



San Patricio County Appraisal District

Reappraisal Plan For

Tax Years 2021 & 2022

adopted by SPCAD Board of Directors on August 18th, 2020

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EXECUTIVE SUMMARY

TAX CODE REQUIREMENT

Section 23.01 of the Texas Property Tax Code, Appraisals Generally (b) states: “The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the Appraisal District determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice (USPAP). The same or similar appraisal methods and techniques shall be used in appraising the same or similar kinds of property; however, each property shall be appraised based upon the individual characteristics that affect the property’s market value”.

The Written Plan

Section 6.05, Tax Code, reads 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 presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.

Plan for Periodic Reappraisal

Subsections (a) and (b), Section 25.18, Tax Code, reads as follows:

(a) Each appraisal office shall implement a plan for periodic reappraisal of all property approved by the board of directors under Section 6.05 (i).

(b) San Patricio CAD will provide the following reappraisal activities for all real property in the district at least once every three years, and every year for Business Personal Property and Mineral accounts:

(1) Identifying properties to be appraised through physical inspection and by other reliable means of identification, including deeds or other legal documentation, aerial imagery and imagery analysis tools, land-based photographs, surveys, maps, and property sketches.

- (2) Identifying and updating the value influences and relevant characteristics of each property contained in the appraisal records;
- (3) Defining the market areas within the District;
- (4) Identifying and verifying property measurements and characteristics that affect property value in each market area, including:
 - (A) The location and market area of the property;
 - (B) Physical attributes of property, such as size, age, and condition;
 - (C) Legal and economic attributes; and
 - (D) Easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;
- (5) Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics.
- (6) Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
- (7) Reviewing the appraisal data to determine value.

REVALUATION DECISION (REAPPRAISAL CYCLE)

RESIDENTIAL PROPERTY REAPPRAISAL CYCLE

For the 2021-2022 Reappraisal Cycle, SPCAD has revised its approach to the frequency of residential property Reappraisals. It is important to note the difference between activities which constitute a full “Reappraisal Year” as compared to “Non-Reappraisal Year”. A full “Reappraisal” conducted in a given year generally requires the performance of the Reappraisal Plan activities cited in the preceding section, and in addition, calls for spot-checking to verify improvement measurements and updating all details and aspects of each property. The market sales activity, building permit information available, deed and plat records in the area are reviewed, and considered during such a reappraisal.

School districts that are not a part of a given year’s full reappraisal cycle (“Non-Reappraisal Year”) are reviewed annually on a limited scope basis with respect to market sales activity. This limited-scope annual review focuses on market conditions in highly active, rapid growth (or rapid decline) neighborhoods and subdivisions which helps ensure that market value changes in such areas will be addressed appropriately every year. Value adjustments in these areas are typically made primarily in the form of neighborhood multiplier factors which are applied in mass to highly active market areas to ensure that neighborhood property values fall within the mandated appraisal ratio ranges.

Municipal building permits and County development permits on new construction/demolition permits are received and worked every year in all areas of the District to insure that property characteristics and values are updated accordingly.

As stated above, beginning in 2021 San Patricio CAD will reappraise all residential property in the district at least once **every three years**. Commercial, Business Personal Property, industrial, and mineral properties will be appraised annually. The extent to which properties are physically inspected may vary and is somewhat dependent on the amount of staffing, time the CAD has available during the year, however it is the management plan of the District to perform physical field inspections in all Reappraisal areas according to our 3-year cycle. Aerial imagery may be used in instances where physical inspections are highly impractical or unable to be performed due to circumstances beyond the control of the district.

With respect to all property types as applicable or appropriate, the discovery of new items, demolitions, deletions, new construction, new personal property, and any property previously omitted or demolitions of improvements to land or removal of personal property by closure and relocation, shall allow for deviation of the annual reappraisal plan in those school districts (or geographic areas) not specifically scheduled for reappraisal in the given year, however, completion of the scheduled planned reappraisal areas will be given first priority. In the event of a natural disaster which would require a deviation in the Reappraisal Plan, the Chief Appraiser may deviate from the plan as necessary and appropriate to accommodate any such occurrence. The school districts or geographic areas scheduled for residential reappraisal by the CAD for 2021 through 2022 are:

2021	2022	2023
Gregory-Portland ISD Banquete ISD Mathis ISD	Skidmore-Tynan ISD Sinton ISD Taft ISD	Aransas Pass ISD Ingleside ISD Odem-Edroy ISD

While this Reappraisal plan is for the 2021 and 2022, for clarity, the table above includes the three school districts that will be reappraised in 2023 which will be part of the 2023-2024 Reappraisal Plan.

It is appropriate to note that Corpus Christi ISD is no longer an entity the SPCAD serves due to removal of all submerged lands from our appraisal roll that had been previously considered within the jurisdiction of San Patricio County. Since the San Patricio County Appraisal District’s responsibility and jurisdiction to perform appraisal, by statute, coincides with San Patricio County’s boundary, these properties were removed.

COMMERCIAL PROPERTY REAPPRAISAL CYCLE

The Commercial properties as well as Business Personal Property, Industrial and Mineral properties will be appraised every year. Commercial properties and Business Personal Property accounts are categorized and worked according to business type and location as appropriate and necessary to utilize district staff time and resources most efficiently.

REAPPRAISAL CYCLE YEAR'S ACTIVITIES

1. Performance Analysis – the equalized values from the previous tax year are analyzed with the performance of internal ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the International Association of Assessing Officers.
2. Analysis of Available Resources – staffing and budget requirements for the 2021 tax year are detailed in the 2021 Budget as adopted by the board of directors and attached to the written biennial plan by reference. Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. Information Systems (IS) support is detailed with year specific functions identified and system upgrades scheduled by Pritchard & Abbott, Inc., the CAD's software provider. Existing maps and data requirements are specified, and updates scheduled by AIMS and ESRI, the CAD's software provider.
3. Planning and Organization – a calendar of key events with critical completion dates is prepared for each major work area. This calendar identifies all key events for appraisal, clerical, customer service, and information systems. A calendar is prepared for tax years 2021 and 2022. Production standards for field activities are calculated and incorporated in the planning and scheduling process.
4. Mass Appraisal System – Computer Assisted Mass Appraisal (CAMA) system revisions required are specified and scheduled with Information Systems. All computer forms and IS procedures are reviewed and revised as required.
5. Data Collection Requirements – field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, re-inspection of the universe of properties on a specific cycle, and field or office verification of sales data and property characteristics.
6. Pilot study by tax year – new and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability in randomly selected market areas.
7. Valuation by tax year – using market analysis of comparable sales and locally

tested cost data, valuation models are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers and the Uniform Standards of Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies.

8. The Mass Appraisal Report – each tax year the tax code required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 15th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6 – 8 of the *Uniform Standards of Professional Appraisal Practice*. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6 – 9 of *USPAP*. This written reappraisal plan is attached to the report by reference.
9. Value defense – evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings is specified and tested.

PERFORMANCE ANALYSIS

In each Reappraisal Year, the previous tax year’s equalized values are analyzed with sales ratio studies to determine appraisal accuracy and appraisal uniformity overall and by market area within state property reporting categories. These studies not only provide a measure of performance, but also a means of improving mass appraisal performance. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* from the International Association of Assessing Officers. Mean, median, and weighted mean ratios are calculated for properties in each reporting category to measure the level of appraisal (appraisal accuracy). The mean ratio is calculated in each market area to indicate the level of appraisal (appraisal accuracy) by property reporting category.

ANALYSIS OF AVAILABLE RESOURCES

Staffing, time, and budget requirements for tax year 2021 are detailed in the 2021 appraisal district budget, as adopted by the board of directors and attached to the written biennial plan by reference. This reappraisal plan is adjusted to reflect the available staffing in tax year 2021 and the anticipated staffing for tax year 2022. Staffing may impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2021 – 2022 time period. Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. Each year real property appraisal depreciation tables and cost new tables are tested against verified sales data to ensure they represent current market data. The capitalization rate study by commercial real property type is updated from current market data and market rents are reviewed and updated from local published data when available. Personal property density schedules are tested and analyzed based on rendition and prior year hearing documentation and compared to schedule information provided by the Comptroller of Public Accounts.

Information Technology (IT) support is detailed with year specific functions identified and system upgrades scheduled and performed primarily by Pritchard & Abbott, Inc. (P&A), the CAD’s software vendor. Computer generated forms are reviewed for revisions based on year and reappraisal status. Legislative changes are scheduled for completion and testing by P&A. Existing maps and data requirements are specified and updates scheduled with assistance by out-sourced vendors.

PLANNING AND ORGANIZATION

A calendar of events with critical completion dates is prepared for each major work area. This calendar identifies all key events for appraisal, clerical, GIS/mapping, and information systems. A separate calendar is prepared for tax years 2021 and 2022 and provided to the CAD by the Comptroller of Public Accounts. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

July 2020	
July 26, 2020	<ul style="list-style-type: none"> • Begin preparing for 2021 Tax Appraisal Year
August 2020 - 2021 Tax Year	
	<ul style="list-style-type: none"> • Deadline for Electronic Appraisal Roll Submission (EARS) to PTD • Deadline for Export Property Transaction Submission Media Information (EPTS) to PTD • Begin 2021 appraisal process • Management Plan Year Begins • Begin working “Percent Complete” permits • ARB meeting for 2020 hearings and approves supplements • TAAO 2020 Annual Conference
September 2020	
Sept. 7, 2020 Sept. 15, 2020 Sept. 15, 2020	<ul style="list-style-type: none"> • Input 2020 tax rates into PACS system • ARB meeting for 2020 hearings and approves supplements • Statutory appraisal date for certain inventory properties (23.12) • Labor Day • Deadline for BOD to approve Biennial 2021-2022 Reappraisal Plan • Deadline for BOD to adopt the 2021 Budget
October 2020	
	<ul style="list-style-type: none"> • ARB meeting for 2020 hearings and approves supplements
November 2020	
Nov. 11, 2020 Nov. 26-27 2020	<ul style="list-style-type: none"> • ARB meeting for 2020 hearings and approves supplements • Veterans Day • Thanksgiving Holiday

December 2020	
Dec. 24-25, 2020	<ul style="list-style-type: none"> • Perform end of year functions in PACS System • ARB meeting for 2020 hearings and approves supplements • Print Business Personal Property Renditions • Christmas Holiday
January 2021	
Jan. 1, 2021 Jan. 1, 2021	<ul style="list-style-type: none"> • Assessment Date • New Year's Day • ARB meeting for 2020 hearings and approves supplements • Analyze sales areas and prepare for Mass Appraisals analysis • Mail exemption applications
Jan. 4, 2021	<ul style="list-style-type: none"> • Advertise Business Personal Property Rendition requirements in the Caller Times Newspaper
Jan 14, 2021	<ul style="list-style-type: none"> • Martin Luther King Day Holiday
February 2021	
Feb. 21-24, 2021	<ul style="list-style-type: none"> • Get bids from vendors for preparation and mailing of the Appraisal Notices • ARB meeting for 2020 hearings and approves supplements • TAAD 2021 Annual Conference • Receive preliminary findings of the 2020 Property Value Study from PTD
Feb. 1, 2021	<ul style="list-style-type: none"> • Deadline for Electronic Property Transaction submission to PTD
March 2021	
	<ul style="list-style-type: none"> • Approval/Award of contract for 2021 Appraisal Notices • ARB meeting for 2020 hearings and approves supplements • Deadline to submit protest appeal of 2020 Property Value Study
April 2021	
April 1, 2021 April 1, 2021 April 15, 2021 April 2, 2021	<ul style="list-style-type: none"> • Submit 2020 Preliminary Budget to the BOD • Real Property Field Cycle ends for 2021 • Data entry cut-off for 1st mailing of Appraisal Notices (Real Property) • Requisition supplies needed for the Certification of the Appraisal Rolls • ARB cycle for Real Property begins • ARB training for appraisal personnel • Begin informal settlements with Taxpayers • 1st Mailing of Appraisal Notices • Mail Homestead Exemption Applications with Notices • Deadline for filing renditions and requests for BPP rendition extensions • Good Friday Holiday
May 2021	

<p>May 3, 2021 May 31, 2021 May 31, 2021</p>	<ul style="list-style-type: none"> • Preliminary 2022 Budget • ARB accepts Real Property Appraisal records • ARB meetings begin for 2021 hearings and approves supplements • Data entry cut-off for 2nd mailing of Appraisal Notices (Real Property) • 2nd Mailing of Appraisal Notices • Protest deadline for 1st mailing of Appraisal Notices • Memorial Day Holiday • 3rd Mailing of Appraisal Notices
<p>June 2021</p>	
	<ul style="list-style-type: none"> • ARB meeting for 2021 hearings and approves supplements • Protest deadline for 2nd mailing of Appraisal Notices • Protest deadline for 3rd mailing of Appraisal Notices
<p>July 2021</p>	
<p>July 2, 2021 July 20, 2021 July 26, 2021</p>	<ul style="list-style-type: none"> • Verification and file cleanup • ARB meeting for 2021 hearings and approves 2020 supplements • Data entry cut-off for certification • Independence Day Holiday • ARB submits 2021 Appraisal records to Chief Appraiser for certification • Chief Appraiser certifies Appraisal Roll • Begin preparing for the 2022 appraisal process
<p>August 2021 - 2022 Tax Year</p>	
	<ul style="list-style-type: none"> • Deadline for Electronic Appraisal Roll Submission (EARS) to PTD • Deadline for Export Property Transaction Submission Media Information (EPTS) to PTD • Begin 2022 appraisal year process • Management Plan Year Begins • Begin working "Percent Complete" permits • ARB meeting for 2021 hearings and approves supplements • TAAO 2021 Annual Conference
<p>September 2021</p>	
<p>Sept 6, 2021 Sept 15, 2021</p>	<ul style="list-style-type: none"> • Input 2021 Tax Rates into PACS system • Statutory appraisal date for certain inventory properties (23.12) • ARB meeting for 2021 hearings and approves supplements • Labor Day Holiday • Deadline for BOD to adopt the 2022 budget
<p>October 2021</p>	
	<ul style="list-style-type: none"> • ARB meeting for 2021 hearings and approves supplements

November 2021	
Nov. 11, 2021 Nov. 25-26, 2021	<ul style="list-style-type: none"> • ARB meeting for 2021 hearings and approves supplements • Veterans Day • Thanksgiving Holiday
December 2021	
Dec. 14, 2021 Dec. 23-24, 2021	<ul style="list-style-type: none"> • Perform year end function in PACS System • ARB meeting for 2021 hearings and approves supplements • Print & mail Business Personal Property Renditions • Christmas Holiday
January 2022	
Dec. 31, 2021 Jan. 3, 2022	<ul style="list-style-type: none"> • ARB meeting for 2021 hearings and approves supplements • Analyze sales areas and prepare for Mass Appraisal analysis • New Year's Day Holiday • Advertise Business Personal Property Rendition requirements in the Local Papers
February 2022	
Feb. 6-9, 2022	<ul style="list-style-type: none"> • Get bids from vendors for preparation and mailing of the Appraisal Notices • ARB meeting for 2021 hearings and approves supplements • TAAD Annual Conference • Deadline for Electronic Property Transaction submission to the Comptroller's PTD
March 2022	
	<ul style="list-style-type: none"> • Approval/Award of contract for 2022 Appraisal Notices • ARB meeting for 2021 hearings and approves supplements
April 2022	
April 15, 2022 April 18, 2022	<ul style="list-style-type: none"> • Submit 2021 Preliminary Budget to the BOD • Real Property Field Cycle ends for 2022 • Data entry cut-off for 1st mailing of Appraisal Notices (Real Property) • ARB meeting for 2021 hearings and approves supplements • Requisition supplies needed for the Certification of the Appraisal Rolls • ARB cycle for Real Property begins • ARB training for appraisal personnel • 1st Mailing of Appraisal Notices • Begin informal settlements with taxpayers • Good Friday • Deadline for filing renditions and request for BPP rendition extensions

May 2022	
May 30, 2022	<ul style="list-style-type: none"> • Preliminary 2021 Budget • ARB accepts Real Property Appraisal records • ARB meetings begin for 2022 hearings and approves supplements • 2nd Mailing of Appraisal Notices • 3rd Mailing of Appraisal Notices • Protest deadline for 1st mailing of Appraisal Notices • Memorial Day Holiday
June 2022	
	<ul style="list-style-type: none"> • ARB meetings for 2022 hearings and approves supplements • Protest deadline for 2nd mailing of Appraisal Notices • Protest deadline for 3rd mailing of Appraisal Notices
July 2022	
July 4, 2022 July 18, 2022 July 25, 2022	<ul style="list-style-type: none"> • Verification and file cleanup • ARB meetings for 2021 hearings and approves supplements • Data entry cut-off for certification • Independence Day Holiday • ARB submits 2022 Appraisal Records to Chief Appraiser for certification • Chief Appraiser Certifies Appraisal Rolls • Begin preparing for the 2021 appraisal process

MASS APPRAISAL SYSTEM

The Computer Assisted Mass Appraisal (CAMA) system revisions are specified and scheduled with Information Systems. All computer forms and IS procedures are reviewed and revised as required by the third-party software vendor. The following details these procedures as it relates the 2021 and 2022 tax years:

REAL PROPERTY VALUATION

Revisions to cost models, income models, and market models are specified, updated and tested each tax year and may be limited based on the amount of data available to perform revisions.

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

Land tables are updated using current market data (sales) and then tested with ratio study tools. Value modifiers are developed for property categories by market area and tested on a pilot basis with ratio study tools.

Income, expense, and occupancy data is updated in the income models for each market area and cap rate studies are completed using current sales data. The resulting models are tested using ratio study tools.

PERSONAL PROPERTY VALUATION

Density schedules are updated using data received during the previous tax year from renditions, and hearing documentation. Valuation procedures are reviewed, modified as needed, and tested.

NOTICING PROCESS

25.19-appraisal notice forms are reviewed and edited for updates and changes signed off on by appraisal district management. Updates include the latest copy of Comptrollers applicable publications for ARB Hearings, and protest procedures.

HEARING PROCESS

Protest hearing scheduling for informal and formal Appraisal Review Board (ARB) hearings is reviewed and updated as required. Standards of documentation are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process.

DATA COLLECTION REQUIREMENTS

Field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, and re-inspection of the universe of properties.

DEFINING MARKET AREAS

Market areas are defined by physical, economic, governmental, and social forces that influence property values. The effects of these forces were used to identify, classify, and stratify or delineate similarly situated properties into smaller, more comparable, and manageable subsets for valuation purposes. Delineation can involve the physical drawing of neighborhood boundary lines on a map, or it can also involve statistical separation of stratification based on attribute analysis. These homogeneous properties have been delineated into school district and valuation neighborhoods for residential property, agricultural category / operation type and school district for rural property, and economic class for commercial property, but because there are discernible patterns of growth that

characterize a neighborhood or market segment, appraisal staff will annually evaluate the neighborhood boundaries or market segments to ensure homogeneity of property characteristics. The appraisal staff will assign neighborhood codes to comparable properties conforming to the definition of a market area, giving specific consideration to market characteristics and the specific life cycle of the neighborhood in compliance with USPAP Standards. For the purposes of the CAD's three year re-inspection cycle, market areas are first defined by school districts, then by valuation neighborhoods, operation type, and economic class; in addition, reappraisals will be determined by delineated neighborhoods based on concentration of protest and / or sales.

NEW CONSTRUCTION / DEMOLITION

New construction field and office review procedures are identified and revised as required. Field production standards are established and procedures for monitoring tested. Source of building permits is confirmed, and system input procedures are identified. Process of verifying demolition of improvements is specified. This critical annual activity is projected and entered on the key events calendar for each tax year. With respect to new items, demolitions, and deletions; which shall refer to new construction, new personal property, and any property previously omitted or demolitions of construction and removal of personal property by closure and relocation, the Board shall allow for deviation of the annual reappraisal plan into those school districts (or geographic areas) not specifically scheduled for reappraisal in the given year for the appropriate assessment of all new items, demolitions, and deletions, while emphasizing completion of the scheduled planned reappraisal areas first.

REMODELING

Market areas with extensive improvement remodeling are identified, verified and field activities scheduled to update property characteristic data. Updates to valuation procedures are tested with ratio studies before they are finalized in the valuation modeling. This field activity when entered in the key events calendar must be monitored carefully.

RE-INSPECTION OF PROBLEMATIC MARKET AREAS

Real property market areas, by property classification, are tested for: low or high protest volumes; low or high sales ratios; or high coefficient of dispersion. Market areas that fail any or all these tests are determined to be problematic. Field reviews are scheduled to verify and/or correct property characteristic data. Additional sales data is researched and verified. In the absence of adequate market data, neighborhood delineation is verified, and neighborhood clusters are identified.

RE-INSPECTION OF THE UNIVERSE OF PROPERTIES

The International Association of Assessing Officers, *Standard on Mass Appraisal of Real Property* specifies that the universe of properties should be re-inspected on a cycle of 3 years. The re-inspection will be completed using a combination of field inspections,

which includes the re-measurement of at least two sides of each improved property, and office review. Office review of properties will include, but is not limited to, the examination of property sketches, existing property characteristics, any digital imaging photos or aerials, and any other information the district may have obtained specific to a neighborhood or properties. The annual re-inspection requirements for tax years 2021 and 2022 are identified by property type and property classification and scheduled on the key events calendar.

FIELD AND / OR OFFICE VERIFICATION OF SALES DATA AND PROPERTY CHARACTERISTICS

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

PILOT / RATIO STUDIES

New and/or revised mass appraisal models are tested on randomly selected properties within defines market areas. These modeling tests (sales ratio studies) are conducted each tax year. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. The procedures used for model specification and model calibration are in compliance with *Uniform Standards of Professional Appraisal Practice*, STANDARD RULE 6.

RESIDENTIAL REAL PROPERTY

Cost Approach

The District uses a hybrid cost-market approach when valuing residential properties. The comparative unit, also known as the square-foot method, will be used to develop an indication of the basic cost of structure. Adjustments will then be made for amenities of individual properties based upon characteristics that affect value in the market. The District's cost tables are based upon information obtained from the Marshall and Swift Valuation Service. These cost figures are adjusted to the local market to reflect current local labor and material costs. Neighborhood Market Adjustment factors will be developed from appraisal statistics developed by ratio studies to ensure that estimated values reflect both the supply and demand side of the market in each specific neighborhood.

In accordance with the Market Approach, the estimated market value (MV) of the property equals the basic unit of property, under comparison, multiplied by the market price range per unit for sales of comparable property. For residential property, the unit of comparison is typically the price per square foot of living area, or the price indicated for the improvement contribution.

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio

study that compares recent sales prices of properties, within a delineated neighborhood. The value of the properties' used in the study is 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 sales prices indicates the neighborhood level of appraisal based on sold properties. These ratio studies are used 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. An overall appraisal ratio between the ranges of 96% to 100% is considered acceptable.

Sales Comparison Approach

As indicated in IAAO publication *Property Assessment Valuation*, in the absence of a sale of the subject property, sales prices of comparable properties are usually considered the best evidence of market value. The sales comparison approach mimics the behavior of the market by comparing the properties being appraised with comparable properties that have recently sold. Their sales prices will then be adjusted for differences from the subject and a market value for the subject is estimated from the adjusted sales prices of comparable properties.

Income Approach

The income approach is based on the principle that the value of an investment property reflects the quality and quantity of the income it is expected to generate over its economic life. In other words, value is the estimated present value of future benefits. The appraiser must estimate income from a property and capitalize the income into an estimate of current value. More specific information about the Income Approach is detailed earlier in this plan. The income approach is most suitable for types of properties frequently purchased and held for the purpose of producing income, such as apartments, commercial buildings, and office buildings. It is not conducive to the valuation of single-family residential properties as these properties are purchased by consumptive users and therefore, do not routinely generate an income stream.

Inventory Residential Property

Residential improved and vacant property is appraised in compliance with Section 23.12(a) of the Texas Property Tax Code (TPTC).

In general, the District uses its land value estimates and the actual itemized construction, labor, and material costs, plus other soft or indirect costs to estimate market value as the appraisal date to estimate the value of improved inventory. The market values of improved inventory will be reviewed annually, and inventory adjustments will be eliminated when ownership transfers from the developer or builder.

Vacant residential inventory will be valued using a discounted cash flow formula that considers value relative to the income or cash flow, an appropriate discount rate, and the

amount of time that the property is likely to be held or lots sold out of inventory. Since there is no legal requirement that developers or builders render their inventory, a preliminary estimate of inventory value may be difficult to estimate.

COMMERCIAL AND MULTI-FAMILY REAL PROPERTY

Income Approach

The income approach will be used as the primary basis for appraising most commercial properties in the district using generally accepted appraisal practices and methodology. In valuing property by the income approach, the District will consider the income characteristics of properties, as they are available. Adjustments will be made as necessary and appropriate and the models, schedules, and value indications developed will be made pursuant to Section 23.012 of the TPTC. The following is the basic model that the District utilizes when employing the income approach.

$$\text{MARKET VALUE} = \frac{\text{GROSS ANNUAL INCOME} - \text{ALLOWABLE EXPENSES}}{\text{CAPITALIZATION RATE}}$$

This valuation model expresses in the most basic terms that the market value of an income-producing property is equal to the gross annual income, less allowable typical expenses including estimated adjustments as percentages for vacancy and collections losses, divided by a capitalization rate which is selected by the appraisal district based on local and national market data sources.

Market rental income and expense data is obtained from recognized national and local publications which provide market data on rents, typical lease types, and capitalization rates. The District relies significantly on market data and information from CoStar Market Analytics publication which provides commercial sales and income data and information which is adjusted to the south Texas region including San Patricio County. An income estimate will be generated by the appraisal staff based upon the income information gathered as appropriate.

The District also attempts to gather local commercial income and expense information from the local market whenever possible. Capitalization rates are selected using these recognized sources and will be updated annually to ensure they will be reflective of current market data.

Sales Comparison Approach

Where deemed appropriate and necessary, the sale comparison approach may be used to appraise commercial property. Pertinent data from actual sales of properties will be obtained throughout the year and the appraisal staff will analyze the relevant information. Sales of similarly improved properties will provide a basis for the test of depreciation schedules used in the cost approach, and rates and multipliers used in the Gross Rent

Multiplier (GRM) method of the income approach, and as a direct comparison in the sales comparison approach. Improved sales will also be used in ratio studies, which will afford the appraiser a means of judging the present level and uniformity of the appraised values..

Based on the market data gathered and analyzed by the appraisal staff, the cost models may be calibrated annually. The calibration results will be added to the schedules and models in the CAMA system to apply to commercial properties in the District as appropriate. Any estimate of value completed by the sales comparison approach will be made in accordance with Section 23.013 of the TPTC.

Cost Approach

Where deemed appropriate and/or necessary, the District may employ the cost approach when valuing commercial properties. The comparative unit, also known as the square-foot method, will be used to develop an indication of the basic cost of structure. Adjustments will then be made on individual properties based upon characteristics that affect value in the market. The District's cost tables are based upon information obtained from the Marshall and Swift Valuation Service. These cost figures are incorporated into a module within the PACS Appraisal Software utilized by the District, which also provides for adjustments for various factors including Local Area Modifiers which reflects current local labor and material costs. Market Area Adjustment factors will be developed from the market and appraisal statistics are developed by ratio studies to ensure that estimated values reflect both the supply and demand side of the specific markets within San Patricio County.

When the appraiser reviews commercial properties, the appraiser will produce ratio study (reports) which are evaluated and compared to recent sales prices of properties, within a market area. The value of the properties' used in the study is 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 sales prices indicates the neighborhood level of appraisal based on sold properties. These ratio studies are used to determine the level of appraisal for each market area. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the market area are made. An overall appraisal ratio between the ranges of 96% to 100% is considered acceptable.

UTILITIES, RAILROADS, PIPELINES, AND MINERAL INTEREST

SPCAD has contracted with Pritchard & Abbott, Inc to perform appraisals of both light industrial and complex industrial properties that operate primarily in the oil, gas, and petrochemical industry in San Patricio County. Pritchard & Abbott, Inc. is a Houston Texas based industrial and real estate appraisal firm with specific expertise in the valuation of refineries, chemical plants, utilities, railroads, pipelines properties, crude oil storage

facilities, wind farm projects, and oil and gas mineral interests. A rotational appraisal of areas will be performed to assure that school districts (our geographic areas) are reappraised annually in accordance with the Texas Property Tax Code and USPAP requirements and standards.

The typical appraisal models considered in the valuation of these properties in the cost approach will be:

$$MV = RCN - D$$

And
Allocated Unit Appraisal

Each of the values produced by these models will be considered and the property value will be allocated to the taxing entities based upon the method that is deemed most appropriate by property type.

Pritchard & Abbott, Inc. will consider all factors affecting value, conduct physical inspections as necessary, research information from published sources, and receive copies of renditions from property owners in the development of their appraisal. Based upon the information gathered in these processes; data characteristics of these properties will be updated annually in accordance with tax code requirements.

The appraisal firm will utilize a form of yield capitalization of the income approach called the Discount Cash Flow Analysis (DCF) to accurately value mineral interest. The factors affecting the value of mineral interests include reserve estimates, production volume and pattern, production prices, operator expenses, and the discount rates applied to discount future income into an indication of present worth.

As mineral reserves are subsurface in nature, this makes specific physical inspection unavailable as a method of collecting data. Pritchard & Abbott, Inc. will collect data from the Texas Railroad Commission, Comptroller of Public Accounts, and renditions from owners, published sources, and data services to identify characteristics affecting value. All the information gathered will be considered in the estimation of the value of mineral interests.

VALUATION OF SPECIAL-USE PROPERTIES

The valuation of special-use properties, such as agricultural and wildlife management land, shall be done in compliance with the Comptroller's Manual for the Appraisal of Agricultural Land. This publication prescribes that the cash lease and the share lease methods of appraisal are appropriate when developing productivity value estimates.

The cash method is a modified income approach using the lease amount (income per acre) minus expenses (landowner) to yield the "net-to-land" value per acre. "Net-to-land" values will be averaged for a five-year period to give an average "net-to-land" factor that is divided by the appropriate capitalization rate for the year to give a value per class of agricultural production. The district will collect lease data from owners, lessees, and the Comptroller's office on an ongoing basis to develop "net-to-land" figures by

agricultural classification.

BUSINESS AND INDUSTRIAL TANGIBLE PERSONAL PROPERTY

General

These property types will be valued each appraisal year by the district's appraisal staff. The appraisal staff engages in an annual field review to identify new businesses to be added to the roll, movement of existing businesses to different locations or business closings, and data review of current property characteristics in property records. Once pertinent data is updated in the field, property rendition forms will be sent to owners in order that they may declare their taxable personal property according to current law. The information obtained from renditions will be utilized by the district to develop an estimate of market value.

Cost Approach

The primary approach to the valuation of business and industrial personal property will be the cost approach. Cost indexes and schedules will be developed by the district's staff and applied to specific business SIC codes. These schedules will be reviewed and updated annually to conform to changing market conditions.

Valuation index factors will be created and refined using actual original cost data obtained from renditions to derive the replacement cost new (RCN) per applicable unit for a specific category of assets. The data obtained will be compiled for review and models and / or factors will be built or adjusted, as necessary. The revised models / factors will be tested in accordance to accepted methods and techniques.

These model values will be used specifically to estimate the value of new accounts and / or accounts for which no property owner's rendition is filed. The models will also be utilized to test renditions filed by property owners or their agents. If property rendition information falls significantly outside of a statistical tolerance from the model, further review of the property may be conducted.

The depreciation factors utilized will be based on the depreciation schedules for furniture, fixtures, and equipment as developed by the Comptroller's office and tested against Marshall and Swift. This mass appraisal depreciation schedule is used to ensure that estimated values are uniform and consistent with the market. RCN and depreciation will be utilized to develop value estimates using the following formula:

$$MV = RCNLD \times \text{Index Factor}$$

Leased equipment and multi-location assets may be valued using original cost, depreciation, and index factors mentioned above.

Sales Comparison Approach

Business personal property is typically sold as part of the business, which makes this approach less suitable for valuing most personal property. This approach is generally suitable for the valuation of certain types of vehicles and heavy equipment. Value estimates for vehicles will be based on data furnished by recognized sources such as NADA among others. Any sales of personal property will be considered, and appropriate weight will be given based upon individual circumstances.

Income Approach

The income approach has limited use in the appraisal of machinery, equipment, furniture, fixtures, and leasehold improvements because of the difficulty in estimating future net benefits. The exception to this is in the case of leased equipment. When reliable data on equipment leases is available, the income approach may be used to estimate the fair market value of the equipment.

THE MASS APPRAISAL REPORT

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

VALUE DEFENSE

The Appraisal District has the burden of proof for market value and equity in both formal and informal Appraisal Review Board hearings. The evidence used in these hearings is specified and tested.

A variety of evidence is utilized by the district depending on the property type of the subject of the protest. In addition, the district updates the evidence supplied to an owner, agent, or the Appraisal Review Board to be contemporaneous with the valuation procedures utilized. Examples of evidence that may be used include, but are not limited to:

1. Property sales information,
2. Property sales adjustment grids,
3. Property equity adjustment grids (as applicable),
4. Gross Rent / Income Multiplier data (as applicable),
5. Proforma and actual income data (as applicable),
6. Property characteristics data including photos (as applicable),
7. Aerial photography (as applicable),
8. Cost approach reports (as applicable),

9. Property renditions (as applicable),
10. Published reports regarding cost, market or income data
11. Schedules and / or models utilized, and / or
12. Any other information collected by the district.