

The Determination Of Value

How is the value calculated on my property?

It is not an easy process. The CAD employs what is known as mass appraisal techniques to value properties for taxation. This technique differs from fee appraisals commonly used in real estate sales transactions which focus specifically on valuing one property at a time.

Mass appraisal techniques have many things in common with a fee appraisal, only on a much larger scale. This type of valuation technique is used to value a multitude of properties as of a given date, using standard methods, employing common data and allowing for statistical testing.

How does it work?

Mass appraisal uses statistical analysis tools to develop a valuation model. This model is divided into different categories based on property type. Each property is classed according to property type, quality of construction, and then further divided into neighborhoods. For example: an average quality brick veneer home in an average quality neighborhood in Polk county is analyzed separately from a similar house in a similar neighborhood in Montgomery county.

Where does the data used in the analysis come from?

Real estate property sales comprise the bulk of data used in the analysis. Each sale provided to PCAD is tied to the computerized account, and is linked to the property class thus allowing CAD appraisers to analyze all sold property that is reported for any specific class.

Does CAD use all reported sales?

The answer is no. Many sales are not considered as being "arms length" transactions. These would be sales between related parties, gift sales to churches, etc. Also some sales, for various reasons, sell for significantly higher or lower than normal. This could be due to the fact a buyer WANTED a particular property and was willing to pay well over market value for the property. Sales like these mentioned would not be used in the model.

I received a letter asking what I paid for my property. Why is it anybody's business?

Privacy issues are a constant struggle with CAD staff. We as individuals and as Texans believe in the right of privacy. However, without sufficient data to work with, the margin of error in our valuation models is not acceptable. Because of this we do need sales information so that our values can be more accurate.

Why haven't I seen an appraiser at my house?

Our appraisers are in the field during the week between 8am and 5pm because of this most working people are not at home. It has been suggested that we make appointments to visit properties. While that would be preferable, it would not be practical. There are over 97,000 parcels of property in our Jurisdiction and only four field appraisers. So you can imagine the difficulty in trying to schedule appointments. Having said that there are certain circumstances where an appointment is necessary and we do our very best to accommodate the property owner.

On my notice of value it lists a column for improvements. Even though I have not made any improvements?

The term improvement is very often misunderstood. It is a term we use as appraisers to refer to structures on the land. So when you see the word improvements, on the notice, understand that we do not mean that something has been improved. We simply use the word improvements to refer to all structures.

Regardless of what you call it, I've made no improvements!

This is one of the most misunderstood arguments in our business. Value goes up and the property owner wonders why, especially when they have done absolutely nothing to their property.

The answer is found in two areas.

First, the real estate market in general can cause values to change without any improvement to the property. Typically people expect their property to be worth more with time. That's the reason real estate is generally considered a sound investment. In this respect, market appreciation can exceed normal physical depreciation. Conversely, improving your property in a depreciating market may not result in more value.

Second, changes in value from one year to the next can be the result of data corrections made by the CAD. These might be properties where the CAD value is proved to be significantly different from observed market values. In this case, the CAD must adjust values to reflect the current market value in order to meet the states requirements.

Why should there be a need for data corrections?

First of all not every property or property classification can be analyzed every year due to the sheer volume of properties within Polk County. This can result in a class of property that has not been adjusted in two or more years. Secondly, it is possible to accumulate more data on a class of property as time goes by. In this situation, the CAD might make adjustments based on ten sales and the following year we may have 18 sales available for analysis which could lead to a different conclusion of value.

So is every property at market value?

In a perfect world the answer to that question would be yes. However due to the nature of statistics, some properties will be above market and some will be below. It is our goal to try and get the vast majority of the properties within 5% plus or minus of 100% of market value

With all this statistical talk is it possible to focus on just my property?

Absolutely, while we use mass appraisal techniques to value over 97,000 properties, state law also requires us to take into consideration the individual characteristics of your property. With respect to the structures the CAD appraiser must depend on exterior inspections of property. Because of this there can be a number of things they don't know about the inside such as a leaking roof or cracked slab or any number of structural issues. The CAD depends on each property owner to communicate these problems. The time to do so would be during the protest period, which occurs around March of each year.

*For more information please
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www.polkcad.org*