

Memorandum



CITY OF DALLAS

DATE February 28, 2014

TO Budget, Finance and Audit Committee: Jerry Allen (Chair), Jennifer S. Gates (Vice Chair), Tennell Atkins (Mayor Pro Tem), Sheffie Kadane, and Phillip Kingston

SUBJECT Property Appraisal Procedures

On Monday, March 3, you will receive a briefing on "Property Appraisal Procedures," a copy of which is attached. Please contact me should you have any questions.

A handwritten signature in black ink, appearing to read "Theresa O'Donnell". The signature is fluid and cursive.

Theresa O'Donnell
Interim Assistant City Manager

C: The Honorable Mayor and Members of the City Council
A.C. Gonzalez, City Manager
Warren M. S. Ernst, City Attorney
Rosa A. Rios, City Secretary
Judge Daniel Solis, Administrative Judge
Craig D. Kinton, City Auditor
Ryan S. Evans, Interim First Assistant City Manager
Jill A. Jordan, P.E., Assistant City Manager
Forest E. Turner, Assistant City Manager
Joey Zapata, Assistant City Manager
Charles M. Cato, Interim Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Frank Libro, Public Information Officer
Elsa Cantu, Assistant to the City Manager

PROPERTY APPRAISAL PROCEDURES

Budget, Finance & Audit Committee
March 3, 2014



Purpose

- Provide overview of:
 - City's procedures and requirements for real property appraisals
 - Difference between City's appraisal process and Appraisal Districts' appraisal process for determining property tax assessment value

Real Estate Division Overview

- 20 licensed professionals who annually process various transactions:
 - Acquire approximately 250 parcels of land for public purpose
 - Sell approximately five surplus properties deemed unneeded and unwanted by Council
 - Process approximately 35 abandonment requests to assist in redevelopment
 - Also lease and license properties, sell tax foreclosed properties

When Are Appraisals Needed?

- City obtains appraisals to determine fair market value for three main purposes:
 - Acquire properties for public purpose
 - Sell surplus public properties
 - Abandon rights-of-way or easements

- Depending on above purpose, requirements differ for dollar threshold for when an appraisal is required or how many must be obtained

Acquisitions



When Are Appraisals Needed?

ACQUISITIONS

- ❑ For all properties acquired with Bond funds:
 - Independent appraisal must be obtained (State law)

- ❑ For property valued between \$10,000 and \$500,000:
 - One independent appraisal obtained (policy)

When Are Appraisals Needed?

ACQUISITIONS cont.

- For property valued over \$500,000:
 - Two independent appraisals must be obtained (City Code)
 - Council may waive requirement
- For property valued under \$10,000 and not acquired with Bond funds:
 - Central Appraisal District (CAD) valuation may be used for small properties and easements

Sales



When Are Appraisals Needed?

SALES

- For property value of \$100,000 or more:
 - One independent appraisal must be obtained (City Code)
- For high dollar and/or high profile properties:
 - Staff may opt to obtain two appraisals
- For property valued less than \$100,000:
 - Staff reviews CAD to determine value

When Are Appraisals Needed?

SALES cont.

- For properties sold by advertised bid and auction:
 - Obtain appraisal or use CAD to determine minimum bid value
 - Highest qualified bid received at auction is indication of fair market value (State law)

Abandonments



When Are Appraisals Needed?

ABANDONMENTS

- For property valued \$20,000 or more, per City Code:
 - One independent appraisal must be obtained
 - Must be appraised as if it were an assembled portion of the applicant's abutting property
- For property valued less than \$20,000:
 - Staff determines market value using CAD

INDEPENDENT APPRAISALS

Appraisal Contracts

- For all appraisals, staff issues a Request for Proposal

- Appraiser is selected based on:
 - Understanding of appraisal requirements
 - Price
 - Ability to perform within specified time frame

- Contract entered into giving instructions to appraiser

Appraisal Instructions

- Evaluate individual properties
 - Determine appraisal methodology
 - For sale comparisons, identify comparable properties
 - Apply discounts as appropriate
- Appraise “Highest and Best Use”
 - legal permissibility,
 - physical possibility,
 - financially feasible, and
 - maximum profitability

Individual Property



Appraisal Standards

- Independent appraisers are licensed by The Appraisal Institute and certified by the State of Texas
 - Strict standards and procedures as documented in USPAP (Uniform Standards of Professional Appraisal Practice) must be followed for each type of appraisal conducted

- Appraisals represent Opinions of Value

Staff Appraisal Reviews

- As professional consumers of appraisal reports, staff reviews all submittals to ensure compliance with requests and that standards are met
- All reviews performed by one specialist
 - Follows-up with appraisers for clarification on methodology, comparable sales and assumptions as necessary
 - Knowledgeable and experienced with all types of appraisals

Appraisal Support

- In the event that a property acquisition requires eminent domain, appraiser is asked to testify at Commissioner's Hearing
- CAD value typically and theoretically not admissible as evidence at Commissioner's Hearing or Jury Trial

CENTRAL APPRAISAL DISTRICT APPRAISALS

Central Appraisal District (CAD) Appraisal Procedures

- Determines assessment value

- Registered and trained appraisers use computer-assisted mass appraisal (CAMA) programs to compare the subject property information with:
 - Data for similar properties, and
 - Recent market data

Mass Appraisal



CAD Appraisal Procedures cont.

- Property Tax Code requires that all taxable property be appraised at its “market value” as of January 1st
 - Property value may not change year-to-year

- 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:

CAD Appraisal Procedures cont.

- 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.

CAD Appraisal Procedures cont.

- Required by State law to update real property values at least once every three years
- Property owner has right to appeal tax value on an “equal and uniform” basis

Next Steps

- Update list of appraisers through a new Request for Qualifications process
 - Licensed and experienced in providing appraisals for government agencies
 - Experienced in providing testimony at Commissioner's Hearings and Jury Trials

- Reconvene Real Estate Task Force to review procedures and provide input

QUESTIONS?
