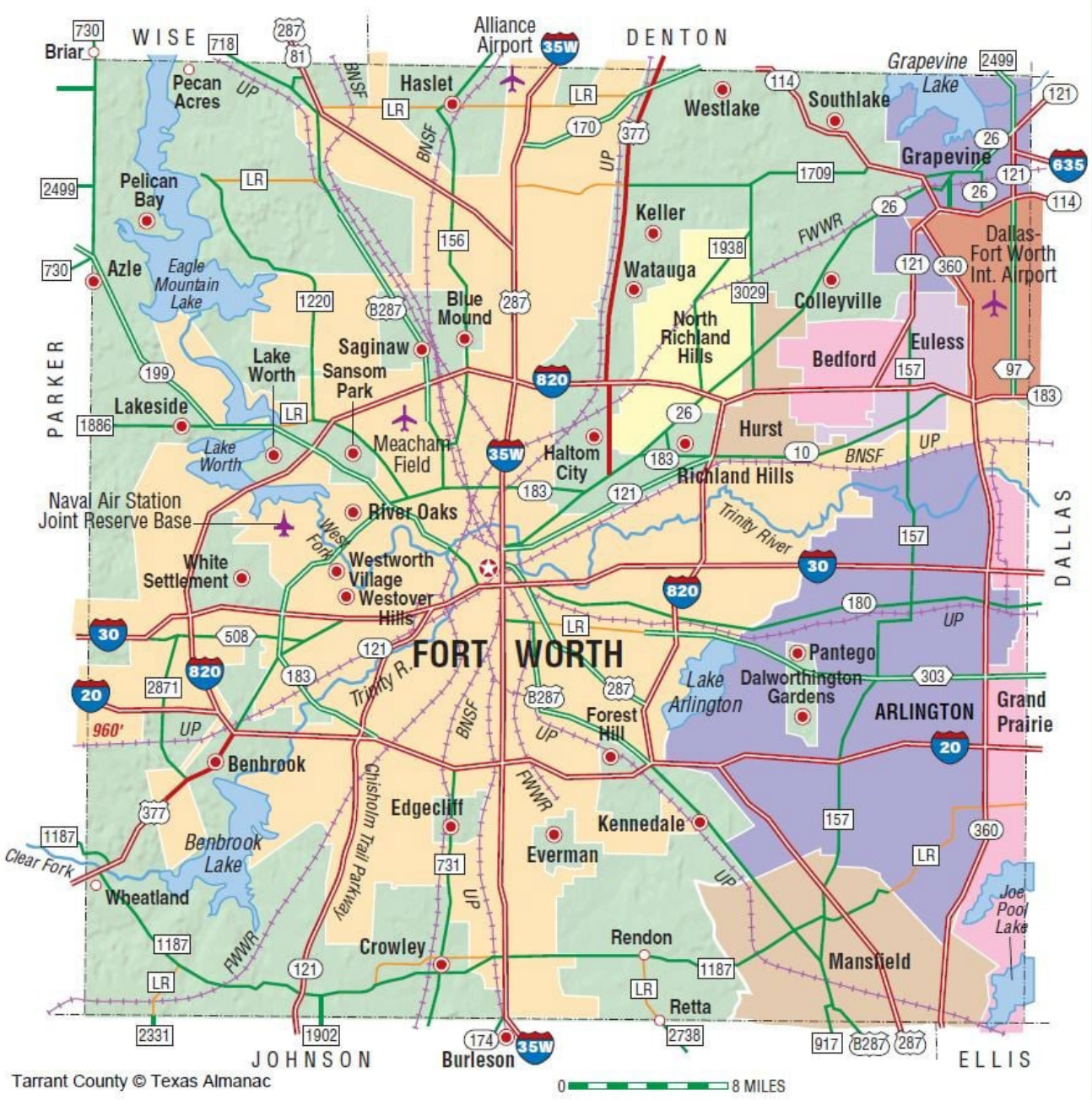




# Appraisal Overview and Property Value Study





# Market Value

## Property Tax Code Sec. 1.04 Definition

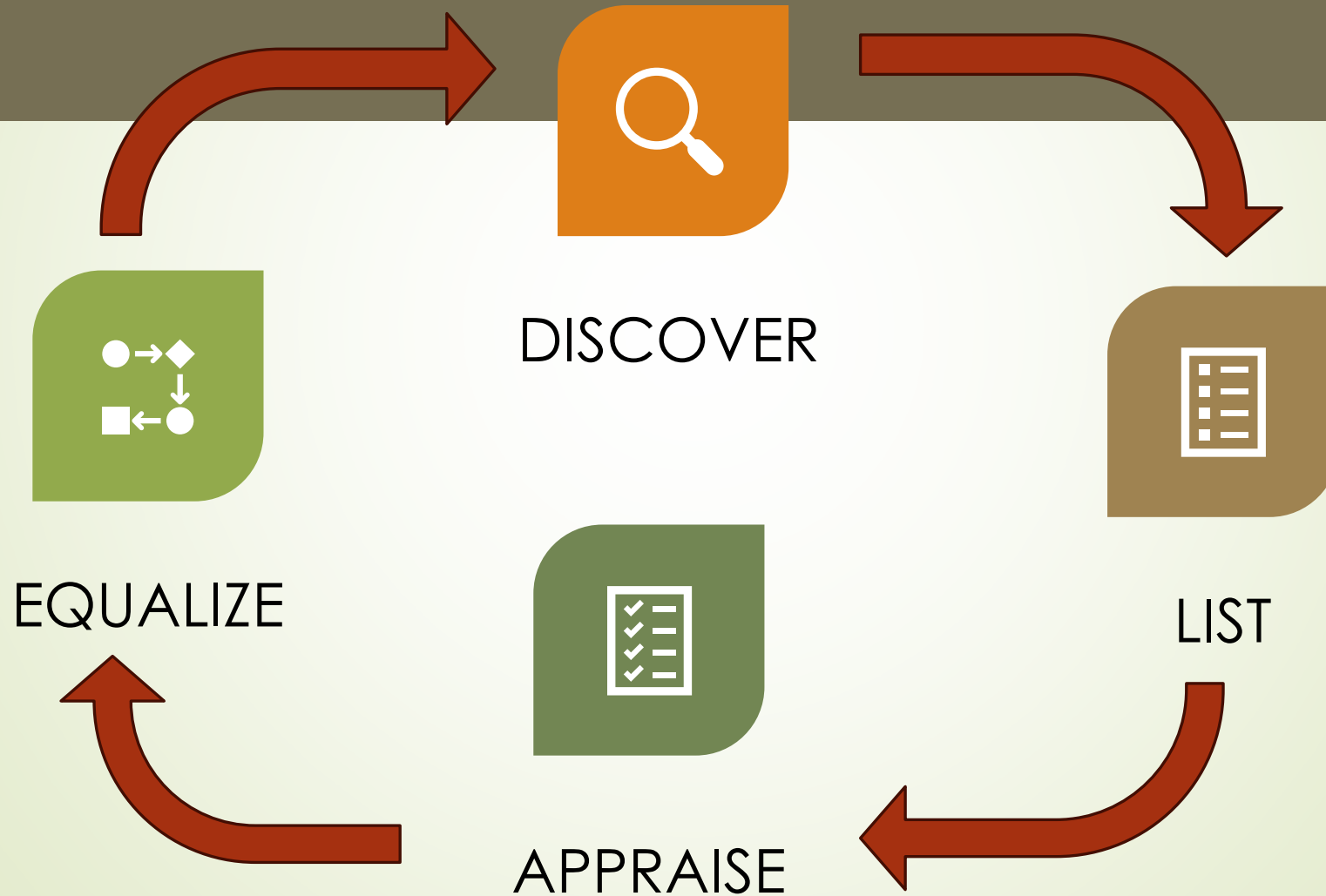
means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

# Other Value Definitions

- **Appraised value** means the value determined as provided by Chapter 23 of the code.
  - 23.23 10% Homestead Cap
  - 23.231 20% Non-Homestead Circuit Breaker
  - 23.51 Productivity Value or “Ag Exemption”
- **Assessed value** means, for the purposes of assessment of property for taxation, the amount determined by multiplying the appraised value by the applicable assessment ratio, but for the purposes of determining the debt limitation imposed by Article III, Section 52, of the Texas Constitution, shall mean the market value of the property recorded by the chief appraiser.
- **Taxable value** means the amount determined by deducting from assessed value the amount of any applicable partial exemption.

# Four Basic Appraisal Phases



# Discovery Phase



PERMITS



AERIAL  
PHOTOGRAPHY



THIRD PARTY  
DATA SERVICES



FIELD  
INSPECTIONS

# Listing Phase



LIST TYPES OF  
STRUCTURES



MEASURE  
PROPERTY

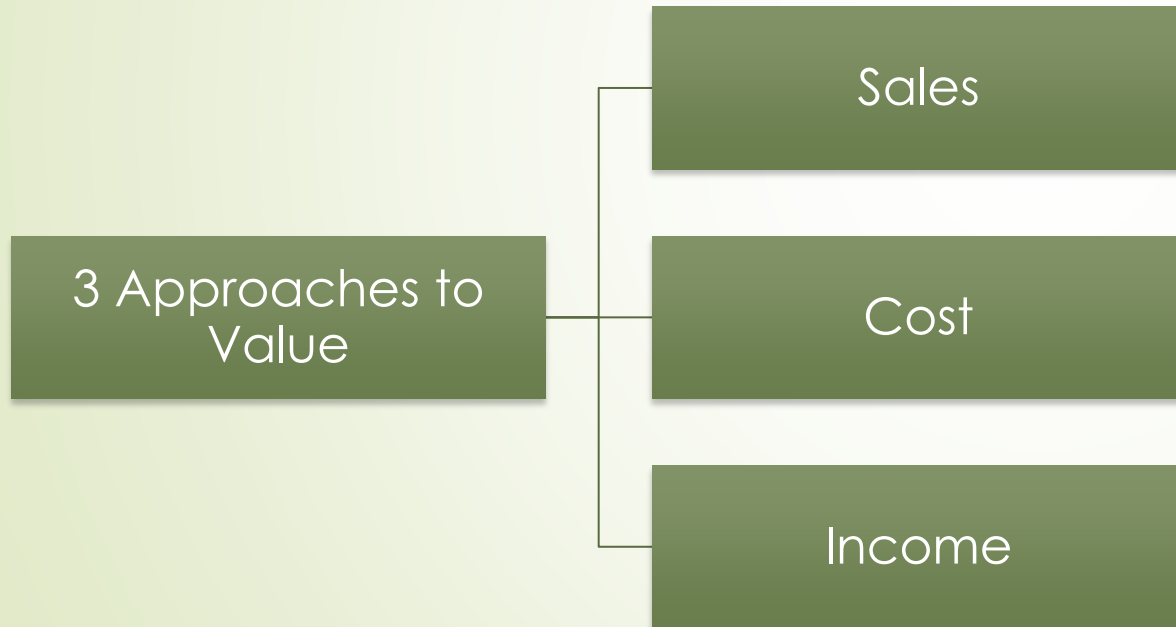


QUALITY



CONDITION (ALL  
FORMS OF  
DEPRECIATION)

# Appraisal Phase



Equity is an unofficial Approach to value



# Sales Approach

Preferred approach, Other Approaches rely on it.

Sales from Previous 12 months

Organized by market area

Property Characteristics that affect value are analyzed and contributory value determined

Models use property characteristics of sold properties to estimate value of similar unsold properties

Models are refined based on sales ratios to determine accuracy across system



# Cost Approach

1<sup>st</sup> Step is estimating land value using Sales Approach



Replacement Cost New is most common method, compared to historical cost or reproduction cost



Depreciation is estimated based on condition of property and effective age and other forms of obsolescence



## Income Approach

Rental Income/Cap Rate = Market Value

Cap Rates are available through third parties, or can be calculated based on sales

Common rental rates are available online or from leases gathered

# Hybrid Cost model modified by Sales

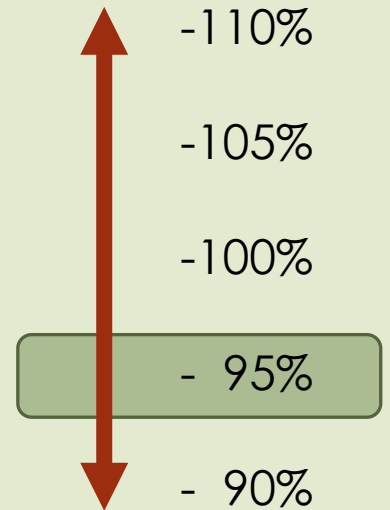
Cost Values is calculated

Sales from Previous 12 months are analyzed and Organized by market area

Sales are arrayed by Appraised Value/Sale Price Ratio

Median Ratio indicates how much appraised values need to be adjusted

Cost Value is modified up or down based on Median Ratio

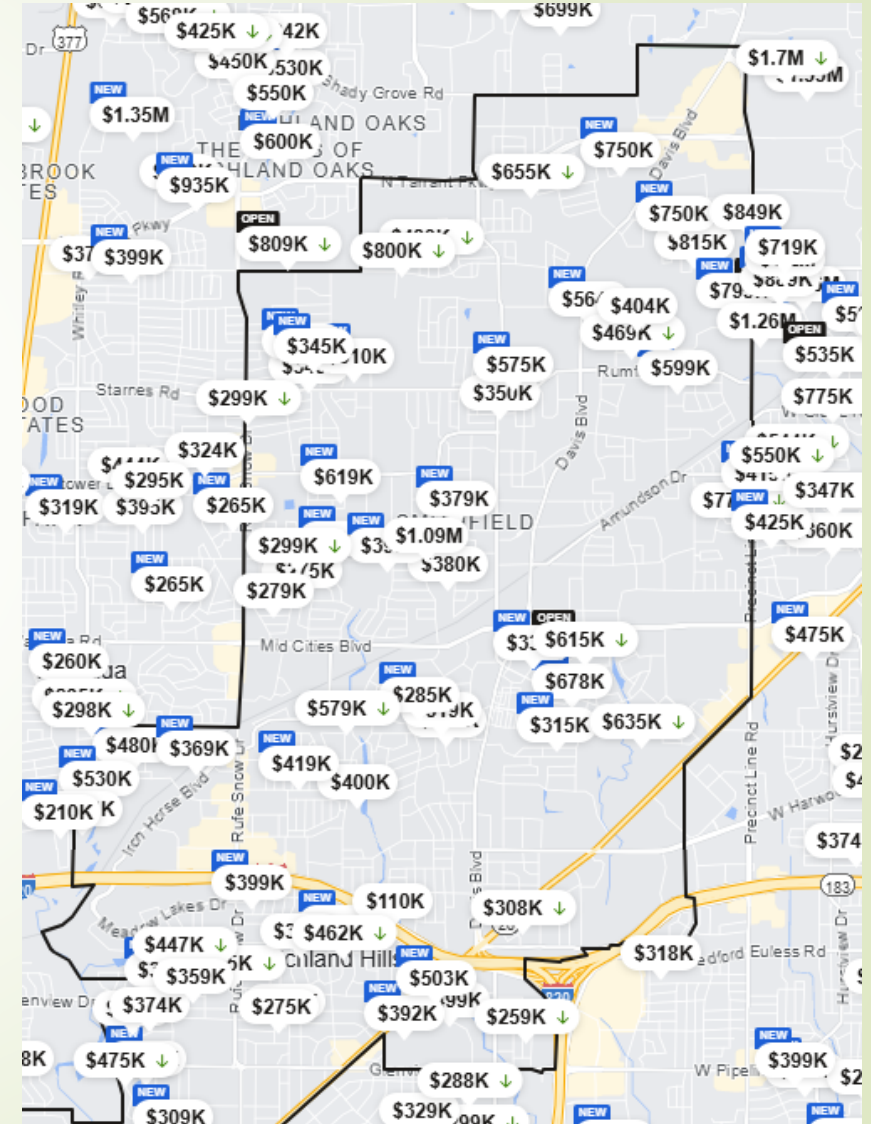


# Previous Year Sales are analyzed

	Appraised Value	Sale Price	Appraisal/sale Ratio
1	\$261,000	\$375,000	69.60%
2	\$291,500	\$325,000	89.69%
3	\$306,750	\$337,250	90.96%
4	\$337,250	\$345,000	97.75%
5	\$400,000	\$422,500	94.67%
6	\$372,500	\$390,000	95.51%
7	\$315,000	\$315,000	100.00%
8	\$352,500	\$341,250	103.30%
9	\$322,000	\$305,000	105.57%
10	\$475,000	\$360,000	131.94%
11	\$276,250	\$145,000	190.52%

Initial Appraised Values Increased 4.5% to match market

Final Ratios should indicate half of sold properties are over appraised and half are under appraised



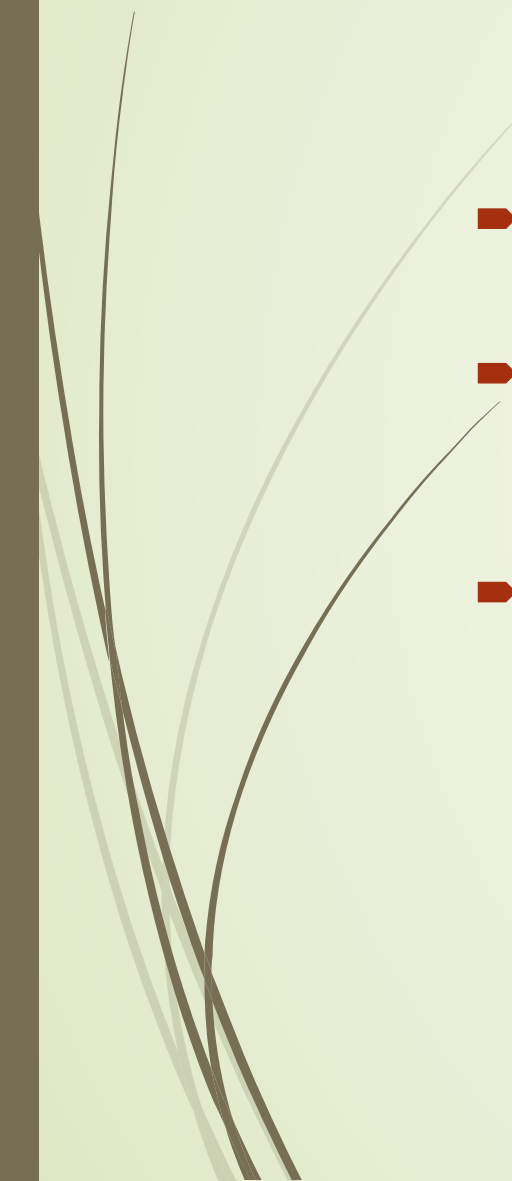


# Equalization Phase

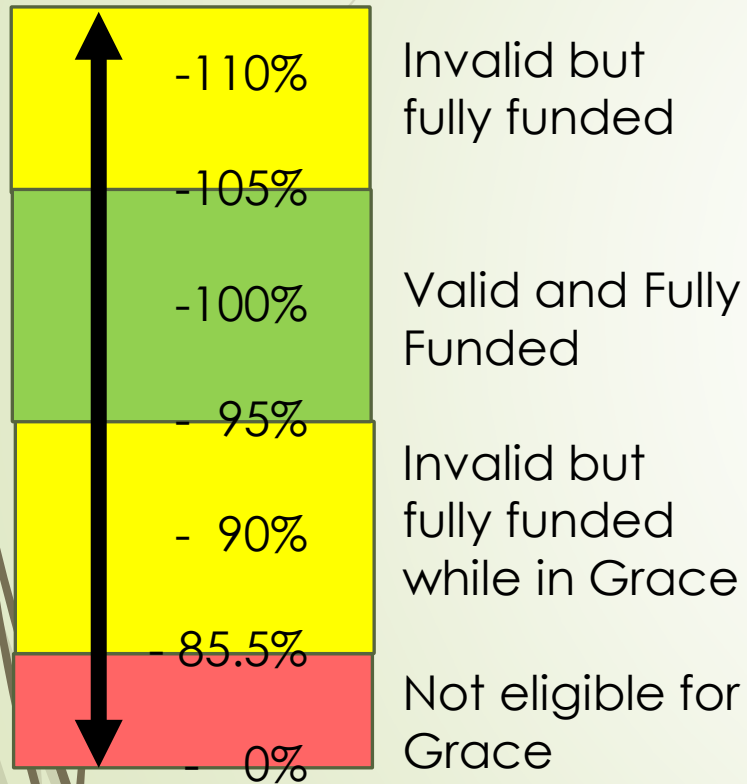
- Chapter 41 governs the protest process after Appraisal Notices are sent out
- Appraisal Review Board has jurisdiction over records where a timely protest was filed
- Roughly 200,000 Protests filed annually and 170,000 filed by agents
- Staff Expect an increase in number of agent protests for 2025
- ARB Decisions and Toplines have no real impact on PVS
- Settlement and Waivers on sold properties lower the TAD value, which could reduce the ratio that state determines



# What is the property value study?

- ▶ independent estimate of taxable property value in each school district to ensure fair school funding.
  - ▶ PTAD analyzes certain property categories, according to generally accepted sampling and statistical techniques, to estimate their property value, which is usually market value.
  - ▶ Study is conducted after values have been certified to entities.
- 

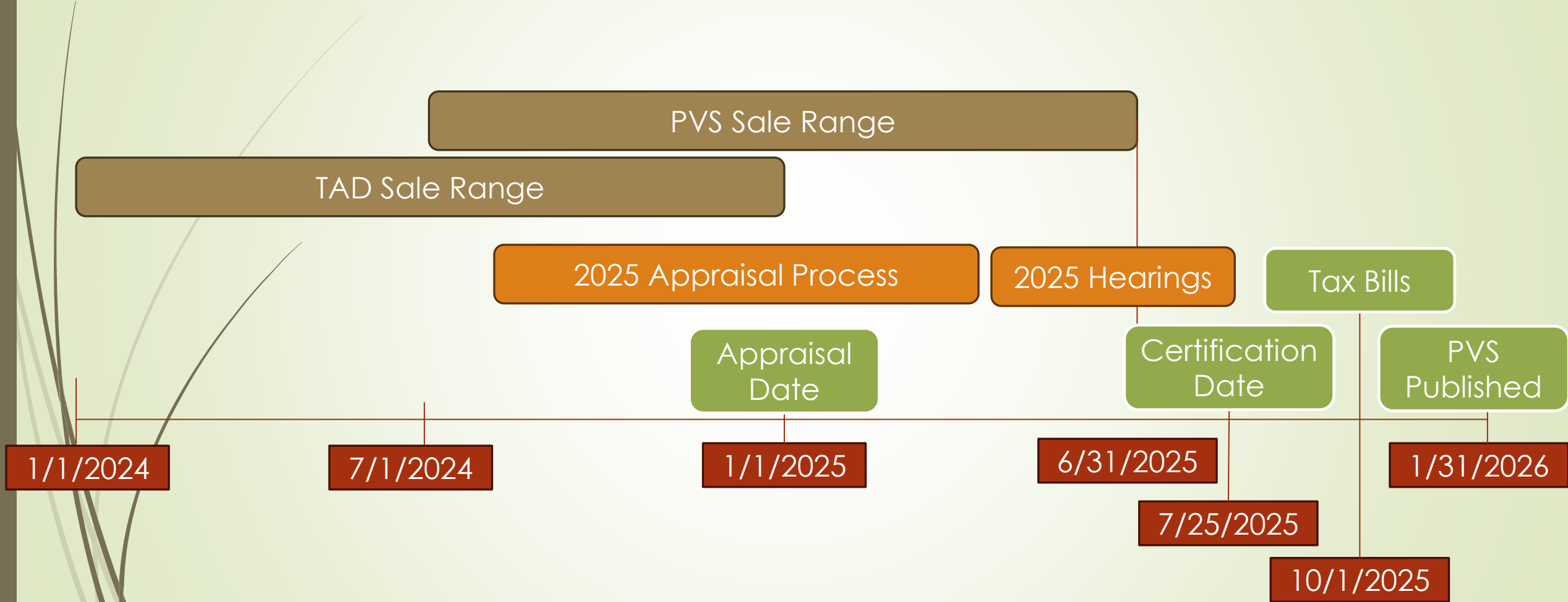
# What is a valid finding versus an invalid finding?



- ▶ PTAD considers locally appraised values to be valid, or acceptable, when the values are within a statistical margin of error of 5 percent, but depending on the characteristics of the sample, the margin of error may be greater. PTAD considers locally appraised values outside this margin of error to be invalid.
- ▶ Local Valid values, or Grace eligible Local Invalid values are certified by PTAD to the Commissioner of Education. If the local value is not eligible for grace, PTAD certifies the state value.



# Timeline



# Does an invalid PVS finding affect local property taxes?

Total Funding Based on  
WADA



State Funding  
based on State  
Appraisals

Fund Gap Based on  
Difference in Values

Tax Revenue Based  
on TAD Appraised  
Values

- No. Invalid PVS findings do not directly affect local property taxes, which are based on the local appraised values provided by each appraisal district and tax rates adopted prior to the PVS results being published.
- It does affect state funding to the school based on the amount of tax that “should” have been collected had the local values been as high as the states estimate.
- Funding Gap Estimated at \$3 Million for Castleberry if PVS determines ratios are at 82%

# Resolutions Received

ISD	Current Estimated Ratio	Calculated Funding Loss Below 85.5%
Castleberry ISD	.82	<b>85.4 % = \$2,419,876</b> <b>82% = \$3,085,659</b>
Fort Worth ISD	.86	<b>\$17,147,565</b>
Azle ISD	.89	<b>\$1,454,133</b>
Everman ISD	.90	<b>\$4,259,922</b>
Kennedale ISD	.96	<b>Not Calculated</b>
Northwest ISD	.96	<b>Not Calculated</b>