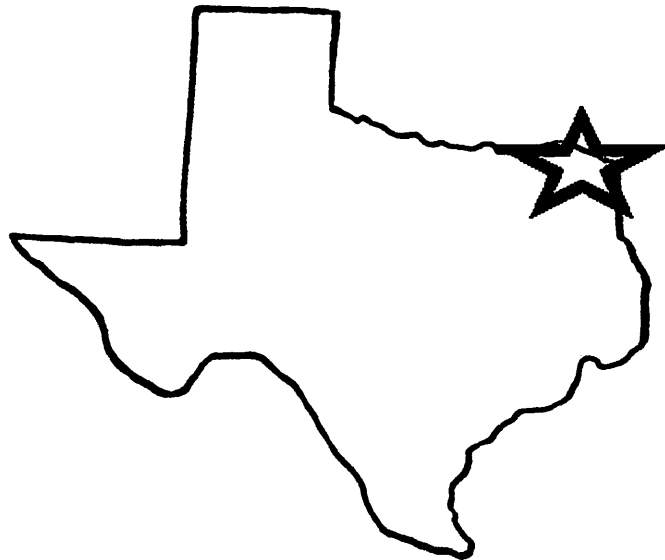


Red River Appraisal District



Mass Appraisal Report
2023

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MASS APPRAISAL REPORT

2023

Overview

Using the Mass Appraisal concept which is defined as the process of valuing a group of properties as of a given date, using standard methods, employing common data, and allowing for statistical testing has been followed by the Red River Appraisal District.

Establishing benchmark properties which identify the most common characteristics of all types of properties identified in Red River County and grouping those characteristics to formulate models in which to class and type all other properties to calculate a value. After comparing the sold property data to the sold property appraisal district value, reflections of necessary adjustments will be implemented into the computer system in the form of appreciation or depreciation whichever the sales data reflects.

Texas statutes require the appraisal district office to maintain all real estate values within specified ranges of fair market value and to physically re-inspect each parcel at least once every three years. Accomplishing these objectives requires careful planning and proper allocation of resources. This report attempts to step through the procedures followed in 2023 in preparation for the mailing of appraised value notices better known as Sec. 41 notices for the 2023 tax year.

Purpose of Appraisals

The purpose of the appraisals completed by the Red River Appraisal District was to estimate a fair market value for ad valorem tax purposes on January 1, 2023 using current market activity for the preceding 12 months. These values will be used in conjunction with the taxing jurisdictions in the county to determine the tax rates to be set by each entity to generate the necessary tax dollars to be generated in the county.

Departure Rules

- A. Qualified agricultural land is appraised based on its productivity value rather than its market value.
- B. Properties that are deed restricted and specified by the TPTC (Texas Property Tax Code) such as recreational, park, or scenic land.

- C. Sec. 23.12 of the PTC deals with the market value of special inventories such as automobiles, mobile homes, heavy equipment. Other inventories are valued as if they would be sold to an individual as a unit and would continue the business. Residential real property that has never been occupied and is held for sale in the ordinary course of business can be valued using this same theory.
- D. Sec. 23.175 deals with mineral interest and directs the appraiser to use the projected current year income of the land using the average price of the commodity for the preceding year. The comptroller is required to issue manuals directing appraisal districts how to implement the appraisals.
- E. Sec. 23.18 directs that property owned by a homeowner association be appraised at a nominal value.

Assumptions and Limiting Conditions

The appraisals completed by the appraisers of the district are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description, correct or fee simple.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. All sketches in the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
4. All information in the appraisal documents has been obtained by members of the appraisal district staff or other reliable sources.
5. The opinion of value for each real property applies to land and improvements only. The value of trade fixtures, furnishings and other equipment has not been included with the value of real estate.
6. The appraisals were prepared exclusively for ad valorem tax purposes.
7. The appraisers developing these appraisals are not required to give testimony or appear in court unless directed by, employed by and provide legal counsel by the Red River Appraisal District approval granted by the board of directors.

8. Subsurface rights (mineral and oil) were not considered in making the appraisals of real property.
9. Red River Appraisal District appraising staff has physically inspected essentially all properties in the county during each three year cycle to the extent permitted by law and physical possibility (i.e. landlocked parcels, etc.) and required by Texas Statutes. Interior inspections have not been performed because of time constraints and the willingness of owners to allow appraiser's inside the dwellings.
10. The appraisers have inspected, as far as possible, by observation, the land and the improvements thereon; however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. No representations are made on these matters unless the owner has made specific references to these matters and the appraiser has verified and documented the condition on individual appraisals.
11. The values generated by the appraisal district have been reviewed by the Comptroller of Public Accounts in order to provide to TEA the appropriate value to be used in the state school district funding.
12. Appraisal manuals are maintained by the district and provided to each appraiser to aid in the evaluation process. Personal property appraisals are handled by the rendition process of property owners along with property inspections.

Definition of Value

The intent of value generated by the appraisal district appraiser staff is to represent a fair market value or the "willing buyer and willing seller" concept as defined by the Texas Property Tax Code. The Texas Property Tax code defines fair market value as "the amount in terms of money that a well-informed buyer is willing to pay and a well-informed seller is willing to accept for property in an open competitive market, assuming the parties are acting without undue compulsion."

Highest and Best Use

Highest and best use can be defined as the reasonable, probable and legal use of vacant land or improved property, which is physically possible, appropriately supported, financially feasible and results in the highest value. Because the use of land can be limited by the presence of improvements, the highest and best use is determined separately for the land or site as though vacant.

Implied within the definition above is that the determination of highest and best use results from the appraiser's judgment and analytical skills.

The only type of real estate in Texas that is not valued at the highest and best use concept is agricultural and timber land and property which is currently being used as homestead residential property based on new legal requirements of the law. Agricultural and Timber lands are based on market activity for these types of properties with the taxable value calculated on the income approach to value with a five year average.

Preliminary Analysis and Performance Test

Preliminary analysis is completed at intervals in conjunction with the receipt of sales data information obtained from various resources. This analysis determines the changes needed to comply with the state required ratio level between 95-105 % ratios on property appraisal compared to sold properties. After obtaining the latest information on sales data the decision to incorporate that result into the area or areas that indicate a needed change occur.

Data contained in the computer assisted mass appraisal system identified as individual properties becomes the basis for all analysis.

Performance test is based on the use of ratios. The standard on ratios is mimicked by the IAAO requirements and is used in conjunction with this test.

The Comptroller's office completes an annual ratio study to determine appropriate funding for each school district in the state of Texas.

The results for achievement are to meet the requirements for accuracy and uniformity.

Physical Re-inspection

During each year one-third of the total parcels (approximately 17,000 totals) are physically re-inspected by members of the appraisal district staff. The purpose of the inspection is to correct errors to insure the continued accuracy of the property description on the appraisal records. The current three-year cycle will be completed at the end of 2023. To insure accuracy of the re-inspection each property has a unique parcel identification number and a property description developed for the appraisal district purpose. This property description is not the official legal for the property and is used for tax purposes only. Individual sketches, photos, and a digitized map are maintained on file. Computerized records are maintained to include the detailing of information collected on each parcel or tract of property whether personal or real property.

Sales File

A file of valid residential, commercial, vacant land and personal property sales are maintained reflecting the date of sale, Buyer/Seller information, Volume and page of deed records, description of the property, parcel number and sales price. Sales surveys are mailed to parties involved in real estate transactions to obtain necessary sales data to be used in the ratio analysis of market value for the current year of appraisal.

Digital maps show the geographic location of the sales in the district.

Sales Analysis

Sales of real estate establish trends in the market and valuation models must reflect those trends. In order to understand and adapt to changes in the market it is first necessary to analyze those sales. A significant part of the initial analysis involves determining the extent and direction of the movement in the market. We attempt to determine if the market is reflecting appreciation or depreciation and at what rate. The use of sales ratio data indicates the action necessary to recognize these trends.

Ratio analysis may be completed once a year or as many as four times a year to ensure the validity of the analysis and incorporate additional sales findings. Once sales data has been collected it is reviewed for fair market sales. Adjustments for items such as personal property, seller paying closing cost, buyer paying delinquent taxes, real estate commissions, repair allowances, and time are in order to record the correct selling price.

Valuation Model Calibration

While some appraisal staff work on physical inspection, others work on the value models to be used to value all parcels. A valuation model is a formula used to value a specified set of properties. It can be as simple as an amount per square foot to be multiplied by the square footage of the properties to be valued.

For example:

$$\$48.10 \times 1200 \text{ SF} - 2,885 = \$54,835 \quad \text{or} \quad \text{RON} \times \text{SF} - \text{Depreciation} = \text{Value}$$

However because of the complexity and the large volume of properties a computer program applies the concepts use to appraise properties. These models are developed from the local market and are subject to human acceptance or rejection of the solution.

Cost Approach Overview

The cost approach provides a value estimate based upon the market value of land and the depreciated cost to replace or reproduce improvements on the land. Red River Appraisal District uses the unit-in-place method of developing its cost schedules and tables whereby costs are shown for a combination of items comprising a building component. Application of these schedules involves adjusting the component costs to compensate for characteristics of the subject.

There are two basic concepts involved in developing a cost model. Both concepts, one replacement cost new and the other reproduction cost new, are based on the principle of substitution which states that an informed buyer will not pay more for a property than what it would cost to obtain an equally desirable property. The cost approach provides us with a uniform starting point in the process of finding a value for every property. The difference between replacement cost and reproduction cost is that the reproduction cost is the cost to construct an exact replica of the subject, including any functional obsolescence, while replacement cost is the cost to build a substitute with equal utility but without any functional obsolescence. Items that for fifty or more years that were considered obsolescent are now resurfacing as normal and desirable components in new housing. This factor can make reproduction and replacement cost components more relative to each other.

Replacement cost used by the CAD reflects the total cost of construction, including material, labor, contractor and subcontractor building overhead and profit, architectural and engineering fees, consulting fees, survey and permit fees, legal fees, taxes, insurance, cost of interim financing and real estate commissions. There are separate schedules for attached garages other building and yard improvements, commercial buildings, agricultural buildings and land schedules are separate.

The cost tables were developed with a combination of use between Marshall and Swift cost guide and other information obtained and analyzed by market sales data on property sold within this county. The Comptroller's office prepares an in depth market study biennially to verify the accuracy of the appraisals.

Land Value Estimation

The first step in land evaluation is taking sales of vacant tracts and comparing those sales to the current value per acre, lot, or other units of measure. Land values are developed for each residential and commercial neighborhood or identifiable area. Land models are developed using front foot, square foot, lot, and acreage units of comparison. Land values for 2023 on all rural properties were adjusted to reflect the market value of sales received in the 2019 and 2023 -sales data collection year.

Depreciation

Depreciation reflects a loss in value from age, condition, functional and economic obsolescence which may be directly associated to the structure or indirectly due to other outside influence.

Market Models

The sales comparison approach or market approach is performed through the use of comparable sales. Sales from residential properties are more abundant than sales from commercial properties due to the fact that residential properties sale more frequently and homeowner's are willing to share this information more readily than commercial investors.

Market modeling involves determining the appraisal to sale ratio trying to determine the weight of the sold properties' characteristics and adjusting the subject properties to the sold property. Some differences reflect nothing more than cosmetic characteristics and tend to have very little impact on the value. Other characteristics have a significant impact on value such as quality of construction or architectural style that reflects higher investments. The appraiser determines which factors affect value after evaluation of sales activity.

Adjustment to the selling prices is established by using the obvious characteristics of location, class, size, condition, and quality of construction. These choices involve the judgment and experience of the appraiser to determine what the local market views as most important in establishing market value.

Income Models

Income and expense information is basically unavailable in Red River County. Information is requested from property owners in survey form for a two year period. Response from these surveys is small to moderate, so data is often difficult to obtain and income approach is very seldom used by the district due to lack of supportive data however this approach is always considered with all income producing properties.

Final Review

Following the development of valuation models preliminary values are generated. Field inspections of parcels are completed to determine what changes have occurred in properties during the year.

The field appraiser has documents containing certain property characteristics the values discussed above and any sales information used in the process. The field appraiser establishes a final value to be used for the upcoming tax year. Rules given to the appraiser are:

- (1) The value chosen must be consistent with the neighborhood, assuming the improvements are consistent with the neighborhood.
- (2) The estimate from the comparative sales approach should be favored over the cost estimate.
- (3) Proper justification and documentation must be available to change a value that was established at a hearing during the previous year.
- (4) Individual attention to property characteristics are considered as long as those characteristics are readily available and visible through inspection.

Performance Test

The performance test is gauged by two sources. The in house measure is generated by the appraisal to sale ratio. The completely independent study is performed by the Comptroller of Public Accounts in the form of a property value study. The property value study uses statistical measures as the median ratio and coefficient of dispersion to measure the accuracy of the CAD appraisals. This report is then submitted to TEA for the proper allocation of state funding due the school district.

Red River Appraisal District always strives to maintain the proper confidence level required by state law.

Certification

I certify to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- the reported analysis, opinions and conclusions developed by the appraiser's staff are limited only by the reported assumptions and limiting conditions, and are our personal, unbiased professional conclusions
- no member of the appraisal staff has an interest in the properties that are appraised annually with exception for those properties personally owned by the individual appraiser that will not perform an evaluation on that personally owned property
- the appraisal staff compensation is not contingent upon reporting a predetermined value
- the analysis, opinions and conclusions developed by the appraiser is prepared in conformity with Standard 6 of the Uniform Standards of professional Appraisal Practices
- Properties appraised have been personally inspected by a member of the appraisal staff including in house staff Brandi Clark and Julia Richeson. Also, Eagle Appraisal and Consulting and Capitol Appraisal Group, Inc., contract firms, in accordance with the state required three year cycles outlined by the Texas Property Tax Code.

Brandi Clark, RPA
Chief Appraiser