

**HOPKINS COUNTY APPRAISAL DISTRICT**  
**REAPPRAISAL PLAN FOR**  
**TAX YEARS 2023 & 2024**  
**AS ADOPTED BY THE BOARD OF DIRECTORS**  
**SEPTEMBER 14<sup>TH</sup>, 2022**

REVISED ON SEPTEMBER 6<sup>TH</sup>, 2023

## TABLE OF CONTENTS

<b><u>ITEM</u></b>	<b><u>PAGE</u></b>
Executive Summary	5
Revaluation Decision (Statutory or Administrative)	6
Tax Year 2023	
Tax Year 2024	
Performance Analysis	8
Ratio Study Results	
Appraisal Accuracy (Level of Appraisal)	
Appraisal Uniformity (Equity)	
Analysis of Available Resources	8
Staffing for Reappraisal Year	
Proposed Budget for 2023	
Existing Practices	
Information Systems (IS) Support	
Existing data and maps	
Planning and Organization	9
Calendar of Key Events – 2023	10
Calendar of Key Events – 2024	11
Map of Field Work by year 2023/2024	
Performance Objectives	
Target Completion Dates – 2023	

Target Completion Dates – 2024	
Production standards for field activities	
Mass Appraisal System	12
Forms and procedures revised	
CAMA System revisions as required	
Data Collection Requirements by Tax Year	13
New Construction	
Remodeling	
Re-inspection of problematic market areas	
Re-inspection of universe of properties on a specific cycle (2 years)	
Field or office verification of sales data and property characteristics	
Pilot Study by Tax Year	14
Test new/revised mass appraisal methods	
Ratio Studies by Market Areas	
Test accuracy and reliability in certain market areas	
Valuation by Tax Year	14
Market Analysis	
Model Development	
Model Calibration	
Approaches Used on Various Types of Properties	15-16
Formulas for Approaches to Value	17

The Mass Appraisal Report by Tax Year	25
Scope of Work (Written Reappraisal Plan)	
Compliant with STANDARD 6-8 of USPAP	
Value Defense	26
Signed Certification by the Chief Appraiser as required by STANDARD RULE 6-9 of USPAP	26
Informal Appeals	
Formal Appeals	
Burden of Proof Evidence for Market Value and Equity	
*Attachment - Listing of Neighborhoods to identify market areas	
*Attachment – Listing of School Districts to Identify market areas	

## EXECUTIVE SUMMARY

### TAX CODE REQUIREMENTS

Passage of S.B. 1652 amended the Tax Code to require a written biennial reappraisal plan. The following details the changes to the Tax Code.

#### **The Written Plan**

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

- (i) To insure 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 10<sup>th</sup> 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<sup>th</sup> of each even numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.

#### **Plan for Periodic Reappraisal**

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

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the Board of Directors under Section 6.05 (i).
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the District at least once every three years.
  - (1) Identifying properties to be appraised through physical inspection or by other reliable means of identification, including deed 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, including:

- (A) The location and market area of the property;
  - (B) Physical attributes of property, such as size, age and condition;
  - (C) Legal and economic attributes; and
  - (D) Easement, covenant, leases, reservations, contracts, declarations, special assignments, ordinances, or legal restrictions.
- (5) Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;
  - (6) Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
  - (7) Reviewing the appraisal results to determine value.

#### REVALUATION DECISION (REAPPRAISAL CYCLE)

The Hopkins CAD reappraises 1/3 of all property in the county and 1/3 of all property in the city limits each year. Tax year 2023 is a reappraisal year and tax year 2024 is a reappraisal year.

#### REAPPRAISAL AND NON-REAPPRAISAL YEAR ACTIVITIES

1. Performance Analysis – the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the International Association of Assessing Officers.
2. Analysis of Available Resources – staffing and budget requirements for tax year 2023 are detailed in the 2023 budget, as adopted by the board of directors and attached to the written biennial plan by reference. Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. Information Systems (IS) support is detailed with year specific functions identified and system upgrades scheduled. Existing maps and data requirements are specified and updates scheduled.
3. 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, customer service, and information systems. A calendar is prepared for tax years 2023 and 2024. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

4. Mass Appraisal System – Computer Assisted Mass Appraisal (CAMA)  
System revisions required are specified and scheduled with Information Systems. All computer forms and IS procedures are reviewed and revised as required.
5. Data Collection Requirements – field and office procedures are reviewed, revised and required for data collection. Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, re-inspection of the universe of properties on a specific cycle (2 years), and field or office verification of sales data and property characteristics.
6. Pilot study by tax year – new and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each year. Proposed values on each category are tested for accuracy and reliability in randomly selected market areas.
7. Valuation by tax year – using market analysis of comparable sales and locally tested cost data, valuation models are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers and the Uniform Standards of Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies.
8. The Mass Appraisal Report – each tax year the tax code required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar, (on or about May 15<sup>th</sup>). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6-8 of the Uniform Standards of Professional Appraisal Practice. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6-8 OF USPAP. This written reappraisal plan is attached to the report by reference.
9. Value defense evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings is specified and tested.

## REVALUATION DECISION

The Hopkins CAD, by policy, adopted by the Board of Directors, reappraises 1/3 of all property in the District every year.

### TAX YEAR 2023

Tax year 2023 is a reappraisal year.

### TAX YEAR 2024

Tax year 2024 is a reappraisal year.

## PERFORMANCE ANALYSIS

In a tax year 2023 and 2024 the previous years' equalized values are analyzed with ratio studies to determine appraisal accuracy and appraisal uniformity overall and by market area within state property reporting categories. Ratio studies are conducted in compliance with the current property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* from the International Association of Assessing Officers. Mean, Median, and Weighted Mean Ratios are calculated for properties in each reporting category to measure the level of appraisal (appraisal accuracy). The mean ratio is calculated in each market area to indicate the level of reappraisal (appraisal accuracy) by property reporting category. In 2023 and 2024 the reappraisal year this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance.

## ANALYSIS OF AVAILABLE RESOURCES

Staffing and budget requirements for tax year 2023 and 2024 are detailed in the 2023 appraisal district budget, as adopted by the Board of Directors and attached to the written biennial plan by reference. This reappraisal plan is adjusted to reflect the available staffing in tax year 2023 and the anticipated staffing for tax year 2024. Staffing will impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2023-2024 time period.

Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. In the reappraisal year, real property appraisal depreciation tables and cost new tables are tested against verified sales data to ensure they represent current market data. The cap rate study by commercial real property type is updated from current market data, and market rents are reviewed and updated



from local published data. Personal property density schedules are tested and analyzed based on rendition and prior year hearing documentation.

Information Systems (IS) support is detailed with year specific functions identified and system upgrades scheduled. Computer generated forms are reviewed for revisions based on year and reappraisal status. Legislative changes are scheduled for completion and testing. Existing maps and data requirements are specified and updates scheduled.

### 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, customer service, and information systems. A separate calendar is prepared for tax years 2023 and 2024. Production standards for field activities are calculated and incorporated in the planning and scheduling process.

### TENTATIVE SCHEDULE FOR 2023

1)	AUGUST 3 <sup>RD</sup> , 2022	Begin field work
2)	DECEMBER 18 <sup>th</sup> , 2022	Complete re-appraisal of 1/3 county/city
3)	JANUARY 4 <sup>th</sup> , 2023	Mail out homestead forms and agricultural use forms, water supply corporations, abatement and veterans organization applications for 2023. Mail personal property renditions
4)	DECEMBER 28 <sup>ND</sup> -JANUARY 8 <sup>TH</sup>	Check partial complete homes/Rechecks
5)	MARCH 1 <sup>st</sup> , 2023	Begin edits/sales ratio studies
6)	JANUARY 11 <sup>TH</sup> – APRIL 12 <sup>TH</sup> , 2023	Appraisal of 1/3 county/city
7)	APRIL 17 <sup>th</sup> – 21 <sup>st</sup> , 2023	Complete recheck problems and finish data entry
8)	APRIL 14 <sup>TH</sup> , 2023	Finish deed work. Finish sales maps.
9)	April 19 <sup>th</sup> – May 3 <sup>RD</sup> , 2023	Complete personal property accounts and edits
10)	MAY 2 <sup>nd</sup> , 2023	Mail notices and begin informal hearings
11)	May 31 <sup>st</sup> , 2023	Last day of informal hearings
12)	FORMAL HEARING DATES:	(a) June 8 <sup>th</sup> (b) June 13 <sup>th</sup> (c) June 20 <sup>th</sup> (Capitol Appraisal 9-11 am) (d) July 6 <sup>th</sup> (Capitol Appraisal Reserve 9-11)

Jacob – North Part of county 8335 parcels (2778 is 1/3).

Dawn – South Part of County 8285 parcels (2762 is 1/3).

James – City 7308 parcels (2436 is 1/3) and all BPP (1848 BPP accounts).

### TENTATIVE SCHEDULE FOR 2024

1)	AUGUST 1 <sup>st</sup> 2023	Begin field work
2)	DECEMBER 19 <sup>th</sup> , 2023	Complete re-appraisal of 1/3 county/city
3)	JANUARY 2 <sup>nd</sup> , 2024	Mail out homestead forms and agricultural use forms, water supply corporations, abatement and veterans organization applications for 2024. Mail personal property renditions.
4)	DECEMBER 15 <sup>TH</sup> – JANUARY 10 <sup>th</sup> , 2024	Check partial complete homes/Rechecks; Analyze sales of income producing properties
5)	MARCH 8 <sup>TH</sup> , 2024	Begin edits and final ratio studies
6)	JANUARY 15 <sup>TH</sup> , - APRIL 8 <sup>TH</sup> , 2024	Complete second 1/3 of county/city
7)	APRIL 15 <sup>th</sup> – 19 <sup>th</sup> , 2024	Complete recheck problems and finish data entry
8)	APRIL 15 <sup>th</sup> , 2024	Finish deed work, Finish sales maps, Finish personal property
9)	APRIL 26 <sup>th</sup> , 2024	Prepare notices for mail
10)	APRIL 29 <sup>TH</sup> – MAY 1 <sup>ST</sup> , 2024	Complete personal property accounts and edits
11)	MAY 2 <sup>nd</sup> , 2024	Mail notice and begin informal hearings
12)	MAY 31 <sup>st</sup> , 2024	Last day of informal hearings
13)	FORMAL HEARING DATES:	(a) June 11 <sup>TH</sup> (b) June 18 <sup>TH</sup> (CAGI-Minerals & Industrial-10 am-12 pm) (c) June 20 <sup>th</sup> (d) July 2 <sup>nd</sup>

Jacob – North Part of county 8335 parcels (2778 is 1/3)  
 Dawn – South Part of county 8285 parcels (2762 is 1/3)  
 James – Commercial and 1848 BPP accounts.

Sarah – City Parcels 7308 (2436 is 1/3)

### MASS APPRAISAL SYSTEM

Computer Assisted Mass Appraisal (CAMA) system revisions are specified and scheduled with Information Systems. All computer forms and IS procedures are reviewed and revised as required. The following details these procedures as related to the 2023 and 2024 tax years.

#### REAL PROPERTY VALUATION

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

Cost schedules are tested with market data (sales) to ensure that the appraisal district is in compliance with Texas Property Tax Code, Section 23.011. Replacement cost new tables, as well as depreciation tables, are tested for accuracy and uniformity using ratio study tools. Updated schedules are completed in 2023 using the Marshall & Swift Residential Cost Guides, with local factors.

Land values 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.

Income, expense and occupancy data is updated in the income models for each market area and cap rate studies are completed using current sales data. The resulting models are tested using ratio study tools.

#### PERSONAL PROPERT VALUATION

Density schedules are updated using data received during the previous tax year from renditions and hearing documents. Valuation procedures are reviewed modified as needed and tested.

#### NOTICING PROCESS

25.19 Appraisal Notice forms are reviewed and edited for updates and changes signed off on by the Appraisal District management. Updates include the lasted copy of the Comptroller's *Taxpayer Rights, Remedies and Responsibilities*.

## 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.

## DATA COLLECTION REQUIREMENTS

Field and office procedures are reviewed and revised as required for data collection. 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 (3 years).

### NEW CONSTRUCTION/DEMOLITION

New construction field and office review procedures are identified and revised as required. Filed production standards are established and procedures for monitoring tested. Building permits, septic tank permits and mechanic liens are obtained monthly from the appropriate municipal entity. Process of verifying demolition of improvements is specified.

### REMODELING

Market areas with extensive improvement remodeling are identified, verified, and field activities scheduled to update property characteristic data. Updates to valuation procedures are tested with ratio studies before finalized in the valuation modeling. This field activity, when entered in the key events calendar, must be monitored carefully.

### RE-INSPECTION OF PROBLEMATIC MARKET AREAS

Real property market areas, by property classification, are tested for: low or high protest volumes, low or high ratios (properties with sales ratios +/- 10% are reviewed to determine accuracy of CAD records); or high coefficient of dispersion (CAD tries to maintain a COD of 10% or less for residential properties and a COD of 20% or less for rural land). Market areas that fail any or all of these tests are determined to be problematic. Field reviews are scheduled to verify and/or correct property characteristics data. Additional sales data is researched and verified. In the absence of adequate market data, neighborhood delineation is verified and neighborhood clusters are identified.

**Market areas for the Hopkins County Appraisal District are by neighborhood, school districts and county-wide. All like- classed houses are analyzed for correct cost schedules, then are further analyzed to see if certain neighborhoods or school districts are seeing higher than normal sales for like-classed houses. (See attachments at end for subdivisions and school district identification).**

**The District will analyze the effects that COVID-19 has, if any, on market value of property.**

**For 2023 & 2024 – Apartment complexes, shopping centers, duplexes and commercial restaurant schedules will be analyzed for uniformity. Additionally, downtown properties (TIF zone) will be scrutinized as well.**

#### RE-INSPECTION OF THE UNIVERSE OF PROPERTIES

The International Association of Assessing Officers, *Standard on Mass Appraisal of Real Property* specifies periodic re-inspections can help insure that property characteristics data are complete and accurate.

#### FIELD OR OFFICE VERIFICATION OF SALES DATA AND PROPERTY CHARACTERISTICS

Sales information, obtained from MLS and the new owners must be verified and property characteristic data contemporaneous with the data of sales captured. The sales ratio tools require that the property that sold must equal the property appraised in order that statistical analysis results will be valid.

#### PILOT STUDY

New and/or revised mass appraisal models are tested on randomly selected market areas. These modeling tests (sales ratio studies) are conducted each tax year. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. The procedures used for model specification and model calibration are in compliance with Uniform Standards of Professional Appraisal Practice, STANDARD RULE 6.

#### VALUATION BY TAX YEAR.

Valuation by tax year – using market analysis of comparable sales and locally tested cost data, market area specific income and expense data, valuation models are specified and calibrated in compliance with the supplement standards from the International Association of Assessing Officers and the *Uniform Standards of Professional Appraisal Practice*. The calculated values are tested for accuracy and uniformity using ratio studies. Performance standards are those as established by the *IAAO Standard on Ratio Studies*. Property values in all market areas are updated each reappraisal year. Properties

in selected market areas are updated in non-reappraisal year. Tax year 2023 is a reappraisal year. Tax year 2024 is a reappraisal year.

**RESIDENTIAL REAL PROPERTY**

SALES COMPARISON APPROACH TO VALUE

COST APPROACH TO VALUE

**SPECIAL INVENTORY RESIDENTIAL PROPERTY**

COST APPROACH TO VALUE

**MULTIFAMILY RESIDENTIAL PROPERTY**

SALES COMPARISON APPROACH TO VALUE

COST APPROACH TO VALUE

INCOME APPROACH TO VALUE

**COMMERCIAL REAL PROPERTY**

SALES COMPARISON APPROACH TO VALUE

COST APPROACH TO VALUE

INCOME APPROACH TO VALUE

**VACANT REAL PROPERTY**

SALES COMPARISON APPROACH TO VALUE

**INDUSTRIAL REAL PROPERTY**

SALES COMPARISON APPROACH TO VALUE

COST APPROACH TO VALUE

**UTILITIES**

SALES COMPARISON APPROACH TO VALUE

COST APPROACH TO VALUE

INCOME APPROACH TO VALUE

**MINERAL INTEREST**

SALES COMPARISON APPROACH TO VALUE

COST APPROACH TO VALUE

INCOME APPROACH TO VALUE

**SPECIAL VALUATION PROPERTY**

AGRICULTURAL USE – CASH LEASE INFORMATION

WILDLIFE MANGAGEMENT

TIMBER USE

**BUSINESS TANGIBLE PERSONAL PROPERTY**

COST APPROACH TO VALUE

INCOME APPROACH TO VALUE

**INDUSTRIAL TANGIBLE PERSONAL PROPERTY**

COST APPROACH TO VALUE

INCOME APPROACH TO VALUE



## FORMULAS FOR ALL APPROACHES TO VALUE

### INCOME APPROACH TO VALUE

Potential Gross Income  
- Vacancy and Collection Loss  
+ Additional Income  
= Effective Gross Income  
- Operating Expenses  
= Net Operating Income  
.∧. Cap Rate  
= Value

### COST APPROACH TO VALUE

Extract Land Value As if Vacant  
Estimate Total Cost New of Improvements  
Estimate Accrued Depreciation  
Subtract Accrued Depreciation  
Estimate Value of Accessory Improvements  
Add land in + Improvements + Accessory Improvements  
= Final Value

### SALES COMPARISON APPROACH TO VALUE

Define the appraisal problem  
Collect and analyze data  
Select appropriate units of comparison  
Make reasonable adjustments based on the market  
Apply data to subject property to arrive at a final value

## **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 renditions. Addition 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 area.
  - (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 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 appraisers 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.

## 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 properties 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 renditions, asset lists and other confidential data also provide additional information. Subject property data is verified through previous existing records and through published reports.
- (3) Defining market areas in the district: Market areas for industrial property 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 a replacement/reproduction cost new less depreciation model 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 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 property among appraisers or the review of appraisers by a more experienced appraiser also contributes to the review process.

CAD PLAN FOR PERIODIC REAPPRAISAL OF  
INDUSTRIAL PERSONAL PROPERTY

Subsections (a) and (b), Sec. 25.18, Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the Board of Directors under Sec. 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. 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 published 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 values changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisers by a more experienced appraiser also contributes to the review process.

CAD PLAN FOR PERIODIC REAPPRAISAL OF  
OIL AND GAS PROPERTY

Subsections (a) and (b), Sections 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: As subsurface mineral properties lie within the earth, they cannot be physically identified by inspection, as with 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 the 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 each property in the appraisal records. 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 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 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), 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 to typically vary within a range of 2-5 times actual annual income, provided all appropriate income factors have been provided. Periodic reassignment of properties among appraisers and review of appraisals by a more experienced appraiser further contribute to the review process.



### THE MASS APPRAISAL REPORT

Each tax year the tax code required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar, (on or about May 15<sup>th</sup>). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6-8 of the *Uniform Standards of Professional Appraisal Practice*. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6-9 of *USPAP*. This written reappraisal plan is attached to the Mass Appraisal Report by reference.

## VALUE DEFENSE

Evidence to be used by the Appraisal District to meet its burden of proof for market value equity in both informal and formal appraisal review board hearings is specified and tested.

RESIDENTIAL PROPERTY – Sales study by school district and map location order, as well as by neighborhood.

SPECIAL INVENTORY RESIDENTIAL PROPERTY – Cost data obtained from developers.

MULTIFAMILY RESIDENTIAL PROPERTY – Sales study by category and cost tables.

COMMERCIAL REAL PROPERTY – Sales study by category and cost tables.

VACANT REAL PROPERTY – Sales study by school district and map location order.

INDUSTRIAL REAL PROPERTY – Review cost tables and sales data.

UTILITIES – Capitol Appraisal Group

MINERAL INTEREST – Capitol Appraisal Group

SPECIAL VALUATION PROPERTIES – Monthly sales reports

BUSINESS TANGIBLE PERSONAL PROPERTY – Cost tables and depreciation.

INDUSTRIAL TANGIBLE PERSONAL PROPERTY – Cost tables and depreciation.

This revised reappraisal plan is adopted by resolution, on this the 6th day of September, 2023.

*See next*

\_\_\_\_\_  
(Signature of Chairman)

\_\_\_\_\_  
(Signature of Secretary)

This revised reappraisal plan is adopted by resolution, on this the 6th day of September, 2023.

Mike Horne  
(Signature of Chairman)

Bler  
(Signature of Secretary)