

**Hays Central Appraisal District  
2021-2022  
Reappraisal Plan**

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## General Information

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The Hays 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 seven-member Board of Directors, appointed by the taxing units within the boundaries of Hays 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 50 jurisdictions or taxing units in the county. Each taxing unit, such as the county, city, school district, water 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. The district also determines 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 1<sup>st</sup>. 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 value (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 1<sup>st</sup> of the year preceding the tax year to which the appraisal applies by filing an application with the chief appraiser by July 31<sup>st</sup> requesting that the inventory be appraised as of September 1<sup>st</sup>.

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 based on

sale ratio and comparative analysis each year. Appraised values are reviewed annually and are subject to change. Business personal properties, minerals, utility and agricultural properties are appraised every year.

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, multi-family, business personal, mineral, utilities, industrial and agricultural. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation (TDLR). 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 40 employees with the following classifications:

- 1 - Official/Administrator (executive level administration)
- 8 - Professional (supervisory and management)
- 17 - Technicians (appraisers, program appraisers and network support)
- 14 - Administrative Support (professional, customer service, clerical and other)

### ***Staff Education and Training***

All personnel that are performing appraisal work are registered with the TDLR 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 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 102,842 real and personal property accounts covering 693.5 square miles within Hays 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 are acquired through various sources, including internally generated questionnaires to buyer and sellers, university research centers, and market data centers and vendors.

### ***Information Systems***

The district has a geographic information system (GIS) that maintains cadastral maps and various layers of data and aerial photography. The district's website makes a broad range of information available for public access, including information on the appraisal process, property characteristics data, certified values, protests and appeal procedures. Downloadable files of related tax information and district forms, including exemption applications and business personal property renditions and agricultural valuation applications are also available.

### ***Independent Performance Test***

According to Chapter 5 of the Texas Property Tax Code and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Assistance Division (PTAD) conducts a biennial property value study (PVS) of each Texas school district and each appraisal district. As part of this study, the code requires the Comptroller to: use sales and recognized auditing and sampling techniques; 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.

Every year, in which a PVS is not conducted, the Comptroller will direct a Methods and Assistance Program (MAP) review of the appraisal district. The review is required by House Bill 8 which was passed by the 81<sup>st</sup> Legislature. They will examine the CAD's governance;

taxpayer assistance; operating procedures; and appraisal standards, procedures and methodology.

There are 7 independent school districts in Hays CAD for which appraisal rolls are annually developed, including three that overlap from surrounding counties. The preliminary results of this study are released February 1 in the year following the year of appraisal. The 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.

## **Appraisal Activities**

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### **INTRODUCTION**

#### ***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, 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 Hays 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 appraisal opinion of value for all property located in the district is reviewed and evaluated each year.

#### ***Appraisal Resources***

- Personnel - Appraisal activities are conducted by 20 state registered appraisers consisting of a Director, 2 Appraisal Supervisors, 1 senior residential appraiser, 2 agriculture appraisers, 2 personal property appraisers, 1 commercial appraiser, 1 land appraiser, 7 residential field appraisers and 3 appraisal technicians.
- Data - Data used by field appraisers includes the existing property characteristic information contained in a 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, photos and actual cost and market information. Sources of information are gathered using excellent reciprocal relationships with other participants in the real estate marketplace. 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 physically examined every three years with appraisers noting condition of the improvement and looking for changes that might have occurred to the property since the last on-site check. In some subdivisions where change of condition is frequent, homes are examined annually. Exterior pictures will be taken of homes when property is inspected. Every subdivision is statistically analyzed annually to ensure that sales that have occurred in the subdivision during the past 12 months are within a +/-5% 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 periodically to verify class and condition. Pictures will be taken of the improvements when property is inspected. Real estate accounts are analyzed against sales of similar properties in Hays CAD as well as similar communities in Central Texas that have similar economies. The income approach to value is also utilized to appraise commercial properties such as shopping centers, apartment complexes, office buildings, motels and hotels, and other types of property that typically sell based on net operating income.
- Business Personal Property - Business personal property is inspected periodically with appraisers physically inspecting businesses to verify their existence. Blank renditions and a system-generated letter are mailed annually to existing and new businesses. Renditions received by Hays CAD are reviewed and calculated to derive market value. Businesses are categorized using SIC (Standard Industrial Classifications) codes. Rendition laws provide additional information on which to base values of all BPP accounts.

## **PRELIMINARY ANALYSIS**

### ***Data Collection/Validation***

Data collection of real property involves maintaining data characteristics of the property on a CAMA (Computer Assisted Mass Appraisal) System. The CAMA System contains information such as site characteristics, 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, the 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 Business Personal Property 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 with input from the valuation group.

### ***Sources of Data***

The sources of data collection are through property inspection, new construction field inspection, data review/relist field inspection, data mailer questionnaires, hearings, sales validation field inspection, commercial sales verification and field inspection, 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. County and city building permit lists of permits taken out are matched yearly with the Hays CAD account number for data entry. Area and regional real estate brokers and managers are a reliable source of market and property information. Data surveys of property owners requesting market information and property description information is also valuable data. 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 with aerial imagery of entire neighborhoods is generally a good source for data collection. Appraisers also drive/walk 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. In commercial, the appraiser is responsible for contacting sales participants to confirm sales prices and to verify pertinent data.

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 and forward corrections via e-mail. For the property owner without access to the Internet, letters are sometimes submitted notifying the district of inaccurate data. Properties identified in this manner are added to a work file and inspected at the earliest opportunity. Accuracy and validity in property descriptions and characteristics data are the highest goals and are 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 assignments are maintained for several years to enable the appraiser working 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 on a field card that holds all data dealing with the property and allows for the entry of corrections and additions that the appraiser may find in his or her field inspection.

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.

### ***Data Maintenance***

The field appraiser is responsible for ensuring the data on the field review card is correct and accurate before the card is given to the data entry staff. The data entry staff is responsible for the accurate and complete updating of the computer records for all field review cards turned in by the field appraisers. Data updates and file modification for property descriptions and input accuracy are conducted as the responsibility of the support staff unless the appraiser requests to review the data.

## **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 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 during the data review/re-list field inspection. A field review is performed on all personal property accounts, with available situs, each year.

### ***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 appraisal staff is responsible for conducting ratio studies and comparative analysis. Ratio studies are conducted on property located within certain neighborhoods or districts by the chief appraiser. The sale ratio and comparative analysis of sold 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 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

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### INTRODUCTION

#### ***Scope of Responsibility***

The residential appraisers and the land appraiser are responsible for estimating equal and uniform market values for residential improved and vacant property. There are approximately 64,459 residential improved single and multi-family parcels and 14,079 vacant platted lots/tracts in Hays County.

#### ***Appraisal Resources***

- Personnel - The residential appraisal staff consists of 11 appraisers and 3 support staff.
- 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. Computerized land table files store 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 approved 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 considered and may be 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 similarities 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.

### ***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 determines the 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 mis-improvements, 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.

Effective January 1, 2010 the market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property. (Constitutional amendment approved by voters November 3, 2009).

## **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 and 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.

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 then used to adjust the district's cost schedules closer to 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 improved and 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, such as: district questionnaires sent to buyer and seller, field discovery, protest hearings, property owners confirmation letters, various sale vendors, 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 is

considered by paired sales analysis 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. This helps determine and estimate the effects of price changes, 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 are considered and analyzed for any indication of price change attributed to a time change or influence. Property characteristics, financing, and conditions of sale are compared for each property sold in the paired sales analysis to isolate only the time factor as an influence on price.

### ***Statistical Analysis***

The residential appraisers perform 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 appraiser, 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 appraiser, 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. The appraiser reviews and evaluates a neighborhood using 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, 95% 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 entire school district.

## **TREATMENT OF RESIDENCE HOMESTEADS**

Beginning in 1998, the State of Texas implemented a constitutional classification plan concerning the appraisal of residential property that receives a residence homestead exemption. Under that law, beginning in the second year a property receives a homestead exemption; 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 assessed value Plus 10 percent Plus the value of any improvements added since the last re-appraisal.

Assessed values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1<sup>st</sup> of the year following sale of the property and the property is appraised at its market value.

Effective January 1, 2010 the market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

## **RESIDENTIAL INVENTORY**

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 corresponds with 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.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### ***Field and Aerial Photo Review***

The appraiser identifies individual properties in critical need of field review through sales ratio analysis. Sold properties are reviewed in the field or by current aerial photos on a periodic basis to check for accuracy of data characteristics.

Increased sales activity has 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 or 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 can 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 is 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 are forwarded to the appraisal supervisors.

## 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 and market area to allow the appraiser to review general market trends within their area of responsibility and provide an indication of market appreciation over a specified time period. The PC-based ratio studies are designed to emulate the findings of the state comptroller's annual property value study for different categories of property.

### ***Management Review Process***

Once the appraisers' proposed value estimates are finalized, the appraiser gives the resulting data to the appraisal Supervisors, the Appraisal Director and the Chief Appraiser for final review and subsequent approval. This review includes comparison of level of value between related neighborhoods and market areas within and across jurisdiction lines. The primary objective of this review is to ensure that the proposed values have met appraisal guidelines for the tax year in question.

## **Commercial and Industrial Property Valuation Process**

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### INTRODUCTION

#### ***Appraisal Responsibility***

This mass appraisal assignment includes all the commercially described real property which falls within the responsibility of the commercial valuation appraisers of the Hays 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 effect 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).

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.

## **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 location 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 involve 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 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 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. 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 and capitalization rate studies are analyzed to determine market ranges in price, operating costs and investment return expectations.

## VALUATION ANALYSIS

Model calibration involves the process of periodically adjusting the mass appraisal formulas, 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 time period, 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 uses 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 specific time period. 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 Hays County. Thus, 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 Hays 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. Adding the estimated land value, as if vacant, to the contributory value of the improvements indicates the property value via 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.

Hays CAD will review the income approach method when requested by the property owner comparing actual rent tolls and expense data with pro-forma estimates.

### ***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 periodically 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-recoverable 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 Hays CAD 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. 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. Field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. The appraisers test computer assisted values against their own appraisal judgment with preliminary estimates of value in these targeted areas. 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 years 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 productivity or use value.

Hays 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 the 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 Hays 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. In many cases, field checks may be conducted to make sure 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 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**

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## **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 2 appraisers and 1 support staff.
- Data - A common set of data characteristics for each personal property account in Hays CAD is collected in the field. The personal property appraisers collect the field data and maintain 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 numeric codes, called Standard Industrial Classification (SIC) codes that were developed by the federal government to describe property. These classifications are used by Hays 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 similarities 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.

## **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.

### **Leased and Multi-Location Assets**

The primary source of leased assets is property owner renditions of property.

## **VALUATION AND STATISTICAL ANALYSIS (model calibration)**

### **Cost Schedules**

Cost schedules are developed based on 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.

### **Depreciation Schedule and Trending Factors**

#### **Business Personal Property**

Hays 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 Hays 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:

$$PVF = INDEX FACTOR \times PERCENT GOOD FACTOR$$

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

$$MARKET VALUE ESTIMATE = PVF \times HISTORICAL COST$$

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.

### Vehicles

Value estimates for leased vehicles are provided by an outside vendor and are based on Blue Book published values, and there are also considerations available for high mileage. Vehicles that are not valued by the vendor are valued by an appraiser using Present Value Factor 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 AND PERFORMANCE TESTS**

### ***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.

### ***Ratio Studies***

The Property Tax Assistance Division (PTAD) of the state comptroller's office conducts a biennial 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 Hays CAD's personal property values and ratios are indicated.

## **Utility Property Valuation Process**

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The Hays CAD has contracted with Capitol Appraisal Group, Inc. to provide appraisal services. The plans for periodically reappraising Industrial Personal Property, Industrial Real Property, Oil and Gas Property, Utility Property, Railroad Property and Pipeline Property are as follows:

### ***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.

## **CAD Plan for Periodic Reappraisal of Industrial Real 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 selected industrial 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. Industrial properties are identified as part of the appraiser's physical inspection process each year and through submitted data by the property owner. The appraiser may also refer to legal documents, photography and other descriptive items.
  - (2) Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process. Confidential rendition, assets lists and other confidential data also provide additional information. Subject property data is verified through previously existing records and through published reports.
  - (3) Defining market areas in the district: Market areas for industrial properties tend to be regional, national and sometimes international. Published information such as prices, financial analysis and investor services reports are used to help define market area.
  - (4) Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: Among the three approaches to value (cost, income and market), industrial properties are most commonly appraised using replacement/reproduction cost new less depreciation models because of readily available cost information. If sufficient income or market data are available, those appraisal models may also be used.
  - (5) Comparison and Review: The appraiser considers results that best address the individual characteristics of the subject property and that are based on the most reliable data 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.

## **CAD Plan for Periodic Reappraisal of Oil and Gas Property**

In accordance with Section 25.18 of the Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property as approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all oil and gas 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) Identification of new property and its situs. As subsurface mineral properties lie within the earth, they cannot be physically identified by inspection like other real property. However, the inability to directly inspect does not appreciably affect the ability to identify and appraise these properties. To identify new properties, CAGL obtains monthly oil and gas lease information from the Railroad Commission of Texas [RRC] to compare against oil and gas properties already identified. The situs of new properties is determined using plats and W-2/G-1 records from the RRC, as well as CAGL's in-house map resources.
  - (2) Identifying and updating relevant characteristics of all oil and gas properties to be appraised. Relevant characteristics necessary to estimate value of remaining oil or gas reserves are production volume and pattern, product prices, expenses borne by the operator of the property, and the rate at which the anticipated future income should be discounted to incorporate future risk. CAGL obtains information to update these characteristics annually from regulatory agencies such as the RRC, the Comptroller of Public Accounts, submissions from property owners and operators, as well as from published investment reports, licensed data services, service for fee organizations and through comparable properties, when available.
  - (3) Defining market areas in the district and identifying property characteristics that affect property value in each market area. Oil and gas markets are regional, national and international. Therefore, they respond to market forces beyond defined market boundaries as observed among more typical real properties.
  - (4) Developing an appraisal approach that best reflects the relationship among property characteristics affecting value and best determines the contribution of individual property characteristics. Among the three approaches to value (cost, income and market), the income approach to value is most commonly used in the oil and gas industry. Through use of the discounted cash flow technique in, the appraiser is able to bring together relevant characteristics of production volume and pattern, product prices, operating expenses and discount rate to determine an estimate of appraised value of an oil or gas property.

- (5) Comparison and Review. Use of the income approach is the first step in determining an estimate of market value. After that the appraiser reviews the estimated market value compared to its previous certified value and also compares it to industry expected payouts and income indicators. The appraiser examines the model's value with its previous year's actual income, expecting value to typically vary within in a range of 2-5 times actual annual income, provided all appropriate income factors have been correctly identified. Finally, periodic reassignment of properties among appraisers and review of appraisals by a more experienced appraiser further expand the review process.

### ***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.

## **Appraisal Year 2021 Reappraisal and Field Plan**

### **October through December 2020**

- Complete reappraisal inspection project of all properties, including vacant and improved and platted residential for the following school districts:  
Hays Consolidated ISD
- Begin field effort to pick up new improvements throughout the county.
- Begin general field inspections throughout the county by each appraiser for their specific geographic region.

### **January through March 2021**

- Begin reappraisal inspection project of all properties, including vacant and improved, platted residential and commercial properties for the following school districts:  
San Marcos Consolidated ISD

- Mail out annual applications, personal property renditions, special-use valuation applications, exemption applications and any other required forms.
- Complete field effort to pick up new improvements throughout the county.
- Complete general field inspections.

### **April through June 2021**

- Complete sales ratio and comparative analysis to determine appraised values.
- Mail Notices of Appraised Value to property owners.
- Hold informal protest hearings.
- Begin formal protest hearings.

### **July through September 2021**

- Continue formal ARB hearings.
- Appraisal records approval by July 20<sup>th</sup>. Certification of appraisal records to entities by July 25<sup>th</sup>.

## **Appraisal Year 2022 Reappraisal and Field Plan**

### **October through December 2021**

- Complete reappraisal inspection project of all properties, including vacant and improved, platted and residential and commercial properties for the following school districts:  
San Marcos Consolidated ISD
- Begin field effort to pick up new improvements throughout the county.
- Begin general field inspections throughout the county by each appraiser for their specific geographic region.

### **January through March 2022**

- Begin reappraisal inspection project of all properties, including vacant and improved, platted residential and commercial properties for the following school districts:  
Wimberley ISD, Blanco ISD and Comal ISD.

- Mail out of annual applications, personal property renditions, special -use valuation applications, exemption applications and any other required forms.
- Complete field effort to pick up new improvements throughout the county.
- Complete general field inspections.

**April through June 2022**

- Complete sales ratio and comparative analysis to determine appraised values.
- Mail Notices of Appraised Value to property owners.
- Hold informal protest hearings.
- Begin formal protest hearings.

**July through September 2022**

- Continue formal ARB hearings.
- Appraisal records approval by July 20<sup>th</sup>. Certification of appraisal records to entities by July 25<sup>th</sup>.

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***LIMITING CONDITIONS***

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

1. The appraisals are prepared exclusively for ad valorem tax purposes.
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised are performed as staff resources and time allow. Some interior inspections of property appraised are performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.

3. Validation of sales transactions is attempted through questionnaires to buyers and field review. In the absence of such confirmation, residential sales data obtained from vendors is considered reliable.
4. I have attached a list of staff providing significant mass appraisal assistance to the person signing this certification.

***Certification Statement:***

"I, Laura A. Raven, Chief Appraiser for the Hays 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."

*Laura A. Raven*

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Laura A. Raven

Chief Appraiser

## MARKET AREAS DEFINED

Hays Central Appraisal District residential and rural market areas are defined by four major categories that follow the school district boundary lines of Hays CISD, Dripping Springs ISD, San Marcos CISD and Wimberley ISD. Within each school district boundary the market areas are further defined by neighborhoods (as listed). The social, economic, governmental and physical forces affecting values in these neighborhoods are generally similar and uniform and delineate them into defined markets based on factors such as price range, age of improvements, quality and condition of improvements and square footage.

Commercial market areas follow different lines. The Interstate 35 corridor from the Hays/Travis county line to the San Marcos city limits marks a large market area that is experiencing new commercial growth. The central business districts in the cities of Buda, Dripping Springs, Kyle, San Marcos and Wimberley each have their own market areas based on factors such as cost range, age of improvements, quality and condition of improvements, vacancy rates and income information when appropriate (see commercial neighborhood listing).

## COMMERCIAL NEIGHBORHOOD MARKET AREAS

63	529	C-DS-HOTEL	C-KYLE-S81	C-SM-NEIGH	C-WIM-CBDE
156	530	C-DS-IND	C-KYLE-SE	C-SM-NTXST	C-WIM-CBDW
303	531	C-DS-MERCR	C-KYLE-SS	C-SM-OFF	C-WIM-HOTL
304	532	C-DS-MF	C-KYLE-WCS	C-SM-OM	C-WIM-IND
308	535	C-DS-OFF	C-KYLE-XNG	C-SM-ORR12	C-WIM-MF
311	554	C-DS-OFTZ	C-PARK35	C-SM-POST	C-WIM-OFF
319	586	C-DS-RET	C-RR12-JX	C-SM-RET	C-WIM-RET
336	595	C-DS-RR12N	C-RR12NFTZ	C-SM-ROV	C-WIMRR12N
341	597	C-DS-RR12S	C-RV-PARK	C-SM-RR	C-WIMRR12S
342	700	C-DS-RVP	C-SCHULLE	C-SM-RR12W	C-WIM-RRD
343	718	C-EDWARDS	C-SDS-OUT	C-SM-RVP	C-WIM-RVP
344	344-352	C-FITZHUGH	C-SETON	C-SM-RVRR	C-WIM-SQ
349	344-406	C-HENLY	C-SH21-AIR	C-SM-RVRS	C-WIM-SR
350	344-442	C-HILLSIDE	C-SHA-MHP	C-SM-SH123	C-WIM-WEST
353	344-528	C-HNTR-CSM	C-SHA-RVP	C-SM-SH80	C-WIM-WMP
358	349-406	C-HUNTER	C-SHA-WOUT	C-SM-SH80X	C-WOODCRK
375	350-344	C-IBP	C-SLOOP4	C-SM-SPRNG	C-WOODGC
380	350-353	C-IH35-BNE	C-SM-123S	C-SM-SQ	
384	352-353	C-IH35-BNW	C-SM-123X	C-SM-SS	
386	353-344	C-IH35-BSE	C-SM-35CE	C-SM-STONE	
392	353-406	C-IH35-BSW	C-SM-35CW	C-SM-STXST	
406	353-407	C-IH35-DUM	C-SM-35ENB	C-SM-T51	
407	353-442	C-IH35-KE	C-SM-35FSE	C-SM-T52	
408	436-423	C-IH35-KNE	C-SM-35FSW	C-SM-T53	
410	492-493	C-IH35-KNW	C-SM-35NE	C-SM-T54	
412	C-B-AND-B	C-IH35-KSE	C-SM-35NW	C-SM-T54	
413	C-BELTERRA	C-IH35-NBR	C-SM-35OBR	C-SM-THERM	

419	C-BUDA-967	C-IH35-SHE	C-SM-35SE	C-SM-THORP
423	C-BUDA-HOT	C-IH35-SHW	C-SM-35SW	C-SM-UHE
426	C-BUDA-IND	C-IH35-SMX	C-SM-35WNB	C-SM-UHW
434	C-BUDA-JHT	C-KYL-150E	C-SM-AQUA	C-SM-WEST
435	C-BUDA-MF	C-KYL-CBD1	C-SM-BRN	C-SM-WHPKN
436	C-BUDA-MSE	C-KYL-CBD2	C-SM-CAP	C-SM-WWE
442	C-BUDA-NE	C-KYLE-81	C-SM-CB	C-SM-WWW
443	C-BUDA-NWX	C-KYLE-CBD	C-SM-CBEM	C-SSM-35SW
444	C-BUDA-OT	C-KYLE-E	C-SM-CHST	C-SSM-MHP
446	C-BUDA-RET	C-KYLE-GOR	C-SM-CRAD	C-SSM-OUT
460	C-BUDA-RR	C-KYLE-HOT	C-SM-EHPKN	C-SSM-POSE
462	C-BUDA-SE	C-KYLE-IND	C-SM-HNTRN	C-SUNSET-C
472	C-BUDA-WGO	C-KYLE-MF	C-SM-HNTRS	C-SWI-OUT
491	C-CABELAS	C-KYLE-MKT	C-SM-HOTEL	C-TEST
492	C-CAIP	C-KYLE-N81	C-SM-IND	C-UHLAND
494	C-CSV-150	C-KYLE-NE	C-SM-MF	C-US290E
499	C-DS-290E	C-KYLE-OFF	C-SM-MFD	C-US290W
511	C-DS-290OT	C-KYLE-PLU	C-SM-MFDC	C-WCGOLF
526	C-DS-290W	C-KYLE-REB	C-SM-MHP	C-WIM-2325
528	C-DS-BSR	C-KYLE-RET	C-SM-NBSHP	C-WIM-3237

## RESIDENTIAL NEIGHBORHOOD MARKET AREAS

26DOORS	BAVA	BNTRE	CADI	CIELO	CROS
2ABS	BBC	BONI	CAFFEY	CIMA	CROSC
35SORA	BCAC	BORD	CAHI	CIMR	CROSS
3ABS	BCME	BOST	CALI	CIRCN	CROW
3GRA	BCRA	BOTO	CALIP	CJONES	CRRE
4ABS	BCRH	BOXC	CALL	CLAWD	CRROV
6CRKS	BECE	BR	CALV	CLIFF	CRRR
800GO	BECO	BRACE	CALY	CLMC	CRSU
8ABS	BELL	BRAD	CAMP	CNHM	CRSVY
A0014	BELT	BRAM	CAMPNL	COAC	CRVI
A0019	BELTCA	BRAY	CANT	COBV	CRVW
A0021	BELT-NR	BRCHVW	CANY	COES	CRWI
A20-0005	BELV	BRCO	CAPEX	COHE	CTMC
A20-0019	BENN	BREA	CAPU	COHO	CTRYRG
A20-0021	BENTC	BRHI	CARD	COHO2	CULL
A20-0199	BERD	BRIAR	CARHOF	COJW	CUTE
ACHU	BETAC	BRIDLE	CARIM	COLI	CVWE
ACOR	BETHKE	BRLA	CARSON	COLSQ	CYFO
ACREW	BEUL	BROD	CART	COM	CYPF
AGAP	BGCOLL	BROO	CASR	COMC	CYPO

ALLE	BGSK	BROO2	CAST	COMM	CYPR
ALLEN	BHPS	BROWN	CAUTH	COMO	CYPRFF
ALVSUB	BIGC	BRSYCK	CAVL	CONN	DABR
AMBE	BIJE	BRTE	CBD	CONST	DAKO
AMBEC	BILG	BRTR	CCCCSM	CONW	DAVIS
ANAC	BILLS	BRWE	CDWA	COOL	DAYO
ANDADD	BIMMS	BUCK	CEDA	COPB	DBLR
ANGHL	BISH	BUCR	CEDAR	COPP	DEAD
ANLO	BLAG	BUECHE	CEDARBEND	COSP	DECR
ANTN	BLANCO	BUJAN	CEDCR	COTG	DEER
APAC	BLAP	BUNK	CENT	COTHLW	DEERF
APLSA	BLAS	BUNT	CEPAW	COTR	DEERL
APLVY	BLBE	BUNT6B	CEPLT	COTT	DEERU
ARRO	BLKB	BUNTR	CESP	COTW1	DEERW
ARROW	BLNTR	BURA	CEST	COTW2	DEFI
ARRW	BLRC	BURG	CESU	COUN	DEMO
ASHF	BLRI	BURK	CHAMA	COVE	DEWI
ASP	BLRW	BURN	CHAN	COVE1	DMEA
ASPH	BLSH	BURR	CHAP	COXAD	DOBI
ATHPL	BLSK	BUSH	CHCP2	CPCRT	DOBIE
ATMWD	BLT11A	BUTLR	CHES	CRDR	DONA
AVAN	BLUE	BUTT	CHPC	CRE2	DORBR
AVANEST	BLVI	BVIL	CHPC2	CRE3	DOSL
AVERY	BLVI2	BYNBC	CHPL	CRE4	DOST
AYRS	BLVI3	CABL	CHRST	CREE	DOUB
BACKUS	BLVR	CACR	CHUVI	CREV	DOUG
BASS	BNLU	CADA	CHVI	CRKLDG	DOVE
DPHO	ESPD	GARL	GTR	HILD	INDC
DRAC	ESPI	GARN	GTR-SHA	HILL	INDH
DRFA	ESRA	GARYF	GWDO	HILP	INDHI
DRGR	ESSR	GATCRK	HACA	HILT	INDI
DRHE	EVAC	GATE	HACE	HILVG	INDPT
DRIF	EVERA	GATL	HACO	HIOT	INOA
DRSR	EVPA	GCA	HAEN	HIPO	INWO
DRVA	FAIR	GCA-SHA	HAMH	HIPOC	JACO
DSCM	FAITH	GCA-SSM	HANE	HIST	JACWR
DSGA	FALCWD	GCO	HANNA	HISTTH	JA-PO
DSHI	FARML	GDUP	HARHIL	HLMN	JASH
DSSW	FASS	GELE	HARHILL	HLSDTC	JENNR
DTEST	FEES	GFEST	HARL	HMLBL	JESG
DTEST1	FEHO	GFHLLS	HARM	HOGH	JESUIS
DTEST2	FELT	GFVIL	HARMAC	HOKE	JHATCH
DTEST3	FIES	GGU	HARN	HOLL	JHCM
DVHL	FISC	GGU-SSM	HARR	HOME	JMJSUB
DVNPT	FISCRE	GIBWER	HARRI	HOME3-5	JOHNSC

EAGL	FITC	GILL	HARRIS	HOME4	JOSE
EAGN	FITZ	GLAD	HCR	HOME4-1	JPSUB
EAGP	FITZA	GLASS	HCRH	HOPS	KAIV
EAMES	FITZP	GLEN	HDNOK	HOSU	KALA
EARI	FITZT	GNHL	HDWATRS	HOTE	K-BAR-MAC
EASTW	FLITE1	GOLD	HDWTRS	HOWRCH	KECK
ECHOH	FLITE1-NR	GOLDV	HEAT	HOWSUB	KELL
ECRE	FLITE2	GOLDW	HEBARB	HPOI	KEMEL
EDGE	FLITE3	GRAC	HEND	HSPR	KENA
EDRA	FLOR	GRAF	HENMJ	HST	KENS
ELAC	FLYI	GRAN	HERC	HTS1	KERA
ELCR	FLYNN	GRCs	HERI	HUBRE	KEYR
ELCR2	FMLY	GRCY	HERM	HUGH	KIMB
ELCR3	FOUND	GRDLE	HERO	HUGHD	KING
ELCR5	FOUR	GRDWC	HETHR	HUGHMF	KIRB
ELCRDRH	FOWO	GREE	HGST	HUGH-MF	KNLC
ELGR	FOWOS	GREGG	HH2	HUGL	KSMSC
ELLI	FOXR	GREEN	HH3	HUHI	KUYK
ELLSW	FOXRG	GREENPT	HHIL	HUMM	KYHLL
ELMCR	FRAD	GRHV	HIDC	HUNT	KYHT
ELREG	FREE	GRME	HIDD	HURD	KYLE47
EMER	FRIE	GRMH	HIGH	HURI	KYOT
EMI1	FRLWN	GRMH1	HIGHL	HURL	L04A
EMI2	FROG	GRNHIL	HIGHR	HUSAGE	LACI
ENCPT	FROKS	GRNPTR	HIGHV	HVILLAS	LACS
ENOCH	FSTR	GRSA	HILAC	HWY-290	LADE
ENSU	FWSUB	GRTHLS	HILC	HYDE	LAGA
EODR	GAES	GTBHR	HILCO	IH35	LAMO
EOSM	GAHORCH	GTDR	HILCR	ILACRK	LANI
LARL	MARTAD	NONE	PAME	PRES	RIRA
LASL	MATA	NOPO	PANT	PRICE	RIVE
LATRUF	MAVW	NORF	PAPA	PRK	RIVM
LAUR	MAYA	NORR	PARA	PRKL	RIVO
LAV2	MCC	NORT	PARS	PRME	RIVO2
LAV3	MCCO	NRTH	PARTEN	PRPH2	RIVOWTR
LAVE	MCEL	NUTBRN	PARV	PURC	RIVPL
LAWR	MCOA	NUTT	PASO	QHLW	RIVR
LCKY	MCRH	NWH	PATR	QUAI	RIVRDE
LEATH	MEAB	OAES	PAUL	QUAR	RIVV
LEDG	MEAD	OAKF	PAVI	QURI	RIVV-W
LEIS	MEAK	OAKGAT	PAXX	RABB	RJRAG
LEX	MEAO	OAKH	PB	RABEL	RJSUB
LIFS	MEAP	OAKM	PCWC	RACO	RMANS
LIMEK	MEAW	OAKO	PEAB	RAD1	ROACH
LISC	MEDL	OAKR	PEC	RAHP	ROC

LITL	MEMO	OAKRUN	PECC	RAIL	ROCK
LITS	MERI	OAKS	PEDE	RAIN	ROHNK
LITT	MERM	OAKW	PEDVIEWS	RAISCH	ROJO
LIVE	MERRI	OAME	PENA	RANCHO	ROLH
LIWO	MESA	OARU	PERK	RANE	ROLM
LNDR	MEVI	OATR	PHIL	RANM	ROLO
LONE	MHP	OBAR	PIER	RAPC	ROPE
LOSA	MILDR	OBHS	PINA	RAYBA	RORA
LOSR	MILL	OBRY	PINCL	RAYMO	RORU
LOST	MILL-MF	OCSC	PINN	RBE	ROTH
LOSTRR	MILR	OKRG	PION	RDSC	ROWC
LOVR	MILTR	OLDMP	PKNOC	RDWYDS	RRDGE
LOWD	MIRA	OLDPST	PLCP	RDWYHA	RRUN
LOWM	MISAN	OLLI	PLCR	RDWYSM	RSM
LTDLP	MLKD	ONCR	PLNE	RDWYWI	RUBY
LUNA	MNTN	ONIC	PLUM	READ	RUST
M22-3800	MOCK	ONRA	PLUM2	REDH	RUTH
M22-6400	MORN	ORTB	PLUM3	REGA	RVAC
M22-7100	MOUN	OTKY	PNDH	RETH	RVB
M22-7200	MOUNT	OTOB	PNDHDUP	RETR	RVIEW
M22-9900	MOUNV	OURP	POL1	REUN	RVROAK
MACAN	MTCR	OVERL	POL2	REUN2	RYAN
MACR	MTOL	OVPA	POL3	RICH	RYHIL
MADRAN	MTSR	OWTL	POLO	RICHTER	S0951
MAES	MUST	OXBW	POSE	RIDG	S0952
MAGR	MYSTC	OXFV	POSEYSUB	RIES	S21-0715
MAJE	NEES	PACE	POSR	RIMO	S21-1050
MANG	NIES	PACR	POST	RIMR	S21-1400
MAPC	NINO	PAHZ	POTR	RIMR2	S21-2000
MARL	NLBJ	PAL	PRAI	RIOV	S21-2450
MART	NOGO	PALO	PRAL	RIPPY	S21-2500
S21-2800	SHOA	STEE	TEXHERVIL	VINER	WIMI
S21-3850	SHOE	STEE1	TFARMS	VIRG	WINDY
S21-4200	SIER	STEE2	THARP	VISOAK	WIRI
S21-5000	SIES	STEV	THECOVE	VISRA	WIWD
S21-6650	SIESTA	STHR	THHI	VISRID	WLWCR
S21-7200	SILC	STN	THOAKS	VIST	WMGF
S21-7350	SILE	STONF	THOM	VISTG	WMHE
S21-7475	SILSP	STONG	THPR	VISTW	WOBC
S21-8050	SILV	STONR	THRA	VLGW	WOBR
S21-9100	SIMI	STONR3	THTO	VVIEW	WOES
S21-9452	SIXP	STUD	TIMM	VWPT	WOOD
SADD	SKCAR	STVBR	TJSUB	WAHO	WOOD1
SADDB	SKYL	SUAC	TOMDYE	WALKW	WOOD1MF
SADR	SKYLD	SUB	TRACE	WATE	WOOD2TH

SALT	SL967	SUBU	TRAI	WATK	WOODLN
SAMAJ	SLBJ	SUHI	TRANCH	WATR	WOODSP
SANC	SLED	SUMM	TRAY	WAYS	WOODUD
SAND	SLEE	SUNA	TRES	WBRU	WOOE
SANSABA	SLEEPY	SUND	TRIP	WCRR	WOOL
SATT	SLNB	SUNDAN	TRIPR	WCV1	WRAN
SAVA	SMITH	SUNFI	TRPC	WCVI	WRSIM
SAWSPR	SMRANCH	SUNFL	TRWI	WEAT	WST
SAWY	SMRPT	SUNHI	TTOH	WEBBS	WTCHAP
SAWYES	SOBE	SUNHIL	T-T-RAN	WECO	YBARRA
SCAD	SORI	SUNQUR	TURK	WELL	YORK
SCAL	SORV	SUNR	TWIN	WERTH	YORKM
SCCBC	SOUT	SUNS	TWLV	WESC	YOUN
SCH	SOUTL	SUNSN	TWSQ	WEST	ZUNI
SCHU	SOWO	SURI	UHLA	WESTMF	ZWIL
SECR	SPADD	SUSU	UPC	WGC	ZWIL-MF
SEE	SPCRK	SVERDE	VALL	WGRAN	
SEND	SPOA	SWRD	VALO	WHAD	
SENTR	SPOK	SYCS	VALV	WHCR	
SEQU	SPOKE	SYPH	VALVI	WHIS	
SETT	SPON	SYRI	VAVW	WHISO	
SETTL	SPRB	TABOR	VG	WHITE	
SETTPT	SPRB1	TANG	VIAC	WHLW	
SETTRA	SPRI	TARO	VICT	WHOA	
SEVE	SPRING	TARRA	VIES	WHWI	
SHAD	SPRL	TBRR	VEWS	WIFA	
SHADO	SPRL-DS	TCOSM	VILC	WIHI	
SHADV	SPRLHO	TCSD	VILL	WILD	
SHAV	SRV2	TEICH	VILLAS	WILEY	
SHEP	STAN	TEJAS	VILLC	WILL	
SHER	STCOC	TELE	VILM	WILL2	
SHGR	STCORA	TENACR	VILSC	WIMBH	
SHIRE	STCR	TERRY	VINE	WIMH	