

PALO PINTO APPRAISAL DISTRICT

2017 – 2018 REAPPRAISAL PLAN

INTRODUCTION

The Palo Pinto Appraisal District is a political subdivision of the State of Texas effective January 1, 1980. The Texas Property Tax Code provides ready access to the statutes, administrative and legal requirements of property taxes in Texas. The Board of Directors is appointed by the taxing units within the boundaries of Palo Pinto County. This board constitutes the district's governing body. The Chief Appraiser is appointed by the Board of Directors as the Executive Director of the appraisal district.

Palo Pinto Appraisal District is responsible for local property tax appraisal and exemption administration for all 20 taxing entities within the boundaries of Palo Pinto County. Each taxing entity sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, roads and street maintenance and other public services. Property appraisals are generally based on each property's market value. Property appraisals are estimated values by the appraisal district but are used by the taxing units to distribute the annual tax burden. Palo Pinto Appraisal District also determines the eligibility for various types of property tax exemptions such as homesteads and religious or charitable organizations.

This plan may be modified by the Chief Appraiser of the district at any time to conform to and meet the requirements of this office and the Texas Property Tax Code.

OVERVIEW OF PLAN REQUIREMENT

Per S.B. 1652 the Tax Code was amended to require a written reappraisal plan to be adopted biennially by the Board of Directors. The following details the Tax Code requirements:

THE WRITTEN PLAN

Section 6.05 of the Texas Property Tax Code was amended by adding Subsection (i) to read as follows:

- (i) To ensure adherence with generally accepted appraisal practices, the Board of Directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing entity 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 Texas Property Tax Code, are amended to read as follows:

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least one every three years:
 - 1. Identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps and property sketches;
 - 2. identifying and updating relevant characteristics of each property in the appraisal records;
 - 3. Defining market areas in the District;
 - 4. Identifying property characteristics that affect property value in each market area, including:
 - (a) the location and market area of property;
 - (b) physical attributes of property, such as size, age and condition;
 - (c) legal and economic attributes; and
 - (d) easements, covenants, leases, reservations, contract, declarations, special assessments, ordinances, or legal restrictions;
 - 5. developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;
 - 6. applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
 - 7. reviewing the appraisal results to determine value.

SCOPE OF RESPONSIBILITIES

This reappraisal plan has been prepared and published by the Palo Pinto Appraisal District to provide our Board of Directors, taxing units, citizens and taxpayers with a better understanding of the district's responsibilities and reappraisal activities. This reappraisal plan has several parts: a general introduction and several sections describing the proposed 2017 – 2018 reappraisal effort by the appraisal departments within the Palo Pinto Appraisal District.

The Property Tax Code, except as otherwise provided, states that all taxable property is appraised annually at its "market value" as of January 1 of each year. Under the tax code, "market value" means 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 for a reasonable amount of time for the seller to find a purchaser; 2. both the seller and the buyer 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 buyer seek to maximize their gains and neither is in a position to take advantage of the other.

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property, property used for productivity, real property inventory, dealer inventory, nominal or restricted use properties and allocation of interstate property. (Sec.23.23-homesteads), (Sec 23.41 & 23.51 – productivity valuation), (Sec 23.12 – real property inventory), (Sec 23.121, 23.124, 23.124 and 23.127 - dealer inventory), (Sec. 23.18 – nominal value), (Sec. 23.83 – restricted use properties), (Sec. 21.03 allocation of interstate property).

The appraised value of real and business personal property is calculated using specific information and data about each property. Using a Computer-Assisted Mass Appraisal system (CAMA) and generally recognized appraisal methods and techniques, registered and trained appraisers compare the subject property information with the data for similar properties. These are compared to recent market data through ratio studies. The district adheres to the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. The district also adheres to Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

Chapter 23 of the Texas Property Tax Code contains statutes dealing with appraisal methods and procedures. Section 23.01 of this chapter was amended in 1997 to specify that appraisal districts are required to comply with the mass appraisal standards of USPAP (Standard 6) when the appraised value of a property is established using mass appraisal techniques. If the appraisal district contracts with an outside firm for any appraisals, that appraisal firm must also adhere to similar professional standards.

Industrial and oil & gas mineral properties are currently contracted to Pritchard & Abbott. There is a separate Reappraisal Plan for the properties that are contracted to Pritchard & Abbott.

The budgets for Palo Pinto Appraisal District are adopted annually for appraisal year 2017 and 2018.

OVERVIEW OF DISTRICTS OPERATIONS

PERSONNEL

The Chief Appraiser is primarily responsible for overall planning, organizing, coordinating, staffing and controlling the district operations, planning, organizing, directing and controlling the business functions related to human resources, financial records management, budgeting, fixed assets, district's facilities, purchasing and controlling the district operations. The Appraisal Department is responsible for the valuation of all real and business personal property accounts. The property types appraised include commercial, residential, and business personal property. PPAD has the Chief Appraiser and 13 employees. The appraisal district staff consists of 14 employees with the following classifications: 1- Executive Level , 2- Administrative Level, 6- Appraisers and 5-Clerical employees.

EDUCATION AND TRAINING OF PERSONNEL

All appraisal district employees that perform appraisal work must be registered with the Texas Department of Licensing & Regulation (TDLR). TDLR is responsible for ensuring appraisers are professional, knowledgeable, competent and ethical. This is accomplished through a statewide program of registration, education, experience, testing and certification for all property tax professionals for the purpose of promoting an equitable tax system.

Upon registering, appraisers registered with the TDLR have up to five years to take a series of appraisal courses and exams in order to achieve certification as a Registered Professional Appraiser (RPA). During each 2 year period after certification, appraisers must complete an additional 30 hours of continuing education. Failure to meet these minimum standards will result in the removal of the employee from an appraiser position.

All district employees working in the appraisal department also receive training in the data gathering and valuation process. Manuals are provided to ensure uniform and accurate data collection. Senior personnel provide on the job training.

DATA AND INFORMATION SYSTEMS

The district is responsible for establishing and maintaining approximately 50,000 property accounts covering 608,610 acres within Palo Pinto County. However, appraisal of mineral interest accounts, utilities and industrial properties are contracted out to Pritchard & Abbott. The sources of data collection are through property inspection, permits, reviews of previous data, coded rechecks, hearings, sales information, newspapers and publications, aerial photography, assumed name applications, applications for licenses to sale alcohol, publications of vehicles that are registered as commercial use and information received from property owners.

Data for these accounts includes property characteristics, ownership and exemption information of the property. This is updated through office and field review. Property characteristic data on new construction is updated through an annual field inspection. Existing property data is maintained through an office and or field inspection.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers typically drive entire neighborhoods to review the accuracy of the data and identify properties that need to be updated during the reappraisal effort. During sales processing property characteristics are also verified. In residential and commercial, the sales validation effort involves office review and verification and when needed on-site inspection by field appraisers to verify the accuracy of the property classification and characteristics. Palo Pinto Appraisal District subscribes to MLS for sales information and sale surveys are also mailed out to the grantee and grantor on all residential and commercial sales.

Field data collection requires organization, planning and supervision of the field effort. Data collection procedures have been established for residential, commercial and personal property. The appraisers are assigned throughout Palo Pinto County to conduct field inspections.

Data collection for personal property includes maintaining information on software designed to record and appraise income producing personal property. The type of information contained in the income producing property file includes personal property such as business inventory, furniture and fixtures, machinery and equipment with details such as cost and location. The field appraiser conducting on-site inspections uses a personal property classification system as a guide to correctly list all property that is taxable.

Data Collection for real property involves maintaining data characteristics of the property in the CAMA (Computer Assisted Mass Appraisal). PPAD converted to a system called Gemini for the 2011 appraisal year. The quality of the data collected and entered into Gemini is extremely important in establishing accurate values of taxable property. The information in Gemini includes site characteristics such as land size and topography and improvement data such as square footage of living area and other areas of the improvements. Gemini also includes year built (when available), quality of construction and condition. Field appraisers are required to use a property classification procedures and references as a guide to establish uniform and correct listing of real property. All properties are coded according to this classification system.

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 4-6 years. The re-inspection includes the re-measurement of at least two sides of each improved property. PPAD is currently on a three year re-appraisal cycle. This is accomplished by field inspections and using PPAD's aerial photography. The Change Analysis gives a report as well as a current and previous map view of all improvements that have changed in size from the previous flight of the aerial photography. PPAD has new aerial photography flown every 2 years.

The field appraiser is responsible for the data quality in their area and the data entry on most parcels. Data entry that requires more time and detail is assigned to the Data Processing department of PPAD.

The district's website is www.isouthwestdata.com. Then search for Palo Pinto Appraisal District. This website makes various information available for public access and is normally updated daily.

MAPS

Maps have been developing at Palo Pinto Appraisal District for several years. A few years ago the district stopped updating their printed aerial maps (maps from 1980's) and began making the updates on their computerized mapping. PPAD began this computerized mapping system using Bentley Microstation. This worked very well for a few years. When the district purchased Pictometry (aerial photography that is updated on a 2 to three year cycle), the district felt the need to convert the mapping system from Bentley to ESRI ArcView. ArcView is a true GIS system. Our maps are still a work in progress, but we are constantly making corrections and updates to our mapping information system.

MANAGEMENT PLAN

The Palo Pinto Appraisal District by policy, adopted by the Board of Directors, reappraises all property in the district on a three year cycle. Therefore, each year is a reappraisal year, appraising 1/3 of the district each and every year. (2015 was the first year of this 3 year appraisal cycle) The district does conduct a general reappraisal of income producing personal property every year. A property's appraised value is established and reviewed for equality and uniformity on an annual basis. Below is a short synopsis of the Appraiser Schedules for 2017.

Tax Year 2017 – Mineral Wells City (all areas), PK Lake West, Graford City, Hills Above PK, Sportsman World, Brand Road Area of PK and the State Park Area of PK. Rechecks around the entire county are worked each and every year. In hard to access areas, Pictometry will be used. Estimated parcel county 10,955 for 2017.

Tax Year 2018 - Gordon ISD and Gordon City, Lipan ISD, Mineral Wells ISD Abstracts (not city) and Santo ISD will be reappraised Rechecks and septic permits are rechecked each year. Estimated parcel county for 2018 appraisal is 9,930.

Please see attached calendar titled APPRAISAL TEAMS

DEFINING MARKET AREAS IN PALO PINTO COUNTY

Palo Pinto Appraisal District (PPAD) is divided into many market areas. Possum Kingdom Lake (PK Lake) is one of the largest market areas with an estimated 8,000 parcels. PK Lake is located in Graford ISD, Palo Pinto ISD and a small portion that is located inside of Stephens County. Some subdivisions at PK Lake are Gainesbend, The Cliffs, The Ranch, Sportsman World, Hills Above PK and Hill Country Harbor. In the past Brazos River Authority owned a lot of the land around PK Lake. Property owners only leased the land that their homes were on. In recent years, a state law changed and the leases had the option to purchase their fee simple interest in the land under their homes. These areas are known to PPAD as East Side (peninsula area), West Side and the North End. None of PK Lake is located in an incorporated city, but they have market distinctions due to their construction growth and their proximity to PK Lake. Other market areas include Mineral Wells City, Mineral Wells ISD, Palo Pinto ISD (not in PK Lake area), Santo ISD, Strawn ISD, Strawn City, Graford ISD (not in PK Lake

area), Graford City, Lipan ISD (portion located in Palo Pinto County), Perrin/Whitt CISD (portion located in Palo Pinto County), Millsap ISD (portion located in Palo Pinto County), Palo Pinto Lake, 7-R Ranch and City of Mingus. Many of these are small rural communities that have little growth and very few commercial properties. PPAD conducts separate ratio studies for all these properties.

RURAL LAND MARKET AREAS

The rural land market in Palo Pinto County is by school district with the exception of subdivisions and lake properties. PPAD conducts separate ratio studies for rural land.

COMMERCIAL AND PERSONAL PROPERTY MARKET AREAS

The main commercial market area of PPAD is Mineral Wells City. This city has the largest number of commercial properties in the county. Mineral Wells City has over 8,000 parcels in Palo Pinto County. A small portion of Mineral Wells City is also located in Parker County. PK Lake commercial is very seasonal not allowing for large growth of commercial properties. Other small commercial areas are Strawn City, Gordon and Mingus Cities and Graford City. Santo ISD does not contain an incorporated city but does have a small growing commercial area at the intersection of Interstate 20 and Hwy 281 in the southern portion of the county. PPAD conducts separate ratio studies for these areas.

REAPPRAISAL AND NON-REAPPRAISAL YEAR GOALS AND ACTIVITIES

Performance Analysis - The individual school districts values are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity with regards to the State Comptroller's property reporting categories. Ratio studies are conducted in compliance with the current Standard on Ratio Studies published by the International Association of Assessing Officers (IAAO).

Analysis of Resources - Budget and staffing requirements for tax year 2017 are detailed in the 2017 budget, as adopted by the board of directors and attached to the written biennial plan for reference. Existing appraisal practices are specified, examined and tested each year for any changes that are needed but most are continued from year to year. Existing maps and data requirements are noted and updates scheduled.

Planning and Organizing - A calendar of key events with critical completion dates is prepared each year for each major work area. This calendar identifies all key events for appraisal, clerical, customer service and information systems. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

Please see attached calendar titled APPRAISAL TEAMS

PROPERTY VALUE STUDY (PVS) OF APPRAISAL DISTRICT BY STATE COMPTROLLER

According to Texas Property Tax Code Sec 5.10 (a) at least once every two years, the comptroller shall conduct a Property Value Study or PVS in each appraisal district to determine the degree of uniformity of and the median level of appraisals by the appraisal district within each major category of property. (b) The published findings of a ratio study conducted by the comptroller shall be distributed to all members of the legislature and to all appraisal districts. PPAD's PVS was conducted in 2014 and will be conducted again in 2016. Originally the PVS from the comptroller in 2014, showed that Mineral Wells ISD was below the 5% confidence interval. However, after PPAD appealed, M/W ISD was found to be within the proper 5% confidence interval for 2014. As part of this study, the code requires the Comptroller to use sales and recognized auditing and sampling techniques. To test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid, and determine the level and uniformity of property tax appraisal in each appraisal district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analyses of sold properties (sale ratio studies) and appraisal of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting.

There are 9 school districts within Palo Pinto Appraisal District for which appraisal rolls are produced each year. The preliminary results of this PVS are released February 1 in the year following the year of the PVS. The final results are certified to the Education Commissioner of the Texas Education Agency (TEA) the following July of each year.

METHODS ASSISTANCE AND PROCEDURES REVIEW (MAP) OF APPRAISAL DISTRICT BY STATE COMPTROLLER

Per Texas Property Tax Code Sec 5.102 (a) At least once every two years, the comptroller shall review the governance of each appraisal district, taxpayer assistance provided, and the operating and appraisal standards, procedures and methodology used by each appraisal district, to determine compliance with generally accepted standards, procedures and methodology. (c) At the conclusion of the review, the comptroller shall, in writing, notify the appraisal district concerning its performance in the review. If the review results in a finding that an appraisal district is not in compliance with generally accepted standards, procedures, and methodology, the comptroller shall deliver a report that details the comptroller's finding and recommendations for improvement to the appraisal district chief appraiser and board of directors and the superintendent and board of trustees of each school district participating in the appraisal district. The Methods, Assistance and Procedures was conducted by the State Comptroller office in 2015 and will be analyzed again in 2017.

THREE APPROACHES TO VALUING REAL PROPERTY

MARKET APPROACH TO VALUE: This approach may be defined as one which uses data available from transactions or sales that actually occurred in the market place. PPAD prepares ratio studies to use the sales of comparable properties from which a comparison to the subject property can be made. Market areas are compared to begin the market approach to value. PPAD must define the appraisal problem by classifying and describing the subject property. Efforts are made to find vacant land sales. Collect and analyze the recent sales data. Next select the appropriate units of comparison. Then calculate reasonable adjustments based on market information (financing, time or location adjustments). Finally add or subtract the reasonable adjustments to the subject property to arrive at a final estimate of value.

COST APPROACH TO VALUE: Marshall & Swift Valuation Services are used to estimate the replacement cost new of structures. Depreciation is applied to the cost to build to establish market value. Neighborhood or location adjustments are applied in many areas to bring the cost less depreciation estimate to market value. PPAD does use cost approach as a basis for their appraisals of improved properties.

INCOME APPROACH TO VALUE: The basic steps in the income approach are estimate potential gross income, deduct the vacancy & collection loss, deduct allowable operating expenses and capitalize to get a value. In estimating the potential gross income and allowable expenses, market income, rent and expenses must be used rather than actual rent and expenses when determining values. Individual property characteristics must be used in determining market rent and expenses. Due to the difficulty in Palo Pinto County of obtaining the appropriate information to calculate a cap rate, the district contacts local banks to obtain their cap information for income.

While all three approaches are considered, normally the market approach is used to value non-income producing properties.

For tangible income producing property normally the market approach to value or the cost approach are used to determine these values.

For Industrial real or personal properties normally the market approach or the cost approach are used to determine the value.

MASS APPRAISAL SYSTEM

Per the Tax Code, the market value of all taxable property shall be determined by the application of generally accepted appraisal methods and techniques. The district must and does consider the Cost, Market and Income Approach to value. However, 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. 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. Palo Pinto Appraisal District strictly abides by this law. Computer Assisted Mass Appraisal (CAMA) system revisions are specified and scheduled.

Current individual market areas in the district are as follows: Strawn City, Strawn ISD, BobWhite Bluffs, Neeley's Slough, The Ranch, The Cliffs, Graford City, Gordon City, Gordon ISD- (with the exclusion on 7-R Ranch, it is a market of its own), Lipan ISD, Millsap ISD, Graford ISD (with the exclusion of property in a subdivision close to Possum Kingdom Lake), Palo Pinto OT, Palo Pinto ISD (with the exclusion of property in a subdivision close to Possum Kingdom Lake), Sportsman World, Hills Above PK, Hill Country Harbor, Mineral Wells City, Mineral Wells ISD, Perrin/Whitt CISD, Gaines bend, Santo ISD, East Side PK (previous or current leases from Brazos River Authority), North End PK (previous or current leases from Brazos River Authority), West Side PK (previous or current leases from Brazos River Authority), Hog Bend (previous or current leases from Brazos River Authority).

Individual characteristics can be present in different market areas that can affect the values in given areas. Market areas around Possum Kingdom Lake are affected by property characteristics such as water view, water access, and water depth on lake properties. Topography can also be a defining characteristic of properties in the area of PK Lake. The Brazos River runs through many areas of Palo Pinto County. In the rural areas of the county, properties that have river access or views have a much higher sales price and value than other rural properties. In some rural areas the school district in which the property is located plays a significant factor in the value of the rural land. For example rural land in Santo ISD sells at a much higher value per acre than rural land in Strawn ISD. For market areas that are located In the City of Mineral Wells a huge defining characteristic is the neighborhood and the type of improvements plus the condition of these improvements. In other cities in the county, the condition of neighboring improvements does not play as big a factor in the values.

NOTICE AND HEARING PROCESS

To ensure the accuracy of the current appraisal records, the district employees spend many hours running reports, checking ratio, reviewing, proofing and generally checking over everything before Notices of Appraised Values are generated. These notices are in the mail to the property owners as close to April 1 as possible. Property owners then have 30 days to file protests if they disagree with the current value the district has estimated for their property. PPAD conducts informal hearings up until the deadline to protest has passed. All protests that are not previously resolved with a district appraiser are scheduled for a formal hearing before the Appraisal Review Board (ARB). Protesters are notified at least 15 days before their hearing with the ARB. The district is required to present evidence to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings. This evidence is entered into Excel Spreadsheets and entered in the district's computer system for all appraisers to have immediate access. The district examines ratios studies of ISD's and separate areas in the district. The sales are mapped to help test for differences in areas. If additional sales information is made available to the district during the appraisal phase, this is added to the spreadsheet and maps. Keeping this updated information on the districts computer system gives all appraisers immediate access.

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. All appraisers are put on a rotating schedule to defend the district's values in the ARB hearings. PPAD appraisers create Excel spreadsheets and maps of sales while determining values. The appraiser must look at the properties that are under protest, compare and test against the excel spread sheet and the maps to confirm the value of the protested property on their scheduled day. For defending at ARB hearings the appraiser must have sales information, maps and any other information that they may deem helpful in defending the estimated value.

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 for reference.

LIMITING CONDITIONS

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

1. The appraisals are prepared exclusively for ad valorem tax purposes,
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised are performed as staff resources and time allow. Some interior inspections of property appraised are performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.
3. Validation of sales transactions is attempted through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, sales data obtained and vendors is considered reliable.

CERTIFICATION STATEMENT:

"I, Donna Kozlovsky, Chief Appraiser and Executive Director of the Palo Pinto Appraisal District, do solemnly swear that I have made or caused to be made a reappraisal plan for Palo Pinto Appraisal District for the 2017 / 2018 tax years as required by law."

Donna Kozlovsky, Chief Appraiser

Palo Pinto Appraisal District