

2021 APPRAISAL REPORT

REEVES COUNTY TAX APPRAISAL DISTRICT

Executive Summary: The Reeves County Appraisal District had a difficult year in 2021. Even as the year closes, the current administration is working to correct many appraisal errors discovered when the bills for 2021 were finally mailed out in November. Many appeals were filed and the Appraisal Review Board (ARB) heard made decisions on an unusually high number of appeals. Unfortunately, the excessive number of appeals overwhelmed the small staff of the district, and even now, appeals are being found that were never heard by the ARB. Those appeals are being set for hearing and orders sent after the hearing process. A new chief appraiser was hired to begin work on January 1, 2022, and the Board of Directors is hopeful that many of the past issues will soon be corrected. The District asks for patience from our constituents as we seek to cure a myriad of issues.

Single Family Residential: Sales data indicated that the values of homes of all types were well under the standard of market value. Team Consulting, a company that assists appraisal districts all over the country, was hired to examine all aspects of the district and to recommend ways to fix the errors of appraisal that had plagued the district for years. They developed a new classing system for homes and taught the appraisers in the office about how to class the properties using the new system. However, the experience of the ladies in the office was not extensive and the training was probably not lengthy enough for them to grasp the concepts. Measurements of newly discovered properties were sometimes not correctly measured resulting in incorrect appraisals. Overall, the classing system improved the results of ratio studies, but failed to reach the level of market value in any category of homes.

Man Camps and Worker Housing: Reeves County has experienced rapid growth in the last five years with the boom in the oil industry and very large new discoveries. That increased the need for housing for workers who normally live elsewhere, go home on weekends, and stay in Pecos or in rural man camps during the week. These camps were appraised by Team Consulting contractor Patrick Carroll, an experienced commercial appraiser. The income approach was utilized taking a normalized rent per square foot, subtracting typical expenses, and capitalizing the net income at a rate of 8-10%. The higher rate was determined because of the risk associated with the boom-and-bust cycle of the oil industry. All of these types of structures were discovered and appraised, many for the first time, at near market values.

Apartments: There are not too many apartments in Reeves County and most of them are located in Pecos. Team Consulting appraised these also using an income approach as described above. The values of apartments rose significantly as they approached market value based on the net income of typical apartments.

Land-Lot Values: Lots in Pecos and other smaller towns were appraised more in line with most recent sales in 2021. The lots had been appraised at very low values for many years. Team Consulting developed the schedules using a limited number of sales. Many protests were filed by taxpayers who saw dramatic increases even though increases were mostly in line with sales. The appraisal review board typically accepted the higher values unless a person had substantial evidence that the value was less.

Land-Acreage: The rural land in Pecos County had mostly been appraised at \$50 per acre and likely had been appraised at that level since the inception of the appraisal district in 1982. The sales discovered by Team Consulting indicated larger tracts (Surface only) selling for \$450/acre or more. The dramatic increases also caused a large number of appeals to be filed. Smaller tracts in acreage were appropriately appraised higher, but in some cases, should have been linked to larger parcels under the same ownership. Many corrections were made and many more are being done at the close of the year. The small towns in Reeves County seem to have very high land values but the limited sales make it difficult to know one way of the other.

Commercial Property: All of the larger valued parcels such as hotels, convenience stores, truck stops, and big box retail were appraised using the income approach to value. Hotels were difficult to appraise in 2021 due to the substantial drop in revenue in 2020 due to the pandemic and the reduction in drilling activity in Reeves County. Most of the commercial account are represented by agents and the value adjustments were fought by most. A number of lawsuits have been filed on hotels in Pecos.

Oil and Gas: In what was a monumental mistake, the former chief appraiser decided to undertake the appraisal of oil and gas production in Reeves County. The production here likely exceeds any county in Texas. There are more than 7000 active wells producing a vast amount of minerals. A computer program was purchased, production records were gathered, and several consultants were hired by contract to produce ownership records and other aspects of mineral appraisal. Some of these contractors were not competent or they were overwhelmed by the size of the job and the result of all of this was an inaccurate appraisal roll with many, many errors. The current staff is working on the corrections along with Capitol Appraisal Group, an Austin based appraisal company that was the last appraisal company who worked for the district and produced the mineral values in 2019. They are going through the roll the find a multitude of new discoveries that were left completely off the appraisal roll. After the correction of the 2020 and 2021 rolls, Capitol will be developing the appraisals for 2022. Many agents have contacted the appraisal district begging for the issues to be corrected so that their clients can pay appropriate tax amounts. Supplements for omitted property will soon be sent, followed by potential appeals, and then appropriate billing.

Industrial Property: The District has a large value in industrial property and plants associated with the oil industry as well as pipelines and utility properties. A person was hired by contract to appraise those properties in 2020 and 2021. Double assessments abound and agreed-upon values were often not entered into the computer system and necessary adjustments to those

values are being made at this time. Capitol will be appraising those properties in 2022 and are making corrections to 2020 and 2021 accounts.

Business Personal Property: No one on staff had a good understanding of how business personal property was to be appraised. The person doing the industrial property took on the task, and generally accepted the renditions of property owners. In 2022 the office needs to enter lists of assets and apply appropriate depreciation based on the age and life of the assets. Once those are entered, then the process of valuing those properties becomes easier.

Mobile Homes/Manufactured Housing: These properties that do not sit on property that is owned by the owner of the home are appraised as personal property. Each improvement is measured and classed. Then depreciation is applied. A review of these accounts indicates inconsistency in the classing and valuing of these properties.

Post-appraisal Ratio Study: After the end of the appraisal calendar, a sample of sales of single family residential properties indicated that homes and mobile homes still need to be increased to reach market value. There are not sufficient sales in the area outside of Pecos to develop ratio studies in other categories. The State Comptroller will be conducting an independent study of values in Reeves County and their results will be released February 1, 2022.

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 buyers, sellers, and other various sources. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
4. Included within this report is staff providing significant mass appraisal assistance to the person signing this certification.

Certification Statement:

"I, Richard Petree, Chief Appraiser for the Reeves County Tax 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, contractors, and my staff, 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."



Richard Petree, RPA, RTA, CCA
Chief Appraiser