



DENTON **C**ENTRAL **A**PPRAISAL **D**ISTRICT

2015 - 2016

REAPPRAISAL PLAN

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Property Tax Appraisal

SUBSECTION 1. GENERAL POLICIES AND PROCEDURES

1.01 Appraisal

Each year the Chief Appraiser shall analyze all categories of property that fall within the boundaries of the Denton Central Appraisal District and re-appraise where necessary. The following procedures shall govern the appraisal process using the mass appraisal system. All through this procedure, testing of schedules will be done using acceptable statistical analysis. All appraisal standards must comply with standards #6 and #7 of the Uniform Standards of Professional Appraisal Practice (USPAP). DCAD also administers and determines eligibility for various types of property tax exemptions that are authorized by state and local governments; such as homestead, over-65, disabled persons, disabled veterans, and charitable or religious exemptions. The District will update and process exemptions and special use appraisal applications as necessary and applicable.

The following was taken directly from Uniform Standards of Professional Appraisal Practice publication:

Appraisal Standards Board; The Appraisal Foundation.

Uniform Standards of Professional Appraisal Practice (USPAP):

Standard 6: Mass Appraisal, Development and Reporting

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.

Comment: STANDARD 6 applies to all mass appraisals of real or personal property regardless of the purpose or use of such appraisals. STANDARD 6 is directed toward the substantive aspects of developing and communicating credible analyses, opinions, and conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or without computer assistance. 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 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

Standards Rule 6-1

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.**

Comment: Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner. This Standards Rule requires an appraiser to use due diligence and due care.

Standards Rule 6-2

In developing a mass appraisal, an appraiser must:

- (a) **identify the client and other intended users;**

- (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, if the value opinion to be developed is market value, 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 based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraisers opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data;

Comment: For certain types of appraisal assignments in which a legal definition of market value has been established and takes precedence, the JURISDICTIONAL EXCEPTION RULE may apply.

- (d) **identify the effective date of the appraisal;**

(e) identify the characteristics of the properties that are relevant to the type and definition of value and intended use , 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.

Ordinarily, proposed improvements are not appraised for ad valorem tax. 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 unbuilt 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 attributes;
- (iii) time frame of market activity; and
- (iv) property interests reflected in the market;

(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 intangibles 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 intangibles 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 and any hypothetical conditions necessary in the assignment; and

Comment: An extraordinary assumption may be used in an assignment only if:

- it is required to properly develop credible opinions and conclusions;
- the appraiser has a reasonable basis for the extraordinary assumption;
- use of the extraordinary assumption results in a credible analysis; and

- the appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

A hypothetical condition may be used in an assignment only if:

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- use of the hypothetical condition results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

- (j) **determine the scope of work necessary to produce credible assignment results in accordance with the scope of work rule.**

Standards Rule 6-3

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: existing land use regulations, reasonably probable modifications of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use of the real estate; and**

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, identify the effect of highest and best use by measuring and analyzing 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.**

Comment: The appraiser must recognize that there are distinct levels of trade and each may generate its own data. For example, a property may have a different value at a wholesale level of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser must analyze the subject property within the correct market context.

Standards Rule 6-4

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 6-5

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 new cost of the improvements;
- (ii) accrued 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 appraisals. For example, in real property, where applicable and feasible, systems for routinely collecting and maintaining ownership, geographic, sales, income and expense, cost, and property characteristics data must be established. Geographic data must be contained in as complete a set of cadastral maps as possible, compiled according to current standards of detail and accuracy. Sales data must be collected, confirmed, screened, adjusted, and filed according to current standards of practice. The sales file must contain, for each sale, property characteristics data that are contemporaneous with the date of sale. Property characteristics data must be appropriate and relevant to the mass appraisal models being used. The property characteristics data file must contain data contemporaneous with the date of appraisal including historical data on sales, where appropriate and available. The data collection program must incorporate a quality control program, including checks and audits of the data to ensure current and consistent records.

(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;

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.

Standards Rule 6-6

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: When the value of the whole has been established and the appraiser seeks to value a part, the value of any such part must be tested by reference to appropriate market data and supported by an appropriate analysis of such data.

- (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 6-7

In reconciling a mass appraisal an appraiser must:

- (a) **reconcile the quality and quantity of data available and analyzed within the approaches used and the applicability or suitability of the approaches used; and**
- (b) **employ recognized mass appraisal testing procedures and techniques to ensure that standards of accuracy are maintained.**

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.

Standards Rule 6-8

A written report of a mass appraisal must clearly communicate the elements, results, opinions, and value conclusions of the appraisal.

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 users of the appraisal to understand the report properly;**

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;**

Comment: The report must clearly and conspicuously:

- state all extraordinary assumptions and hypothetical conditions; and
- state that their use might have affected the assignment results.

(d) state the identity of the client and any intended users, by name or type;

(e) state the intended use of the appraisal;

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

(g) set forth 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.

The effective date of the appraisal establishes the context for the value opinion, while the date of the report indicates whether the perspective of the appraiser on the market or property use conditions as of the effective date of the appraisal was prospective, current, or retrospective.

(h) 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.

When reporting an opinion of market value, state whether the opinion of value 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 market value is not in terms of cash or based on financing terms equivalent to cash, summarize the terms of such financing and explain their contributions to or negative influence on value.

(i) identify the properties appraised including the property rights;

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. When the property rights to be appraised are specified in a statute or court ruling, the law must be referenced.

(j) describe the scope of work used to develop the appraisal; exclusion of the sales comparison approach, cost approach, or income approach must be explained;

Comment: Because intended user's reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

When any portion of the work involves significant mass appraisal assistance, the appraiser must describe the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant mass appraisal assistance in the certification, in accordance with SR 6-9.

(k) describe and justify the model specification(s) considered, data requirements, and the model(s) chosen;

Comment: The appraiser must 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. In the case of mass appraisal for ad valorem taxation, stability and accuracy are important to the credibility of value opinions. The report must include a discussion of the rationale for each model, the calibration techniques to be used, and the performance measures to be used.

(l) describe the procedure for collecting, validating, and reporting data;

Comment: The report must describe the sources of data and the data collection and validation processes. Reference to detailed data collection manuals must be made, as appropriate, including where they may be found for inspection.

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

(n) when an opinion of highest and best use was developed, discuss how that opinion was determined;

Comment: The mass appraisal report must reference case law, statute, or public policy that describes highest and best use requirements. When actual use is the requirement, the report must discuss how use-value opinions were developed. The appraisers 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.

(o) identify the appraisal performance tests used and set forth the performance measures attained;

(p) describe the reconciliation performed, in accordance with Standards Rule 6-7; and

(q) include a signed certification in accordance with Standards Rule 6-9.

Standards Rule 6-9

Each written appraisal review report must contain a signed certification that is similar in content to the following form:

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 is 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 I have no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to any 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 the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)
- 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.)

Comment: The above certification is not intended to disturb an elected or appointed assessors work plans or oaths of office. A signed certification is an integral part of the appraisal report. An appraiser, who signs any part of the mass appraisal report, including a letter of transmittal, must also sign this certification.

In an assignment that includes only assignment results developed by the real property appraiser(s), any appraiser(s) 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(s) 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.

In an assignment that includes only assignment results developed by the personal property appraiser(s), any appraiser(s) 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(s) 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.

When a signing appraiser(s) has relied on work done by others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser(s) is required to have a reasonable basis for believing that those individuals performing the work are competent and that their work is credible.

The names of individuals providing significant mass appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of their assistance be contained in the certification, but disclosure of their assistance is required in accordance with SR 6-8(j).

Standard 7: Personal Property Appraisal, Development

In developing a personal property 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 appraisal.

Comment: STANDARD 7 is directed toward the substantive aspects of developing a credible appraisal of personal property. The requirements set forth in STANDARD 7 follow the appraisal development process in the order of topics addressed and can be used by appraisers and the users of appraisal services as a convenient checklist.

Standards Rule 7-1

In developing a personal property appraisal, an appraiser must:

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

Comment: This Standards Rule recognizes that the principle of change continues to affect the manner in which appraisers perform appraisal services. Changes and developments in personal property practice have a substantial impact on the appraisal profession. Important changes in the cost and manner of acquiring, producing, and marketing personal property and changes in the legal framework in which property rights and interests are created, marketed, conveyed, and financed have resulted in corresponding changes in appraisal theory and practice. Social change has also had an effect on appraisal theory and practice. To keep abreast of these changes and developments, the appraisal profession reviews and revises appraisal methods and

techniques and develops 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 personal property appraisal.

- (b) **not commit a substantial error of omission or commission that significantly affects an 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 appraisal services in a careless or negligent manner, such as by making a series of errors that, although individually might not significantly affect the results of an appraisal, in the aggregate affect the credibility of those results.**

Comment: Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner. This Standards Rule requires an appraiser to use due diligence and due care.

Standards Rule 7-2

In developing a personal property appraisal, an appraiser must:

- (a) **identify the client and other intended users;**
(b) **identify the intended use of the appraisers opinions and conclusions;**

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, if the value opinion to be developed is market value, 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 other precisely defined terms; and
(iv) if the opinion of value is to be based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraisers opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data;

Comment: When developing an opinion of value in a specified market or at a specified market level based on the potential sale of the property, the appraiser must also develop an opinion of reasonable exposure time linked to the value opinion.

- (d) **identify the effective date of the appraisers opinions and conclusions;**
(e) **identify the characteristics of the property that are relevant to the type and definition of value and intended use of the appraisal, including:**

- (i) sufficient characteristics to establish the identity of the item including the method of identification;
(ii) sufficient characteristics to establish the relative quality of the item (and its component parts, where applicable) within its type;
(iii) all other physical and economic attributes with a material effect on value;

Comment: Some examples of physical and economic characteristics include condition, style, size, quality, manufacturer, author, materials, origin, age, provenance, alterations, restorations, and obsolescence. The type of property, the type and definition of value, and intended use of the appraisal determine which characteristics have a material effect on value.

- (iv) the ownership interest to be valued;
- (v) any known restrictions, encumbrances, leases, covenants, contracts, declarations, special assessments, ordinances, or other items of a similar nature; and
- (vi) any real property or intangible items that are not personal property but which are included in the appraisal;

Comment on (i)(vi): The information used by an appraiser to identify the property characteristics must be from sources the appraiser reasonably believes are reliable.

An appraiser may use any combination of a property inspection and documents or other resources to identify the relevant characteristics of the subject property.

When appraising proposed modifications, 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 modifications.

An appraiser may not be required to value the whole when the subject of the appraisal is a fractional interest, a physical segment, or a partial holding.

(f) identify any extraordinary assumptions necessary in the assignment;

Comment: An extraordinary assumption may be used in an assignment only if:

- it is required to properly develop credible opinions and conclusions;
- the appraiser has a reasonable basis for the extraordinary assumption;
- use of the extraordinary assumption results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

(g) identify any hypothetical conditions necessary in the assignment; and

Comment: : A hypothetical condition may be used in an assignment only if:

- use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;
- use of the hypothetical condition results in a credible analysis; and
- the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

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

Standards Rule 7-3

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

(a) 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;

Comment: In the context of personal property, highest and best use may equate to the choice of the appropriate market or market level for the type of item, the type and definition of value, and intended use of the appraisal.

(b) define and analyze the appropriate market consistent with the type and definition of value; and

Comment: The appraiser must recognize that there are distinct levels of trade (measurable marketplaces) and each may generate its own data. For example, a property may have a different value at a wholesale level of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser must analyze the subject property within the correct market context.

- (c) **analyze the relevant economic conditions at the time of the valuation, including market acceptability of the property and supply, demand, scarcity, or rarity.**

Standards Rule 7-4

In developing a personal property appraisal, an appraiser must collect, verify, and analyze all information necessary for credible assignment results.

- (a) **When a sales comparison approach is necessary for credible assignment results, an appraiser must analyze such comparable sales data as are available to indicate a value conclusion.**
- (b) **When a cost approach is necessary for credible assignment results, an appraiser must:**
 - (i) analyze such comparable cost data as are available to estimate the cost new of the property; and
 - (ii) analyze such comparable data as are available to estimate the difference between cost new and the present worth of the property (accrued depreciation).
- (c) **When an income approach is necessary for credible assignment results, an appraiser must:**
 - (i) analyze such comparable data as are available to estimate the market income of the property;
 - (ii) analyze such comparable operating expense data as are available to estimate the operating expenses of the property;
 - (iii) analyze such comparable data as are available to estimate rates of capitalization and/or rates of discount; and
 - (iv) base projections of future income and expenses on reasonably clear and appropriate evidence.

Comment: An appraiser must, in developing income and expense statements and cash flow projections, weigh historical information and trends, current supply and demand factors affecting such trends, and competition.

- (d) **When developing an opinion of the value of a lease or leased property, an appraiser must analyze the effect on value, if any, of the terms and conditions of the lease(s).**
- (e) **When analyzing the assemblage of the various component parts of a property, an appraiser must analyze the effect on value, if any, of the assemblage. An appraiser must refrain from valuing the whole solely by adding together the individual values of the various component parts.**

Comment: Although the value of the whole may be equal to the sum of the separate parts, it also may be greater than or less than the sum of such parts. Therefore, the value of the whole must be tested by reference to appropriate data and supported by an appropriate analysis of such data.

A similar procedure must be followed when the value of the whole has been established and the appraiser seeks to value a part. The value of any such part must be tested by reference to appropriate data and supported by an appropriate analysis of such data

- (f) **When analyzing anticipated modifications to the subject property, an appraiser must analyze the effect on value, if any, of such modifications to the extent they are reflected in market actions.**
- (g) **When real property or intangible items are included in the appraisal, the appraiser must analyze the effect on value of such non-personal property items.**

Comment: When the scope of work includes an appraisal of real property or intangible items, competency in real property appraisal (see STANDARD 1) or business appraisal (see STANDARD 9) is required. In addition, competency in other types of personal property outside of the appraiser's specialty area may be necessary (see STANDARD 7 and the COMPETENCY RULE).

Standards Rule 7-5

When the value opinion to be developed is market value, an appraiser must, if such information is available to the appraiser in the normal course of business:

- (a) analyze all agreements of sale, validated offers or third-party offers to sell, options, and listings of the subject property current as of the effective date of the appraisal; and**
- (b) analyze all prior sales of the subject property that occurred within a reasonable and applicable time period, given the intended use and the type of property involved.**

Comment: The data needed for the required analyses in SR 7-5(a) and 7-5(b) may not be available or relevant in all assignments. See the Comments to Standards Rules 8-2(a)(viii), 8-2(b)(viii), and 8-2(c)(viii) for corresponding reporting requirements.

Standards Rule 7-6

In developing a personal property appraisal, an appraiser must:

- (a) reconcile the quality and quantity of data available and analyzed within the approaches used; and**
- (b) reconcile the applicability or suitability of the approaches used to arrive at the value conclusion(s).**

Comment: See the Comments to Standards Rules 8-2(a)(viii), 8-2(b)(viii), and 8-2(c)(viii) for corresponding reporting requirements.

1.02 Valuation Components of a Mass Appraisal System

A. Direct Sales Comparison

Each year, all sales and appraisals that can be reasonably obtained will be gathered. Sources of sales and appraisals can come from MLS, closing statements, renditions, fee appraisers and any other reliable source. The sales and fee appraisals are to be sorted by school district, subdivision or abstract, by category and in some cases by class of improvement and ratio of appraised value to sale or fee appraisal. The sales and fee appraisals will be used to establish schedules for valuation purposes.

B. Cost Approach

The cost schedule, based on construction of similar improvements, will be developed from information gathered from reliable sources such as Marshall and Swift, a national publication of building cost; and local builders, local suppliers and any other sources considered reliable. Once the cost schedule is verified from available sales, the residential and commercial departments shall compare gathered sales and appraisals to all improved properties in each subdivision and abstract within the boundaries of the Denton Central Appraisal District. In all cases any changes made in value should be as to market value using mass appraisal system. Sales will be compared to all properties in an area, not just to one individual property. Appraising property is not an exact science, so valuing large numbers of properties at one time will reflect some low values, some high values and some values in the middle.

C. Income Approach

The income approach to value will be used when the direct sales comparison and cost approach to value would not give indication of market value. Renditions, state schedules published by the Comptroller's

Office, information furnished by property owner/agents, National publications, and any other reliable sources will be used to determine market value by the income approach.

D. Land Valuation

Land values will be developed from an analysis of comparable sales. These sales will be used to develop a schedule of land values for abstract, subdivision and commercial land. Changes will be made to the land schedules based on comparable sales analysis, with the goal of achieving fair market values and uniformity of appraised values.

E. Valuation of Agricultural Use Land

Agricultural use values will be determined from information gathered from ASCS, Texas A&M University State Agricultural Dept., Agricultural Income publication published by TU Electric, or any other reliable source. Information gathered will determine the makeup of the valuation schedule for cropland, pasture land and wasteland.

F. Comptroller

The State Ratio Study conducted by the Comptroller of Public Accounts, Property Tax Division, will be considered in re-appraising individual categories of property.

1.03 DCAD Appraisal Card

Appraisal Codes

Denton Central Appraisal District's appraisal card, for Real Property, Business Personal Property, or Mineral will consist (in part or whole) of the following information categories:

A. Account Information

1. Property ID Number
2. Legal Description
3. GEO ID
4. Map ID
5. Situs
6. Property Group Codes
7. Last Inspection Date/Appraiser
8. Next Inspection Date/Reason

B. Ownership and Exemptions

1. Owner Name and Address
2. Percent Ownership
3. Effective Acreage
4. Applied Exemptions
5. Taxing Entities

C. Value Breakdown

1. Improvement/Land Values
2. Current and Prior Year Market Values
3. Ag Production Loss
4. Appraised Values
5. Homestead Cap Loss
6. Taxable Value

D. Remarks and Sketch Commands

E. Active Permit Information

1. Date
2. Type and Comments

F. Income Approach Data

1. Rent/ Vacancy Information
2. Expenses
3. Net Operating Income

G. Tax Agent and Informal/Protest Information

1. Agent Contact Information
2. Inquiry/ARB Dates and Status

H. Property Photo and Sketch

1. Photo with Account Number and Photo Date
2. Sketch with Dimensions and Area ID

I. Sales and Deed History

1. Date
2. Price
3. Transaction Type
4. Recording Information

J. Improvement Valuation

1. Subdivision Code and Neighborhood Code/Factor
2. Segment ID
3. Improvement Type
4. Detail Description
5. SPTB Method
6. Class
7. Detail Area and Total Area
8. Detail Area Unit Price
9. Actual and Effective Year Built
10. Condition Type
11. Values and Total Value Before Depreciation, Obsolescence, or % Complete
12. Detail Depreciation % Good
13. Detail Physical, Economic, Functional, and Completion % Good
14. Detail Total % Good Adjustment
15. Adjusted Values and Total Adjusted Value
16. State Code and Homesite Declaration
17. Living Area

K. Other Improvement % Good Adjustments and Features

1. Adjustment Type
 - a. Additional Percent Good
 - b. Adjustment Percentage
 - c. Arena no Roof
 - d. Condition
 - e. Drilling Site
 - f. Economic
 - g. End Unit 26
 - h. End Unit 26A
 - i. End Unit 26B
 - j. Flooding
 - k. Foundation
 2. Feature Description
 3. Feature Count and Value
- l. Imp_Mod Adjustment
 - m. Improvement Modifier
 - n. Inventory
 - o. Location
 - p. Obsolescence
 - q. Open air arena w/roof
 - r. Over built for area
 - s. Physical percent
 - t. Quality of Construction Adj
 - u. Rental Property
 - v. Split Entity

L. Land Valuation

1. Subdivision Code and Neighborhood Code/Factor
2. Segment ID
3. Segment Description
4. Segment Type
5. Land Table Name
6. Soil
7. State Code
8. Land Table
9. State Code
10. Homesite Declaration
11. Appraisal Method Code
12. Size
13. Unit Price
14. Segment % Adjustment
15. Segment Mass Adjustment
16. Segment Market Values and Total Market Value
17. Adjustment Type
 - a. Access
 - b. Area
 - c. bldr
 - d. condo
 - e. culde
 - f. drain
 - g. ease
 - h. econ
 - i. flood
 - j. flway
 - k. func
 - l. golf
 - m. green
 - n. l-meth
 - o. lake
 - p. lmod
 - q. loc
 - r. lsize
 - s. lview
 - t. move
 - u. prem
 - v. ptdev
 - w. row
 - x. rv
 - y. shape
 - z. split
 - aa. topo
 - bb. treed
 - cc. undev
 - dd. water
18. Ag Declaration and Use
19. Ag Use Type
20. Ag Use Table
21. Ag Unit Price and Value

See illustration below:

DENTON CENTRAL APPRAISAL DISTRICT PROPERTY FIELD REVIEW CARD 2012 2012-0-223185-499160

PROPERTY ID AND LEGAL DESCRIPTION PROP ID: 223185 TYPE: Real DBA: BIG SKY TRAILS BLK A LOT 8R GEO ID: SK0123A-00000A-0000-0008-000R REF ID: 299837 REF ID: R223185 SITUS: 2536 BIG SKY TRL 76259-4075 PROP USE: SUB MKT: GBA: 0 NRA: 0 UNITS: 0		OWNER ID, NAME AND ADDRESS RUS, WILLIAM C & LYDIAN 2536 BIG SKY TRL PONDER, TX 76259-4075-36 OWNER ID: 499160 OWNER %: 100.00% EFFECTIVE ACRES: 0.0000		EXEMPTIONS HS OV65		ENTITIES CAD 100% G01 100% S07 100%		VALUE METHOD IMPROVEMENT 261,093 260,834 LAND MKT 57,477 57,477 MARKET 318,570 318,311 PROD LOSS 46,134 46,134 APPRAISED 272,436 272,177 HS CAP LOSS 0 0 ASSESSED 272,436 272,177	
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GENERAL UTILITIES: LAST APPR YR: 2011 LAST APPR: COREYK TOPOGRAPHY: CAP BASIS YR: 2011 NBHD APPR: ROAD ACCESS: LAST INSP DATE: 08/17/2010 SUBDV APPR: ZONING: NEXT INSP DATE: LAND APPR: GROUP CODES: PRT2011 VALUE APPR: NEXT REASON: RECHECK REASON RENT		REMARKS / SKETCH COMMANDS CB & RB HOMES;BURKE HESSON CONTRACTOR PLAT S-18, S-19 PREVIOUS R201139,R201140,R201141,R201142,R201143,R201144 MA R20,D13,R12,U4,R6,D4,R2,D13,R13,U4,R14,U60,L3,U4XL4,L10 D4XL4,L3,D9,L5,U3,L5,D3,L5,U6,L16,D21,L12,D14 AG R20,D21,L5,D1,L12,U1,L3,U21 OP MR20,MD13,D7,R20,U7,L2,U4,L6,D4,L12		SKETCH FOR IMPROVEMENT #1 	
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BUILDING PERMITS ISSUE DT PERMIT# TYPE ST EST VALUE APPR BUILDER COMMENT		PICTURE 	
--	--	--------------------	--

INCOME APPROACH DATA GPI VAC EGR OTHER INC EGI EXPENSE TAXES NOI METHOD INC VALUE		MA 3028	
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TAX AGENT GROSS SQFT: NET SQFT: LINKED ACCTS: RECONCILED VALUE:		G	
--	--	----------	--

INQUIRY / A/RB PROTESTS CASE ID DATE APPR STATUS OWNER COMMENTS STAFF COMMENTS		223185 01/29/2011	
--	--	-------------------	--

SALES & DEED HISTORY												
SALE DT	SALE TYPE	RATIO	FIN CD	FIN TERM	LA SQFT	SP / SQFT	1ST IMPRV	2ND IMPRV	GRANTOR	CONSID	DEED	DEED INFO
03/24/2004	44,500 Y V				3,650	12.19	Residential	Residential	BIG SKY TRAILS	SW	04-37421	
03/04/1997	0 I				3,650	0.00			UNKNOWN	WD	97-0013693	

REGION: SUBD: SK0123A (100) NBHD: D807028 (184) SUBSET: IMPROVEMENT VALUATION LIVING AREA: 2,450 APPR/SQFT: 74.57 SALE/SQFT: 12.19																									
#	TYPE DESCRIPTION	MTHD	CLASS/SUBCL	AREA	UNIT PRICE	UNITS	STY	BUILT	EFF YR	COND.	VALUE DEPR	PHYS	ECON	FUNC	COMP	ADJ	ADJ VALUE	#	ADJ TYPE	ADJ AMT	ADJ %	DESCRIPTION	UNITS	CODE	VALUE
A	MA MAIN AREA	R	9/	2,450.0	67.17			2005	2005	*	164,567	97%				0.97	159,630					Exterior Wall	1	Brick	0
B	AG ATTACHED GARAGE	R	9/	432.0	22.17			2005	2005	*	9,577	97%				0.97	9,290					Fireplace	1		0
C	OP OPEN PORCH	R	9/	164.0	10.08			2005	2005	*	1,653	97%				0.97	1,603					Foundation	1	SLAB	0
D	OP OPEN PORCH	R	9/	204.0	10.08			2005	2005	*	2,056	97%				0.97	1,994					Heating/Cooling	1	CHCA	0
E	PA PORCHAREA	R	9/	180.0	22.17			2005	2005	*	3,547	97%				0.97	3,441					Interior Finish	1	Sheet	0
1.	RES		STCD: E1	3,410.0	(E2005)			Homeste: Y	(100%)		181,400						175,958					Plumbing	1	2	0
	CB & RB HOMES;BURKE HESSON CONTRACTOR																								
																						Roof Covering	1	Compo	0
																						Number of Bedrooms	1	3	0

REGION: SUBD: SK0123A (100) NBHD: D807028 (100) SUBSET: LAND VALUATION IRR Wmts: 0 Capacity: 0 IRR Acres: 0.0000 Oil Wmts: 0																							
L#	DESCRIPTION	TYPE	SOIL	CLS	TABLE	SC	HS	METH	DIMENSIONS	UNIT PRICE	ADJ	MASS ADJ	VAL SRC	MKT VAL	L#	ADJ TYPE	ADJ AMT	ADJ %	AG USE	AG TABLE	AG UNIT PRIC	AG VALUE	
1.	RESIDENT LOT	8			L-SK012	E1	(100%)	SL	1.0000 AC	0.25	1.00	1.00	A	10,890					N			0.00	0
2.	IMPROVED PASTUR	PI			L-SK012	D1	N	SL	4.7700 AC	0.25	1.00	1.00	A	46,587					Y	1D1	PI	95.00	453
														57,477								453	

1.04 APPRAISAL CODES

A. Entity Codes

County, Cities, Schools

G01	Denton County
CAD	Appraisal District
C01	City of Aubrey
C02	City of Carrollton
C03	City of The Colony
C04	City of Corinth
C05	City of Denton
C06	City of Eastville
C07	Town of Flower Mound
C08	City of Highland Village
C09	City of Justin
C10	City of Krum
C11	City of Lake Dallas
C12	City of Lewisville
C13	Town of Little Elm
C14	City of Pilot Point
C15	Town of Ponder
C16	City of Sanger
C17	City of Roanoke
C18	City of Krugerville
C19	Town of Hickory Creek
C20	City of Dallas
C21	City of Coppell
C22	City of Hackberry
C23	Town of Marshall Creek
C24	City of Oak Point
C25	City of Lakewood Village
C26	Town of Argyle
C27	Town of Copper Canyon
C28	Town of Trophy Club
C29	City of Plano
C30	Town of Double Oak
C31	Town of Bartonville
C32	City of Frisco
C33	Town of Northlake
C34	Town of Shady Shores
C35	Town of Cross Roads
C36	City of Fort Worth
C37	City of Southlake
C38	City of Haslet (Tarrant Co.)
C39	City of Grapevine
C40	City of Newark (Wise Co.)
C41	City of Rhome (Wise Co.)
C42	Town of Dish
C43	City of Keller (Tarrant Co.)

C44	Town of Westlake
C45	City of New Fairview (Wise Co.)
C46	City of Aurora (Wise Co.)
C47	City of Corral City
C48	Town of Prosper
C49	City of Celina
C50	City of Hebron

S01	Argyle ISD
S02	Aubrey ISD
S03	Carrollton/Farmers Branch ISD
S04	Celina ISD
S05	Denton ISD
S06	Frisco ISD
S07	Krum ISD
S08	Lake Dallas ISD
S09	Lewisville ISD
S10	Little Elm ISD
S11	Northwest ISD
S12	Pilot Point ISD
S13	Ponder ISD
S14	Sanger ISD
S15	Era ISD
S16	Slidell ISD
S17	Prosper ISD
S18	Coppell ISD
S19	Grapevine ISD
S20	Carroll ISD

Special Districts

F01	Denton County Fire District
L01	Denton Co. Levy Imp District
PLAN	Builder Home Plans
E01	Denton CED
E02	Denton CED
E03	Carrollton CED
E05	Denton CED
E07	Denton CED
E08	Denton CED
E09	Denton CED
E10	Denton CED
E11	Denton CED
E12	Denton CED
E13	Denton CED

E14	Denton CED	W06	Do not use
ESD1	Denton Co. Emergency Service District	W07	Corinth MUD #1
ESD2	Trophy Club PID #1 Emergency Service	W08	Lake Turner Municipal Util Dist #1
PID 1	Lewisville Public Improvement Dist #1	W09	Denton Co. FWSD 1-A
PID2	Allegiance Public Improvement Dist #1	W10	Denton Co. FWSD 1-B
PID3	Castle Hills PID	W11	Denton Co. FWSD 1-C
PID4	Town of Trophy Club PID #1	W12	Denton Co. FWSD 1-D
PID5	Briarwyck Public Improvement District	W13	Denton Co. FWSD 6
PID6	Hackberry Hidden Cove Public Improvement District	W14	Denton Co. Dev Dist #4
		W15	Denton Co. FWSD 1-E
		W16	Providence Village WCID
		W17	Denton Co. FWSD #10
R01	Denton Co. Reclamation, Rd & Util Dist	W18	Denton Co. FWSD 8-A
RUD	Denton Co. RUD	W19	Denton Co. FWSD 8-B
		W20	Denton Co. FWSD 11-A
		W21	Denton Co. FWSD 7
T01	Speedway TIF #1	W22	Denton Co. MUD #4
T02	Speedway TIF #2	W23	Denton Co. Mud #5
T03	Flower Mound TIRZ #1	W24	Denton Co. FWSD 8-C
TIF1	City of Lewisville TIRZ #1	W25	Denton Co. FWSD 11-B
TIF2	City of Lewisville TIRZ #2	W26	Denton Co. FWSD 4-A
TIF3	Little Elm TIRZ #1	W27	Oak Point WCID #1
TIF4	Little Elm TIRZ #2	W28	Oak Point WCID #2
TIF5	The Tribute TIF #1	W29	Oak Point WCID #3
TIF6	Downtown TIF #1	W30	Smiley Road WCID
		W31	Denton Co. FWSD 1-F
X01	Tribute at The Colony	W32	Denton Co. FWSD 11-C
		W33	North Fort Worth WCID #1
W01	Colony MUD	W34	Denton Co. FWSD 1-G
W02	Lake Cities MUA	W35	Valencia on the Lake WCID #1
W03	Trophy Club MUD #1	W36	Denton Co FWSD 1-H
W04	Clearcreek Watershed Authority	W36	South Denton County WCID #1
W05	Trophy Club MUD #2	W38	Alpha Ranch WCID

B. EXEMPTION CODES

AB	Abatement
CH	Charitable
CHODO	Community Housing
DP	Disabled Person
DPS	Disabled Person Surviving Spouse
DVHS	Disabled Veterans Homestead
DVHSS	Disabled Veterans Homestead Surviving Spouse
DV1	Disabled Vet 10-29%
DV2	Disabled Vet 30-49%
DV3	Disabled Vet 50-69%
DV4	Disabled Vet 70-100%
DV1S	Disabled Vet 10-29% Survivors Exempt
DV2S	Disabled Vet 30-49% Survivors Exempt
DV3S	Disabled Vet 50-69% Survivors Exempt
DV4S	Disabled Vet 70-100% Survivors Exempt
ECO	Economic Development
EN	Energy
EX	Exempt
EX366	House Bill 366
FR	Freeport
GIT	Goods in Transit
HS	Homestead
HT	Historical
LIH	Low Income Housing
OV65	Over-65
OV65S	Over 65 Surviving Spouse
PC	Pollution Control
SO	Solar

C. Property Classification Codes

SPTB CODES

A1.....Residential Single Family
A2.....Residential Mobile Home
A3.....Single Family Waterfront
A4.....Condominium
A5.....Townhome
AT.....Tax Abatement Real
B1.....Residential Multi-family
B2.....Duplex
C1..... Vacant Platted Lots/Tracts
C2.....Commercial Lots In City
C3.....Lots Outside City
C5..... Waterfront
D1.....Qualified Open-Space Land
D2..... Farm / Ranch Imps on Qualified Ag Land
D4.....Undeveloped Ranchland
E1.....Rural Land/Improvement on Non Ag Land
E3.....Mobile Homes on Non Ag Land
E4.....Vacant Non Ag Land
F1.....Real, Commercial
F2.....Real, Industrial
F3.....Commercial-Real-MH Parks
F4.....Commercial-Real Office Condo
G1.....Oil, Gas, and Mineral Reserves
H1.....Personal Vehicles
I1.....Banks-Real

J1.....Water Systems/Real and BPP
J2.....Gas Companies/Real and BPP
J3.....Electric Companies
J4.....Telephone & Communication/Real and BPP
J5.....Railroads
J6.....Pipelines
J7.....Railroad-Non-Operating
J8.....Cable Companies
K1.....Farm Machinery & Equip.
L1.....Tangible Commercial/Personal
L2.....Industrial Personal
LA.....Tax Abatement Personal
M2.....Aircraft

IMPROVEMENT TYPE CODES

C.....Commercial
I.....Misc Improvement
M.....Mobile Home
R.....Residential

D. Building Attributes

CONSTRUCTION STYLE

A Frame
American Mansard
Brownstone
Bungalow
California Bungalow
Cape Cod
Colonial American
Contemporary
English Tudor
Fiberglass
Fireproof Structural Steel
French Provincial
Greek Revival
Log
Masonry or Concrete Load Bearing Walls
Mediterranean
Metal
Mission
Prefabricated Steel Frame
Ranch
Reinforced Concrete Columns
Shingle Style
Southern Colonial
Split Full

Victorian

Wood

Wood or Steel Frame

FOUNDATION

B.....Concrete Block

M....Mason

P.....Pier

S.....Slab

EXTERIOR WALL

Adobe Brick

Aluminum siding

Asbestos Siding

Asphalt Siding

Brick Veneer

Cedar

Concrete Block

Concrete Tilt Up Walls

Hardboard

Log

Metal Siding

Plywood

Rock

Shakes

Shingles

Siding

Steel/Metal

Stone

Stucco

Synthetic Plaster (EIFS)

Tile

Vinyl Siding

Wood

FEET Ceiling "Exterior Wall Height"

INTERIOR FINISH

Concrete

Drywall

Plaster

Sheetrock

ROOF STYLE

Dome

Flat

Gable

Hip

Mansard

ROOF COVERING

Asphalt

Composition Shingle

Copper

Fiberglass

Metal

Roll

Shake

Slate

Spanish Tile

Tile

Wood Shingle

Unknown

FOUNDATION

Concrete Block

Mason

Pier

Slab

HEAT AND AIR

CH (Central Heat)

CHCA (Central Heat and Air)

Cold Storage Facility

Fuel Furnace

Fireplace

Gas Stove

Moist Air

Window Unit

Solar

G. Land Appraisal Method

A Acreage
F Flat Price
FA Flat Acreage
F-SFT Flat Square Foot
FF Front Foot
LT Flat Priced Per Lot
SL Special Lot Pricing
SQ Square Foot

H. Land Type Codes

1 Homesite
2 Cropland
3 Pasture
4 Woods
5 Wasteland
6 Commercial
7 Rear Lot
8 Residential Lot
9 Waterfront Lot
10 Timberland
AG Agriculture Exempt
C1 Cropland I
C2 Cropland II
C3 Cropland III
CA Common Area
H Hanger
IL Improved Lot
PI Improved Pasture
PN Native Pasture
UD Undeveloped
UL Undeveloped Lot
W Wasteland

I. Agricultural Use Property Codes

AG AG Use Granted
AG FILED Application was filed already in 2009
AGLATE Late AG application
AG.RECD AG application received
AG.SENT AG application sent
AG_INT AG internal transfers request new application
AG_RM AG use removed
AG5% AG use under protest
AGCKRB Check AG for rollback
AGD AG use denied
AGLATEDENY Denied Late AG application
AGOWNER AG use new owner
AGPRC AG processed 2010
AGPRC11 AG 2011 processed
AGPRC12 2012 AG application
AGSUR AG use survey letter
DORB Do Rollback
RBLTS AG use rollback letters
RF Request to re-file AG application
AGLATE2010 Remove penalty flag 2010
AGLATE2011 Remove penalty flag 2011

1.05 Ethical Conduct

Title 16. Texas Department of Licensing and Regulation

Chapter 94 Administrative Rules of the Texas Department of Licensing and Regulation

Effective January 1, 2011

A. General.

For the property tax system to achieve its intended purpose of providing funds for those activities that are essential to the public welfare, not only must the entire process be fair and equitable to all taxpayers, and to each taxpayer individually, it must be so perceived by them and the public at large. These rules are directed toward the achievement of that goal.

Persons registered with the Texas Department of Licensing and Regulation (TDLR) shall perform their duties in accordance with applicable laws, rules and regulations; and shall avoid the act or appearance of improper influence, conflict of interest, discrimination, abuse of powers, unfair treatment or misuse of titles by conforming to the Rules stated in the following document.

PROPERTY TAX PROFESSIONALS

Title 16 Texas Administrative Code

Chapter 94

Administrative Rules of the Texas Department of Licensing and Regulation

Effective January 1, 2011

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94.1. Authority

This chapter is promulgated under the authority of Texas Occupations Code, Chapters 51 and 1151.

94.10. Definitions

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

- 1) **Act**—Texas Occupations Code, Chapter 1151.
- 2) **Registered Texas Collector (“RTC”)**—Certified Class III Collector.
- 3) **Registered Professional Appraiser (“RPA”)**—Certified Class IV Appraiser.
- 4) **Registered Texas Assessor/Collector (“RPA”)**—Certified Class IV Assessor/Collector.
- 5) **USPAP**—*Uniform Standards of Professional Appraisal Practice*.

94.20. Persons Required to Register

(a) Those required to register are:

- 1) the chief appraiser of an appraisal district, an appraisal supervisor or assistant, a property tax appraiser, an appraisal engineer, and any other person authorized to render judgment on, recommend, or certify an appraised value to the appraisal review board of an appraisal district;
- 2) a person who engages in appraisal of property for ad valorem tax purposes for an appraisal district or a taxing unit;
- 3) an assessor-collector, a collector, or another person designated by a governing body as the chief administrator of the taxing unit’s assessment functions, collection functions, or both; and
- 4) a person who performs assessment or collection functions for a taxing unit and is required to register by the chief administrator of the unit’s tax office.

(b) A county assessor-collector is not required to register with the department if the county, by contract entered into under Chapter 6.24(b) Tax Code, has its taxes assessed and collected by another taxing unit or an appraisal district.

94.21. Registration

To be registered an applicant must:

- 1) be at least 18 years of age;
- 2) be a resident of the State of Texas;
- 3) be a person of good moral character;
- 4) be a graduate of an accredited high school or holder of high school graduation equivalency;
- 5) be actively engaged in appraisal, assessing/collecting, or collecting for an appraisal district, tax office, or private firm working for an appraisal district or tax office;

- 6) submit a completed application on a form approved by the department;
- 7) pay the applicable fees under <*>94.80; and
- 8) successfully complete all requisites appropriate for the applicant's classifications level;
 - (A) Appraisers
 - (i) A Class I appraiser must be registered.
 - (ii) A Class II appraiser must;
 - (I) be a Class I appraiser registrant; and
 - (II) successfully complete within twelve months of registration:
 - (a) no less than 32 hours in the basics of the Texas property tax system;
 - (b) no less than 8 hours in professional ethics; and
 - (iii) A Class III appraiser must:
 - (I) be registered as a Class II appraiser registrant; and
 - (II) successfully complete within thirty-six months of registration:
 - (a) no less than 18 hours in the income approach to value;
 - (b) no less than 18 hours in the theory and practice of personal property appraisal;
 - (c) no less than 15 hours in USPAP
 - (d) no less than 24 hours in the theory and practice of appraisal of real property; and
 - (e) pass the Class III examination.
 - (iv) A Class IV appraiser (RPA) must:
 - (I) be registered as a Class III appraiser registrant; and
 - (II) successfully complete within sixty months of registration:
 - (a) No less than 18 hours in analyzing real property appraisal;
 - (b) No less than 16 hours in Texas Property Tax Law; and
 - (c) No less than 18 hours in mass appraisal;
 - (III) successfully complete no less than seven hours in USPAP if the 15 hour USPAP course has not been completed in the last two years;
 - (IV) pass the appraiser Class IV examination within five years of registration; and
 - (V) have a minimum of three years' experience as a registered appraiser.

Assessor/Collectors

- (i) A Class I assessor/collector must be registered
- (ii) A Class II assessor/collector must;
 - (I) be registered as a Class I assessor/collector registrant; and
 - (II) successfully complete within twelve months of registration;

- (a) no less than 32 hours in the basics of the Texas property tax system; and
 - (b) no less than 8 hours in professional ethics.
 - (iii) A Class III assessor/collector must:
 - (I) be registered as a Class II assessor/collector registrant; and
 - (II) successfully complete within thirty-six months of registration:
 - (a) no less than 16 hours in Texas Property Tax Law; and
 - (b) no less than 18 hours in assessment and collection.
 - (iv) A Class IV assessor/collector (RTA) must:
 - (I) be registered as a Class III assessor/collector registrant;
 - (II) successfully complete within sixty months of registration:
 - (a) no less than 18 hours in advanced assessment and collection;
 - (b) no less than 12 hours in truth in taxation;
 - (III) pass the Class IV assessor/collector examination within five years of registration; and
 - (IV) have a minimum of three years' experience as a registered assessor/collector.

(B) Collectors

- (i) A Class I collector must:
 - (I) be registered; and
 - (II) successfully complete within twelve months of registration:
 - (a) no less than 32 hours in the basics of the Texas property tax system; and
 - (b) no less than 8 hours in professional ethics.
- (ii) A Class II collector must:
 - (I) be registered as a Class I registrant; and
 - (II) successfully complete:
 - (a) no less than 16 hours in Texas Property Tax Law;
 - (b) no less than 18 hours in assessment and collections; and
 - (c) no less than 18 hours in advanced assessment and collections.
- (iii) A Class III collector (RTC) must:
 - (I) be registered as a Class II collector registrant;
 - (II) pass the collector Class III examination within three years of registration; and

- (III) have a minimum of two years' experience as a registered collector.

(C) The provisions in this paragraph apply to registrations that renew on or after January 1, 2011.

94.22. Renewal of Registration

- (a) All registrations expire one year after the day issued. The Department may extend the expiration date of a registration to correspond to the registrant's original registration date.
- (b) To renew an applicant must:
 - (1) Comply with all provisions of the Act and this chapter;
 - (2) Submit a completed application on a department approved form;
 - (3) Pay the applicable fees; and
 - (4) Successfully complete all requisites appropriate for the renewal applicant's classification level.
- (c) To renew and maintain continuous registration, the renewal requirements must be completed prior to the expiration of the registration.
- (d) Applications not filed by the expiration date are considered applications for the late renewal and are subject to late renewal fees under <*>60.83 of this title (relating to Late Renewal Fees).
- (e) Registrations issued from a late renewal application will have an unregistered period from the expiration date of the previous registration to the issuance date of the renewed registration. Work that requires a registration issued under this chapter must not be performed during the unregistered period.
- (f) A registrant must complete all registration renewal requirements within one year of the date the registration expires, or the renewal application shall be deemed void.
- (g) If the registrant does not meet the deadline established in subsection (f), the person must reapply for a new registration by complying with the requirements and procedures, including any examination requirements and payment of fees.
- (h) Non-receipt of a renewal notice from the department does not exempt a person from any requirement of this chapter.

94.25. Continuing Education

- (a) Terms used in this section have the meanings assigned by Chapter 59 of this title, unless the context indicates otherwise.
- (b) A Registered Professional Appraiser (RPA) must complete 30 hours of approved continuing education to be eligible to renew the registration. The continuing education must include:
 - (1) Two hours in professional ethics;
 - (2) A state laws and rules update course; and
 - (3) Seven hours in USPAP
- (c) A Registered Texas Assessor-Collector (RTA) must complete 30 hours of approved continuing education to be eligible to renew the registration. The continuing education must include:
 - (1) two hours in professional ethics; and
 - (2) a state laws and rules update course.
- (d) A Registered Texas Collector (RTC) must complete 10 hours of approved continuing education to be eligible to renew the registration. The continuing education must include;

- (1) two hours in professional ethics; and
 - (2) a state laws and rules update course.
- (e) Continuing education credit must be completed during the 24 month period before the expiration of the license. Newly certified registrants are not required to complete continuing education until their second renewal after completing their certification.
 - (f) For a late renewal, the continuing education hours must have been completed within the two-year period prior to the date of renewal.
 - (g) A course approved for use under <*>94.21 may be taken for continuing education credit.
 - (h) A registrant may not receive continuing education credit for attending the same department-numbered course more than once within the two-year period prior to the date of renewal.
 - (i) A RTC, RPA, RTA must retain a copy of the certificate of completion for a course for two years after the date of completion. In conducting any inspection or investigation of the registrant, the department may examine the registrant's records to determine compliance with this subsection.
 - (j) To be approved by the Comptroller, a provider's course must be dedicated to instruction in:
 - (1) appraisal procedures and methods;
 - (2) tax assessment and collection;
 - (3) professional ethics;
 - (4) laws and rules;
 - (5) USPAP; or
 - (6) customer service.
 - (k) The provisions in this section apply to registrations that renew on or after January 1, 2011.

94.70. Responsibilities of a Registrant: General

- (a) A registrant must not violate any provision of the Act or this chapter.
- (b) A registrant must timely respond to the department's investigative requests including making a complete written answer to any complaint.
- (c) Registrants must inform the department within 30 days of any changes to their employment and change their registration as appropriate.
- (d) A registrant must not violate the property tax professional's Code of Ethics, referenced in <*>94.100, or aid or encourage another to violate the Code of Ethics.
- (e) A registrant must not engage in any practices that constitute acts of improper influence, conflict of interest, unfair treatment, discrimination, abuse of powers, or misuse of titles.
- (f) A registrant must be in compliance with any report issued by the Comptroller of Public Accounts under <*>5.102 of the Tax Code.
- (g) An appraisal registrant or assessor/collector must be certified in their field within five years of registration.
- (h) A collector registrant must be certified in their field within three years of registration.
- (i) A registrant may act in a purely private capacity regarding a personal tax matter so long as he does not use his official position to influence the outcome of such a dispute.

94.71. Responsibilities of a Registrant: Equal and Fair Treatment

- (a) A registrant must apply equally and fairly any appraisal, assessment, or consulting service according to the Uniform Standards of Professional Appraisal Practice and generally accepted appraisal, assessment, or collection practices applicable to an assignment.
- (b) A registrant may not accept or solicit any benefit in return for favorable treatment.
- (c) A registrant must not knowingly testify falsely or withhold any information, or influence anyone into testifying falsely or withholding any information in any investigation or proceeding.
- (d) A registrant must not knowingly mislead any member of the public who makes a reasonable inquiry or request on tax matters.
- (e) A registrant must not predetermine the value or value range of a property or properties and then manipulate data to arrive at a predetermined conclusion.
- (f) A registrant must not perform calculations:
 - (1) by methods other than those directed by law, rule, or written guidance of the Comptroller of Public Accounts, or
 - (2) that is designed to result in a predetermined effective tax rate, or rollback tax rate, current or delinquent collection rate, or other value, rate, or ratio used for official purposes.
- (g) A registrant must not provide, to any private party, information that is not provided to, or reasonably available to all persons.

94.72. Responsibilities of a Registrant: Conflicts of Interest

- (a) A registrant must disclose in writing to the appraisal district or taxing entity any relationship of consanguinity within the third degree that may relate to an assignment so long as he holds a registration position.
- (b) A registrant must disclose in writing to the appraisal district or taxing entity any outside employments.
- (c) A registrant must disclose in writing to the appraisal district or taxing entity any financial interest in any private business or real property subject to the appraisal district or taxing entity where he/she is employed.
- (d) A registrant must not invest in property, interests, or transactions which create a conflict of interest or which affects independent judgment or performance in the official position.
- (e) A registrant must not engage in any activity or employment outside of the appraisal office or tax office if such engagement adversely affects his impartiality in the execution of his official duties or adversely affects the performance of his official duties.
- (f) A registrant must not use agency resources for the personal benefit of himself, any party in whom he has an interest, or any public servant; or for the benefit of any social or political organization unless any member of the general public could make similar use of the agency resources.
- (g) A registrant in their official capacity must not endorse the services or products of any person or firm.

94.73. Responsibility of Registrant: Use of Titles

A person may not use the titles Registered Professional Appraiser, Registered Texas Assessor/Collector, or Registered Texas collector unless he is an active and certified registrant with the department and performing official duties as a property tax appraiser, assessor/collector, or collector.

94.80. Fees

- (a) Application fees.
 - (1) Appraiser -- \$105
 - (2) Collector -- \$105
 - (3) Assessor/Collector -- \$105
- (b) Renewal fees.
 - (1) Appraiser -- \$55
 - (2) Collector -- \$55
 - (3) Assessor/Collector -- \$55
- (c) Examination fees.
 - (1) Class III Appraiser -- \$55
 - (2) Class III Assessor/Collector -- \$55
 - (3) Class III Collector -- \$80
 - (4) Class IV Appraiser -- \$80
 - (5) Class IV Assessor/Collector -- \$80
- (d) Late Renewal Fees. Late renewal fees for licenses issued under this chapter are provided under ~~€0.83~~ of this title (relating to Late Renewal Fees).
- (e) Revised or duplicate license fees -- \$25
- (f) All fees are non-refundable, except as otherwise provided by law.

94.90. Sections and Administrative Penalties

A person who violates the Texas Occupations Code, Chapter 1151, a rule, or an order of the executive director or commission relating to Texas Occupations code, Chapter 1151, will be subject to administrative sanctions and/or administrative penalties under Texas Occupations codes, Chapters 51 and 1151 and applicable agency rules.

94.91. Enforcement Authority

The enforcement authority granted under Texas Occupations Code, Chapters 51 and 1151 and any associated rules may be used to enforce Texas Occupations Code, Chapter 1151 and this chapter

94.100. Code of Ethics

Registrants must:

- (1) be guided by the principle that property taxation should be fair and uniform, and apply all laws, rules, methods, and procedures, in a uniform manner, to all taxpayers;
- (2) not accept or solicit any gift, favor, or service that might reasonably tend to influence the registrant in the discharge of official duties, with the following exceptions:
 - (A) the benefit is used solely to defray the expenses that accrue in the performance of duties or activities in connection with the office which are non-reimbursable by the state or political subdivision;
 - (B) a political contribution as defined by Title 15 of the election Code; or
 - (C) an item with a value of less than \$50, excluding cash or a negotiable instrument;
- (3) not use information received in connection with the duties of an appraiser, assessor, or collector for their own purposes, unless such information can be known by ordinary means to any ordinary citizen;
- (4) not engage in an official act that is dishonest, misleading, fraudulent, deceptive, or in violation of law;
- (5) not conduct their professional duties in a manner that could reasonably be expected to create the appearance of impropriety;
- (6) not accept an appraisal, assessment, or collection related assignment that can reasonably be construed as being in conflict with the registrant's responsibility to their jurisdiction, employer, or client, or in which the registrant has an unrevealed personal interest or bias; and
- (7) not accept an assignment or responsibility in which the registrant has a personal interest without full disclosure of that interest.

1.06 Notice of Appraised Value

The Legislature requires the chief appraiser to deliver, by April 1 or as soon thereafter as practicable if the property is a residence homestead or by May 1 or as soon thereafter as practicable for any other property, a written notice of appraised value to the property owner. Appraisal districts are required to mail a notice if:

- The appraised value of the property is greater than the preceding year.
- The appraised value of the property is greater than the value the property owner rendered
- The property was not on the appraisal roll in the preceding year.
- The ownership of the property has changed from the preceding year.

Denton Central Appraisal District (DCAD) has chosen to mail appraisal notices to every property owner every year.

Appraisal notices will contain the following information:

- A list of the taxing unites in which the property is taxable.
- The appraised value of the property in the preceding year
- The taxable value of the property in the preceding year for each taxing jurisdiction
- The appraiser value of the property for the current year
- Any exemptions applied to the property, must show the type and amount of each exemption
- An estimate of the taxes using the current appraised value and the preceding year tax rates.

The notice of appraised value services to notify the property owner of an estimate of market value, the exemption applied to the property, and any agricultural use applied. It also services to notify the owner of

- The current mailing address the district has
 - returned appraisal notices are worked to find the correct address
 - If the correct mailing address is not found the account is coded as undeliverable. This helps the staff when the property owner states at a later date that they did not receive the notice.
- The identification of the property; the situs address, the legal description, the property account number.
- The taxpayer's rights to appeal the value
- DCAD includes in the mailing information on the appeals procedures and frequently asked questions.
- The inclusion of property on the appraisal roll
- To review for equitable appraisal
- The qualification for an agricultural use appraisal
- Any action taken by the Chief Appraiser and Appraisal District that affected the value

This starts the informal process of reviewing the information with the property owner. Taxpayers have until May 31st or 30 days from the date the notice was delivered to the post office to either file a protest or come in to speak with an appraiser. Protest can be made in person, mail, email or fax. Informal reviews of property values over the phone are limited to taxpayers who are unable to come in due to some type of disability.

During the 30-day protest period appraisers are available to talk to owners/agents. If the appraiser and owner/agent agree on the value of a property, the owner/agent and appraiser will sign a form titled "*Agreement to Establish Property Values*". This agreement is binding between the two parties only for the current year. If the appraiser and the owner/agent cannot agree the owner/agent must complete the form "*Notice of Protest*" and a hearing is scheduled before the Appraisal Review Board (ARB). The owner/agent has the right to 15 days' notice before the ARB hears the protest to develop the information to present to the ARB that would help their case. However, if the owner/agent wishes to waive the 15-day, they may do so by signing a waiver.

When the property has been scheduled with the ARB the property owner/agent is given a form titled "*Information for Property Owners from the Chief Appraiser*". This document tells the owner/agent of their right to inspect and obtain copies of the DCAD value schedules, formula, comparable sales and any other information that the district plans to use at the hearing.

This is NOT a Tax Statement

2011 Notice Of Appraised Value

Do Not Pay From This Notice

DENTON CENTRAL APPRAISAL DISTRICT
3901 MORSE STREET
PO BOX 50747
DENTON, TX 76206

Property ID: **Property ID #**
Ownership %: 100.00
Geo ID: SF0175A-00000A-0000-0060-0000
DBA:
Legal: **Legal description**

Phone: 940-349-3800 972-434-2602 Fax: 940-349-3801
DATE OF NOTICE: May 4, 2011

Legal Acres: 0.1491
Situs: **address of the property**
Appraiser:
Owner ID: 709026

Owner Name and address

		Preceding year value		Current year est. of value			
		Last Year - 2010		Proposed - 2011			
Structure / Improvement Market Value			198,529		166,721		
Market Value of Non-Ag/Timber Land			42,925		41,951		
Market Value of Ag/Timber Land			0		0		
Market Value of Personal Property/Minerals			0		0		
Total Market Value			241,454		208,672		
Productivity Value of Ag/Timber Land			0		0		
Appraised Value * (Possible Homestead Limitations, see asterisk below)			216,700		208,672		
Homestead Cap Value excluding Non-Homesite Value (i.e. Ag, Commercial)			216,700		208,672		
Exemptions			HS, OV65		HS, OV65		
2010 Taxable Value	Taxing Unit	2011 Proposed Appraised Value	2011 Exemption Amount	2011 Taxable Value	2010 Tax Rate	2011 Estimated Taxes	2011 Freeze Year and Tax Ceiling **
166,700	CITY OF FRISCO	208,672	50,000	158,672	0.465000	737.83	
161,700	DENTON COUNTY	208,672	55,000	153,672	0.273900	420.91	
191,700	FRISCO ISD	208,672	25,000	183,672	1.390000	2,100.36	2009 2,100.36

taxing entities

Estimated taxes

Do NOT Pay From This Notice Total Estimated Tax: \$3,259.10

The Texas Legislature does not set the amount of your local taxes. Your property tax burden is decided by your locally elected officials and all inquiries concerning your taxes should be directed to those officials.

The above tax estimates use last year's tax rates for the taxing units shown. The governing body of each unit (school board, county commissioners, and so forth) decides whether property taxes increase. The appraisal district only determines your property value. The taxing units will set tax rates later this year.

* Your residence homestead is protected from future appraisal value increases in excess of 10% per year from the date of the last appraisal PLUS the value of any new improvements.

** If you are 65 years of age or older and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than when you first received the exemption on this home. If you are disabled and received the \$10,000 school tax exemption on your home last year from the school listed above, your school taxes for this year will not be higher than the 2003 taxes or the first year you received the exemption, whichever is later. If your county, city, or junior college has approved a limitation on your taxes in the preceding year, your county, city, or junior college taxes will not be higher than the first year your county, city, or junior college approved the limitation or the first year you qualified for the limitation. If you improved your property (by adding rooms or buildings), your school, county, city, or junior college ceiling may increase for these improvements. If you are a surviving spouse, age 55 or older, you may retain the school, county, city, or junior college tax ceiling.

Contact the appraisal office if you disagree with this year's proposed value for your property or if you have any problem with the property description or address information. If the problem cannot be resolved, you have the right to appeal to the appraisal review board (ARB).

To appeal, you must file a written protest with the ARB before the deadline date:

Deadline for filing a protest: June 3, 2011
Location of hearings: 3911 Morse Street, Denton, TX 76208
ARB will begin hearings: May 9, 2011

deadline to file a protest
location of hearings
date hearing will begin

Enclosed is a protest form to send the appraisal district office if you intend to appear and present evidence before the ARB. The ARB will notify you of the date, time, and place of your scheduled hearing. Enclosed, also, is information to help you in preparing your protest. You do not need to use the enclosed form to file your protest. You may protest by letter, if it includes your name, your property's description, and your reason for protesting.

If you have any questions or need more information, please contact the appraisal district office at 940-349-3800 or at the address shown above.

Sincerely,

Chief Appraiser

PROPERTY TAX - NOTICE OF PROTEST - 2011

Appraisal district name
DENTON CENTRAL APPRAISAL DISTRICT

Phone (Area code and number)
940-349-3800 972-434-2602

Address
3901 MORSE STREET PO BOX 50747 DENTON, TX 76206

www.dentoncad.com

INSTRUCTIONS: If you want the appraisal review board to hear and decide your case, you must file a written notice of protest with the appraisal review board (ARB) for the appraisal district that took the action you want to protest. If you are leasing the property subject to the protest, you must have a contract requiring you to pay the property taxes on the property.

FILING DEADLINES: The usual deadline for filing your notice (having it postmarked if you mail it) is midnight, May 31. A different deadline will apply to you if:

- your notice of appraised value was postmarked after May 2.
- your protest concerns a change in the use of agricultural, open-space or timber land.
- the ARB made a change to the appraisal records that adversely affects you and you received notice of the change.
- the appraisal district or the ARB was required by law to send you notice about a property and did not, or
- you had good cause for missing the May 31 protest filing deadline.

Your specific protest filing deadline is printed on the appraisal notice. The ARB will determine if good cause exists for missing a deadline. Good cause as defined by Tax Code Section 41.45 is a reason that includes an error or mistake that was not intentional or was not the result of conscious indifference and will not cause undue delay or injury to the person authorized to extend the deadline or grant a rescheduling. Local ARB hearing procedures may also address specific examples of good cause.

WEEKENDS, HOLIDAYS: If your deadline falls on a Saturday, Sunday or other legal holiday, it is postponed until midnight of the next working day.

POSTPONEMENT: You are entitled to one postponement of the hearing without showing a good cause if you have not designated an agent to represent you at the hearing. You are also entitled to postpone your hearing if you or your agent show reasonable cause for the postponement. You must request this postponement to the appraisal review board before the date of the hearing.

Step 1:
 Owner's or lessee's name and address

Owner's or lessee's first name & initial

Last Name

FIRST NAME

LAST NAME

Owner's or lessee's present mailing address (number & street, city, town or post office, state, zip code)

MAILING ADDRESS

Daytime Phone (area code and number)

Evening Phone (area code and number)

DAY PHONE

EVENING

Step 2:
 Describe property under protest

Give street address and city if different from above, or legal description if no street address

DESCRIBE PROPERTY

Appraisal district account number (optional)

PROPERTY ID IF KNOWN

Failure to check a box may result in your inability to protest an issue. If you check 'Value is over market value', you are indicating that the appraised value is excessive and your property would not sell for the amount determined by the appraisal district. If you check 'Value is unequal as compared to other properties', you are indicating that your property is not appraised at the same level as a representative sample of comparable properties, appropriately adjusted for condition, size, location, and other factors. Your property may be appraised at its market value, but be unequally appraised. An appraisal review board may adjust your value to equalize it with other comparable properties. Please check all boxes that apply in order to preserve your rights so that the appraisal review board may consider your protest according to law.

Step 3:
 Check reason(s) for your protest

Value is over market value.

Exemption was denied, modified or cancelled.

Value is unequal compared with other properties.

Change in use of land appraised as ag-use, open-space, or timber land.

Property should not be taxed in (name of taxing unit)

Ag-use, open-space or other special appraisal was denied, modified or cancelled.

Failure to send required notice. (type)

Owner's name is incorrect.

Other:

REASONS FOR PROTEST

Property description is incorrect.

Property should not be taxed in this appraisal district or in one or more taxing units.

REASONS FOR PROTEST



Step 4:
 Give facts that may help resolve your case (continue on additional page if needed)

FACTS ABOUT THE PROPERTY THAT IS THE SUBJECT OF THE PROTEST

What do you think your property's value is? (Optional) \$

Step 5:
 Check to receive ARB hearing procedures

I want the ARB to send me a copy of its hearing procedures.

Yes No*

* If your protest goes to a hearing, you will automatically receive a copy of the ARB's hearing procedures.

Step 6:
 Sign the protest

Signature

Date

sign here **SIGNATURE**

DATE

SUBSECTION 2. REAL PROPERTY APPRAISAL

Part A. General Policies and Procedures

2.01 Introduction

There are three basic approaches available to the appraiser for the valuation of real property. Ideally, all three approaches are used to establish a final estimate of market value. Quite often, though, one or more of the approaches will be inappropriate to the property being appraised. Therefore, it is essential that the appraiser have a thorough working knowledge of each approach, and when to make use of it.

The Commercial, Land, and Residential Departments appraise many different types of property, so an appraiser's judgment is a very important factor in the mass appraisal process.

Part B. Commercial Property

2.02 Introduction

A. Definition of Appraisal Responsibility

The Commercial Department of the Denton Central Appraisal District (DCAD) is responsible for developing fair and uniform market values for all multi-family, commercial, industrial properties, as well as commercially zoned land inside city limits and non-subdivided rural land outside city limits within district boundaries.

B. Legal and Statutory Requirements

The DCAD adheres to the policies and regulations of the Texas Property Tax Code (TPTC). The provisions of the TPTC and relevant legislative measures involving appraisal administration and procedures control the work of the appraisal district. The district is responsible for estimating the market value of each property, as of January 1, for ad valorem tax purposes. The district is required to periodically reappraise all real property at least once every three years. DCAD has adopted a reappraisal plan on an annual cycle.

C. Administrative Requirements

An appraisal management policy should reflect regulatory obligations, mandate due diligence, ensure conformance to professional standards, generate current and meaningful valuations, and establish criteria for a thorough review process. DCAD subscribes to the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. DCAD also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). A current copy of the USPAP manual is on file at DCAD. The Commercial Department submits an annual budget to the Deputy Chief Appraiser. The department is responsible for completing mass appraisal assignments in a timely manner, within the cost constraints of said budget.

D. Appraisal Resources

Personnel - The Commercial Department consists of an appraisal manager, two supervisors, four field appraisers, and two administrative support positions. The appraisal manager reports to the Deputy Chief Appraiser.

Data - The data used by the Commercial Department includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, etc.). Other data used by the department 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 occupancy rates. In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for local and regional market trends, such as:

- Institute of Real Estate Management (IREM) – Provides revenue and expense analysis for shopping centers, offices, conventional and federally assisted apartments.
- Urban Land Institute (ULI) – Provides revenue and expense analysis for apartments and shopping centers.
- Source Strategies Inc. – Provides revenue and occupancy analysis for hotels and motels.
- Delta Associates – Provides revenue and occupancy analysis for industrial and offices.
- NAI Global Market Report – Provides revenue and occupancy analysis for retail, industrial and offices.
- PKF Hospitality Research – Provides revenue, expense, and profit analysis for hotels and motels.
- COSTAR Group – Provides sales information as well as revenue and occupancy analysis for industrial, flex, retail, offices and apartments.
- ALN Apartment Data – Provides revenue and occupancy analysis for apartments.
- Integra Realty Resources – Provides capitalization rate analysis for retail, industrial, hotel/motel, offices and apartments.

- Realty Rates, Inc. - Provides capitalization rate analysis for retail, industrial, offices and apartments.
- Real Estate Research Corp. - Provides capitalization rate analysis for retail, industrial, hotel/motel, offices and apartments.
- PriceWaterhouseCoopers – “*Korpacz Real Estate Investor Survey*” provides capitalization rate analysis for retail, industrial, hotel/motel, offices and apartments.

Information Systems - The mainframe systems are augmented by the databases that reside as various applications on the DCAD Local Area Network (LAN). DCAD offers a variety of systems for providing property owners and public entities with information services. The Appraisal Support Department fields many of the public’s questions or redirects them to the proper department. Computer terminal stations are located in the customer service area for the public’s use. Access to the district’s appraisal data is also available through DCAD’s website: www.dentoncad.com.

2.03 Valuation Approach

A. Area Analysis

Data on regional economic forces such as demographic patterns, regional location 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. Information is gleaned from real estate publications and sources such as the Multiple Listing Services, (Dallas and Denton Board of Realtors), “*The Roddy Report*,” “*The Dallas Business Journal*,” Marshall & Swift, IAAO, CoStar Group and applicable sources found on the Internet. Monitoring these sources provide employees a current economic outlook on Denton County’s real estate market. The Commercial Department uses the above-mentioned sources in its analysis of defined neighborhood and geographical areas.

B. Neighborhood Analysis

The neighborhood is comprised of the land area and commercially classed properties located within the boundary of a taxing jurisdiction. The current commercial neighborhoods (market areas) are:

<u>CODE</u>	<u>DESCRIPTION</u>
C02	Cities of Carrollton and Dallas
C03	City of The Colony
S05	Denton ISD and Argyle ISD
S08	Lake Dallas ISD
S09	Cities of Lewisville, Highland Village, and Flower Mound
S10	Little Elm ISD, Frisco ISD, Celina ISD, and Prosper ISD
S11	Northwest ISD, and Ponder ISD
S14	Sanger ISD, Pilot Point ISD, Aubrey ISD, and Krum ISD

These areas consist of a wide variety of property types including multi-family, commercial and industrial. 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 organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods.

Neighborhoods are defined by each of the improved property use types (multi-family, office, flex, warehouse / industrial, general retail, shopping center, sports and entertainment, hospitality, health care, and specialty) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, class of construction, date of construction, overall market activity or other pertinent influences. Sales and income information are gathered on each neighborhood area and used to formulate overall appraised values for that neighborhood. The current commercial property use types are:

CODE	DESCRIPTION	CODE	DESCRIPTION
	Multi Family		Shopping Center
MF001	Apartments	SC001	Community Center
MF005	Apts. – Dormitory	SC005	Department Store
MF006	Apts. – Efficiencies	SC010	Discount Store
MF007	Apts. – Frat House	SC015	Lifestyle Center
MF010	Apts. – Senior	SC020	Neighborhood Center
MF015	Apts. – Subsidized	SC025	Outlet Center
MF020	Mobile Home Park	SC030	Power Center
MF025	Plex (2 – 7 units)	SC035	Regional Mall
	Office	SC040	Specialty / Entertainment
OF001	Condo	SC045	Strip Center
OF002	Converted House	SC050	Super Regional Mall
OF005	Corporate Campus	SC055	Town Center
OF010	Medical		Sports & Entertainment
OF015	Multi-Tenant	SE001	Amusement Park
OF020	Single Tenant	SE005	Baseball Field
	Flex	SE010	Bowling Alley
FL001	Flex Distribution	SE015	Casino
FL005	Flex Manufacturing	SE020	Golf Course
FL010	Flex R & D	SE025	Golf Driving Range
FL015	Flex Showroom	SE030	Health Club
FL020	Flex Warehouse	SE035	Horse Stables
	Warehouse / Industrial	SE036	Indoor Sports Facility
WH001	Airplane Hangar	SE040	Movie Theater
WH005	Auto Salvage Facility	SE045	Race Track

CODE	DESCRIPTION	CODE	DESCRIPTION
WH010	Cement Plant	SE050	Skating Rink
WH015	Distribution	SE055	Swimming Pool
WH020	Food Processing	SE060	Theater / Concert Hall
WH025	Industrial Manufacturing		Hospitality
WH030	Railway Yard	HS001	Hotel
WH035	Refrigeration	HS005	Hotel Casino
WH040	Self Storage	HS010	Motel
WH045	Service	HS015	Motel – Suites
WH050	Truck Terminal		Health Care
WH055	Utility Sub Station	HC001	Assisted Living
WH060	Warehouse	HC005	Clinic
	General Retail	HC010	Cont. Care Retirement Community
RE001	Auto Dealership	HC015	Hospital
RE005	Auto Repair	HC020	Independent Living
RE006	Auto Oil & Lube Center	HC025	Rehabilitation Center
RE010	Bank	HC030	Skilled Nursing Facility
RE015	Bar	HC035	Surgery Center – Outpatient
RE020	Car Wash		Specialty
RE025	Convenience Store	SP001	Cemetery / Mausoleum
RE030	Day Care Center	SP005	Lodge / Meeting Hall
RE035	Drug Store	SP010	Marina
RE040	Fast Food	SP015	Movie / Radio / TV Studio
RE045	Funeral Home		
RE050	Garden Center		
RE055	General Freestanding		

RE060	Parking Garage
RE065	Parking Lot
RE070	Restaurant
RE075	Service Station
RE080	Storefront Retail / Office
RE085	Storefront – Historic Downtown
RE090	Supermarket
RE095	Truck Stop
RE100	Veterinarian / Kennel

C. Highest and Best Use Analysis

The highest and best use of property is the 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 maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This assists in determining if the existing improvements have a transitional use, interim use, non-conforming use, multiple uses, speculative use, excess land, or a different optimum use if the site were vacant. Improved properties reflect a wide variety of highest and best uses that include, but are not limited to: office, retail, multi-family, 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 insures that an accurate estimate of market value is derived.

2.04 Data Collection/Validation

A. Data Collection Manuals

Field data collection requires organization, planning, and supervision of the field staff. Data collection procedures have been established for land, residential, commercial, and personal property. The "Appraisal" (cost) manual and "Property Tax Appraisal and Data Collection" (procedure) manual is published and distributed to all appraisers involved in the appraisal and valuation of commercial properties. Field appraisers use these manuals during their initial training and as a guide in the field inspection of properties. Both manuals are reviewed and revised on an annual basis to meet the changing requirements of field data collection.

B. Sources of Data

The district's property characteristic data was originally obtained from the ISD's, Denton County Tax Office as well as the surrounding cities. And where absent, collected through a massive field data collection effort coordinated by the district over a period of time. On an annual basis, building permits and blueprints (obtained from taxing jurisdictions) are a principal source of data. New commercial starts, remodeling, additions and other permit-required improvements are also discovered through field inspection, which frequently results in the discovery of new construction not found through the permit process. Tax assessors, city and local newspapers, and the public often provide information to the district regarding new construction, market patterns, and other useful facts related to property valuation. Renditions (reports filed by the property owner) describe the property, list any improvements, identify its location, and sometimes provide an estimate of value. Aerial photographs are also sometimes used to find hard to locate improvements.

C. Data Collection Procedures

The appraisal support staff processes and enters building permit data into the PACS Appraisal System. When building blueprints are attached to the permit, the appraisal support staff enters the building dimensions and characteristic data into PACS.

The field appraiser is responsible for the collection of information used in the appraisal of property. The physical characteristics of a property currently shown on the record will be provided to the appraiser at the time of inspection in the form of a PACS appraisal card. Care must be taken to ensure the accuracy of this information. Although DCAD will provide all available information regarding cost, market, and income, the appraiser must take every opportunity to discover this information while inspecting the property. Upon completion of the field inspection, the updated information on the appraisal cards is entered into PACS by the appraisal support staff. The appraisers are required to check the data entry on each property to ensure that the new information was entered correctly. The information collected by the appraiser and entered into the PACS appraisal system serves as the basis for the valuation of real property.

In addition to field inspections, DCAD utilizes the YOTTA Sketch Verification program, which is a computer program that compares the PACS building sketch to the most recent aerial photograph of the building. Appraiser's field inspects any discrepancies and makes corrections as necessary.

The DCAD boundaries are divided into geographic areas with each appraiser assigned an area for which they are responsible for data collection. The commercial department conducts periodic meetings where each appraiser gives a verbal report of their work progress. Additionally, each appraiser's work is reviewed by the appraisal supervisor before it is given to appraisal support for data entry. These procedures are an important tool in analyzing future departmental staffing needs, as well as showing each individual appraiser's progress and error rate. While production 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 set forth in the appraisal manual as procedures to follow. Experienced appraisers are routinely brought up to date on changes in procedures prior to major field projects such as new construction, sales validation or data review. The commercial department manager routinely reviews the work being performed by all the field appraisers. The department manager is also charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the appraisal staff.

2.05 Class System

A class system for commercial properties has been developed to help ensure appraisal uniformity. The commercial class system currently consists of 104 classes. These classes are based on occupancy and are grouped together in clusters of like occupancy. Within each occupancy group, classes are based on levels of quality, such as excellent, good, average, and low cost. When classing a particular property, the appraiser will choose an occupancy for which the building was originally designed. If the current occupancy is different from that for which the building was originally designed, the appraiser must take care in measuring any functional obsolescence experienced by the structure.

The different classes will reference the computer to cost tables developed from the Marshall Valuation Service, which is an appraisal guide for developing replacement costs for a wide range of construction classes and types of occupancies. Marshall Valuation Service software utilizes the comparative unit method to derive a cost per unit for the structure being appraised. Typical building specifications are developed for each occupancy group, which are used to determine the base cost of benchmark structures. Once the benchmark base costs are in place, construction costs for each occupancy class at various size increments are developed. Adjustments for variations from base cost specifications are also developed for each class. And finally, local modifiers are used to make the cost data applicable to Denton County. The DCAD also collects actual cost data from local developers and property owners. Whenever possible, actual costs are compared to Marshall Valuation Service costs. If there are inconsistencies between the two costs, adjustments will be made to the appropriate DCAD classes. Actual local costs are given more weight than Marshall Valuation costs in these circumstances. If, in the appraiser's judgment, the cost tables do not fit the property being appraised, but that property does fit into a class, the appraiser should class the property by its occupancy. The computer system will allow the appraiser to override the tables and enter the cost value he deems correct. All commercial class costs are updated annually, based on data that is published closest to January 1.

Classes cannot be established for every commercial property within Denton County. A small percentage of the properties will require special pricing by the appraiser. This can be accomplished either by use of the Marshall Valuation Service or flat pricing. Each of these two methods requires that the appraiser utilize his or her best judgment on items that are too infrequent or unusual to fit efficiently into the present class system. A listing and description of all commercial classes is given in the cost approach section of this manual.

2.06 Valuation and Statistical Analysis (model calibration)

A. Land Valuation

The commercial department is responsible for appraising commercially zoned land inside city limits and non-subdivided rural land outside city limits within district boundaries. Land and improvements are valued separately so that the trends and factors affecting each can be studied. The first step in land valuation is market analysis, which consists of sales stratification, determination of units of comparison, and data analysis.

Stratification is accomplished by grouping sales into homogeneous geographic areas (school district, city, etc.) where there are similar market influences, variations in zoning, and probable uses. These grouping criteria will ensure that land values will reflect market data for parcels with similar or competitive uses in the same area. Land is analyzed and valued according to common units of comparison. The units chosen conform to the basis upon which land is sold in the market. Commercially zoned land is valued by the square foot, while rural land is valued by the acre. Once the sales have been grouped into geographic areas, the appraiser then produces GIS maps showing the sale price, sale price per unit, sale date, and property ID number. The sold parcels as well as the commercial and rural parcels to be valued are color coded for easy identification. Once the sales have been plotted on a map, the appraiser can more easily determine patterns and trends in land values.

The primary method of rural and commercial land valuation is the comparative unit method. The appraiser determines the average or typical per unit value for each stratum of land by carefully considering the available data on the sales maps and making an informed judgment. When there are insufficient sales within strata but sales prices per unit are similar between adjoining strata, the appraiser can combine strata in order to develop per unit values.

Once comparative unit values have been determined for an area, those values must then be refined by applying site adjustments at the individual parcel level. Site characteristics often requiring adjustment include topography, traffic flow, limited access, flooding susceptibility, drainage, and irregular shape. Site adjustments are applied only to those parcels in the neighborhood or stratum that are affected. The adjustments are made as a percentage adjustment to the market value (ex: $\$50,000 \times .85 = \$42,500$). The appraisers use their informed judgment to determine the adjustment percentage.

When there are too few land sales to conduct the sales comparison approach, the appraiser should employ either the abstraction or allocation method. In the abstraction method, improvement values obtained from the cost model are subtracted from the sale price of the improved parcel to yield the land value estimate. The reliability of this method depends on the accuracy of the improvement values used in the analysis. The use of this method should be limited to parcels with relatively new buildings, so that the replacement cost and depreciation are more easily estimated. The allocation method is also known as the land ratio method. When there are insufficient vacant land sales in a given market area, the appraiser looks at comparable areas with sufficient land sales, determines the typical ratio of land value to total value, and

then applies the ratio to parcels in the subject area. This method is particularly useful in older neighborhoods that are almost totally built out and therefore have very few, if any vacant land sales.

Appraisers are expected to review land values in their assigned areas on an annual basis in order to keep pace with market conditions.

B. Cost Approach

The cost approach to estimating value is the most widely applicable approach used for commercial properties because it can be applied to all improved properties. However, the appraiser must always be conscious of the difference between cost and value. Because of this difference, the appraiser must exercise judgment when measuring applicable depreciation.

For the cost approach, a class system based on occupancy and quality has been programmed into the computer. The cost figures for each class were taken from the Marshall Valuation manual, with modifications to reflect the Denton County market. A description of each class, and the quality levels in which that class can be found, is included at the end of this section. All DCAD commercial cost schedules are evaluated and updated on an annual basis by the department manager.

The uniqueness of some properties will necessitate use of the unit-in-place or segregated cost method. The appraiser will manually make the calculations using the Marshall Valuation Manual and enter the figures directly into the computer. If the appraiser can get actual costs on new construction, he can use those costs in the cost approach. Care must be taken to ensure that any costs provided represent actual total costs. Cost can be defined as the total expenditure necessary to construct an improvement and place it in the hands of the consumer. The appraiser may use actual new construction costs, as long as those figures represent actual total costs. In other words, the appraiser must make sure all indirect costs, as well as direct costs, are included. This will require a detailed breakdown of the submitted cost information. Summarized costs provided by tax consultants or taxpayers should be avoided unless substantial support for those figures can be provided.

The costs included in the Marshall Valuation Manual are the actual costs to the owner and include direct costs (materials, equipment rentals, utilities, labor, and supervision), as well as indirect costs (plans and plan check, site preparation, architectural and engineering fees, building permits, title and legal fees, and interest and fees on construction loans). Indirect costs also include the contractor's profit and overhead, which includes fire, liability and unemployment insurance, and workmen's compensation.

When classing a building, the appraiser must first ascertain the quality of the building because the majority of DCAD classes are based on a single level of quality. The quality levels used in the DCAD class system are excellent, good, average, and low cost. Construction quality can be difficult to determine in buildings where the importance of appearance and amenities is equal to or greater than the importance of pure utility. It is usually true that a well-framed building is a well-finished building. And it is also true that if a builder cuts corners on framing, he will probably also cut corners on finish-out and mechanical

equipment. If an appraiser is having difficulty in determining the quality level of a building, he should refer to the DCAD and/or Marshall Valuation Manual for guidance.

The final step in the cost approach is to establish the level of depreciation experienced by the improvement. Depreciation occurs in three forms: physical, functional, and economic.

Physical deterioration is the loss in value due to the wear and tear of the property. The DCAD utilizes the Marshall Valuation Service commercial depreciation tables to measure physical deterioration. These tables are a modified version of the overall Age-Life method. Whereas the Age-Life method assumes that a building depreciates by a constant percentage over its economic life, the Marshall Valuation tables recognize that a building is in the prime of life up until mid-life. This non-linear approach accounts for a slower depreciation rate in the early years as compared to the later years when diminishing serviceability and higher maintenance can accelerate depreciation. DCAD depreciation tables are divided into five year increments from twenty year life to seventy year life. The particular table that is used is determined by the type of construction and usage of the building. As part of the physical depreciation analysis, the appraiser should consider the “effective age” of the building. The effective age of a building is its actual age, less the age which has been taken off by structural face-lifting or reconstruction, removal of functional inadequacies, updating of equipment, etc.

Functional obsolescence is the overall usefulness and desirability of a property. Functional obsolescence is the loss of value in a property improvement due to changes in style, taste, technology, needs, and demands. It exists where property suffers from poor or inappropriate architecture, poor floor plans, room sizes, etc. In these instances, buyers perceive a loss in utility, therefore, the price offered is lower due to reduced demand.

Economic obsolescence (or external obsolescence) is the loss in value caused by outside forces such as in the highest and best use of a property due to market shifts or governmental actions, restrictions on income, zoning, neighborhood decline, etc. This can influence both land and improvements.

Field inspection is required for the analysis and measurement of all forms of accrued depreciation. The appraiser should consider all conditions that diminish utility and estimate their combined effect on market value. Physical depreciation, functional and economic obsolescence, and effective age are also influenced by competition and market conditions. The appraiser, therefore, should also analyze the income and sales of comparable properties when deciding on a measurement of accrued depreciation. All forms of depreciation are expressed as a percent good.

Once the estimated depreciated improvement value is determined, it is then added to the land value resulting in an estimated total property value. The cost approach is used as a comparison to the market schedules.

$$V = LV + (RCN - D)$$

(Value = Land Value + (Replacement Cost New – Depreciation))

COMMERCIAL IMPROVEMENT CLASS DESCRIPTIONS

CLASS 120-140

Apartments are multi-family residences. Costs include common areas such as hallways, laundry areas, etc. Each unit will have a kitchen and at least one bathroom. Generally, the units are intended for rental purposes, but may be sold individually as condominiums. Good quality apartments will have plaster, paneling, good detailing in molding and trim, and high cost floor finishes. The structures are commonly solid masonry (Class C) or wood frame (Class D) construction.

CLASS 120 – Low Cost

CLASS 130 – Average Quality

CLASS 140 – Good Quality

CLASS 150-170

Motels are multiple sleeping units from one to three stories, with or without individual kitchen facilities, and designed for transient occupancy. The structures are commonly solid masonry (Class C) or wood frame (Class D). Interiors are of plaster or drywall with wall coverings. Paneling and wallpaper are included in the better qualities in the common areas and sleeping rooms. Price large restaurants and lounges separately. If, however, the amount of office, lobby, coffee shop and meeting rooms is proportionate with the number of rooms and overall quality, then these features will be included in the cost.

CLASS 150 – Low Cost

CLASS 160 – Average Quality

CLASS 170 – Good Quality

CLASS 180-190

Hotels are multiple sleeping units and lobby of three or more stories, without individual kitchen facilities. The costs include lounges, restaurants, ballrooms and meeting rooms commensurate with the number of rooms and overall quality of the hotel. Better quality hotels have a large amount of high-cost wall cover and floor finish in the open and public areas.

CLASS 180 – Low cost

CLASS 190 – Average Quality

CLASS 191 – Good Quality

CLASS 200-210

Department Stores are one or more stories, typically found in large cities and regional shopping centers, which handle multiple lines of merchandise, for which they are subdivided into departments. Costs include suitable office and employee areas, and restroom facilities.

CLASS 200 – Average Quality

CLASS 210 – Good Quality

CLASS 220-240

Retail Stores are one or two story buildings designed for retail sales and display, and usually have display and/or decorative fronts. Included in this occupancy are stores occupied by secondary department stores with limited merchandise lines, specialty shop and commercial buildings designed for general occupancy.

CLASS 220 – Low Cost

CLASS 230 – Average Quality

CLASS 240 – Good Quality

CLASS 250-270

Supermarkets are large retail food stores, which handle limited lines of other merchandise. The cost includes built-in refrigerators, cold rooms, and ancillary cooling equipment, which are usually classed as real estate, but do not include display freezers and coolers or other equipment generally classed as personal property or trade fixtures.

CLASS 250 – Low Cost

CLASS 260 – Average Quality

CLASS 270 – Good Quality

CLASS 280-300

Discount Stores are of warehouse construction with minimal interior partitioning. Low cost structures are unfinished shell types with minimum code throughout. Better qualities have partitioned offices and storage areas. NOTE: The highest quality discount stores should be classed as average quality department stores.

CLASS 280 – Cheap Cost

CLASS 290 – Low Cost

CLASS 300 – Average Quality

CLASS 310-332

Shopping Centers are multi-tenant buildings designed for retail sales. Shopping centers provide neighborhood and community services such as food, drugs, hardware, clothing and personal services needed for daily living. These structures may or may not have an anchor.

CLASS 310 – Low Cost

CLASS 320 – Average Quality

CLASS 330 – Good Quality

CLASS 331 – Excellent Quality

CLASS 332 – Best Quality

CLASS 340-360

Fast Food Restaurants have a limited dining area in relation to the preparation area. These structures range in size from 1,300 to 4,200 square feet, and the seating area is normally less than 45% of the total area.

CLASS 340 – Low Cost

CLASS 350 – Average Quality

CLASS 360 – Good Quality

CLASS 370-390

Restaurants are designed for the preparation and sale of food and beverages. These buildings have a full service commercial kitchen and varied seating capacities. Average quality includes neighborhood restaurants or coffee shops or a lower priced franchise operation. Good quality includes the typical chain operation and neighborhood restaurants catering to regional trade.

CLASS 370 – Low Cost

CLASS 380 – Average Quality

CLASS 390 – Good Quality

CLASS 397-399

Day Care Centers

CLASS 397 – Low Cost

CLASS 398 – Average Quality

CLASS 399 – Good Quality

CLASS 400-432

Office Buildings are designed for commercial occupancy and are normally subdivided as multi-tenant structures. If part of an office building has some other occupant, such as a bank or retail store on the first floor, that portion should be classed according to its occupancy.

CLASS 400 – Low Cost

CLASS 410 – Above Low Cost

CLASS 420 – Average Quality

CLASS 430 – Good Quality

CLASS 431 – Very Good Quality

CLASS 432 – Excellent Quality

CLASS 440-460

Banks are financial structures that include savings and loan and credit union occupancies where the design is of a bank type. Cost includes vaults, drive up windows, night depositories, and surveillance systems. Costs do not include banking equipment, vault doors, or safety deposit boxes.

CLASS 440 – Low Cost

CLASS 450 – Average Quality

CLASS 460 – Good Quality

CLASS 470-480

Nursing Homes (Convalescent Hospitals) are buildings of hospital type construction that give nursing care. They are designed for bed care and/or hotel and nursing care for ambulatory patients. They have treatment and therapy rooms, service and administration areas, nurses' stations and signaling systems commensurate with quality. These facilities do not have equipment for surgical care and treatment.

CLASS 470 – Low Cost

CLASS 480 – Average Quality

CLASS 490-500

Hospitals are complete health care facilities that typically include a number of different health services within one building or groups of buildings. These buildings have a large number of partitions with additional electrical, mechanical, and plumbing needs for this occupancy group. Lower quality hospitals have a large ward area while higher quality hospitals have a large amount of private rooms. Costs include fixed equipment, but not equipment classified as personal property.

CLASS 490 – Low to Average Quality

CLASS 500 – Average to Good Quality

CLASS 510-530

Clinic / Medical Office / Veterinary Clinic buildings are designed for medical or dental services with examination and outpatient treatment. The cost reflects the additional electrical, mechanical and plumbing required by this occupancy. These costs are also used for veterinary hospitals, which are buildings designed for the medical and surgical care and treatment of animals.

CLASS 510 – Low Cost

CLASS 520 – Average Quality

CLASS 530 – Good Quality

CLASS 540-560

Service Stations (old style) are designed for the sale of gas and service of automobiles. The cost includes office, service, storage, sales and restroom areas. The cost does not include equipment that is considered personal property.

CLASS 540 – Low Cost

CLASS 550 – Average Quality

CLASS 560

Service Station Food Booth

CLASS 560 – Low, Average, and Good Quality

CLASS 570-590

Automotive Centers are designed for both sales and service with display rooms, office, storage and repair commensurate with the quality. The better qualities are a combination retail store and garage.

CLASS 570 – Low Cost

CLASS 580 – Average Quality

CLASS 590 – Good Quality

CLASS 595

Mini-Lube Garages are designed for quick maintenance lube and oil changes and may have drive-thru bays. The quality levels are low, average, and good.

CLASS 600-611

Automotive Sales and Service buildings contain showroom, office, storage and repair space. The sales and office space are priced separately from the service area.

CLASS 600 & 601– Low to Average Quality

CLASS 610 & 611 – Average to Good Quality

CLASS 700-710

Shopping Malls are regional shopping centers comprised of major department store anchors, center strip stores and enclosed mall concourses.

CLASS 700 – Average Quality

CLASS 710 – Good Quality

CLASS 800-840

Industrial Buildings include those structures designed for manufacturing processes. They have the same structural shell as warehouses, but with better lighting, plumbing, and an enlarged office space. Each class differs only in structure and exterior features. Each class also has three quality levels of average, good, and excellent.

CLASS 800 – Class A (Fireproof Structural Steel Frame)

CLASS 810 – Class B (Reinforced Concrete Frame)

CLASS 820 – Class C (Masonry Bearing Walls, including Tilt-Up)

CLASS 830 – Class D or S (Wood or Steel Frame)

CLASS 840 – Class P (Wood “Pole” Frame)

CLASS 900-920

Warehouses are structures designed for both storage and distribution, and include an amount of office space commensurate with the quality of the building (typically 3% to 12%). If, however, the office area is substantial in size or quality, it may be necessary to price the office area as office and the warehouse area as warehouse. Each class differs only in structure and exterior features. Each class also has three quality levels of average, good, and excellent.

CLASS 900 – Class A & B (Fireproof Structural Steel Frame and Reinforced Concrete Frame)

CLASS 910 – Class C (Masonry Bearing Walls, including Tilt-Up)

CLASS 920 – Class D or S (Wood or Steel Frame)

CLASS 930

Low Cost Storage Warehouses are structures with a light steel frame (Class D “pole”), *no* insulation, and typically no office space. The quality levels are low, average, good, and excellent. The low price is used only for warehouse space, while the other quality levels are used to price only office space.

CLASS 940

Low Cost Storage Warehouses are structures with a light steel frame (Class D “pole”), insulation, and typically no office space. The quality levels are low, average, good, and excellent. The low price is used only for warehouse space, while the other quality levels are used to price only office space.

CLASS 950-970

Mini-Warehouses are warehouses subdivided into cubicles of generally small size. They are primarily designed to be rented for non-commercial storage, and may include some office/living space. Each class differs only in structure and exterior features.

CLASS 950 – Class S or P (Metal Frame and Walls)

CLASS 960 – Class C & D (Wood or Steel Frame)

CLASS 970 – Class B & C (Masonry Bearing Walls, including Tilt-Up)

CLASS 1000 & 1001

Self Service Car Wash. Class 1000 is a coin operated self-service care wash. Class 1001 is the equipment room. Equipment that is considered personal property is included in the building cost. The quality levels are low cost, average and good. Use low cost prices for metal wall construction, and average and good prices for masonry wall construction.

CLASS 1002

Drive-Thru Car Wash. Equipment that is considered personal property is not included in the building cost. The quality levels are average and good. Use average price for masonry or steel construction, and good price for porcelainized steel construction.

CLASS 1003

Automatic Car Wash. Full service car wash buildings include finished office area, locker and restrooms and basic equipment room. Equipment that is considered personal property is not included in the building cost. The quality levels are average and good. Use average price for masonry or steel construction, and good price for porcelainized steel construction.

CLASS 1010

Airplane hangar. Low cost hangar used only for airplane storage. There are minimal electrical and plumbing fixtures.

CLASS 1020

T-Hangars are multiple hangars for small planes. Many include partitioned areas for individual planes. Interiors have concrete slab floors with very few extras. They have minimum electrical, occasionally plumbing, and commonly do not have heating or cooling.

CLASS 1030

Airplane Hangar. Average quality hangar used for storage and repair maintenance of small aircraft. These hangars have some office area, storage area, and restroom and plumbing facilities for small crews of maintenance personnel.

CLASS 1031

Airplane Hangar. Good quality hangar used for storage and repair maintenance of small aircraft. These hangars have some office area, storage area, and restroom and plumbing facilities for small crews of maintenance personnel.

CLASS 1040-1060

Commercial Greenhouses are designed for the growth of plants. Each class differs in structure and exterior features.

CLASS 1040 – Steel Frame and Glass

CLASS 1050 – Steel or Wood Frame and Fiberglass

CLASS 1060 – Wood Frame and Poly-cover

CLASS 1070

Residential Greenhouse

CLASS 1070 – Wood or Aluminum Frame

CLASS 1100-1110

Theaters are designed primarily for stage or screen presentations and include a stage commensurate with the type and quality of construction. Scenery, curtains, and seating are not included in the costs.

CLASS 1100 – Low Cost

CLASS 1110 – Average Quality

CLASS 1200

Telephone Exchange Building.

CLASS 1210

Communications Equipment Building.

CLASS 1300-1320

Funeral Homes are buildings with facilities for the preparation of the dead for burial or cremation, for viewing of the body and for funerals.

CLASS 1300 – Low Cost

CLASS 1310 – Average Quality

CLASS 1320 – Good Quality

CLASS 1400-1420

Bowling Alley and Roller Skating Rink buildings generally include a snack bar, billiard and miscellaneous rooms with necessary plumbing and electrical connections. These buildings do not include any equipment or fixtures such as alleys, ball returns, hardwood floor (skating rink) kitchen and bar equipment or other trade fixtures that are considered personal property.

CLASS 1400 – Low Cost

CLASS 1410 – Average Quality

CLASS 1420 – Good Quality

CLASS 1500 - 1501

Parking Garages are structures with no exterior walls (or with partial walls) designed for above grade storage of automobiles. The quality levels are average and good.

CLASS 1600- 1630

Barns

CLASS 1600 – Wood frame and dirt floor.

CLASS 1610 – Wood frame and concrete floor.

CLASS 1620 – Steel Frame and dirt floor.

CLASS 1630 – Steel Frame and concrete floor.

CLASS 1640

Kiosks are small retail booths that range anywhere from 25 to 200 square feet. They have minimum electrical and plumbing fixtures.

CLASS 1650 – 1670

Outbuilding/ Storage

CLASS 1650 – Low Cost

CLASS 1660 – Average Quality

CLASS 1670 – Good Quality

CLASS 1680

Stables

CLASS 1680 – Average, Good, Best, and Excellent Quality

CLASS 1690

Marina Boathouses and Slips are small to medium berths of light construction on lakefronts. Ramps, anchor piers, lockers, and floatation drums are included in the cost. Utilities are additives. Quality levels are low for open slips, and good for fully enclosed boathouses.

CLASS 1700

Grain Elevators

CLASS 1710

Water Tanks

CLASS 1720

Pipe Rail Fence

CLASS 1730

Pipe & Cable Fence

CLASS 1740-1740B

Tennis Courts. There are three pricing levels for tennis courts based on amenities.

CLASS 1740 – Includes fence and lighting

CLASS 1740A – Includes fence

CLASS 1740B – Court only

CLASS 1750

Residential Swimming Pool

CLASS 1750 – Basic, Average, Good, Excellent, Superior Quality

CLASS 1760

Wood Deck

CLASS 1770

Circular Training or Walking Arenas

CLASS 1770 – Low, Average, and Good Quality

CLASS COM

Commercial Swimming Pools are large recreational pools found in hotels, apartments, etc. Costs are for gunite pools and include chlorinators, filters, heaters, boards, ladders and coping.

CLASS 1780

Condominiums are now classed as apartments. See classes 120-140.

CLASS 1790-1810

Country Clubs are specialized clubhouses designed mainly for entertainment and have few, if any sleeping rooms. Generally, the better clubs will have a ballroom, bar, banquet and pro shop facilities, as well as locker and shower rooms. These classes are meant to price only the main clubhouse. Outbuildings, pools, tennis courts and golf holes are priced separately.

CLASS 1790 – Low Cost

CLASS 1800 – Average Quality

CLASS 1810 – Good Quality

CLASS 1900

Golf Course. Low cost, simply developed budget course on open, flat terrain, few bunkers, small tees and greens.

CLASS 1910

Golf Course. Average quality, simply designed course on relatively flat terrain, natural rough, few bunkers, small built-up tees and greens, as well as some small trees.

CLASS 1920

Golf Course. Good quality course, undulating terrain, bunkers at most greens, some large trees and driving range.

CLASS 1930

Golf Course. Excellent quality, championship course on good undulating terrain, fairway and greens bunkered and contoured, large tees and greens, driving range, and name architect.

CLASS 1940

Golf Course. Better championship-type course on good undulating terrain, fairway and greens bunkered and contoured, large tees and greens, large trees transplanted, driving range, may have name architect.

CLASS 2000

Mobile Home Park Spaces are developed for permanent occupancy and are representative of low end parks. The spaces can accommodate homes up to 80 feet long and 28 feet wide. Each space will have utilities, but recreational facilities such as pool and clubhouse are rarely provided.

CLASS 2010

Mobile Home Park Spaces are developed for permanent occupancy and are representative of average parks. The spaces can accommodate homes up to 80 feet long and 28 feet wide, and all utilities are available. This class of park usually has a clubhouse and pool, as well as good streets, patios, walks, and some landscaping.

CLASS 2100

Ornamental Entry Way

CLASS 2100 – Average, Good, Best Quality

C. Income Approach

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 DCAD computerized program utilizes the direct capitalization method.

The first step in the income approach is to estimate the potential gross rent (PGR) for the property. Potential gross rent is the rent that would be collected if the property were fully occupied at market rent.

$$\text{PGR} = \text{UNIT RENT} \times \# \text{ UNITS}$$

PGR can be derived from a variety of sources ranging from local market study publications, to actual rent data furnished by property owners. The computer program allows for three different methods of establishing PGR. Most commercial properties lease based on a lease rate per square foot, in which case the appraiser inputs the net or gross leasable area and the monthly or annual square foot lease rate. The computer then calculates the potential gross rent. For those properties that lease by the unit, such as apartments, the appraiser may input the number of units and the annual lease rate for one unit. The computer then calculates the PGR. The appraiser can also manually calculate the PGR by entering a dollar amount in the computer.

A vacancy and collection loss allowance is the next item to consider in the income approach. Vacancy and collection loss is an allowance for reductions in potential income attributable to vacancies, tenant turnover, and nonpayment of rent. The allowance is estimated as a percentage of potential gross income, which varies depending on the type and characteristics of the physical property, and general and local economic conditions.

$$\text{V\&C LOSS} = \text{PGR} \times \% \text{ V\&C LOSS}$$

The projected allowance is established based on local market study publications, and actual data collected from property owners. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. The appraiser enters a vacancy and collection loss percentage that is typical within the market for the property being appraised. Once the percentage is entered, the computer will calculate the dollar amount. The market derived stabilized allowance is then subtracted from the potential gross income. Miscellaneous property income (which is *not* subject to v/c loss) such as parking, vending machines, and laundry are then added to arrive at an effective gross income.

$$\text{EGI} = (\text{PGR} - \text{V\&C LOSS}) + \text{MISC. INCOME}$$

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. Categories of allowable operating expenses include insurance; administrative costs for the property such as legal, accounting, advertising, and management fees; repair and maintenance such as extermination, janitor's salaries, trash collection, hardware, and supplies; utilities such as fuel, water, and electricity; and property taxes. Different expense ratios are developed for different types of commercial property based on use. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for his pro-rata share of taxes, insurance and common area maintenance. In comparison, multi-family properties may have the tenants paying utilities, while the owner pays the remainder of the expenses. As a result, expense ratios must be implemented based on the type of commercial property being appraised. Another form of allowable expenses are the replacement of short-lived items (such as roof or floor coverings, air conditioning or major mechanical equipment or appliances) requiring expenditures of large lump sums. 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 annualized expenses are known as replacement reserves. The appraiser must carefully analyze the owner's operating statement to make sure all the expenses are allowable and at market rates. Expenses are entered in the computer as a dollar amount. Subtracting the allowable expenses (inclusive of replacement reserves) from the effective gross income results in an estimate of net operating income (NOI).

$$\text{NOI} = \text{EGI} - \text{OPERATING EXPENSES}$$

Capitalization rates are used to convert net operating income into an estimate of market value. These rates vary between property types, as well as by location, quality, condition, design, age, and other factors. Overall capitalization rates (for the direct capitalization method) can be derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of what a specific market participant is requiring from an investment at a specific point in time. We also rely on Henry S. Miller, "Real Estate Investment Trends," Real Estate Research Corp., Integra Realty Resources, and Korpacz Inc., for capitalization rate information for the different types of

commercial properties. Additionally, we survey local fee appraisers regarding typical capitalization rates by property type.

Rent loss concessions are sometimes made to specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income as 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 renewal/second generation space) 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.

D. Market Approach

The market approach to value has a more limited application to commercial properties than to single family residences because they sell much less frequently and are generally unique unto themselves. For this reason, prior sales of unique commercial properties may be used as a yardstick for that specific property but should not be used as comparable for other properties. When commercial properties are very similar and compete within the same market parameters, however, the market approach may well provide the most reliable indication of value.

All commercially zoned and rural land valuation tables and unit prices are derived from comparable sales. Sales prices are expressed as price per unit, either by square foot or acre – depending on how the land is analyzed or sold in the market. Once sales have been gathered, the appraiser determines the average or typical per unit value for a particular stratum of land. The average value is found by calculating the median or mean sale price per unit. After establishing land unit values, the appraiser can determine individual parcel values by applying any necessary site adjustments. Site adjustments recognize the characteristics of individual parcels, such as size, shape, topography, and location (corner influence, limited access, etc.).

When using the market approach, the appraiser should take care to assure that the sales price is the total consideration given for the property. This is a formidable task since commercial properties are normally traded in a market from which it is difficult for the appraiser to extract information. For example, many sales can include significant amounts of personal property. If these sales are used in ratio studies, the value of the personal property must be estimated and subtracted from the sale price in order to determine the purchase price for the real property alone. Personal property consists of inventories (raw materials, finished goods, supplies, etc.), fixed assets (machinery, equipment, furniture and fixtures, etc.), and intangibles (bonds, mortgages, insurance policies, cash, stocks, goodwill or business value, etc.). Appraisers should scrutinize each sale for items of personal property, estimate their market value, and deduct it from the total purchase price. Whenever data on personal property is unavailable, the appraiser should attempt to estimate a percentage of the sale that is attributable to personal property. This can be

achieved by reviewing a sample of sales, by property type, and determining the percentage of the purchase price commonly attributable to personal property. If the personal property component of a sale cannot be estimated, the sale can be excluded from ratio studies. The appraiser should gather as many details as possible on any sales he may collect to allow that information to be used in the future as comparable sales.

Pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information that can be used in all aspects of valuation. For example, sales of similarly improved properties can provide a basis for capitalization rates used in the income approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of appraised values.

E. Sales Information

All sales information collected is the responsibility of the Sales and Research Department. Commercial improved sales are collected from a variety of sources including, but not limited to, district questionnaires sent to buyer and seller, field discovery, protest hearings, Roddy Report, Costar Group, Loopnet, builders, real estate professionals, and fee appraisers. A system of type, source, and validity codes was established to define salient facts related to a property's purchase or transfer. Neighborhood and ISD sales reports are generated as a tool for the appraiser in the development of value estimates. Sales information is stored in the mainframe database and on excel spreadsheets.

F. Statistical Analysis

The appraisers in the Commercial Department perform an annual statistical analysis to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on each neighborhood and ISD to judge the two primary aspects of mass appraisal accuracy: level, and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each property type being studied. These summary statistics including, but not limited to, the median, the mean, the weighted mean, standard deviation, coefficient of dispersion (COD), and coefficient of variation (COV), provide the appraiser a tool by which to determine both the level and uniformity of appraised value of a particular property type. The level of appraised value can be determined by the weighted mean for individual properties within a within a specific type, and a comparison of weighted means can reflect the general level of appraised value. Review of the standard deviation, coefficient of dispersion and the coefficient of variation can discern appraisal uniformity within a specific property type.

Every commercial property type is reviewed annually by the appraiser 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.

The commercial department creates income schedules for multi-family, office, retail, and industrial properties on an annual basis. Actual rent, occupancy and expense data is collected from property owners. We also collect actual data from published sources and local vendors when data from property owners is not forthcoming. The data is entered into Excel spreadsheets and grouped by property type, neighborhood (market) area, and quality (class).

Averages and medians for income and expense variables are then calculated and entered into the computer system, which calculates the income schedule value for the property. During the annual reappraisal analysis, the appraiser will be able to choose between the income schedule value (based on prevailing market conditions), the income direct cap value (based on the actual subject property data), and the cost approach value. Before deciding on a final market value, the appraiser should check for any comparable sales in order to make an informed judgment.

2.07 Individual Value Review Procedures

A. Field Review

Property field inspections may be initiated for a variety of reasons. A property owner might dispute the district's appraisal attributes or data concerning his property. Typically, a new field check is then requested to verify this evidence for the current year's valuation or for the next year's valuation. Additionally, if a building permit is filed for a particular property indicating a change in characteristics, a field check is then scheduled for that property. Finally, even though every property cannot be inspected each year, each appraiser typically designates certain segments of their area of responsibility to conduct field checks.

Commercial appraisers are somewhat limited in the time available to field review all commercial properties of a specific use type. Still, a major effort is made by appraisers to field review properties and 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. Additionally, the appraiser frequently field checks subjective data items such as building class, quality of construction, condition, and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. Sometimes field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. Appraisers also physically inspect sold and unsold properties for comparability and consistency of values.

In addition to conducting field reviews on a priority basis as discussed above, the commercial department physically reviews all properties every 6 years as outlined in the IAAO Standard on Mass Appraisal. Each appraiser identifies 1/6th of the properties within their area of responsibility and conducts field inspections at the same rate every year, until 100% of the properties have been inspected.

Commercial data collectors should present themselves in a polite and businesslike manner and be prepared to deal with a variety of situations and personalities. Data collectors should always take the time to fully explain the reason for their visit, and are required to carry DCAD issued photo identification badges and business cards.

B. Office Review

Office reviews are completed on properties not subject to field inspections. Valuation reports comparing previous values against proposed and final values are generated for all commercial improved properties. Also, previous values resulting from a formal hearing protest, lawsuit, and others from informal hearings are individually reviewed to determine if the value remains appropriate for the current year. When reviewing these properties, each appraiser considers all currently available cost, market, and income data before deciding on the final appraised value.

Once the appraiser is satisfied with the level and uniformity of value for each commercial property within their area of responsibility, the new values are entered into the district's mainframe computer. Because the value estimates are determined in a computerized mass appraisal environment, appraisers review value reports for anomalies before the final appraised value is released for noticing.

2.08 Performance Tests

A. Sales Ratio Studies

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market values. In a ratio study, market values (value in exchange) are typically represented by sales 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 sales to provide necessary representation, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial, warehouse or industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties that are by statute 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*. Sales ratio studies are an integral part of establishing equitable and accurate market value estimates, and ultimately assessments for 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; and, assist in market analyses.

Pursuant to Chapter 5, of the Texas Property Tax Code, and Section 403.302, of the Texas Government Code, the Comptroller's Property Tax Division (PTD) conducts an annual property value study (PVS) of each Texas school district and each appraisal district. As a part of this annual study, the code also requires the Comptroller to: use sales and generally accepted auditing and sampling techniques; test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and, determine 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 representation and techniques or procedures of measuring uniformity. This study utilizes statistical analysis 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.

2.09 Value Defense Procedures

The appeals process begins with an informal meeting between the appraiser and the property owner to discuss any errors, discrepancies of market value and/or equity, and any claims of exemptions or special valuations (agricultural use, restricted use value, etc.). The informal review may be handled by mail, in person, or by telephone. The review allows for communication and mutual understanding, which will reduce the number of formal appeals. Informal reviews should incorporate the following basic steps: 1)Verify the parcel information; 2)Exchange information; 3)Record the nature of complaint; 4)Use cost, sales, or income information to confirm property value; 5)If a value change is indicated, the appraiser will change the value and enter into a signed agreement with the property owner; 6)If a value change is not warranted, the appraiser should explain the appeal rights and procedures, in case the property owner wishes to make a formal appeal. Commercial field appraisers must get written approval from the Commercial Manager or Supervisors to settle any property with an appraised value of \$50,000,000 or higher.

Appraisal Review Board hearings (formal appeals) are the next step in the appeals process. Prior to the hearing, the property owner should be given a copy of the evidence the appraiser plans to use in evidence. The appraiser should be prepared to present factual information relating to the property, such as copies of tax maps, pictures of the property, improvement drawings, etc., as well as valuation information, such as the cost, market, and income approaches to value. If there is an equity component to the appeal, the appraiser should be prepared to present a reasonable sample of equity comparables based on sales or income, as appropriate.

2.10 Education and Training

All employees shall have the knowledge and expertise to do their job. Each employee will have a minimum educational standard required for their position. In addition, DCAD will supply the following:

A. On the job training – each employee will receive training on procedures, policy, and equipment by their supervisor and other employees in similar positions.

B. State required education and registration – all employees so required will achieve and maintain their own educational and registration requirements.

C. Additional training and education – from time to time, additional training and education will be required to enhance job performance, knowledge and expertise.

Employees will be expected to perform to a minimum standard.

2.11 Data Entry Procedure

All appraisal changes and updates are written on appraisal cards and given to the commercial appraisal support specialist. The appraisal support specialist organizes incoming and outgoing appraisal cards by appraiser, date, and legal description at the data entry station.

The information is entered by way of a “dump terminal” and keyboard at the data entry station. The commercial appraisal support specialist is responsible for entering abstract, industrial, commercial and residential land, commercial and rural improvements, agricultural valuations, and sales information. Incomplete and erroneous information on appraisal cards is returned to the appraiser for correction.

Once appraisal changes have been made, updated appraisal cards are printed, processed, and delivered to the appraisers. After checking the updated cards for accuracy, they are returned to the appraisal support specialist for filing.

2.12 Commercial Department Reappraisal Plan Overview

This plan outlines the implementation and completion of all required tasks and reappraisal that is mandated by the State Property Tax Code. The commercial department reappraises all properties every two years, which works out to approximately 50% of properties reappraised in any given year (including 50% of vacant or improved land accounts). The reappraisal consists of a property inspection (office and/or field), as well as income, sales, and equity analysis, as warranted. Rapidly changing market areas will be reappraised on an annual basis as time permits.

Building permits are collected from each city on a monthly basis. The permits are processed and attached to the applicable account, after which the appraiser conducts a physical inspection and office review for the current appraisal year. All value related building permits issued from January 1, 2010 through December 31, 2010 will be inspected and reappraised for the 2011 appraisal year. All value related building permits issued from January 1, 2011 through December 31, 2011 will be inspected and reappraised for the 2012 appraisal year. Additionally, all buildings that were partially complete as of January 1 will be coded for reappraisal the following year.

Property characteristic data, entered by appraisal support personnel, is verified and corrected by appraisers based on field inspections or office review utilizing aerial photography. The following data characteristics are added to each property account as applicable: Land Value, SPTD Code, Building Class, Gross Building Area, Net Leasable area, Actual Year Built, Effective Age, Number of Stories, Construction Quality/Condition Codes, Number of Buildings, Foundation Type, Percent Finish Out, Exterior Wall Type, Interior Finish Type, Heating/Cooling, Plumbing, Roof Covering, Story Height, Docks, Sprinkler System, Elevators. In addition to the physical characteristics, data is collected on an annual basis for income producing properties – including: Net Leasable Area, Rent Adjustments and CAM Charges, Vacancy percentage, Secondary Income, Expense Recoveries, Expense Information, and Cap Rates.

Income producing property categories such as multi-family, retail, office, and industrial are coded with an economic area code, which groups properties located within the same competing market area. The economic area boundaries follow school district or city limit lines. Income models (based on the collected data) are then developed for each comparability code (A, B, C) for the respective property types. Income model data entered into the PACS appraisal system thereby produces an “income schedule” value, which should reflect the market influences that affect the market values within each economic area. The income schedule value can be used to check for equality and uniformity by property type within an economic area, or to create an income value for those properties not previously valued by the income approach.

Commercial sales ratio studies are conducted annually by economic area and property type. The ratio studies compare the recent sales prices of properties to the appraised values of the sold properties. If there are sufficient sales of a specific property type, the market approach can be employed to determine market values and uniformity of appraised values.

Part C. Agriculture Use

The Texas Constitution permits special agricultural appraisal only if the land meet specific requirements defined as agricultural use. Section 23.51 of the Property Tax Code sets the standards for determining whether land qualifies.

2.21 Application

The property owner must apply for the agricultural use appraisal. The property tax code provides applications for 1-d (Agricultural Appraisal), 1-d-1 (Open Space Agricultural Appraisal), 1-d-1 (Open Space Land, Timber Land) and 1-d-1 (Open Space Agricultural Valuation Wildlife Management). The applications are received in January through the end of April (April 30th is the deadline to file). Applications can be filed after the deadline up until the time the appraisal roll is approved by the Appraisal Review Board (ARB) and if approved is assessed a 10% late filing penalty for that year only. Currently DCAD does not have any applications filed under 1-d or 1-d-1 Timber Land.

2.22 Qualification

To qualify the property for the agricultural appraisal the following must be met:

I. The land must be currently devoted principally to agricultural use.

1. Agricultural use includes production of crops, livestock, poultry, fish, or cover crops. It also can include leaving the land idle for a government program or for normal crop or livestock rotation. Land used for raising certain exotic animals to produce human food or other items of commercial value, and cutting wood for use in fences or structures on adjacent agricultural land also qualifies.
2. Timberland must be used with the intent to produce income and be devoted principally to the production of timber.
3. Both agricultural land and timberland must be devoted to production at a level of intensity that is common in the local area.
4. The land must have been devoted to agricultural and/or timber production for at least five of the past seven years.

5. Repealed by legislature

6. Using land for wildlife management is an agricultural use. Wildlife management means actively using land that at the time the wildlife management use began was appraised as qualified open-space land. The land must be used in at least three of seven ways to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation.

Bee Keeping Guidelines

Beekeeping is a qualifying agricultural use if used for the pollination or for the production of human for or other tangible products having a commercial value. (Sec. 23.51(2) Tax Code)

Acreage requirements are set by Texas Property Tax Code to be a minimum of 5 acres and a maximum of 20 acres to qualify for beekeeping as an agricultural use.

Typically the number of hives per acre is as follows:

First 5 acres5 – 6 hives
Additional 10 acres4 additional hives
Remaining 5 acres12 hives maximum

The property will need to have a history of agricultural use or the owner will have to establish the 5 year history with the bee operation to qualify.

II. The qualifications under section 1-d are the same, with the following exceptions:

1. The land has been devoted exclusively to or developed continuously for agriculture for the three years proceeding the current year.
2. The owner is using and intends to use the land for agriculture as an occupation or a business venture for profit during the current year.
3. The land must be owned by an individual. Land does not qualify under 1-d if it is owned by a corporation, partnership, trust or other association.
4. Agriculture is the owner's primary occupation and primary source of income.

Visual inspections are done on all properties were an application has been filed. The appraiser views the property, makes notes based on the inspection and takes a photograph of both the qualifying property and the properties determined to be denied. The applications, appraiser's field notes and photographs are scanned to the account. Those properties that are approved receive a letter stating the approval. Properties that have been denied receive a letter denying the application, the reason for the denial, and an explanation on how to protest the denial.

2.23 Appraisal of Agricultural Land

Each year the Chief Appraiser or his or her designee shall prepare an agricultural value schedule using the guidelines as set out in the “Manual for the Appraisal of Agricultural Land,” published by the Comptroller of Public Accounts, Property Tax Division. A copy of the value schedule may be obtained by taxpayer upon request.

Introduction

The importance of data collection in the appraisal of agricultural land is to crucial to accurate productivity values and to assess property as the law intended. The data collected in this appraisal process is as important as data used in the market value calculation.

Purpose and Use

This outline is used to layout the procedures and steps to go through in the collection of agricultural data in the process of setting the “Agricultural Appraisal Values”. This process is undertaken by the department manager or supervisor staff of the department responsible for the agricultural appraisal.

Procedures

Denton Central Appraisal District sends out reappraisals on an annual basis, therefore the agricultural appraisal value is reviewed annually. The “net to land” calculations, categories, and sub categories are changed with new agricultural information obtained by the district.

- (A) Our primary and best source of information comes from the Agricultural Advisory Board. Denton CAD Agricultural Advisory Board members are hands on sources of information that the district can ask the questions that it needs answered. The board members are a good representation of the different types of agriculture we have in this county. One member is a cattle rancher and crop producer. Another member is big into crop production, sod farming, improved grass hay and leased land. The other member is mainly involved in the horse industry. These activities cover most of the typical agricultural activities for this county. The district has records of the Agricultural Advisory Boards meetings back to 1990 and feels this is a very important part of our valuation process.
- (B) The Denton County Agricultural Extension office is the next source of information the district uses on a regular basis. Denton Appraisal District has had a good standing relationship with the Denton County Agricultural Extension office; both organizations do what they can to assist the other. DCAD has performed many presentations for the DCAE and their participants, and DCAE has done the same for DCAD staff. The annual data

collected by the extension office is very valuable and informative to us, mainly because it can be explained if we have any questions about it.

- (C) Denton Appraisal District sends out with application request an “optional” survey on agricultural use. The surveys that are returned with the applications provide us with information about the activities these producers are involved in and industry norms. These surveys are reviewed with each application process, but can also be pulled together for cumulative field information.
- (D) The district has members of the agricultural advisory board, county extension agent, and agricultural appraisal staff fill out the Comptroller’s “Texas Farm and Ranch Survey” on an annual basis.
- (E) The Denton area FSA and USDA office has also been a good partner in obtaining land information needed by the district. These offices are located contently down the street from the DCAD office. These organizations use our maps in the determinations of property size and location for their participants and DCAD uses their land soil maps for land categories. Again it is helpful to have a person from that organization that can explain their data if need be.
- (F) Denton County is a rapidly growing urban area and agricultural land is being consumed by urban sprawl. DCAD utilizes information from the surrounding districts to help establish typical or normal agricultural activities. A lot of the information that this district receives from leases is skewed by the desire for the investors of the land to save the taxes on the property for a short period of time. This has been the cause of what we call negative leases, where the property owner is paying a farmer to work the land, just to get the tax savings.
- (G) Other sources of information include publication, manuals, and websites. Some of those websites include; USDA.gov, agecoext.tamu.edu/budgets/, window.state.tx.us, and tpwd.state.tx.us.

All information gathered from these sources is kept in an agricultural appraisal file and a digital copy is stored in our database under F: resident, AGRICULTURE. This share file allows all employees involved in the appraisal of agricultural land access to review the information as needed.

Conclusion

The procedures and sets the appraisal district takes in the agricultural appraisal process are defined in depth in the Manual for the Appraisal of Agricultural Land under section 3 “Agricultural Appraisal Process”.

2.24 Rollback Procedure

1. The law imposes a rollback tax on 1-d-1 land when it is taken out of agricultural use. The rollback tax equals the difference between the taxes the owner paid in the five years preceding the change in use and the taxes the owner would have paid on his property's market value.
2. The property owner can trigger the rollback by ending agricultural operation or diverting the property to non-agricultural use. Selling the property does not trigger the 1-d-1 rollback. If the property owner diverts only part of a property to a non-agricultural use, the rollback tax only applies to the changed portion.
3. The Chief Appraiser determines if and when the change of use occurs and must send the owner written notice of the determination. Field appraisers are expected to periodically inspect agricultural use properties throughout the year to determine if a change of use has occurred. If the owner does not protest the determination or the Appraisal Review Board decides the use has changed, the tax assessor will calculate the amount of additional tax due, add the appropriate amount of interest, and send a rollback tax bill.

The rollback procedures under section 1-d are the same, with the following exceptions:

1. Section 1-d requires a rollback tax when the property is taken out of agricultural use or when it is sold.
2. The rollback recaptures taxes for the three preceding years.

NOTE: The agricultural appraisal procedures and requirements discussed in this section are general in nature. For specific legal requirements, the appraiser should refer to the Property Tax Code and the "Manual for the Appraisal of Agricultural Land."

AGRICULTURAL USE AND ROLLBACKS

Who is exempt from paying rollback taxes?

- 1) Federal government
- 2) State government
- 3) Local government
 - a. City
 - b. School
 - c. County
 - d. Special districts

Chapter 23.55 subsection (f)

(f) The sanctions provided by Subsection (a) of this section do not apply if the change of use occurs as a result of:

- 1) a sale for right-of-way;
- 2) a condemnation;
- 3) a transfer of the property to the state or a political subdivision of the state to be used for a public purpose; or
- 4) a transfer of the property from the state, a political subdivision of the state, or a nonprofit corporation created by a municipality with a population of more than one million under the Development Corporation Act (Subtitle C1, Title 12, Local Government Code) to an individual or a business entity for purposes of economic development if the comptroller determines that the economic development is likely to generate for deposit in the general revenue fund during the next two fiscal biennium an amount of taxes and other revenues that equals or exceeds 20 times the amount of additional taxes and interest that would have been imposed under Subsection (a) had the sanctions provided by that subsection applied to the transfer.

What about religious organizations?

Chapter 11.20 subsection (6)

(6) the land that the religious organization owns for the purpose of expansion of the religious organization's place of regular religious worship or construction of a new place of regular religious worship if:

- 1) the religious organization qualifies other property, including a portion of the same tract or parcel of land, owned by the organization for an exemption under Subdivision (1) or (5); and
- 2) the land produces no revenue for the religious organization;

Chapter 23.55

- 1) (l) The sanctions provided by Subsection (a) of this section do not apply to land owned by an organization that qualifies as a religious organization under Section 11.20(c) of this code if the organization converts the land to a use for which the land is eligible for an exemption under Section 11.20 of this code within five years.

- 2) (i) The use of land does not change for purposes of Subsection (a) of this section solely because the owner of the land claims it as part of his residence homestead for purposes of Section 11.13 of this code.

What about a cemetery?

- (j) The sanctions provided by Subsection (a) do not apply to a change in the use of land if:
 - 1) the land is located in an unincorporated area of a county with a population of less than 100,000;
 - 2)
 - 3) the land does not exceed five acres;
 - 4) the land is owned by a not-for-profit cemetery organization;
 - 5) the cemetery organization dedicates the land for a cemetery purpose;
 - 6) the cemetery organization has not dedicated more than five acres of land in the county for a cemetery purpose in the five years preceding the date the cemetery organization dedicates the land for a cemetery purpose; and
 - 7) the land is adjacent to a cemetery that has been in existence for more than 100 years.

What is not exempt from a rollback?

1. Any property owner who is not a governmental entity, a religious organization, cemetery.

How does this apply to new subdivision?

All of the land in the development is subject to a rollback except land dedicated to public street, dedicated or deeded to a governmental entity. Open space lots, common areas, streets in a gated community, HOA lots are ALL subject to rollback.

2.25 Wildlife Management

In 2001 the 77th Legislature enacted House Bill 3123 for the purpose of Wildlife Management (Tax Code 23.51(1) and (7)). The intent of the bill was to;

Encourage the preservation of open space for wildlife management and conservation of the state's natural heritage in all areas of the state

1. To create definitive standards for tax appraisers to follow in determining the qualification of the property for appraisal on the basis of wildlife management use. (Comptroller's Rule 9.4003 in acted in 2003, repealed 12-2008, new Comptroller Rule 9.2001 replaces rule 9.4003.)
2. To create a mechanism in addition to traditional agricultural use to allow ranchers, farmers, and land managers to conserve open space.
3. To affirm local control of property taxation
4. To preserve revenue neutrality for all concerned parties and
5. To allow each property currently qualified in wildlife management use to continue appraised as open space land.

Qualifications

(7) The definition of "wildlife management" per the *Texas Property Tax Code Section 23.51 (7) and (8)* is as follows:

(A) Actively using land that at the time the wildlife-management use began was appraised as qualified open-space land under this subchapter or as qualified timber land under Subchapter E in at least three of the following ways to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation:

- (i) Habitat control;
- (ii) Erosion control;
- (iii) Predator control;
- (iv) Providing supplemental supplies of water;
- (v) Providing supplemental supplies of food;
- (vi) Providing shelters; and
- (vii) Making of census counts to determine population;

(B) Actively using land to protect federally listed endangered species under a federal permit if the land is:

- (i) Included in a habitat preserve and is subject to a conservation easement created under Chapter 183, Natural Resources Code; or

- (ii) Part of a conservation development under federally approved habitat conservation plan that restricts the use of the land to protect federally listed endangered species; or

(C) Actively using land for a conservation or restoration project to provide compensation for natural resource damages pursuant to the comprehensive Environmental Response, Compensation, and Liability Act of 1980, the Oil Pollution Act of 1990, the Federal Water Pollution Control Act, or Chapter 40, Natural Resources Code.

(8) “Endangered species,” “federal permit,” and “habitat preserve” have the meanings assigned by Section 83.011, Parks and Wildlife Code.

A) Texas parks and wildlife region description

In order to implement Comptroller’s Rule 9.2001 the appraisal district refers to the Texas Parks and Wildlife Department (www.tpwd.state.tx.us) to determine the Eco region that the appraisal district (county) is located. Denton County is located in **Region 6; Cross Timbers and Prairies**.

Per the Texas Parks and Wildlife this region is:

A transitional area for many plants and animals. Average annual rainfall averages 28-40 inches per year... Upland soils are light colored, acidic sandy loam or sands. Bottomland soils may be light brown to dark gray and acidic with textures ranging from sandy loams to clays. The landscape of the region is gently rolling to hilly. (TPWD Website)

A map of this region is available on the Texas Parks and Wildlife website.

Wildlife management practices are described in *Guidelines for Qualification of Agricultural Land in Wildlife Management Use (Texas Comptroller, July 2002)* and the *Comprehensive Wildlife Management Planning Guidelines (TPWD, July 2007)* for the Eco region in which the property is located.

The chief appraiser, with the advice and consent of the Appraisal District Board of Directors, designated the percentage devoted to wildlife management based on the percentage developed for each Eco region. The percentages for **Region 6; Cross Timbers and Prairies** as determined by the Texas Parks and Wildlife Department are: at least 93% but not more than 95%. Denton Central Appraisal District’s percentage is 93%. The following formula is used to determine the number of acres that are required for approval of the wildlife management: $(x-1)/x = \text{wildlife use requirement}$.

Where “x” represents the number of acres in the application.

Example would be $(20 \text{ acres} - 1)/20 \text{ acres} = 95\%$. In this example the acreage would qualify.

Another example would be $(13 \text{ acres} - 1)/13 = 92.8\%$. In this example the acreage would not qualify.

Using 93% as the minimum and the formula prescribed, the minimum number of acres that would qualify for wildlife management for Denton CAD would be slightly less than 14.50 acres.

Existing properties in wildlife management are grandfathered and not affected by the adoption of the new Comptroller's Rule 9.2001. Properties receiving wildlife management under the old Comptroller's Rule will not be affected unless the property owner sells part of the land and the remaining acres do not meet the requirements of the new Rule 9.2001.

B) Qualification for agricultural appraisal wildlife management

DCAD requires that a wildlife management form be filed along with a 50-129 for the conversion of the land into wildlife management. All applications and annual reports are date stamped as soon as the district receives them. The information is first scanned into the system by a data clerk, and then filed by school district in a filing cabinet for appraiser review. Then the agricultural appraiser, supervisor, or the appraiser that works that school district can pull the forms for that area and go work them. During field inspection we look to see if the activities on the property matches what was described on the management plan.

1. A wildlife management plan should be completed on the form (WMP) prescribed by Texas Parks and Wildlife Department for each tract of land for which qualification for agricultural appraisal under wildlife management is requested. The chief appraiser may not require that the property owner use the WMP form but all required information must be provided. *(A copy of the wildlife management and wildlife management annual report form can be found at Denton Central Appraisal District (DCAD) or DCAD's website; www.dentoncad.com, or the Texas Parks and Wildlife website; www.tpwd.state.tx.us/landwater/land/private/agricultural_land/.)*
2. The property must have been receiving 1-d-1 Open Space for agricultural use under section 23.51 (1).
3. The property must be used in 3 out of the 7 listed wildlife management practices. Property must be actively managed to sustain a breeding, migrating, or wintering population of indigenous wildlife.
 - a. Habitat control;
 - b. Erosion control;
 - c. Predator control;
 - d. Providing supplemental supplies of water;
 - e. Providing supplemental supplies of food;
 - f. Providing shelters; and
 - g. Making of census counts to determine population;

4. The number of acres in the application must meet the required amount based on the calculation using the formula prescribed.

C) Inspections of wildlife management applications and annual reports

The chief appraiser may request an annual report be filed on any properties approved under wildlife management. A copy of the form can be located on our website at (www.dentoncad.com) and links to the other related agencies are also available there as well.

The procedures for inspecting an application for wildlife management or an annual report are the same as the application for 1-D-1 agricultural appraisal. Visual inspections are done on all properties where an application has been filed. The appraiser views the property, makes notes based on the inspection and takes a photograph of both the qualifying property and the properties determined to be denied. The applications, appraiser's field notes and photographs are scanned to the account. Those properties that are approved receive a letter stating the approval. Properties that have been denied receive a letter denying the application, the reason for the denial, and an explanation on how to protest the denial.

Part D. Residential Properties (Improved Properties and Vacant Residential Lots)

2.31 Introduction

A) Definition of Appraisal Responsibility

The Residential Department of the Denton Central Appraisal District (DCAD) is responsible for developing fair and uniform market values for residentially-classed improved properties and for vacant residential lots. There are approximately 195,000 improved residential properties in Denton County.

Required education, under section 5.04 of the Texas Property Tax Code, is achieved by attending courses developed through the Texas Comptroller's Property Tax Division and licensing through the Texas Department of Licensing and Regulation (TDLR). Continuing education is achieved by attending in-house training, classes held by TAAO, TAAD, Dallas Central Appraisal District, Tarrant Appraisal District, and any other sources available for the district to use.

B) Legal and Statutory Requirements

The provisions of the Texas Property Tax Code (TPTC) and relevant legislative measures involving appraisal administration and procedures control the work of the appraisal district. The district is responsible for estimating the market value of each property, as of January 1, for ad valorem tax purposes. The district is required to periodically reappraise all real property at least once every three years. DCAD reappraises real property each year. IAAO Standards on Mass Appraisal 3.3.4

C) Administrative Requirements

An appraisal management policy should reflect regulatory obligations, mandate due diligence, ensure conformance to professional standards, generate current and meaningful valuations, and establish criteria for a thorough review process. DCAD subscribes to the standards of the International Association of Assessing Officers (IAAO) and to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) regarding its appraisal practices and procedures. (Refer to copy of USPAP manual on file at the Denton Central Appraisal District.) Residential Department submits an annual budget to the Deputy Chief Appraiser. The department is responsible for completing mass appraisal assignments in a timely manner, within the cost constraints of said budget.

D) Appraisal Resources

Personnel - The Residential Department staff consists of a manager, two supervisors, three senior appraisers, ten field appraisers each assigned to geographic areas. One senior administrative support position and six support clerks. The manager reports to the Deputy Chief Appraiser.

Data - A common set of data characteristics for each residential dwelling in Denton County is collected in the field and data entered to the DCAD mainframe computer. The property characteristic data drives the computer-assisted mass appraisal approach to valuation.

A common set of data characteristics for each land account in DCAD is collected and data is entered to the DCAD mainframe computer. Information on sold properties is reviewed by calling to the purchaser or seller, visual inspection, using GIS and aerial photography. Sales are plotted on the map to review location, access, and topography of the sold land. The property characteristic data drives the computer-assisted mass appraisal approach to valuation.

Data - The data used by the Residential Department includes verified sales of improved properties and vacant lots and the pertinent data obtained from each (sales price levels, income multipliers, land to building ratios, etc.). Another example of data used by the department would be rental information. This information will be used to determine a gross rent multiplier.

In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for local and regional market trends, such as:

- Tierra Grande (Journal of the Real Estate Center at Texas A&M University) – Provides information on land around the state.
- Texas Farm & Ranch (Catalogue of Fine Rural Real Estate) – Provides information on high dollar farm and ranch property.
- Fair & Equitable (IAAO). – Provides information on appraisal and assessment offices throughout the U.S. and Canada.
- DuPont Registry – Provides information on high end homes throughout U.S.
- Marshall & Swift Exceptional Homes –
- Marshall & Swift Home Repair and Remodel –
- N.A.D.A – Provides
- Realty Trac –
- Marshall & Swift Residential Valuation –
- Marshall & Swift Commercial Valuation -
- National Association of Independent Fee Appraisers (NAIFA)

Information Systems - The mainframe systems are augmented by the databases that reside as various applications on the DCAD Local Area Network (LAN). DCAD offers a variety of systems for providing property owners and public entities with information services. Appraisal Support fields many of the public's questions or redirects them to the proper department. PC stations are located in the customer service area for the public's use. Access to the district's appraisal data is also available through the appraisal district's website, www.dentoncad.com.

2.32 Valuation Approach (model specification)

Improved Residential Properties

A) Area Analysis

Data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rates trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources. Information is gleaned from real estate publications and sources such as real estate professionals, Dallas Business Journal, Marshall & Swift, IAAO, Texas A&M Real Estate Department, Realty Trac, National

Association of Independent Fee Appraisers (NAIFA), foreclosure listing and applicable sources found on the Internet such as; realtor.com. Monitoring this helps to give the appraisal staff a current economic outlook on Denton County's real estate market. The residential department analyzes collected information described above in its analysis of defined subdivision/neighborhoods and geographical areas. The district routinely inventories properties in the appraisal district either through on-site inspections, the use of district aerials, and in limited cases the use of recent photographs of the property. (Aerials are provided from COG and from Pictometry, each flown every other year.)

B) Neighborhood Analysis

Market areas are defined by Neighborhoods (the Residential Neighborhood list is available upon request at Denton CAD). Neighborhoods are defined as groups of properties that exhibit similar characteristics such as size, age, construction quality, market area, value range, and other characteristics that affect value. Neighborhood groupings are designed to allow properties that are similar to be analyzed together. Physical and legal boundaries may be starting points for delineating neighborhoods, however; ultimately the appraiser should use good judgment in determining if the properties in that neighborhood grouping are of a similar nature.

Neighborhood codes and classifications will utilize a coding system to identify the primary entity it resides in. For example: a neighborhood code of DC05001 would indicate that the property is located within Denton County ("D"), within a city limit ("C"), City of Denton ("05"), and then the numerical code for that neighborhood ("001"). The numerical code for the neighborhood code is simply an identifier, there is no attribute associated with the code.

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 organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods.

Neighborhoods are defined by grouping properties based on having similar market preferences and influences. Generally speaking, many neighborhoods will have physical boundaries that define their perimeter such as major roads, as well as land features such as creeks, greenbelts, golf courses, etc. some neighborhoods will be delineated based upon other factors such as construction quality, age, and other structure related factors. Sales and income information are gathered on each neighborhood area and used to formulate overall appraised values for that neighborhood

C) Highest and Best Use Analysis

For the vast majority of residential properties, the current use will be the properties highest and best use (HBU). Unique properties located in areas of transition will need additional research and analysis to

determine HBU and valuation methods that are in compliance the Texas Property Tax Code. Appraisers need to be aware of HBU limitations regarding Homestead Properties.

2.33 Data Collection/Validation

A) Data Collection Manuals

Field data collection requires organization, planning, and supervision of the field staff. Data collection procedures have been established for land, residential, commercial, and personal property. An appraisal manual and a residential procedure manual for the district is published and distributed to all appraisers involved in the appraisal and valuation of residential properties. Both manuals are reviewed and revised to meet the changing requirements of field data collection. Field appraisers use these manuals during their initial training and as a guide in the field inspection of properties. The residential appraisal manual is updated annually and procedure manual as needed.

B) Sources of Data

The district's property characteristic data was originally received from the ISD's, Denton County Tax Office as well as the surrounding cities. And where absent, collected through a massive field data collection effort coordinated by the district over a period of time. The appraisal support position within the residential department collects new and miscellaneous construction permit data through onsite visits to each city permit office. Information on new home starts in the rural areas is gathered from the Denton County Health Department, septic permit and through the use of mechanics liens. New home starts, remodeling, living additions and other permit-required improvements are also discovered through field inspection. Still the main focus is on field inspection and visual review. Tax assessors, city and local newspapers, and the public often provide the district information regarding new construction, market patterns, and other useful facts related to property valuation. Aerial photographs are also sometimes used to find hard to locate improvements.

C) Data Collection Procedures

Field data collection requires organization, planning, and supervision of the field staff. Data collection procedures have been established for residential, commercial, and personal property. Appraisers conduct field inspections and record information on an appraisal card. It is this information collected by the appraiser that is entered into the district's computer system and serves as the basis for the valuation of real property.

In addition to field inspections, DCAD utilizes the YOTTA Sketch Verification program, which compares the PACS building sketch to the most recent aerial photograph of the building. Appraisers' field inspection finds discrepancies and makes corrections as necessary.

The DCAD boundaries are divided into geographic areas with each appraiser assigned an area for which they are responsible for data collection. The residential department conducts periodic meetings where each appraiser gives a verbal report of their work progress. Additionally, each appraiser's work is reviewed by the appraisal supervisor before it is given to appraisal support for data entry. These procedures are an important tool in analyzing future departmental staffing needs, as well as showing each individual appraiser's progress and error rate. While production 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 set forth in the appraisal manual as procedures to follow. Experienced appraisers are routinely brought up to date on changes in procedures prior to major field projects such as new construction, sales validation or data review. The Residential department manager routinely reviews the work being performed by all the field appraisers. The department manager is also charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the appraisal staff.

2.34 Class System

A class system for residential properties has been developed to help ensure appraisal uniformity. The residential class system currently consists of classes 1 through 5C for frame homes and 6 through 11B for brick, stucco, etc. Some classes have a corresponding "E" class. The exceptions for "E" are additional refinements in material and workmanship. Classes are based on types of construction and finish out. When classing a particular property, the appraiser will choose a class which best meets the defined descriptions of quality, and workmanship.

The different classes will reference the computer to cost tables developed from the Marshall Valuation Service, which is an appraisal guide for developing replacement costs for a wide range of construction quality levels. Marshall Valuation Service software utilizes the comparative unit method to derive a cost per unit for the structure being appraised. Typical building specifications are developed for each quality level, which are used to determine the base cost of benchmark structures. Once the benchmark base costs are in place, construction costs for each class at various size increments are developed. Adjustments for variations from base cost specifications are also developed for each class. And finally, local modifiers are used to make the cost data applicable to Denton County, these local modifiers are referred to as "Neighborhood Factors". The DCAD also collects actual cost data from local developers and property owners. Whenever possible, actual costs are compared to Marshall Valuation Service costs. If there are inconsistencies between the two costs, adjustments will be made to the appropriate DCAD classes. Actual local costs are given more weight than Marshall Valuation costs in these circumstances. If, in the appraiser's judgment, the cost tables do not fit the property being appraised, but that property does fit into a class, the appraiser should class the property by the class that most resembles that property. The

computer system will allow the appraiser to override the tables and enter the cost value he deems correct. All residential class costs are updated annually, based on data that is published closest to January 1.

Classes cannot be established for every residential property within Denton County. A small percentage of the properties will require special pricing by the appraiser. This can be accomplished either by use of the Marshall Valuation Service or flat pricing. Each of these two methods requires that the appraiser utilize his or her best judgment on items that are too infrequent or unusual to fit efficiently into the present class system. The appraiser should consult with either their supervisor or department manager if uncertain about cost methods for unique properties.

Sales ratio reports and Marshall and Swift cost manuals are used to review cost manuals each year. Class 8 homes are considered the benchmark class then the class 9's. Ratio reports are ran on both classes to determine whether changes need to occur in the pricing. All other classes are reviewed in the same manner however; class 8's and 9's general indicate the general direction of the changes. The lower class frames, classes 1, 2, and 3 are reviewed using Marshall and Swift since sales of these properties limited.

2.35 Valuation and Statistical Analysis (model calibration)

The Residential Department is responsible for estimating the market value for all residential improved and vacant lots. Provisions of the Texas Property Tax Code (TPTC) and relevant legislative measures involving appraisal administration and procedures control the work of the appraisal district. The district 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 district. DCAD reappraises property on an annual basis.

A) Cost Approach

The cost approach to estimating value is the most common approach used for mass appraisal of residential properties because it can be applied to all improved properties. The cost method combined with the market approach will provide the most broad based valuation tool possible for a wide range of applications. However, the appraiser must always be conscious of the difference between cost and value. Because of this difference, the appraiser must exercise judgment when measuring applicable depreciation.

For the cost approach, a class system based on construction quality has been programmed into the computer. The cost figures for each class were taken from the Marshall Valuation manual, with modifications to reflect the Denton County market. A description of each class, and the quality levels in which that class can be found, is included at the end of this section. All DCAD residential cost schedules are evaluated and updated on an annual basis by the department manager.

The uniqueness of some properties will necessitate use of the unit-in-place or segregated cost method. The appraiser will manually make the calculations using the Marshall Valuation Manual and enter the figures directly into the computer. If the appraiser can get actual costs on new construction, he can use those costs in the cost approach. Care must be taken to ensure that any costs provided represent actual total costs. Cost can be defined as the total expenditure necessary to construct an improvement and place it in the hands of the consumer. The appraiser may use actual new construction costs, as long as those figures represent actual total costs. In other words, the appraiser must make sure all indirect costs, as well as direct costs, are included. This will require a detailed breakdown of the submitted cost information. Summarized costs provided by tax consultants or taxpayers should be avoided unless substantial support for those figures can be provided.

The costs included in the Marshall Valuation Manual are the actual costs to the owner and include direct costs (materials, equipment rentals, utilities, labor, and supervision), as well as indirect costs (plans and plan check, site preparation, architectural and engineering fees, building permits, title and legal fees, and interest and fees on construction loans). Indirect costs also include the contractor's profit and overhead, which includes fire, liability and unemployment insurance, and workmen's compensation.

When classing a structure, the appraiser must first ascertain the quality of the structure because the majority of DCAD classes are based on construction quality levels and amenities. The quality levels used in the DCAD residential class system can be grouped into three distinct levels: tract, custom, and luxury grade construction. Construction quality can be difficult to determine in buildings where the importance of appearance and amenities is equal to or greater than the importance of pure utility. It is usually true that a well-framed building is a well-finished structure. And it is also true that if a builder cuts corners on framing, he will probably also cut corners on finish-out and mechanical equipment. If an appraiser is having difficulty in determining the quality level of a building, he should refer to the DCAD and/or Marshall Valuation Manual for guidance.

The final step in the cost approach is to establish the level of depreciation experienced by the improvement. Depreciation occurs in three forms: physical, functional, and economic.

Physical deterioration is the loss in value due to the wear and tear of the property. The DCAD utilizes the Marshall Valuation Service residential depreciation tables to measure physical deterioration. These tables are a modified version of the overall Age-Life method. Whereas the Age-Life method assumes that a building depreciates by a constant percentage over its economic life, the Marshall Valuation tables recognize that a building is in the prime of life up until mid-life. This non-linear approach accounts for a slower depreciation rate in the early years as compared to the later years when diminishing serviceability and higher maintenance can accelerate depreciation. As part of the physical depreciation analysis, the appraiser should consider the "effective age" of the building. The effective age of a building is its actual

age, less the age which has been taken off by structural face-lifting or reconstruction, removal of functional inadequacies, updating of equipment, etc.

Functional obsolescence is the overall usefulness and desirability of a property. Functional obsolescence is the loss of value in a property improvement due to changes in style, taste, technology, needs, and demands. It exists where property suffers from poor or inappropriate architecture, poor floor plans, room sizes, etc. In these instances, buyers perceive a loss in utility; therefore, the price offered is lower due to reduced demand.

Economic obsolescence (or external obsolescence) is the loss in value caused by outside forces such as in the highest and best use of a property due to market shifts or governmental actions, restrictions on income, zoning, neighborhood decline, etc. This can influence both land and improvements.

Field inspection is required for the analysis and measurement of all forms of accrued depreciation. The appraiser should consider all conditions that diminish utility and estimate their combined effect on market value. Physical depreciation, functional and economic obsolescence, and effective age are also influenced by competition and market conditions. The appraiser, therefore, should also analyze the income and sales of comparable properties when deciding on a measurement of accrued depreciation. All forms of depreciation are expressed as a percent good.

Once the estimated depreciated improvement value is determined, it is then added to the land value resulting in an estimated total property value. The cost approach is used as a comparison to the market schedules.

The cost schedule, based on construction of similar improvements, is developed from information gathered from reliable sources such as Marshall & Swift, a national publication of building cost; and local builders, local suppliers and any other sources considered reliable. The cost approach consists of calculating the replacement cost new for each improvement and then deducting for normal depreciation.

The causes of accrued depreciation fall into three general categories: physical deterioration, functional obsolescence, and external (economic) obsolescence. Physical deterioration and functional obsolescence are inherent in the property itself, whereas external (economic) obsolescence is the result of outside forces.

Physical deterioration is the loss in value due to the wear and tear of the property. There are curable and incurable forms of physical depreciation. It depends on whether the value added by curing them exceeds the cost to cure (it is not economically prudent to cure the condition). Effective age is the number of years of age of the improvement as indicated by its condition. If the improvement has been well maintained, its effective age may be less than the actual age; if there has been poor maintenance, it may be greater. The appraiser based on inspections determines this.

Functional obsolescence is the overall usefulness and desirability of a property. Functional obsolescence is the loss of value in a property improvement due to changes in style, taste, technology, needs, and demands. It exists where property suffers from poor or inappropriate architecture, poor floor plans, room sizes, etc.

Physical depreciation tables are taken from Marshall & Swift. Each of the different classes of homes are tied to different depreciation tables. The CAMA software applies the amount of depreciation based on either the actual age of the property or the effective age. The effective age of the structure is determined by the appraiser based on onsite inspections of the property.

External obsolescence is the loss in value caused by outside forces such as in the highest and best use of a property due to market shifts or governmental actions, restrictions on income, zoning, neighborhood decline, etc. This can influence both land and improvement.

Once the estimated depreciated improvement value is determined it is then added to the land value giving an estimated total property value. The cost approach is used as a comparison to the market schedules.

$$V = LV + (RCN - D)$$

(Value = Land Value + (Replacement Cost New - Depreciation))

$$\$142,084 = \$22,297 + (\$140,150 - 23\%)$$

B) Market Approach

The market approach to value is the preferred method for residential properties because they sell frequently and have a high degree of similarity within neighborhoods and market areas. The market approach provides the most accurate representation of value in an active real estate market. If and when a market becomes stagnant, or there are too few sales to create a comparable sales model, it may be necessary to utilize one of the other methods, including the cost approach.

When using the market approach, the appraiser should take care to assure that the sales price is the total consideration given for the property. This is important because residential properties can include special financing arrangements, closing costs, points, etc. For example, many sales can include significant closing costs. It is important to determine what is "typical" for the neighborhood or market. If these sales are used in ratio studies, the value of the special financing, points, closing costs, personal property, etc. must be estimated and subtracted from the sale price in order to determine the purchase price for the real property alone if the inclusion of those items is considered non-typical for the market. Personal property consists of furniture, fixtures, machinery, equipment, etc. Appraisers should scrutinize each sale for these items, estimate their market value, and deduct it from the total purchase price. If the financing or personal property component of a sale cannot be estimated, the sale can be excluded from ratio studies.

The appraiser should gather as many details as possible on any sales he may collect to allow that information to be used in the future as comparable sales.

Pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information that can be used in all aspects of valuation. For example, sales of similarly improved properties can provide a basis for setting benchmarks for the market area. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of appraised values.

C) Sales Information

All sales information collected is the responsibility of the Sales and Research Department. Residential improved and vacant land sales are collected from a variety of sources including, but not limited to, district questionnaires sent to buyer and seller, field discovery, protest hearings, Roddy Report, builders, real estate professionals, and fee appraisers. A system of type, source, and validity codes was established to define salient facts related to a property's purchase or transfer. Neighborhood and ISD sales reports are generated as a tool for the appraiser in the development of value estimates. Sales information is stored in the mainframe database.

A system of type, source, and validity codes are established to define salient facts related to a property's purchase or transfer (see type codes and validity codes below). ISD, neighborhood, and subdivision sales reports are generated as an analysis tool for the analyst in the development of value estimates. Sales information is entered into the sold account to generate a sales ratio. (DCAD estimate of market value divided by purchase price equals ratio.)

TYPE CODES		VALIDITY CODES	
○ A	Appraisal	I	Invalid
○ C	Confidential Sale	V	Valid
○ CI	Confidential Imp Sale		
○ CISRT	Confidential Imp Short Sale		
○ CL	Confidential Land Sale		
○ F	Foreclosure		
○ FCI	Confidential Foreclosure Imp Sale		
○ FCL	Confidential Foreclosure Land		
○ FI	Foreclosure with Impr		
○ FL	Foreclosure Land		
○ I	Improvement Sale		
○ IPC	Partial Complete Impr		
○ ISRT	Imp Short Sale		
○ L	Land sale		
○ M	Miscellaneous Addition		
○ P	Pool added		
○ Q	Questionable		
○ SIP	Sale in progress		
○ Z	Z'd Confidential Sale		

The first phase involves subdivision/neighborhood ratio studies which compare the recent sales prices the appraised values of those properties that have recently sold. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. In reviewing the sold properties the appraiser makes a determination as to the validity of the information. Foreclosed properties are used in our analysis, but if the neighborhood has more arms' length sales than foreclosures the appraiser may determine that one foreclosure does not carry much weight. If the analysis determines that foreclosures are the norm in the neighborhood the appraiser needs to research the sale and determine the conditions of the foreclosure. Some foreclosed properties have been found to have the interiors striped of fixtures and appliances. Any sales that have been determined to be outside of a normal transaction or trend are recoded as "I" invalid.

D) Income Approach

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. Because single family residences are typically owner occupied, the income method is generally the least used method of the three approaches. DCAD obtains rental rates for housing to develop Gross rent Multiplier (GRM) rates for areas that have rental properties. GRM rates will vary widely, and will require a substantial amount of information about the subject and comparable to be considered accurate. Because the DCAD computerized program utilizes the direct capitalization method, the GRM will be performed manually by the appraiser as needed. A discussion of the income approach is provided for properties where the income method is applicable.

E) Statistical Analysis

The appraisers in the Residential Department perform statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on each subdivision, neighborhood and ISD to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each subdivision and/or neighborhood within an ISD and summarized. These summary statistics include, but not limited to, the median, the mean, the weighted mean, standard deviation, coefficient of dispersion (COD), and coefficient of variation (COV), provide the analysts an analytical tool by which to determine both the level and uniformity of appraised value of a subdivision and/or neighborhood basis. The level of appraised values can be determined by the weighted mean for individual properties within a subdivision/neighborhood, and a comparison of subdivision/neighborhood weighted means can reflect the general level of appraised value between comparable subdivision/neighborhoods. Review of the standard deviation, coefficient of dispersion and the coefficient of variation can discern appraisal uniformity within and between subdivision/neighborhoods.

Pac software allows the appraiser to pull in information about all of the properties within a neighborhood includes but is not limited to; class, depreciation, year built, land size, and land value can be looked at for equity. The appraiser is able to sort the information in many different ways to look for problems, trends, equity, and anything else that shows itself.

The profiling feature gives the appraiser quick information on the neighborhood based on the sold properties. See example below:

Neighborhood Profile: (DC07191)

General | Run Detail | Class Breakdown | Improved | Vacant | Sales Ratio Chart | Linked Profiles | Analysis

Profile Run 4584 Profile Detail 199235

Appraisal Year	2014	Current	Updated	Adjustments
Neighborhood	TIMBERCREEK COMM 11	Mean Ratio	97.30%	99.84%
NBHD Code	DC07191	Weighed Mean	97.26%	99.80%
Sample Size	11	Median Ratio	97.67%	100.17%
Sample Percent	4.66%	Avg Sale/Appr	\$159,582	\$159,263
Population	236	Avg Sale/Appr PSF	\$94.36	\$94.04
Old NBHD Adj	1.20	Related Diff	1.00	1.00
Avg Land/Sale	21.01%	C of D	0.0381	0.0382

Target Ratio %

New Adj

Apply New

Status: Locked by user ckindle on 4/9/2014

Outl...	Pr...	Δ	Sale Date	Sale Price	Rev Appr	Rev Ratio	Ind Adj	Land	TLA
77214			4/23/2013	\$148,000	\$160,704	108.58%	1.12	\$28,470	1670
77226			7/26/2013	\$192,000	\$199,139	103.72%	1.19	\$35,004	2330
77241			2/22/2013	\$156,500	\$153,849	98.31%	1.27	\$33,215	1544
77247			8/12/2013	\$187,500	\$179,845	95.92%	1.31	\$37,778	2196
77251			10/17/2013	\$159,900	\$146,667	91.72%	1.38	\$29,656	1488
77277			5/24/2013	\$178,000	\$180,445	101.37%	1.22	\$37,933	1772
77315			10/7/2013	\$142,000	\$139,946	98.55%	1.26	\$23,360	1664
77316			8/1/2013	\$152,500	\$142,536	93.47%	1.36	\$38,526	1488
77322			7/5/2013	\$150,000	\$157,000	104.67%	1.17	\$37,458	1488

Filter

Residential Neighborhood Analysis

Profile Run		Profile Detail		199235	
NBHD Code	DC07191	Mean Ratio	97.30%	Updated	99.84%
Neighborhood	TIMBERCREEK	Weighted Mean	97.26%		99.80%
Sample size	11	Median Ratio	97.67%		100.17%
Sample percent	4.66%	Avg Sale/Appr	\$159,582		\$159,263
Population	236	Avg Sale/Appr PSF	\$94.36		\$94.04
Old NBHD Adj	1.20	Price Related Diff	1.00		1.00
Avg Land/Sale	21.01%	Coefficient of Dispersion	0.0381		0.0382
				Adjustments	
				Mean	1.25
				Median	1.24
				Calculated	1.24

Prop ID	Sms Address	Sale Date	Sale Price	TLA	Grade	CDU	Sale PSF	Land Value	Land/Sale%	Imp Value	Old Ratio	Sale Contrib Imp Value	Ind NB Adj	Revised Imp Value	Revised Appr Value	Revised PSF	Revised Ratio
7724	1641 HOMESTEAD ST	23-Apr-13	\$148,000	1,670	8	*	\$88.62	\$28,470	19.24%	\$127,968	105.70%	\$119,530	1.12	\$132,234	\$160,704	\$96.23	108.58%
7726	5029 TIMBER CREEK RD	26-Jul-13	\$192,000	2,330	8	*	\$82.40	\$35,004	18.23%	\$158,940	100.96%	\$156,996	1.19	\$164,135	\$199,139	\$85.47	103.72%
77241	5115 GRADY CT	22-Feb-13	\$156,500	1,544	8	*	\$101.36	\$33,215	21.22%	\$116,743	95.82%	\$123,285	1.27	\$120,634	\$153,849	\$99.64	98.31%
77247	5105 GRADY CT	12-Aug-13	\$187,500	2,196	8	*	\$85.38	\$37,778	20.15%	\$137,484	93.47%	\$149,722	1.31	\$142,057	\$179,845	\$81.90	95.52%
77251	5117 GRADY CT	17-Oct-13	\$159,900	1,488	8	*	\$107.46	\$29,656	18.56%	\$113,236	89.36%	\$130,244	1.38	\$117,011	\$146,667	\$98.57	91.72%
77277	5020 TIMBER CREEK RD	24-May-13	\$178,000	1,772	8	*	\$100.45	\$37,533	21.31%	\$137,915	98.79%	\$140,067	1.22	\$142,512	\$180,445	\$101.83	101.37%
77315	1504 HOMESTEAD ST	07-Oct-13	\$142,000	1,654	8	G	\$85.34	\$23,360	16.45%	\$112,825	95.90%	\$118,640	1.26	\$116,586	\$139,946	\$84.10	98.55%
77316	5201 TIMBER CREEK RD	01-Aug-13	\$152,500	1,488	8	*	\$102.49	\$38,526	25.26%	\$100,655	91.27%	\$113,974	1.36	\$104,010	\$142,536	\$95.79	93.47%
77322	5221 TIMBER CREEK RD	05-Jul-13	\$150,000	1,488	8	*	\$100.81	\$37,458	24.97%	\$115,686	102.10%	\$112,542	1.17	\$119,542	\$157,000	\$105.51	104.67%
77340	1712 HOMESTEAD ST	24-Sep-13	\$145,000	1,668	8	G	\$86.93	\$33,388	22.96%	\$110,554	99.20%	\$111,712	1.21	\$114,239	\$147,527	\$88.45	101.74%
77359	1600 HOMES LEAD SI	05-Mar-13	\$144,000	1,408	8	*	\$96.77	\$32,850	22.81%	\$107,797	97.67%	\$111,150	1.24	\$111,390	\$144,240	\$96.94	100.71%

Neighborhood Profile: (DC07191)

General | Run Detail | Class Breakdown | Improved | Vacant | Sales Ratio Chart | Linked Profiles | Analysis

Improved Properties							
Feature	Num	Low	High	Median	Average	COD	COV
MA (Main Area):	236	1425	3232	1667	1792	16.748	21.250
Market:	236	104036	200358	131037	136223	10.188	12.895
Market/MA:	236	55.82	94.09	78.31	77.38	8.4458	10.320
Land/Market	236	.1479	.3738	.2202	.2248	12.849	15.582

Improved Sales							
Feature	Num	Low	High	Median	Average	COD	COV
Sale:	15	103000	195000	131000	139888	14.538	19.429
Sale/MA:	15	57.34	92.62	80.65	78.36	12.590	15.201
*Sale Market/MA:	15	60.31	89.20	82.49	77.46	9.6390	12.162
Market/Sale	15	.92754	1.07431	1.00225	.99367	3.7535	4.6725
Monthly GRMs	0	.00	.00	.00	.00	.00000	.00000
Annual GIMs	0	.00	.00	.00	.00	.00000	.00000

OK Cancel Apply

There are also several options within the software (as shown above) used to help the appraiser locate possible trends and or bias in the sold properties. The information includes, but is not limited to, location, square foot, classifications, age and depreciation, and any sales data. This is usually done by subdivision/neighborhood and then analyzed for inequality within the given data.

Analysis is also conducted by downloading information from the district's CAMA software to excel spreadsheets using the querying functions in the CAMA software. The appraiser, based on the sales ratio statistics, analysis derived from Pacs software and query information to a spreadsheet, makes a preliminary decision as to whether the value level in the subdivision/neighborhood needs to be re-evaluated, or whether the value in the subdivision neighborhood is at a defensible estimated of market value.

F) Market Adjustment or Trending Factors

Market adjustment factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market. 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 specified in the cost approach. The following equation denotes the hybrid model used:

$$MV = LV + ((CN - D) MA)$$

$$\text{Market Value} = \text{Land Value} + ((\text{Cost New} - \text{Depreciation}) \text{Market Adjustment})$$
$$\$142,084 = \$22,297 + ((\$140,150 - 23\%) 1.11\%)$$

Where the market value equals the land value plus the replacement cost new less depreciation time market adjustment factors. As the cost approach separately estimates both land and building values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values are needed to bring the level of appraisal to an estimate of market value.

If the subdivision/neighborhood is to be updated, the appraiser uses a ratio study that compares recent sales prices of properties within a delineated subdivision/neighborhood with the properties' appraised value. The calculated ratio derived from the sum of the sold properties' appraised value divided by the sum of the sales prices indicates the subdivision-neighborhood level of value based on the unadjusted value for the sold properties. This comparison of appraised value-to-sale ratio determines the market adjustment factor for each subdivision/neighborhood. This market adjustment factor is needed to trend the values closer to the actual market evidenced by recent sales prices within a given subdivision - neighborhood. The market adjustment factor calculated for each updated subdivision-neighborhood is

applied uniformly to all properties within a neighborhood and as needed in the subdivision. Once the market-trend factors are applied, a second set of ratio studies 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 updated and non-updated subdivision-neighborhoods, and finally, for the school district as a whole.

2.36 Individual Value Review Procedures

A) Field Review

Property field inspections may be initiated for a variety of reasons. A property owner might dispute the district's appraisal attributes or data concerning his property. Typically, a new field check is then requested to verify this evidence for the current year's valuation or for the next year's valuation. Additionally, if a building permit is filed for a particular property indicating a change in characteristics, a field check is then scheduled for that property. Finally, even though every property cannot be inspected each year, each appraiser typically designates certain segments of their area of responsibility to conduct field checks.

Residential appraisers are somewhat limited in the time available to field review all residential properties in a given area. Still, a major effort is made by appraisers to field review properties and economic areas experiencing large numbers of remodels, renovations, rental rates, new construction, or wide variations in sale prices. Additionally, the appraiser frequently field checks subjective data items such as class, quality of construction, condition, and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. Sometimes field reviews are warranted when sharp changes in sales quantity and price levels occur between building classes or between market areas. Appraisers also physically inspect sold and unsold properties for comparability and consistency of values.

In addition to conducting field reviews on a priority basis as discussed above, the residential department physically reviews all properties every 6 years as outlined in the IAAO Standard on Mass Appraisal. This review could be either onsite or by current aerials. Residential department manager along with the department supervisors determine the areas for onsite reviews each year.

Residential appraisers should present themselves in a polite and professional manner and be prepared to deal with a variety of situations and personalities. Appraisers should always take the time to fully explain the reason for their visit, and are required to carry DCAD issued photo identification badges and business cards.

B) Office Review

Given the resources and time required to conduct a routine field review of properties, homogeneous properties consisting of tract housing with a low variance in sales ratios and other properties having a recent field inspection date are value reviewed in the office. Valuation reports comparing previous values against proposed and final values can be generated for all residential improved properties. Previous values resulting from a formal hearing protest and others from informal hearings are individually reviewed to determine if the value remains appropriate for the current year.

Once the appraiser is satisfied with the level and uniformity of value for each subdivision-neighborhood within his area of responsibility, the residential department manager and department supervisors review the estimates of value. Although the value estimates are determined in a computerized mass appraisal environment, appraiser review helps to identify value anomalies before the value is released for noticing.

2.37 Performance Tests

A) Sales Ratio Studies

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market values. In a ratio study, market values (value in exchange) are typically represented by sales 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 sales to provide necessary representation, independent appraisals can be used as indicators for market value. This can be particularly useful for real property for which sales are limited. In addition, appraisal ratio studies can be used for properties that are by statute not appraised at market value, but reflect the *use-value requirement*. An example of this is homesteaded, residential properties that are located in an area of transition, that have a high likelihood of being sold or rezoned for commercial use. Sales ratio studies are an integral part of establishing equitable and accurate market value estimates, and ultimately assessments for 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; and, assist in market analyses.

Pursuant to Chapter 5, of the Texas Property Tax Code, and Section 403.302, of the Texas Government Code, the Comptroller's Property Tax Division (PTD) conducts an annual property value study (PVS) of each Texas school district and each appraisal district. As a part of this annual study, the code also requires the Comptroller to: use sales and generally accepted auditing and sampling techniques; test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are

correct when values are valid; and, determine 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 representation and techniques or procedures of measuring uniformity. This study utilizes statistical analysis 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.

B) Limitation of Appraised Value on Homesteads

In 1997, the Texas Legislator, with the approval from the voting population enacted Section 23.23 of the Texas Property Tax Code.

Section 23.23 provides that the appraised value of a residence homestead for a tax year will be limited to the lesser of either its market value or the sum of the market value of any new improvements and 110 percent of the appraised value for the preceding year. If an appraisal district reappraise each year then each year the property could be subject to the 10 percent limitation. If the district reappraise every 2 years then the increase would be as much as 20 percent and every 3 years it would be 30 percent. The Denton Central Appraisal District does reappraise every year. In an increase market this procedure can and will compound.

The limitation takes effect the following year after the first year that the residential homestead was granted. The limitation expires on January 1 of the first year that neither the owner of the property when the limitation took effect nor the owner's spouse or surviving spouse qualifies for the homestead exemption.

Example: 1

Market Value for 1998	\$150,000
Market Value for 1999	\$175,000
Limited Assessed Value Calculation for 1999	$\$150,000 * 1.10 = \$165,000$

Under these circumstances the market value is greater than the limited assessed value. The limited assessed value would then become the value used for tax calculation.

Market Value for 2000	\$190,000
Limited Assessed Value Calculation for 2000	$\$165,000 * 1.10 = \$181,500$

Again the market value is greater than the limited assessed value. The limited assessed value would then become the value used for tax calculation.

Example: 2

Market Value for 1998	\$120,000
Market Value for 1999	\$150,000
*** Pool added to roll for 1999	
Limited Assessed Value Calculation for 1999	$\$120,000 * 1.10 = \$132,000 + \$10,000 \text{ (pool)} = \$142,000$

In this example a pool was added to the appraisal roll for 1999. The value of the pool is not subject to the “homestead cap”. The calculation for the limited assessed value is performed by using the 1998 value times 1.10 plus the value of the “new pool”. In this example even with the added value of the pool the limited assessed value is less than the market value. The limited assessed value would then be the value used for tax calculation.

Market Value for 2000	\$155,000
Limited Assessed Value Calculation for 2000	$\$142,000 * 1.10 = \$156,200$

For 2000 the pool would now become part of the value calculation for the limited assessed value “homestead cap”. The market value was \$155,000 for 2000 and the limited value is \$156,000. Since the market value is the lesser of the two, the market value would then become the value used for tax calculation.

The value of any new improvements (new structures or the complete remodeling of the improvement) is added after the calculation of the limited assessed value.

Example: 3

In this example the property is receiving the open space valuation on the land for the year 2000.

Improvement Value 1999 (House)	\$100,000
Improvement Value 1999 (Barns)	\$ 15,000
Land Homesite (1 acre)	\$ 7,500
Land Ag Use (19 acres)	\$ 2,090
Market Value of Land Receiving Ag Use (19 Acres)	\$142,000
Total Market Value	\$264,500
Total Assessed Value	\$124,590

Calculation of the limited assessment value for 2000

$\$100,000$ (house) + $\$7,500$ (land homesite) = $\$107,500 * 1.10 = \$118,250$ (Limited assessed value for homesite)

$\$118,250$ (limited assessed value) + $\$15,000$ (improv. Non-homesite) + $\$2,090$ (Ag Land) = $\$135,340$

The limited assessed value for the portions receiving the homestead would be $\$118,250$ adding in the portions not receiving the homestead $\$17,090$ equals $\$135,340$.

Example: 4

Adding land to homestead by combining 2 accounts;

229442 Lt 27, Lot size 0.1716

Market Value for 2010 \$392,586 Homesteaded account

229443 Lt 28, Lot size 0.3926

Market Value for 2010 \$ 32,615

Total Combined Value for 2010 \$425,201

Do not combine the land segments in the first year that the lots are combined. PID 229442 is the current account and PID 229443 is deleted. Add a new segment line in the land for the size of lot 28 under the general tab. On the upper right hand side there is a box to click next to "ADD NEW TO HS FOR" pacs will enter the year.

Land Detail: (295512) Property: (229442) Year: 2012

General | Market Value | Productivity Valuation

General

State Code: **A1 (REAL RESIDENTIAL SINGLE-FAMILY)**

Land Type: 8 (RESIDENT LOT) Soil:

Description:

Appraisal Code: Class: Influence:

Late Ag Homesite Override Homesite %: 0.00 Add New to HS for:

Lot Information

Width Front: 0.00 Width Back: 0.00

Depth Right: 0.00 Depth Left: 0.00

Square Feet: 24576.55 Effective Dimensions: .00 x .00

Acres: 0.5642 Legal Acres: .5642

Number of Lots: 1 Effective Size: 0.0000

Override Useable Size Useable Square Feet: 24576.55 Useable Acres: 0.5642

Comments

Owners Entities Recalculate OK Cancel Apply

229442 Lt 27,28; Lot size 0.5642

Market Value for 2011 \$431,942

2011 Market Value is less than 2010 Market Value there is no cap.

Example: 5

Adding land to homestead by combining 2 accounts;

41115 J. Smith Tr. 16, 1.00 acres

Market Value for 2011 \$ 92,151 Homesteaded account

84168 J. Smith Tr. 17, 1.50 acres

Market Value for 2011 \$ 37,849

Total Combined Value for 2011 \$130,000 (on distribute) Appraised Notice \$128,922

Do not combine the land segments in the first year that the lots are combined. PID 41115 is the current account and PID 84168 is deleted. Add a new segment line in the land for the acres in TR 17 under the general tab. On the upper right hand side there is a box to click next to "ADD NEW TO HS FOR" pacs will enter the year. Improvement flag as New Value "Improv Detail"

41115 J. Smith Tr. 16 & 17, 2.50 acres

Market value for 2012 Improv HS \$ 80,486

Improv Non-HS \$ 324 add to Homestead for 2012

Land HS \$ 45,667

Land Non-HS \$ 68,500 add to Homestead for 2012

Current market value for 2012 \$194,977 Total Homestead value for 2012

2011 Market Value \$130,000 * 1.10 = \$143,000

Limited Assessed Value Calculation for 2012 **\$143,000 + \$324 + \$68,500 = \$211,824**

Cap Limit Calculation is higher than 2012 Market Value so there is no cap after combining accounts.

**FLAG THE ADDED IMPROVEMENT

Improvement: (3484907) Property: (41115) Year: 2012

Type: Mobile Numbers... New Value

State Code: Entities Improv

Homesite: Improv Detail

Override

Effective Year Built: Number of Units:

Description: # of Stories:

Comment:

Details Display Disassociated Sketches

ID	Seq	Type	Description	Class	Area	Actual Y...
999500	1	BRN	BARN	1600	200.0	1995

Adjustment Factors

Base Depr...	<input type="text" value="100.00%"/>
Physical...	<input type="text" value="100.00%"/>
Functional...	<input type="text" value="100.00%"/>
Economic...	<input type="text" value="100.00%"/>
% Complete...	<input type="text" value="100.00%"/>

Total Detail Value:

Adjusted Value:

Flat Value:

Improvement Value:

ARB Value:

Distribute Value:

Recalculation Date: Calc Source: Cost

Improvement Detail: (999500) Property: (41115) Year: 2012

General

Units: 1.00 Stories: 0 This is the base UP Use stories as multiplier

Type: BRN (BARN) Replacement Cost Value: \$820

Method: I (IMPROVEMENT - MISC) Condition: (ALL CONDITIONS)

Class/Sub: 1600 (BARN) Actual Year Built: 1995

Unit Price: \$4.10 Effective Year Built: 1996 Override

Add Factor: 100.00% Override Effective Age: 16

Area

Area (sq.ft) 0.0 Override

Sketch Area 200.0

Cubic Area: 0.0 Override

Dimensions (in ft)

Length: 0.0 Width: 0.0

Height: 0.0

Perimeter: 0.0 Override

New Value

0 Override

Depreciation / Adjustment Factors

Base Depre Pct: 52.00% Override

80.00% Override

100.00% Override

100.00% Override

Size Adjustment: 100.00% Override

Other Adjustment: 100.00%

100.00% Override

Adjusted Pct Good: 41.60%

Values

Adjusted Value \$341

Flat Value: 0

Value: \$341

Detail Features

Feature Type	Feature	Units	Up/Adj	Value

Features Value: 0

ABOVE CHECK : "NEW VALUE"

**FLAG FOR THE ADDED LAND

Land Detail: (2908356) Property: (41115) Year: 2012

General | Market Value | Productivity Valuation

General

State Code: **A1 (REAL, RESIDENTIAL, SINGLE-FAMILY)**

Land Type: PN (NATIVE PASTURE) Soil:

Description:

Appraisal Code: Class:

Late Ag Homesite Add New to HS for:

(SEE BELOW: Add New to HS for:

Lot Information

Width Front:	0.00	Width Back:	0.00
Depth Right:	0.00	Depth Left:	0.00
Square Feet:	65340.00	Effective Dimensions:	.00 x .00
Acres:	1.5000	Legal Acres:	2.5000
Number of Lots:	1	Effective Size:	<input type="checkbox"/> 2.5000
<input type="checkbox"/> Override Useable Size	Useable Square Feet:	Useable Acres:	1.5000

Comments

Owners Entities Recalculate OK Cancel Apply

2.38 Value Defense Procedures

The appeals process begins with an informal meeting between the appraiser and the property owner to discuss any errors, discrepancies of market value and/or equity, and any claims of exemptions or special valuations (agricultural use, restricted use value, etc.). The informal review may be handled by mail, in person, or by telephone. The review allows for communication and mutual understanding, which will reduce the number of formal appeals. Informal reviews should incorporate the following basic steps:

- 1) Verify the parcel information;
- 2) Exchange information;
- 3) Record the nature of complaint;
- 4) Use cost, sales, or income information to confirm property value;
- 5) If a value change is indicated, the appraiser will change the value and enter into a signed agreement with the property owner;
- 6) If a value change is not warranted, the appraiser should explain the appeal rights and procedures, in case the property owner wishes to make a formal appeal.

Residential appraisers must get written approval from the Residential Manager or Supervisors to settle any property with an appraised value of \$250,000 or higher.

Appraisal Review Board hearings (formal appeals) are the next step in the appeals process. Prior to the hearing, the property owner should be given a copy of the evidence the appraiser plans to use in evidence. The appraiser should be prepared to present factual information relating to the property, such as copies of tax maps, pictures of the property, improvement drawings, etc., as well as valuation information, such as the cost, market, and income approaches to value as necessary. If there is an equity component to the appeal, the appraiser should be prepared to present a reasonable sample of equity comparable based on cost, sales, or income as appropriate.

2.39 Education and Training

All employees shall have the knowledge and expertise to do their job. Each employee will have a minimum educational standard required for their position. In addition, DCAD will supply the following:

- A. On the job training – each employee will receive training on procedures, policy, and equipment by their supervisor and other employees in similar positions.

B. State required education and registration – all employees so required will achieve and maintain their own educational and registration requirements.

C. Additional training and education – from time to time, additional training and education will be required to enhance job performance, knowledge and expertise.

Employees will be expected to perform to a minimum standard.

Denton Central Appraisal District Residential Department

Field Classification Guide

Revised January, 2014

Note: This manual is intended to be used as a guide. It is not intended to address individual characteristics and the minor variations between similar properties. It is possible that structures may have part or all of the features that are described in each class. Enhancements or detracting from the cost schedule are handled individually.

Basic category groupings for classifications:

Class 1	}	Basic, Low Cost Structure	}	Very Basic
Class 2	}	Fair, Low Cost Structure		
Class 3	}	Average / Low Quality Tract Home	}	Individually Bilt/ or Tract Home
Class 4	}	Above Average Quality Tract Home		
Class 5	}	Premium Quality Tract / Semi-Custom Home		
Class 5A	}	Semi-Custom Home	}	Custom
Class 5B	}	Semi/Full Custom Home		
Class 5C	}	Full Custom, Luxury Home		
Special Pricing	}	Highly Unique, Exceptional Quality, Luxury Estate		

Some classifications have a corresponding “E” class. The “E” class has the same basic specifications. The exceptions for “E” are additional refinements in material and workmanship. Ornamentation will be more defined in some cases. Classes with the “E” are improved version of the class without the “E”, but are not worthy of being moved into a higher class.

Note: All Class Descriptions are adapted from the *Marshal & Swift Residential Cost Handbook, ©2009 Marshal & Swift*; and *Exceptional Homes, A Cost Guide for High-Value and Unique Residences, ©2009 Marshal & Swift*.

Class 1

Class 1 structures will be of low cost construction quality and materials. These structures will meet the minimum standards for local building codes. Interior finishing will be plain and inexpensive and designed for functionality, with little or no attention given to appearance. The exterior finish will be plain, with little to no trim. Windows and doors will be of low cost grade to meet minimum building standards.

The interior of Class 1 structures will meet the minimum requirements for local building codes. All fixtures will be of low cost quality and minimal in quantity.

Class 2

Class 2 structures will be of inexpensive construction quality designed and built typically for mass production. Windows and doors will be inexpensive with little trim. The overall quality of workmanship is below average, but not below building code standards. A class 2 house will meet minimum construction requirements of lending institutions. The design will most likely be from stock plans.

The interior of Class 2 structures will be finished with inexpensive grade materials. Fixtures will be inexpensive and sufficient in quantity for the application. Flooring will be of inexpensive, mass produced quality. Interior trim will be minimal.

Class 3

Class 3 structures will be of average quality construction and materials. Most structures will be built as standardized plans with minimal options, but could have additional refinements to the interior and exterior. Doors and windows will be of average quality, mostly stock & widely available materials. The overall quality of construction will be average. Exterior trim will have sufficient ornamentation, average quality masonry design, and average quality fenestration.

The interior of a class 3 will be of average quality, using standard grade materials and workmanship. Flooring will be of average, stock quality. Fixtures will be of average quality and quantity. Some rooms of the structure may receive slight levels of enhancement with trim for appearance.

Class 4

Class 4 structures will be of above average quality construction and materials. Most structures will be built as standard plans, and may be built with mass production construction techniques and methods. Structures will have individual variances in the ornamentation and finish of the exterior. Roofing materials will be of a moderately good quality weight and appearance. Structures will generally exceed building code standards and requirements of lending institutions. Structure is best described as a good quality tract home with individually selected standardized variations.

The interior of a Class 4 structure will generally be of above average quality. Interiors are well finished with above average level of attention is given to interior refinements and detail. Flooring will be of good

quality materials. Ample amounts of cabinetry in kitchen area of good quality. Overall interior finish and craftsmanship is of average to above average, and good quality.

Class 5

Class 5 structures are of high quality construction and materials. These structures will frequently have individual attention to detail. Some structures will be designed from tract type construction plans that may have multiple options and variations. Roofing material will be of good to high quality materials. This class is best described as a high quality tract home, or individually designed structure with individual options and ornamentation. The exterior of the Class 5 structure will have more attention to detail, and will have different levels of ornamentation and fenestration.

The interior of Class 5 structures will be above average to high quality throughout. Flooring will be of high grade materials. Interior ceiling height could likely to be greater than 8', with vaulted, stepped or cathedral ceilings in some areas such as master bedrooms and main living areas. Hardware will be above average to high quality. Crown molding or additional trim is likely to be present in main living areas, kitchens, and master bedroom areas. Fixtures will be more than adequate, well placed, and above average to high quality. Kitchens will have high quality cabinets with high quality hardware. Kitchens may include items such as island counters, etc. Overall interior finish and craftsmanship is of high quality.

Class 5A

Class 5A structures are of excellent quality construction and materials. The term "excellent" is not to be interpreted as "best" or "highest". These structures will be, for the most part, individually designed with individual attention to detail. Some Class 5A structures will be built from a standardized builder plan, but are likely to be modified to individual preferences. Class 5A structures are best described as a semi-custom home with individually selected features that exhibit a level of uniqueness in their appearance. The exterior of Class 5A structures will be of excellent quality, but not the highest or best quality. Roofing materials will be of excellent quality, heavy-weight materials, and will occasionally include metal or masonry-type material. High quality windows with high quality sash, and insulation features will be standard. Non-masonry siding will be of high quality materials and installation. These structures will have some custom ornamentation, excellent quality masonry work, and individually selected masonry styles.

The interior of Class 5A structures will be of excellent quality construction and materials. The term "excellent" is not to be interpreted as "best" or "highest". Interior ceiling height for a Class 5A house is likely to be 9 to 10 Feet. High quality interior doors and hardware will be standard. Vaulted, stepped or cathedral ceilings in areas such as master bedrooms and main living areas will be common. Cabinetry will be individually selected for the residence. Bedrooms will have spacious closets. Interior fixtures will be of excellent quality, abundant, and well placed. Some fixtures may be unique in design. Kitchens will have high quality cabinets with high quality hardware. Kitchen design may include items such as island counters, wet bars, etc. Master Bath areas will be spacious, and may include separate tub and shower areas. High grade plumbing fixtures will be standard.

Class 5B

Class 5B structures are of excellent quality construction and materials, and are characterized by custom quality workmanship and materials. These structures will be individually designed with significant individual attention to detail. Class 5B structures will be built from a custom designed plan and will have a high degree of customization to individual preferences. Class 5B structures are best described as a full custom home that exhibits a high degree of uniqueness in appearance. The exterior of Class 5B structures will be of excellent quality including high quality windows with high quality sash and high quality non-masonry siding. These structures will have custom ornamentation including exposed wood, cast or cut stone, high quality natural stone, etc. with excellent quality masonry work and individually selected masonry styles. Some structures will utilize stucco or similar material. Roofing materials will be of excellent quality, heavy-weight materials, and will occasionally include metal, clay tile, slate or other masonry-type material. Roof design will typically have a moderately steep pitch with multiple ridges and valleys.

The interior of a Class 5B structure will be of custom, excellent quality materials and construction. typically interior ceiling height for a Class 5B house is 9 to 10 Feet. Interiors may likely have solid core doors with high quality custom grade hardware. Interior finish will include custom textures for walls, high quality crown molding, trim, and additional accent features. Vaulted, stepped or cathedral ceilings in areas such as master bedrooms and main living areas are typical. Cabinetry and built in shelving will be individually selected for the residence, and will have high quality finish and hardware.

Interior fixtures will be of custom grade quality, abundant, and well placed. Kitchens will have high quality custom cabinets with high quality materials, finish, and hardware. Kitchen design will include items such as island counters, wet bars, etc. Master Bath areas will be spacious, and may include separate tub and shower areas. High grade plumbing fixtures will be standard. High quality, custom grade wood or tile flooring will be standard. Stairwells for 2-story homes could have custom detailed banisters. Overall, the interior of Class 5B home is of excellent quality materials, custom design, and excellent quality custom workmanship.

Class 5C

Class 5C structures are of the highest quality construction and materials, and are characterized by custom quality workmanship throughout the entire structure. These structures will be individually designed with a high level of attention to detail. Class 5C structures will be built from an individually custom designed plan and will have a high degree of customization to individual preferences. Class 5C structures are best described as a full custom home with luxury features that exhibit a very high degree of uniqueness in appearance. The exterior of Class 5C structures will be of the highest quality including highest quality windows and doors with highest quality sash and highest quality non-masonry siding. Entry doors will be custom designed with substantial detail and workmanship. These structures will have significant levels of custom ornamentation including exposed wood, cast or cut stone, high quality natural stone, etc. with the highest quality masonry work and individually selected masonry styles. Stucco type materials will be common at this level of quality. Roofing materials will be of the highest quality, heavy-weight materials, and will include metal, clay tile, slate or other masonry-type material. Roof design will typically have a steep pitch with multiple ridges and valleys. Highest quality gutters and downspouts will be standard.

The interior of a Class 5C structure will be of the highest quality custom, luxury materials and construction techniques. Normally the minimum interior ceiling height for a Class 5C house is 10 Feet. Many structures will have ceiling height greater than 10 feet. Interiors could have solid core doors with the highest quality custom grade hardware. Interior finish will include the highest quality custom textures for walls, individually selected high quality crown molding, trim, and additional accent features. Vaulted, stepped or cathedral ceilings in areas such as master bedrooms and main living areas are typical, ceilings will typically have individually customized, and coffered/vaulted panel designs using the highest grade custom materials. Cabinetry and built in shelving will be individually selected and of the highest grade materials and include the highest quality custom hardware. Bedrooms will have spacious closets. Interior fixtures will be of the highest quality and custom grade, abundant, and well placed. Kitchens will have the highest quality custom cabinets with highest quality materials, finish, and hardware. Kitchen design will include items such as island counters, wet bars, etc. Master Bath areas will be spacious, luxurious, and will include separate tub and shower areas with the highest quality finish including custom designed vanities, lighting, etc. Highest grade plumbing fixtures will be standard. Highest quality, custom grade wood or tile flooring will be standard. Materials such as terrazzo, high grade marble, granite, or other luxury grade materials are commonly used. Stairwells for 2-story homes will have custom designed and highest quality wood or other materials used in banister construction. Overall, the interior of Class 5C home is of the highest quality materials, custom, luxurious design, and the highest quality custom workmanship.

Class Special Price (SP)

Use of Special Price Class should be limited to residences that exceed the base cost of Class 5C by the addition of extensive amounts of fixtures and accessories that are not covered in the basic cost calculations for that class.

Denton Central Appraisal District Residential Department

Field Classification Guide

Revised January, 2014

Beginning Use in 2014

Note: This manual is intended to be used as a guide. It is not intended to address individual characteristics and the minor variations between similar properties. It is possible that structures may have part or all of the features that are described in each class. Enhancements or detracting from the cost schedule are handled individually.

Basic category groupings for classifications:

Class 6	}	Basic, Low Cost Structure	}	Tract
Class 7	}	Low / Avg. Quality Tract Home		
Class 8	}			
Class 9	}	Above Average / High Quality Tract Home		
Class 10	}	Premium Quality Tract / Semi-Custom Home	}	Custom
Class 10A	}			
Class 10B	}	Full Custom Home	}	Luxury
Class 10C	}	Full Custom, Luxury Home		
Class 10D	}			
Class 11	}	Premium Quality Luxury Home	}	
Class 11A	}			
Class 11B	}			
Special Pricing	}	Highly Unique, Exceptional Quality, Luxury Estate		

Some classifications have a corresponding “E” class. The “E” class has the same basic specifications. The exceptions for “E” are additional refinements in material and workmanship. Ornamentation will be more defined in some cases. Classes with the “E” are improved version of the class without the “E”, but are not worthy of being moved into a higher class.

Note: All Class Descriptions are adapted from the *Marshal & Swift Residential Cost Handbook, ©2009 Marshal & Swift*; and *Exceptional Homes, A Cost Guide for High-Value and Unique Residences, ©2009 Marshal & Swift*.

Class 6

Class 6 structures will be of low cost construction quality and materials. These structures will meet the minimum standards for local building codes. All architecture will be designed for functionality, with little or no attention given to appearance. The exterior finish will be plain, with little to no trim. Windows and doors will be of low cost grade to meet minimum building standards.

The interior of Class 6 structures will meet the minimum requirements for local building codes. All fixtures will be of low cost quality and minimal in quantity. Very little or no attention will be given to detail for interior finish. Flooring will be low cost, and will meet the minimum building code requirements.

Class 7

Class 7 structures will be of inexpensive construction quality designed and built typically for mass production. Class 7 structures are best described as a basic tract home. Most structures will be built from a standardized set of plans with few options. Architecture will usually be standardized to allow for the use of mass produced, inexpensive materials. Windows and doors will be inexpensive with little trim. Exterior trim and ornamentation will be limited to the front of the structure. The overall quality of workmanship is below average, but not below building code standards.

The interior of Class 7 structures will be finished with inexpensive grade materials. Fixtures will be inexpensive and sufficient in quantity for the application. Flooring will be of inexpensive, mass produced quality. Interior trim will be minimal.

Class 8

Class 8 structures will be of average quality construction and materials. Most structures will be built as standardized plans with minimal options, but will have additional refinements to the interior and exterior. Doors and windows will be of average quality, mostly stock & widely available materials. The overall quality of construction will be average. Exterior trim will have sufficient ornamentation, average quality masonry design, and average quality fenestration.

The interior of a class 8 will be of average quality, using standard grade materials and workmanship. Flooring will be of average, stock quality. Fixtures will be of average quality and quantity. Some rooms of the structure may receive slight levels of enhancement with trim for appearance.

Class 9

Class 9 structures will be of above average quality construction and materials. Most structures will be built as standard plans, and may be built with mass production construction techniques and methods. Class 9 structures will have individual variances in the ornamentation and finish of the exterior. Roofing materials will be of a moderately good quality weight and appearance. Structures will exceed building code standards in nearly all categories. A class 9 structure is best described as a good quality tract home with individually selected standardized variations.

The interior of a Class 9 structure will be of above average quality. Interiors are well finished with above average level of attention is given to interior refinements and detail. Flooring will be of good quality materials. Ample amounts of cabinetry in kitchen area of good quality. Some areas of the interior may have vaulted, stepped, or cathedral ceilings. Overall interior finish and craftsmanship is of above average, and good quality.

Class 10

Class 10 structures are of high quality construction and materials. These structures will frequently have individual attention to detail. Some structures will be designed from tract type construction plans that may have multiple options and variations. Roofing material will be of high quality materials, including but not limited to metal. A class 10 structure is best described as a high quality tract home, or individually designed structure with individual options and ornamentation. The exterior of Class 10 structures will have considerable attention to detail, and will have considerable levels of ornamentation and fenestration.

The interior of Class 10 structures will be high quality throughout. Flooring will be of high grade materials. Interior ceiling height is likely to be greater than 8', with vaulted, stepped or cathedral ceilings in some areas such as master bedrooms and main living areas. Hardware will be high quality. Corners and coves will receive additional detail and trim. Crown molding or additional trim will likely be present in main living areas, kitchens, and master bedroom areas. Fixtures will be abundant, well placed, and of high quality. Kitchens will have high quality cabinets with high quality hardware. Kitchens may include items such as island counters, wet bars, etc. Overall interior finish and craftsmanship is of high quality.

Class 10A

Class 10A structures are of excellent quality construction and materials. The term “excellent” is not to be interpreted as “best” or “highest”. These structures will be, for the most part, individually designed with individual attention to detail. Some Class 10A structures will be built from a standardized builder plan, but are likely to be modified to individual preferences. Class 10A structures are best described as a semi-custom home with individually selected features that exhibit a level of uniqueness in their appearance. The exterior of Class 10A structures will be of excellent quality, but not the highest or best quality. Roofing materials will be of excellent quality, heavy-weight materials, and will occasionally include metal or masonry-type material. High quality windows with high quality sash, and insulation features will be standard. Non-masonry siding will be of high quality materials and installation. These structures will have some custom ornamentation, excellent quality masonry work, and individually selected masonry styles.

The interior of Class 10A structures will be of excellent quality construction and materials. The term “excellent” is not to be interpreted as “best” or “highest”. Interior ceiling height for a Class 10A house is likely to be 9 to 10 Feet. High quality interior doors and hardware will be standard. Vaulted, stepped or cathedral ceilings in areas such as master bedrooms and main living areas will be common. Cabinetry will be individually selected for the residence. Bedrooms will have spacious closets. Interior fixtures will be of excellent quality, abundant, and well placed. Some fixtures may be unique in design. Kitchens will have high quality cabinets with high quality hardware. Kitchen design may include items such as island counters, wet bars, etc. Master Bath areas will be spacious, and may include separate tub and shower areas. High grade plumbing fixtures will be standard.

Class 10B

Class 10B structures are of excellent quality construction and materials, and are characterized by custom quality workmanship and materials. These structures will be individually designed with significant individual attention to detail. Class 10B structures will be built from a custom designed plan and will have a high degree of customization to individual preferences. Class 10B structures are best described as a full custom home that exhibits a high degree of uniqueness in appearance. The exterior of Class 10B structures will be of excellent quality including high quality windows with high quality sash and high quality non-masonry siding. These structures will have custom ornamentation including exposed wood, cast or cut stone, high quality natural stone, etc. with excellent quality masonry work and individually selected masonry styles. Some structures will utilize stucco or similar material. Roofing materials will be of excellent quality, heavy-weight materials, and will occasionally include metal, clay tile, slate or other masonry-type material. Roof design will typically have a moderately steep pitch with multiple ridges and valleys.

The interior of a Class 10B structure will be of custom, excellent quality materials and construction. Typically interior ceiling height for a Class 10B house is 9 to 10 Feet. Interiors may likely have solid core doors with high quality custom grade hardware. Interior finish will include custom textures for walls, high quality crown molding, trim, and additional accent features. Vaulted, stepped or cathedral ceilings in areas such as master bedrooms and main living areas are typical. Cabinetry and built in shelving will be individually selected for the residence, and will have high quality finish and hardware. Bedrooms will have spacious closets. Interior fixtures will be of custom grade quality, abundant, and well placed. Kitchens will have high quality custom cabinets with high quality materials, finish, and hardware. Kitchen design will include items such as island counters, wet bars, etc. Master Bath areas will be spacious, and may include separate tub and shower areas. High grade plumbing fixtures will be standard. High quality, custom grade wood or tile flooring will be standard. Stairwells for 2-story homes will have custom detailed banisters. Overall, the interior of Class 10B home is of excellent quality materials, custom design, and excellent quality custom workmanship.

Class 10C

Class 10C structures are of the highest quality construction and materials, and are characterized by custom quality workmanship throughout the entire structure. These structures will be individually designed with a high level of attention to detail. Class 10C structures will be built from an individually custom designed plan and will have a high degree of customization to individual preferences. Class 10C structures are best described as a full custom home with luxury features that exhibit a very high degree of uniqueness in appearance. The exterior of Class 10C structures will be of the highest quality including highest quality windows and doors with highest quality sash and highest quality non-masonry siding. Entry doors will be custom designed with substantial detail and workmanship. These structures will have significant levels of custom ornamentation including exposed wood, cast or cut stone, high quality natural stone, etc. with the highest quality masonry work and individually selected masonry styles. Stucco type materials will be common at this level of quality. Roofing materials will be of the highest quality, heavy-weight materials, and will include metal, clay tile, slate or other masonry-type material. Roof design will typically have a steep pitch with multiple ridges and valleys. Highest quality gutters and downspouts will be standard.

The interior of a Class 10C structure will be of the highest quality custom, luxury materials and construction techniques. Minimum interior ceiling height for a Class 10C house is 10 Feet. Many structures will have ceiling height greater than 10 feet. Interiors will have solid core doors with the highest quality custom grade hardware. Interior finish will include the highest quality custom textures for walls, individually selected high quality crown molding, trim, and additional accent features. Vaulted, stepped or cathedral ceilings in areas such as master bedrooms and main living areas are typical, ceilings will typically have individually customized, and coffered/vaulted panel designs using the highest grade custom materials. Cabinetry and built in shelving will be individually selected and of the highest grade materials and include the highest quality custom hardware. Bedrooms will have spacious closets. Interior fixtures will be of the highest quality and custom grade, abundant, and well placed. Kitchens will have the highest quality custom cabinets with highest quality materials, finish, and hardware. Kitchen design will include items such as island counters, wet bars, etc. Master Bath areas will be spacious, luxurious, and will include separate tub and shower areas with the highest quality finish including custom designed vanities, lighting, etc. Highest grade plumbing fixtures will be standard. Highest quality, custom grade wood or tile flooring will be standard. Materials such as terrazzo, high grade marble, granite, or other luxury grade materials are commonly used. Stairwells for 2-story homes will have custom designed and highest quality wood or other materials used in banister construction. Overall, the interior of Class 10C home is of the highest quality materials, custom, luxurious design, and the highest quality custom workmanship.

Class 10D

Class 10D structures are of the best quality construction and materials, and are characterized by the best quality workmanship throughout the entire structure. These structures will be individually designed with the best level of attention to detail. Class 10D structures are similar to Class 10C structures with additional levels of luxury features. A Class 10 D structure is best described as a very high quality luxury home with completely custom designed features. Exteriors will have the best quality windows and doors. Exterior walls will be as thick as 8-12 inches. Clay, slate, or high grade metal roofing material will be standard. Large roof overhangs of up to 3 feet are common.

The interior of a Class 10D is similar to a Class 10C, but with additional levels of luxury materials, fixtures, and craftsmanship. Flooring will be of luxury grade, or exotic type hardwoods, tile, or other material that is finished to a very high level, and are rated for high sustainability. Substantial levels of trim, moldings, and textures applied to ceilings and walls. Some residences will have plaster walls and ceilings creating a highly refined look. Stairwells for 2-story homes will be made from custom stone or hardwoods, and include a high grade custom banister with substantial ornamentation. Kitchen areas will have elaborate cooking and preparations areas with the highest grade appliances and ventilation systems, in addition to luxury grade cabinetry and countertops. Sinks and basins will be of custom, high grade design and materials. Master bathrooms will be finished elaborately with substantial detail. Tub and shower design will be of a custom luxury level. Overall, the interior of a Class 10D home is of the best quality materials with custom, luxurious design, and the best custom workmanship.

Class 11

Class 11 structures are of the finest quality construction and materials, and are characterized by the very best quality workmanship throughout the entire structure. These structures will be individually designed with the finest level of attention to detail. Class 11 structures are similar to Class 10D structures with additional levels of finish and extensive attention to luxury features. A Class 11 structure is best described as an extensively appointed, exceptionally high quality luxury home with completely custom designed features. Class 11 structures will generally require extensive engineering costs due to the complexity of the design and the environmental control systems required. The construction of many Class 11 structures will require the use of steel reinforcement (I-beams, etc.) for large spans within the structure and for additional support for the second floor. The exterior of Class 11 structures will have substantial levels of detail and fenestration. Doors and windows will be custom designed and of the very best quality. Roof design will have exceptional quality materials and will have substantial levels of detail and ornamentation.

The interior of a Class 11 is similar to a Class 10D, but with additional levels of luxury materials, fixtures, and craftsmanship. Flooring will be of premium luxury grade, or exotic type hardwoods, tile, or other material that is finished to a very high level, and are rated for high sustainability. Flooring will frequently have custom inlaid materials, unique designs, patterns or artwork. Extensive levels of trim, moldings, and textures applied to ceilings and walls. Residences will often have plaster walls and ceilings creating a highly refined look. Trim/molding may include hand-fabricated custom materials, and may be finished with high levels of detail. Ceilings may have plaster moldings or embossed metals for additional detail. Hand painted murals on ceilings and walls are common at this level. Interior layouts will include elaborate special-purpose rooms such as libraries, theaters, reception areas, hidden rooms, etc. Some residences may have additional master suites or an elaborate guest suite. Master bedrooms will be extensively appointed with the finest materials. Master closets will have peninsula or island type dresser cabinetry that is custom designed with high grade materials and hardware within each of the his/her closets, and the closets will be very spacious with luminous lighting. Some structures may have additional kitchens or kitchenette areas for convenience. Minimum ceiling height for most class 11 structures will exceed 12 feet in height. Overall, a Class 11 interior is of the very best quality luxury materials and workmanship with elaborate levels of detail and refinement.

Class 11A

Class 11A structures will be of the finest quality of construction and workmanship. Class 11A structures will be completely unique in design and workmanship. Structures of this quality will have extraordinarily high levels of detail and luxury items. Class 11A structures are best described as individually designed, unique, custom structures with extraordinary levels of detail, refinement, and luxury; and will incorporate only the finest quality materials and workmanship. A partial steel frame for construction is common for residences of this quality to accommodate large spans in open areas. The exterior of a Class 11A will be of the finest quality materials, and workmanship. Nearly all windows and doors will be custom designed for that residence, and will be of the finest quality available. Exterior trim will feature extraordinary levels of detail to ornamentation and fenestration. Structures may have exposed wood beams, or other unique ornamentation. Most exterior walls will be approximately 12" thick. Roof design will incorporate steep slopes and will use the finest custom materials with extensive ornamentation. Some roof materials may be imported from "one of a kind" sources. Some High quality flashing, such as copper or other high grade metals will be used. Gutters will be of the finest quality and will be custom designed for the residence. Front entries will have extraordinary levels of detail and incorporate the finest quality materials available.

Interiors of Class 11A structures will be of the finest quality of construction, design, and craftsmanship. Most structures will have the finest grade plaster walls with extraordinary levels of molding and trim. Nearly all doors and windows will have molding and trim. Flooring will be of premium quality, custom, luxury grade materials. Only the finest materials including imported tiles, terrazzo, high grade marble, custom exotic parquet or plank hardwood flooring with custom, hand tailored finishes will be used. Ceilings will contain extensive and elaborate designs including vaulted, coffered, ceilings with embossed tin or plaster moldings. Some ceilings will have hand painted murals in addition to other custom artwork throughout the structure. Nonstandard corners, angles, and radii will frequently be used for wall and ceiling design. Electrical design will frequently incorporate extensive home automation systems to control lighting, sound, climate, etc. Lighting fixtures will be extensive, well-placed, and of the finest quality. Lighting may include several elaborately designed fixtures in prominent areas. Kitchens will be spacious and feature the finest quality materials and uniqueness in design. Some structures may feature separate kitchen areas to be used by staff or for food preparation. The primary kitchen area will be used as a focal point, or for entertaining. Master bathrooms will incorporate spacious areas with separate tub and shower facilities. Plumbing fixtures are of the finest quality. Master bathrooms may have separate his/hers toilets. Showers will be spacious and custom designed with elaborate materials and custom fixture arrangement. Showers will likely have multiple spray heads, valves, and temperature controls. Master Bedroom closet areas will be custom designed with elaborate cabinetry and storage design. Only the finest quality materials and hardware will be used. Many structures will contain multiple rooms designed for specific purposes, such as libraries, wine rooms, theaters, reception areas, gift wrapping rooms, craft rooms, recording studios, etc. These rooms will be individually designed for the owner with only the finest materials and craftsmanship. Minimum ceiling height for most class 11A structures will exceed 12 feet in height. Overall, Class 11A interiors will be characterized by extraordinary levels of design, detail, and luxury.

Class 11B

Class 11B structures exemplify the very finest quality of workmanship, with the very finest, superior quality luxury materials and workmanship. At a minimum, Class 11B structures will incorporate the features and qualitative aspects of an 11A structure with additional levels of refinement and luxury. Although the Class 11B represents the use of the very finest luxury materials and workmanship for home construction, it does not represent the highest cost for residential construction. Nearly every aspect of a Class 11B structure will utilize superior grade luxury materials and craftsmanship. Rooflines of Class 11B homes will typically be highly complex and steep in design with superior grade materials. Exterior design will be highly unique with extensive and superior levels of fenestration detail. Turrets, bay windows, non-standard angles, and complex architecture are very common.

The interior of Class 11B will exemplify the very finest quality of workmanship, with the very finest, superior quality luxury materials and workmanship. At a minimum, Class 11B structures will incorporate the interior features and qualitative aspects of an 11A structure with additional levels of refinement and luxury. Use of multiple textures on walls such as plaster, wood paneling, stone/tile walls, etc. is common. Extensive levels of superior, luxury grade paneling, trim, and molding will be present in all main areas. Ceilings will receive superior grade design with only the very finest of materials. Staircases may have multiple curves, including “floating staircases” with superior grade hardware, handrails, and balusters. Arched entries with extensive ceiling treatments into rooms and hallways are common. Use of one of a kind and historically significant materials or fixtures is common.

Class Special Price (SP)

Use of Special Price Class should be limited to residences that exceed the base cost of Class 11B by the addition of extensive amounts of fixtures and accessories that are not covered in the basic cost calculations for that class.

AREAS CODES FOR PRICING SEGMENTS

13-Jan-10

Living Area's	Code	% Of Base Price
First Floor	MA	100
Attached Addition	MAAA	100
Attached Addition	MAA50	50
Attached Addition	MAA66	66
Attached Addition	MAA75	75
Game Room	MAGM	100
Bonus Room	MABR	100
Basement	MABA	100
MA2	94%	ALL 10'S,3,3E,4,4E,ALL 5'S
MA2	90%	7,7E,8,8E,9,9E
MA2	100%	1,1E,2,2E,6,6E,11,11A,11B
MA3	94%	ALL 10'S,ALL 5'S
MA3	90%	7,7E,8,8E,9,9E
MA3	100%	1,1E,2,2E,3,3E,4,4E,6,6E,11,11A,11B
MA4	90%	10D,10DE,11,11A,11B
Barn	BRN	100
Stables	STB	100
Pool	PL	100
Arena	ARN	100
Outdoor Kitchen	ODKIT	FLAT PRICE
Storage	STG	100

LIVING AREA'S AT A PERCENT OF BASE PRICE

Living Area's	New Code	% Of Base Price
Game Room	GM75	75
Game Room	GM66	66
Game Room	GM50	50
Basement	BA75	75
Basement	BA50	50

DETACHED LIVING AREA'S

Living Area's	New Code	% Of Base Price
Detached Living Quarters	DL66	66
Detached Living Quarters	DL50	50
Living Quarters	LQ66	66
Living Quarters	LQ50	50
Bath House	BH50	50
Bath House	BH33	33

PORCHES, CARPORTS, DECKS

	New Code	% Of Base Price
Balcony, Open Porch	BL,OP	15
Balcony, Open Porch	BL25,OP25	25
Balcony, Open Porch	BL10,OP10	10
Carports, Decks	CP,DK	15
Carports, Decks	CP25,DK25	25
Carports, Decks	CP10,DK10	10
Gazebo	GZ	15
Gazebo	GZ25	25
Gazebo	GZ10	10
Glass Porch, Porch Area	GP,PA	33
Glass Porch, Porch Area	GP66,PA66	66
Glass Porch, Porch Area	GP50,PA50	50
Glass Porch, Porch Area	GP25,PA25	25

GARAGE & STORAGE

	New Code	% Of Base Price
Attached Garage	AG	33
Attached Garage	AG25	25
Storage	SA	33
Storage	SA50	50
Storage	SA25	25
Enclosed Garage	EG	40
Enclosed Garage	EG75	75
Enclosed Garage	EG33	33
Detached Garage	DE33	33
Detached Garage	DE25	25

RESIDENTIAL TENNIS COURTS

Class	1740RN	No Contributory Value
	1740RB	Basic (court only)
	1740RA	Average (court & fence)
	1740RG	Good (court, fence, lighting)
	1740RE	Excellent (court, fence, lighting)

Note: Tennis Courts classes 1740, 1740A, and 1740B will be used for commercial only.

CLASS 1750

01/00

RESIDENTIAL SWIMMING POOL

Class 1750B (Basic)
 1750A (Average)
 1750G (Good)
 1750E (Excellent)
 1750S (Superior)

Minus (-) can be applied to any class for pools in poor condition.

Add for therapeutic pool

EXAMPLE OF VALUE CALCULATION:

This is an example of a class 8 house, total living area of 3,200. The house has 2 stories, an attached 2 car garage, and covered porches.

MA 2,400 (1st floor)
 MA2 800 (2nd floor)
 AG 528 (attached garage)
 OP 160 (covered porch)

Codes	Area		Unit Price		Dep.		NBHD	
MA	2,400	x	\$ 50.25	x	98%	x	105% =	\$ 124,097
MA2	800	x	\$ 45.23	x	98%	x	105% =	\$ 37,233
AG	528	x	\$ 16.58	x	98%	x	105% =	\$ 9,008
OP	160	x	\$ 7.54	x	98%	x	105% =	\$ 1,241
								\$ 171,580
Value of Improvement								\$ 171,580
Land Value								32,000
								\$ 203,580
Total Indicated Value of Property								\$ 203,580

2.40 Residential Vacant Lots

A) Area Analysis

Data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in interest rates, availability of vacant land, and construction trends are collected from private vendors and public sources. Information is gleaned from real estate publications and sources such as the real estate professionals, Dallas Business Journal, IAAO, Texas A&M Real Estate Department, Realty Trac, National Association of Independent Fee Appraisers (NAIFA), foreclosure listing and applicable sources found on the internet; such as realtor.com. Monitoring these sources help to give the appraisal staff a current economic outlook on Denton County's real estate market. The residential department monitors available lot inventory and new construction. All of this impacts the values of the available lots.

All employees shall have the knowledge and expertise to do their job. Each employee will have a minimum educational standard required for their position. In addition, DCAD will supply the following:

- A. On the job training – each employee will receive training on procedures, policy, and equipment by their supervisor and other employees in similar positions.
- B. State required education and registration – all employees so required will achieve and maintain their own educational and registration requirements.
- C. Additional training and education – from time to time, additional training and education will be required to enhance job performance, knowledge and expertise.

Employees will be expected to perform to a minimum standard.

An appraisal management policy should reflect regulatory obligations, mandate due diligence, ensure conformance to professional standards, generate current and meaningful valuations, and establish criteria for a thorough review process. DCAD subscribes to the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. DCAD also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). A current copy of the USPAP manual is on file at DCAD. The department is responsible for completing mass appraisal assignments in a timely manner.

A. Definition of Appraisal Responsibility

The Residential Department is responsible for estimating the market value for all residential vacant lots.

B. Legal and Statutory Requirements

The provisions of the Texas Property Tax Code (TPTC) and relevant legislative measures involving appraisal administration and procedures control the work of the appraisal district. The district 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 district. DCAD reappraises property on an annual basis.

C. Administrative Requirements

An appraisal management policy should reflect regulatory obligations, mandate due diligence, ensure conformance to professional standards, generate current and meaningful valuations, and establish criteria for a thorough review process. DCAD subscribes to the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. DCAD also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). A current copy of the USPAP manual is on file at DCAD.

D. Appraisal Resources

Data - A common set of data characteristics for each residential dwelling in Denton County is collected in the field and data entered to the DCAD mainframe computer. The property characteristic data drives the computer-assisted mass appraisal approach to valuation.

A common set of data characteristics for each land account in DCAD is collected in the field and data is entered to the DCAD mainframe computer. Information on sold properties is reviewed using GIS and aerial photography. Sales are plotted on the map to review location, access, and topography of the sold land. The property characteristic data drives the computer-assisted mass appraisal approach to valuation.

Information Systems – The mainframe systems are augmented by the databases that reside as various applications on the DCAD Local Area Network (LAN). DCAD offers a variety of systems for providing property owners and public entities with information services.

B) Sales and Statistical Analysis

A. Sales Information

The Residential Department will process all sales information collected by the Sales Department. As much pertinent information as possible is gathered about the sale to help determine the quality and conditions of the sale; for example, does the sale appear to be an arm's length transaction or not. A system of type, source and validity codes has been established to help define these salient facts related to a property's purchase or transfer. Entity, neighborhood and subdivision sales reports are generated as an

analysis tool for the appraisal analyst in the development of value estimates. Sales information is stored in the appraisal district CAMA Software. Refer to the software user's manual for software implementation.

B. Statistical Analysis

Appraisers in the appraisal departments perform statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on each property category, neighborhood and ISD to judge the two primary aspects of mass appraisal accuracy—level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each property category and/or neighborhood within an ISD and summarized. These summary statistics including, but not limited to, the median, the mean, the weighted mean, standard deviation, coefficient of dispersion (COD), and coefficient of variation (COV), provide the analysts an analytical tool by which to determine both the level and uniformity of appraised value of a property category and/or neighborhood basis. Review of the standard deviation, coefficient of dispersion and the coefficient of variation can discern appraisal uniformity within and between categories and ISD's.

Subdivisions and/or neighborhoods are reviewed annually by the appraiser through the sales ratio analysis process. The first phase involves subdivision/neighborhood ratio studies which compare the recent sales prices with the appraised values of those properties which have recently sold. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. All valid sales that we are aware of are used unless the result is misrepresentative.

C. Market Adjustment or Trending Factors

Market adjustment factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market.

If the subdivision/neighborhood is to be updated, the appraiser uses a ratio study that compares recent sales prices of properties within a delineated subdivision/neighborhood with the properties' appraised value. The calculated ratio derived from the sum of the sold properties' appraised value divided by the sum of the sales prices indicates the subdivision/neighborhood level of value based on the unadjusted value for the sold properties. This comparison of appraised value-to-sale ratio determines the market adjustment factor for each subdivision/neighborhood. This market adjustment factor is needed to trend the values closer to the actual market evidenced by recent sales prices within a given subdivision/neighborhood. The market adjustment factor calculated for each updated subdivision/neighborhood is applied uniformly to all properties within a neighborhood and as needed in the subdivision. Once the market-trend factors are applied, a second set of ratio studies 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 updated and non-updated subdivision/neighborhoods, and finally, for the school district as a whole.

C) Performance Tests

A. Sales Ratio Studies

The primary analytical tool used by the appraiser to measure and improve performance is the ratio study. This helps to insure that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each ISD to allow the appraiser to review general market trends and provide an indication of market appreciation or depreciation over a specified period of time. Sales ratio reports are run several times prior to the setting of preliminary values as well as after finalization of appraisal values in order to catch any inaccuracies, value anomalies, or outliers.

An independent test of the appraisal performance of the district is conducted by the State of Texas Comptroller’s Office through the annual property value study. The study determines the degree of uniformity and the median level of appraisals by the appraisal district within each major category of property. The comptroller publishes a report of the study, which includes in the report the median levels of appraisal for each major category of property, the coefficient of dispersion around the median level of

Example 1.
14,000 sq. ft. lot size
\$3.50 per sq. ft.
25% adjustment for lots over 14,000 sq. ft.

Subject Lot Size 16,500 sq. ft.
1st 14,000 @ \$3.50 = \$49,000
2nd 2,500 @ \$3.50 @ 25% = \$2,187
Total Lot Value \$51,187

In this scenario the lots vary in size and the larger lots in the neighborhood would need to be adjusted otherwise the larger lots would be over-appraised

appraisal for each category of property, and any other standard statistical measures that the comptroller considers appropriate.

EXAMPLE OF LOT VALUE CALCULATION:

Most residential lots, both improved and vacant are calculated using the appraisal districts’ “L” Method.

Lot square foot times dollar per square foot times % adjustment for size

D) Sales and Statistical Analysis

A. Sales Information

The Residential Department will process all sales information collected by the Sales Department. As much pertinent information as possible is gathered about the sale to help determine the quality and conditions of the sale as set forth in IAAO Standard on Verification and Adjustment of Sales 4.4, 4.6, 4.7, 4.8, 4.9, 4.10, and 4.11. Examples include; Are the parties related? Does the sale appear to be an arm's length transaction or not? Was there any personal property included? A system of type, source and validity codes has been established to help define these salient facts related to a property's purchase or transfer. Entity, neighborhood and subdivision sales reports are generated as an analysis tool for the appraisal analyst in the development of value estimates. Sales information is stored in the appraisal district CAMA Software. Refer to the software user's manual for software implementation.

B. Sale Adjustments

The market value of property is what it would sell for in cash terms or the equivalent. This means that any sale that has nonmarket financing must be adjusted to reflect what the prevailing market conditions would be without that special financing. Typical bank loans are at the market rates while owner financed sales can be skewed to correct for the different rates that the seller is offering (IAAO Standard on Verification and Adjustment of Sales 7.4). This also applies to personal property that has been included in a sale. Appraisers must determine the contributory value of personal property and adjust sale price to reflect only the real property included in a sale (IAAO Standard on Verification and Adjustment of Sales 7.5). Sales are also adjusted to reflect changes to the property between the sale date and appraisal date. An example would be a property is purchased on 4/1/11 and then the new owner adds a pool to the property. This will add value that is not included in the purchase price, but should be considered when using the sales information to arrive at values for 1/1/12.

C. Statistical Analysis

Example 2.
1 sq.ft lot size
\$50,000 per sq.ft.
0% adj for lot size

1st 1 @ \$50,000 = \$50,000

In this scenario all of the lots would be very similar in size and the neighborhood very homogeneous.

Appraisers in the appraisal departments perform statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on each property category, neighborhood and ISD to judge the two primary aspects of mass appraisal accuracy—level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each property category and/or neighborhood within an ISD and summarized. These summary statistics including, but not limited to, the median, the mean, the weighted mean, standard deviation, coefficient of dispersion (COD), and coefficient of variation (COV), provide the analysts an analytical tool by which to determine both the level and uniformity of appraised value of a property category and/or neighborhood basis. Review of the standard deviation, coefficient of dispersion and the coefficient of variation can discern appraisal uniformity within and between categories and ISD's.

Subdivisions and/or neighborhoods are reviewed annually by the appraiser through the sales ratio analysis process. The first phase involves subdivision/neighborhood ratio studies which compare the recent sales prices with the appraised values of those properties which have recently sold. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. All valid sales that we are aware of are used unless the result is misrepresentative.

D. Market Adjustment or Trending Factors

Market adjustment factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market.

If the subdivision/neighborhood is to be updated, the appraiser uses a ratio study that compares recent sales prices of properties within a delineated subdivision/neighborhood with the properties' appraised value. The calculated ratio derived from the sum of the sold properties' appraised value divided by the sum of the sales prices indicates the subdivision/neighborhood level of value based on the unadjusted value for the sold properties. This comparison of appraised value-to-sale ratio determines the market adjustment factor for each subdivision/neighborhood. This market adjustment factor is needed to trend the values closer to the actual market evidenced by recent sales prices within a given subdivision/neighborhood. The market adjustment factor calculated for each updated subdivision/neighborhood is applied uniformly to all properties within a neighborhood and as needed in the subdivision. Once the market-trend factors are applied, a second set of ratio studies 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 updated and non-updated subdivision/neighborhoods, and finally, for the school district as a whole.

2. Example formula would be; 1 sq.ft lot size
\$50,000 per sq.ft.
0% adj for lot size

1st 1 @ \$50,000 = \$50,000

In this scenario all of the lots would be very similar in size and the neighborhood very homogeneous.

Part E. Appraisal of Manufactured Homes (Mobile Homes)

As defined by International Association of Assessing Officers (IAAO) “*Standard on Automated Valuation Models (AVMs)*” a manufactured home is a residential structure built in a factory. Construction standards for manufactured housing are controlled and monitored by the Department of Housing and Urban Development (HUD).

The Residential Department values all mobile homes occupied as residences. This includes mobile homes located in mobile home parks, subdivision lots or abstract tracts. Mobile homes used for commercial purposes or mobile homes held as inventory for sale would not be valued by the Residential Department. Locating mobile homes are done through inventories, park rosters, installation permits, the Texas Department of Housing and Community Affairs (TDHCA), homestead applications, and Department of Transportation report on movement of mobile homes in and out of Denton County.

2.41 Inventories

Numerous areas across the county have been identified as and subdivision developments. Most of these are platted, but some remain as un-platted abstract tracts. Appraisal cards are printed on every account in the subdivision or abstract. Each account is checked to see if a mobile home has been removed or moved in. Label and serial numbers are checked and recorded. Any changes are so noted on the appraisal card and the changes are processed.

2.42 Park Rosters

At the end of each year DCAD mails to each park manager and park owner a list (park roster) of DCAD’s current ownership and location of mobile homes in the park. A letter is sent with each park roster requesting an update on ownerships. The park managers/owners are asked to supply any changes that had occurred during the year in the ownership of the mobile home, new ones moved in or out.

After the first of January and throughout the spring months, an appraiser will field check each park. The manager’s information is used to verify mobile home removals and new mobile homes moved into the park. When a roster is not returned to DCAD with the requested information an appraiser will first notify the park manager then do a complete inventory of that park.

2.43 Installation Permits, TXDOT movement reports

County and city permits, Texas Department of Housing and Community Affairs and Texas Department of Transportation are used to discover mobile homes in areas inside and outside mobile home parks.

City and county permits are obtained through copies of the permit by either electric means or visiting that entity. Information on the permits such as situs and/or legal descriptions are used to locate the correct accounts. The permit is then forwarded to the appraiser who then field checks the account. Texas Department of Housing and Community Affairs (TDHCA) website; <http://mhweb.tdhca.state.tx.us/mhweb/main.jsp> and Texas Department of Transportation website; <http://txpros.txdot.gov/mhreports.aspx> are used to update the districts' records of ownership and movement of mobile homes.

2.44 Taxpayer

Property owners are also a source of ownership or movement of the mobile home. If the mobile home is sold the new owner and address are required to make the change of ownership. Homestead applications are a very good source of information on ownership and movement. The landowner may request to render the mobile home as an Improvement Only account to be set up in the mobile home owner's name rather than placed on his land account.

2.45 Field Inspection

Data is collected and recorded on the size of the mobile home, actual age, effective age, and the label number of the mobile home. Mobile homes manufactured after 1979 are required to have the label number on the exterior of the mobile homes. The label number is also used to identify ownership using TDHCA website. Label and serial numbers are added to the account if either is located. It is also helpful to note any distinguishing features about the home, such as color.

2.46 Classification of Mobile Home

Classifications for mobile homes are developed using Marshall and Swift's basic descriptions. Classifications begin with the lowest quality construction to the highest quality construction for both single and double wide mobile homes. Mobile home classes for DCAD range from M1 to M4 for single wide and MD1 to MD4 for double wide. Using the DCAD appraisal manual mobile homes are assigned a

class based on the quality of construction as defined in each class. Variations may occur using plus and minus techniques to each class.

Any other structures present would be measured, classed and added to the mobile home account. These could include porches, carports, decks, detached garages, and outbuildings. Anything attached to the main structure will be valued using segment codes that are set to value based on a percentage of the main area class. If the appraiser cannot get to the mobile home due to dogs, locked gates, inaccessible roads, or for other reasons, all information must be estimated.

While in the field, the appraiser needs to determine or verify our mobile home ownership/address and all data. This could be done through conversations with owners, renters, or neighbors. Mailboxes can also be used for a name.

2.47 Creation of Improvement Only

When the mobile homeowner does not own the land on which the mobile home is situated and is carried as personal property with TDHCA the mobile home is created as an "Improvement Only" account with no land segment included. This applies to all units in a mobile home park since they are located on leased spaces and for mobile homes located on leased land. This would also include accounts where the owner has a contract for deed. In this situation the land account is carried in the land owner's land until such time as a warranty deed is issued.

A) Legal Description

Each park, subdivision, or abstract have an assigned subdivision code number or abstract number. The new account is coded with the number in which the improvement is located. The legal description must match the land account's legal description exactly except in the case of mobile home parks. The park accounts will have the park name and space number as the legal description. Along with the legal description the term "Imp Only" is added. The serial number (if located) and HUD number is entered into the account for all mobile homes whether listed as personal property or as real property.

B) Owner and Entity Information

The owner name and a complete address must be complete on the appraisal card. Also, entity codes must be assigned for each account. To determine which entity codes are needed for the county, school, city, or special districts, the appraiser must refer to and match the codes on the land account.

C) Avoiding Duplication of Accounts

When creating new mobile home accounts the appraiser must make sure he/she is not duplicating the mobile home. The mobile homes could have been located in a different jurisdiction and then moved to a new location. To avoid duplication queries can be run using the label and/or serial number to locate duplication in the data.

2.48 Maintenance Improvement Only Accounts

All Mobile Home accounts are to be set up as they exist on January 1st in the title owner's name and at their location on that date. The Texas Department of Transportation (TxDot), per House Bill 785, provides each appraisal district with a list of mobile home movements that have occurred within that county. Access to this information is through TxDot's website; <http://txpros.txdot.gov/mhreports.aspx>.

Mobile homes are not sold in the same manner as real estate. No deeds are filed when a transfer occurs. Mobile homes are moved in and of the area throughout the year. Often information on ownership and location is submitted after the rolls are certified. In these cases ownership changes and movement of mobile homes are updated by supplemental changes after roll certification.

If the owner defaults on their mobile home loan and is repossessed by the lienholder the account is transferred into the lienholders' name.

If the mobile home was removed before January 1st, the account is deleted. If the mobile home owner before January 1st, gets deeded title to his land after a contract is paid off, the Improvement Only account needs to be deleted. The mobile home would be placed on the land account.

2.49 Mobile Home on Land Accounts

If the mobile home owner has the warranty deed on his land account, the mobile home is combined on this land account.

Mobile homes provide a unique situation. The lien for the land can be different from that of the mobile home. If the whole or parts of the property are foreclosed upon at the request of the new owner the mobile home will be split from the land account. The account will be split for as many years allowable by the Texas Property Tax Code. The land account will be supplemented and a corrected notice of appraised value will be mailed for the mobile home for the years involved. This procedure will only occur when the liens are separate.

2.50 Mobile Home Valuation

In mass appraisal, the classification system is utilized to value properties. The eight classes of mobile homes (see Appraisal Manual) each generates a per square foot unit price. The class is determined by quality. Each mobile home is depreciated based on its effective age and condition. A mobile home depreciation schedule is used in the valuation (see Appraisal Manual).

A) Cost

The cost schedule, based on construction of similar improvements, is developed from information gathered from reliable sources such as Marshall & Swift, a national publication of building cost, and using the current N.A.D.A. Mobile/Manufactured Housing Appraisal Guide. The cost approach consists of calculating the replacement cost new for each improvement and then deducting for normal depreciation.

The causes of accrued depreciation fall into three general categories: physical deterioration, functional obsolescence, and external (economic obsolescence). Physical deterioration and functional obsolescence are inherent in the property itself, whereas external (economic) obsolescence is the result of outside forces.

Physical deterioration is the loss in value due to the wear and tear of the property. There are curable and incurable forms of physical depreciation. It depends on whether the value added by curing them exceeds the cost to cure (it is not economically prudent to cure the condition). Effective age is the number of years of age of the improvement as indicated by its condition. If the improvement has been well maintained, its effective age may be less than the actual age; if there has been poor maintenance, it may be greater. The appraiser based on inspections determines this.

Functional Obsolescence is the overall usefulness and desirability of a property. Functional obsolescence is the loss of value in a property improvement due to changes in style, taste, technology, needs, and demands. It exists where property suffers from poor or inappropriate architecture, poor floor plans, room sizes, etc.

External Obsolescence is the loss in value caused by outside forces such as in the highest and best use of a property due to market shifts or governmental actions, restrictions on income, zoning, neighborhood decline, etc. This can influence both land and improvement.

Once the estimated depreciated improvement value is determined it is then added to the land value giving an estimated total property value. The cost approach is used as a comparison to the market schedules.

$$V = LV + ((CN - D))$$

(Value = Land Value + (Cost New – Depreciation))

$$65,000 = \$15,000 + (\$62,500 - 20\%)$$

B) Market

DCAD mobile home schedules are cost driven. Sales analysis is used in areas where mobile home and land are sold together as one unit.

C) Sales Information

All sales information collected is the responsibility of the Land and Sales Department. Residential improved sales are collected from a variety of sources including, but not limited to, district questionnaires sent to buyer and seller, field discovery, protest hearings, various sales vendors, builders, and local real estate professionals. A system of type, source, and validity codes was established to define salient facts related to a property's purchase or transfer. ISD, neighborhood, and subdivision sales reports are generated as an analysis tool for the analyst in the development of value estimates. Sales information is stored in the mainframe database.

D) Depreciation

A depreciation schedule has been built and entered in the computer. The actual age, if known, is listed on the account and the field appraiser estimates the effective age. Based on the field appraisers' estimates the percent good is pulled from the table based upon the effective age. DCAD residential depreciation tables are built using Marshall & Swift depreciation tables.

E) Calculation

The square footage determined from the field inspection is then multiplied by a per square foot unit price to indicate the RCN (Replacement Cost New) for the mobile home. The RCN is then multiplied by a physical percent to give a depreciated value.

CLASS MS1**MOBILE HOME**

CONSTRUCTION STANDARDS:	Meets minimum requirements: Older Homes (constructed prior to 1976) may be below minimum requirements.
QUALITY/DESIGN:	Basic, inexpensive quality. No special features. No attention to details.
EXTERIOR COVERING:	Prefinished aluminum panels, exposed screw fasteners. Some with vinyl covering. No trim.
ROOF:	Flat pitch. Light gauge galvanized steel, loose fitting.
TOW BAR:	Non-detachable - attached to frame.
WINDOWS:	Crank louvered or awning type. Non-removable screens. Minimum fenestration. No window trim.
DOORS:	Entrance - Sliding glass or hollow metal. Back - hollow metal, swing out, no windows.
WIDTH:	Single wide - Typically 10' or 12'.

CLASS MS2**MOBILE HOME**

CONSTRUCTION STANDARDS:	Meets or exceeds minimum requirements.
QUALITY/DESIGN:	Average quality. Few, if any, special features.
EXTERIOR COVERING:	Often prefinished aluminum with concealed fasteners. Some with masonite paneled siding. Some trim on front side.
ROOF:	Medium pitch. Medium gauge galvanized steel, snug fitting.
TOW BAR:	Attached to frame - some can be unassembled.
WINDOWS:	Crank awning or horizontal sliding, few double hung. Removable screens. Minimum to adequate fenestration. Color coordinated panels for trim.
DOORS:	Entrance - sliding glass and metal or wood, with window. Back - metal or wood, swing in or out, with window.
WIDTH:	Single wide - Typically 12' or 14'.

CLASS MS3**MOBILE HOME**

CONSTRUCTION STANDARDS:	Exceeds all minimum requirements.
QUALITY/DESIGN:	Above average quality. Some special features (custom), attractive architectural design.
EXTERIOR COVERING:	Usually wood siding, as with flush-type masonite paneled siding. Some trim on all sides.
ROOF:	Gable pitch. Usually average to good asphalt shingles. Some with heavy gauge galvanized steel, tightly fitting. Some slit-roof.
TOW BAR:	Detachable.
WINDOWS:	Double hung windows (some with bay across front). Removable screens. Adequate fenestration. Two-tone, contrasting material for trim.
DOORS:	Entrance - recessed, wood (house-type). Back-wood with window, swing-in.
WIDTH:	Single wide - Typically 14'.

CLASS MS4**MOBILE HOME**

CONSTRUCTION STANDARDS:	Exceeds all minimum requirements.
QUALITY/DESIGN:	Excellent quality. Many special features. Best in design, workmanship and materials.
EXTERIOR COVERING:	Like conventional, house-type coverings, as shiplap, clapboard, stucco, brick, board and batten. Usually wood siding. Trim/decor on all sides.
ROOF:	Usually gable pitch: or, other conventional house type. Usually best asphalt shingles.
TOW BAR:	Detachable.
WINDOWS:	Double hung, often dual pane. Removable screens. Ample fenestration. Decorative, special trim (as, for example, shutters) on all windows.
DOORS:	Recessed, wooden solid core. Some with double entry.
WIDTH:	Single wide - Typically 14' or 16'

EXAMPLE OF VALUE CALCULATION:

This is an example of a class MS2 mobile home (14' x 70'), total living area of 980 sqft. The mobile home does not have a porch or garage. The mobile home is estimated to be 74% good.

MA	980	x	\$31.45	x	74%	=	\$22,807
Land Value						+	<u>\$15,000</u>
Total Indicated Value of Property						=	\$37,807

CLASS MD1

MOBILE HOME

CONSTRUCTION STANDARDS:	Meets minimum requirements: Older homes (constructed prior to 1976) may be below minimum requirements.
QUALITY/DESIGN:	Basic inexpensive quality. No special features, no attention to details.
EXTERIOR COVERING:	Prefinished aluminum panels, exposed screw fasteners. Some with vinyl covering. No trim.
ROOF:	Gable pitch. Light gauge galvanized steel or low-cost asphalt shingles. No overhead.
WINDOWS:	Crank louvered or awning type. Non-removable screens. Minimum fenestration. No window trim.
DOORS:	Entrance - sliding glass or metal, Back- metal, swing out, no windows.
WIDTH:	Double-wide.

CLASS MD2

MOBILE HOME

CONSTRUCTION STANDARDS:	Meets or exceeds minimum requirements.
QUALITY/DESIGN:	Average quality. Few, if any, special features.
EXTERIOR COVERING:	Prefinished aluminum with concealed fasteners or masonite paneled siding. Some trim on front side.
ROOF:	Gable pitch. Low-cost to average asphalt shingles. Small overhang.
WINDOWS:	Often double hung, some crank awning or horizontal sliding. Removable screens. Minimum to adequate fenestration. Color coordinated panels for trim.
DOORS:	Entrance - Sliding glass and metal or wood, with window. Back- Metal or wood, swing in or out, with window.
WIDTH:	Double-wide.

CLASS MD3**MOBILE HOME**

CONSTRUCTION STANDARDS:	Exceeds all minimum requirements.
QUALITY/DESIGN:	Above average quality. Some special features (custom), attractive architectural design.
EXTERIOR COVERING:	Usually wood siding, as with flush-type masonite paneled siding. Some trim on all sides.
ROOF:	Gable pitch. Good asphalt shingles. Good overhang.
WINDOWS:	Double hung windows (some with bay). Removable screens. Adequate fenestration. Two-tone, contrasting material for trim.
DOORS:	Entrance - Recessed, wood (house-type). Back - Wood with window, swing in.
WIDTH:	Double-wide.

CLASS MD4**MOBILE HOME**

CONSTRUCTION STANDARDS:	Exceeds all minimum requirements.
QUALITY/DESIGN:	Excellent quality. Many special features. Best in design, workmanship and materials.
INTERIOR COVERING:	Like conventional house-type coverings, as shiplap, clapboard, stucco, brick, board and batten. Usually wood siding. Trim/decor on all sides.
ROOF:	Usually gable pitch, or other conventional house-type. Usually best asphalt shingles. Some slate, shake or tile.
WINDOWS:	Double hung, usually dual pane. Removable screens. Ample fenestration. Decorative, special trim (as, for example, shutters) on all windows.
DOORS:	Recessed, wooden solid core. Some with double entry.
WIDTH:	Double-wide.

EXAMPLE OF VALUE CALCULATION:

This is an example of a class MD3 mobile home, total living area of 1,440. The mobile home has a detached garage and covered porches.

MA 1,440
 AG 528 (attached garage)
 OP 160 (covered porch)

Codes	Area		Unit Price		Dep.		NBHD	
MA	1,440	x	\$ 34.31	x	98%	x	105% =	\$ 50,839
DE25	528	x	\$ 8.58	x	98%	x	105% =	\$ 4,661
OP	160	x	\$ 5.15	x	98%	x	105% =	\$ 847
								<hr/>
Value of Improvement								\$ 56,347
Land Value								18,000
								<hr/>
Total Indicated Value of Property								\$ 74,347

AREA'S TO ESTABLISH PRICE PER SQ.FT.

Living Area's	New Code	% Of Base Price
Main Area	MA	100
Attached Addition	MAAA	100

LIVING AREA'S AT A PERCENT OF BASE PRICE

Living Area's	New Code	% Of Base Price
Attached addition	MAA50	50
Attached addition	MAA66	66
Attached addition	MAA75	75

PORCHES, CARPORTS, DECKS

	New Code	% Of Base Price
Open Porch	OP	15
Open Porch	OP25	25
Open Porch	OP10	10
Carports, Decks	CP,DK	15
Carports, Decks	CP25,DK25	25
Carports, Decks	CP10,DK10	10
Glass Porch, Porch Area	GP,PA	33
Glass Porch, Porch Area	GP66,PA66	66
Glass Porch, Porch Area	GP50,PA50	50
Glass Porch, Porch Area	GP25,PA25	25

GARAGE & STORAGE

	New Code	% Of Base Price
Attached Garage	AG	33
Attached Garage	AG25	25
Storage	SA	33
Storage	SA50	50
Storage	SA25	25
Enclosed Garage	EG	40
Enclosed Garage	EG75	75
Enclosed Garage	EG33	33
Detached Garage	DE75	75
Detached Garage	DE33	33

EXAMPLE OF VALUE CALCULATION:

This is an example of a class MD3 mobile home, total living area of 1,440. The mobile home has a detached garage and covered porches.

MA 1,440
 AG 528 (attached garage)
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MA	1,440	x	\$ 34.31	x	98%	x	105% =	\$ 50,839
DE25	528	x	\$ 8.58	x	98%	x	105% =	\$ 4,661
OP	160	x	\$ 5.15	x	98%	x	105% =	\$ 847
								<hr/>
Value of Improvement								\$ 56,347
Land Value								18,000
								<hr/>
Total Indicated Value of Property								\$ 74,347

Part F. Sales and Research

2.51 Sales and Research Department

The Sales and Research Department is responsible for several functions of the Denton Central Appraisal District (DCAD). One of the main responsibilities is the collection and processing of real estate sales information. The quality of the process and execution of this responsibility is vital to the integrity of establishing the appraisal roll. Gathered sales information is used to establish class schedules and verify that values placed on Denton Central Appraisal District appraisal rolls are as accurate as possible.

Another important function of the Sales and Research Department is responding to public request, comments and complaints. This includes open records requests and dealing with comments and/or complaints from the public in regard to appraisal district operations. The Supervisor in the Sales and Research Department is typically responsible for overseeing and coordinating appropriate responses to open records requests and a liaison officer is generally responsible for responding to comments and/or complaints.

Overviews, guidelines, and procedures demonstrated in this section are followed by the Sales and Research Department of the Denton Central Appraisal District.

2.52 Education and Training

All employees shall have the knowledge and expertise to do their job. Each employee will have a minimum educational standard required for their position. In addition, DCAD will supply the following:

- A. On the job training – each employee will receive training on procedures, policy, and equipment by their supervisor and other employees in similar positions.

- B. State required education and registration – all employees so required will achieve and maintain their own educational and registration requirements.

- C. Additional training and education – from time to time, additional training and education will be required to enhance job performance, knowledge and expertise.

Employees will be expected to perform to a minimum standard.

2.61 Introduction

An appraisal management policy should reflect regulatory obligations, mandate due diligence, ensure conformance to professional standards, generate current and meaningful valuations, and establish criteria for a thorough review process. DCAD subscribes to the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. DCAD also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). A current copy of the USPAP manual is on file at DCAD. The department is responsible for completing mass appraisal assignments in a timely manner.

A. Definition of Appraisal Responsibility

The Sales and Research Department of the Denton Central Appraisal District is responsible for ascertaining and processing sales information to assist appraisers in developing fair and uniform market values for all real accounts in DCAD.

B. Legal and Statutory Requirements

The provisions of the Texas Property Tax Code (TPTC) and relevant legislative measures involving appraisal administration and procedures control the work of the appraisal district. The district 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 district. DCAD typically reappraises property on an annual basis but is required to do so every three years per the Texas Property Tax Code.

C. Administrative Requirements

An appraisal management policy should reflect regulatory obligations, mandate due diligence, ensure conformance to professional standards, generate current and meaningful valuations, and establish criteria for a thorough review process. DCAD subscribes to the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. DCAD also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). A current copy of the USPAP manual is on file at DCAD.

D. Appraisal Resources

Personnel – The Sales and Research Department staff consists of a manager, supervisor, research specialist, appraiser/exemption person, coordinator specialist/liason officer and support position. In addition, there are several part-time support positions that are utilized throughout the year.

Information Systems – The mainframe systems are augmented by the databases that reside as various applications on the DCAD Local Area Network (LAN). DCAD offers a variety of systems for providing property owners and public entities with information services. Appraisal Support fields many of the public's questions or redirects them to the proper department. Computer terminal stations are located in the customer service area for the public's use.

Access to appraisal data is also available through various sources such as the district's website

2.62 Sales and Statistical Analysis

B. Sales Information

The Sales and Research Department is responsible for the collection and processing of all sales information. Collection is done by a variety of sources including, but not limited to, district questionnaires/surveys sent to buyers and sellers, real estate brokers and appraisers, builders, developers, field discovery, protest hearings, informal settlement conferences, adjoining appraisal districts, the State of Texas Comptroller's Office, and private sale service providers/vendors, such as local Association of Realtor's MLS, LoopNet, and CoStar. As much pertinent information as possible is gathered about the sale to help determine the quality and conditions of the sale; for example, does the sale appear to be an arm's length transaction or not. A system of type, source and validity codes has been established to help define these salient facts related to a property's purchase or transfer. Entity, neighborhood and subdivision sales reports are generated as an analysis tool for the appraisal analyst in the development of value estimates. Sales information is stored in the mainframe database. Refer to the software user's manual for software implementation.

C. Statistical Analysis

Appraisers in the appraisal departments perform statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on each property category, neighborhood and ISD to judge the two primary aspects of mass appraisal accuracy—level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each property category and/or neighborhood within an ISD and summarized. These summary statistics including, but not limited to, the median, the mean, the weighted mean, standard deviation, coefficient of dispersion (COD), and coefficient of variation (COV), provide the analysts an analytical

tool by which to determine both the level and uniformity of appraised value of a property category and/or neighborhood basis. Review of the standard deviation, coefficient of dispersion and the coefficient of variation can discern appraisal uniformity within and between categories and ISD's.

Subdivisions and/or neighborhoods are reviewed annually by the appraiser through the sales ratio analysis process. The first phase involves subdivision/neighborhood ratio studies which compare the recent sales prices with the appraised values of those properties which have recently sold. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. All valid sales that we are aware of are used unless the result is misrepresentative.

D. Market Adjustment or Trending Factors

Market adjustment factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market.

If the subdivision/neighborhood is to be updated, the appraiser uses a ratio study that compares recent sales prices of properties within a delineated subdivision/neighborhood with the properties' appraised value. The calculated ratio derived from the sum of the sold properties' appraised value divided by the sum of the sales prices indicates the subdivision/neighborhood level of value based on the unadjusted value for the sold properties. This comparison of appraised value-to-sale ratio determines the market adjustment factor for each subdivision/neighborhood. This market adjustment factor is needed to trend the values closer to the actual market evidenced by recent sales prices within a given subdivision/neighborhood. The market adjustment factor calculated for each updated subdivision/neighborhood is applied uniformly to all properties within a neighborhood and as needed in the subdivision. Once the market-trend factors are applied, a second set of ratio studies 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 updated and non-updated subdivision/neighborhoods, and finally, for the school district as a whole.

2.63 Performance Tests

B. Sales Ratio Studies

The primary analytical tool used by the appraiser to measure and improve performance is the ratio study. This helps to insure that the appraised value that it produces meets the standards of accuracy in several ways. Overall sales ratios are generated for each ISD to allow the appraiser to review general market trends and provide an indication of market appreciation or depreciation over a specified period of time. Sales ratio reports are run several times prior to the setting of preliminary values as well as after finalization of appraisal values in order to catch any inaccuracies, value anomalies, or outliers.

An independent test of the appraisal performance of the district is conducted by the State of Texas Comptroller's Office through the property value study. The study determines the degree of uniformity and the median level of appraisals by the appraisal district within each major category of property. The comptroller publishes a report of the study, which includes in the report the median levels of appraisal for each major category of property, the coefficient of dispersion around the median level of appraisal for each category of property, and any other standard statistical measures that the comptroller considers appropriate.

2.64 Data Collection Procedures

Overview

One of the main responsibilities of the Denton Appraisal District is to estimate the market value of each property within the jurisdiction. The integrity of the property tax is dependent on the accuracy of these estimates of market value. This is accomplished by analyzing market data to determine the price that the property being appraised would probably bring in the marketplace on the date of appraisal. Accuracy is dependent upon proper data collection, verification, adjustments of sales data and entering into computer system. Sales data should be collected, verified, and adjusted as necessary for model calibration and ratio study purposes. Verified sales are always more reliable than unverified sales. Sales information is collected and processed on a regular basis throughout the year to help appraisers in their analyses.

Data Collection

Sales information is collected by various methods and sources, including: questionnaires to buyers and sellers, renditions, protest hearings, realtors, fee appraisers, brokers, Title companies, builders, property managers, newspaper, attorneys, State Office, developers, adjoining appraisal districts and third-party sources such as MLS, LoopNet, and CoStar. When necessary, staff may try to contact parties involved in a sale to try to confirm the sales price and/or get additional information of details of the sale transaction. This may be done by phone calls, personal interviews, emails, or regular mail. Data collection is overseen by the Sales & Research Department supervisor. This person will coordinate with the appropriate vendors for mail out of internal sale survey letters that are sent to the buyer and seller, with third-party sources (make sure the District is current with paid subscriptions, etc.), and the gathering of sales data during the appeal process. The supervisor will work closely with the appraisal support specialist to monitor their coordination with other District departments and make sure the process is organized, has a timely flow of gathering the sales data to the entering of the data in the mainframe database. Data is gathered on a regular basis throughout the year. Sale survey letters are computer generated based on deed transfers and are typically mailed on a monthly basis. A postage paid/pre-addressed business reply envelope will accompany each letter. The data obtained from third-party sources is typically gathered on a weekly basis. Settlement Statements are often obtained during the appeal process and are considered the most reliable sales verification. Data from other sources will be

gathered whenever possible throughout the tax year. A quality control process exists through supervisory review of the work and procedures.

The supervisor is charged with the responsibility of ensuring that appraisers and support specialist are following proper procedures, identify and address training issues and provide uniform training throughout the department. Once data is gathered, the next phases begin with the verification/analysis and entering of data. It is vital that the gathering, analyzing and entering of sales data is performed at a high quality level so that the appraisers have the best data available to help them during the appraisal and appeal processes.

Data Verification

Verification of sales data is an important aspect in the data collection process. It is important to remember all sales should be considered valid unless there is sufficient documentation to prove differently. While it is imperative that sales be verified uniformly and accurately, it is also important to process and verify sales in a timely manner so they are available for analysis. Sales should be trimmed for outliers during the statistical phase, not during the verification phase of mass appraisal. Useful sales information gathered should include the following when possible:

- Full consideration (actual sales price)
- Names of buyer and seller
- Addresses, phone numbers, and other contact information of buyer and seller or their legal designee
- Relationship of buyer and seller (if any)
- Legal description, address, and parcel identifier
- Type of transfer
- Method of marketing (ex. Owner or Broker)
- Time on the market
- Type and terms of financing
- Personal property (if any, and if so, how much)
- Business value attributed (if any)

- Date of Sale
- Deed Instrument number
- Closing costs involved (who paid, etc.)
- Other – any information the buyer, seller or contact believes is important

Sales should be verified to determine whether they reflect the market value of the real property transferred. Specific objectives for sales verification include but are not limited to the following:

- Sale prices reflect only the market value of the real property transferred and not the value of personal property, financing, or leases.
- Sales occurred during the time frame being tested or modeled.
- Sales are excluded only when they fail to meet the requirements of an open-market, arm's length transaction.

All sales meeting the definition of market value should be entered as valid transactions unless one of the following two conditions exists:

- Data for the sale are incomplete, unverifiable, or suspect.
- The sale fails to pass one or more specific tests of acceptability.

All sales should be considered as valid sales unless sufficient information can be documented to show otherwise. Reason codes or comments may be established for valid and invalid sales for both ratio studies and model calibration. Staff should use their judgment in determining if sales are valid or invalid, but they should not be arbitrary.

Importance of Sales Verification

Sales data are needed for the valuation process and for sales ratio studies. The reliability of any valuation model or sales ratio study depends on the quality and quantity of its data. Sales data should be collected, edited, and adjusted (if necessary) to obtain valid indicators of market value. If there is a question or concern about a sale, staff should try to contact a party to the sale to verify or clarify the question or concern. Staff should be familiar with sales involving:

- Adjoining property owner
- Auctions
- Internet marketing

- Sale leasebacks
- Personal property
- Property characteristic changes
- Related parties
- Sealed bids
- Uninformed buyers and sellers
- IRS 1031 exchanges
- REITs
- Trades
- Financial institutions
- Short sales

In regard to validity, sales that may be considered invalid are:

- Sales involving government agencies
- Sales involving charitable, religious, or educational institutions
- Sales involving financial institutions as buyer or seller
- Sales between relatives or between corporate affiliates
- Sales settling an estate
- Forced sales resulting from a judicial order
- Sales of doubtful or questionable title

Staff should use careful judgment in their determination before coding sales as invalid.

Entering Sales Information

Once sales data is collected by staff, the next phase begins with the entering of the data in the computer system. Entering includes the actual entering of sales information with proper coding as well as scanning the sales verification information into the appropriate property account. This electronic file will be permanently stored in the account image location so that confirmation of the sales price is readily attainable. The District has a documentation form for staff to use when entering sales information. Sales & Research staff will either enter the information/documentation in the mainframe database themselves or will give to the appraisal support specialist to enter in the database (and excel spreadsheet if appropriate). Proper coding and entering is essential to maintain a consistency in the quality and integrity of sales data to help appraisers in their analysis and ratio studies. A system of type, source and validity codes was established to define salient facts related to a property's purchase or transfer. Sales is not only stored in the mainframe database but also sometimes in excel spreadsheets. The following is a set of established codes and types that are utilized by the Denton Appraisal District to provide consistency in entering sales data:

INSTRUCTIONS / CODES TO USE FOR ENTERING SALES					
UNDER THE "SALE CONFIRMATION" SCREEN					
IF "SOURCE" OF SALES INFORMATION IS FROM:-----		"SOURCE" CODE TO USE			
COSTAR		CO*			
MLS		M			
SETTLEMENT STMT OR ANY OTHER TYPE OF CLOSING DOC		SS			
SALES LETTER		SL			
FEE APPRAISAL / APPRAISER		A			
BROKER		B			
CONFIDENTIAL (AT TAXPAYER'S REQUEST)		C			
ANY OTHER SOURCE		OTHER			
UNDER THE "SALE INFORMATION" SCREEN					
IF "SALE TYPE" IS FROM ANY OF THESE:-----		"SALE TYPE" CODE TO USE			
MLS / COSTAR / LOOPNET		CI (CONFIDENTIAL WITH IMPROVEMENTS) CL CONFIDENTIAL LAND ONLY)			
CONFIDENTIAL (AT TAXPAYER'S REQUEST)		C (CONFIDENTIAL)			
		For "confidential sales, always remember to check the "confidential" box.			
SALES LETTER		I (FOR IMPROVED SALES)	L (FOR LAND ONLY SALES)		
SETTLEMENT / CLOSING / HUD STATEMENT		I (FOR IMPROVED SALES)	L (FOR LAND ONLY SALES)		
APPRAISER OR COMPS USED IN A FEE APPRAISAL		I (FOR IMPROVED SALES)	L (FOR LAND ONLY SALES)		
BROKER		I (FOR IMPROVED SALES)	L (FOR LAND ONLY SALES)		
FEE APPRAISAL (ON SUBJECT PROPERTY)		A			
IMPROVEMENT "PARTIAL COMPLETE"		IPC			
*** FOR LAND ONLY SALES, ALWAYS BE SURE TO CHECK THE "LAND ONLY SALE" BOX IN THE "SALE INFORMATION SCREEN"					
IF THE SALE IS A FORECLOSURE:-----		"SALE TYPE" CODE TO USE			
		FI (FORECLOSURE WITH IMPROVEMENTS) NON CONFIDENTIAL			
		FL (FORECLOSURE LAND ONLY) NON CONFIDENTIAL			
		FCI (FORECLOSURE CONFIDENTIAL WITH IMPROVEMENTS)			
		FCL (FORECLOSURE CONFIDENTIAL LAND ONLY)			
TYPE OF SALE-----		"RATIO" CODE TO USE			
ARMS LENGTH OR FORECLOSURE SALES		V (VALID)			
ATYPICAL SALES, IE:(FAMILY / RELATED PARTIES)		I (INVALID)			
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The appraisal support specialist is responsible for organizing incoming and outgoing sales documentation and fee appraisal reports/data. The specialist will coordinate with other departments to make sure sales and fee appraisal documentation is gathered and entered properly. The Sales & Research Supervisor is also responsible to oversee the collection and entering process of sales data and work closely with the appraisal support specialist.

Sale Adjustments

Sales should be adjusted to represent only the value of the real property as of the assessment date. Adjustments to the sale price may be considered or needed if any of the following exist:

- Assumptions (non-market rates)
- Closing costs (if atypical or seller paid)
- If included delinquent taxes paid by buyer
- Special financing (non-market rates or terms)
- Gift programs
- Personal property included in sale
- Repair allowances
- Time
- Business value (goodwill)

This is especially true for nonresidential properties. The real property tax is based on the market value of real property alone as of a specific date. This value may not be the same as investment value and should not include the value of personal property or financing arrangements.

If adjustments for more than one purpose are to be made, they should be made in the following order:

- Adjustments that convert the price to a better representation of the market value as of the date of sale.
- Adjustments that develop or isolate the price paid for taxable real property.
- Adjustments for differences in market value levels between the date of sale and the date of analysis (time adjustments)

Time adjustments should be based on market analysis and be appropriately supported. Acceptable time adjustment techniques are as follows:

- Tracking sales-to-appraisal ratios over time
- Including date of sale as a variable in regression or feedback models
- Analyzing resales
- Paired sales analysis

On all adjustments, the Denton Appraisal District will use appropriate and accepted methods as set forth in the standards of the International Association of Assessing Officers (IAAO) and/or the Uniform Standards of Professional Appraisal Practice (USPAP).

2.65 Procedures for Analyzing and Adjusting Sales Prices

One of the primary responsibilities of the Denton Appraisal District is estimating the market value of each property within the jurisdiction. The integrity of the property tax is dependent on the accuracy of the estimates of market value established by the Appraisal District. This is accomplished by analyzing market data to determine the price that the property being appraised would probably bring in the marketplace on the date of appraisal. Sales data analysis ensures that only sales that meet the definition of market value and that have been appropriately adjusted (if needed) are used in developing these estimates of market value. Accuracy is dependent upon proper verification and adjustment of sales data. Once sales data is collected, appraisers and appraisal support specialist are required to analyze the source of the sales price, terms and conditions of the sales price (if possible), motivations of the sales price (if possible) and any other factors that could influence the validity of the sales price. This requires reviewing the source and making contact with the parties involved in the sales transactions to ascertain more details of the sale or clarify conditions of the sale. This can be done by phone calls, written request, email or personal interviews.

Sale Adjustments

Sales should be adjusted to represent only the value of the real property as of the assessment date. Adjustments to the sale price may be considered or needed if any of the following exist:

- Assumptions (non-market rates)
- Closing costs (if atypical or seller paid)
- If included delinquent taxes paid by buyer
- Special financing (non-market rates or terms)

- Gift programs
- Personal property included in sale
- Repair allowances
- Time
- Business value (goodwill)

This is especially true for nonresidential properties. The real property tax is based on the market value of real property alone as of a specific date. This value may not be the same as investment value and should not include the value of personal property or financing arrangements.

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- Adjustments that develop or isolate the price paid for taxable real property.
- Adjustments for differences in market value levels between the date of sale and the date of analysis (time adjustments)

Time adjustments should be based on market analysis and be appropriately supported. Acceptable time adjustment techniques are as follows:

- Tracking sales-to-appraisal ratios over time
- Including date of sale as a variable in regression or feedback models
- Analyzing resales
- Paired sales analysis

On all adjustments, the Denton Appraisal District will use appropriate and accepted methods as set forth in the standards of the International Association of Assessing Officers (IAAO) and/or the Uniform Standards of Professional Appraisal Practice (USPAP).

2.66 Value Defense Procedures for Informal Meetings and Formal Hearings

Informal Meetings

During the appeals process, the Sales & Research Department staff will sometimes need to help out other departments. This involves informal meetings with property owners and/or authorized tax agents to discuss any errors, discrepancies of market value and/or equity, and any claims of exemptions or special valuations (agricultural use, restricted values, etc.) The informal review may be handled by mail, in person, email or telephone. The review allows for communication and mutual understanding, which will reduce the number of formal appeals. Informal reviews should incorporate the following basic steps:

- Verify the parcel information
- Exchange information
- Record the nature of complaint
- Use cost, sales or income information when appropriate to confirm property value
- If a value is indicated, change the value and enter into a signed agreement
- If value change is not warranted, explain proper appeal rights and procedures

Appraisers in the Sales & Research Department must get written approval from an appropriate manager or supervisor to settle any property with an appraised value of \$50,000,000 or higher.

Formal Hearings

Appraisal Review Board hearings (formal appeals) are the next step in the appeals process. Prior to the hearing, the property owner/agent should be given a copy of the evidence the appraiser plans to use in the hearing (if requested). The appraiser should be prepared to present factual information relating to the property, such as tax maps, pictures of the property, improvement drawings, etc. as well as valuation information, the cost, market and income approaches to value. If there is an equity component to the appeal, the appraiser should be prepared to present a reasonable sample of equity comparables based on sales, income, as appropriate.

2.67 Procedures for Responding to the Public

DISCLOSURE OF RECORDS

The District shall comply in all respects with the Texas Open Records Act and Government Code Chapter 552. District staff shall ensure that all requests for records will be responded to timely, professionally and courteously. Any request for records that are or may be confidential by law shall be promptly transmitted to legal counsel for appropriate response.

DEFINITION OF PUBLIC INFORMATION

“Public Information” means information that is collected, assembled, or maintained under a law or ordinance or in connection with the transaction of official business:

1. by a governmental body; or
2. for a governmental body and the governmental body owns the information or has a right of access to it.

REQUESTS FOR INFORMATION

The District may from time to time receive verbal or written requests for information that would not necessarily constitute a “record” of the District. This would include questions concerning procedures and practices engaged in by the District but not the subject of any written policy or rule. District staff shall endeavor to answer such requests and questions whenever possible and practical, subject to the exceptions below.

Staff may decline to respond to public request and questions not covered by the Open Records Act in the following instances:

- a. Where legal counsel determines that such information should not be disclosed.
- b. Where the information sought has been previously provided to the requester.
- c. Where the Board of Directors and the Chief Appraiser determines that a response would require an unreasonable expenditure of time or would interfere with a staff member’s job duties.
- d. Where the information sought can be derived from written records of the District through an open records request, or by the District’s public access computer terminal (but in such cases, the requester will be informed of the existence and availability of such records).
- e. Where the Chief Appraiser has determined that the request is made for the purpose or has the effect of harassment, annoyance, interference with District operations, or other similar reasons.

2.68 Reproduction Costs of Open Records

The Denton Central Appraisal District will make available records for public examination under the guidelines of the Texas Open Records Act (Texas Government Code, Chapter 552). It is not the Districts intention to deny anyone access to records that are considered “open” for public examination. Furthermore, the District upon receiving a written request from the interested party, will reproduce requested information in the original form for a reproduction fee that is recommended by the State Purchasing and General Services Commission.

A. Statutory Reference

552.228. Providing Suitable Copy of Record Within Reasonable Time

It shall be a policy of a governmental body to provide a suitable copy of a public record within a reasonable time after the date on which the copy is requested.

552.261. Determining Cost of Copies

(a) A governmental body may not charge an excessive amount for noncertified, photographic reproductions of public records composed of pages that are legal size or smaller.

(b) The cost of obtaining a standard or legal size photographic reproduction shall be an amount that reasonably includes all costs related to reproducing the record, including costs of materials, labor, and overhead, unless the request is for 50 or fewer pages of readily available information.

(c) The General Services Commission shall periodically determine guidelines for the actual cost of standard size reproductions and shall periodically publish these cost figures for use by governmental bodies in determining charges under this subchapter.

552.262. Cost for Nonstandard Records

The charge for access to public records that are comprised in a form other than standard or smaller sized pages, or that are in computer records banks, microfilm records, or other similar record keeping systems shall be set:

- (1) making every effort to match the charge with the actual cost of providing the record;
- (2) after consultation between a governmental body's officer for public records and the General Services Commission; and
- (3) in an amount that reasonably includes all costs related to providing the record, including costs of materials, labor, and overhead.

COST OF COPIES OF OPEN RECORDS Texas Administrative Code (Title 2, Chapter 111)

It will be the policy of the Denton Central Appraisal District to follow the guidelines of the office of the Attorney General when determining charges for reproductions.

From time to time, the Denton Central Appraisal District will exchange information with parties outside the district office. The consideration for supplying the information will be the information we receive from the other party.

Cost of Copies of Public Information from the Texas Administrative Code:

(a) The charges in this section to recover costs associated with providing copies of public information are based on estimated average costs to governmental bodies across the state. When actual costs are 25% higher than those used in these rules, governmental bodies other than agencies of the state, may request an exemption in accordance with §111.64 of this title (relating to Requesting an Exemption).

(b) Copy charge.

(1) Standard paper copy. The charge for standard paper copies reproduced by means of an office machine copier or a computer printer is \$.10 per page or part of a page. Each side that has recorded information is considered a page.

(2) Nonstandard copy. The charges in this subsection are to cover the materials onto which information is copied and do not reflect any additional charges, including labor, that may be associated with a particular request. The charges for nonstandard copies are:

(A) Diskette--\$1.00;

(B) Magnetic tape--actual cost;

(C) Data cartridge--actual cost;

(D) Tape cartridge--actual cost;

(E) Rewritable CD (CD-RW)--\$1.00;

(F) Non-rewritable CD (CD-R)--\$1.00;

(G) Digital video disc (DVD)--\$3.00;

(H) JAZ drive--actual cost;

(I) other electronic media--actual cost;

(J) VHS video cassette--\$2.50;

(K) Audio cassette--\$1.00;

(L) Oversize paper copy (e.g.: 11 inches by 17 inches, greenbar, bluebar, not including maps and photographs using specialty paper--See also §111.69 of this title)--\$.50;

(M) Specialty paper (e.g.: Mylar, blueprint, blueline, map, photographic--actual cost.

(c) Labor charge for programming. If a particular request requires the services of a programmer in order to execute an existing program or to create a new program so that requested information may be accessed and copied, the governmental body may charge for the programmer's time.

(1) The hourly charge for a programmer is \$28.50 an hour, which includes fringe benefits. Only programming services shall be charged at this hourly rate.

(2) Governmental bodies that do not have in-house programming capabilities shall comply with requests in accordance with §552.231 of the Texas Government Code.

(3) If the charge for providing a copy of public information includes costs of labor, a governmental body shall comply with the requirements of §552.261(b) of the Texas Government Code.

(d) Labor charge for locating, compiling, and reproducing public information.

(1) The charge for labor costs incurred in processing a request for public information is \$15 an hour, which includes fringe benefits. The labor charge includes the actual time to locate, compile, and reproduce the requested information.

(2) A labor charge shall not be billed in connection with complying with requests that are for 50 or fewer pages of paper records, unless the documents to be copied are located in:

(A) Two or more separate buildings that are not physically connected with each other; or

(B) A remote storage facility.

(3) A labor charge shall not be recovered for any time spent by an attorney, legal assistant, or any other person who reviews the requested information:

(A) To determine whether the governmental body will raise any exceptions to disclosure of the requested information under the Texas Government Code, Subchapter C, Chapter 552; or

(B) To research or prepare a request for a ruling by the attorney general's office pursuant to §552.301 of the Texas Government Code.

(4) When confidential information pursuant to a mandatory exception of the Act is mixed with public information in the same page, a labor charge may be recovered for time spent to redact, blackout, or otherwise obscure confidential information in order to release the public information. A labor charge shall not be made for redacting confidential information for requests of 50 or fewer pages, unless the request also qualifies for a labor charge pursuant to Texas Government Code, §552.261(a)(1) or (2).

(5) If the charge for providing a copy of public information includes costs of labor, a governmental body shall comply with the requirements of Texas Government Code, Chapter 552, §552.261(b).

(6) For purposes of paragraph (2)(A) of this subsection, two buildings connected by a covered or open sidewalk, an elevated or underground passageway, or a similar facility, are not considered to be separate buildings.

(e) Overhead charge.

(1) Whenever any labor charge is applicable to a request, a governmental body may include in the charges direct and indirect costs, in addition to the specific labor charge. This overhead charge would cover such costs as depreciation of capital assets, rent, maintenance and repair, utilities, and administrative overhead. If a governmental body chooses to recover such costs, a charge shall be made in accordance with the methodology described in paragraph (3) of this subsection. Although an exact calculation of costs will vary, the use of a standard charge will avoid complication in calculating such costs and will provide uniformity for charges made statewide.

(2) An overhead charge shall not be made for requests for copies of 50 or fewer pages of standard paper records unless the request also qualifies for a labor charge pursuant to Texas Government Code, §552.261(a)(1) or (2).

(3) The overhead charge shall be computed at 20% of the charge made to cover any labor costs associated with a particular request. Example: if one hour of labor is used for a particular request, the formula would be as follows: Labor charge for locating, compiling, and reproducing, $\$15.00 \times .20 = \3.00 ; or Programming labor charge, $\$28.50 \times .20 = \5.70 . If a request requires one hour of labor charge for locating, compiling, and reproducing information ($\$15.00$ per hour); and one hour of programming labor charge ($\$28.50$ per hour), the combined overhead would be: $\$15.00 + \$28.50 = \$43.50 \times .20 = \8.70 .

(f) Microfiche and microfilm charge.

(1) If a governmental body already has information that exists on microfiche or microfilm and has copies available for sale or distribution, the charge for a copy must not exceed the cost of its reproduction. If no copies of the requested microfiche or microfilm are available and the information on the microfiche or microfilm can be released in its entirety, the governmental body should make a copy of the microfiche or microfilm. The charge for a copy shall not exceed the cost of its reproduction. The Texas State Library and Archives Commission have the capacity to reproduce microfiche and microfilm for governmental bodies. Governmental bodies that do not have in-house capability to reproduce microfiche or microfilm are encouraged to contact the Texas State Library before having the reproduction made commercially.

(2) If only a master copy of information in microform is maintained, the charge is \$.10 per page for standard size paper copies, plus any applicable labor and overhead charge for more than 50 copies.

(g) Remote document retrieval charge.

(1) Due to limited on-site capacity of storage of documents, it is frequently necessary to store information that is not in current use in remote storage locations. Every effort should be made by governmental bodies to store current records on-site. State agencies are encouraged to store inactive or non-current records with the Texas State Library and Archives Commission. To the extent that the retrieval of documents results in a charge to comply with a request, it is permissible to recover costs of such services for requests that qualify for labor charges under current law.

(2) If a governmental body has a contract with a commercial records storage company, whereby the private company charges a fee to locate, retrieve, deliver, and return to storage the needed record(s), no

additional labor charge shall be factored in for time spent locating documents at the storage location by the private company's personnel. If after delivery to the governmental body, the boxes must still be searched for records that are responsive to the request, a labor charge is allowed according to subsection (d) (1) of this section.

(h) Computer resource charge.

(1) The computer resource charge is a utilization charge for computers based on the amortized cost of acquisition, lease, operation, and maintenance of computer resources, which might include, but is not limited to, some or all of the following: central processing units (CPUs), servers, disk drives, local area networks (LANs), printers, tape drives, other peripheral devices, communications devices, software, and system utilities.

(2) These computer resource charges are not intended to substitute for cost recovery methodologies or charges made for purposes other than responding to public information requests.

(3) The charges in this subsection are averages based on a survey of governmental bodies with a broad range of computer capabilities. Each governmental body using this cost recovery charge shall determine which category(ies) of computer system(s) used to fulfill the public information request most closely fits its existing system(s), and set its charge accordingly. Type of System--Rate: Mainframe--\$10 per CPU minute; Midsize--\$1.50 per CPU minute; Client/Server--\$2.20 per clock hour; PC or LAN--\$1.00 per clock hour.

(4) The charge made to recover the computer utilization cost is the actual time the computer takes to execute a particular program times the applicable rate. The CPU charge is not meant to apply to programming or printing time; rather, it is solely to recover costs associated with the actual time required by the computer to execute a program. This time, called CPU time, can be read directly from the CPU clock, and most frequently will be a matter of seconds. If programming is required to comply with a particular request, the appropriate charge that may be recovered for programming time is set forth in subsection (d) of this section. No charge should be made for computer print-out time. Example: If a mainframe computer is used, and the processing time is 20 seconds, the charges would be as follows: $\$10 / 3 = \3.33 ; or $\$10 / 60 \times 20 = \3.33 .

(5) A governmental body that does not have in-house computer capabilities shall comply with requests in accordance with the §552.231 of the Texas Government Code.

(i) Miscellaneous supplies. The actual cost of miscellaneous supplies, such as labels, boxes, and other supplies used to produce the requested information, may be added to the total charge for public information.

(j) Postal and shipping charges. Governmental bodies may add any related postal or shipping expenses which are necessary to transmit the reproduced information to the requesting party.

(k) Sales tax. Pursuant to Office of the Comptroller of Public Accounts' rules sales tax shall not be added on charges for public information (34 TAC, Part 1, Chapter 3, Subchapter O, §3.341 and §3.342).

(l) The commission shall reevaluate and update these charges as necessary.

C. Price List For Copies (Appendix C)

Format for Copies of Public Information

- (a) If a requesting party asks that information be provided on computer-compatible media of a particular kind and the requested information is electronically stored and the governmental body has the capability of providing it in that format and it is able to provide it at no greater expense or time, the governmental body shall provide the information in the requested format.
- (b) The extent to which a requestor can be accommodated will depend largely on the technological capability of the governmental body to which the request is made.
- (c) A governmental body is not required to purchase any hardware, software or programming capabilities that it does not already possess to accommodate a particular kind of request.
- (d) Provision of a copy of public information in the requested medium shall not violate the terms of any copyright agreement between the governmental body and a third party.
- (e) If the governmental body does not have the required technological capabilities to comply with the request in the format preferred by the requestor, the governmental body shall proceed in accordance with §552.228(c) of the Public Information Act.
- (f) If a governmental body receives a request requiring programming or manipulation of data, the governmental body should proceed in accordance with § 552.231 of the Public Information Act. Manipulation of data under §552.231 applies only to information stored in electronic format

2.69 Taxpayer Information on Open Records

The purpose of the following policy is to provide the employee's a succinct synopsis of the Texas Open Records Act. The information in this section should always be referred to when a property owner asks that their property records be sealed:

As required by the Texas Open Records Act, it is the policy of the Denton Central Appraisal District that every person, upon request, is entitled to complete access to public information regarding governmental affairs and the official acts of public officers and employees. Public information is defined as information which is contained in documents, writings, letter, memoranda, or other printed, typed, copied, or developed material which is collected, assembled, or maintained by or for the Denton Central Appraisal District in accordance with laws or ordinances, or in connection with the transaction of official business. Unless specifically exempted all such public information shall be made available to the public during the Denton Central Appraisal District's normal business hours. Public information not accessible at the time of the request will be made available within a reasonable time.

The District may not legally withhold from public inspection any documents except as specifically allowed by law. The following information is not subject to public disclosure:

- A. Rendition statements and real and personal property reports that are filed with the Denton Central Appraisal District under the understanding that such statements or reports are to remain confidential.
- B. Information regarding real or personal property sales prices that is voluntarily disclosed to the Denton Central Appraisal District after a promise that such information will remain confidential.

C. Information relating to the business affairs, operations, profits, losses or expenditures of a taxpayer including, but not limited to, corporate taxpayers, which are obtained through an examination of the taxpayers' books, records, papers or employees.

D. All federal tax returns or federal tax return information that a taxpayer is required to file with a state tax return or report.

E. All applications for agricultural designation (1-d) which a taxpayer files with the Denton Central Appraisal District's Chief Appraiser.

F. Statements, declarations, or reports filed with the Denton Central Appraisal District by either motor vehicle dealers or vessel and outboard motor dealers for the purposes of assessing inventory value for the tax year. (Effective 1-1-96)

G. All information that, if released, would give a competitor or bidder any type of unfair advantage.

H. All information relating to the location of real or personal property to be used for public purposes before any public announcement of the proposed project.

I. All information relating to the price of real or personal property to be used for a public purpose before the award of contracts for the property.

This list of exceptions is intended only to cover commonly received taxpayer records, and is not the complete list of statutory exceptions to the requirement that records be open.

Sources:

1. V.A.T.C.S. Government Code §552.001, 552.002, 552.003, 552.021, 552.025, 552.101, 552.104, 552.105 (West, 1994)

2. V.A.T.C.S. Tax Code §22.27, 23.45, 23.12(f), 23.123, 111.006, 171.206 (West, 1994)

2.70 Taxpayer Liaison Officer

The Denton Central Appraisal District has a Taxpayer Liaison Officer (TLO). The primary focus of the TLO is to improve the Appraisal District's relationship with the public and requires the TLO to be credible, knowledgeable and responsive to the public with no conflicting interests. The duties and responsibilities of the Taxpayer Liaison Officer may include:

- Resolving issues regarding the Board of Directors, the Chief Appraiser, or Denton Central Appraisal District employees.
- May provide information and/or materials designed to assist property owners in understanding the appraisal process, protest procedures, taxing unit matters and other related issues.
- Reporting to the board at each meeting (if necessary) on inquiries or public complaints filed and their status. Reports to the Board may be an oral or written presentation and may include the nature of the issues and concerns with a follow up to ensure their resolution.

In addition, the taxpayer liaison officer may handle public access and informational matters. The liaison officer also resolves complaints that fall outside the jurisdiction of the appraisal review board. At each regular meeting of the board, the taxpayer liaison officer reports on the number, nature and status of resolution on any complaints (if any).

The TLO also coordinates many administrative matters for the ARB. If you are having some difficulty with the protest system, or have questions concerning the ARB, contact the TLO. If your question cannot be resolved directly, you will receive an appropriate referral to someone who can help you.

The Taxpayer Liaison Officer contact information will be posted on the Appraisal District's website to help accessibility to the public.

The Texas Property Tax Code defines the Taxpayer Liaison Officer as:

§6.052. Taxpayer Liaison Officer

- (a) The board of directors for an appraisal district created for a county with a population of more than 125,000 shall appoint a taxpayer liaison officer who shall serve at the pleasure of the board. The taxpayer liaison officer shall administer the public access functions required by Sections 6.04(d), (e), and (f), and is responsible for resolving disputes not involving matters that may be protested under Section 41.41.
- (b) The taxpayer liaison officer may provide information and materials designed to assist property owners in understanding the appraisal process, protest procedures, and related matters.
- (c) The taxpayer liaison officer shall report to the board at each meeting on the status of all complaints filed with the board under Section 6.04(g).
- (d) The taxpayer liaison officer is entitled to compensation as provided by the budget adopted by the board of directors.
- (e) The chief appraiser or any other person who performs appraisal services for the appraisal district for compensation is not eligible to be the taxpayer liaison officer for the appraisal district.

Added by Acts 1989, 71st Leg., ch. 796, § 8, eff. Jan. 1, 1990. Amended by Acts 1991, 72nd Leg., ch. 371, § 2, eff. Sept. 1, 1991; Acts 2007, 80th Leg., ch. 1086, § 1, eff. Sept. 1, 2007.

SUBSECTION 3. APPRAISAL OF BUSINESS PERSONAL PROPERTY

3.01 Introduction

A. Definition of Appraisal Responsibility

The Business Personal Property Department of the Denton Central Appraisal District (DCAD) is responsible for developing fair and uniform market values for all taxable Business Personal Property accounts in the DCAD.

B. Legal and Statutory Requirements

The provisions of the Texas Property Tax Code (TPTC) and relevant legislative measures involving appraisal administration and procedures control the work of the appraisal district. The district is responsible for appraising property on the basis of its market value for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the district. The district is required to periodically reappraise all property at least once every three years. *DCAD reappraises property each year.*

C. Administration Requirements

DCAD subscribes to the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. DCAD also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). The Business Personal Property Department submits annual budget requests to the Deputy Chief Appraiser and is bound to produce mass-appraisal estimates on Business Personal properties within the cost constraints of said budget.

D. Appraisal Resources

Personnel - The Business Personal Property Department staff consists of a manager, a supervisor, three field appraisers assigned to geographic areas and three information specialists. The manager reports to the Deputy Chief Appraiser.

E. Scope of Work

The Business Personal Property Department of the Denton Central Appraisal District (DCAD) is responsible for developing fair and uniform values for all industrial, business, and mineral properties.

3.02 General Policies and Procedures

The most difficult tasks encountered by an appraiser are the discovery and assessment of personal property. The law requires that all property not specifically exempt be taxed. However, because personal property is easily concealed and frequently moved and because of the need to determine situs, and ownership, the taxation of personal property is more difficult than the taxation of real property.

Items not permanently affixed to or part of real estate is generally considered to be personal property. To differentiate between real and personal property the appraiser must consider the manner in which the property is attached or secured in the location, the purpose for which the property is used and whether it is to remain permanently affixed or be removed at some time. A general rule is that an item is personal property if it can be removed without serious injury to the real estate or to the item itself.

A. Data and Research

It is the goal of this department to gather information that can be used to establish class schedules and verify that values placed on DCAD Appraisal Rolls are as accurate as possible.

Any information that would indicate value will be considered.

When information is received from whatever source, it is verified by personal contact, third party information, or direct access to financial information.

Staff will work with any reliable source to acquire information.

B. Education and Training

All employees shall have the knowledge and expertise to do their job. Each employee will have a minimum educational standard required for their position. In addition, DCAD will supply the following:

1. On the job training – each employee will receive training on procedures, policy, and equipment by their supervisor and other employees in similar positions.
 2. State required education and registration – all employees so required will achieve and maintain their own educational and registration requirements.
 3. Additional training and education – from time to time, additional training and education will be required to enhance job performance, knowledge and expertise.
- Employees will be expected to perform to an acceptable standard.

3.03 Methods of Discovery

Since most personal property is movable in nature, the most difficult step in the assessment of personal property is developing a system of discovery and recognizing the appropriate trade level.

How Business Personal Property is appraised:

The application of appraisal for the purposes of Business Personal Property is divided into the categories of variable and fixed.

Fixed tasks include recognizing, inspecting and setting up new accounts, review and reappraisal of an assigned geographical area as well as deleting accounts that have ceased doing business. This category is for accounts that have a single physical location.

Variable accounts are accounts that may have multiple locations or be specialty accounts. Multiple location accounts include leased equipment, telecommunications, utilities, pipelines and billboards. Specialty accounts include tenant accounts and special inventory accounts for auto, boat, heavy equipment and manufactured housing dealers.

The BPP department also reviews accounts that were not rendered in the previous year. Also accounts are reviewed that may have been questioned and a different value applied based on comparable property type.

Due to the dynamic nature of personal property, information gathered from certified renditions, verified balance sheets, invoices, and asset listings verified through national cost services (Marshall & Swift valuation software for BPP) have been determined as the best comparable and benchmarks for the property being valued. This process can be used to develop pricing guides by property type. Property type is noted by classification referenced by an SIC CODE. The information is then converted into a price per square foot representation multiplied by the square footage of the subject.

Benchmark Properties – Personal Property does not normally lend itself to being tested by benchmark sales. The best indicators of a benchmark for personal property are certified renditions, balance sheets, invoices, and asset listings. Marshall and Swift valuation software is also used as a test and adjunct tool in assisting in developing benchmarks.

Fixed Tasks – These accounts are taken from the previous year’s certified roll. They are generated in an account ledger format sometimes carried in book form, but in the case of the Denton BPP department an apple I-PAD. This allows for immediate account conformation and entry of recognized new accounts.

Fixed accounts are separated into geographical areas. These areas are based upon cities and school districts. Within these areas certain designated accounts are noted for special attention. This category includes properties that did not file a rendition the previous year or the rendition filed was questioned and was not used for the property’s valuation.

Each appraiser inspects every account on their route. Upon inspecting the accounts on the assigned route, the appraiser verifies and makes any appropriate change. Sources that can be used as an adjunct to aid them in their task of identifying new accounts are: certificates of occupancy, newspaper articles and business journals.

Variable accounts – Variable accounts are represented by leased equipment, telecommunications, utilities, mineral and VIT accounts. These accounts are rendered by electronic transmission. The information is reviewed and entered by the assigned staff. The rendered and depreciated information is then incorporated into the final value for the current year.

A. Business Personal Property Rendition

The use of a personal property rendition is by far the most important method of discovering personal property. This method requires that the appraisal district develop and use suitable rendition forms and vigorously pursue their accurate completion by taxpayers. The rendition process is particularly important for commercial, industrial and utility taxpayers whose inventory, equipment and supplies constitute a large part of their taxable property.

The rendition is often used by the appraiser to obtain information necessary for the appraiser to apply the districts own depreciation schedules to equipment, furniture and fixtures; the rendition does not necessarily contain requisite information for such depreciation calculations.

The Business Personal Property Rendition is due on or before April 15. All renditions must be signed and completed. An additional 30 days if requested in writing will be approved. Any additional extensions past the original 30 days must show cause and be approved by the Chief Appraiser.

Properties that do not comply with the deadlines will be subject to a 10% penalty. A property owner can request in writing a waiver from the 10% penalty if goods cause is shown. The Appraiser is responsible to research the request and all information on the account to determine if a penalty can be waived.

B. Prior Year Tax Roll

A review of the prior year's tax roll is a good base from which the appraiser can work. Although particular items may change from year to year, the basic nature of the property will remain unchanged in most cases.

C. Publicized Material

The use of newspapers, press releases and trade journals will often assist the appraiser in locating the addition of personal property that results from new businesses opening or old businesses expanding within his jurisdiction.

D. Telephone and City Directories

Telephone and city directories are particularly valuable in locating commercial, service or industrial operations new to the jurisdiction.

E. Physical Inspection

Visual inspection to assure that all taxable personal property is assessed is used by the appraiser an assigned area of the appraisal district.

F. Registration Records

County vehicle registration records are the best source for vehicle information. These lists provide most of the information necessary to assess such property.

G. Federal Government Records

The FAA supplies data consisting of the name and addresses of airplane owners and a description of the type of planes they own.

H. Building Permits

Building permits also will indicate the existence of new business or the replacement of one business for another when existing commercial property is remodeled.

I. Sales Tax Listing

Business or "sales tax" lists from the State Comptroller's office are also good sources for discovering the existence of many businesses that otherwise may go unnoticed, along with providing ownership and good mailing address information.

J. County Clerk DBA Records

These are filings that are recorded at the County Clerk's office stating the assumed name of the company.

3.04 Procedures for Informal Meetings and Participating in Appraisal Review Board Hearings

The appeals process begins with an informal meeting between the appraiser and the property owner to discuss any errors, discrepancies of market value and/or equity, and any claims of exemptions or special valuations (Freeport, abatement, foreign trade, etc.). The informal review may be handled by mail, in person, or by telephone. The review allows for communication and mutual understanding, which will reduce the number of formal appeals. Informal reviews should incorporate the following basic steps: 1) Initiate inquiry record; 2) Verify the parcel information; 3) Exchange information; 4) Record the nature of complaint; 5) Use cost, sales, or income information to confirm property value; 6) If a value change is indicated, the appraiser will change the value and enter into a signed agreement with the property owner; 7) If a value change is not warranted, the appraiser should explain the appeal rights and procedures, in case the property owner wishes to make a formal appeal.

Appraisal Review Board hearings (formal appeals) are the next step in the appeals process. Prior to the hearing, the property owner should be given a copy of the evidence the appraiser plans to use.

Formal Hearings – The appraiser is given the responsibility of identifying protested accounts that fall within their scope of responsibility. Any information that was incorporated in the valuing of the account is to be presented at the hearing. Each side is given an opportunity to present their information before the ARB gives their decision. After the board gives their decision a board order is mailed informing the protester of the decision if there is a change.

A. Procedures on Maintaining Confidential Information

All confidential information (renditions, contracts, balance sheets, etc.) are kept secure and prohibited from public view. Confidential documents must be requested in writing and the persons requesting must be the owner, agent, or an authorized employee of the business.

3.05 Situs and Inspection of Personal Property

Field Instructions – The appraiser is instructed and will endeavor to be aware of the accounts that are on their route. As to the extent that personal property can be assessed depends on its discovery.

A. Situs of Personal Property

Another difficult task in assessing personal property is determining the situs of the property for taxation purposes. The general rule in taxation of personal property is that a taxing jurisdiction can only assess property that has situs within its boundaries. The basic law for determining situs of personal property involves identifying the owner's intent for the property. If personal property has not acquired an actual situs of its own by being located at one place more or less permanently, it is taxable at the domicile of the owner. Expansion of situs questions can be found in the States General Appraisal Manual, the Property Tax Code, and personal property course texts.

B. Measurement of Area

The appraiser must measure the area in which inventory is held for sale or stored for future use and apply the averaging density factor tables for like property to arrive at a consistent estimate of value.

C. Property Inspection

The personal property appraiser should first inspect the property to be appraised. Next, the appraiser should examine or audit the books and records of the business to be appraised if the financial statements are available. From the inspection and examination, basic data may be extracted for the appraisal of the operating unit.

The inspection and audit program should develop the following basic data:

- 1. Source of costs declared by the taxpayer*
- 2. Reliability of cost information*
- 3. Condition of property*
- 4. Description of the property by item or class*
- 5. Year acquired – new or used*
- 6. Economic (Useful) Life – by item or classes*

D. Evaluation of Inventory

Items of inventory must be evaluated in bulk as a class or category assessable to a particular taxpayer, unlike other items of “tangible personal property” (furniture and fixtures, machinery, equipment and vehicles) which, under normal circumstances, are to be evaluated and assessed separately. In the recognized methods of evaluation of inventory on an aggregate or bulk basis, the appraiser should first determine the level of trade; i.e., manufacturing, wholesale or retail at which the inventory is held. The product of this method would be the amount that would be received by the taxpayer in a sale of the total of such items of inventory assessable to him, to another person, firm or corporation who would continue the business. The principal of substitution dictates that inventory value would be the replacement cost to the owner of an acceptable substitute having comparable utility.

Business personal property accounts that are valued over 2 million will be reviewed by the supervisor or manager.

All freeport and abatement applications will be reviewed by the supervisor or manager of the department.

All pollution control accounts will be reviewed by the supervisor or manager.

E. Data Entry Procedures

Example of the process that the appraiser uses to acquire information from the account records by queries.

Queries:

- Query 1: Route by city (query will produce results for each city separately and saved in excel on F: drive).
- Query 2: out of city route. Query results will be everything out of city limits. (Query will be saved in excel on F: drive).
- Query 3: dba route. Query results pull all L1 & L2 accounts in Denton County in dba order. (Query will be saved in excel on F: drive).

Printing:

- Query 1: route by city – print 1 master copy
- Query 2: out of city route – print 1 master copy
- Query 3: dba route – print 5 copies

Organizing Queries 1 & 2:

- Make 1 master binder that includes the city and out of city route
- Separate each city with dividers and label. Put out of city in back of binder. Separate out of city with divider and label. Label front of binder with which cities are included and out of city (include current year)
- Keep master route book in Managers office

Organizing Query 3:

- Make 5 separate binders. Label front of each binder – dba route (include current year)

Loading Query 1 and 2 to BPP Route Books (Google):

- Once queries are complete and correct they will be emailed to the helpdesk
- Helpdesk will load

Working Areas:

- You will receive the paper portion of the route that needs to be worked
- Once completed it will be turned back in

Color Coding:

- Red – delete
- Green – active (no data entry needed)
- Yellow – requires data entry. Explain in comments exactly what needs to be changed
- Pink – recheck, revalue, etc.
- Blue - tenant list

Data Entry:

- Clerical staff will make all necessary changes to account
- The date and initial will be put in the done section when any changes are made
- Changes will be made by clerk on the appraisers in days

New Accounts:

- Appraiser will use new card template when setting up a new account
- After appraiser types up new card it will be emailed to bppnewaccounts
- Clerical staff will check bppnewaccounts inbox
- Once clerical staff sets up new account/scanned it will be dropped in that appraisers pending folder
- Appraiser will check pending folder. Check all data entry in PACS and add any additional information needed to account
- Appraiser will drag email to their worked folder
- Supervisor will check each appraisers worked folder. After emails (new accounts) are checked they will be moved to the current year completed folder

3.06 Estimation of Property Value

The method used to value personal property is usually controlled by such considerations as the type of property, whether there is an active and open market for such property and specific information as age, quality or quantity. The key to mass appraisal of personal property revolves around standardizing the method of processing data and applying the three traditional approaches to value. The market-data approach, the cost approach and the income approach can be applied in assessing personal property through the use of renditions, schedules and appraisal guides that are developed and used by the appraisal district. Inventory that is bought in bulk quantities must meet the test of an arm's length sale and should not include business liquidation. In determining the "market value" of items of inventory, the appraiser should consider the invoice cost, the condition of the inventory and other factors as required by law, or recognized using generally accepted accounting practices (GAAP), and correctly employs generally accepted appraisal techniques or methods (GAAT) to produce and communicate credible appraisals. The appraiser shall endeavor not to commit a substantial error of omission or commission that significantly affects a mass appraisal nor render a mass appraisal in a careless or negligent manner.

A. On-Site Appraisal

An “on-site” appraisal will be made of each individual, firm, partnership, co-partnership, association, society, corporation, or any other legal entity that owns, holds, or uses personal property in connection with a business or profession. Established accounts will be rechecked annually and new accounts will be established upon discovery.

Appraisers will make a detailed report for each business visited to include:

- *Business Name and Location*
- *Owner, Principal Officer, or Representative*
- *Mailing Address (If different)*
- *Business Telephone Number*
- *Person Contacted (At the business)*
- *Date Business Opened (New accounts only)*
- *County, City, School, and/or Special District*
- *Refused Entry and By Whom*
- *Square foot area occupied and leased*
- *Appropriate listing and description of Personal Property*
- *Property by category showing quality, condition, density of material, etc.*
- *Method or Technique and appraisal approach utilized*
- *Disclose any extraordinary assumptions or limiting conditions that effect value and indicate the impact*
- *Appraised Value*
- *Initials of Appraiser and Name of any Assisting Appraiser*
- *Date of Appraisal*

Each DCAD Personal Property Account is identified by a unique computer assigned account number and a business type using the Standard Industrial Classification System, and a property use code. Accounts are maintained on the Personal Property worksheet and kept in the appraisers’ office files (see below).

B. BPP Pricing Guide

The BPP manual is the current version used by the Property Tax Division of the State Comptroller's office utilized in ratio studies, and adopted for use by the Denton Central Appraisal District. The BPP manual gives guidelines for appraising property in this manner. The following pages detail how the density tables are to be used as supplied in the manual. All depreciation tables referred to are 2001 revised 2002 & 2003 for purposes of these following examples; values for business are estimated as if being appraised for the 2001 tax year.

INVENTORY				
D	(Quality)	FAIR	AVERAGE	GOOD
E				
N	LOW	1	4	7
S				
I	AVERAGE	2	5	8
T				
Y	HIGH	3	6	9

FURNITURE, FIXTURES, & EQUIPMENT				
D		FAIR	AVERAGE	GOOD
E				
N	LOW	1	4	7
S				
I	AVERAGE	2	5	8
T				
Y	HIGH	3	6	9

Figure 1 Pricing Grids

Shown in Figure 1 is a blank sample of the pricing “grids” The top grid is for “Inventory” while the lower is for “Fixed Assets.” Across the grid are three (3) columns headed FAIR, AVERAGE, and GOOD.

Generally, speaking, these columns represent the estimated “Quality” of the inventory or fixed assets.

Reading from top to bottom and down the left hand side, can be seen LOW, AVERAGE, and HIGH. Again, generally speaking, these headings indicate the estimated amount or quantity of inventory. As can be seen, Class “5” is the center point of the pricing system. Realistically all adjustments up or down should start from this point as “average” is the most common and therefore the easiest, most accurate point of reference.

Hardware Store

Table 5251

INVENTORY

(Quality)

		FAIR		AVERAGE		GOOD
D						
E						
N	LOW	1 8.00		4 15.00		7 27.00
S						
I	AVERAGE	2 10.00		5 18.00		8 32.00
T						
Y	HIGH	3 13.00		6 22.00		9 40.00

FURNITURE, FIXTURES & EQUIPMENT

(Quality)

		FAIR		AVERAGE		GOOD
D						
E						
N	LOW	1 1.00		4 5.00		7 10.00
S						
I	AVERAGE	2 2.00		5 6.00		8 12.00
T						
Y	HIGH	3 4.00		6 8.00		9 14.00

*Most hardware stores will be in the Fair and Average FF&E columns.

Percent Good	.90	.80	.70	.60	.50	.40	.30	.20	.10
Age	1yr.	2yrs.	3yrs.	4yrs.	5yrs.	6yrs.	7yrs.	8yrs.	9 + yrs.

Figure 2 Density Tables

Using Figure 2, the first example used is a 5,860 sq. ft. hardware store that was established in 1995. After obtaining all pertinent information to set up the account, it is estimated that this location has average quality inventory with average density. The fixed assets are estimated to be average for this business but in well-maintained condition. The effective age is estimated for the year 1997.

By indexing the inventory table, this location is classed a “5” with a price of \$18.00 per sq. ft. The fixed asset table also indicates a class “5” for \$6.00 per sq. ft. After checking the depreciation table under a ten (10) year life, we find that the fixed assets are estimated to be 60% good for a 1997 asset purchase.

In this example, the value is estimated as follows:

$$\begin{aligned}
 &\text{Inventory } 5,860 \text{ sq. ft. @ } \$18.00 = && \$105,480 \\
 &\text{Fixed } 5,860 \text{ sq. ft. @ } \$ 6.00 \text{ X } 60\% = && \underline{21,096} \\
 &&& \$126,576
 \end{aligned}$$

In the second example, we have another hardware store with a size of 4,725 sq. ft. The inventory quality and mix are very similar to what is normally seen. However, it appears there is more of it on the shelves rather than in the stock room. The fixtures are older wooden examples that were normally seen in the 1940’s and 1950’s period with wear and tear typical to fixtures of that age. For this example, date established is estimated in 1952.

In estimating the value for this location, we are classing the inventory as average with a higher density. By checking the grid, the “class” for this location for inventory is a “6” or \$22.00 per sq. ft. The fixtures will be classed “2” or \$2.00 per sq. ft. with the depreciation schedule indicating 20% remaining.

(Not going below “normal” ten year life figure as fixtures are still in use and in “average” condition for fixtures of that age.) Therefore, overall effective age is 1993.

The value on this business is estimated below:

Inventory	4,725 sq. ft. @ \$22.00	=	\$103,950
Fixed	4,725 sq. ft. @ 2.00 X 20%	=	<u>1,890</u>
			\$105,840

C. The Historical or Original Cost

1. Cost Determination

The cost as shown on the accounting records reflects different cost “basis” for items acquired. The property may have been acquired by cash purchase; by contract on a deferred payment plan; by exchange, or trade; by issuance of securities or other property; by self-construction; by gift or discovery; or by other cost “basis.” Accountants generally adhere to the base price established at the time the property was acquired. This principle has wide acceptance in the accounting profession. The property accounts seldom depart from the historical price base to reflect depreciated values of the assets.

However, the accounting term cost typically is referred to as the cost of acquiring an asset on the date of acquisition. Thus the value recorded for the assets of a company may be described as the “all inclusive” costs. The accounting records generally have property acquisitions reported on an “original” cost basis. These accounts may be adjusted for the determination of depreciation, etc. The cost then would be on an “adjusted” cost basis.

2. Examination of Accounting Records

The appraiser should examine the books and records of the business. The accounting records may be a complete or standard set of records or a modified system of records. The report of the appraiser should indicate what records were examined and describe the type of records examined for the appraisal. A determination must be made as to the cost basis used to record property in the records. This cost basis should reflect the minimum cash outlay necessary for the acquisition of the property. This cash outlay should also represent all the expenditures up to the time the property is put to its ultimate use. The appraiser must determine the cost basis recorded for either new or used property and if it is representative of the current value at the time of acquisition.

The historical or original cost may be the only reliable source data available for the appraisal of personal property. The source data may reflect historical costs for new or used property according to the date of acquisition. The appraiser may have to adjust the cost basis of the accounting records if these costs do not reflect “current value at the time of acquisition.” The historical or accounting cost bases, after appraisal adjustments, are factored to current replacement costs new.

D. Invoice Cost

Appraisers should first consider the taxpayer's invoice cost. Such cost should include delivery or freight charges but not sales tax if any, and should be reduced by any trade quantity, cash or similar substantiated discounts allowed to the taxpayer. The condition of the goods, including depreciation and appreciation may indicate an adjustment in value from invoice cost. Invoice cost should be reduced when losses in value occur due to damage, shrinkage, out of season, out of style, or similar factors that reduce the market value of the inventory below the invoice cost. When aging or curing or other similar factors enhance value, invoice cost should be increased to reflect this appreciation. In certain situations, the value of inventory consisting of work in process may increase as the manufacturing process continues. In this situation, the invoice cost must be increased to reflect this appreciation.

E. Flat Pricing

On accounts that do not fall into a "class" or where actual figures are known, do not use the Density Tables when a different figure is needed for the final value estimate. This final estimate is entered (on the worksheet and terminal) as a flat price figure. On locations where verification has been presented or obtained, the appraiser is also expected to flag the worksheet and computer (there is a specific field for this purpose on each) that the location's value is verified. A file (referred to as a "data file") must be set up and maintained with supporting documentation. This is then available to the personal property supervisor for checking and analysis.

F. Fixed Asset Depreciation

As with all appraisals, depreciation based on effective age is the critical variance to the final estimate of value. Therefore, to audit depreciation more closely, overall effective age of the fixed assets is a requisite of the appraiser to make the pricing system work. Furthermore, it requires all appraisers district wide to use the Depreciation Tables for standardization and appraisals that are more "fair and equal." This information can then be analyzed on a printout with other businesses in the same category where a comparison of values will be more meaningful with better conclusions being achieved by the appraisers.

G. Economic Life

1. Measuring Economic Life

The physical life of a property is that period extending from the time a piece of equipment is new until it is physically no longer usable or has had a substantial amount of life restored by rebuilding. The economic life of a property is the estimated time measured from the date the item is new until the disappearance of its capacity to produce a greater yield than its expense or upkeep. Without economic

and functional obsolescence, economic and physical life may be identical. Economic life may be greater than, equal to, or less than the physical life of an item.

2. Estimation of Economic Life

The appraiser should estimate the reasonable economic life for commercial type property by item. Commercial type property usually has a longer economic life than other types of personal property. This is due to limited use, enhanced design, better maintenance and less obsolescence. Guidelines for economic lives are found in the IRS Code, the Marshall Valuation Service manual, and other sources using generally accepted appraisal practices (GAAP).

3. Economic Life Tables

The appraiser judges the economic life by physical inspection of the property and determination of the actual use of the property. As a guide the appraiser may use Depreciation Guidelines Life Expectancy Tables by the predominate use of the property. The tables are supplied with the BPP manual. The appraiser must then select the economic life for a particular property based on operating conditions, experience of the industry, and his informed judgment.

H. Percent Good Tables

Depreciation is estimated by the use of a remaining value or Percent Good Table. Normal depreciation allows for the decline in value of the property over its estimated economic life. The rate of depreciation or Percent Good Table relates not only to the measurement of time, but to other factors as well. Some of these particular factors are the operating policies regarding repairs, maintenance, and replacement. The other factors affect normal depreciation and must be considered by the appraiser to estimate the current value of any personal property. The use of the property has an effect on the remaining economic life and the current value. Depreciation rates are based on average condition for age.

The appraiser has determined the Replacement Cost New (RCN). An economic life has been assigned to the property. The appraiser determines the following:

1. Replacement Cost New (RCN) = 28,250 (assumed number for example)
2. The assigned life of 10 years, on a composite rate.
3. The age of the property is determined to be eight (1993–2001) years.
4. Using the Percent Good Table, he finds 20% remaining value for average condition. This is determined by using the 10 year Normal Depreciation column and the age of 8 years. The estimated remaining life indicated is 2 years.
5. The Replacement Cost New (RCN) multiplied by the percent good (%) (remaining value) gives the appraiser the estimate of Replacement Cost New Less Normal Depreciation (RCNLND).

The following is an example of estimating the replacement cost less normal depreciation, using the Percent Good Table:

1. Replacement Cost New, RCN = \$28,25
2. Normal Life – 10 years
3. Age of Property – 8 years
4. Percent Good Table – Normal Depreciation 10 years
5. Percent Good (Remaining Value) 20%
6. RCN \$28,250 X Percent Good 20%
7. \$28,250 X 20% = \$5,650 RCNLND

Figure 3 Using Percent Good

Using Figure 3, the replacement cost new is adjusted for depreciation according to age. Next, depreciation is considered in view of the condition of the property. This depreciation is based on physical factors, and can be less, equal to or greater than depreciation from age only.

I. Trending Factors

A cost index, such as in Marshall & Swift, is designed to show specific rates and directions of price movements. Cost Indexes' are used to trend historical cost to current costs. The index is converted to factors using the year before the appraisal year as the base year. The costs data used in appraising property are generally historical costs. Historical costs are factored to current costs by the use of conversion factors.

1. Determine the historical or acquisition cost from the books and records. The cost basis must be representative of current value at the time of acquisition. These costs should be factored by compositions grouped or summarized within years of acquisition.
2. Determine the factor which is to be used based on the acquisition date.
3. Multiply the original cost by the factor.

The result is the trended historical cost or the estimate of the replacement cost new.

The following is an example of estimating Replacement Cost New (RCN) using the 1992 Cost Factors:

SMALL OFFICE – FURNITURE & FIXTURES

1. Cost Basis = \$10,000
2. Acquisition Date 1983
3. Replacement Cost Factor = 132
4. Cost \$10,000 X 132% = \$13,200 = RCN

Using Cost Index Factor

Cost basis is trended to estimate Replacement Cost New (RCN). These costs are factored by the use of conversion factors. Finally, the estimate of the economic life or remaining life of the property is made. Normal depreciation is then applied to the value. The RCNLND is the result of using the cost factors and the Percent Good Column.

J. Obsolescence

In the appraisal of commercial personal property as in all other types of property, the problem of obsolescence must be considered in estimating value. The appraiser should consider obsolescence a factor in the valuation of any property. Obsolescence may be defined as loss of value caused by technological change or innovation, changes in demand of product, or other causes.

1. Functional Obsolescence

When the loss of value is due to technological change or innovation, it is usually referred to as functional obsolescence. It can be recognized by lack of utility in the property; inadequate capacity or size. Since the obsolescence is present in the property (i.e., lack of capacity or size) it can sometimes be overcome by remodeling.

2. Economic Obsolescence

When the loss of value is due to change in product or demand, it is customarily referred to as economic obsolescence. Economic obsolescence is caused by external factors and cannot be overcome.

3. Measurement of Obsolescence

Obsolescence is not difficult to recognize in personal property, but it is difficult to measure with accuracy. This is because obsolescence is best measured by market evidence. Adequate market evidence of value cannot always be found for all types of personal property. The appraiser should look to the market for any evidence of value loss due to obsolescence after having estimated the value using the cost approach. Appraisers must consider what an informed purchaser is willing to pay for this property as an operating unit on a going concern basis.

The appraiser will first determine Replacement Cost New Less Normal Depreciation (RCNLND.) The ratio of the RCNLND to the RCN should be compared to the overall condition of the operating unit. Then consideration must be given for an adjustment due to obsolescence; economic, functional, or both. To estimate the amount of obsolescence, the appraiser must use good appraisal judgment. A review of all the external and internal factors, including market evidence should be employed whenever available.

K. Salvage & Scrap Value of Personal Property

There are times when the appraiser in the field encounters a business that has remodeled or replaced worn out equipment, but older/idle equipment remains on the company books. This equipment has value, if only salvage or scrap, which must be considered in the valuation of the business. Salvage value is the price at which the owner can dispose of an asset after its useful service life has expired. The price usually includes removal of all or part of the property from the premises for use elsewhere, usually with refurbishing. Scrap value is the lowest value property will have and is measured for its content (pounds of iron, aluminum, copper, etc., or other component parts) to be used for recycling.

L. Procedures for Verifying the Accuracy of Work

All renditions are verified and checked by the appraiser. The supervisor takes random samples from each employee.

Various value reports are reviewed to ensure equality, uniformity and accuracy are accomplished.

M. Procedures on Accepting Renditions and Assessing or Waiving Penalties

The Business Personal Property Rendition is due on or before April 15. All renditions must be signed and completed. An additional 30 days if requested in writing will be approved. Any additional extensions past the original 30 days must show good cause and be approved by the Chief Appraiser.

Properties that do not comply with the deadlines will be subject to a 10% penalty. A property owner can in writing request a waiver from the 10% penalty if good cause is shown. The Appraiser is responsible to research the request and all information on the account to determine if a penalty can be waived.

Utility accounts maintained by an outside appraisal firm are updated from the computer generated listing provided by the firm.

O. Policies and Procedures for Performing, Analyzing and Using Internal Ratio Studies

Analysis

The District utilizes internal computer generated queries to help in ascertaining proper ratios. The queries are performed to locate outlier spread. This would include properties that increased by more than the designated percentages and amounts. This would give an indicator of properties that fell outside the indicated ranges. Summary statistics including, but not limited to, the median, weighted mean, and standard deviation provide the analysts an analytical tool by which to determine both the level and uniformity of appraised value by SIC code. Review of the standard deviation can discern appraisal uniformity.

DENTON CENTRAL APPRAISAL DISTRICT PERSONAL PROPERTY WORK SHEET

PROP ID:				NV:	
BUSINESS NAME:					
OWNER'S NAME:					
SITUS LOCATION:					
MAILING ADDRESS:					
PHONE NUMBERS:					
PROPERTY DESCRIPTION:			LINKED PROPERTY R	STATE CODE:	SIC:
TAXING UNITS:			20	EXEMPTIONS / COMMENTS	
1. INVENTORY – GOODS, WARES, MDSE					
SF:					
2. FURNITURE & FIXTURES					
SF:					
3. MACHINERY & EQUIPMENT					
4. VEHICLES					
YEAR	MAKE	TYPE	LIC#		
TOTAL:					
APPRAISER:			DATE:		INFO FROM:

BILLBOARD VALUATION WORKSHEET

- (1) NAME OF COMPANY: _____ (2) DATE: _____
(3) PERSON TO CONTACT: _____ (4) NUMBER: _____
(5) COUNTY NAME: _____ (6) TELEPHONE: _____
(7) LOCATION OF STRUCTURE & BILLBOARD #: _____
(8) NEAREST ADDRESS & ENTITIES: _____
(9) NEAREST LOCATION: _____
(10) ORIGINAL CONSTRUCTION DATE: _____ (11) AGE (IN YEARS): _____
(12) TYPE OF CONSTRUCTION (WOOD, STEEL, MONOPOLE): _____
(13) CLASS: _____
(14) HAGL: _____ (15) ILLUMINATION: YES _____ NO _____
(16) LARGEST DISPLAY SURFACE: _____
(17) NUMBER OF DISPLAY SURFACES: _____
(18) PLATFORM # _____ YES _____ NO _____
(19) APRON # _____ YES _____ NO _____
-

BASE PRICE PER SQUARE FOOT _____ X _____ SQ FT = _____ (A)

NUMBER OF ADDITIONAL SURFACES _____ X _____ PER SURFACE = _____ (B)

BASE STRUCTURE COST = _____ (C)
(ADD A & B)

CONSTRUCTION ADJUSTMENTS

HAGL - BASE STRUCTURE COST _____ X _____ PERCENTAGE = _____ (D)

MONOPOLE - BASE STRUCTURE COST _____ X _____ PERCENTAGE = _____ (E)

STACKS - BASE STRUCTURE COST _____ X _____ PERCENTAGE = _____ (F)

TOTAL ADJUSTED BASE COST = _____ (G)
TOTAL OF C + (D, E, & F)

ADDITIONAL IMPROVEMENTS

ILLUMINATION - # OF SURFACES _____ X _____ PER SURFACE = _____ (H)

PLATFORM - PER LINEAR FOOT _____ X _____ LINEAR FEET = _____ (I)

APRON - PER LINEAR FOOT _____ X _____ LINEAR FEET = _____ (J)

TOTAL OTHER ADDITIONS = _____ (K)
(ADD H, I, & J)

REPLACEMENT COST NEW (RCN) _____ (L)
(ADD G & K)

VALUATION OF BILLBOARD

REPLACEMENT COST NEW RCN (L) _____ X _____ PCT GOOD = _____

**DENTON CENTRAL APPRAISAL DISTRICT
Business Personal Property Department**

PO BOX 50764 Denton, TX 76206 • 3901 Morse Street, Denton, TX 76208
 Dept 940-349-3950 Metro 972-434-2602 Fax 940-349-3951
 For additional forms and resources visit our website at www.dentoncad.com

CONFIDENTIAL BUSINESS PERSONAL PROPERTY RENDITION FOR 2014

This document must be filed with the appraisal district office in the county in which your property is taxable. It must not be filed with the office of the Comptroller of Public Accounts. Location and address information for appraisal district offices may be found at www.window.state.tx.us/propertytax/references/directory/cad.

Business Name & Current Mailing Address: _____ _____ _____ _____ Property Owner _____ Owner's Phone Number: _____ Description of Business (optional): _____ _____	Account Number: _____ Property Location Address: _____ _____ _____ Agents Name, Address, & Phone Number: _____ _____ _____ _____
--	--

PART 1. GENERAL BUSINESS INFORMATION

Questions 1-6 optional

1. If any of the above information is not correct, please make the necessary changes. The last day to file this rendition is April 15.
2. Business Type is (check one): Individual or sole proprietorship Partnership Society Corporation
3. Square Footage of building occupied: _____
4. Leased space Owned space
5. Sales Tax Permit Number: _____
6. Please provide this information if the business has sold, closed or moved to a new location: Please check one

<input type="checkbox"/> Business Sold – Date Sold: Name, Address & Phone Number of Buyer:
<input type="checkbox"/> Business Closed Date business closed:
<input type="checkbox"/> Business Moved – Date Moved: Location business was moved to:

If you have previously filed a rendition form and it remains an accurate rendition of your property for this year, you may check the box below and sign this form.

- By checking this box I affirm that the information contained in my most recent rendition statement filed for a prior tax year (this rendition was filed for the ____ tax year) continues to be complete and accurate for the current tax year.

GENERAL INSTRUCTIONS: This form is for use in rendering, pursuant to Tax Code §22.01, tangible personal property used for the production of income that you own or manage and control as a fiduciary on January 1 of this year.

FILING AND DEADLINES: Rendition statements and property reports must be delivered to the chief appraiser after January 1 and not later than April 15, except as provided by Tax Code §22.02. On written request by the property owner, the chief appraiser shall extend a deadline for filing a rendition statement or property report to May 15. The chief appraiser may further extend the deadline an additional 15 days upon good cause shown in writing by the property owner. Pursuant to Tax Code §22.02, if an exemption applicable to a property on January 1 terminates during the tax year, the person who owns or acquires the property on the date applicability of the exemption terminates shall render the property for taxation within 30 days after the date of termination. If the chief appraiser denies an application for an exemption for property subject to rendition pursuant to Tax Code §22.01(a), the person who owns the property on the date the application is denied shall render the property for taxation in the required manner within 30 days after the date of denial.

INSPECTION OF PROPERTY: Pursuant to Tax Code §22.07, the chief appraiser or his authorized representative may enter the premises of a business, trade, or profession and inspect the property to determine the existence and market value of tangible personal property used for the production of income and having a taxable situs in the district.

REQUEST FOR STATEMENT REGARDING VALUE: Pursuant to Tax Code §22.07, the chief appraiser may request, either in writing or by electronic means, that the property owner provide a statement containing supporting information indicating how value rendered was determined. The property owner must deliver the statement to the chief appraiser, either in writing or by electronic means, not later than the 21st day after the date the chief appraiser's request is received. The statement must:

- (1) summarize information sufficient to identify the property, including:
 - (A) the physical and economic characteristics relevant to the opinion of value, if appropriate; and
 - (B) the source of the information used;
- (2) state the effective date of the opinion of value; and
- (3) explain the basis of the value rendered.

If the property owner is a business with 50 employees or less, the property owner may base the estimate of value on the depreciation schedules used for federal income tax purposes. Failure to comply in a timely manner is considered to be a failure to timely render and the Tax Code requires that penalties be applied by the chief appraiser.

PENALTIES: The chief appraiser must impose a penalty on a person who fails to timely file a required rendition statement or property report in an amount equal to 10 percent of the total amount of taxes imposed on the property for that year by taxing units participating in the appraisal district. The chief appraiser must impose an additional penalty on the person equal to 50 percent of the total amount of taxes imposed on the property for the tax year of the statement or report by the taxing units participating in the appraisal district if it is finally determined by a court that:

- (1) the person filed a false statement or report with the intent to commit fraud or to evade the tax; or
- (2) the person alters, destroys, or conceals any record, document, or thing, or presents to the chief appraiser any altered or fraudulent record, document, or thing, or otherwise engages in fraudulent conduct, for the purpose of affecting the course or outcome of an inspection, investigation, determination, or other proceeding before the appraisal district.

SPECIAL INSTRUCTIONS: Effective January 1, 2014, certain dealers of motor vehicle inventory may elect to file renditions under Tax Code, Chapter 22, rather than file declarations and tax statements under Tax Code, Chapter 23. Tax Code, Section 23.121(a)(3) allows a dealer to make this election if it (1) does not sell motor vehicles that are self-propelled and designed to transport persons or property on a public highway; (2) meets either of the following two requirements: (a) the total annual sales from the inventory, less sales to dealers, fleet transactions, and subsequent sales, for the preceding tax year are 25% or less of the dealer's total revenue from all sources during that period, or (b) the dealer did not sell a motor vehicle to a person other than another dealer during the preceding tax year and the dealer estimates that the dealer's total annual sales from the dealer's motor vehicle inventory, less sales to dealers, fleet transactions, and subsequent sales, for the 12-month period corresponding to the current tax year will be 25% or less of the dealer's total revenue from all sources during that period; (3) files with the chief appraiser and the tax collector by August 31 of the tax year preceding January 1 on a form prescribed by the comptroller a declaration that the dealer elects not to be treated as a dealer under Tax Code, Section 23.121 in the current tax year; AND (4) renders the dealer's motor vehicle inventory in the current tax year by filing a rendition with the chief appraiser in the manner provided by Tax Code, Chapter 22. A dealer who makes this election must file the declaration annually with the chief appraiser and the tax collector by August 31 of the preceding tax year, so long as the dealer meets the eligibility requirements of law.

Effective January 1, 2014 a dealer of heavy equipment inventory may render its inventory by filing a rendition statement or property report as provided by Tax Code, Chapter 22. If the dealer files a rendition, the dealer is not considered to be a dealer as defined by Tax Code, Section 23.1241 (a)(1). A heavy equipment inventory dealer has the option to render or file declarations and tax statements, without filing additional declarations with the chief appraiser or tax collector.

Tax Code, Section 22.01 (c-1) states:

In this section:

- (1) "Secured party" has the meaning assigned by Section 9.102, Business & Commerce Code.
- (2) "Security interest" has the meaning assigned by Section 1.201, Business & Commerce Code.

Tax Code, Section 22.01 (c-2) states:

With the consent of the property owner, a secured party may render for taxation any property of the property owner in which the secured party has a security interest on January 1, although the secured party is not required to render the property by Subsection (a) or (b). This subsection applies only to property that has a historical cost when new of more than \$50,000.

Tax Code, Section 22.01 (d-1) states:

A secured party is not liable for inaccurate information included on the rendition statement if the property owner supplied the information or for failure to timely file the rendition statement if the property owner failed to promptly cooperate with the secured party. A secured party may rely on information provided by the property owner with respect to:

- (1) The accuracy of information in the rendition statement;
- (2) The appraisal district in which the rendition statement must be filed; and
- (3) Compliance with any provisions of this chapter that require the property owner to supply additional information

The Property Tax Assistance Division at the Texas Comptroller of Public Accounts provides property tax information and resources for taxpayers, local taxing entities, appraisal districts and appraisal review boards.
For more information, visit our website: www.window.state.tx.us/taxinfo/proptax

DEFINITIONS

Personal Property: Every kind of property that is not real property; generally, property that is movable without damage to itself or the associated real property.

Inventory: Personal Property that is held for sale to the public by a commercial enterprise.

Type/Category: Functionally similar personal property groups. Examples: furniture, fixtures, machinery, equipment, vehicles, and supplies. Narrower groupings such as personal computers, milling equipment, freezer cases, and forklifts should be used, if possible. A person is not required to render for taxation personal property appraised under Section 23.24.

Estimate of Quantity: For each type or category listed, the number of items, or other relevant measure of quantity (e.g., gallons, bushels, tons, pounds, board feet).

Property Address: The physical address of the personal property on January 1 of the current tax year. Normally, the property is taxable by the taxing unit where the property is located.

Address Where Taxable: In some instances, personal property that is only temporarily at its current address may be taxable at another location (taxable situs). If you know that this is the case, please list the address where taxable.

Good Faith Estimate of Market Value: Your best estimate of what the property would have sold for in U.S. dollars on January 1 of the current tax year if it had been on the market for a reasonable length of time and neither you nor the purchaser was forced to buy or sell. For inventory, it is the price for which the property would have sold as a unit to a purchaser who would continue the business.

Historical Cost When New: What you paid for the property when it was new, or if you bought the property used, what the original buyer paid when it was new. If you bought the property used and do not know what the original buyer paid, state what you paid with a note that you purchased it used.

Year Acquired: The year that you purchased the property.

Consigned Goods: Personal property owned by another person that you are selling by arrangement with that person. If you have consigned goods, report the name and address of the owner in the appropriate blank.

Fiduciary: A person or institution who manages property for another and who must exercise a standard of care in such management activity imposed by law or contract.

Secured Party: A person in whose favor a security interest is created or provided for under a security agreement, whether or not any obligation to be secured is outstanding; a person that holds an agricultural lien; a consignor; a person to which accounts, chattel paper, payment intangibles, or promissory notes have been sold; a trustee, indenture trustee, agent, collateral agent, or other representative in whose favor a security interest or agricultural lien is created or provided for; or a person that holds a security interest arising under Sections 2.401, 2.505, 2.711(c), 2A.508(e), 4.210, or 5.118.

Security Interest: An interest in personal property or fixtures which secured payment or performance of an obligation. "Security interest" includes any interest of a consignor and a buyer of accounts, chattel paper, a payment intangible, or a promissory note in a transaction that is subject to Chapter 9. "Security interest" does not include the special property interest of a buyer of goods on identification of those goods to a contract for sale under Section 2.401, but a buyer may also acquire a "security interest" by complying with Chapter 9. Except as otherwise provided in Section 2.505, the right of a seller or lessor of goods under Chapter 2 or 2A to retain or acquire possession of the goods is not a "security interest", but a seller or lessor may also acquire a "security interest" by complying with Chapter 9. The retention or reservation of title by a seller of goods not withstanding shipment or delivery to the buyer under Section 2.401 is limited in effect to a reservation of a "security interest." Whether a transaction in the form of a lease creates a security interest is determined pursuant to Section 1.203.

PART 2. GENERAL DESCRIPTION OF BUSINESS ASSETS

List all taxable personal property by type/category of property (See "Definitions"). If needed you may attach additional sheets. Or, you may attach a computer-generated copy listing the information below. If you manage or control property as a fiduciary on January 1, also list the names and addresses of each property owner.

1. What do you estimate to be the total market value of your business assets (see the definition of market value)?
- Under \$20,000 (optional: estimated value _____). If you check this box, complete item #2 below, then skip to part 7.
 - \$20,000 or more. If you check this box, skip to part 3, and complete all other parts of this form.

Your estimate of market value should be based on the value of all tangible personal property owned by your business on January 1, including vehicles.

2.

General property description by type/category	Property address or address where taxable	Good Faith Estimate of Market Value (optional)*	Property owner name/address if you manage or control property as a fiduciary

PART 3. INVENTORY, RAW MATERIALS AND SUPPLIES

List all taxable inventory by type of property (example: merchandise, supplies, etc.). If needed you may attach additional sheets. Or, you may attach a computer-generated copy listing the information below. If you manage or control property as a fiduciary on January 1, also list the names and addresses of each property owner. If needed, attach additional sheets. If you carry consigned goods, also list below the names and addresses of each consignor.

Property description by type/category	Year Acquired**	Historical cost when new** (or)	Good faith estimate of market value*	Estimate of quantity of each type	Property address or address where taxable	Property owner name/address, if you manage or control property as a fiduciary
Subtotal						
Work in Progress						
Raw Materials						
Total Inventory						
Supplies						

*If you provide an amount in the "good faith estimate of market value," you need not complete a "historical cost when new" and "year acquired." "Good faith estimate of market value" is not admissible in subsequent protest, hearing, appeal, suit, or other proceeding involving the property except for: (1) proceedings to determine whether a person complied with rendition requirement; (2) proceedings for determination of fraud or intent to evade tax; or (3) a protest under Tax Code, Section 41.41.

** If you provide an amount in a "historical cost when new" and "year acquired," you need not complete "good faith estimate of market value."

PART 4. FURNITURE & FIXTURES, MACHINERY & EQUIPMENT, COMPUTERS, ELECTRONIC ITEMS, AND OTHER FIXED ASSETS (NOT INCLUDING VEHICLES)

List all taxable personal property by type/category of property (See "Definitions"). If needed you may attach additional sheets. Or, you may attach a computer-generated copy listing the information below. If you manage or control property as a fiduciary on January 1, also list the names and addresses of each property owner. If you carry consigned goods, also list below the names and addresses of each consignor.

	Furniture & Fixtures	Office Machines Copier, Fax Telephone	Mobile Radio, PBX	Plant or Shop Machinery & Equipment	Mobile Equipment	Computers (PC & Mainframe)	Miscellaneous	Describe Miscellaneous
Estimate of Market Value*								

Instead of reporting an estimate of market value, you may report these assets by original cost and year of acquisition. If so, please fill out the table below. List the original cost of each category of items by year acquired. Please place a total cost for all assets acquired before 1996 on the last line. If you don't have original cost information by year available, check here and list cost for each category in the total line.

Year Acquired**	Furniture & Fixtures Historical Cost**	Office Machines Copier, Fax Historical Cost**	Mobile Radio, PBX Historical Cost**	Plant or Shop Machinery & Equipment Historical Cost**	Mobile Equipment Historical Cost**	Computers (PC & Mainframe) Historical Cost**	Miscellaneous Historical Cost**	Describe Miscellaneous
2013	\$							
2012	\$							
2011	\$							
2010	\$							
2009	\$							
2008	\$							
2007	\$							
2006	\$							
2005	\$							
2004	\$							
2003	\$							
2002	\$							
2001	\$							
2000	\$							
1999	\$							
1998	\$							
1997	\$							
1996 / prior	\$							
Totals								

*If you provide an amount in the "good faith estimate of market value," you need not complete a "historical cost when new" and "year acquired."

**If you provide an amount in a "historical cost when new" and "year acquired," you need not complete "good faith estimate of market value."

PART 5: LEASED, LOANED, CONIGNED, OR RENTED PERSONAL PROPERTY

List the name and address of each property owner of taxable property that is in your possession or under your management on January 1 by bailment, lease, consignment, or other arrangement. If needed you may attach additional sheets. Or, you may attach a computer-generated copy listing the information below.

Name, Address, Phone # of Owner	Description	Selling Price if Stated in Lease (Optional)	Annual Rent (Optional)

PART 6: AUTOMOBILES, TRUCKS, TRAILERS, BUSES AND SPECIAL EQUIPMENT MOUNTED ON THEM

List all taxable personal property by type/category of property (See "Definitions"). If needed you may attach additional sheets. Or, you may attach a computer-generated copy listing the information below. If you manage or control property as a fiduciary on January 1, also list the names and addresses of each property owner. If you carry consigned goods, also list below the names and addresses of each consignor.

VEHICLES - continue on additional sheets if needed

Year	Make and Model	License Number	Market Value*	Location if Different from Business Location	Original Cost** (Optional)	Date Acquired** (Optional)

SPECIAL EQUIPMENT MOUNTED ON VEHICLES - list below any special equipment - continue on additional sheets if needed

Equipment Description	VIN of vehicle to which attached	Estimate of Value*	Original Cost** (Optional)	Year acquired** (Optional)

*If you provide an amount in the "good faith estimate of market value," you need not complete a "historical cost when new" and "year acquired."

**If you provide an amount in a "historical cost when new" and "year acquired," you need not complete "good faith estimate of market value."

PART 7: SIGNATURE AND AFFIRMATION

Are you the property owner, an employee of the property owner, or an employee of a property owner on behalf of an affiliated entity of the property owner? Yes No

This form must be signed and dated. By signing this document, you attest that the information contained on it is true and correct to the best of your knowledge and belief.

If you checked "Yes" above, sign and date on the first signature line below. No notarization is required. If you checked "No" above, (notarization is required) you must complete the following. I swear that the information provided on this form is true and correct to the best of my knowledge and belief.

Are you a secured party with a security interest in the property subject to this rendition and with a historical cost new of more than \$50,000, as defined and required by Tax Code, Section 22.01 (c-1) and (c-2)? Yes No

If you checked "Yes" to this question, you must attach a document signed by the property owner indicating consent for you to file the rendition. Without the authorization, the rendition is not valid and cannot be processed.

Owner/Agent Signature	Date
-----------------------	------

SUBSCRIBED AND SWORN TO BEFORE ME this the

Printed Name	Title
--------------	-------

_____ day of _____, 20____

Company Name	Telephone No.
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Section 22.26 of the Property Tax Code states: (a) Each rendition statement or property report required or authorized by this chapter must be signed by an individual who is required to file the statement or report. (b) When a corporation is required to file a statement or report, an officer of the corporation or an employee or agent who has been designated in writing by the board of directors or by an authorized officer to sign in behalf of the corporation must sign the statement or report.

Notary Public, State of Texas

If you make a false statement on this form, you could be found guilty of a Class A misdemeanor or a state jail felony under Section 37.10, Penal Code.

S U S A N C O M B S	TEXAS COMPTROLLER <i>of</i> PUBLIC ACCOUNTS P.O. Box 13528 • AUSTIN, TX 78711-3528
	

June 9, 2014

Ms. Crowder
Denton County Appraisal District

Dear Ms. Crowder,

After a thorough review of the proposed 2014 rendition form 50-144 submitted by the Denton County Appraisal District, the Property Tax Division finds that the submitted form is in substantial compliance with the Comptroller's form adopted by Comptroller Rule 9.3031.

If you have any further questions, please call or e-mail me at 1-800-252-9121, extension 3-7685 or leslie.ward@cpa.state.tx.us.

Sincerely,

Leslie K Ward
Information Specialist
Property Tax Assistance Division

WWW.WINDOW.STATE.TX.US	512-463-4000 • TOLL FREE: 1-800-531-5441 • FAX: 512-463-4965
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**DENTON CENTRAL APPRAISAL DISTRICT
2014 CONSOLIDATED COST INDEX AND
DEPRECIATION SCHEDULE
FIXTURES AND EQUIPMENT**

ACQUI- SITION YEAR	NORMAL USEFUL LIFE-YEARS										
	3	4	5	6	8	10	12	15	18	20	30
2013	74	81	86	88	91	93	95	96	97	98	99
2012	48	63	73	77	83	88	91	95	96	97	98
2011	27	43	57	63	73	83	87	92	95	96	97
2010	20	32	38	46	62	75	82	89	94	95	96
2009		20	28	35	54	69	76	87	93	94	95
2008			20	30	44	63	71	85	91	92	93
2007				20	36	49	67	83	89	88	91
2006					30	44	60	76	87	86	88
2005					20	38	51	69	84	83	85
2004						33	41	61	78	77	80
2003						20	34	53	74	75	76
2002							31	44	69	70	72
2001							20	38	63	65	67
2000								33	56	59	62
1999								31	49	54	58
1998								20	44	50	53
1997									37	43	48
1996									35	39	43
1995									20	35	38
1994										28	35
1993										20	30

Physical % good is computed on a straight line basis, with a 20% residual value for assets in use-in place whose actual age exceed Normal Useful Life (except Billboards are with a 30% residual value). Assets at the end of their useful life and not used by the owner will be priced at salvage value (below 20% residual). Factors shown are net percentages.

TRANSPORTATION EQUIPMENT

Year Model	Passenger Cars/Pickups % Good	Commercial Trucks % Good	Commercial Trailers % Good
2013	85	60	56
2012	75	56	54
2011	65	53	53
2010	55	47	48
2009	45	36	42
2008	40	34	38
2007	35	31	35
2006	30	28	32
2005	25	25	30
2004	20	22	28
2003		20	26
2002			24
2001			22
2000			20

COMPUTER EQUIPMENT-ALL

Year Acquired	% Good
2013	72
2012	50
2011	34
2010	18
2009	10
2008	6
2007 Older	4

(Software is Exempt)

FIXTURES AND EQUIPMENT
NORMAL USEFUL LIFE

Aerospace Products (Airborne Vehicles & Component Parts)	10	Motion Picture & Television Production	12
Amusement & Theme Parks	12	Motor Vehicle & Parts Manufacturing	12
Apparel & Fabricated Textile Mfg	8	Motor Vehicle & Parts Mfg (Special Tools)	3
Appliances	8	News Racks	5
Asphalt Plant	10	Office Furniture & Equipment	10
Automatic Car Wash	10	Office Machines (Non-Computer Data handling)	6
Automatic Teller Machine	5	Optical Lenses & Instruments Mfg	10
Automobile Repair Shops	10	Paint & Varnish Manufacture	10
Bakeries & Confectionery Products	12	Paper & Pulp Manufacturing	12
Barber & Beauty Shops	10	Paving Contractors (Asphalt & Concrete)	8
Billboards	30	Petroleum Refining	15
Brewery Equipment	12	Photo Finishing (Computerized Processing)	5
Brick Manufacture	15	Photo Finishing	10
Buildings (Moveable)	10	Plastic & Plastic Products Manufacturing	10
Cable TV/Satellite Systems (One or Two Way Commun.)	10	Plastic Products Mfg (Special Tools)	4
Canneries & frozen Food Production	12	Point of Sale Equip (Scanners, Registers, etc.)	5
Cellular Telephone	3	Postage Machine	10
Chemical & Allied production	10	Printing & Publishing	10
Clay Products Mfg	15	Private Water System	20
Cold Storage & Ice Making Equipment	18	Professional & Scientific Instruments	10
Cold Storage Warehouse Equipment	10	Radio & Television, Broadcasting	6
Computers & Peripheral Equip (Software Exempt)	tbl	Radio & Television, Manufacturing	10
Concrete & Concrete Products Mfg (Batch Plants)	15	Radio or Television Transmitting Tower	20
Condiments, Manufacturing & Processing	10	Radio Systems (Complete Two Way Systems)	8
Construction Equipment (heavy & General)	6	Radio Systems (Radio only)	6
Converted Paper, Paperboard & Pulp Products Mfg	10	Recreation (Bowling, Billard, Pool, Min. Golf)	10
Copy Machine	6	Rental - Furniture	3
Dairy Products Manufacturing	12	Rental - Tools, Equipment, Etc	6
Data handling Equip-Typewriters, Calculators, Add Mach, Dupl. Eq.	6	Restaurant & Bar Equipment	10
Dispensers - Cold Drinks	5	Restaurant Equipment (Fast Food)	8
Distilling	12	Retail trades, Fixtures & Equipment	10
Drilling/Field Services Equip (Oil & Gas)	6	Rubber Products Manufacturing	14
Electrical Equipment Manufacturing	10	Rubber Products Mfg (Special Tools)	4
Electronic Equipment Manufacturing	6	Safes - Office, 10 yrs., Bank Vaults & Safe Dep	20
Fabricated Metal Products (Special Tools)	3	Satellite Dish & Related Electronic Equipment	10
Fabricated Metal Products	12	Security Systems	10
Fax Machine	6	Service Establishment	10
Fork Lift	6	Service Station *	10
Glass/Fiberglass (Special Tools)	3	Signs (Trade-Non Billboard)	10
Glass/Fiberglass Manufacture & Products	14	Skates & Bowling Shoes	6
Golf Carts	6	Soft Drink Manufacturing & Bottling	12
Grain & Grain Products Mfg (Flours, Cereals, Livestock Feed)	15	Stone Products Manufacturing	15
Hand Tools (Electrical & Manual)	5	Sugar & Sugar Products Manufacturing	18
Health Club & Spas	10	Tanning Machine	10
Hospital Furnishings & Equipment	10	Telephone Station Equip (Private Branch Exc)	10
Hotel/Motel Furniture	10	Telephone Systems (Business)	6
Jewelry, Musical Inst. Toys, Sport Goods, Office & Art Sup	12	Theater Equipment	10
Laundry Equipment (Coin Operated)	8	Tire Recapping	14
Laundry Equipment (Dry Cleaning)	10	Trash Handling Equipment (Truck/Containers)	5
Law Library	5	Vehicles (Licensed)	tbl
Leather & Leather Products	10	Vending Machines	5
Machinery Mfg (Non-specific types)	10	Video Machines (Arcade & Rental Stores)	3
Meat Packing	12	Video Tapes <60 days-50%, <1 yr-20%, >1 yr-10% or \$10 per tape	
Medical Equipment (High Technology)	5	Warehouse Equipment	10
Medical/Dental Trade Equipment	10	Waste Reduction & Resource Recovery	10
Metalworking Machinery Manufacturing	10	Wholesale Trade, Fixtures & Equipment	10
Mining & Quarrying	10	Wood products & Furniture Manufacturing	10

*Tanks 20 yr

Pumps, Console: Computer, Electronic.....5 yr

Other.....10 yr

3.07 Motor Vehicle Dealer's Special Inventory

Instructions for Filing Forms and Paying Property Taxes

For property tax purposes, Texas law requires that a motor vehicle dealer's inventory is appraised based on the total sales of motor vehicles in the prior year. Dealers must file with the county appraisal district a *Dealer's Motor Vehicle Inventory Declaration* form listing the total value of the inventory sold in the prior year. Also, the dealer must file with the county tax office a monthly form — *Dealer's Motor Vehicle Inventory Tax Statement* — listing the motor vehicles sold, and prepay their property taxes for each vehicle. Instructions for filing both forms follow.

Texas law permits the Comptroller's office to act only as an advisory agency with regard to property taxes. The Comptroller helps property owners and tax officials interpret the property tax laws. Texas law also requires the Comptroller to adopt forms for filing the motor vehicle dealer's inventory.

Steps to calculate, report and pay dealer's inventory property taxes:

Step 1 – A dealer files the *Dealer Motor Vehicle Inventory Declaration* form.

- file one declaration per year;
- file each January, between January 1 and 31;
- file with the county appraisal district and send a copy to the county tax office; and
- if you are a new dealer, file a declaration form within 30 days of the issuance of the dealer's general distinguishing number (GDN). A chief appraiser has the discretion to designate a different date.

Step 2 – A dealer reports current year's inventory market value.

Complete the following items on the *Dealer's Motor Vehicle Inventory Declaration* form:

- breakdown of sales for prior year (January – December);
- breakdown of sales amounts for prior year (January – December); and
- other general information about the retail business — mailing address, name and business location.

Divide sales amounts for inventory sales by 12 for current year's market value:

- the current year's tax bills received in October will be based on this market value and the current year's tax rates; and
- the inventory's market value is not the value of the dealer's motor vehicles on January 1 but an average of the regular monthly inventory sales from the preceding year.

Penalties

The chief appraiser of the county appraisal district must report to the Texas Department of Transportation any dealer that sells fewer than five vehicles in a prior year. The Department will begin dealer license termination proceedings.

A dealer who does not file a declaration form by February 1 of each year commits a misdemeanor punishable by a fine of up to \$500 per day until filed. A tax lien can be attached to the dealer's business personal property to secure payment of the penalty. A dealer forfeits an additional penalty of \$1,000 for each month or portion of the month that it is not filed.

Step 3 – A dealer files the *Dealer's Motor Vehicle Inventory Tax Statement*:

- file 12 statements per year;
- file each month by the 10th of the following month. For example, file January inventory tax statement by February 10th.
- file with the county tax office, including a check for prepayment of taxes. Send a copy of the form to the county appraisal district. If you do not sell a motor vehicle during the month, you must file a tax statement indicating no sales; and
- if a new dealer, file each month, but do not send a prepayment of taxes.

Step 4 – A dealer makes a prepayment of taxes.

Calculate the unit property tax factor.

- Find the aggregate tax rate by adding the preceding year's tax rates for each taxing unit that taxes the retail business. Look either at the preceding year's tax bills or call the county tax collector. Each property is taxed by a county and by a school district. It also may be taxed by a city and special districts (such as a junior college and/or hospital district, depending on where the business is located).

Example of 2004 tax rates:

County tax rate	=		\$0.40
School tax rate	=		\$1.40
City tax rate	=		\$0.60
Special district tax rate	=		\$0.05
Aggregate rate	=	\$2.45	per \$100 of value

- Divide the aggregate tax rate by 12 for a tax rate per month.
Example: $\$2.45/12 = \0.20417 per \$100 of value.
- Divide the aggregate tax rate per month by \$100 for a tax rate per \$1.00 of sales price.
Example: $\$0.20417/\$100 = \$0.0020417$ rate per \$1.00 (unit property tax factor).
- Change the unit property tax factor each January to use the preceding year's tax rates.
Example: Use the 2004 adopted rates to determine the unit property tax factor for January through December 2005.

Report and pay the unit property tax payment.

- Multiply the sales price of the motor vehicle by the unit property tax factor. Subtract the motor vehicle's manufacturer's rebate from the sales price, but do not subtract the trade-in.
Example: $\$20,000 \times \$0.0020417 = \$40.83$ in tax prepayment.
- Apply unit property tax factor to each motor vehicle sold in a month and report to the county tax office, along with the tax prepayment. Send a copy of the monthly tax statement to the county appraisal district. Remember, it is considered a sale, even if the motor vehicle is taken out of Texas.

Step 5 – A dealer files a report of inventory sales monthly.

Report the following on the *Dealer's Motor Vehicle Inventory Tax Statement*:

- date of sale;
- model year of motor vehicle;
- make of motor vehicle;

- vehicle identification number;
 - purchaser's name;
 - type of sale:
- A. MV — regular motor vehicle inventory sale — a motor vehicle is a fully self-propelled vehicle with at least two wheels which has the primary purpose of transporting people or property and includes a towable recreational vehicle. Motor vehicle does not include equipment or machinery designed and intended for a specific work-related purpose other than transporting people or property;
 - B. FL — fleet sale — sales of five or more motor vehicles from the dealer's inventory to the same buyer within one calendar year;
 - C. DL — dealer sales — sales of vehicles to another Texas dealer or a dealer who is legally recognized in another state as a motor vehicle dealer;
 - D. SS — subsequent sales — dealer-financed sales of motor vehicles that, at the time of sale, have dealer financing from the inventory in this same calendar year. The first sale is reported as a motor vehicle inventory sale, with sale of this same vehicle later in the year classified as a subsequent sale;
 - sales price — is set forth on the application for Title, or would appear if that form was used;
 - unit property tax value;
 - total unit property tax value for each page and for the total report; and
 - total sales — number of vehicles for each type of sale and by total sales amounts.

The chief appraiser may examine the books and records of the dealer by personally delivering a written request to the custodian of the records at the dealer's location. The request must be delivered at least 15 days prior to the date of the request to view the records and must contain a statement notifying the dealer that he or she may seek judicial relief from compliance with the request.

File the report and payment by the 10th day of the following month.

Step 6 – On behalf of the dealer, the county tax collector pays the annual inventory taxes from the dealer’s escrow account and bills the dealer for any additional amount due.

Receives annual property tax bills, usually in October and November:

- taxing units send a copy of the dealer motor vehicle inventory tax bill to the county tax assessor-collector;
- dealer pays all other tax bills to the taxing units;
- county tax assessor-collector pays the inventory tax bill from the escrow account — usually in early January after the dealer’s December payment — to the taxing units.

Receive tax receipt for payment and any additional tax bill from county tax assessor-collector for any deficiency in the escrow account:

- dealer must pay the deficiency by January 31 to avoid delinquent penalty and interest;
- if taxes become delinquent, dealer pays each taxing unit, plus penalty and interest;
- taxing units receive any excess taxes that remain in escrow account;
- the dealer may not withdraw funds from the escrow account; and
- the escrow account begins with a zero balance for the next tax year’s prepayments.

Penalties

A dealer who does not file the monthly tax statement by the 10th day of the following month commits a misdemeanor punishable by a fine up to \$100 per day until filed. A tax lien can be attached to the dealer’s business personal property to secure payment of the \$100 penalty. A dealer forfeits an additional penalty of \$500 for each month or portion of month that it is not filed. Furthermore, a dealer who fails to remit the taxes due pays a 5 percent late payment, with another 5 percent due if not paid within 10 days.

3.08 Utility, Mineral Property

All personal property of utility companies and coops consisting of electric, telephone, railroad, gas distribution systems, pipelines, compressors & pump stations, telecommunications, cable TV, and water utilities are valued by a consulting firm contracted for this specific function. Along with the above, this firm will also value interests in energy mineral properties – i.e., oil, gas, lignite, and uranium.

While these values are generated outside the appraisal district, they are monitored for accuracy and reasonableness, as well as correct allocation to the taxing jurisdictions, by the personal property supervisor.

It is the district's policy to follow the recent decision of the Texas Supreme Court in regards to assessing near surface minerals such as sand, gravel, limestone, granite, talc and sulfur; it states that those minerals not mined or stockpiled, or part of a mine or quarry, are not taxable.

WARDLAW APPRAISAL GROUP CLIENT APPRAISAL DISTRICT Reappraisal Plan 2013 – 2014

Contract Valuation Support

Appraisal Responsibility

Wardlaw Appraisal Group, LC (Wardlaw) provides complex property appraisal support services for client Central Appraisal Districts (CADs). The complex properties Wardlaw appraises are generally referred to as mineral, utility, and industrial properties and fall under the F, G, J, and L Categories. Client CADs contract with Wardlaw when they lack the in-house expertise to appraise these complex properties. Under the contracts, Wardlaw acts as an agent of the CAD and provides many of the appraisal and support services required under the Texas Property Tax Code and the Uniform Standard of Professional Appraisal Practices. This document details the reappraisal practices that Wardlaw performs on behalf of the client CADs and is intended to be incorporated by the CADs into their own Reappraisal Plan.

Appraisal Calendar

Wardlaw adheres to the property tax calendar as established by the State of Texas Property Tax Code. The Wardlaw appraisal calendar generally follows this schedule:

November – April:	Field Appraisal Inspections of Properties
January 1:	Beginning of the Tax Year
Prior to January 31:	Mail out Rendition Request Letters
January 31:	Last day for receipt of 25.25 protests from prior year.
April 15:	Last day for timely filing of renditions
Around May 1:	Mail Notices of Appraised Value
May 1:	Begin Equalization Process. Work with property owners to explain appraisals and work on formal and informal protests
Around June 1:	Mail Notices of Appraised Value for properties with an Extension
Late June – Early July:	ARB Hearings
Mid-July:	Deliver totals and Certified Rolls to CADs
August – November:	Process Property Supplements, Deletions, and Additions.
November:	Begin Field Appraisals for Subsequent Tax Year

Equalization Period

Preliminary values established by the 25.19 Notices of Appraised Value are subject to change during the equalization period. The changes can be initiated by property owner formal or informal protests. The changes can also be initiated by Wardlaw if new information regarding a property becomes available. Formal and informal protests on the mineral, utility and industrial properties are handled directly by Wardlaw, within the appropriate timetables established by the

Property Tax Code. Wardlaw attempts to contact protesting taxpayers so that we can, 1) provide the taxpayer an opportunity to explain the reason for their protest, 2) explain the appraisal methodology and appraisal parameters used on each protested property, 3) consider whether the preliminary appraisal should be adjusted in light of taxpayer evidence, and 4) provide settlement and withdrawal paperwork to the taxpayer if appropriate.

Wardlaw directly responds to taxpayer requests for appraisal information and supporting appraisal documentation by providing the requested information in a timely manner. Wardlaw then goes on to represent the CAD before the ARB (Appraisal Review Board) to justify appraised values for all protested properties that fall under the mineral, utility and industrial contract.

Documentary evidence of formal and informal changes is then provided to the CAD and ARB in the form of Withdrawal of Protest Settlement waivers on formally protested accounts. The final values are then delivered for certification.

Minerals (Oil and Gas Reserves) Valuation Process

Appraisal Responsibility

Minerals-in-place (oil and gas reserves) are real property classified as Category G property under the Texas Property Tax Code. As a commodity, minerals in place are part of a national market so there is no local market area to consider. Wardlaw performs an appraisal as of January 1 each year on every producing mineral property in the CAD to determine the market value of the oil and gas mineral reserves for ad valorem tax purposes.

DCF analysis is the primary method used for appraising mineral properties. The Market Data Comparison Method of Appraisal (Section 23.013) and the Cost Method of Appraisal (Section 23.011) can be used when appropriate and when the necessary data is available. However, because the sales and purchase prices of oil and gas properties are not generally disclosed, the Market Data Comparison method can seldom be used and the Cost Method of Appraisal does not estimate the market value as defined in Section 1.04 of the Texas Property Tax Code.

Discounted Cash Flow (DCF) analysis is the Income Method of Appraisal (Section 23.012 of the Texas Property Tax Code) and is used as the most appropriate technique for determining the market value of mineral properties. WAG uses DCF analysis to appraise every producing lease in the appraisal districts we support. The appraised value of each lease is distributed to each working interest, royalty interest, and overriding royalty interest owner based upon their decimal interest in the lease.

Mineral interests are commonly divided into property ownership interests known as working interests, overriding interest, and royalty interests. The valuation of each type of interest begins

with the valuation of the producing well on the mineral lease and that value is allocated to the property ownership interests based on the decimal ownership value identified in the division orders for each lease. It is the goal and purpose of the CAD to identify every producing mineral property within the district and estimate the market value of each property listed on the roll.

Appraisal Resources

- *Personnel - The mineral appraisal firm provides adequate personnel.*
- *Data - A common set of production data for each mineral property account in each CAD is collected from the Texas Railroad Commission Records and data entered to the appraisal firm's computer. The property characteristic data are gleaned from the production data and drives the computer-assisted mineral property appraisal system. Railroad Commission records are searched to discover new leases as of January 1 of the year and descriptive information is gathered to determine the location of the lease within the CAD jurisdictional boundaries. Records are also reviewed for changes in production for existing wells, for abandoned wells, and for non-producing wells with salvage value for the equipment, tanks, and tubular goods. Production history for each mineral lease is gathered from HPDI, Drilling Info, Petroleum Information, and from the Texas Railroad Commission. Division Orders on each lease are requested annually from lease operators and checked against the existing division orders for changes and for accuracy of owner name, address, and ownership percentage interest. To help determine operating expense information on each active lease, lease-specific operating expenses are requested annual. A Confidential Lease Operating Expense Detail request letter is e-mailed or mailed, to the operators or agents representing operators requesting lease-specific operating expenses.*

To assist with the economic parameters influencing these properties, general economic data is gathered for the valuation process. The method of appraisal for minerals-in-place is the discounted cash flow analysis which looks at the net present value of the future income that is derived from operating the lease. Current interest rates, market rates of return and levels of discounting the investment are factors to consider when evaluating the returns necessary to attract investment capital for this type property. The annual capitalization rates are calculated using the "Manual for Discounting Oil and Gas Income" as developed by the Texas Comptroller's Office. Data is obtained from Ibbotson's SBBI Valuation Edition, Wall Street Journal, Standard & Poor's Bond Guide, and Value Line Investment Survey "Ratings and Reports".

VALUATION AND STATISTICAL ANALYSIS (model calibration)

Pricing, Operating Expenses and Reserve Analysis

Crude oil and natural gas prices are required information in the valuation of mineral property because these prices are necessary to determine income to the lease and the economic life of

the production from the lease. The crude oil sales price and natural gas sales price used for the first year of the appraisal analysis is based on the previous year's average price multiplied by the Price Adjustment Factor (PAF). The prices are then escalated or de-escalated for five (5) years according to the Texas Property Tax Code Sec. 23.175 Section (a). Lease operating expenses are estimated based on rendered information, actual operating cost and expenses, and from surveys of lease operators in the CAD. The January 1 production starting rate is based on the actual production rate or upon a projection of past average production. The past oil and gas production history of the lease is analyzed to estimate the future rate of production decline of the lease. Other considerations include past lease expenses and recent operating parameters such as water production, workover operations, and secondary recovery efforts. Current operating income and expenses for the lease are calculated in a discounted cash flow model used by the appraiser to evaluate and estimate the net present value of producing oil and gas income from the lease. Discount rates established for each lease based upon the particular risks inherent with production of oil and gas from that property. The discounted cash flow model allows the appraiser to establish current market value of the lease based on the discounted value of the future estimated recoverable reserves. This methodology is approved and recommended by the Property Tax Division of the Comptroller's Office and is a recognized method of appraisal by industry standards. The appraisal firm has utilized the discounted cash flow model to estimate the market value of each lease located in each CAD.

Value Review Procedures

The method of value review for this type of property is based on the review of the factors estimated within the discounted cash flow analysis methodology such as the discount rate, product prices, and operating expenses. Evaluation and verification of these economic factors as to their validity within current economic times and based on current capital requirements for investment in this type property is re-confirmed and reviewed for reasonableness. Sales of mineral properties are considered but adequate sale data is usually not available due to difficulty in confirming sales. The market for this type of property is neither an active nor an efficient market, there are very few participants and pricing information is mostly confidential. There is no source for tracking these transactions and property owners are reluctant to reveal market information concerning prices paid or terms of the transaction. Because of a lack of market sales on mineral property, appraised values are regularly compared to similar properties within the same production field, field of exploration, strata of formation, or production history and expense level.

Ratio studies are a source of comparison to evaluation level and uniformity of appraisal. When market sales are available the ratio study is based on a comparison of the appraised value to the sale price. For mineral property, which lacks available market sales, a ratio study is a comparison of another appraisal opinion with the opinion of the district to determine level and uniformity of appraisal. The Property Tax Assistance Division of the Comptroller's Office conducts biennial ratio studies of selected mineral properties to gauge the districts appraisal performance. The PTAD utilizes the same valuation methodology as the CAD to appraise

individual mineral properties. This opinion of value is then utilized as market evidence with the same significance as if the property sold for that value. The estimated value of the property in each CAD is compared to the appraisal by the PTAD to calculate the ratio and the indicated level of appraisal. This study indicates the median and mean levels of appraisal for mineral property and is considered reliable as a review and evaluation tool.

Utility & Industrial Property Valuation Process

Appraisal Responsibility

Utility and Industrial properties are the tangible assets of various businesses including electric production, transmission, and distribution companies, railroads, petroleum product gathering and delivery pipelines, telephone and communication providers and others. Utility properties are identified in the Texas Property Tax Code as Category J property. Industrial properties are identified under the Texas Property Tax Codes as categories L2 (Industrial, Personal) and F2 (Industrial, Real). The valuation of these properties is considered to be complex due to the involvement of both tangible and intangible property elements that comprise these businesses and due to the size of some of the utilities that are regional and national companies. The appraisal of these companies becomes complex when considering the valuation of the property as a unit in place, evaluating the property by the approaches to value at the company level. The appraisal district does not have personnel qualified to perform this type of appraisal. An appraisal firm is employed to provide the expertise to perform this type of appraisal. Once the estimated value of the unit is determined by the appraisal firm, that estimated market value is allocated based on the tangible property assets that are located within each CAD.

Appraisal Resources

- **Personnel** – The appraisal firm provides adequate personnel to perform the appraisals.

Data - A common set of data characteristics for each utility and industrial property account in each CAD is collected from the various government regulatory agency records, field inspections, data resources, and property owner renditions. This data is entered to the appraisal firm's computer. Individual company financial information is gathered through industry specific governmental filings such as Federal Energy Regulatory Commission Reports, Securities and Exchange Commission 10-k filings, and Public Utility Commission publications. Other company information is gathered from annual reports, internal appraisals, and other in-house and industry publications. Property owner renditions are requested to document and list property owned and located in our particular jurisdictions (ie: track mileage, number of meters, pipeline size and mileage, substation and transmission capacity, etc.). The property characteristic data drives the computer-assisted appraisal of the property.

The appraisal of utility and industrial property utilizes three-approach analysis to form an opinion of value for the property. Financial and capital market information is pertinent to understanding factors affecting valuation of complex property. It is necessary to gather financial data to attempt understanding investor and corporate attitudes for capital return expectations and to give consideration to return components such as current interest rates, capital debt structure, bond market rates, and capital supply and demand trends. These financial factors result in overall return rates and capital structure for these companies and affects capitalization rates. The weighted average cost of capital is the most commonly used method of estimating capitalization rates for utility properties. Capitalization rates are estimated using capital return expectations from various publications: Ibbotson's SBBI Valuation Edition, Wall Street Journal, Mergent Bond Record, Moody's Corporate Bond Yield Averages, Value Line Investment Survey "Ratings and Reports". Industry specific information is also gathered from web sites, publications, periodicals, and reference manuals. The appraisal firm then estimates the capitalization rate for utility appraisal under the income approach.

VALUATION AND STATISTICAL ANALYSIS (model calibration)

Approaches to Valuation, Reconciliation

Valuation of tangible assets for utility and industrial companies relies primarily on indications of value based on the cost and income approaches to value under the unit value approach. This methodology involves developing and estimating market value considering the entirety of the company's tangible assets and resolving an allocated value for that portion of specific tangible assets located in particular tax jurisdictions. The valuation opinion is based on three approach analysis utilized for the indicated unit appraisal of all company tangible assets, then an estimated allocation of unit value for only assets located in the district and particular jurisdictions. This methodology is approved and recommended by the Property Tax Assistance Division of the Comptroller's Office and is an accepted standard within the industry and appraisal community.

Value Review Procedures

Review of the valuation of utility property is based on verifying economic and financial factors utilized in the methodology as relevant to current capital markets and that these factors reflect current return expectations. Market sales of utility properties do occur and are a good source for comparison and review when the price of the tangible assets can be abstracted or allocated from the selling price. Typically, the sale of utility companies involve significant intangible property assets such as customer base, goodwill, favorable contracts, name recognition, etc. and the contributory value and allocation of these assets is subjective and unknown. In Texas, intangible property assets are exempt from taxation and must not be included on the appraisal roll as taxable property. Therefore, because of the lack of specific market information on sales of utility properties, appraised value is regularly compared to the valuation of similar property within the same set of property characteristics, business type and size. More of comparison for

equity concerns on valuation rather than the full recognition of a market level certainty about appraisal level. Of course, the estimated value is based on recognized methodology for considering the valuation of these tangible assets, but true market confirmation of these factors may not be possible due to minimal market knowledge and experience.

Ratio studies are also a method of review for relevance of appraisal valuation to market value. Again, in the absence of full disclosure of prices paid and without the abstraction of prices paid for the tangible asset components from recent utility property acquisitions or sales, market based analysis and review is not possible. Ratio studies for utility property must rely on a comparison of one appraisal opinion as the basis for the reasonable property valuation with the district's appraised value to determine the ratio for level and uniformity of appraisal. The PTAD conducts the annual ratio study of selected utility properties to gauge the appraisal district's performance. The PTAD utilizes the same valuation methodology to estimate appraisal valuations of utility properties and the results, when compared to the appraisal valuation estimated by the appraisal firm for these properties yield ratios. This ratio study of certain utility properties indicates the level and uniformity of appraisal for this category of property.

**STAFF PROVIDING SIGNIFICANT
MASS APPRAISAL ASSISTANCE**

<u>NAME</u>	<u>TITLE</u>	<u>TDLR NUMBER</u>	<u>TYPE OF ASSISTANCE</u>
Peggy Wardlaw	President	66026	Mineral, Utility & Industrial Appraisals
Charles Williams	Vice President	70182	Mineral, Utility & Industrial Appraisals
Paula Davis	Appraiser	71699	Utility & Industrial Appraisals
Haziel Williams	Appraiser	71700	Mineral, Utility & Industrial Appraisals
Jose Cantu	Appraiser	73246	Mineral, Utility & Industrial Appraisals
Noah Williams	Appraiser	73672	Utility & Industrial Appraisals
Kathleen McFarlane	Appraiser	73616	Utility & Industrial Appraisals
Al Grall	Appraiser	73759	Utility & Industrial Appraisals

3.09 Valuation Bibliography

Reference materials are used by the appraisal district to value or to verify rendered values for specific items, such as automobiles, trucks, aircraft, heavy construction equipment, etc. Sources include, but are not limited to, the following publications:

DEPT #203 – PERSONAL PROPERTY

- (1) VEHICLE REGISTRATION LIST
- (2) AIS –NEW CAR COST GUIDE
- (3) NADA –USED CAR GUIDE
- (4) NADA – OLDER USED CAR GUIDE
- (5) NADA – COMMERCIAL TRUCK GUIDE
- (6) NATIONAL MARKET REPORT TRUCK BLUE BOOK
- (7) NATIONAL MARKET REPORT OLDER TRUCK BLUE BOOK
- (8) INSURED AIRCRAFT TITLE LIST
- (9) AIRCRAFT BLUE BOOK PRICE DIGEST
- (10) MARSHALL & SWIFT – UPDATE
- (11) COLE DIRECTORY – DALLAS
- (12) COLE DIRECTORY – FORT WORTH

ACCT #5340 – DEED, SALES, AND VALUE INFORMATION

- (13) POLK CITY DIRECTORY
- (14) ZIP CODE DIRECTORY
- (15) NATIONAL MARKET REPORT TRUCK BODY
- (16) NATIONAL MARKET REPORT COMM TRAILER BLUE BOOK
- (17) COLE DIRECTORY – DENTON
- (18) VREF AIRCRAFT VALUE REFERENCE
- (19) APPRAISAL OF PERSONAL PROPERTY, VARIOUS TEXTS – PTD
- (20) GENERAL APPRAISAL MANUAL – STATE PROPERTY TAX BOARD

An independent test of the appraisal performance of the district is conducted by the State of Texas Comptroller's Office through the annual property value study. The study determines the degree of uniformity and the median level of appraisals by the appraisal district within each major *category* of property. The comptroller publishes a report of the study, *which* includes in the report the median levels of appraisal for each major category of property, the coefficient of dispersion around the median level of appraisal for each category of property, and any other standard statistical measures that the comptroller considers appropriate.

2015 CALENDAR OF EVENTS

January 2015	Appraisal Date (except for properties appraised under Sec 23.12(f)) BPP renditions and exempt property applications mailed
March 2015	Field work for real property to be completed PTAD ARB Training for new members Oil & Gas Orientation (Wardlaw Appraisal Group) PTAD ARB Training for existing members
April 2015	Estimates of taxable value sent to entities (sent weekly until certification) BPP Rendition deadline (without extension request) Deadline for appraisers to turn work in for data entry Process real property appraisal notices Turn records over to the ARB Deadline for exemption applications including Ag, Freeport and Pollution
May 2015	Mail real property appraisal notices Meeting with the City Managers of Denton County Mineral notices mailed (Wardlaw Appraisal Group) Meeting with the Superintendents and Denton County Judge BPP rendition deadline (with extension) Process BPP appraisal notices Mail BPP appraisal notices
June 2015	Protest deadline for real property ARB hearings begin Protest deadline for BPP Mineral hearings (Wardlaw Appraisal Group)
July 2015	ARB approves records Chief Appraiser certifies roll
August 2015	EPTS & EARS reports submitted to PTAD Field work begins for 2012 appraisal year
September 2015	Appraisal date for Sec 23.12(f) properties

****Actual day is tentative.**

2016 CALENDAR OF EVENTS

January 2016	Appraisal Date (except for properties appraised under Sec 23.12(f)) BPP renditions and exempt property applications mailed
March 2016	Field work for real property to be completed PTAD ARB Training for new members PTAD ARB Training for existing members
April 2016	Estimates of taxable value sent to entities (sent weekly until certification) BPP Rendition deadline (without extension request) ARB Orientation Deadline for appraisers to turn work in for data entry Process real property appraisal notices Deadline for exemption applications including Ag, Freeport and Pollution
May 2016	Mineral notices mailed (Wardlaw Appraisal Group) Mail real property appraisal notices Turn records over to the ARB Process BPP appraisal notices Meeting with the City Managers of Denton County BPP rendition deadline (with extension) Mail BPP appraisal notices Meeting with the Superintendents and Denton County Judge
June 2016	Protest deadline for real property ARB hearings begin Protest deadline for BPP
July 2016	Mineral hearings (Wardlaw Appraisal Group) ARB approves records Chief Appraiser certifies roll
August 2016	EPTS & EARS reports submitted to PTAD Field work begins for 2013 appraisal year
September 2016	Appraisal date for Sec 23.12(f) properties

****Actual day is tentative.**



DENTON CENTRAL APPRAISAL DISTRICT

Board of Directors Meeting

August 21, 2014

3:00 PM

3911 Morse Street

Denton, Texas

AGENDA

ITEM 1. CONVENING OF MEETING

ITEM 2. INVOCATION

ITEM 3. PLEDGE OF ALLEGIANCE

ITEM 4. OPPORTUNITY FOR PUBLIC TO ADDRESS THE BOARD OF DIRECTORS

PERSONS DESIRING TO ADDRESS THE BOARD OF DIRECTORS MUST FILL OUT A SPEAKER'S CARD PRIOR TO THE MEETING. NO PRESENTATION SHALL EXCEED THREE MINUTES. THE BOARD CANNOT DELIBERATE ON ANY SUBJECT THAT IS NOT INCLUDED ON THE AGENDA.

ITEM 5. PROGRESS REPORT

APPRAISAL AND ADMINISTRATIVE – RUDY DURHAM, GEORGE CLERIHEW & KATHY WILLIAMS
LIAISON OFFICER – BEA CHAMBERS

ITEM 6. CONSENT AGENDA

THE ITEMS ON THE CONSENT AGENDA ARE CONSIDERED SELF-EXPLANATORY BY THE BOARD AND WILL BE ENACTED WITH ONE MOTION. THERE WILL BE NO SEPARATE DISCUSSION ON THESE ITEMS UNLESS A BOARD MEMBER OR CITIZEN SO REQUEST.

A. APPROVAL OF MINUTES OF THE BOARD OF DIRECTORS MEETING OF JUNE 26, 2014

B. ACKNOWLEDGE RECEIPT OF MONTHLY FINANCIAL STATEMENTS

C. RESOLUTION TO APPROVE TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM PLAN PROVISIONS FOR PLAN YEAR 2015

D. APPROVE TRAVEL POLICY USING U.S. GENERAL SERVICES ADMINISTRATION FEDERAL GUIDELINES

ITEM 7. PUBLIC HEARING FOR THE 2015-2016 DCAD REAPPRAISAL PLAN

ITEM 8. CONSIDER AND APPROVE THE 2015-2016 DCAD REAPPRAISAL PLAN

ITEM 9. CONSIDER AND APPROVE DCAD'S FINANCIAL AUDITOR FOR 2015-2016

ITEM 10. CONSIDER AND APPROVE CONTRACT FOR VERIFICATION PROJECT WITH PICTOMETRY

ITEM 11. CONSIDER AND APPROVE RFP FOR PARKING LOT PROJECT AT 3911 MORSE

ITEM 12. ADJOURN