

Swisher County Appraisal District
2014 Mass Appraisal Report

Prepared Pursuant to Standard 6 of the Uniform Standards of Professional Appraisal Practice

TABLE OF CONTENTS

| | |
|---|----|
| Introduction | 3 |
| Listing of Taxing Jurisdictions in Swisher County | 4 |
| Summary of Properties Appraised | 5 |
| General Assumptions and Limiting Conditions | 6 |
| Definition of Market Value | 8 |
| Overview of Types of Properties Appraised | 9 |
| Highest and Best Use Analysis | 10 |
| Market Analysis | 11 |
| Data Collection and Validation | 12 |
| Valuation Analysis | 14 |
| Appraisal Methods | 14 |
| Market Area | 15 |
| Individual Value Review Procedures | 15 |
| Performance Tests | 16 |
| Certification | 17 |

Introduction

The Swisher County Appraisal District has prepared and published this report to provide our citizens and taxpayers with a better understanding of the District's responsibilities and activities. This mass appraisal report was written in compliance with Standard 6-8 of the Uniform Standards of Professional Appraisal Practice (USPAP), as developed by the Appraisal Standards Board of the Appraisal Foundation, and the Texas Property Tax Code.

Taxing jurisdictions that participate in the district must use the appraisals as the basis for imposition of property taxes. The State of Texas allocates state funds to school districts based upon the district's appraisals, as tested and modified by the Property Tax Assistance Division, State Comptroller of Public Accounts.

The 2014 mass appraisal results in an estimate of the market value of each taxable property within the District's boundaries. Where required by law to appraise property at a value other than market value, the district also estimates value on said requirement. These situations are described where applicable later in this report.

The Chief Appraiser is the chief administrative and executive officer of the appraisal district. The Chief appraiser employs and directs the district's staff, oversees all aspects of the appraisal districts operations and performs either directly or through the district staff a variety of operations.

The Chief Appraiser's responsibilities are as follows:

- 1) Discover, list and appraise property
- 2) Determine exemption and special use valuation requests
- 3) Organize periodic reappraisals
- 4) Notify taxpayers, taxing units and the public about matters that affect property values

The Swisher County Appraisal District (SCAD) is budgeted for three (3) positions and currently consists of the Chief Appraiser, Field Appraiser and Collections Clerk / Bookkeeper. All properties in Swisher County are appraised by SCAD staff with the exception of utilities, pipelines and elevators, which are appraised by Capitol Appraisal Group, Austin Texas.

It is the goal of SCAD staff to provide the best possible service to the property owners and taxing entities. It promotes and adheres to the professional standards and ethics as set forth by the Texas Department of Licensing and Regulation and the Texas Association of Appraisal Districts.

LISTING OF TAXING JURISDICTIONS LOCATED IN SWISHER COUNTY

Swisher County

Swisher Memorial Hospital District

City of Tulia

Mackenzie Municipal Water Authority

Tulia ISD

City of Happy

Happy ISD

City of Kress

Kress ISD

Swisher County Lateral Road

High Plains Underground Water District

SUMMARY OF PROPERTIES APPRAISED

The 2014 certified roll for Swisher County Appraisal District consists of 7,306 parcels. The breakdown of these parcels is as follows:

| | | |
|---|-------|-----------------|
| Single Family Residence | 2,301 | |
| Multifamily Residence | 16 | |
| Vacant Lots and Land Tracts | 660 | |
| Qualified Open-Space Land | 2,418 | 558,730.4582 Ac |
| Improvements on Qualified Open Space | 653 | |
| Rural Land, Non-Qualified Open Space | 820 | 5,233.3401 Ac |
| Commercial Real Property | 328 | |
| Industrial and Manufacturing | 78 | |
| Oil and Gas | 7 | |
| Gas Distribution System | 11 | |
| Electric Company (Including Co-op) | 27 | |
| Telephone Co (Including Co-op) | 33 | |
| Railroad | 6 | |
| Pipeline Company | 19 | |
| Cable Television Company | 3 | |
| Commercial Personal Property | 310 | |
| Industrial and Manufacturing – Personal | 74 | |
| Tangible Other Personal (Mobile Home) | 154 | |
| Special Inventory Tax | 6 | |
| Totally Exemption Property | 615 | |

GENERAL ASSUMPTIONS AND 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 are based is assumed to be correct.
- Physical inspections of the property appraised were performed as staff resources and time allowed. Inspections were scheduled based upon the biennial Reappraisal Plan developed by the Chief Appraiser and approved by the board of directors pursuant to Sec 6.05(i) of the Texas Property Tax Code.
- Validation of sales transactions occurred through Sales Letters to the buyer and seller. In the absence of such confirmation data was obtained through subscription to Plainview Multiple Listing Service (MLS) closed sales.
- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to any property is assumed to be good and marketable, unless otherwise stated.
- All property is appraised as if free and clear of any or all liens or encumbrances, unless otherwise stated. All taxes are assumed to be current.
- All property is appraised as though under responsible, adequately capitalized ownership and competent property management.
- All parcel boundary data and structure sketches are assumed to be correct. Any plat plans and / or illustrative material contained with the appraisal records are included only to assist in visualizing the property.
- It assumes that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in the mass appraisal report.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied unless a nonconformity has been stated, defined and considered in the mass appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or nation government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- It is assumed that the utilization of the land and improvements or the properties described are within the boundaries or property lines, and that there are no encroachments or trespasses unless noted on the appraisal record.
- Unless otherwise stated in this report, the appraiser is not aware of the existence of hazardous substances or other environmental conditions. The value estimates are predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed

for any such conditions, or for any expertise or engineering knowledge required to discover them.

EFFECTIVE DATE OF APPRAISAL AND DATE OF THE REPORT

All appraisals are as of January 1, 2014. The effective date of this report is July 8, 2014.

DEFINITION OF MARKET VALUE

Except as otherwise provided by the Texas Property Tax Code (hereafter referred to as Tax Code), all taxable property is appraised at its "market value" as of January 1. 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
- 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

Specially appraised property is taxed on a basis, other than market value, as defined above. These categories include:

- residential homestead property (Sec 23.23, Tax Code),
- agricultural and timber property (Chapter 23, Subchapter C and D, Tax Code),
- real and personal property inventory (Sec 23.12, Tax Code),
- certain types of dealer inventory (Sec 23.121, 23.124, 23.1241 and 23.127, Tax Code)
- nominal (Sec 23.18, Tax Code) or restricted use properties (Sec 23.83, Tax Code).

AREA ANALYSIS

Swisher County Appraisal District appraises all properties within the physical boundaries of Swisher County. Swisher County is located in the Panhandle of Texas and is bordered by Randall County, Castro County, Hale County and Briscoe County.

Swisher County is predominantly an agricultural area. Water depletion in recent years has had an impact on the number of acres of irrigated farm land. Crops for Swisher County are cotton, corn, wheat and sorghum.

OVERVIEW OF PROPERTIES APPRAISED

PROPERTY CLASSIFICATIONS

The Property Tax Assistance Division of the State Comptroller's office requires properties to be identified by using a standard property classification as follows:

- A: Real Property: Single-family residential
- B: Real Property: Multifamily Residential
- C: Real Property: Vacant Lots and Tracts
- D1: Real Property: Qualified Agricultural Land

Sub Classifications for Agricultural

Irrigated Cropland

Dry Land Cropland

Native Pastureland

- D2: Real Property: Non-qualified land
- E: Real Property: Farm and Ranch Improvements
- F1: Real Property: Commercial
- F2: Real Property: Industrial (Manufacturing)
- G1: Real Property: Oil, Gas and Other Minerals
- J2: Gas Distribution System
- J3: Electric Company (including co-op)
- J4: Telephone Company (including co-op)
- J5: Railroad
- J6: Pipeline Company
- J7: Cable Television Company
- L1: Personal Property: Commercial
- L2: Personal Property: Industrial (Manufacturing)
- M1: Mobile Homes (Owner different from landowner)

- M2: Other Tangible Personal Property Not Taxable
- S: Special Inventory
- X: Totally Exempt Property

HIGHES AND BEST USE ANALYSIS

The district's market value appraisals are performed pursuant to Article VIII, Sec 1, Texas Constitution, which provides that property must be taxed in proportion to its value as determined by law. Sec 23.01, Texas Property Tax Code, implements this provision as follows:

- (a) Except as otherwise provided by this chapter, all taxable property is appraised at its market value as of January 1.
- (b) The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the appraisal district determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice. The same or similar appraisal methods and techniques shall be used in appraising the same or similar kinds of property. However, each property shall be appraised based upon the individual characteristics that affect the property's market value.

Swisher County Appraisal District appraises all properties in accordance with their highest and best use, except when prohibited to do so by the Texas Property Tax Code.

In determining highest and best use, preliminary judgements are made by appraisers. Changes in property use require a more detailed and technical highest and best use analysis.

MARKET ANALYSIS

Economic trends affect the universe of property appraised in Swisher County. These trends typically involve the relocation of taxpayers in a residential area. Swisher County is not known for a dramatic influx of new residents or businesses since our area is predominantly agricultural with a population that includes families with ties to early settlers to the county.

Sales information is obtained from multiple sources, but most from Sales Survey's sent to both the buyer and seller of a property transaction.

SCAD receives weekly updates of deeds that have been filed with the Swisher County Clerk. This enables SCAD to maintain an accurate listing of property owners.

The field appraiser for SCAD makes annual inspections of all real property in the county. Currently reappraisal of all property is conducted in the odd numbered years, as stated in the 2013 – 2014 Reappraisal Plan. 2014 being a non-reappraisal year indicates that a limited inspection of each real property is performed. As the field appraiser reviews the property for any changes he carries a current appraisal card which includes a photo of the property as well as listing of the property characteristics. Updates are made as necessary. If additions or additional structures are observed those are measured and added to the property records. Also if noted that a structure has been removed this correction will also be made.

DATA COLLECTION AND VALIDATION

APPRAISAL PERFORMANCE TESTS AND PERFORMANCE MEASURE ATTAINED

The Property Tax Assistance Division of the Texas Comptroller of Public Accounts conducts a biennial study to determine the degree of uniformity and the median level of appraisals by the district within each major category of property constituting at least 5% of the total value in each school district, as required by Sec 5.10, Texas Property Tax Code.

2013 was the last year the study was performed for Swisher County Appraisal District. Kress ISD was out of the confidence interval on the 2013 Property Value Study and a study will be performed in 2014. The next Property Value Study is scheduled to be performed for 2015.

REAL PROPERTY

Each year the field appraiser will inspect all real property located in the district to update the appraisal information. This inspection will begin no later than September and be completed in early April.

During even numbered years the inspection will be for any significant changes in the property, such as an addition or demolition of an improvement, note changes in the structure such as a garage being enclosed for living area or brick veneer added to a frame structure.

During odd numbered years a full reappraisal will be completed. This reappraisal will be a more intensive inspection of the properties located in the district. The reappraisal will include the determination of depreciation and condition of the property.

RESIDENTIAL PROPERTY (CATEGORY A, B & E)

During an annual visual inspection of the property the following will be checked:

- Classification
- Condition code
- Percent good
- Exemptions

Data entry will consist of:

- Appraisal date
- Appraiser ID
- Any change identified during inspection

After a determination of the classification of a property the appraiser shall consider depreciation based on the age of the property, condition of the property and any other factor that will affect

the property value, such as location. The district uses a straight-line method of depreciation assuming a life expectancy of one hundred years. The older the improvement, the less depreciation is applied on the assumption that remodeling has been done to bring older residences to current standards.

The condition of the residential improvements will be established as EXCELLENT, GOOD, AVERAGE, FAIR or POOR. Each condition code will apply a percentage factor to the property:

| | |
|-----------|------|
| EXCELLENT | 120% |
| GOOD | 110% |
| AVERAGE | 100% |
| FAIR | 90% |
| POOR | 80% |

Appraisal cards will be printed for each piece of real property. The field appraiser will inspect, date and initial the field notes and indicate any property that is to be re-reviewed as of January 1. After returning to the district office all information will be entered in the computer system and each property will be recalculated.

Sales Ratio studies will be performed to determine any adjustments that are required to schedules. A study shall be performed for:

- each school district,
- each residential classification located in each school district
- additional studies to determine if the neighborhood of the property impacts the market value of sales.

VALUATION ANALYSIS

Swisher CAD valuation schedules are divided into four main classifications: residential, commercial, land and business personal property. Depreciation tables and schedules are also included within these schedules. These schedules are determined from sales data for real property and updated as needed.

Agricultural productivity is appraised with the income approach to value and determined annually pursuant to Sec 23.51(4) Texas Property Tax Code.

Detailed information on the appraisal methods used is contained in the Swisher CAD Appraisal Manual.

APPRAISAL METHODS

Swisher CAD will consider the three approaches to value to determine the most accurate value for each property. The three approaches to value to be considered are:

- Cost Approach – This approach to value considers the actual cost of construction.
- Income Approach – This approach to value considers the income less the expense of a property. This approach is typically used to value commercial property such as hotel / motel, apartment complex or retail rental property.
- Market Approach – This approach to value considers the actual market data through analysis of sales of similar properties in a specific area during a determined date range.

COST APPROACH

The cost approach is best used for newer or unique properties. The property schedule is based on cost per square foot.

The field appraiser measures and classifies properties in accordance with the proper classification code. The appraiser also estimates the condition and effective age of the improvements, if the actual built date is not known. Additional depreciation may be estimated for a variety of reasons including functional obsolescence due to bad floor plans or out of date construction methods. Economic obsolescence results from a loss of value due to adverse influences from outside the physical boundaries of the property. Examples of economic obsolescence may be proximity to a landfill, an airport flight path, etc.

The basic formula for the cost approach to value is:

$$\text{Market Value} = \text{Replacement Cost New Less Depreciation} + \text{Land Value}$$

INCOME APPROACH

Typically commercial properties are best valued through the income approach to value. This approach is derived from data collected from landlords, tenants, and market surveys. In Swisher County the predominant properties that are valued by this method are the motels.

Productivity value is also determined through the income approach to value. More detailed information is included in the Swisher CAD Appraisal Manual

MARKET APPROACH

The market approach to value is predominantly used for the residential property located in Swisher County. This is the preferred method of valuation because the data is taken directly from the current market.

Sales letters are mailed to the buyer and seller of a property. Response typically is moderate, at best. Other sources used to determine purchase price are recorded Deed of Trust and subscription to Plainview Multiple Listing Service (MLS) for closed sales.

All schedules are reviewed annually with sales ratio studies verifying the accuracy of the schedules.

MARKET AREA

The market areas in Swisher County are the City of Tulia, City of Happy, City of Kress, and all rural areas. Most areas in the cities have mixed classification codes therefore a neighborhood is the entire city. Subdivisions typically do not differentiate in price per square foot.

Ratio studies are done by school district and classification code. The median ratio within each classification is compared to the desired ratio to determine if adjustments should be made. After any adjustments are made to the schedule another set of ratio studies are done for comparison. When the desired ratio has been attained the schedules are then accepted and values are set for the year.

INDIVIDUAL VALUE REVIEW PROCEDURES

In order for comparable sales data to be considered reliable it must contain a sales date, sales price, financing information, tract size and details of the improvements. Sales data is gathered by sending Sales Surveys to the buyer and seller of properties that have an ownership change. Swisher CAD also subscribes to the Plainview Multiple Listing Service for closed property sales.

Individual sales are analyzed to meet the test of market value as defined by Sec 1.04(7) of the Texas Property Tax Code. Examples of reasons why sales may be deleted or not considered are:

1. Transfer between family members
2. Owner financing
3. Considerable improvements or remodeling has been done since the date of sale

4. Sales may be unusually high or low when compared with typical sales located in the market area – typically known as outliers
5. The sale involves personal property, such as furnishing or in the case of agricultural land a pivot sprinkler system
6. Property use change after the date of sale

APPRAISAL PERFORMANCE TESTS AND ATTAINMENT

In accordance of Sec 5.102 of the Texas Property Tax Code and Section 403.302 of the Texas Government Code, the Texas Comptroller of Public Accounts conducts a biennial property value study to determine the degree of uniformity of and the median level of appraisals by the appraisal district within each major category of property, as required by Section 5.10, Texas Property Tax Code. The preliminary findings, based on the district's 2013 appraisal roll, were reported to the Swisher CAD on January 31, 2014. Results of the study are available on the Comptrollers website: www.window.state.tx.us/proptax/administration/pvs/findings.html.

Beginning in 2010 an additional review to the property value study was created by the state legislature. This study, Methods and Assistance Program (MAP) Review, will be a biennial review of the Governance, Taxpayer Assistance, Operating Procedures and Appraisal Standards, Procedures and Methodology. This review for Swisher CAD will be performed in 2014. The results of this review are available on the Comptrollers website: www.window.state.tx.us/taxinfo/proptax/map/index.html

CERTIFICATION

I, Cindy McDowell, Chief Appraiser for Swisher County Appraisal District, certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct
- The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions, and are my person, impartial and unbiased professional analyses, opinions and conclusions
- I have no present or prospective interest in the properties subject to this report and I have no personal interest or bias with respect to the parties involved.
- I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the taxing jurisdiction, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event
- My analyses, opinions and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*, the International Association of Assessing Officers and the Texas Department of Licensing and Regulation
- I have made a personal inspection of the properties that are the subject of this report to the extent that my appraiser has been assigned inspection duties in accordance with law
- This report has been prepared utilizing certified appraisal data