



Dallas Central Appraisal District

RESIDENTIAL PROPERTY VALUATION PROCESS

The Dallas Central Appraisal District's (DCAD) goal is to appraise all property within Dallas County at market value as of January 1 of each year. DCAD uses a Computer Assisted Mass Appraisal (CAMA) software system to achieve this goal. DCAD's CAMA system is commonly referred to as MARS (Mass Appraisal Records System). The MARS software has also been integrated with a Geographical Information System (GIS) which is an intelligent mapping system, digital photographs of all real property, aerial photographs, an image workflow system, and an appeals tracking system.

The Texas Property Tax Code requires appraisal districts to maintain property records including ownership changes, property descriptions, a market value estimate, and any applicable partial or total exemptions to arrive at a taxable value. This information is then provided annually to the taxing jurisdictions within Dallas County to set tax rates and to collect taxes. DCAD does not collect taxes as this function is the responsibility of the various tax offices in Dallas County.

DCAD is required to appraise all property at market value as of January 1 of every tax year. The definition of Market Value per the Texas Property Tax Code Section 1.04 states: Market Value means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if: (a) exposed for sale in the open market with a reasonable time for the seller to find a purchaser; (b) both the seller and the purchaser know of all uses and purposes to which the property is adapted and for which it is capable of being used and the enforceable restrictions on its use; and (c) both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. In short, it is the goal of DCAD to appraise all property within Dallas County at what it would sell for as of January 1 of every tax year.

The Residential Division is responsible for valuing single family residences, townhomes, condominiums, duplexes and fourplexes, mobile homes, and residential zoned vacant lots. Residential has 28 different building classifications. The Residential valuation process performed by DCAD typically falls into two categories: 1) Building Permits and Miscellaneous Inspections, and 2) Property Reappraisal. These two tasks are performed from August 1 through April 30 of each year. Building Permit work is typically done from August 1 through January 15 while Reappraisals are typically done from January 15 through April 1. Miscellaneous inspections can be done throughout this entire time frame.

A building permit is a document issued by a city, which gives a property owner permission to build on or modify a piece of real property. Appraisal districts obtain copies of these building permits from the cities and use these copies as a tool to discover new construction and or alterations to existing structures. Building permits issued from January 1 to December 31 are targeted for inspections as well as any properties that were partially completed from the prior appraisal year. The two main types of building permits are: New Construction and Miscellaneous. New Construction Permits are newly constructed houses, not new additions to existing homes. The exterior perimeter of all new houses is measured and sketched. All physical characteristics are updated to the account. Miscellaneous Permits are all building permits except for new houses, such as pools, room additions, garages enclosed into living areas, remodeling, repairs, and demolitions. Exterior measurements are made when required and adjustments to the improvement's physical characteristics are updated to the account. Since the assessment date is January 1, all permit inspections are made from August 1 through January 15. If during the initial inspection it is found the permit work to still be in process, the appraiser will recheck the property again close to the January 1 assessment date.

Each Residential parcel is coded according to a neighborhood (homogeneous market area) in which it is located. These neighborhoods have been delineated by the Residential Division through the use of market analysis techniques. A Residential neighborhood can vary in size from as few as four accounts to more than a thousand accounts depending on homogeneity. A Residential neighborhood will not typically comprise accounts that are in two separate Independent School Districts (ISD) as ISD's are typically a driving factor in a prospective residential property owner's purchase decision and thus reflected in the sale prices. DCAD's mass appraisal process and model development is based on appraising property

by Neighborhood by Building Class which results in more equitable market values. There are approximately 28 Residential Building Classes as defined by DCAD. Each building class has a description of the typical home in that class. By having distinct building classes, Residential can then develop specific mass appraisal models by neighborhood by building class allowing for more accurate and equitable market values. The same model is applied to all properties within a specific neighborhood that have the same building classification. Therefore, two properties exactly alike within the same neighborhood will be appraised at the same market value.

Residential Neighborhoods are targeted for reappraisal based primarily by a neighborhood sales ratio analysis. Sales ratio analysis is the process of comparing what homes have recently sold for within a given neighborhood compared to DCAD's current appraised value. The goal is to appraise all property at 100% of market value. Residential neighborhood sales ratio analysis is undertaken annually to target neighborhoods for reappraisal. Residential Neighborhood Sales Ratio Analysis typically takes place in January and March of every year for all neighborhoods. The Residential mass appraisal process is as simple as: 1) determining the level of assessment at the neighborhood level and building class level, 2) apply a neighborhood multiplier to the neighborhood building class model for both the sold and unsold properties to predict what homes will sell for based on what has sold, and 3) review the newly adjusted values. The sold properties used in the neighborhood building class model development during the reappraisal effort are typically inspected and reviewed to insure that property characteristics (building classification, living area square footage, condition/desirability/utility rating, bath room count, additional improvements, land value, etc.) are accurate. The inspection and review of these sold properties typically occur prior to the actual model development. Once a neighborhood reappraisal is completed, the appraiser undertakes a neighborhood value review to review the adjusted market values of all properties within the neighborhood to insure accurate proposed market values based on what has sold and to also insure equitable market values when compared to other appraised properties within the same neighborhood and same building classification.

The Mass Appraisal Records System (MARS) utilized by the Residential Division of the DCAD gives the ability to appraise property by all three approaches to value: Cost Approach, Sales Approach, and Income Approach. The Cost Approach is the first approach to value for Residential properties. There will always be a Cost Approach to value established on an account. The Cost Approach involves calculating the replacement cost new for each home and then deducting the appropriate amount for depreciation (effective age and condition, desirability, and utility). The result of this process is the sum of the depreciated value of the house and any other additional improvements on the property. The land value is then added back to the total depreciated value of all improvements established on the account to arrive at the estimated market value of the account via the Cost Approach. The Cost Approach is the primary valuation approach used when undertaking the reappraisal of a neighborhood. During the reappraisal effort, the Cost Approach is modified based on sales information by building class by neighborhood to arrive at estimated market value. Equity is achieved by applying the same location factor for all properties with the same building classification within a given neighborhood. The Sales Approach compares the property being appraised with similar properties that have recently sold. The characteristics of the sold properties are analyzed for their similarity to those of the subject property. Because no two properties are exactly alike, the prices of the sold properties must be adjusted to the subject property to account for any differences between the properties and the subject property. For instance, if the sold property had a pool and the subject property does not, an adjustment would be warranted. The newly adjusted sale prices give a direct reflection of the indicated market value of the unsold subject property. The Sales Approach can be used to value any property, whether improved or vacant. The Sales Approach is typically utilized during the informal and formal Appraisal Review Board process when analyzing a Residential property's estimated market value. The Income Approach is used in very limited instances for Residential properties. It is typically the preferred method for income producing Commercial properties. When reviewing a Residential property's estimated market value during the informal and formal Appraisal Review Board process, the Sales Approach is typically the preferred method.

Dallas Central Appraisal District hopes this brochure provides you with a better general understanding of the valuation processes undertaken by the appraisal district for properties in Dallas County. Our goal is to appraise all property within Dallas County at market value of every year, and the objective is to not only be accurate, but also equitable. You may also visit the DCAD website at www.dallascad.org to view a Property Valuation Process PDF in Navigation Links.