Victoria Central Appraisal District
2025 Mass Appraisal Report

INTRODUCTION
Scope of Responsibility

The Victoria Central 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 Standards 5 & 6 of the Uniform Standards of Professional Appraisal Practice (USPAP) as promulgated by the Appraisal Standards Board of The Appraisal Foundation. This report has several parts: a general introduction and then several sections describing information specific to particular appraisal divisions.

The Victoria Central Appraisal District is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Texas Property Tax Code (TPTC) govern the legal, statutory, and administrative requirements of the appraisal district. A member board of directors, five of whom are appointed by the taxing units within the boundaries of Victoria County and three of whom are elected at large, constitutes the VCAD's governing body. The chief appraiser, appointed by the board of directors, is the chief administrator and chief executive officer of the appraisal district.

VCAD is responsible for local property tax appraisal and exemption administration for 16 jurisdictions or taxing units in the county. Each taxing unit, such as the county, a city, school district, special district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Appraisals established by VCAD allocate the year's tax burden on the basis of each taxable property's January 1st market value. VCAD also determines eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

The 2025 mass appraisal was prepared under the provisions of the Texas Property Tax Code. Taxing jurisdictions that participate in the district must use the appraisals as the basis for imposing property taxes as such these entities are the client for which this report is prepared. The State of Texas allocates state funds to school districts based upon the district's appraisals, as tested and modified by the state comptroller of public accounts.

The 2025 mass appraisal results in an estimate of the market value of each taxable property within the district's boundaries. Where required by law, the district also estimates value on several bases other than market value. These are described where applicable later in this report.

General Assumptions and Limiting Conditions

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

- Properties are appraised at fair market value based on fee simple interest as of January 1 of every year.
- The appraisals were prepared exclusively for ad valorem tax purposes.
- Interior inspections of properties are not typically undertaken during reappraisal. Inspections are typically made from the exterior only. It is assumed that the condition of the interior of each property is similar to the exterior condition unless VCAD has received current information from qualified sources to indicate otherwise.
- Property inspection dates will have ranged in time from both before and after the January 1 appraisal date. It is assumed that there has been no material change in condition from the latest property inspection unless otherwise noted on the account record.
- Improvement sketch dimensions are calculated using exterior measurements and are typically rounded to the nearest foot.
- VCAD relies on deed instruments legally filed at the County and internal GIS maps to determine property boundaries and the associated land size for each property.
- The property characteristics 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.
- Validation of sales transactions occurred through questionnaires to buyer and seller, information provided by a contractor, and field review. In the absence of such confirmation, residential sales data obtained was considered reliable.
- 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 engineering is assumed to be correct. Any plot plans and/or illustrative material contained within the appraisal records are included only to assist in visualizing the property.
- It is assumed that there are no hidden or unapparent conditions associated with the properties, subsoil, or structures that would render the properties (land, improvements, or both) more or less valuable unless duly noted on the account record.

- It is assumed that there is full compliance with all applicable federal, state, and local environmental regulations and laws unless noncompliance is stated, defined, and considered in this mass appraisal report.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined, and considered in this 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 national 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 of the properties described are within the boundaries or property lines and that there are no encroachments or trespasses unless noted on the appraisal record.
- Homesteaded residences on commercially zoned land are valued based on current use, not highest and best use. Properties within designated historic districts will be appraised using sales comparables within the same designated historic district.
- Information, estimates, and opinions furnished to the appraisers and incorporated into the analysis are assumed to be reliable.
- The Texas Property Tax Code is the source document used in defining the laws and rules associated with property tax valuation for the State of Texas.
- Victoria Central Appraisal District appraisers appraise property per USPAP Standard Rule 5 and 6 and according to the laws and rules of the Texas Property Tax Code.

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

With the exception of certain inventories for which the property owner has elected a valuation date of September 1, 2024; all appraisals are as of January 1, 2025. The date of this report is June 1, 2025.

Definition of Value

Except as otherwise provided by the Texas Property Tax Code (hereafter "Property 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, and;
- 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.

The Tax Code defines special appraisal provisions for the valuation of several different categories of property. 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 property (Chapter 23, Subchapters 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), and nominal (Sec. 23.18) or restricted use properties (Sec.23.83) and allocation of interstate property (Sec. 23.03).

Beginning in 2024, real property valued at $5,000,000 or less will benefit from a 20% limitation on the net appraised value of the property used to calculate your taxes, with the exclusion of land receiving the agriculture-use special appraisal and homestead properties that could qualify for the 10% homestead limitation.

The circuit breaker provision limits the amount the appraisal district can increase the appraised value of a property The appraised value of qualifying real property is limited to an increase of no more than 20% per year unless new improvements, excluding ordinary maintenance, have been made. This limitation takes effect on January 1 of the tax year following the first tax year in which the owner owns the property. The Texas Legislature has currently only authorized the circuit breaker limitation for the 2024, 2025, and 2026 tax years. The appraised value that the circuit breaker applies to is set at $5,160,000 or less for 2025; however, the State Comptroller can increase or decrease the appraised value limit for 2026 based on the consumer price index.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. VCAD's current policy is to conduct a geographical reappraisal of real property at least every three years. However, appraised values are reviewed annually and are subject to change for purposes of equalization and to ensure accurate market values. Commercial & business personal property is reappraised annually.

Properties Appraised

This mass appraisal appraised all taxable real and personal property known to the district as of the date of this report, with the exception of certain properties on which valuation was

not complete as of the date of this report. These, by law, will be appraised and supplemented to the jurisdictions after certification. The property rights appraised were fee simple interests, with the exception of leasehold interests in property exempt to the holder of the property's title. The latter are appraised under a statutory formula described in Sec. 25.07, Tax Code. The description and identification of each property appraised is included in the real property accounts, personal property, mineral and industrial appraisal records, which were submitted to the Victoria Central Appraisal Review Board on May 12, 2025.

Scope of Work Used to Develop the Appraisal

This mass appraisal values all taxable real and tangible personal property within the boundaries of the Victoria Central Appraisal District, which encompasses all of Victoria County, Texas, including the City of Victoria. This involves over 61,183 accounts. The district distributes the work of the appraisal among several appraisers. The following sections describe, the scope of work performed and those items addressed in USPAP standard 6-2 (h) through (n).

The Chief Appraiser, who is the chief executive officer of the appraisal district, manages the district. All district supervisors report to the chief appraiser. The district is divided into four departments each with a supervisor that oversees the operations of that department. The four departments are

- Appraisal, responsible for all appraisal activities, and is primarily responsible for all real and personal property accounts. The property types appraised include commercial, residential, and business personal property. Pritchard & Abbott, LLC is a contract appraisal firm that is responsible for all mineral, utilities, and industrial property.
- Support Services, responsible for property records maintenance, taxpayer information and assistance, and support of the appraisal review board.
- Administration, responsible for the overall planning, organizing, staffing, coordinating, and controlling of district operations. The administration department's function is to plan, organize, direct, and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities, and postal services.
- Mapping, responsible for deed processing and maintenance of the GIS Mapping system.

Licensing and Education

VCAD's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be registered with Texas Department of Licensing and Regulation (TDLR). Education is achieved through courses approved by the State Comptroller Property Tax Assistance Division (PTAD). Most educational courses are

sponsored by the International Association of Assessing Officers (IAAO), Texas Association of Assessing Officers (TAAO), and Texas Association of Appraisal Districts (TAAD). Appraisers must receive their Registered Professional Appraisal (RPA) designation within five years and are required to have thirty-hours of continuing education hours over a twenty-four-month period at the time of their license renewal.

In cases where an appraisal district contracts for professional valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards.

The appraisal district staff consists of 22 employees with the following classifications:

- 1 – Chief Appraiser (executive level administration)
- 5 - Professional (supervisory and management)
- 8– Appraisers (residential, commercial, personal property, and land)
- 8 - Administrative Support (professional, customer service, clerical and other)

Determination of Highest and Best Use for Real Property

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, Tax Code implements this provision as follows:

§ 23.01. Appraisals Generally

(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 and all available evidence that is specific to the property shall be taken into account in determining the property's market value.

(c) Notwithstanding Section 1.04(7)(C), in determining the market value of a residence homestead, the chief appraiser may not exclude from consideration the value of other

residential property that is in the same neighborhood as the residence homestead being appraised and would otherwise be considered in appraising the residence homestead because the other residential property:

(1) was sold at a foreclosure sale conducted in any of the three years preceding the tax year in which the residence homestead is being appraised and was comparable at the time of sale based on relevant characteristics with other residence homesteads in the same neighborhood; or

(2) has a market value that has declined because of a declining economy.

(d) The market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

(e) Notwithstanding any provision of this subchapter to the contrary, if the appraised value of property in a tax year is lowered under Subtitle F, the appraised value of the property as finally determined under that subtitle is considered to be the appraised value of the property for that tax year. In the following tax year, the chief appraiser may not increase the appraised value of the property unless the increase by the chief appraiser is reasonably supported by clear and convincing evidence when all of the reliable and probative evidence in the record is considered as a whole. If the appraised value is finally determined in a protest under Section 41.41(a)(2) or an appeal under Section 42.26, the chief appraiser may satisfy the requirement to reasonably support by clear and convincing evidence an increase in the appraised value of the property in the following tax year by presenting evidence showing that the inequality in the appraisal of property has been corrected with regard to the properties that were considered in determining the value of the subject property. The burden of proof is on the chief appraiser to support an increase in the appraised value of property under the circumstances described by this subsection.

Previous to the enactment of HB 3613, there was no specific statute defining highest and best use as it applies in appraisals conducted under the Property Tax Code. However, Texas courts have acknowledged that highest and best use is a factor that must be considered in determining market value. King v. Real 466 S.W.2d 1 TEX.Civ.App., 1971, Exxon Pipeline Co. v. Zwahr 2002 WL 1027003 Tex.,2002. In an unpublished opinion, the Houston Court of Appeals approved the following definition of highest and best use:

> "Highest and best use" is the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. Clear Creek Drainage Dist. of Galveston County v. Manison Not Reported in S.W.3d Tex.App.-Houston [14 Dist.], 1997.

With the exception of residence homesteads, this definition of highest and best use still applies to appraisals conducted under the Property Tax Code.

Appraisal Performance tests and performance measures attained

The Texas Comptroller of Public Accounts conducted its bi-annual 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, Property Tax Code. The preliminary findings, based on the district's 2024 appraisal roll, were reported to the district on January 31, 2025. The overall median appraisal ratio for Victoria Central Appraisal District was reported at 1.01, with a coefficient of dispersion of 14.82.

If the locally appraised value in a school district is within the statistical margin of error of the state value, the Comptroller's Property Tax Assistance Division (PTAD) certifies a school district's local tax roll value to the Commissioner of Education. A 5% margin of error is used to establish the upper and lower value limits for each school district. If the local value is outside the acceptable range, the PTAD certifies the state value, unless the school district is eligible for a grace period, which is a two-year period when local value is used even though it is determined to be invalid. The PTAD reported valid local values for all school districts, with the exception of Nursery & Meyersville ISD, within the appraisal district's jurisdiction.

Section 5.102, Property Tax Code, requires the Comptroller of Public Accounts to review county appraisal district (CAD) governance, assistance, operating standards, and appraisal standards, procedures, and methodology at least once every two years. The Comptroller's PTAD performs Methods and Assistance Program (MAP) reviews of approximately half of all CADs. School districts located in counties that do not receive reviews in a year will be subject to property value studies in that year. Victoria CAD was selected for a 2025 MAP review in which all categories were passing.

Certification Statement:

"I, Keri Wickliffe, Chief Appraiser for the Victoria Central 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 appraisal 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."

Keri Wickliffe, RPA, CCA
Chief Appraiser

STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

NAME	TITLE	TDLR#	TYPE OF ASSISTANCE
Keri Wickliffe	Chief Appraiser	74793	Oversight of Information & Assistance, ARB Operations Jurisdiction Communications, Mapping and Administration, Appraisal
Angela Waldrep	Deputy Chief Appraiser	68555	Analysis, Appraisal, Appraisal Data Collection & Value Correlation
Michael Guerrero	Director of Appraisal	77434	Analysis, Appraisal, Appraisal Data Collection & Value Correlation
Julie Brod	Lead Residential Appraiser	76701	Appraisal, Appraisal Data Collection & Value Correlation
Laura Taylor	Residential Appraiser	78069	Data Collection & Value Correlation
Kyle Davidson	Residential Appraiser	78354	Data Collection & Value Correlation
Lance Macom	Residential Appraiser	78426	Data Collection & Value Correlation
Ronald Rebecek	Commercial Appraiser	70572	Appraisal, Appraisal Data Collection & Value Correlation
Bonnie Roberts	Business Personal Property	76416	Appraisal, Appraisal Data Collection & Value Correlation
Jo Lynn Ulcak	Business Personal Property	75909	Data Collection and Value Correlation

Report by Property Type

As noted previously, the district allocated the work of the mass appraisal among several Property types within the appraisal department. Chief Appraiser Keri Wickliffe directs the overall operations of the appraisal department. It is divided into Residential, Land, Personal Property, and Commercial Property. She also reviews the work of the district's appraisal contractor and oversees litigation and arbitration. The appraisal staff is responsible for maintaining property characteristics data and discovering and listing new construction annually, developing, calibrating, and applying the various mass appraisal models for the respective property types.

Residential Property

Scope of Work

The Residential Appraisers are responsible for collecting and maintaining property characteristic data for all residential properties and developing equal and uniform market values for each parcel. There are approximately 35,000 residential improved parcels and over 3400 vacant residential parcels within the appraisal district's jurisdiction.

Field data collection requires organization, planning, and supervision of the field staff. Residential appraisers are assigned throughout Victoria County to conduct field inspections and record information. Production standards are set and upheld for the various field activities. It is the Lead Residential Appraiser's responsibility to ensure that not only are production standards met, but that the quality of data is reliable. All finished cards are submitted for review to the Director of Appraisal and the lead appraiser and are reviewed to assure consistency and accuracy. These changes are then entered into the computer system by the Data Entry Technicians and the appraisers through mobile PACS.

New appraisers are trained in the specifics of data collection set forth in the listing manual and receive hands-on training in the field. Experienced appraisers are routinely re-trained in listing procedures prior to each major project, such as new construction or field/office re-inspection. The county is segmented into geographic areas for work allocation. These work areas are further divided into work routes. Each property is assigned a code within the route that indicates its location within the route. This procedure greatly speeds up the efficient driving of fieldwork. An appraiser is assigned to each area, and it is his/her responsibility to coordinate the fieldwork within the area.

The appraisers collect data and update characteristics such as land size and topography, and improvement data, such as the square foot of living area, year built, quality of construction, and condition on the iPads. This information is entered into the computer system through mobile PACS or entered and scanned by the data entry department.

The district uses training manuals that establish uniform procedures for listing real property. All properties are coded according to these manuals and the approaches to value are structured and calibrated based on this coding system. The field appraisers use these manuals during their initial training and during field inspections.

Manufactured housing is listed as real property if

1. The Statement of Ownership and Location is filed with the Victoria County Clerk.
2. The owner of the Manufactured home also owns the land, where the property is located, and the manufactured home is listed by label or serial number in the deed.
3. The Manufactured House is considered real property with a State Code of A2 or E2.

If the owner of the Manufactured housing does not file the Statement of Ownership and location with the County Clerk and also owns the land, the property receives a state classification of A2/E2 and is listed as an improvement only personal property account.

If the Manufactured home is on land owned by another person, the property receives a state classification of M1 and is listed as an improvement only personal property account.

New Construction

The field inspection of new construction permits, and work file accounts began in August 2024 and were substantially completed by the middle of March 2025. Appraisers visit all properties where changes to characteristics are identified through building permits and other sources. All changes in characteristics are recorded, including new homes, additions, remodels, pools, and other yard improvements, demolitions, and repairs.

An appraiser also conducts an office review of each property and reviews the value based on the changes made to the parcel. Approximately 1,297 building permits were inspected. This is an increase of 91 from the 2024 year. There were 34,617 recheck file items which were inspected for 2025.

Sales Verification

Appraisers conducted both office and field inspections on properties with recent sales activity to verify the property characteristics and when able, to validate the sales information with the property owner. Sales verification letters were sent to both the buyer and the seller on all property that sold during 2024. We also employ a service that provides sales in the previous year.

Re-inspection

Both field and office re-inspection were conducted for tax year 2025. Appraisers are responsible for verifying the characteristics of each property visited. If changes are identified, they are identified, classified, and measured. These changes are made to the field cards, or in mobile PACS and entered by the data entry department into the 2025 database. During the field effort, we also incorporated confirmation of sales data and verification of characteristics of sold property. During the office re-inspection properties are reviewed using aerial photos provided by our aerial software vendor, Pictometry. Appraisers are able to verify external characteristics, measure walls, and identify economic influences. If the photos are not visible due to tree cover or changes in the property are too substantial to ascertain from the office, a field visit is performed. A locked gate letter is sent to the owner

asking to provide access to the property. If there is no response or if the property owner does not grant access, the information provided by Pictometry is used to measure and classify improvements.

Split out and Combination of Accounts

In order to reflect recent deeds filed at the courthouse, the mapping department split out or combine accounts. This requires the coordination of the mapping department and appraisal staff to locate and accurately place the improvements on each parcel of land. The mapping department changes the maps to reflect the new deeds and gives the information to the land appraiser. The land appraiser places the improvements on the proper account and reviews the account for rollback, agriculture use, and effective acre group. During the 2024 tax year, this activity entailed the processing of approximately 1356 accounts.

New Subdivisions

New subdivisions are generated by the adoption of a new plat by the City of Victoria or Victoria County. The mapping department receives the plat in either a digital or a paper format. These parcels are then added to the master county map. The mapping department creates new Geo numbers for each account and enters all characteristics of each parcel in the computer system. The computer system assigns a parcel ID to each account. These parcels are transferred to the Director of Appraisal. The appraiser verifies all data pertaining to the parcel and returns it to the mapping department if any corrections are necessary. The appraiser then researches sales and assigns a value to all parcels. The accounts are then sent to the appraisers for review and once approved, they are input into the computer system. The appraiser drives the area of the new subdivision, lists the property characteristics, and identifies the status of the property as of January 1 for tax year 2025.

Sources of Data

The sources of data collection and verification include but are not limited to: building permits, data mailers, Appraisal Review Board hearings, information collected in the field, newspapers, publications, and property owner correspondence by letter and via the Internet. Oblique imagery, which allows the appraiser to view a property from multiple angles is also frequently used for data verification. The appraiser can verify exterior measurements with this software if the tree cover is not too thick. Street-level images are also attached to each account and can also assist in the verification of data. Building permit data attained from the City of Victoria triggers field inspections on properties experiencing characteristic changes due to new construction or remodeling. Property owners contact our office to report data inaccuracies that initiate a field inspection or office correction of the data.

Highest and Best Use Analysis

The highest and best use of residential property is normally its existing use. This is due in part to the fact that residential communities through the use of deed restrictions, precludes other land uses. The district undertakes the analysis of highest and best use in transitional areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a

determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas periodically to determine if changes in the real estate market require a reassessment of the highest and best use of a select population of properties.

The exception to this process is residential homestead property. Sec 23.01(d), provides that a residence homestead's market value for ad valorem tax purposes is determined solely on the basis of the property's value as a residence homestead, regardless of highest and best use. Each year we will review the status of the exemptions in the mixed-use neighborhoods and change the land use code accordingly. Typical residential neighborhoods are not affected by this tax code change because market value estimates are determined based on the residential uses and are not generally affected by the value of other property types.

Model Specification

Area Analysis

Data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rates trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources. Information is gleaned from real estate publications and sources such as the Victoria Advocate, and the Real Estate Center of Texas A&M. Continuing education courses, discussions with local lenders, real estate brokers, developers, and the Victoria Economic Development Corporation. This information serves as part of the neighborhood analysis that is performed when the appraiser delineates newly platted subdivisions into valuation neighborhoods.

Neighborhood and Market Analysis

Neighborhood analysis involves the examination of how physical, economic, governmental, and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. Valuation and neighborhood analysis is conducted on each of the Independent School Districts (ISD). The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental, and social forces are generally similar and uniform. Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood

boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis.

Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability, or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce a population shift from older homes to newer homes. In a period of stability or equilibrium, the forces of supply and demand are about equal. Generally, in the stage of equilibrium, older neighborhoods can be more desirable due to their stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During the decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability.
Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. There are in excess of 145 residential valuation neighborhoods. Neighborhoods are reviewed in the field and delineated based on observable aspects of homogeneity.

Neighborhood boundaries are periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. A residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in cost-derived areas of limited or no sales or use in direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed later in the report, is performed on a neighborhood basis, and in soft sale areas on a neighborhood group basis.

Time Adjustments

The adjustment of sales for time is an important component of mass appraisal valuation and ratio studies. The district conducts these studies using guidelines set forth in the International Association of Assessing Officers (IAAO) *Standards on Ratio Studies* and in compliance with the *Uniform Standards of Professional Appraisal Practice*. In our development of time adjustments, we apply the method of comparing per-unit values over time in homogeneous strata. All similarly classed homes are arrayed in a base price per square foot of living area after all land values and other improvement values have been removed from the sales price. From this, a time adjustment is derived for our cost tables.

Trends in the residential market are represented by changes in sales prices over time. An analysis that simply tracks changes in sales prices can be misleading. Changes in median or average sales prices may not always indicate market value trends. Those changes may rather be reflective of the particular mix of sold properties. For example, the properties sold in one month may have high numbers of low-end homes. The sales next month may contain a greater number of high-end homes. The difference in the median or average sales prices can be great but may not accurately reflect a trend in the market.

Per Sec.23.01 of the *Texas Property Tax Code,* the district is required to consider foreclosure sales in determining market value. Foreclosures are considered in determining neighborhood values, but for purposes of calculating time adjustments they are excluded.

Model Calibration

Cost Schedules

All residential parcels in the district are valued with a replacement cost estimated from identical cost schedules based on the improvement classification system using a comparative unit method. The district's residential cost schedules are compared with sales of new improvements and evaluated each year to reflect the local residential building and labor market. Costs may also be adjusted by each appraiser for neighborhood factors and influences that affect the total replacement cost of the improvements in a smaller market area based on evidence taken from a sample of market sales. The cost schedules are reviewed regularly as a result of legislation requiring that the appraisal district cost schedules be within a range of plus or minus 10% from nationally recognized cost schedules.

A review of the residential cost schedule is performed annually. As part of this review and evaluation process of the replacement cost, newly constructed sold properties representing various levels of quality of construction in district are considered. The property data characteristics of these properties are verified and photographs are taken of the samples.

Existing CAD replacement costs are compared, and the indicated replacement cost is abstracted from these market sales of comparably improved structures. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing of estimated building costs plus land to sales prices. As a result of this analysis, a new cost schedule is developed for use in the district's cost process. This new schedule is used to adjust the district's cost schedule to be in compliance with local building costs as reflected by the local market. The comparison of the 2024 cost to the 2025 cost increased and adjustments were made.

Sales Information

A sales file for the storage of "snapshot" sales data at the time of sale is maintained for real property. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a sales information system.

Texas does not have mandatory sales disclosure; therefore, the district does not have access to all property transactions, which limits the study sample to only those sales acquired by the district through various sources or submitted voluntarily by the property owner. Available sales were screened to ensure, to the extent possible, that only valid indicators of market value were included. Sales that were identified as invalid transactions due to atypical financing, sales between relatives or corporate affiliates, estate sales, or sales of convenience were excluded from the study. It is common to expect some foreclosure sales in the overall marketplace; however, there were no specific areas where foreclosures dominated the market.

Residential improved and vacant sales are collected from a variety of sources, including district questionnaires sent to buyers and seller, field discovery, vendors, protest hearings, builders & realtors. All sales collected are considered confidential. A system of type, source, validity, and verification codes has been established to define salient facts related to a property's purchase or transfer and to help determine relevant market sale prices.

In accordance with Government Code, Sec. 552.149, the appraisal district must make confidential any information about properties that an appraisal district obtains from private sources. We cannot publicly disclose (or display on our website) property sales information we obtain from private sources. Sales information is not available for public inspection.

Sales that we used or considered in arriving at a particular value are available to property owners who timely file a value protest and are included as part of the evidence material the district will present to the Appraisal Review Board. This law in no way prohibits the district's use of confidential sales in the valuation process. A property owner or agent who receives confidential sales information from VCAD in conjunction with the protest evidence is required by Sec. 552.149 of the Government Code to hold that information in confidence. Failure to do so is a criminal violation of the Texas Public Information Act.

Time Adjustments

The effect of time as an influence on price was considered by paired comparison and applied in the ratio study to the sales as indicated within each neighborhood area. Neighborhood sales reports are generated as an analysis tool for the appraiser in the development and estimation of market price ranges and property component value estimates. Abstraction and allocation of property components based on sales of similar property is an important analysis tool to interpret market sales under the cost and market approaches to value. These analysis tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

Monthly time adjustments are estimated based on comparative analysis using paired comparison of sold property. Sales of the same property were considered and analyzed for any indication of price change attributed to a time change or influence. Property characteristics, financing, and conditions of sale were compared for each property sold in the pairing of property to isolate only the time factor as an influence on price. Caution must be used in determining that the property has not been improved or remodeled since the initial sale.

Land Analysis

Residential Land analysis is conducted by the land appraiser. The appraiser develops a base lot, determines a square foot price or square foot price that yields on average the sales price of the lot and chooses the front foot land code or square foot price code that achieves this value. Cul-de-sac lots are slightly above the value of a typical lot using a square footage appraisal factor. Specific land influences are used, where necessary, to adjust parcels outside the neighborhood norm for factors such as view, shape, size, and topography, among others. The appraisers use abstraction and allocation methods to ensure that the land values created best reflect the contributory market value of the land to the overall property value.

Statistical Analysis

The residential valuation appraisers perform statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted on each of the residential valuation neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of tendency generated from sales ratios are evaluated and analyzed for each neighborhood. The level of appraised values is determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.

The appraiser, through the sales ratio analysis process, reviews every neighborhood annually. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood properties to the appraised values of these sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level in a neighborhood needs to be updated or whether the level of market value in a neighborhood is at an acceptable level.

Final Models: Market and Cost Reconciliation and Valuation

Neighborhood analysis of market sales to achieve an acceptable sale ratio or level of appraisal is also the reconciliation of the market and cost approaches to valuation. Market

adjustment factors are developed from appraisal statistics provided from market analyses and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators. The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a purely cost model.

The following equation denotes the hybrid model used:

$$MV = MA[\ LV + (RCN - AD)]$$

Whereas, in accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus the replacement cost new of property improvements (RCN) less accrued depreciation (AD) times the market adjustment factor (MA). As the cost approach separately estimates both land and building contributory values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales. Thus, demand side economic factors and influences may be observed and considered. These market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for locational variances between market areas or across a jurisdiction.

If a neighborhood is to be updated, the appraiser uses a cost ratio study that compares recent sales prices of properties appropriately adjusted for the effects of time within a delineated neighborhood with the properties' actual cost value. The calculated ratio derived from the sum of the sold properties' cost value divided by the sum of the sales prices indicates the neighborhood level of value based on the unadjusted cost value for the sold properties. This cost to sale ratio is compared to the appraisal to sale ratio to determine the market adjustment factor for each neighborhood. This market adjustment factor is needed to trend the values obtained through the cost approach closer to the actual market evidenced by recent sales prices within a given neighborhood. The sales used to determine the market adjustment factor will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The market adjustment factor calculated for each updated neighborhood is applied uniformly to all properties within a neighborhood. Once the market trend factors are applied, a second set of ratio studies is generated that compares recent sales prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both the updated and non-updated neighborhoods, and finally, for the school district as a whole. When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales prices indicates

the neighborhood level of appraisal based on sold properties. This ratio is compared to the acceptable appraisal ratio, 97% to 102%, to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

If reappraisal of the neighborhood is indicated, the appraiser analyzes available market sales, appropriately adjusted for the apparent effects of time, by market abstraction of property components. This abstraction of property components allows the appraiser to focus on the rate of change for the improvement contribution to the property by providing a basis for calculating accrued depreciation attributed to the improvement component. This impact on value is usually the most significant factor affecting property value and the most important unknown to determine by market analysis. Abstraction of the improvement component from the adjusted sale price for a property indicates the effect of overall market suggested influences and factors on the price of improvements that were a part of this property, recently sold. Comparing this indicated price or value allocation for the improvement with the estimated replacement cost new of the improvement indicates any loss in value due to accrued forms of physical, functional, or economic obsolescence. This is a market driven measure of accrued depreciation and results in a true and relevant measure of improvement marketability, particularly when based on multiple sales that indicate the trending of this rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimates the annual rate of depreciation for given improvement descriptions considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all properties within the sale sample to consider and review the effects on the neighborhood sale ratio. After an acceptable level of appraisal is achieved within the sale sample, the entire neighborhood of property is recalculated utilizing the indicated depreciation rates taken from market sales. This depreciation factor is the basis for trending all improvement values and when combined with any other site improvements and land value, brings the estimated property value through the cost approach closer to actual market prices as evidenced by recent sale prices available within a given neighborhood. Therefore, based on analysis of recent sales located within a given neighborhood, estimated property values will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The estimated property values calculated for each updated neighborhood are based on market indicated factors applied uniformly to all properties within a neighborhood. Finally, with all the market-trend factors applied, a final ratio study is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both updated and non-update neighborhoods and verifies appraised values against overall trends as exhibited by the local market, and finally, for the school district as a whole.

How Estimates Are Reviewed

Office Review

The residential appraisers turn in the neighborhood adjustments to the Lead Residential Appraiser. The lead appraiser reviews the documentation provided by the appraiser and approves the adjustments or no adjustments based on the data provided.

.

RESIDENTIAL STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

Angela Waldrep, Deputy Chief Appraiser
Michael Guerrero, Director of Appraisal
Julie Brod, Lead Appraiser
Kyle Davidson, Appraiser
Lance Macom, Appraiser
Laura Taylor, Appraiser

Commercial Property

Scope of Work

The scope of work of this mass appraisal assignment includes all of the commercial real property in the Victoria Central Appraisal District. All three approaches to value are considered in estimating market value for each property, the most applicable of which is given primary emphasis.

The Cost Approach to Value is applied to all real property. This methodology involves using national cost data reporting services as well as actual cost information on comparable properties whenever possible. We are in the process of converting all commercial schedules to cost models based on the Marshall & Swift cost information, modified based on local factors. This approach also employs alternate valuation procedures to value the underlying land value.

The Income Approach to Value was applied to those real properties that are typically viewed by market participants as "income producing" and for which the income methodology is considered a leading value indicator. Pro forma income and expense models are developed based on information provided by the owners and services for each property type.

The Sales Comparison (market) Approach was used for estimating land value and in comparing sales of similarly improved properties to each parcel on the appraisal roll. Other recognized appraisal methods and techniques are used in the valuation of properties where sales information is not available or is insufficient to produce credible results.

The commercial appraiser appraises the fee simple interest of properties according to statute and court decisions. However, the effect of easements, restrictions, encumbrances, leases, contracts, or special assessments are considered on an individual basis, as is the appraisement of any nonexempt taxable fractional interests in real property (i.e., certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their pro-rata interests.

The function of this mass appraisal is to provide an equitable and efficient market valuation of all property in this appraisal district for ad valorem tax purposes in accordance with the law.

Procedure for Collecting and Validating Data

The property characteristic data of every property subject to taxation by a jurisdiction within VCAD's area of responsibility is incorporated into a computer-assisted mass appraisal (CAMA) system. The commercial appraiser inspects and verifies all commercial property on an annual basis.

Field Review

After the appraisal roll is certified, the field appraiser conducts a field review on all Individual properties which are rechecked for the following reasons

1. Work described in Building permits (new structures, repairs remodeling, additions, etc).
2. New Service reports from the electric coops,
3. Incomplete structures from last year.
4. Properties flagged with a next inspection date and reason.
5. Personal knowledge of changes
6. Reports from property owners
7. Comparables used in formal or informal hearings.
8. Verification of adjustments applied in prior years for physical, economic, and/or functional depreciation
9. Ownership and name changes, split, newly created subdivisions, or re-subdivisions.
10. Verification of qualifications for applications.
11. City of Victoria Building Inspection.
12. Victoria Fire Department Reports (fire)
13. Health & Safety inspections.
14. Demolition reports from the City of Victoria.
15. Any other reasons that may merit an inspection.

Data collected during these inspections is entered using mobile PACS or given to the data entry personnel for entry into the CAMA system. The quality of data used is of paramount importance to the accurate valuation of taxable property. While production standards are established and upheld for field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection. Experienced appraisers are routinely re-trained in listing procedures prior to major field projects.

Sources of Data

An online computer link provides the district with real time access to the deeds recorded in the Victoria County Clerk's office. For those properties involved in a transfer of commercial ownership, a sales verification involves a questionnaire, which is mailed to both parties in the transaction (Grantee and Grantor). If a questionnaire is answered and returned, the documented responses are recorded in the sales database system. In other instances, sales verification is obtained from local appraisers, and closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification. After the sales data has been entered into the database, the data is reviewed to maintain quality control. Other sources of sales data include fee appraisal acquired through the hearings process and local, regional, and national real estate and financial publications.

The data used for commercial valuation includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used includes actual income and expense data (typically obtained through the hearings process), actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications are also State Comptroller Hotel/Motel Report. Realty Rates, Costar, and Korpacz are used for capitalization rates, typical holding periods for real estate investments, interest rates, and other pertinent real estate criteria. A variety of real estate data is also available via the Internet which is helpful in the establishment of market values. This information is often incorporated into market analysis and includes market trends, labor statistics, sales information, development areas, economic indicators, and financial data to name a few.

Data Maintenance

Information on building permits is collected from the City of Victoria. These permits are matched to the district's existing property records. Accounts that have building permits are given to the commercial appraisers. They inspect the property and classes and measures new construction, notes demolition, and records any changes in the physical characteristics of properties. Once this data is entered into the CAMA system, the parcels are available to be valued.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest net to land and the present value of the real estate as of the assessment date. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, is excess land, or a different optimum use if the site were vacant. For vacant tracts of land within the district, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to: office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis insures that an accurate estimate of market value (sometimes referred to as value in exchange) is derived.

Conversely, value in use represents the value of a property to a specific user for a specific purpose. This is significantly different from market value, which approximates market price under the following assumptions: (i) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (ii) well-informed buyers and sellers

acting in their own best interests, (iii) a reasonable time for the transaction to take place, and (iv) payment in cash or its equivalent.

Model Specification

Area Analysis

A market analysis relates directly to market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), expense ratio trends, and capitalization rate studies are analyzed. Area data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources. Local publications are also reviewed to lend detailed support to the various assumptions utilized in the valuation of real estate.

Neighborhood Analysis

The neighborhood and market areas are comprised of the land area and commercially classed properties located within the boundaries of this appraisal jurisdiction. These areas consist of a wide variety of property types including multiple-family residential, commercial, and some industrial. Neighborhood and area analysis involves the examination of how physical, economic, governmental, and social forces and other influences may affect property values within subgroups of property locations. The effects of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial and some industrial properties, these subsets of a universe of properties are generally referred to as market areas, neighborhoods, or economic areas.

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse, and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity, or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if re-delineation is required.

Model Calibration

Model calibration involves the process of periodically adjusting the mass appraisal formulas, tables, and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new construction procedures, materials, and/or costs, which can vary from year to year. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to the current market conditions. However, at some point, if the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure.

Approaches to Value

Cost Approach

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever possible. Cost models are planned to be developed based on the Marshall Valuation Service which indicates estimated hard or direct costs of various improvement types. We are in the process of developing cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district. These include comparative base rates, per-unit adjustments, and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employs the sales comparison approach in the evaluation of soft or indirect costs of construction. Evaluating market sales of newly developed improved property is an important part of understanding the total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels. In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers may be necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, locational modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Victoria County. Thusly, local modifiers are additional cost factors applied to replacement cost estimated by the national cost service. Estimated replacement cost new will reflect all costs of construction and development for various improvements located in Victoria CAD as of the date of appraisal.

Accrued depreciation is the sum of all forms of loss affecting the contributory value of the improvements. It is the measured loss against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence. Accrued depreciation is

estimated and developed based on losses typical for each property type at that specific age. Depreciation estimates have been implemented for what is typical of each major class of commercial property by economic life categories. Estimates of accrued depreciation have been calculated for improvements with a range of variable years expected life based on observed conditions considering actual age. These estimates are continually tested to ensure they are reflective of current market conditions. The actual and effective ages of improvements are noted in PACS. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Effective age estimates are considered and reflected based on eight levels or rankings of observed conditions, given actual age.

Additional forms of depreciation such as external and/or functional obsolescence can be applied if observed. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific condition adequacy or deficiency, property type, or location and can be developed via ratio studies or other market analyses.

The result of estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements. Adding the estimated land value, as if vacant, to the contributory value of the improvements indicates a property value by the cost approach. Given relevant cost estimates and market related measures of accrued depreciation, the indicated value of the property by the cost approach becomes a very reliable valuation technique.

Income Approach

The income approach to value is applied to those real properties which are typically viewed by market participants as "income producing", and for which the income methodology is considered a leading value indicator. The first step in the income approach pertains to the estimation of market rent on a per-unit basis. This is derived primarily from actual rent data furnished by property owners and from local market surveys conducted by the district and by information from area rent study reviews. This per unit rental rate multiplied by the number of units results in the estimate of potential gross rent.

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established from actual data furnished by property owners and local market survey trends. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. This feature may also provide for a reasonable lease-up period for multi-tenant properties, where applicable. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an indication of estimated annual effective gross rent to the property.

Next, a secondary income or service income is considered and, if applicable, calculated as a

percentage of stabilized effective gross rent. Secondary income represents parking income, escalations, reimbursements, and other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected and available market information. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income, when applicable.

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-recoverable expenses such as leasing costs and tenant improvements may be included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Relevant expense ratios are developed for different types of commercial property based on use and market experience. For instance, retail properties are commonly leased on a triple-net basis, whereby the tenant is responsible for the insurance, repairs, and property taxes. In comparison, a general office building is most often leased on a base year expense stop. This lease type stipulates that the owner is responsible total per unit expenditure in the first year is the responsibility of the tenant. For example, if the total operating expense in year one (1) equates to $8.00 per square foot, any increase in expense over $8.00 per square foot throughout the remainder of the lease term would be the responsibility of the tenant. As a result, expense ratios are implemented based on the type of commercial property being appraised.

Another form of allowable expense is the replacement of short-lived items, such as roof or floor coverings, air conditioning, or major mechanical equipment or appliances, requiring expenditures of large lump sums. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type, these expenses when annualized are known as replacement reserves

Subtracting the allowable expenses (inclusive of non-recoverable expenses and replacement reserves) from the effective gross income yields an estimate of net operating income. Rates and multipliers are used to convert income into an estimate of market value. These include income multipliers, overall capitalization rates, and discount rates. Each of these are used in specific applications. Rates and multipliers also vary between property types, location, quality, condition, design, age, and other variables. Application of the various rates and multipliers must be based on a thorough analysis of the market.

Capitalization analysis is used in the income approach models. This methodology involves the capitalization of net operating income as an indication of market value for a specific property. Capitalization rates, both overall (going-in) cap rates for the direct capitalization method and terminal cap rates for discounted cash flow analyses, can be derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of what a specific market participant is requiring from an investment at a specific point in time. The lack of typical arm's length commercial sales greatly reduces the ability of the appraisal district to utilize this approach. In addition,

overall capitalization rates can be derived from the built-up method (band-of-investment). This method relates to satisfying the market return requirements of both the debt and equity positions of a real estate investment. This information is obtained from real estate and financial publications.

Rent loss concessions are made on specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space, as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss from these real property operations is discounted using an acceptable risk rate. The discounted value, inclusive of rent loss due to extraordinary vacancy, build out allowances, and leasing commissions, becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy. A variation of this technique allows that for every year that the property's actual occupancy is less than stabilized occupancy a rent loss deduction may be estimated.

Income and expense surveys were mailed to all multi-family properties, mini storage, specialty care, warehouse, offices, RV and mobile home parks, and retail owners in January of 2025. The information gleaned from these surveys was to be used to develop a pro-forma income statement for use in the appraisal of those property types. A minimal response from this survey necessitated the use of third-party subscriptions for income data and income data that was submitted by taxpayers during the appeals process. An income model was created and applied if the data was available. The cost approach was used for property types where sufficient data was not available.

Sales Comparison Approach

Although all three of the approaches to value are based on market data, the sales comparison approach is most frequently referred to as the market approach. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to each parcel on the appraisal roll. As previously discussed in the Data Collection/Validation section of this report, pertinent data from actual sales of properties, both vacant and improved, is sought throughout the year in order to obtain relevant information, which can be used in all aspects of valuation.
Sales of similarly improved properties can provide a basis for the depreciation schedules in the cost approach; rates and multipliers used in the income approach; and as a direct comparison in the sales comparison approach. Improved sales are also used in ratio studies, which afford the analyst an excellent means of judging the present level and uniformity of the appraised values. Sales of commercial property are extremely difficult to obtain. A sales confirmation letter is sent to the buyer and seller with a form requesting additional information such as financing terms, amount down, if any personal property was included

in the sale, and how much that personal property was valued at. A self-addressed stamped envelope is included in order to encourage sales submission.

How Estimates are reviewed

Field Review

The date of the last inspection, the extent of that inspection, and the VCAD appraiser responsible are listed on the appraisal record. If a property owner disputes the district's records concerning this data in a protest hearing, the property record may be altered based on the credibility of the evidence provided. Typically, a field check is requested to verify this evidence for next year's reappraisal. In addition, if a building permit is filed for a property indicating a change in characteristics, the property is added to a work file. Although every property cannot be inspected each year, each appraiser designates certain segments of their area of responsibility to conduct field checks. A re-inspection program is in effect where each commercial account will be inspected every three years. The appraiser will inspect the condition of the structures, and add or remove any structures, where applicable.

Due to time constraints, commercial appraisers must prioritize their field review by specific use type. An effort is made to field review economic areas experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or areas experiencing wide variations in sale prices. Additionally, the appraiser frequently field reviews subjective data items such as building class, quality of construction, condition, and physical, functional, and economic obsolescence factors contributing significantly to the market value of the property. In some cases, field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. Once preliminary estimates of value have been generated in these targeted areas, the appraiser tests these estimates against their own appraisal judgment. While in the field, the appraiser physically inspects sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties not subject to field inspections and are performed. They are typically completed on properties within a given class. This is practical because of the small number of properties within each class. On properties where a study has been performed, a spreadsheet is developed listing the characteristics of the property and the property's ranking based on important characteristics. ie. Apartments, Hotels/Motels, Medical offices, Mini-Warehouses, etc.

The Commercial Appraiser may review the methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the

ratio statistics are generally acceptable overall, the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions.
This review is limited to properties by improved property type or geographic area (commercial vacant land). Once the appraiser is satisfied with the level and uniformity of value for each property, the estimates of value are designated as ready for noticing. Outliers (high or low) are reviewed and explained.

Statistical and Capitalization Analysis

Statistical analysis of final values is an essential component of quality assurance. This technique represents a comparison of the final value against the standard and provides a concise measurement of the appraisal performance. These summary statistics, including but not limited to, the weighted mean, standard deviation, and coefficient of variation, provide the analysts with an analytical tool by which to determine both the level and uniformity of the appraised value of a particular property type. The level of appraised values can be determined by the weighted mean for individual properties within a specific type, and a comparison of weighted means can reflect the general level of appraised value. Review of the standard deviation and the coefficient of variation can discern appraisal uniformity within a specific property type.

An appraiser reviews all commercial property types on an annual basis utilizing the sales ratio analysis tool. The first phase involves ratio studies, which compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the appraised values. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal, or whether the level of market value is acceptable.

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of non-recoverable and replacement reserves), net operating income, and capitalization rate and multipliers are continuously reviewed utilizing frequency distribution methods or other statistical procedures or measures. Income model conclusions are compared to actual information obtained on individual commercial properties during the hearings process as well as information from published sources and area vendors.

Appraisal Performance

Sales Ratio Study

The purpose of the district's commercial sales ratio study is to provide a statistical assessment of appraisal performance. The study determines the quality of the commercial property mass appraisal through statistical measures of appraisal level and uniformity. The

study was conducted using the guidelines set forth in the IAAO current *Standard on Ratio Studies*. Properties within a school district are considered to be "similarly situated" for the purposes of Sec 41.43 (b) (2), Property Tax Code.
Texas does not require mandatory sales disclosure; consequently, the district does not have access to all property transactions within Victoria County. The study sample is limited to sales information provided by various sources and sales submitted voluntarily by the property owner. A ratio study was developed for each school district using the sales period from January 2021 to March 2024 in order to increase the representativeness of the sample (IAAO, *Fundamentals of Mass Appraisal*, p. 237). To the extent possible, data errors, tieback accounts, characteristic changes, and other factors that might produce an erroneous sales ratio were identified and corrected. Sales identified as invalid transactions, such as atypical financing, sales between relatives, corporate affiliates, and estate sales, and sales with partially complete new construction were excluded from the ratio study. The data was assumed to represent the distribution of properties within each school district.

Appraisal Resources

Personnel - The improved real property appraisal responsibilities are categorized according to major property types of multi-family or apartment, office, retail, warehouse, and special use (i.e. hotels, hospitals, and, nursing homes).

The following appraisers are responsible for estimating the market value of commercial and some industrial property:

Keri Wickliffe, Chief Appraiser
Angela Waldrep, Deputy Chief Appraiser
Michael Guerrero, Director of Appraisal
Ronald Rebecek, Commercial Appraiser

Business Personal Property

Scope of Work

The Personal Property Appraisers are responsible for developing fair and uniform market values for business personal property located within Victoria County. There is a total of approximately 5,673 accounts appraised by staff and 816 appraised by the contractor. The four different property groups appraised by the section are as follows.

1. Business Personal Property Accounts
2. Locations that have multiple tenants
3. Leased Equipment in various locations
4. Vehicles and Aircraft

Procedure for Collecting and Validating Data

The appraisers perform a field visit on all personal property accounts within the reappraisal area. This does not include leased equipment or vehicle accounts. The appraisers take photos to reflect the assets on-site at the time of inspection. The prior year rendered amount is reviewed for reliability. Factors taken into consideration are

1. Size of business (location, square footage & quality)
2. Length of time business has been open.
3. Assets necessary to perform that business or service
4. Prior year asset rendition
5. Comparable businesses in the same SIC

After this review, the appraiser adjusts the value (if necessary) based on the evidence observed. This data is entered into the computer system for review when the business renders its assets. The field staff, consisting of two appraisers and a clerk, collects the field data.

Sources of Data

Business Personal Property

In addition to data collected and verified by the field appraisers, state sales tax listings and the assumed names database from the county clerk's office are also researched to discover personal property. Tax assessors, city and local newspapers, business journals, and the public often provide the district information regarding new personal property and other relevant facts related to property valuation.

Transportation (Vehicles and Business Aircraft)

An outside vendor provides VCAD with a list of business vehicles within Victoria County. The vendor develops this listing from the Texas Department of Motor Vehicles (TxDMV) Title and Registration Division records. Aircraft information was provided by a third-party source, identifying all aircraft hangared in Victoria County.

Leased Assets

The primary source of leased and multi-location assets is property owner renditions. Data may also be provided in reports of field inspections.

Locations that have Multiple Tenants

Requests for tenant lists are sent to all owners of all locations that have multiple tenants in January of each year. The name, mailing address of the tenant, suite number, and size of the property rented is requested with a return date of the third week of January. These lists are reviewed, and any corrections made to existing accounts are made. Any business that is no longer on this list are researched to see if they have moved or are no longer in business. If a business is not listed in the database a new account is created.

Highest and Best Use Analysis

The highest and best use of the property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of personal property is normally its current use.

Model Specification

SIC Code Analysis

Four-digit numeric codes, called Standard Industrial Classification (SIC) codes, were developed by the federal government to identify business entities having common attributes. These classifications are used by Victoria CAD as a way to delineate personal property by business type. Victoria CAD has further created new codes by adding to the existing SIC codes in order to group business types that have similar personal property characteristics located in Victoria County ie fencing contractors. The SIC code identification and delineation is the cornerstone of the personal property valuation system at the district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. SIC codes are delineated based on observable aspects of homogeneity and are periodically reviewed to determine if new codes are warranted.

Model Calibration

Cost Schedules

Appraisers build cost schedules based on SIC codes. Cost data from property owner renditions, hearings, state schedules, and published cost guides are utilized to develop these cost schedules. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per square foot format, but some SIC codes are in a price per unit format, such as per room for hotels.

Final Models: Depreciation Schedule and Trending Factors

Business Personal Property

The primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is developed either from the property owner's reported historical cost or from existing valuation models. The trending factors and the percent good depreciation factors are combined for use by the Victoria Central Appraisal District. They are both provided by the comptrollers' office and are based on published valuation guidelines.

The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

PVF = INDEX FACTOR x PERCENT GOOD FACTOR

The PVF is used as an "express" calculation in the cost approach. The PVF is applied to reported historical cost as follows:

MARKET VALUE ESTIMATE = PVF x HISTORICAL COST

This mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market.

The appraiser reviews the renditions submitted in the past years and compares the valuation for the last several years. This data is analyzed in order to arrive at a market value. Owner renditions are primarily used to value the business. Quality density schedules are used when the building in which the business is housed, was constructed for that business. Other methods used to value Unrendered businesses are other similar businesses within the SIC Code, previous years' renditions, and appraiser experience.

Transportation (Vehicles, and Business Aircraft)

Value estimates for vehicles are provided by an outside vendor and are based on data furnished by using national valuation services. Vendor vehicle valuation is used for vehicles under 1 ton. Trailers and vehicles over 1 ton are valued using the original cost times depreciation factor in the corresponding schedule.
Business aircraft are manually valued using depreciated cost or nationally recognized valuation guides such as the Aircraft blue book, etc. to develop the estimate of market value.

Leased and Multi-Location Assets
Leased and multi-location assets are valued using the index factor and percent good depreciation schedules mentioned above.

Review of Estimates of Value

Business Personal Property
All Personal Property accounts appraised by VCAD are worked in house by the Personal Property Appraisers. All information on each account is reviewed and a value is assigned. This value is input into the computer system for noticing.

Transportation (Vehicles and Business Aircraft)
A Vehicle list is provided by a vendor and the values are based on data furnished by using national valuation services. Vendor vehicle valuation is used for vehicles under 1 ton. Trailers and vehicles over 1 ton are valued using the original cost times depreciation factor in the corresponding schedule. Business aircraft are manually valued using depreciated cost or nationally recognized valuation guides such as NADA, National Auto Research, Aircraft blue book, etc. to develop the estimate of market value. The appraisers review all of these values prior to entering the final value into the computer system.

Leased and Accounts
Some Leasing Company accounts are reported by the property owner electronically and a large volume of assets require no loading. Accounts that render by hard copy are keyed manually. Before data entry, accounts are reviewed and approved by an appraiser.

Locations that have Multiple Tenants

These accounts are worked in house by the Personal Property Appraisers. All information on each account is reviewed and a value is assigned. This value is input into the computer system for noticing.

Field Review
The appraisal staff reviews personal property accounts in an effort to review all accounts within a three-year cycle. In addition to the annual field review, field checks are conducted on accounts created in the past year, as well as accounts identified as a result of discovery through hearings, business publications, and various correspondence.

.

Appraisal Performance
The Personal Property Ratio Study was conducted for 2024 once the majority of renditions have been filed. The results were released by the Comptroller as part of the School Study in January of 2025.

The following appraisers are responsible for estimating the market value of Business Personal property:

Bonnie Roberts, Personal Property Appraiser
Jo Lynn Ulcak, Personal Property Appraiser

Mineral & Industrial Valuations

Mineral and Industrial valuations within Victoria County are conducted annually by the firm of Pritchard & Abbott, LLC. The mineral valuation process is documented in the Mineral Appraisal Manual provided by Pritchard & Abbott, LLC. and can be obtained by contacting VCAD's Open Records Division.

Agricultural Appraisal

Definition of Agricultural Value

Net to land value is the average annual net income that a class of land would be likely to have generated over a five-year period. The average net income is divided by the cap rate to arrive at the productivity value.

Scope of Work

The mass appraisal of agricultural (Ag) property includes all property classified as 1-d-1 and 1-d agricultural uses, which are appraised on the land's ability to produce income from agriculture production. The mass appraisal of agricultural property involves applying similar values within the same agricultural categories and classes. In Victoria County, this involves approximately 7,200 accounts. The agricultural appraisal is performed by the land appraiser, the residential appraisers, and one clerk.

The Victoria CAD appraises agricultural property according to the *Property Tax Code* and Comptroller guidelines. Appraisal values are calculated using the cash lease method. A cash lease (cash rent) is an agreement between the landowner and tenant to lease property at a fixed cash payment. Fractional interest (UDI) or partial holdings of real property are appraised for the entire tract and value prorated based on eligibility and prorated interest. This department maintains and qualifies nominal value and special value accounts.

Procedure for Collecting and Validating Data

Lease surveys are sent to all accounts currently receiving the agricultural valuation. The advice of the Agricultural Advisory is also used for lease and expense data. A modified income approach to valuation is used in calculating net to land as required by statute.

Data Maintenance

The 2025 agricultural appraisal process began on August 1, 2024. Field review of all agricultural accounts that sold or were in the reappraisal area was performed. All new Applications were evaluated for approval or denial and inspected if not already inspected in the previous twelve months. If the application was denied the owner was advised by procedures required by the *Property Tax Code.*

Appraisal Performance

The PTAD of the State Comptroller's Office regularly reviews all values and procedures used in the calculation of agricultural values. Staff also routinely evaluates its own valuation procedures. Additionally, the Victoria County Agricultural Advisory Board reviews our values and appraisal process.

The following appraisers are responsible for estimating the AG value of Agricultural Land and the qualification of that land

Angela Waldrep, Deputy Chief Appraiser
Michael Guerrero, Director of Appraisal
Julie Brod, Lead Appraiser
Kyle Davidson, Appraiser
Lance Macom, Appraiser
Laura Taylor, Appraiser

LIMITING CONDITIONS

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

1. The appraisals were prepared exclusively for ad valorem tax purposes.
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised 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.
3. Validation of sales transactions was attempted through questionnaires to buyer and seller, and field review. In the absence of such confirmation, residential sales data obtained from vendors & the public were considered reliable.

I have attached a list of staff providing significant mass appraisal assistance to me.

I certify that, to my best knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.
- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest 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.
- I have appraised the properties for Property Tax purposes, as an appraiser regarding the property that is the subject of this report within the three-year period immediately preceding acceptance of this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in the value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.*
- I have not made a personal inspection of the properties that are the subject of this report.
- The following persons have made significant mass appraisal assistance to me.
- I believe the work of the individuals listed below are competent and have no doubt that their work is credible.

Keri Wickliffe, RPA, CCA

Chief Appraiser

STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

NAME	TITLE	TDLR#	TYPE OF ASSISTANCE
Keri Wickliffe	Chief Appraiser	74793	Oversight of Information & Assistance, ARB Operations Jurisdiction Communications, Mapping and Administration, Appraisal
Angela Waldrep	Deputy Chief Appraiser	68555	Analysis, Appraisal, Appraisal Data Collection & Value Correlation
Michael Guerrero	Director of Appraisal	77434	Analysis, Appraisal, Appraisal Data Collection & Value Correlation
Julie Brod	Lead Residential Appraiser	76701	Appraisal, Appraisal Data Collection & Value Correlation
Laura Taylor	Residential Appraiser	78069	Data Collection & Value Correlation
Kyle Davidson	Residential Appraiser	78354	Data Collection & Value Correlation
Lance Macom	Residential Appraiser	78426	Data Collection & Value Correlation
Ronald Rebecek	Commercial Appraiser	70572	Appraisal, Appraisal Data Collection & Value Correlation
Bonnie Roberts	Business Personal Property	76416	Appraisal, Appraisal Data Collection & Value Correlation
Jo Lynn Ulcak	Business Personal Property	75909	Data Collection and Value Correlation