic exemptions, ag-use applications due to change of ownership.

Gather sales data from sales confirmation letters, deed records and other sales sources for sales files.

Pick up copies of filed deeds from County Clerk's office.

Research property ownership.

Key name/address changes, splits/combines, new property and personal property into CAMA. Track value loss due to property acquiring 1st time exemptions and 1st time 1-d or 1-d-1 appraisal, value gain due to new improvements for taxing units.

Send copies of associated mineral deeds to Capital Appraisal Group

Send copies of splits/combine parcels to mapping company

Update address change file as new addresses received.

Process and sell digital copies of appraisal rolls to taxpayers.

Prepare and post Board of Directors agenda for meetings.

Prepare and mail Board of Directors packets for meetings.

Answer phone calls and assist walk-in customers.

January 2019

Appraisal Department

Conduct field inspections on residential, land, mobile homes, commercial, industrial, pipelines and personal property.

All real property in Eden ISD & overlapping BISD visually inspected and checked for accuracy in class and depreciation.

Take pictures of improvements and download to CAMA.

Check for new construction and demolition of improvements.

Begin planning sales ratio studies for all areas within the CAD.

Review schedules in comparison to available sales data to determine areas needing significant adjustment or close review.

Review renditions as received.

Meet with agricultural advisory board to discuss agricultural issues.

CAD Staff

Create list of renditions mailed and note date when rendition and/or extension request received.

Chief appraiser schedules 1st yearly meeting of Agricultural Advisory Board.

Check for 65 and over homestead exemptions that need to be granted automatically.

Check that mapping updates have been processed as scheduled.

Post updated public service announcement in CAD office.

Place ¼ page ad in local newspaper on availability of exemptions, rendition requirements, special appraisals, and tax deferrals.

February 2019

Appraisal Department

Real property appraiser continues to work renditions as received.

Renditions received, scanned, and processed.

Appraisers continue to work on discovery of property and appraisals.

Mineral and special property renditions and/or extension requests are faxed, mailed or e-mailed to mineral appraisers and the original filed in-house.
Contact agent if no appointment form on file for property rendered or property protested.
Code returned value notices and research ownership and addresses.
Ensure all ARB members have attended mandatory training and certificates of completion are on file.

June 2019

Appraisal Departments:

Appraisers work with property owners regarding proposed values and protests filed.
Coordinate with CAD staff on hearing schedule and protests filed.

CAD Staff:

Submit completed Operations Survey to State Comptroller.
Chief Appraiser begins update of USPAP Report (Mass Appraisal Report).
Chief Appraiser submits recommended 2020 Budget to CAD board and taxing units by June 15.
Chief Appraiser submits estimated pro-rated budget shares to CAD board and taxing units.
Contact agent if no appointment form on file for property protested.
Schedule protest hearing and mail Notice of Protest letters.
Prepare cause folders for hearings.
Compile information for evidence packets for property owners filing protests and requesting evidence.
Coordinate with mineral and special property appraisers on hearing schedule and protests filed.
Code returned value notices and research ownership and addresses.
Print and mail personal property rendition penalty letters.
Mail all approvals/denials on rendition penalty waiver requests.
Post ARB hearing Agenda as necessary.
Check rendition list against Preliminary Appraisal Roll to verify properties are being picked up and appraised by mineral and special property appraisers.

July 2019

Appraisal Departments:

Appraisers work with property owners regarding proposed values and protests filed.
Appraisers defend values at protest hearings.
Enter into CAMA all changes ordered by ARB.

CAD Staff:

Prepare hearing list and information on informal meetings and formal hearings to check on evidence and reason for changes in value by contract appraisers.
Mail all approvals/denials on rendition penalty waiver requests.
Post ARB hearing agenda as necessary
Submit appraisal records to ARB for review.
Begin ARB hearings
Provide ARB support; make record of minutes during hearings, make copies as needed, supply forms and orders as needed, etc.
Mail ARB Notices and Orders certified, return receipt requested.
Enter into CAMA all changes ordered by ARB.
ARB approves Appraisal Records by July 20.
Chief Appraiser certifies Appraisal Roll to taxing units by July 25.
Submit Certified Appraisal Roll to State Comptroller.

Board of Directors hold budget workshop.
Place ¼ page Notice of Budget Hearing Ad in newspaper at least 10 days before the hearing date.
Submit Notice of Budget Hearing to taxing units at least 10 days before hearing date.

August 2019

Appraisal Department:

Appraisers continue to work on any pending protest hearings.
Continue working with taxpayers.
Coordinate with CAD that rendition penalties are applied correctly.

2020 Calendar of Key Events

Throughout the year:

CAD Staff:

Research returned mail.

Mail applications for special appraisals and exemptions requiring annual applications, such as new homestead exemptions, surviving spouse, historic exemptions, ag-use applications due to change of ownership.

Gather sales data from sales confirmation letters, deed records and other sales sources for sales files.

Pick up copies of filed deeds from County Clerk's office.

Research property ownership.

Key name/address changes, splits/combines, new property and personal property into CAMA. Track value loss due to property acquiring 1st time exemptions and 1st time 1-d or 1-d-1 appraisal, value gain due to new improvements for taxing units.

Send copies of associated mineral deeds to mineral appraisal company

Send copies of splits/combine parcels to mapping contractor

Update address change file as new addresses received and copy to mineral appraisal company.

Process and sell digital copies of appraisal rolls to taxpayers.

Prepare and post Board of Directors agenda for meetings.

Prepare and mail Board of Directors packets for meetings.

Answer phone calls and assist walk-in customers.

January 2020

Appraisal Department

Conduct field inspections on residential, land, mobile homes, commercial, industrial, pipelines and personal property.

All real property in Paint Rock ISD and Lake Ivie is visually inspected and checked for accuracy in class and depreciation.

Take pictures of improvements.

Check for new construction and demolition of improvements.

Begin planning sales ratio studies for all areas within the CAD.

Review schedules in comparison to available sales data to determine areas needing significant adjustment or close review.

Review renditions as received.

Meet with chief appraiser and agricultural advisory board to discuss agricultural issues.

CAD Staff

Upload appraisal data for field appraiser.

Create list of renditions mailed and note date when rendition and/or extension request received.

Chief appraiser schedules 1st yearly meeting of Agricultural Advisory Board.

Check for 65 and over homestead exemptions that need to be granted automatically.

Check that mapping updates have been processed as scheduled.

Post updated public service announcement in CAD office.

Place ¼ page ad in local paper on availability of exemptions, rendition requirements, special appraisals, and tax deferrals.

February 2020

Appraisal Department

Prepare for financial audit by independent CPA firm.

Real property appraiser continues to work renditions as received.

BPP renditions received and processed.

Appraiser continues to work on discovery of property and appraisals.

Receive and key rendition extension requests and accounts granted additional 15-day extension.
Mineral and special property renditions and/or extension requests are faxed, mailed or e-mailed to mineral appraiser and the original filed in-house.
Contact agent if no appointment form on file for property rendered or property protested.
Code returned notices and research ownership and addresses.

June 2020

Appraisal Departments:

Appraisers work with property owners regarding proposed values and protests filed.
Coordinate with CAD staff on hearing schedule and protests filed.

CAD Staff:

Submit appraisal records to ARB for review.
Submit completed Operations Survey to State Comptroller.
Chief Appraiser begins update of USPAP Report (Mass Appraisal Report).
Chief Appraiser submits recommended 2021 Budget to CAD board no later than June 15.
Chief Appraiser submits estimated pro-rated budget shares to CAD board and taxing units.
Contact agent if no appointment form on file for property protested.
Schedule protest hearing and mail Notice of Protest letters.
Compile information for evidence packets for property owners filing protests and requesting evidence.
Coordinate with mineral and special property appraisers on hearing schedule and protests filed.
Prepare hearing list and information on information meeting and formal hearing to check on evidence and reason for changes in value by contract appraisers.
Code returned appraisal notices and research ownership and addresses.
Print and mail personal property rendition penalty letters.
Mail all approvals/denials on rendition penalty waiver requests.
Post ARB hearing Agenda as necessary.
Check rendition list against Preliminary Appraisal Roll to verify properties are being picked up and appraised by mineral appraiser.

July 2020

Appraisal Departments:

Appraisers work with property owners regarding proposed values and protests filed.
Appraisers defend values at protest hearings.
Enter into CAMA all changes ordered by ARB.

CAD Staff:

Prepare hearing list and information on informal meetings and formal hearings to check on evidence and reason for changes in value by contract appraisers.
Mail all approvals/denials on rendition penalty waiver requests.
Post ARB hearing agenda as necessary
Begin ARB hearings
Provide ARB support; make record of minutes during hearings, make copies as needed, supply forms and orders as needed, etc.
Mail ARB Notices and Orders certified, return receipt requested.
Enter into CAMA all changes ordered by ARB.
ARB approves Appraisal Records by July 20.
Chief Appraiser certifies Appraisal Roll to taxing units by July 25.
Submit Certified Appraisal Roll to State Comptroller.

August 2020

Appraisal Department:

Appraisers continue to work on any pending protest hearings.
Continue working with taxpayers.
Coordinate with CAD that rendition penalties are applied correctly.

CAD Staff:

Submit sales information to State Comptroller's Office by Aug 1. EARS
Submit Certified Appraisal Roll to State Comptroller by Aug 1. EARS
Place ¼ page Notice of Budget Hearing Ad in local newspaper at least 10 days before the hearing date.

Appendix A

STANDARD 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals. USPAP standard 6 is a necessary set of rules that provides structure and guidance for the Concho CAD appraisal staff during the development and implementation of appraisal concepts.

Comment: STANDARD 6 applies to all mass appraisals of real or personal property regardless of the purpose or use of such appraisals. STANDARD 6 is directed toward the substantive aspects of developing and communicating credible analyses, opinions, and conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or without computer assistance. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

- 1) identifying properties to be appraised;
- 2) defining market area of consistent behavior that applies to properties;
- 3) identifying characteristics (supply and demand) that affect the creation of value in that market area;
- 4) developing a model structure that reflects the relationship among the characteristics affecting value in the market area;
- 5) calibrating the model structure to determine the contribution of the individual characteristics affecting value;
- 6) applying the conclusions reflected in the model to the characteristics of the property(ies) being appraised; and
- 7) reviewing the mass appraisal results.

The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

Standards Rule 6-1

In developing a mass appraisal, an appraiser must:

- (a) be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible mass appraisal;

Comment: Mass appraisal provides for a systematic approach and uniform application of appraisal methods and techniques to obtain estimates of value that allow for statistical review and analysis of

their contributions to or negative influence on value must be developed by analysis of relevant market data;

Comment: For certain types of appraisal assignments in which a legal definition of market value has been established and takes precedence, they may apply.

- (d) **identify the effective date of the appraisal;**
- (e) identify the characteristics of the properties that are relevant to the type and definition of value and intended use, including:
 - (i) the group with which a property is identified according to similar market influence;
 - (ii) the appropriate market area and time frame relative to the property being valued; and
 - (iii) their location and physical, legal, and economic characteristics;

Comment: The properties must be identified in general terms, and each individual property in the universe must be identified, with the information on its identity stored or referenced in its property record.

When appraising proposed improvements, an appraiser must examine and have available for future examination, plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements.

Ordinarily, proposed improvements are not appraised for ad valorem tax. Appraisers, however, are sometimes asked to provide opinions of value of proposed improvements so that developers can estimate future property tax burdens. Sometimes units in condominiums and planned unit developments are sold with an interest in unbuilt community property, the pro rata value of which, if any, must be considered in the analysis of sales data.

- (f) identify the characteristics of the market that are relevant to the purpose and intended use of the mass appraisal including:
 - (i) location of the market area;
 - (ii) physical, legal, and economic attributes;
 - (iii) time frame of market activity; and
 - (iv) property interests reflected in the market;
- (g) in appraising real property or personal property:
 - (i) identify the appropriate market area and time frame relative to the property being valued;
 - (ii) when the subject is real property, identify and consider any personal property, trade fixtures, or intangibles that are not real property but are included in the appraisal;
 - (iii) when the subject is personal property, identify and consider any real property or intangibles that are not personal property but are included in the appraisal;
 - (iv) identify known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of similar nature; and

for a proper solution to the appraisal problem.

- (b) in appraising personal property: identify and analyze the effects on use and value of industry trends, value-in-use, and trade level of personal property. Where applicable, identify the effect of highest and best use by measuring and analyzing the current use and alternative uses to encompass what is profitable, legal, and physically possible, as relevant to the type and definition of value and intended use of the appraisal. Personal property has several measurable marketplaces; therefore, the appraiser must define and analyze the appropriate market consistent with the type and definition of value.

Comment: The appraiser must recognize that there are distinct levels of trade and each may generate its own data. For example, a property may have a different value at a wholesale level of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser must analyze the subject property within the correct market context.

Standards Rule 6-4

In developing a mass appraisal, an appraiser must:

- (a) identify the appropriate procedures and market information required to perform the appraisal, including all physical, functional, and external market factors as they may affect the appraisal;

Comment: Such efforts customarily include the development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration.

- (b) employ recognized techniques for specifying property valuation models; and

Comment: The formal development of a model in a statement or equation is called model specification. Mass appraisers must develop mathematical models that, with reasonable accuracy, represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. The models may be specified using the cost, sales comparison, or income approaches to value. The specification format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics. Appropriate approaches must be used in appraising a class of properties. The concept of recognized techniques applies to both real and personal property valuation models.

- (c) employ recognized techniques for calibrating mass appraisal models.

Comment: Calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model. The table entries in a cost manual are examples of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation.

- (a) value improved parcels by recognized methods or techniques based on the cost approach, the sales comparison approach, and income approach;
- (b) value sites by recognized methods or techniques; such techniques include but are not limited to the sales comparison approach, allocation method, abstraction method, capitalization of ground rent, and land residual technique;
- (c) when developing the value of a leased fee estate or a leasehold estate, analyze the effect on value, if any, of the terms and conditions of the lease;

Comment: In ad valorem taxation the appraiser may be required by rules or law to appraise the property as if in fee simple, as though unencumbered by existing leases. In such cases, market rent would be used in the appraisal, ignoring the effect of the individual, actual contract rents.

- (d) analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the value of the whole must not be developed by adding together the individual values of the various parcels, divided interests, or component parts; and

Comment: When the value of the whole has been established and the appraiser seeks to value a part, the value of any such part must be tested by reference to appropriate market data and supported by an appropriate analysis of such data.

- (e) when analyzing anticipated public or private improvements, located on or off the site, analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.

Standards Rule 6-7

In reconciling a mass appraisal an appraiser must:

- (a) reconcile the quality and quantity of data available and analyzed within the approaches used and the applicability or suitability of the approaches used; and
- (b) employ recognized mass appraisal testing procedures and techniques to ensure that standards of accuracy are maintained.

Comment: It is implicit in mass appraisal that, even when properly specified and calibrated mass appraisal models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy. This responsibility requires appraisers to evaluate the performance of models, using techniques that may include but are not limited to, goodness-of-fit statistics, and model performance statistics such as appraisal-to-sale ratio studies, evaluation of hold-out samples, or analysis of residuals.

Standards Rule 6-8

indicate to intended users how the definition is being applied.

When reporting an opinion of market value, state whether the opinion of value is:

In terms of cash or of financing terms equivalent to cash; or

Based on non-market financing with unusual conditions or incentives.

When an opinion of market value is not in terms of cash or based on financing terms equivalent to cash, summarize the terms of such financing and explain their contributions to or negative influence on value.

- (i) identify the properties appraised including the property rights;

Comment: The report documents the sources for location, describing and listing the property. When applicable, include references to legal descriptions, addresses, parcel identifiers, photos, and building sketches. In mass appraisal this information is often included in property records. When the property rights to be appraised are specified in a statute or court ruling, the law must be referenced.

- (j) describe the scope of work used to develop the appraisal; exclusion of the sales comparison approach, cost approach, or income approach must be explained;

Comment: Because intended users reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

When any portion of the work involves significant mass appraisal assistance, the appraiser must describe the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant mass appraisal assistance in the certification, in accordance with SR 6-9.

- (k) describe and justify the model specification(s) considered, data requirements, and the model(s) chosen;

Comment: The appraiser must provide sufficient information to enable the client and intended users to have confidence that the process and procedures used conform to accepted methods and result in credible value conclusions. In the case of mass appraisal for ad valorem taxation, stability and accuracy are important to the credibility of value opinions. The report must include a discussion of the rationale for each model, the calibration techniques to be used, and the performance measures to be used.

- (l) describe the procedure for collecting, validating, and reporting data;

Comment: The report must describe the sources of data and the data collection and validation processes. Reference to detailed data collection manuals must be made, as appropriate, including where they may be found for inspection.

- (m) describe calibration methods considered and chosen, including the mathematical form of the final model(s); describe how value conclusions were reviewed; and, if necessary, describe the availability of individual value conclusions;

- (n) when an opinion of highest and best use was developed, discuss how that opinion was determined;

Comment: The mass appraisal report must reference case law, statute, or public policy that describes highest and best use requirements. When actual use is the requirement, the report must

Comment: The above certification is not intended to disturb an elected or appointed assessors work plans or oaths of office. A signed certification is an integral part of the appraisal report. An appraiser, who signs any part of the mass appraisal report, including a letter of transmittal, must also sign this certification.

In an assignment that includes only assignment results developed by the real property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes personal property assignment results not developed by the real property appraiser(s), any real property appraiser(s) who signs a certification accepts full responsibility for the real property elements of the certification, for the real property assignment results, and for the real property contents of the appraisal report.

In an assignment that includes only assignment results developed by the personal property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes real property assignment results not developed by the personal property appraiser(s), any personal property appraiser(s) who signs a certification accepts full responsibility for the personal property elements of the certification, for the personal property assignment results, and for the personal property contents of the appraisal report.

When a signing appraiser(s) has relied on work done by others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser(s) is required to have a reasonable basis for believing that those individuals performing the work are competent and that their work is credible.

The names of individuals providing significant mass appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of their assistance be contained in the certification, but disclosure of their assistance is required in accordance with SR 6-8(j).