

## **The Process of Property Appraisal**

Except as otherwise provided by the Property Tax Code, Section 23.01 indicates that all taxable property is appraised at its "market value" as of January 1<sup>st</sup>. Section 1.04(7) defines "market value" as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

(1) Exposed for sale in the open market with a reasonable time for the seller to find a purchaser; (2) Both the seller and the buyer know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use, and (3) Both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

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.

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

Data collection of real property involves recording physical characteristics and economic data of the property. A diligent effort is taken to make sure the characteristics accurately reflect the current status of the property. To effectively evaluate the quality of existing data, field studies and examination of aerial photography are conducted during the reappraisal cycles. This information includes site characteristics, such as land size, and improvement data - such as square foot of improvement area, year built, quality of construction, and condition. Other characteristics include but are not restricted to the type of foundation, type of roof, type of heating and cooling system, number of baths, number of units, number of rooms, or leaseable area. Characteristics are a direct reflection of the improvements. Field appraisers are required to use a property classification system and all properties are coded according to a specific classification. The approaches to value are structured and calibrated on this coded system and the physical characteristics of the property.

The types of information recorded and maintained for Business Personal Property include situs, type, kind, quality and density of inventory, furniture and fixtures, machinery and equipment. Texas Department of Transportation records are obtained annually through a vendor who provides a list of potential commercial use vehicles within the district. The field appraisers conducting on site inspections use a personal property classification system as a guide to correctly list all personal property that is taxable.

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

The sources of data collection are through inspections of newly constructed and existing improvements, sales validation and field effort, assignment of address from Wichita / Wilbarger 9-1-1, Wichita Health Department final inspections, appraisal review board hearings, property owner correspondence, newspapers and publications, and correspondence with other taxpayers and business owners. Another principal source of data comes from building

permits received from tax jurisdictions that require property owners to obtain a building permit prior to construction or alteration of a structure. Permits (new construction, remodeling, and relocation of improvements, etc), demolition reports, fire reports, and mechanic liens are received on a regular basis and matched with the property identification number for data entry. In real property, the sales validation effort may involve on-site inspection by field appraisers to verify the accuracy of the property characteristics at the time of sale and confirmation of the sales price. Accuracy in property details and characteristics data is one of the highest goals and is stressed throughout the appraisal process.

### ***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 will also be used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. Market sales indicate the effects of these market forces and will be interpreted by the appraiser into an indication of market price ranges. Cost and Sales Comparison Approaches to estimate value will be the basic techniques utilized to interpret these sales. The Income Approach to value may be considered to estimate an opinion of value for investment level property when appropriate.

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 is identified, the next step will be 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. Most of the analysis work done in association with the valuation process will be neighborhood specific and/or category specific.

### ***Statistical Analysis and Performance Test***

The appraisers will perform statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies will be conducted on each of the neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood 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 sales. Appraisers are responsible for conducting these studies and comparative analysis in their assigned market areas (neighborhoods) or property categories. The sale ratio and comparative analysis of the sale price of property to the appraised value of property forms the basis for determining the level of appraisal and market influences and factors for each assigned area. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood will be made. This information is the basis for updating property valuation for the entire area of property to be evaluated.