

**From:** Jeremy Bagott, MAI, AI-GRS <[jbagott@gmail.com](mailto:jbagott@gmail.com)>

**Sent:** Friday, October 14, 2022 8:00 AM

**Subject:** Tax Agency Accused of Cover-Ups, Nepotism, Fabricating Thousands of Values

Contact: Jeremy Bagott, MAI, AI-GRS

Tel: 805-794-0555

[jbagott@gmail.com](mailto:jbagott@gmail.com)

\*\*\* FOR IMMEDIATE RELEASE \*\*\*

## TAX AGENCY ACCUSED OF COVER-UPS, NEPOTISM, FABRICATING THOUSANDS OF VALUES

(October 14, 2022) – “Never attribute to malice what can be adequately explained by incompetence,” advises Hanlon’s Razor. But the device would be hard-pressed to explain the depth of the morass at a public agency in Denton County, Texas, the seventh-most populous county in the state.

First, some background: Texas is divided into about 250 government districts that appraise real properties for local taxation. The districts roughly align with county boundaries – from those of Loving County, population 64 (the least-populated county in the continental United States), to Houston’s sprawling Harris County, population 4.7 million. Each agency is known as a “central appraisal district.” Agency heads are called “chief appraisers.” They wield great power in the Lone Star State.

But chief appraisers and the appraisal districts they run are subject to little oversight by the public. Each district is overseen by a board whose members are voted in by the local agencies whose budgets the districts support. Because the votes are proportional to size, the state’s school boards tend to have most

control. Members of the public – the working stiffs who pay the property taxes – are shut out of the selection process.

As such, districts can become magnets for local grandees, potentates, self-styled eminences, political operators and lethargic seat-warmers clutching sinecures. Because of the structure, even top county officials are hamstrung and can only look on at the districts' activities.

At the Denton Central Appraisal District in the Dallas-Fort Worth area, critics and whistleblowers cite mass-fabrication of data, the routine violation of state law, secrecy, cover-ups and nepotism. "A mismanaged nightmare," is how one charitable critic put it. Less charitable observers liken the district to the Gambino crime family. The Denton district oversees property valuations totaling about \$115 billion.

At the white-hot center of it is Chief Appraiser Hope McClure, who was placed on paid administrative leave by the district's board in mid-September. The board then hired a law firm to negotiate her separation. But it may be a case of closing the barn doors after the horse has bolted. A common theme from sources with knowledge of the inner workings of the Denton Central Appraisal District is that employees simply "made things up" when deadlines loomed.

The damage has been immense. McClure, who ascended in meteoric fashion from office manager to chief appraiser, toiled in the shadow of the high-powered and well-connected Deputy Chief Appraiser Kathy Williams, her mother. Once her daughter was appointed to the top position in 2020, Williams retired.

When a whistleblower shared information with media outlets about what was

going on at the district, McClure forced employees to sign nondisclosure agreements. Texas open-meeting and open-records laws don't lend themselves to such secrecy from public servants.

Bev Henley, former chair of the district's appraisal review board, had reached wits' end. She [reported](#) the district to the Texas Department of Licensing and Regulation for knowingly issuing erroneous appraisal notices to property owners. She also alleges the district knowingly bypassed the appeals process for thousands of aggrieved property owners.

"The appraisal district has essentially committed fraud on 8,000 to 10,000 properties," said Henley. "I knew something was wrong with their numbers. [These] cases started going before me while I was chair of the appraisal review board.

"[McClure] was obstructing property owners in exercising their right to an in-person hearing. She couldn't make her numbers, so she closed out these properties that were under protest and had not yet come before the review board. Our tax code doesn't allow this to happen."

Henley described it as something akin to a shell game.

"She moved those 8,000 to 10,000 properties over to the [certified] category," said Henley. "After they were counted and she submitted her paperwork to the Texas Comptroller's Office certifying the tax roll, she moved those properties back into the "under protest" category.

"There's a lot at stake because it puts at risk 61 local public agencies who depend on property taxes for their budgets," said Henley.

Mark Vargus, a forensic accountant, knew something was up. The college professor with a Ph.D. from Wharton also happens to be the mayor of Lakewood Village, population 1,200, in Denton County. Under state law, Texas cities like Lakewood Village get nearly all of their budgets from property and sales taxes. There's no state income tax and thus no state revenue to share in. Each city is responsible for raising its own revenues. Cities like Lakewood Village rely on the assessed values provided by the appraisal districts as a lifeline for planning and budgeting.

He said the certified rolls showed the total number of properties appealed was zero, which he knew for a fact was wrong because his own home was under appeal, as were the homes of two of his neighbors. And valuations were sky-high: up to 80% higher than the previous year.

"The certified totals for everyone in the county are wrong," he said. He called the appraisal district's actions "illegal."

"Nowhere in the tax code does it tell the chief appraiser to guess what the numbers will be and then certify those numbers," Vargus told a reporter. "This was deliberate and malicious. For [Lakewood Village], property taxes are about 90% of our budget."

In order to set its budget, a city must know the appraised property values by a nonnegotiable deadline or the city gets what is called "the death penalty," which is reversion to the previous year's budget.

"I need to set that number by a certain day," said hizzoner. "The deadline is an immovable object. Getting the number certified by July 20, is the single job of

the chief appraiser. It's the single performance measure for the position."

Ninety-five percent of values must be finalized by that date. This defines the regular budget and the debt-servicing calculations. In the worst-case scenario, a city could default on its bonds.

"When [McClure] got to the last week before the deadline, she panicked and falsified thousands of appraisals," contends Vargus.

A Denton County property owner, doing a separate investigation, uncovered what he believes was wide-scale fabrication of data at the Denton Central Appraisal District.

Mitch Vexler, owner of a retail center in Flower Mound, thought something was wrong when the assessment of his property rose 400% in one year. He said the Denton Central Appraisal District couldn't provide supporting documentation to show how it arrived at certain figures required for the valuation.

"In plain English, we have the evidence that shows district employees are making [things] up," said Vexler. "The numbers have no basis in fact."

He said his accountant was able to obtain data from the district (it has since locked this data down). It was a sample of assessment data from 140 retail centers. "We categorized the data year by year to show what was happening at [the district]," he said.

Vexler, who has spent 35 years developing properties, believes the district wanted to hit a preconceived number for its secured tax roll and then fabricated data in order to back into that final number.

“It is just irrefutable,” he said. “The evidence in this spreadsheet shows a protest and litigation rate in excess of 90% on the sample of 140 properties.”

Vexler also began investigating the way in which a privately owned set of standards known as the Uniform Standards of Professional Appraisal Practice had been adopted in the state. He found a legal defect in the district’s use of the continually changing standards: No version of the standards has ever been legally adopted by the state of Texas. The Texas Administrative Procedure Act and Texas Administrative Code forbid this type of rolling delegation of private standards without a notice-and-comment rulemaking for each version.

That problem aside, he also found that the Denton Central Appraisal District was in violation of those standards. He has filed multiple lawsuits.

In a deposition provided by Vexler, McClure appears to admit the district permanently lost an entire year’s worth of its own records. Records retention is part of the district’s requirements by law.

“At the deposition, we learned that [the district] and its then attorney failed to protect the confidential personal data of roughly 500,000 property accounts and gave ownership of that data to the then software provider,” said Vexler.

In 2020, a Denton Central Appraisal District employee and a property owner were [indicted](#) on bribery charges in connection with a 2018 scheme to misclassify taxable property, according to court records. That year, a property owner and district employee were arrested on warrants for bribery, a second-degree felony in Texas.

“I think this entity has huge transparency problems and huge credibility problems,” Denton County Judge Andy Eads [said](#). “I think that is unacceptable.” In Texas, the county judge is a county's chief executive officer.

While the matriarchal line of succession has now been severed, critics are doubtful the district has been cleaned up. It is currently without a permanent chief appraiser. Critics contend the current interim chief, who is set to be named as the permanent chief appraiser, was handpicked and hired by McClure as her loyal deputy. They believe he is part of the existing cabal.

A consultant's report charitably painted a picture of the district as a toxic work environment with staffers demonstrating substandard levels of training. It also criticized McClure's leadership.

“When districts are understaffed, employees often have to cut corners to get stuff done,” consultant Richard Petree told a reporter. Petree's report was [leaked](#) to the media before the board was able to discuss it publicly.

Vexler doesn't believe the report went far enough. McClure faults underfunding and work-life balance issues as the cause of the agency's ills.

Because the central appraisal districts are insulated from the public, the state's property tax system fails the public. Sometimes, it also fails the local governments who rely on the districts for their budgeting.

# # #

Jeremy Bagott, a licensed appraiser and former newspaperman, sends up a warning flare in his 2019 [book](#) “Dispatches from the Cosmic Cobra Breeding

Farm.” He takes the reader deep inside a tiny Washington, D.C., foundation that has managed to have its copyrighted code of conduct enshrined in federal and state law. All 50 states, even the U.S. territories of Guam and the Northern Mariana Islands, now enforce it. The nonprofit, known as the Appraisal Foundation, has parlayed the arrangement into a lucrative publishing cartel. In his journey, the author uncovers a troubling trend deep in the plumbing of government.

# # #

If you'd like to be on this mailing list but at a different email address, please go to the sign-up page [here](#).

-END-

**Our mailing address is:**

Jeremy Bagott  
2674 E Main St # E-504  
Ventura, CA 93003-2820

[Add us to your address book](#)

Want to change how you receive these emails?

You can [update your preferences](#) or [unsubscribe from this list](#).

Grow your business with  mailchimp