

Kerr Central Appraisal District

Reappraisal Plan for 2025 & 2026

INTRODUCTION

Scope of Responsibility

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

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

The appraisal district is responsible for local property tax appraisal and exemption administration for 19 jurisdictions or taxing units in the county including 1 county road districts. Each taxing unit, such as the county, a city, school district, municipal utility district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Property appraisals and estimated values by the appraisal district allocate the year's tax burden on the basis of each taxable property's market value. We also determine eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

Except as otherwise provided by the Property Tax Code; all taxable property is appraised at its "market value" as of January 1st. 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:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- 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
- both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), productivity (Sec. 23.41), real property inventory (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), nominal (Sec. 23.18) or restricted use properties (Sec. 23.83) and allocation of interstate property (Sec. 23.03). The owner of real property inventory may elect to have the inventory appraised at its market value as of September 1st of the year preceding the tax year to which the appraisal applies by filing an application with the chief appraiser requesting that the inventory be appraised as of September 1st.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district's current policy is to conduct a general reappraisal of taxable property every year. Appraised values are reviewed annually and are subject to change. Business personal properties, minerals and utility properties are appraised every year. Currently there are no producing mineral accounts in Kerr CAD.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted mass appraisal programs, and recognized appraisal methods and techniques, we compare that information with the data for similar properties, and with recent cost and market data. The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

Personnel Resources

The office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The administration department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The appraisal department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal, mineral, utilities, and industrial. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Board of Tax Professional Examiners. Support functions including records maintenance, information and assistance to property owners, and hearings are coordinated by personnel in support services.

The appraisal district staff consists of 11 employees with the following classifications:

- 1 - Official/Administrator (executive level administration)
- 2 - Professional (supervisory and management)

- 7 - Technicians (appraisers, program appraisers and network support)
- 1 - Administrative Support (professional, customer service, clerical and other)
- 2 – Contractors – Capitol Appraisal (Industrial and Utilities) and Eagle Appraisal (Commercial F1 Property)

Staff Education and Training

All personnel that are performing appraisal work are registered with the Texas Department of Licensing and Regulation and are required to take appraisal courses to achieve the status of Registered Professional Appraiser within five years of employment as an appraiser. After they are awarded their license, they must receive additional training of a minimum of 30 hours of continuing education units every two years. Failure to meet these minimum standards results in the termination of the employee.

Additionally, all appraisal personnel receive extensive training in data gathering processes including data entry in field work and statistical analyses of all types of property to ensure equality and uniformity of appraisal of all types of property. On-the-job training is delivered by department managers for new appraisers and managers meet regularly with staff to introduce new procedures and regularly monitor appraisal activity to ensure that standardized appraisal procedures are being followed by all personnel.

Data

The district is responsible for establishing and maintaining approximately 41,240 real and personal property accounts covering 1,107 square miles within Kerr County. This data includes property characteristics, ownership, and exemption information. Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review. Sales are routinely validated during a separate field effort; however, numerous sales are validated as part of the new construction and field inspections. General trends in employment, interest rates, new construction trends, cost and market data is acquired through various sources, including internally generated questionnaires to buyer and sellers, university research centers, and market data centers and vendors.

The district has a geographic information system (GIS) that maintains cadastral maps and various layers of data and aerial photography.

Information Systems

The Systems Administrator and the computer mapping department manage and maintain the district's data processing facility, software applications, Internet website, and geographical information system. The Mainframe hardware/system software is on Dell PC Servers running

Windows Server 2016 X64 operating system, and a Dell PC Server with ArcView operating system for GIS Mapping. The user base is networked. True Automation provides software services for appraisal applications.

INDEPENDENT PERFORMANCE TEST

According to Chapter 5 of the TPTC and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Division (PTD) conducts a biannual property value study (PVS) of each Texas school district and each appraisal district. As part of this annual study, the code requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MSP review); 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 appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median and price-related differential (PRD) for properties overall and by state category.

There are 8 independent school districts in Kerr CAD for which appraisal rolls are annually developed. The preliminary results of this study are released February 1 in the year following the year of study. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) the following July of each year. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

METHODS AND ASSISTANCE PROGRAM (MAP) REVIEW

House Bill 8, effective Jan. 1, 2010, amended Tax Code Section 5.102 to require the Comptroller of Public Accounts to review county appraisal district (CAD) governance, taxpayer assistance, operating standards and appraisal standards, procedures and methodology at least once every two years. HB 8 also amended Government Code Section 403.302 to change the frequency of the property value study for school districts from every year to every other year. HB 8 created the Comptroller's Property Value Study Advisory Committee which will advise the Comptroller on rules governing the conduct of the biennial property value study and biennial reviews of appraisal districts. The Committee includes the following members;

- A House member appointed by the Speaker
- A Senate member appointed by the Lt. Governor
- Two CAD representatives appointed by the Comptroller
- Two School District Representatives appointed by the Comptroller
- Three Texas residents and school district taxpayers or experts in school district taxation or ratio studies appointed by the Comptroller.

After consultation with the Property Value Study Advisory Committee, the Comptroller by rule may establish procedures and standards for conducting and scoring the review. The Proposed Comptroller rule 9.301 will cover the frequency, scope, scoring, reporting and compliance with the legislative intent. To meet mandatory requirements, a CAD must be in compliance with the Comptroller's rules for Appraisal Cards, Tax Maps; Uniform Tax Records System and Appraisal Records of all Property. CAD must pass all mandatory requirements for school districts to be eligible for "grace period" determinations and local value assignments to TEA. Also, governance, taxpayer assistance, CAD operating procedures and appraisal standards, procedures and methodology will be reviewed and scored.

The MAP Review changes the frequency of the Property Value study from annual to biennial. Districts receiving invalid findings will be studied annually until valid findings are achieved. It requires the comptroller to institute a new biennial review of appraisal district procedures and operations, the Methods and Assistance Program (Map), issue recommendations and notify the Texas Department of Licensing and Regulation if an appraisal district fails to comply with the recommendations. It retains the previous grace period allowing local values to be used in school funding for a two-year period despite invalid PVS findings, but makes it contingent on passing the MAP in addition to having valid values in the two most recent value studies.

Appraisal Activities

2025 – 2026 Reappraisal Year Calendar

2025 CALENDAR

July 2024

- **July 20 – Date ARB must approve appraisal records, but may not do so if more than 5 percent of total appraised value remains under protest.**
- **July 25 – Last day for chief appraisers to certify appraisal roll to each taxing unit (sec. 26.01) (a)**
- **July 31 – Last day for property owners to apply for Sept 1 inventory appraisal for the next year (sec. 23.12) (f)**

- **Residential**
 - Field operations/discovery process begins for the 2025 re-appraisal.
- **Commercial**
 - Field operations/discovery process begins for the 2025 re-appraisal.
- **Business Personal Property**
 - Field operations/discovery process begins for the 2025 re-appraisal.
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
 - Certify 2024 Appraisal Roll (Deadline-July 20) Sec. 41.2(a) - (c)
- **Collect and verify sales data.**
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)
 - Hold public hearing on 2025 Appraisal District Budget (Sec. 6.06(b)).
 - Adopt Appraisal District Budget (Sec. 6.06(b)). (September 14-Deadline)

August 2024

- **August 1 – EARS Submission to PTAD**
- **August 1 - Sales Submission to PTAD**
- **August 7 - Date chief appraisers must post a notice on the appraisal district's Internet website to property owners in the appraisal district stating the estimated amount of property taxes may be found in the property tax database required by Tax Code Section 26.17 (or as soon thereafter as practicable) (Sec. 26.04(e-2)).**
- **August 7 - Date chief appraisers must publish the notice required by Tax Code Section 26.04(e-2) in a newspaper of general circulation in the county for which the appraisal district is established (Sec. 26.04(e-6)).**

- **August 14 – Last day for CAD board to pass resolution to change CAD finance method, subject to taxing unit's unanimous consent (sec. 6.061)**
- **August 14 – Last day for CAD board to pass resolution to change number of directors, method for appointing, or both, and deliver the resolution to each taxing unit (sec. 6.031)**
- **August 31 – Last day taxing units may file resolutions with the CAD board to oppose proposed change in the CAD finance method (sec. 6.061)**
- **August 31 - Last day for taxing unit entitled to vote for appointment of appraisal district boards of directors to file a resolution opposing a change by the appraisal district board in the number and selection of directors (Sec. 6.031(a)).**

- **Residential**
 - Field operations/discovery process continues.
- **Commercial**
 - Field operations/discovery process continues.
- **Collect and verify sales data.**
- **Business Personal Property**
- **Field operations/discovery process continues.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)

September 2024

- **Sept 1 – Date that taxable value of inventories may be determined at property owner's written option (sec. 23.12)**
- **Sept 14 – Deadline**

- Last day for the CAD board to adopt CAD budget for the next year, unless a district has changed its fiscal year (sec. 6.06)
- Last day for CAD board to notify taxing units in writing if a proposal to change a finance method by taxing units' unanimous consent has been rejected (sec. 6.061)
- Last day for a CAD board to notify taxing units in writing if a proposal to change the number or method of selecting CAD directors is rejected by a voting taxing unit (sec. 6.031)
- **Sept 15 – Last day to approve Biennial Reappraisal Plan**
- **Sept 30 – Last day for taxing units' fourth quarterly payment for the CAD budget for the current year (sec. 6.06)**
- **Residential**
 - Field operations/discovery process continues.
- **Commercial**
 - Field operations/discovery process continues.
- **Rechecks and Inspections**
 - Begin reworking market areas (I.E) Comanche Trace, Kerrville Residential Property. Eagle Appraisal will work Commercial (F1) properties. They will begin with commercial properties in the City limits of Kerrville not worked in the preceding year. This year commercial reappraisal will concentrate on properties in Kerr County that have not been seen in the past 3 years, but include any and all rechecks for the entire county including any new construction. Hunt River Properties, rural land values in Divide, Harper, Ingram, Center Point and Comfort school districts will be reviewed and adjusted if necessary. This will be determined by sales ratio studies. Kerrville South inspections, etc. rechecks and permits in all school districts are begun. This process concludes by the middle of April 2025 when appraisal notices are generated and mailed. Also include in the discovery of real property improvements is the use of aerial mapping. The aerial mapping contracted provides change in property within a three-year period. This is provided in a database showing which properties have had an apparent physical change since the last fly over. These are then compared to the current appraisal records to determine if a physical reinspection of the property is needed. These rechecks are added to the work load for the current year.

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- **Collect and verify sales data.**
- **Business Personal Property**
 - Field operations/discovery process continues.
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)
 - Hold public hearing on 2025-2026 Reappraisal Plan
 - Adopt 2025-2026 Reappraisal Plan (September 15 deadline)

October 2024

- **Residential**
 - Field operations/discovery process continues.
- **Commercial**
 - Field operations/discovery process continues.
- **Business Personal Property**
 - Field operations/discovery process continues.
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary.
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)

November 2024

- **Residential**
 - Field operations/discovery process continues

- **Commercial**
 - Field operations/discovery process continues.
- **Business Personal Property**
 - Field operations/discovery process continues.
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)

December 2024

- **December 31 – Last day for taxing units' first quarterly payment for CAD budget for next year (sec. 6.06)**
- **Residential**
 - Field operations/discovery process continues.
 - Approx. 50% complete on rechecks.
- **Mobile Home Parks**
 - Physical Inspection of all Parks in the CAD
- **Commercial**
 - Field operations/discovery process continues.
- **Business Personal Property**
 - Field operations/discovery process continues.
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
- **Board of Directors Meeting**

- Schedule meetings as necessary (Meet at least quarterly)

January 2025

- **January 1 - Date that taxable values and qualifications for certain exemptions are determined for the tax year (except for inventories appraised for Sept 1) Secs. 11.42, 23.01, 23.12)**
- **January 1 until applicable deadlines for 2025 – Process exemption and special use applications**
- **Required publications in newspaper**
- **Mailing of Applications to new owners and those required by Chief Appraiser**
- **January 31 - Last day for Chief Appraiser to mail applications for special appraisals and exemptions requiring annual application (Sec. 11.44, 23.43)**
- **January 31 - Last day for an appraisal district to give public notice of the capitalization rate to be used in that year to appraise property with low- and moderate-income housing exemption (Sec. 11.1825(r)).**
- **Residential**
 - Field operations/discovery process continues.
- **Mobile Home Parks**
 - Inspections and data entry completed.
- **Commercial**
 - Field operations/discovery process continues.
- **Check Rural Land Values in all school districts**
 - This process concludes in April of 2025
- **Collect and verify sales data.**
- **Business Personal Property**
 - Field operations/discovery process continues.

- January 1 - Date rendition period begins; continues through April 1 for those property owners not requesting a filing extension (Sec. 22.23)
- Mailing of personal property renditions
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
 - January 1 – Half of the Appraisal Review Board members begin 2-year terms (Sec. 6.41)

Board of Directors Meeting

- Schedule meetings as necessary (Meet at least quarterly)
- **Agricultural Surveys Mailed**

February 2025

- **February 1 - Sales submission to PTAD**
- **February 1 – Last day for motor vehicle, vessel and outboard motors, heavy equipment and manufacturing housing dealers to file dealer's inventory declarations (Secs 23.121, 23.124, 23.1241, 23.127)**
- **February 1 – Deadline for a chief appraiser to provide notice regarding the availability of agreement forms authorizing electronic communication on or before this date (Or as soon as practicable) if delivering the form (sec. 1.085)**
- **Residential**
 - Field operations/discovery process continues.
- **Commercial**
 - Field operations/discovery process continues.
- **Business Personal Property**
 - Field operations/discovery process continues.
 - Dealers file inventory declarations (February 1 deadline)
- **Collect and verify sales data.**

- **Begin Ratio Studies**
 - Improvement Schedules
 - Land Values
 - Neighborhood analyses
 - Subdivision analysis
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)

March 2025

- **March 31 – Last day for taxing units' second quarterly payment for the current year CAD budget (sec. 6.06)**
- **Residential**
 - Field operations/discovery process continues.
- **Commercial**
 - Field operations/discovery process continues.
- **Business Personal Property**
 - Field operations/discovery process continues.
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)

April 2025

- **April 1 – Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for single-family residence homestead properties (sec. 25.19a)**

- **April 1 - Last day (or as soon thereafter as practicable) for chief appraiser to deliver a clear and understandable written notice to property owner of a single-family residence that qualifies for an exemption under Sec. 11.13 if an exemption or partial exemption that was approved for the preceding year was canceled or reduced for the current year (Sec. 25.193(a)).**
- **April 1 – Last day for the chief appraiser to notify the taxing units of the form in which the appraisal roll will be provided to them (sec.26.01)**
- **April 15 – Last day for property owners to file renditions and property information reports unless they request a filing extension in writing (sec.22.23)**
- **April 30 – Last day for property owners to file these applications or reports with the CAD:**
 - Some exemption applications (11.43)
 - Notice to chief appraiser that property is no longer entitled to an exemption not requiring annual application (Sec 11.43)
 - Applications for special appraisal or notices to chief appraiser that property no longer qualifies for 1-d-1 agricultural land, timberland, restricted-use timberland, recreational-park-scenic land and public access airport property (Secs 23.43, 23.54, 23.75, 23.84, 23.94, 23.9804)
 - Requests for separate listing of separately owned land and improvements (sec.25.08)
 - Requests for proportionate taxing of a planned unit development property (25.09)
 - Requests for separate listing of undivided interests (sec.25.11)
- **April 30 – Last day for chief appraiser to certify estimate of the taxable value for counties, municipalities, and school districts (counties and municipalities can choose to waive the estimate) (Sec. 26.01)**
- **Residential**
 - Field operations/discovery process continues.
- **Commercial**
 - Field operations/discovery process continues.
- **Business Personal Property**

- Field operations/discovery process continues.
- **New Construction and recheck inspections and data entry substantially complete for the 2025 tax year.**
- **Collect and verify sales data.**
- **Finalize 2025 values at completion of ratio studies and sales analysis.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)

May 2025

- **May 1 – Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for properties other than single-family residence homesteads (Sec. 25.19)**
- **May 1 - Last day (or as soon thereafter as practicable) for chief appraiser to deliver a clear and understandable written notice to the property owner of residence homestead property that does not qualify for an exemption under Sec. 11.13 if an exemption or partial exemption that was approved for the preceding year was canceled or reduced for the current year (Sec. 25.193(a)).**
- **May 1st to 14th - Period to file resolutions with chief appraiser to change CAD finance method (Sec. 6.061)**
- **May 1st to 15th – Period when chief appraiser must publish notice about taxpayer protest procedures in a local newspaper with general circulation (sec. 41.41, 41.70)**
- **May 15 – Last day for property owners to file renditions and property information reports if they requested an extension in writing. For good cause, chief appraiser may extend this deadline an additional 15 days (sec. 22.23)**
- **May 15 – Date (or as soon as practicable thereafter) for chief appraiser to prepare appraisal records and submit to ARB (sec. 25.01, 25.22)**

- **Deadline for ARBs to adopt ARB hearing procedures; adopted hearing procedures must be submitted to PTAD within 15 days of adoption (Sec. 41.01(c) and (d)).**
 - **Last day to file most protests with ARB (or by 30th day after notice of appraised value is delivered, whichever is later) (Sec. 41.44(a)(1)).**
- **May 19 – Last day for chief appraiser to determine whether a sufficient number of eligible taxing units filed resolutions to change CAD's finance method (sec. 41.04)**
- **May 24 – Last day for chief appraiser to notify taxing units of change in the CAD's finance method (sec. 6.061)**
- **May 31 - deadline**
 - Last day for taxing unites to file challenges with ARB (or within 15 days after the date the appraisal records are submitted to ARB (whichever is later) (Sec. 41.04)
 - Last day for a religious organization that has been denied a 111.20 exemption because of the charter to amend the charter and file a new application or the 60th day after the date of notification of the exemption denial, whichever is later (sec. 11.421)
- **Residential**
 - Field operations/discovery process continues.
 - Values finalized for 2025
- **Commercial**
 - Field operations/discovery process continues.
 - Values finalized for 2025
- **Business Personal Property**
 - Field operations/discovery process continues.
 - Values finalized for 2025
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary

- Formal Hearings
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)
 - Presentation of 2025 preliminary budget
 - Deliver preliminary 2025 budget to taxing units

June 2025

- **June 1 – Deadline for at least one conservation and reclamation district in the CAD to deliver to the chief appraiser a written request to nominate and vote on the board of directors. On request the chief appraiser must certify all eligible conservation and reclamation districts that are imposing taxes and participate in the CAD by June 15th**
- **June 14 – Last day for chief appraiser to submit proposed budget for next year to CAD board and taxing units (unless taxing units have changed CAD's fiscal year) (Sec. 6.06)**
- **June 15 - Last day (or the 60th day after the date on which the chief appraiser delivers notice to the property owner under Sec 22.22, if applicable) for chief appraisers to accept and approve or deny late-filed freeport exemption applications (Sec. 11.4391(a)).**
- **June 16 – Beginning date that CAD board may pass resolution to change CAD finance method, subject to taxing units' unanimous approval. Period ends before Aug. 15 (sec. 6.061)**
- **June 30 – deadline**
 - **Last day for taxing units' third quarterly payment for CAD budget for the current year (sec. 6.06)**
 - **Last day to form a taxing unit to levy property taxes for the current year (sec. 26.12)**
 - **Last day for taxing units to adopt local option percentage homestead exemptions (sec. 11.13)**

- Last day for a private school that has been denied an 11.21 exemption because of the charter to amend the charter and file a new application (or the 60th day after the date of notification of the exemption denial, whichever is later) (sec. 11.422)
- Residential
 - Field operations/discovery process continues.
- Commercial
 - Field operations/discovery process continues.
- Business Personal Property
 - Field operations/discovery process continues.
- Collect and verify sales data.
- Appraisal Review Board Meeting
 - Schedule hearings as necessary
 - Formal Hearings
- Board of Directors Meeting
 - Schedule meetings as necessary (Meet at least quarterly)

2026 CALENDAR

July 2025

- Before July 1 – chief appraiser must calculate and deliver the number of votes that an eligible conservation and reclamation district is entitled. A written notice to the district of its voting entitlement and right to nominate one candidate for director. (If applicable)

- **Before July 15 – All eligible conservation and reclamation districts must submit the name of the district's nominee to the chief appraiser. (If applicable)**
- **July 20 – date ARB must approve appraisal records, but may not do so if more than 5 percent of total appraised value remains under protest.**
- **July 25 – Last day for chief appraisers to certify appraisal roll to each taxing unit (sec. 26.01) (a)**
- **July 31 – Last day for property owners to apply for Sept 1 inventory appraisal for the next year (sec. 23.12) (f)**
- **Residential**
 - **Field operations/discovery process begins for the 2026 re-appraisal.**
- **Commercial**
 - **Field operations/discovery process begins for the 2026 re-appraisal.**
- **Business Personal Property**
 - **Field operations/discovery process begins for the 2026 re-appraisal.**
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - **Schedule hearings as necessary**
 - **Formal hearings**
 - **Certify 2025 Appraisal Roll Sec.41.12(a) - (c)**
- **Board of Directors Meeting**
 - **Schedule meetings as necessary (Meet at least quarterly)**
 - **Hold public hearing on 2026 Appraisal District Budget (Sec. 6.06(b)).**
 - **Adopt Appraisal District Budget (Sec. 6.06(b)).**

August 2025

- **Before August 1 – The chief appraiser must prepare a nominating ballot listing all the nominees of conservation and reclamation districts and deliver a ballot to the presiding officer of the board of directors of each district. (If applicable)**
- **Before August 15 – The board of directors of each district must submit its vote for the nominee of conservation and reclamation districts to the chief appraiser. The winning nominee of the conservation and reclamation districts in the CAD becomes a nominee for CAD director. (If applicable)**
- **August 1 – EARS Submission to PTAD**
- **August 1 - Sales Submission to PTAD**
- **August 7 - Date chief appraisers must post a notice on the appraisal district's Internet website to property owners in the appraisal district stating the estimated amount of property taxes may be found in the property tax database required by Tax Code Section 26.17 (or as soon thereafter as practicable) (Sec. 26.04(e-2)).**
- **August 7 - Date chief appraisers must publish the notice required by Tax Code Section 26.04(e-2) in a newspaper of general circulation in the county for which the appraisal district is established (Sec. 26.04(e-6)).**
- **August 14 – Last day for CAD board to pass resolution to change CAD finance method, subject to taxing unit's unanimous consent (sec. 6.061) (a)**
- **August 14 – Last day for CAD board to pass resolution to change number of directors, method for appointing, or both, and deliver the resolution to each taxing unit (sec. 6.031)**
- **August 31 – Last day taxing units may file resolutions with the CAD board to oppose proposed change in the CAD finance method (sec. 6.061)**
- **August 31 - Last day for taxing unit entitled to vote for appointment of appraisal district boards of directors to file a resolution opposing a change by the appraisal district board in the number and selection of directors (Sec. 6.031(a)).**
- **Residential**
 - **Field operations/discovery process continues.**
- **Commercial**
 - **Field operations/discovery process continues.**
- **Business Personal Property**

- Field operations/discovery process continues.
- Collect and verify sales data.
- Appraisal Review Board Meeting
 - Schedule hearings as necessary
- Board of Directors Meeting
 - Schedule meetings as necessary (Meet at least quarterly)

September 2025

- Sept 1 – Date that taxable value of inventories may be determined at property owner's written option (sec. 23.12)
 - Sept 14 – Deadline
 - Last day for the CAD board to adopt CAD budget for the next year, unless a district has changed its fiscal year (sec. 6.06)
 - Last day for CAD board to notify taxing units in writing if a proposal to change a finance method by taxing units' unanimous consent has been rejected (sec. 6.061) (a)
 - Last day for a CAD board to notify taxing units in writing if a proposal to change the number or method of selecting CAD directors is rejected by a voting taxing unit (sec. 6.031)

- Rechecks and Inspections

Begin reworking market areas (I.E) Comanche Trace, Kerrville Residential Property. Eagle Appraisal will work Commercial (F1) properties. They will begin with commercial properties in the City limits of Kerrville not worked in the preceding year. This year commercial reappraisal will concentrate on the properties in Kerr County that have not been seen in the past three years, but include any and all rechecks for the entire county including any new construction. Hunt River Properties, rural land values in Divide, Harper, Ingram, Center Point and Comfort school districts will be reviewed and adjusted if necessary. This will be determined by sales ratio studies. Kerrville South inspections, etc. rechecks and permits in all school districts are begun. This process concludes by the middle of April 2026 when appraisal notices are generated and mailed.

- **Sept 30 – Last day for taxing units' fourth quarterly payment for the CAD budget for the current year (sec. 6.06)**
- **Residential**
 - **Field operations/discovery process continues.**
- **Commercial**
 - **Field operations/discovery process continues.**
- **Business Personal Property**
 - **Field operations/discovery process continues.**
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - **Schedule hearings as necessary**
- **Board of Directors Meeting**
 - **Schedule meetings as necessary (Meet at least quarterly)**

October 2025

- **Before Oct 1 – chief appraiser calculates and delivers written notice of the number of votes to which each taxing unit is entitled (other than a conservation and reclamation district)**
- **Before Oct 15 – each taxing unit (other than a conservation and reclamation district) that is entitled to vote may submit to the chief appraiser one nominee for each position to be filled.**
- **Before Oct 30 – The chief appraiser must prepare a ballot with candidates, whose names were timely submitted, including the nominee of conservation and reclamation districts if applicable.**
- **Residential**

- Field operations/discovery process continues.
- Commercial
 - Field operations/discovery process continues.
- Business Personal Property
 - Field operations/discovery process continues.
- Collect and verify sales data.
- Appraisal Review Board Meeting
 - Schedule hearings as necessary
- Board of Directors Meeting
 - Schedule meetings as necessary (Meet at least quarterly)

November 2025

- Residential
 - Field operations/discovery process continues.
- Commercial
 - Field operations/discovery process continues.
- Business Personal Property
 - Field operations/discovery process continues.
- Collect and verify sales data.
- Appraisal Review Board Meeting
 - Schedule hearings as necessary
- Board of Directors Meeting
 - Schedule meetings as necessary (Meet at least quarterly)

December 2025

- **Before December 15 – Each taxing unit entitled to vote must determine its vote by resolution and submit to the chief appraiser**
- **Before December 30 – The chief appraiser announces the new directors**
- **December 31 – Last day for taxing units' first quarterly payment for CAD budget for next year (sec. 6.06)**
- **Residential**
 - **Field operations/discovery process continues.**
- **Commercial**
 - **Field operations/discovery process continues.**
- **Business Personal Property**
 - **Field operations/discovery process continues.**
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - **Schedule hearings as necessary**
- **Board of Directors Meeting**
 - **Schedule meetings as necessary (Meet at least quarterly)**

January 2026

- **January 1 - Date that taxable values and qualifications for certain exemptions are determined for the tax year (except for inventories appraised for Sept 1) Secs. 11.42, 23.01, 23.12)**
- **January 1 until applicable deadlines for 2026 – Process exemption and special use applications**
- **Required publications in newspaper**
- **Mailing of Applications to new owners and those required by Chief Appraiser**
- **January 31-Last day for Chief Appraiser to mail applications for special appraisals and exemptions requiring annual application (Sec. 11.44, 23.43)**

- **January 31 - Last day for an appraisal district to give public notice of the capitalization rate to be used in that year to appraise property with low- and moderate-income housing exemption (Sec. 11.1825(r)).**
- **Residential**
 - **Field operations/discovery process continues.**
- **Commercial**
 - **Field operations/discovery process continues.**
- **Business Personal Property**
 - **Field operations/discovery process continues.**
 - **Mailing of personal property renditions**
- **Check Rural Land Values in all school districts**
 - **This process concludes by the end of April 2026**
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - **Schedule hearings as necessary**
- **Board of Directors Meeting**
 - **Schedule meetings as necessary (Meet at least quarterly)**
- **Agricultural Surveys Mailed for 2025 information**

February 2026

- **February 1 - Sales submission to PTAD**
- **February 1 – Last day for motor vehicle, vessel and outboard motors, heavy equipment and manufacturing housing dealers to file dealer's inventory declarations (Secs 23.121, 23.124, 23.1241, 23.127)**

- **February 1 – Deadline for a chief appraiser to provide notice regarding the availability of agreement forms authorizing electronic communication on or before this date (Or as soon as practicable) if delivering the form (sec. 1.085)**
- **Residential**
 - Field operations/discovery process continues.
- **Commercial**
 - Field operations/discovery process continues.
- **Business Personal Property**
 - Field operations/discovery process continues.
 - Dealers file inventory declarations (February 1 deadline)
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)

March 2026

- **March 31 – Last day for taxing units' second quarterly payment for the current year CAD budget (sec. 6.06)**
- **Residential**
 - Field operations/discovery process continues.
- **Commercial**
 - Field operations/discovery process continues.
- **Business Personal Property**
 - Field operations/discovery process continues.
- **Collect and verify sales data.**

- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)

April 2026

- **April 1 – Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for single-family residence homestead properties (sec. 25.19)**
- **April 1 – Last day for the chief appraiser to notify the taxing units of the form in which the appraisal roll will be provided to them (sec.26.01)**
- **April 1 - Last day (or as soon thereafter as practicable) for chief appraiser to deliver a clear and understandable written notice to property owner of a single-family residence that qualifies for an exemption under Sec. 11.13 if an exemption or partial exemption that was approved for the preceding year was canceled or reduced for the current year (Sec. 25.193(a)).**
- **April 15 – Last day for property owners to file renditions and property information reports unless they request a filing extension in writing (sec.22.23)**
- **April 30 – Last day for property owners to file these applications or reports with the CAD:**
 - **Some exemption applications (11.43)**
 - **Notice to chief appraiser that property is no longer entitled to an exemption not requiring annual application (Sec 11.43)**
 - **Applications for special appraisal or notices to chief appraiser that property no longer qualifies for 1-d-1 agricultural land, timberland, restricted-use timberland, recreational-park-scenic land and public access airport property (Secs 23.43, 23.54, 23.75, 23.84, 23.94, 23.9804)**
 - **Requests for separate listing of separately owned land and improvements (sec.25.08)**
 - **Requests for proportionate taxing of a planned unit development property (25.09)**

- Requests for separate listing of undivided interests (sec.25.11)
- April 30 – Last day for chief appraiser to certify estimate of the taxable value for counties, municipalities, and school districts (counties and municipalities can choose to waive the estimate) (Sec. 26.01)
- Residential
 - Field operations/discovery process continues.
- Commercial
 - Field operations/discovery process continues.
- Business Personal Property
 - Field operations/discovery process continues.
- Collect and verify sales data.
- Appraisal Review Board Meeting
 - Schedule hearings as necessary
- Board of Directors Meeting
 - Schedule meetings as necessary (Meet at least quarterly)

May 2025

- May 1 – Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for properties other than single-family residence homesteads (Sec. 25.19)
- May 1 - Last day (or as soon thereafter as practicable) for chief appraiser to deliver a clear and understandable written notice to the property owner of residence homestead property that does not qualify for an exemption under Sec. 11.13 if an exemption or partial exemption that was approved for the preceding year was canceled or reduced for the current year (Sec. 25.193(a)).
-

- **May 1st to 14th - Period to file resolutions with chief appraiser to change CAD finance method (Sec. 6.061)**
- **May 1st to 15th – Period when chief appraiser must publish notice about taxpayer protest procedures in a local newspaper with general circulation (sec. 41.41, 41.70)**
- **May 15 – Last day for property owners to file renditions and property information reports if they requested an extension in writing. For good cause, chief appraiser may extend this deadline an additional 15 days (sec. 22.23)**
- **May 15 – Date (or as soon as practicable thereafter) for chief appraiser to prepare appraisal records and submit to ARB (sec. 25.01, 25.22)**
 - **Deadline for ARBs to adopt ARB hearing procedures; adopted hearing procedures must be submitted to PTAD within 15 days of adoption (Sec. 41.01(c) and (d)).**
 - **Last day to file most protests with ARB (or by 30th day after notice of appraised value is delivered, whichever is later) (Sec. 41.44(a)(1)).**
- **May 19 – Last day for chief appraiser to determine whether a sufficient number of eligible taxing units filed resolutions to change CAD's finance method (sec. 41.04)**
- **May 24 – Last day for chief appraiser to notify taxing units of change in the CAD's finance method (sec. 6.061)**
- **May 31 - deadline**
 - **Last day for taxing unites to file challenges with ARB (or within 15 days after the date the appraisal records are submitted to ARB (whichever is later) (Sec. 41.04)**
 - **Last day for a religious organization that has been denied a 111.20 exemption because of the charger to amend the charter and file a new application or the 60th day after the date of notification of the exemption denial, whichever is later (sec. 11.421)**
- **Residential**
 - **Field operations/discovery process continues.**
 - **Values finalized for 2026**
- **Commercial**
 - **Field operations/discovery process continues.**

- Values finalized for 2026.
- **Business Personal Property**
 - Field operations/discovery process continues.
 - Values finalized for 2026
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
 - Formal Hearings
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)
 - Presentation of 2025 preliminary budget
 - Deliver preliminary 2025 budget to taxing units

June 2026

- **June 14 – Last day for chief appraiser to submit proposed budget for next year to CAD board and taxing units (unless taxing units have changed CAD's fiscal year) (Sec. 6.06)**
- **June 15 - Last day (or the 60th day after the date on which the chief appraiser delivers notice to the property owner under Sec 22.22, if applicable) for chief appraisers to accept and approve or deny late-filed freeport exemption applications (Sec. 11.4391(a)).**
- **June 16 – Beginning date that CAD board may pass resolution to change CAD finance method, subject to taxing units' unanimous approval. Period ends before Aug. 15 (sec. 6.061)**
- **June 30 – deadline**
 - **Last day for taxing units' third quarterly payment for CAD budget for the current year (sec. 6.06)**
 - **Last day to form a taxing unit to levy property taxes for the current year (sec. 26.12)**

- Last day for taxing units to adopt local option percentage homestead exemptions (sec. 11.13)
- Last day for a private school that has been denied an 11.21 exemption because of the charter to amend the charter and file a new application (or the 60th day after the date of notification of the exemption denial, whichever is later) (sec. 11.422)
- Residential
 - Field operations/discovery process continues.
- Commercial
 - Field operations/discovery process continues.
- Business Personal Property
 - Field operations/discovery process continues.
- Collect and verify sales data.
- Appraisal Review Board Meeting
 - Schedule hearings as necessary
 - Formal Hearings
- Board of Directors Meeting
 - Schedule meetings as necessary (Meet at least quarterly)

July 2026

- July 20 – date ARB must approve appraisal records, but may not do so if more than 5 percent of total appraised value remains under protest.
- July 25 – Last day for chief appraisers to certify appraisal roll to each taxing unit (sec. 26.01)
- July 31 – Last day for property owners to apply for Sept 1 inventory appraisal for the next year (sec. 23.12)

- **Residential**
 - Field operations/discovery process begins for the 2025 re-appraisal.
- **Commercial**
 - Field operations/discovery process begins for the 2025 re-appraisal.
- **Business Personal Property**
 - Field operations/discovery process begins for the 2025 re-appraisal.
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - Schedule hearings as necessary
 - Formal hearings
 - Certify 2026 Appraisal Roll
- **Board of Directors Meeting**
 - Schedule meetings as necessary (Meet at least quarterly)
 - Hold public hearing on 2025 Appraisal District Budget (Sec. 6.06(b)).
 - Adopt Appraisal District Budget (Sec. 6.06(b)).

August 2026

- **August 1 – EARS Submission to PTAD**
- **August 1 - Sales Submission to PTAD**
- **August 7 - Date chief appraisers must post a notice on the appraisal district's Internet website to property owners in the appraisal district stating the estimated amount of property taxes may be found in the property tax database required by Tax Code Section 26.17 (or as soon thereafter as practicable) (Sec. 26.04(e-2)).**
- **August 7 - Date chief appraisers must publish the notice required by Tax Code Section 26.04(e-2) in a newspaper of general circulation in the county for which the appraisal district is established (Sec. 26.04(e-6)).**

- **August 14 – Last day for CAD board to pass resolution to change CAD finance method, subject to taxing unit's unanimous consent (sec. 6.061)**
- **August 15 – Last day for CAD board to pass resolution to change number of directors, method for appointing, or both, and deliver the resolution to each taxing unit (sec. 6.031)**
- **August 31 – Last day taxing units may file resolutions with the CAD board to oppose proposed change in the CAD finance method (sec. 6.061)**
- **Residential**
 - **Field operations/discovery process continues.**
- **Commercial**
 - **Field operations/discovery process continues.**
- **Business Personal Property**
 - **Field operations/discovery process continues.**
- **Collect and verify sales data.**
- **Appraisal Review Board Meeting**
 - **Schedule hearings as necessary**
- **Board of Directors Meeting**
 - **Schedule meetings as necessary (Meet at least quarterly)**

September 2026

- **Sept 1 – Date that taxable value of inventories may be determined at property owner's written option (sec. 23.12)**
- **Sept 14 – Deadline**

- Last day for the CAD board to adopt CAD budget for the next year, unless a district has changed its fiscal year (sec. 6.06)
 - Last day for CAD board to notify taxing units in writing if a proposal to change a finance method by taxing units' unanimous consent has been rejected (sec. 6.061)
 - Last day for a CAD board to notify taxing units in writing if a proposal to change the number or method of selecting CAD directors is rejected by a voting taxing unit (sec. 6.031)
- Sept 15 – Last day to approve Biennial Reappraisal Plan
- Sept 30 – Last day for taxing units' fourth quarterly payment for the CAD budget for the current year (sec. 6.06)
- Residential
 - Field operations/discovery process continues.
- Commercial
 - Field operations/discovery process continues.
- Business Personal Property
 - Field operations/discovery process continues.
- Collect and verify sales data.
- Appraisal Review Board Meeting
 - Schedule hearings as necessary
- Board of Directors Meeting
 - Schedule meetings as necessary (Meet at least quarterly)
 - Hold public hearing on 2025-2026 Reappraisal Plan
 - Adopt 2025-2026 Reappraisal Plan (September 15 deadline)

Appraisal Responsibilities

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a comprehensive physical description of personal property, and land and building characteristics. This appraisal activity is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types located within the boundaries of Kerr County and the jurisdictions of this appraisal district. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to periodically field inspect residential, commercial, and personal properties in the district every third year. The appraisal opinion of value for all property located in the district is reviewed and evaluated each year.

Appraisal Resources

- **Personnel** - The appraisal activities are conducted by 6 full time appraisers.
- **Data** - The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Assisted Mass Appraisal System) from the district's computer system. The data is printed on a property record card (PRD), or personal property data sheets. Other data used includes maps, sales data, fire and damage reports, building permits, pictometry, photos and actual cost and market information. Sources of information are gathered using excellent reciprocal relationships with other participants in the real estate market place. The district cultivates sources and gathers information from both buyers and sellers participating in the real estate market.

Appraisal Frequency and Method Summary

- **Residential Property**- Residential property is examined every three years with appraisers inspecting each home, noting condition of the improvement and looking for changes that might have occurred to the property since the last on-site check. In some instances, pictometry will be used to determine physical changes to property. In some subdivisions where change of condition is frequent, homes are examined annually. Exterior pictures are taken of homes at least every three years. Every subdivision is statistically analyzed annually to ensure that sales that have occurred in the subdivision during the past 12 months are within a $\pm 3\%$ range of appraised value. If the sales do not indicate that range, adjustments are made

to the subdivision using a process outlined in detail in the Residential Appraisal section of this report.

- **Commercial Property-** Commercial and industrial real estate is observed annually to verify class and condition. Real estate accounts are analyzed against sales of similar properties in Kerr CAD as well as similar communities in the Hill Country of Texas that have similar economies. The income approach to value is also utilized to appraise larger valued commercial properties such as shopping centers, apartment complexes, office buildings, restaurants, motels and hotels, and other types of property that typically sell based on net operating income. Commercial real estate is appraised by Eagle Appraisal Group. See Attached plan.
- **Business Personal Property-** Business personal property is appraised annually. Every business is required by state law to file a rendition of their property used to produce income. Similar businesses to a subject are analyzed annually to determine consistency of appraisal per square foot. Businesses are categorized using SIC codes. Rendition laws provide additional information on which to base values of all BPP accounts.
- **Minerals-** Kerr County's currently has no taxable minerals.
- **Utilities and Pipelines-** Utility companies and pipelines are appraised annually by Capital Appraisal Group a subcontractor of Kerr CAD. See attached plan.

PRELIMINARY ANALYSIS

Data Collection/Validation

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

property classification system during their initial training and as a guide to correctly list all personal property that is taxable. The listing procedure utilized by the field appraisers is available in the district offices. Appraisers periodically update the classification system.

Sources of Data

The sources of data collection are through property inspection, new construction field effort, data review/relist field effort, data mailer questionnaires, hearings, sales validation field effort, commercial sales verification and field effort, newspapers and publications, and property owner correspondence by mail or via the Internet. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. Paper permits are received and matched manually with the property's tax account number for data entry. Area and regional real estate brokers and managers are also sources of market and property information. Data surveys of property owners requesting market information and property description information is also valuable data. Soil surveys and agricultural surveys of farming and ranching property owners and industry professionals are helpful for productivity value calibration. Improvement cost information is gathered from local building contractors and Marshall and Swift Valuation Service. Various income and rental surveys are performed by interviewing property managers and operators to determine operating income and expenses for investment and income producing real property.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers inspect entire neighborhoods to review the accuracy of our data and identify properties that have to be relisted. The sales validation effort in real property pertains to the collection of market data for properties that have sold. In residential, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of the property characteristics and confirmation of the sales price. Property owners are one of the best sources for identifying incorrect data that generates a field check. Frequently, the property owner provides reliable data to allow correction of records without having to send an appraiser on-site. As the district has increased the amount of information available on the Internet, property owners have the opportunity to review information on their property. Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed throughout the appraisal process from year to year. Appraisal opinion quality and validity relies on data accuracy as its foundation.

Data Collection Procedures

The appraisers are assigned specific areas throughout the district to conduct field inspections. These geographic areas of assignment are maintained for several years to enable the appraiser assigned to that area to become knowledgeable of all the factors that drive values for that

specific area. Appraisers of real estate and business personal property conduct field inspections and record information for entry into the appraisal system computer. The quality of the data used is extremely important in estimating market values of taxable property. While work performance standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection and the classification system set forth and recognized as "rules" to follow. Experienced appraisers are routinely re-trained in listing procedures prior to major field projects such as new construction, sales validation or data review. A quality assurance process exists through supervisory review of the work being performed by the field appraisers. Quality assurance supervision is charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the field appraisal staff.

Data Maintenance

The field appraiser is responsible for the data entry of his/her fieldwork into the computer file. This responsibility includes not only data entry, but also quality assurance. The majority of the data collected in the field is input by the field appraiser. Data updates and file modification for property descriptions and input accuracy is conducted as the responsibility of the field appraiser and appraisal supervisor.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection and the CAD appraiser responsible are listed on the CAMA record or property card. If a property owner or a jurisdiction disputes the district's records concerning this data during a hearing, via a telephone call or other correspondence received, the record may be corrected based on the evidence provided or an on-site inspection may be conducted.

Typically, a field inspection is requested to verify this information for the current year's valuation or for the next year's valuation. Every year a field review of real property located in certain areas or neighborhoods in the jurisdiction is done.

Office Review

Office reviews are completed on properties where update information has been received from the owner of the property and is considered accurate and correct. The personal property department mails property rendition forms in December of each year to assist in the annual review of the property.

PERFORMANCE TEST

The Deputy Chief of Appraisal is responsible for conducting ratio studies and comparative analysis. Ratio studies are conducted on property located within certain neighborhoods or

districts by appraisal staff. The sale ratio and comparative analysis of sale property to appraised property forms the basis for determining the level of appraisal and market influences and factors for the neighborhood. This information is the basis for updating property valuation for the entire area of property to be evaluated. Field appraisers, in many cases, may conduct field inspections to ensure the accuracy of the property descriptions at the time of sale for this study. This inspection is to ensure that the ratios produced are accurate for the property sold and that appraised values utilized in the study are based on accurate property data characteristics observed at the time of sale. Also, property inspections are performed to discover if property characteristics had changed as of the sale date or subsequent to the sale date. Sale ratios should be based on the value of the property as of the date of sale not after a subsequent or substantial change was made to the property after the negotiation and agreement in price was concluded. Properly performed ratio studies are a good reflection of the level of appraisal for the district.

Residential Valuation Process

INTRODUCTION

Scope of Responsibility

The residential appraisers are responsible for estimating equal and uniform market values for residential improved and vacant property. There are approximately 15,000 residential improved single and multiple family parcels and 4,600 vacant residential properties in Kerr County.

Appraisal Resources

- **Personnel** - The residential appraisal staff consists of 8 appraisers including the Deputy Chief of Appraisal. The following appraisers are responsible for estimating the market value of residential property:

Deputy Chief of Appraisal
Appraiser/Mapping
Field Appraiser (Also Business Personal Property)
Field Appraiser (Also Agricultural Appraiser)
Field Appraiser
Field Appraiser
Field Appraiser
Field Appraiser

- **Data** - An individualized set of data characteristics for each residential dwelling and multiple family units in this district are collected in the field and data entered to the computer. The property characteristic data drives the application of computer-assisted mass appraisal (CAMA) under the Cost, Market, and Income Approaches to property valuation.

VALUATION APPROACH

Land Analysis

Residential land valuation analysis is conducted prior to neighborhood sales analysis. The value of the land component to the property is estimated based on available market sales for comparable and competing land under similar usage. A comparison and analysis of comparable land sales is conducted based on a comparison of land characteristics found to influence the market price of land located in the neighborhood. A computerized "land table file" stores the land information required to consistently value individual parcels within neighborhoods given known land characteristics. Specific land influences are considered, where necessary, and depending on neighborhood and individual lot or tract characteristics, to adjust parcels outside the neighborhood norm for such factors as access, view, shape, size, and topography. The appraisers use abstraction and allocation methods to ensure that estimated land values best reflect the contributory market value of the land to the overall property value.

Area Analysis

Data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources such as continuing education in the form of IAAO and TDLR classes.

Neighborhood and Market Analysis

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

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform. Geographic stratification accommodates the

local supply and demand factors that vary across a jurisdiction. Once a neighborhood with similar characteristics has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes. In the period of stability, or equilibrium, the forces of supply and demand are about equal. Generally, in the stage of equilibrium, older neighborhoods can be more desirable due to their stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability.

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are "field" inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in cost-derived areas of limited or no sales, or use in direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed below, is performed on a neighborhood basis, and in soft sale areas on a neighborhood group basis.

DEFINING MARKET AREAS IN THE KERR CAD

According to *The Appraisal of Real Estate 12th Edition*, a market area is "the defined geographic area in which the subject property competes for the attention of market participants."

The Kerr CAD market areas are defined within school district boundaries. The Kerr CAD appraises property in eight school districts:

Divide ISD	Center Point ISD	Comfort ISD	Harper ISD
Hunt ISD	Ingram ISD	Kerrville ISD	Medina ISD

Defined market areas within these school district boundaries as follows

Divide ISD

All real property parcels. Divide is a rural district made up mostly of ranches. There are no cities, towns within the district boundaries. Almost all of the property is of State Code D or E.

Center Point ISD

The City of Center Point
Rural Property South of the Guadalupe River
Rural Property North of the Guadalupe River

Comfort ISD – the City of Comfort is in Kendall County.

Rural property west of the City of Comfort

Hunt ISD

The Community of Hunt
Hunt Riverfront property
Hunt rural land outside of Hunt

Ingram ISD

The City of Ingram
Rural property outside of the Ingram City
Waterfront Property on either the Guadalupe River or Johnson Creek

Harper ISD

Harper ISD - is a rural district made up mostly of state code D or E property types.

Kerrville ISD

The City of Kerrville
All rural property located outside of the Kerrville City limits, and south of the Guadalupe River. This area includes all property in the Medina ISD within Kerr County.
Rural Property outside of Kerrville City limits and north of the Guadalupe River

Medina ISD

This is included in the Kerrville ISD market area.

These market areas are generally determined either by natural, political or manmade boundaries. Within each of these areas there may additional market areas defined as subdivisions or neighborhoods. These are assigned either a subdivision or neighborhood code in order to group similar properties together for statistical analysis. For instance, the City of

Kerrville has many subdivisions and neighborhoods grouped by specific codes linking similar properties. Subdivision and Neighborhood Codes are found within our software database and in the appraisal manual. All subdivisions and neighborhoods in the CAD's jurisdiction are analyzed each year by means of ratio studies. The district staff will assign neighborhood codes to comparable properties giving specific consideration to market characteristics and the specific life cycle of the neighborhood in compliance with USPAP Standards

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. Residential valuation undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are economic misimprovements, and the highest and best use of such property is the construction of new dwellings. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties.

VALUATION AND STATISTICAL ANALYSIS (Model Calibration)

Cost Schedules

All residential parcels in the district are valued with a replacement cost estimated from identical cost schedules based on the improvement classification system using a comparative unit method. The district's residential cost schedules are estimated from Marshall & Swift, a nationally recognized cost estimator service. These cost estimates are compared with sales of new improvements and evaluated from year to year and indexed to reflect the local residential building and labor market. Costs may also be indexed for neighborhood factors and influences that affect the total replacement cost of the improvements in a smaller market area based on evidence taken from a sample of market sales. The cost schedules are reviewed regularly as a result of recent state legislation requiring that the appraisal district cost schedules be within a range of plus or minus 10% from nationally recognized cost schedules.

A review of the residential cost schedule is performed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in district are considered. The property data characteristics of these properties are verified and photographs are taken of the samples. CAD replacement costs are compared against Marshall & Swift, a nationally recognized cost estimator, and the indicated replacement cost abstracted from these market sales of comparably improved structures. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing of estimated building costs plus land to sales prices. As a result of this analysis, a new regional multiplier or economic index factor and indications of neighborhood economic factors are developed for use in the district's cost process. This new economic index is estimated and used to adjust the district's cost schedule to be in compliance with local building costs as reflected by the local market.

Sales Information

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

Monthly time adjustments are estimated based on comparative analysis using paired comparison of sold property. Sales of the same property were considered and analyzed for any indication of price change attributed to a time change or influence. Property characteristics, financing, and conditions of sale were compared for each property sold in the pairing of property to isolate only the time factor as an influence on price.

Statistical Analysis

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

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

Market and Cost Reconciliation and Valuation

Neighborhood analysis of market sales to achieve an acceptable sale ratio or level of appraisal is also the reconciliation of the market and cost approaches to valuation. Market factors are developed from appraisal statistics provided from market analyses and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators. The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a purely cost model.

The following equation denotes the hybrid model used:

$$MV = LV + (RCN - AD)$$

In accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus the replacement cost new of property improvements (RCN) less accrued depreciation (AD). As the cost approach separately estimates both land and building contributory values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales. Thus, demand side economic factors and influences may be observed and considered. These market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for locational variances between market areas or across a jurisdiction. Whereas, in accordance with the Market Approach, the estimated market value (MV) of the property equals the basic unit of property, under comparison, times 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. This analysis for the hybrid model is based on both the cost and market approaches as a correlation of indications of property valuation. A significant unknown for these two indications of value is determined to be the rate of change for the improvement contribution to total property value. The measure of change for this property component can best be reflected and based in the annualized accrued depreciation rate. This cost related factor is most appropriately measured by sales of similar property. The market approach, when improvements are abstracted from the sale price, indicates the depreciated value of the improvement component, in effect, measuring changes in accrued depreciation, a cost factor. The level of improvement contribution to the property is measured by abstraction of comparable market sales, which is the property sale price less land value. The primary unknown for the cost approach is to accurately measure accrued depreciation affecting the amount of loss attributed to the improvements as age increases and condition changes. This evaluation of cost results in the depreciated value of the improvement component based on age and condition. The evaluation of this market and cost information is the basis of reconciliation and indication of property valuation under this hybrid model.

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties' based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales prices indicates the neighborhood level of appraisal based on sold properties. This ratio is compared to the acceptable appraisal ratio, 96% to 100%, to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

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

estimates the annual rate of depreciation for given improvement descriptions considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all property within the sale sample to consider and review the effects on the neighborhood sale ratio. After an acceptable level of appraisal is achieved within the sale sample, the entire neighborhood of property is recalculated utilizing the indicated depreciation rates taken from market sales. This depreciation factor is the basis for trending all improvement values and when combined with any other site improvements and land value, brings the estimated property value through the cost approach closer to actual market prices as evidenced by recent sale prices available within a given neighborhood. Therefore, based on analysis of recent sales located within a given neighborhood, estimated property values will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The estimated property values calculated for each update neighborhood are based on market indicated factors applied uniformly to all properties within a neighborhood. Finally, with all the market-trend factors applied, a final ratio study is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both update and non-update neighborhoods and verifies appraised values against overall trends as exhibited by the local market, and finally, for the school district as a whole.

TREATMENT OF RESIDENCE HOMESTEADS

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under that law, beginning in the second year that a property receives a homestead exemption, the increases in the assessed value of that property are "capped." The value for tax purposes (assessed value) of a qualified residence homestead will be the LESSER of:

- the market value; or
- the preceding year's appraised value;
PLUS 10 percent for previous year's appraisal;
PLUS, the value of any improvements added since previous year's appraisal.

Assessed values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1st of the year following sale of the property and the property is appraised at its market value. An analogous provision applies to new homes. While a developer owns them, unoccupied residences may be partially complete and appraised as part of an inventory. This valuation is estimated using the district's land value and the percentage of completion for the improvement contribution that usually is similar to the developer's construction costs as a basis of completion on the valuation date. However, in the year following changes in completion, occupancy, or sale, they are appraised at market value.

In 2009 voters passed an amendment that allows residence homesteads throughout the state that have experienced increasing appraisal values especially if the property is not covered by zoning regulations to be appraised starting in 2010 by a method other than using the appraisal

standard of "highest and best use" that mandates property to be valued on its potential use rather than the current use. Residence homesteads located near new commercial development have the potential for skyrocketing appraisal values. This amendment authorized the legislature to require that a residence be appraised only on the basis of the property's value as a residence, regardless of what the highest and best use of the property may be. It would apply only to residential homesteads, not to second homes or investment properties. For these types of properties only sales of similar residences that sold as a residence will be allowed to be used in the appraisal of these types of properties.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

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

As the district's parcel count has increased through new home construction, and the homes constructed in the boom years of the late 70's and early 80's experience remodeling, the appraisers are required to perform the field activity associated with transitioning and high demand neighborhoods. Increased sales activity has also resulted in a more substantial field effort on the part of the appraisers to review and resolve sales outliers. Additionally, the appraiser frequently field reviews subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property. After preliminary estimates of value have been determined in targeted areas, the appraiser takes valuation documents to the field to test the computer-assisted values against his own appraisal judgment. During this review, the appraiser is able to physically inspect both sold properties and unsold properties for comparability and consistency of values.

Office Review

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

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

PERFORMANCE TESTS

Sales Ratio Studies

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each neighborhood to allow the appraiser to review general market trends within their area of responsibility, and provide an indication of market appreciation over a specified period of time. The PC-based ratio studies are designed to emulate the findings of the state comptroller's annual property value study for category A property.

Management Review Process

Once the proposed value estimates are finalized, the appraiser reviews the sales ratios by neighborhood and presents pertinent valuation data, such as weighted sales ratio and pricing trends, to the appraisal supervisors and the Chief Appraiser for final review and approval. This review includes comparison of level of value between related neighborhoods within and across jurisdiction lines. The primary objective of this review is to ensure that the proposed values have met preset appraisal guidelines appropriate for the tax year in question.

Commercial and Industrial Property Valuation Process

INTRODUCTION

Appraisal Responsibility

This mass appraisal assignment includes all of the commercially described real property which falls within the responsibility of the commercial valuation appraisers of the Kerr Central Appraisal District and located within the boundaries of this taxing jurisdiction. Commercial appraisers appraise the fee simple interest of properties according to statute and court decisions. However, the affect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisal of any non exempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

Appraisal Resources

Personnel - The improved real property appraisal responsibilities are categorized according to major property types of multi-family or apartment, office, retail, warehouse and special use (i.e. hotels, hospitals and, nursing homes).

The following positions are responsible for estimating the market value of commercial property:

Chief Appraiser

Deputy Chief of Appraisal

Business Personal Property & Commercial

Eagle Appraisal is contracted to appraise commercial property for KCAD

Capitol Appraisal is contracted to appraise industrial property for KCAD

Data - The data used by the commercial appraisers includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used by the appraisers includes actual income and expense data (typically obtained through the hearings process), actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for market trends.

PRELIMINARY ANALYSIS

Market Study

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

Kerr CAD coordinates its discovery and valuation activities with adjoining appraisal districts. Field trips, interviews and data exchanges with adjacent appraisal districts have been conducted to ensure compliance with state statutes. In addition, Kerr CAD administration and personnel interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers, Texas Association of Appraisal Districts and the Texas Association of Assessing Officers. District staff strives to maintain appraisal skills and professionalism by continuing education in the form of courses that are offered by several professional associations such as International Association of Assessing

Officers (IAAO), Texas Association of Assessing Officers (TAAO) and Texas Association of Appraisal Districts (TAAD) that are approved by the Texas Department of Licensing and Regulation (TDLR) courses.

VALUATION APPROACH

Land Value

Commercial land is analyzed annually to compare appraised values with recent sales of land in the market area. If appraised values differ from sales prices being paid, adjustments are made to all land in that region. Generally, commercial property is appraised on a price per square foot basis. Factors are placed on individual properties based on corner influence, depth of site, shape of site, easements across site, and other factors that may influence value. The land is valued as though vacant at the highest and best use.

Area Analysis

Area data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources.

Neighborhood Analysis

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

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if re-delineation is required. The geographic boundaries as well as income, occupancy and expense levels and capitalization rates by age

within each economic area for all commercial use types and its corresponding income model have been estimated for these properties.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest net to land and present value of the real estate as of the date of valuation. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This perspective assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, is excess land, or a different optimum use if the site were vacant. For vacant tracts of land within this jurisdiction, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to: office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis ensures that an accurate estimate of market value (sometimes referred to as value in exchange) is derived.

On the other hand, value in use represents the value of a property to a specific user for a specific purpose. This perspective for value may be significantly different than market value, which approximates market price under the following assumptions: (i) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (ii) well-informed buyers and sellers acting in their own best interests, (iii) a reasonable time for the transaction to take place, and (iv) payment in cash or its equivalent.

Market Analysis

A market analysis relates directly to examining market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), expense ratio trends, capitalization rate studies are analyzed to determine market ranges in price, operating costs and investment return expectations.

DATA COLLECTION / VALIDATION

Data Collection Manuals

Data collection and documentation for Commercial/Industrial property is continually updated, providing a uniform system of itemizing the multitude of components comprising improved properties. All properties located in Kerr CAD's inventory are coded according to a specific classification system and the approaches to value are structured and calibrated based on this

coding system.

Annually, after the sales of property have been researched, verified, keyed into the database, and quality control has been completed, the sales data is summarized and produced into list form. The confirmed sales reports, known as the Commercial Improved and Vacant Land sales listings categorize the sales by property and use type, and sort the data by location and chronological order. Many of these sales are available to the public for use during protest hearings, and are also used by the Kerr CAD appraisers during the hearings process.

Sources of Data

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

For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a computer-generated questionnaire, which is mailed to both parties in the transaction (Grantor and Grantee). If a questionnaire is answered and returned, the documented responses are recorded into the computerized sales database system. If no information is provided, verification of many transactions is then attempted via phone calls to parties thought to be knowledgeable of the specifics of the sale. Other sources contacted are the brokers involved in the sale, property managers or commercial vendors. In other instances, sales verification is obtained from local appraisers or others that may have the desired information. Finally, closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

VALUATION ANALYSIS

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

Cost Schedules

The cost approach to value is applied to improved real property utilizing the comparative unit

method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever possible. Cost models are typically developed based on the Marshall Valuation Service which indicates estimated hard or direct costs of various improvement types. Cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district. These include comparative base rates, per unit adjustments and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employ the sales comparison approach in the evaluation of soft or indirect costs of construction. Evaluating market sales of newly developed improved property is an important part of understanding total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels. In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Kerr County. Thusly, local modifiers are additional cost factors applied to replacement cost estimated by the national cost service. Estimated replacement cost new will reflect all costs of construction and development for various improvements located in Kerr CAD as of the date of appraisal.

Accrued depreciation is the sum of all forms of loss affecting the contributory value of the improvements. It is the measured loss against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence. Accrued depreciation is estimated and developed based on losses typical for each property type at that specific age. Depreciation estimates have been implemented for what is typical of each major class of commercial property by economic life categories. Estimates of accrued depreciation have been calculated for improvements with a range of variable years expected life based on observed condition considering actual age. These estimates are continually tested to ensure they are reflective of current market conditions. The actual and effective ages of improvements are noted in CAMA. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Effective age estimates are considered and reflected based on five levels or rankings of observed condition, given actual age.

Additional forms of depreciation such as external and/or functional obsolescence can be applied if observed. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific condition adequacy or deficiency, property type or location and can be developed via

ratio studies or other market analyses.

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

Income Models

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

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

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

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

leased on a base year expense stop. This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. As a result, expense ratios are implemented and estimated based on observed market experience in operating various types of commercial property.

Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air-conditioning or major mechanical equipment or appliances) requiring expenditures of lump sum costs. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type, these expenses when annualized are known as replacement reserves. For some types of property, typical management does not reflect expensing reserves and is dependent on local and industry practices.

Subtracting the allowable expenses (inclusive of non-recoverable expenses and replacement reserves when applicable) from the annual effective gross income yields an estimate of annual net operating income to the property.

Return rates and income multipliers are used to convert operating income expectations into an estimate of market value for the property under the income approach. These include income multipliers, overall capitalization rates, and discount rates. Each of these multipliers or return rates are considered and used in specific applications. Rates and multipliers may vary between property types, as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market for individual income property types and uses. These procedures are supported and documented based on analysis of market sales for these property types.

Capitalization analysis is used in the income approach models to form an indication of value. This methodology involves the direct capitalization of net operating income as an indication of market value for a specific property. Capitalization rates applicable for direct capitalization method and yield rates for estimating terminal cap rates for discounted cash flow analysis are derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of property return expectations a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived and estimated from the built-up method (band-of-investment). This method relates to satisfying estimated market return requirements of both the debt and equity positions in a real estate investment. This information is obtained from available sales of property, local lending sources, and from real estate and financial publications.

Rent loss concessions are estimated for specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent

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

Sales Comparison (Market) Approach

Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to parcels on the appraisal roll. As previously discussed in the Data Collection / Validation section of this report, pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information which can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

Final Valuation Schedules

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

Statistical and Capitalization Analysis

Statistical analysis of final values is an essential component of quality control. This methodology represents a comparison of the final value against the standard and provides a concise measurement of the appraisal performance. Statistical comparisons of many different standards are used including sales of similar properties, the previous year's appraised value, audit trails, value change analysis and sales ratio analysis.

Appraisal statistics of central tendency and dispersion generated from sales ratios are

calculated for each property type with available sales data. These summary statistics including, but not limited to, the weighted mean, provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value of a particular property type. The level of appraised values can be determined by the weighted mean for individual properties within a specific type, and a comparison of weighted means can reflect the general level of appraised value.

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

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of non-recoverables and replacement reserves), net operating income and capitalization rate and multipliers are continuously reviewed. Income model estimates and conclusions are compared to actual information obtained on individual commercial and industrial income properties during the protest hearings process, as well as with information from published sources and area property managers and owners.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the Kerr Central Appraiser responsible are listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, CAMA may be altered based on the credibility of the evidence provided. Normally, a new field check is then requested to verify this information for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is added to a work file for review.

Commercial appraisers are somewhat limited in the time available to field review all commercial properties of a specific use type. However, a major effort is made by appraisers to field review as many properties as possible or economic areas experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. Field review of real property accounts is accomplished while business personal property is reviewed and inspected in the field. Additionally, the appraisers frequently field review subjective data items such as building class, quality of construction (known as cost modifiers), condition, and physical, functional and

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

Office Review

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

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

PERFORMANCE TESTS

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

the basis of productivity or use value.

Kerr CAD has adopted the policies of the IAAO STANDARD ON RATIO STUDIES, circa July 1999 regarding its ratio study standards and practices. Ratio studies generally have six basic steps: (1) determination of the purpose and objectives, (2) data collection and preparation, (3) comparing appraisal and market data, (4) stratification, (5) statistical analysis, and (6) evaluation and application of the results.

Sales Ratio Studies

Sales ratio studies are an integral part of estimating equitable and accurate market values, and ultimately property assessments for these taxing jurisdictions. The primary uses of sale ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of property types for reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and, to calibrate models used to estimate appraised values during valuation or reappraisal cycles. However, these studies cannot be used to judge the accuracy of an individual property appraised value. The Kerr Central Appraisal Review Board may make individual value adjustments based on unequal appraisal (ratio) protest evidence submitted on a case-by-case basis during the hearing process.

Overall sales ratios are generated by use type semi-annually (or more often in specific areas) to allow appraisers to review general market trends in their area of responsibility and for the Property Study from the Property Tax Division of the Comptroller's Office. The appraisers utilize desktop applications such as EXCEL programs to evaluate subsets of data by economic area or a specific and unique data item. On the desktop, this may be customized and performed by building class and age basis. In many cases, field checks may be conducted to ensure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the appraisers by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

Comparative Appraisal Analysis

The commercial appraiser performs an average unit value comparison in addition to a traditional ratio study. These studies are performed on commercially classed properties by property use type (such as apartment, office, retail and warehouse usage or special use). The objective to this evaluation is to determine appraisal performance of sold and unsold properties. Appraisers average the unit prices of sales and average unit appraised values of the same parcels and the comparison of average value changes of sold and unsold properties. These studies are conducted on substrata such as building class and on properties located within various economic areas. In this way, overall appraisal performance is evaluated geographically, by specific property type to discern whether sold parcels have been selectively appraised. When sold parcels and unsold parcels are appraised equally, the average unit values are similar. These sales and equity studies are performed prior to final appraisal and to annual noticing.

Business Personal Property Valuation Process

INTRODUCTION

Appraisal Responsibility

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

- **Personnel** - The personal property staff consists of 1 appraiser and no support staff.
- **Data** - A common set of data characteristics for each personal property account in Kerr CAD is collected in the field and data entered. The property characteristic data drives the computer-assisted personal property appraisal (CAPPA) system. The personal property appraiser collects the field data and maintains electronic property files making updates and changes gathered from field inspections, newspapers, property renditions, sales tax permit listing and interviews with property owners.

VALUATION APPROACH

SIC Code Analysis

Business personal property is classified and utilizes a four-digit numeric codes, called Standard Industrial Classification (SIC) codes that were developed by the federal government to describe property. These classifications are used by Kerr CAD to classify personal property by business type

SIC code identification and delineation is the cornerstone of the personal property valuation system at the district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. SIC codes are delineated based on observable aspects of homogeneity and business use.

Highest and Best Use Analysis

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

DATA COLLECTION/VALIDATION

Data Collection Procedures

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

Sources of Data

Business Personal Property

The district's property characteristic data was collected through a massive field data collection effort coordinated by the district over the recent past and from property owner renditions. From year to year, reevaluation activities permit district appraisers to collect new data via an annual field inspection. This project results in the discovery of new businesses, changes in ownership, relocation of businesses, and closures of businesses not revealed through other sources. Tax assessors, city and local newspapers, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

Vehicles

An outside vendor provides Kerr CAD with a listing of vehicles within the jurisdiction. The vendor develops this listing from the Texas Department of Transportation (TxDOT) Title and Registration Division records. Other sources of data include property owner renditions and field inspections.

Leased and Multi-Location Assets

The primary source of leased and multi-location assets is property owner renditions of property. Other sources of data include field inspections.

VALUATION AND STATISTICAL ANALYSIS (model calibration)

Cost Schedules

Cost schedules are developed based on the SIC code by the Property Tax Division of the Comptroller's Office and by district personal property valuation appraisers. The cost schedules are developed by analyzing cost data from property owner renditions, hearings, state schedules, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per square foot format, but some exception SIC codes are in an alternate price per unit format, such as per room for hotels.

Statistical Analysis

Summary statistics including, but not limited to, the median, weighted mean, and standard deviation provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value by SIC code. Review of the standard deviation can discern appraisal uniformity within SIC codes.

Depreciation Schedule and Trending Factors:

Business Personal Property

Kerr CAD's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from CAD developed valuation models. The trending factors used by the CAD to develop RCN are based on published valuation guides. The percent good depreciation factors used by Kerr CAD are also based on published valuation guides. The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

$$\text{PVF} = \text{INDEX FACTOR} \times \text{PERCENT GOOD FACTOR}$$

The PVF is used as an "express" calculation in the cost approach. The PVF is applied to reported historical cost as follows:

$$\text{MARKET VALUE ESTIMATE} = \text{PVF} \times \text{HISTORICAL COST}$$

This mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market and reflect current economic pressures of supply and demand.

Computer Assisted Personal Property Appraisal (CAPPA)

The CAPPA valuation process has two main objectives: 1) Analyze and adjust estimated asset cost with existing SIC models. 2) Develop new models for business classifications not previously integrated into CAPPA. The delineated sample is reviewed for accuracy of SIC code, square footage, field data, and original cost information. Models are created and refined using actual original cost data to derive a typical replacement cost new (RCN) per square foot for a specific category of assets. The RCN per square foot is depreciated by the estimated age using the depreciation table adopted for the tax year.

The data sampling process is conducted in the following order: 1) Prioritizing Standard Industrial Classification (SIC) codes for model analysis. 2) Compiling the data and developing the reports. 3) Field checking the selected samples. The models are built and adjusted using internally developed software. The models are then tested against the previous year's data. The typical RCN per square foot (or applicable unit) is determined by a statistical analysis of the available data.

CAPPA model values are used in the general business personal property valuation program to estimate the value of new accounts for which no property owner's rendition is filed. Model values are also used to establish tolerance parameters for testing the valuation of property for which prior data years' data exist or for which current year rendered information is available. The calculated current year value or the prior year's value is compared to the indicated model value by the valuation program. If the value being tested is within an established acceptable percentage tolerance range of the model value, the account passes that range check and moves to the next valuation step. If the account fails the tolerance range check, it is flagged for individual review. Allowable tolerance ranges may be adjusted from year to year depending on the analysis of the results of the prior year.

Vehicles

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

Leased and Multi-Location Assets

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

INDIVIDUAL VALUE REVIEW PROCEDURES

Office Review

Business Personal Property

A district valuation computer program exists in a mainframe environment that identifies accounts in need of review based on a variety of conditions. Property owner renditions, accounts with field or other data changes, accounts with prior hearings, new accounts, and SIC cost table changes are all considered. The accounts are processed by the valuation program and pass or fail preset tolerance parameters by comparing appraised values to prior year and model values. The appraisers review accounts that fail the tolerance parameters.

PERFORMANCE TESTS

Ratio Studies

Each other year the Property Tax Division of the state comptroller's office conducts a property value study (PVS). The PVS is a ratio study used to gauge appraisal district performance. Results from the PVS play a part in school funding. Rather than a sales ratio study, the personal property PVS is a ratio study using state cost and depreciation schedules to develop comparative personal property values. These values are then compared to Kerr CAD's personal property values and ratios are indicated.

Utility, Pipeline and Industrial Personal Property Valuation Process

INTRODUCTION

Appraisal Responsibility

Kerr CAD contracts with Capital Appraisal Group to appraise utilities, pipelines and industrial personal property. A copy of their appraisal plan is attached.

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LIMITING CONDITIONS

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

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

Certification Statement:

"Sharon Constantinides, Chief Appraiser for the Kerr Central Appraisal District, solemnly swear that I have made or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by law."

Sharon Constantinides
Chief Appraiser

August 8, 2024

STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

<u>TITLE</u>	<u>TYPE OF ASSISTANCE</u>
Chief Appraiser	Data Collection and Valuation Correlation, Schedule Building, Residential & Commercial, ARB Hearings
Deputy Chief of Appraisal	ARB Hearings, Data Collection and Valuation Correlation, Schedule Building, Residential & Commercial
Deputy Chief of Operations	Office Management Accounting, Personal Property, Personnel Scheduling, ARB Management
GIS/Abstractor	Ownership Transfers & Updates to GIS Maps
Agricultural Appraiser & Field Appraiser	Data Collection, Update Property Data, & Valuation Correlation, ARB Hearings
Field Appraiser	Update Property Data and Valuation Correlation, ARB Hearings
Field Appraiser	Update Property Data and Valuation Correlation, ARB Hearings

Business Personal Property

Update Property Data and
Valuation Correlation, ARB
Hearings

Field Appraiser

Update Property Data and
Valuation Correlation, ARB
Hearings

Field Appraiser

Update Property Data and
Valuation Correlation, ARB

**EAGLE PROPERTY TAX
APPRAISAL & CONSULTING, Inc.**

REAPPRAISAL PLAN

2025 - 2026

INTRODUCTION

Passage of Senate Bill 1652 amended Section 6.05 of the Texas Property Tax Code 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 plan. Not later than the 10th day before the date of the hearing, the secretary 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 sixty (60) days of the approval date.

PLAN FOR PERIODIC REAPPRAISAL REQUIREMENT:

Senate Bill 1652 amends Section 25.18, Subsections (a) and (b) 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 property in the district at least once 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 the location and market area of property, physical attributes of property such as size, age, and condition, legal and economic attributes, and the identification of 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 results to determine value.

REVALUATION DECISION (REAPPRAISAL CYCLE)

The __Kerr__ CAD, by policy adopted by the Board of Directors and the Chief Appraiser, reappraises all property in the district every year. The reappraisal may consist of field inspections, CAMA, or both. The reappraisal year is a complete appraisal of all properties in the district. Tax year 2025 is a reappraisal year and tax year 2026 is a reappraisal year.

Additionally, every tax year, the District inspects and appraises new construction and adds those properties to the appraisal roll. The district also inspects and reappraises properties that have been remodeled or demolished, properties with additions, properties with fire damage, or properties with any change or damage. These changes are found through building permits issued by the city. However, since building permits are not required for properties outside the city limits, District staff maintains a file of newspaper clippings that pertain to changes in property and all District staff remains alert to visual changes in properties. Throughout the year, notes are made on those visual changes and all information is provided to the field appraiser. The field appraiser will also conduct detailed field inspections of properties if requested by the owner and reappraise these properties as necessary. The District is contracted with Eagle Property Tax Appraisal & Consulting, Inc. to perform the appraisals and field inspections.

Eagle Property Tax Appraisal & Consulting, Inc. compiles all sales by school district. Problematic areas are further researched and may indicate the use of market modifiers. The use of these modifiers is the predominant method of adjusting sales for location and time. Values throughout the county may be adjusted by use of market modifiers during the reappraisal year.

PLANNING AND ORGANIZATION

A calendar of key events with critical completion dates is prepared for each area of work. This calendar identifies key events for appraisal, clerical, customer service, and information systems. A calendar is prepared for years 2025 and 2026. Production standards for field activities are calculated and incorporated in the planning and scheduling process. Refer to the District's timeline and schedule in the Written Plan for Periodic Reappraisal.

Eagle Property Tax Appraisal & Consulting, Inc. will begin field inspections of the District's scheduled reappraisal area on or about the first Tuesday following Labor Day in September, 2022 and will complete all inspections and schedules by April 1, 2025 for the 2025 tax year. Eagle Property Tax Appraisal & Consulting, Inc. will begin field inspections of the District's scheduled reappraisal area on or about the first Tuesday following Labor Day in September, 2025 and will complete all inspections and schedules by April 1, 2026 for the 2026 tax year.

The District shall provide to Eagle Property Tax Appraisal & Consulting, Inc. appraisers the field cards that contain specific information regarding the property being appraised. These cards contain brief legal descriptions, ownership interests, property use codes, property addresses, land size, and sketches of improvements as well as detailed information of any improvements. Appraisal field inspection procedures require the appraisers to check all information on the field cards and to update the information when necessary. All new improvements shall be measured, classed, and assigned the appropriate depreciation amount. Structures that have been

demolished or removed shall be marked off the appraisal card. Properties with extensive improvement remodeling shall be identified and the field inspection shall identify and update the property characteristic data. The appraiser shall note the date of the inspection on the card and place his initials on the card. The appraiser shall take pictures, with each picture having a date, and note the picture number on the appraisal card.

Each year, Eagle Property Tax Appraisal & Consulting, Inc. will test real property market areas, by property classification. The market areas shall be tested for low or high ratio sales and/or high coefficients of dispersion. Market areas that fail any or all of these tests are determined to be problematic. Field inspections are scheduled to verify and/or correct property characteristic data. Additional sales data is researched and verified.

The International Association of Assessing Officers' Standard on Mass Appraisal of Real Property specifies that the universe of properties shall be re-inspected on a cyclical basis of at least once every three years. The re-inspection includes, if possible, physically viewing the property, photographing, and verifying the accuracy of the existing data. A re-inspection may also consist of re-inspection by utilizing pictometry, digital and satellite imagery, various other digital options, or a combination of physical and digital information. Eagle Property Tax Appraisal & Consulting, Inc. has set the standard of physical inspection being the first choice and primary focus. When physical inspection is not possible, digital options are then used. Some appraisal districts have chosen digital inspections only. **The annual re-inspection requirements for tax years 2025 and 2026 are identified and scheduled in the District's Written Plan for Periodic Reappraisal.**

In addition to the two-year cycle set out by the District's reappraisal plan, Eagle Property Tax Appraisal & Consulting, Inc. will perform ratio studies annually to determine areas or categories of properties within the CAD which need to be reappraised within the current year based on ratios. Any areas or categories whose ratios are above or below statutory requirements shall be reappraised in the current year regardless of the area in which they are located. This two-fold approach will insure not only that all residential and commercial property within the CAD is reappraised at least once every three years, but also that all other categories within the CAD are reviewed annually so that the District stays current with respect to market value in those areas where residential and/or commercial property values appear to be changing rapidly.

MASS APPRAISAL SYSTEM

REAL PROPERTY VALUATION

Revisions to cost models, income models, and market models are specified, updated, and tested each year.

Cost schedules are tested with market data (sales) to insure 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. Eagle Property Tax Appraisal & Consulting, Inc. utilizes the national publication of cost schedules of Marshall Valuation Services.

Land market value schedules are updated using current market data (sales) and then tested with ratio study tools. Value schedules are developed and tested on a pilot basis with ratio study tools.

Special-use valuations (1-D-1) are recalculated each year, as required by Texas Property Tax Code, Sections 23.51 through 23.60. Each year, Eagle Property Tax Appraisal & Consulting, Inc. will gather information for the district and utilize that district's information to determine ag-use values. Sources of information include, but are not limited to, the Agriculture Advisory Board, Farm Service Agency, and USDA publications. The entire calculation packet will be provided to the district.

PERSONAL PROPERTY VALUATION

Eagle Property Tax Appraisal & Consulting performs personal property valuations only in some Districts.

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

HEARING PROCESS

Eagle Property Tax Appraisal & Consulting, Inc. representatives conduct informal hearings with protesting property owners. If the protest cannot be settled within the guidelines set out by the District's informal hearings procedures, the property owner may elect to proceed to a formal hearing before the Appraisal Review Board.

Eagle Property Tax Appraisal & Consulting, Inc. representatives will be present at formal ARB hearings and will present and defend the appraisals performed. Further, Eagle Property Tax Appraisal & Consulting, Inc. will provide to the District the calculations of schedules and final schedules.

Document 3B

2025-2026

CAD Plan for Periodic Reappraisal of Industrial Personal Property

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

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all industrial personal property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, LLC (CAGL) to appraise these properties for the CAD.
 - (1) Identifying properties to be appraised: Appraisal of properties is limited to those indicated in the contract with the appraisal district, unless additionally requested by the appraisal district. Newly discovered properties will be discussed with the appraisal district to confirm they are to be appraised by Capitol Appraisal. Through inspection the appraiser identifies personal property to be appraised. The appraiser begins with properties from the previous tax year and identifies new properties from visual identification and/or publications, newspaper articles, or information obtained through the interview of property owners. The appraiser may also refer to other documents, both public and also confidential, to assist in identification of these properties. Such documents might include but are not limited to the previous year's appraisal roll, vehicle listing services and private directories.
 - (2) Identifying and updating relevant characteristics of each property in the appraisal records: Data identifying and updating relevant characteristics of the subject properties are collected as part of the inspection process through directories and listing services as well as through later submissions by the property owner, sometimes including confidential rendition. These data are verified through previously existing records and through public reports.
 - (3) Defining market areas in the district: Market areas for industrial personal property are generally either regional or national in scope. Published price sources are used to help define market areas.
 - (4) Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics. Personal property is appraised using replacement/reproduction cost new less depreciation models. Income approach models are used when economic and/or subject property income is available, and a market data model is used when appropriate market sales information is available.
 - (5) Comparison and Review: The appraiser reconciles multiple models by considering the model that best addresses the individual characteristics of the subject property. Year-to year property value

changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process.

Document 3C

2025-2026

CAD Plan for Periodic Reappraisal of Utility, Railroad and Pipeline Property

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

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all utility, railroad and pipeline property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, LLC (CAGL) to appraise these properties for the CAD.
 - (1) Identifying properties to be appraised: Appraisal of properties is limited to those indicated in the contract with the appraisal district, unless additionally requested by the appraisal district. Newly discovered properties will be discussed with the appraisal district to confirm they are to be appraised by Capitol Appraisal. Utility, railroad and pipeline properties that are susceptible to inspection are identified by inspection. The appraiser may also refer to other documents, both public and also confidential to assist in identification of these properties. Due to the varied nature of utility, railroad, and pipeline properties there is no standard data collection form or manual. New permitting documents on record with the Railroad Commission of Texas provide a source to identify potential new pipeline projects but does not provide indication if the project was actually started, completed, or a distinct location of the proposed project. Every effort is made to discover new utility, railroad, and pipeline properties through personal observation combined with permitting documents.
 - (2) Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through data collected as part of the inspection process and through later submissions by the property owner, sometimes including confidential rendition. Additional data are obtained through public sources, regulatory reports and through analysis of comparable properties.
 - (3) Defining market areas in the district: Market areas for utility, railroad and pipeline property tend to be regional or national in scope. Financial analyst and investor services reports are used to help define market areas.
 - (4) Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: For all three types of property, the appraiser must first form an opinion of highest and best use. Among the three approaches to value (cost, income and market),

pipeline value is calculated using a replacement/reproduction cost new less depreciation model [RCNLD]. In addition to the RCNLD indicator, a unit value model may also be used if appropriate data are available. Utility and railroad property are appraised in a manner similar to pipeline except that the RCNLD model is not used.

- (5) Comparison and Review: The appraiser considers results that best address the individual characteristics of the subject property when multiple models are used. Year-to year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process. These types of property are also subject to review by the Property Tax Division of the Texas Comptroller's Office through their annual Property Value Study.