

---

**RESOLUTION  
OF THE  
GRAYSON CENTRAL APPRAISAL DISTRICT  
BOARD OF DIRECTORS  
REGARDING REAPPRAISAL PLAN 2011-2012**

Resolution # 08-31-2010

August 31st, 2010


---

In accordance with Texas Property Tax Code Section 6.05(i):

A Public Hearing was held on August 31st, 2010 to consider the 2011-2012 Reappraisal Plan.

The 2011-2012 Reappraisal Plan was approved by the Board of Directors of the Grayson Central Appraisal District on August 31st, 2010.

PASSED, APPROVED, AND ADOPTED THIS 31<sup>st</sup> DAY OF August, 2010.



---

John Ramsey, Chairman  
GCAD Board of Directors

# Grayson Central Appraisal District 2011-2012 Reappraisal Plan

---

## INTRODUCTION

### *General Overview of Tax Code Requirement*

Passage of Senate Bill 1652 in 2005 amended the Property Tax Code to require each Appraisal District to prepare a biennial reappraisal plan. The following details the Tax Code requirements:

#### **The Written Plan**

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

- (i) To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10<sup>th</sup> day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time and place of the hearing. Not later than September 15 of each even numbered year, the board shall complete its hearing, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.

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

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

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05(i).
- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:
  - (1) Identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;

- (2) Identifying and updating relevant characteristics of each property in the appraisal records;
- (3) Defining market areas in the district;
- (4) Identifying property characteristics that affect property value in each market area, including:
  - (a) The location and market area of the property;
  - (b) Physical attributes of the property , such as size, age, and condition;
  - (c) Legal and economic attributes; and
  - (d) Easements, covenants, leases, reservations, contracts, declarations, special assessments; ordinances, or legal restrictions;
- (5) Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;
- (6) Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
- (7) Reviewing the appraisal results to determine value.

### ***Scope of Responsibilities***

Grayson Central Appraisal District has prepared and published this reappraisal plan to provide the Board of Directors, taxing units, citizens and taxpayers with a better understanding of the District's responsibilities and reappraisal activities. This report has several parts: a general introduction and then, several sections describing the proposed 2011-2012 reappraisal effort by the appraisal departments within Grayson Central Appraisal District (GCAD).

GCAD is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A six member Board of Directors, appointed by the taxing units within the boundaries of Grayson County, constitutes the District's governing body. In the event that the elected Tax Assessor-Collector is not appointed, then he is automatically, by statute, a sixth member in an "ex-officio" non-voting status. The Chief Appraiser, appointed by the Board of Directors, is the chief administrator and chief executive officer of the appraisal district.

GCAD is responsible for local property tax appraisal and exemption administration for thirty-three (33) jurisdictions or taxing units in the county. Each taxing unit, such as the county, a city, school district, conservation district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts,

water and sewer systems, and other public services. Property appraisals are estimated values by the appraisal district and used by the taxing units to distribute the annual tax burden. They are generally based on each property's worth or market value. GCAD also determines eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled persons, disabled veterans, and charitable or religious organizations.

The Property Tax Code states that all taxable property is appraised at its market value as of January 1<sup>st</sup>, unless special appraisal provisions are otherwise provided. Under the tax code, "market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

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

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. GCAD's current policy is to conduct general reappraisal of real and business personal property value continually, meaning that a property's appraised value is established and reviewed for equality and uniformity as dictated by market activity and conditions, which are monitored and interpreted each year. The district conducts an onsite field review of real property and business personal property in a portion of the county annually as part of a reappraisal cycle.

The appraised value of real and business personal property is calculated using specific information and data about each property. Using a computer-assisted mass appraisal (CAMA) program, and generally recognized appraisal methods and techniques, registered and trained appraisers compare the subject property information with the data for similar properties, and

with recent market data. The district adheres to the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable. Chapter 23 of the Texas Property Tax code contains statutes dealing with appraisal methods and procedures. Section 23.01 of this chapter was amended in 1997 to specify that appraisal districts are required to comply with the mass appraisal standards of USPAP (Standard Six) when the appraised value of a property is established using mass appraisal techniques. This differs from USPAP Standard One which is applicable to individual property appraisals and is more familiar to the general public; Standard One may supersede Standard Six in the review or appeal processes or in instances where mass appraisal is not practicable. In cases where the appraisal district contracts for professional valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards. Policies and procedures are available at the office of each firm contracting with the District.

---

---

## **Overview of District Operations**

---

---

***2011 – 2012 Planning-Calendar of Events –See Appendix A***

***2011 – 2012 Contractor Reappraisal Plans (Capitol Appraisal Group, Inc.; Eagle Appraisal) – See Appendixes C & D***

***2011 & 2012 Budgets Adopted by Reference***

### ***Personnel Resources***

The Office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling all district operations. The district is organized into three (3) primary departments with sub-departments therein: Finance, Administration/Support (Customer) Services, and Appraisal. A director heads each department, with assistant director(s) or supervisor(s) overseeing the sub-departments where necessary.

The Finance Department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities maintenance, information technology, data entry, and mail service; in effect, to

facilitate all functions that are district-wide in scope. Sub-departments are information technology (IT), data entry, and Appraisal Review Board (ARB) support.

The Administration/Support (Customer) Services Department's function is customer service, to interact with the public to answer routine questions, distribute information and appropriate forms, records maintenance, exemptions/agricultural administration, ARB support, data entry and facilitation of information transfer to the tax office or member taxing entities. A major sub-department is mapping/GIS (geographic information services) which maintains parcel maps and other GIS components used as a basis for all appraisal and property tax functions throughout the District.

The Appraisal Department consists of two major divisions – real estate and business personal property (BPP), with real estate further delineated between residential and commercial. The Residential Department includes appraisal of residential land and improvements, residential research, agricultural land valuation, mobile homes, and residential inventory valuation. Commercial appraisal includes industrial, general commercial, apartments, and vacant commercial land. Valuation of minerals and utilities and specific industrial accounts are currently performed by contractor(s).

The 2010 adopted budget provides information for employee positions and classifications broken down as follows:

- 6 - Administrative Services (including Chief Appraiser)
- 15 – Administration/Support (Customer) Services
- 12 – Appraisal Services

### ***Staff Education and Training***

All appraisal district employees that perform appraisal work are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with The Texas Department of Licensing and Regulation (TDLR). This agency is responsible for ensuring appraisers are professional, knowledgeable, competent and ethical. This is accomplished through a statewide program of registration, education, experience, testing and certification for all property tax professionals for the purpose of promoting an equitable tax system.

Upon registration, appraisers registered with the TDLR have up to five years to take a series of appraisal courses and exams in order to achieve certification as a Registered Professional Appraiser (RPA). During each subsequent five-year period after certification, appraisers must

complete an additional 75 hours of continuing education. Failure to meet these minimum standards will result in the removal of the employee from an appraiser position.

Additionally, all appraisal personnel receive extensive hands-on training in the data gathering and valuation processes. Standardized manuals are provided to ensure uniform and accurate data collection. Senior personnel provide on-the-job data collection training in the office and the reappraisal field area. Supervisors meet regularly with staff to introduce new procedures and regularly monitor appraisal activity to ensure that all personnel are following standardized appraisal methods and techniques.

## ***Data***

For 2010, the district was responsible for establishing and maintaining approximately 99,071 accounts covering approximately 979 square miles within Grayson Central Appraisal District's jurisdiction. Each account contains data related to property characteristics, ownership and exemption information. Accurate ownership and legal description data are maintained by processing recorded deeds and plats that are obtained from the Grayson County Clerk's office. Exemption data is processed in conjunction with various application requirements as stipulated in the Property Tax Code.

Existing property characteristics data is updated and maintained through on-site field inspection and/or office review utilizing inspection notes, aerial photography resources, and other available materials. The property data related to new construction and other building permit activity is also collected through an annual field review effort. Each city within GCAD's jurisdiction is encouraged to promote the discovery and appraisal process by providing permit information either electronically or in paper form. Sales are routinely validated during an office review and a separate field effort when applicable; however, numerous sales are validated as part of the building permit process and annual reappraisal effort.

General demographic, economic and financial trends, construction cost, market sales and income data are acquired through various sources. These may include internally generated questionnaires to buyer and seller, public and university research centers, private market data vendors, real estate related publications and telephone contact with buyers, sellers, brokers and fee appraisers, as well as information collected from property owners and agents during the informal appeal and Appraisal Review Board process. The appraisal department staff is trained to harvest market data and other useful economic information as opportunities may present themselves.

The district has a geographic information system (GIS) that contains cadastral maps and includes various layers of data, including parcel lines, FEMA flood data, zoning, jurisdictional boundaries and aerial photography. The district's website makes a broad range of information available for public access, including information on the appraisal process and appraisal district operations, property characteristics data, certified values, protests and appeal procedures, links to other government agencies, property maps, and a tax calendar. Downloadable files of related tax information and district forms, including exemption applications, ARB protest notices and business personal property renditions are also available. GCAD, through its software provider, is in the process of implementing an online rendition process for business owners that choose to file their renditions electronically; other forms of electronic transactions including the appeal process will ultimately be offered in electronic format.

### ***Information Technology Support***

The Information Technology (IT) department maintains and manages GCAD's technology Infrastructure. The various IT functions include technical support and systems deployment, computer operations, applications systems support, internet and website support functions, voice and data communications, network and personal computer workstation support, data management, GIS support of Cadastral mapping including multiple layers of GIS related intelligence, coordination of digital orthogonal and oblique aerial photography for utilization by all operating departments of the organization as well as participating taxing entities. The principal operating environment for all GCAD servers is MS SQL Server which supports relational database which are requirements of appraisal and customer service (CAMA system), GIS, and website functions, all running on multiple network servers in place to support access through internal and external networks. All GCAD data structures are relational databases created and supported by commercial software vendor products, including True Automation CAMA software, ESRI GIS software, Pictometry aerial photography and global positioning software, Cougar Mountain Financial Software and Windows/Office for individual work stations. These systems provide direct support for all operating departments involved in appraisal functions, customer service, exemption administration, Appraisal Review Board support activities, as well as all reporting requirements for the taxing units and the State Comptroller's Property Tax Division.

### ***Shared Appraisal District Boundaries (Overlapping Jurisdictions)***

Shared boundaries were eliminated per HB 1010 effective January 1, 2008. HB 1010 simplifies the property appraisal system by aligning appraisal district boundaries with county lines to eliminate overlapping jurisdictions.

### ***Independent Performance Test***

According to Chapter 5 of the Texas Property Tax Code and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Division (PTD) conducts an annual property value study (PVS) of each Texas school district within each appraisal district. As a part of this annual study, the Code also requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MSP review); test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and, determine the level and uniformity of property tax appraisal in each appraisal district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analysis of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median, and price-related differential (PRD) for properties overall and by state category (i.e., categories A, B, C, D and F1 are directly applicable to real property).

There are sixteen independent school districts in Grayson Central Appraisal District for which appraisal rolls are annually developed. The preliminary results of the Comptroller's study are released in January of the year following the year of appraisal. Following review and appeals, if any, the final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) in the following July of each year for the year of appraisal.

This outside (third party) ratio study provides additional assistance to Grayson Central Appraisal District in determining areas of market activity or changing market conditions. Results from the upcoming 2010 & 2011 Property Value Studies will be reviewed and analyzed by appraisal managers. Geographic areas or property categories with unsatisfactory ratio results will be added to the work plan for the 2011 and 2012 reappraisal cycles.

---

---

## **Appraisal Activities**

---

---

### ***Overall Appraisal Responsibilities***

Grayson Central Appraisal District appraisal responsibilities are divided into three major categories, residential real estate, commercial/industrial real estate, and business personal property. Although appraisers share some components of the appraisal process, residential is generally divided into major market areas, with commercial being handled on a county-wide basis. Rural and residential land and mobile homes are handled by the residential appraisers; commercial includes retail, office, apartments, industrial, vacant commercial land and other non-residential improvements; business personal property accounts are divided into three main territories except for major industrial accounts, minerals (oil & gas) and utility accounts which are currently appraised by outside contractor(s).

In both the Residential and Commercial department's appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and information processes. Accurate valuation of real and personal property by any method requires a physical description of personal property, land, and building characteristics. An effective data collection effort involves an inspection of all real and personal property accounts. It is the goal of GCAD appraisal departments to periodically complete a thorough, on-site field review of all residential and commercial properties in accordance with professional and legislative standards which require a three-year cycle. The use of aerial photography and a periodic digital photography project may also be used in meeting this goal. Business personal property data reappraisal is field-verified every two years, alternating approximately one half of the accounts each year. Ultimately, meeting these goals is dependent on budgetary constraints and staffing levels.

### ***Overall Appraisal Resources***

- **Personnel** - Grayson Central Appraisal District appraisal activities are accomplished with a staff of appraisers and clerical personnel. Staffing resource numbers are reflected in the budget, adopted by reference. These employees are generally assigned to a specific appraisal department or sub-department. Current staffing is 12 appraisers and a data entry team of four (for fiscal 2011) which is available for the appraisal function on a seasonal basis.

- **Data** – All appraisal functions utilize existing property characteristic information contained in a CAMA (Computer Assisted Mass Appraisal) system operating within the district’s main server storage unit. This consists of the most currently updated information entered into True Automation’s PACS (Property Appraisal & Collection System), which is in turn linked to the district’s GIS parcel database as well as the *Pictometry* aerial photography and global positioning database. The data is collected and by manual notes that are entered by clerical staff. Other data used includes maps, sales and listing data, fire and damage reports, building permits, mechanic’s liens, deeds of trust, septic permits, photos, actual cost information, etc.

## ***Appraisal Frequency and Method Summary***

*Grayson Central Appraisal District has adopted a continual reappraisal cycle*

- Residential Appraisal - Residential property is physically examined in two different phases as part of an annual pattern: First “re-inspections” are performed in designated areas to verify the physical property data, in order to make sure that this information is refreshed periodically; Second all properties that reflect changes are specifically inspected in detail – these changes may consist of building permits, or any other documents tracked in the district’s data system, as listed above. In both processes, appraisers measure improvements and/or other features when necessary, determine class, year built, effective year of construction (condition) and other property characteristics and features that are used in the cost and sales comparison valuation methods. For improved properties, appraisers consider the cost, sales comparison and income approaches and then reconcile the final value, based on the quality and availability of the most accurate and credible data for each valuation approach. In considering the approaches to value, each appraiser must determine which method or methods are most appropriate. Vacant rural land is valued using comparable sales. Lot values in subdivisions are based on sales comparisons, or computed as an allocated percentage of the total value. Improved residential properties are delineated by neighborhoods and/or by classification. On an annual basis, residential appraisers, with supervisor oversight, perform statistical analysis to evaluate whether values are equitable and consistent with the market. Based on analysis of the sales activity, market adjustment factors are developed and applied to adjust the appraised values in neighborhoods, as designated by geographic areas or improvement character.
- Commercial Appraisal – Like residential property, commercial and industrial real estate is part of the “re-inspection” process as well as the “building permit inspection” process of specifically examining any account that reflects activity through any of the data

tracking reports. Commercial and industrial properties are field observed, measured if necessary, and photographed at least once every three years to verify class, condition and other property data. The appraiser(s) determines highest and best use and defines the economic unit characteristics for a grouping of associated accounts. Economic units and neighborhoods are delineated by property type/use, in addition to geographical criteria. On an annual basis, commercial market values are established using generally accepted appraisal methods and techniques. Land values are generally determined using comparable sales and often valued by mass reappraisal by residential appraisers. For improved properties, appraisers consider the cost, sales comparison and income approaches and then reconcile the final value, based on the quality and availability of the most accurate and credible data for each valuation approach. A commercial cost approach model computes values at the account level and mass adjustment is developed using the commercial sales comparison and income approach models where data is available and considered reflective of subject properties.

- Business Personal Property - Business personal property (BPP) appraisers have a two year reappraisal cycle with on-site inspections of each business to verify ownership, Standard Industrial Code (SIC) classification, quality and density of inventory, furniture and fixtures and other key information. The Business Personal Property staff reappraises businesses through various discovery methods. SIC code identification and delineation is the cornerstone of the business personal property valuation system, as similar business equipment and inventories tend to share depreciation and density characteristics. The cost approach is the predominant technique used to value personal property, particularly for businesses that render in sufficient detail. Costs are tested against density schedules or comparable ranges. Depreciation tables are developed for each classification using actual historical cost data and market data from generally accepted cost valuation sources. The SIC models are reviewed and tested continually as reliable data becomes available. All business owners are required to annually file rendition reports and list key information about their tangible personal property assets they own or manage as a fiduciary. Appraisers consider information from field observations, density schedules, various cost or market publications and owner's rendition values when determining the market value of the business personal property. The BPP department coordinates communications with the contract appraisers that value minerals, utilities and industrial properties. Minerals and utilities are performed using data from the state Railroad Commission and Public Utility Commission, in addition to information obtained from operators and utility company sources.

## ***Data Collection***

Business personal property accounts are physically visited and inspected to observe the character, quantity, and quality of equipment, inventory, furniture/fixtures, and vehicles. At current staffing levels only a fraction of real estate accounts can be physically inspected each year, therefore, real property is inspected in two (2) phases: general re-inspection and specific inspections. General re-inspection is intended to ensure that every property is periodically observed to correct any erroneous information that may be reflected in the district's records due to judgment or clerical errors and to detect any changes in physical characteristics, whether it is additions, demolition, enhancement, or deterioration. Each year the Chief Appraiser and Director of Appraisals, acting in concert with recommendations from the appraisal staff, assign areas to be "re-inspected", meaning that every parcel in the designated area or map(s) be inspected from the street, photographed, and if necessary going on-site to observe more detail and/or to take measurements. In general this process is strictly for data collection rather than an appraisal function. In the past, guidelines for re-inspection were for an approximate six (6) year cycle, however, this has changed to a three (3) year cycle for current and future periods. Achieving this increased level of performance will require innovative methodology, including full integration of aerial photography. The *Pictometry* aerial photography / global positioning system provides the power to scan large rural areas for changes, in addition to viewing inaccessible improvements or other property characteristics from a desktop, and ultimately from a field computer device. The second phase of field work is specific inspections; this includes visiting all properties that have been flagged due to a report of activity from one or more of the monitored data sources, including but not limited to sale, deed of trust, building permit, mechanic's lien, septic permit, fire damage report, etc. Typically these inspections are more detailed and require measurement because there is new construction. All elements are recorded, classified, and photographed; if improvements are under construction it is appropriate to inspect the interior as well as exterior. In some cases specific inspection may re-visit a property that has already been observed in the *general* inspection process. The implementation of Pictometry's Change Analysis allows appraisal staff to compare a property side by side and locate new improvements by comparing prior aerial photography with recently flown aerial photography layers. This has proven to be a vital roll in discovery, particularly in rural areas, areas that do not require permits or areas that are otherwise inaccessible to appraisers.

During the general inspection process, appraisers typically work in pairs and are provided with a map of the assigned area together with computer-generated property information sheets that can be marked-up with new or modified data during an on-site inspection. Handwritten field collected data is returned and entered into the GCAD system by an assigned staff of data entry employees.

### ***Field Review***

The date of last inspection, extent of that inspection, and the appraiser responsible are listed on the account record. If a property owner disputes the district's records concerning this data during a hearing, or in an informal setting, the record may be altered based on the evidence provided. When needed, a field inspection is requested to verify this evidence for the current year's valuation or for the next year's valuation. Every year a field review of certain areas or neighborhoods in the jurisdiction is done during the annual reappraisal effort.

### ***Office Review***

Office reviews are completed on properties where information has been received from the owner of the property, taxing jurisdictions, or other sources. Aerial photographs and digital photographs are also used to verify property characteristics. When the property data is verified in this manner, field inspections are not required.

### ***Performance Test***

Supervisors and appraisers are responsible for conducting ratio studies and comparative analysis to ensure accurate and equitable appraised values.

---

---

## **Residential Valuation Process**

---

---

### **INTRODUCTION**

#### ***Scope of Responsibility***

The Residential Appraisal staff appraisers are responsible for developing equal and uniform market values for improved and vacant residential property. Residential appraisal assignments are delineated from commercial assignments on the basis of state use code guidelines, established by the State Comptroller. Generally, the residential staff approximately values the following state property codes:

A1	Single family	40,337 parcels
B1	1-4 unit multi-family	808 parcels

C1-C3	Vacant residential/commercial lots	9,761 parcels
D	Vacant acreage	15,527 parcels
E	Improved farm & ranch acreage	6,501 parcels
M	Mobile homes (Does not own land)	1998 parcels
O1-O2	Residential inventory	2,235 parcels

Appraisal activities are separate albeit closely related to the data collection process. Appraisers spend the majority of the appraisal cycle from August through April in the field performing general and specific inspections for the purpose of collecting and verifying data to ensure that the district's physical database is as accurate as possible. The actual mass appraisal process is founded on the presumption that the physical database is reliable, therefore rendering statistical analysis valid and reliable as well. As analysis of market data and comparison to appraised values (sales ratios) proceeds, the appraisers reach conclusions and make recommendations for applying adjustments to designated areas, typically referred to as *neighborhoods*. Although appraisal analysis is ongoing throughout the year, for obvious reasons it is concentrated toward the end of the cycle to take advantage of access to the maximum amount of market data. Throughout March and April market data is continually being sorted, refined, and interpreted so that appropriate adjustments can be applied prior to issuance of appraisal notices in May. In the event that compelling evidence is discovered after the initial batch of notices is mailed, supplemental notices may be generated up until *Certification* of the appraisal roll. In some cases, according to the Property Tax Code, supplements may be done after Certification under Section 25.

### ***Appraisal Resources***

- **Personnel** - The Residential Appraisal staff consists of seven appraisers, assisted on a seasonal basis by a four member data entry team.
- **Data** - A common set of data characteristics for each residential dwelling in Grayson CAD is collected in the field and data entered to the computer. This property-specific data drives the GCAD computer-assisted mass appraisal (CAMA) approaches to valuation. Residential appraisal also requires verified sales data, actual construction cost data, and property listings. Appraisers also review various real estate related publications to determine patterns and trends in the market data.

## **VALUATION APPROACH (Model Specification)**

### ***Land Analysis***

Residential appraisers are responsible for valuation of residential lots and non-commercial rural acreage within their assigned area. With the assistance, advice, and approval of supervisory personnel, available market data is analyzed to determine what basis exists, if any, for re-valuing lots within a subdivision, or vacant land within a defined area. For lots, the unit of comparison is typically either a simple “per lot” base or a “per front foot” base. Acreage is appraised on a “per acre” basis, blending in some cases with highway frontage properties that are beginning to trade by the “square foot”, and are thus assigned to the commercial valuation function. Base lot values are adjusted for specific influences, where necessary, to account for such factors as view, shape, size, and topography, among others. Abstraction and allocation methods may be used for valuing land in fully developed subdivisions where no vacant sales occur in order to ensure that the land values developed best reflect the contributory market value of the land to the overall property value. Acreage appraisals are based on a schedule developed from analysis of available sales in a defined area; typically these schedules reflect a sliding scale of value related to size, with individual properties receiving adjustments for topography, road type, shape, etc.

### ***Area Analysis***

Data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and other outside sources including continuing education in the form of TDLR courses, seminars and International Association of Assessing Officers courses.

### ***Neighborhood and Market Analysis***

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

given market area, neighborhood or district. Market sales reflect the effects of these market forces and are interpreted by appraisers into an indication of market value ranges for a given neighborhood. Sales also provide an indication of property component changes considering a given time period relative to the date of appraisal. Although all three approaches to value are considered, residential sales can best be interpreted and applied using two generally accepted appraisal techniques known as the cost and market or comparable sales approach. For low density, multiple family properties, the income approach to value may also be utilized, in the absence of recent sales data.

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

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. Most residential analysis work, in association with the residential valuation process, is neighborhood specific. Neighborhoods are visually inspected to verify delineations based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood specification is warranted. Whereas neighborhoods involve similar properties in the same location, in some instances it may be appropriate to establish a neighborhood group composed of similar neighborhoods in similar, but different locations to take advantage of a larger pool of market data. In other cases, such as

for unusual or unique properties, e.g. log homes, super luxury homes, etc. the concept of neighborhood must be uncoupled from geography to include similar properties found within a much larger physical area. Generally, however, sales ratio analysis is performed on the neighborhood level.

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

The highest and best use of property is the most 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, legally permissible, financially feasible, and productive to its maximum. The highest and best use of residential property is generally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. Residential valuation undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are not the most productive or profitable use, and the highest and best use of such property is to demolish the old homes and construct new dwellings. In areas of mixed residential and commercial use, the appraiser reviews properties on a periodic basis to determine if changes in the real estate market require reassignment of the highest and best use of a select category of properties.

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

### ***Cost Schedules***

Cost schedules utilized are reviewed and adjusted periodically in order to consistently reflect market costs or any changing economic trends.

Tables are also produced in order to uniformly apply value for added amenities as determined by the marketplace. Examples may include pools, bathhouses, outbuildings, boathouses, tennis courts, and other market driven value items.

Possible adjustments for factors that may inhibit value are also in table form and are applied uniformly to any properties affected. Examples may include cracked slab, termite damage, repairs needed, etc.

The District considers all three approaches to value and recognizes the cost approach as an acceptable approach. Generally for residential property the district considers the market approach a more viable and accurate indicator due to it's being more sensitive to economic, social, and physical characteristics of a given property, i.e. *market forces*. Hence market data is incorporated into the cost approach through the process of applying neighborhood adjustments to cost schedules, producing what is known as a *market-calibrated cost approach*.

### ***Income Models***

The income approach to value may be useful to those real properties that are typically viewed as "income producing" when sufficient income data is available and where comparable sales are not present. In the current residential market, the income approach is not generally used except for consideration of *income multipliers* in comparison of duplexes, rent houses, etc. An income multiplier is simply the relationship of monthly rent to value. For example, a property that sells for \$80,000 and is rented for \$1,000 per month has a Gross Rent Multiplier (GRM) of 80 ( $\$80,000 \div \$1,000$ ).

### ***Sales Information***

A sales file for the storage of sales data for vacant and improved properties is a key embedded feature of the CAMA software system. Residential improved and vacant sales are collected from a variety of sources, including: district survey letters sent to buyers and sellers, field discovery, protest hearings, Board of Realtor's MLS and other sales vendors, Comptroller's Property Tax Division data, builders, realtors, and brokers. A system of type, source, validity and verification codes has been established to define salient facts related to a property's purchase or transfer and to help determine relevant market sale price information. The effect of time as an influence on price can be considered by paired sales analysis and applied in the ratio study to the sales as indicated within each neighborhood area. Neighborhood sales reports are generated as an analytical tool for the appraisers in the development and estimation of market price ranges and property component value estimates. Abstraction and allocation of property components based on sales of similar property is an important analytical tool to interpret market sales under the cost and market approaches to value. These analytical tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

Multiple sales of the same property are considered and analyzed for any indication of price change attributed to a time change or influence and monthly time adjustments are developed. Property characteristics, financing, and conditions of sale may be compared for each property sold in the pairing of property to isolate only the time factor as an influence on price.

### ***Statistical Analysis***

The residential appraisers and supervisors perform statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on residential neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each neighborhood and are summarized by year. These summary statistics including, but not limited to, the weighted mean, median, standard deviation, coefficient of variation, and coefficient of dispersion provide the appraisers a tool by which to determine both the level and uniformity of appraised value on a neighborhood basis. The level of appraised values is determined by the weighted mean for individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods. Review of the standard deviation, coefficient of variation, and coefficient of dispersion discerns appraisal uniformity within and between neighborhoods.

The appraisers and supervisors, through the sales ratio analysis process, review neighborhoods at least annually. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood properties to the appraised values of these sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. Based on the sales ratio statistics and designated parameters for a valuation update, a preliminary recommendation is made as to whether the value level in a neighborhood needs to be updated for the current reappraisal or in an upcoming reappraisal, or whether the level of appraised value is acceptable. The residential appraisers and supervisors perform statistical analysis at least annually to evaluate whether estimated values are equitable and consistent with the market.

### ***Market Adjustment or Trending Factors***

Neighborhood or market adjustment factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market. The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach, or *market-calibrated cost approach*. This type of approach accounts for neighborhood market influences not specified in the base building class cost tables.

The following equation denotes the hybrid model used:

$$MV = LV + ((RCN - D) \times NF)$$

Whereas the market value (MV) equals land value (LV) plus the replacement cost new (RCN) less depreciation (D) times the neighborhood factor (NF). As the cost approach separately

estimates both land and building values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values are needed to bring the level of appraisal to an acceptable standard. Therefore, market, or neighborhood factors are applied uniformly by building class or by neighborhood to insure equitable and accurate market values within these market areas.

If a neighborhood is to be updated, the appraiser uses a sale ratio that compares recent sales prices of properties within a delineated neighborhood by building class with the properties actual cost value. The calculated ratio derived from the sum of the sold properties' cost value divided by the sum of the sales prices by building class indicates each neighborhood's level of value based on the unadjusted cost value for the sold properties within that building class range. A common neighborhood factor for that building class is then calculated to appraise the sold properties within that neighborhood & class at 100% of market value. The calculated factor is then applied to both the sold and unsold properties within that neighborhood to insure equitable and accurate market values. This market adjustment factor or neighborhood factor is needed to trend the values obtained through the cost approach closer to the actual market evidenced by recent sales prices within a given neighborhood. The sales used to determine the neighborhood factor will reflect the market influences and conditions for either the entire neighborhood or for only the specified class(es) within a neighborhood, depending on the data, thus producing more representative and supportable values. The neighborhood factor is applied uniformly to all subject properties within the neighborhood. Once the neighborhood factor(s) is applied for a given neighborhood, the appraiser reviews the final neighborhood's ratio. This value review process may occur in the office or field if needed. GIS, aerial photography, digital photography and other resources are used during the neighborhood value review process.

## **Special Appraisal Provisions**

### ***Appraisal of Resident Homesteads***

Article VIII, Sec. 1 (i) of the Texas constitution allows the legislature to limit the annual percentage increase in the appraised value of residence homestead to 10% under certain conditions. This limitation is commonly referred to as a Homestead "Capped Value". Sec.23.23 of the Tax Code implements the cap on increases in value. The value cap begins in the second year the property qualifies for a residential homestead exemption. The assessed value of a qualified residence homestead will be the LESSER of:

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

Since Grayson Central Appraisal District is on an annual (continual) reappraisal cycle, the appraised value of capped properties must be recomputed annually. The appraised value of a capped homestead increases 10% annually until the appraised value is equal to the market value. If a capped homestead property sells, the cap automatically expires as of January 1<sup>st</sup> of the year following the sale of the property and the property is appraised at its market value.

### ***Residential Inventory***

Sec. 23.12 of the Property Tax Code provides the definition of market value for inventory. Inventory includes residential real property that has never been occupied as a residence and is held for sale in the ordinary course of business, if the property is unoccupied, is not leased or rented, and produces no revenue.

Residential inventory is appraised at market value. The market value of residential inventory is the price at which it would sell as a unit to a purchaser who would continue the business. The residential appraisal staff applies the same generally accepted appraisal techniques to determine the market value of residential real property inventory. Due to the rare incidence of actual market transactions of groups of residential inventory, valuation typically utilizes *Discounted Cash Flow (DCF)* analysis wherein the inventory is treated as a revenue stream with each year's projected cash flow being discounted to present value. The sum of the annual discounted cash flows represents combined value of the inventory components.

### ***Agricultural Appraisal***

The Texas Constitution permits certain kinds of agricultural land to be appraised, for tax purposes, at a productivity value rather than market value (not an exemption, per se). This value is based solely on the land's capacity to produce agricultural products. Property qualifying for agricultural appraisal will have a substantial reduction in current taxes, compared to what taxes would otherwise be based on the market value for the property. Procedures for implementing this appraisal are based on the guidelines published in the Manual for the Appraisal of Agricultural Land, printed April 1990.

## **APPLICATION PROCESS**

It is required that an application be made before land is considered for agricultural valuation. The deadline for filing a timely application is before May 1<sup>st</sup>. Late agricultural valuation applications may be filed up to the time the appraisal roll is certified, however a penalty is imposed for late filing. After an application is filed, the property is inspected to determine its qualification.

Three criteria must be met when determining qualification.

Use - Land must be currently devoted principally to agricultural use.

Degree of Intensity - The agricultural use must be to the degree of intensity generally accepted in the area.

History of Use - The land must have been devoted principally to agricultural use for five (5) of the preceding seven (7) years. Land located within an incorporated city or town must have been devoted principally to agricultural use continuously for the preceding five (5) years.

When the land's use qualifications have been reviewed, one of three actions will be taken.

Application is Approved - Property owner is notified of the decision and the productivity land appraised value.

Application is Denied – Property owner is notified by certified mail and given 30 days to appeal the decision to the Appraisal Review Board.

Disapprove the Application and Request More Information - The application is disapproved and the applicant is allowed thirty (30) days to provide additional information, otherwise the application is denied. When requested information is provided, it is added to data already collected to arrive at a final decision.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### ***Field Review***

The appraiser identifies individual properties in need of field review through examples such as: sales ratio analysis, ARB hearings, building permits, property owner's requests, Pictometry etc. Sold properties are reviewed on a regular basis to check for accuracy of data characteristics.

As the district's parcel count has increased through new home construction, and existing home remodeling, the appraisers are required to perform the field activity associated with each. Increased sales activity can result in a more substantial field effort on the part of the appraisers to review and resolve sales outliers. Additionally, the appraiser frequently field reviews subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property.

### ***Office Review***

Once field review is completed, the supervisor conducts a routine valuation review of all properties as outlined in the discussion of ratio studies and market analysis. Previous values resulting from a protest hearing, informal negotiation, or litigation are individually reviewed to determine if the value remains appropriate for the current year.

Once the supervisor is satisfied with the level and uniformity of value for each area, the estimates of value are prepared for a notice of proposed value.

## **PERFORMANCE TESTS**

### ***Sales Ratio Studies***

The primary analytical tool used by the appraiser and/or appraisal supervisor to measure and improve performance is the ratio study. The district ensures that the appraised values produced meet the standards of accuracy in several ways. Overall sales ratios are generated for each ISD to allow the appraiser to review general market trends within their area of responsibility, and provide an indication of market appreciation over a specified period of time. The neighborhood descriptive statistic is reviewed for each neighborhood being updated for the current tax year.

### ***Management Review Process***

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

## **RESIDENTIAL REAPPRAISAL PLAN OVERVIEW**

The 2011 and 2012 Residential Reappraisal Plan consists of two primary tasks – Fixed Tasks and Variable Tasks. Fixed tasks are those tasks required to be done on an annual basis and are associated with working building permits received on a monthly basis from the fourteen cities within the Grayson Central Appraisal District's jurisdictional boundaries that issue and track building permits. Variable tasks are those tasks associated with the annual reappraisal effort.

### ***Fixed Tasks***

Building permits are received monthly from several cities and are then updated to the applicable account so a physical inspection and/or an office review can take place for the current appraisal year. All significant value related building permits issued from January 1, 2010 through December 31, 2010 associated with an account will be inspected and reappraised for the 2011 appraisal Year. Also, included in these fixed task projections for 2011 and 2012 are those accounts that were partially complete as of January 1, 2010 and January 1, 2011, respectively. Any property that has new construction activity as of January 1 and was not 100% complete will be noted for reappraisal the next appraisal year. This also includes those properties whereby a building permit was issued prior to January 1 but no new construction activity had taken place as of January 1 of the current appraisal year. Property data attribute information is verified and corrected based on on-site inspections as well as office review using digital photographs and aerial photography. The following data attribute information is captured on each appraisal record: land value, SPTD (State Property Tax Division) Code, building class, condition, actual year built, effective year built, living area, additional improvements, total living area, garage, exterior walls, porches, decks, and other attached improvements, and site improvements including but not limited to fence, sprinklers, landscaping, pool, etc.

### ***Variable Tasks***

Variable tasks are those tasks associated with the annual neighborhood reappraisal effort. Neighborhoods targeted for reappraisal are identified through annual in-house Neighborhood Ratio Studies conducted throughout the year, but concentrated in the spring just prior to making necessary neighborhood adjustments and sending out appraisal notices. Also, included in the annual reappraisal effort are:

- New Subdivision accounts
- Account Review. Account review are those accounts where an inspection and/or office review was undertaken to correct data on an account that wasn't a result of a building permit being issued or wasn't apart of the annual neighborhood reappraisal effort.

Account Reviews are typically identified from 3rd party inquiries, the sales qualification process, re-inspections initiated during the Appraisal Review Board process and/or a general review of accounts in non-reappraisal neighborhoods.

---

---

## Commercial Valuation Process

---

---

### INTRODUCTION

#### *Scope of Responsibility*

The Commercial (real property) staff appraiser(s) and contract appraisal firm(s) are responsible for the valuation of all commercial real property, including land and improvements, located within the boundaries of Grayson Central Appraisal District's jurisdiction. Commercial real property types generally include multi-family (greater than 4 units), office, retail, warehouse/manufacturing and various other categories of business related facilities. The staff appraiser(s) and contract appraisal firm(s) may or may not value all commercial land parcels. In many cases, land valuations are determined by GCAD's land appraiser. Capitol Appraisal Group, Inc. does not perform land valuations; this is done by the land appraiser. In general, the commercial appraisal staff and contract appraisal firm are responsible for establishing market value on any real property for which the highest and best use is determined to be non-residential or agricultural.

Commercial appraisal assignments are delineated from residential assignments on the basis of state use code guidelines established by the State Comptroller. Generally, the commercial staff values the following state property codes:

B2	Apartments	82 parcels
C2	Commercial & Industrial land	723 parcels
F1-F2	Improved Commercial & Industrial	3636 parcels

Residential properties located in areas of transition to commercial, or interim-use properties, are also valued by the commercial staff or with assistance from the residential staff.

## ***Appraisal Resources***

**Personnel** - - The real property Commercial Appraisal function is currently performed by two (2) full-time staff member, assisted as needed and for cross-training purposes by various residential and BPP staff members, also assisted and overseen by the Director of Appraisals, Deputy Chief Appraiser and Chief Appraiser. Litigation and arbitration coordination for both commercial and residential is handled by the Deputy Chief Appraiser and Chief Appraiser. Various aspects of the appraisal review and myriad other activities related to property lawsuits filed against GCAD are assigned to other appropriate staff members.

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

## **PRELIMINARY ANALYSIS & DATA COLLECTION**

Prior to beginning of the valuation activities for an appraisal year, the commercial staff completes a thorough review of the results of the preceding year. Goals and objectives are determined and a plan of action is established. Budget, calendar issues and resource availability are all considered. Appraisal activities must be coordinated to avoid conflicts and ensure availability of personnel. Appraisal resources, including staff and system needs are evaluated; Appraisal Review Board activity and value changes in the informal appeals process are analyzed, as well as any weaknesses revealed in the Property Value Study process. A preliminary internal ratio study is produced to identify any property category or geographic area that may require more research or analysis.

Grayson Central Appraisal District administration and personnel interact and exchange information with other assessment officials through professional trade organizations including the International Association of Assessing Officers, Texas Association of Appraisal Districts and the Texas Association of Assessing Officers.

### ***Area Analysis***

Data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources. Required continuing education is provided in the form of courses offered by the International Association of Assessing Officers (IAAO), Texas Association of Assessing Officers (TAAO), Texas Association of Appraisal Districts (TAAD) and Texas Department of Licensing and Regulation (TDLR).

### ***Neighborhood Analysis***

A commercial neighborhood, submarket, or economic area is generally considered to be comprised of the land area and commercially classed improved properties located within the boundaries of a defined geographic area. However, because of the nature of the GCAD economic area, consisting of two similar adjoining medium-sized towns surrounded by a generally rural county with several much smaller towns, the commercial market and available market data for analysis makes geographic delineation of secondary significance. Instead, commercial property neighborhoods are classified by property use, with geographic similarities within the district accorded secondary weight. Hence, comparable sales analysis for any given commercial property type are gathered from throughout the district, and then sorted by location and other characteristics that affect value.

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as market areas or sub-neighborhoods. To the extent possible, properties in a *neighborhood* that has been defined by use are appraised in comparison to others that are most similar in locational features as well.

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

The highest and best use is the most reasonable and probable use that generates the highest present value of the real estate, as of the date of valuation. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. It is that use that will generate the highest net return to the property over a period of time. For vacant tracts of land, the highest and best use is considered speculative but market-oriented, and is based on the surrounding land uses in a competing land market area. The appraiser must consider the most probable use that is permitted under local

administrative regulations and ordinances. While its current zoning regulation may restrict a property's use, the appraiser may also consider the probability that the zoning could be changed, based on activity in the area and a city's propensity for approving zoning change requests.

For improved properties, highest and best use is evaluated as currently improved and as if the site were still vacant. In many instances, the property's current use is the same as its highest and best use. However, the appraiser may determine that the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, excess land, or a different optimum use, if the site were vacant. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to: office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. Proper highest and best use analysis ensures that the most accurate estimate of market value can be derived.

"Value in use" represents the value of a property to a specific user for a specific purpose. An example of value in use is agricultural or productivity value. The Texas Property Tax Code has specific provisions for appraisal of certain types of property that require a value based on a specific use. This is significantly different than market value, which approximates market price under the following assumptions: (i) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (ii) well-informed buyers and sellers acting in their own best interests, (iii) a reasonable time for the transaction to take place, and (iv) payment in cash or its equivalent.

### ***Market Analysis***

A market analysis relates directly to economic market forces affecting supply and demand that affect a group of similar or "like" properties. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market data is gathered and analyzed including sales of commercial properties, new construction and other permit activity, new leases, lease rates, absorption rates, vacancies, typical property expenses (inclusive of replacement reserves, if recognized by the market), expense ratio trends, and capitalization rate indicators. This data is used to determine market ranges in price, operating costs and investment return expectations.

## **DATA COLLECTION / VALIDATION**

### ***Data Collection Manual***

The primary manual for classification of commercial construction and use characteristics is the Marshall and Swift Valuation Service manual, a nationally recognized cost service publication. The Marshall structural classification system is used in conjunction with the district's commercial

neighborhood code system which is based on use. This combination takes into account the two major indications of value – physical characteristics and economic influences as evidenced by adaptability to actual use.

### ***Sources of Data***

Construction data is primarily gathered from building permits, mechanic's liens, septic permits, etc. With respect to commercial sales data, Grayson CAD is responsible for keeping current ownership records, hence all deed records are reviewed and a computer-generated questionnaire is mailed to both parties in the transaction (Grantor and Grantee). If a questionnaire is answered and returned, the documented responses are scanned and recorded on the account in the CAMA software system. If no information is provided, verification may then be attempted from other sources, including the principals themselves, brokers, appraisers or others active in the real estate market. Deeds of trust may also be helpful in providing some indication of the sales price. Ultimately, much of the market data collected and utilized, particularly income and expense data, is gathered in the appeals process from owners and agents seeking lower valuations. Such information includes closing statements which are the most reliable and preferred method of sales verification.

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

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

### ***Cost Schedules***

The cost approach to value is applied to all improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on comparable properties whenever possible. Cost models are typically developed based on the Marshall Swift Valuation Service, but may alternately be developed directly from local market data. Cost models include the derivation of replacement cost new (RCN) of all improvements. These include comparative base rates, per unit adjustments and lump sum adjustments. This approach also employs the sales comparison approach in the valuation of the underlying land value. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs

over a period of time. Because a national cost service is used as a basis for the cost models, locational modifiers are necessary to adjust these base costs specifically for Grayson County. These modifiers are provided by the national cost services for the region in general, but must be localized to the greatest extent possible based on available information.

Depreciation schedules are developed based on what is typical for each property type at that specific age. Depreciation schedules have been implemented for what is typical of each major class of commercial property by economic life categories. Schedules have been developed for improvements with 15, 20, 30, 40, 50 and 60 year expected life. These schedules are then tested to ensure they are reflective of current market conditions. The actual and effective ages of improvements are noted in the CAMA database. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace.

Market adjustment factors such as external and/or functional obsolescence can be applied if warranted. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific property type or location and can be developed via ratio studies or other market analyses. Accuracy in the development of the cost schedules, condition ratings and depreciation schedules will usually minimize the necessity of this type of an adjustment factor.

### ***Sales Comparison Approach Models***

Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. This approach is utilized for estimating land value and also in comparing sales of similarly improved properties to parcels on the appraisal roll. As previously discussed in the Data Collection / Validation section of this report, pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information which can be used in all aspects of valuation. Sales of similarly improved properties can also provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

The formula for the sales comparison approach is **Market Value = Sale Price of Comparable Properties plus or minus adjustments** (for differences between the comparables and the subject). In this model, market value is a total amount without a separation for improvement and land values. The sales comparison approach requires an adequate amount of sales data to be accurate. Various comparison units may be used depending on the property type and use.

The most common comparison units are sales price per square foot and sales price per unit; however, specialized properties may be compared by other units or a combination of units. The commercial appraiser(s) keeps a manual file of market data by property type and also enters sales prices into the individual accounts in the CAMA software so that it may be retrieved individually or in a sales report by “neighborhood” (property type) code.

### ***Income Approach Model***

The income approach to value is applied to those real properties which are typically viewed by market participants as “income producing”, and for which the income methodology is considered a leading value indicator. The basic formula for the income approach is **Market Value = Net Operating Income Divided By Overall Cap Rate**. This is also known as “Direct Capitalization”, which is a generally accepted appraisal technique used to convert one year’s stabilized income into an indication of market value.

The first step in the income approach pertains to the estimation of market rent on a per unit basis. This is derived primarily from actual rent data furnished by property owners and from local market study publications. This per unit rental rate multiplied by the number of units results in the estimate of potential gross rent.

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established from actual data furnished by property owners and on local market publications. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an effective gross rent.

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

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-recoverable expenses such as leasing costs and tenant improvements are included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Different expense ratios are developed for different types of commercial property based on use. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for

his pro-rata share of taxes, insurance and common area maintenance. In comparison, a general office building is most often leased on a base year expense stop. This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. However, any amount in excess of the total per unit expenditure in the first year is the responsibility of the tenant. Under this scenario, if the total operating expense in year one (1) equates to \$8.00 per square foot, any increase in expense over \$8.00 per square foot throughout the remainder of the lease term would be the responsibility of the tenant. As a result, expense ratios are implemented based on the type of commercial property.

Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air conditioning or major mechanical equipment or appliances) requiring expenditures of large lump sums. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type, these expenses when annualized are known as replacement reserves. Subtracting the allowable expenses (inclusive of non-recoverable expenses and replacement reserves) from the effective gross income yields an estimate of net operating income.

Rates and multipliers are used to convert income into an estimate of market value. These include income multipliers, overall capitalization rates, and discount rates. Each of these is used in specific applications. Rates and multipliers also vary between property types, as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market.

Capitalization analysis is used in the income approach models. This methodology involves the capitalization of net operating income as an indication of market value for a specific property. Capitalization rates, both overall (going-in) cap rates for the direct capitalization method and terminal cap rates for discounted cash flow analyses, can be derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of what a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived from the built-up method (band-of-investment). This method relates to satisfying the market return requirements of both the debt and equity positions of a real estate investment. This information is obtained from real estate and financial publications as well as market analysis.

Rent loss concessions are made on specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances

(for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss from these real property operations is discounted using an acceptable risk rate. The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances and leasing commissions) becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy. A variation of this technique allows that for every year that the property's actual occupancy is less than stabilized occupancy a rent loss deduction may be estimated.

## **Final Valuation Summary and Reconciliation**

Based on the market data analysis and the methodology described in the cost, income and sales approaches, the various models are calibrated and values are developed for each commercial property. The cost approach mass appraisal model is applied to most improved properties. Additional valuation indicators may be developed and applied using the sales comparison and income approaches, depending on the property type and availability of data. The total value, resulting from the execution of each appropriate approach is estimated based on reconciling these indications of value considering the weight of the market information available for evaluation and analysis in these approaches to value.

### ***Statistical and Capitalization Analysis***

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

The appraisers review commercial properties biennially through the sales ratio analysis process. The first phase involves ratio studies that compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the appraised values. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal, or whether the ratio of market value is at an acceptable level.

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of non-recoverable and replacement reserves), net operating income and capitalization rate and multipliers are continuously reviewed. Income model estimates and conclusions are compared to actual information obtained on individual commercial and industrial

income properties during the appeal and protest hearings process, as well as with information received from published sources and area property managers and owners.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### ***Field Review***

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

The commercial appraiser(s) is somewhat limited in the time available to field review all commercial properties of a specific use type. However, a major effort is made to field review as many properties as possible or economic areas experiencing physical or economic changes, or wide variations in sale prices. As land values are updated, improvements must be evaluated by field review to estimate whether the new land value causes overall value to be overstated, thereby indicating functional or economic obsolescence for the improvements.

### ***Office Review***

Office reviews are completed on properties subject to field inspections and are performed in compliance with the guidelines required by the existing classification system. Office reviews are typically limited by the available market data presented for final value analysis. The appraisers may utilize Pictometry as a means to verify building characteristics and location without a field inspection. These reviews summarize the pertinent data of each property as well as comparing the previous value to the proposed value conclusions of the various approaches to value. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions. Once the appraiser and supervisor are satisfied with the level and uniformity of value the estimates of value are prepared to send a notice of appraised value.

## **PERFORMANCE TESTS**

### ***Sales Ratio Studies***

The primary tool to measure appraisal performance is a ratio study. A ratio study compares appraised values to market values. Sales ratio studies are an integral part of estimating

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

Grayson CAD has adopted the policies of the IAAO STANDARD ON RATIO STUDIES, circa July 1999 regarding its ratio study standards and practices. Ratio studies generally have six basic steps: (1) determination of the purpose and objectives, (2) data collection and preparation, (3) comparing appraisal and market data, (4) stratification, (5) statistical analysis, and (6) evaluation and application of the results. On an annual basis, appraisers and supervisors analyze the results of the previous years Property Value Study that is conducted by the Property Tax Division of the State Comptroller's Office.

## **COMMERCIAL REAPPRAISAL PLAN OVERVIEW**

The 2011 and 2012 Commercial Reappraisal Plan consists of two primary tasks – Fixed Tasks and Variable Tasks. Fixed tasks are those tasks required to be done on an annual basis and are associated with working building permits received on a monthly basis from the cities within the Grayson Central Appraisal District's jurisdictional boundaries that issue and track building permits. Variable tasks are those tasks associated with the annual reappraisal effort.

### ***Fixed Tasks***

Building permits are received monthly from several cities and are then updated to the applicable account so a physical inspection and/or an office review can take place for the current appraisal year. All significant value related building permits issued from January 1, 2010 through December 31, 2011 associated with an account will be inspected and reappraised for the 2011 Appraisal Year. Also, included in these fixed task projections for 2011 and 2012 are those accounts that were partially complete as of January 1, 2010 and January 1, 2011, respectively. Any property that has new construction activity as of January 1 and was not 100% complete will be noted for reappraisal the next appraisal year. This also includes those properties whereby a building permit was issued prior to January 1 but no new construction activity had taken place as of January 1 of the current appraisal year. Property data attribute information is verified and corrected based on on-site inspections as well as office review using digital photographs and aerial photography. The following data attribute information is captured on each appraisal

record: land value, SPTD (State Property Tax Division) Code, building class, condition, actual year built, effective year built, gross building area, net leasable area, number of stories, story height, overhead doors, percent finish-out & quality, exterior walls, roof type, average unit size, and special features such as refrigerated area, clean room rating, etc. In addition to the physical characteristics noted above, income related data is collected when possible, including but not limited to rental rates, occupancy, expenses, deferred maintenance costs, etc.

### ***Variable Tasks***

Variable tasks are those tasks associated with the annual commercial reappraisal effort. Areas noted for reappraisal are identified by level of activity, and sales ratios for vacant land and/or improved properties segregated by type.

---

---

## **Business Personal Property Valuation Process**

---

---

### **INTRODUCTION**

#### ***Appraisal Responsibility***

The Business Personal Property Division (BPP) of Grayson CAD is responsible for developing fair and uniform market values for business personal property located within the district. There are six different account types appraised: (1) standard business personal property, (2) leased asset/special property at multiple locations, (3) vehicles and commercial aircraft, (4) special inventory, (5) State Code G mineral accounts (which are recognized as real property but maintained in the business personal property system), and (6) State Code J utility accounts. There are approximately 20,252 total accounts, consisting of 6,619 regular BPP accounts, 592 utility accounts, and 13,041 mineral accounts.

#### ***Appraisal Resources***

**Personnel** – The BPP staff consists of a department supervisor and two (2) other appraisers, each of the three having an assigned area. The supervisor also has the responsibility of

delegating other specialty categories such as aircraft to one of the other appraisers. The BPP staff is assisted on a seasonal basis, particularly during rendition time from February through May, by a three member data entry team which also has the full-time assignment of entering monthly sales reports on vehicle inventory tax (VIT) accounts.

**Contractors** – Grayson CAD has contracted with Capitol Appraisal Group, Inc. to identify and appraise all taxable oil & gas (mineral) assets, utilities and various large industrial real and BPP accounts.

**Data** – A common set of data characteristics for each account in the district are collected by appraisers in the field, by phone, and other pertinent sources and are entered into the GCAD CAMA software system by both the appraisal and clerical staff. These assigned property characteristics drive the system to generate a preliminary account value.

## **VALUATION APPROACH (Model Specification)**

### ***SIC Code Analysis***

Four digit numeric codes, called Standard Industrial Classification (SIC) codes, are used as the basis for classification and valuation of business personal property accounts. SIC code identification and delineation is the cornerstone of the business personal property valuation system in the district. Analysis work done in association with the valuation process is SIC code specific. SIC codes are delineated based on observable aspects of homogeneity. SIC code delineation is periodically reviewed to determine if further delineation is necessary.

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

The highest and best use of property is the most 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, legally permissible, financially feasible, and maximally productive. The highest and best use of business personal property is normally its current use.

## **DATA COLLECTION / VALIDATION**

### ***Data Collection Procedures***

Business personal property data collection procedures are published and distributed to all appraisers involved in the appraisal and valuation of personal property. The appraisal

procedures are reviewed and revised to meet the changing requirements of field data collection. The most recent revision of the personal property data collection procedures was in 2005. Business Personal Property appraisers inspect every business on a two year cycle to observe equipment and inventory and confirm that the district's record of building area where equipment or inventory is stored is correct. Businesses that cannot be inspected are thus appraised by *density schedules* based on building area.

## **Sources of Data**

### ***Standard Business Personal Property Account***

GCAD's property characteristic data was originally received from Grayson County and the various city/school district records between 1981 and 1982, and where absent, collected through a massive field data collection effort coordinated by the district over a period of time. The primary source of asset information is the annual rendition process, wherein most property owners fulfill the legislative mandate for annual reports, or renditions. District appraisers also collect new data via annual field inspections. This process results in the discovery of new businesses not revealed through other sources. Various discovery publications such as the Texas DOT commercially registered vehicle listing, sales tax permits listings, and local occupancy permits are also used for discovery purposes. Tax assessors, city and local newspapers, business publications, business owners, advertisements, and district residents provide discovery information and other useful facts related to discovery and valuation.

### ***Leased Asset/Special Property at Multiple Locations Account***

The primary source of discovery for these accounts is owner renditions submitted in either hard copy or electronic format. Field inspections and the renditions of lessees are sometimes used to supplement this information.

### ***Special Inventory***

In coordination with the Grayson County Tax Assessor/Collector, a copy of the monthly and annual declaration forms for boat, heavy equipment, manufactured housing, and motor vehicle dealers (as defined by Section 23 of the Texas Property Tax Code) are maintained at GCAD and used for discovery and valuation of special inventory accounts.

### ***Utility, Pipeline and Mineral Accounts***

Grayson CAD contracts for appraisal work on all utilities (state property code J) and Oil/Gas reserves with Capitol Appraisal Group, Inc. USPAP certification and reappraisal plan

information on these properties are maintained at GCAD's office; the reappraisal plan is attached as Appendix B.

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

### ***Cost Schedules***

Cost data is analyzed from property owner renditions, Settlement and Waiver of Protest documentation, Appraisal Review Board (ARB) hearing evidence, Texas Comptroller schedules, and published guides. Schedules are reviewed as necessary to reflect changing market conditions and are typically presented on a cost per square foot (density) format.

### ***Statistical Analysis***

Summary statistics such as the median, weighted mean, and standard deviation provide appraisers analytical tools by which to determine both the level and uniformity of appraised value by SIC code. Review of standard deviation can distinguish appraisal uniformity within SIC codes.

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

Although all three approaches to value are considered, Grayson CAD's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from a GCAD developed valuation model. The trending factors used by GCAD in the development of the depreciation schedule are based on published valuation guides. The "percent good" or "remaining economic life" depreciation factors published are considered to recognize the trend for changes in cost factors.

Depreciation schedules are reviewed annually and adjusted on an as needed basis. Any revisions are then adopted and their use is reflected in all of the calculations for that category of property. This mass appraisal schedule is used to ensure that market values are uniform and consistent.

### ***Computer Assisted Personal Property Appraisal (CAPPA)***

The two main objectives of the CAPPA valuation process are to: (1) analyze and adjust existing SIC models, and (2) develop new models for business classifications not previously integrated into the system. Models are created and refined using both actual original cost data and market data to derive a typical replacement cost new (RCN) per square foot for a specific category of assets. This is typically known as a *Density Schedule*. The RCN per square foot is depreciated

by the estimated age using the depreciation table adopted for that category of property for the tax year.

### ***Standard Business Personal Property Account***

Density schedules are used in the general business personal property valuation program to estimate the value of new and/or existing accounts for which no property owner's rendition has been filed. The calculated current year value or the prior year's value is compared to the indicated density schedule value for reasonableness.

### ***Vehicles***

Value estimates for vehicles are often provided by a property owner's rendition which is compared to published guides (NADA). If the values are similar the appraiser will typically use the property owner's estimate. Otherwise, or if there is no rendered value, the guide value is given primary weight in the assigned value.

### ***Special Inventory***

Valuation is based upon the annual declaration filed by the property owner indicating the previous year's Texas sales (used as the numerator) and divided by a factor of 12 (the denominator). This establishes a monthly basis consistent with the owner's tax payment requirements. In the absence of an annual declaration, similar businesses that have filed declarations are identified and compared, with appropriate adjustments, to the subject property to establish an estimated market value.

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

### ***Office Review***

The current system of hard copy renditions forces the BPP appraisers to manually "work" each account, thereby constituting a desk review. Accounts without a rendition are reviewed and appraised based on density schedule or other means of estimating value. As electronic rendition filing becomes common, more elaborate and sophisticated programming will be necessary to "flag" accounts for review that meet or fail certain criteria.

## **PERFORMANCE TESTS**

### ***Ratio Studies***

Each year the Property Tax Division of the State Comptroller's Office conducts a Property Value Study (PVS). The PVS is a ratio study used to measure appraisal district performance. Results from the PVS play a part in school funding. Rather than a sales ratio study, the personal property PVS is a ratio study using state cost and depreciation schedules to develop comparative personal property values. These values are then compared to GCAD's personal property values.

## **BUSINESS PERSONAL PROPERTY REAPPRAISAL PLAN OVERVIEW**

The Business Personal Property Division 2011 and 2012 Reappraisal Plan is made up of both fixed and variable tasks. The fixed tasks include setting up new business accounts, and the annual field reappraisal of Business Personal Property as well as deleting inactive accounts. Variable tasks are associated with vehicles/aircraft, special inventory accounts, leased equipment processing and rendition processing.

### ***Fixed Tasks***

Fixed tasks are used to record the BPP reappraisal / field confirmation effort. Due to the dynamic nature of Business Personal Property, constant effort is made to keep appraisal records accurate. GCAD's geographic area is broken down into sectors that are assigned to the individual appraisers, with the exception of those industrial accounts (State Category L2) deemed to be sufficiently large and complex enough to warrant assignment CAD's contract appraisal firm(s). Businesses that are no longer in operation (as of January 1<sup>st</sup>) are deleted. Special attention and inspection detail is given to new accounts as well as those that have not rendered in the last year or more. Appraisers record information regarding individual pieces of equipment including computers, furniture & fixtures, inventory type, quality, and density, vehicles, leased equipment, consignment goods, size of sales or production area and storage areas, and any other miscellaneous information that might have a bearing on value. Data and photographs are entered into the CAMA system by the BPP appraisers with assistance from the data entry team. Data entry for accounts that are considered likely to render may be held back in order to "work" the account only once with both field data and rendition information. Similarly, any field data not completed by the time renditions begin arriving may be matched up with the rendition for that account.

### ***Variable Tasks***

Variable tasks are those that offer planning flexibility from one year to the next. The most significant variable task is the 2011 and 2012 rendition processing period. The BPP division expects to receive in excess of 5,000 renditions each year. Although rendition forms are mailed

out as soon after January 1<sup>st</sup> as possible, businesses typically do not return them until near the April 15<sup>th</sup> deadline, and even then there is an automatic 30 day extension if requested, as well as provision for further conditional extension if the property owner demonstrates *good cause*. With appraisal notices due May 15th or as soon thereafter as possible, the time dilemma is obvious, requiring intense coordination between the data entry and appraisal functions. The Appraisal Staff will review the rendered data in conjunction with information collected in the field, incorporating the inventory and depreciated cost information into the 2011 and 2012 appraisals. Larger accounts are given priority and parameters are developed for any account types wherein rendered values will be accepted for that year; e.g. small value, rendered prior year and current year with small change, rendition closely matches input from field work, etc. Minerals, utilities and various large industry accounts are handled by outside contract appraisal company.

## SPECIFIC GOALS FOR APPRAISAL, SUPPORT, AND RESOURCES

2011

### Appraisal

Continue Reinspection  
Rebuild Basic Residential Cost Schedules;  
Expand Scope of Commercial Schedules;  
Consider & Incorporate Findings of PVS;  
Consider & Implement Recommendations of  
Methods Assistance Program  
Activate Features Valuation;  
BPP – Focus on Non-Rendering Accounts;  
BPP – Update Local SIC Code Schedules;  
Work Cycle – Follow Market;

### Support Services

Personnel – Add 1 assistant IT (In Budget);  
Continue 3-year HS & Ag Re-application  
process;  
Expand Ag Advisory Board;

### Information Technology

Enhancements to Website;  
Enhancement of Online GIS mapping  
Renew Pictometry – 2011-2012;

### Administration

Implement Recommendation of M&S  
Review – Create Disaster Recovery  
Plan.

Continue 2<sup>nd</sup> Round of Reinspections (3-year  
Cycle);  
Rebuild Basic Residential Depreciation Schedules;  
Expand Scope of Commercial Schedules;  
Consider & Incorporate Findings of PVS;  
Re-Allocate Land Appraisal Assignments;  
Review Residential Assignments;  
Enhance Features Valuation;  
Continue Local SIC Code Schedule Development;  
Work Cycle – Follow Market;

Continue HS & Ag Re-application process;

Continue Website Enhancements.  
Integrate online appraisal appeals  
Enhancement of financial software  
Upgrade telephone system  
Upgrade digitizing equipment

2012

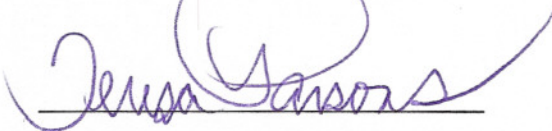
### **LIMITING CONDITIONS**

The appraised value estimates provided by the district are subject to the following conditions:

1. The appraisals are prepared exclusively for ad valorem tax purposes.
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised are performed as staff resources and time allowed. Some interior inspections of property appraised are performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.
3. Validation of sales transactions is attempted through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, sales data obtained from vendors is considered reliable.
4. Appendix B has a list of staff providing significant assistance to the person signing this certification.

#### **Certification Statement:**

"I, Teresa A. Parsons, Chief Appraiser for Grayson Central Appraisal District, solemnly swear that I have made or caused to be made a reappraisal plan for Grayson Central Appraisal District for the 2011/2012 tax years as required by law."



Teresa A. Parsons

Chief Appraiser

## ***LIMITING CONDITIONS***

The appraised value estimates provided by the district are subject to the following conditions:

1. The appraisals are prepared exclusively for ad valorem tax purposes.
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised are performed as staff resources and time allowed. Some interior inspections of property appraised are performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.
3. Validation of sales transactions is attempted through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, sales data obtained from vendors is considered reliable.
4. Appendix B has a list of staff providing significant assistance to the person signing this certification.

### **Certification Statement:**

"I, Teresa A. Parsons, Chief Appraiser for Grayson Central Appraisal District, solemnly swear that I have made or caused to be made a reappraisal plan for Grayson Central Appraisal District for the 2011/2012 tax years as required by law."

---

Teresa A. Parsons

Chief Appraiser

## **Appendix A. 2011-2012 Calendar of Key Events**

### **August**

---

- Last day for property owners to apply for September 1 inventory appraisal for 2011 (Sec. 23.12).
- Last day for disabled or 65-or-older homeowners or homeowners and qualified businesses whose properties were damaged in a disaster area to pay fourth installment on taxes (Secs. 31.031, 31.032).
- Date taxing unit's assessor submits appraisal roll and collection rate estimate for the current year to the governing body (or soon after) (Sec. 26.04).
- Date taxing units (other than school districts and small taxing units) must publicize effective tax and rollback rates, unencumbered fund balances, debt obligation schedule and other applicable items (or as soon as practical thereafter) (Sec. 26.04).
- Last day for CAD board to pass resolution to change CAD finance method, subject to taxing unit's unanimous consent (Sec. 6.061).
- Last day for CAD board to pass resolution to change number of directors, method for appointing or both, and deliver to each taxing unit (Sec. 6.031).
- Deadline for Texas Comptroller to certify final 2009 PVS findings to Education Commissioner and each school district (Comptroller Rule Sec. 9.4313).
- Date ARB must approve appraisal records in CADs with populations of 1 million or more where the board of directors has postponed the deadline from July 20 (Sec. 41.12).
- Last day for property owner to give, in writing, correct address to CAD for tax bill; penalties and interest waived if the bill is not sent to the correct address 21 days before delinquency date (Sec. 33.011).
- Last day taxing units may file resolutions with the CAD board to oppose proposed change in the CAD finance method (Sec. 6.061).
- Last day for taxing unit entitled to vote for appointment of CAD directors to file a resolution opposing a change by the CAD board in selection of directors (Sec. 6.031).

### **September**

---

- 2011 taxable value of inventories may be determined as of this date, at property owner's written option (Sec. 23.12).
- Last day for CAD board to adopt 2011 CAD budget, unless a district has changed its fiscal year (Sec. 6.06).
- Last day for CAD board to notify taxing units in writing if a proposal to change a finance method by taxing units' unanimous consent has been rejected (Sec. 6.061).

- Last day for CAD board to notify taxing units in writing if a proposal to change the number or method of selecting CAD directors is rejected by a voting taxing unit (Sec. 6.031).
- Last day for taxing units to adopt 2010 tax rate, or no later than 60th day after the chief appraiser certifies appraisal roll to a unit. Failure to adopt by these required dates results in a unit adopting the lower of its effective tax rate for this year or last year's tax rate; unit's governing body must ratify new rate within five days (Sec. 26.05).
- Last day for taxing units' fourth quarterly payment for 2010 CAD budget (Sec. 6.06).

## **October**

---

- Date tax assessor mails 2010 tax bills (or soon after) (Sec. 31.01).

## **November**

---

- First half of split payment of 2010 taxes is due on or before this date (Sec 31.03).

## **December**

---

- Time when chief appraiser may conduct a mail survey to verify homestead exemption eligibility (Sec. 11.47).
- Last day for taxing units' first quarterly payment for 2011 CAD budget (Sec. 6.06).

## **January**

---

- Date that 2010 taxable values and qualification for certain exemptions are determined (except for inventories appraised Sept. 1) (Secs. 23.01, 23.12).\*
- Date a tax lien attaches to property to secure payments of taxes, penalties and interest that will be imposed for the year (Secs. 11.42, 23.01, 32.01).
- Date rendition period begins; continues through April 15 for those property owners not requesting a filing extension (Sec. 22.23).
- Date that half the members of the county appraisal district (CAD) board of directors begin two-year terms if the district has staggered terms (Sec. 6.034).
- Date that half of appraisal review board (ARB) members begin two-year terms (Sec. 6.41).
- If a 2009 tax bill is not mailed on or before this date, the delinquency date is postponed (Sec. 31.04).
- Deadline for Texas Comptroller's preliminary 2009 *Property Value Study (PVS)* findings to go to Education Commissioner and each school district (Government Code Sec. 403.302).

## **February**

---

- Last day for chief appraiser to deliver applications for special appraisal and exemptions requiring annual applications (Secs. 11.44, 23.43).

- Last day for disabled or 65-or-older homeowners to pay one quarter of homestead property taxes in installments. Homeowners or qualified businesses whose properties were damaged in a disaster within a designated disaster area may choose this payment option (Secs. 31.031, 31.032).
- Last day for motor vehicle, boat and outboard motors, heavy equipment and manufactured housing dealers to file dealer's inventory declarations (Secs. 23.121, 23.124, 23.1241, 23.127).
- Last day for appraisal district to give public notice of 2010 capitalization rate used to appraise property with low- and moderate-income housing exemption (Sec. 11.1825).
- Date that 2009 taxes become delinquent if a bill was mailed on or before Jan. 10, 2010. Rollback tax for change of use of 1-d-1 land becomes delinquent if taxing unit delivered a bill to the owner on or before Jan. 10, 2010 (Secs. 23.46, 23.55, 23.76, 23.9807, 31.02).
- Last day for county tax collector to disburse motor vehicle, boat and outboard motor, heavy equipment and manufactured housing inventory taxes from escrow accounts to taxing units (Secs. 23.122, 23.1242, 23.125, 23.128).

## March

---

- Last day to request cooperative housing appraisal (Sec. 23.19).
- Deadline to file written appeal of PVS findings with Texas Comptroller (Government Code Sec. 403.303).
- Last day for taxing units' second quarterly payment for 2010 CAD budget (Sec. 6.06).
- Last day for disabled or 65-or-older homeowners or homeowners or qualified businesses whose properties were damaged in a disaster area to pay second installments on taxes (Secs. 31.031, 31.032).
- Last day for cities to report information regarding reinvestment zones and tax increment financing plans to Texas Comptroller (Sec. 311.019).
- Last day for qualified community housing development corporations to file listing of property acquired or sold during the past year with the chief appraiser (Sec. 11.182).

## April

---

- Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for single-family residence homestead properties (Sec. 25.19).
- Last day for the chief appraiser to notify the taxing units of the form in which the appraisal roll will be provided to them (Sec. 26.01).
- Last day for property owners to file renditions and property information reports unless they request a filing extension in writing (Sec. 22.23).

**NOTE:** The Comptroller and each chief appraiser are required to publicize the legal requirements for filing rendition statements and the availability of the forms in a manner reasonably designed to notify all property owners of the law (Sec. 22.21). Chief appraisers need

to check with their legal counsel to determine the manner and timing of this notice to meet the legal requirement.

- Last day for property owners to file these applications or reports with the CAD:
  - Some exemption applications (Sec. 11.43)\*\*;
  - Notice to chief appraiser that property is no longer entitled to an exemption not requiring annual application (Sec. 11.43);
  - Applications for special appraisal or notices to chief appraiser that property no longer qualifies for 1-d and 1-d-1 agricultural land, timberland, restricted-use timberland, recreational-park-scenic land and public access airport property (Secs. 23.43, 23.54, 23.75, 23.84, 23.94, 23.9804);
  - Railroad rolling stock reports (Sec. 24.32);
  - Requests for separate listing of separately owned land and improvements (Sec. 25.08);
  - Requests for proportionate taxing of a planned unit development property (Sec. 25.09);
  - Requests for separate listing of separately-owned standing timber and land (Sec. 25.10);
  - Requests for separate listing of undivided interests (Sec. 25.11); and
  - Requests for joint taxation of separately owned mineral interest (Sec. 25.12).
- Last day for chief appraiser to certify estimate of school district's taxable value for school district to use for publishing notice of budget and proposed tax rate and adopting its budget for a fiscal year that begins July 1. Chief appraiser must also certify estimate of taxable value for county and cities unless the taxing units choose to waive the estimate (Sec. 26.01).

## May

---

- Period when taxing units may file resolutions with chief appraiser to change CAD finance method. Three-fourths of taxing units must file for change to occur (Sec. 6.061).
- Period when chief appraiser must publish notice about taxpayer protest procedures in a local newspaper with general circulation (Secs. 41.41, 41.70).
- Period when taxing units must notify delinquent taxpayers that taxes delinquent on July 1 will incur additional penalty for attorney collection costs (Sec. 33.07).
- Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value for properties other than single-family residence homesteads (Sec. 25.19).
- Last day for property owners to file renditions and property information reports if they requested an extension in writing. For good cause, chief appraiser may extend this deadline another 15 days (Sec. 22.23).
- Last day (or as soon as practicable thereafter) for chief appraiser to mail notices of appraised value, denial of exemptions and denial of special appraisal (Secs. 11.45, 23.44, 23.57, 23.79, 23.85, 23.95, 23.9805, 25.19).
- Date (or as soon as practicable thereafter) for chief appraiser to prepare appraisal records and submit to ARB (Secs. 25.01, 25.22).
- Last day for chief appraiser to count taxing units' resolutions to change CAD's finance method (Sec. 6.061).
- Last day for chief appraiser to notify taxing units of change in the CAD's finance method (Sec. 6.061).

## June

---

- Last day for property owners to file protest with ARB (or by 30th day after notice of appraised value is delivered, whichever is later) (Sec. 41.44).
- Last day for taxing units to file challenges with ARB (or within 15 days after ARB receives appraisal records, whichever is later) (Sec. 41.04).
- Last day for disabled or 65-or-older homeowners or home owners and qualified businesses whose properties were damaged in a disaster area to pay third installment on taxes (Secs. 31.031, 31.032).
- Last day for religious organizations to amend charters and file new applications for Sec. 11.20 exemption (or within 60 days of exemption denial, whichever is later) (Sec. 11.421).
- Last day for chief appraiser to submit recommended 2011 budget to CAD board and taxing units (unless taxing units have changed CAD's fiscal year) (Sec. 6.06).
- Beginning date that CAD board may pass resolution to change CAD finance method, subject to taxing units' unanimous approval. Period ends Aug. 14 (Sec. 6.061).
- Last day to pay second half of 2009 taxes by split payment (Sec. 31.03).
- Last day for taxing units' third quarterly payment for 2010 CAD budget (Sec. 6.06).
- Last day to form a taxing unit to levy 2010 property taxes (Sec. 26.12).
- Last day for taxing units to adopt local option percentage homestead exemptions (Sec. 11.13).
- Last day for private schools to amend charters and file new applications for (Sec. 11.21) exemption (or within 60 days of exemption denial, whichever is later) (Sec. 11.422).
- Last day for CADs to report formation of reinvestment zones and tax abatement agreements to the Texas Comptroller (Sec. 312.005).

## July

---

- Date that delinquent taxes incur total 12 percent penalty (Sec. 33.01).
- Taxes delinquent on or after Feb. 1, but not later than May 1, incur additional penalty to pay attorney collection costs (Sec. 33.07). Taxing unit may add penalty for attorney collection costs to taxes delinquent on or after June 1; penalty is incurred on the first day of first month that begins at least 21 days after the date the collector sends property owner a notice of delinquency and penalty (Sec 33.08).
- Last day for ARBs to complete review of railroad rolling stock values for submission to Texas Comptroller (or as soon as practicable thereafter) (Sec. 24.35).
- Date ARB must approve appraisal records, but may not do so if more than 5 percent of total appraised value remains under protest. The board of directors of a CAD with a population of 1 million or more may postpone the deadline to Aug. 30 or increase the threshold percentage from 5 to 10 percent of the appraised value of properties not under protest (Sec. 41.12).

- Last day for Texas Comptroller to certify apportionment of railroad rolling stock value to counties, with supplemental records after that date (Sec. 24.38).
- Last day for chief appraiser to certify appraisal roll to each taxing unit (Sec. 26.01).

Note: The calendar shows the most important property tax deadlines for appraisal districts, taxing units and property owners in the 2010 tax year. When the last day for performing an act falls on a Saturday, Sunday or legal holiday, Tax Code Section 1.06 designates the deadline as the next regular business day. Check with the local appraisal district office or tax office if a due date falls on the weekend or holiday. The deadlines shown on the calendar have been adjusted accordingly. The information provided in this calendar is advisory only. Any questions should be addressed with legal counsel for the governmental entity.

## ***Appendix B. Key Personnel in Reappraisal Plan Implementation***

<b><u>Department</u></b>	<b><u>Employee</u></b>	<b><u>Position</u></b>
Administration	Teresa A. Parsons	Chief Appraiser
Support Administration		
	Shawn Coker	Deputy Chief Appraiser
	Trenna Waw	Director of Administration (Customer Service)
	Angie Wilson	Director of Finance
	Vickie Matthews	Director of Mapping / GIS
	Brenda Arzate	Director of Information Technology
Appraisal	Annette Cofer	Director of Appraisal
	Mazie Dailey	Asst. Director of BPP
	Lauri Harrelson	Asst. Director of Residential

***Appendix C. Contract Appraisal Firm-Attached***

***Appendix D. Contract Appraisal Firm-Attached***