

PROPERTY VALUE STUDY WHAT CHIEF APPRAISERS NEED TO KNOW

PRESENTED BY

BILL MESSICK—COMPTROLLER OF PUBLIC ACCOUNTS ----PTAD

CARLA POPE OSBORNE—PERDUE BRANDON FIELDER COLLINS & MOTT LLP

ROBBY HARBUCK—LINEBARGER GOGGAN BLAIR AND SAMPSON

MONTY SMITHERMAN—MCCREARY, VESELKA, BRAGG & ALLEN

LOCAL PROPERTIES

- TOPICS WE WILL COVER
 - Current Year Value for PVS/School Funding
 - CAD's role in providing data to ISD's timely is more important that ever now
 - THE "STATE" OF SALES AND BOARD OF REALTORS
 - RISING LAND VALUES ACROSS THE STATE
 - EQUITY ADJUSTMENTS MADE BY THE CAD/ PROPERTIES UNDER LITIGATION
 - INCOME APPROACH ON COMMERCIAL PROPERTIES/ APARTMENTS

CAD'S ROLE OF VALUING PROPERTY VS PTAD'S ROLE IN THE PVS

- With few exceptions, Tax Code Section 23.01 requires taxable property to be appraised at market value as of Jan. 1. (CAD)
- Each county appraisal district determines the value of all taxable property within the county boundaries. Tax Code Section 25.18 requires appraisal districts to reappraise all property in its jurisdiction at least once every three years.
- Tax Code Section 23.01 requires that appraisal districts comply with the Uniform Standards of Professional Appraisal Practice if mass appraisal is used and that the same appraisal methods and techniques be used in appraising the same or similar kinds of property. Individual characteristics that affect the property's market value must be evaluated in determining the property's market value.

PTAD'S ROLE IN PROPERTY VALUE STUDY

- Sec. 403.302. DETERMINATION OF SCHOOL DISTRICT PROPERTY VALUES. (a) The comptroller shall conduct a study using comparable sales and generally accepted auditing and sampling techniques to determine the total taxable value of all property in each school district. The study shall determine the taxable value of all property and of each category of property in the district and the productivity value of all land that qualifies for appraisal on the basis of its productive capacity and for which the owner has applied for and received a productivity appraisal. The comptroller shall make appropriate adjustments in the study to account for actions taken under Chapter [41](#), Education Code.

2018 PROPERTY VALUE STUDY RESULTS

Finding	Preliminary Results	Percent of Total	Final Results	Percent of Total
Valid Local	693	79.02%	712	81.19%
Local - L > S	20	2.28%	19	2.17%
Local - Year 1 Grace	63	7.18%	62	7.07%
Local - Year 2 Grace	33	3.76%	31	3.53%
State	68	7.75%	53	6.04%
Total	877	100.00%	877	100.00%

2018

- Number of CAD's involved in 2018 PVS? **175 CAD's**
- Number of CAD's that had a PVS and a MAPS review? **50 CAD'S**

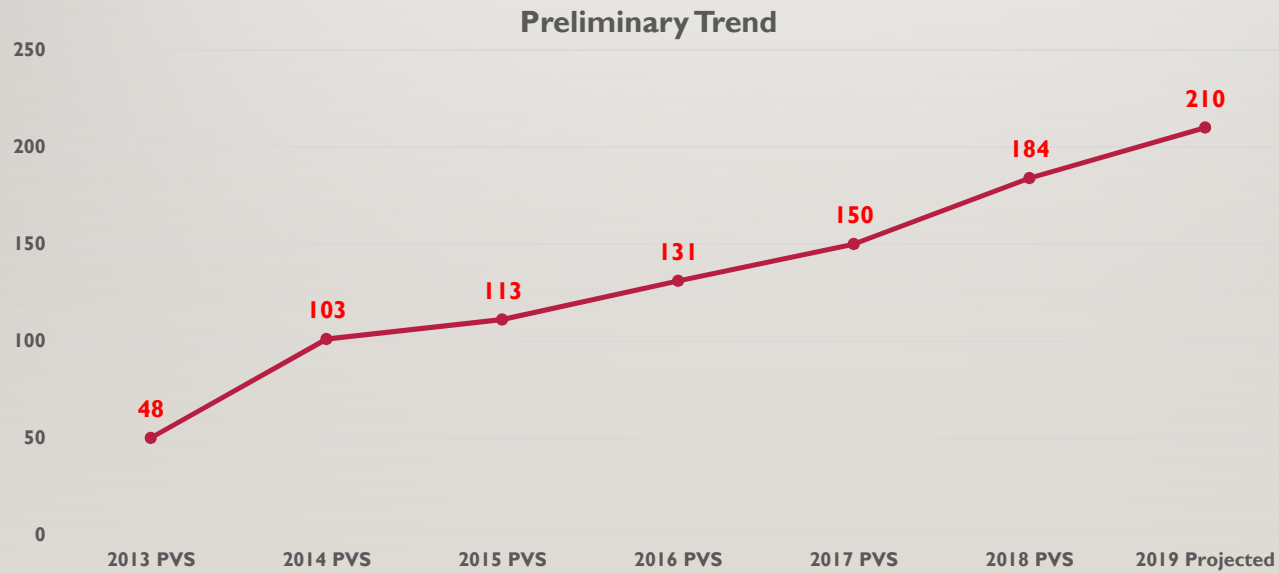
2019 PROPERTY VALUE STUDY

- Number of CAD's involved in 2019 PVS? **172 CAD's**
- Number of ISD's Tested? **706 ISD's**

STATISTICAL INFORMATION

- What category of property typically will cause an ISD to fall outside the confidence interval?
- **Category A - Stratum 2**
- **Mobile Home Sales – CAT A & CAT E**
- **Rural Residential – 10 acres or less**
- **Tier 2 = 31 ISD's @ State Tier 3 = 22 ISD's @ state**

STATISTICAL INFORMATION



2019 PROPERTY VALUE STUDY

- Change to current year values for school funding
- TEA will use the 2018 final values for an estimate to begin funding the 19-20 school year by applying a 5.76% growth rate.
- For budgeting TEA has instructed the ISD's to take their 2019 CAD certified values and divide that by their 2018 CAD certified values and apply that growth rate to their final 2018 PVS value for an estimate.

SALES , LACK OF SALES AND SOURCES OF SALES

- PTAD'S SALES INFORMATION
 - MLS AND BOARDS OF REALTORS (**Travis CAD vs ABOR**)
 - CONFIDENTIALITY
 - CAD'S CONCERNED THAT PTAD GETS SALES DATA BUT THEY CAN'T
 - Is that fair to the CAD/ISD that they get measured by PTAD with data that the CAD cannot get
 - CAD's date of appraisal is January 1st but PVS uses a sales time frame 6 months either side of Jan 1st
 - Sales verification
 - Should foreclosure sales be used
 - Should sales be used that are "word of mouth" (no official document)

PTAD SALE SOURCES

1. MLS
2. Costar
3. Trepp Analytics
4. Survey Letters
5. Internet – Realtor.com / Redfin / Zillow
6. EPTS File

GOVERNMENT CODE 403.304

a-1) All information the comptroller obtains from a person, other than a government or governmental subdivision or agency, under an assurance that the information will be **kept confidential**, in the course of conducting a study is confidential and may not be disclosed **except** as provided in Subsection (b).

(b) Information made confidential by this section may be disclosed:

- (1) **in a judicial or administrative proceeding** pursuant to a lawful subpoena;
- (2) to the **person who gave the information** to the comptroller; or
- (3) for **statistical purposes** if in a form that **does not identify specific property** or a specific property owner

RISING LAND VALUES

- **462,401 Acres sold (Texas)**
- **\$1.29 Billion (Texas)**
- **6,193 MLS sales (Texas)**
- **\$2,779 price per acre (Texas)**
- **41% Cash sales (National)**
- **70% listed on MLS (National)**
- **Financing & Zoning are biggest issue**

LOCAL MODIFIERS

- Is it ok to bring comps from the metro areas into the more rural areas?
- What is the “policy”
 - Similar class or rank
 - Similar market
 - Distance

PROPERTIES UNDER PROTEST

- The Tax Code requires local appraisal of certain property using statutorily prescribed methods of appraisal that produce constrained values that are less than market value.
 - Property Values Lowered in Prior Year Under Subtitle F of the Tax Code

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- The ARB must have issued a valid determination of a protest under Tax Code Section 41.41(a)(1) or 41.41(a)(2) for the previous PVS year at issue. No adjustment will be made for a value adjustment made as a result of an informal agreement or settlement between the CAD and a property owner. No adjustment will be made for a value determination made as a result of an agreement between the CAD and a property owner made during a protest hearing before the ARB, even if an ARB order is issued as, by law, such orders are void.

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- The ARB determination must represent an increase or decrease of the CAD's value that was submitted to the ARB pursuant to Tax Code Section 25.22 or 25.23 and that was the subject of the protest determined under Tax Code Section 41.43.
 - The notified CAD value and certified value for the current PVS must match the ARB determination from the previous year to qualify for the Subtitle F adjustment.

PTAD CALCULATION OF ARB ADJUSTED PROPERTIES

- If a property is included in the PVS with a CAD value that was determined by the ARB as set forth above and evidenced by proper documentation, PTAD's value will be adjusted to reflect the percentage increase or decrease in value determined by the ARB.

if the CAD's value is decreased 12 percent by the ARB, PTAD's value will be decreased 12 percent.

- If the CAD's value is increased 12 percent by the ARB, PTAD's value will be increased 12 percent.
- WHAT DOES THIS CREATE FOR CAD'S?
- SHOULD PTAD CONSIDER THE ADJUSTMENTS THAT THE CAD MAKES INFORMALLY

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- PTAD will use the current year ARB protest determination for adjustment in the PVS if the CAD submits both:-
 - 1) all required documentation to substantiate that a CAD value of a property for the PVS year at issue was as signed as a result of Tax Code Section 23.01(e); and
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 - 2) all required documentation to substantiate that the CAD value of the same property was changed by the ARB as set forth in this section.

PROPERTY VALUES DETERMINED BY BINDING ARBITRATION

- The Tax Code requires, in the context of binding arbitration, that specific values be used for purposes of the PVS. An arbitrator's determination of market value of property under Tax Code Chapter 41A is, pursuant to Tax Code Section 41A.12, the market value of the property for purposes of the PVS.

PROPERTIES UNDER LITIGATION

- Mainly Commercial Properties
- Timing of Litigation
- Agreed Judgment

COMMERCIAL PROPERTIES

- DISCUSSION OF TRIPLE NET LEASE SALES
 - INVESTOR SELLS PROPERTY WITH A LONG TERM LEASE FOR MUCH MORE THAT THE MARKET SUPPORTS ON SIMILAR “LOCALLY” OWNED PROPERTIES
 - HOW DOES PTAD VIEW THESE TYPE OF SALES?
 - SHOULD CAD’S START VALUING ALL THEIR COMMERCIAL PROPERTIES BASED ON LEASE TERMS (MONTH TO MONTH OR 20 YEARS)

HOTEL BUSINESS VALUE

- PTAD:
 - Full Service 22%
 - Limited Service 17%
 - Discount 10%
- CAD':
 - Range - 10% to 35%
- CAD's have to deal with tax agents

INCOME APPROACH ON COMMERCIAL PROPERTIES

- PTAD position on using the income approach more and more on commercial property (is this a time issue or easier for PTAD)
- Where do you all get your information from?
- Does PTAD commercial appraiser actually go inspect the commercial properties that they are appraising or just use the description of the property based on the CAD data?

CERTIFIED VALUE VERSUS PTAD (T2) VALUE

- WHY IS MY ISD'S CERTIFIED VALUE DIFFERENT THAN PTAD VALUE
 - Differences occur due to:
 - Freeze Loss
 - Deferrals
 - Local Optional Exemptions
 - **Timing of Submission of APPRAISAL Roll**
 - Chapter 313's, etc

APPEALS

- School Districts and certain property owners can protest
- Property Owners may protest if their property is used in the school district study and if their total tax liability on all of the owner's property in the ISD category sample is \$100,000 or more.

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- Only school districts are allowed to appeal the result of their protest to district court.
 - An appraisal district **may not protest unless authorized to do so in writing by a school district for which the CAD appraises property** and the ISD is not filing a protest

QUESTIONS ABOUT APPEALING

- Whenever “grace” started for ISD’s the question of appealing or not appealing started.
- If there is no funding at stake should the ISD appeal? Should the CAD appeal?
- These are local decisions that must be reached by the Chief Appraiser and Superintendent and/or Business Manager of the school.

GRACE PERIOD

- What is the grace period?
- How does Year 1 and Year 2 of Grace work?
- What happens to my ISD's if I fail the MAPS review?