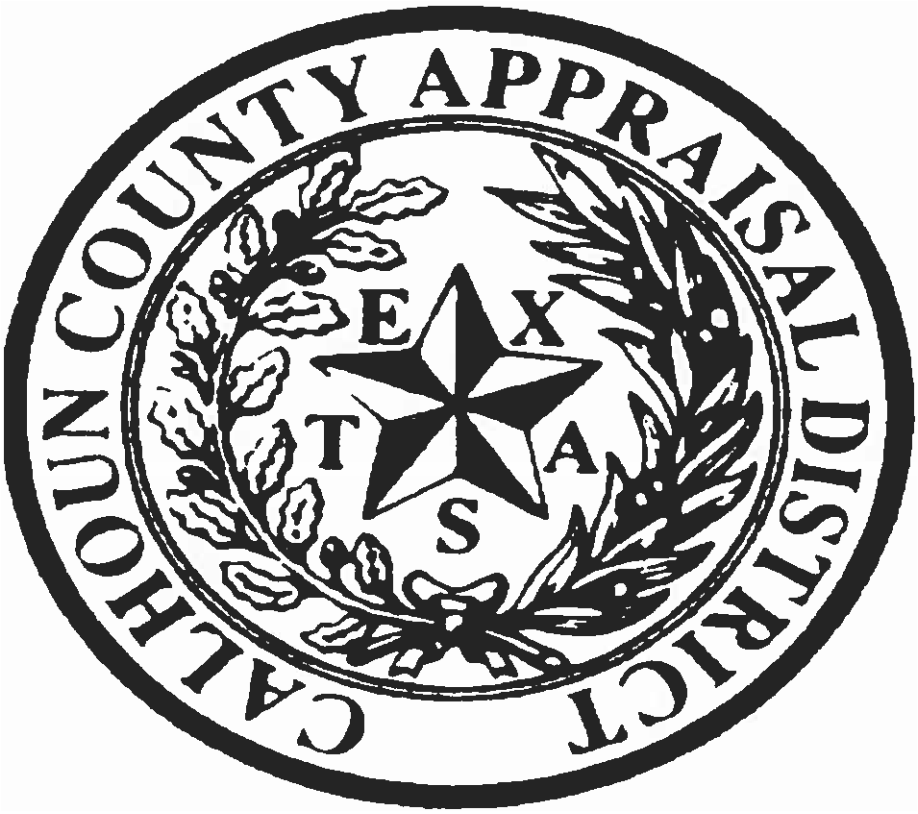

CALHOUN COUNTY APPRAISAL DISTRICT
PLAN FOR THE PERIODIC REAPPRAISAL OF THE DISTRICT
2023-2024

Approved by Board on 8-16-2022

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EXECUTIVE SUMMARY

The Calhoun County Appraisal District (CAD) is a political subdivision of the State of Texas created January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. The governing body of the appraisal district is a five-member board of directors. The board is elected by the taxing units eligible to vote (the county, school and cities) every two years. The chief appraiser is hired by the Board of Directors and is the chief administrator of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for jurisdictions or taxing units in the district. Each taxing unit sets its own tax rate to generate revenue to pay for police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Property appraisals by the appraisal district allocate the year's tax burden on the basis of each property's taxable value. The District determines eligibility for various types of property tax exemptions such as those for homeowners, the elderly and disabled, disabled veterans, charitable or religious organizations and agricultural productivity valuation. In this executive summary, the legal requirement of a reappraisal plan mandated by the Texas Legislature in the 2005 regular session is quoted and our response to these requirements immediately below the law in bold italics. Additional details of how the plan will be implemented are discussed in the body of this document. The intended users of this plan are the appraisal district personnel in the appraisal of properties within the appraisal district, the taxing units in that the taxable values for assessment and collection of taxes within their units are derived from the appraisal district's valuation of the properties within their boundaries and the public at large by providing an overall plan with information as to how property values are ascertained in a mass appraisal for tax purposes.

In addition to the Calhoun County Appraisal District Manual the district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

TAX CODE REQUIREMENT

Section 6.05, Tax Code, is amended by adding Subsection (i) to read as follows:

(i) To ensure adherence with generally accepted appraisal practices, the Board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day

before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place of the hearing. Not later than September 15 of each even numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.

By resolution passed on June 19, 2018 the board of directors authorized the chief appraiser to create and deliver the required notice of the public hearing on the plan for periodic reappraisal.

PLAN FOR PERIODIC REAPPRAISAL

Subsections (a) and (b), Section 25.18, Tax Code, are amended to read as follows:

(a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).

(b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:

(1) Identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;

By resolution passed on June 19, 2018 the board of directors authorized the chief appraiser to develop a biennial plan periodic plan for the reappraisal of the District each even numbered year. The board shall hold a public hearing to consider the proposed plan. Not later than the 10th day prior to the hearing the chief appraiser, as authorized by resolution by the board of directors, shall notify the governing body of each taxing unit participating in the appraisal district of the date, time and place for the hearing. Not later than September 15 of each even numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the appraisal district and to the comptroller within 60 days of the approval date. It is the policy of the board of directors to reappraise all properties within the appraisal district each year.

The Calhoun County Appraisal District receives listings of all deeds filed with the County Clerk's Office. The deeds are reviewed by the clerical staff. Information such as grantor, grantee, date of recording, and volume and page is recorded in the computer assisted mass appraisal (CAMA) software. Property identification numbers are assigned to each parcel of property that remain with the property for its life.

Business personal property is located by canvassing the county street by street, using data sources such as yellow pages, newspaper ads, sales tax permit holder lists, the internet and other business listing publications to ensure that all businesses are identified. Lists of commercial vehicles are also purchased annually and vehicles are linked to appropriate business accounts.

All businesses are mailed a rendition after January 1 of each year, usually by mid-January. Owners are required by state law to render all their business personal property each

year. Failure to timely render can result in a 10% tax penalty. A possible 50% penalty can be assessed in the event that fraud is proven. Different deadlines for filing apply according to the type of business. Generally, business personal property renditions are due by April 15TH of each year for Calhoun County.

Heavy industrial plants, utilities, pipelines and oil and gas leases are contracted to be appraised by a professional appraisal firm, Pritchard & Abbott. They gather information from numerous sources, inspect properties assigned to them, and appraise those properties using the specialized methods commonly used in this specialized field. More detail is listed in their portion of the plan.

Maps have been developed for years that show ownership lines for all real estate and are continuously updated. These maps are stored digitally using software from ESRI, the most popular geographic information system software in the nation. Aerial photography by Pictometry, now known as EagleView, was filmed in late 2021 and early 2022 and enables the district employees to view parcels of property from 4 angles as well as overhead.

(2) Identifying and updating relevant characteristics of each property in the appraisal records;

Real estate will be physically reviewed in accordance with Calhoun CAD's reappraisal plan. Regions that are not subject to a physical review will be reviewed to look for nonpermitted new structures. Appraisers drive to neighborhoods within the towns and cities of Calhoun County and gather data about each home, commercial business, or vacant land tract using PACS Mobile Field Units (iPads) computer devices. The appraisers review each property noting the condition of the property and make any changes to the property since the previous review. Pictures of the improved property that have been previously captured and stored in the computer assisted mass appraisal (CAMA) software assist the appraiser in making value decisions after returning to the office. Other data stored in the CAMA system includes an exterior sketch of the improvement (structure or building) which allows the computer system to calculate square footage for the various areas of the improvement. Components of the improvement such as fireplaces, air conditioning, type of roof, type of exterior, etc. are listed and appropriate values are assigned by the CAMA system. The rural areas of the county are driven out each year as appraisers look for newly constructed properties and remodels since there is no county-wide permit system. Septic system permits are requested from the health department (Victoria).

Business personal property is inspected by the BPP appraiser. The appraiser looks at the quality of inventory, how dense the stocking is, and make general notes about equipment that they see. If their observation is different than the rendition made by the taxpayer, additional information is gathered and a different value may be assigned than the rendered amount.

(3) Defining market areas in the district:

Annually, appraisers review and may combine similar types of property into "neighborhoods." These neighborhoods have improvements that are of similar construction and type as well as similar years of construction. Market sales may be examined to confirm which areas are similar. In apartments, commercial retail, wholesale, and service retail, the properties are categorized by market demand. Trade areas with similar rents, quality, and age are combined to analyze and apply sales and rental data.

Land is also put into regions or neighborhoods with other parcels that have similar characteristics such as waterfront, water view, rural acreage, size, topography, location and

other characteristics recognized as significant. Using these neighborhoods, values are applied uniformly to all similar parcels.

(c) Identifying property characteristics that affect property value in each market area, including:

(A) The location and market area of the property;

(B) Physical attributes of property such as size, age, and condition;

(C) Legal and economic attributes; and

(D) Easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions.

Each parcel of property has detailed information recorded in the CAMA system. For land, the legal description, dimensions, zoning, size, available utilities, and special characteristics are noted in a form that can be used and compared with other land parcels.

Each improvement shows the sketch and dimensions, a picture of the improvement, the class which indicates original construction quality, the year of construction, if known, of each part of the improvement, the type of roof, the roof covering, the exterior covering of the improvement number of baths, fireplaces, air conditioning type, any other attributes, and overall condition of the improvement.

(4) Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;

The CAMA system begins with the cost approach to value to estimate the replacement cost new of each improvement. That cost is based on local modifiers to Marshall-Swift, a nationally recognized cost estimation system, and or district cost schedules. By utilizing these cost systems, properties are equalized as to their replacement cost new. Components measured in the cost can include the size of the structure, number of bathrooms fixtures, quality of kitchen appliances and number of built-in appliances, type of roof structure, roof covering, exterior covering, and special features such as fireplaces, pools, cabinetry and other special amenities. The market sales are then studied for improvement contributions in each neighborhood and adjustments to cost are applied to each neighborhood in the form of all types of depreciation (physical, functional, and economic). Finally, each structure is rated as to its current condition. Ratings range from poor to excellent. Sales are also categorized using the same condition rating system so that sales comparisons will be made to properties of like construction and condition.

This same concept is used in commercial, industrial, and apartment property. Significantly larger neighborhoods or areas are indicated for these properties using sales and income data if known or made available.

(5) Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and

By utilizing sales data for each neighborhood, the appraiser measures accrued depreciation of structures by condition rating. Similar properties with similar condition are assigned values per square foot based on a schedule for each type of property and adjusted to market data. By utilizing the age, quality, condition, construction components, and other variables, the schedules are adjusted as necessary and applied to all parcels within the

neighborhood.

For commercial property and apartments, economic index factors or market adjustments are applied to cost figures to align values with current sales data. Regions of the community are assigned similar values per square foot for similar age, construction quality, and condition. Schedules are adjusted as necessary and the CAMA system applies all the factors and assigns value to each parcel.

(6) Reviewing the appraisal results to determine value.

After completing the process of assigning values to all parcels within a neighborhood using the computer assisted mass appraisal programs, printouts are run to make comparisons of values per square foot within the neighborhood and comparison of those appraised values per square foot with current sales data from the neighborhood. A sales ratio is run for each neighborhood to determine if the values that have been assigned are within required ratios of law (95%-105%).

Commercial property and apartments are compared by category or type of business. i.e., fast food structures are compared to other fast-food stores. Adjustments are made in mass by the commercial appraisal staff utilizing the CAMA system. All similar improvements are compared to verify reasonableness of value and equality.

REVALUATION DECISION (REAPPRAISAL CYCLE)

Beginning tax year 2023, Calhoun CAD will physically inspect Regions 7, 8, 9, 10, and 11. For the tax year 2024 it will physically inspect Regions 1, 2, 3, 4, 5, 6, and 12. In cases where physical access is denied or impossible the CAD may resort to the other means for property identification and review. Commercial and business personal properties will be physically inspected every year.

Every year the CAD will also be reviewing and evaluating the appraised value of all property located in the district using mass appraisal techniques such as ratio studies, updating building schedules and depreciation tables.

Mineral, industrial, utility and industrial personal type properties, (MIUP), are addressed in a separate section provided by Pritchard & Abbott.

Calhoun County Appraisal District

Reappraisal Plan Details

INTRODUCTION

Scope of Responsibility

Except as otherwise provided by the Property Tax Code, all taxable property is appraised at its "market value" as of January 1st. 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:

- 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.

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), productivity (Sec. 23.41), real property inventory (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), nominal (Sec. 23.18) or restricted use properties (Sec. 23.83) and allocation of interstate property (Sec. 23.03). The owner of real property inventory may elect to have the inventory appraised at its market value as of September 1st of the year proceeding the tax year to which the appraisal applies by filing an application with the chief appraiser requesting that the inventory be appraised as of September 1st.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to provide for the periodic reappraisal of all real and personal property at least once every three years. Appraised values are reviewed annually and are subject to change each year. Business personal properties, commercial, mineral, industrial and utility type properties are also appraised annually.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted mass appraisal programs and recognized appraisal methods and techniques, information is compared with the data for similar properties, and with recent cost and market data. In addition to the Calhoun County Appraisal Manual, the district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and

subscribes to the ruler promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

Personnel Resources

The office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The administration department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The appraisal department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal, mineral, utilities, and industrial. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation. Support functions including records maintenance, information and assistance to property owners, and the conducting of ARB hearings coordinated by personnel in support services.

The appraisal district staff consists of 13 employees with the following classifications:

- 1 - Official/Administrator (executive level administration)
- 2 - Professional (supervisory and management)
- 5 - Technicians (appraisers, GIS/mapping technician, and abstract/Deed Researcher)
- 4 - Administrative Support (professional, customer service, clerical and other)

Staff Education and Training

All personnel that are performing appraisal work are registered with the Texas Department of Licensing and Regulation and are required to successfully complete appraisal courses approved by the Texas Department of Licensing and Registration to achieve the designation of Registered Professional Appraiser within five years of employment as an appraiser. After receiving the RPA designation, appraisers must complete a minimum of 30 hours of continuing education every two years. Within the 30 hours of continuing education, employees must and shall complete a 3.5 hour USPAP update course, an ethics course, and a course in legislative updates after the Legislature adjourns. Failure to meet these minimum standards can result in the loss of the RPA designation and termination of the employee.

Additionally, all field appraisal personnel receive proper training in data gathering processes including data entry into the PACS Mobile Field Unit (iPad) used in field work and statistical analyses of all types of property to ensure equality and uniformity of appraisal of all types of property. On-the-job training is delivered by senior personnel for new appraisers. Staff meetings are held with the chief appraiser to introduce new

procedures. The deputy chief appraiser regularly monitors appraisal activity to ensure that standardized appraisal procedures are being followed by all personnel.

Data

The district is responsible for establishing and maintaining approximately 29,880 real and personal property accounts within Calhoun County. The property accounts are delineated as 21,600 real, 3,500 agriculture use, 1,000 commercial, 1,200 personal, 280 industrial, 2,000 mineral, 200 pipeline, and 100 utility accounts. Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through field reviews. Improvements on property records are reviewed for accuracy if a sale occurs that is significantly above or below the appraised value. Vacant land sales are also reviewed. Numerous sales are validated as part of the new construction and field inspections. General trends in employment, interest rates, new construction trends, and cost and market data can be acquired through various sources, including internally generated questionnaires to buyer and sellers, university research centers, market data centers and vendors.

The district has a geographic information system (GIS) that maintains cadastral maps, various layers of data and aerial photography. The district's website makes a broad range of information available for public access, including information on the appraisal process, property characteristics data, certified values, protests and appeal procedures. Downloadable files of related tax information and district forms, including exemption applications and business personal property renditions are also available.

Information Systems

The systems administrator and the computer mapping department manage and maintain the district's data processing facility, software applications, Internet website, and geographical information system. The district operates from a sequel server database. The mainframe hardware/system software is Dell Power Edge T630. Harris Govern provides the software services for appraisal and collections applications.

Independent Performance Test

According to Chapter 5 of the Texas Property Tax Code and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Assistance Division (PTAD) conducts a biennial property value study (PVS) of each Texas school district and each appraisal district. As part of this annual study, the code requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MAPs review); tests the validity of school district taxable values in each appraisal district and presumes the appraisal roll values are correct when values are valid and determines the level and uniformity of property tax appraisal in each appraisal district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analyses of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies)

as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median, and price-related differential (PRD) for properties overall and by state category.

There is only one independent school district within the Calhoun County Appraisal District for which an appraisal roll is annually developed. The preliminary results of this study are released February 1 in the year following the year of appraisal. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) the following July of each year. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

INTRODUCTION

Appraisal Responsibilities

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a comprehensive physical description of personal property land and building characteristics. This appraisal activity is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types located within the boundaries of Calhoun County. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to periodically inspect residential, commercial, and personal properties in the district every year. The appraisal opinion of value for all property located in the district is reviewed and evaluated each year.

Appraisal Resources

- Personnel - The appraisal activities are conducted by 5 appraisers including the Chief Appraiser.
- Data - The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Assisted Mass Appraisal System) from the district's computer system. The data is printed on a property record card, or personal property data sheets. Other data used includes maps, sales data, fire and damage reports, building permits, photos and actual cost and market information. Sources of information are gathered using relationships with other participants in the real estate market place. The district cultivates sources and gathers information from both buyers and sellers.

Appraisal Frequency and Method Summary

- **Residential Property**- Residential properties are reviewed according to the plan and can include a physical inspection or an office review with aerials. The condition of the improvement is noted as well as any changes that might have occurred to the property since the last on-site check. Exterior pictures are taken of homes as necessary. Every subdivision is statistically analyzed annually to ensure that sales that have occurred in the subdivision during the past 12 months are within a +-5% range of appraised value. If the sales do not indicate that range, adjustments are made to the subdivision using a process outlined in the Residential Appraisal section of this report.

- **Commercial Property**- Commercial property within CCAD will be appraised for 2023 via a contract in place with Eagle Appraisal. Results will be evaluated at the end of 2023. Commercial and industrial real estate is observed annually to verify class and condition. Pictures are taken of the improvements as necessary. Real estate accounts are analyzed against sales of similar properties as well as similar communities in the area that may have similar economies. The income approach to value is also considered when appraising larger valued commercial properties such as shopping centers, apartment complexes, office buildings, motels, hotels and other types of property that typically sell based on net operating income.

- **Farm and Ranch Land**- Farm and ranchland property is reviewed each year through field inspections and aerial photography, with appraisers inspecting the property, noting condition of any improvements, land characteristics, agricultural use and looking for changes that might have occurred to the property since the last on-site review. Exterior pictures are taken of improvements upon inspection.

  Land qualifying for special agricultural or wildlife valuation is valued on a cash lease basis in accordance with state guidelines. “Ag” schedules are adjusted annually based on local survey results and input from the Agricultural Advisory Board. The “Ag Board” meets at the call of the Chief Appraiser at least once each year, usually in the fall and/or the spring. Pritchard and Abbott, Inc. develops the land schedules each year for the appraisal district.

- **Business Personal Property**- Business personal property is observed annually which can include the appraiser actually going into new businesses to develop quality and density observations. Similar businesses to a subject are analyzed annually to determine consistency. Businesses are categorized using Standard Industrial Codes. Rendition laws provide additional information on which to base values of all BPP accounts.

- **Industrial Property**- Industrial property including industrial personal property within CCAD is currently appraised annually via a contract in place with Pritchard & Abbott, Inc. Industrial properties consist of chemical plants, processing facilities and related personal property. Industrial properties are generally appraised using replacement/reproduction cost new less depreciation models. Replacement costs are estimated from published sources, other publicly available information and comparable properties. Reproduction costs are based on actual investment in the subject or comparable properties adjusted for typical changes in cost over time. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence and the experience of the appraisers.

- **Minerals**- Working and royalty interests of producing oil and gas wells are currently appraised annually by Pritchard & Abbott, Inc. The most recent production data available from the Texas Railroad Commission is downloaded into appraisal software that estimates economically recoverable reserves. Those

reserves are then valued based upon State mandated pricing using the previous year's average of oil or gas values. A discount is applied over the anticipated life of the well in order to consider the value of money over time to recover those reserves. Each producing lease is valued as a unit and then that value is divided according to the various owners of the lease listed in division orders.

- **Utilities and Pipelines**- Utility companies and pipelines are currently appraised annually by Pritchard & Abbott, Inc. using a unit value developed using all three approaches to value. For example, a utility company's total value in the State is estimated using cost, market, and income approaches to value and then the entire value is allocated using the components of that utility company that have situs in the various tax units of Calhoun CAD. Components include such things as miles of transmission lines, miles of distribution lines, substations and the like for an electric utility.

Data Collection/Validation

Data collection of real property involves maintaining data characteristics of the property on CAMA (Computer Assisted Mass Appraisal) software. The information contained in CAMA includes site characteristics, such as land size and topography, and improvement data, such as square footage of living area and other areas of the improvement, year built, quality of construction, and condition. Field appraisers are required to use a property classification system that establishes uniform procedures for the correct listing of real property. All properties are coded according to a classification system. The approaches to value are structured and calibrated based on this coding system and property description and characteristics. The field appraisers use property classification references during their initial training and as a guide in the field inspection of properties. Data collection for personal property involves maintaining information on software designed to record and appraise business personal property. The type of information contained in the BPP file includes personal property such as business inventory, furniture and fixtures, machinery and equipment, with details such as cost and location.

Sources of Data

The sources of data collection are through property inspection, new construction field effort, data review/relist field effort, data mailer questionnaires, hearings, sales validation field effort, commercial sales verification and field effort, newspapers and publications, and property owner correspondence by mail or via the Internet. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. Permits are received and matched manually with the property's tax account number for data entry. Area and regional real estate brokers and managers are also sources of market and property information. Data surveys of property owners requesting market information and property description information is also valuable data. Soil surveys and agricultural surveys of farming and ranching property owners and industry professionals are helpful for productivity value calibration. Various

income and rental surveys are performed by interviewing property managers and operators to determine operating income and expenses for investment and income producing real property.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers review and observe entire neighborhoods to determine the accuracy of our data and identify properties that need to be relisted. The sales validation effort in real property pertains to the collection of market data for properties that have sold. In residential, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of the property characteristics and confirmation of the sales price. In commercial, the commercial appraiser is responsible for contacting sales participants to confirm sales prices and to verify pertinent data.

Property owners are one of the best sources for identifying incorrect data that generates a field review. Frequently, the property owner provides reliable data to allow correction of records without having to send an appraiser on-site. As the district has increased the amount of information available on the Internet, property owners have the opportunity to review some information on their property and forward corrections via e-mail or fax. For the property owner without access to the Internet, letters are sometimes submitted notifying the district of inaccurate data. Properties identified in this manner are added to a work file and inspected at the earliest opportunity. Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed throughout the appraisal process from year to year. Appraisal opinion quality and validity relies on data accuracy as its foundation.

Data Collection Procedures

The appraisers are assigned specific areas throughout the district to conduct field inspections. These geographic areas of assignment are maintained for several years to enable the appraiser assigned to that area to become knowledgeable of all the factors that drive values for that specific area. Appraisal staff are encouraged and expected to become familiar with all areas of Calhoun County to ensure equity between areas. Appraisers of real estate and business personal property conduct field inspections and record information using a PACS Mobile Field Unit (iPad) that holds all data dealing with the property and allows for the entry of corrections and additions that the appraiser may find in his or her field inspection.

The quality of the data used is extremely important in estimating market values of taxable property. While work performance standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection and the classification system set forth and recognized as "rules" to follow. Experienced appraisers are routinely re-trained in listing procedures prior to major field projects such as new construction, sales validation or data review. A quality assurance process exists through supervisory review of the work being performed by the field appraiser. Quality assurance supervision is charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the field

appraisal staff.

Data Maintenance

The appraiser begins an area update by downloading complete files of the area that he/she plans to work. The field appraiser is responsible for the data entry of his/her fieldwork into the computer file as the area is reviewed. This responsibility includes not only data entry, but also quality assurance. The majority of the data collected in the field is input using PACS Mobile Field Unit (iPad) and is entered by the appraiser. Data updates and file modification for property descriptions and input accuracy is conducted as the responsibility of the field appraiser and appraisal supervisors.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection and the appraiser responsible are listed on the CAMA record and property card. If a property owner or jurisdiction disputes the district's records concerning this data during a hearing, via a telephone call or other correspondence received, the record may be corrected based on the evidence provided or an on-site review may be conducted. Typically, a field review is requested to verify this information for the current year's valuation or for the next year's valuation. Every year a field review of real property located in certain areas or neighborhoods in the jurisdiction is done during the data review/re-list field effort.

An annual "drive out" for business personal property is conducted each year to verify existing businesses and to list new businesses.

Office Review

Office reviews are completed on properties where update information has been received from the owner of the property and is considered accurate and correct. Data mailers, sent in mass, or at the request of the property owner, frequently verify some property characteristics or current condition of the property. When the property data is verified in this manner and considered accurate field inspections may not be required. The personal property department mails property rendition forms in January of each year.

Performance Test

The property appraisers are responsible for conducting ratio studies and comparative analysis. Ratio studies are conducted on property located within certain neighborhoods or districts by appraisal staff. The sale ratio and comparative analysis of sale property to appraised value, forms the basis for determining the level of appraisal and market influences and factors for the neighborhood. This information is the basis for updating property valuation for the entire area of property. Field appraisers may conduct field inspections to ensure the accuracy of the property descriptions at the time of sale for this study. This inspection is to ensure that the ratios produced are accurate for the property sold and that appraised values utilized in the study are based on accurate property data characteristics observed at the time of sale. Property reviews are performed

to discover if property characteristics have changed as of the sale date or subsequent to the sale date. Sale ratios should be based on the value of the property as of the date of sale, not after a subsequent or substantial change was made to the property after the sale. Properly performed ratio studies are a good indication of the level of appraisal for the district.

INTRODUCTION

Scope of Responsibility

The residential appraisers are responsible for estimating equal and uniform market values for residential improved and vacant property. There are approximately 12,600 residential improved single and multiple family parcels and 10,200 land properties in Calhoun County.

Appraisal Resources

- Personnel - The residential appraisal staff consists of 3 appraisers and 1 supervisor. The following appraisers are responsible for estimating the market value of residential property:
  Paul Spaeth, Deputy Chief of Appraisal Operations
  Michelle Meza, Residential Appraiser
  Patti Pustejovsky, Residential Appraiser
  Carissa Diaz, Land/Ag/Residential Appraiser

- Data - An individualized set of data characteristics for each residential dwelling and multiple family units in this district are collected in the field and data entered into the computer. The property characteristic data drives the application of computer-assisted mass appraisal (GAMA) under the Cost, Market, and Income Approaches to property valuation.

VALUATION APPROACH

Land Analysis

Residential land valuation analysis is conducted prior to neighborhood sales analysis. The value of the land component to the property is estimated based on available market sales for comparable and competing land under similar usage. A comparison and analysis of comparable land sales is conducted based on a comparison of land characteristics found to influence the market price of land located in the neighborhood. A computerized land table file stores the land information required to consistently value individual parcels within neighborhoods given known land characteristics. Specific land influences are considered, where necessary, and depending on neighborhood and individual lot or tract characteristics, to adjust parcels outside the neighborhood norm for such factors as access, view, shape, size, and topography. The appraisers use abstraction and allocation methods to ensure that estimated land values best reflect the contributory market value of the land to the overall property value.

Area Analysis

Data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected as available from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources of continuing education including IAAO (International Association of Assessing Officers) and state approved classes and seminars.

Neighborhood and Market Analysis

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. Residential valuation and neighborhood analysis is conducted on various market areas within school district. Analysis of comparable market sales forms the basis of estimating market activity and the level of supply and demand affecting market prices for any given market area, neighborhood or district. Market sales indicate the effects of these market forces and are interpreted by the appraiser into an indication of market price ranges and indications of property component change considering a given time period relative to the date of appraisal. Cost and market approaches to estimate value are the basic techniques utilized to interpret these sales. For multiple family properties the income approach to value is also utilized to estimate an opinion of value for investment level residential property.

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform. Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood with similar characteristics has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes. In the period of stability, or equilibrium, the forces of supply and demand are about

equal. Generally, in the stage of equilibrium, older neighborhoods can be more desirable due to their stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability.

Neighborhood identification and delineation is a key component of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are field inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in areas of limited sales, or use in direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed below, is performed on a neighborhood basis, and in soft sale areas on a neighborhood group basis.

Highest and Best Use Analysis

The highest and best use of property is the most reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to the maximum allowed usage of the property. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. Residential valuation undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are economic miss-improvements, and the highest and best use of such property is the construction of new dwellings. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties; however, state law requires that homesteads be valued only at the highest and best use of residential property.

VALUATION AND STATISTICAL ANALYSIS (Model Calibration)

Cost Schedules

All residential parcels in the district are valued with a replacement cost estimated from identical cost schedules based on the improvement classification system using a comparative unit method. The district's residential cost schedules are estimated from Marshall and Swift, a nationally recognized cost estimator service. These cost estimates are compared with sales of new improvements and evaluated from year to year and indexed to reflect the local residential building and labor market. Costs may also be indexed for neighborhood factors and influences that affect the total replacement cost of the improvements in a smaller market area based on evidence taken from a sample of market sales.

A review of the residential cost schedule is performed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in the district are considered. The property data characteristics of these properties are verified and photographs are taken of the samples. CAD replacement costs are compared against Marshall & Swift, and the indicated replacement cost abstracted from these market sales of comparably improved structures. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing of estimated building costs plus land to sales prices. As a result of this analysis, a new regional multiplier or economic index factor and indications of neighborhood economic factors are developed for use in the district's cost process. This new economic index is estimated and used to adjust the district's cost schedule to be in compliance with local building costs as reflected by the local market.

Sales Information

A sales file for the storage of "snapshot" sales data at the time of sale is maintained for real property. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a sales information system. Residential improved and vacant sales are collected from a variety of sources, including: district questionnaires sent to buyer and seller, field discovery, protest hearings, fee appraisals, multiple listing service, various sale vendors, builders, and realtors. A system of type, source, validity and verification codes has been established to define salient facts related to a property's purchase or transfer and to help determine relevant market sale prices. The effect of time as an influence on price was considered by paired comparison and applied in the ratio study to the sales as indicated within each neighborhood area. Neighborhood sales reports are generated as an analysis tool for the appraiser in the development and estimation of market price ranges and property component value estimates. Abstraction and allocation of property components based on sales of similar property is an important analysis tool to interpret market sales under the cost and market approaches to value.

These analytical tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

Monthly time adjustments are estimated based on comparative analysis using comparisons of sold property of similar age, construction, and condition. Sales of the same property are considered and analyzed for any indication of price change attributed to a time change or influence. Property characteristics, financing, and conditions of sale are compared for each property sold in the pairing of property to isolate only the time factor as an influence on price.

Statistical Analysis

The residential valuation appraisers perform statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted on each of the residential valuation neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy-level and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed for each neighborhood. The level of appraised values is determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.

The appraiser, through the sales ratio analysis process, reviews every neighborhood annually. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood properties to the appraised values of these sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level in a neighborhood needs to be updated or whether the level of market value in a neighborhood is at an acceptable level.

Market and Cost Reconciliation and Valuation

Neighborhood analysis of market sales to achieve an acceptable sale ratio or level of appraisal is also the reconciliation of the market and cost approaches to valuation. Market factors are developed from appraisal statistics provided from market analyses and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators. The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a pure cost model.

The following equation denotes the hybrid model used:

$$MV = LV + (RCN - AD)$$

In accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus the replacement cost new of property

improvements (RCN) less accrued depreciation (AD). As the cost approach separately estimates both land and building contributory values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales. Thus, demand side economic factors and influences may be observed and considered. These market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for locational variances between market areas or across a jurisdiction. In accordance with the Market Approach, the estimated market value of the property equals the basic unit of property, under comparison, times the market price range per unit for sales of comparable property. For residential property, the unit of comparison is typically the price per square foot of living area or the price indicated for the improvement contribution. This analysis for the hybrid model is based on both the cost and market approaches as a correlation of indications of property valuation. A significant unknown for these two indications of value is determined to be the rate of change for the improvement contribution to total property value. The measure of change for this property component can best be reflected and based in the annualized accrued depreciation rate. This cost related factor is most appropriately measured by sales of similar property. The market approach, when improvements are abstracted from the sale price, indicates the depreciated value of the improvement component, and in effect, measures changes in accrued depreciation. The level of improvement contribution to the property is measured by abstraction of comparable market sales, which is the property sale price less land value. The primary unknown for the cost approach is to accurately measure accrued depreciation affecting the amount of loss attributed to the improvements as age increases and condition changes. This evaluation of cost results in the depreciated value of the improvement component based on age and condition. The evaluation of this market and cost information is the basis of reconciliation and indication of property valuation under this hybrid model.

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales prices indicates the neighborhood level of appraisal based on sold properties. This ratio is compared to an acceptable appraisal ratio to determine an acceptable level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

If reappraisal of the neighborhood is indicated, the appraiser analyzes available market sales, appropriately adjusted for the apparent effects of time, by market abstraction of property components. This abstraction of property components allows the appraiser to focus on the rate of change for the improvement contribution to the property by providing a basis for calculating accrued depreciation attributed to the improvement component. This impact on value is usually the most significant factor affecting property

value and the most important unknown to determine by market analysis. Abstraction of the improvement component from the adjusted sale price for a property indicates the effect of overall market suggested influences and factors on the price of improvements that were a part of a recently sold property. Comparing the indicated price or value allocation for the improvement with the estimated replacement cost new of the improvement indicates any loss in value due to accrued forms of physical, functional, or economic obsolescence. This is a market driven measure of accrued depreciation and results in a true and relevant measure of improvement marketability, particularly when based on multiple sales that indicate the trending of this rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimates the annual rate of depreciation for given improvement descriptions considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all property within the sale sample to consider and review the effects on the neighborhood sale ratio. After an acceptable level of appraisal is achieved within the sale sample, the entire neighborhood of property is recalculated utilizing the indicated depreciation rates taken from market sales. This depreciation factor is the basis for trending all improvement values and, when combined with any other site improvements and land value, brings the estimated property value through the cost approach closer to actual market prices as evidenced by recent sale prices available within a given neighborhood; therefore, based on analysis of recent sales located within a given neighborhood estimated property values will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The estimated property values calculated for each updated neighborhood are based on market indicated factors applied uniformly to all properties within a neighborhood. Finally, with all the market-trend factors applied, a final ratio study is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both update and non-update neighborhoods and verifies appraised values against overall trends as exhibited by the local market and for the school district as a whole.

Treatment of Residential Homesteads

Beginning in 1998, the State of Texas implemented a new law concerning the appraisal of residential property that receives a residence homestead exemption. Under this law, beginning in the year after a property receives a homestead exemption, increases in the assessed value of that property are capped or limited to not more than

10% increase annually. The value for tax purposes (assessed value) of a qualified residence homestead will be the LESSER of:

- the market value; or
- the preceding year's appraised value plus 10 percent plus the value of any improvements added since the last re-appraisal.

Assessed values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1st of the year following sale of the property and the property is appraised at its market value. An analogous provision applies to new homes. While a developer owns them, unoccupied residences may be partially complete and appraised as part of an inventory. This valuation is estimated using the district's land value and the percentage of completion for the improvement contribution that usually is similar to the developer's construction costs as a basis of completion on the valuation date; however, in the year following changes in completion or sale, they are appraised at market value.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The appraiser identifies individual properties in need of field review through sales ratio analysis. Sold properties are field reviewed on a periodic basis to check for accuracy of data characteristics.

As the district's parcel count has increased through new home construction, and older homes being remodeled, the appraisers are required to perform the field activity associated with transitioning and high demand neighborhoods. Increased sales activity can result in a more substantial field effort on the part of the appraisers to review and resolve sales outliers. Additionally, the appraiser frequently field reviews subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property. After preliminary estimates of value have been determined in targeted areas, the appraiser takes valuation documents to the field to test the computer-assisted values against his own appraisal judgment. During this review, the appraiser is able to physically inspect both sold properties and unsold properties for comparability and consistency of values.

Office Review

When field reviews are completed, the appraiser conducts a routine valuation review of all properties as outlined in the discussion of ratio studies and market analysis. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The percentage of value differences are noted for each property within a delineated neighborhood allowing the appraiser to identify, research and resolve value anomalies before final appraised values

are released. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year.

When the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value go to noticing.

PERFORMANCE TESTS

Sales Ratio Studies

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each neighborhood to allow the appraiser to review general market trends within their area of responsibility, and provide an indication of market appreciation over a specified period of time. The PC-based ratio studies are designed to emulate the findings of the state comptroller's annual property value study for category A property (single family residences).

Management Review Process

When the proposed value estimates are finalized, the appraiser reviews the sales ratios by neighborhood and presents pertinent valuation data, such as weighted sales ratio and pricing trends, to the appraisal supervisors and the Chief Appraiser for final review and approval. This review includes comparison of level of value between related neighborhoods within and across jurisdiction lines. The primary objective of this review is to ensure that the proposed values have met preset appraisal guidelines appropriate for the tax year in question.

INTRODUCTION

Scope of Responsibility

All of the commercially described real property located within the boundaries of Calhoun County will be appraised via a contract with Eagle Appraisal. The property will be appraised as fee simple interest according to statute and court decisions. However, the effect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisement of any non-exempt taxable fractional interests in real property (i.e., certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests. There are approximately 1,200 commercial properties in the county.

Appraisal Resources

Calhoun County Appraisal District has contracted with Eagle Appraisal to appraise these properties for CCAD in 2023.

Data - The data used includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used by the appraisers includes actual income and expense data (typically obtained through the hearings process), actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for market trends.

PRELIMINARY ANALYSIS

Market Study

Market studies are utilized to test new or existing procedures or valuation modifications in a limited sample of properties located in the district and are also considered and become the basis of updating whenever substantial changes in valuation are made. These studies target certain types of improved property to evaluate current market prices for rents and for sales of commercial and industrial real property. These comparable sale studies and ratio studies reveal whether the valuation system is producing accurate and reliable value estimates or whether procedural and economic

modifications are required. The appraiser implements this methodology when developing cost approach, market approach, and income approach models.

Calhoun CAD administration and personnel interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers, Texas Association of Appraisal Districts. District staff strive to maintain appraisal skills and professionalism by continuing education in the form of courses that are offered by several professional associations such as International Association of Assessing Officers (IAAO), Texas Association of Assessing Officers (TAAO), and Texas Association of Appraisal Districts (TAAD).

VALUATION APPROACH

Land Value

Commercial land is analyzed annually to compare appraised values with recent sales of land in the market area. If appraised values differ from sales prices being paid, adjustments are made to all land in that region. Generally, commercial property is appraised on a price per square foot basis. Factors are placed on individual properties based on depth of site, shape of site, easements across site, and other factors that may influence value. The land is valued as though vacant at the highest and best use.

Area Analysis

Area data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources.

Neighborhood Analysis

The neighborhood and market areas are comprised of the land area and commercially classed properties located within the boundaries of this appraisal jurisdiction. These areas consist of a wide variety of property types including multiple-family residential, commercial and industrial. Neighborhood and area analysis involves the examination of how physical, economic, governmental and social forces and other influences may affect property values within subgroups of property locations. The effects of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial and industrial properties these subsets of a universe of properties are generally referred to as market areas, neighborhoods, or economic areas.

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts),

date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if re-delineation is required. The geographic boundaries as well as income, occupancy and expense levels and capitalization rates by age within each economic area for all commercial use types and its corresponding income model have been estimated for these properties.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest net to land and present value of the real estate as of the date of valuation. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This perspective assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, is excess land, or a different optimum use if the site were vacant. For vacant tracts of land within this jurisdiction, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to: office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis ensures that an accurate estimate of market value (sometimes referred to as value in exchange) is derived.

On the other hand, value in use represents the value of a property to a specific user for a specific purpose. This perspective for value may be significantly different than market value, which approximates market price under the following assumptions:

(i) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (ii) well-informed buyers and sellers acting in their own best interests, (iii) a reasonable time for the transaction to take place, and (iv) payment in cash or its equivalent.

Market Analysis

A market analysis relates directly to examining market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), expense ratio trends, capitalization rate studies are analyzed to determine market ranges in price, operating costs and investment return expectations.

DATA COLLECTION / VALIDATION

Data Collection Manuals

Data collection and documentation for commercial/industrial property is continually updated, providing a uniform system of itemizing the multitude of components comprising improved properties. All properties located in Calhoun CAD's inventory are coded according to a specific classification system and the approaches to value are structured and adjusted based on this coding system.

Annually, after the sales of property have been researched, verified, keyed into the database, and quality control has been completed, the sales data is summarized and produced into list form. The confirmed sales reports categorize the sales by property and use type, and sort the data by location and chronological order. Many of these sales are available to the public for use during protest hearings, and are also used by the Calhoun CAD appraisers during the hearings process.

Sources of Data

In terms of commercial sales data, Calhoun CAD receives a copy of the deeds recorded in Calhoun County and adjoining counties that convey commercially classed properties. Deeds involving a change in commercial ownership are entered into the sales information system and researched in an attempt to obtain the pertinent sale information. Other sources of sale data include the protest hearings process and local, regional and national real estate and financial publications.

For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a computer-generated questionnaire, which is mailed to both parties in the transaction (granter and grantee). If a questionnaire is answered and returned, the documented responses are recorded into the computerized sales database system. If no information is provided, verification of many transactions is then attempted via phone calls to parties thought to be knowledgeable of the specifics of the sale. Other sources contacted are the brokers involved in the sale, property managers or commercial vendors. In other instances, sales verification is obtained from local appraisers or others that may have the desired information. Finally, closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

Valuation Analysis

Model calibration involves the process of periodically adjusting the mass appraisal formulae, tables and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new construction procedures, materials and/or costs, which can vary from year to year. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to the current market conditions,

however, at some point, if the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure.

Cost Schedules

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever possible. Cost models are typically developed based on the Marshall Valuation Service which indicate estimated hard or direct costs of various improvement types. Cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district. These include comparative base rates, per unit adjustments and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employs the sales comparison approach in the evaluation of soft or indirect costs of construction. Evaluating market sales of newly developed improved property is an important part of understanding total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels. In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, locational modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Calhoun County. Local modifiers are additional cost factors applied to replacement cost estimated by the national cost service. Estimated replacement cost new will reflect all costs of construction and development for various improvements located in Calhoun CAD as of the date of appraisal.

Accrued depreciation is the sum of all forms of loss affecting the contributory value of the improvements. It is the measured loss against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence. Accrued depreciation is estimated and developed based on losses typical for each property type at that specific age. Depreciation estimates have been implemented for what is typical of each major class of commercial property by economic life categories. Estimates of accrued depreciation have been calculated for improvements with a range of variable years expected life based on observed condition considering actual age. These estimates are continually tested to ensure they are reflective of current market conditions. The actual and effective ages of improvements are noted in CAMA. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Effective

age estimates are considered and reflected based on six levels or rankings of observed condition (Excellent, Good, Average, Fair, Poor, and Unsound).

Additional forms of depreciation such as external and/or functional obsolescence can be applied if observed. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific condition adequacy or deficiency, property type or location and can be developed via ratio studies or other market analyses.

The result of estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements. Adding the estimated land value, as if vacant, to the contributory value of the improvements indicates a property value by the cost approach. Given relevant cost estimates and market related measures of accrued depreciation, the indicated value of the property by the cost approach becomes a very reliable valuation technique.

Income Models

The income approach to value is applied to those real properties which are typically viewed by market participants as "income producing", and for which the income methodology is considered a leading value indicator. The first step in the income approach pertains to the estimation of market rent on a per unit basis. This is derived primarily from actual rent data furnished by property owners and from local market surveys conducted by the district and by information from area rent study reviews. This per unit rental rate multiplied by the number of units results in the estimate of potential gross rent.

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established from actual data furnished by property owners and local market survey trends. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. This feature may also provide for a reasonable lease-up period for multi-tenant properties, where applicable. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an indication of estimated annual effective gross rent to the property.

Next, a secondary income or service income is considered and, if applicable, calculated as a percentage of stabilized effective gross rent. Secondary income represents parking income, escalations, reimbursements, and other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected and available market information. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income, when applicable.

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-- recoverable expenses such as leasing costs and tenant improvements may be included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Relevant expense ratios are developed for different types of commercial property based on use and market experience. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for all operating expenses, such as ad valorem taxes, insurance, and common area and property maintenance. In comparison, a general office building is most often leased on a base year expense stop. This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. As a result, expense ratios are implemented and estimated based on observed market experience in operating various types of commercial property.

Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air conditioning or major mechanical equipment or appliances) requiring expenditures of lump sum costs. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type, these expenses when annualized are known as replacement reserves. For some types of property, typical management does not reflect expensing reserves and is dependent on local and industry practices.

Subtracting the allowable expenses (inclusive of non-recoverable expenses and replacement reserves when applicable) from the annual effective gross income yields an estimate of annual net operating income to the property.

Return rates and income multipliers are used to convert operating income expectations into an estimate of market value for the property under the income approach. These include income multipliers, overall capitalization rates, and discount rates. Each of these multipliers or return rates are considered and used in specific applications. Rates and multipliers may vary between property types, as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market for individual income property types and uses. These procedures are supported and documented based on analysis of market sales when available for these property types.

Capitalization analysis is used in the income approach models to form an indication of value. This methodology involves the direct capitalization of net operating income as an indication of market value for a specific property. Capitalization rates applicable for direct capitalization method and yield rates for estimating terminal cap rates for discounted cash flow analysis are derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of property return expectations a specific market participant is requiring from

an investment at a specific point in time. In addition, overall capitalization rates can be derived and estimated from the built-up method (band-of-investment). This method relates to satisfying estimated market return requirements of both the debt and equity positions in a real estate investment. This information is obtained from available sales of property, local lending sources, and from real estate and financial publications.

Rent loss concessions are estimated for specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss from these real property operations is discounted using an acceptable risk rate. The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances and leasing commissions) becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy. A variation of this technique allows a rent Joss deduction to be estimated for every year that the property's actual occupancy is less than stabilized occupancy.

Sales Comparison (Market) Approach

Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to parcels on the appraisal roll. As previously discussed in the Data Collection / Validation section of this report, pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information which can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

Final Valuation Schedules

Based on the market data analysis and review discussed previously in the cost, income and sales approaches, the cost and income models are calibrated and finalized. The calibration results are keyed to the schedules and models in the CAMA system for utilization on all commercial properties in the district. Market factors reflected within the cost and income approaches are evaluated and confirmed based on market sales of commercial and industrial properties. The appraisers review the cost, income, and sales comparison approaches to value for each of the types of properties with available sales information. The final valuation of a property is estimated based on reconciling these indications of value considering the weight of

the market information available for evaluation and analysis in these approaches to value.

Statistical and Capitalization Analysis

Statistical analysis of final values is an essential component of quality control. This methodology represents a comparison of the final value against the standard and provides a concise measurement of the appraisal performance. Statistical comparisons of many different standards are used including sales of similar properties, the previous year's appraised value, audit trails, value change analysis and sales ratio analysis.

Appraisal statistics of central tendency and dispersion generated from sales ratios are calculated for each property type with available sales data. These summary statistics including, but not limited to, the weighted mean, provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value of a particular property type. The level of appraised values can be determined by the weighted mean for individual properties within a specific type, and a comparison of weighted means can reflect the general level of appraised value.

The appraisers review every commercial property type annually through the sales ratio analysis process. The first phase involves ratio studies that compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the appraised values. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal or whether the level of market value is at an acceptable level.

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of non-recoverable and replacement reserves), net operating income and capitalization rate and multipliers are continuously reviewed. Income model estimates and conclusions are compared to actual information obtained on individual commercial and industrial income properties during the protest hearings process, as well as with information from published sources and area property managers and owners.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the appraiser responsible are listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, GAMA may be altered based on

the credibility of the evidence provided. Normally, a new field check is then requested to verify this information for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is added to a work file for review.

Commercial appraisers are somewhat limited in the time available to field review all commercial properties of a specific use type; however, a major effort is made by appraisers to field review as many properties as possible or economic areas experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. Field review of real property accounts is accomplished while business personal property is reviewed and inspected in the field. The appraisers frequently field review subjective data items such as building class, quality of construction (known as cost modifiers), condition, and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. In some cases, field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. With preliminary estimates of value in these targeted areas, the appraisers test computer assisted values against their own appraisal judgment. While in the field the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties subject to field inspections and are performed in compliance with the guidelines required by the existing classification system. Office reviews are typically limited by the available market data presented for final value analysis. These reviews summarize the pertinent data of each property as well as comparing the previous value to the proposed value conclusions of the various approaches to value. These evaluations and reviews show proposed value changes, income model attributes or overrides, economic factor (cost overrides) and special factors affecting the property valuation such as new construction status, and a three years sales history (USPAP property history requirement for non-residential property). The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions. Each appraiser's review is limited to properties in their area of responsibility by property type (improved) or geographic area (commercial vacant land).

When the appraiser is satisfied with the level and uniformity of value for each

commercial property within their area of responsibility, the estimates of value go to noticing. Each parcel is subjected to the value parameters appropriate for its use type.

Performance Tests

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market prices. In a ratio study, market values (value in exchange) are typically represented with the range of sale prices, i.e., a sales ratio study. Independent, expert appraisals may also be used to represent market values in a ratio study, i.e. an appraisal ratio study. If there are not enough examples of market price to provide necessary representativeness, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial or industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties statutorily not appraised at market value, but reflect the use- value requirement. An example of this are multi-family housing projects subject to subsidized rent provisions or other governmental guarantees as provided by legislative statutes (affordable housing) or agricultural lands to be appraised on the basis of productivity or use value.

Calhoun CAD has adopted the policies of the IAAO STANDARD ON RATIO STUDIES, circa July 1999 regarding its ratio study standards and practices. Ratio studies generally have six basic steps: (1) determination of the purpose and objectives, data collection and preparation, (3) comparing appraisal and market data, (4) stratification, (5) statistical analysis, and (6) evaluation and application of the results.

Sales Ratio Studies

Sales ratio studies are an integral part of estimating equitable and accurate market values, and ultimately property assessments for these taxing jurisdictions. The primary uses of sale ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of property types for reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and, to calibrate models used to estimate appraised values during valuation or reappraisal cycles, but these studies cannot be used to judge the accuracy of an individual property appraised value. The Calhoun County Appraisal Review Board may make individual value adjustments based on unequal appraisal (ratio) protest evidence submitted on a case-by-case basis during the hearing process.

Overall sales ratios are generated by use type semi-annually (or more often in specific areas) to allow appraisers to review general market trends in their area of responsibility and for the Property Study from the Property Tax Assistance Division of the Comptroller's Office. The appraisers utilize desktop applications such as EXCEL programs to evaluate subsets of data by economic area or a specific and unique data item. On the desktop, this may be customized and performed by building class and age basis. In many cases, field checks may be conducted to ensure the

ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the appraisers by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

Comparative Appraisal Analysis

The commercial appraiser performs an average unit value comparison in addition to a traditional ratio study. These studies are performed on commercially classed properties by property use type (such as apartment, office, retail and warehouse usage or special use). The objective to this evaluation is to determine appraisal performance of sold and unsold properties. Appraiser's average unit prices of sales and average unit appraised values of the same parcels and the comparison of average value changes of sold and unsold properties. These studies are conducted on substrata such as building class and on properties located within various economic areas. In this way, overall appraisal performance is evaluated geographically, by specific property type to discern whether sold parcels have been selectively appraised. When sold parcels and unsold parcels are appraised equally, the average unit values are similar. These sales and equity studies are performed prior to final appraisal and to annual noticing.

Business Personal Property Valuation Process

INTRODUCTION

Scope of Responsibility

There are four different personal property types appraised by the district's personal property section: Business Personal Property accounts; leased assets; vehicles and aircraft; and multi-location assets. There are approximately 1,200 business personal property accounts.

- Personnel - The personal property staff consists primarily of 1 appraiser and support from the appraisal staff.

  Paul Spaeth, Deputy Chief of Appraisal Operations

- Data - A common set of data characteristics for each personal property account in Calhoun CAD is collected in the field. The property characteristic data drives the computer-assisted personal property appraisal system. The personal property appraiser collects the field data and maintains electronic property files making updates and changes gathered from field inspections, newspapers, property renditions, sales tax permit listing and interviews with property owners.

VALUATION APPROACH

SIC Code

Business personal property is classified and utilizes a four digit numeric codes, called Standard Industrial Classification (SIC) codes that were developed by the federal government to describe property. These classifications are used by Calhoun CAD to classify personal property by business type.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the greatest income and the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of personal property is normally its current use.

DATA COLLECTION / VALIDATION

Data Collection Procedures

Personal property data collection procedures are published and distributed to all appraisers involved in the appraisal and valuation of personal property. The

appraisal procedures are reviewed and revised to meet the changing requirements of field data collection.

Sources of Data

The district's business personal property characteristic data was collected from property owner renditions and through a field data collection effort coordinated by the district over the recent past. From year to year, reevaluation activities permit district appraisers to collect new data through annual field inspections. This project results in the discovery of new businesses, changes in ownership, relocation of businesses, and closures of businesses not revealed through other sources.

Vehicles

An outside vendor provides Calhoun CAD with a listing of vehicles within the jurisdiction. The vendor develops this listing from the Texas Department of Transportation Title and Registration Division records. Other sources of data include property owner renditions and field inspections.

Leased and Multi-Location Assets

The primary source of leased and multi-location assets is property owner renditions of property. Other sources of data include field inspections.

VALUATION

Cost Schedules

Cost schedules are developed based on the SIC code by the Property Tax Division of the Comptroller's Office and by district personal property valuation appraisers. The cost schedules are developed by analyzing cost data from property owner renditions, hearings, state schedules, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per square foot format, but some exception SIC's are in an alternate price per unit format, such as per room for hotels.

Depreciation Schedule and Trending Factors:

Business Personal Property

Calhoun CAD's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from CAD developed valuation models. The trending factors used by the CAD to develop RCN are based on published valuation guides. The percent good depreciation factors used by Calhoun CAD are also based on published valuation guides. The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

PVF = INDEX FACTOR x PERCENT GOOD FACTOR

The PVF is used as an "express" calculation in the cost approach. The PVF is applied to reported historical cost as follows:

MARKET VALUE ESTIMATE = PVF x HISTORICAL COST

This mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market and reflect current economic pressures of supply and demand.

Personal Property Appraisal

Accounts are reviewed for accuracy of SIC code, square footage, field data, and original cost information. Actual original cost data to derive a typical replacement cost new (RCN) per square foot for a specific category of assets. The RCN per square foot is depreciated by the estimated age using the depreciation table adopted for the tax year.

Quality/Density Schedules and similar business types are used in the general business personal property valuations to estimate the value of new accounts for which no property owner's rendition is filed.

Vehicles

Value estimates for vehicles are provided by an outside vendor and are based on NADA published book values, and there are also considerations available for high mileage. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

Leased and multi-location assets are valued using the PVF schedules mentioned above. If the asset to be valued in this category is a vehicle, then NADA published book values are used. Assets that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

INDIVIDUAL VALUE REVIEW PROCEDURES

Office Review

Accounts are flagged by the appraiser for review based on a variety of conditions. Property owner renditions that differ from prior year, accounts with field or other data changes, accounts with prior hearings, and new accounts are all conditions that can cause an account to be flagged.

PERFORMANCE TESTS

Ratio Studies

Every other year the Property Tax Assistance Division of the state comptroller's office conducts a property value study (PVS). The PVS is a ratio study used to gauge

appraisal district performance. Results from the PVS play a part in school funding. Rather ·than a sales ratio study, the personal property PVS is a ratio study using state cost and depreciation schedules to develop comparative personal property values. These values are then compared to Calhoun CAD's personal property values and ratios are indicated.

INDUSTRIAL PROPERTY VALUATION PROCES

INTRODUCTION

Appraisal Resources

Industrial property consists of processing facilities and their related personal property. Typically, these properties are complex and require specialized training. Calhoun County Appraisal District has contracted with Pritchard & Abbott, Inc. to appraise these prosperities for CCAD. There are 280 industrial properties in CCAD.

Land valuation for industrial properties is the responsibility of appraisal district staff. Site values are analyzed for highest and best use and valued as though they were vacant.

Valuation Approach

Industrial properties are identified as part of the appraiser's physical inspection process each year and through submitted data by the property owner. The appraiser may also refer to legal documents, photography and other descriptive items.

The appraiser identifies and updates relevant characteristics through the inspection process. Confidential rendition, assets lists and other confidential data also provide additional information. Subject property data is verified through previously existing records and through published reports.

Market areas for industrial properties tend to be regional, national and sometimes international. Published information such as prices, financial analysis and investor services reports are used to help define market area.

Among the three approaches to value (cost, income and market), industrial properties are most commonly appraised using replacement/reproduction cost new less depreciation models because of readily available cost information. If sufficient income or market data are available, those appraisal models may also be used.

The appraiser considers results that best address the individual characteristics of the subject property and that are based on the most reliable data when multiple models are used. Year-to year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process.

Minerals (Oil and Gas Reserves) Valuation Process

INTRODUCTION

Appraisal Resources

Calhoun County Appraisal District has currently contracted with Pritchard & Abbott, Inc. to appraise these prosperities for CCAD. There are 2,000 mineral properties in CCAD.

Valuation Approach

As subsurface mineral properties lie within the earth, they cannot be physically identified by inspection like other real property. However, the inability to directly inspect does not appreciably affect the ability to identify and appraise these properties. To identify new properties, P&A obtains monthly oil and gas lease information from the Railroad Commission of Texas [RRC] to compare against oil and gas properties already identified. The situs of new properties is determined using plats and W-2/G-1 records from the RRC.

Relevant characteristics necessary to estimate value of remaining oil or gas reserves are production volume and pattern, product prices, expenses borne by the operator of the property, and the rate at which the anticipated future income should be discounted to incorporate future risk. P&A obtains information to update these characteristics annually from regulatory agencies such as the RRC, the Comptroller of Public Accounts, submissions from property owners and operators, as well as from published investment reports, licensed data services, service for fee organizations and through comparable properties, when available.

Oil and gas markets are regional, national and international. Therefore they respond to market forces beyond defined market boundaries as observed among more typical real properties.

Among the three approaches to value (cost, income and market), the income approach to value is most commonly used in the oil and gas industry. Through use of the discounted cash flow technique in particular, the appraiser is able to bring together relevant characteristics of production volume and pattern, product prices, operating expenses and discount rate to determine an estimate of appraised value of an oil or gas property.

Use of the income approach is the first step in determining an estimate of market value. After that the appraiser reviews the estimated market value compared to its previous certified value and also compares it to industry expected payouts and income indicators. The appraiser examines the model's value with its previous year's actual income, expecting value to typically vary within in a range of 2-5 times actual annual income, provided all appropriate income factors have been correctly identified. Finally, periodic reassignment of properties among appraisers and review of appraisals by a more experienced appraiser further expand the review process.

Utility, Railroad and Pipeline Property Valuation Process

INTRODUCTION

Appraisal Resources

The Calhoun County Appraisal District currently has a professional services contract with Pritchard & Abbott Inc. to appraise these properties for Calhoun County. There are 300 utility and pipeline accounts in CCAD.

Valuation Approach

Utility, railroad and pipeline properties that are susceptible to inspection are identified by inspection. The appraiser may also refer to other documents, both public and also confidential to assist in identification of these properties.

The appraiser identifies and updates relevant characteristics through data collected as part of the inspection process and through later submissions by the property owner, sometimes including confidential rendition. Additional data are obtained through public sources, regulatory reports and through analysis of comparable properties.

Market areas for utility, railroad and pipeline property tend to be regional or national in scope. Financial analyst and investor services reports are used to help define market areas.

For all three types of property, the appraiser must first form an opinion of highest and best use. Among the three approaches to value (cost, income and market), pipeline value is calculated using a replacement/reproduction cost new less depreciation model [RCNLD]. In addition to the RCNLD indicator, a unit value model may also be used when appropriate data is available. Utility and railroad property are appraised in a manner similar to pipeline except that the RCNLD model is not used.

The appraiser considers results that best address the individual characteristics of the subject property when multiple models are used. Year-to year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process. These types of property are also subject to review by the Property Tax Division of the Texas Comptroller's Office through their annual Property Value Study.

A more comprehensive report of the valuation/reappraisal plan for MIUP type properties is provided by Pritchard and Abbott in a separate section of this plan.

LIMITING CONDITIONS

INTRODUCTION

The appraised value estimates provided by the district are subject to the following conditions:

- The appraisals were prepared exclusively for Ad-valorem tax purposes.
- 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 were performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.
- Validation of sales transactions was attempted though questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
- Jurisdictional exception applies to all accounts qualified according to state tax law
- I have attached a list of staff providing significant mass appraisal assistance to the person signing this certification.

Certification Statement:

"I, Jesse W Hubbell, Chief Appraiser for the Calhoun County Appraisal District, solemnly swear or affirm that I have made or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, 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."

Jesse W. Hubbell, RPA, CCA, RTA, CTA
Chief Appraiser
Calhoun County Appraisal District

STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

Name	Title
Jesse W. Hubbell	Chief Appraiser, RPA, CCA, RTA, CTA
Paul Spaeth	Deputy Chief of Appraisal Operations, RPA, RTA
Michelle Meza	Residential Appraiser, RPA (Class 3)
Patti Pustejovsky	Residential Appraiser, RPA
Carissa Diaz	Land Appraiser, RPA
Debra Blakeman	GIS/Mapping, RPA

APPENDIX A

PRITCHARD & ABBOTT, INC.
VALUATION CONSULTANTS

S.B. 1652* BIENNIAL REAPPRAISAL PLAN

FOR THE ANNUAL APPRAISAL FOR

AD VALOREM TAX PURPOSES OF

MINERAL, INDUSTRIAL, UTILITY AND

RELATED PERSONAL PROPERTY

For Tax Years:

2023 and 2024**

Originally Printed: July 21, 2022

***This biennial reappraisal plan is largely predicated on the Scope of Work Rule in the most recent version of Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by The Appraisal Foundation's Appraisal Standards Board (ASB). On February 19, 2021, the ASB announced that the 2020-2021 edition of USPAP would be extended for use into 2022. Subsequently, this plan does not have a newer edition of USPAP to draw upon and therefore is substantially similar to the 2021-2022 biennial reappraisal plan.*

*Senate Bill 1652 passed by the Texas Legislature, 79th Regular Session in 2005, amending Section 6.05 of the Texas Property Tax Code, adding Subsection (i) as follows:

"To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place for the hearing. Not later than September 15 of each even-numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date."

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POLICY STATEMENT OF PRITCHARD & ABBOTT, INC., ON THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

Pritchard & Abbott, Inc., (P&A), a privately held company engaged primarily, but not wholly, in the ad valorem tax valuation industry endorses Uniform Standards of Professional Appraisal Practice (USPAP) as the basis for the production of sound appraisals. Insofar as the statutory requirement to appraise groups (or a "universe") of real and personal property within an established period of time using standardized procedures—and subjecting the resulting appraisals to statistical measures—is the definition of mass appraisal, P&A subscribes to USPAP Standards 5 and 6 (Mass Appraisal, Development and Reporting) whenever applicable in the development and defense of values. When circumstances clearly dictate the use of single property appraisal procedures, P&A adheres to the spirit and intent of the remaining USPAP Standards within all appropriate, practical, and/or contractual limitations or specifications.

A biennial reappraisal plan is, at its core, a discussion of the CAD's intended implementation of the Scope of Work Rule in USPAP. This plan provides general information about this rather comprehensive USPAP rule, as well as the specific steps P&A takes in the actual appraisal of various property types per our contractual obligations. This Biennial Reappraisal Plan should not be confused or conflated with an "appraisal manual" or other "how-to" guide which may or may not exist within P&A for any particular property type we appraise.

This reappraisal plan discusses a few other USPAP rules that interact with the Scope of Work Rule, such as the Ethics Rule, the Record Keeping Rule, and Jurisdictional Exception Rule. For further information regarding other sections of USPAP, including the Competency Rule, definitions, and appraisal reports, please reference P&A's "USPAP report" which accompanies our appraisals and supporting documentation provided to clients per Property Tax Code, Sec. 25.01(c) at the completion of each tax year. ***An appraisal season thus begins with an appraisal plan (approved by the CAD's Board of Directors) and ends with appraisal reports.*** Providing these reports is definitely part of the plan. Likewise, much of the verbiage in the "USPAP report" is a reiteration of the Biennial Reappraisal Plan.

USPAP defines "appraisal" as the act or process of developing an opinion of value or pertaining to appraising and related functions such as appraisal practice or appraisal services. Valuation services is defined as services pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others. The USPAP definition of "appraiser" is one who is expected to perform valuation services competently and in a manner that is ***independent, impartial, and objective.*** USPAP Advisory Opinion 21: *USPAP Compliance* states that this expectation (by clients and intended users of appraisal reports) is the basis that creates an ethical obligation to comply with USPAP, even if not legally required. Advisory opinions do not establish new standards or interpret existing standards, but instead are issued to illustrate the applicability of appraisal standards in specific situations.

The majority of property types that P&A typically appraises for ad valorem tax purposes are categorized as unique, complex, and/or "special purpose" properties (mineral interests, industrial, utility, and related personal property). These categories of properties do not normally provide sufficient market data of reliable quality and/or quantity to support the rigorous use of all USPAP-prescribed mass appraisal development mandates (Standard 5: Mass Appraisal, Development), particularly with regards to some, but not all, of the *model calibration* and *statistical performance testing* confines. However, P&A does strive to employ all or most elements of mass appraisal techniques with regards to the *definition* and *identification of property characteristics* and *model specification* and application.

Per USPAP Advisory Opinion 32: *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments,* in the

interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation can include consideration of appraisal level (the overall proximity between appraised values and actual prices) and the uniformity of property values (equity within groups of like properties). The appraiser is responsible for recognizing when the concepts of appraisal level and appraisal uniformity are necessary for credible assignment results in a mass appraisal assignment for ad valorem taxation.

Residential real estate property appraisers most frequently apply mass appraisal methods within the sales comparison (market) approach to value. Through the use of standardized data collection (i.e., actual market sales), specification and calibration of mass appraisal models, tables, and schedules are possible. Through ratio study analysis and other performance measures, a cumulative summary of valuation accuracy can thus be produced in order to calibrate the appraisal model(s). Where sufficient data of reliable quality exists, mass appraisal is also used for other types of real estate property such as farms, vacant lots, and some commercial uses (e.g., apartments, offices, and small retail).

Regarding mass appraisal reports due the client and other intended users per USPAP (Standard 6 (Mass Appraisal, Reporting), a written report of the mass appraisal as described in Standards 6-2 is not provided for each individual property. An individual property record or worksheet may describe the valuation of the specific property after the application of the mass appraisal model. To understand the individual property result developed in a mass appraisal requires the examination of all the information and analysis required by Standards 6-2.

P&A will clearly state or otherwise make known all extraordinary assumptions, hypothetical conditions, limitations imposed by assignment conditions, and/or jurisdictional exceptions in its appraisal reports as they are conveyed to our clients. ***Intended users of our reports are typically the client(s) for which we are under direct contract.*** Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. ***A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.*** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

USPAP does not currently address communications of assignment results prior to completion of the assignment, thus such communications have no requirements other than to comply with the general requirements in the Ethics Rule, the Competency Rule, and the Jurisdictional Exception Rule. The client and all intended users should be aware that mass appraisals, as opposed to most "fee" appraisals, are somewhat inherently "limited" versus "complete" and that appraisal reports, unless otherwise contracted for by the client, will most often be of a "restricted" nature whereas explanations of appraisal methods and results are more concise versus lengthy in order to promote brevity, clarity, and transparency to the intended user(s).

Per USPAP, the appropriate reporting option and level of information in a report are dependant on the intended use and the intended users. Although the reporting verbiage in USPAP Standard 6 does not specifically offer or promulgate a "Restricted Appraisal Report" such as in Standard 2 (Real Property Appraisal, Reporting) and Standard 8 (Personal Property Appraisal, Reporting), it should be noted that: a) all mass appraisals and mass appraisal reports deal with real and personal property in some form or fashion; and b) P&A is a private consulting firm, a fact which may necessitate the withholding of certain data and/or appraisal models/techniques which are deemed confidential, privileged and/or proprietary in nature. The use of "limited" appraisals in conjunction with "restricted" reports in no way implies non-compliance with USPAP. ***The substantive content of a report***

determines its compliance.

P&A believes that, with its vast experience and expertise in these areas of appraisal, all concluded values and reports thereof are credible, competent, understandable, uniform and consistent; and most importantly for ad valorem tax purposes, accomplished in a cost-efficient and timely manner.

Per previous ASB comments under Standard 6-2(b) *[scope of work... special limiting conditions]*:

> ***"Although appraisers in ad valorem taxation should not be held accountable for limitations beyond their control, they are required by this specific requirement to identify cost constraints and to take appropriate steps to secure sufficient funding to produce appraisals that comply with these standards. Expenditure levels for assessment administration are a function of a number of factors. Fiscal constraints may impact data completeness and accuracy, valuation methods, and valuation accuracy. Although appraisers should seek adequate funding and disclose the impact of fiscal constraints on the mass appraisal process, they are not responsible for constraints beyond their control."***

In any event, however, it is not P&A's intent to allow constraints, fiscal or otherwise, to limit the scope of work to such a degree that the mass appraisal results provided to our clients are not credible within the context of the intended use(s) of the appraisal.

PREAMBLE

The purpose of USPAP is to establish requirements and conditions for ethical, thorough, and transparent property valuation services. Valuation services pertain to all aspects of property value and include services performed by appraisers and other professionals including attorneys, accountants, insurance estimators, auctioneers, or brokers. Valuation services include appraisal, appraisal review, and appraisal consulting. The primary intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

It is essential that professional appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. The importance of the role of the appraiser places ethical obligations upon those who serve in this capacity. These USPAP Standards reflect the current standards of the appraisal profession.

These Standards are for both appraisers and users of appraisal services. To maintain a high level of professional practice, appraisers observe these Standards. However, these Standards do not in themselves establish which individuals or assignments must comply. The Appraisal Foundation nor its Appraisal Standards Board is not a government entity with the power to make, judge, or enforce law. Compliance with USPAP is only required when either the service or the appraiser is obligated to comply by law or regulation, or by agreement with the client or intended users. When not obligated, individuals may still choose to comply.

USPAP addresses the ethical and performance obligations of appraisers through Definitions, Rules, Standards, Statements (if any), and Advisory Opinions. USPAP Standards deal with the procedures to be followed in performing an appraisal or appraisal review and the manner in which each is communicated. A brief description of the USPAP Standards are as follows:

- **Standards 1 and 2:** establish requirements for the development and communication of a real property appraisal.
- **Standards 3 and 4:** establishes requirements for the development and communication of an appraisal review.
- **Standards 5 and 6:** establishes requirements for the development and communication of a mass appraisal.
- **Standards 7 and 8:** establish requirements for the development and communication of a personal property appraisal.
- **Standards 9 and 10:** establish requirements for the development and communication of a business or intangible asset appraisal.

Section 23.01(b) *[Appraisals Generally]* of the Texas Property Tax Code states:

> *"The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the Appraisal District determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice...."* (underline added for emphasis)

Consequently, USPAP Standards 5 and 6 are assumed to be the applicable standard for ad valorem tax purposes in Texas, if mass appraisal practices are in fact being used to appraise the subject property. USPAP Advisory Opinion 32 suggests several USPAP standards other than Standards 5 or 6 can apply in ad valorem tax work. It appears that an appraiser engaged in ad valorem tax work in Texas is not specifically required by law to follow these USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. In this case it could be deemed appropriate to invoke the Jurisdictional Exception Rule which is applicable when

there is a contradiction between the requirements of USPAP and the law or regulation of a jurisdiction. Please see the P&A Policy Statement on USPAP as provided elsewhere in this report for a more detailed discussion regarding this matter.

ETHICS RULE

Because of the fiduciary responsibilities inherent in professional appraisal practice, the appraiser must observe the highest standards of professional ethics. This Ethics Rule is divided into three sections:

- Conduct;
- Management;
- Confidentiality.

This Rule emphasizes the personal obligations and responsibilities of the individual appraiser. However, it should be noted that groups and organizations ***which are comprised of individual appraisers engaged in appraisal practice*** effectively share the same ethical obligations. To the extent the group or organization does not follow USPAP Standards when legally required, individual appraisers should take steps that are appropriate under the circumstances to ensure compliance with USPAP.

Compliance with these Standards is required when either the service or the appraiser is obligated by law or regulation, or by agreement with the client or intended users, to comply. ***Compliance is also required when an individual, by choice, represents that he or she is performing the service as an appraiser.***

An appraiser must not misrepresent his or her role when providing valuation services that are outside of appraisal practice.

Honesty, impartiality, and professional competency are required of all appraisers under USPAP Standards. To document recognition and acceptance of his or her USPAP-related responsibilities in communicating an appraisal or appraisal review completed under USPAP, an appraiser is required to certify compliance with these Standards.

CONDUCT

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- ***must not accept an assignment that includes the reporting of predetermined opinions and conclusions***;
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent report;
- must not use or rely on unsupported conclusions relating to characteristics such as race, color, religion, national origin, gender, marital status, familial status, age, receipt of public assistance income, handicap, or an unsupported conclusion that homogeneity of such characteristics is necessary to maximize value;
- must not engage in criminal conduct;

- must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and must not perform an assignment in a grossly negligent manner.

If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in each subsequent report certification:

- any current or prospective interest in the subject property or parties involved; and
- any services regarding the subject property performed by the appraiser within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.

The appraiser can agree with the client to keep the mere occurrence of a prior appraisal assignment confidential. If an appraiser has agreed with the client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignment that fall with the three year period. In assignments is which there is no report, only the initial disclosure to the client is required.

Presumably all parties in ad valorem tax appraisal will be aware of the ongoing yearly nature of the appraisal assignments performed by valuation consulting firms like Pritchard & Abbott, Inc.—i.e., it will not be confidential—so that this particular conduct instruction is more or less a moot point (regarding the three year period discussed) if the prior service is in fact the ad valorem tax appraisals performed in previous tax years.

MANAGEMENT

The payment of a fee, commission, or a thing of value by the appraiser in connection with the procurement of an assignment must be disclosed. This disclosure must appear in the certification and in any transmittal letter in which conclusions of value are stated; however, the disclosure of the amount paid is not required. Intra-company payments to employees of groups or organizations involved in appraisal practice for business development do not require disclosure.

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon the reporting of a ***predetermined result, a direction in assignment results that favors the cause of the client, the amount of a value opinion, the attainment of a stipulated result,*** or the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

Advertising for or ***soliciting assignments in a manner that is false, misleading, or exaggerated*** is unethical. Decisions regarding finder or referral fees, contingent compensation, and advertising may not be the responsibility of an individual appraiser, but for a particular assignment it is the responsibility of the individual appraiser to ascertain that there has been no breach of ethics, that the assignment consulting assignment has been prepared in accordance with USPAP Standards, and that the report can be properly certified when required by USPAP Standards 2-3, 4-3, 6-3, 8-3, or 10-3.

An appraiser must affix, or authorize the use of, his or her signature to certify recognition and acceptance of his or her USPAP responsibilities in an appraisal or appraisal review assignment. An appraiser may authorize the use of his or her signature only on an assignment-by-assignment basis.

In addition, an appraiser must not affix the signature of another appraiser without his or her consent. An appraiser must exercise due care to prevent unauthorized use of his or her signature. However, an appraiser exercising such care is not responsible for unauthorized use of his or her signature.

CONFIDENTIALITY

An appraiser must protect the confidential nature of the appraiser-property owner relationship.

An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.

An appraiser must not disclose confidential factual data obtained from a property owner to anyone other than:

1. The client;
2. Parties specifically authorized by the client;
3. State appraiser regulatory agencies;
4. Third parties as may be authorized by due process of law; or
5. A duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.

An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form. In addition, an appraiser must ensure that employees, coworkers, subcontractors, or others who may have access to confidential information or assignments results, are aware of the prohibitions on disclosure of such information or results.

It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee.

When all confidential elements of confidential information are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

RECORD KEEPING RULE

An appraiser must prepare a workfile for each appraisal or appraisal review assignment. A workfile must be in existence prior to the issuance of any report or other communication of assignment results. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

The workfile must include the name of the client and the identity, by name or type, of any other intended users, and true copies of all written reports, documented on any type of media. (A true copy is a replica of the report transmitted to the client. A photocopy or an electronic copy of the entire report transmitted to the client satisfies the requirement of a true copy.) A workfile must contain summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification; and all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation.

A workfile in support of a Restricted Appraisal Report or an oral appraisal report must be sufficient for the appraiser to produce an Appraisal Report. A workfile in support of an oral appraisal review report must be sufficient for the appraiser to produce an Appraisal Review Report.

An appraiser must retain the workfile for a period of at least ***five years after preparation*** or at least two years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

An appraiser must have custody of the workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile. This includes ensuring that a workfile is stored in a medium that is retrievable by the appraiser throughout the prescribed record retention period. An appraiser having custody of a workfile must allow other appraisers with workfile obligations related to an assignment appropriate access and retrieval for the purpose of:

- submission to state appraiser regulatory agencies;
- compliance with due process of law;
- submission to a duly authorized professional peer review committee; or
- compliance with retrieval arrangements.

A workfile must be made available by the appraiser when required by a state appraiser regulatory agency or due process of law.

An appraiser who willfully or knowingly fails to comply with the obligations of this Record Keeping Rule is in violation of the Ethics Rule.

SCOPE OF WORK RULE

For each appraisal or appraisal review assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment. Credible assignment results require support by relevant evidence and logic. ***The credibility of assignment results is always measured in the context of the intended use.***

PROBLEM IDENTIFICATION

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal, appraisal review or appraisal consulting problem to be solved. The assignment elements necessary for problem identification are addressed in the Standard 6-2:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal. Similar information is necessary for problem identification in appraisal review and appraisal consulting assignments. Assignment conditions include:

- assumptions;
- extraordinary assumptions;
- hypothetical conditions;
- laws and regulations;
- jurisdictional exceptions; and
- other conditions that affect the scope of work.

SCOPE OF WORK ACCEPTABILITY

The scope of work must include the research and analyses that are necessary to develop credible assignment results. The scope of work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or a similar assignment.

Determining the scope of work is an ongoing process in an assignment. Information or conditions discovered during the course of an assignment might cause the appraiser to reconsider the scope of work. An appraiser must be prepared to support the decision to exclude any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use. In addition, the appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.

DISCLOSURE OBLIGATIONS

The report must contain sufficient information to allow intended the client and other intended users to understand the scope of work performed. Proper disclosure is required because clients and other intended users may rely on the assignment results. Sufficient information includes disclosure of research and analyses performed or not performed. ***The information disclosed must be appropriate for the intended use of the assignment results.***

Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. ***The appraiser has broad flexibility and significant responsibility in the level of detail and manner of disclosing the scope of work in the appraisal report or appraisal review report.*** The appraiser may, but is not required to, consolidate the disclosure in a specific section or sections of the report, or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of work as necessary throughout the report.

JURISDICTIONAL EXCEPTION RULE

If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment. When compliance with USPAP is required by federal law or regulation, no part of USPAP can be voided by a law or regulation of a state or local jurisdiction. ***When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP.***

In an assignment involving a jurisdictional exception, an appraiser must:

- identify the law or regulation that precludes compliance with USPAP;
- comply with that law or regulation;
- clearly and conspicuously disclose in the report the part of USPAP that is voided by that law or regulation; and
- cite in the report the law or regulation requiring this exception to USPAP compliance.

The purpose of the Jurisdictional Exception Rule is strictly limited to providing a saving or severability clause intended to preserve the balance of USPAP if one or more of its parts are determined as contrary to law or public policy of a jurisdiction. By logical extension, there can be no violation of USPAP by an appraiser who disregards, with proper disclosure, only the part or parts of USPAP that are void and of no force and effect in a particular assignment by operation of legal authority.

It is misleading for an appraiser to disregard a part or parts of USPAP as void and of no force and effect in a particular assignment without identifying the part or parts disregarded and the legal authority justifying this action in the appraiser's report.

"Law" includes constitutions, legislative and court-made law, and administrative rules (such as from the Office of the Texas Comptroller of Public Accounts) and ordinances. "Regulations" include rules or orders having legal force, issued by an administrative agency. ***Instructions from a client or attorney do not establish a jurisdictional exception.***

A jurisdictional exception prevalent in Texas is that appraisers are seeking to establish "fair market value" as defined by the Texas Property Tax Code instead of "market value" as found in the USPAP definitions section.

USPAP STANDARDS 5 AND 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING (General Discussion)

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals.

Standards 5 and 6 apply to all mass appraisals of real and personal property regardless of the purpose or use of such appraisals. It is directed toward the substantive aspects of developing and communicating competent analyses, opinions, and conclusions in the mass appraisal of properties, whether real property or personal property. Standard 5 is directed toward the substantive aspects of developing credible analyses, opinions, and conclusions in the mass appraisal of properties, while Standard 6 addresses the content and level of information required in a report that communicates the results of a mass appraisal. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for purposes of ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

- identifying properties to be appraised;
- defining market areas of consistent behavior that applies to properties;
- identifying characteristics (supply and demand) that affect the creation of value in that market area;
- developing (specifying) a model structure that reflects the relationship among the characteristics affecting value in the market area;
- calibrating the model structure to determine the contribution of the individual characteristics affecting value;
- applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
- reviewing the mass appraisal results.

The Jurisdictional Exception Rule may apply to several sections of Standards 5 and 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

As previously stated in the P&A Policy Statement (page 2), it may not be possible or practicable for all the mass appraisal attributes listed above to be rigorously applied to the many types of complex and/or unique properties that P&A typically appraises. Often there are contractual limitations on the scope of work needed or required. More prevalently, these types of properties do not normally provide a reliable database of market transactions (or details of transactions) necessary for statistically supportable calibration of appraisal models and review of appraisal results. Generally these two functions are effectively accomplished through annual extended review meetings with taxpayers (and clients) who provide data, sometimes confidentially, that allows for appraisal models to be adjusted where necessary. Nevertheless, and not withstanding whether P&A implicitly or explicitly employs or reports all attributes listed above, in all cases P&A at the minimum employs tenants of "generally accepted appraisal methods" which are the genesis of USPAP Standards.

Per USPAP guidelines, P&A will make known all departures and jurisdictional exceptions when invoked (if an appraisal method or specific requirement is applicable but not necessary to attain credible results in a particular assignment).

The various sections of Standard 5 (development of mass appraisal) and Standard 6 (communication of the mass appraisal results) are briefly summarized below:

- **Standard 5-1:** Establishes the appraiser's technical and ethical framework. Specifically, appraisers must recognize and use established principles, methods and techniques of appraisal in a careful manner while not committing substantial errors of fact or negligence that would materially affect the appraisal results and not give a credible estimate of fair market value. To this end appraisers must continuously improve his or her skills to maintain proficiency and keep abreast of any new developments in the real and personal property appraisal profession. This Standards does not imply that competence requires perfection, as perfection is impossible to attain. Instead, it requires appraisers to employ every reasonable effort with regards to due diligence and due care.

- **Standard 5-2:** Defines the introductory framework requirements of developing a mass appraisal, focusing on the identification and/or definition of: client(s), intended users, effective date, appraisal perspective, scope of work, extraordinary assumptions, hypothetical conditions, the type and definition of value being developed (typically "fair market value" for ad valorem tax purposes), characteristics of the property being appraised in relation to the type and definition of value and intended use, the characteristics of the property's market, the property's real or personal attributes, fractional interest applicability, highest and best use analysis along with other land-related considerations, and any other economic considerations relevant to the property.

- **Standard 5-3:** Defines requirements for developing and specifying appropriate mass appraisal data and elements applicable for real and personal property. For real property, the data and elements include: existing land use regulations, reasonably probable modification of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use analysis. For personal property, the relevant data and elements include: identification of industry trends, trade level, highest and best use, and recognition of the appropriate market consistent with the type and definition of value.

- **Standard 5-4:** Further defines requirements for developing mass appraisal models, focusing on development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration. This rule specifies that appraisers employ recognized techniques for specifying and calibrating mass appraisal models. Model specification is the formal development of a model in a statement or mathematical equation, including all due considerations for physical, functional, and external market factors as they may affect the appraisal. These models must accurately represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation. Models may be specified incorporating the income, market, and/or cost approaches to value and may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics such as adaptive estimation. Model calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model.

- **Standard 5-5:** Defines requirements for collection of sufficient factual data, in both qualitative and quantitative terms, necessary to produce credible appraisal results. The property characteristics collected must be contemporaneous with the effective date of the appraisal. The data collection program should incorporate a quality control procedure, including checks and audits of the data to ensure current and consistent records. This rule also calls for calls for an appraiser, in developing income and expense statements and cashflow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction. Terms and conditions of any leases should be analyzed, as well as the need for and extent of any physical inspection of the properties being appraised.

- **Standard 5-6:** Defines requirements for application of a calibrated model to the property being appraised. This rule calls for: the appraiser to recognize methods or techniques based on the cost, market, and income approaches for improved parcels; the appraiser to value sites by recognized methods or techniques such as allocation method, abstraction method, capitalization of ground rent, and land residual; the appraiser to develop value of leased fee or leasehold estates with consideration for terms and conditions of existing leases, and, when applicable by law, as if held in fee simple whereas market rents are substituted for actual contract rents; the appraiser to analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the appraiser to analyze anticipated public or private improvements located on or off the site, and analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.

- **Standard 5-7:** Defines the reconciliation process of a mass appraisal. Specifically, appraisers must analyze the results and/or applicability of the various approaches used while ensuring that, on an overall basis, standards of reasonableness and accuracy are maintained with the appraisal model selected (underline added for emphasis). It is implicit in mass appraisal that, even when properly specified and calibrated models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. Appraisers have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy.

- **Standard 6-1:** Defines general requirements of a mass appraisal written report by addressing the level of information required that will allow the report to be non-misleading, clearly understood, and sufficiently qualified with any assumptions and conditions (elements of which are further detailed in the next three sections of this report that discuss P&A appraisal procedures with regards to specific categories of property).

- **Standard 6-2:** Defines specific content required to be included in a mass appraisal written report.

- **Standard 6-3:** Defines the certification of the mass appraisal written report.

The following sections of this report discuss in more detail the various elements of the development of P&A's mass appraisals and a ssociated written reports as required by USPAP Standards 5 and 6, with regards to P&A appraisal of Mineral Interests, Industrial, Utility, Related Personal Property, and Real Estate.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF MINERAL INTERESTS

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Mineral Valuation Department of Pritchard & Abbott, Inc. ("P&A" hereinafter), is responsible for developing credible values for mineral interests (full or fractional percentage ownership of oil and gas leasehold interest, the amount and type of which are legally and/or contractually created and specified through deeds and leases, et.al.) associated with producing (or capable of producing) leases. Mineral interests are typically considered real property because of their derivation from the bundle of rights associated with original fee simple ownership of land. Typically all the mineral interests that apply to a single producing lease are consolidated by type (working vs. royalty) with each type then appraised for full value which is then distributed to the various fractional decimal interest owners prorata to their individual type and percentage amount.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax , the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any mineral or mineral interest property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or "fair market value" of said mineral interests. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;

- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and
- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of "typical practice"; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A's peers' actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: In Texas, the provisions of the Texas Property Tax Code and other relevant legislative measures involving appraisal administration and procedures control the work of P&A as an extension of the Appraisal District. Other states in which P&A is employed will have similar controlling legislation, regulatory agencies, and governmental entities. P&A is responsible for appraising property on the basis of its fair market value as of the stated effective date (January 1 in Texas) for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All mineral properties (interests) are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of "market value" as found in USPAP definitions.

> NOTE: IN TEXAS, P&A BELIEVES THE PROPERTY BEING APPRAISED AND PLACED ON THE TAX ROLL IS THE INTEREST AND NOT THE OIL OR GAS MINERAL ITSELF, PER PROPERTY TAX CODE SECTION 1.04(2)(F). WHILE OIL AND GAS RESERVES CERTAINLY HAVE VALUE, THE FACT IS THAT IT IS THE INTERESTS IN THESE MINERALS THAT ARE BOUGHT AND SOLD, NOT THE MINERALS THEMSELVES. THE SALE OF MINERALS AS THEY ARE EXTRACTED FROM THE SUBSURFACE OF THE LAND WHERE THEY RESIDE AS MINERALS IN PLACE "MONETIZES" THE INTEREST AND THUS GIVES THE INTEREST ITS VALUE. WHENEVER P&A REFERS TO "MINERAL PROPERTIES" IN THIS REPORT OR IN ANY OTHER SETTING, IT IS THE MINERAL INTEREST, AND NOT THE MINERAL ITSELF, THAT IS THE SUBJECT OF THE REFERENCE.

Administrative Requirements: P&A endorses the principals of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A also endorses, and follows when possible, the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to "generally accepted appraisal methods and techniques" so that its value conclusions are credible and defendable. P&A submits annual or biannual contract bids to the Appraisal District Board of Directors or the Office of the Chief Appraiser and is bound to produce appraisal estimates on mineral properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined or allowed through IAAO or USPAP requirements are specified by the Texas Property Tax Code or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Mineral Valuation Division staff consists of competent Petroleum Engineers, Geologists, and Appraisers. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation within the allowable time frames prescribed by the Texas Department of Licensing and Regulation (TDLR) and/or other licensing and regulatory agencies as applicable.

Data: For each mineral property a common set of data characteristics (i.e. historical production, price and expense data) is collected from various sources and entered into P&A's mainframe computer system. Historical production data and price data is available through state agencies (Texas Railroad Commission, Texas Comptroller, et al.) or private firms who gather, format and repackage such data for sale commercially. Each property's characteristic data drives the computer-assisted mass appraisal approach to valuation.

Information Systems: The mainframe systems are augmented by the databases that serve the various in-house and 3rd-party applications on desktop personal computers. In addition, communication and dissemination of appraisals and other information is available to the taxpayer and client through electronic means including internet and other phone-line connectivity. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper department personnel.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of oil and gas properties is not an exact science, and exact accuracy is not attainable due to many factors. Nevertheless, standards of reasonable performance do exist, and there are usually reliable means of measuring and applying these standards.

Petroleum properties are subject to depletion, and capital investment must be returned before economic exhaustion of the resource (mineral reserves). The examination of petroleum properties involves understanding the geology of the resource (producing and non-producing), type of reservoir energy, the methods of secondary and enhanced recovery (if applicable), and the surface treatment and marketability of the produced petroleum product(s).

Evaluation of mineral properties is a continuous process; the value as of the lien date merely represents a "snapshot" in time. The potential value of mineral interests derived from sale of minerals to be extracted from the ground change with mineral price fluctuation in the open market, changes in extraction technology, costs of extraction, and other variables such as the value of money.

Approaches to Value for Petroleum Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. The cost approach typically derives value by a model that begins with replacement cost new (RCN) and then applies depreciation in all its forms (physical depreciation, functional and economic obsolescence). This method is difficult to apply to oil and gas properties since lease acquisition and development may bear no relation to present worth. Though very useful in the appraisal of many other types of properties, the cost approach is not readily applicable to mineral properties. [Keep in mind that the property actually being appraised is the mineral interest and not the oil and gas reserves themselves. Trying to apply the cost approach to evaluation of mineral interests is like trying to apply the cost approach to land; it is a moot point because both are real properties that are inherently non-replaceable.] **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., does not employ the cost approach in the appraisal of mineral interests.**

Market Approach: This approach may be defined as one which uses data available from actual transactions recorded in the market place itself; i.e., sales of comparable properties from which a comparison to the subject property can be made. Ideally, this approach's main advantage involves not only an opinion but an opinion supported by the actual spending of money. Although at first glance this approach seems to more closely incorporate the aspects of fair market value per its classical definition, there are two factors that severely limit the usefulness of the market approach for appraising oil and gas properties. First, oil and gas property sales data is seldom disclosed (in non-disclosure states such as Texas); consequently there is usually a severe lack of market data sufficient for meaningful statistical analysis. Second, all conditions of each sale must be known and carefully investigated to be sure one does have a comparative indicator of value per fair market value perquisites.

Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets in addition to oil and gas reserves are involved; this further complicates the analysis whereby a total purchase price must be allocated to the individual components - a speculative and somewhat arbitrary task at best. In the case of oil and gas properties, a scarcity of sales requires that every evidence of market data be investigated and analyzed. Factors relative to the sale of oil and gas properties are:

- current production and estimated declines forecast by the buyer;
- estimated probable and potential reserves;
- general lease and legal information which defines privileges or limitation of the equity sold;
- undeveloped potential such as secondary recovery prospects;
- proximity to other production already operated by the purchaser;
- contingencies and other cash equivalents; and
- other factors such as size of property, gravity of oil, etc.

In the event that all these factors are available for analysis, the consensus effort would be tantamount to performing an income approach to value (or trying to duplicate the buyer's income approach to value), thereby making the market approach somewhat moot in its applicability. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of mineral interests.**

Income Approach: This approach to value most readily yields itself to the appraisal of mineral interests. Data is readily available whereby a model can be created that reasonable estimates a future income stream to the property. This future income may then be converted (discounted) into an estimate of current value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield. If the land or improvements are of any residual value after the cessation of oil and gas production, that value should also be included (if those components are also being appraised).

The relevant income that should be used is the expected future net income. Assumptions of this method are:

- Past income and expenses are not a consideration, except insofar as they may be a guide to estimating future net income.
- That the producing life as well as the reserves (quantity of the minerals) are estimated for the property.
- Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the income approach to value in the appraisal of mineral interests.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data is data from the Railroad Commission of Texas as reported by operators. As a monthly activity, the data processing department receives data tapes or electronic files which have updated and new well and production data. Other discovery tools are fieldwork by appraisers, financial data from operators, information from chief appraisers, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new wells and other useful facts related to property valuation.

Another crucial set of data to obtain is the ownership of these mineral interests. Typically a mineral lease is fractionated and executed with several if not many owners. This information is typically requested (under a promise of confidentiality concerning owners' personal information) from pipeline purchasers and/or other entities (such as operators) who have the responsibility of disbursing the income to the mineral interest owners. Another source of ownership information is through the taxpayers themselves who file deeds of ownership transfer and/or correspond with P&A or the appraisal district directly.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures for mineral properties are generally accomplished globally by the company; i.e., production and price data for the entire state is downloaded at one time into the computer system. Appraisers also individually gather and record specific and particular information to the appraisal file records, which serves as the basis for the valuation of mineral properties. P&A is divided into four district offices covering different geographic areas. Each office has a district manager, appraisal and ownership maintenance staff, and clerical staff as appropriate. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser.

VALUATION ANALYSIS (MODEL CALIBRATION)

Appropriate revisions and/or enhancements of schedules or discounted cash flow software are annually made and then tested prior to the appraisals being performed. Calibration typically involves performing multiple discounted cash flow tests for leases with varying parameter input to check the correlation and relationship of such indicators as: Dollars of Value Per Barrel of Reserves; Dollars of Value Per Daily Average Barrel Produced; Dollars of Expense Per Daily Average Barrel Produced; Years Payout of Purchase Price (Fair Market Value). In a more classical calibration procedure, the validity of values by P&A's income approach to value is tested against actual market transactions, if and when these transactions and verifiable details of these transactions are disclosed to P&A. Of course these transactions must be analyzed for meeting all requisites of fair market value definition. Any conclusions of this analysis are then compared to industry benchmarks for reasonableness before being incorporated into the calibration procedure.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's discounted cashflow software dynamically generates various benchmark indicators that the appraiser reviews concurrent with the value being generated. These benchmarks often prompt the appraiser to reevaluate some or all of the parameters of data

entry so as to arrive at a value more indicative of industry standards. Examples of indicators are dollars of value per barrel of oil reserve, years payout, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values, either before or after Notices of Appraised Value are prepared. Operators routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as individual lease operating expense and reserve figures. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as an extension of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for mineral properties. School jurisdictions are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Engineering Services Department of Pritchard & Abbott, Inc. (P&A) is responsible for developing fair and uniform market values for industrial, utility and personal properties.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax , the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any Industrial, Utility, or related Personal Property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or "fair market value" of said industrial, utility, and related personal property. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;
- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and

- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of "typical practice"; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A's peers' actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: The provisions of the Texas Property Tax Code and relevant legislative measures involving appraisal administration and procedures control the work of P&A as a subcontractor to the Appraisal District. P&A is responsible for appraising property on the basis of its market value as of January 1 for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All industrial, utility and personal properties are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of "market value" as found in USPAP definitions.

Administrative Requirements: P&A follows generally accepted and/or recognized appraisal practices and when applicable, the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A, when applicable, also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to "generally accepted appraisal methods and techniques" so that its value conclusions are credible and defendable. P&A submits annual or biannual contract bids to the Office of the Chief Appraiser and is bound to produce appraisal estimates on industrial, utility and personal properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined through IAAO or USPAP requirements are specified by the Texas Property Tax Code and/or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Engineering Services Department and P&A's appraisal staff consists of appraisers with degrees in engineering, business and accounting. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation as prescribed by the Texas Department of Licensing and Regulation (TDLR).

Data: A set of data characteristics (i.e. original cost, year of acquisition, quantities, capacities, net operating income, property description, etc.) for each industrial, utility and personal property is collected from various sources. This data is maintained in either hard copy or computer files. Each property's characteristic data drives the appropriate computer-assisted appraisal approach to valuation.

Information Systems: P&A's mainframe computer system is composed of in-house custom software augmented by schedules and databases that reside as various applications on personal computers (PC). P&A offers a variety of systems for providing property owners and public entities with information services.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of industrial, utility and personal properties is not an exact science, and exact accuracy is not attainable due to many factors. These are considered complex properties and some are considered Special Purpose properties. Nevertheless, standards of reasonable performance do exist, and there are reliable means of measuring and applying these standards.

The evaluation and appraisal of industrial, utility and personal property relies heavily on the discovery of the property followed by the application of recognized appraisal techniques. The property is subject to inflation and depreciation in all forms. The appraisal of industrial and personal property involves understanding petroleum, chemical, steel, electrical power, lumber and paper industry processes along with a myriad of other industrial processes. Economic potential for this property usually follows either the specific industry or the general business economy. The appraisal of utility properties involves understanding telecommunications, electrical transmission and distribution, petroleum pipelines and the railroad industry. Utility properties are subject to regulation and economic obsolescence. The examination of utility property involves the understanding of the present value of future income in a regulated environment.

The goal for valuation of industrial, utility and personal properties is to appraise all taxable property at "fair market value". The Texas Property Tax Code defines Fair Market value as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- both the seller and the purchaser 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 purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

Approaches to Value for Industrial, Utility, and Personal Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial and personal property and some utility property. Under this method, the market value of property equals the value of the land plus the current cost of improvements less accrued depreciation. An inventory of the plant improvements and machinery and equipment is maintained by personally inspecting each facility every year. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the cost approach to value in the appraisal of industrial, utility, and personal property.**

Market Approach: This approach is characterized as one that uses sales data available from actual transactions in the market place. There are two factors that severely limit the usefulness of the market approach for appraising industrial, utility and personal properties. First, the property sales data is seldom disclosed; consequently there is insufficient market data for these properties available for meaningful statistical analysis. Second, all conditions of sale must be known and carefully investigated to be sure one does have a comparative indicator of value. Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets and intangibles in addition to the industrial, utility and personal property are involved. The complexity of these sales presents unique challenges and hindrances to the process of allocation of value to the individual components of the transaction.

In the case of industrial, utility and personal properties, a scarcity of sales requires that all evidence of market data be investigated and analyzed. Factors relative to the sale of these properties are:

- plant capacity and current production; terms of sale, cash or equivalent;
- complexity of property;
- age of property;
- proximity to other industry already operated by the purchaser; and
- other factors such as capital investment in the property.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of industrial, utility, and personal property.

Income Approach: This approach to value most readily yields itself to all income generating assets, especially utility properties. Data for utility properties is available from annual reports submitted to regulatory agencies whereby future income may be estimated, and then this future income may be converted into an estimate of value. The valuation of an entire company by this method is sometimes referred to as a Unit Value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value estimate is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield.

The relevant income that should be used in the valuation model is the expected future net operating income after depreciation but before interest expense (adjustments for Federal Income Taxes may or may not be required). Assumptions of this method are:

- Past income and expenses are a consideration, insofar as they may be a guide to future income, subject to regulation and competition.
- The economic life of the property can be estimated.
- The future production, revenues and expenses can be accurately forecasted. Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., employs the income approach in the appraisal of industrial and utility property only when quantifiable levels of income are able to be reliably determined and/or projected for the subject property. P&A does not employ the income approach in the appraisal of personal property.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data for industrial and personal property is through fieldwork by the appraisers and commercially/publicly available schedules developed on current costs. Data for performing utility appraisals is typically provided by the taxpayer or is otherwise available at various regulatory agencies (Texas Railroad Commission, Public Utilities Commission, FERC, et. al.). Other discovery tools are financial data from annual reports, information from chief appraisers, renditions, tax assessors, trade publications and city and local newspapers. Other members of the public ften provide P&A information regarding new industry and other useful facts related to property valuation.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures have been established for industrial and personal properties. Appraisers gather and record information in the mainframe system, where customized programs serve as the basis for the valuation of industrial, utility and personal properties. P&A is divided into multiple district offices covering different geographic zones. Each office has a district manager and field staff. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser. Additionally, P&A's Engineering Services Department provides supervision and guidance to all district offices to assist in maintaining uniform and consistent appraisal practices throughout the company.

VALUATION ANALYSIS (MODEL CALIBRATION)

The validity of the values by P&A's income and cost approaches to value is tested against actual market transactions, if and when these transactions and verifiable details of the transactions are disclosed to P&A. These transactions are checked for meeting all requisites of fair market value definition. Any conclusions from this analysis are also compared to industry benchmarks before being incorporated in the calibration procedure. Appropriate revisions of cost schedules and appraisal software are annually made and then tested for reasonableness prior to the appraisals being performed.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's industrial, utility, personal property programs and appraisal spreadsheets afford the appraiser the opportunity to review the value being generated. Often the appraiser is prompted to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are original cost, replacement cost, service life, age, net operating income, capitalization rate, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values either before or after Notices of Appraised Value are prepared. Taxpayers, agents and representatives routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as investment costs and capitalization rate studies. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as a representative of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for utility properties. School jurisdictions are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.

APPENDIX B

STANDARD 5: MASS APPRAISAL, DEVELOPMENT

In developing a mass appraisal, an appraiser must identify the problem to be solved, determine the scope of work necessary to solve the problem, and correctly complete research and analyses necessary to produce a credible mass appraisal.

FAQ **See also FAQ 127-264**

Comment: STANDARD 5 applies to all mass appraisals of real or personal property regardless of the purpose or use of such appraisals.[56] The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

1) identifying properties to be appraised;
2) defining market area of consistent behavior that applies to properties;
3) identifying characteristics (supply and demand) that affect the creation of value in that market area;
4) developing a model structure that reflects the relationship among the characteristics affecting value in the market area;
5) calibrating the model structure to determine the contribution of the individual characteristics affecting value;
6) applying the conclusions reflected in the model to the characteristics of the property(ies) being appraised; and
7) reviewing the mass appraisal results.

The JURISDICTIONAL EXCEPTION RULE may apply to several sections of STANDARD 5 because ad valorem tax administration is subject to various state, county, and municipal laws.

STANDARDS RULE 5-1, GENERAL DEVELOPMENT REQUIREMENTS

In developing a mass appraisal, an appraiser must:

(a) be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible mass appraisal;

Comment: Mass appraisal provides for a systematic approach and uniform application of appraisal methods and techniques to obtain estimates of value that allow for statistical review and analysis of results.

This requirement recognizes that the principle of change continues to affect the manner in which appraisers perform mass appraisals. Changes and developments in the real property and personal property fields have a substantial impact on the appraisal profession.

To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. For this reason it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in mass appraisal.

(b) not commit a substantial error of omission or commission that significantly affects a mass appraisal; and

Comment: An appraiser must use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.

(c) not render a mass appraisal in a careless or negligent manner.

56 See Advisory Opinion 32, *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*.

STANDARDS RULE 5-2, PROBLEM IDENTIFICATION

In developing a mass appraisal, an appraiser must:

(a) identify the client and other intended users;[57]

Comment: In ad valorem mass appraisal, the assessor, or party responsible for certification of the assessment or tax roll is required to apply the relevant law or statute and identify the clients and other intended users (if any).

(b) identify the intended use of the appraisal;

Comment: An appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.

(c) identify the type and definition of value, and ascertain whether the value is to be the most probable price:

(i) in terms of cash; or

(ii) in terms of financial arrangements equivalent to cash; or

(iii) in such other terms as may be precisely defined; and

(iv) if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, identify the terms of such financing and any influences on value;

(d) identify the effective date of the appraisal;[58]

(e) identify, from sources the appraiser reasonably believes to be reliable, the characteristics of the properties that are relevant to the type and definition of value and intended use,[59] **including:**

(i) the group with which a property is identified according to similar market influence;

(ii) the appropriate market area and time frame relative to the property being valued; and

(iii) their location and physical, legal, and economic characteristics;

Comment: The properties must be identified in general terms, and each individual property in the universe must be identified, with the information on its identity stored or referenced in its property record.

When appraising proposed improvements, an appraiser must examine and have available for future examination, plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements.[60]

Ordinarily, proposed improvements are not appraised for ad valorem tax purposes. Appraisers, however, are sometimes asked to provide opinions of value of proposed improvements so that developers can estimate future property tax burdens. Sometimes units in condominiums and planned unit developments are sold with an interest in un-built community property, the pro rata value of which, if any, must be considered in the analysis of sales data.

(f) identify the characteristics of the market that are relevant to the purpose and intended use of the mass appraisal including:

(i) location of the market area;

(ii) physical, legal, and economic characteristics;

(iii) time frame of market activity; and

(iv) property interests reflected in the market;

57 See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users.* Also applicable to Standards Rule 5-2(b).
58 See Advisory Opinion 34, *Retrospective and Prospective Value Opinions*.
59 See Advisory Opinion 23, *Identifying the Relevant Characteristics of the Subject Property of a Real Property Appraisal Assignment*, if applicable.
60 See Advisory Opinion 17, *Appraisals of Real Property with Proposed Improvements*, if applicable.

(g) in appraising real property or personal property:

(i) identify the appropriate market area and time frame relative to the property being valued;

(ii) when the subject is real property, identify and consider any personal property, trade fixtures, or intangible assets that are not real property but are included in the appraisal;

(iii) when the subject is personal property, identify and consider any real property or intangible assets that are not personal property but are included in the appraisal;

(iv) identify known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of similar nature; and

(v) identify and analyze whether an appraised fractional interest, physical segment or partial holding contributes pro rata to the value of the whole;

Comment: The above requirements do not obligate the appraiser to value the whole when the subject of the appraisal is a fractional interest, physical segment, or a partial holding. However, if the value of the whole is not identified, the appraisal must clearly reflect that the value of the property being appraised cannot be used to develop the value opinion of the whole by mathematical extension.

(h) analyze the relevant economic conditions at the time of the valuation, including market acceptability of the property and supply, demand, scarcity, or rarity;

(i) identify any extraordinary assumptions necessary in the assignment. An extraordinary assumption may be used in an assignment only if:

(i) the extraordinary assumption is required to properly develop credible opinions and conclusions;

(ii) the appraiser has a reasonable basis for the extraordinary assumption; and

(iii) use of the extraordinary assumption results in a credible analysis;

(j) identify any hypothetical conditions necessary in the assignment. A hypothetical condition may be used in an assignment only if:

(i) use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison; and

(ii) use of the hypothetical condition results in a credible analysis; and

(k) determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.[61]

STANDARDS RULE 5-3, PROPERTY'S USE AND APPROPRIATE MARKET

When necessary for credible assignment results, an appraiser must:

(a) in appraising real property, identify and analyze the effect on use and value of the following factors:

(i) existing land use regulations;

(ii) reasonably probable modifications of such regulations;

(iii) economic supply and demand;

(iv) the physical adaptability of the real estate;

(v) neighborhood trends; and

(vi) highest and best use of the real estate; and

61 See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure,* and Advisory Opinion 29, *An Acceptable Scope of Work.*

Comment: This requirement sets forth a list of factors that affect use and value. In considering neighborhood trends, an appraiser must avoid stereotyped or biased assumptions relating to race, age, color, gender, or national origin or an assumption that race, ethnic, or religious homogeneity is necessary to maximize value in a neighborhood. Further, an appraiser must avoid making an unsupported assumption or premise about neighborhood decline, effective age, and remaining life. In considering highest and best use, an appraiser must develop the concept to the extent required for a proper solution to the appraisal problem.

(b) in appraising personal property, identify and analyze the effects on use and value of industry trends, value-in-use, and trade level of personal property. Where applicable, analyze the current use and alternative uses to encompass what is profitable, legal, and physically possible, as relevant to the type and definition of value and intended use of the appraisal. Personal property has several measurable marketplaces; therefore, the appraiser must define and analyze the appropriate market consistent with the type and definition of value.

STANDARDS RULE 5-4, APPRAISAL METHODS

In developing a mass appraisal, an appraiser must:

(a) identify the appropriate procedures and market information required to perform the appraisal, including all physical, functional, and external market factors as they may affect the appraisal;

Comment: Such efforts customarily include the development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration.

(b) employ recognized techniques for specifying property valuation models; and

Comment: The formal development of a model in a statement or equation is called model specification. Mass appraisers must develop mathematical models that, with reasonable accuracy, represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. The models may be specified using the cost, sales comparison, or income approaches to value. The specification format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics. Appropriate approaches must be used in appraising a class of properties. The concept of recognized techniques applies to both real and personal property valuation models.

(c) employ recognized techniques for calibrating mass appraisal models.

Comment: Calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model. The table entries in a cost manual are examples of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation.

STANDARDS RULE 5-5, APPROACHES TO VALUE

In developing a mass appraisal, when necessary for credible assignment results, an appraiser must:

(a) collect, verify, and analyze such data as are necessary and appropriate to develop:

(i) the cost new of the improvements;

(ii) depreciation;

(iii) value of the land by sales of comparable properties;

(iv) value of the property by sales of comparable properties;

(v) value by capitalization of income or potential earnings (i.e., rentals, expenses, interest rates, capitalization rates, and vacancy data);

Comment: This Standards Rule requires appraisers engaged in mass appraisal to take reasonable steps to ensure that the quantity and quality of the factual data that are collected are sufficient to produce credible mass appraisals.

(b) base estimates of capitalization rates and projections of future rental rates and/or potential earnings capacity, expenses, interest rates, and vacancy rates on reasonable and appropriate evidence;[62]

Comment: This requirement calls for an appraiser, in developing income and expense statements and cash flow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction.

(c) identify and, as applicable, analyze terms and conditions of any available leases; and

(d) identify the need for and extent of any physical inspection.[63]

STANDARDS RULE 5-6, CALIBRATED MASS APPRAISAL MODEL APPLICATION

When necessary for credible assignment results in applying a calibrated mass appraisal model an appraiser must:

(a) value improved parcels by recognized methods or techniques based on the cost approach, the sales comparison approach, and income approach;

(b) value sites by recognized methods or techniques; such techniques include but are not limited to the sales comparison approach, allocation method, abstraction method, capitalization of ground rent, and land residual technique;

(c) when developing the value of a leased fee estate or a leasehold estate, analyze the effect on value, if any, of the terms and conditions of the lease;

Comment: In ad valorem taxation the appraiser may be required by rules or law to appraise the property as if in fee simple, as though unencumbered by existing leases. In such cases, market rent would be used in the appraisal, ignoring the effect of the individual, actual contract rents.

(d) analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the value of the whole must not be developed by adding together the individual values of the various parcels, divided interests, or component parts; and

Comment: Although the value of the whole may be equal to the sum of the separate estates or parts, it also may be greater than or less than the sum of such estates or parts.

(e) when analyzing anticipated public or private improvements, located on or off the site, analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.

STANDARDS RULE 5-7, RECONCILIATION

In developing a mass appraisal an appraiser must:

(a) reconcile the quality and quantity of data available and analyzed within the approaches used and the applicability and relevance of the approaches, methods and techniques used; and

(b) employ recognized mass appraisal testing procedures and techniques to ensure that standards of accuracy are maintained.

62 See Advisory Opinion 33, *Discounted Cash Flow Analysis.*
63 See Advisory Opinion 2, *Inspection of Subject Property.*

Comment: It is implicit in mass appraisal that, even when properly specified and calibrated mass appraisal models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy. This responsibility requires appraisers to evaluate the performance of models, using techniques that may include but are not limited to, goodness-of-fit statistics, and model performance statistics such as appraisal-to-sale ratio studies, evaluation of hold-out samples, or analysis of residuals.

In reporting the results of a mass appraisal, an appraiser must communicate each analysis, opinion, and conclusion in a manner that is not misleading.

FAQ See also FAQ 265-334

Comment: STANDARD 6 addresses the content and level of information required in a report that communicates the results of a mass appraisal.

STANDARD 6 does not dictate the form, format, or style of mass appraisal reports. The substantive content of a report determines its compliance.

STANDARDS RULE 6-1, GENERAL REPORTING REQUIREMENTS

Each written report of a mass appraisal must:

(a) clearly and accurately set forth the appraisal in a manner that will not be misleading;

(b) contain sufficient information to enable the intended user(s) of the appraisal to understand the report properly; and

Comment: Documentation for a mass appraisal for ad valorem taxation may be in the form of (1) property records, (2) sales ratios and other statistical studies, (3) appraisal manuals and documentation, (4) market studies, (5) model building documentation, (6) regulations, (7) statutes, and (8) other acceptable forms.

(c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment.

STANDARDS RULE 6-2, CONTENT OF A MASS APPRAISAL REPORT

The content of a mass appraisal report must be appropriate for the intended use of the appraisal and, at a minimum:

(a) state the identity of the client, or if the client has requested anonymity, state that the identity is withheld at the client's request but is retained in the appraiser's workfile; state the identity of any intended user(s) by name or type;[64]

Comment: Because the client is an intended user, they must be identified in the report as such. However, if the client has requested anonymity the appraiser must use care when identifying the client to avoid violations of the Confidentiality section of the ETHICS RULE.

(b) state the intended use of the appraisal;

(c) disclose any assumptions or limiting conditions that result in deviation from recognized methods and techniques or that affect analyses, opinions, and conclusions;

(d) state the effective date of the appraisal and the date of the report;

Comment: In ad valorem taxation the effective date of the appraisal may be prescribed by law. If no effective date is prescribed by law, the effective date of the appraisal, if not stated, is presumed to be contemporaneous with the data and appraisal conclusions.[65]

(e) state the type and definition of value and cite the source of the definition;

Comment: Stating the type and definition of value also requires any comments needed to clearly indicate to intended users how the definition is being applied.

64 See Advisory Opinion 36, *Identification and Disclosure of Client, Intended Use, and Intended Users.* Also applicable to Standards Rules 6-2(b).

65 See Advisory Opinion 34, *Retrospective and Prospective Value Opinions.*

When reporting an opinion of value, state whether the opinion is:

- In terms of cash or of financing terms equivalent to cash; or
- Based on non-market financing with unusual conditions or incentives.

When an opinion of value is based on non-market financing terms or financing with unusual conditions or incentives, summarize the terms of such financing and any influences on value.

(f) state the properties appraised including the property rights; and, when the property rights to be appraised are specified in a statute or court ruling, reference the law;

Comment: The report documents the sources for location, describing and listing the property. When applicable, include references to legal descriptions, addresses, parcel identifiers, photos, and building sketches. In mass appraisal this information is often included in property records.

(g) summarize the scope of work used to develop the appraisal,[66] and explain the exclusion of the sales comparison approach, cost approach, or income approach;

Comment: Summarizing the scope of work includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

(h) when any portion of the work involves significant mass appraisal assistance, summarize the extent of that assistance;[67]

(i) summarize and support the model specification(s) considered, data requirements, and the model(s) chosen; provide sufficient information to enable the client and intended users to have confidence that the process and procedures used conform to accepted methods and result in credible value conclusions; and include a summary of the rationale for each model, the calibration techniques to be used, and the performance measures to be used;

Comment: In the case of mass appraisal for ad valorem taxation, stability and accuracy are important to the credibility of value opinions.

(j) summarize the procedure for collecting, validating, and reporting data; and summarize the sources of data and the data collection and validation processes;

Comment: Reference to detailed data collection manuals or electronic records must be made, as appropriate, including where they may be found for inspection.

(k) summarize calibration methods considered and chosen, including the mathematical form of the final model(s); summarize how value conclusions were reviewed; and, if necessary, state the availability and location of individual value conclusions;

(l) when an opinion of highest and best use, or the appropriate market or market level was developed, summarize how that opinion was determined, and reference case law, statute, or public policy that describes highest and best use requirements;

Comment: When actual use is the requirement, the report must summarize how use-value opinions were developed. The appraiser's reasoning in support of the highest and best use opinion must be provided in the depth and detail required by its significance to the appraisal.

(m) identify the appraisal performance tests used and the performance measures attained;

(n) summarize the reconciliation performed, in accordance with Standards Rule 5-7; and

(o) include a signed certification in accordance with Standards Rule 6-3.

66 See Advisory Opinion 28, *Scope of Work Decision, Performance, and Disclosure* and Advisory Opinion 29, *An Acceptable Scope of Work.*
67 See Advisory Opinion 31, *Assignments Involving More than One Appraiser.*

STANDARDS RULE 6-3, CERTIFICATION

A signed certification is an integral part of the appraisal report.

(a) The wording of a certification does not have to match the following verbatim, but each of the elements must be addressed:

I certify that, to the best of my knowledge and belief:

- **the statements of fact contained in this report are true and correct.**
- **the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.**
- **I have no (or the specified) present or prospective interest in the property that is the subject of this report, and no (or the specified) personal interest with respect to the parties involved.**
- **I have performed no (or the specified) services, as an appraiser or in any other capacity, regarding the property that is the subject of this report within the three-year period immediately preceding the agreement to perform this assignment.**
- **I have no bias with respect to the property that is the subject of this report or to the parties involved with this assignment.**
- **my engagement in this assignment was not contingent upon developing or reporting predetermined results.**
- **my compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.**
- **my analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.**
- **I have (or have not) made a personal inspection of the properties that are the subject of this report. (If more than one person signs this certification, the certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)**[68]
- **no one provided significant mass appraisal assistance to the person signing this certification. (If there are exceptions, the name of each individual providing significant mass appraisal assistance must be stated.)**[69]

Comment: The above certification is not intended to disturb an elected or appointed assessor's work plans or oaths of office.

(b) An appraiser who signs any part of the appraisal report, including a letter of transmittal, must also sign a certification.

Comment: In an assignment that includes only assignment results developed by the real property appraiser, any appraiser who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes personal property assignment results not developed by the real property appraiser(s), any real property appraiser who signs a certification accepts full responsibility for the real property elements of the certification, for the real property assignment results, and for the real property contents of the appraisal report.

68 See Advisory Opinion 2, *Inspection of Subject Property.*
69 See Advisory Opinion 31, *Assignments Involving More than One Appraiser.*

In an assignment that includes only assignment results developed by the personal property appraiser(s), any appraiser who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes real property assignment results not developed by the personal property appraiser(s), any personal property appraiser who signs a certification accepts full responsibility for the personal property elements of the certification, for the personal property assignment results, and for the personal property contents of the appraisal report.

(c) When a signing appraiser has relied on work done by appraisers and others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work.

(i) The signing appraiser is required to have a reasonable basis for believing that those individuals performing the work are competent; and

(ii) The signing appraiser must have no reason to doubt that the work of those individuals is credible.

Comment: Although a certification must contain the names of individuals providing significant mass appraisal assistance, it is not required that a summary of the extent of their assistance be located in a certification. This disclosure may be in any part(s) of the report.

APPENDIX C

PROPERTY TAX CALENDAR

January	
1	Date that taxable values (except for inventories appraised Sept. 1) and qualification for certain exemptions are determined for the tax year (Secs. 11.42(a), 23.01(a), 23.12(f)). Date a tax lien attaches to property to secure payments of taxes, penalties and interest that will be imposed for the year (Sec. 32.01(a)). Date that members of county appraisal district (CAD) boards of directors begin two-year terms; half the members begin two-year terms if the CAD has staggered terms (Secs. 6.03(b), 6.034(a)and(e)). Date that half of appraisal review board (ARB) members begin two-year terms and that ARB commissioners begin one year terms (Sec. 6.41(d-8)). Date by which ARB commissioners, if appointed in the county, are required to return a list of proposed ARB members to the local administrative district judge (Sec. 6.41(d-7)). Deadline for chief appraisers to notify the Comptroller's office of eligibility to serve as chief appraisers (Sec. 6.05(c)). Date the temporary exemption for qualified property damaged by disaster expires as a qualified property of the first tax year in which the property is reappraised under Sec. 25.18 (Sec 11.35(k)).
2	Date rendition period begins(Sec. 22.23(a)).
10	If a tax bill from the previous year is mailed after this date, the delinquency date is postponed (Sec. 31.04(a)).
31	Deadline for the Comptroller's office to publish the preliminary *Property Value Study (PVS)* findings, certify findings to the Texas Education Commissioner, and deliver findings to each school district (Gov't Code Sec. 403.302(g)) **NOTE:** A qualified school district or property owner may protest preliminary findings by filing a petition with the Comptroller not later than the 40th day after the date (whether Jan. 31 or an earlier date) on which the Comptroller's findings are certified to the Texas Commissioner of Education (Gov't Code Sec.403.303(a)). Last day for chief appraiser to deliver applications for agricultural designation and exemptions requiring annual applications (Secs. 11.44(a)), 23.43(e)). Last day for disabled or age 65 or older homeowners or disabled veterans and their surviving spouses qualified for Sec. 11.22 exemptions to provide notice of intent to pay by installment and pay the first installment of homestead property taxes if the delinquency date is Feb. 1. Other delinquency dates have different installment notice and payment deadlines. This deadline also applies to partially disabled veterans and their surviving spouses with homesteads donated from charitable organizations (Sec. 31.031(a-1)). Last day for homeowners or qualified businesses whose properties were damaged in a disaster within a designated disaster area to pay the first installment for taxes with Feb. 1 delinquency dates if using installment payment option. Other delinquency dates have different notice and payment deadlines (Sec. 31.032(b)). Last day for a CAD to give public notice of the capitalization rate to be used in that year to appraise property with low- and moderate-income housing exemption (Sec. 11.1825(r)).

February	
1	Last day for motor vehicle, vessel and outboard motors, heavy equipment and manufactured housing dealers to file dealer's inventory declarations (Secs. 23.121(f), 23.124(f), 23.1241(f), 23.127(f)). Date that taxes imposed the previous year become delinquent if a bill was mailed on or before Jan. 10 of the current year (Secs. 31.02(a), 31.04(a)). Rollback tax and interest for change of use of 1-d, 1-d-1, timber, and restricted-use timber land become delinquent if taxing unit delivered a bill to the owner at least 20 days before this date (Secs. 23.46(c), 23.55(e), 23.76(e), 23.9807(f)). Deadline for chief appraisers in certain counties to provide notice regarding the availability of agreement forms authorizing electronic communication, on or before this date (or as soon as practicable) Sec. 1.085(h)).
15	Last day for tax collector to disburse motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory taxes from escrow accounts to taxing units (Secs. 23.122(k), 23.1242(j), 23.125(k), 23.128(j)).
28 (29 if a leap year)	Last day to request separate appraisal for interest in a cooperative housing corporation (Sec. 23.19(c)).

March	
31	Last day for taxing units' second quarterly payment for the current year CAD budget (Sec. 6.06(e)). Last day for disabled or age 65 or older homeowners or disabled veterans and their surviving spouses qualified for Sec. 11.22 exemptions to pay second installment on taxes with Feb. 1 delinquency dates. Other delinquency dates have different installment payment deadlines. This deadline also applies to partially disabled veterans and their surviving spouses with homesteads donated from charitable organizations (Sec. 31.031(a) and (a-1)). Last day for homeowners or qualified businesses whose properties were damaged in a disaster area to pay second installment on taxes with Feb. 1 delinquency dates. Other delinquency dates have different installment payment deadlines (Sec. 31.032(a) and (b)). Last day for qualified community housing development organizations to file listing of property acquired or sold during the past year with the chief appraiser (Sec. 11.182(i)).

April	
1	Last day for qualifying local governments to submit completed applications to the Comptroller's office to receive disabled veterans assistance payments for previous fiscal year (Local Gov't Code Sec. 140.011(e)). Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for single-family residence homestead properties (Sec. 25.19(a)). Last day (or as soon thereafter as practicable) for chief appraiser to deliver a clear and understandable written notice to property owner of a single-family residence that qualifies for an exemption under Sec. 11.13 if an exemption or partial exemption that was approved for the preceding year was canceled or reduced for the current year (Sec. 25.193(a)).

	Last day for the chief appraiser to notify the taxing units of the form in which the appraisal roll will be provided to them (Sec. 26.01(a)).
15	Last day to file renditions and property reports on most property types. Chief appraiser must extend deadline to May 15 upon written request (Sec. 22.23(a) and (b)). **NOTE:** The Comptroller and each chief appraiser are required to publicize the legal requirements for filing rendition statements and the availability of the forms in a manner reasonably designed to notify all property owners of the law (Sec. 22.21). Chief appraisers need to check with their legal counsel to determine the manner and timing of this notice to meet the legal requirement.
30	Last day for property owners to file these applications or reports with the CAD: Some exemption applications (Sec. 11.43(d))* Notice to chief appraiser that property is no longer entitled to an exemption not requiring annual application (Sec. 11.43(g)); Certain applications for special appraisal or notices to chief appraiser that property no longer qualifies for 1-d agricultural land, 1-d-1 agricultural land, timberland, restricted-use timberland, recreational-park-scenic land and public access airport property (Secs. 23.43(b), 23.54(d) and (h), 23.75(d) and (h), 23.84(b) and (d), 23.94(b) and (d), 23.9804(e) and (i)); Railroad rolling stock reports (Sec. 24.32(e)); Requests for separate listing of separately owned land and improvements (Sec. 25.08(c)); Requests for proportionate taxing of a planned unit development association property (Sec. 25.09(b)); Requests for separate listing of separately-owned standing timber and land (Sec. 25.10(c)); Requests for separate listing of undivided interests (Sec. 25.11(b)); and Requests for joint taxation of separately owned mineral interests (Sec. 25.12(b)). Last day for chief appraiser to certify estimate of the taxable value for counties, municipalities, and school districts (counties and municipalities can choose to waive the estimate) (Sec. 26.01(e) and (f)). A school district with a fiscal year beginning July 1 may use this certified estimate when preparing the notices of public meetings to adopt the budget and discuss the proposed tax rate (Educ. Code Sec. 44.004(g)-(j)). Last day to file rendition statements and property reports for property regulated by the Texas Public Utility Commission, Texas Railroad Commission, federal Surface Transportation Board or the Federal Energy Regulatory Commission. Chief appraiser must extend deadline to May 15 upon written request (Sec. 22.23(d)). Last day for property owners to file applications for allocation under Secs. 21.03, 21.031, 21.05 or 21.055. For good cause, chief appraiser shall extend deadline up to 30 days. Other deadlines apply if the property was not on the appraisal roll in the previous year. (Sec. 21.09(b)).

*Exemption applications for cemeteries, certain charitable organizations, religious organizations, private schools, nonprofit water supply or wastewater service corporations and other nonprofit organizations must be filed within one year of acquiring the property (Secs. 11.42(d) and 11.43(d)). Unless birth date information has been provided to the CAD, persons who become age 65 or qualify as disabled during a tax year must apply for the applicable homestead exemptions within one year of qualifying (Sec. 11.43(k) and (m)).

May	
1	Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for properties other than single-family residence homesteads (Sec. 25.19(a)). Last day (or as soon thereafter as practicable) for chief appraiser to deliver a clear and understandable written notice to the property owner of residence homestead property that does not qualify for an exemption under Sec. 11.13 if an exemption or partial exemption that was approved for the preceding year was canceled or reduced for the current year (Sec. 25.193(a)).
1-14	Period to file resolutions with chief appraiser to change CAD finance method (Sec. 6.061(c)).
1-15	Period when chief appraiser must publish notice about taxpayer protest procedures in a local newspaper with general circulation (Sec. 41.70(a) and (b)). **NOTE**: Chief appraisers must annually publicize property owner rights and methods to protest to the ARB (Sec. 41.41(b)). Chief appraisers should consult legal counsel on the manner and timing to fulfill this requirement.
2	Beginning of time period when taxing units must notify delinquent taxpayers that taxes delinquent on July 1 will incur additional penalty for attorney collection costs at least 30 days and not more than 60 days before July 1. Period ends on June 1 (Sec. 33.07(d)).
15	Deadline for ARBs to adopt ARB hearing procedures; adopted hearing procedures must be submitted to PTAD within 15 days of adoption (Sec. 41.01(c) and (d)). Last day to file renditions and property reports for most property types if an extension was requested in writing. Chief appraiser may extend deadline an additional 15 days for good cause (Sec. 22.23(b)). Date (or as soon as practicable thereafter) for chief appraiser to prepare appraisal records and submit to ARB (Secs. 25.01(a), 25.22(a)). Last day to file most protests with ARB (or by 30th day after notice of appraised value is delivered, whichever is later) (Sec. 41.44(a)(1)).
19	Last day for chief appraiser to determine whether a sufficient number of eligible taxing units filed resolutions to change CAD's finance method (Sec. 6.061(d)).
24	Last day for chief appraiser to notify taxing units of change in the CAD's finance method (Sec. 6.061(d)).
31	Last day for taxing units to file challenges with ARB (or within 15 days after the date the appraisal records are submitted to ARB (whichever is later) (Sec. 41.04). Last day for disabled or age 65 or older homeowners or disabled veterans and their surviving spouses qualified for Sec. 11.22 exemptions to pay third installment on taxes with Feb. 1 delinquency dates. Other delinquency dates have different installment payment deadlines. This deadline also applies to partially disabled veterans and their surviving spouses with homesteads donated from charitable organizations (Sec. 31.031(a) and (a-1)). Last day for homeowners and qualified businesses whose properties were damaged in a disaster area to pay third installment on taxes with Feb. 1 delinquency dates. Other delinquency dates have different installment payment deadlines (Sec. 31.032(a) and (b)).

	Last day for a religious organization that has been denied an 11.20 exemption because of its charter to amend the charter and file a new application (or before the 60th day after the date of notification of the exemption denial, whichever is later) (Sec. 11.421(b)). Last day for taxing unit to take official action to extend the date by which aircraft parts must be transported outside the state after acquired or imported to up to 730 days for the aircraft parts to be exempt from taxation as freeport goods for the current and subsequent tax years (Sec. 11.251(l)).

June	
14	Last day for chief appraiser to submit proposed budget for next year to CAD board and taxing units (unless taxing units have changed CAD's fiscal year) (Sec. 6.06(a) and (i)).
15	Last day (or the 60th day after the date on which the chief appraiser delivers notice to the property owner under Sec 22.22, if applicable) for chief appraisers to accept and approve or deny late-filed freeport exemption applications (Sec. 11.4391(a)).
16	Beginning date that CAD board may pass resolution to change CAD finance method, subject to taxing units' unanimous approval. Period ends before Aug. 15 (Sec. 6.061(a)).
30	Last day to pay second half of split payment for taxes imposed last year (Sec. 31.03(a)). Last day for taxing units' third quarterly payment for CAD budget for the current year (Sec. 6.06(e)). Last day to form a taxing unit to levy property taxes for the current year (Sec. 26.12(d)). Last day for taxing units to adopt local option percentage homestead exemptions (Sec. 11.13(n)). Last day for a private school that has been denied an 11.21 exemption because of the charter to amend the charter and file a new application (or the 60th day after the date of notification of the exemption denial, whichever is later) (Sec. 11.422(a)(1)).

July	
1	Date that delinquent taxes incur total 12 percent penalty (Sec. 33.01(a)). A taxing unit or CAD may provide that taxes that become delinquent on or after Feb. 1 of a year but not later than May 1 of that year and that remain delinquent on July 1 of the year in which they become delinquent incur an additional penalty to defray costs of collection, if the unit or CAD or another unit that collects taxes for the unit has contracted with an attorney to enforce the collection of delinquent taxes (Sec. 33.07(a)). **NOTE:** Taxing units and CADs that have imposed the additional penalty for collection costs under Sec. 33.07 may provide for an additional penalty for attorney collection costs of taxes that become delinquent on or after June 1 under Secs. 26.07(f), 26.15(e), 31.03, 31.031, 31.032, 31.04, or 42.42. The penalty is incurred on the first day of the first month that begins at least 21 days after the date the collector sends the property owner a notice of delinquency and penalty (Sec 33.08(a) and (c)).

	Last day for review and protests of appraisals of railroad rolling stock values (or as soon as practicable thereafter); once the appraised value is approved, the chief appraiser certifies to the Comptroller's office the allocated market value (Secs. 24.35(b), 24.36).
20	Date ARB must approve appraisal records, but may not do so if more than 5 percent of total appraised value remains under protest. The board of directors of a CAD in a county with a population of 1 million or more may postpone the deadline to Aug. 30 or increase the threshold percentage from 5 to 10 percent of the appraised value of properties not under protest (Sec. 41.12(a)-(c)).
25	Last day for Comptroller's office to certify apportionment of railroad rolling stock value to counties, with supplemental records after that date (Secs. 24.38, 24.40). Last day for chief appraiser to certify appraisal roll to each taxing unit (Sec. 26.01(a)). Last day for chief appraiser to prepare and certify to the assessor for each taxing unit an estimate of the taxable value of the property if the ARB has not approved the appraisal records by July 20 (Sec. 26.01(a-1)).
31	Last day for disabled or age 65 or older homeowners or disabled veterans and their surviving spouses qualified for Sec. 11.22 to pay fourth installment on taxes with Feb. 1 delinquency dates. Other delinquency dates have different installment payment deadlines. This deadline also applies to partially disabled veterans and their surviving spouses with homesteads donated from charitable organizations (Sec. 31.031(a-1)). Last day for homeowners and qualified businesses whose properties were damaged in a disaster area to pay fourth installment on taxes with Feb. 1 delinquency dates. Other delinquency dates have different installment payment deadlines (Sec. 31.032(b)). Last day for property owners to apply for Sept. 1 inventory appraisal for the next year (Sec. 23.12(f)).

August	
1	Date taxing unit's assessor submits appraisal roll and date that collector submits collection rate estimate for the current year to the governing body (or soon after as practical) (Sec. 26.04(b)).
7	Date taxing units (other than school districts, small taxing units and water districts) must publicize no-new-revenue and voter-approval tax rates, unencumbered fund balances, debt obligation schedule and other applicable items (or as soon as practical thereafter) (Secs. 26.04(e) and (e)(1), 26.052(b) and Water Code Secs. 49.107(g), 49.108(f)).
14	Last day for CAD board to pass resolution to change CAD finance method, subject to taxing unit's unanimous consent (Sec. 6.061(a)). Last day for CAD board to pass resolution to change number of directors, method for appointing, or both, and deliver the resolution to each taxing unit (Sec. 6.031(a)).
15	Deadline for Comptroller's office to certify final PVS findings to Education Commissioner except as provided (Comptroller Rule Sec. 9.4317(d)).
30	Date ARB must approve appraisal records for CADs in counties with populations of 1 million or more where the board of directors has postponed the deadline from July 20 (Sec. 41.12(c)(1)).

31	If a tax bill is returned undelivered to a taxing unit by the United States Postal Service, a taxing unit must waive penalties and interest if the taxing unit does not send another tax bill at least 21 days before the delinquency date to the current mailing address furnished by the property owner and the property owner establishes that a current mailing address was furnished to the CAD for the tax bill before Sept. 1 of the year in which the tax is assessed (Sec. 33.011(b)(1)). Last day taxing units may file resolutions with the CAD board to oppose proposed change in the CAD finance method (Sec. 6.061(a)). Last day for taxing unit entitled to vote for appointment of CAD directors to file a resolution opposing a change by the CAD board in the number and selection of directors (Sec. 6.031(a)). Deadline to file form with chief appraiser and collector to elect not to be treated as a motor vehicle inventory dealer for the next tax year, if eligible (Sec. 23.121(a)(3)(D)(iii)).

September	
1	Date that taxable value of inventories may be determined at property owner's written option (Sec. 23.12(f)).
14	Last day for CAD board to adopt CAD budget for the next year, unless a district has changed its fiscal year (Sec. 6.06(b) and (i)). Last day for CAD board to notify taxing units in writing if a proposal to change a finance method by taxing units' unanimous consent has been rejected (Sec. 6.061(a)). Last day for CAD board to notify taxing units in writing if a proposal to change the number or method of selecting CAD directors is rejected by a voting taxing unit (Sec. 6.031(a)).
29	Last day for taxing units to adopt tax rate for the current year, or before the 60th day after the date the certified appraisal roll is received by a taxing unit, whichever is later. Failure to adopt by these required dates results in a unit adopting the lower of its no-new-revenue tax rate for this year or last year's tax rate; unit's governing body must ratify new rate within five days of establishing rate (Sec. 26.05(a) and(c)).
30	Last day for taxing units' fourth quarterly payment for CAD budget for the current year (Sec. 6.06(e)).

October	
1	Date tax assessor mails tax bills for the year (or soon after as practical) (Sec. 31.01(a)).

November	
30	First half of split payment of taxes is due on or before this date (Sec 31.03(a)).

December	
31-Jan	Time when appraisal office may conduct a mail survey to verify homestead exemption eligibility (Sec. 11.47(a)).
31	Last day for taxing units' first quarterly payment for CAD budget for next year (Sec. 6.06(e)). Last day for taxing units to take official action to tax goods-in-transit for the following tax year (Sec. 11.253(j)).

APPENDIX D

2023 APPRAISAL FIELD DATES

August

- 15TH Perform Initial Sales Ratio Study/Market Analysis
- 15ST – 31ST Begin working Permits in all areas
- 15ST – 31ST Begin drive-out of non-permitted areas to discover new construction

September

- 1ST Begin reappraisal of Region 10 and Region 11
- 15TH Ag survey mail-out
- 1ST – 30TH Continue to drive-out areas again to locate new construction that did not take out a permit
- 1ST – 30ST Continue working Permits in all areas

October

- 1ST – 31ST Assist with Tax Collections if needed
- 1ST – 31ST Continue working Permits in all areas
- 1ST – 31ST Drive rural areas for construction activity that was not permitted

November

- 1ST Begin reappraisal of Region 7, and Region 8
- 1ST – 31ST Review any new sales (if any) that come in
- 1ST – 31ST Continue working Permits in all areas

December

- 1ST Continue working Permits in all areas
- 15TH – 31ST Assist with Tax Collections if needed

January

- 1ST - 7TH Begin Review of Rechecks
- 1ST - 7TH Continue to drive-out areas again to locate new construction that did not take out a permit
- 1ST - 7TH Continue reappraisal Regions 10, 11, 7, and 8

- 15TH - 20TH Begin reappraisal of Region 9
- 15TH - 31ST Begin reappraisal of Mobile Home Parks in Regions 7-11
- 15th - 31ST Mail Business Personal Property Renditions
- 1ST – 31ST Visit RV Parks to check for occupancy
- 31ST Mail Ag Applications as necessary

February

- 1ST Continue working Permits in all areas
- 1ST Review and inspect any 25.25 protests
- 1ST – 15TH Work Residential and Land renditions
- 15TH Begin inspections of Ag applications
- 15th Mail Watercraft Renditions
- 1ST - 28TH Review new homestead applications in field if needed

March

- 15TH Finalize field work in all areas
- 15TH - 31ST Audit Preliminary Values
- 15TH - 31ST Review Preliminary commercial value with Eagle Appraisal
- 15TH - 31ST Begin Sales Ratio Study/Market Analysis

April

- 1st – 15th Send Notice of Appraised Value (NAV) run to vendor; Audit/Approve NAV
- 1ST -15TH Mail Notices of Appraised Value for all qualifying properties as required by law (or as soon thereafter as practicable)
- 1ST Begin working Personal Property Renditions
- 1ST- 30TH Review Personal Property renditions in the field as needed

May-July

- May 17TH Mail notices of value to Business Personal Property accounts
- Perform field reviews as needed for informal and formal hearing support
- Informal/Formal Hearings

2024 APPRAISAL FIELD DATES

August

- 15TH Perform Initial Sales Ratio Study/Market Analysis
- 15ST – 31ST Begin working Permits in all areas
- 15ST – 31ST Begin drive-out of non-permitted areas to discover new construction

September

- 1ST Begin reappraisal of Region 1 and Region 6
- 15TH Ag survey mail-out
- 1ST – 30TH Continue to drive-out areas again to locate new construction that did not take out a permit
- 1ST – 30ST Continue working Permits in all areas

October

- 1ST – 31ST Assist with Tax Collections if needed
- 1ST – 31ST Continue working Permits in all areas
- 1ST – 31ST Drive rural areas for construction activity that was not permitted

November

- 1ST Begin reappraisal of Regions 2 - 5
- 1ST – 31ST Review any new sales (if any) that come in
- 1ST – 31ST Continue working Permits in all areas

December

- 1ST Continue working Permits in all areas
- 15TH – 31ST Assist with Tax Collections if needed

January

- 1ST - 7TH Begin Review of Rechecks
- 1ST - 7TH Continue to drive-out areas again to locate new construction that did not take out a permit
- 1ST - 7TH Continue reappraisal Regions 1 - 6

- 15TH - 20TH Begin reappraisal of Region 12
- 15TH - 31ST Begin reappraisal of Mobile Home Parks in Regions 1 – 6, 12
- 15th - 31ST Mail Business Personal Property Renditions
- 1ST – 31ST Visit RV Parks to check for occupancy
- 31ST Mail Ag Applications as necessary

February

- 1ST Continue working Permits in all areas
- 1ST Review and inspect any 25.25 protests
- 1ST – 15TH Work Residential and Land renditions
- 15TH Begin inspections of Ag applications
- 15th Mail Watercraft Renditions
- 1ST - 28TH Review new homestead applications in field if needed

March

- 15TH Finalize field work in all areas
- 15TH - 31ST Audit Preliminary Values
- 15TH - 31ST Review Preliminary commercial value with Eagle Appraisal
- 15TH - 31ST Begin Sales Ratio Study/Market Analysis

April

- 1st – 15th Send Notice of Appraised Value (NAV) run to vendor; Audit/Approve NAV
- 1ST -15TH Mail Notices of Appraised Value for all qualifying properties as required by law (or as soon thereafter as practicable)
- 1ST Begin working Personal Property Renditions
- 1ST- 30TH Review Personal Property renditions in the field as needed

May-July

- May 17TH Mail notices of value to Business Personal Property accounts
- Perform field reviews as needed for informal and formal hearing support
- Informal/Formal Hearings

*** Any State or Local deadline that falls on a holiday or weekend is postponed until the following business day.**

APPENDIX E

SD #	DESC	CODE	NAME
S0005	ALAMO HEIGHTS #1 (PORT LAVACA)	1000	ALAMO HGTS AREA
S0010	ALAMO HEIGHTS #2 (PORT LAVACA)	1000	ALAMO HGTS AREA
S0013	BAY VISTA EST I (PORT LAVACA)	1025	BAY VISTA EST
S0030	BONAIRE TERRACE (PORT LAVACA)	1040	BONAIRE TERRACE AREA
S0275	SUNSET HEIGHTS (PORT LAVACA)	1040	BONAIRE TERRACE AREA
S0035	BONORDEN (PORT LAVACA)	1050	BONORDEN AREA
S0040	BOWMAN #1 (PORT LAVACA)	1050	BONORDEN AREA
S0050	ALEX BOYD (PORT LAVACA)	1050	BONORDEN AREA
S0051	JIMENEZ ONE (PORT LAVACA)	1050	BONORDEN AREA
S0090	BROOKS (PORT LAVACA)	1050	BONORDEN AREA
S0110	COLE (PORT LAVACA)	1050	BONORDEN AREA
S0194	LANMARQUE SQUARE (PORT LAVACA)	1050	BONORDEN AREA
S0195	LEMPERT (PORT LAVACA)	1050	BONORDEN AREA
S0225	OBREGON (PORT LAVACA)	1050	BONORDEN AREA
S0270	JOE SPANN (PORT LAVACA)	1050	BONORDEN AREA
S0285	WESTERN HEIGHTS (PORT LAVACA)	1050	BONORDEN AREA
S0027	BLASINGIM SUBD (PL)	1050	BONORDEN AREA
S0112	CONSUELO (PORT LAVACA)	1050	BONORDEN AREA
S0045	BOWMAN #2	1075	BOWMAN #2
S0055	BROOKHOLLOW #1 (PORT LAVACA)	1100	BROOKHOLLOW #1 (S0055)
S0060	BROOKHOLLOW #2 (PORT LAVACA)	1102	BROOKHOLLOW #2 (S0060)
S0065	BROOKHOLLOW #3 (PORT LAVACA)	1103	BROOKHOLLOW #3 (S0065)
S0070	BROOKHOLLOW #4 (PORT LAVACA)	1104	BROOKHOLLOW #4 (S0070)
S0075	BROOKHOLLOW #5 (PORT LAVACA)	1106	BROOKHOLLOW #5 & #6
S0080	BROOKHOLLOW #6 (PORT LAVACA)	1106	BROOKHOLLOW #5 & #6
S0085	BROOKHOLLOW ESTATES (PORT LAVACA)	1125	BROOKHOLLOW EST
S0085	BROOKHOLLOW ESTATES (PORT LAVACA)	1126	BROOKHOLLOW EST DUPLEX
S0085	BROOKHOLLOW ESTATES (PORT LAVACA)	1127	BROOKHOLLOW EST WATERFRONT
A0012	ALEJANDRO ESPARZA (PART OF THIS IS W/BROOKHOLLOW EST	1128	BROOKHOLLOW EST A12
S0095	BURKESHIRE (PORT LAVACA)	1130	BURKESHIRE
S0113	CURLEY TOP SUBDIVISION	1130	BURKESHIRE
S0105	CHATTERTON (PORT LAVACA)	1150	CHATTERTON AREA
S0115	LOU DAVIS (PORT LAVACA)	1150	CHATTERTON AREA
S0007	CLARET CROSSING	1180	CLARET CROSSING
S0008	CLEMENT COVE HARBOR S/D	1200	CLEMENT COVE
S0120	DESHAZOR PARK (PORT LAVACA)	1250	DESHAZOR AREA
S0125	EZZELL REVISED (PORT LAVACA)	1250	DESHAZOR AREA
S0100	CALHOUN (PORT LAVACA)	1250	DESHAZOR AREA
S0123	ESTATES OF JADE BAY	1260	ESTATES OF JADE BAY
S0323	JANAV	1270	JANAV
S0175	JACKSON HEIGHTS (PORT LAVACA)	1280	SHOFNER PARK AREA
S0260	SHOFNER PARK (PORT LAVACA)	1280	SHOFNER PARK AREA
S0192	LA SALLE'S LANDING S/D PHASE I	1300	LA SALLE'S LANDING
S0191	LA VILLA (PORT LAVACA)	1325	LA VILLA AREA
S0281	VILLA DEL MAR (PORT LAVACA)	1325	LA VILLA AREA
S0196	LAVACA BAY PLACE	1350	LAVACA BAY PLACE
S0020	BAYVIEW HEIGHTS (PORT LAVACA)	1375	LYNNHAVEN AREA
S0185	KEY JORDAN (PORT LAVACA)	1375	LYNNHAVEN AREA
S0200	LYNNHAVEN (PORT LAVACA)	1375	LYNNHAVEN AREA
S0230	PARKER (PORT LAVACA)	1375	LYNNHAVEN AREA
S0282	GRETTA WASSERMAN (PORT LAVACA)	1375	LYNNHAVEN AREA
S0160	HILLSIDE TERRACE (PORT LAVACA)	1400	MARIEMONT AREA
S0205	MARIEMONT #1 (PORT LAVACA)	1400	MARIEMONT AREA
S0210	MARIEMONT #2 (PORT LAVACA)	1400	MARIEMONT AREA

SD #	DESC	CODE	NAME
S0215	MARIEMONT #3 (PORT LAVACA)	1400	MARIEMONT AREA
S0216	MARSHALL MEADOWS (PORT LAVACA)	1425	MARSHALL MEADOWS AREA
S0239	RAFEI SUBD	1425	MARSHALL MEADOWS AREA
S0251	SEAGULL (PORT LAVACA)	1425	MARSHALL MEADOWS AREA
S0222	OAK GROVE (PORT LAVACA)	1500	OAK GROVE
S0340	PEIKERT (PORT LAVACA)	1525	PEIKERT
VAR	PORT LAVACA COMMERCIAL	1550	PORT LAVACA COMMERCIAL
VAR	VAR	1565	PORT LAVACA EAST
	VAR	1570	PORT LAVACA EAST-FM 1090
	SOME OF A0037	1575	PORT LAVACA SOUTH
S0001	PORT LAVACA ORIGINAL TOWNSITE	1600	PORT LAVACA TOWN
S0015	BAYVIEW ADDITION (PORT LAVACA)	1600	PORT LAVACA TOWN
S0025	BECK (PORT LAVACA)	1600	PORT LAVACA TOWN
S0130	GEORGETOWN (PORT LAVACA)	1600	PORT LAVACA TOWN
S0135	GEORGE & WILSON (PORT LAVACA)	1600	PORT LAVACA TOWN
S0140	GERYK #1 (PORT LAVACA)	1600	PORT LAVACA TOWN
S0145	GERYK #2 (PORT LAVACA)	1600	PORT LAVACA TOWN
S0150	RAYMOND GERYK (PORT LAVACA)	1600	PORT LAVACA TOWN
S0155	GROOMES (PORT LAVACA)	1600	PORT LAVACA TOWN
S0165	HOLLAMON (PORT LAVACA)	1600	PORT LAVACA TOWN
S0170	HUISACHE (PORT LAVACA)	1600	PORT LAVACA TOWN
S0178	JOSE M RODRIGUEZ S/D (PL)	1600	PORT LAVACA TOWN
S0180	KEY HALK (PORT LAVACA)	1600	PORT LAVACA TOWN
S0190	KEY NOBLE (PORT LAVACA)	1600	PORT LAVACA TOWN
S0193	LANA PARK MOBILE HOME (PORT LAVACA)	1600	PORT LAVACA TOWN
S0220	NORTH END (PORT LAVACA)	1600	PORT LAVACA TOWN
S0227	OLD CITY HALL S/D	1600	PORT LAVACA TOWN
S0235	PETERSON (PORT LAVACA)	1600	PORT LAVACA TOWN
S0240	RANDALL (PORT LAVACA)	1600	PORT LAVACA TOWN
S0243	REYES SUBD (PORT LAVACA)	1600	PORT LAVACA TOWN
S0245	RIDGEFIELD PARK (PORT LAVACA)	1600	PORT LAVACA TOWN
S0250	DAN ROBISON (PORT LAVACA)	1600	PORT LAVACA TOWN
S0280	TILLEY (PORT LAVACA)	1600	PORT LAVACA TOWN
S0286	WICKHAM (PORT LAVACA)	1600	PORT LAVACA TOWN
S0290	YANCEY (PORT LAVACA)	1600	PORT LAVACA TOWN
	PORT LAVACA WEST	1650	PORT LAVACA WEST
S0315	HIGHWAY PARK	1675	PORTER AREA
S0345	PORTER (PORT LAVACA)	1675	PORTER AREA
S0241	REDFISH RETREAT SUBD PHASE 1 (PORT LAVACA)	1700	REDFISH RETREAT
S0255	SHOFNER (PORT LAVACA)	1750	SHOFNER
S0265	SOUTH PARK (PORT LAVACA)	1775	SOUTH PARK
S0277	TANGERINE SEC I & II (PORT LAVACA)	1800	TANGERINE
S0360	WESTSIDE	1850	WESTSIDE
SO405	ARNOLD KOOP	2000	ARNOLD KOOP
S0370	CAMPBELL CARANCAHUA BEACH	2025	CAMPBELL CARANCAHUA BEACH
S0378	CAPTAIN'S COVE SEC 1	2050	CAPTAIN'S COVE AREA
S0379	CAPTAIN'S COVE SEC 2	2050	CAPTAIN'S COVE AREA
S0377	CAPTAIN'S COVE SEC 3	2050	CAPTAIN'S COVE AREA
S0381	CAPTAIN'S COVE SEC 4	2050	CAPTAIN'S COVE AREA
	COMMERCIAL-ACROSS THE BAY	2100	COMMERCIAL-ACROSS THE BAY
S0365	BLUEBONNET ACRES	2150	EMMETT COLE AREA
S0380	COSTAL ACRES	2150	EMMETT COLE AREA
S0385	EMMETT COLE	2150	EMMETT COLE AREA
S0505	RICHTER SWENSON	2150	EMMETT COLE AREA

SD #	DESC	CODE	NAME
S0390	ENCHANTED HARBOR #2	2200	ENCHANTED HARBOR AREA
S0403	KE KE	2200	ENCHANTED HARBOR AREA
S0407	MARROQUIN	2200	ENCHANTED HARBOR AREA
S0375	MARSHALL JOHNSON	2200	ENCHANTED HARBOR AREA
S0404	KELLERS LANDING	2230	KELLERS LANDING
S0450	KOERBER RECREATION BEACH	2250	KOERBER RECREATION BEACH
S0411	OLIVIA GRANT	2300	OLIVIA AREA
S0410	OLIVIA TOWNSITE	2300	OLIVIA AREA
S0425	POINT COMFORT BAYFRONT ADDITION	2500	POINT COMFORT BAYFRONT ADDITION
S0420	POINT COMFORT FIRST ADDITION	2525	POINT COMFORT FIRST ADDITION
S0415	POINT COMFORT VILLAGE	2550	POINT COMFORT VILLAGE
S0445	PORT ALTO UNIT 1	2600	PORT ALTO AREA
SO446	PORT ALTO UNIT 2	2600	PORT ALTO AREA
SO447	PORT ALTO UNIT 3	2600	PORT ALTO AREA
S0448	PORT ALTO UNIT 4	2600	PORT ALTO AREA
S0449	PORT ALTO BOAT LOTS	2625	PORT ALTO BOAT LOTS
SO444	PORT ALTO BOAT STALLS	2650	PORT ALTO BOAT STALLS
S0442	PORT ALTO RANCHETTES	2675	PORT ALTO RANCHETTES
S0441	PORT ALTO WEST MARINA	2680	PORT ALTO WEST MARINA
	ACROSS THE BAY RURAL	2700	RURAL-ACROSS THE BAY
S0395	FRANKSON	2800	SCHICKE AREA
S0470	SCHICKE #2	2800	SCHICKE AREA
S0475	SCHICKE #3	2800	SCHICKE AREA
S0480	SCHICKE #4	2800	SCHICKE AREA
S0485	SCHICKE #5	2800	SCHICKE AREA
S0490	SCHICKE #6	2800	SCHICKE AREA
S0495	SCHICKE #7	2800	SCHICKE AREA
S0460	SCHICKE (ALEXANDER)	2800	SCHICKE AREA
S0465	SCHICKE (CARL)	2800	SCHICKE AREA
S0500	SCHICKE (WARRIE)	2800	SCHICKE AREA
S0455	SEAHORES REEF	2800	SCHICKE AREA
	SHICKE AREA	2825	SCHICKE AREA WF/WV AREA
S0430	SEA LAKE SECTION I	2850	SEA LAKE AREA
S0435	SEA LAKE SECTION II	2850	SEA LAKE AREA
S0440	SEA LAKE SECTION III	2850	SEA LAKE AREA
S0391	SUNNILANDINGS	2900	SUNNILANDINGS AREA
S0600	BAYVIEW SECTION I (SEADRIFT)	3000	BAYVIEW
S0601	BAYVIEW SECTION II (SEADRIFT)	3000	BAYVIEW
S0610	RICHARD CALLENDER BAYFRONT ADDN	3300	RICHARD CALLENDER AREA
S0622	SANDHILL LANDING SUBD (SEAD)	3350	SANDHILL LANDING
S0595	SEADRIFT TOWNSITE	3400	SEADRIFT BAY AREA
S0595	SEADRIFT TOWNSITE	3450	SEADRIFT BAY AREA-WASH ST
S0557	HARBOR VIEW SUBD (SEAD)	3500	SEADRIFT CENTRAL
S0595	SEADRIFT TOWNSITE	3500	SEADRIFT CENTRAL
	SEADRIFT COMMERCIAL	3550	SEADRIFT COMMERCIAL
S0605	BLASINGIM EAST SIDE	3600	SEADRIFT EAST
S0620	HENDERSON (SEADRIFT)	3600	SEADRIFT EAST
S0595	SEADRIFT TOWNSITE	3600	SEADRIFT EAST
S0595	SEADRIFT TOWNSITE	3700	SEADRIFT NORTH EAST
S0595	SEADRIFT TOWNSITE	3800	SEADRIFT WEST
A0019	SANTIAGO GONZALES	5000	A0019
S0523	ALA WAI VILLAGE SEC 1 (POC)	5025	ALA WAI WATERFRONT
S0592	PELICANS LANDING (POC)	5025	ALA WAI WATERFRONT
S0523	ALA WAI VILLAGE SEC 1 (POC)	5026	ALA WAI OFF WATER

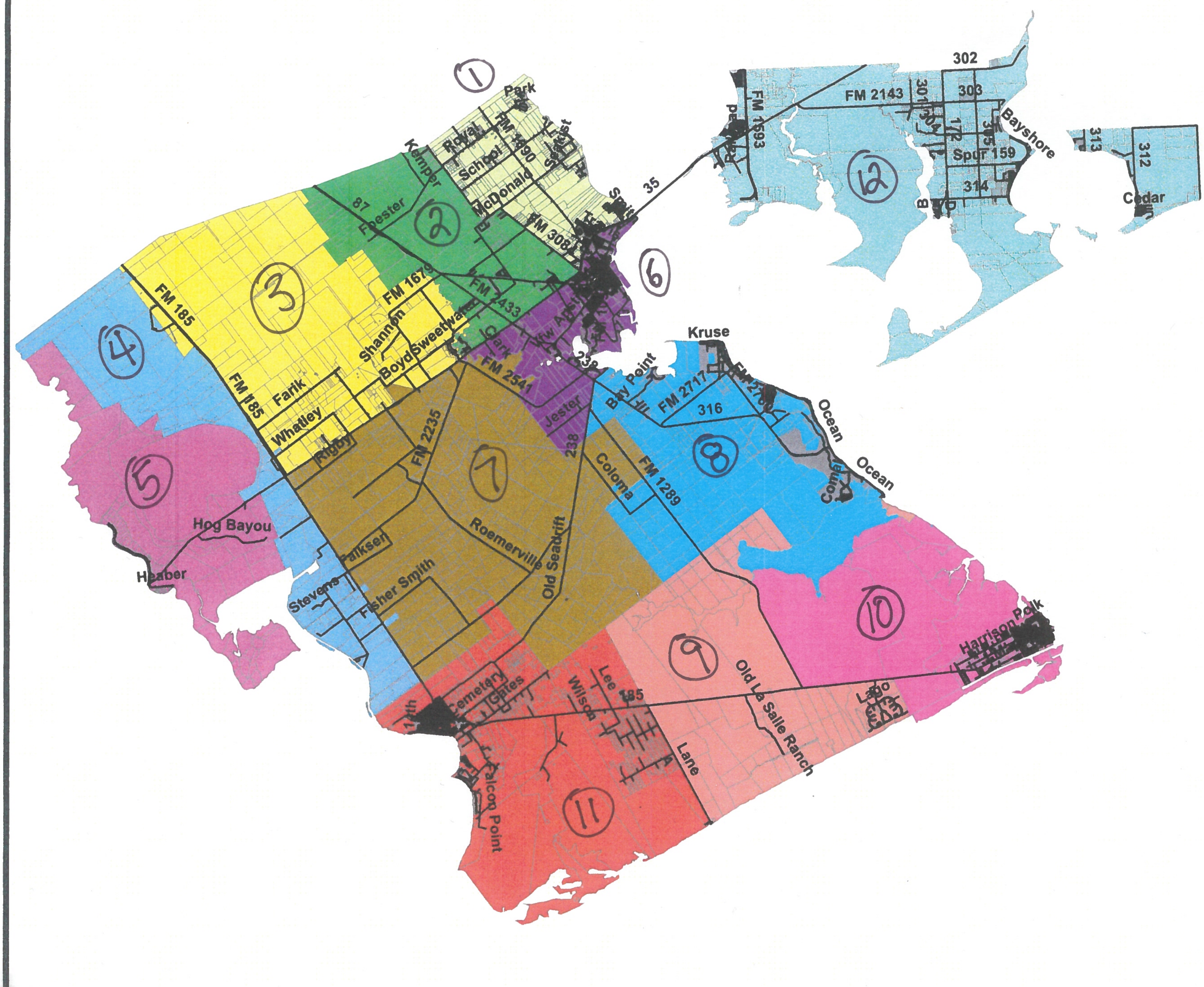
SD #	DESC	CODE	NAME
S0520	PORT OCONNOR(BAY-PARK/WASHINTON	5050	BAY AREA
	BAY AREA HOTEL LA SALLE	5055	BAY AREA HOTEL LA SALLE
S0524	BAY OAKS SUBDIVISION (POC)	5075	BAY OAKS
S0525	BAYVIEW ESTATES SEC I (POC)	5100	BAYVIEW EST
S0530	BAYVIEW ESTATES SEC II (POC)	5100	BAYVIEW EST
S0530.5	BIG FISH Subdivision	5110	BIG FISH
S0531.5	BUENA VISTA CONDOMINIUMS	5125	BUENA VISTA CONDOMINIUMS
S0532	CAMPBELL (POC)	5150	CAMPBELL AREA
S0552	GERSTLE (POC)	5150	CAMPBELL AREA
S0537	CARACOL (POC)	5200	CARACOL
S0538	CARACOL SECTION II	5200	CARACOL
S0541	COMMERCE STATION (POC)	5200	CARACOL
S0533	COASTAL OAKS ADDITION (POC)	5250	COASTAL OAKS
S0539	DOLPHIN LANDING (POC)	5275	DOLPHIN LANDING
S0535	DOS BAHIA (POC)	5300	DOS BAHIA
S0550	FOX (POC)	5350	FOX/JOY
S0571	JOY (POC)	5350	FOX/JOY
S0555	GREENLAWN (POC)	5400	GREENLAWN
S0522	ANGLERS VILLAGE (POC)	5450	HOOKER AREA
S0534	DEERWOOD ESTATES (POC)	5450	HOOKER AREA
S0536	DEERWOOD ESTATES SECT 2 (POC)	5450	HOOKER AREA
S0545	FOISY (POC)	5450	HOOKER AREA
S0565	HOOKER #1 (POC)	5450	HOOKER AREA
S0570	HOOKER #2 (POC)	5450	HOOKER AREA
S0570.2	HULSEY ESTATES	5460	HULSEY ESTATES
S0574	LINDA WELCH HAWES ADDITION (POC)	5500	ICW EAST
		5550	ICW WEST
S0572	KASHALOU LANDING (POC)	5575	KASHALOU
	KOINONIA POINT	5580	KOINONIA POINT
S0573	L & L LANDING SUBD (POC)	5600	L & L LANDING
S0577	LA CALETA #2 (POC)	5612	LA CALETA #2 CONDOS
S0576	LA CALETA #2 (POC)	5613	LA CALETA #2 OFF WATER
S0576	LA CALETA #2 (POC)	5614	LA CALETA #2 WF
S0575	LA CALETA (POC)	5615	LA CALETA
S0576.5	LA VIDA FACIL SUBD	5617	LA VIDA FACIL
S0578	LAS PALMAS SUBDIVISION (POC)	5618	LAS PALMAS AREA
S0581	LIGHTHOUSE ESTATES (POC)	5618	LAS PALMAS AREA
S0593	LIGHTHOUSE ESTATES SUBD RESUB NO 1 (POC)	5618	LAS PALMAS AREA
S0577	LARRYS HARBOR ADDITION (POC)	5620	LARRYS HARBOR
S0578	LARRYS HARBOR ADDITION (POC)	5621	LARRYS HARBOR WATERVIEW
S0579	LYNNS LANDING (POC)	5622	LYNNS LANDING
S0580	LEWIS (POC)	5625	LEWIS
S0581.5	MARLIN AZUL VILLAS	5630	MARLIN AZUL VILLAS
S0581.7	MATAGORDA BAYVIEW SUB	5635	MATAGORDA BAYVIEW
S0591	OYSTER POINT SUBDIVISION (POC)	5650	OYSTER POINT AREA
S0592	OYSTER POINT SUBDIVISION (POC)	5655	OYSTER POINT WF
S0540	EDWARDS (POC)	5700	PALM HARBOR AREA
S0590	LOUISE SHARP (POC)	5700	PALM HARBOR AREA
S0582	PALM HARBOR (POC)	5700	PALM HARBOR AREA
S0587	PELICAN POINT SUBD (POC)	5710	PELICAN POINT
S0583	PIRATES COVE (POC)	5713	PIRATES COVE AREA
S0583	PIRATES COVE (POC)	5714	PIRATES COVE
S0584	PIRATES COVE CONDOMINIUMS (POC)	5715	PIRATES COVE CONDO
VAR	POC COMMERCIAL	5725	POC COMMERCIAL

SD #	DESC	CODE	NAME
S0588	POC COUNTRY CLUB & CONDOMINIUM	5750	POC COUNTRY CLUB
S0520	PORT OCONNOR	5800	POC TOWN
S0588.8	SALT WATER HAVEN	5890	SALT WATER HAVEN
S0589	SANDPIPER COVE SUBDIVISION (POC)	5900	SANDPIPER
S0589	SANDPIPER COVE SUBDIVISION (POC)	5910	SANDPIPER COVE CONDOS
S0594	POC CONDOMINIUMS (POC)	5925	ST CHRISTOPHERS AREA
S0585	ST CHRISTOPHERS HAVEN MARINA (POC)	5925	ST CHRISTOPHERS AREA
S0591.2	VILLA PESCA SUBD	5930	VILLA PESCA SUB
S0532.5	CAPTIANS CORNER SUB	5930	VILLA PESCA SUB
S0860	THE TIDELANDS (POC)	5950	TIDELANDS
S0591.6	WEST BANK SUD	5984	WEST BANK SUD
S0591.7	WEST MONROE ADDN	5985	WEST MONROE ADDN
S0321	HOLLAND RANCH EST	80103	HOLLAND RANCH EST
S0337	MILLION MEADOWS SUBD PHS 1	80105	MILLION MEADOWS
	REGION 1 ABSTRACTS (17,18,35,12)	80110	REGION 1-RURAL
S0359-3	TANNER SUBD	80110	REGION 1-RURAL
	REGION 1 COMMERCIAL	80120	REGION 1-RURAL COMMERCIAL
	REGION 1 RURAL WF	80125	REGION 1-RURAL WF
S0355	ROYAL ESTATES	80130	ROYAL ESTATES
S0355	ROYAL ESTATES	80135	ROYAL ESTATES WV
S0358	SHORELINE ACRES	80150	SHORELINE/MACHACEK
S0325	MACHACEK	80150	SHORELINE/MACHACEK
S0295	CRESTVIEW	80210	CRESTVIEW
S0305	GARDEN CITY	80220	GARDEN CITY AREA
S0306	GARDEN CITY SEC II	80220	GARDEN CITY AREA
S0313	HACKBERRY JUNCTION	80230	HACKBERRY JUNCTION
S0310	JOHN GARNER	80240	MEADOWBROOK/JOHN GARNER
S0335	MEADOWBROOK PARK	80240	MEADOWBROOK/JOHN GARNER
	REGION 2 ABSTRACTS (34,35,38,60,71,100,101,105,121,126,155,180,181,250)	80250	REGION 2-RURAL
S0302	EL RANCHITO SUB	80250	REGION 2-RURAL
S0304	GRACELAND	80250	REGION 2-RURAL
	REGION 2-RURAL COMMERCIAL	80260	REGION 2-RURAL COMMERCIAL
S0357	SHADY ACRES	80270	SHADY ACRES
S0356	STERLING ESTATES	80280	STERLING ESTATES
	REGION 3 ABSTRACTS (15,25,32,33,36,39,40,43,44,45,48,62,72,91,103,128,130,131,132,134, 136,141,142,147,153,158,159,160,165,166,167,222,224,225,228,229, 258)	80310	REGION 3-RURAL
S0359	P H WELDER GREEN LAKE	80310	REGION 3-RURAL
	REGION 3-RURAL COMMERCIAL	80350	REGION 3-RURAL COMMERCIAL
	REGION 4 ABSTRACTS (0,7,9,25,27,31,36,39,40,48,49,62,72,128,130,131,147,148,154,163, 169,171)	80410	REGION 4-RURAL
S0510	LONG MOTT	80410	REGION 4-RURAL
S0359	P H WELDER GREEN LAKE	80410	REGION 4-RURAL
	REGION 4-RURAL COMMERCIAL	80450	REGION 4-RURAL COMMERCIAL
S0311	GUADALUPE RIVER OAKS	80505	GUADALUPE RIVER OAKS
S0312	GUADALUPE RIVER OAKS	80506	GUADALUPE RIVER OAKS WATERFRONT
	REGION 5 ABSTRACTS (25,49,50,66,67,73,145,149,154,164,168,170,171,172,178,179,182,183,237,239,243,246,248,256,259)	80510	REGION 5-RURAL
S0359	P H WELDER GREEN LAKE	80510	REGION 5-RURAL

SD #	DESC	CODE	NAME
	REGION 5-RURAL COMMERCIAL	80520	REGION 5-RURAL COMMERCIAL
S0348	RIVER RANCH DEVELOPMENT	80530	RIVER RANCH
S0293	BLUE HERON SUBD	80610	BLUE HERON
S0300	DOUBLE D PARK	80620	DOUBLE D PARK
	REGION 6	80635	REGION 6-JACK N JILL WF
S0320	HILLCREST	80630	HILLCREST
S0330	MALIBU ESTATES	80640	MALIBU ESTATES
	REGION 6 ABSTRACTS (20,34,46,69,135,137)	80650	REGION 6-RURAL
	REGION 6-RURAL COMMERCIAL	80660	REGION 6-RURAL COMMERCIAL
S0350	ROBINWOOD	80710	REGION 7-RURAL
	REGION 7 ABSTRACTS (7,9,15,25,27,31,41,42,44,47,68,74,75,93,94,95,96,97,98,99,102,104,106,107,122,123,124,125,127,129,133,138,146,150,156,184,185,186,187,191,192,193,194,195,196,221,226,227,242,244,257)	80710	REGION 7-RURAL
	REGION 7-RURAL COMMERCIAL	80750	REGION 7-RURAL COMMERCIAL
S0650	ALAMO BEACH	80810	ALAMO BEACH AREA
S0655	GALLINIPPER	80810	ALAMO BEACH AREA
S0660	ACADEMY RESERVE	80810	ALAMO BEACH AREA
S0292	BAY POINT SUB	80815	BAY POINT SUB
S0292	BAY POINT SUB	80816	BAY POINT SUB (AC ACCOUNTS)
S0665	INDIANOLA	80820	BAYSIDE BEACH AREA
S0670	INDIANOLA-OLD TOWN	80820	BAYSIDE BEACH AREA
S0675	INDIANOLA FISH & GUN CLUB	80820	BAYSIDE BEACH AREA
S0690	MALLORYS SECOND ADDITION	80820	BAYSIDE BEACH AREA
S0730	BAYSIDE BEACH	80820	BAYSIDE BEACH AREA
S0735	BAYSIDE BEACH ADDITION	80820	BAYSIDE BEACH AREA
S0740	BAYSIDE BEACH HIGHLANDS	80820	BAYSIDE BEACH AREA
S0745	BAYSIDE BEACH UNIT #2	80820	BAYSIDE BEACH AREA
S0750	FRUIT & TRUCK FARMS	80820	BAYSIDE BEACH AREA
S0755	BEN MILLERS POINT	80820	BAYSIDE BEACH AREA
S0762	PALM LAKE ADDITION	80825	PALM LAKE ADDITION
S0680	TILKE & CROCKER 1ST ADD AB/MB	80830	MAGNOLIA BEACH
S0682	LUCCIA SUBDIVISION	80830	MAGNOLIA BEACH
S0685	MALLORYS FIRST ADDITION	80830	MAGNOLIA BEACH
S0695	MAGNOLIA PALMS	80830	MAGNOLIA BEACH
S0700	TURPEN ADDITION	80830	MAGNOLIA BEACH
S0705	FIRST ADDITION TURPEN	80830	MAGNOLIA BEACH
S0715	UNDERHILL	80830	MAGNOLIA BEACH
S0720	UNDERHILL FIRST ADDITION	80830	MAGNOLIA BEACH
S0725	UNDERHILL SECOND ADDITION	80830	MAGNOLIA BEACH
S0726	UNDERHILL THIRD ADDITION	80830	MAGNOLIA BEACH
S0727	UNDERHILL FOURTH ADDITION	80830	MAGNOLIA BEACH
S0746	BAYSIDE ESTATES	80830	MAGNOLIA BEACH
	REGION 8-RURAL COMMERCIAL	80850	REGION 8-RURAL COMMERCIAL
	REGION 8 ABSTRACTS (3,5,20,28,61,226,235,236,238,247)	80860	REGION 8-RURAL
	REGION 9 ABSTRACTS (1,5,6,14,16)	80910	REGION 9-RURAL
	REGION 9-RURAL COMMERCIAL	80920	REGION 9-RURAL COMMERCIAL
P0010	SHOALWATER FLATS	80930	SHOALWATER FLATS
P0020	ESPIRITU SANTO BAY	80930	SHOALWATER FLATS
S0850	THE SANCTUARY PHASE 1	80950	THE SANCTUARY
S0851	THE SANCTUARY PHASE 2	80950	THE SANCTUARY
S0850	THE SANCTUARY PHASE 1	80955	THE SANCTUARY-OFF WATER
S0851	THE SANCTUARY PHASE 2	80955	THE SANCTUARY-OFF WATER

SD #	DESC	CODE	NAME
	RURAL ABSTRACT (19)	81010	REGION 10-RURAL
S0597	BAY CLUB AT FALCON POINT RANCH PHASE 1	81110	BAY CLUB AREA
S0598	BAY CLUB AT FALCON POINT RANCH PHASE 2	81110	BAY CLUB AREA
S0599	BAY CLUB AT FALCON POINT RANCH PHASE 3	81110	BAY CLUB AREA
S0602	BAY CLUB AT FALCON POINT RANCH PHASE 4	81110	BAY CLUB AREA
S0605	BLASINGIM EAST SIDE	81120	REGION 11-RURAL
S0615	WALTER DIELAM	81120	REGION 11-RURAL
	REGION 11 ABSTRACTS (4,6,13,21,26,188,189,190,261)	81120	REGION 11-RURAL
	REGION 11 ABSTRACTS (6,26)	81130	REGION 11-LAND RD FARMLOTS
	REGION 11-RURAL COMMERCIAL	81150	REGION 11-RURAL COMMERCIAL
S0623	SEAPORT LAKES	81160	SEAPORT LAKES
S0630	SWAN POINT LAGOON I	81170	SWAN POINT LAGOON
S0635	SWAN POINT LAGOON II	81170	SWAN POINT LAGOON
S0630	SWAN POINT LAGOON I	81175	SWAN POINT LAGOON-OFF WATER
S0625	SWAN POINT	81180	SWAN POINT/SWAN POINT LANDING
S0646	SWAN POINT LANDING	81180	SWAN POINT/SWAN POINT LANDING
	CAPITAL APPRAISAL GROUP	CAPITAL	APPRAISED BY CAPITAL
	MOBILE HOMES	NMH	
	STATE LEASED CABINS	SLC	

APPENDIX F



CALHOUN COUNTY APPRAISAL DISTRICT

Legend

Parcels

rgn_cd

- REG1
- REG10
- REG11
- REG12
- REG2
- REG3
- REG4
- REG5
- REG6
- REG7
- REG8
- REG9

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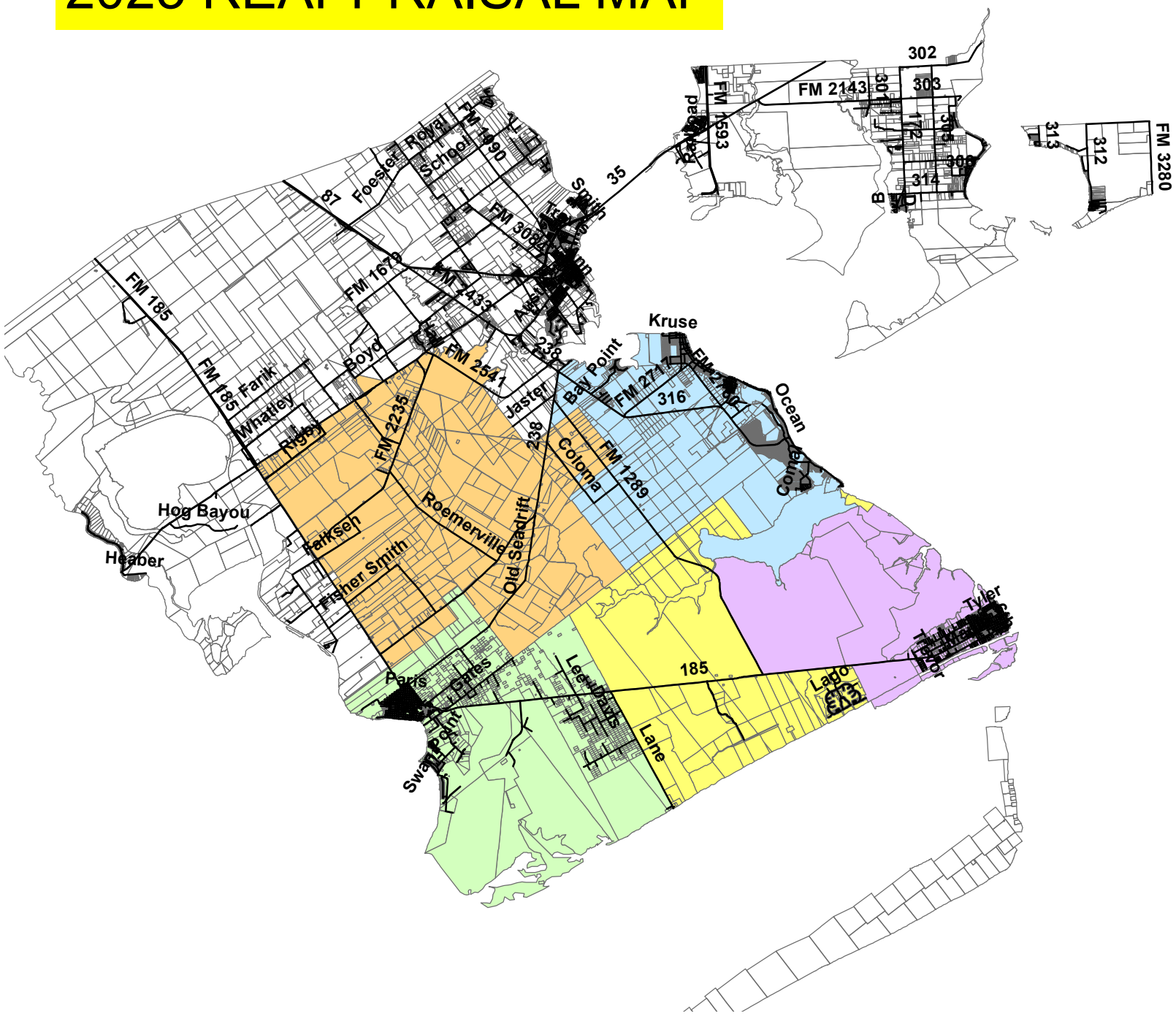
2023 REAPPRAISAL MAP



CALHOUN COUNTY APPRAISAL DISTRICT

County

REGION CODES

- REG7
- REG8
- REG9
- REG10
- REG11

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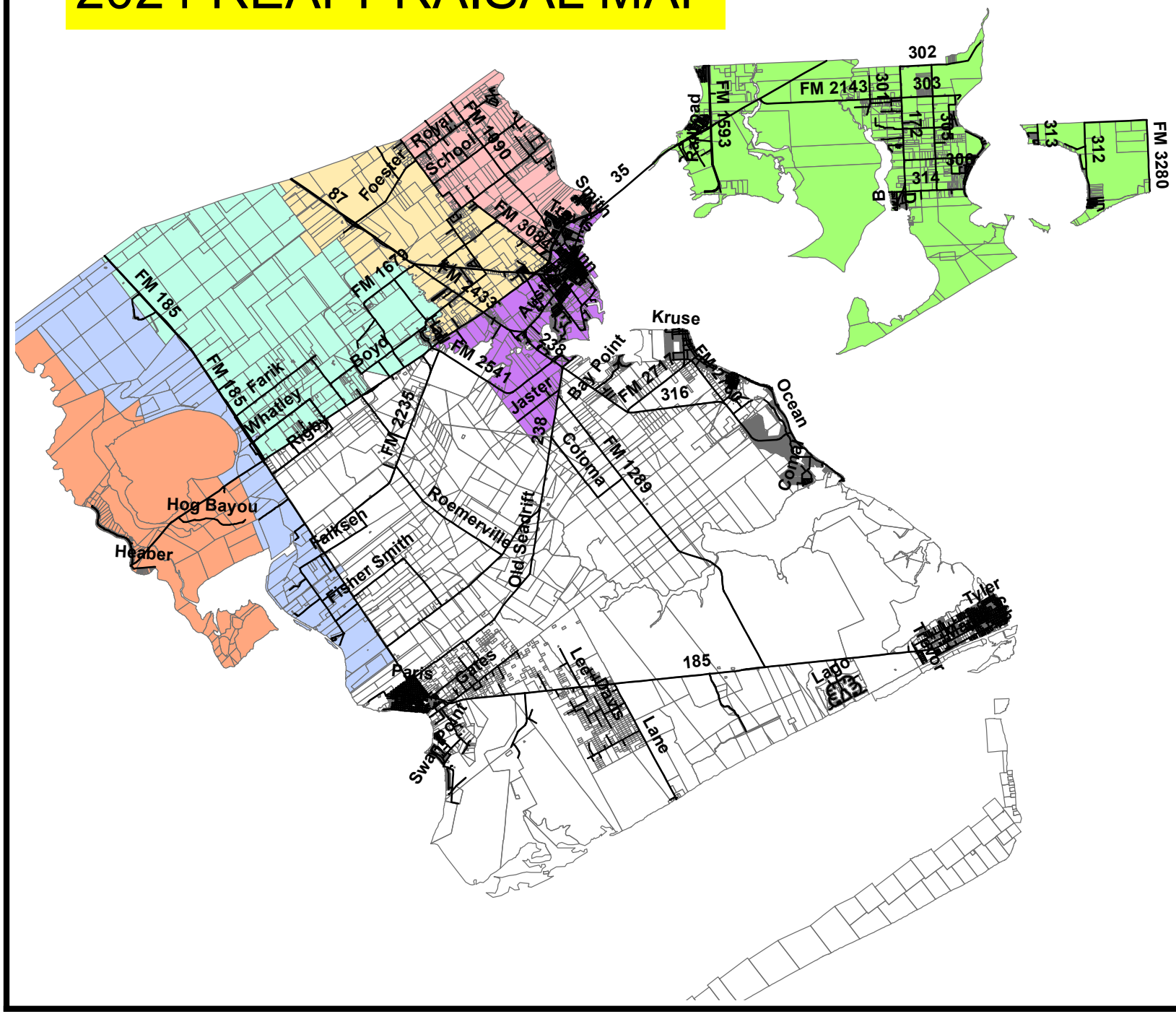
2024 REAPPRAISAL MAP



CALHOUN COUNTY APPRAISAL DISTRICT

County

REGION CODES

- REG1
- REG2
- REG3
- REG4
- REG5
- REG6
- REG12

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