Introduction

One of the oldest and most firmly established forms of taxation as well as a principal source of income for the counties, cities and school districts of the State is that of ad valorem or property taxation.

Chapter 6, Subsection 6.01 of the Texas Property Tax Code provides for the establishment of an appraisal district in each county, and further states that the district is responsible for appraising property in the district for ad valorem tax purposes of each taxing unit that imposes ad valorem taxes on property in the district.

Ad valorem taxes are imposed upon specific properties in this State, at a rate of 100% of the market value of the said properties.

Section 1.04 (7) of the Texas Property Tax Code defines "market value" as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

(1) exposed for sale in the open market with a reasonable time for the seller to find a purchaser;

(2) 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

(3) both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Taxable properties are set out by the Texas Property Code, and defined under Section 1.04 as follows:

(1) "Property" means any matter or thing capable of private ownership.

(2) "Real property" means:

[a] land

[b] an improvement

[c] a mine or quarry

[d] a mineral in place

[e] standing timber

[f] an estate or interest, other than a mortgage or deed of trust creating a lien on property or an interest securing payment or performance of an obligation, in a property enumerated in Paragraph 2 [a] through 2[e].

(3) "Improvement" means;

[a] a building, structure, fixture, or fence erected on or affixed to land

[b] a transportable structure that is designed to be occupied for residential or business purposes, whether or not it is affixed to land, if the owner of the structure owns the land on which it is located, unless the structure is unoccupied and held for sale or normally located at a particular place only temporarily.

[c] for purposes of an entity created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, the

[i] subdivision of land by plat

[ii] installation of water, sewer, or drainage lines

[iii] paving of undeveloped land

(4) "Personal property" means property than is not real property

(5) "Tangible personal property" means 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

(6) “Intangible personal property” means a claim, interest, right, or other thing that has value but cannot be seen, felt, weighed, measured, or otherwise perceived by the senses, although its existence may be evidenced by a document (i.e.: a stock, bond, note or account receivable, franchise, license or permit, demand or time deposit, certificate of deposit, share account, share certificate account, share deposit account, insurance policy, annuity, pension, cause of action, contract, and goodwill).

This Appraisal Manual was developed with data gathered from Hansford County market research and appraisal publications. The purpose of this manual is to guide and assist Hansford County Appraisal District staff in appraising more efficiently and with greater overall consistency. It is important to bear in mind, when using this manual, that it is only a guide for reference.

Article VIII, Section 1 of the Texas Constitution requires that all property shall be assessed equally and uniformly. It is the belief of the Hansford County Appraisal District that this fundamental principal is the cornerstone and foundation upon which all properly administered tax rolls rest. Such mandatory requirements must be met in order to ensure the safety of the tax rolls of each taxing jurisdiction from lateral attack.

The primary purpose of this manual and its main objective is to provide uniform methods of appraisal to establish equitable market values of various properties throughout the district.

The instructions on the following pages are designed to serve as a guide for measuring property components, obtaining information on each parcel of property, and classifying each property. The information recorded on the field work sheet is extremely important. For this reason, the field appraiser must use extreme care in recording data accurately and completely.

Even though the appraisal employs a mass appraisal approach to value, each property must be approached as an individual parcel.

Conceptual Overview

The system outlined in this manual is based on the following market value equations:

1. Market Value of Residential Property =
Replacement Cost New x Total Percent Good + Depreciated Additive Values+ Land Value
(Adjusted by Market Indicators as determined by Sales Data, as available)

2. Market Value of Commercial Property =
Replacement Cost New x Total Percent Good + Depreciated Additive Values+ Land Value
(Adjusted by Market Indicators as determined by Sales Data, as available)

3. Market Value of Manufactured Housing =
Replacement Cost New x Total Percent Good + Depreciated Additive Values

4. Market Value of Commercial Personal Property =
Units x (Price/Unit of Inventory) + Units x (Price/Unit of FFE x Percent

Good) + Additive Values
(Verified and adjusted by yearly Personal Property Renditions)
5. Market Value of Vacant Lots or Acreage =
Units x Price/Unit
(As determined by Market Transactions)
6. 1-d-1 Special Use Valuation (Ag Value) =

Units x Value per Acre of Agricultural Use

(As determined by Net Income per Acre/State Mandated Cap Rate)

General Procedures

Real Property Valuation
In accordance with Sec: 11.01 of the Texas Property Tax Code, the Hansford County Appraisal District strives to discover, appraise, and assess all taxable property within the jurisdictions served by the Appraisal District.
Each parcel shall be appraised including all determinable improvements, factors, and conditions affecting the value of the property as a whole.
Improvements, as defined in Sec. 1.04 (3), includes any structures affixed to the land that is not readily, reasonably, and immediately portable. As such, the structure adds value to the property and would be typically included in any sale of the property as a whole. This application includes, but is not limited to:
18. Above ground swimming pools,
18. Patios,
18. and storage buildings or units, regardless of its permanent attachment, or lack thereof, to the land by means of metal tie-downs, or anchorage to a foundation.
Mobile or Manufactured Homes can be either Real Estate or Tangible Personal Property depending on the ownership of the land to which the structure is affixed, and/or the status of the Title or the Statement of Location as determined by the Texas Department of Housing and Community Affairs. In either case, Mobile or Manufactured Homes are taxable under Sec. 11.14 of the Texas Property Tax Code. With proper proof of ownership, Mobile or Manufactured Homes are eligible to apply for Residential Homestead Exemption.

Fences, residential, commercial, or agricultural, are considered appurtenances to the land and are included in the value of the site.
Square foot measurements of each type of building are based on the perimeter measurements of that building. Schedule values are originally based on locally modified construction cost, adjusted over time by market conditions determined by sales. Therefore, a buildings value per square foot applies not to useable area (space) but constructed area.
Using the building code descriptions and schedules, each structure is assigned an undepreciated value per square foot. Depreciation (physical, functional, and economic) factors are applied to each structure as is necessary.
Land values are determined from available information and applied using the appropriate

basis (square footage, front footage, acreage, etc.).

Business Personal Property Valuation

Tangible personal property, used in the operation of a commercial business and not exempt by application or statute, is appraised for each tax year. Personal Property Renditions begin the yearly process for existing accounts. Being familiar with the local market and businesses, each rendition is evaluated for accuracy and reasonableness. A rendition that indicates significant variation is further investigated for accuracy. Office discussions, telephone calls and inspections are used to resolve the suspected variances. As the renditions are processed, the declared property is depreciated as necessary and the information recorded in the appraisal records.

Each year, some personal property accounts fail to be rendered. The same procedure for suspect renditions are followed. Office discussion, to see if someone has any information pertaining to the business, telephone calls and/or inspections are conducted to determine if the business is closed or to input a proper appraised value with the appropriate penalty.

Agricultural (1-d-1) Valuation

Land qualified for special use valuation (1-d-1) is appraised and two distinct values are recorded: market value, based on the analysis of current market groups, and agricultural value. Each appraisal begins with the 1-d-1 application. The specific agricultural use, and location, indicates the proper agricultural classification. Periodic inspections, through reappraisal, recheck, and diligent notice while on other projects, are used to verify current use or initiate further contact with the land owner as to current use.

If an inspection raises a question about a property's current status as 1-d-1 qualified, the Chief Appraiser may direct the Appraisal District staff to send a new 1-d-1 application to the land owner. This process will weed out many unnecessary Ag denials due to a misinterpretation of inspection details.

Landowners receive an Ag Use Questionnaire periodically. The CAD uses the gathered information in its analysis of Agricultural income and expenses used in the yearly calculation of Ag Values. As directed by the Property Tax Code, typical and reasonable income and expenses are evaluated to arrive at typical operating income for each agricultural classification. The current Capitalization Rate converts the calculated income per acre to a value per acre.

Discovery

Field inspections remain the primary method of discovery and verification of appraisal records. The Hansford CAD Reappraisal Plan calls for examination of all real property in a 3-year cycle. During each check, all aspects of the property are inspected and any pertinent changes are noted. These changes may affect value, ownership, or identification and include, but are not limited to: measurements, additions, new construction, demolition, renovation, deterioration, rehabilitation, occupation, abandonment, etc. Inspections will also note changes, or perceived changes in ownership or property use, for further investigation by the CAD office. For example, new or different occupation may indicate a sale or a change in homestead status.

For commercial property, real estate inspections provide opportunity for personal property verification and contact with the owner. Business names and preliminary personal property assessments are noted at each commercial property real estate inspection. This information is then compared to the Business Personal Property Renditions. When a new business is identified, extra care is taken to speak with the

owner and explain Personal Property taxation and the rendition procedure.
As noted earlier, 1-d-1 status is verified with field inspections in both the reappraisal and rechecks. Properties identified as receiving the special valuation are confirmed and properties that could qualify, but currently do not, and properties exhibiting a “change of use” are noted for further contact by the CAD office.
Whereas field inspections are the primary method of discovery, other indicators are also utilized. Official public records list deeds of trust, mechanic’s liens, and changes of ownership. Any of these documents can, and often do, indicate that current value needs to be verified. Building and demolition permits from the municipalities also require reinspection. When available, county septic and/or development permits are used.
Third party information is also useful to indicate changes in value, or the need to verify existing records. Insurance agents, fee appraisers, bank officials, interested neighbors, and “gossip” often provide information, although these sources are often suspect.
Sales tax listings, telephone number listings, and various advertising methods provide additional information for the discovery of business personal property.

Appraisal (Valuation) Techniques
In any determination of value, data is sought in the local market on such factors as sales and offerings of similar properties and tracts of vacant land; current costs of reproduction of the improvements; rentals of similarly improved properties; and the current rate of return on investments and comparable properties. From this data, a value can be developed for both the land and the property as a whole. For the latter, several methods may be used: the cost approach, the income approach, and the market data approach.

Land Value
Land is valued as if vacant and available for the highest and best use. Similar land recently sold or offered for sale is analyzed and comparisons made for such factors as size, time, location, and physical characteristics.

Cost Approach to Value
Cost Approach, Income Approach, and Sales Comparison Approach are all considered in the CAD’s
Mass appraisal model.
1. Cost tables are used to determine replacement cost new. These tables should be complete, accurate, consistent, and able to support values during appeals.
2. Depreciation schedules are developed for each major class of property in the jurisdiction, and tested to reflect the local market. In every reappraisal a guide is used in setting condition ratings and estimating effective age.
3. Time and Location Modifiers are used to adjust cost data for local variations and changes in the costs of labor and materials over time. These modifiers are developed from cost services or local studies.
4. Market Adjustment Factors, reflecting supply and demand are used in making adjustments from the cost approach to the market value. These adjustments are applied by types of property and location; and are based on sales ratio studies or other market analysis.
In this method of valuation, an estimate is made of current costs of reproduction (or

replacement) of the improvements. This amount is adjusted to reflect depreciation resulting from physical deterioration and obsolescence and is then added to the value of the land.

Income Approach to Value

In this method of valuation, estimates are made of the gross income that might be expected from rentals and other sources, and of the expenses that might be incurred in operating the property. Resulting net income is then capitalized into an indication of value.

The income approach begins with the development of typical current market rents. Market rents should be on a per unit basis and developed from income data obtained from property owners or from local third-party sources. Vacancy and expense ratios are necessary to adjust potential gross income. The result would be a market rent that could be multiplied by the number of units to determine a typical value. These ratios should be based on local market and reflect typical management. Different types of commercial property will require separate ratios and will vary by age and type of construction.

Income rates and multipliers are used to convert income to market value. They include gross income multiplier, overall rate, and discount rate. Each is used in specific applications. A thorough analysis of the local market is required to establish rates and multipliers by type of property

The income approach defines value as the present worth of future benefits arising from the ownership of the property. Income producing real property typically is put chased for the right to receive the future income stream of the property. The appraiser analyzes the income stream in terms of quantity, quality, and duration and then converts it by means of an appropriate capitalization rate into an indication of market value. The seven major steps in the income approach are as follows:

1. Estimate potential gross income from market data.
2. Estimate vacancy and collection loss and subtract it from the gross income.
3. Add miscellaneous income to arrive at effective gross income
4. Analyze and estimate operating expenses.
5. Subtract operating expenses from effective gross income to arrive a net operating income.
6. Select an appropriate capitalization method, technique, and rate.
7. Compute value capitalizing the net operating income.

Sources of information on income, expenses, and yields are available to appraisers in publications. Most of the publications are national and provide information about various regions of the county, as well as about major markets. These national sources should not be used as a substitute for local information. Appraisers get information about local economic conditions, including rents, expenses and loan terms from apartment association: bankers and other lenders: and professional organizations of appraisers realtors leasing agents, or property managers. Unfortunately, rural CAD’s like Hansford CAD, do not have very many information sources available about local economic conditions. Therefore, Hansford CAD depends on documentary evidence of income and expenses furnished by the property owner during informal or ARB hearing to gather information. Hansford CAD uses the income approach when sufficient information is available to estimate the market value of income producing real estate property.

The final steps in the income approach to value are the selection of the appropriate capitalization procedures followed by the capitalization of net income
into an estimated value. The methods of capitalization are as follows:
· Straight-line capitalization
· Sinking-fund capitalization
· Annuity capitalization
· Mortgage-equity capitalization
· Direct capitalization
· Discounted cash flow (DCF) analysis
The first three methods are yield capitalization methods and are typically used with the traditional residual techniques—land residual, building residual, and property residual. The next two methods are direct capitalization methods. DCF analysis, also a yield capitalization method, is a year-by-year application of yield capitalization for variable income amounts. In making a decision as to which method to use, the chief appraiser must remember that real estate is an investment and that the expectations of investor are of prime importance.
Separate ratios of market rents are developed for different types of commercial properties such as apartments, hotels and motels, office buildings, retail stores, warehouses, etc which may vary by age groups and construction grade type.
Separate ratios of market expenses are developed for different types of commercial properties such as apartments, hotels and motels, office buildings, retail stores, warehouses, etc which may vary by age groups and construction grade type.
The CAD will use the market rents when enough comparable data is available to establish a ratio rather than the actual rent.
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Comparable data available to the chief appraiser must be analyzed to estimate the rates of capitalization or rates of discount.

Market Data Approach to Value
In this method of valuation, similar properties recently sold in the current market are analyzed and compared with the property being appraised. Adjustments are made for differences in such factors as time of sale, location, type, age, and condition of the improvements, and prospective use.
The following value schedules are originally based on the cost to construct the typical building types found in Hansford County. Over time and as market sales indicate, these values are adjusted to give an undepreciated value per square foot. This value, applied to the square footage calculated for that building type and then appropriately depreciated, gives a value for the particular structure. Adding all contributory buildings, additives, and land values creates the total value for the subject property.
Hansford CAD attempts to include pertinent information from all three approaches to value. Each approach has inherent benefits and limitations. And in some cases, one particular approach will be more indicative of the value of a property than the other approaches.
Cost approach provides the basis for the value schedules that follow. Unique properties, or properties that are not typical to the general market for any reason, are often valued with the cost approach.

Market approach is used to adjust the value schedules yearly. When market transactions indicate a general market change to typical properties, the adjusted mass schedules are used to apply changes to the records as a whole.
Land valuation tables should be established. These tables contain land values per unit, along with standard adjustments for topography, depth, water frontage, and other location features. They all should be based on an analysis of local sales and updated annually.
The sales comparison approach estimates the value of a subject property from the sales of comparable properties. These sales prices of comparables must be adjusted for physical and location differences from the subject property. In mass appraisal, the adjustments should be in the tables or equations for consistency and ease of application and explanation. The adjustments should be derived from local analysis and based on statistical techniques as multiple regression analysis. Multiple regression analysis is a method for the application of the sales comparison approach. Provided that sales are adequate, property characteristics data are coded consistently, and the model is specified properly, the technique can produce accurate and consistent values for most residential properties. Feedback equations are another automated modeling method used for the sales comparison approach. The feedback method allows more flexibility in defining model structures and nonlinear relationships for some variables such as building condition: uninhabitable, below average, average, good, and excellent. This method can also be used to adjust cost or income data to the market.

Income approach is utilized mainly as a verification or second opinion of commercial property, or for certain properties where the income approach is required by statute. Insufficient data is available to develop typical schedules based on income information, with the exception of 1-d-1 values. However, the income approach is often the primary approach on some commercial property where market (sales) information is lacking, and the cost approach cannot completely address the issues affecting the property within the current market conditions, and the necessary income information is readily available through governmental or industry publications. In cases where the income approach is utilized, accurate and typical income and expense data must be collected, and scrutinized by the appraiser to make sure the data accurately reflects the potential of the property. The income and expenses must be attributable to the ownership and operation of the property, not the business, for it to be considered in the calculation. Once expenses are deducted from income, and a Net Operating Income is determined, the property value is determined by dividing the Net Operating Income by an appropriate Capitalization Rate. Industry, financial, and market publications are researched yearly to determine the appropriate Capitalization Rate for that particular property for that year. The process is the same as that taught in the "Income Approach to Value" course and reference is made here to that course for further instructions and details. Finally, the value derived for the property based on an income approach necessarily includes any personal property associated with the operation of that property. Great care should be taken then to ensure that the included personal property is not double assessed.

Appraisal of Personal Property:
The appraisal of income producing personal property is conducted annually. Items not permanently affixed to a building are considered to be personal property. Usually, an item is personal property if it can be removed without damage to fixed property or the

item.
General Procedures used each year by HCAD to discover new personal property and to update current personal property accounts include the following:
1. On or around January 1st, information is gathered by checking prior year's tax roll. Additional information is obtained through newspapers, and radio/tv advertisements. This may discover new businesses as well as expansions. Also, the telephone directory yellow pages are scanned to discover new businesses and expansions, and the County is driven to look for new businesses. A list is maintained throughout the year of new business and businesses that have been closed. As mentioned earlier, inspections of commercial real estate offers a perfect opportunity to re-evaluate and verify business personal property, not to mention contact business operators and/or owners. New businesses are specifically targeted for personal visitation by appraisers, usually during other property rechecks. Time is set aside to compile the necessary information to set up the Personal Property account, to discuss the rendition process, and to make preliminary accounting of the Personal Property involved.

2. Rendition forms are mailed to all businesses by January 15th each year. Also, a list, from the Office of the Comptroller, of active sales tax permit holders are examined and forms mailed to each new business listed.
3. Compare renditions as received to the information obtain during the field inspection
4. As renditions are received the records are coded, and a 10% penalty is assessed to any business that did not render by April 15th unless an extension was received.
Personal Property such as Machinery, Equipment, Vehicles, and Furniture and Fixtures are normally valued using replacement cost less depreciation.
Inventories are valued as of January 1st each year at the cost of goods on hand as of January 1st.
Hansford CAD strives to choose the most appropriate method of appraisal for each property, ever mindful to maintain fairness and equality with in the local general market.

Evaluation and Assessment Methods for Contract Appraisals

When appraising is contracted to outside vendors by Hansford CAD, steps are implemented to ensure that the company has been properly employed and all services properly executed.
1. Validate that the firm is registered with TDLR
2. Make certain that conflict of interest laws is followed according to the tax code in referencing to the hiring of the outside appraising firm
3. Confirm that firm is sufficiently bonded
4. Initialize yearly checks to evaluate field appraisals. Hansford CAD staff will print cards for parcels that the contracted firm has reappraised. These will be randomly chosen. The staff will then conduct its own appraisal to test for accuracy and neglected information.
5. The Chief Appraiser and/or Deputy Chief Appraiser will examine ratio studies,

ag-use valuation schedules, surveys and other information utilized in yearly reappraisals to substantiate values.

Overview & Sales Data Collection

In order to evaluate the accuracy of the schedule values, property sales information is collected throughout the year. Each property buyer receives a sales letter along with any other necessary forms as soon as the CAD office updates the ownership in the appraisal records. When the sales letter is returned, the sale amount and any other pertinent information is recorded within that parcel's sales records. Information is gathered also from real estate offices, other appraisers, other appraisal districts, and state reviewers. All credible information is included in the sales records and confirmation is attempted through additional sales letters (to buyers and sellers as necessary) or other personal contact. Given that the State of Texas is a non-disclosure state, and that the information needed by the Appraisal District is often confidential in nature, the market analysis performed is limited by the availability of pertinent and complete data, including sales prices, sales conditions and circumstances, income and expense data, etc.

Each sale is analyzed to determine the conditions of the sale. All sales included in the study must be a "market value" transaction, as defined in the Texas Property Tax Code, Section 1.04(7), and quoted earlier in this manual. Any sale determined to not be an "arm's length" transaction is then omitted from the final study. Several criteria are also considered when determining if each sales price needs any adjustment including, but not limited to: date of sale (in comparison to date of appraisal), special or unusual financing terms, inclusion of personal property, inclusion of intangible value, and significant variances between the market value and the sale price due to physical changes to the property that cannot be accounted for due to the January 1 target date. If adjustments can be made to the sales price to show a current, "arm's length" value (including time and financing adjustments), the adjusted value is used in the ratio study. Any adjustments to reported sales prices must be discussed, debated, and approved by the appraisal supervisor and the Chief Appraiser. Sales used to determine real estate value should not include value that can be attributed to
personal property or intangible value. For example, if a home sells, and the transaction included personal property (vehicles, boats, furniture, free-standing appliances, tools, etc.), the value associated with that personal property should be deducted from the reported sales price. The resulting, adjusted sales price is then used in the ratio study. Likewise, commercial property transactions often include both personal property and intangible value. For example, if a motel sells and the buyer purchased the motel franchise along with the real estate, the value of the franchise (being intangible) should be deducted from the sales price before being used in any market study. Determining the value of any intangibles in any transactions can be problematic and will require research into the industry and the local and similar markets. Although suspected by the appraisal staff, and often reported by buyers, adjustment for intangibles requires confirmation from outside sources and the seller.

Financing adjustments occur rarely. Typically, prudent buyers will strive to acquire the most reasonable financing available, and then purchase the property of their choice using that same financing. Atypical financial arrangements usually accompany transactions that would not be considered "arm's length" and would therefore be omitted from the ratio study.

Time adjustments are adjustments to the reported sales price of the property that are made when and if it can be proven that the general market trend in an area is changing over a given time period. While relatively simple to calculate in the abstract, time adjustments are extremely difficult to quantify without substantial data, especially in small, rural markets. If a typical property transfers more than one time in a given time period (ideally no more than 1 year), each time being an arms-length transaction, with typical financing, and without physical changes to the property, the difference in the sales prices can be attributed to the general market. This difference, expressed as a positive or negative percentage per month, can then be applied to other property's sales prices to adjust the price to a standard date, usually January 1st of the appraisal year. For example, a residence may sell for $50,000 on June 1st and then sell again October 1st (5 months later) for $55,000. The difference of $5,000 (or 10% of the original sales price) is allocated as a market increase of 2% per month. A market Decrease is calculated in the same way. If this was an arms-length transaction of a typical property, that same percentage of increase or decrease can be used on other sales to adjust their sales prices to the January 1 target date.

A statistical analysis of each class of property is conducted using the available, credible, and adjusted sales information. Within each class of property, the appraisal district looks for not only an acceptable median value, but also a reasonable COD. Each of these values are considered when determining whether to adjust a class schedule, and by how much. The sample size of each class analysis is also a major consideration. Classes that exhibit little or slow activity are allowed a larger variance due to the fact that minimal data sets (small samples) may tend to give incomplete analysis or biased results for an entire statistical population. Once a median value indicates that a particular property type or class needs adjustment,

and the COD value reflects a consistent result, schedule values are recalculated to produce a revised analysis. The resulting median ratio should indicate that the adjusted appraised values of property more closely matches the current market value, as tested by the sales used in the analysis. The appraised values of all properties, sold and unsold, within that type or class are then recalculated, using the increase or decrease indicated by the ratio study, and submitted for notification.

A similar process is used to determine whether any neighborhood factors are needed by analyzing sales within a specific area (market segments) in comparison to the overall general market. These areas could be neighborhoods, cities, school districts or any other definable area within the appraisal district that displays market trends or values differing from the trends or values derived from the market as a whole. Any significant and quantifiable differences then need to be addressed with economic adjustments to the properties within the pertinent area.

Ratio Study Procedures

I. Collect and Post Sales Data

A. Solicit sales information from all new property owners through sales letters and/or personal contact

B. Collect sales information from outside appraisers and from fee appraisals presented

C. Utilize sales information from Comptroller's office.

D. Post sales information to the sales database

1. Record actual sale price
2. Note unusual financing
3. Note non-arm length participants
4. Adjust sales price for inclusion of personal property or intangible value
5. Initiate frozen characteristics/partial sale codes if necessary
a) Imminent construction/renovation can bias any later analysis by including values not part of the original transaction
b) Sale including only a portion of the property described can also produce skewed results
II. Preliminary Analysis
A. Run sales analysis (by type, group, or class) which includes any and all sales collected to date
B. Note median result and COD
C. Examine each sale included
1. Compare sale ratio to median result
2. Ratios substantially higher or lower than the median result (outliers) are singled out for further, in-depth analysis
a) Note seller-financial institutions, known real estate opportunists, probates, known persons who finance their own transactions
b) Note buyer-financial institutions, known real estate opportunists, and re-location companies
c) Examine deed records to confirm "arm's length" violations not evident from examination of buyer and seller
i) contract for deed
ii) assumption of previous note
iii) atypical financing
d) Re-inspect properties to rule out any physical differences from the current property records
e) Outlier sales that cannot be excluded or adjusted due to the reasons given above are nonetheless included in the subsequent analysis
D. Adjust original data set
1. Omit sales that are not arm's length
2. Adjust sales values for time or financing if necessary and possible
3. Adjust appraisal values for physical differences if applicable
III. Secondary Analysis
A. Run sales analysis (by type, group, or class) utilizing information from preliminary analysis
B. Note median result and COD
1. Median value may or may not change significantly
2. COD value should improve
C. Note sample size
1. Compare number of sales within the class to the perceived number of total properties within the class
2. From experience and discussion among the appraisal staff, determine

whether any median result different from 1.00 is significant
D. Attempt to increase sample size—if necessary
1. Utilize time adjustments if determinable
2. Keep in mind marketing time for local market and any trends
3. Be careful to not include more sales just for sales sake
4. Changing markets and trends cannot be reflected in sales that are too old without accurate time adjustments.
E. Apply results of analysis to current records
1. Any class whose median value is **NOT SIGNIFICANTLY** different from 1.00 does not require adjustment.
2. Any class whose median value indicates that an adjustment is necessary should be analyzed
a) Look at typical depreciation (age/condition) for that class as reflected in the sales analysis
b) Calculate increase necessary to raise the individual ratios to produce a median result of 1.00 (keeping in mind that because of depreciation, the percentage increase required is going to be necessarily larger than the difference in percentage points needed to reach a 1.00 result)
c) Apply the calculated increase to the database
3. Repeat procedure for all classes determined to need adjustment
F. Run analysis again to test results
IV. Examine results to identify neighborhoods that need adjustment
A. As individual sales are examined, note any areas/neighborhoods/subdivisions that consistently show ratios significantly different from the median result
B. Run analysis excluding the area in question
C. Run analysis including only the neighborhood in question
D. Check for significant variance between the two results
E. Apply neighborhood factor to correct variance

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 contained within the Mass Appraisal Report for the current appraisal year. Specifically, appraisal cards, sales ratio studies and results, and individual sales records make up the foundation of any value defense. Other information, such as maps, photographs, and specific property comparisons can be produced depending on the specific concerns of the taxpayer. Taxpayers have the option to present their concerns and evidence informally to the chief appraiser, or by appointment with the Pritchard & Abbott staff. Should an understanding not be reached informally, the taxpayer may present their arguments to the Appraisal Review board as a formal appeal. The appraisal staff provided by Pritchard & Abbott Inc. defends the position of the chief appraiser before the ARB. The Appraisal District has the burden of proof for the value as notified. Evidence for further consideration by the CAD or the ARB should be presented by the taxpayer.
Informal Meetings: Any informal meeting with a taxpayer should be utilized as an

opportunity for civil discussion and education for both the taxpayer and the CAD staff. After careful consideration of the taxpayer's concerns, the appraiser must explain the methods, procedures, and information used to arrive at the taxable value of the property in question. An outline follows.

1. The taxpayer presents their questions, concerns, or disagreements with the action of the CAD.
2. The appraiser responds with an explanation of the property card, market analysis, and/or situation that produced the taxable value.
3. The appraiser fully considers any additional evidence presented by the taxpayer that may have a bearing on the taxable value. If testimony is given of pertinent details, not accounted for in the current value, an inspection of the property is suggested to verify and quantify the suggested problem.
4. After careful and complete consideration of the evidence presented and verified testimony, a revised taxable value may be suggested to the taxpayer. As a general rule, the appraisal supervisor or Chief Appraiser must approve any suggested changes that result from the following.

a. A change in Building Class of more than one grade (+ and – steps included).
b. A change in Effective Year of more than 10 years.
c. A change in Condition Rating of more than one grade.
d. Any Functional Depreciation adjustment of more than 5%.
e. Any inclusion of Economic Obsolescence.
f. Any change in Exemption or Special Valuation Status.

5. Once an adjusted value is agreed upon, the appraiser or CAD staff must retain any evidence supporting the change and/or note the results of any inspection in the appraisal records.

Formal ARB Hearings: Formal ARB hearings are scheduled and held when no informal meeting is requested, or after no informal agreement can be reached. Following the posted ARB Procedures, the Chief Appraiser (or their designee) presents the justification of the current taxable value. An outline follows.

1. The taxpayer presents their questions, concerns, or disagreements with the action of the CAD to the ARB.
2. Addressing the specific concerns protested by the taxpayer and noted on the protest form, the Chief Appraiser (or their designee) responds with an explanation of the property card, market analysis, and/or situation that produced the taxable value.
3. An in-depth analysis of the market and how the subject property fits into the market analysis is prepared and presented to the ARB.
4. Once the ARB rules, any changes in value are recorded in the appraisal records and noted as an ARB decision.