

2015-2016

TRINITY COUNTY APPRAISAL DISTRICT

REAPPRAISAL PLAN

EXECUTIVE SUMMARY

TAX CODE REQUIREMENTS

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

The Written Plan

Section 6.05, is amended by adding Subsection (I) to read as follows:

- (1) 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 Sec. 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 appraisal district a written notice of the time, date and place of the hearing. Not later than September 15th 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

Sec. 25.18. Periodic Reappraisals.

(a) Each appraisal office shall implement a 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 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;

Trinity CAD physically inspects improved and unimproved real properties every three years. Business personal property, oil and gas property, railroads, utilities, pipelines and other industrial properties are reappraised every year. The appraisal opinion of value for all property located in the district is reviewed and evaluated each year. Only in cases where physical access is denied or impossible, will the CAD resort to the other means of property identification mentioned above. See Exhibit A of this report for the geographic areas proposed for re-inspection and reappraisal in each year of this plan. Also included are appraiser work assignments and estimated completion times for 2015-2016. Exhibit B of this report identifies the property categories by school district included in the reappraisal cycle and the estimated number of each type.

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

Identifying and updating relevant property characteristics occurs by physical inspection, building permits and by property owner interviews. Changes in age, condition, quality, size, remodels, demolitions and other property specific attributes contribute to relevant property characteristics. Relevant property characteristics are maintained on the property record card and within the CAMA system for each property account.

(3) Defining market areas in the district;

Market areas are defined and determined by market activity (sales). Residential and recreational lots around Lake Livingston have been identified as selling at prices higher than other lots in the county and therefore lake lots are treated as a separate market area for appraisal purposes. Historically, Trinity CAD has not experienced sufficient market activity (sales) to identify significant market differences based on location or property type in other parts of the county. Therefore, with the exception of waterfront property, Trinity CAD defines market area by school district. Apple Springs ISD, Centerville ISD, Groveton ISD, Kennard ISD and Trinity ISD are designated as market areas for purposes of statistical analysis and appraisal schedule maintenance. Sales are collected by mailing sales confirmation/verification letters to recent buyers, from realtors, fee/land appraisers and neighboring CADs. Trinity CAD conducts ratio studies for property categories by school district and property types.

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

(A) The location and market area of property;

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

(C) Legal and economic attributes; and

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

When Trinity CAD has sufficient market data (sales) it uses techniques of the Market Approach to Value to adjust comparable sales to determine what differences in property characteristics, if any, are affecting market value. Comparable sales analysis will identify and adjust differences in location, physical attributes, legal and economic obsolescence, easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances and 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;

Trinity CAD utilizes an appraisal model (CAMA) developed by its software vendor that values individual property characteristics based on their contributory value to the total property value. Contributory value for each property segment (characteristic) is determined by sales analysis and local building costs. The model accesses appraisal cost schedules for each segment developed and maintained by Trinity CAD and calculates a total market value for each property.

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

Trinity CAD uses conclusions reflected in appraisal model results to construct and maintain property classification guides identifying minimum property characteristics typical for each property class.

(7) Reviewing the appraisal results to determine value.

Trinity CAD tests the results of its appraisal model values (appraisals) against market data (sales) to determine the accuracy and level of appraisal, as well as to monitor the integrity of the appraisal model (CAMA). Ratio study results are used to maintain and update appraisal schedules to achieve market value appraisals.

REVALUATION DECISION (REAPPRAISAL CYCLE)

The Trinity CAD, in accordance with the policy adopted by the Board of Directors, reappraises all property in the district every three years. The reappraisal years are a complete appraisal of all properties in the district. Tax year 2015 is a reappraisal year and tax year 2016 is a reappraisal year.

REAPPRAISAL YEAR ACTIVITIES

1. Performance Analysis - the approved 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 most current *Standard on Ratio Studies* of the International Association of Assessing Officers.
2. Analysis of Available Resources - staffing and budget requirements for tax year 2015 are detailed in the 2015 budget, as 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 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 2015 and 2016. Production standards for field activities are estimated 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 Information System procedures are reviewed and revised as required.

5. 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, re-inspection of the universe of properties on a specific cycle, 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 tax 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 mass appraisal report required by the tax code 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 15th). 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 STANDARDS RULE 6-9 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 the burden of proof for market value and equity in both informal and formal appraisal review board hearings is specified and tested.

The following sections of the plan detail the items in the executive summary.

REVALUATION DECISION (REAPPRAISAL CYCLE)

The Trinity CAD, in accordance with the reappraisal plan adopted by the Board of Directors, reappraises all property in the district every three years. The three-year reappraisal cycle represents a complete appraisal of all properties in the district. In addition to existing property on the TCAD appraisal roll, each reappraisal year is used to add new construction, new subdivisions, new business personal property, and new oil and gas leases, adjust for changes in property characteristics that affect value, and adjust the previous year's values on individual properties, property categories or market areas where the level of appraisal and/ or uniformity of appraisal are unacceptable. The following property types are reappraised annually: oil and gas reserves, business personal property, industrial real property, industrial personal property, utilities, special inventory residential property, and properties qualified for agricultural use or timber use productivity valuation. Oil and gas reserves, industrial properties, and utilities are valued through a professional services contract with the district's valuation engineer. All other properties are valued on an in-house basis by the appraisal district staff. See Exhibit B for a list of property types by category to be reappraised in the 2015-2016 reappraisal cycles and the estimated number of parcels in each category.

TAX YEAR 2015

Tax year 2015 is a reappraisal year.

TAX YEAR 2016

Tax year 2016 is a reappraisal year.

CONTINGENCY

In the event that circumstances develop preventing the appraisal district from substantially implementing the plan or requiring significant changes in the plan for tax year 2015 or 2016, a revised plan may be issued. The board of directors shall hold a public meeting to consider the revised plan. Not later than the 10th day before date of the meeting, the board secretary 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 meeting. The notice shall also include a description of the revisions and explanations for the revisions. Copies of the revised plan shall be distributed to the presiding officer of the governing body of each taxing unit in the district and to the Comptroller within 60 days of the approval date.

PERFORMANCE ANALYSIS

In each tax year 2015 and 2016, the previous year's approved values are analyzed with ratio studies to determine appraisal accuracy and appraisal uniformity overall and by market area within the state property reporting categories. Ratio studies are conducted in compliance with the most current Standard on Ratio Studies from the International Association of Assessing Officers. The following statistical measures are calculated for properties in each reporting category (where there are a sufficient number of sales) to measure the level of appraisal and uniformity of appraisal: mean, median, weighted mean, and coefficient of dispersion. The mean, median and weighted mean ratios are calculated in each market area (where there is a sufficient number of sales) to indicate the level of appraisal by property reporting category. The coefficient of dispersion is calculated in each market area (where there is a sufficient number of sales) to indicate the uniformity of appraisal within each property reporting category. Where there are insufficient sales in a given market area to conduct performance analysis, the sales may be clustered so that the resulting sample of

sales is large enough to provide meaningful performance analysis. In each year of this plan the analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance to indicate the uniformity or equity of appraisals.

ANALYSIS OF AVAILABLE RESOURCES

Staffing and budget requirements for tax year 2015 are detailed in the 2016 appraisal district budget as adopted by the board of directors and attached to the written biennial plan by reference. This reappraisal plan effects the available staffing in tax year 2015 and the anticipated staffing for tax year 2016. 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.

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 replacement cost new tables and depreciation tables are tested against verified sales data to insure they represent current market data. Information concerning, income, expenses, vacancies, and capitalization rates is gathered from reliable local sources and reviewed and updated. Asset cost information from business personal property renditions and density schedules for business property from public and private sources may also be used.

Information systems support is detailed with year specific functions identified and system upgrades scheduled. Computer generated forms are reviewed for revisions. 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 2015 and 2016. Production standards for field activities are calculated and incorporated in the planning and scheduling process. A calendar of key events for tax year 2015 and 2016 is attached to this plan.

MASS APPRAISAL SYSTEM

Computer Assisted Mass Appraisal (CAMA) system revisions are specified and scheduled with Information Systems. All computer forms and Information System procedures are reviewed and revised as required. The following details these procedures as they relate to the 2015 and 2016 tax years:

- (1) Review and revise user set-up, user rights, and user security
- (2) Review and revise set-ups for CAMA and Assessments
- (3) Review and revise system codes
- (4) Review, update and advise staff of specific field information required for data entry
- (5) Review and revise all system forms for upcoming tax year based on administrative and legislative changes
- (6) Test forms revisions against sample property accounts
- (7) Monitor system for installation of new releases and patches
- (8) Test sample property accounts to verify functionality of releases and patches
- (9) Schedule Web-ex seminars for system revisions and updates with software vendor
- (10) Produce preliminary totals and edit check reports
- (11) Perform January 1st functions as specified by software vendor's documentation
- (12) Perform shared property processing and test and advise
- (13) Perform notice processing functions as specified by True Automation's documentation
- (14) Perform certification functions as specified by True Automation's documentation
- (15) Schedule and perform regular system back-ups, ad hoc updates and rebuilds, CAMA and assessment calculations

- (16) Assist users in PC backups, clearing cache, and virus software maintenance
- (17) Perform supplemental processing
- (18) Generate Reports
- (19) Perform data queries as necessary

REAL PROPERTY VALUATION

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

Cost schedules are tested with market data (sales) to insure that the appraisal district is in compliance with Texas Property Tax Code, Sec. 23.011. Replacement cost new tables as well as depreciation tables are tested for accuracy and uniformity using ratio studies and compared with cost data from generally accepted sources. The appraisal district utilizes data from Marshall & Swift Valuation Services which is a recognized industry leader.

Land tables are updated using current market data (sales) and then tested with ratio studies. Value modifiers are developed and tested with ratio studies.

Income, expense, occupancy, and capitalization rate data is updated in the income models and tested.

PERSONAL PROPERTY VALUATION

Density and quality schedules for furniture, fixtures, and equipment (FFE) and inventory are based on the Comptroller's latest business personal property valuation guide as well as data received from renditions and other sources. Valuation procedures are reviewed and modified as needed and tested.

NOTICING PROCESS

The 25.19 notice of appraised value forms are reviewed and edited for necessary updates and revisions, including the most current version of the Comptroller's Taxpayer Rights, Remedies and Responsibilities. Notices of appraised value are mailed for all properties on the appraisal roll in the reappraisal year and to those as required by law in the reappraisal year; however, notices are mailed annually for business personal property, industrials, utilities, and oil and gas properties.

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 necessary. Production of documentation is tested for compliance with Sec. 41.461 of the Property Tax Code.

DATA COLLECTION REQUIREMENTS

Field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include addition of new construction, removals due to movement or demolition, consideration of remodeling, re-inspection of problematic market areas, property categories, individual properties and re-inspection of the universe of properties on a specific cycle (once every three years).

NEW CONSTRUCTION/DEMOLITION/REMODELING

Field and review procedures for new construction, demolition and remodeling are identified and revised as required. Field production standards are established and procedures for monitoring tested. Only verified sources of information concerning new construction, demolition and remodeling are used. This critical annual activity is incorporated and entered on the key events calendar for each tax year.

RE-INSPECTION OF PROBLEMATIC MARKET AREAS/PROPERTY TYPES/PROPERTIES

Property types, market areas, and individual properties that fall outside of the normal range of generally accepted statistical measures are determined to be problematic. Field reviews are scheduled to verify and/ or correct property characteristic data. Sales confirmation data is re-verified and additional sales data is researched.

REINSPECTION OF THE UNIVERSE OF PROPERTIES

Sec. 25.18 of the Texas Property Tax Code requires a re-inspection of the universe of properties at least once every three years. The plan calls for re-inspection every three years. The re-inspection requirements for tax years 2015 and 2016 are identified and scheduled on the key events calendar which is attached to this report.

FILED OR OFFICE VERIFICATION OF SALES DATA AND PROPERTY CHARACTERISTICS

Sales information must be verified and property characteristic data contemporaneous with the date of sale captured. The sales ratio tools require that the property sold must equal the property appraised in order for the statistical analysis to be valid.

PILOT STUDIES

New and/ or revised mass appraisal models are tested on certain market areas and property categories. 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 tested. The procedures used for model specification and model calibration are in compliance with Uniform Standards of Professional Practice STANDARD RULE 6.

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 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. Performance standards are those 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 reappraisal years. Tax years 2015 and 2016 are reappraisal years. In addition to existing property on TCAD's appraisal roll, each reappraisal year is used to add new construction, new subdivisions, new business personal property, and new oil and gas leases, adjust for changes in property characteristics that affect value, and adjust the previous year's values on individual properties, property categories, or market areas where the level of appraisal and/or uniformity of appraisal is unacceptable. The following property types are reappraised annually: oil and gas reserves, business personal property, industrial property, utilities, special inventory residential, and properties qualified for agricultural use or timber use productivity valuation.

SINGLE FAMILY RESIDENTIAL REAL PROPERTY

The plan calls for biennial reappraisal of single family residential properties with 2015 being a reappraisal year and 2016 being a reappraisal year. The 2015-2016 reappraisal cycle represents a complete reappraisal of all single family residential properties.

Identifying properties to be appraised: Single family residential properties are identified as part of the appraiser's physical inspection process each year, through data submitted by the

property owner, or by other reliable means of identification, including deeds or other legal documentation, photographs, maps and property sketches.

Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process. Subject property data is verified through previously existing records and through information provided by other reliable sources.

Defining market areas in the district: When market data (sales) is available, the appraiser identifies groups of properties where the social, economic, governmental, and physical forces affecting value are generally similar and uniform and delineates them into defined areas based on factors such as price range, age of dwelling, quality and condition of dwelling, and square footage of living area. Due to limited market data, Trinity designates school district boundaries as market areas.

Identifying property characteristics that affect property value in each market area: The appraiser identifies the location and market area of the property; physical attributes of the property such as size, age, and condition; legal and economic attributes; and easements, covenants, leases reservations, contracts declarations special assessments, ordinances or legal restrictions through physical inspection legal instruments and documents and analysis of data and information from other reliable sources.

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: The district's primary approach to value for single family residential properties uses a hybrid cost-sales comparison approach that accounts for market area influences

Applying the conclusions reflected in the model to the characteristics of the properties being appraised: After considering all three approaches to value (cost, sales comparison, and income) the hybrid cost sales-comparison approach is chosen because it accounts for market area influences not otherwise specified in the cost approach applied at large. The income approach is not used

because single family residential properties are not generally purchased for their ability to produce income.

Reviewing the appraisal results to determine value: Year to year property value changes for the subject property are examined. Sales ratio studies' are conducted to determine if the level of appraisal and uniformity of appraisal are acceptable. Additionally, single family residential properties are reviewed by the Property Tax Assistance Division of the State Comptroller's Office through their annual property value study.

DESCRIPTION OF VAULTATION METHODS FOR RESIDENTIAL PROPERTY

Replacement Cost New

The cost approach is used to value single family residential properties in the appraisal district. The cost approach is based on the principle of substitution: an informed buyer will pay no more for an improved property than the price of acquiring a vacant site and constructing a substitute building of equal utility, assuming no costly delays in construction.

Residential land values are specified by the sales comparison approach.

An analysis of residential lot sales is conducted and a series of land tables using front foot, square foot, per acre or per lot unit values are developed and assigned to specific market areas. Table driven values may be modified for shape, size, topography or other factors.

The approach establishes replacement cost new (RCN) using a comparative unit method --- cost per square foot of living area. Costs for building additives such as porches and garages are expressed in terms of a square foot cost based on a percentage of the costs basis for the living area. Building component costs for items in excess of base cost, such as fireplaces and extra bathrooms are expressed as a lump sum basis. RCN as specified by Marshall & Swift for different levels of quality of construction, exterior characteristics, and different sizes are determined.

The local modifier is determined by analyzing a group of sold properties consisting of new construction. The actual RCN extracted from the market is divided by the Marshall & Swift indicated costs to arrive at a local modifier. The final modified costs are set up in a series of cost schedules where properties are classified by quality of construction, type of construction, and size. The scheduled costs may be overridden to account for atypical features or characteristics not adequately addressed by the benchmark cost system. In accordance with Sec. 23.011 Texas Property Tax Code, if the locally produced cost data varies from generally accepted cost data more than 10%, the reason for that variation is clearly stated.

Depreciation

Depreciation is the loss in value from the replacement cost of an improvement due to physical deterioration, functional obsolescence and economic obsolescence. Physical depreciation refers to the physical deterioration of a structure and is measured by the cost to cure the defect. Functional obsolescence refers to deficiencies or super adequacies within the structure. Economic obsolescence is loss in value from forces external to the property.

Trinity County Appraisal District's residential depreciation tables are based on an age-life method of depreciation that uses effective age and economic life. Effective age is the age indicated by the condition and utility of a structure. Effective age will not always be the same as actual age. Structures with better than average maintenance, remodeling or modernization will have an effective age less than the actual age. On the other hand, structures with poor maintenance that have not been remodeled or modernized will have an effective age greater than the actual age. Economic life is the period of time over which a structure contributes to property value. This concept can be stated as: effective age divided by economic life equals percent physical depreciation.

Schedules have been developed for improvements with typical economic lives of various lengths. The schedules reflect what is considered typical for a structure at a certain effective age. The schedules are based on Marshall & Swift and are modified for local conditions by extracting depreciation directly from the market. However, scheduled depreciation may be overridden with a percent good to account for the condition of otherwise similar structures that depreciate at lesser or more rapid rates than what is considered to be typical and that cannot be adequately accounted for in the benchmark depreciation system. Adjustments for functional and economic obsolescence may be made if warranted.

Market Area Adjustments

The district's primary approach to value for residential properties uses a hybrid cost-sales comparison approach that accounts for market area influences not otherwise specified in the cost approach as it is applied at large. Market area adjustments are needed to trend values produced by the cost approach closer to actual sales prices of property within a given market area. The sales used to determine the market area adjustment will reflect the market influences and conditions only for the specified market area.

Market area adjustments are made on the basis of sales to appraisal ratios studies that compare recent sales prices of properties within a delineated market area with the properties' value as determined by the cost approach. The ratios derived from dividing the appraisal district's cost approach values by the sales prices will indicate the level of appraisal currently produced by the at large cost approach. The appropriate market area adjustment, whether upward or downward, is then applied to trend the appraised values closer to actual market value as evidenced by the recent sales prices within the given area. Once the market area adjustment is applied, a second ratio study is conducted to compare the proposed appraised values with the recent sales prices. From this study, a final market area adjustment is selected and applied uniformly to all properties within the area including sold and unsold properties.

The following formula denotes the formula generally used for single family residential:

$$MV = LV + MAA [RCNLD]$$

Where:

MV = Market Value

LV = Land Value

MAA = Market Area Adjustment

RCN = Replacement Cost New

D = Depreciation

Market Adjustment Factor

If warranted, a market adjustment factor (MAF) may be applied to individual single family residential properties for characteristics that cannot be adequately accounted for in the benchmark valuation system.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. The highest and best use of single family residential property is normally its current use.

Residential Homesteads Subject To the Homestead Cap

The appraised value of a residence homestead may not exceed the sum of:

- I. The appraised value of the property for the last year in which the property was reappraised; plus

- II. 10 percent of the value of the property for the last year in which the property was reappraised multiplied by the number of years since the property was last reappraised; plus
- III. The appraised value of all new improvements to the property. A new improvement is considered as an improvement added to the appraisal roll after the appraisal of the property for the preceding year that increases the market value.
- IV. The limitation takes effect on January 1 of the tax year following the first year the property owner qualifies for any homestead exemption and expires on January 1 of the first tax year that neither the owner nor the owner's spouse qualifies for a homestead exemption. When an owner makes application for a homestead exemption, the qualification year is entered into PACS.
- V. The field appraiser maintains a record of the date of physical inspection, changes made based upon that inspection and determinations as to whether changes constitute new improvement value. Values for new physical additions and further progress of construction work in progress are calculated as new improvement value. Changes in value resulting from ordinary maintenance and remodeling are not considered as new improvements.
- VI. After a joint desk review of these and other changes, such as changes resulting from revisions in schedules, a cap basis year (or year of last reappraisal) is established for each property and entered into PACS along with the cap basis homestead value(or the appraised of homesteadable components for that year). The 10% per year increase plus the value of any new improvements is added to establish a maximum homestead assessed value. If the proposed value for the current year exceeds the maximum homestead assessed, then a homestead cap adjustment is calculated and applied to reduce the value to the allowable level.

MULTI-FAMILY RESIDENTIAL REAL PROPERTY

The plan calls for biennial reappraisal of multi-family residential properties with 2015 being a reappraisal year and 2016 being a reappraisal year. The 2015-2016 reappraisal cycle represents a complete reappraisal of all multi-family properties.

Identifying properties to be appraised: Multi-family residential properties are identified as part of the appraiser's physical inspection process each year, through data submitted by the property owner, or by other reliable means of identification, including deeds or other legal documentation, photographs, maps and property sketches.

Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process. Subject property data is verified through previously existing records and through information provided by other reliable sources.

Defining market areas in the district: When market data (sales) is available, the appraiser identifies groups of properties where the social, economic, governmental, and physical forces affecting value are generally similar and uniform and delineates them into defined areas based on factors such as rent levels, age, quality and condition, square footage of units, and number of units. Due to limited market data, Trinity CAD designates school district boundaries as market areas.

Identifying property characteristics that affect property value in each market area: The appraiser identifies the location and market area of the property; physical attributes of the property

such as size, age, and condition; legal and economic attributes; and easements, covenants, leases reservations, contracts declarations special assessments, ordinances or legal restrictions through physical inspection legal instruments and documents and analysis of data and information from other reliable sources.

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: The district's primary approach to value for multi-family family residential properties is the income approach since these properties are purchased for their ability to produce income. Cost or market data may be considered if it is available and reliable.

Applying the conclusions reflected in the model to the characteristics of the properties being appraised: After considering all three approaches to value (cost, sales comparison, and income) the appraiser will reconcile multiple models by selecting the model that best addresses the individual characteristics of the subject property.

Reviewing the appraisal results to determine value: Year to year property value changes for the subject property are examined. Comparisons are conducted to determine if the level of appraisal and uniformity of appraisal is acceptable.

Description of Valuations Methods for Multi-Family Residential

The district's primary approach to value for multi-family residential properties is the income approach as shown in the following formula.

WHERE:

	PGI	PGI	POTENTIAL GROSS INCOME
-	V/C	V/C	VACANCY/COLLECTION LOSS
=	EGR	EGR	EFFECTIVE GROSS RENT
+	SI	SI	SECONDARY INCOME
=	EGI	EGI	EFFECTIVE GROSS INCOME
-	OPEX	OPEX	OPERATING EXPENSES
=	NOI	NOI	NET OPERATING INCOME
\	CR	CR	CAPITALIZATION RATE
=	MV	MV	MARKET VALUE

The cost approach may also be specified for multi-family property. Multifamily residential land values are specified by the sales comparison approach. An analysis of vacant sales is conducted and a series of land tables using front foot, square foot, per acre or per lot unit values are developed and assigned to specific market areas. Table driven values may be modified for shape, size,

topography or other factors.

The approach establishes replacement cost new (RCN) using a comparative unit method --- cost per square foot of building area. Since there are insufficient sales of newly constructed multi-family properties to build a local modifier the Marshall & Swift modifier used for single family residential property is applied here. The final modified costs are set up in a series of cost schedules where properties are classified by quality of construction and type of construction. The scheduled costs may be overridden to account for atypical features or characteristics not adequately addressed by the benchmark cost system. In accordance with Sec. 23.011 Texas Property Tax Code, if the locally produced cost data varies from generally accepted cost data more than 10%, the reason for that variation is clearly stated.

Depreciation

Trinity County Appraisal District's commercial depreciation is based on an age-life method of depreciation that uses effective age and economic life. Effective age is the age indicated by the condition and utility of a structure. Effective age will not always be the same as actual age. Structures with better than average maintenance, remodeling or modernization will have an effective age less than the actual age. On the other hand, structures with poor maintenance that have not been remodeled or modernized will have an effective age greater than the actual age. Economic life is the period of time over which a structure contributes to property value. This concept can be stated as: effective age divided by economic life equals percent physical depreciation. A percent good is assigned based on observed condition and relative utility of the building. Adjustments for functional and economic obsolescence may be made if warranted.

Market Area Adjustments

The district's cost approach to value for multi-family residential properties uses a hybrid cost-sales comparison approach that accounts for market area influences not otherwise specified in the cost approach as it is applied at large. Market area adjustments are needed to trend values produced by the cost approach closer to actual sales prices of property within a given market area. The sales used to determine the market area adjustment will reflect the market influences and conditions only for the specified market area. Market area adjustments are made in the same manner as previously described in the section on single family residential properties.

The following formula denotes the cost approach formula generally used for multi- family residential:

$$MV = LV + MAA [(RCN -D)]$$

Where:

MV = Market Value

LV = Land Value

MAA = Market Area Adjustment

RCN = Replacement Cost New

D = Depreciation

Market Adjustment Factor

If warranted, a market adjustment factor (MAF) may be applied to multifamily properties for characteristics that cannot be adequately accounted for in the benchmark valuation system.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. The highest and best use of multi-family residential property is normally its current use.

COMMERCIAL REAL PROPERTY

The plan calls for biennial reappraisal of commercial real properties with 2015 being a reappraisal year and 2016 being a reappraisal year. The 2015-2016 reappraisal cycles represent a complete reappraisal of commercial property.

Identifying properties to be appraised: Commercial properties are identified as part of the appraiser's physical inspection process each year, through data submitted by the property owner, or by other reliable means of identification, including deeds or other legal documentation, photographs, maps and property sketches.

Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process. Subject property data is verified through previously existing records and through information provided by other reliable sources.

Defining market areas in the district: When market data (sales) is available, the appraiser identifies groups of properties where the social, economic, governmental, and physical forces affecting value are generally similar and uniform and delineates them into defined areas based on factors such as price range, use type, age, quality and condition of the building, and square footage. Due to limited market data, Trinity CAD designates school district boundaries as

market areas.

Identifying property characteristics that affect property value in each market area: The appraiser identifies the location and market area of the property; physical attributes of the property such as size, age, and condition; legal and economic attributes; and easements, covenants, leases reservations, contracts declarations special assessments, ordinances or legal restrictions through physical inspection legal instruments and documents and analysis of data and information from other reliable sources.

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: The district's primary approach to value for commercial properties is the cost approach with the income approach being used for those properties considered to be income producing properties.

Applying the conclusions reflected in the model to the characteristics of the properties being appraised: After considering all three approaches to value (cost, sales comparison, and income) the appraiser will reconcile multiple models by selecting the model that best addresses the individual characteristics of the subject property.

Reviewing the appraisal results to determine value: Year to year property value changes for the subject property are examined. Sales ratio studies are conducted to determine if the level of appraisal and uniformity of appraisal is acceptable. Additionally, commercial properties are reviewed by the Property Tax Assistance Division of the State Comptroller's Office through their annual property value study.

Description of valuation methods for commercial property

The cost approach is specified for commercial property. An analysis of commercial lot sales is conducted and a series of land tables using front foot, square foot, per acre or per lot unit values are developed and assigned to specific market areas. Table driven values may be modified for shape, size, topography or other factors.

The approach establishes replacement cost new (RCN) using a comparative unit method --- cost per square foot of building area. Since there are insufficient sales of newly constructed commercial properties to build a local modifier the Marshall & Swift modifier used for residential property is applied here. For commercial properties, improvements are classified by the following since there is a different market for each group: (1) Use types for which they were designed such as office and retail. (2) Construction types which refer particularly to the materials used in the exterior walls and frame. (3) Quality of construction. The final modified costs are set up in a series of cost schedules where properties are classified by use type, quality of construction, and type of construction. In accordance with Sec. 23.011 Texas Property Tax Code, if the locally produced cost data varies from generally accepted cost data more than 10%, the reason for that variation is clearly stated. The scheduled costs may be overridden to account for atypical features or characteristics not adequately addressed by the benchmark cost system.

DEPRECIATION

Trinity County Appraisal District's commercial depreciation is based on an age-life method of depreciation that uses effective age and economic life. Effective age is the age indicated by the condition and utility of a structure. Effective age will not always be the same as actual age. Structures with better than average maintenance, remodeling or modernization will have an effective age less than the actual age. On the other hand, structures with poor

maintenance that have not been remodeled or modernized will have an effective age greater than the actual age. Economic life is the period of time over which a structure contributes to property value. This concept can be stated as: effective age divided by economic life equals percent physical depreciation. A percent good is assigned based on observed condition and relative utility of the building.

Adjustments for functional and economic obsolescence may be made if warranted.

The cost approach for commercial properties may be specified as follows:

$$MV = LV + MAA [(RCN - D)]$$

Where:

MV = Market Value

LV = Land Value

MAA = Market Area Adjustment

RCN = Replacement Cost New

D = Depreciation

The income approach is applied to those commercial properties which are viewed by buyers and sellers as income producing properties: multi-tenant office buildings, motels where:

	PGI	POTENTIAL GROSS INCOME
--	V/C	VACANCY/COLLECTION LOSS
=	EGR	EFFECTIVE GROSS RENT
+	SI	SECONDARY INCOME
=	EGI	EFFECTIVE GROSS INCOME
--	OPEX	OPERATING EXPENSES
=	NOI	NET OPERATING INCOME
\	CR	CAPITALIZATION RATE
=	MV	MARKET VALUE

If warranted, a market adjustment factor (MAF) may be applied to commercial properties for characteristics that cannot be adequately accounted for in the benchmark valuation system.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. The highest and best use of commercial real property is normally its current use.

VACANT REAL PROPERTIES

The plan calls for annual reappraisal of vacant real properties (vacant lots) with 2015 being a reappraisal year and 2016 being a

reappraisal year. The 2015-2016 reappraisal cycles represent a complete reappraisal of all vacant lots.

Identifying properties to be appraised: Vacant real properties are identified as part of the appraiser's physical inspection process each year, through data submitted by the property owner, or by other reliable means of identification, including deeds or other legal documentation, photographs, maps and property sketches.

Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process. Subject property data is verified through previously existing records and through information provided by other reliable sources.

Defining market areas in the district: When market data (sales) is available, the appraiser identifies groups of properties where the social, economic, governmental, and physical forces affecting value are generally similar and uniform and delineates them into defined areas based on factors such as location, size, physical characteristics, and use. Trinity CAD designates school district boundaries as market areas.

Identifying property characteristics that affect property value in each market area: The appraiser identifies the location and market area of the property; physical attributes of the property such as size, location, physical characteristics; legal and economic attributes; and easements, covenants, leases reservations, contracts declarations special assessments, ordinances or legal restrictions through physical inspection legal instruments and documents and analysis of data and information from other reliable sources.

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: The district's primary approach to value for vacant real properties

is the sales comparison approach because it most directly reflects the actions of the buyers and sellers in the market.

Applying the conclusions reflected in the model to the characteristics of the properties being appraised: After considering all three approaches to value (cost, sales comparison, and income) the sales comparison approach is used. The income approach is not used because this type of property does not have adequate income producing ability to attract buyers and the cost approach is not applicable since the properties vacant.

Reviewing the appraisal results to determine value: Year to year property value changes for the subject property are examined. Sales ratio studies are conducted to determine if the level of appraisal and uniformity of appraisal is acceptable. Additionally, vacant real properties are reviewed by the Property Tax Assistance Division of the State Comptroller's Office through their annual property value study.

Description of Valuations Methods Used for Vacant Real Property (Vacant Lots)

Land models are specified by the sales comparison method. An analysis of vacant real property sales is conducted and a series of land tables using front foot, square foot, per acre or per lot unit values are developed and assigned specific market area adjustments. Properties are classified according the following: (1) Location (2) Physical characteristics and (3) Size. Table driven values may be modified for shape, size, topography or other factors not adequately accounted for by the benchmark appraisal system. If warranted, a market adjustment factor (MAF) may be applied to vacant real properties for characteristics that cannot be adequately accounted for in the benchmark valuation system.

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. The highest and

best use of vacant lots and small acreage tracts is for homesites. The highest and best uses of larger acreage tracts are for (1) agricultural use (2) recreational use (3) interim use as arm and ranch land with a future highest and best use of being subdivided into smaller tracts for sale and (4) rural homesites.

SPECIAL VALUATION PROPERTIES

The plan calls for the reappraisal of special valuations properties on an annual basis.

Identifying properties to be appraised: Special valuation properties are identified as part of the appraiser's physical inspection process each year, through data submitted by the property owner on applications for special use valuation, or by other reliable means of identification, including deeds or other legal documentation, photographs, maps and property sketches.

Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process. Subject property data is verified through previously existing records and through information provided by other reliable sources.

Defining market areas in the district: Market areas for special use properties are regional in scope; therefore, no separate market areas are defined for this type of property.

Identifying property characteristics that affect property value in each market area: The appraiser identifies the location of the property; and physical attributes such as the different categories of land use and the number of acres in each category.

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: The district's approaches to value for special use properties are the income approaches specified in Sec. 23 Texas Property Tax Code.

Applying the conclusions reflected in the model to the characteristics of the properties being appraised: Since the income approaches to special use properties are required by statute, no other methods were considered or used.

Reviewing the appraisal results to determine value: Year to year property value changes for the subject property are examined. Additionally, special use valuation properties are reviewed by the Property Tax Assistance Division of the State Comptroller's Office through their annual property value study.

Description of Valuation Methods for Special Valuation Properties

Special valuation properties include the following categories: agricultural land, timber land and restricted timberland. Special use valuation properties must meet the qualifications set forth in Sec. 23 Texas Property Tax Code in order to receive special use valuation. All special use properties are also appraised at market value according to the methodology described in the foregoing section of valuation of vacant real property. Special use valuation properties are re-inspected every other year. The re-inspection areas for tax years 2015 and 2016 are indicated on the re-inspection map that is attached to this plan.

AGRICULTURAL LAND

Agricultural land is valued in accordance with Sec. 23 Texas Property Tax Code. Land is classified into categories such as native pasture, improved pasture, and cropland. The categories may be further divided based on factors that influence the productive capacity of the category. For each category, a net-to land is

determined. Net to land means the average annual net income derived from the use of open space land that would have been earned from the land during the five year period preceding the year before the appraisal by an owner using ordinary prudence in the management of the land and the farm crops or livestock produced or supported on the land and, in addition, any income received from hunting or recreational leases. The net-to-land is calculated by considering the income that would be due the landowner under a cash lease (which is the typical lease arrangement for all categories of agricultural land in the area) and all expenses directly attributable to the agricultural use of the land. The net income remaining after expenses are deducted from gross income is then capitalized at the capitalization rate specified in Sec. 23.53 to arrive at the productivity value. Cash leases are based on the results of an ongoing cash lease survey conducted by the district. Expenses include: property taxes, fencing expenses, and management expenses. Property taxes are determined by the actual taxes levied by the county's taxing units on agricultural land. Fencing expenses are based on Marshall & Swift costs and the most current agricultural census data available. Management costs are those costs incurred in the supervision and monitoring of the lease arrangement.

The model for agricultural land may be shown as follows:

YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
GL	GL	GL	GL	GL
+HL	+HL	+HL	+HL	+HL
=GI	=GI	=GI	=GI	=GI
LESS:	LESS:	LESS:	LESS:	LESS:
PT	PT	PT	PT	PT
FE	FE	FE	FE	FE
ME	ME	ME	ME	ME
=NTL	=NTL	=NTL	=NTL	=NTL
THEN:				
(NTL YEAR 1 + NTL YEAR 2 + NTL YEAR 3 + NTL YEAR 4 + NTL YEAR 5) / CR = PV				

WHERE:

GL = GRAZING LEASE

HL = HUNTING LEASE

GI = GROSS INCOME

PT = PROPERTY TAXES

FE = FENCING EXPENSE

ME = MANAGEMENT EXPENSE

NLT = NET TO LAND

CR = CAPITALIZATION RATE

PV = PRODUCTIVITY VALUE

TIMBERLAND

The appraisal of timberland is governed by provisions of the Sec. 23 Texas Property Tax Code. Sec. 23.73 directs the State Comptroller to develop a manual for appraising timberland and requires appraisal districts to use the appraisal methodology set forth in the manual. Sec. 23.71 requires the appraisal district to use information from only four sources: United States Department of Agriculture, Natural Resources Conservation Service, Texas Forest Service, and Texas colleges and universities.

Timberlands are classed by forest type (hardwood, pine, and mixed) and soil types (Class I, II, III, and IV), resulting in 12 categories such as Pine 1, Pine II, Mixed II, Mixed III, etc.

A net to land is determined for each classification. Net to land means the average net income that would have been earned by a category of land over the preceding five years by a person using ordinary prudence in the management of the land and the timber produced on the land. The net to land for each year is determined by multiplying the land's potential average annual growth rate, expressed in tons, by the stumpage value, expressed in price per ton, of large pine saw-timber, small pine saw-timber, pine pulpwood,

hardwood saw-timber, hardwood pulpwood, and any other significant timber product and by then subtracting from the product reasonable management costs and other reasonable expenses directly attributable to the production of timber Stumpage prices are determined by using information collected for all types of timber sales including cutting contract and gatewood sales.

A summary of the timberland appraisal methodology follows:

1. CLASSIFY TIMBER INTO THREE FOREST TYPES - PINE, MIXED AND HARDWOOD
2. CLASSIFY TIMBERLAND INTO FOUR SOIL TYPES BASED ON PRODUCTIVE CAPACITY - I, II, III, IV
3. ESTIMATE AVERAGE ANNUAL TIMBER GROWTH RATE
4. CONVERT GROWTH RATES TO THE SAME SCALE IN WHICH FOREST PRODUCTS SELLING PRICES ARE REPORTED
5. ESTIMATE AVERAGE ANNUAL TIMBER PRICES - TEXAS FOREST SERVICE REPORTS
6. ESTIMATE AVERAGE ANNUAL POTENTIAL GROSS INCOME OF TIMBER GROWTH
7. ESTIMATE AVERAGE ANNUAL BOSTS OF PRODUCING TIMBER - TEXAS FOREST SERVICE FOR STATE COMPTROLLER
8. ESTIMATE NET INCOME OF TIMBER GROWTH
9. CAPITALIZE NET INCOME BY STATUATORY CAPITALIZATION RATE TO ARRIVE AT PER ACRE TIMBER VALUE

RESTRICTED TIMBERLAND

The same procedures utilized for timberland are also used in the valuation of restricted timberland except that the timberland valuation is multiplied by 50% to arrive at the restricted timberland valuation.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. Sec.23 Texas Property Tax Code requires that special valuation properties be appraised based on their current use.

SPECIAL INVENTORY RESIDENTIAL

The plan calls for annual reappraisal of special inventory residential properties.

Identifying properties to be appraised: Special inventory residential properties are identified as part of the appraiser's physical inspection process each year, through data submitted by the property owner, or by other reliable means of identification, including deeds or other legal documentation, photographs, maps and property sketches.

Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process. Subject property data is verified through previously existing records and through information provided by other reliable sources.

Defining market areas in the district: When market data (sales) is available, the appraiser identifies groups of properties where the social, economic, governmental, and physical forces affecting

value are generally similar and uniform and delineates them into defined areas based on factors such as price range and lot size. Due to limited market data, Trinity CAD designates school district boundaries as market areas.

Identifying property characteristics that affect property value in each market area: The appraiser identifies the location and market area of the property; physical attributes of the property such as size and location; legal and economic attributes; and easements, covenants, leases reservations, contracts declarations special assessments, ordinances or legal restrictions through physical inspection legal instruments and documents and analysis of data and information from other reliable sources.

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: The district's primary approach to value for special inventory residential properties uses the discounted cash flow method of the income approach since these properties are purchased for their ability to produce income.

Applying the conclusions reflected in the model to the characteristics of the properties being appraised: After considering all three approaches to value (cost, sales comparison, and income) the appraiser will reconcile multiple models by selecting the model that best addresses the individual characteristics of the subject property.

Reviewing the appraisal results to determine value: Year to year property value changes for the subject property are examined. Periodic reviews of values by other appraisers are also employed.

DESCRIPTION OF VALUATION METHODS FOR SPECIAL INVENTORY RESIDENTIAL PROPERTY

The district uses the discounted cash flow method of the income approach to determine the values for residential inventory properties. Since there are generally insufficient sales of residential inventories, the sales comparison approach is not used. If reliable and accurate cost data is available, the cost approach may be used.

The following outlines the income approach to residential inventory:

- (1) Project the number of years which will be required to sell all of the lots and the number of lots which will be sold each year during that period.
- (2) For each year, estimate the sales prices of the lots that will be sold and multiply the estimated sales price by the projected number of lots that will be sold to arrive at a gross income.
- (3) For each year, estimate the taxes, management costs and sales expenses.
- (4) Deduct the total expenses from the gross income to arrive at a net income.
- (5) Apply an appropriate discount rate to the stream of projected net incomes to arrive at market value.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. The highest and best use of special inventory residential property is normally its current use.

BUSINESS PERSONAL PROPERTY

The plan calls for annual reappraisal of business personal property.

Identifying properties to be appraised: Business personal property assets are identified as part of the appraiser's physical inspection process each year, through renditions or other data filed by property owners or by other reliable public and private means of identification including, but not limited to the previous year's appraisal roll, vehicles listing services, and business directories.

Identifying and updating relevant characteristics of each property in the appraisal records: The appraiser identifies and updates relevant characteristics through the inspection process and through information provided by the owner in renditions or other reports. Subject property data is verified through previously existing records, public records, service provided records, and through information provided by other reliable sources.

Defining market areas in the district: Market areas for business personal property tend to be regional in scope; therefore no separate market areas are established for this type of property in the district.

Identifying property characteristics that affect property value in each market area: The appraiser identifies the location of the property; physical attributes of the property such as age, and condition, and use type

Developing an appraisal approach that reflects the relationship among property characteristics affecting value and determines the contribution of individual property characteristics: The district's primary approach to value for business personal property uses a cost approach.

Applying the conclusions reflected in the model to the characteristics

of the properties being appraised: After considering all three approaches to value (cost, sales comparison, and income) the cost approach is selected. The sales comparison approach and income approach are not used due to inadequate data.

Reviewing the appraisal results to determine value: Year to year property value changes for the subject property are examined. Reviews are conducted to determine if the level of appraisal and uniformity of appraisal is acceptable. Additionally, business personal property is reviewed by the Property Tax Assistance Division of the State Comptroller's Office through their annual property value study.

Description of Valuation Methods for Business Personal Property

The district's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) uses a comparative unit method---costs per square foot--- and is developed from information that the property owner furnishes to the district by filing renditions or other reports. If the cost information is not provided by the owner, the cost is estimated using costs reported for similar assets, the Comptroller's latest available business personal property cost schedules, published cost schedules or other generally accepted sources of costs data.

The district uses index factors, based on generally accepted published sources, to trend historical costs. Percent good depreciation factors are also based on generally accepted sources. The index factors and percent good factors are used to develop a present value factor (PVF) by year of acquisition as follows:

$PVF = \text{Index Factor} \times \text{percent Good Factor}$. The PVF is then applied to historical cost as follows: $\text{Historical Cost} \times PVF = \text{Market Value}$.

A depreciation override may be applied to all types of property if the condition or effective age of a property cannot be adequately accounted for in the benchmark depreciation system. Also, adjustments for functional and economic obsolescence may be made if warranted.

Business personal property is generally classified according to use

types or standard industrial codes (SIC) to identify businesses having common attributes such as convenience store, auto parts store, etc. Then the property is grouped into three principal categories: (1) furniture and fixtures (2) machinery and equipment and (3) inventory. These categories are then considered in terms of density and quality levels.

Vehicle values are based on values provided by an outside vendor and property owner rendition information.

Inventory values are based on property owner reported data or other data reported for similar businesses. Additionally, other generally accepted sources of published data may be used.

Business personal property defined as "special inventory" is appraised in accordance with the statutory requirements of Sec. 23 Texas Property Tax Code.

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. The highest and best use of business personal property is generally its current use.

INDUSTRIAL REAL PROPERTY

The appraiser may also refer to legal documents, photography and other descriptive items.

- (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.

Industrial real properties are appraised using replacement *cost* reproduction new less depreciation models. Replacement costs are estimated from published sources, other publicly available information, and comparable properties, if available. Reproduction costs are based on actual investment in the subject or comparable properties properly adjusted for typical changes in cost over time. Depreciation is calculated on the age-life method using typical economic lives and depreciation rates based on published sources, market evidence and the experience of knowledgeable appraisers. Adjustments for function and economic obsolescence may be made if utilization and income data for the subject justify such. Income

approach models are also used when economic and or subject property income information is available. Capitalization and discounts rates are based on published capital costs for the industry of the subject property. A market data model based on typical selling price per unit of capacity is also used when appropriate market sales information is available.

Model calibration in the cost approach involves the selection of the appropriate service life for each type or class of property. Further calibration can occur through the use of through-put data provided by the owner. Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the property being appraised as well as adjusting the projected income stream to reflect the individual characteristics of the subject property. Model calibration in the market data approach involves adjusting sales price of comparable properties to reflect the individual characteristics of the subject property.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. Highest and best use analysis of industrial real property is based on the likelihood of the continued use of the improvements in their current and/ or intended use.

INDUSTRIAL PERSONAL PROPERTY

The plan calls for annual reappraisal of utility properties through professional services contract with a valuation engineering firm, Capitol Appraisal Group, Inc.

- (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.

Description of Valuation Methods for Industrial Personal Property

Industrial personal properties are appraised using replacement *cost* reproduction new less depreciation models. Replacement costs are estimated from published sources, other publicly available information, and comparable properties. Reproduction costs are based on actual investment in the subject or comparable properties properly adjusted for typical changes in cost over time. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence and the experience of knowledgeable appraisers. Adjustments for function and economic obsolescence may be made if utilization and income data for the subject justify such. Income approach models are also used when economic and/ or subject property income information is available. Capitalization and discounts rates are based on published capital costs for the industry of the subject property. A market data model based on typical selling price per unit of capacity is also used when appropriate market sales information is available.

Model calibration in the cost approach involves the selection of the appropriate service life for each type or class of property. Further calibration can occur through the use of through-put data provided by the owner. Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the property being appraised as well as adjusting the projected income stream to reflect the individual characteristics of the subject property. Model calibration in the market data approach involves adjusting sales price of is calculated using a replacement/reproduction cost new less comparable properties to reflect the individual characteristics of the subject property. In reconciling multiple model results for a property the appraiser considers the model results that best address the individual characteristics of the subject property and that are based on the most reliable data.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. Highest and best use analysis of industrial personal property is based on the likelihood of the continued use of the property in its current and/ or intended use.

UTILITIES

The plan calls for annual reappraisal of utility properties through professional services contract with a valuation engineering firm, Capitol Appraisal Group, Inc.

- (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: Among the three approaches to value (cost, income and market), pipeline value 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. In reconciling multiple model results, the appraiser considers the model results that best address the individual characteristics of the subject property.

- (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 Assistance Division of the Texas Comptroller's Office through their annual Property Value Study.

Description of Valuation Methods for Utility Properties

For all pipelines a value is calculated using a Replacement Cost New Less Depreciation (RCNLD) model. This involves first calculating the cost of building a new pipeline of equal utility using current prices. The Replacement Cost New (RCN) is a function of location, length, diameter, and composition. Depreciation is then subtracted from RCN to produce the final value estimate. Depreciation is defined as the loss of value resulting from any cause. The three common forms of depreciation are physical, functional, and economic. Physical depreciation is accounted for on the basis of the age of the subject pipeline. Functional and economic obsolescence (depreciation) can be estimated through the use of survivor curves or other normative techniques. Specific calculations to estimate abnormal functional and/ or economic obsolescence can be made on the basis of the

typical utilization of the subject pipeline.

After deductions from RCN have been made for all three forms of depreciation the remainder is the RCNLD or cost approach model indicator of value.

In addition to the RCNLD indicator, a unit value model may also be used for those pipelines for which appropriate income statements and balance sheets are also available. Generally, this model is used for those pipelines that by regulation are considered to be common carriers. The unit value model must be calculated for the entire pipeline system.

The unit value model typically involves an income approach to value and a rate base cost approach. The income approach is based on a projection of expected future typical net operating income (NOI). The projected NOI is discounted to a present worth using a current cost of capital that is both typical of the industry and reflective of the risks inherent in the subject property. The unit value model cost approach is typically an estimation of the current rate base of the subject pipeline (total investment less book depreciation allowed under the current form of regulation). An additional calculation is made to detect and estimate economic obsolescence. Any economic obsolescence is deducted from plats and *W-2 G-1* records from the RRC, as well as CAGI's in-house map resources.

Utility and railroad properties are appraised in a manner similar to pipeline except the RCNLD model is not used. Model calibration in the unit value cost approach involves the selection of the appropriate items to include in the rate base calculation and selection of the best measure of obsolescence, if any. Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected income stream to reflect the individual characteristics of the subject property. Model calibration in the stock and debt approach involves allocating sales prices of debt and equity to reflect the contribution to value of the operating property of the subject company.

Compressor stations, pump stations, improvements, and related facilities are appraised using a replacement cost new less depreciation model.

HIGHEST AND BEST USE ANALYSIS

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and maximally productive. Highest and best use analysis of utility properties is based on the likelihood of the continued use of the properties in their current and/or intended use.

MINERAL INTERESTS

The plan calls for annual reappraisal of minerals interests through professional services contract with a valuation engineering firm, Capitol Appraisal Group, Inc.

- (1) 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.
- (2) 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.

- (3) 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.
- (4) 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. These types of property are also subject to review by the Property Tax Assistance Division of the Texas Comptroller's Office through their annual Property Value Study.

The income method of appraisal as described in Sec. 23.012 of the Texas property Tax Code is the principal appraisal method used. The market data method appraisal (Sec. 23.013) and the cost method of appraisal (Sec. 23.011) are considered. Industry averages of reserve replacement cost are used for comparative purposes. The non-disclosure nature of the laws of Texas makes market data comparison unreliable, although if, within the scope of the appraiser's work, market sales disclosures on interests are available, then that data is considered. The nearly exclusive reliance on the income approach, using the discounted cash flow (DCF) technique adjusted for property risk and market conditions, is typical

of the oil and gas industry. Fee for service organizations are used for survey data with respect to price expectations and discount rates and licensed data services are used for Industry Indicators detailing costs, income, acquisition costs in dollars per barrel of oil equivalent (\$/BOE), finding and development costs (\$/BOE) and reserve replacement cost (\$/BOE) for over 100 E&P companies.

The appraiser analyzes a segment of the Petroleum Producing E&P market, determining the impact on their stock and debt value of the pricing requirements of Sec. 23.175 Texas Property Tax Code and also the pricing that could be reasonably anticipated from the market. The appraiser's opinion of oil and gas prices are guided by the market's anticipation of those prices through the futures market, oil and gas stock prices and oil and gas industry indexes. A base discount rate is developed using the Securities & Exchange Commission (SEC) 10k Standard Measure of Value, Before Federal Income Tax (BFIT), for a grouping of 20 Exploration and Production (E&P) companies, and then matching their 10k Standard Measure of Value (BFIT), reserves and costs, through a discounted cash flow (DCF) technique. This reserve and cost match is used with the appraiser's developed pricing scenario and Sec. 23.175 pricing directives to determine a discount rate necessary to equal the stock and debt value of the companies, as of January 1 for a given tax year.

The Weighted Average Cost of Capital (WACC) technique is also performed for a subset of these companies grouped according to the Petroleum Industry Exploration and Production companies used in *The Valueline Investment Survey*. These separate pricing scenarios and the resulting discount rates derived from using the aforementioned stock and debt techniques are applied to the universe of oil and gas properties being appraised. In seeking to avoid appraising any oil and gas property above its fair cash market value, the appraiser employs a market adjustment factor (MAF) to its base discount rate in order to apply property specific risks. These factors, which create a wide range of discount rates for the properties being appraised, are necessary to equitably evaluate disparate leases with respect to remaining reserves, price and costs.

The resulting oil and gas lease value is then allocated to each owner in the lease based on his fractional ownership interest. Royalty and working interests have different impacts on their

respective values, since only working interests bear the cost of lease operation. Therefore, royalty mineral interest owners' values are allocated from 100% of the appraised royalty value of the lease, according to their fractional royalty interest, while the working interest owners' values are allocated from 100% of the determined working interest value of the lease, according to their fractional working interest.

THE MASS APPRAISAL REPORT

The property tax code requires that the chief appraiser prepare, certify and submit the mass appraisal report for the appraisal district in compliance with STANDARD RULE 6-8 of the Uniform Standards of Professional Appraisal Practice. This written reappraisal plan is attached to the Mass Appraisal Report by reference.

VALUE DEFENSE -OVERVIEW

Sec.41.43 Texas Property Tax code places the burden of proof on the appraisal district in protests regarding over - appraisal of property and unequal appraisal of property. Evidence to be used by the appraisal district to meet its burden of proof for market value and equity in formal appraisal review board hearings is specified and tested. A number of value defense issues apply to all property types. Regardless of the nature of the protests or the type of property, the district attempts to informally resolve all protests before they are scheduled for an appraisal review board hearing.

Informal hearings are seen as an opportunity to accomplish the following objectives:

- (1) To correct simple errors and insure that the appraisal records are correct
- (2) To insure that the appraisal takes into account all pertinent factors
- (3) To identify specific issues the owner is concerned about

- (4) To ascertain the owner's opinion of property value
- (5) To increase the owner's understanding of assessment administration

For formal hearings, the district follows the rules and procedures adopted by the Appraisal Review Board. In formal hearings on all property types, the district assigns the most qualified and knowledgeable staff member available to represent the district in the hearings. For all property types, the validity of the appraisal model and the final value resulting from the model are reviewed and verified. All evidence is reviewed and verified for accuracy and completeness before it is presented to the board. All evidence presented by appraisal district staff members in formal hearings is presented under oath. The district makes available all information required by Sec. 41.461 if requested by the property owner.

The district uses a data processing application to manage administration of appeals. The system tracks informal and formal appeals, scheduling of appeals for hearings, and final disposition of appeals. Statistical records of appeal activity are maintained for budgeting and planning purposes.

The district's defense of unequal appraisal on all property types in formal hearings is done in accordance with Sec. 41.43 (b) Texas Property Tax Code. In unequal appraisal cases the district presents at least one of the following forms of evidence, depending on which one is most appropriate for the property, : evidence establishing that (1) the appraisal ratio of the property is equal to or less than the median level of appraisal of a reasonable and representative sample of other properties in the appraisal district; (2) the appraisal ratio of the property is equal to or less than the median level of appraisal of a sample of properties in the appraisal district consisting of a reasonable number of other properties similarly situated to, or of the same general kind or character as the property subject to the protest; or (3) the appraised value of the property is equal to or less than the median appraised value of a reasonable number of comparable properties appropriately adjusted. The most appropriate form of unequal appraisal evidence is chosen depending on data availability and characteristics of the property being appealed.

Value Defense Single Family Residential

The informal value defense on a single family residential property relies upon a general explanation of the appraisal and the approach to value that is used. More detailed explanations of the variables used in the model may also be conducted. Typically, the reasons for a change in appraised values involve changing sales prices in the market, application of a market area modifier, addition of new construction, completion of partially complete structures, or reappraisal because the previous year's value was inaccurate or unequal. The district's appraisal record, commonly known as the appraisal card, is typically used. Also, a comparable sales analysis as well as other pertinent data may be used. For unequal appraisal protests the following may be used: a comparison of total values for similar properties, a comparison of per square foot values for similar properties, or a sales ratio study.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and the data variables used in the model. Typically, the following evidence is also presented: appraisal card, a photograph of the residence (if available), a locational description, a comparable sales analysis, and any other pertinent data. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed. Generally, if a recent sale or independent appraisal of the subject property is available, the district conducts a sales ratio study using a sample of other properties or similar properties. Otherwise, the district presents a sample comparison of one of the following: (1) total property value (2) total homesteadable improvement value (3) per square foot property value based on living area or (4) per square foot property value for homesteadable improvement value for properties comparable in terms of size, quality of construction, age and condition, appropriately adjusted.

Value Defense Multi-Family Residential

The informal value defense on a multi family residential property relies upon a general explanation of the appraisal and the approach to value that is used. More detailed explanations of the variables used in the model may also be conducted. Typically changes in valuations of multi-family properties occur because of changes in rents expenses and/ or capitalization rates. The district's income approach to value is generally used as evidence in the informal hearing. For unequal appraisal protests the following may be used: a comparison of total values for similar properties, a comparison of per square foot values for similar properties, or a comparison of per unit values.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and the data variables used in the model. Typically, the following evidence is also presented: appraisal card, a locational description, detailed income approach and any other pertinent data. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed. Generally, there are insufficient numbers of sales for the district to conduct a sales ratio study. Typically, the district presents a sample comparison of one of the following: (1) total property value (2) total improvement value (3) per square foot property value based on living area (4) per square foot property value for improvement value or (5) Per unit values for properties comparable in terms of size, quality of construction, age and condition, rent levels, and size of units appropriately adjusted.

Value Defense Commercial

The informal value defense on a commercial property relies upon a general explanation of the appraisal and the approach to

value that is used. More detailed explanations of the variables used in the model may also be conducted. Typically changes in value occur because of reappraisal based on increasing sales prices; application of a market area modifier, addition of new construction, completion of partially complete structures or reappraisal because the previous year's value was inaccurate or unequal. For income properties changes in rents, expenses and/ or capitalization rates are also explained. The district's appraisal record, commonly known as the appraisal card, is typically used. Also, a comparable sales analysis or the district's income approach and other pertinent data may be used. For unequal appraisal protests the following may be used: a comparison of total values for similar properties, a comparison of per square foot values for similar properties, or a sales ratio study.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and the data variables used in the model . Typically, the following evidence is also presented: appraisal card, a locational description, detailed income approach and any other pertinent data. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed. Generally, if a recent sale or independent appraisal of the subject property is available, the district conducts a sales ratio study using a sample of other properties or similar properties. Otherwise, the district presents a sample comparison of one of the following : (1) total property value (2) total improvement value (3) per square foot property value based on building area or (4) per square foot property value for improvement value for properties comparable in terms of size, quality of construction, age and condition, and use type appropriately adjusted.

Value Defense for Vacant Real Property

The informal value defense on vacant real property relies upon a general explanation of the appraisal and the approach to value

that is used. Typically, changes in valuation of real vacant property involve changes in sales price or market areas. A general analysis of the district's comparable sales data is also used. The district's appraisal card and other pertinent information is used for unequal appraisal protests the following may be used: a comparison of total values for similar properties, a comparison of per unit values for similar properties, or a sales ratio study.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and the data variables used in the model. At the formal hearing, the appraisal card and a comparable sales analysis are most commonly presented as evidence in market value cases. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed. Generally, if a recent sale or independent appraisal of the subject property is available, the district conducts a sales ratio study using a sample of other properties or similar properties. Otherwise, the district presents a sample comparison of one of the following: (1) total property value or (2) property value per comparative unit----per acre, per square foot, per front foot, or per lot for properties comparable in terms of size, location, and physical characteristics.

Value Defense for Special Valuation Properties

The informal value defense on special use valuation properties relies upon a general explanation of the appraisal process set forth by the statutes. A fact sheet outlining the process is presented along with pertinent income, expense and cap rate data. For unequal protests, a preliminary comparison of values for similar properties may be used.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and the data variables used in the model. At the formal hearing, the appraisal card, detailed cost approach, and any other pertinent data

are presented as evidence in market value cases. In unequal appraisal cases, pursuant to Sec. 41.43 (b), the district presents a per acre comparison of properties comparable in terms of land classes.

Value Defense Special Inventory Residential Property

The informal value defense on special inventory residential property generally relies upon a more detailed and complex explanation of the appraisal than other property types since these owners and their representatives are already knowledgeable about the appraisal process. The district's DCF analysis is reviewed with emphasis on lot prices, expenses, absorption rates, discount rates as well as any cost or market data or other pertinent information. For unequal protests, a preliminary comparison of values for similar properties may be used.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the DCF analysis as well as presenting any other pertinent information. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed. Unequal comparisons are made on the basis of one of the following units: per lot, per acre, per sq ft, or per front ft.

Value Defense for Business Personal Property

The informal value defense on business personal property relies upon a general explanation of the appraisal and the approach to value that is used. More detailed explanations of the variables used in the model may also be conducted. The cost approach is reviewed as well as any market sales data and other pertinent information. Generally, the district's explanation will focus on issues concerning RCN and, the appropriate service life that should be assigned. For unequal protests, a preliminary comparisons of

values, in total or per square foot, for similar properties may be used.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and the data variables used in the model. The district's cost approach is presented as well as any other pertinent data. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed. Typically, the district presents a comparison, on a per square foot basis, of properties comparable in terms of use type, size, age and condition appropriately adjusted.

Value Defense for Industrial Real Property

The informal value defense on industrial real property generally relies upon a more detailed and complex explanation of the appraisal than other property types since these owners and their representatives are already knowledgeable about the appraisal process. Typically, the district's review of the cost approach with the property owner focuses on items such as the appropriate service life and utilizations rates. Additionally any income or market data that is available is also presented if the income or sales comparison approach is applicable. For unequal protests, a comparison of values for similar properties maybe used.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and the data variables used in the model. The district's cost approach is presented as well as any other pertinent data. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed.

Value Defense Industrial Personal Property

The informal value defense on industrial real property generally relies upon a more detailed and complex explanation of the appraisal than other property types since these owners and their representatives are already knowledgeable about the appraisal process. Typically, the district's review of the cost approach with the property owner focuses on items such as the appropriate service life and utilizations rates. Additionally any income or market data that is available is also presented if the income or sales comparison approach is applicable. For unequal protests, a comparison of values for similar properties maybe used.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and the data variables used in the model. The district's cost approach is presented as well as any other pertinent data. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed.

Value Defense for Utilities

The informal value defense on utility properties generally relies upon a more detailed and complex explanation of the appraisal than other property types since these owners and their representatives are already knowledgeable about the appraisal process. The district's RCNLD model and unit value model are reviewed along with any other pertinent data. For unequal protests, a comparison of values for similar properties may be used.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and

the data variables used in the model. The district's RCNLD or unit value model is presented. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed.

Value Defense for Mineral Interests

The informal value defense on mineral interest typically relies upon a general explanation of the appraisal for royalty owners and a much more detailed and complex explanation of the appraisal for working interest owners who are already knowledgeable about the appraisal process. Through use of the district's discounted cash flow technique the appraiser explains how relevant characteristics of production volume and pattern, product prices, operating expenses and discount rate are brought together to appraise an oil and gas property. For unequal protests, a preliminary comparison of values for similar properties may be used.

At the formal hearing, the district states its opinion of market value and supports its opinion of value with an explanation and justification of the appraisal model, the approach to value, and the data variables used in the model. The district's income approach to value, commonly known as the decline curve analysis, along with other pertinent data is presented as evidence. In unequal appraisal cases the district presents at least one of the aforementioned forms of evidence required by Sec. 41.43 (b) depending on which one is most appropriate in view of data availability and characteristics of the property being appealed.

GENERAL SUMMARY

The Trinity County Appraisal District has divided the county by school districts, cities and Municipal Utility Districts. Trinity and Groveton school districts will be divided further. The following is a general listing of the areas to be appraised by Trinity CAD. A detailed map of the areas listed below is following. Not all of the areas listed below will be appraised in the 2015 – 2016 Reappraisal Plan.

Trinity ISD boundaries will encompass the entire area and be split as follows:

- STR1: All property to the west of State Highway 19 from the county boundary at the north and south, along with all property north of State Highway 94 and east of State Highway 19. This area does not include the City of Trinity. (2015)
- STR2: All property south of State Highway 94 and being bound on the east side by the Trinity ISD / Groveton ISD common line. The boundary on the west side will be State Highway 19 south of the city limits of Trinity. This area does not include the City of Trinity. (2016)
- CTR: All property located within the boundaries of the Incorporated limits of the City of Trinity. (2015)
- WWS: All property located within the boundaries of the Westwood Shores Subdivision. (2016)

Groveton ISD boundaries will encompass the entire area and be split as follows:

- SGRNW: All property to the north of State Highway 94 and west of State Highway 287 surveys. This area does not include the City of Groveton. (2015)
- SGRNE: All property to the north of State Highway 94 and

east of State Highway 287 surveys. This area does not include the City of Groveton. (2017)

- SGRSW: All property to the south of State Highway 94 and to the west of Farm to Market Road 355 and following Carlisle Chita - Cemetery Road surveys. Also including the most southern portion of Farm to Market Road 356 surveys. This area does not include the City of Groveton. (2016)
- SGRSE: All property to the south of State Highway 94 and to the east of Farm to Market Road 355 and following Carlisle Chita - Cemetery Road surveys. This area does not include the City of Groveton. (2017)
- CGR: All property located within the boundaries of the Incorporated limits of the City of Groveton. (2015)

Centerville ISD boundaries will encompass the entire school district area. (2017)

Apple Springs ISD boundaries will encompass the entire school district area. (2017)

Kennard ISD boundaries will encompass the school district area that is located in Trinity County only. (2017)

2015 REAPPRAISAL

(info from the 2014 roll)

Areas:

STR1- All property with the exception of Category F1 will be reappraised and measured in 2015.

- Property Tax Code "A"
- Property Tax Code "B"
- Property Tax Code "C"
- Property Tax Code "D"
- Property Tax Code "E"
- Property Tax Code "L1"
- Property Tax Code "M"
- Property Tax Code "O"

These properties will be appraised between August 2014 and September 2014. Below is a listing of the Abstracts and Subdivisions in the area.

STR1 (SPLIT DISTRICTS IN RED)

ABSTRACTS

28	158	740	265	817	97
571	131	758	960	880	637
111	116	851	2	879	77PT
128	244	738	155	746	227PT
437	736	529	717	395	639PT
17PT	363	756	375	819	262PT
255	484	134	850	818	30PT
230	667	627	829	838	42PT
555	286	250	743	134	
931	177	403	374	601	

SUBDIVISIONS

LAKE JENNIFER
COLONY PARK

CTR- All property with the exception of Category F1 will be reappraised and measured in 2015.

- Property Tax Code "A" 1063 accounts
- Property Tax Code "B" 8 accounts
- Property Tax Code "C" 494 accounts
- Property Tax Code "D" 61 accounts
- Property Tax Code "E" 59 accounts
- Property Tax Code "L1" 168 accounts
- Property Tax Code "M" 96 accounts
- Property Tax Code "O" no accounts
- Property Tax Code "S" 6 accounts

These properties will be appraised between August 2014 and September 2014.

CTR

TRINITY TRACTS: 1 thru 46

CITY OF TRINITY BLOCKS: 1 thru 40

TRINITY ADDITIONS:

Angleview Addn	Epperson T. L. Addn	Robertswood Addn
Bell & Moore Addn	Fairdale Addn	Southend Addn
	G.M. & D.B. Waller	
Bell P. A. Addn	Addn	Southoaks MH Park
Branton Addn	G.M Waller Addn	Squash Addn
Chamberlain Addn	Gibson Addn	Steele Addn
		Thompson Brothers
Chamberlain MH Park	H.W. Smith Addn	Addn
Clegg Addn	Lakeview Addn	Townhouse Addn
Dillard Addn	Mathis Addn	Trinlady Park
Dora Ramey Addn	Nelms Addn	
E G Barker Addn	Oakview Addn	
Elliott Addn	Ridgecrest Addn	

SGRNW- All property with the exception of Category F1 will be reappraised and measured in 2015.

- Property Tax Code "A"
- Property Tax Code "B"
- Property Tax Code "C"
- Property Tax Code "D"
- Property Tax Code "E"
- Property Tax Code "L1"
- Property Tax Code "M"
- Property Tax Code "O"

These properties will be appraised between October 2014 and November 2014. Below is a listing of the Abstracts in the area.

SGRNW (DISTRICTS IN RED
ARE SPLIT)
ABSTRACT
LISTING

17	5	44	401	905
28	10	47	460	906
111	14	52	488	950
128	15	152	553	
437	16	159	584	
571	22	172	633	
	23	201	636	
	29	248	645	
	36	254	669	
	37	281	834	
	43	313	867	

CGR- All property with the exception of Category F1 will be reappraised and measured in 2015.

- Property Tax Code "A" 424 properties
- Property Tax Code "B" 5 properties
- Property Tax Code "C" 186 properties
- Property Tax Code "D" 56 properties
- Property Tax Code "E" 27 properties
- Property Tax Code "L1" 62 properties
- Property Tax Code "M" 32 properties
- Property Tax Code "O" no properties

These properties will be appraised between December 2014 and January 2015.

CGR

Western Gardens

Hickory Ridge

City of Groveton

Blocks

1 thru 61

COMMERCIAL

Commercial properties will be appraised between January 2015 and March 2015. The commercial property to be re-appraised will be all commercial property with the exclusion of those listed in Trinity ISD which was appraised in 2014.

INDUSTRIAL

All Industrial properties will be appraised by a contract appraiser annually.

MINERAL

All mineral properties will be appraised by a contract appraiser annually.

PERSONAL PROPERTY

All personal property will be worked annually both by site visit and rendition.

2016 REAPPRAISAL

Areas:

STR2- All property with the exception of Category F1 will be reappraised and measured in 2016.

- Property Tax Code "A"
- Property Tax Code "B"
- Property Tax Code "C"
- Property Tax Code "D"
- Property Tax Code "E"
- Property Tax Code "L1"
- Property Tax Code "M"
- Property Tax Code "O"

These properties will be appraised between August 2015 and December 2015. Below is a listing of the Abstracts and Subdivisions scheduled for appraisal.

STR2 (SPLIT DISTRICTS IN RED)

129	926	468	262PT
17PT	630	50	639PT
376	130	35	227PT
411	238	65	77PT
433	462	38	30PT
823	760	602	642PT
952	258	263	42 PT

SUBDIVISIONS

*AZTEC COVE	*TIMBER BAY	*QUAIL CREEK
*DEER RUN	*TRINITY COVE	*PEACH ISLAND
		*THE
*GLEN HAVEN ESTATES	*RIVER POINT	PLANTATION
*TRINITY FOREST	*OAKRIDGE ADDITION	
*TRINITY PINES	* TRINITY PLANTATION	
*JUNGLE VILLAGE	*CREEKSIDE	

*LAKE L ACRES

*LAKEWOOD

*THE LANDING

*OAKDALE ADDITION

*ROCK CREEK SUBDIVISION

*OLD RIVER ROAD SUBD

*DEERWOOD SUBD

SGRSW- All property with the exception of Category F1 will be reappraised and measured in 2016.

- Property Tax Code "A"
- Property Tax Code "B"
- Property Tax Code "C"
- Property Tax Code "D"
- Property Tax Code "E"
- Property Tax Code "L1"
- Property Tax Code "M"
- Property Tax Code "O"

These properties will be appraised between January 2016 and March 2016.

ABSTRACT LISTING

SGRSW (DISTRICTS IN RED ARE SPLIT)

129	24	137	299	517	672	854
216	25	138	398	568	727	874
376	41	145	412	575	733	883
411	63	166	464	591	749	896
463	67	170	466	616	794	916
621	75	178	478	629	797	944
644	79	232	479	635	800	945
8	107	256	480	641	801	955
11	122	266	480	664	806	966
21	133	269	493	670	825	980

SUBDIVISION LISTING:

Hawg Heaven	Port Adventure	Harts Creek
Harts Creek Est	Reggie Land Co	Carlisle Cove
Camp Branch Acres	County Line	Eagle Falls

WWS- All property in the Westwood Shores Subdivision, with the exception of Category F1 property will be reappraised and measured in 2016.

- Property Tax Code "A" 725 properties
- Property Tax Code "B" 1 properties
- Property Tax Code "C" 2485 properties
- Property Tax Code "D" no properties
- Property Tax Code "E" 4 properties
- Property Tax Code "L1" 17 properties
- Property Tax Code "M" 7 properties
- Property Tax Code "O" 9 properties

These properties will be appraised between January 2016 and March 2016.

COMMERCIAL

Commercial properties will be appraised between January 2016 and March 2016. The commercial property to be re-appraised will be all commercial property listed in Trinity ISD.

INDUSTRIAL

All Industrial properties will be appraised by a contract appraiser annually.

MINERAL

All mineral properties will be appraised by a contract appraiser annually.

PERSONAL PROPERTY

All personal property will be worked annually both by site visit and rendition.

TIME FRAME FOR WORK COMPLETION

2015 REAPPRAISAL

STR1- August 2014 thru September 2014

CTR - August 2014 thru September 2014

SGRNW - October 2014 thru November 2014

CGR - December 2014 thru January 2015

Commercial - January 2015 thru March 2015

Personal Property - January 1, 2015 thru March 2015

2016 REAPPRAISAL

STR2 - August 2015 thru December 2015

SGRSW - January 2016 thru March 2016

WWS - January 2016 thru March 2016

Commercial - January 2016 thru March 2016

Personal Property - January 1, 2016 thru March 2016

Exhibit B

TRINITY CAD ESTIMATED
 PARCELS 2015-2016
 REAPPRAISAL PLAN

<u>Property Category</u>	<u>TCAD</u>	<u>Apple Springs</u>	<u>Centerville</u>	<u>Groveton</u>	<u>Kennard</u>	<u>Trinity</u>
<u>A Real: Residential Single-Family</u>	<u>6,511</u>	<u>272</u>	<u>133</u>	<u>2,213</u>	<u>1</u>	<u>3,892</u>
<u>B Real: Residential Multi-Family</u>	<u>14</u>			<u>6</u>		<u>8</u>
<u>C Real: Platted Vacant Lots/Tracts</u>	<u>12,213</u>	<u>80</u>	<u>32</u>	<u>3,826</u>		<u>8,275</u>
<u>D1 Real: Acreage (land only)Qualified</u>	<u>5,684</u>	<u>922</u>	<u>834</u>	<u>2,334</u>	<u>32</u>	<u>653</u>
<u>D2 Imps: on - Qualified Land</u>	<u>310</u>	<u>67</u>	<u>76</u>	<u>125</u>	<u>2</u>	<u>40</u>
<u>E Rural Land Non-Qualified</u>	<u>2356</u>	<u>416</u>	<u>313</u>	<u>1070</u>	<u>12</u>	<u>545</u>
<u>F Real: Commercial and Industrial</u>	<u>442</u>	<u>23</u>	<u>5</u>	<u>143</u>		<u>271</u>
<u>G Real: Oil, Gas and Other Minerals</u>	<u>168</u>	<u>32</u>	<u>86</u>	<u>15</u>		<u>35</u>
<u>J Real and Intangible Personal Utilities</u>	<u>145</u>	<u>13</u>	<u>8</u>	<u>56</u>	<u>2</u>	<u>65</u>
<u>L Tangible Personal Business</u>	<u>522</u>	<u>35</u>	<u>9</u>	<u>146</u>		<u>322</u>
<u>M Tangible Personal Other</u>	<u>538</u>	<u>51</u>	<u>35</u>	<u>245</u>		<u>207</u>
<u>O Real Inventory</u>	<u>1,130</u>			<u>940</u>		<u>190</u>
<u>S Special Inventory</u>	<u>7</u>					<u>7</u>
<u>X Exempt</u>	<u>1,375</u>	<u>112</u>	<u>92</u>	<u>354</u>	<u>8</u>	<u>825</u>
<u>Total</u>	<u>28,739</u>	<u>1,731</u>	<u>1,364</u>	<u>10,615</u>	<u>48</u>	<u>14,986</u>

