

**WALLER COUNTY APPRAISAL DISTRICT
MASS APPRAISAL REPORT
APPRAISAL YEAR 2023**

ADDENDUM TO WCAD REAPPRAISAL PLAN FOR 2023 AND 2024

WALLER COUNTY APPRAISAL DISTRICT

Uniform Standards of Professional Appraisal Practices

Scope

The Waller County Appraisal District (WCAD) is responsible for the appraisal of all classes of taxable property located within its jurisdictional boundaries.

In mass appraising property for the purpose of ad valorem taxation, WCAD subscribes to Marshall and Swift. In appraising property for ad valorem tax purposes, the district employs generally accepted appraisal methods and techniques. Our appraisers conduct mass appraisal utilizing the three approaches to value: cost, market, and income approach.

WCAD employs an outside appraisal firm, Landrum and Associates, to appraise commercial, minerals, oil and gas, utilities, and various other complex properties. Landrum and Associates is guided by the principles set forth in the USPAP.

Legal Requirements

The Texas Constitution contains the laws that form the foundation for the "Texas Property Tax Code." The Tax Code provides an annotated and cross-referenced version of the tax laws that govern property tax administration in Texas. The provisions contained in the Texas Constitution, the Texas Property Tax Code, related case law and Attorney General's opinion, serve as the primary sources of law that govern the activities of the Waller County Appraisal District. Further, in Texas, ad valorem tax administration is subject to all the various state, county, and municipal laws.

Market Analysis

Market analysis is performed throughout the year. Both, general and specific data is collected and analyzed. There are several economic principles that relate to the market value of property. The principle of supply and demand is an important economic principle that must be considered by appraisers. There are several others.

Economic trends, national, regional, and local trends affect the value of properties located in our various tax jurisdictions. An awareness of physical, economic, governmental, and social forces is essential in understanding, analyzing, and identifying local trends that affect the real estate market.

Highest and Best Analysis

In considering the fair market-value of taxable property, the Waller County Appraisal District employs the principle of highest and best use analysis. Highest and best use analysis is the first step in the district appraisers' economic analysis.

Highest and best use is defined as the most profitable use at a specific time. For ad valorem property taxation in Texas, the specific time is January 1 of each calendar year. The highest and best use must be legal, physically possible, and financially feasible. Waller County Appraisal District appraisers generally consider that the current use of the property is most likely its highest and best use. In certain types of property, highest and best use is often determined by local zoning and deed restrictions. However, in areas of transition, it may be necessary for the appraiser to consider the concept of highest and best use more carefully. Decisions regarding changes in highest and best use determination are generally discussed by the chief appraiser, deputy chief appraiser and director of appraisal. Highest and best use may not be the present use of the property when the agents of production are not in alignment (i.e., land, labor, capital, and management), then the highest and best use of the property may not currently exist.

Data Collection

Waller County Appraisal District maintains a variety of programs designed to discover changes that may occur to properties. Property inspections occur because of information revealed during various forms of analysis. Building permits, meter hook ups from the electric company, septic permits, field reviews, renditions, local news publications and the public are but a few of the sources of information considered by staff during the discovery phase of the appraisal process.

Data collection in the field requires preparation of maps, computer-generated appraisal cards, and coordination of appropriate staff members to begin the process. Properties are grouped by location prior to the start of the field work. This process requires coordination and supervision during all phases. Fieldwork is distributed to appraisers based on property location. The appraisers are trained in the techniques of listing, measuring, classifying, and appraising of property. Depreciation is also considered during the field inspection phase of the appraisal process.

The Waller County Appraisal District depreciation tables are based on an extended life theory, which encompasses a remaining life and effective age approach. The extended life expectancy theory explains that the increased life expectancy, due to seasoning and proven ability to exist, will in fact increase the total life expectancy the longer it continues to exist.

Three Approaches to Value

In appraisal, there are three basic approaches to value: cost, market, and income. The cost approach estimates the cost of replacing an improvement; the market approach focuses on the sale of comparable properties; and the income approach examines the income stream a property produces.

Most taxable properties in the Waller County Appraisal District are valued using the Market Approach. In the Cost Approach, the cost schedules are tested against commonly accepted sources of building cost information, such as Marshall and Swift, to determine accuracy. Cost estimates are also compared to local market data to determine accuracy. Cost estimates are also compared to local market data to determine level of appraisal. The Income Approach is applicable only to income producing properties.

Market Approach

- Select comparable properties (recent sales that are similar to the subject)
- List differences between the comparable and the subject
- Calculate adjustments and adjust comparables to the subject
- Estimate the subject's value from the adjusted values of the comparables

Cost Approach

- Estimate the value of land as if vacant
- Estimate the cost of replacing the improvements (using cost tables) [square footage x price per square foot]. For linear measurements of one-half foot (6 inches) or less – round down; greater than one-half foot - round up
- Estimate and subtract the value lost due to accrued depreciation to arrive at the indicated value of the existing improvements
- Add the indicated improvement value to the land value, then to the total value of the property

Income Approach

- Determine the subject property's annual net operating income (NOI)
- Determine the capitalization rate (cap rate)
- Divide the net operating income by the capitalization rate to arrive at the property value

Sales Analysis

WCAD receives sales information from a variety of sources including, but not limited to, deeds, local realtors, sales questionnaires, ARB hearings and local builders. Sales are reviewed for validity (see WCAD definition of market value). The sales are field inspected for data accuracy. All sales are entered into our computerized sales system. The sales are classified to recognize their appropriate status, source, and confirmation code.

Tax Code Definition of Market Value

Market Value means the price at which a property would transfer for cash of 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 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 other.

Two Definitions of Market Value Implied by Supreme Court Rulings

Personal Property Market Value: The price that dealers in the goods are willing to receive and purchasers are willing to pay when the goods are bought and sold in the ordinary course of trade.

Real Property Market Value: The amount of money that probably would be arrived at through fair negotiations between a willing seller and a willing buyer, taking into consideration the uses to which the property may be put.

Land Analysis

Land analysis is conducted to determine highest and best use. Base lot square-footage rates, acreage rates, primary and residual price rates and hard-code unit processes are established during this phase of the appraisal operation. Location, size, configuration, and topography are important elements. The sales comparison approach is used to assist in the development of unit prices. The land appraisal techniques of allocation by abstraction and allocation by ratio are used to best reflect the value of the land as vacant in areas where build-out has occurred or in areas where vacant land sales are not available.

Commercial Property Valuation

The Waller County Appraisal District's contracted appraiser employs all three approaches to value, when possible, in valuing the income-producing property. The primary approach used to initiate the valuation process is the cost approach to value. Property characteristics and attributes are determined for each commercial property and an initial cost value is calculated. The depreciation is calculated and assigned during this process so that an RCNLD of the improvements may be derived and this is added to an estimate of the land value. Also, the income and expense data of these types of properties is gathered and evaluated. When appropriate, one or more forms of the income approach to value are used. Information from a variety of sources is obtained and a detailed analysis is undertaken. When possible, appraisers use the technique of direct capitalization to derive the income approach value. Further, during the establishment of the capitalization rate it is always important to estimate an appropriate amount of risk when building the capitalization rate. The commercial classification system used by WCAD was developed from the State Property Tax Board's General Appraisal Manual. Commercial cost tables were derived from information provided by Marshall and Swift Valuation Service, local construction costs, and local market data (sales). When available, appraisers also use the sales comparison approach to determine the fair-market value of income-producing properties. In using the cost approach, however, it is necessary for the appraiser to utilize the unit in place, quantity survey or historical cost method to derive accurate cost estimates.

Personal Property

All income-producing business personal property located within the Waller County Appraisal District's boundaries is subject to tax. Business use vehicles are also listed in the appraisal records and are subject to ad valorem taxation. Waller County Appraisal District uses personal property schedules to value business furniture, fixtures, equipment, and inventory. Additionally, personal property values are obtained by some other sources.

Business owners are required by Texas Law to render their business personal property each year. Rendered values are considered by the appraiser during the appropriate phase of valuation analysis. Rendered values are often used as the basis for the district value if the value rendered is reasonable for the type of business and within acceptable ranges when compared to the personal property in-house schedules and/or Marshall and Swift Valuation Service.

Should the property owner choose not to render the property, or if the rendered amount does not fit acceptable ranges, then the district's schedules, which can be located in the BPP manual, or the Marshall and Swift schedule is used to value the property.

Depreciation of the property is determined by the age of the property and its expected life. Valuation and depreciation schedules are available in the Appraisal District office.

Business vehicles are valued based on N.A.D.A. Used Car Guide, trade-in value for the make, model, and age of the vehicle. When adverse factors, such as high mileage are known, appropriate adjustments are made.

LIMITING CONDITIONS

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

- The appraisals were prepared exclusively for AD-valorem tax purposes
- The property characteristic data upon which the appraisals were performed as staff resources and time allowed. Some interior inspections of property appraised were performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.
- Validation of sales transactions was attempted through questionnaires to buyers and sellers, telephone survey and field reviews. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
- Attached is a list of staff providing significant mass appraisal assistance to the person signing this certification

Certification Statement

"I, Becky Gurrola, Chief Appraiser for Waller County 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 appraised 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."

Becky Gurrola
Chief Appraiser

Date

STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

Doyleen Fairchild - Deputy Chief Appraiser

Joe McCown – Deputy Chief Appraiser

Howard Kelly – Director of Appraisal

