

DALLAS CENTRAL APPRAISAL DISTRICT DCAD VALUATION PROCESSES



DALLAS CENTRAL APPRAISAL DISTRICT

DCAD

- DCAD appraisers appraise a large universe of properties by developing appraisal models
- DCAD appraisers undertake mass appraisal techniques
- Mass Appraisal is a systematic appraisal of a group of properties as of a given date (January 1) using
 - A set of standardized procedures and statistical testing

DALLAS CENTRAL APPRAISAL DISTRICT

DCAD

VALUATION PROCESSES



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APPRAISAL PROCESS

- DCAD is required to appraise all property at Market Value as of January 1 of every tax year
- Texas Property Tax Code Section 1.04 defines Market Value
- Market Value means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:
 - (A) Exposed for sale in open market place with a reasonable time for seller to find a purchaser
 - (B) Both the seller and purchaser know of all uses and purposes to which the property is adapted and for which it is capable of being used and the enforceable restrictions on its use; and
 - (C) Both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

DCAD OFFICE



STATE CAPITAL



The valuation process performed by the Dallas Central Appraisal District typically falls into one of three categories.

- Building Permits
- Miscellaneous Inspections
- Reappraisal

SINGLE FAMILY



SINGLE FAMILY



CONDOMINIUM COMPLEX



MOBILE HOME



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These three tasks are performed during the Field Cycle (August 1– April 1).

Permit work is typically done from August 1 through January 15.

Miscellaneous Inspections can be done throughout the field cycle time frame.

Reappraisals are typically done from January 15 through April 1.

BUILDING PERMITS

A building permit is a document issued by a city which gives a property owner permission to build on or modify a piece of real property.

After a property owner makes an application for a building permit, and has been approved, a copy is obtained by the corresponding appraisal district.

Appraisal districts use these copies as a tool to discover new construction and/or alterations to existing structures.

The two main types of building permits are:

New Construction Permits are newly constructed houses.

- a) The exterior perimeter of all new houses are measured and the sketch is accurately recorded.
- b) All physical characteristics such as building class, living area square footage, condition, bath room count, and other physical characteristics are updated.



Miscellaneous Permits are all building permits for items such as pools, room additions, garage enclosures, remodeling, repairs, and demolitions.

- a) Exterior measurements are made when required.
- b) Adjustments to the improvement's physical characteristics are updated to the account.



Since the assessment date is January 1, all permit inspections are made from August 1 through January 15 or as soon thereafter as possible.

If during the initial inspection the appraiser finds the permit work to still be in process, then the appraiser will recheck again close to the January 1 assessment date.

If the property is still under construction towards the end of the year, or the work hasn't begun, the appraiser is required to determine the level of completion and flag the account for re-inspection the following appraisal year.

According to the Texas Property Tax Code, the appraisal district is required to appraise property, in its current state, as of January 1 of any given tax year. Therefore a 50% complete home gets appraised at 50%, a 75% complete swimming pool gets appraised at 75%, etc.



STEPS IN THE PERMIT PROCESS

Step 1: Receive copies of the permits from the 31 cities served by the Appraisal District.

Step 2: Match these permits to their corresponding DCAD accounts.

Step 3: Appraisers are assigned the needed accounts for onsite inspections.

Step 4: Onsite field inspections are conducted utilizing iPads which allows for immediate update to DCAD's Mass Appraisal Records System (MARS).

Step 5: Value the completed permit work and make ready for appraisal notification by April 10.

An equally important factor in appraising property is to have accurate property descriptions. This is achieved through actual field inspections performed by the DCAD appraisers.



REAPPRAISAL

Mass appraisal is the systematic appraisal of groups of properties as of a given date using standardized procedures and statistical testing.

The Texas Property Tax Code requires appraisal districts to maintain property records and assign a January 1 value to all property.

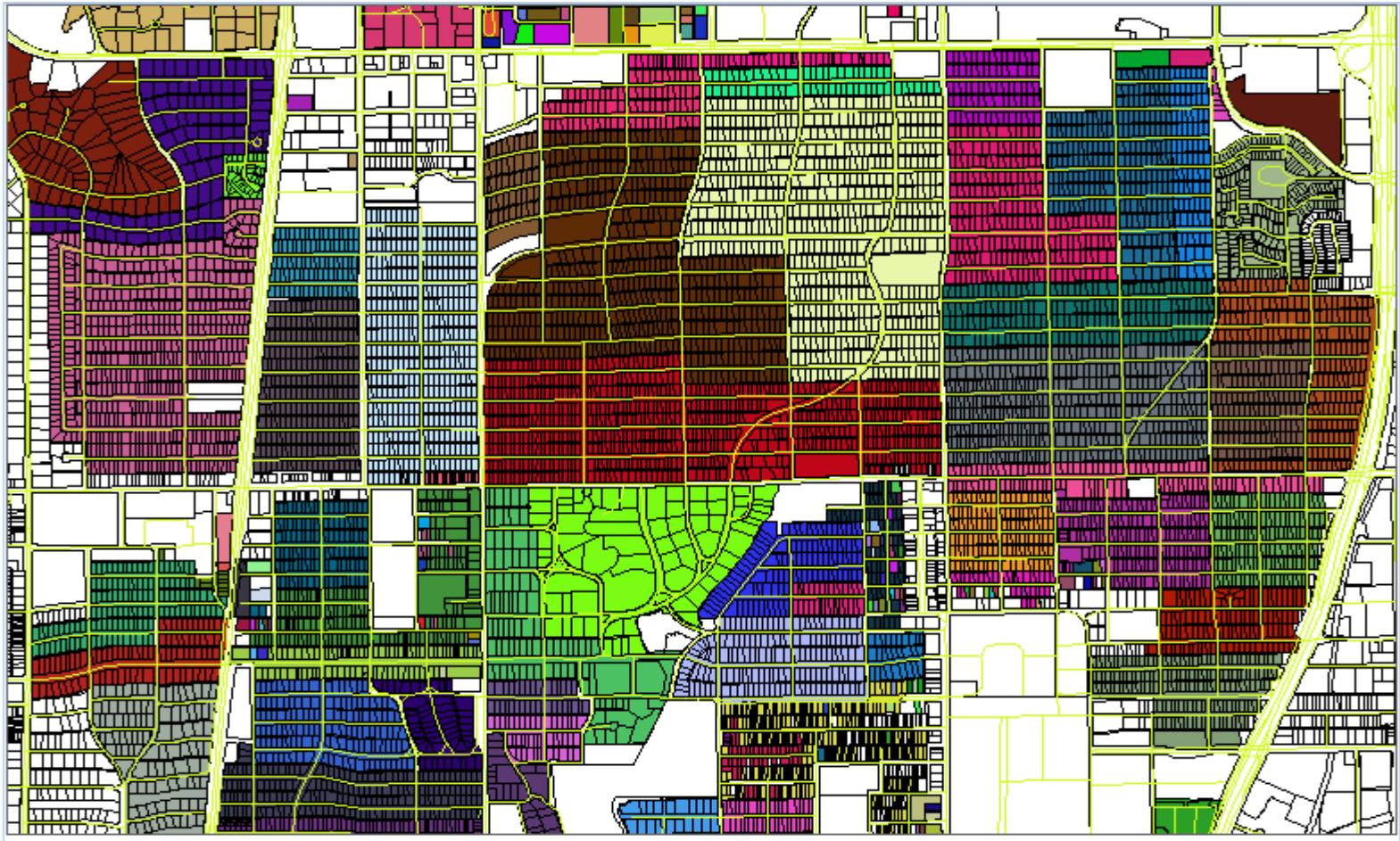
Mass appraisal provides appraisal districts the ability to accomplish such a large task in a proficient and accurate manner.

The annual reappraisal effort is where the mass appraisal process occurs.

RESIDENTIAL NEIGHBORHOOD CONCEPT

- Each Residential account is assigned to a specific Neighborhood.
- A Residential Neighborhood is a defined market area.
- Neighborhoods vary in size but don't cross over into different Independent School Districts.
- Residential Models are developed at the Neighborhood Building Class level.
- Insures more accurate and equitable market values.

Dallas Central Appraisal District Has Over 5,200 Residential Neighborhoods



RESIDENTIAL BUILDING CLASSIFICATION

- 28 Residential Building Classifications.
- Develop specific mass appraisal model by Neighborhood by Building Class.
- Same model applied to all same classed properties within a specific neighborhood.
- Insures more accurate and equitable market values.

RESIDENTIAL NEIGHBORHOOD SALES RATIO ANALYSIS

- Residential neighborhoods are targeted for reappraisal based on neighborhood sales ratio analysis, or if it has been three years since the last reappraisal.
- Sales Analysis compares neighborhood sale prices to current appraised values.
- Goal is to appraise all properties at 100% of market value.
- Reappraisal occurs if neighborhood sales ratio is less than 95% or greater than 105% of market value.
- Residential neighborhood sales ratio analysis occurs in January and March of every year for all residential neighborhoods.



RESIDENTIAL NEIGHBORHOOD AND BUILDING CLASSIFICATION

- 1) Determine the level of assessment at the neighborhood and building class level.
- 2) Apply a neighborhood building class location factor to the neighborhood building class model for both the sold and unsold properties to predict what homes will sell for based on what has sold.
- 3) Undertake a neighborhood value review of the newly adjusted proposed market values.

RESIDENTIAL REAPPRAISAL

- Sold properties used in model development are reviewed prior to neighborhood reappraisal.
- Physical characteristics are reviewed for accuracy.
- Appraiser undertakes a neighborhood value review to review all new proposed market values.
- Neighborhood drive-out typically occurs.
- Digital photographs, aerial photography and Geographical Information System (GIS) maps are also reviewed.

RESIDENTIAL REAPPRAISAL



RESIDENTIAL REAPPRAISAL



RESIDENTIAL APPROACHES TO VALUE

- Mass Appraisal Records System (MARS)
- Three approaches to value
 - Cost Approach
 - Sales Approach
 - Income Approach

RESIDENTIAL COST APPROACH

- Cost Approach of Value for all Residential Properties.
- Calculate Replacement Cost New (RCN) of house.
- Deduct appropriate amount of Depreciation.
- Depreciation determined by effective age and condition/desirability/utility (CDU) rating.
- Land Value added to Replacement Cost New Less Depreciation (RCNLD) to arrive at estimated market value via the Cost Approach.
- Cost Approach primary value approach used during the reappraisal effort.
- Cost Approach is modified based on recent sales information by building class by neighborhood.
- Equity achieved by using the same location factor for all similar classed properties within a neighborhood.
- Cost Approach preferred method for unique properties or lack of sale comparables.

RESIDENTIAL SALES APPROACH

- Compared property being appraised to similar properties that have recently sold.
- Adjustments are made to sale comparables when compared to the subject property.
- If sold property had a pool but subject property doesn't then an adjustment would be warranted.
- Sales Approach can be used to value land only accounts.
- Sales Approach is typically used during the informal meeting with taxpayer or authorized agent and at the formal Appraisal Review Board Hearing.

RESIDENTIAL INCOME APPROACH

- Used in limited instances for Residential properties.
- Preferred method for income producing Commercial properties.
- Sales Approach is preferred method for Residential properties in the informal meeting with property owner or authorized agent and at the formal Appraisal Review Board process.

COMMERCIAL BUILDING CLASSIFICATION

- Office Buildings
- Multi-family Property (Apartments)
- Retail Property (Shopping Centers)
- Industrial Property (Warehouses)
- All Commercial Buildings
- Properties on Commercial zoned Land
- Commercial zoned land tracts
- 86 Commercial Building Classifications

OFFICE



APARTMENT



RETAIL



INDUSTRIAL



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COMMERCIAL ZONED PROPERTY



COMMERCIAL BUILDING PERMITS

- New Construction Permits
- Miscellaneous Permits
 - Remodels
 - Additions
 - Repair
 - Demolitions
- Inspections completed prior January 15
- Partially complete properties valued as of January 1
- Partially complete properties re-inspected annually until completed

COMMERCIAL BUILDING PERMITS



COMMERCIAL BUILDING PERMITS



COMMERCIAL REAPPRAISAL

- Undertaken January 15th – April 1st
- Land Market Areas (LMA)
- Improved Market Areas (IMA)
- LMA and IMA targeted for reappraisal
- Insure accurate and equitable values
- IMA
 - Office Buildings
 - Multi-family Property (Apartment Complexes)
 - Retail Property
 - Industrial Property (Warehouses)

COMMERCIAL REAPPRAISAL INCOME MODEL DEVELOPMENT

- Income Models developed annually for all Improved Market Areas (IMA)
- Class A, B, and C models developed
- Market data analyzed
 - Income and Expense Statements
 - Rent Rolls
 - Data received during Appraisal Review Board (ARB) Process
 - Local and National publications



COMMERCIAL APPROACHES TO VALUE

- Mass Appraisal Records System (MARS)
- Three approaches to value
 - Cost Approach
 - Sales Approach
 - Income Approach

COMMERCIAL COST APPROACH

- Calculates Replacement Cost New (RCN)
- Deducts Depreciation (LD)
- Uses Age-Life Tables
- National Cost Publication Service
- Market Data
- Cost tables generate price per square foot
- Land value added to improvement value(RCNLD)
- Preferred method for special use properties, new construction, limited sales data, or limited income data



COMMERCIAL SALES APPROACH

- Analyze sales of comparable properties compared to subject property
- Sales data
 - Sale surveys
 - Market research companies
 - Third party appraisals
 - Local media
 - Appraisal Review Board process
- MARS allows appraiser to select sale comparable properties
- Comparables adjusted for sale conditions, land size, improvement size, age, condition, and location.
- Arrive at indicated Sales Approach to Value

COMMERCIAL INCOME APPROACH

- Capitalization of Income
- Direct Capitalization
- Single year's net operating divided by market cap rate
- Market income data compared to subject property income data
- DCAD collects and enters income data into database
 - Income and expense data
 - Rental data
 - Occupancy data
 - Secondary income data
 - Net operating Income data

COMMERCIAL INCOME APPROACH

- Capitalization rates estimated based on sale prices and net operating incomes
- Outside sources
 - Market research companies
 - Real estate publications
- Capitalization rates used for IMA Income Models
- Subject property income components compared to market indicators
- Income Approach preferred method for income producing property (Office, Apartment, Retail, Industrial)

BUSINESS PERSONAL PROPERTY VALUATION PROCESSES



It is the responsibility of the Business Personal Property Division to discover, list, and value all Business Personal Property in Dallas County for property tax purposes.

BUSINESS PERSONAL PROPERTY (BPP)

Business Personal Property (BPP) consists of movable items used in the course of business not permanently affixed to, or part of, the real estate.

Examples of Business Personal Property are:

- Furniture
- Machinery and equipment
- Computers
- Vehicles
- Inventory
- Supplies



BUSINESS PERSONAL PROPERTY DISCOVERY

- To insure that all business personal property that should legally be on the roll is properly listed and valued, it must first be located and identified.
- To accomplish this task the appraiser starts with the previous year's business personal property appraisal roll, which is divided into geographic areas within Dallas County.
- The information from the previous year's appraisal roll is downloaded to a computer pen device that the appraiser carries with them in the field. The Dallas Central Appraisal District has developed a computer aided personal property appraisal system or Mass Appraisal Records System (MARS) system that is used to track all businesses within Dallas County.
- The appraiser then drives or walks every street containing businesses within their assigned geographic area.



BUSINESS PERSONAL PROPERTY DISCOVERY

- When the appraisers are in the field they are verifying that existing businesses are still operating at the same location as the previous year.
- If a business has moved or ceased operations the information is noted and the account corrected.
- If the appraiser identifies a new business a new account will be created for that specific location.
- Each account has a unique account number that stays with the business and its assets even if there is an ownership change, or if the business moves to another location within Dallas County.

LISTING OF BUSINESS PERSONAL PROPERTY

The proper listing of property is critical to insure that the value and ownership of the property can be properly determined. Property records must include:

- Current legal owner – This is the actual owner of the business.
- The Business DBA – DBA stands for Doing Business As, and it is typically the name on the door or sign for the business.
- The property address of the business – This is the physical address where the business and the assets being appraised are located.
- The DCAD account number – A unique 17 digit account number that is assigned to each business personal property account in Dallas County.
- The Property characteristics of the business - After locating a property, the appraiser must accurately record and list all of the property's characteristics to properly value the business personal property. This requires that the appraiser tour the business, determine the business type, and estimate the square footage of the facility. Once that is complete the appraiser makes general notes regarding the type and condition of the fixed assets at the location, and the inventory if applicable.

BUSINESS PERSONAL PROPERTY VALUATION

- Typically the cost approach is used to value business personal property, although all approaches are considered, the cost approach offers the most equitable and consistent method for mass appraisal of business personal property.
- The BPP appraiser will estimate the market value by comparing the subject business being appraised against similar types of businesses. The appraiser takes into account the size of the business, the quality and condition of the assets, and an estimate of the overall age of the assets. In addition to the business assets, the appraiser will also estimate the market value of inventory based on the quantity, and make any known condition adjustments.

BUSINESS PERSONAL PROPERTY RENDITION

The next important step in completing a business personal property appraisal is based on reviewing the **Business Personal Property Rendition Form**.

- Renditions contain information provided by the property owner and **per the Texas Property Tax Code, business owners are legally required to file a BPP rendition annually by April 15th**, and upon written request by the property owner the chief appraiser shall extend a deadline for filing a rendition statement by May 15th.
- **Not filing a rendition by the annual April 15th deadline will result in a ten percent penalty being applied to the business personal property tax bill.**
- The rendition requests basic information about a business including cost and year acquired of assets, inventory values, consigned goods, leased equipment and the property owner's opinion of value.
- The Dallas Central Appraisal District mails rendition forms to all existing BPP accounts and provides an Online BPP Rendition Filing System that is simple and easy to use. The Online BPP Rendition Filing System is located on DCAD's website at www.dallascad.org.
- To access the Online BPP Rendition Filing System you must have your annual assigned PIN # which is located on the green BPP Rendition form mailed to your business in January of every year
- **DCAD would like to encourage all business owners to file an Online BPP Rendition as this is beneficial for both DCAD and the business owner.**

BUSINESS PERSONAL PROPERTY RENDITION FORM



DALLAS CENTRAL APPRAISAL DISTRICT

Business Personal Property Division
PO Box 560368 • Dallas TX 75256-0368
(214) 531-7405 • www.dallascad.org

FILE YOUR RENDITION ONLINE AT WWW.DALLASCAD.ORG

CONFIDENTIAL PERSONAL PROPERTY RETURN FOR JANUARY 1, 2022

NOTE: FILING OF THIS RENDITION DOES NOT CONSTITUTE A PROTEST

Account No.: _____ Route: _____ PIN#: _____

Owner: _____ Business Name: _____

Mailing Address: _____ Business Location: _____

THE FILING DEADLINE IS APRIL 15th Business Location: _____

State law requires, on or before April 15, a person shall render for taxation all tangible personal property used for the production of income that the person owns or manages and controls as a fiduciary on January 1. A penalty of 10% of the tax liability will be imposed for failure to file a timely rendition.

If you make a false statement on this form, you could be found guilty of a Class A misdemeanor or a state jail felony under [Section 27.10, Penal Code](#).

Representation

Please indicate if you are filing this form out as:

Owner, employee, or an employee of an affiliated entity of the owner _____ Authorized Agent _____ Fiduciary _____ Secured Party _____

Name of owner, authorized agent, fiduciary, or secured party _____

Phone (area code and number) _____

Present mailing address if different from above, city, state, zip code _____

Phone (area code and number) _____

Fax (area code and number) _____ (optional)

Email Address: _____ (optional)

Are you a secured party with a security interest in the property subject to this rendition and with a historical cost new of more than \$60,000 as defined by Tax Code Section 22.01 (c-1) and (c-2)? Yes _____ No _____

If you checked "Yes" to this question, you must attach a document signed by the property owner indicating consent for you to file the rendition. Without the authorization, the rendition is not valid and cannot be processed.

Market Value Information

Check your opinion of the total market value of your property: Under \$20,000 _____ Over \$20,000 _____

If you checked "Under \$20,000" you will need to provide a general description of the business personal property and you will have the option of providing the historical cost new and year acquired in Section II and III or a good faith estimate of market value in Section VI on this form.

If you checked "Over \$20,000" you will need to provide a general description of the business personal property and you must provide either the historical cost new and year acquired in Section II and III or a good faith estimate of market value in Section VI on this form. The Dallas Central Appraisal District recommends that you provide historical cost and year acquired of your assets whenever possible.

When required by the chief appraiser, you must render any taxable property that you own or manage and control as a fiduciary on Jan. 1 (Tax Code Section 22.01(b)). For this type of property complete sections II, III, IV, V, or VI, whichever are applicable. When required by the chief appraiser you must file a report listing the name and address of each owner of taxable property that is in your possession or under your management on Jan. 1 by bequest, lease, consignment or other arrangement. (Tax Code Section 22.04(a)). For this type of property complete sections IV or V.

If you have previously filed a rendition form and it remains an accurate rendition of your property for this year, you may check this box. By checking this box, I affirm the information contained in the prior year's rendition statement filed with the same DCAD account number is correct and accurate rendition of January 1, 2021, in accordance with Texas Property Tax Code Section 22.01 and no additional assets were purchased, sold or disposed of and inventory levels if applicable remain the same.

General Information

Providing the following information is optional, but it helps the Appraisal District maintain accurate records of the status of your business personal property.

- Business was sold. Date sold: _____
- Name, address and phone number of new owner: _____
- Business closed. Date of closure: _____
- Business moved. Date moved: _____
- New Address: _____
- Yes _____ No _____ Was there a substantial change in the physical assets at this location prior to January 1?
- If yes, describe: _____
- How many square feet does your business occupy? _____
- Business Type: _____ Manufacturing _____ Wholesale _____ Retail _____ Service _____ New Business _____ Business Description: _____

Sign and Date Form

This form must be signed and dated. By signing this document, you attest that the information contained on it is true and correct to the best of your knowledge and belief. If you are a secured party, property owner, or an employee of the property owner on behalf of an affiliated entity of the property owner, print, sign, and date on the lines below. No notarization is required.

Print Here _____ Sign Here _____ Date: _____

If you are not a secured party, property owner, or an employee of a property owner on behalf of an affiliated entity of the property owner, print, sign, and date on the lines below. No notarization is required.

I swear that the information provided on this form is true and correct to the best of my knowledge and belief.

Print Here _____ Sign Here _____ Date: _____

Subscribed and sworn to me this _____ day of _____ 20____

Agent _____

Notary Public, State of Texas

(OVER)

This property for assessment purposes is not a tax-exempt property or otherwise exempt from taxation, including federal, state, county, and city taxes.

II. Inventory
List all taxable inventory, including property by type/category of property, raw materials, work in process, and supplies, including all applicable burden or overhead costs. If needed, you may attach additional sheets or a computer generated copy listing the information below. Figures should be as of January 1 or adjusted thereto. If you carry consigned goods, see Section VI below. The historical cost may be provided here or the good faith estimate of market value in Section VI below.

Please attach basis of figures:

Original Cost LIFO (Include Reserve) Lower of cost or market/selling price Replacement Cost

FIFO Other (Specify) Add LIFO Reserve

Raw materials and work in process, not included in regular inventory stated above.

Supplies (Include all expensed supply items on hand January 1 used in business, but not included above.)

III. Historical Cost and Year Acquired of Fixed Assets
List all taxable business personal property by type/category of property (see "Definitions"). If needed, you may attach additional sheets or a computer generated copy listing the information below. If you have leased assets or consigned goods see Section IV and/or Section V below. Please total by year acquired using historical cost in the appropriate type/category. If you have assets that do not fit in one of these categories, please use the "Other" column or list on additional sheet and attach to the rendition. Providing historical cost and year acquired will assist the Appraisal District in valuing your property. This information is optional and you may provide a good faith estimate of market value in Section VI below.

Year	Furniture & Fixtures	Machinery & Equipment	Office & Telephone Equipment	Computers & Related Equipment	Cars & Pictures	Trucks 1 Ton or more & Trailers	Other *
	Year Cost	Year Cost	Year Cost	Year Cost	Year Cost	Year Cost	Year Cost
2021							
2020							
2019							
2018							
2017							
2016							
2015							
2014							
2013							
2012							
2011							
2010							
2009							
2008							
2007							
2006							
2005							
2004							

Total 2004 and prior purchases in the 2004 fields.

* Costs are shown in the "Other" column, including Pollution Control Equipment, please describe _____

IV. Leased, Loaned, or Rented Personal Property

List the name and address of each property owner of taxable property that is in your possession or management on January 1 either leased, loaned or rented to you, or other arrangement/guarantee of liability. If necessary, attach additional sheets or a computer generated copy listing the information below.

Name, Address, Phone # of Owner of Item	Description	Selling price if sold in lease (optional)	Annual Rent (optional)

V. Consigned Goods

List the name and address of each property owner of taxable property that is in your possession or management on January 1. Personal property owned by another person that you are selling by arrangement with that person. If you have consigned goods, repeat the name and address of the owner or owners in the table below. If necessary, attach additional sheets or a computer generated copy listing the information below.

Property Owner Name	Property Owner Address	General Property Description	Value of Consignment (optional)

VI. Owner's Opinion of Value for Under \$20,000 and Over \$20,000

List all taxable personal property by type/category of property (see "Definitions"). If needed, you may attach additional sheets. If you checked "Under \$20,000" you will need to provide a general description of the property and you will have the option of providing the historical cost new and year acquired in Section II and III or a good faith estimate of market value in Section VI on this form.

If you checked "Over \$20,000" you will need to provide a general description of the property and you must provide either the historical cost new and year acquired in Section VI or a good faith estimate of market value in Section VI on this form. The Dallas Central Appraisal District recommends that you provide historical cost and year acquired of your assets whenever possible.

Property description by type/category (optional)	Estimated quantity or value type (optional under \$20,000)	Good faith estimate of market value (optional under \$20,000)	Historical Cost when new (and) Good faith estimate (optional under \$20,000)	Year Acquired (optional under \$20,000)	Owner name/address if you manage or control property as fiduciary (optional under \$20,000)
Inventory					
Fixed Assets					
Other					

BUSINESS PERSONAL PROPERTY RENDITION

A properly filed rendition form allows the BPP appraiser to:

- 1) Verify the Legal Owner, DBA, and Physical Location of the property on January 1 of the appraisal year.
- 2) Use contact information on the rendition if the appraiser has questions about the business being appraised.
- 3) Compare cost or opinion of value information against the estimate of value made by the appraiser in the field.

BUSINESS PERSONAL PROPERTY VALUATION

With the appraiser's information gathered in the field and a properly filed Business Personal Property Rendition form from the owner, the BPP appraiser has enough information to make an accurate and equitable business personal property market value appraisal for property tax purposes.



BUSINESS PERSONAL PROPERTY REMINDERS

- Business personal property owners are legally required to file a Business Personal Property Rendition annually per the Texas Property Tax Code.
- Not filing a **Business Personal Property Rendition** by the annual **April 15th deadline** will result in a 10% penalty being applied to the business personal property tax bill.
- DCAD would encourage all business owners to use the Online BPP Rendition filing system as opposed to filing the rendition manually.

SUMMARY OF DCAD VALUATION PROCESSES

- Establish January 1 accurate and equitable Market Value
- Building Permits (August 1- January 15)
- Reappraisal (January 15 – April 1)
- Residential and Commercial Model Development
 - Residential Neighborhood
 - Commercial Land Market Area (LMA) and Improved Market Area (IMA)
- Business Personal Property
 - Site visits
 - Rendition Form
- Three Approaches to Value
 - Cost Approach
 - Sales Approach
 - Income Approach

Thank you for your interest and we hope this presentation provides a better general understanding of the valuation processes undertaken by the Dallas Central Appraisal District.

