

# **DALLAS CENTRAL APPRAISAL DISTRICT DCAD VALUATION PROCESSES**



The logo for the Dallas Central Appraisal District is located on the left side of the slide. It features a vertical banner with a cityscape background. The text "Dallas Central Appraisal District" is written vertically in white, bold, sans-serif font. At the bottom of the banner is a circular emblem containing a stylized "D" and "A" intertwined.

# **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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# **DALLAS CENTRAL APPRAISAL DISTRICT DCAD VALUATION PROCESSES**



# 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.

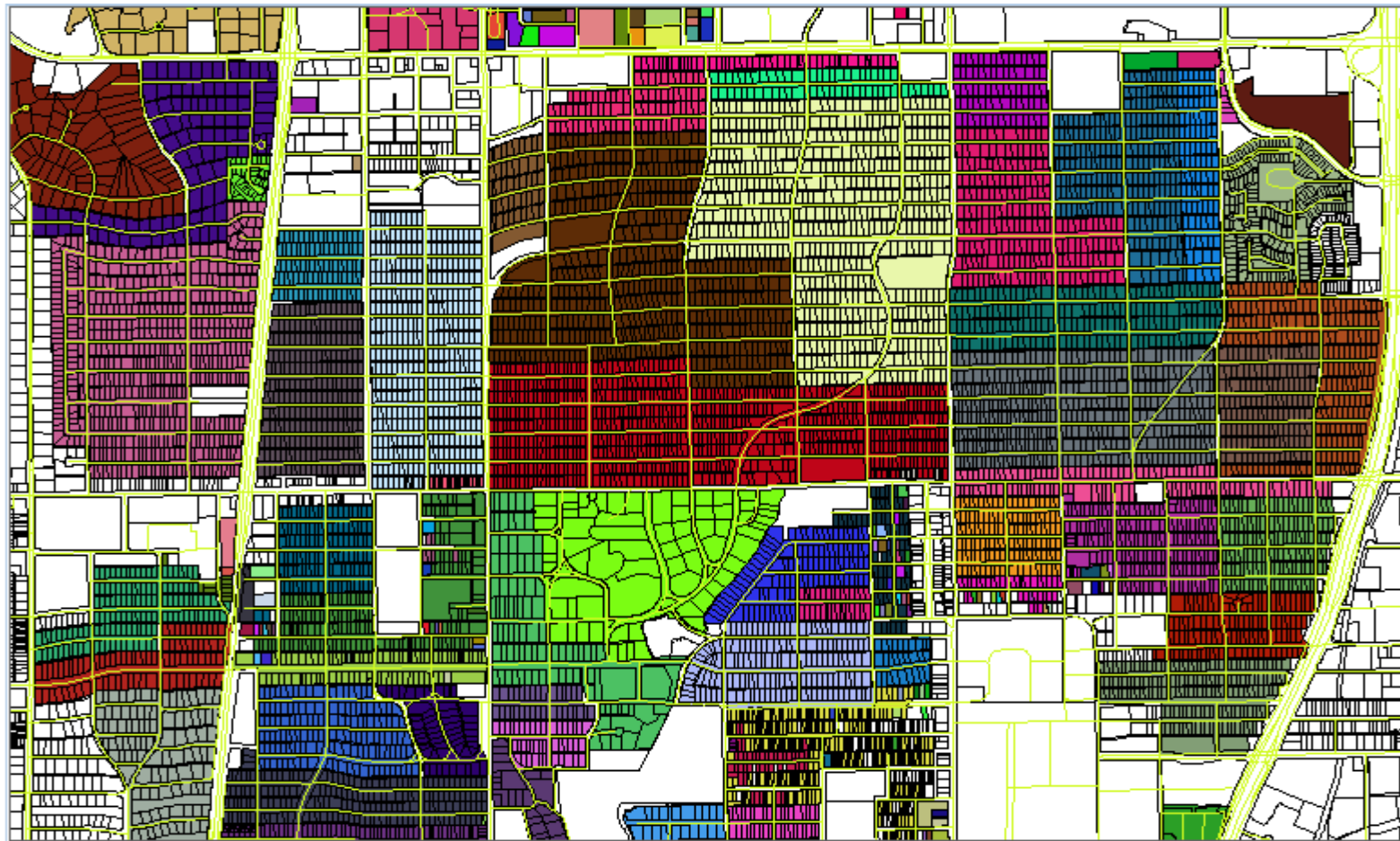
The annual reappraisal effort is where the mass appraisal process occurs.



## **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.

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# **RESIDENTIAL NEIGHBORHOOD AND BUILDING CLASSIFICATION**

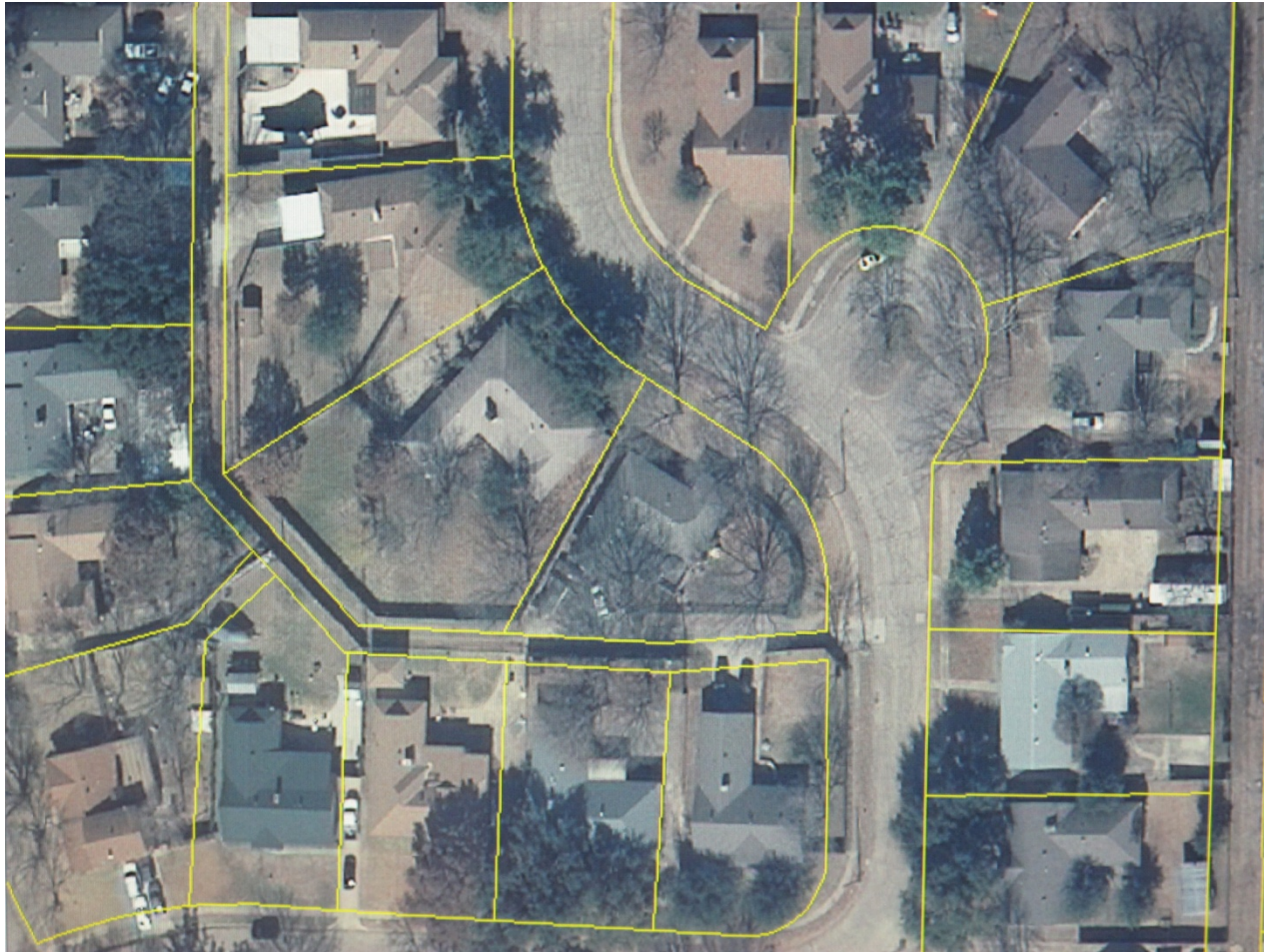
- 1) Determine the level of assessment at the neighborhood and building class level.
- 2) Apply a neighborhood building class location factor to the neighborhood building class model for both the sold and unsold properties to predict what homes will sell for based on what has sold.
- 3) Undertake a neighborhood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





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# 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 15<sup>th</sup> – April 1<sup>st</sup>
- 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)



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# **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



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# 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 15<sup>th</sup>**, and upon written request by the property owner the chief appraiser shall extend a deadline for filing a rendition statement by May 15<sup>th</sup>.
- **Not filing a rendition by the annual April 15<sup>th</sup> 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](http://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**

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 15<sup>th</sup> 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.

