

RED RIVER APPRAISAL DISTRICT

RE-APPRAISAL PLAN

2015-2016

APPROVED BY THE BOARD OF DIRECTORS

September 10, 2014

DIRECTORS:

Mac Varley, Chairman

Rick Bachman, Secretary

Danny Eudy, Vice Chairman

Terry Wilburn

Dennis Purviance

Bruce Johnson

Ashley Minter

Tonya Martin, Red River County Tax A/C

Christie Ussery, Chief Appraiser

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CODE OF ETHICS

Red River Appraisal District strictly adheres to the following Code of Ethics:

1. I will be guided by the principal that property taxation should be fair and uniform, and I will apply all laws, rules, methods and procedures in a uniform manner to all taxpayers.
2. I will not accept anything of value from any party other than my employer unless acceptance of something is totally unrelated to my performance and duties as an appraiser, assessor or collector.
3. I will not use information received in connection with my duties as an appraiser, assessor or collector for my own purposes or for my own gain, unless such information can be known by ordinary means to any ordinary citizen.
4. I will not accept an assignment for which it is expected by any party that I will report a predetermined appraised value or that I will report other predetermined findings.
5. I will not speak or act in any manner or engage in any practice that is dishonest, fraudulent, deceptive or in violation of law or generally accepted standards of morality.
6. I will uphold the honor and dignity of the property tax profession.

Executive Summary

Scope of Responsibility

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

The Red River 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 Board of Directors, appointed by the taxing units within the boundaries of Red River Appraisal District, constitutes the district's governing body. The chief appraiser, appointed by of 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 13 jurisdictions or taxing units in the district. Each taxing unit, such as the county, cities, school districts, 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. We also determine eligibility for various types of property tax

exemptions such as those for homeowners, the elderly and disabled, disabled veterans, charitable or religious organizations and agricultural and timber productivity valuation.

Unless otherwise provided by the Property Tax Code, all taxable property is appraised at its “market value” as of January 1st. Under the tax code, “market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- * Exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- * Both the seller and buyer know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use, and;
- * Both the seller and buyer seek to maximize their gains and neither is in a position to take advantage of the needs of the other.

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23) productivity (Sec. 23.41) real property inventory (Sec. 23.12) dealer inventory (Sec. 23.121, 23.124 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 personal 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 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, we compare that information with the data for 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 by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

The purpose and requirement for the written reappraisal plan and periodic reappraisal resulted from the passage of S.B. 1652 which amended the Tax code as follows:

The Written Plan

According to Section 6.05 of the Texas Property Tax Code subsection (i):

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

approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.”

The Plan for Periodic Reappraisal

Section 25.18 of the Tax code (a) and (b) implements the following:

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:
 - (1) Identifying properties to be appraised through physical inspection or by other reliable means of identification , including deeds or other legal documentation, aerial photographs, land based photographs, surveys, maps and property sketches;
 - (2) Identifying and updating relevant characteristics of each property in the appraisal records;
 - (3) Defining market areas in the district;
 - (4) Identifying property characteristics that affect property value in each market area
 - (A) The location and market area of the property;
 - (B) Physical attributes of the property such as size, age, and condition;
 - (C) Legal and economic attributes; and
 - (D) Easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;
 - (5) Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determine the contribution of individual property characteristics:
 - (6) Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and reviewing the appraisal results to determine value.
 - (7) Reviewing the appraisal results to determine value.

The district’s current policy is to conduct a general re-inspection of taxable property every three years. Appraised values are reviewed annually and are subject to change. Business personal properties, minerals and utility properties are appraised every year.

Revaluation Decision Pertaining To Re-appraisal Cycle

The Red River Appraisal District makes a determination as to the timing of all re-evaluation on an annual basis. This determination will dictate the re-appraisal of all property located in the CAD or determine re-appraisal of areas or categories of property located within the CAD such as subdivision, geographical areas, rural areas, commercial areas, residential, vacant lots, etc. Regional divisions of the county insure the CAD re-inspects and re-evaluates properties as required by the Property Tax Code on the three year cycle. The endorsement of the appraiser validates the action taken on each property re-appraisal. Any property that has not been re-appraised in the previous two years or in the above determination of the 2015-2016 re-appraisal will fall into the category of annual determination of re-evaluation by region.

The reappraisal plan for Red River Appraisal District is:

1. incorporate the application of proven and professionally acceptable techniques and procedures;
2. provide for the compilation of complete and accurate data and the processing of that data into an indication of value approximating the prices actually being paid in the market place;
3. provide the necessary standardization measures and quality controls essential to promoting and maintaining uniformity throughout the jurisdiction;
4. provide the appropriate production controls necessary to execute each phase of the operation in accordance with a carefully planned budget and work schedule, and;
5. Provide techniques especially designed to streamline each phase of the operation, eliminating functions, and reducing the complexities inherent in the appraisal process to more simplified but equally effective procedures.

Performance Analysis

As procedure has dictated and has occurred in years past, 2015 and 2016 appraisal years will be analyzed with ratio studies from the previous year's values along with the Comptroller's Property Value Study report to determine appraisal accuracy and appraisal uniformity overall with the use additional market data gathered within and representing each of the state property reporting categories.

In conjunction with the ratio study and the property value study the mean, median, and weighted mean ratios are calculated for properties in each reporting category to measure the level of appraisal accuracy. The mean ratio is calculated in each market area to indicate the level of appraisal accuracy by property reporting category. In 2015 and 2016 this analysis will be used to develop the starting point for establishing the level of accuracy on the appraisal performance. The testing result will be an indicator of which properties will need to be addressed with a change and which properties will not need a change. This result can indicate a negative or positive increase or decrease in value.

All ratio calculations are in compliance with the Standard on Ratio Studies from the International Association of Assessing Officers.

Analysis of Available Resources

Data, maps, information systems support, existing practices, budget and employee staffing are all major components required to assist in accomplishing final results necessary to ensure the appraisal district is conforming with the IAAO and USPAP standards and practices when appraising all categories of property.

The ultimate goal is to have the proper employees in key positions with the experience, knowledge and certifications required to perform required duties. 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. CAD in-house appraisal department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential and business personal. Capitol Appraisal Group appraisal staff is responsible for the valuation of mineral, utilities and industrial property accounts. All appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must duly register with the Texas Department of Licensing and

Regulation (TDLR) as Property Tax Professionals. Support functions including records maintenance, information and assistance to property owners, and hearings are coordinated by personnel in support services.

The appraisal district in-house staff consists of 6 employees with the following classifications:

- 1 – Administrator (Chief Appraiser)
- 2 – Field Appraiser
- 1 – Tax Collector
- 1 – Deputy
- 1 – Accounting Clerk

Staff Education and Training

All personnel that are performing appraisal work are registered with the Texas Department of Licensing and Regulation and are required to take appraisal courses to achieve the status of Registered Professional Appraiser within five years of employment as an appraiser. After they are awarded their license, they must receive additional training in continuing

education to a level that meets or exceeds that required by TDLR. Failure to meet these minimum standards results in the termination or demotion of the employee.

Additionally, all appraisal personnel receive extensive training in data gathering processes including data entry and statistical analysis of all types of property to ensure equality and uniformity of appraisal of all types of property. On-the-job training will be delivered by the Chief Appraiser and senior appraisal staff and there will be regular meetings to introduce new procedures and monitor appraisal activity to ensure that standardized appraisal procedures are being followed by all personnel.

Staffing will impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2015-2016 time period. The appraiser's longevity of employment with the Appraisal district can be a positive or negative effect on accomplishing the goals of reappraisal. Appraiser's familiarity with the county is a must to accomplish this demanding large task.

Data

The district is responsible for establishing and maintaining approximately 17,000 real and personal property accounts covering 1,057 square miles in Red River County. Portions of adjoining counties are under overlapping taxing jurisdictions and these properties are not included within this number of property accounts. These overlapping jurisdictions enter into Franklin and Titus Counties and Prairiland ISD. This data includes property characteristics, ownership and exemption information. Property characteristics data on new construction is updated through an annual field review effort; existing property data is maintained through a field review. General trends in interest rates, new construction trends and cost and market data are acquired through various sources, including internally generated questionnaires to buyer and sellers, and market data centers and vendors.

House Bill 1010 passed by the 80th Legislative Session cuts off appraisal at county lines effective January 1, 2008.

The GIS mapping system maintains parcel lines, split-outs and various layers of data and aerial photography. Aerial photography is especially helpful in determining the productive use of agricultural and timber lands. The GIS mapping system is maintained by BIS Consulting. They are responsible for mapping ownership and spit-out updates and mapping properties according to the metes and bounds of deeds and resurveys. The most current aerials in use by the district were flown in 2012.

The district's website allows a broad range of information available for public access, including information on individual appraisals, property characteristics, certified values, and exemption applications and forms. The District's website is: rcad.org.

Information system enables the district to maintain and continuously add additional data concerning the 17,000 accounts in the district. Software support from the software group Capitol Appraisal Group (CAGI) makes this possible. The user base is networked to the mainframe using Windows applications. CAGI programmers and support staff are updated on all applicable law changes and are continuously updating the software requirements that functions our reporting process.

Annual Budget requirements are presented to the entities on June 15 of each appraisal year representing the needs for the following calendar year. The 2015 budget was presented on June 11, 2014.

Record Keeping

Periods of retention for documents including appeal records, appraisal cards, appraisal correspondence, appraisal field notes, appraisal monitoring documentation, appraisal rolls – amendments and notices, appraisal rolls and abstracts are required by the State of Texas. A copy of the signed Certification and Acceptance sheet is included.

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.

LOCAL GOVERNMENT - RECORDS CONTROL SCHEDULE CERTIFICATION AND ACCEPTANCE	
Section 1 USE OF FORM (Check One; See Reverse) <input checked="" type="checkbox"/> Original Filing - Form SLR 500 <input type="checkbox"/> Amended Schedule - Form SLR 500 <input type="checkbox"/> Amendment to Schedule - Form SLR 520 Number of Pages in Attachment <u>26</u> Date of Attachment <u>September 13, 94</u> Date of previous schedule the attachment amends, if applicable _____	Section 2 SUBMISSION DATA (See Reverse) Government <u>RED RIVER COUNTY APPRAISAL DISTRICT</u> Office <u>APPRAISAL DISTRICT</u> Department <u>ADMINISTRATION</u> RMO Address <u>101 WEST BROADWAY P.O. BOX 661</u> City <u>CLARKSVILLE, TEXAS</u> Zip <u>75426</u> Telephone <u>(903) 627-6181</u>
Section 3 LOCAL GOVERNMENT CERTIFICATION The attached document of the type indicated above is submitted for filing pursuant to Local Government Code §203.041. The attachment has been approved according to the ordinance, order, or plan of the local government or elective county office for which I am the Records Management Officer. I certify that the administrative rules for electronic records, adopted under Local Government Code §205.003(a), will be followed for records subject to the rules. Name and Title (Print or Type) <u>RONNIE JEAN HAMRIG, ACCOUNTING CLERK, RECORDS MANAGEMENT OFFICER</u> Signature <u>Ronnie Jean Hamrig</u> Date <u>September 13, 1994</u>	
Section 4 TEXAS STATE LIBRARY ACCEPTANCE The records control schedule, amended schedule, or amendment to schedule submitted for filing with this transmittal sheet has: <input checked="" type="checkbox"/> been accepted for filing pursuant to Local Government Code §203.043(a). A record appearing on the schedule or amendment may be disposed of at the expiration of its retention period without additional notice to the director and librarian, subject to the provisions of Local Government Code §203.041(d). <input type="checkbox"/> been accepted for filing subject to the conditions stated in the accompanying letter pursuant to Local Government Code §203.043(d). <input type="checkbox"/> not been accepted for filing pursuant to Local Government Code §203.043(b). See accompanying letter for explanation. Name and Title (Print or Type) <u>Marlynn Kohl, Mar. Training & Consulting</u> Signature <u>Marlynn Kohl</u> Date <u>10-14-94</u>	
Texas State Library - State and Local Records Management Division SLR 500 (3/93)	

Property Identification

Red River Appraisal District field cards and appraisal records identify properties by account number, address (when applicable), current owner's name and property description.

The account numbers are (14) digit numbers formatted as XXXXX-XXXXX-XXXX. Account numbers consist of a five digit subdivision number which identifies the subdivision or abstract in which the property is located, a five digit subdivision number which identifies the block number in which the property is located and a four sequential number that identifies individual properties within the subdivision or abstract.

Physical address is listed when this information is known. Some properties such as unimproved land or buildings with rural routes or box numbers may state only the street name since no physical address is known by the Appraisal District. Through the 911 rural address system, the appraisal district obtained a listing of rural addresses available to add to the situs information of our field cards and computer system. Appraisers and office staff are constantly updating physical addresses, as they become available.

Due to limited space, Red River Appraisal District field cards provide a brief description only. This description may be a full legal description or it may be in abbreviated form. No metes and bounds description is reported on the appraisal cards. However, this information is obtained from the County Clerk's office on a monthly basis. An example of the Appraisal District's appraisal card is attached (see Exhibit A).

Reappraisal Decision

Overview

The Red River Appraisal District, by policy adopted by the Board of Directors and the Chief Appraiser, reappraises approximately one-third of all property in the district every year. A breakdown of the areas to be re-appraised is made using the school district boundaries. Using each ISD boundary as an area, accounts are totaled within each district. School Districts are divided so that there is approximately the same number of accounts appraised each year, while still maintaining the integrity of the school district boundary lines. Only certain school districts are re-appraised in a given year. In any given appraisal year the Chief Appraiser reserves the right to modify this schedule, if in-house ratio studies, natural disasters, or other information deem reappraisal necessary out of turn; while still ensuring adherence to the overall 3 year cycle.

Example:

Year A: Clarksville ISD

Year B: Avery ISD and Detroit ISD

Year C: Rivercrest ISD and Prairiland ISD

A re-appraisal year for an area is a complete appraisal of all properties in the district. In the areas in non-reappraisal years, the appraisal district will pick up new construction and remodeling, adjust for changes in property characteristics that affect value, and adjust previous year values for equalization. Appraisal

District will monitor sales and building activity and may adjust values, by schedule changes within property classifications (i.e. land, improvements) to reflect current market conditions in this county.

Planning and Organization

A calendar of key events with critical completion dates is prepared for each major work area. This calendar identifies all key events for appraisal, clerical and information systems. A separate calendar is prepared for tax years 2015 and 2016.

TAX YEAR 2015

- ~Complete re-appraisal of Detroit and Avery ISDs
- ~Mailing new homestead applications and/or update letter to new owners
- ~Mailing ag (1-d-1) applications to new owners and existing owners as needed
- ~Mail Wildlife Management Reports and subsequently inspect all properties in Detroit and Avery ISD's currently receiving 1-d-1 valuation through Wildlife Management, as needed.
- ~Mail Agricultural Survey Letter to all owners in Detroit and Avery ISD's currently receiving the special valuation
- ~Update annual and other exemption applications as needed
- ~Ownership changes and mapping metes and bounds by deed research
- ~Split-outs as deeds warrant

TAX YEAR 2014

- ~Complete re-appraisal of Rivercrest ISD
- ~Mailing new homestead applications and/or update letter to new owners
- ~Mailing ag (1-d-1) applications to new owners and existing owners as needed
- ~Mail Wildlife Management Reports and subsequently inspect all properties in Rivercrest ISD currently receiving 1-d-1 valuation through Wildlife Management as needed
- ~Mail Agricultural Survey Letter to all owners in Rivercrest ISD currently receiving the special valuation
- ~Update Charitable Organization Applications
- ~Update annual and other exemption applications as needed
- ~Ownership changes and mapping metes and bounds by deed research
- ~Split-outs as deeds warrant

2015 Calendar of Key Events*

Phase	Begin	Complete
Administration/Planning	September 2014	June 2015
Training		
Certification/CE's	Ongoing	Ongoing
In-house training	Ongoing	Ongoing
Conference/Workshop	Ongoing	Ongoing
Data Collection/Discovery		
Collect deeds, mechanic's liens, building permits, assumed name filings etc	January 2014	April 2015
Map split-outs and new surveys	Continuous	Continuous
Mail Homestead Exemption Application to new owner	January 2015	April 2015
Mail 1-d-1 applications	January 2015	April 2014
Mail Manufactured Home letters	August 2014	January 2015
Mail Annual/Charitable Exemption Applications	December 2014	December 2015
Renditions Mailed (Business Personal and Real Prop)	January 2015	April 2015
Sales Data Gathered	Continuous	Continuous
Field Inspections	September 2014	March 2015
Data Entry	October 2014	April 2015
Valuation		
Analysis and processing (Including, but not limited to, ratio studies, schedule building, adjustment and testing, and determining need, if any, of modifiers.)	January 2015	April 2015
Review Pilot studies and testing	March 2015	May 2015
Notification	April 2015	May 2015
Submit Records to ARB		May 2015
Hearings	June 2015	July 2015
Certification of Appraisal Roll		July 2015

2016 Calendar of Key Events*

Phase	Begin	Complete
Administration/Planning	September 2015	June 2016
Training		
Certification/CE's	Ongoing	Ongoing
In-house training	Ongoing	Ongoing
Conference/Workshop	Ongoing	Ongoing
Data Collection/Discovery		
Collect deeds, mechanic's liens, building permits, assumed name filings, etc.	January 2015	April 2016
Map split-outs and new surveys	Continuous	Continuous
Mail Homestead Exemption to new owners	January 2016	April 2016
Mail 1-d-1 apps	January 2016	April 2016
Mail WM Reports/Ag Surveys	January 2016	April 2016
Mail Manufactured Home letters	August 2015	January 2016
Mail Annual/Charitable Exemption Applications	December 2015	April 2016
Renditions Mailed (Business Personal and Real)	January 2016	April 2016
Sales Data Gathered	Continuous	Continuous
Field Inspections	September 2015	March 2016
Data Entry	October 2016	April 2016
Valuation		
Analysis and processing (Including, but not limited to, ratio studies, schedule building, adjustment and testing, and determining need, if any, of modifiers.)	January 2016	April 2016
Review Pilot studies and testing	March 2016	May 2016
Notification	April 2016	May 2016
Submit Records to ARB		May 2016
Hearings	June 2016	July 2016
Certification of Appraisal Roll		July 2016

*Throughout both years: Enter sales data as it becomes available, data entry for improvements and changes noted by appraisers, make ownership changes as deeds are available, enter/remove exemptions and special use valuations on accounts as they are qualified. Send map split-outs to BIS for mapping, continue to research metes and bounds by which to map and identify property in the county.

Mass Appraisal System

Real Property Valuation

Revisions to cost models, income models and market models are specified, updated and tested each year.

Cost schedules are tested with market data (sales) to insure that the appraisal district is in compliance with the Texas Property Tax Code, Sec. 23.011. Replacement cost new tables as well as depreciation tables are tested for accuracy and uniformity using ratio study tools and compared with cost data from recognized industry leaders, such as *Marshall & Swift and NADA*.

Land tables are updated using current market data (sales) and then tested with ratio study tools. Value modifiers are developed for property categories by market area and tested on a pilot basis with ratio study tools.

Personal Property Valuation

Density schedules are updated using *Marshall & Swift Valuation Guide*. Valuation procedures are reviewed and modified as needed and tested.

Notice Processing

25.19 appraisal notice forms are reviewed and edited for updates. Updates include the latest copy of Comptrollers Taxpayers Rights, Remedies and Responsibilities in English and Spanish. Red River CAD will mail notices for single family residence homestead properties by April 1st (or as soon as practicable thereafter) and all other properties by May 3rd (or soon as practicable thereafter). Business Personal Property accounts will be mailed by May 15th (or soon as practicable thereafter).

Hearing Process

Protest hearing scheduling for informal and formal Appraisal Review Board hearings is reviewed and updated as required. Standards of documentation are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process. Production of documentation is tested and compliance with HB 201 is insured. Red River CAD utilizes an automated informal and formal hearing schedules and appeals tracking system to log and track each appeal. The informal appeals begin with the mailing of notices in May and will continue until all appeals are heard. The formal appeal hearings will begin towards the end of June and will continue until all timely filed protests are heard.

The Red River Appraisal Review Board reviews and adopts hearing procedures annually and adheres to all education and training requirements. Red River County Appraisal Review Board adopted, as part of their policies and procedures, the Comptroller's Model Procedures and Guidelines May 28, 2014.

The Appraisal Process

With the aid of the District's Calendar of Key Events, the field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation and other purposes. Accurate valuation of real and personal property by any method requires a comprehensive physical description of personal property, land and building characteristics. This appraisal activity is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types located within the boundaries of Red River County and the jurisdictions of this appraisal district. The data collection effort involves the field inspection of real and personal property accounts, as well as entry of all data collected into the existing information system. The goal is to field inspect residential, commercial and personal properties in the district every three years. Properties within Clarksville ISD boundaries will be inspected and reviewed in one year as it has approximately 8,000 non mineral properties. Avery ISD and Detroit ISD will be inspected and reviewed together in the second year with approximately 5,000 non mineral properties. Rivercrest ISD and Prairiland ISD will be inspected and reviewed in the third year of the re-appraisal process with approximately 4,000 non mineral properties. This will separate the approximately 17,000 parcel count into approximately 5,000 to 8,000 parcels for each re-appraisal year.

Properties will be identified through physical inspection, or other reliable means including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps and property sketches. Characteristics of each property will be updated in the appraisal records.

Valuation Approach

Market areas will be defined by:

- *location and economic attributes
- *physical attributes of properties such as size, age and condition
- *easements, covenants, leases, special assessments, ordinances or legal restrictions

Land Analysis:

The analysis of land is conducted prior to neighborhood sales analysis. The land-to-property component is 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 land characteristics found to influence market value of land located in a neighborhood or area. The appraisers use abstraction and allocation methods to insure that estimated land values reflect the land's market value to overall property value.

Area Analysis:

Regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rates trends, availability of vacant land, and construction trends and costs are collected from private vendors, contractors and public sources to provide the appraiser with a current economic outlook on the real estate market.

Neighborhood and Market Analysis:

Physical, economic, governmental and social forces influence property value. These effects are used to identify, classify, and stratify comparable properties into smaller subsets for more accurate appraisals of neighborhoods. Residential valuation and neighborhood analysis is conducted on various market areas

within each of the political entities known as Independent School Districts (ISD). Market sales analysis forms the basis of estimating market activity and the level of supply and demand affecting the market within a market area or neighborhood. The effect of these market forces are interpreted by the appraiser into an indication of market price ranges.

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits.

A “neighborhood” is defined as the largest geographical grouping of properties where the property’s physical, economic, governmental and social forces are generally similar and uniform.

Once a neighborhood has been identified, the next step is to define the boundaries. This process is known as “delineation”. Part of the neighborhood analysis is the consideration of discernible patterns of growth that influence the neighborhood’s individual market.

Red River County Market Areas Identified

Red River County’s neighborhoods or market areas consist of Five (5) Independent School Districts that encompass the whole county. Within these areas there are subsets that may be characterized as being in a stage of growth, stability or decline. A school district in its own right can heavily influence the real estate market within its boundaries (ie: If a particular district is deemed more acceptable by popular opinion and transfers are limited, prices can be affected. The inverse of this may also be true). The growth period is a time of development and construction. At the time of this writing, there are not many areas in a growth stage. In the past, the closing of several manufacturing facilities and retail establishments, added to severe drought conditions had a slowing effect on new improvement construction and renovation of existing properties, since there had been a major employment and economic handicap. The previous year however, showed a marked increase in new home construction, in the rural areas. This will need to be watched closely to see if the upward trend continues.

It has been many years since property was purchased and developed into platted subdivisions. These conditions have caused the market area around the City of Clarksville especially to be affected. This decline has caused a mixture of residential and commercial use. There is more rental property than ever before, and this area has little new construction.

Rural properties with different uses; recreational, agriculture, or vacant for example may create specific market subsets, with characteristics specific to each that help define it and drive its value.

The appraiser is responsible for determining the highest and best use of property.

Constant attention must be paid to the set market areas (ISDs), to insure uniformity and accuracy of appraisals, but also to the subsets of these since they may change from year to year or from ISD to ISD.

Production standards for field activities and results are tested on a quarterly basis with the use of sales data gathered through MLS listing, buyer and seller questionnaires mailed by the appraisal district, verbal contact with citizens of Red River County, and confirmations of sales activity in warranty deed or county clerk’s recorded documents. Just as with the annual Property Value Study performed by the Comptroller’s Property Tax Division the use of sales and recognized auditing and sampling techniques are used to determine the level and uniformity of property tax appraisal in this district. This process utilizes statistical analysis of sold properties (sales ratio) and appraisals of unsold properties (appraisal ratios) as a basis for assessment ratio reporting. The reported measures include the 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 (PDR) for properties overall and by state category. The ratio study includes stratified samples to improve sample representation for measuring uniformity.

Production standards for field activities and results are tested on a regular basis with the use of sales data gathered through MLS listing, buyer and seller questionnaires mailed by the appraisal district, verbal contact with citizens of Red River County, and confirmations of sales activity in warranty deed or county clerks recorded documents. Just as with the annual Property Value Study performed by the Comptroller's Property Tax Division the use of sales and recognized auditing and sampling techniques are used to determine the level and uniformity of property tax appraisal in this district. This process utilizes statistical analysis of sold properties (sales ratio) and appraisals of unsold properties (appraisal ratios) as a basis for assessment ratio reporting. The reported measures include the 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 (PDR) for properties overall and by state category. The ratio study includes stratified samples to improve sample representation for measuring uniformity.

Capitol Appraisal Group programming division provides updates of all program calculation adjustments, forms, and computer form revisions that are dictated in legislative sessions or changes in the law. Management assists with the scheduling and processing of these updates in order to be timely effective for the use in the appraisal process.

The mass appraisal process is accomplished by using model calibration. Model calibration involves the process of periodically adjusting the mass appraisal formulae, tables, and schedules to reflect current local market conditions. 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 current market conditions. If the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure. Many times this occurs when new construction materials or cost and style develops into an additional class of property.

Cost schedules will be updated with market data (sales) to insure that the appraisal district is in compliance with Texas Property Tax Code, Sec. 23.011 (4) requirement of being within 10% of a generally accepted cost data source. Cost models are typically developed based on the Marshall & Swift Valuation Service. Cost models reflect replacement cost new of all improvements. Because a national cost service is used as a basis for the cost models, location modifiers are necessary to adjust these base costs specifically for various types of improvements.

Accrued depreciation is the measured loss of value against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence. Estimates of accrued depreciation are calculated for improvements with a range of variable years of expected life based on observed condition with consideration of actual age. Effective and actual ages are noted in our computer assisted mass appraisal system. Effective age estimates are based on the utility of the improvements relative to 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 of observed condition.

A depreciation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments can be developed via ratio studies or other market analysis and are tied to specific condition adequacy or deficiency, property type or location.

Estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements. Adding land value, as if vacant, to the contributory value to the improvements indicates a property value by the cost approach.

Land tables are updated using current market data (sales) and then tested with ratio study tools. Value modifiers are developed for property categories by market area and tested with ratio study tools.

Income, expense, and occupancy data are useful tools in producing an income approach to value. The income approach is typically used to value property viewed as "income producing" such as duplexes, apartment buildings, storage facilities. The difficulty in gathering this important data has not afforded this district the ability to use this approach on a consistent nor wide spread basis. The district will continue to consider this approach to value as information permits. The income approach is used in the special appraisal process for the agricultural and timber properties. The data gathered and used in this type appraisal is downloaded directly from the Comptroller and is data they have gathered from Texas A&M University which in turn has gathered information from timber mills and suppliers.

Capitalization process used in the income approach on agricultural and timber properties is a direct rate provided by Sec. 23.53 and Sec. 23.74 of the Property Tax Code.

Personal property valuation 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. Most of the information used by the district is generated to the district from the owner in a form of a rendition. Each year the new rendition is compared to the last year to verify additions or deletions and to get a better understanding of what the property should exist at the business. The present value factor is used as an express calculation in the cost approach. The Present Value Factor is applied to historical cost as follows:

MARKET VALUE ESTIMATE=PVF x HISTORICAL COST

Historical cost is normally supplied to the CAD via the completed rendition form from the owner of the business. The mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent and reflect current economic pressures of supply and demand.

Data Collection Requirements

Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, and re-inspection of the universe of properties on a specific cycle. The specific cycle will be determined annually after appropriate documentation on sales activity, replacement cost new data, and or any other economic catalyst that affects a sufficient number of properties that indicate a complete re-appraisal is necessary. The final result accomplished with every property being reappraised by law at least once in every three years.

The appraisal activities are conducted by two in-house appraisers. The district may hire certified contract appraisers on an as-needed basis.

The data used by field appraisers includes the existing property characteristics information contained in the computer assisted mass appraisal system (CAMA). The data is printed on property cards or personal

property data sheets. Other data used includes maps, sales data, mechanic's liens, renditions, fire and damage reports, building permits, photos and actual cost, market, and income information.

A field effort of driving the county also generates a constant watchful eye on any new construction or additions that may be added to the property. Field appraisers perform these field activities to ensure the data they have entered into the computer based system has been maintained and is correct. Data updates and file modification for property descriptions and input accuracy is conducted as the responsibility of the field appraiser.

Data surveys included in the buyer and seller questionnaire, when returned, are helpful in identifying characteristics that are needed to correctly appraise property and gives to the CAD the current sales data. Identifying these characteristics with the sales information aides in the model calibration of properties included in that class or category and identifies problematic areas. Quality of data is emphasized as the goal and responsibility of each appraiser. Sales information is verified by sources such as new owner, seller, local realtors, and comptroller's sales letter survey.

For tax year 2015, the appraisal district will perform a re-appraisal of all real and personal properties within the boundaries of Detroit ISD and Avery ISD. For tax year 2016 Rivercrest ISD will be re-appraised. Each property will be examined with appraisers driving or walking in front of each improvement. Appraisers will note condition of property and changes that might have occurred since the last on-site check. Exterior pictures will be taken or updated as necessary. Every subdivision (when possible) will be statistically analyzed to ensure equity and uniformity based on sales during the previous year.

Commercial properties will be inspected for depreciation and change. Photos will be taken. Construction replacement costs and depreciation will be reviewed based on Marshall and Swift valuation guides. We are continually working toward re-classing our commercial property classes to better coincide with Marshall and Swift classification guides, while still adjusting for local modifiers. The income approach to value is also utilized to appraise income producing properties that typically sell based on net operating income.

Business personal properties will be visited and quality and density observation noted. Renditions will be mailed to each business. Personal Property rendition forms are the source of data for commercial property inventories, furniture and fixtures and machinery and equipment. New businesses will be discovered using permits, assumed named filed in the County Clerk's office, sales tax payer numbers issued by the Comptroller's office, vehicle registration information supplied by Just Texas, newspaper ads, business cards and visual inspections. Businesses are categorized using SIC codes. Rendition laws provide additional information on which to base values of all BPP accounts.

Texas Railroad Commission and division orders are the source for our mineral appraisals.

Pilot Study by Tax Year

The **International Association of Assessing Officers, Standard on Mass Appraisal** of Real Property specifies that the universe of properties should be re-inspected on a cycle of 3 years. This re-inspection includes the re-measurement of at least two sides of each improved property.

Sales ratio studies are conducted each tax year by category and market areas. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested.

These procedures used for model specification and model calibration are in compliance with Uniform Standards of Professional Appraisal Practice, and Standard Rule 6.

Valuation by Tax Year

Calculation of preliminary values enables the district to use the market analysis of comparable sales and gathered cost data to ensure that the ratio study performed in each category of property, neighborhood, and defined market areas generates an acceptable ratio in each segment of property or grouped segment of properties. Properties in selected market areas are updated in non-reappraisal years as well as in re-appraisal years if the ratio results reflect the need for a change. Therefore, the need for re-appraisal year is made on an annual basis and determined by market areas. Every property is reappraised at least once in every three years. A change may or may not occur depending on the cost data gathered, sales information gathered, or other pertinent information pertaining to the individual property or property characteristics.

Special Inventory Residential Property

Cost approach to value is the most common usage in this category of property. Developers have the same benefits and rights as individuals with other types of inventory in which they are entitled to have their property grouped as if it were to be sold as a whole. This method is based on the use of cost or market whichever is the lowest.

Sales approach is not used until the developer sales the property and the category changes to a category other than inventory.

Income approach to value is not used on this property because it is not income producing.

Multifamily Residential Property

Due to the limited number of sales activity in this type of property it is not feasible to use the sales comparison approach to value.

The cost approach would be used as a comparison to the income approach which would be the best approach to value considering the evidence of income and expense information for properties of this type in this county. The inability to collect income and expense information makes this the reliable approach for this county.

Income approach is not feasible because of the inability to receive documented evidence on true income and expense information in this subject area.

Commercial Real Property

Sales comparison approach to value is a limited resource and is not a reliable approach for this group of property. Sales data may or may not include a documented value for goodwill without this measure the

sales approach may generate a distorted value. The infrequency of sales activity limits the measure in this approach.

Cost approach to value is the most reliable approach to market for this type of property in this county.

The income approach is a valid approach for this type of property, provided accurate income and expense information is received.

Vacant Real Property

Sales comparison approach is the best approach for this type of property and is the most common used approach for this type of property.

Cost approach is not feasible.

Income approach could be used only on those properties that were generating a rental income. This is not the most common used approach in this type property.

Special Valuation Property

Sales comparison approach is not used in this type of appraisal. This property is appraised based on its ability to generate income.

Cost approach is not used on this type of property. There is no effective or feasible way to use a cost approach on this type property.

Income approach is the correct approach used on this type of property because it is an income producing property and is based on the land's ability to generate income.

Cost approach to value is the most reliable approach with the aide of renditions that are prepared by the owner giving the historical cost of the items and with the use of indexing the historical value to generate an in use current value.

Income approach is not used as the personal property is not normally used nor produces rental income.

Following is the re-appraisal plan issued by Capital Appraisal Group Inc. (CAGI) outlining their efforts to re-appraise minerals, utilities, pipelines and industrial properties.

CAD Plan for Periodic Reappraisal of Industrial Property

Subsections (a) and (b), Section 25.18, Tax Code:

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

- (b) The plan provides for annual reappraisal of selected industrial property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, Inc. (CAGI) to appraise these properties for the CAD.
 - (1) Identifying properties to be appraised: Industrial properties are identified as part of the appraiser's physical inspection process each year and through submitted data by the property owner. The appraiser may also refer to legal documents, photography and other descriptive items.

 - (2) Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process. Confidential rendition, assets lists and other confidential data also provide additional information. Subject property data is verified through previously existing records and through published reports.

 - (3) Defining market areas in the district: Market areas for industrial properties tend to be regional, national and sometimes international. Published information such as prices, financial analysis and investor services reports are used to help define market area.

 - (4) Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: Among the three approaches to value (cost, income and market), industrial properties are most commonly appraised using replacement/reproduction cost new less depreciation models because of readily available cost information. If sufficient income or market data are available, those appraisal models may also be used.

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

CAD Plan for Periodic Reappraisal of Industrial Personal Property

Subsections (a) and (b), Section 25.18, Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all industrial personal property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, Inc. (CAGI) to appraise these properties for the CAD.
 - (1) Identifying properties to be appraised: Through inspection the appraiser identifies personal property to be appraised. The appraiser may also refer to other documents, both public and also confidential, to assist in identification of these properties. Such documents might include but are not limited to the previous year's appraisal roll, vehicle listing services and private directories.
 - (2) Identifying and updating relevant characteristics of each property in the appraisal records: Data identifying and updating relevant characteristics of the subject properties are collected as part of the inspection process through directories and listing services as well as through later submissions by the property owner, sometimes including confidential rendition. These data are verified through previously existing records and through public reports.
 - (3) Defining market areas in the district: Market areas for industrial personal property are generally either regional or national in scope. Published price sources are used to help define market areas.
 - (4) Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics. Personal property is appraised using replacement/reproduction cost new less depreciation models. Income approach models are used when economic and/or subject property income is available, and a market data model is used when appropriate market sales information is available.
 - (5) Comparison and Review: The appraiser reconciles multiple models by considering the model that best addresses the individual characteristics of the subject property. Year-to-year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process.

CAD Plan for Periodic Reappraisal of Oil and Gas Property

In accordance with Section 25.18 of the Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property as approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all oil and gas property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, Inc. (CAGI) to appraise these properties for the CAD.

- (1) Identification of new property and its situs. As subsurface mineral properties lie within the earth, they cannot be physically identified by inspection like other real property. However, the inability to directly inspect does not appreciably affect the ability to identify and appraise these properties. To identify new properties, CAGI obtains monthly oil and gas lease information from the Railroad Commission of Texas [RRC] to compare against oil and gas properties already identified. The situs

of new properties is determined using plats and W-2/G-1 records from the RRC, as well as CAGI's in-house map resources.

- (2) Identifying and updating relevant characteristics of all oil and gas properties to be appraised. Relevant characteristics necessary to estimate value of remaining oil or gas reserves are production volume and pattern, product prices, expenses borne by the operator of the property, and the rate at which the anticipated future income should be discounted to incorporate future risk. CAGI obtains information to update these characteristics annually from regulatory agencies such as the RRC, the Comptroller of Public Accounts, submissions from property owners and operators, as well as from published investment reports, licensed data services, service for fee organizations and through comparable properties, when available.
- (3) Defining market areas in the district and identifying property characteristics that affect property value in each market area. Oil and gas markets are regional, national and international. Therefore they respond to market forces beyond defined market boundaries as observed among more typical real properties.
- (4) Developing an appraisal approach that best reflects the relationship among property characteristics affecting value and best determines the contribution of individual property characteristics. Among the three approaches to value (cost, income and market), the income approach to value is most commonly used in the oil and gas industry. Through use of the discounted cash flow technique in particular, the appraiser is able to bring together relevant characteristics of production volume and pattern, product prices, operating expenses and discount rate to determine an estimate of appraised value of an oil or gas property.

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

**CAD Plan for Periodic Reappraisal of
Utility, Railroad and Pipeline Property**

Subsections (a) and (b), Section 25.18, Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all utility, railroad and pipeline property appraised by the CAD. The CAD has a professional services contract with Capitol Appraisal Group, Inc. (CAGI) to appraise these properties for the CAD.
- (1) Identifying properties to be appraised: Utility, railroad and pipeline properties that are susceptible to inspection are identified by inspection. The appraiser may also refer to other documents, both public and also confidential to assist in identification of these properties.
- (2) Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through data collected as part of the inspection process and through later submissions by the property owner, sometimes including confidential rendition. Additional data are obtained through public sources, regulatory reports and through analysis of comparable properties.
- (3) Defining market areas in the district: Market areas for utility, railroad and pipeline property tend to be regional or national in scope. Financial analyst and investor services reports are used to help define market areas.
- (4) Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: For all three types of property, the appraiser must first form an opinion of highest and best use. Among the three approaches to value (cost, income and market), pipeline value is calculated using a replacement/reproduction cost new less depreciation model [RCNLD]. In addition to the RCNLD indicator, a unit value model may also be used if appropriate data are available. Utility and railroad property are appraised in a manner similar to pipeline except that the RCNLD model is not used.

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

The Mass Appraisal Report

The appraisal of a large number of real and personal property as a group within an established period of time using standardized procedures and subjecting the resulting appraisals to statistical testing is the definition of mass appraisal.

The mass appraisal report is a report prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar. Since the majority of ad valorem real property taxation in Red River County is accomplished using mass appraisal techniques, the general standard for appraisal should reflect compliance with USPAP Standard 6. The signed certification is compliant with the Standard Rule 6-9 of USPAP. This written reappraisal plan is attached to the Mass Appraisal report by reference.

The scope of work for a mass appraisal includes the following:

1. Identifying properties to be appraised
2. Defining market areas
3. Identifying characteristics that affect the market value
4. developing a benchmark property that reflects the relationship of characteristics affecting value
5. calibrating the benchmark
6. calculate the conclusion of the property being appraised
7. reviewing the mass appraisal results

The purpose of the mass appraisal completed by Red River Appraisal District is to estimate fair market value for ad valorem tax purposes. These values are used by the taxing jurisdictions in the county. Ad valorem equates to tax based on value and maintains a consistent appraisal date of January 1 of each year with the exception of some inventories.

Appraisals completed by the appraisal district office are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as through free and clear, under responsible ownership and competent management.
3. All sketches in the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering report unless otherwise specified.
4. All information in the appraisal documents has been obtained by member of the appraisal district staff or other reliable sources.
5. The opinion of value for each property applies to land and improvements. The value of trade fixtures, furnishings and other equipment has not been included with the value of the real estate.

6. The appraisals were prepared exclusively for ad valorem tax purposes.
7. The appraisers developing these appraisals are not required to give testimony or attendance in court by reason of the appraisal, unless directed by, employed by and provided legal counsel by the Red River Appraisal District.
8. Subsurface rights (minerals and oil) were not considered in making the appraisals.
9. The appraisers have inspected, as far as possible, by observation, the land and the improvements, however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. No representation of this matter is made unless specifically detailed by the owner or approval for inside inspection by the owner.
10. The values generated by the appraisal district are reviewed annually by the Property Tax Division of Comptroller of Public Accounts in order to finalize a Value Study each year for the purpose of the use in TEA state funding calculation in the school district budget.

It must be noted that no re-appraisal program, regardless of how skillfully administered, can ever be expected to be error free. The correction of errors can best be assisted by giving the taxpayer an opportunity to question the value placed upon his individual property and the opportunity to produce evidence that the value is incorrect or inequitable. Errors will be brought to light and taking corrective action will serve to further the objectives of the program.

Value Defense

In addition to ratio review using sales data, cost data from generally accepted sources, original cost, effective age versus actual age, net operating income (when available, this is one source that is very limited) and appraiser review, taxpayers are afforded an opportunity to review the appraised values and supporting documentation with the generation of appraisal notices in April or May of each year.

This process then begins what is known as the equalization phase.

Sec. 25.19 appraisal notice forms are reviewed and edited for updates and changes by appraisal district management. Included in the notice is the public notice of protest and appeal procedures as required by Sec. 41.70 of the Property Tax Code.

By May 15th, or as soon thereafter as practicable, the chief appraiser shall sign a submission affidavit to the ARB which states:

Certification Statement:

“I, Christie Ussery, Chief Appraiser for the Red River Appraisal District, solemnly swear that I have made or caused to be made a diligent inquiry and search 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.”

Christie Ussery
Chief Appraiser

Date

The equalization phase begins with the scheduling of formal or informal hearings. The appraisal district appraisers meet individually with the property owners to fulfill the informal process and make justified adjustments to property values. After due diligence in trying to inform the citizen of the changes that have occurred with their individual properties it may become necessary to schedule a formal hearing with the ARB. All standards, documentations, and procedures are reviewed to assure compliance with HB 201 producing documents to the taxpayer 14 days prior to their formal hearing or meeting with the Appraisal Review Board.

A group of citizens from Red River County are appointed to form the Appraisal Review Board to listen to the concerns, complaints and evidence of the property owner in trying to determine the correct value of the property. This process is the second phase with the first phase being an informal review between the appraiser and the citizen. If the first phase does not accomplish a pleasing result for the property owner then he or she has the opportunity to appear before the Appraisal Review Board. After the final determination of the Appraisal Review board the citizen can complete an application for binding arbitration if: 1) the property qualifies as the owner's residence homestead under Tax Code Section 11.13, or the appraised or market value of the property as determined by the appraisal review board order of determination is \$1 million or less; and 2) the protest was filed under Tax Code Section 41.41(a)(1) or Tax Code Section 41.41 (a)(2). A property owner can also file a lawsuit in district court appealing the ARB determination.

Residential property defense mechanisms will include sales of comparable properties, replacement cost new less depreciation, cost guide information, similar properties with similar appraisals, effective age utility, full listing of characteristics of each property on an appraisal card as they were known at the time of appraisal, pictures, maps with location, and deeds of trust or ownership deeds.

Special inventory residential property defense mechanisms will include the real property rendition generated to the appraisal district by the property owner.

Multifamily residential property defense mechanisms will include sales of comparable properties, replacement cost new less depreciation, similar properties with similar appraisals, effective age utility, full listing of characteristics of each property on an appraisal card as they were known at the time of appraisal, pictures, location maps, and deeds of trust or ownership deeds.

Commercial real property defense mechanism will include sales of comparable properties, replacement cost new less depreciation, similar properties with similar appraisals, effective age utility, full listing of characteristics of each property on appraisal card as they were known at the time of the appraisal, pictures, cost guide information, location maps, and deeds of trust or ownership deeds.

Vacant real property evidence will consist of sales comparables when available, location maps, deeds of trust or ownership deeds, and land schedules that reflect value uniformity.

Industrial real property, industrial tangible personal property, utilities, and mineral interest refer to Pritchard and Abbott reappraisal plan.

Business tangible personal property evidence will be generated from the personal property rendition form completed by the business owner and calculation of the square foot method using the comptroller's manual for personal property. The comparison of similar properties with similar values is critical.

Formulas and Models

Basic model for Real Property: $MV = IV + LV$

MV = Market Value

IV = Improvement or structure value

LV = Land Value

Expanded model:

$MV = [(IUNIT \times ISIZE) + OR - [ADDITIVES \times \% \text{ GOOD} \times INF] + [(LUNIT \times LSIZE) \times LNF]$

MV = MARKET VALUE

IUNIT = REPLACEMENT COST NEW PER SQ FT

ISIZE = IMPROVEMENT SQ FT LIVING AREA

ADDITIVES = IMPROVEMENT AMENITIES CONTRIBUTORY VALUES

%GOOD = ALLOWED OR ALLOWABLE DEPRECIATION

INAF = IMPORVEMENT NEIGHBORHOOD FACTOR IF MEASUREABLE

LUNIT = LAND VALUE FROM SCHEDULES

LSIZE = LAND PARCEL PER SQ FT, ACREAGE OR FRONT FOOTAGE

LNAF = LAND NEIGHBORHOOD FACTOR IF MEASUREABLE

Basic model for personal property:

$MV = PVF \times HC \times DF$

MV = MARKET VALUE

PVF = PRESENT VALUE FACTOR

HC = HISTORICAL COST

DF = DEPRECIATION FACTOR

**Staff Providing Significant
Mass Appraisal Assistance**

Christie Ussery, RPA

Chief Appraiser

Brandi Clark, Appraiser II

Field Appraiser

Shakayla Taylor, Appraiser I

Business Personal Property

Cathy Jackson, RPA

Industrial Appraiser
Capitol Appraisal Group

Jordan Aldridge, RPA

Mineral Appraiser
Capitol Appraisal Group

Eric Williams, RPA

Utilities Appraiser
Capitol Appraisal Group

**Red River County Appraisal District
Resolution to Adopt
2015-2016 Plan for Reappraisal**

Whereas, according to Section 25.18(c) and Section 6.05(i) of the **Texas Property Tax Code**, the Board of Directors of an Appraisal District shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18(c) and Section 6.05(i) shall hold a public hearing to consider the proposed plan.

Therefore, on this 10th day of September, 2014, the Board of Directors of Red River Appraisal District does approve and adopt the attached reappraisal plan for the years 2015 and 2016.

Mac Varley, Chairman

Bruce Johnson

Danny Eudy, Vice Chairman

Ashley Minter

Rick Bachman, Secretary

Terry Wilburn

Dennis Purviance