

How Is Your Home Valued

We use what is commonly referred to as “Mass Appraisal Techniques” in the valuation of your property. Mass appraisal is a widely accepted practice for the valuation of property for the purpose of taxation. The same principles followed in an individual appraisal are used in mass appraising, although their application may differ slightly. Appraisals made on an individual basis generally involve direct comparison between sales and subject. In mass appraisal, a large volume of data, including sales and construction costs is processed. This data is developed into baseline values for each property classification within an appraisal area. When the baseline value is applied to a specific property, and appropriately adjusted, mass appraisal takes on the nature of direct comparison. The advantage of using a mass appraisal system is that it creates accurate value estimates quickly at a relatively low cost.

The Comal Appraisal District has divided Comal County into over 500 “neighborhoods”. A “neighborhood” is defined as “an area, which contains complimentary land uses and has similar value influences within a geographic location”. Often a neighborhood has the same boundaries as a subdivision, but in some cases a neighborhood may encompass several subdivisions or a subdivision may contain several neighborhoods. Once the neighborhood has been identified, the district develops a neighborhood profile for each neighborhood. The profile describes the boundaries, the influences affecting values in the neighborhood, and identifies benchmark properties. A benchmark property is made up of characteristics common to all properties in a class. For example, an appraiser is examining a neighborhood made up of tract homes. All the improvements are between 1500 and 1700 square feet, have two car garages, are wood frame, have central heat and air, have front porches, and some have fireplaces and decks. In this neighborhood, the benchmark property would be defined as:

Use:	Single Family Residential
Construction:	Wood Frame
Size:	1500-1700 Square Feet
Amenities:	Two Car Garage
	Central Heat and Air
	Front Porch

The benchmark would not include fireplace and decks because these characteristics are not common to all properties in the class. To account for this value, the appraiser must use either cost information or market data to adjust for these characteristics.

Typically, there are three valuation methods used in real estate; cost, market, and income. For residential properties, the two most commonly used are cost and market. The cost approach uses the fundamental premise that an individual shouldn't pay more for a property than it would cost to build an equivalent structure. The cost of construction minus

depreciation, plus land is a measure of market value. The market or sales comparison approach to value is the most probable price which a property should bring in a competitive and open market under all conditions required of a fair sale. The market approach to value is generally the most reliable indicator of value for residential properties.

The Taxes Property Tax Code Section 25.02 requires that appraisal records have separate listings for land and improvement values. However, any protest of the market value of your home to the Appraisal Review Board must be on the entire value and not one component of the value.

The first step in the process is to value the land where your residence is situated.

LAND

There are various methods used to value land; however, for residential properties the most common methods are Sales Comparison, Allocation, and Abstraction. Typically, the Comal Appraisal District uses the sales comparison approach to develop residential land values. Under the sales comparison approach, the district relies on a comparative unit method or the base-lot method to conduct its analysis. The comparative method is used in areas where tracts vary in size but are fairly similar in other aspects. Under the comparative unit method, the price per unit is usually expressed in square feet or acres. The base-lot method is used when parcels have variations such as size, access, and topography. The base-lot method requires the district to establish a "base" parcel using a sales comparison analysis with the base lot serving as the subject parcel. Once the base-lot value has been established, it is used as a benchmark to establish value for individual parcels.

The Allocation method is used when there are no sales of vacant lots for comparison. Under this concept, a portion of the total property value maybe assigned to the property. Land values are usually between 14-20 percent of the total property value but may vary higher or lower. Example: Total Market Value = \$100,000
If 15 percent of the Total Market Value is for the land, the land value would be \$ 15,000.

The Abstraction method involves using the element of the cost approach in the analysis of an improved property sale. This method involves subtracting the depreciated replacement cost of improvements from the sale price of an improved property. Example: Total Market Value = \$ 100,000. If estimated replacement cost less depreciation of the property improvements is \$ 85,000 then the land value would be \$ 15,000 (\$ 100,000 - \$ 85,000).

Land schedules are developed using sales data collected and verified by an appraiser. A standard or typical parcel from the neighborhood is selected to serve as a base lot. The base lot does not have to be a sold property, but should possess characteristics common to the majority of properties within the neighborhood. Characteristics such as limited access, topography, and water views that do not reflect the norm or common characteristics of the standard or base lot may require adjustments. In many instances, there will be sold properties that have characteristics that differ from what is considered typical for its

market area. The difference in sales prices should reflect how much a particular characteristic influences the purchase price. This difference is calculated as a percentage and is then used to create an influence schedule. Land adjustments shall be applied to properties when they do not conform to the standard in a defined market area.

IMPROVEMENTS

The quality of construction will influence the cost of a residence. Quality may vary within a given type of residence thus cost schedules provide different levels of quality classes. Examination of the materials and workmanship of a residence is fundamental when determining its overall quality and classification and is essential in determining the proper classification of a single-family residence.

The Comal Appraisal District uses 7 classification categories: Poor, Low, Fair, Average, Good, Very Good, and Excellent. In addition, the district uses a sub-classification as an extension of the quality of the exterior. The three sub-classes are: Residential Low Quality, Residential Average Quality, and Residential High Quality.

The District refers to published national cost schedules as a reference to develop the residential improvement schedules for the different classification of improvements. Cost schedules are used to develop a cost value for all improvements as new and have been modified to fit the local residential building and labor market.

The cost approach to value estimates the improvement values as new and then adjusts for depreciation. Depreciation includes such things as; condition (Excellent, Good, Average, Fair, and Poor), effective or actual age of the improvement, functional obsolescence, economic obsolescence, physical obsolescence, and percent complete.

The cost of construction minus depreciation, plus land is a measure of market value. Thus the formula for deriving the market value of an improvement using the cost approach is:
Market Value = Replacement Cost New – Depreciation + Land Value.

SALES ANALYSIS

The cost approach estimates the improvement values as new and then adjusts for depreciation. It is expected that adjustments to the cost values are needed to bring the level of appraisal to an acceptable standard. Market adjustments or neighborhood adjustments are developed from appraisal statistics provided from sales ratio studies and are used to trend the values closer to the actual market value. The calculated market adjustments are applied uniformly to all properties within a market neighborhood. Thus the formula used for deriving the market value of an improvement using the sales analysis approach is:

Market Value = [Market Adjustment x (Replacement Cost New – Depreciation)] + Land Value.

EXAMPLE (The tables used are for illustration purposes only)

An appraiser identifies an improvement as a four year old 1,800 sq. ft. residence. The residence is determined to be built of average quality (class), average sub quality (subclass), is in average condition and has 8 percent depreciation (92% good). It is also determined that a 5 percent downward adjustment is needed to reach market value. Land Value is \$ 25,000

***Residential Class Schedule**

CLASS	VALUE
EXCL	159.46
V-GOOD	113.14
GOOD	93.24
AVG	75.41
FAIR	65.55
LOW	64.15
POOR	58.00

***Subclass Schedule**

SUBCLASS	VALUE
RLQ	95
RAQ	100
RGQ	105

***Local and Cost Modifier**

CLASS	ADJUSTMENT
POOR	100%
LOW	100%
FAIR	100%
AVERAGE	100%
GOOD	100%
V-GOOD	100%
EXCL	100%

***Square Foot Table Adjustment**

AREA	POOR	LOW	FAIR	AVG	GOOD	V-GOOD	EXCL
600	100	107	114	123			
800	94	100	108	117	123		
1200	85	91	100	108	114	121	
1800	78	83	93	100	106	111	114

***Condition Schedule**

CONDITION	VALUE
E	100
G	100
A	97
F	95
P	93

Improvement Value = [(75.41 x 100% x 100% x100%) x 1800 (92% x 97%)]

Improvement Value = 75.41 x 1800 (89%)

Improvement Value = 120,807

Market Value = (95% x 120,807) + 25,000 = **139,767**

Note: This is an example of how the living area of your home is appraised. Auxiliary improvements such as porches, garages, etc. are added to the improvement value prior to any market adjustment. Additionally, feature adjustments for # of baths, fireplaces, etc. may also have a positive or negative adjustment to your improvement value.

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