

# **GARZA CENTRAL APPRAISAL DISTRICT 2024 MASS APPRAISAL SUMMARY REPORT**

## **Introduction**

### **Purpose**

The purpose of this report is to better inform the property owners within the boundaries of the Garza Central Appraisal District (GCAD) and to comply with Standards 5 and 6 of Uniform Standards of Professional Appraisal Practice (USPAP), effective January 1, 2024. Standard 6 addresses a written summary report of a mass appraisal for ad valorem taxation. Mass appraisal is the process of valuing a group of properties as of a given date, using standard methods, and employing common data, which allows for statistical testing. The intended use of the appraised values is to establish a tax base upon which a property tax will be levied. Each taxing unit within GCAD boundaries will use the appraised values for ad valorem tax purposes only.

The purpose of the appraisals performed by GCAD is to estimate market value on January 1 of each year as defined by the Texas Property Tax Code (Sec. 1.04) on all taxable property within the boundaries of GCAD. "Market Value" is defined by Sec. 1.04 as the price at which property would transfer for cash or its equivalent under prevailing market conditions if:

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

### **Responsibilities**

Garza Central Appraisal District serves the public and taxing entities of Garza County. The appraisal district is responsible for appraising property in the district for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on the property in the district. Taxing entities in Garza County are composed of three school districts, one city, the county, and one special district. In the fall of 2023 and through April, 2024, GCAD staff appraised all properties in City of Post and Post I.S.D. Blocks 55, 11, 40, 12, 24 and 25. Any new structures in the County as of January 1, 2024, were also appraised. (Referred to as Area Two in the 2023/2024 Reappraisal Plan.)

In 2024 the appraisal district had a preliminary certification of \$1,092,453,897 in market value, before exemptions and ag-use valuations, with a parcel count of 12,970. The following are those parcels by property type:

Property Type	Parcel Count	Value
Real – single family	1,359	131,287,263
Real – multi-family	23	1,999,485
Real – vacant lots	730	12,525,223
Real – vacant acreage	2,419	575,308,237
Real – farm & ranch improvements	542	50,463,706
Real – commercial & industrial	363	26,965,523
Real – oil, gas and other mineral reserves	6,484	209,057,000
Real & Personal – utilities	302	63,347,484
Tangible Personal – business	152	6,758,441
Tangible Personal – mobile homes	583	13,491,174
Totally Exempt	13	1,250,361

### **Organizational Structure**

The Garza Central Appraisal District was created by the Texas Legislature. GCAD appraises property and prepares assessments of real and personal property taxes for six taxing entities in Garza County, Texas. GCAD is a political subdivision of the State of Texas. The appraisal district is governed by a five-member board of directors appointed by the taxing entities in the County. The board appoints the chief appraiser who serves at the pleasure of the board. The board also approves the budget and sets policy. The chief appraiser is the chief administrator of the appraisal district and may employ and compensate professional, clerical, and other personnel as provided by the budget. The chief appraiser may delegate authority to her employees. GCAD currently has three full-time employees.

All appraisers are required to be registered with the Texas Department of Licensing & Regulation (TDLR). The TDLR registration requires that each appraiser must successfully complete a five-year educational program and pass a required number of course hours within a specified time. Additionally, all appraisers must pass review exams at levels three and four of the certification program. After successfully completing the required curriculum and approval of a demonstration appraisal, an appraiser is awarded the designation of Registered Professional Appraiser (RPA). There is also a requirement of at least thirty hours of continuing education units every two years in order to re-certify the RPA designation. The continuing education units must include: 1) Two hours in Professional Ethics; 2) A State Laws & Rules Update Course; and 3) three and a half hours in USPAP. GCAD currently has one RPA, one RTA, and one Class II Appraiser on staff. The GCAD appraisal staff stays abreast of current



trends affecting property through review of published materials, course work, continuing education, and in-house training programs. Garza CAD has a contract with LISCO Appraisal Service for additional appraisal services and assistance with model/schedule building.

Each year the appraisers are assigned a geographical area or specific property types within the boundaries of GCAD. Appraisers are responsible for the discovery, listing, and appraisal of all types of property, within their assigned area. Senior appraisers assist all other appraisers in appraising property in each area, conducting training, performing quality control, and improving appraisal techniques and methods. The Chief Appraiser and deputy chief appraiser continually strive to improve the quality and performance of all appraisals.

### **Mission Statement**

The mission of the Appraisal District of Garza County is to appraise all property in Garza County at market value equally and uniformly. The Garza Central Appraisal District shall communicate that value annually to each taxpayer and taxing jurisdiction.

### **Philosophy Statement**

The Garza Central Appraisal District believes that the most important asset of the District is its people. Every employee is important and deserves to be treated fairly with consideration and respect. GCAD believes in providing good working conditions and a safe, clean, and friendly work place to help each employee do his or her job effectively. We also believe that every employee has an obligation to develop his or her talents to the fullest.

The Garza Central Appraisal District exists for the purpose of providing services to the property owners and taxing units within our jurisdiction. It is important that we recognize our responsibility to provide quality services on a cost effective basis. Every property owner should be approached in a respectful, positive and friendly manner. Property owners should be assisted in a timely and courteous fashion. GCAD employees have an obligation as public servants to promote goodwill toward all property owners; not only in manner but also by example.

Because of the nature of our work, not every property owner will be pleased with the outcome of their contact with GCAD. What is important is that everyone who comes in contact with our office should have reason to feel that their matter was handled in a fair, equitable, and professional manner by a knowledgeable and qualified person.

### **Assumptions and Limiting Conditions**

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Garza Central Appraisal District.
4. All properties are appraised in fee simple interest in accordance with Texas Property Tax Code Section 25.06. (Jurisdictional exception to Standards rule 6-4 (c) and 6-5 (c) of USPAP)
5. All sketches in the appraisal records are intended to be visual aids with rounded measurements and should not be construed as surveys or engineering reports, etc.
6. All information in the appraisal records has been obtained by members of the appraisal district's staff or other reliable sources.
7. The appraisal staff has inspected, as permitted, by observation, the land and the improvements thereon; however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters, unless specifically considered in an individual appraisal.
8. Any interior inspections are performed at the property owner's request by appointment. All other inspections performed are external and assume the quality, condition and desirability of the interior are approximately equal to that of the exterior, unless otherwise known.
9. Subsurface rights (minerals and oil) are not considered in making these appraisals.

The following summary reports are presented to be more specific about the appraisal of various property types within Garza Central Appraisal District.



## **Single-Family Residences 2024 Summary Report**

### **Overview**

Single-family residences consist of all land and real property improvements which by the nature of their design and/or construction are suitable for single-family use only. This includes manufactured homes, which are classified as real property when the owner of the land is also the owner of the manufactured home and personal property when the owner of the manufactured home does not own the land. Beginning in 2020, the single family residences in the three Lake Alan Henry subdivisions were classed as A1 properties rather than E properties as they have been in the past several years.

### **Assumptions and Limiting Conditions**

The appraisals completed by GCAD for single-family residences are subject to the following assumptions and limiting conditions:

1. The Garza Central Appraisal District's staff has physically inspected all single-family residences in Garza County and normally re-inspects these properties at least once every three years. Interior inspections have not been done on a majority of the properties in the county because (1) most residential owners are not at their residence during regular business hours, (2) permission to inspect is not always granted, (3) the safety of the appraiser may be in question, and (4) respect for privacy rights of the property owner should be exercised.
2. The opinion of value for each single-family property applies to land and improvement only. The value of personal property of an owner has not been included with the value of the real estate.
3. Residential real property inventory as defined by the Texas Property Tax Code in Section 23.12 shall be considered as inventory and the market value shall be the price for which it would sell as a unit to a purchaser who would continue the business. (Jurisdictional exception to Standard rule 6-5 (d) of USPAP)
4. Single-family qualified properties used to provide affordable housing are appraised to comply with Section 23.22 of the Texas Property Tax Code. (Jurisdictional Exception to Standards Rule 6-4 (b) of USPAP)

### **Data Collection and Validation**

Two basic types of data are collected: data which is specific to each property and data which is indicative of a particular class of property that has been predefined by GCAD.

Property-specific data is collected as part of the inspection process, building permits and through submission by the property owner. As part of the inspection process, the improvements are measured and classified. The appraiser also estimates the effective age (condition) of the improvements. Any additional or unusual features are also noted at the time of the inspection.



Data on individual properties is maintained on the appraisal card(s) for that property. Data on individual properties is verified through previously existing records, published reports, building permits, analysis of comparable properties, and through submission by the property owner. Appraisal data is available for review at the appraisal district office.

Data pertaining to a class of properties is grouped together according to the differing quality levels, and then used to develop valuation models for each property class. Such data is collected in a variety of ways. Cost information is obtained from nationally recognized sources and from data submitted by owners. All local information is used to verify, supplement, or modify costs from these published sources.

Market sales information is collected through a variety of sources including surveys of buyers and sellers, deed records, from local real estate professionals, and from other available reporting services.

### **Valuation Approach and Analysis**

Improvements are appraised using replacement cost new less depreciation models. Replacement costs are estimated from published sources, other publicly available information, and comparable properties. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence, and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if diminished utility and comparable sales are found to justify such. A comparable sales model is used when appropriate sales information is available. The model is calibrated for site values, improvement quality, living area, condition and extra features.

Land values are based on selling prices for the appropriate highest and best use of the site, and as though it was vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of a highest and best use differing from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

### **Procedures for Applying "Capped" Homestead Property Values**

In reappraising a residence homestead for a tax year, if the market value is determined to be in excess of 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, the value for that tax year may not exceed an increase of 10% per year. This is according to Sec. 23.23 of the Property Tax Code. **This does not apply to new improvements on the property.** This "capped" procedure is written into the software used by the Appraisal District, and is automatically applied to the parcel if the limitations apply.

### **Testing**

Field testing of appraisals is performed through the regular inspection of subject properties. Neighborhood profiles are developed by market area and a statistical review of the appraisers is performed. Ratio studies are performed and are the preferred method for measuring performance. The results of the performance measures are used to indicate the validity of the appraisal models used. The appraisal district's contract appraiser, along with the chief appraiser and deputy chief appraiser, review and assist each other in adjusting models to current market information and sales ratio studies. Performance is also measured through comparison with valid single-property appraisals submitted for staff consideration. The appraiser considers the submitted appraisal report to confirm and verify data. Appraisal results are also tested semi-annually by the Property Tax Division of the Texas Comptroller's Office. Appraisal methods and procedures are also reviewed by the Property Tax Division.

## **Multi-Family Properties 2024 Summary Report**

### **Overview**

Multi-family properties with situs in this district are appraised at market value as previously defined.

### **Assumptions and Limiting Conditions**

The appraised value derived is subject to the following assumptions and limiting conditions:

1. For multi-family properties only, the market value stated is for land, improvements and the personal property common to the classification and economic area. The business personal property value is insignificant to the overall value.
2. The Garza Central Appraisal District's staff has physically inspected all apartment complexes for the tax year 2024. Duplex properties are inspected by the residential appraiser as they field inspect residential property--at least once every three years.
3. A multi-family property that is used to provide affordable housing is appraised to comply with Section 23.22 of the Texas Property Tax Code. (Jurisdictional Exception to Standards Rule 6-2 (b) of USPAP)
4. Income & Expense Surveys were mailed in January for two apartment complexes and the Mill Village complex.



### **Data Collection and Validation**

Two basic types of data are collected: data which is specific to each property and data which is indicative of a particular property class that has been predefined by GCAD.

The property appraised has multi-family use. This classification of properties includes apartment complexes and duplex properties. Properties of the classification are discovered and their characteristics recorded during periodic field inspections, investigation of building permits issued through political entities, and investigation of mechanic liens recorded with the county clerk. Geographically, these properties are located throughout the county.

Sales data is taken from deed records, local real estate professionals, a sales service publication, written appraisal reports, and contact with principals. Sales are validated with the principals when possible. Sales data for properties is account-specific and retained electronically.

General market data is gathered from multiple sources. Environmental, economic, political, and social influences vary geographically and by property use. Neighborhoods have been delineated to reflect competing properties within a use and the influences on that use. Apartment properties were assigned a comparative classification in the inspection process. Duplexes are classed in compliance with predefined classing criteria.

Apartment income and occupancy information is gathered from owners, operators and published sources. Occupancy data is validated by apartment association surveys and broker surveys. Income data is arrayed by neighborhood and comparative class to seek rent anomalies or outliers. Market rent and occupancy levels are established by neighborhood, comparative class, condition, desirability, and age. Historical income and occupancy trends are studied, and those trends are forecast and projected into future years. Expenses from previous years' data, as supplied by the owner or operator of the property, consumer price index information, and expense surveys by apartment associations of other metropolitan areas are reviewed. From this research, expense trends are analyzed and projected.

Investor's surveys are reviewed when available and their requirements and expectations are considered, as are trends from previous surveys. A range of investor yield rates is selected, and a gradient scale is used in consideration of the neighborhood characteristics and comparative class of properties. Income models are built for classes and neighborhoods in which a sufficient amount of quality data exists. Where data is inadequate or inconsistent, models are interpolated.

### **Valuation Approach and Analysis**

Based on the principal of substitution, land values are determined by selling prices for similarly positioned functional tracts. Sites are analyzed for highest and best use as though they were vacant. Highest and best use of the improvements is based on the likelihood of the continued



use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of a highest and best use differing from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

A discounted cash flow analysis (DCF) is performed for each apartment property. A value per unit is charted and stratified by neighborhood and comparative class. A sales value per unit is also charted by neighborhood and comparative class for recent sales. Unit values of sales are then compared to unit values from the individual DCFs. Acceptable ranges of value are established for these comparative units. Preliminary property values are adjusted to meet with agreed ranges and then unique property considerations are addressed.

New apartment construction would be valued based on actual cost, when available. If actual costs are not available, national cost manuals are compared to the estimated cost on the building permit.

For apartment complexes within the appraisal district, personal property value is included with the real property estimate. This practice is due to the district's reliance on sales information and the income approach to value. Sales prices reported to the district are for the total property, real and business personal, and, the income approach develops a value indication for all property necessary to sustain stabilized income, for the total property. The business personal property value is considered an insignificant portion of the overall property value.

Duplex properties are appraised by market adjusted cost models. Property classifications are delineated and each classification's descriptive characteristics are set forth in GCAD appraisal manuals. Sales ratio studies are generated for each neighborhood. Neighborhood adjustments are applied as necessary and individual properties are reviewed for reasonableness.

### **Testing**

Field testing of appraisals is performed through the regular inspection of subject properties. A computer-assisted statistical review of property value changes is conducted. Ratio studies are reviewed for level of appraisal and appropriateness of neighborhood boundaries. Results of the performance measures used indicate the validity of the appraisal models.

Preliminary values are analyzed in consideration of classification and neighborhood. Value indications are compared to renditions and valid multi-family property appraisals submitted for staff consideration. The appraiser considers the submitted appraisal report to confirm and verify data as would be done with a sale. Final value recommendations are tested for reasonableness by performing a sales ratio study and, individually, during the appeal process. During the appeal process, property specific income and expenses are reviewed for reasonableness and values are adjusted as necessary.

Appraisal results are tested semi-annually by the Property Tax Division of the Comptroller of Public Accounts for the State of Texas. Appraisal methods and procedures are also reviewed by the Property Tax Division.



## **Commercial Property** **2024 Summary Report**

### **Overview**

This type of property consists of all land and improvements in Garza County that are classed “commercial” according to that property’s highest and best use.

### **Assumptions and Limiting Conditions**

The appraisals completed by GCAD are subject to the following assumptions and limiting conditions:

1. The opinion of value for each property applies to land and improvements only. The value of trade fixtures, furnishings and other equipment has not been included with the value of the real estate.
2. The Garza Central Appraisal District’s staff has physically inspected all properties in the county. In 2021, a price per square foot land schedule was generated with Commercial land having a higher price per square foot value. Normally staff will re-inspect these properties at least once every three years. Complete interior inspections have not been done on a majority of the properties in the county.
3. In 2024 Income Approach to Value was calculated and used on two motels and one hotel in the district. An additional motel again had no reported income for 2023 and was appraised on land & improvements only. The local Bed & Breakfast was appraised on Income Approach for 2024. The mini-storages located in the City of Post were mailed Income & Expense Surveys in January. No surveys were returned to the appraisal district.

### **Data Collection and Validation**

Two basic types of data are collected: data which is specific to each property and data which is indicative of a particular class property that has been predefined by GCAD.

Property-specific data is collected as part of the inspection process and through submission by the property owner. As part of the inspection process, the improvements are measured and classified. Properties are classified according to construction type and quality. The appraiser also estimates the effective age and condition of the improvements. Any additional or unusual features are also noted at the time of the inspection. Data on individual properties is maintained on the appraisal card(s) for that property. The data includes legal description, situs, owner address, parcel number, and the property-specific information such as class, quality, measurements, condition, etc. Data on individual properties is verified through previously existing records, published articles and reports, building permits, mechanics liens, analysis of comparable properties, and through information obtained from the property owner. Appraisal cards are available for review at the appraisal district office.



Data pertaining to a class of properties is used to develop valuation models for that property class. Such data is collected in a variety of ways. Cost information is obtained from nationally recognized sources, as well as from new construction permits, mechanics liens, local contractors, reliable sources of sales on new property, and renditions submitted by the property owners. Cost information on newly constructed improvements is also used to verify and/or modify costs from published sources. Renditions are confidential submissions by property owners and cannot be used for other properties. However, data from renditions may be compared with data obtained from cost manuals to test their accuracy. A specific section for commercial real property is maintained by GCAD in the appraisal manual.

Market sales information is collected through surveys of buyers and sellers in addition to real estate publications, reports, and public records. Income and expense information is obtained from surveys of rental properties when available.

### **Valuation Approach and Analysis**

Land values are based on selling prices for the appropriate highest and best use of the site analyzed as though vacant. Highest and best analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use and is essential to an accurate appraisal. Identification of a highest and best use differing from the current or intended use has a significant effect on the cost and market data models and is always a statement of opinion, not a statement of fact.

Improvements are valued using replacement/reproduction cost new less depreciation. Cost tables are constructed using published sources as a guide and adjustments are applied using local market information. Adjustments are also applied for functional and economic obsolescence if utilization, sales, and income information warrant. An income approach is also used when economic and/or subject property income information is available. A sales comparison (market data) model based on the selling price of similar properties is used when sufficient information is available.

The cost approach to value is most accurate and reliable when appraising new construction. In older areas or areas of transition, cost is calculated and considered. However, due to the difficulty of measuring accrued depreciation, more weight is applied to the sales comparison (market) and income approaches.

### **Appraisal Procedures Followed**

Cost Schedules: All commercial improved parcels in the district are valued from cost tables using a property class system. The district's commercial cost schedules were developed using a nationally published cost service with adjustments made for local condition. The cost



schedules were reviewed for 2024 with a 5% adjustment made to structure values based on the offset of our 2023 PVS results.

Sales Information: The Garza Central Appraisal District maintains a sales file for improved property, commercial property and vacant land. Sales information is collected from district sales letter questionnaires sent to buyers and sellers, field discovery, protest hearings, published sales information reports, and shared information with appraisers and brokers.

### **Valuation Process**

Area Analysis: 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. Information is obtained from real estate publications and local realtors and financial institutions.

Neighborhood Analysis: The neighborhood is comprised of the land area and commercially classed properties located within the boundaries of this taxing jurisdiction. This area consists of a wide variety of property types including residential, commercial and industrial. 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 organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods.

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

### **Market Analysis**

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

Cost Approach: 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 comparable properties whenever possible. These include comparative base rates, per unit adjustments and lump sum adjustments. This approach also employs the sales comparison approach in the valuation of the underlying land value. Location modifiers are necessary to adjust cost data to reflect



conditions in a specific market. Because a national cost service is used as a basis for the cost models, locational modifiers are necessary to adjust these base costs for the Garza County area.

Depreciation schedules are developed based on what is typical for each property type at that specific age. Depreciation schedules have been implemented for what is typical of each major class of commercial property by economic life categories. Schedules have been developed for improvements with 15, 20, 25, 30, 35, 40, 45, 50, 55, 60 and 70 year expected life.

Market adjustment factors such as external and or functional obsolescence can be applied, if warranted. 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 property type or location.

Income Approach: The income approach to value was applied to three motel/hotel properties which are typically viewed by market participants as "income producing", and for which the income methodology is considered a leading value indicator.

A reliable indication of value may be estimated by capitalizing the net income potential which the property is capable of producing over its economic life or during a typical ownership period. This approach to value recognizes the relationship between value and a return on the investment, as indicated in the market.

Important factors of consideration include an assessment of market supply/demand conditions and an estimate of prevailing lease rates, expense level, and investor rate of return requirements. This approach to value is based upon the principal of anticipation, which states that value is created by the expectation of benefits received in the future. The necessary steps in the Income Capitalization Approach are summarized as follows:

1. Based on an analysis of market rentals of comparable properties, an estimate of gross income for the subject property is derived. This rental is typically referred to as the economic or market rental of the subject property as of the date of the appraisal.
2. An estimate of probable vacancy and collection loss is established by an analysis of the subject market and the historical trends of the subject property. This amount is deducted from the gross income estimate. The gross income is derived through several sources. The primary source, however, is from quarterly receipts reports from the Comptroller of Public Accounts. Additional income is derived through telephone calls, vending machines, and other miscellaneous categories. The resulting figure is termed effective gross income.
3. Expenses for the subject property are based on actual property expenses which have been incurred and/or typical expenses found in the marketplace. This figure is deducted from the effective gross income. These lesser expense items include only those charges attributable to the property and do not include mortgage payments, interest payments, or depreciation of charges.



4. The net income attributable to the subject property can be processed into a present worth estimate by any number of applicable techniques. The appropriate technique is determined by the quality and quantity of supporting market data. In the Garza CAD appraisal report, the overall capitalization rate abstracted from the improved sales will be given the most weight. The overall capitalization rate depicts the relationship between sales price and the net income to a property.

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

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 each parcel on the appraisal roll. 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 affords the analyst an excellent means of judging the present level and uniformity of the appraised values.

Final Valuation Reconciliation: Based on the market data analysis and review discussed previously, the three approaches to value are analyzed and reconciled to arrive at a final value estimate. On most income producing properties the Income Approach is considered to typically reflect the actions of buyers and sellers in the market place with a lesser degree of reliance placed on the Sales Comparison Approach. The Cost Approach is a good indicator of value when the property is new and represents the highest and best use of the land.

### Testing

Field testing of appraisals is performed through the regular inspection of subject properties. Neighborhood profiles are developed by market area and a statistical test of the appraisals is performed. The statistical report included appraisal to sales ratio, coefficient of dispersion, and other statistical measures. The performance measures used validate the results of the appraisal model. The chief appraiser performs ratio studies for the district, reviews and adjusts the models to reflect current market information.



## **Business Personal Property** **2024 Summary Report**

### **Overview**

Business personal property is the tangible personal property owned by a business or by an individual for the purpose of producing income. Other tangible personal property is exempt according to Sec. 11.14 (a) of the Texas Property Tax Code.

### **Assumptions and Limiting Conditions**

The appraisals completed by the Garza CAD are subject to the following assumptions and limiting conditions. Garza Central Appraisal District staff makes an effort to physically inspect each business located within this jurisdiction--existing businesses as well as new. Due to the size of the community, staff are patrons of most businesses and are therefore able to inspect properties easily. Those businesses we are unable to access are sent personal property renditions.

### **Data Collection and Validation**

Data on new and existing businesses is collected through personal inspection, newspaper articles, government reports, comparison to like businesses, renditions and other confidential information supplied by the owner. Due to the multitude of personal property types, there is no standard data collection form or manual.

### **Valuation Approach and Analysis**

Personal property, as defined by the Uniform Standards of Professional Appraisal Practice is "identifiable, portable and tangible objects which are considered by the general public to be 'personal', e.g. furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment: all property that is not classified as real estate". The Texas Property Tax Code Section 1.04(5) defines tangible personal property as "...personal property that can be seen, weighed, measured, felt, or otherwise perceived by the senses but does not include a document or other perceptible object that constitutes evidence of a valuable interest, claim, or right and has negligible or no intrinsic value". The Texas Property Tax Code Section 1.04(4) defines personal property as "...property that is not real property".

The purpose of the appraisal of business personal property is to estimate market value on January 1<sup>st</sup> of each year as previously defined in the introduction. A separate definition of market value for inventory is found in the Texas Property Tax code Sec. 23012(a), "...the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business". The Texas Property Tax Code sets forth three (3) ways in which inventory may be valued, if the requirements are met:

- A. Sec. 23.12(f) allows some inventories to qualify for appraisal as of September 1<sup>st</sup> of the year before January 1<sup>st</sup> of the taxable year.
- B. Sec. 23.121, 23.127, 23.1241, and 23.12D dictate that dealers in new and used vehicles, vessels, outboard motors and trailers, manufactured housing, and heavy equipment are valued differently. (Jurisdictional exception to Standard Rule 6-3(b) & (c))
- C. Sec. 23.12 (a) covers the inventories of remaining businesses.

Personal property is appraised using original cost less depreciation models. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence, and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if utilization for the subject property justifies such. In the case of some personal property types, such as licensed vehicles and aircraft, market data from published pricing guides is used to construct a market value model. In other cases, models are based on quality and density information available through published sources or through private sources. These models are cost based.

#### **Testing**

Field testing of appraisals is performed through the inspection of subject properties. The periodic assistance of the chief appraiser also contributes to the testing process by assisting newer, less experienced appraisers with inspections. Sales for most types of personal property are infrequent. Furthermore, many market transactions occur for multiple sites and include real and personal property, tangible and intangible, thereby making analysis difficult, subjective and inadequate to develop a statistical analysis. Performance is measured through comparison of like businesses.

#### **Ratio Study Procedures**

Ratio Studies are used by the District to provide us with vital information about our appraisal performance. The ratio studies we run are the principal tool used by the District to assure the quality of mass appraisals. The Garza Central Appraisal District is capable of running a Ratio Study at any time with the software used by the District. Ratio Studies are to be run at least annually after sales data is gathered and input. Ratio Studies are currently generated quarterly and are sorted by property type within the school districts. The District used information gathered from the 2022 Property Value Study and the sales ratio analysis studies for monitoring appraisal results, identifying revaluation priorities, adjusting valuations to the market and assisting our staff in planning and scheduling.



### Certification

I certify that, to the best of my knowledge and belief:

1. Statements of fact contained in this report are true and correct.
2. The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and is the appraisal staff's personal, unbiased professional analyses, opinions and conclusions.
3. I have no present or prospective interest in the property that is the subject of this report, save and except the ownership of my personal residence and personal auto, and I have no personal interest or bias with respect to the parties involved.
4. My compensation is not contingent on the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
5. My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
6. 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.



Allisha Belongia, RPA  
Chief Appraiser

Date: May 6, 2024