



# **FAYETTE COUNTY APPRAISAL DISTRICT**

## **REAPPRAISAL PLAN**

**Tax Years  
2015 – 2016**

**Approved by The Board of Directors**

**August 26, 2014**

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# Fayette County Appraisal District Reappraisal Plan

## **Introduction**

The Fayette County Appraisal District has prepared and published this reappraisal plan and appraisal report to provide our Board of Directors, citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: a general introduction and several sections describing the appraisal effort by the appraisal district.

The Fayette County Appraisal District (CAD) is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A member Board of Directors, appointed by the taxing units within the boundaries of Fayette County, constitutes the district's governing body. The chief appraiser, appointed by the Board of Directors, is the chief administrator and chief executive officer of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for 15 jurisdictions or taxing units in the county. Each taxing unit, such as the county, a city, school district, municipal utility district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Property appraisals and estimated values by the appraisal district allocate the year's tax burden on the basis of each taxable property's market value. The District also determines eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

## **Scope of Responsibility**

Except as otherwise provided by the Texas Property Tax Code, all taxable property is appraised at "market value" as of January 1. Under the Texas Property Tax Code, Sec. 1.04(7), "market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- (a) exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- (b) both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use, and;
- (c) both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other

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

The Texas Property Tax Code, Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district's current policy is to conduct a general reappraisal of taxable property every year. Appraised values are reviewed annually and are subject to change depending on the current market. Business personal properties, minerals and utility properties are appraised every year.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted mass appraisal programs, and recognized appraisal methods and techniques, information is compared with the data of similar properties, and with recent cost and market data. The District follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable. Chapter 23 of the Texas Property Tax Code contains statutes dealing with appraisal methods and procedures. Section 23.01 of this chapter was amended in 1997 to specify that appraisal districts are required to comply with the mass appraisal standards of USPAP (Standard Six) when the appraised *value* of a

property is established using mass appraisal techniques. In cases where the appraisal district contracts for professional valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards. Policies and procedures are available at the office of each firm contracting with the District.

This Reappraisal Plan is being submitted as a tool to organize the appraisal activities of the Fayette County Appraisal District. This plan attempts to outline the necessary work required to reappraise Fayette County for the next two years. As we progress into the actual reappraisal process, we reserve the right to modify the plan as required in order to meet the requirements of this office as set forth in the Texas Property Tax Code.

## **OVERVIEW OF DISTRICT OPERATIONS**

### **Employee Resources**

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

The appraisal district staff consists of 12 full-time employees with the following classifications:

- 3 – Official/Administrator (executive level administration)
- 3 – Professional (supervisory and management)
- 8 – Technicians (appraisers, mapping, data entry)

- 3 – Administrative support (professional, customer service and clerical)

### **Staff Education and Training**

All personnel performing appraisal work must be registered with the Texas Department of Licensing & Regulation. This agency is responsible for ensuring appraisers are professional, knowledgeable, competent and ethical. This is accomplished through a statewide program of registration, education, experience, testing and certification for all property tax professionals for the purpose of promoting an equitable tax system.

Upon registration, appraisers registered with the Texas Department of Licensing & Regulation have up to five years to take 128 hours, in seven appraisal courses, and pass two additional exams in order to achieve certification as a Registered Professional Appraiser (RPA). During each subsequent two-year period after certification, appraisers must complete an additional 30 hours of continuing education. Failure to meet these minimum standards will result in the removal of employee from an appraiser position.

Additionally, all appraisal personnel receive extensive training in data gathering processes and statistical analyses of all types of property to ensure equality and uniformity of appraisal of all types of property. On the job training is given by the field appraiser in charge for all new appraisers. The Chief Appraiser meets regularly with employees to introduce new procedures and regularly monitor appraisal activity to ensure all employees are following standardized appraisal procedures as required.

### **Data**

The Fayette County Appraisal District is responsible for establishing and maintaining approximately 52,630 real and personal property accounts covering 960 square miles within Fayette County. Colorado County, Lee County and Bastrop County have properties that over-lap into our county and these properties are included within this number of property accounts. These over-lapping jurisdictions are school districts only and consist of Weimar Independent School District, Giddings Independent School District and Smithville Independent School District. Each parcel contains data related to property characteristics, ownership, and exemption information. Accurate ownership and legal description data is maintained by recorded deeds and plats that are researched through the Fayette County Clerk's office. Exemption data, in amounts

authorized by State and local governments, is processed in conjunction with various application requirements as stipulated in the Texas Property Tax Code.

Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review. Sales are routinely validated during a separate field effort; however, numerous sales are validated as part of the new construction and field inspections.

General trends in employment, interest rates, new construction trends, and cost and market data are acquired through various sources, including internally generated questionnaires to buyer and sellers, university research centers, and market data centers and vendors. Information is also collected from property owners and agents during the informal appeal and Appraisal Review Board process.

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

### **Information Systems**

The Chief Appraiser manages and maintains the district's data processing and software applications. The mapping department manages and maintains the geographical information system with the help of BIS Consulting. True Automation, Inc. developed and provides the software known as Property Appraisal & Collection Services (PACS) for appraisal and collections along with hosting our internet website. True Automation, Inc. provides and updates software as necessary for appraisal and administrative applications. The district operates from a sequel server database. The Mainframe hardware/system is Dell Power Edge 2900. The user base is networked through the mainframe using Windows 2008 Server.

### **Shared Appraisal District Boundaries**

The district established procedures whereby ownership and property data information are routinely exchanged within over-lapping jurisdictional boundaries. Appraisers from adjacent appraisal districts discuss data collection and valuation issues to minimize the possibility of differences in property characteristics, legal descriptions, and other administrative data. According to Texas Property Tax Code, Sec. 25.17(b), If real property is located partially inside the boundaries of more than one appraisal district, the chief appraisers who are responsible for appraising the property shall to the greatest extent practicable coordinate their appraisals of each portion of the property to ensure to the greatest extent possible that the property as a whole is appraised at its market value.

### **Independent Performance Test**

According to Chapter 5 of the Texas Property Tax Code and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Division (PTD) conducts a biennial property value study (PVS) of each Texas school district and each appraisal district. As part of this biennial study, the code requires the Comptroller to: use sales and recognized 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 representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analyses of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median and price-related differential (PRD) for properties overall and by state category.

There are five independent school districts in Fayette CAD. Each school district is tested biennially. The preliminary results of this study are released February 1 in the year following the year of appraisement. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) the following July of each year. This outside (third party) ratio study provides additional assistance to the

CAD in determining areas of market activity or changing market conditions.

The results of Fayette CAD sales ratio studies and the Property Value Study (PVS) are analyzed to determine if there are any areas where appraisal performance needs improvement. Currently, Fayette CAD's results indicate that properties are being valued within IAAO standards for both market value and equity, and that there are no areas that require additional resources. This is continually monitored to ensure quality appraisal performance.

Beginning in 2010, the PTAD will conduct a biennial review of the governance of each appraisal district, taxpayer assistance provided, and the operating and appraisal standards, procedures, and methodology used by the district (MAPS). Fayette CAD will be reviewed in 2015.

## **APPRAISAL ACTIVITIES**

### **INTRODUCTION**

#### **Appraisal Responsibilities**

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a comprehensive physical description of personal property, and land and building characteristics. The appraisal staff is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types located within the boundaries of Fayette County and the jurisdictions of this appraisal district. The data collection effort involves the field inspection of real and personal property accounts. The goal is to periodically field inspect residential, commercial, and personal properties in the district every three years. Detailed inspections are constantly being performed each year on a rotation basis by school district boundaries. The appraisal opinion of value for all property located in the district is reviewed and evaluated each year. Personal property is reviewed every year to insure the business is still open and to assess the amount of personal property associated with the business. Personal property renditions are also mailed each February.

## Appraisal Resources

- **Personnel** – The field appraisal activities are conducted by five appraisers.
- **Data** – The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Assisted Mass Appraisal System) from the district's computer system. The data is printed on an appraisal card or personal property data sheets. Other data used includes maps, surveys, sales data, photos, deeds, leases, building permits, septic permits, contracts, legal restrictions, and actual cost and market information. Sources of information are gathered using excellent relationships with other participants in the real estate market place. The district gathers information from both buyers and sellers participating in the real estate market.

## Appraisal Frequency and Method Summary

- **Residential Property** – Residential property is physically examined at least once every three years by appraisers using one of two methods, field inspection or the use of Pictometry. Appraisers use Pictometry to review oblique images from four different angles of a property, looking for changes that may have occurred to the property since the last field inspection, verifying that all improvements are on the appraisal roll and listed correctly. Field inspections involve walking around each home, noting condition of the home and any and all improvements, and looking for changes that might have occurred to the property since the last on-site inspection. Exterior pictures are taken of each home and typically secondary structures.

Every subdivision is statistically analyzed annually to ensure sales that have occurred in the subdivision during the past 12 months are within a  $\pm 5\%$  range of appraised value. If the sales do not indicate that range, adjustments are made to the subdivision using a process outlined in detail in the Residential Appraisal section of this report.

- **Commercial/Industrial Property** – Commercial and industrial real estate is observed annually and field inspected at least once every three years. Fayette CAD contracts with Pritchard & Abbott, Inc. to appraise large industrial properties within the county. Pritchard & Abbott field inspect these types of properties

annually. Physical on-site inspections of other commercial properties occur at least once every three years. Exterior pictures are taken of the front and back of each building.

Real estate accounts are analyzed against sales of similar properties in Fayette CAD as well as similar communities surrounding Fayette County that have similar economics. The income approach to value is also utilized to appraise larger valued commercial properties such as apartment complexes, motels and hotels, shopping centers and other types of property that typically sell based on net operating income. The cost approach is typically used to value industrial properties due to the lack of reliable income data and comparable sales. This is the recommended approach of the International Association of Assessing Officers (IAAO).

- **Business Personal Property** – Business personal property is observed annually with appraisers actually going into businesses to develop quality and density observations. Renditions are mailed to every business annually in February along with a letter explaining the benefits and legality of rendering. Rendition laws provide additional information on which to base values of all business personal property accounts. Similar businesses to a subject are analyzed annually to determine consistency of appraisal per square foot. Businesses are categorized using Standard Industrial Codes (SIC).
- **Minerals** – Working and royalty interests of producing oil and gas wells are appraised annually by Pritchard & Abbott, Inc. The most recent production data available from the Texas Railroad Commission is downloaded into appraisal software that estimates economically recoverable reserves. Those reserves are then valued based upon State mandated pricing using the previous year's average of oil or gas prices. A discount is applied over the anticipated life of the well in order to consider the value of money over time to recover those reserves. Each producing lease is valued as a unit and then that value is divided according to the various owners of the lease listed in division orders.
- **Utilities and Pipelines** – Utility companies and pipelines are appraised annually by Pritchard & Abbott, Inc. using a unit value developed using all three approaches to value. For example, a utility company's total value in the State is estimated using cost, market and income approach to value and then the entire

value is allocated using the components of that utility company that have situs in the various tax units of Fayette CAD. Components include such things as miles of transmission lines, miles of distribution lines, substations and the like for an electric utility.

## **Preliminary Analysis**

### **Data Collection/Validation**

Data collection of real property involves maintaining data characteristics of the property on CAMA (Computer Assisted Mass Appraisal) software. The information contained in CAMA includes site characteristics, such as land size and topography, and improvement data, such as square foot of living area along with other areas of the improvement, year built, quality of construction, and condition. Other characteristics include but are not restricted to the type of foundation, type of roof, type of heating and cooling system, number of baths, number of units, number of rooms, or leasable area. Characteristics are a direct reflection of the improvements. Accurate valuation of real and personal property by any method requires an accurate and comprehensive physical description of the property appraised.

Field appraisers are required to use a property classification system that establishes uniform procedures for the correct listing of real property. All properties are coded according to a classification system. The approaches to value are structured and calibrated based on this coding system and property description and characteristics. This classification system is very similar to the classification system used by Marshall & Swift Valuation Service. References to the district's classifications are found in the Residential or Commercial Field Guides. The field appraisers use property classification references during their initial training and as a guide in the field inspection of properties.

Data on individual properties is collected, compiled and analyzed. Buildings and other improvements are inspected, measured and classified. The appraiser estimates the effective age of improvements and determines the condition of the improvements. This data is used to compile depreciation (loss of value) tables and any notes pertaining to the improvements are made at this time.

Physical depreciation is calculated based on the effective age of improvements. Effective age is the age the property appears to be due to maintenance and upkeep.

Effective age for a house that is properly maintained may be its actual or chronological age. However, if a structure suffers from deferred maintenance due to neglect, its effective age may be older than the actual age. Conversely, if a house is an older structure and has been remodeled or updated, its effective age may be less than its actual age. Standardized physical depreciation tables developed from Marshall & Swift are applied to all properties to ensure uniformity.

Appraisers in the field usually inspect structures from the exterior. Unless specific information is known to the appraiser, the interior condition is assumed to be similar to the exterior.

Foundation failure may occur in varying degrees and may also result in loss of value. FCAD makes allowances for foundation problems on a case by case basis. Additional depreciation may be estimated for a variety of reasons including functional obsolescence resulting from bad floor plans, super adequacies, or out of date construction methods. Economic obsolescence results from a loss of value to a property due to adverse influences from outside the physical boundaries of the property. Examples of economic obsolescence may be proximity to a landfill, residences located in an airport flight path, etc.

Data collection for personal property involves maintaining information on software designed to record and appraise business personal property. The type of information contained in the business personal property file includes personal property such as business inventory, furniture and fixtures, machinery and equipment, with details such as cost and location. The field appraisers conduct on-site inspections. The information is given to the personal property manager which uses a personal property classification system as a guide to correctly list all personal property that is taxable. Also, the Texas Department of Transportation records are obtained annually through a vendor who provides a list of potential commercial use vehicles within the district. The listing procedure utilized by the personal property manager is available in the district office.

### **Sources of Data**

The sources of data collection are through property inspection, new construction field effort, data review field effort, data mailer questionnaires, hearings, sales validation field effort, commercial sales verification and field effort, newspapers and publications, and

property owner correspondence by mail or via the Internet. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. Building permits are received and manually entered on each corresponding account and coded for a field visit. Mechanic liens filed with the Fayette County Clerk's office is another good data source. Area and regional real estate brokers and managers are also sources of market and property information. Data surveys of property owners requesting market information and property description information is also valuable data. Soil surveys and agricultural surveys of farming and ranching property owners and industry professionals are helpful for productivity value calibration. The Texas Railroad Commission is the source for mineral production data and leasing information. Improvement cost information is gathered from local building contractors and Marshall & Swift Valuation Service. Various income and rental surveys are performed by attempting to gather as much information as possible to determine operating income and expenses for investment and income producing real property. Income information may also be obtained from tax agents and by analyzing sales of income producing property.

Review of entire neighborhoods is generally a good source for data collection. Neighborhoods are reviewed for accuracy of our data and to identify properties that may need to be inspected. The sales validation effort in real property pertains to the collection of market data for properties that have sold. In residential and commercial, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of the property characteristics and confirmation of the sales price.

Sources of data for business personal property are sales tax permits, assumed name filings, business publications, building permits, business licensing by the State of Texas, newspaper articles and other information provided by public and private interest.

Property owners are one of the best sources for identifying incorrect data that generates a field check. Frequently, the property owner provides reliable data to allow correction of records without having to send an appraiser on-site. As the district has increased the amount of information available on the Internet, property owners have the opportunity to review information on their property and forward corrections via e-mail. For the property owner without access to the Internet, letters are sometimes submitted notifying the district of inaccurate data. Properties identified in this manner are inspected at the earliest opportunity. A new law passed by the 79th Texas Legislature prohibits certain

data from the Internet, which hinders the taxpayer in many areas. Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed throughout the appraisal process from year to year. Appraisal opinion quality and validity relies on data accuracy as its foundation.

### **Data Collection Procedures**

The appraisers are assigned specific areas throughout the district to conduct field inspections. These geographic areas of assignment are different each year to enable the appraiser to become knowledgeable of all the factors that drive values for different areas. Appraisers of real estate and business personal property conduct field inspections and record corrections and additions the appraiser may find in his field inspection manually on appraisal worksheets. This information is brought back into the office and given to data entry for entry into the computer system (PACS).

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

### **Data Maintenance**

The field appraiser is responsible for the data entry of his fieldwork into the computer file. This responsibility includes not only data entry, but also quality assurance. The majority of the data collected in the field is input by data entry staff with supervision by the field appraiser. Data updates and file modification for property descriptions and input accuracy are the responsibility of the data entry staff and appraisers.

## **Individual Value Review Procedures**

### **Field Review**

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

### **Office Review**

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

## **Performance Test**

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

inspections are performed to discover if property characteristics had changed as of the sale date or subsequent to the sale date. Sale ratios should be based on the value of the property as of the date of sale not after a subsequent or substantial change was made to the property after the negotiation and agreement in price was concluded. Properly performed ratio studies are a good reflection of the level of appraisal for the district.

## **Residential Valuation Process**

### **INTRODUCTION**

#### **Scope of Responsibility**

The residential appraisers are responsible for determining equal and uniform market values for residential improved and vacant property. There are approximately 8,500 residential improved single and multiple family parcels and 1,900 vacant residential properties in Fayette County and adjoining over-lapping jurisdictional areas.

#### **Appraisal Resources**

- **Personnel** – The residential appraisal staff consists of four appraisers and one data entry person. The following appraisers are responsible for determining the market value of residential property:
  - Brandon Karisch – Field Appraiser
  - Carolyn Rost – Field Appraiser
  - Lana Guthrie – Field Appraiser
  - Vacant – Field Appraiser
- **Data** – An individualized set of data characteristics for each residential dwelling and multiple family units in this district are collected in the field and data entered in the computer. The property characteristic data drives the application of computer-assisted mass appraisal (PACS) under the Cost, Market, and Income Approaches to property valuation.

## **VALUATION APPROACH**

### **Land Analysis**

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

### **Area Analysis**

Data on regional economic forces such as demographic patterns, regional 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 and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources such as continuing education in the form of TAAD, IAAO, and TAAO classes.

### **Neighborhood and Market Analysis**

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. Residential valuation and neighborhood analysis is conducted on various market areas within each of the political entities known as Independent School Districts (ISD). Analysis of comparable market sales forms the basis of estimating market activity and

the level of supply and demand affecting market prices for any given market area, neighborhood or district. Market sales indicate the effects of these market forces and are interpreted by the appraiser into an indication of market price ranges and indications of property component change considering a given time period relative to the date of appraisal. Cost and Market Approaches to estimate value are the basic techniques utilized to interpret these sales. For multiple family properties the Income Approach to value is also utilized to estimate an opinion of value for investment level residential property.

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

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are field inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in cost-derived areas of limited or no sales, or use in direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed below, is performed on a neighborhood basis, and in soft sale areas on a neighborhood group basis. Neighborhood delineation is further reviewed through PACS profiling and sales ratio analysis to determine if further neighborhood delineation or combination is warranted.

Market trends vary and can only be detected through careful analysis. Market trends include, but are not limited to, class of property, size of improvements, amenities, lot size, location within the market area, and other factors that may influence the market. Therefore, the FCAD appraiser looks not only at the overall appraisal statistics for a market area, but also attempts to identify market trends by isolating property characteristics and outliers to verify the appraisal statistics and refine the market area.

All market areas in Fayette CAD are reviewed multiple times throughout the year. This review consists of reviewing the component properties that make up the market area and screening for outliers as well as reviewing sales ratio statistics to identify outliers or trends among property types or groupings that may indicate a different level of appraisal for said type or group. An example is where a second phase of a subdivision may consist of larger homes than the first phase. These properties may sell at different levels. If the two groups of properties are combined, one group will be over-appraised, while the other group will be under-appraised. If such a trend is detected in a market area, then the two groups should be separated in order to appraise both at market value and equitably.

Once the market area is properly refined, a final sales ratio for that neighborhood is conducted. When sales or income data demonstrate that current valuations need to be adjusted to achieve market value, all properties in the same neighborhood grouping are adjusted with the same adjustment factor.

The market areas of the Fayette County Appraisal District are defined as:

La Grange ISD (excluding the City of La Grange)

Schulenburg ISD (excluding the City of Schulenburg)

Flatonia ISD (excluding the City of Flatonia)

Fayetteville ISD (excluding the City of Fayetteville)

Round Top – Carmine ISD (excluding the Town of Round Top and City of Carmine)

City of La Grange

City of Schulenburg

City of Flatonia

City of Fayetteville

City of Carmine

Town of Round Top

Smaller neighborhoods may exist within these and are determined based on their individual characteristics.

### **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 productive to its maximum. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. Residential valuation undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use

remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are economic burdens, and the highest and best use of such property is the construction of new dwellings. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties.

Beginning in 2010, a Constitutional amendment was ratified that overrides the concept of highest and best use in regards to properties receiving a residential homestead exemption. These properties now must be valued as residential property regardless of their highest and best use.

## **VALUATION AND STATISTICAL ANALYSIS (Model Calibration)**

### **Cost Schedules**

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

A review of the residential cost schedule is performed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in the district are considered. The property data characteristics of these properties are verified and photographs are taken of the samples. CAD replacement costs are compared against Marshall & Swift, a nationally recognized cost estimator, and the indicated replacement cost abstracted from these market sales of comparably improved structures. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing of estimated building costs plus land to sales prices. As a result of

this analysis, a new regional multiplier or economic index factor and indications of neighborhood economic factors are developed for use in the district's cost process. This new economic indexes estimated and used to adjust the district's cost schedule to be in compliance with local building costs as reflected by the local market.

### **Sales Information**

A sales file for the storage of "snapshot" sales data at the time of sale is maintained for real property. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a sales information system. Residential improved and vacant sales are collected from a variety of sources, including: district questionnaires sent to buyer and seller, field discovery, protest hearings, appraisers, builders, and realtors. A system of type, source, validity and verification codes has been established to define salient facts related to a property's purchase or transfer and to help determine relevant market sale prices. The effect of time as an influence on price is considered. Neighborhood sales reports are generated as an analysis tool also. Abstraction and allocation of property components based on sales of similar property is an important analysis tool to interpret market sales under the cost and market approaches to value. These analysis tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

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

### **Statistical Analysis**

The chief appraiser performs statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted on each of the residential valuation neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed for each neighborhood. The level of appraised values is determined by the weighted mean ratio

for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods. The uniformity of appraised values is determined by the Coefficient of Dispersion (COD) and the Price Related Differential (PRD).

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

### **Market and Cost Reconciliation and Value**

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

The following equation denotes the hybrid model used:

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

Whereas, in accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus the replacement cost new of property improvement less accrued depreciation (RCNLD) multiplied by a market adjustment (MA) derived from sales analysis.. As the cost approach separately estimates both land and building contributory values and uses depreciated replacement costs, which reflect

only the supply side of the market, it is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales.

Thus, demand side economic factors and influences may be observed and considered. These market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for location variances between market areas or across a jurisdiction. Whereas, in accordance with the Market Approach, the estimated market value (MV) of the property equals the basic unit of property, under comparison, times the market price range per unit for sales of comparable property. For residential property, the unit of comparison is typically the price per square foot of living area or the price indicated for the improvement contribution.

This analysis for the hybrid model is based on both the cost and market approaches as a correlation of indications of property valuation. A significant unknown for these two indications of value is determined to be the rate of change for the improvement contribution to total property value. The measure of change for this property component can best be reflected and based in the annualized accrued depreciation rate. This cost related factor is most appropriately measured by sales of similar property. The market approach, when improvements are abstracted from the sale price, indicates the depreciated value of the improvement component, in effect, measuring changes in accrued depreciation, a cost factor.

The level of improvement contribution to the property is measured by abstraction of comparable market sales, which is the property sale price less land value. The primary unknown for the cost approach is to accurately measure accrued depreciation affecting the amount of loss attributed to the improvements as age increases and condition changes. This evaluation of cost results in the depreciated value of the improvement component based on age and condition. The evaluation of this market and cost information is the basis of reconciliation and indication of property valuation under this hybrid model.

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties' based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by

the sum of the time adjusted sales prices indicates the neighborhood level of appraisal based on sold properties. This ratio is compared to the acceptable appraisal ratio, 96% to 100%, to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

If reappraisal of the neighborhood is indicated, the appraiser analyzes available market sales, appropriately adjusted for the apparent effects of time, by market abstraction of property components. This abstraction of property components allows the appraiser to focus on the rate of change for the improvement contribution to the property by providing a basis for calculating accrued depreciation attributed to the improvement component. This impact on value is usually the most significant factor affecting property value and the most important unknown to determine by market analysis. Abstraction of the improvement component from the adjusted sale price for a property indicates the effect of overall market suggested influences and factors on the price of improvements that were a part of this property, recently sold. Comparing this indicated price or value allocation for the improvement with the estimated replacement cost new of the improvement indicates any loss in value due to accrued forms of physical, functional, or economic obsolescence. This is a market driven measure of accrued depreciation and results in a true and relevant measure of improvement marketability, particularly when based on multiple sales that indicate the trending of this rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimates the annual rate of depreciation for given improvement descriptions considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all property within the sale sample to consider and review the effects on the neighborhood sale ratio. After an acceptable level of appraisal is achieved within the sale sample, the entire neighborhood of property is recalculated utilizing the indicated depreciation rates taken from market sales. This depreciation factor is the basis for trending all improvement values and when combined with any other site improvements and land value, brings the estimated property value through the cost approach closer to actual market prices as evidenced by recent sale prices available within a given neighborhood. Therefore, based on analysis of recent sales located within a given neighborhood, estimated property values will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The estimated property values calculated

for each update neighborhood are based on market indicated factors applied uniformly to all properties within a neighborhood. Finally, with all the market-trend factors applied, a final ratio study is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both update and non-update neighborhoods and verifies appraised values against overall trends as exhibited by the local market, and finally, for the school district as a whole.

### **TREATMENT OF RESIDENCE HOMESTEADS**

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under that law, beginning in the second year a property receives a homestead exemption; increases in the assessed value of that property are "capped." The value for tax purposes (assessed value) of a qualified residence homestead will be the LESSER of:

- the market value; or
- the preceding year's appraised value;  
    PLUS 10 percent for each year since the property was re-appraised;  
    PLUS the value of any improvements added since the last re-appraisal.

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

### **INDIVIDUAL VALUE REVIEW PROCEDURES**

#### **Field Review**

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

As the district's parcel count has increased through new home construction, and the homes constructed in the boom years of the late 70's and early 80's experience remodeling, the appraisers are required to perform the field activity associated with transitioning and high demand neighborhoods. Increased sales activity has also resulted in a more substantial field effort on the part of the appraisers to review and resolve sales outliers. Additionally, the appraiser frequently field reviews subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property. During this review, the appraiser is able to physically inspect both sold properties and unsold properties for comparability and consistency of values.

### **Office Review**

Once field review is completed, the chief appraiser conducts a routine valuation review of all properties as outlined in the discussion of ratio studies and market analysis. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The percentage of value difference are noted for each property within a delineated neighborhood allowing the chief appraiser to identify, research and resolve value anomalies before final appraised values are released. Previous values resulting from a hearing protest are individually reviewed every other year to determine if the value remains appropriate for the year.

Once the chief appraiser is satisfied with the level and uniformity of value for each neighborhood or school district, the estimates of value go to noticing.

## **PERFORMANCE TESTS**

### **Sales Ratio Studies**

The primary analytical tool used by the chief appraiser to measure and improve performance is the ratio study. The district ensures that the appraised values that it

produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each neighborhood to allow the chief appraiser to review general market trends within a school district, and provide an indication of market appreciation over a specified period of time. The PC-based ratio studies are designed to emulate the findings of the state comptroller's annual property value study for category "A" property.

### **Management Review Process**

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

## **COMMERCIAL AND INDUSTRIAL PROPERTY VALUATION PROCESS**

### **INTRODUCTION**

#### **Appraisal Responsibility**

This mass appraisal assignment includes all of the commercially described real property which falls within the responsibility of the commercial valuation appraisers of the Fayette County Appraisal District and located within the boundaries of this taxing jurisdiction. Commercial appraisers appraise the fee simple interest of properties according to statute and court decisions. However, the affect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisal of any non exempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

#### **Appraisal Resources**

- **Personnel** – The improved real property appraisal responsibilities are categorized according to major property types of multi-family or apartment, office, retail, warehouse and special use (hotel, hospitals and nursing homes). The following appraisers are responsible for estimating the market value of commercial and industrial property:

Brandon Karisch –	Field Appraiser
Carolyn Rost –	Field Appraiser
Lana Guthrie –	Field Appraiser
Vacant -	Field Appraiser

Also, Pritchard & Abbott, Inc. is contracted to perform certain Industrial appraisals.

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

## **PRELIMINARY ANALYSIS**

### **Market Study**

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

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

Fayette CAD coordinates its discovery and valuation activities with adjoining appraisal districts. Numerous field trips, interviews and data exchanges with adjacent appraisal districts have been conducted to ensure compliance with state statutes. In addition, Fayette CAD administration and personnel interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers, Texas Association of Appraisal Districts and its subchapter Tri-Region, and the Texas Association of Assessing Officers. District staff strives to maintain appraisal skills and professionalism by continuing education in the form of courses that are offered by several professional associations such as Texas Association of Appraisal Districts (TAAD), International Association of Assessing Officers (IAAO), Texas Association of Assessing Officers (TAAO), and Texas Department of Licensing and Regulations (TDLR) courses.

## **VALUATION APPROACH**

### **Land Value**

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

### **Area Analysis**

Area data on regional economic forces such as demographic patterns, regional 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.

## **Neighborhood Analysis**

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

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if redelineation is required. The geographic boundaries as well as income, occupancy and expense levels and capitalization rates by age within each economic area for all commercial use types and its corresponding income model have been estimated for these properties.

The market areas of the Fayette County Appraisal District are defined as:

La Grange ISD (excluding the City of La Grange)

Schulenburg ISD (excluding the City of Schulenburg)

Flatonia ISD (excluding the City of Flatonia)

Fayetteville ISD (excluding the City of Fayetteville)

Round Top – Carmine ISD (excluding the Town of Round Top and City of Carmine)

City of La Grange

City of Schulenburg

City of Flatonia

City of Fayetteville

City of Carmine

Town of Round Top

Smaller neighborhoods may exist within these and are determined based on their individual characteristics.

### **Highest and Best Use Analysis**

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

On the other hand, value in use represents the value of a property to a specific user for a specific purpose. This perspective for value may be significantly different than market value, which approximates market price under the following assumptions: (i) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (ii) well-informed buyers and sellers acting in their own best interests, (iii) a reasonable time for the transaction to take place, and (iv) payment in cash or its equivalent.

## **Market Analysis**

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

## **DATA COLLECTION AND VALIDATION**

### **Data Collection**

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

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

### **Sources of Data**

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

and financial publications.

For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a computer-generated questionnaire, which is mailed to both parties in the transaction (Grantor and Grantee). In other instances, sales verification is obtained from local appraisers or others that may have the desired information. Finally, closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

## **VALUATION ANALYSIS**

Model calibration involves the process of periodically adjusting the mass appraisal formula, tables and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new construction procedures, materials and/or costs, which can vary from year to year. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to the current market conditions. However, at some point, if the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure.

### **Cost Schedules**

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever possible. Cost models are typically developed based on the Marshall & Swift Valuation Service which indicates estimated hard or direct costs of various improvement types. Cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district. These include comparative base rates, per unit adjustments and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employs the sales comparison approach in the evaluation of soft or indirect costs of construction. Evaluating market sales of newly developed improved property is an important part of

understanding total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels. In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Fayette County. Estimated replacement cost new will reflect all costs of construction and development for various improvements located in Fayette CAD as of the date of appraisal.

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

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

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

### **Income Models**

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

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

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

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-recoverable

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

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

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

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

Capitalization analysis is used in the income approach models to form an indication of value. This methodology involves the direct capitalization of net operating income as an

indication of market value for a specific property. Capitalization rates applicable for direct capitalization method and yield rates for estimating terminal cap rates for discounted cash flow analysis are derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of property return expectations a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived and estimated from the built-up method (band-of-investment). This method relates to satisfying estimated market return requirements of both the debt and equity positions in a real estate investment. This information is obtained from available sales of property, local lending sources, and from real estate and financial publications.

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

### **Sales Comparison (Market) Approach**

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

comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

### **Final Valuation Schedules**

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

### **Statistical and Capitalization Analysis**

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

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

The appraisers along with the chief appraiser review every commercial property type annually through the sales ratio analysis process. The first phase involves ratio studies that compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies affords the appraiser an excellent means of judging

the present level of appraised value and uniformity of the appraised values. The chief appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal, or whether the level of market value is at an acceptable level.

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

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### **Field Review**

The date of last inspection, extent of that inspection, and the field appraiser responsible are listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, CAMA may be altered based on the credibility of the evidence provided. Normally, a new field check is then requested to verify this information for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is coded for field review

Commercial appraisers are somewhat limited in the time available to field review all commercial properties of a specific use type. However, a major effort is made by appraisers to field review as many properties as possible or economic areas experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. Field review of real property accounts is accomplished while business personal property is reviewed and inspected in the field. Additionally, the appraisers frequently field review subjective data items such as building class, quality of construction (known as cost modifiers), condition, and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. In some cases field reviews are warranted when sharp changes in occupancy or rental rate levels occur

between building classes or between economic areas. With preliminary estimates of value in these targeted areas, the appraisers test computer assisted values against their own appraisal judgment. While in the field, the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

### **Office Review**

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

Once the appraiser is satisfied with the level and uniformity of value for each commercial property within their area of responsibility, the estimates of value go to noticing. Each parcel is subjected to the value parameters appropriate for its use type.

## **PERFORMANCE TESTS**

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market prices. In a ratio study, market values (value in exchange) are typically represented with the range of sale prices, i.e. a sales ratio study. Independent, expert appraisals may also be used to represent market values in a ratio study, i.e. an appraisal ratio study. If there are not enough examples of market price to provide necessary representativeness, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial or

industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties statutorily not appraised at market value, but reflect the use-value requirement. An example of this are multi-family housing projects subject to subsidized rent provisions or other governmental guarantees as provided by legislative statutes (affordable housing) or agricultural lands to be appraised on the basis of productivity or use value.

Fayette CAD has adopted the policies of the IAAO STANDARD ON RATIO STUDIES regarding its ratio study standards and practices. Ratio studies generally have six basic steps:

1. Determination of the purpose and objectives,
2. Data collection and preparation,
3. Comparing appraisal and market data,
4. Stratification,
5. Statistical analysis,
6. Evaluation and application of the results.

### **Sales Ratio Studies**

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

Overall sales ratios are generated by use type semi-annually (or more often in specific areas) to allow appraisers to review general market trends in the different areas of the county and for the Property Value Study from the Property Tax Assistance Division of

the Comptroller's Office. Field checks may be conducted to insure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the appraisers by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

### **Comparative Appraisal Analysis**

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

# BUSINESS PERSONAL PROPERTY VALUATION PROCESS

## INTRODUCTION

### Appraisal Responsibility

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

- **Personnel** - The personal property staff consists of 3 appraisers and a personal property manager/appraiser.

Diana Orona –	Personal Property Manager/Appraiser
Brandon Karisch –	Field Appraiser
Carolyn Rost –	Field Appraiser
Lana Guthrie –	Field Appraiser

- **Data** - A common set of data characteristics for each personal property account in Fayette CAD is collected in the field and data entered in the computer system in the office. The property characteristic data drives the computer-assisted personal property appraisal (CAPPA) system. The field appraisers collect the field data and the personal property manager maintains electronic property files making updates and changes gathered from field inspections, newspapers, property renditions, sales tax permit listing and interviews with property owners.

## VALUATION APPROACH

### SIC Code Analysis

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

SIC code identification and delineation is the cornerstone of the personal property valuation system at the district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. SIC

codes are delineated based on observable aspects of homogeneity and business use.

### **Highest and Best Use Analysis**

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

## **DATA COLLECTION/VALIDATION**

### **Data Collection Procedures**

Personal property data collection procedures are published and distributed to all appraisers involved in the appraisal and valuation of personal property. The appraisal procedures are reviewed and revised to meet the changing requirements of field data collection.

### **Sources of Data**

#### ***Business Personal Property***

The district's property characteristic data was collected through a massive field data collection effort coordinated by the district over the recent past and from property owner renditions. From year to year, reevaluation activities permit district appraisers to collect new data via an annual field inspection. This project results in the discovery of new businesses, changes in ownership, relocation of businesses, and closures of businesses not revealed through other sources. Local newspapers and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

### ***Vehicles***

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

### ***Leased and Multi-Location Assets***

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

## **VALUATION AND STATISTICAL ANALYSIS (Model Calibration)**

### **Cost Schedules**

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

### **Statistical Analysis**

Summary statistics including, but not limited to, the median, weighted mean, and standard deviation provide the appraisers a 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 within SIC codes.

## **Depreciation Schedule and Trending Factors:**

### ***Business Personal Property***

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

$$\text{PVF} = \text{INDEX FACTOR} \times \text{PERCENT GOOD FACTOR}$$

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

$$\text{MARKET VALUE ESTIMATE} = \text{PVF} \times \text{HISTORICAL COST}$$

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

### **Vehicles**

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

### **Leased and Multi-Location Assets**

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

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### **Office Review**

A district valuation computer program exists in a mainframe environment that identifies accounts in need of review based on a variety of conditions. Property owner renditions, accounts with field or other data changes, accounts with prior hearings and new accounts.

## **PERFORMANCE TESTS**

### **Ratio Studies**

Every other year, beginning with the 2014 tax year, the Property Tax Division of the state comptroller's office will conduct a Property Value Study (PVS). The PVS is a ratio study used to gauge appraisal district performance. Results from the PVS play a part in school funding. Rather than a sales ratio study, the personal property PVS is a ratio study using state cost and depreciation schedules to develop comparative personal property values. These values are then compared to Fayette CAD's personal property values and ratios are indicated. The year when a ratio study is not performed, the CAD will have a MAPS (Methods and Assistance Program) review.

## **MINERAL INTERESTS**

### **INTRODUCTION**

#### **Definition of Appraisal Responsibility (Scope of Effort):**

The Mineral Valuation Department of Pritchard & Abbott, Inc. (P&A), is responsible for developing credible values for mineral interests (full or fractional percentage ownership of oil and gas leasehold interest, the amount and type of which are legally and/or

contractually created and specified through deeds and leases, et al.) associated with producing (or capable of producing) leases. Mineral interests are typically considered real property because of their derivation from the bundle of rights associated with original fee ownership of land. Typically all the mineral interests that apply to a single producing lease are consolidated by type (working vs. royalty) with each type then appraised for full value which is then distributed to the various fractional decimal interest owners prorata to their individual type and percentage amount. P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

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

- (d) exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- (e) both the seller and the buyer know of all the uses and purposes to which the property is or can be, adapted and of the enforceable restrictions on its use; and
- (f) both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

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

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

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

### **Legal and Statutory Requirements:**

In Texas, the provisions of the Texas Property Tax Code and other relevant legislative measures involving appraisal administration and procedures control the work of P&A as an extension of the Appraisal District. Other states in which P&A is employed will have similar controlling legislation, regulatory agencies, and governmental entities. P&A is responsible for appraising property on the basis of its fair market value as of the stated effective date (January 1 in Texas) for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All mineral properties (interests) are reappraised annually.

NOTE: IN TEXAS, P&A BELIEVES THE PROPERTY BEING APPRAISED AND PLACED ON THE TAX ROLL IS THE INTEREST AND NOT THE OIL OR GAS MINERAL ITSELF. WHILE OIL AND GAS RESERVES MAY CERTAINLY HAVE VALUE, THE FACT IS THAT IT IS THE INTERESTS IN THESE MINERALS THAT ARE BOUGHT AND SOLD, NOT THE MINERALS THEMSELVES. THE SALE OF MINERALS “MONETIZES” THE INTEREST AND THUS GIVES THE INTEREST ITS VALUE. WHENEVER P&A REFERS TO “MINERAL PROPERTIES” IN THIS REPORT OR IN ANY OTHER SETTING, IT IS THE MINERAL INTEREST, AND NOT THE MINERAL ITSELF, THAT IS THE SUBJECT PROPERTY BEING REFERENCED.

### **Administrative Requirements:**

P&A endorses the principals of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A also endorses, and follows when possible, the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to “generally accepted appraisal practice” so that its

value conclusions are credible and defensible. P&A submits annual or biannual contract bids to the Appraisal District Board of Directors or the Office of the Chief Appraiser and is bound to produce appraisal estimates on mineral properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined or allowed through IAAO or USPAP requirements are specified by the Texas Property Tax Code or at the specific request or direction of the Office of the Chief Appraiser.

### **Appraisal Resources**

- **Personnel** – The Mineral Valuation Division staff consists of competent Petroleum Engineers, Geologists, and Appraisers. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation within the allowable time frames prescribed by the Texas Department of Licensing and Regulations (TDLR) and/or other licensing and regulatory agencies as applicable.
- **Data** – For each mineral property a common set of data characteristics (historical production, price and expense data) is collected from various sources and entered into P&A's mainframe computer system. Historical production data and price data is available through state agencies (Texas Railroad Commission, Texas Comptroller, etal.) or private firms who gather, format and repackage such data for sale commercially. Each property's characteristic data drives the computer-assisted mass appraisal approach to valuation.
- **Information Systems** – The mainframe systems are augmented by the databases that serve the various in-house and 3rd party applications on desktop personal computers. In addition, communication and dissemination of appraisals and other information is available to the taxpayer and client through electronic means including internet and other phone-line connectivity. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper department personnel.

## VALUATION APPROACH (MODEL SPECIFICATION)

### Concepts of Value

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

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

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

### Approaches to Value for Petroleum Property

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

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

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

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

In the event that all factors are available for analysis, the consensus effort would be tantamount to performing an income approach to value (or trying to duplicate the buyer's income approach to value), thereby making the market approach somewhat redundant in its applicability.

- **Income Approach** – This approach to value most readily yields itself to the appraisal of mineral interests. Data is readily available whereby a model can be created that reasonably estimates a future income stream to the property. This future income may then be converted (discounted) into an estimate of current value. The process of discounting accounts for the time cost of money and also all the various forms of risk (if not already accounted for in the appraiser's choices for other cash flow parameters). Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield. If the land or improvements are of any residual value after the cessation of oil and gas production, that value should also be included (if those components are also being appraised).

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

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

P&A's appraisal methods and techniques comply with Property Tax Code Section 23.175 with regards to price and discount scenarios and parameters that are required by rule of the Texas Comptroller of Public Accounts.

## **DATA COLLECTION/VALIDATION**

### **Sources of Data:**

The main source of P&A's property data is production and other well or lease data from the Railroad Commission of Texas as reported monthly or yearly by operators. Gas price data is available from the Texas Comptroller via monthly severance tax transactions. Most data from state agencies is available either directly from the agency or alternatively from commercial sources who compile this type of data. As a monthly activity, P&A's Information Services Department receives data tapes or electronic files which contain updated and new well production data. Other discovery tools are fieldwork by appraisers, financial and operating cost data directly from operators, and related information from chief appraisers, tax assessors, trade publications and city and local newspapers. Other members of the public (industry trade groups, etc.) often provide P&A information regarding new wells and other useful facts related to property valuation.

Another crucial set of data to obtain is the ownership of these mineral interests. Typically the ownership of a mineral lease is fractionated and executed with several if not many owners. This information is typically requested from pipeline purchasers and/or other entities (such as operators) that have the responsibility of disbursing the income to the mineral interest owners. These purchasers and operators are not under any legal compulsion to provide P&A or the appraisal district this fractional ownership data; however most comply with the request so as to avoid the administrative burden of tax bills erroneously sent to them as the default owner of last resort. This request is also under a promise of confidentiality in accordance with Property Tax Code Section 22.27 and Attorney General's Opinion No. ORD-387 so that owners' personal information will not be publically disclosed. Another source of ownership information is through the taxpayers themselves who file deeds of ownership transfer and/or correspond directly with P&A or appraisal district staff.

### **Data Collection Procedures:**

Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures for mineral properties are generally accomplished globally by the company; i.e., production and price data for the entire state

is downloaded at one time into the computer system. Appraisers also individually gather and record specific and particular information to the appraisal file records, which serves as the basis for the valuation of mineral properties. P&A is divided into four district offices covering different geographic areas. Each office has a district manager, appraisal and ownership maintenance staff, and clerical staff as appropriate. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser.

### **VALUATION ANALYSIS (MODEL CALIBRATION)**

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

### **INDIVIDUAL VALUE REVIEW PROCEDURES**

Individual property values are reviewed several times in the appraisal process. P&A's discounted cash flow software dynamically generates various benchmark indicators that the appraiser reviews concurrent with the value being generated. These benchmarks often prompt the appraiser to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are dollars of value per barrel of oil reserve, years payout, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values, either before or after Notices of Appraised Value are prepared. Operators routinely meet with

P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as individual lease operating expense and reserve figures. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as an extension of the Office of the Chief Appraiser.

## **PERFORMANCE TESTS**

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

## **REAPPRAISAL OF INDUSTRIAL, UTILITY, AND RELATED PERSONAL PROPERTY**

### **INTRODUCTION**

#### **Definition of Appraisal Responsibility:**

The Engineering Services Department (ESD) of Pritchard & Abbott, Inc. (P&A) is responsible for developing schedules and models that result in fair and uniform market values for industrial, utility and related personal property. Personnel (appraisers and support staff) working in our various District Offices have the responsibility of using these schedules and modes to derive and support fair market values for industrial, utility, and related personal property, with further direction and guidance as needed from ESD.

### **Legal and Statutory Requirements:**

The provisions of the Texas Property Tax Code and relevant legislative measures involving appraisal administration and procedures control the work of P&A as a subcontractor to the Appraisal District. P&A is responsible for appraising property on the basis of its market value as of January 1 for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All industrial and personal property accounts are reappraised annually.

### **Administrative Requirements:**

P&A follows generally accepted and/or recognized appraisal practices and when applicable, the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A, when applicable, also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). P&A submits annual or biannual contract bids to the Office of the Chief Appraiser and is bound to produce appraisal estimates on industrial, utility and personal properties within the cost constraints of said bid. *Any appraisal practices and procedures followed by P&A not explicitly defined through IAAO or USPAP requirements are specified by the Texas Property Tax Code and/or at the specific request or direction of the Office of the Chief Appraiser.*

### **Appraisal Resources**

- **Personnel** – The Engineering Services Department and P&A's appraisal staff consists of appraisers with degrees in engineering, business and accounting. All personnel are Registered Professional Appraisers with the State of Texas or are currently working toward that registration.
- **Data** – A set of data characteristics (i.e., original cost, year of acquisition, quantities, capacities, net operating income, property description, etc.) for each industrial, utility and personal property is collected from various sources. This data is maintained in either hard copy or computer files. Each property's

characteristic data drives the appropriate computer-assisted appraisal approach to valuation.

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

## **VALUATION APPROACH (MODEL SPECIFICATION)**

### **Concepts of Value**

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

The evaluation and appraisal of industrial, utility, and related personal property relies heavily on the discovery of the property followed by the application of recognized appraisal techniques. The property is subject to inflation and depreciation in all forms. The appraisal of industrial and personal property involves understanding petroleum, chemical, steel, electrical power, lumber and paper industry processes along with a myriad of other industrial processes. Economic potential for this property usually follows either the specific industry or the general business economy. The goal for valuation of industrial and personal property is to appraise all taxable property at "fair market value." The Texas Property Tax Code defines Fair Market value as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- Exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- Both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and

- Both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

## **APPROACHES TO VALUE FOR INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY**

### **Cost Approach**

The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial, utility, and related personal property. Under this method, the market value of property equals the replacement cost new of the tangible assets or improvements less accrued depreciation in all its forms (physical deterioration, functional and economic obsolescence). An inventory of the plant improvements and machinery and equipment is maintained by personally inspecting each facility every year.

### **Market Approach**

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

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

- Plant capacity and current production; terms of sale, cash or equivalent;

- Complexity of property;
- Age of property;
- Proximity to other industry already operated by the purchaser; and
- Other factors relevant to the property such as capital investment in the property.

### **Income Approach**

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

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

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

## **DATA COLLECTION/VALIDATION**

### **Sources of Data:**

The main source of P&A's property data for industrial, utility and personal property is through fieldwork by the appraisers and commercially/publicly available schedules developed on current costs such as Marshall & Swift, Handy-Whitman, Chemical Engineering Magazine, Oil & Gas Journal, etc. Other discovery tools are financial data from annual reports, information from chief appraisers, renditions, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new industry and other useful facts related to property valuation.

### **Data Collection Procedures:**

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

## **VALUATION ANALYSIS (MODEL CALIBRATION)**

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

procedure. Appropriate revisions of cost schedules and appraisal software are annually made and then tested for reasonableness prior to the appraisals being performed.

## **VALUE REVIEW PROCEDURES**

Individual property values are reviewed several times in the appraisal process. P&A's industrial, utility, and related personal property programs and appraisal spreadsheets afford the appraiser the opportunity to review the value being generated. Often the appraiser is prompted to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are original cost, replacement cost, service life, effective age versus actual age, net operating income, rates of return, etc.

In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values and supporting documentation either before or after Notices of Appraised Value are prepared and delivered. Taxpayers, agents and representatives routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such investment costs, internal or company-specific rates of return, operational strategies and/or non-conventional practices, capitalization rate studies, etc. And of course, all property values are subject to review through normal protest and Appraisal Review Board (ARB) procedures, with P&A acting as a representative of the Office of the Chief Appraiser. All procedures described above with respect to derivation and documentation of value are equally applicable to the defense of said value in ARB hearings.

## **2015-2016 TIME ACTION SCHEDULE**

### **December '14 to January '15**

Gather current sales data from confirmation letters, deed records, listing service data and other resources for properties located in Fayette CAD. Begin running sales ratio reports for all regions. Compare with CAD values and sales information. Establish

ratios for increase or decrease as neighborhood adjustments warrant in mass for all regions. Begin field inspections of new construction, demolition, additions, building permits and agriculture use compliance. Review mobile home parks for new and/or removed mobile homes from the various parks throughout the CAD.

### **February to April**

Continue running sales ratio reports and fine – tune mass appraisal and sales analysis functions. Begin mass maintenance changes of all reappraisal areas. Assist field staff with reappraisal functions as needed. Utilize GIS and Pictometry aerial photography to assist field staff and ARB with duties. Prepare for mailing of 2015 Notices of Appraised Value.

### **May to August**

Respond to property owners inquiries, protests and questions from notice mailing. Conduct informal reviews with property owners and prepare for ARB hearings. Participate and defend CAD values in ARB hearings. Certify appraisal roll on or before July 25<sup>th</sup>.

### **August to December '15**

Resolve any outstanding protests or ARB issues. Begin preparations to complete reappraisal of Fayetteville ISD and the eastern part of La Grange ISD by printing field cards and associated maps. Conduct field inspections of this region. Begin process to verify sales data and input into CAMA system. Gather information such as building permits, mechanics liens and owner's requests to re-inspect.

### **December '15 to January '16**

Gather current sales data from confirmation letters, deed records, listing service data

and other resources for properties located in Fayette CAD. Begin running sales ratio report for all regions. Compare with CAD values and sales information. Establish ratios for increase or decrease as neighborhood adjustments warrant in mass in all regions. Begin field inspections of new construction, demolition, additions, building permits and agriculture use compliance. Review mobile home parks for new and/or removed mobile homes from the various parks throughout the CAD.

### **February to April**

Continue running sales ratio reports and fine – tune mass appraisal and sales analysis functions. Begin mass maintenance changes of all reappraisal areas. Assist field staff with reappraisal functions as needed. Utilize GIS and Pictometry aerial photography to assist field staff and ARB with duties. Prepare for mailing of 2016 Notices of Appraised Value.

### **May to August**

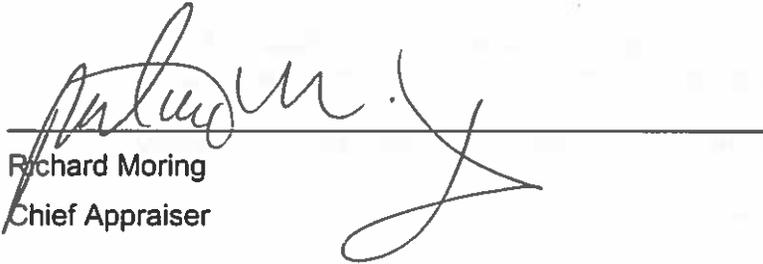
Respond to property owners inquiries, protests and questions from notice mailing. Conduct informal reviews with property owners and prepare for ARB hearings. Participate and defend CAD values in ARB hearings. Certify appraisal roll to entities on or before July 25<sup>th</sup>.

### **August to December '16**

Resolve any outstanding protests or ARB issues. Begin preparations to reappraise the western part of La Grange ISD and Round Top-Carmine ISD by printing field cards and associated maps. Conduct field inspections of this region. Begin process to verify sales data and input into CAMA system. Gather information such as building permits, mechanics liens and owner's requests to re-inspect

## CERTIFICATION STATEMENT

"I, Richard Moring, Chief Appraiser for the Fayette County Appraisal District, solemnly swear that I have made or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by law."



Richard Moring  
Chief Appraiser

## TAX CALENDAR –

1	<p><b>JANUARY</b></p> <ul style="list-style-type: none"> <li>• Date that taxable values and qualification for certain exemptions are determined for the tax year (except for inventories appraised Sept. 1) (Secs. 11.42, 23.01, 23.12).*</li> <li>• Date a tax lien attaches to property to secure payments of taxes, penalties and interest that will be imposed for the year (Sec. 32.01).</li> <li>• Date that members of county appraisal district (CAD) boards of directors begin two-year terms; half the members begin two-year terms if the CAD has staggered terms (Secs. 6.03, 6.034).</li> <li>• Date that half of appraisal review board (ARB) members begin two-year terms (Sec. 6.41)</li> <li>• Date rendition period begins; continues through April 15 for those property owners not requesting a filing extension (Sec. 22.23).</li> <li>• Appraisal Date for all properties except September 1 inventory</li> <li>• Continue field work on reappraisal</li> <li>• Prepare renditions to be mailed to business owners</li> </ul>
10	<ul style="list-style-type: none"> <li>• If a tax bill from the previous year is mailed after this date, the delinquency date is postponed (Sec. 31.04).</li> </ul>
31	<ul style="list-style-type: none"> <li>• Deadline for Texas Comptroller's current year preliminary Property Value Study (PVS) finding to Education Commissioner and each school district (Government Code Sec. 403.302)</li> <li>• Last day for chief appraiser to deliver applications for special appraisal and exemptions requiring annual applications (Sec. 11.44, 23.43)</li> <li>• Last day for disabled or 65-or-older homeowners to pay one quarter of homestead property taxes in installments. Homeowners whose homes were damaged in a disaster within a designated disaster area may choose this payment option (Sec. 31.031, 31.032) Last day for motor vehicle, boat and outboard motors, heavy equipment and manufactured housing dealers to file dealer's inventory declarations (Sec. 23.121, 23.124, 23.1241, 23.127)</li> <li>• Last day for appraisal district to give public notice of capitalization rate used to appraise property with low and moderate-income housing exemption (Sec. 11.1825)</li> </ul>

	<ul style="list-style-type: none"> <li>• Continue reappraisal and inspections of properties</li> <li>• Continue to update ownership of properties</li> </ul>
1	<p><b>FEBRUARY</b></p> <ul style="list-style-type: none"> <li>• Last day for motor vehicle, vessel and outboard motors, heavy equipment and manufactured housing dealers to file dealer's inventory declarations (Secs. 23.121, 23.124, 23.1241, 23.127).</li> <li>• Date that taxes imposed the previous year become delinquent if a bill was mailed on or before Jan. 10 of the current year. Rollback tax for change of use of 1-d, 1-d-1, timber, and restricted-use timber land becomes delinquent if taxing unit delivered a bill to the owner on or before Jan. 10 of the current year (Secs. 23.46, 23.55, 23.76, 23.9807, 31.02).</li> <li>• Deadline for a chief appraiser to provide notice regarding the availability of agreement forms authorizing electronic communication, on or before this date (or as soon as practicable) if delivering the form (Sec. 1.085).</li> </ul>
15	<ul style="list-style-type: none"> <li>• Last day for county tax collector to disburse motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory taxes from escrow accounts to taxing units (Secs. 23.122, 23.1242, 23.125, 23.128). Mail Agricultural Use applications for new owners and property possibly not eligible for current year</li> <li>• Mail Agricultural Use applications for new owners and property not eligible for current year</li> <li>• Mail Business Personal Property Renditions to all business owners</li> </ul>
28	<ul style="list-style-type: none"> <li>• Last day to request separate appraisal for interest in a cooperative housing corporation (Sec. 23.19).</li> <li>• Continue reappraisal and inspection of properties</li> <li>• Continue to update ownership of properties</li> </ul>
1	<p><b>MARCH</b></p> <ul style="list-style-type: none"> <li>• Analyze sales and income and expense data and update schedules</li> </ul>
14	<ul style="list-style-type: none"> <li>• Deadline to file written appeal of PVS findings with Texas Comptroller (Government Code Sec. 403.303)</li> </ul>
31	<ul style="list-style-type: none"> <li>• Last day for taxing units' second quarterly payment for the current year CAD budget (Sec. 6.06).</li> <li>• Last day for disabled, 65-or-older or unmarried surviving spouse of disabled veteran homeowners to pay first installment on taxes (Sec. 31.031).</li> <li>• Last day for homeowners or qualified businesses whose properties were</li> </ul>

	<p>damaged in a disaster area to pay first installment on taxes (Sec. 31.032).</p> <ul style="list-style-type: none"> <li>• Last day for qualified community housing development organizations to file listing of property acquired or sold during the past year with the chief appraiser (Sec. 11.182).</li> <li>• Continue reappraisal and inspection of properties</li> <li>• Continue to update ownership of properties</li> </ul>
1	<p><b>APRIL</b></p> <ul style="list-style-type: none"> <li>• Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for single-family residence homestead properties (Sec. 25.19).</li> <li>• Last day for the chief appraiser to notify the taxing units of the form in which the appraisal roll will be provided to them (Sec. 26.01)</li> <li>•</li> </ul>
15	<ul style="list-style-type: none"> <li>• Last day for property owners to file renditions and property information reports unless they request a filing extension in writing (Sec. 22.23).</li> </ul> <p><b>NOTE:</b> The Comptroller and each chief appraiser are required to publicize the legal requirements for filing rendition statements and the availability of the forms in a manner reasonably designed to notify all property owners of the law (Sec. 22.21). Chief appraisers need to check with their legal counsel to determine the manner and timing of this notice to meet the legal requirement.</p>
30	<ul style="list-style-type: none"> <li>• Last day for property owners to file these applications or reports with the CAD: <ul style="list-style-type: none"> <li>❖ Some exemption applications (Sec 11.43)</li> <li>❖ Notice to chief appraiser that property is no longer entitled to an exemption not requiring annual application (Sec 11.43)</li> <li>❖ Applications for special appraisal or notices to chief appraiser that property no longer qualifies for 1-d and 1-d-1 agricultural land, timberland, restricted-use timberland, recreational-park-scenic land and public access airport property (Secs 23.43, 23.54, 23.75, 23.84, 23.94, 23.9804);</li> <li>❖ Railroad rolling stock reports (Sec 24.32);</li> <li>❖ Requests for separate listing of separately owned and improvements (Sec 25.08);</li> <li>❖ Requests for proportionate taxing of a planned unit</li> </ul> </li> </ul>

	<p>development property (Sec 25.09);</p> <ul style="list-style-type: none"> <li>❖ Requests for separate listing of separately-owned standing timber and land (Sec 25.10);</li> <li>❖ Requests for separate listing of undivided interests (Sec 25.11); and</li> <li>❖ Request for joint taxation of separately owned mineral interest (Sec 25.12).</li> </ul> <ul style="list-style-type: none"> <li>• Last day for chief appraiser to certify estimate of the taxable value for counties, municipalities, and school districts (counties and municipalities can choose to waive the estimate) (Sec. 26.01). A school district may use this certified estimate when preparing the notices to adopt the budget and tax rate (Education Code Sec. 44.004).</li> </ul>
1	<p><b>MAY</b></p> <ul style="list-style-type: none"> <li>• Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for properties other than single-family residence homesteads (Sec. 25.19).</li> </ul>
1-14	<ul style="list-style-type: none"> <li>• Period to file resolutions with chief appraiser to change CAD finance method (Sec. 6.061).</li> </ul>
1-15	<ul style="list-style-type: none"> <li>• Period when chief appraiser must publish notice about taxpayer protest procedures in a local newspaper with general circulation (Secs. 41.41, 41.70).</li> </ul>
2	<ul style="list-style-type: none"> <li>• Beginning of time period when taxing units must notify delinquent taxpayers that taxes delinquent on July 1 will incur additional penalty for attorney collection costs at least 30 days and not more than 60 days before July 1. Period ends on June 1 (Sec. 33.07).CAD's finance method (Sec. 6.061)</li> </ul>
15	<ul style="list-style-type: none"> <li>• Last day for property owners to file renditions and property information reports if they requested an extension in writing. For good cause, chief appraiser may extend this deadline an additional 15 days (Sec. 22.23).</li> <li>• Date (or as soon as practicable thereafter) for chief appraiser to prepare appraisal records and submit to ARB (Secs. 25.01, 25.22).</li> <li>•</li> </ul>
19	<ul style="list-style-type: none"> <li>• Last day for chief appraiser to determine whether a sufficient number of eligible taxing units filed resolutions to change CAD's finance method (Sec. 6.061).</li> </ul>
24	<ul style="list-style-type: none"> <li>• Last day for chief appraiser to notify taxing units of change in the CAD's finance method (Sec. 6.061).</li> </ul>
31	<ul style="list-style-type: none"> <li>• Last day for taxing units to file challenges with ARB (or within 15 days after the date the appraisal records are submitted to ARB (whichever is later) (Sec. 41.04).</li> </ul>

	<ul style="list-style-type: none"> <li>• Last day for disabled, 65-or-older or unmarried surviving spouse of disabled veteran homeowners to pay second installment on taxes (Sec. 31.031).</li> <li>• Last day for homeowners and qualified businesses whose properties were damaged in a disaster area to pay second installment on taxes (Sec. 31.032).</li> <li>• Last day for property owners to file protests with ARB (or by 30th day after the date the notice of appraised value is delivered, whichever is later) in connection with a property that is not a single-family residence homestead (Sec. 41.44(a)(2)).</li> <li>• Last day for property owner to file a protest with ARB in connection with properties that are single-family residence homesteads if the ARB has not approved the appraisal records; otherwise the deadline to file a protest for single-family residence homesteads is before May 1 or by the 30th day after notice of appraised value is delivered, whichever is later (Sec. 41.44).</li> <li>• Last day for a religious organization that has been denied an 11.20 exemption because of the charter to amend the charter and file a new application or the 60th day after the date of notification of the exemption denial, whichever is later (Sec. 11.421).</li> <li>• Continue to update ownership of properties</li> <li>• Inspect properties per owners request and properties scheduled for ARB hearings</li> </ul>
3	<p><b>JUNE</b></p> <ul style="list-style-type: none"> <li>• Start Scheduling ARB hearings</li> </ul>
14	<ul style="list-style-type: none"> <li>• Last day for chief appraiser to submit proposed budget for next year to CAD board and taxing units (unless taxing units have changed CAD's fiscal year) (Sec. 6.06).</li> </ul>
15	<ul style="list-style-type: none"> <li>• Last day for chief appraiser to certify list of all eligible conservation and reclamation (C&amp;R) districts that may nominate and vote on a nominee for CAD director (Sec. 6.03)</li> </ul>
16	<ul style="list-style-type: none"> <li>• Beginning date that CAD board may pass resolution to change CAD finance method, subject to taxing units' unanimous approval. Period end August 15 (Sec. 6.061)</li> </ul>
30	<ul style="list-style-type: none"> <li>• Last day to pay second half of current years taxes by split payment (Sec. 31.03)</li> <li>• Last day for taxing units' third quarterly payment for current years CAD budget (Sec. 6.06)</li> <li>• Last day to form a taxing unit to levy next year's property taxes (Sec. 26.12)</li> <li>• Last day for taxing units to adopt local option percentage homestead</li> </ul>

	<p>exemptions (Sec. 11.13)</p> <ul style="list-style-type: none"> <li>• Last day for private schools to amend charters and file new applications for Sec. 11.21 exemption (or within 60 days of exemption denial, whichever is later) (Sec. 11.422)</li> <li>• Last day for CADs to report formation of reinvestment zones and tax abatement agreements to the Texas Comptroller (Sec. 312.005)</li> <li>• Last day for chief appraiser to notify each eligible C&amp;R district its number of votes and right to nominate a person to serve as CAD director (Sec. 6.03)</li> <li>• Electronic Sales Submission to Comptroller</li> <li>• Last day for school district to request audit on back years for additional State Aid</li> </ul> <ul style="list-style-type: none"> <li>• Last day for taxing units to adopt local option percentage homestead exemptions (Sec. 11.13)</li> <li>• Last day for CADs to report formation of reinvestment zones and tax abatement agreements to the Texas Comptroller (Sec 312.005)</li> <li>• Electronic Sales Submission to Comptroller</li> <li>• Last day for school district to request audit on prior years for additional state aid</li> <li>• Last day for taxing units to adopt local option percentage homestead exemptions (Sec. 11.13)</li> <li>• Last day for CADs to report formation of reinvestment zones and tax abatement agreements to the Texas Comptroller (Sec 312.005)</li> <li>• Continue to update ownership of properties</li> </ul>
1	<p><b>JULY</b></p> <ul style="list-style-type: none"> <li>• Date that delinquent taxes incur total 12 percent penalty (Sec. 33.01)</li> <li>• Taxes delinquent on or after February 1 but not later than May 1 incurs additional penalty to pay attorney collection costs (Sec. 33.07). Taxing unit may add penalty for attorney collection costs to taxes delinquent on or after June 1; penalty is incurred on the first day of first month that begins at least 21 days after the date the collector sends property owner a notice of delinquency and penalty (Sec. 33.08)</li> <li>• Last day for ARBs to complete review of railroad rolling stock values for submission to Texas Comptroller (or soon after) (Sec. 24.35)</li> <li>• Deadline for Texas Comptroller to certify final PVS findings to Education Commissioner and each school district (Comptroller Rule Sec. 9.109)</li> </ul>
14	<ul style="list-style-type: none"> <li>• Last day for a C&amp;R district to submit nominee for CAD director to chief</li> </ul>

	appraiser (Sec. 6.03)
18	<ul style="list-style-type: none"> <li>Last day for ARB hearings on property protest</li> </ul>
20	<ul style="list-style-type: none"> <li>Date ARB must approve appraisal records, but may not do so if more than 5 percent of total appraised value remains under protest (Sec. 41.12)</li> </ul>
25	<ul style="list-style-type: none"> <li>Last day for chief appraiser to certify appraisal roll to each taxing unit (Sec. 26.01)</li> <li>Last day for Texas Comptroller to certify apportionment of railroad rolling stock value to counties, with supplemental records after that date (Sec. 24.38)</li> </ul>
31	<ul style="list-style-type: none"> <li>Last day for property owners to apply for September 1 inventory appraisal for current year (Sec. 23.12)</li> <li>Last day for disabled or 65-or-older homeowners or homeowners in a disaster area to pay fourth installment on home taxes (Sec. 31.031, 31.032)</li> <li>Continue to update ownership of properties</li> </ul>
	<b>AUGUST</b>
1	<ul style="list-style-type: none"> <li>Request tax rate information from taxing units</li> <li>Last day for chief appraiser to prepare ballot listing all the nominees of C&amp;R districts for CAD director and to deliver ballot to each C&amp;R district (Sec. 6.03)</li> <li>Date taxing unit's assessor submits appraisal roll and an estimate of collection rate for current year to governing body (or soon after) (Sec. 26.04)</li> <li>Start new year reappraisal and inspection process</li> <li>Calculate effective tax rate for all taxing units</li> </ul>
7	<ul style="list-style-type: none"> <li>Date taxing units (other than school districts and small taxing units) must publicize effective tax and rollback rates unencumbered fund balances, debt obligation schedule and other applicable items (or soon after) (Sec. 26.04)</li> </ul>
15	<ul style="list-style-type: none"> <li>Last day for CAD board to pass resolution to change CAD finance method, subject to taxing unit's unanimous consent (Sec. 6.061)</li> <li>Last day for CAD board to pass resolution to change number of directors, method for appointing or both, and deliver to each taxing unit (Sec. 6.031)</li> <li>Last day for C&amp;R district to submit its vote on the nominating ballot for CAD director. Nominee with the most votes for all C&amp;R districts and who receives more than 10 percent of all votes of C&amp;R districts in CAD, shall</li> </ul>

	be named on ballot with candidates nominated by other taxing units (Sec. 6.03)
31	<ul style="list-style-type: none"> <li>• Last day for property owner to give correct address to CAD in writing for tax bill; penalties and interest waived if bill not sent to correct address 21 days before delinquency date (Sec. 33.011)</li> <li>• Last day taxing units may file resolutions with the CAD board to oppose proposed change in the CAD finance method (Sec. 6.061)</li> <li>• Last day for taxing unit entitled to vote for appointment of CAD directors to file a resolution opposing a change by the CAD board in selection of directors (Sec. 6.031)</li> <li>• Last day for chief appraiser to notify C&amp;R district that no nominee received more than 10 percent of the votes cast by C&amp;R districts (Sec. 6.03)</li> <li>• Continue to update ownership of properties</li> <li>• Continue reappraisal and inspection of properties</li> </ul>
	<b>SEPTEMBER</b>
1	<ul style="list-style-type: none"> <li>• Current years taxable values of inventories may be determined as of this date, at property owner's written option (Sec. 23.12)</li> </ul>
14	<ul style="list-style-type: none"> <li>• Last day for CAD board to adopt CAD budget, unless district has changed its fiscal year (Sec. 6.06)</li> <li>• Last day for CAD board to notify taxing units in writing if a proposal to change finance method by taxing units' unanimous consent has been rejected (Sec. 6.061)</li> <li>• Last day CAD board to notify taxing units in writing if a proposal to change number or method of selecting CAD directors is rejected by a voting taxing unit (Sec. 6.031)</li> </ul>
15	<ul style="list-style-type: none"> <li>• Last day for a C&amp;R district to submit a nominee for CAD director for second nominating ballot (Sec. 6.03)</li> <li>• Last day for CAD board to approve written reappraisal plan (Sec. 6.05)</li> </ul>
19	<ul style="list-style-type: none"> <li>• Prepare current year tax statements</li> </ul>
30	<ul style="list-style-type: none"> <li>• Last day for taxing units' fourth quarterly payment for CAD budget (Sec. 6.06)</li> <li>• Last day for taxing units to adopt Current Years tax rate, or no later than 60th day after chief appraiser certifies appraisal roll to unit. Failure to adopt by these required dates results in unit adopting lower of its effective tax rate for this year or last year's tax rate; unit's governing body must ratify new rate within five days (Sec. 26.05)</li> </ul>

	<ul style="list-style-type: none"> <li>• Last day for taxing units entitled to vote for CAD director to submit resolutions to chief appraiser to change number or selection method, or both, for CAD directors (Sec. 6.031)</li> <li>• Last day for chief appraiser to calculate number of votes for each voting taxing unit and notify each unit of number of votes it may cast for CAD directors (Sec. 6.03)</li> <li>• Submit Comptrollers Electronic Submission of Records</li> <li>• Continue to update ownership of properties</li> <li>• Continue reappraisal and inspection of properties</li> </ul>
	<b>OCTOBER</b>
1	<ul style="list-style-type: none"> <li>• Date tax assessor mails tax bills (or as soon as practicable) (Sec. 31.01)</li> <li>• Last day for chief appraiser to prepare and deliver second nominating ballot for C&amp;R districts to appoint CAD director (Sec. 6.03)</li> </ul>
4	<ul style="list-style-type: none"> <li>• Last day for chief appraiser to determine if sufficient number of eligible taxing units have filed valid resolutions proposing change in selecting CAD directors (Sec. 6.031)</li> </ul>
10	<ul style="list-style-type: none"> <li>• Last day for chief appraiser to notify taxing units if number or selection of CAD directors has changed by resolutions from sufficient number of taxing units (Sec. 6.031)</li> </ul>
14	<ul style="list-style-type: none"> <li>• Last day for taxing unit to submit names of nominees for CAD director(s) by written resolution to chief appraiser (Sec. 6.03)</li> <li>• Last day for C&amp;R district to submit vote on second nominating ballot for CAD director. Nominee on second nominating ballot with most votes is nominee of C&amp;R districts and named on ballot with candidates nominated by other taxing units.</li> </ul>
29	<ul style="list-style-type: none"> <li>• Last day for taxing units to adopt 2010 tax rate, or no later than 60<sup>th</sup> day after the chief appraiser certifies appraisal roll to a unit. Failure to adopt by these required dates results in a unit adopting the lower of its effective tax rate for this year or last year's tax rate; units governing body must ratify new rate within five days (Sec. 26.05)</li> </ul>
31	<ul style="list-style-type: none"> <li>• Last day for chief appraiser to prepare and deliver ballot-containing nominees for CAD directors to each voting taxing unit (Sec. 6.03)</li> <li>• Continue to update ownership of properties</li> <li>• Continue reappraisal and inspection of properties</li> </ul>
30	<b>NOVEMBER</b>
	<ul style="list-style-type: none"> <li>• First half of split payment of taxes is due on or before this date (Sec. 31.03)</li> </ul>

	<ul style="list-style-type: none"> <li>• Continue to update ownership of properties</li> <li>• Continue reappraisal and inspection of properties</li> </ul>
1-30	<p><b>DECEMBER</b></p> <ul style="list-style-type: none"> <li>• Time when chief appraiser may conduct a mail survey to verify homestead exemption eligibility (Sec. 11.47)</li> </ul>
13	<ul style="list-style-type: none"> <li>• Last day for voting units to vote for CAD directors and submit results by written resolution to chief appraiser (Sec. 6.03)</li> </ul>
14	<ul style="list-style-type: none"> <li>• Tentatively Board of Directors Meeting due to Christmas Holiday</li> </ul>
30	<ul style="list-style-type: none"> <li>• Last day for chief appraise to count votes and notify units and candidates of results for CAD directors (Sec 6.03)</li> <li>• Last day for taxing units' first quarterly payment for 2015 CAD budget (Sec. 6.06)</li> <li>• Continue to update ownership of properties</li> <li>• Continue reappraisal and inspection of properties</li> </ul>

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## **REAPPRAISAL PROGRAM REPORT**

The purpose of this report is to aid the taxpaying public in obtaining a better understanding of the methods and techniques utilized by the Fayette County Appraisal District (FCAD) in the valuation and reappraisal of taxable property within Fayette County. This report attempts to comply with Standard 6 of the Uniform Standards of Professional Appraisal Practice, effective January 1, 2006. A more detailed and comprehensive operations manual is also maintained by FCAD.

The Chief Appraiser is the chief administrative and executive officer of the Appraisal District. The Chief Appraiser employs and directs the District's staff, oversees all aspects of the Appraisal District's operations, and performs either directly or through the District's staff a variety of legal operations.

The Chief Appraiser's responsibilities are as follows:

1. Discover, list and appraise property;
2. Determine exemption and special appraisal requests;
3. Organize periodic reappraisals; and
4. Notify taxpayers, taxing units and the public about matters that affect property values.

FCAD consist of the following sections:

- Administration
- Appraisal
- Data
- Collections

The Fayette County Appraisal District contracts with True Automation, Inc. for computer services and Pritchard & Abbott, Inc. for appraisal services on mineral and industrial properties. The Administration Department consists of the Chief Appraiser, Deputy Chief Appraiser, and the Office Manager. This department is responsible for the entire operations of the district and carries out the administration responsibilities of the district exclusively. Those duties include the area of responsibility found in Section 6.00 Tax

Code. In addition the Administration Department is responsible for: Residential, Commercial, Personal Property, Data, Mapping, Appraisal Roll, Levy Roll and Collections. The district consists of the Chief Appraiser, Deputy Chief Appraiser, Office Manager, Personal Property Manager, Data Supervisor, Mapping Person, Appraiser-in-charge, three Field Appraisers, and four appraisal/collection clerks.

### 2014 CERTIFIED APPRAISAL ROLL

The 2014 Certified Appraisal Roll for Fayette County includes a total of 52,630 parcels. There are a total of 7,964 totally exempt properties.

State Code	Description	Parcel Count	Market Value
A	Single Family Residence	6,538	621,683,506
B	Multifamily Residence	62	13,223,990
C	Vacant Lot	1,839	23,745,907
D1	Qualified Ag Land	11,653	2,563,992,304
D2	Non-Qualified Land	1,100	85,015,843
E	Farm or Ranch Improvement	8,866	801,375,289
F1	Commercial Real Property	1,160	208,710,570
F2	Industrial Real Property	82	120,676,290
G1	Oil and Gas	16,387	327,109,630
J1	Water Systems	7	137,090
J2	Gas Distribution System	24	11,886,110
J3	Electric Company (Including Co-Op)	48	64,580,690
J4	Telephone (Including Co-Op)	120	16,627,890
J5	Railroad	43	44,559,350
J6	Pipeline Company	844	71,081,030

J7	Cable Television Company	14	964,370
J8	Other Type of Utility	66	10,335,680
J9	Railroad Rolling Stock	2	8,419,470
L1	Commercial Personal Property	1,248	61,917,970
L2	Industrial Personal Property	381	179,833,100
M1	Tangible Other Personal (Mobile Home)	782	17,544,420
S	Special Inventory Tax	14	6,868,060
X	Totally Exempt Property	7,964	215,872,100
<b>TOTAL</b>			<b>5,476,282,639</b>

### **CODE OF ETHICS**

The Texas Department of Licensing & Regulations (TDLR) has adopted the following Code of Ethics to be sworn and subscribed to by all those registered with TDLR. The Code of Ethics is printed in a form prescribed by the TDLR and after being sworn and subscribed to by each applicant seeking registration is filed as a permanent portion of the record of each applicant for registration.

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 nonreimbursable 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.

### **RECORD KEEPING**

Retention periods for documents including appeal records, appraisal cards, appraisal correspondence, appraisal field notes, appraisal monitoring documentation, appraisal roll amendments and notices, appraisal rolls and abstracts are required by the State of Texas. These requirements differ from the record keeping requirements of USPAP; therefore a **JURISDICTIONAL EXECPTION** applies. A copy of this retention period document as it applies to appraisal districts as well as a signed Certification and Acceptance sheet and listing of the retention period are available.

*Pursuant to Local Government Code §203.041-Texas State Library and Archives Commission SLR 500 (2/93), original filing July 28, 1994, Page 6 of 45.*

### **EDUCATIONAL REQUIREMENTS**

The Texas Department of Licensing and Regulation requirement's for certification of appraisers consists of educational requirements under time allotments. Successful completions of educational courses as well as level examination are mandatory. After

appraisers have completed the Level 4 examination and the number of hours of experience has been met, a designation of Registered Professional Appraiser (RPA) is awarded. The appraiser must then re-certify every two years from the date of the first certification and every two years thereafter while registered. RPA's require 30 CEU's (continuing education units) prior to their re-certification deadline.

All registrants with a re-certification deadline after January 1, 2011 must complete the Ethics course as part of their CEU's. RPA's with a re-certification deadlines after January 1, 2011 must complete a USPAP refresher course during their re-certification period.

<b>APPRAISAL FIELD</b>
<b>To Advance to Class II:</b>
<b>(1 year)</b>
<b>Course 1 Texas Property Tax System</b>
<b>Course 30 Property Tax Professional Ethics *</b>
<b>To Advance to Class III :</b>
<b>(2 years)</b>
<b>Course 2 Appraisal of Real Property</b>
<b>Course 3 Income Approach to Value</b>
<b>Course 4 Appraisal of Personal Property</b>
<b>Course 32 Uniform Standards of Professional Appraisal Practices (USPAP)</b>
<b>Class III Appraisal Exam</b>

**To Advance to Class IV (RPA)**

**(2 years)**

**Course 7 Texas Property Tax Law**

**Course 5 Mass Appraisal Concepts**

**Course 10 Appraisal Analysis or  
Demonstration Appraisal**

**Class IV Appraisal (RPA) Exam**

Fayette County currently has five staff members with the RPA Designation, one with the Class III Designation and one with Class II designation. In order to maintain their level of expertise, continue their education and keep abreast of new innovation in the industry, all employees of Fayette County Appraisal District attend conferences, workshops and meetings when these courses pertain to their job descriptions.

### **PROPERTY IDENTIFICATION**

Fayette County Appraisal District field cards and appraisal records identify properties by property id, situs (physical) address (when applicable), and current owner's name and property description. Physical addresses are listed when this information is known. Some properties such as unimproved land or buildings with rural addresses or box numbers may state only the street or road name since no physical address is known by the Appraisal District. Appraisers are constantly updating the physical addresses as they become known.

The field cards and appraisal records only obtain a brief legal description of the property. The description may be a full legal description or it may be in abbreviated form. There are no metes and bounds described on the field or appraisal records. The mapping person obtains the deed records from the Fayette County Clerk and uses this information to update the appraisal records and maps for the appraisal district. The

account numbers or Property IDs are assigned by the computer system and are formatted as five numbers. The numbers are assigned consecutively by the computer system and the number assigned belongs to the property as long as that property is on the roll.

## **VALUATION APPROACH**

### **Market Value**

Market value as defined by the Texas Property Tax Code differs from the definition used by USPAP. The Texas Property Tax Code defines “market value” as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- (g) exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- (h) both the seller and the buyer know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use, and;
- (i) both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other

The effective date of appraisal is January 1 with the exception of inventory, which may be appraised at its market value as of September 1 of the preceding year. To receive the September 1 appraisal date, a taxpayer must file an application with the Appraisal District by July 31.

The propose of and intended use of the appraisals performed by the Fayette County Appraisal District is to estimate Market Value for ad valorem tax purposes for the taxing entities it serves.

## **AREA ANALYSIS**

The universe of properties appraised by FCAD falls within the physical boundaries of Fayette County. Giddings Independent School District, Weimar Independent School District and Smithville Independent School District cross over into Fayette County. Fayette CAD appraises these properties and provides notices to each taxpayer. The

FCAD also provides preliminary values and certified values to each respective district as required by law.

Fayette County is bordered by Colorado County, Lavaca County, Bastrop County, Lee County, Washington County and Austin County. There are six incorporated cities in Fayette County: La Grange, Fayetteville, Round Top, Carmine, Flatonia and Schulenburg. La Grange serves as the county seat of Fayette County. La Grange has an estimated population of 4,650; Carmine 252; Fayetteville 260; Flatonia 1,392; Round Top 91; and Schulenburg 2,866. The total estimated population for Fayette County is 24,695 (source: 2012 U. S. Census Bureau).

### **NEIGHBORHOOD ANALYSIS**

A neighborhood is a group of complementary land uses affected equally by the four forces that influence property value: social trends, economic circumstances, governmental contracts and regulations, and environmental conditions. These factors have an impact on the value of properties within this grouping and in turn on properties being appraised.

Individual neighborhood boundaries within the County vary according to market indications and the type of property being appraised. The boundaries of these neighborhoods may be physical, geographical or political in nature. Generally, residential neighborhoods consist of individual subdivisions or areas of similar properties located within the same cities or school districts. Commercial neighborhoods may be smaller areas within a city, an entire city or rural area. Industrial neighborhoods may include the entire County or areas along transportation corridors. Defining neighborhood boundaries depends on the subject of the appraisal assignment.

### **HIGHEST AND BEST USE ANALYSIS**

The highest and best use of real estate is defined as the most reasonable and probable use of land that will generate the highest return to the property over a period of time. This use must be legal, physically possible, economically feasible, and the most profitable of the potential uses. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact. In order to complete the highest and best use analysis of a property, an appraiser must estimate its

highest and best use as if the land were vacant. This estimate ignores the value of and the restrictions created by any existing improvements. It is the highest value the land could have if it were available for any legal, physically possible and economically feasible kind of development. In determining highest and best use, preliminary judgments are made in the information that may be otherwise discovered. Texas Law does not provide for full disclosure and the district must obtain sales, income and expense data from all sources available.

### **DATA COLLECTION/VALIDATION**

FCAD cost and value schedules include land, residential, commercial and personal property. Data sources currently used by FCAD include cost information from Marshall & Swift Valuation Service, cost data obtained from local contractors and renditions provided by the property owners. Marshall & Swift Valuation Service is a national based cost manual and is generally accepted throughout the nation by the real estate appraisal industry. This cost manual is based on cost per unit or square foot and also uses the unit in place method. The unit in place method involves the estimated cost by using the actual building components. This national based cost information service provides the base price of buildings by classification with modifications for equipment and additional items and is widely used in the State of Texas. Local contractors and builders provide cost data on new construction. This cost data is then compared to cost information obtained from Marshall & Swift. Renditions are confidential sources and cannot be used for specific information; however, data from renditions may be compared with data obtained from cost manuals and used to test schedules for their accuracy. FCAD schedules are then formulated from a combination of each of these sources. Schedules may also be modified from market data.

Data on individual properties is also collected from field inspections, compiled and analyzed. Buildings and other improvements are inspected in the field, measured and classified. The appraiser estimates the age and condition of the improvements. This data is used to compile depreciation tables. Type of foundation, frame, exterior, roof and windows are also noted at the time of field inspections. Any notes specific to the property is also noted.

Single family residential homes are classified based on quality of construction and materials. Classes range from Low Class (1) to Excellent Class (8). Low Class is the

basic poor quality of construction and Excellent Class is the higher quality of homes. Multi-Family, Apartments and Mobile Homes are also classed by quality of construction and materials. Commercial and Industrial classifications are more detailed and are based on a variety of building styles and uses.

The age of an improvement is based on effective age and is used to estimate depreciation. Effective age is the age the property appears to be due to maintenance and upkeep. Effective age for a house that is properly maintained may be its actual or chronological age; however, if a structure suffers from deferred maintenance due to neglect; its effective age may be older than the actual age. In contrast, if a house is an older structure and has been remodeled or updated, its effective age may be less than its actual age.

Depreciation is estimated by the condition of the improvement. Appraisers in the field usually inspect improvements from the exterior. The interior is assumed to be similar to the exterior. If the taxpayer requests an interior inspection will be made by appointment. Foundation problems may occur in varying degrees and may also result in a value loss. FCAD measures foundation problems with a percent adjustment starting at five percent and up depending on the severity of the problem. The most severe failure is adjusted by cost information from local foundation contractors who specializes in foundation repairs.

## **VALUATION ANALYSIS**

FCAD valuation schedules are divided into three main classifications: Residential, Commercial and Personal Property. These schedules are based on the most appropriate data available. Miscellaneous special categories such as mobile homes, special inventory, and agricultural land are appraised using different techniques. Depreciation tables are also included within these schedules. These tables are calibrated from cost data as well as sales data and are updated as needed. The Commercial Schedules are based on cost data obtained from Marshal & Swift Valuation Services.

### **Residential Schedules**

Residential schedules are cost-based tables modified by actual sales with the cost reflecting the actual replacement cost new of the subject property. Market research

indicates that the common unit of comparison for new residential construction as well as sales of existing housing is the price paid per square foot. The value of extra items is based on their contributory value to the property. This value may be estimated by the price per square foot or the value of the item as a whole. This data when available is extracted from the market by paired sales analysis and conversations with local appraisers and brokers.

The residential schedules are based on the quality of construction, size of structure, age of structure, condition, and contributory value of extra items. Each of these variables has a direct impact on the cost as well as the market value of the property.

1. **Quality of Construction** – Residential construction may vary greatly in quality. The type of construction affects the quality and cost of the material, the quality of workmanship and detail. The cost and value of residential property will vary greatly depending on the quality of construction. FCAD's classes range from Low Class (1) to Excellent Class (8). Low Class is the basic poor quality construction and Excellent Class is the higher quality. This classification is supported by Marshall & Swift Valuation Services which classifies residential property by the following categories: low quality, fair quality, average quality, good quality, very good quality and excellent quality. FCAD also uses two minimal classes for residential which include camp house and transient labor house for residences that are below the Low quality classification.
2. **Size of Structure** – The size of a building also has a direct impact on its cost as well as market value. The larger the building, the less the cost per square foot. FCAD schedules are graduated in size increments from 100 to 200 square feet. Marshall & Swift Valuation Service also supports this size factor.
3. **Condition of Improvements** – FCAD looks at the condition of each improvement. Conditions used are poor, fair, average, good and very good.
4. **Age of Structure** – FCAD's residential schedules use a 100 year life depreciation table. Improvements other than residential use a 50 year life depreciation table. Each property is looked at during the field inspection for further depreciation due to normal deterioration. The effective age and chronological age may or may not be the same depending on the condition of the structure.

5. **Extra Items** – Extra items are valued according to their contributory value to the whole. FCAD usually value extra items as a whole, i.e. swimming pool. Sometimes the square foot method is used, i.e. barbeque/grilling area.

### **Land Schedules**

FCAD values land based on market transactions. Units of comparison depend on how the property is purchased and marketed. For example, large acreage tracts are usually purchased based on the price paid per acre. Commercial tracts are purchased based on the price per square foot and in some cases by price per acre. Residential properties are also purchased by the price per square foot, but in some cases by price per acre. Land prices vary throughout Fayette County and are dependent upon homogenous areas. FCAD has a land table based on acreage for each school district in the county. Land tables within each city are divided by subdivisions based on price per square foot.

### **Commercial Schedules**

Commercial valuation schedules are market-modified, cost-based tables reflecting replacement cost new of the subject property. Market research indicates that the common unit of comparison for new, commercial construction is the price paid per square foot. The value of extra items is based on their contributory value to the property. This value may be estimated by the price per square foot or the value of the item as a whole. These schedules were originally formulated from the cost of new commercial construction when the data was available and tested against Marshall & Swift Valuation Service.

The commercial schedule is based on type of construction, quality of construction, age of structure, condition and contributory value of extra items. The types of commercial buildings vary greatly depending on the intended use of the property. The quality for most building types is low cost, average, good and very good. However, the quality does not vary from class to class. Commercial buildings are classed on the type of business located within the building. FCAD uses a 100 year life depreciation table on all commercial schedules.

### **Personal Property**

The Person Property Schedule values furniture, fixtures, and equipment as well as inventories. The schedule is based on cost less depreciation. The data to develop these schedules is compiled from various sources including cost manuals and acquisition information provided by the property owner. Sales information of personal property or inventory is difficult to obtain because the personal property or inventory is usually included in the sale of a business and not sold separately.

Current publications and sources of information for personal property include the following:

- Newspaper
- Telephone Directory
- State of Texas Field Appraisers Guide
- Field Inspections
- Just Texas (business vehicle listing)

Personal Property schedules are based on the Standard Industrial Classification Codes or SIC codes. These codes were developed to classify commercial businesses by the type of business activity they are engaged and for the purposes of facilitating the collection, tabulation, presentation, and analysis of data relation to businesses for promoting uniformity and comparability. Personal Property schedules include depreciation tables based on condition and age. Different year life schedules are used depending on the type of equipment.

## **STATISTICAL ANALYSIS**

The use of statistics is a way to analyze data and study the characteristics of a collection of properties. It is not feasible to study the entire population; therefore, statistics are introduced into the process. The Fayette County Appraisal District statistical analysis for real estate is based on measures of central tendency and measures of dispersion. The measure of central tendency determines the center of distribution. The measures of central tendency utilized with the aid of the district computer system are the mean, median, mode and the weighted mean. The measure of dispersion calculated is the coefficient of dispersion. This analysis is used to indicate the spread from the measure of central tendency. Statistical bias is measured by the price-related differential (PRD).

The PRD indicates how high priced properties are appraised in relation to low priced properties.

### **INDIVIDUAL VALUE REVIEW PROCEDURES**

In order for comparable sales data to be considered reliable it must contain a sales date, sales price, financing information, tract size, and details of the improvements. Residential and commercial sales are confirmed by sending buyer and seller letters to request sale information. Confirmation is sometimes received from local real estate appraisers and brokers. Sales information indicates vacant land, subdivision lots, residential properties, commercial properties as well as industrial properties. Sales data is compiled and improved properties are physically inspected as needed. These sales are compared to the existing data after inspection and changes are made if necessary. Changes may include age and condition of any improvements as well as any additions to the property before the sale.

Sales may indicate an upward or downward trend in the market as well as changes in property uses. Multiple sales of the same property over a period of several years are usually reliable indicators of changes in the market for time. Individual sales are analyzed to meet the test of market value. Only arms length transactions are considered. Examples of sales that may not be considered are:

- Properties are acquired through foreclosures or auctions.
- Properties sold between relatives.
- The buyer or seller is under duress and may be compelled to sell or buy.
- Financing may be non-typical or below or above prevailing market rates.
- Considerable improvements or remodeling have been completed since the date of the sale and the appraiser is unable to make judgments on the property's condition at the time of sale.
- Sales may be unusually high or low when compared with typical sales located in the same area.
- Properties sold due to relocation or through divorce proceedings.
- Conversations with parties involved indicate that they believe they paid above or below current market value.

- Property purchased through estate sale.
- The sale involved personal property and market value of personal property cannot be determined.

After the sales have been inspected and analyzed, dividing the appraised value of the property by its actual sales price derives a sales ratio. These ratios are used to estimate current values and are good indicators of any changes that may be taking place in the market. Statistical analysis and paired sales analysis are performed to update or modify schedules.

Reliable commercial and residential sales data as well as income and expense information is difficult to obtain and is not generally available to the appraisal district. The State of Texas is known as a non-disclosure state. The buyer and seller are under no obligation to report sales prices on deed transactions. Deeds filed typically state the consideration as "ten dollars and other valuable consideration".

### **PERFORMANCE TEST**

Sales ratio studies are used to evaluate the District's mass appraisal performance. These studies not only provide a measure of performance, but also are an excellent means of improving mass appraisal performance. FCAD uses ratio studies not only to aid in the reappraisal of properties, but to test the State Comptroller's Property Tax Division Annual Property Value Study results.

The ratio study usually begins in February with all sales being compiled and ran by school districts. Outliers and questions that were not identified in the field are reviewed and analyzed. Appraisal cards indicating results of field inspections are available for each individual sale to further aid the chief appraiser in making decisions regarding outliers.

Outliers are characterized as having low or high ratios. They can result from an erroneous or unrepresentative sale price, an error in the appraisal or a mismatch between the property sold and the property appraised. The remaining sales are then correlated to indicate comparable neighborhoods within each school district. The sales from each comparable neighborhood are grouped (stratified) according to classification. The median ratio indicated by the sales is then compared to the desired ratio. The coefficient of dispersion is also studied to indicate how tight the ratios are in relation to

the measures of central tendency. The median and coefficient of dispersion are good modifiers and are the predominant method of adjusting sales for location and time to indicate market value. Market modifiers are methods of adjusting property to equal the market without changing the base schedule.

### **APPRAISAL RESPONSIBILITIES**

Fayette County Appraisal District currently appraises property for ad valorem tax purposes for a total of fifteen separate taxing entities consisting of the county, cities, school districts and special districts.

- City of Carmine
- City of Fayetteville
- City of Flatonia
- City of La Grange
- City of Round Top
- City of Schulenburg
- Fayette County
- Fayetteville Independent School District
- Flatonia Independent School District
- La Grange Independent School District
- Round Top-Carmine Independent School District
- Schulenburg Independent School District
- Fayette County Groundwater Conservation District
- Lee-Fayette Counties Cummins Creek WCID
- Monument Hill WCID

Fayette County Appraisal District has county maps and subdivision maps available on the computer Geographical Information System (GIS).

## **COLLECTION OF FIELD DATA FOR REAPPRAISAL**

Fayette County Appraisal District conducts a complete countywide reappraisal on an annual basis by physical inspection, sales analysis and by analyzing the cost of new construction. All or some schedules may change annually depending on the market. Intensive on site inspections are made on all properties in a certain school district each year. Every year all new properties are inspected, measured, and added to the appraisal roll. Building permits throughout the county are obtained, analyzed, and accounts are coded for a field inspection. Individual properties are also reappraised due to changes to the conditions of the property. Field inspections are also conducted by the request of the property owner.

Each property owner has a file that contains an appraisal card and an appraisal data sheet detailing the improvements on each property. Details on the land can also be found on the appraisal data sheet. The appraiser takes each property file in the field for every owner in an abstract within a certain school district. On-site reappraisals are conducted by school districts and by abstracts within the school district. Field appraisers take notes and measure new improvements and or additions accordingly. The appraisal data sheets are updated in the office with notes and any changes found while in the field. The property file is then given to the data entry person to be entered into the computer system. A new appraisal card is ran and put into the file after all changes have been made. These cards contain a brief legal description, ownership interests, property addresses (if available), land size, and sketches of improvements as well as detailed information of any improvements. A copy of an appraisal card is available for any property upon request.

## **STATEMENT OF LIMITED CONDITIONS**

1. The Appraisal District will not be responsible for how matters of legal nature affect property being appraised or title to it. The Appraisal District assumes that the title is good and marketable and, therefore, will not render any opinions about the title. The property is appraised on the basis of it being under responsible ownership.

2. The Appraisal District has provided a sketch on the appraisal card to show approximate dimensions of the improvements and the sketch is included only to assist the reader in visualizing the property and understanding the Appraisal District's determination of its size.
3. The Appraisal District employees will not give testimony in court because they have made an appraisal of the property in question unless specific arrangements to do so have been made beforehand.
4. Due to large number of properties in Fayette County, time restraints and budget restraints, the Appraisal District's appraisal staff typically performs property inspections from an exterior perspective, the interior of the buildings is assumed to be similar to the condition of the exterior.
5. The staff obtains information, estimates, and opinions from sources that the appraisal district considers reliable and believe them to be true and correct. The Appraisal District does not assume responsibility for the accuracy of such items that were furnished by other parties.
6. Sales and expense data for commercial and industrial transactions are difficult to obtain. Limited time and budgetary restraints experienced by the Appraisal District restricts or limits the use of the income approach to value.
7. Renditions and certain sales data received by the Appraisal District are confidential information and not open for public inspection. This information may only be disclosed in statistical forms that do not identify the specific property or specific property owner. Sales data is accessible to property owners only if the data was obtained without a confidential disclosure affidavit. All sale used to appraise a property are available for inspection by the property owner.
8. Fayette County Appraisal District is a public agency and political subdivision of the State of Texas. Appraisal districts operate according to the Texas Property Tax Code enacted into law by the 66th Texas Legislature in 1979. Jurisdictional exceptions to Uniform Standards of Professional Appraisal Practice (USPAP) may apply when these standards conflict with the Texas Property Tax Code.

## CERTIFICATION

We certify that, to the best of our knowledge and belief in this report is true and accurate. The reported analyses, options and conclusions are limited only by the assumptions and limiting conditions and is our personal, unbiased professional analyses, options, and conclusions. We have no present or prospective interest in the property that is the subject of this report, and we have no personal interest or bias with respect to the parties involved.

Our compensation is not contingent on a predetermined or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulate result, or the occurrence of a subsequent event. Our analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.

The appraisal staff provided professional assistance to this report for the Fayette County Appraisal District as well as Pritchard & Abbott, Inc. Pritchard & Abbott's appraisal firm estimates values for complex industrial properties, utilities and mineral interests located within the Fayette County Appraisal District. Pritchard & Abbott's Biennial Reappraisal Plan is available upon request at the Appraisal District office.

The following appraisers have provided significant assistance in the valuation of real and personal property within Fayette County Appraisal District:

Richard Moring, Chief Appraiser

Barbara Genzer – Deputy Chief Appraiser

Brandon Karisch – Field Appraiser

Carolyn Rost – Field Appraiser

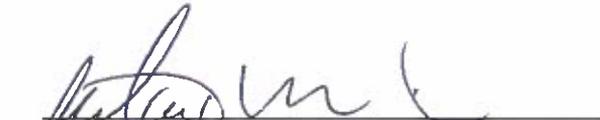
Lana Guthrie – Field Appraiser

Diana Orona – Personal Property Manager/Appraiser

The appraisal assignment only pertains to appraising properties for ad valorem taxes.

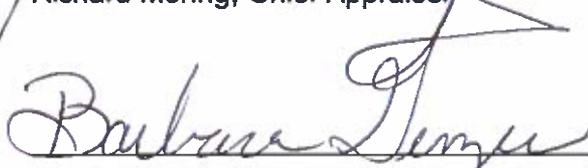
I have not made a personal inspection of all of the properties that are the subject of this report. However, field appraisers have inspected the properties in the appraisal district to which this report is submitted.

As of the date of this report we have completed the requirements under the continuing education program of the Texas Property Tax Code.



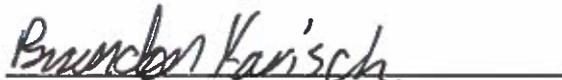
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Richard Moring, Chief Appraiser



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Barbara Genzer, Deputy Chief Appraiser



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Brandon Karisch, Field Appraiser



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Carolyn Rost, Field Appraiser



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Lana Guthrie, Field Appraiser



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Diana Orona, Personal Property Manager/Appraiser

**FAYETTE COUNTY APPRAISAL DISTRICT**

**RESOLUTION TO APPROVE REAPPRAISAL PLAN**

**WHEREAS**, it has come to the attention of the Board of Directors of the Fayette County Appraisal District that Section 25.18 of the Texas Property Tax Code requires each appraisal office to implement a plan for periodic reappraisal of property; and,

**WHEREAS**, Section 6.05(i) of the Texas Property Tax Code requires each board of directors of an appraisal district to approve by resolution the plan for periodic reappraisal of property; and

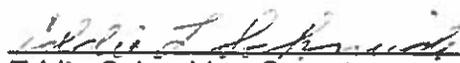
**WHEREAS**, the Board of Directors of the Fayette County Appraisal District finds that the District has timely complied with the hearing and notice procedures described in Section 6.05(i) of the Texas Property Tax Code;

**NOW THEREFORE, BE IT RESOLVED**, that the Board of Directors for the Fayette County Appraisal District hereby finally approves, for the years 2015 and 2016, the biennial written plan, dates August 26, 2014 for the periodic reappraisal of all property within the boundaries of the District.;

**AND BE IT FURTHER RESOLVED**, that the above-described reappraisal plan shall be attached to this Resolution as Exhibit A.

Upon motion duly seconded, the above resolution was passed by the meeting of the Fayette County Appraisal District Board of Directors held on the 26<sup>th</sup> day of August, 2014.

  
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Dudly Piland/Chairman

  
\_\_\_\_\_  
Eddie Schneider, Secretary

