LIVE OAK COUNTY APPRAISAL DISTRICT

2019-2020

REAPPRAISAL PLAN



Adopted September 10, 2018

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EXECUTIVE SUMMARY

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

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

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

This executive summary includes the legal requirement of a reappraisal plan passed by the Texas Legislature in the 2005 regular session and our response to these requirements immediately below the law in bold italics. Details of how the plan will be implemented are discussed in the body of this document. In addition to the Live Oak County Appraisal District Appraisal Manual, the district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

TAX CODE REQUIREMENT

Section 6.05, 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 tenth day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating

in the district a written notice of the date, time, and place of the hearing. Not later than September 15 of each even numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.

PLAN FOR PERIODIC REAPPRAISAL

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

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

(b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:

(1) Identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;

The Live Oak County Appraisal District receives listings of all deeds filed in the county. Those deeds are read and abstracted by the clerical staff. Information is recorded in the computer assisted mass appraisal (CAMA) software including grantor, grantee, date of recording, volume, and page in the county clerk's records. Property identification numbers are assigned to each parcel of property that remain with the property for its life.

Business personal property is located by canvassing the county street by street, using data sources such as yellow pages, sales tax permit holder lists, online sales tax information, and other business listing publications to ensure that all property owners are located. Lists of commercial vehicles are also purchased annually.

All businesses are mailed a rendition by January 1 of each year. Owners are required by state law to list all their business personal property with the appraisal district by April 15 of each year. Failure to render can result in a 10% penalty. A possible 50% penalty can be assessed if fraud is involved in deliberately filing a false rendition.

Heavy industrial plants, utilities, pipelines, minerals, and industrial business personal property are appraised through a contract with Capitol Appraisal Group, Inc., of Austin, Texas. They gather information from numerous sources, inspect properties assigned to them, and appraise those properties using the specialized methods commonly used in this specialized field.

Maps are being developed that show ownership lines, size, and account numbers for all real estate. See Mapping Plan for detailed information.

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

Real property accounts are physically or statistically reviewed each year. Appraisers drive to neighborhoods, towns, cities, and rural areas of Live Oak County and gather data about each home, commercial business, and vacant land tract or use aerial photography. The appraisers walk or drive from property to property noting the condition of the property and observing and noting any changes to the property since the previous inspection. Pictures of the property have been captured and are stored in the computer to assist the appraiser in making value decisions when he or she returns to the office. New photos are taken as needed. Other data stored in the CAMA system

includes an exterior sketch of the improvement which allows the computer system to calculate square footage for the various areas of the building. Components within the building such as bathrooms, fireplaces, air conditioning, type of roof, type of exterior, etc. are listed and appropriate values are assigned by the CAMA system. The rural areas of the county are driven out each year as appraisers look for newly constructed properties and remodels since there is no county-wide permit system.

Business personal property is inspected annually as necessary by the appraisers. The appraiser looks at the quality, quantity, and density of inventory, equipment, furniture, fixtures, etc. that they observe. Notations are made that may help in estimating a value such as age and condition of assets. New businesses are made aware of the rendering requirement if possible and the appraiser leaves their business card. If their observation is different than the rendition filed by the taxpayer, additional information may be required to assign a proper value. The appraiser has the discretion to accept or not accept a rendered value.

(3) Defining market areas in the district;

As Live Oak County is a sparsely populated and very rural county the market area has been defined as the entire county. As we have received few confirmed sales prices of residential, commercial, and vacant land sales in the past we will continue to define the market area as the county; however, we are conducting a review to establish more defined market areas such as commercial land, industrial land, lake front, lake view, city, and school district properties.

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

(A) The location and market area of the property;

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

(C) Legal and economic attributes; and

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

Each parcel of property has detailed information recorded in the CAMA system. For land, the legal description, dimensions, size, available utilities, and special characteristics are noted in a form that can be used and compared with other land parcels.

Each improvement shows the sketch and dimensions, a picture of the improvement, the class which indicates original construction quality, the year of construction of each part of the improvement if known, the type of roof, the roof covering, the exterior covering of the improvement, number of baths, fireplaces, air conditioning type, other attributes, and overall condition of the improvement.

(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;

The CAMA system begins with the cost approach to value to estimate original cost of each improvement. That cost is based on local modifiers to Marshall-Swift, a nationally recognized cost estimation system. By utilizing these cost systems, properties are equalized as to their original costs. Components measured in the cost include the size of the structure, type of roof structure, roof covering, exterior covering, special features such as fireplaces, pools, and other special amenities. The market sales are then studied for improvement contributions in each neighborhood and adjustments to cost are applied to each neighborhood in the form of all types of depreciation. Finally, each structure is rated as to its current condition. Ratings range from poor to excellent. Sales are also categorized using the same condition rating system so that sales comparisons will be made to properties of like construction and condition.

This same concept is used in commercial, industrial, and apartment property. Significantly larger neighborhoods or areas are indicated for these properties using sales and income data.

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

(If no sales data is available the cost or income approach is used to estimate value.)

By utilizing sales data for each neighborhood, the appraiser measures accrued depreciation of structures by condition rating. Similar properties with similar condition are assigned values per square foot based on the linear regression formulae for that neighborhood. By utilizing the age, quality, condition, construction components, and other variables, the model is developed and applied to all parcels within the neighborhood.

For commercial property and apartments, economic index factors or market adjustments may be applied to cost figures to align values with current sales data. Regions of the community are assigned similar values per square foot for similar age, construction quality, and condition. Models are developed and the CAMA system applies all the factors and assigns value to each parcel.

(7) Reviewing the appraisal results to determine value.

(If no sales data is available the cost or income approach is used to estimate value.)

After completing the process of assigning values to all commercial parcels within the county using the computer assisted mass appraisal programs, printouts or Excel spreadsheets are run to make comparisons of values per square foot within the neighborhood and comparison of those appraised values per square foot with current sales data from the neighborhood. A sales ratio is run for each neighborhood to determine if the values that have been assigned are within required ratios of law (95%-105%).

Commercial property and apartments are compared by category or type of business. i.e. Fast food structures are compared to other fast food stores. Adjustments are made in mass by the commercial appraisal staff utilizing the CAMA system. All similar improvements are compared to verify reasonableness of value and equality.

RE-EVALUATION DECISION (REAPPRAISAL CYCLE)

The Live Oak County Appraisal District by policy reappraises all property in the district at least every three years. The reappraisal is complete appraisal of all properties in the district. The reappraisal of George West ISD, Three Rivers ISD and Mathis ISD may consist of field inspections, CAMA, or both for all property types. Values throughout the county may be adjusted by use of sales data. Business personal property, some commercial (income producing & State Reporting), industrial property, minerals, pipelines, utilities, etc, and agricultural productivity values are appraised every year.

Live Oak County Appraisal District
Reappraisal Plan Details

INTRODUCTION

Scope of Responsibility

Except as otherwise provided by the Property Tax Code, all taxable property is appraised at its "market value" as of January 1. 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 Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), productivity (Sec. 23.41), real property inventory (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 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 or business personal property may elect to have the inventory appraised at its market value as of September 1 of the year proceeding the tax year to which the appraisal applies by filing an application with the chief appraiser prior to August 1, requesting that the inventory be appraised as of September 1.

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. The district's current policy is to conduct a general reappraisal of taxable property at least once every 3rd year. Appraised values are reviewed annually and are subject to change. Some properties are appraised every year as noted in the executive summary. Properties located in Three Rivers ISD and George West will be reappraised in 2017. Due to ongoing local economic changes with Eagle Ford Shale, Three Rivers ISD, George West ISD and Mathis ISD will be reviewed for reappraisal in 2018. While all property types are reviewed, there will be a specific emphasis on Ag-Special Use & Wildlife Management Properties and other Exemptions on qualifying properties. The chief appraiser has the discretion to adjust this plan as necessary within the parameters of the State Property Tax Code.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted mass appraisal programs and recognized appraisal methods and techniques, information is compared with the data for similar properties, and with recent cost and market data. In addition to the Live Oak County Appraisal Manual, the district follows the standards of the International Association of

Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the guidelines promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

Personnel Resources

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

The appraisal district staff currently consists of 7 employees with the following classifications:

- Chief Appraiser
- Administrative Assistant
- Appraiser (RPA & RTA)
- Deed Analyst - Researcher
- Financial Coordinator
- Collection Specialist
- Data Analyst – (Staff Support Clerk)

Staff Education and Training

All personnel that are performing appraisal work are registered with the Texas Department of Licensing and Regulation and are required to take appraisal courses to achieve the status of Registered Professional Appraiser within five years of employment as an appraiser. After they are awarded their license, they must receive additional training of not less than 30 hours of continuing education every two years. Within the 30 hours of continuing education employees must and shall complete a 7 hour USPAP Update, an Ethics class and a course in Legislative Updates after the Legislature adjourns. Failure to meet these minimum standards can result in the termination of the employee.

Additionally, all appraisal personnel receive training in data gathering process, including data entry into the district's CAMA system and statistical analyses of all types of property to ensure equality and uniformity of appraisal of all types of property. On-the-job training is performed by qualified appraisal staff for new appraisers. The chief appraiser meets regularly with the staff to introduce new procedures and answer questions monitor appraisal activity to ensure that standardized appraisal procedures are being followed by all personnel.

Data

The district is responsible for establishing and maintaining approximately 31,644 real and personal property and 11,665 mineral accounts within Live Oak County which are listed below:

Category	Items
A/Single Family Residence	4,290
B/Multifamily Residence	22
C/Vacant Lot	4,159
D/Ag Land	7,058
E/Farm & Ranch Improvement	1,334
F1/Commercial Real	607
F2/Industrial Real	86
G/Minerals	11,665
J/Industrial	460
L1/Commercial Personal	726
L2/Industrial Personal	426
M/Tangible	698
O/Residential Inventory	105
S/Special Inventory Tax	8

The Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review. Sales are validated by mail, phone or field effort and some of the new construction and field inspections. General trends in employment, interest rates, new construction trends, and cost and market data are acquired through various sources, including internally generated questionnaires to buyer and sellers, university research centers and vendors.

The district is implementing a geographic information system (GIS) that maintains cadastral maps, various layers of data and aerial and photography.

In the appraisal year, the district implemented the Pictometry software as a tool for viewing & measuring property that has historically been inaccessible. The district's website will make a broad range of information available for public access, including information on the appraisal process, property characteristics data, certified values, protests and appeal procedures. Downloadable files of

related tax information and district forms, including exemption applications and business personal property renditions will also be available.

Information Systems

The appraisal district's computer assisted mass appraisal system (CAMA) is owned and maintained by Capitol Appraisal Group, Inc., in Austin, Texas. Our mapping system is PC based and maintained in house by our appraisal staff. As of January 2018 BIS Consulting is contracted to maintain our GIS mapping project at December 2017 we were at Mapped.

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 Assistance Division (PTAD) conducts a biennial property value study (PVS) of each Texas school district and each appraisal district. As part of this annual study, the code 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 (MAPs review); tests the validity of school district taxable values in each appraisal district and presumes the appraisal roll values are correct when values are valid; and, determines the level and uniformity of property tax appraisal in each appraisal district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analyses of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median, and price-related differential (PRO) for properties overall and by state category.

There are 3 independent school districts in Live Oak County Appraisal District for which appraisal rolls are annually developed. The preliminary results of this study are released February 1 in the year following the year of appraisal. The final results of this study are certified to the Education Commissioner of the Texas Education Agency, (TEA), the following July of each year. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

INTRODUCTION

Appraisal Responsibilities

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a comprehensive physical description of personal property, and land and building characteristics. This appraisal activity is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types located within the boundaries of Live Oak County. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to periodically inspect residential, commercial, and personal properties in the district every year. The appraisal opinion of value for all property located in the district is reviewed and evaluated each year.

Appraisal Resources

- **Personnel** - The appraisal activities are conducted by 2 appraisers including the Chief Appraiser.

- **Data** - The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Assisted Mass Appraisal System) from the district's computer system. The data is printed on a property record card or personal property data sheets. Other data used includes maps, sales data, building permits, photos and actual cost and market information if known. Sources of information are gathered using relationships with other participants in the real estate market place. The district attempts to cultivate sources and gathers information from both buyers and sellers.

Appraisal Frequency and Method Summary
(If there are insufficient sales to perform ratio studies the cost approach is used to estimate market value.)

- **Residential Property-** Residential property is physically examined every 3rd year with appraisers walking or driving in front of each home, noting condition of the improvement and looking for changes that might have occurred to the property since the last on-site check. Exterior pictures are taken of homes as necessary. Every area is statistically analyzed annually to ensure that sales that have occurred in the subdivision during the past 12 months are within a +-5% range of appraised value. If the sales do not indicate that range, adjustments are made to the subdivision using a process outlined in detail in the Residential Appraisal section of this report. If there are

- **Commercial Property-** Commercial and industrial real estate is observed annually to verify class and condition. Pictures are taken of the improvements as necessary. Real estate accounts are analyzed against sales if any of similar properties as well as similar communities in the area that have similar economies. The income approach to value is also utilized to appraise larger valued commercial properties such as apartment complexes, motels, hotels and other types of property that typically sell based on net operating income as reported to the State Comptroller. ***The cost approach to value is used if there are insufficient sales or income information.***

- **Business Personal Property-** Business personal property is observed annually with the appraiser actually going into businesses to develop quality and density observations. A rendition is left for new businesses to complete. Similar businesses to a subject are analyzed annually to determine consistency of appraisal per square foot. Businesses are categorized using Standard Industrial Codes. Rendition laws provide additional information on which to base values of all BPP accounts.

- **Industrial Property-** Industrial property within LOCAD is appraised annually via a contract in place with Capitol Appraisal Group, Inc. Industrial properties consist of chemical plants, processing facilities and related personal property. Industrial properties are generally appraised using replacement/reproduction cost new less depreciation models. Replacement costs are estimated from published sources, other publicly available information and comparable properties. Reproduction costs are based on actual investment in the subject or comparable properties adjusted for typical changes in cost over time. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence and the experience of the appraisers.

- **Minerals-** Working and royalty interests of producing oil and gas wells are appraised annually by Capitol Appraisal Group Inc. The most recent production data available from the Texas Railroad Commission is downloaded into appraisal software that estimates economically recoverable reserves. Those reserves are then valued based upon State mandated pricing using the previous year's
average of oil or gas values. A discount is applied over the anticipated life of the well in order to consider the value of money over time to recover those reserves. Each producing lease is valued as a unit and then that value is divided according to the various owners of the lease listed in division orders.

- **Utilities and Pipelines-** Utility companies and pipelines are appraised annually by Capitol Appraisal Group Inc. using a unit value developed using all three approaches to value. For example, a utility company's total value in the State is estimated using cost, market, and income approaches to value and then the entire value is allocated using the components of that utility company that have situs in the various tax unit of Live Oak CAD. Components include such things as miles of transmission lines, miles of distribution lines, substations and the like for an electric utility.

Data Collection/Validation

Data collection of real property involves maintaining data characteristics of the property on CAMA (Computer Assisted Mass Appraisal) software. The information contained in CAMA includes site characteristics, such as land size and topography, and improvement data, such as square footage of living area and other areas of the improvement, year built, quality of construction, and condition. Field appraisers are required to use a property classification system that establishes uniform procedures for the correct listing of real property. All properties are coded according to a classification system. The approaches to value are structured and calibrated based on this coding system and property description and characteristics. The field appraisers use property classification references during their initial training and as a guide in the field inspection of properties. Data collection for personal property involves maintaining information on software designed to record and appraise business personal property. The type of information contained in the BPP file includes personal property such as business inventory, furniture and fixtures, machinery and equipment, with details such as cost
and location. The field appraiser conducting on-site inspections uses a personal property classification system during their initial training and as a guide to correctly list all personal property that is taxable.

Sources of Data

The sources of data collection are through property inspection, new construction field effort, data review/relist field effort, data mailer questionnaires, hearings, sales validation field effort, commercial sales verification and field effort, newspapers and publications, and property owner correspondence by mail or via the Internet. A principle source of data comes from building permits received from taxing jurisdictions that
require property owners to take out a building permit. Permits are received and matched manually with the property's tax account number for data entry. Area and regional real estate brokers and managers are also sources of market and property information. Data surveys of property owners requesting market information and property description information is also valuable data. Soil surveys and agricultural surveys of farming and ranching property owners and industry professionals are helpful for productivity value calibration. Various income and rental surveys are performed by interviewing property managers and operators to determine operating income and expenses for investment and income producing real property.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers visit entire neighborhoods to review the accuracy of our data and identify properties that have to be relisted. The sales validation effort in real property pertains to the collection of market data for properties that have sold. In residential, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of the property characteristics and confirmation of the sales price. In commercial, the commercial appraiser is responsible for contacting sales participants to confirm sales prices and to verify pertinent data.

Property owners are one of the best sources for identifying incorrect data that generates a field check. Frequently, the property owner provides reliable data to allow correction of records without having to send an appraiser on-site. As the district increases the amount of information available on the Internet, property owners will have the opportunity to review information on their property and forward corrections via e-mail. For the property owner without access to the Internet, letters are sometimes submitted notifying the district of inaccurate data. Properties identified in this manner are added to a work file and inspected at the earliest opportunity. Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed throughout the appraisal process from year to year.

Appraisal opinion quality and validity relies on data accuracy as its foundation.

Data Collection Procedures

The appraisers are assigned specific areas throughout the district to conduct field inspections. These geographic areas of assignment are maintained for several years to enable the appraiser assigned to that area to become knowledgeable of all the factors that drive values for that specific area. Appraisal staff are encouraged and expected to become familiar with all areas of Live Oak County to ensure equity between areas. Appraisers of real estate and business personal property conduct field inspections and record information on the appraisal card dealing with the property and allows for the entry of corrections and additions that the appraiser may find in his or her field inspection.

The quality of the data used is extremely important in estimating market values of taxable property. While work performance standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection and the classification system set forth and recognized as "rules" to follow.

Data Maintenance

The appraiser begins an area update by downloading complete files of the area that he/she plans to work. The field appraiser is responsible for the data entry of his/her fieldwork into the computer file as the area is reviewed. This responsibility includes not only data entry, but also quality assurance. Clerical personnel are also responsible for appraisal data entry. After data entry by clerical personnel, it is the responsibility of the appraiser to review for accuracy.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

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

Office Review

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

Performance Test

The property appraisers are responsible for conducting ratio studies and comparative analysis. Ratio studies are conducted on property located within certain neighborhoods or districts by appraisal staff. The sale ratio and comparative analysis of sale property to appraised value, forms the basis for determining the level of appraisal and market influences and factors for the neighborhood. This information is the basis for updating property valuation for the entire area. Field appraisers, in many cases, may conduct field inspections to insure the accuracy of the property descriptions at the time of sale for this study. This inspection is to ensure that the ratios produced are accurate for the property sold and that appraised values utilized in the study are based on accurate property data characteristics observed at the time of sale. Also, property inspections are performed to discover if property characteristics have changed as of the sale date or subsequent to the sale date. Sale ratios should be based on the value of the property as of the date of sale, not after a subsequent or substantial change was made to the property. Properly performed ratio studies are a good reflection of the level of appraisal for the district. ***If there are insufficient sales to perform ratio studies the cost approach to value is used.***

INTRODUCTION

Scope of Responsibility

The residential appraisers are responsible for estimating equal and uniform market values for residential improved and vacant property. There are approximately 5,646 residential improved single and multiple family parcels and 11,217 land properties in Live Oak County.

Appraisal Resources

- **Personnel** - The appraisal staff in-house currently consists of one appraiser and the Chief Appraiser. Eagle Appraisal is contracted to perform an overflow of property appraisals. Each appraiser will be responsible for the appraisal of residential, commercial, agricultural and business personal property.

- **Data** -An individualized set of data characteristics for each residential dwelling and multiple family units in this district are collected in the field and data entered into the computer. The property characteristic data drives the application of computer-assisted mass appraisal (CAMA) under the Cost, Market, and Income Approaches to property valuation.

VALUATION APPROACH

Land Analysis

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

Neighborhood and Market Analysis (The neighborhood has been defined as the entire County.)

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods.

Residential valuation and neighborhood analysis is conducted on various market areas within each of the political entities known as independent school districts.

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

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

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are field inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations.

Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in areas of limited sales, or use in direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed below, is performed on a neighborhood basis, and in soft sale areas on a neighborhood group basis.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to the maximum allowed usage of the property. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. Residential valuation undertakes reassessment of highest and best
use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are economic miss-improvements, and the highest and best use of such property is the construction of new dwellings. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties. State law requires that homesteads be valued only at the highest and best use of residential property.

VALUATION AND STATISTICAL ANALYSIS (Model Calibration)

Cost Schedules

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

A review of the residential cost schedule should be performed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in the district are considered. The property data characteristics of these properties are verified and photographs are taken of the samples. LOCAD replacement costs are compared against Marshall & Swift, and the indicated replacement cost abstracted from these market sales of comparably improved

structures. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing of estimated building costs plus land to sales prices. As a result of this analysis, a new regional multiplier or economic index factor and indications of neighborhood economic factors are developed for use in the district's cost process. This new economic index is estimated and used to adjust the district's cost schedule to be in compliance with local building costs as reflected by the local market.

Sales Information

A sales file for the storage of sales data at the time of sale is maintained for real property. Residential, improved residential, vacant land sales, along with commercial improved and commercial vacant land sales are maintained in a sales information system. Residential improved and vacant sales are collected from a variety of sources, including: district questionnaires sent to buyer and seller, field discovery, protest hearings, fee appraisals, various sale vendors, builders, and realtors. A system of type, source, validity and verification codes has been established to define salient facts related to a property's purchase or transfer and to help determine relevant market sale prices. The effect of time as an influence on price is considered and applied in the ratio study to the sales as indicated within each neighborhood area.Neighborhood sales reports are generated as an analysis tool for the appraiser 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 analysis 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.

Monthly time adjustments are estimated based on comparative analysis using comparisons of sold property of similar age, construction, and condition. Sales of the same property are considered and analyzed for any indication of price change attributed to a time change or influence. Property characteristics, financing, and conditions of sale are compared when known for each property sold to isolate the time factor as an influence on price.

Statistical Analysis
(When there is insufficient sales data available the cost approach to value is used.)

The residential valuation appraisers perform statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted on each of the residential valuation neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed for each neighborhood. The levels of appraised values are determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.

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

Market and Cost Reconciliation and Valuation

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

The following equation denotes the hybrid model used:

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

In accordance with the cost approach, the estimated market value (MV) of the property equals the land value (LV) plus the replacement cost new of property improvements (RCN) less accrued depreciation (AD). As the cost approach separately estimates both land and building contributory values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales. Thus, demand side economic factors and influences may be observed and considered. These market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for locational variances between market areas or across a jurisdiction. In accordance with the Market Approach, the estimated market value of the property equals the basic unit of property, under comparison, times the market price range per unit for sales of comparable property. For residential property, the unit of comparison is typically the price per square foot of living area or the price indicated for the improvement contribution. This analysis for the hybrid model is based on both the cost and market approaches as a correlation of indications of property valuation. A significant unknown for these two indications of value is determined to be the rate of change for the improvement contribution to total property value. The measure of change for this property component can best be reflected and based in the annualized accrued depreciation rate. This cost related factor is most appropriately measured by sales of similar property. The market approach, when improvements are abstracted from the sale price, indicates the depreciated value of the improvement component, and in effect, measures changes in accrued depreciation.

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

When the appraiser reviews a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales prices indicates the neighborhood level of appraisal based on sold properties. This ratio is compared to the acceptable appraisal ratio, 96% to 100%, to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

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

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

Treatment of Residential Homesteads

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under that law, beginning in the year after a property receives a homestead exemption, increases in the assessed value of that property are capped or limited to not more than 10% increase annually. The value for tax purposes (assessed value) of a qualified residence homestead will be the LESSER of:

- the market value; or
- the preceding year's appraised value plus 10 percent plus the value of any improvements added since the last re-appraisal.

- **§ 23.23. Limitation on Appraised Value of Residence Homestead**

(a) Notwithstanding the requirements of Section 25.18 and regardless of whether the appraisal office has appraised the property and determined the market value of the property for the tax year, an appraisal office may increase the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of:

(1) the market value of the property for the most recent tax year that the market value was determined by the appraisal office; or

(2) the sum of:

(A) 10 percent of the appraised value of the property for the preceding tax year;

(B) the appraised value of the property for the preceding tax year; and

(C) the market value of all new improvements to the property.

(b) When appraising a residence homestead, the chief appraiser shall: (1) appraise the property at its market value; and

(2) include in the appraisal records both the market value of the property and the amount computed under Subsection (a) (2).

(c) The limitation provided by Subsection (a) takes effect as to a residence homestead on January 1 of the tax year following the first tax year the owner qualifies the property for an exemption under Section 11.13. The limitation expires on January 1 of the first tax year that neither the owner of the property when the limitation took effect nor the owner's spouse or surviving spouse qualifies for an exemption under Section 11.13.

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

However, in the year following changes in completion or sale, they are appraised at market value.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

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

Office Review

When field review is completed, the appraiser conducts a routine valuation review of all properties as outlined in the discussion of ratio studies and market analysis. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The percentage of value differences are noted for each property within an area allowing the appraiser to identify, research and resolve value anomalies before finalizing appraised values. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year. If a formal hearing resulted in a lower value the previous year, the value should not be adjusted until there is a substantial cause.

When the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value go to noticing.

PERFORMANCE TESTS

Sales Ratio Studies
(When there is insufficient sales data the cost approach to value is used.)

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each neighborhood to allow the appraiser to review general market trends within their area of responsibility, and provide an indication of market appreciation over
a specified period of time.

Management Review Process

When the proposed value estimates are finalized, the appraiser reviews the sales ratios by area and presents pertinent valuation data, such as weighted sales ratio and pricing trends, to 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.

INTRODUCTION

Scope of *Responsibility*

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

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 appraisers includes actual income and expense data (typically obtained through the hearings process), actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications can also be reviewed to provide additional support for market trends.

PRELIMINARY ANALYSIS

Market Study
(If there are insufficient sales or income data available the cost approach is used.)

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

Live Oak CAD administration and personnel interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers, Texas Association of Appraisal Districts. District staff strives to maintain appraisal skills and professionalism by continuing education in the form of courses that are offered by several professional associations such as International Association of Assessing Officers (IAAO), Texas Association of Assessing Officers (TAAO), and Texas Association of Appraisal Districts (TAAD)

VALUATION APPROACH

Land Value

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

Area Analysis

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

Neighborhood Analysis

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

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

by age within each economic area for all commercial use types and its corresponding income model have been estimated for these properties.

Highest and Best Use Analysis

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

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

Market Analysis

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

DATA COLLECTION *I* VALIDATION

Data Collection Manuals

Data collection and documentation for commercial/industrial property is continually updated, providing a uniform system of itemizing the multitude of components comprising improved properties. All properties located in Live Oak CAD's inventory are coded according to a specific classification system and the approaches to value are structured and calibrated based on this coding system. LOCAD is reviewing commercial valuation manual and will update with Marshall & Swift Valuation Service.

Annually, after the sales of property have been researched, verified, keyed into the database, and quality control has been completed, the sales data is summarized and produced into list form. The confirmed sales reports categorize the sales by property and use type, and sort the data by location and chronological order. Many of these sales are available to the public for use during protest hearings, and are also used by the Live Oak CAD appraisers during the hearings process.

Sources of Data

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

For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a computer-generated questionnaire, which is mailed to both parties in the transaction (grantor and grantee). If a questionnaire is answered and returned, the documented responses are recorded into the computerized sales database system. If no information is provided, verification of many transactions is then attempted via phone calls to parties thought to be knowledgeable of the specifics of the sale. Other sources contacted are the brokers involved in the sale, property managers or commercial vendors. In other instances, sales verification is obtained from local appraisers or others that may have the desired information. Finally, closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

Valuation Analysis

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

Cost Schedules

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever possible. Cost models are typically developed based on the Marshall Valuation Service which indicate estimated hard or direct costs of various improvement types. Cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district.

These include comparative base rates, per unit adjustments and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employs the sales comparison approach in the evaluation of soft or indirect costs of construction. Evaluating market sales of newly developed improved property is an important part of understanding total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels.In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, locational modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Live Oak County. Thusly, local modifiers are additional cost factors applied to replacement cost estimated by the national cost service. Estimated replacement cost new will reflect all costs of construction and development for various improvements located in Live Oak CAD as of the date of appraisal.

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

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

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

Income Models

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

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

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

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

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

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

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

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

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

Sales Comparison (Market) Approach

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

Final Valuation Schedules

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

Statistical and Capitalization Analysis

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

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

The appraisers should review every commercial property type annually through the sales ratio analysis process if sales are available. 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 level 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 protest hearings process, as well as with information from published sources and area property managers and owners.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the Live Oak CAD appraiser responsible are listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, CAMA may be altered based on the credibility of the evidence provided. Normally, a new field check is then requested to verify this information for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is added to a work file for review. Commercial appraisers are somewhat limited in the time available to field review all commercial properties of a specific use type; however, a major effort is made by appraisers to field review as many properties as possible or economic areas experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. Field review of real property accounts is accomplished while business personal property is reviewed and inspected in the field. Additionally, the appraisers frequently field review subjective data items such as building class, quality of construction (known as cost modifiers), condition, and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. In some cases, field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. With preliminary estimates of value in these targeted areas, the appraisers test computer assisted values against their own appraisal judgment. While in the field, the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties subject to field inspections and are performed in compliance with the guidelines required by the existing classification system. Office reviews are typically limited by the available market data presented for final value analysis. These reviews summarize the pertinent data of each property as well as comparing the previous value to the proposed value conclusions of the various approaches to value. These evaluations and reviews show proposed value changes, income model attributes or overrides, economic factor (cost overrides) and special factors affecting the property valuation such as new construction status, and a three years' sales history (USPAP property history requirement for non residential property). The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio

statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions. Each appraiser's review is limited to properties in their area of responsibility by property type (improved) or geographic area (commercial vacant land).

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

Performance Tests

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market prices. In a ratio study, market

sales ratio study. Independent, expert appraisals may also be used to represent market values in a ratio study, i.e. an appraisal ratio study. If there are not enough examples of market price to provide necessary representativeness, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial or industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties statutorily not appraised at market value, but reflect the use- value requirement. An example of this are multi-family housing projects subject to subsidized rent provisions or other governmental guarantees as provided by legislative statutes (affordable housing) or agricultural lands to be appraised on the basis of productivity or use value.

Live Oak 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.

Sales Ratio Studies

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

Comparative Appraisal Analysis

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

If there are no sales available, commercial improvements are valued utilizing the cost approach and compares with Marshall & Swift data (U=LV+RCL-AD). Hotel, motel and apartment complexes are appraised using the income approach value (NOI/Rate=Value).

Business Personal Property Valuation Process

INTRODUCTION

Scope of Responsibility

Business personal property types appraised by one LOCAD appraiser, including general business personal property. Business Personal Property accounts; leased assets; vehicles and aircraft; and multi-location assets.

- **Personnel** -The personal property staff consists of 1 appraiser and 1 support staff. The appraiser is responsible for appraising general business personal property.
- **Data** -A common set of data characteristics for each personal property account in Live Oak CAD is collected in the field. The property characteristic data drives the computer-assisted personal property appraisal system. The personal property appraiser collects the field data and maintains electronic property files making updates and changes gathered from field inspections, newspapers, property renditions, sales tax permit listing and interviews with business owners.

VALUATION APPROACH

SIC Code Analysis

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

SIC code identification and delineation is the cornerstone of the personal property valuation system and is an ongoing project of completion for the district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. SIC codes are delineated based on observable aspects of homogeneity and business use. It is forecast to be fully utilized by 2018 appraisal year.

Highest and Best Use Analysis

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

DATA COLLECTION /VALIDATION

Data Collection Procedures

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

Sources of Data

Business owners are required to render their business assets to the appraisal district each year. This is a very useful source of information when renditions are properly completed. Usually a depreciation factor is applied to the cost of assets to estimate a market value. If a rendition is not received the appraiser can use the LOCAD business personal property appraisal manual to estimate a value. Inventory is valued at what the assets would sell as a unit to someone that would continue the business. Normally this value is not greater than original cost.

Information obtained by searching the Internet is another source for estimating replacement cost of assets. Locating similar or something the exact assets of a business have become easier.

Vehicles

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

Leased and Multi-Location Assets

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

VALUATION AND STATISTICAL ANALYSIS

Cost Schedules

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

Statistical Analysis

Summary statistics including, but not limited to, the median, weighted mean, and standard deviation provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value by SIC code. Review of the standard deviation can discern appraisal uniformity within SIC codes.

Depreciation Schedule and Trending Factors:

Business Personal Property

Live Oak CAD's primary approach to the valuation of business personal property is the cost approach. The original cost new is either developed from property owner reported historical cost or from CAD developed valuation models. The percent good depreciation factors used by Live Oak CAD are also based on published valuation guides or the 2010 Comptroller's Field Appraiser Guide. The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

MARKET VALUE ESTIMATE= HISTORICAL COST X Good (PG)
MARKET VALUE ESTIMATE = ESTIMATED COST PER SQ. FT. X SQ. FT. X DEP. FACTOR

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

Personal Property Appraisal

Accounts are reviewed for accuracy of SIC code, square footage, field data, and original cost information. Actual original cost data to derive a typical replacement cost new (RCN) per square foot for a specific category of assets. The RCN per square foot is depreciated by the estimated age using the depreciation table adopted for the tax year.

The data sampling process is conducted in the following order: 1) Prioritizing Standard Industrial Classification (SIC) codes for analysis. 2) Compiling the data and developing the reports. 3) Field checking selected samples. The values can adjust depending on the analysis. The models are then reviewed against the previous year's data.

Historical trends are used in the general business personal property valuations to estimate the value of new accounts for which no property owner's rendition is filed. I Values are also used to establish tolerance parameters for testing the valuation of property for which prior data years' data exist or for which current year rendered information is available. The calculated current year value or the prior year's value is compared to the indicated model value by the valuation program. If the value being tested is within an established acceptable percentage tolerance range, the account passes that range check and moves to the next valuation step. If the account fails the tolerance range check, it is flagged for individual review. Allowable tolerance ranges may be adjusted from year to year depending on the analysis of the results of the prior year.

Vehicles

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

Leased and Multi-Location Assets

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

INDIVIDUAL VALUE REVIEW PROCEDURES

Office Review

Business Personal Property

A district valuation computer program exists in a mainframe environment that identifies accounts in need of review based on a variety of conditions. Property owner renditions, accounts with field or other data changes, accounts with prior hearings, new accounts, and SIC cost table changes are all considered. The accounts are processed by the valuation program and pass or fail preset tolerance parameters by comparing appraised values to prior year and model values. The appraisers review accounts that fail the tolerance parameters.

PERFORMANCE TESTS

Ratio Studies

Every other year the Property Tax Assistance Division of the state comptroller's office conducts a property value study (PVS). The PVS is a ratio study used to gauge appraisal district performance. Results from the PVS play a part in school funding. Rather than a sales ratio study, the personal property PVS is a ratio study using state cost and depreciation schedules to develop comparative personal property values. These values are then compared to Live Oak CAD's personal property values and ratios are indicated.

INTRODUCTION

Appraisal Resources

Land valuation for industrial properties is the responsibility of appraisal district staff. Site values are analyzed for highest and best use and valued as though they were vacant.

Valuation Approach

Industrial properties are identified as part of the appraiser's physical inspection process each year and through submitted data by the property owner. The appraiser may also refer to legal documents, photography and other descriptive items.

The appraiser identifies and updates relevant characteristics through the inspection process. Confidential rendition, assets lists and other confidential data also provide additional information. Subject property data is verified through previously existing records and through published reports

Market areas for industrial properties tend to be regional, national and sometimes international. Published information such as prices, financial analysis and investor services reports are used to help define market area.

Among the three approaches to value (cost, income and market), industrial properties are most commonly appraised using replacement/reproduction cost new less depreciation models because of readily available cost information. If sufficient income or market data are available, those appraisal models may also be used.

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

A more detailed reappraisal plan for all complex properties appraised by Capitol Appraisal Group, Inc., is available at the Live Oak County Appraisal District office.

INTRODUCTION

Appraisal Resources

Live Oak County Appraisal District has contracted with Capitol Appraisal Group, Inc., to appraise these prosperities for LOCAD.

Valuation Approach

As subsurface mineral properties lie within the earth, they cannot be physically identified by inspection like other real property. However, the inability to directly inspect does not appreciably affect the ability to identify and appraise these properties. To identify new properties, CAG obtains monthly oil and gas lease information from the Railroad Commission of Texas [RRC] to compare against oil and gas properties already identified. The situs of new properties is determined using plats and W-2/G-1 records from the RRC, as well as GAG's in-house map resources.

Relevant characteristics necessary to estimate value of remaining oil or gas reserves are production volume and pattern, product prices, expenses borne by the operator of the property, and the rate at which the anticipated future income should be discounted to incorporate future risk. CAG obtains information to update these characteristics annually from regulatory agencies such as the RRC, the Comptroller of Public Accounts, submissions from property owners and operators, as well as from published investment reports, licensed data services, service for fee organizations and through comparable properties, when available.

Oil and gas markets are regional, national and international. Therefore, they respond to market forces beyond defined market boundaries as observed among more typical real properties.

Among the three approaches to value (cost, income and market), the income approach to value is most commonly used in the oil and gas industry. Through use of the discounted cash flow technique in particular, the appraiser is able to bring together relevant characteristics of production volume and pattern, product prices, operating expenses and discount rate to determine an estimate of appraised value of an oil or gas property.

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

Utility, Railroad and Pipeline Property Valuation Process

Appraisal Resources

The Live Oak County Appraisal District has a professional services contract with Capitol Appraisal Group, Inc., to appraise these properties for Live Oak County.

Valuation Approach

Utility, railroad and pipeline properties that are susceptible to inspection are identified by inspection. The appraiser may also refer to other documents, both public and also confidential to assist in identification of these properties.

The appraiser identifies and updates relevant characteristics through data collected as part of the inspection process and through later submissions by the property owner, sometimes including confidential rendition. Additional data are obtained through public sources, regulatory reports and through analysis of comparable properties.

Market areas for utility, railroad and pipeline property tend to be regional or national in scope. Financial analyst and investor services reports are used to help define market areas.

For all three types of property, the appraiser must first form an opinion of highest and best use. Among the three approaches to value (cost, income and market), pipeline value is calculated using a replacement/reproduction cost new less depreciation model [RCNLD]. In addition to the RCNLD indicator, a unit value model may also be used if appropriate data are available. Utility and railroad property are appraised in a manner similar to pipeline except that the RCNLD model is not used.

The appraiser considers results that best address the individual characteristics of the subject property when multiple models are used. Year-to year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process. An annual report is given to Live Oak CAD for the valuation of the section of Railroad through/utilized by the county from the Comptroller's office. These types of property are also subject to review by the Property Tax Division of the Texas Comptroller's Office through their annual Property Value Study.

LIMITING CONDITIONS

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

- The appraisals were prepared exclusively for Ad-valorem tax purposes.
- The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised were performed as staff resources and time allowed. Some interior inspections were performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.
- Validation of sales transactions was attempted though questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
- I have attached a list of staff providing significant mass appraisal assistance to the person signing this certification.
- Jurisdictional Exemption is applicable in all appropriate circumstances.
- BIS Consulting Inc., is currently contracted with Live Oak County Appraisal District for GIS mapping. BIS is in the maintenance phase at 73.06% mapping complete as of August 2018. For 2019 and 2020, BIS will continue to map problem areas of the county and are projecting an estimation of 80% by the end of 2019 appraisal year and estimated 85% by the end of 2020.

Certification Statement:

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

Debra D. Morin, RPA
Chief Appraiser

STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

Susan Swinney, Appraiser

Capitol Appraisal Group, Inc.

David Ballard, Charlie Elizondo and Gary Zeitler from Eagle Property Tax Appraisal & Consulting, Inc.

Property Tax Calendar

NOTE: This calendar shows important property tax deadlines for appraisal districts, taxing units, and property owners set forth in the Tax Code. Section 1.06 provides that "[i]f the last day for the performance of an act is a Saturday, Sunday, or legal state or national holiday, the act is timely if performed on the next regular business day." The deadlines shown in this calendar reflect dates as they are provided in the Tax Code without any adjustment for an extension that might be applicable pursuant to Section 1.06. Contact your local appraisal district office or tax office if a due date falls on a weekend or holiday. To the extent that you need or want legal advice or are seeking an interpretation of statutory provisions, you should contact an attorney who can consult with you and, if necessary, represent you personally. The Property Tax Assistance Division cannot provide legal advice concerning this and other matters for which no statutory authorization exists.

This information is provided by the Comptroller of Public Accounts as a public service and is intended to be used solely for informational purposes. The information neither constitutes nor serves as a substitute for legal advice. To obtain professional assurance regarding the issues addressed herein, the services of a competent professional should be sought.

January

1

- Date that taxable values and qualification for certain exemptions are determined for the tax year (except for inventories appraised Sept. 1) (Secs. 11.42, 23.01, 23.12). *
- Date a tax lien attaches to property to secure payments of taxes, penalties and interest that will be imposed for the year (Sec. 32.01).
- Date that members of county appraisal district (CAD) boards of directors begin two-year terms; half the members begin two-year terms if the CAD has staggered terms (Secs. 6.03, 6.034).
- Date that half of appraisal review board (ARB) members begin two-year terms (Sec. 6.41).

2

- Date rendition period begins; continues through April 15 for those property owners not requesting a filing extension (Sec. 22.23).

10

- If a tax bill from the previous year is mailed after this date, the delinquency date is postponed (Sec. 31.04).

31

- Deadline for the Texas Comptroller to publish the preliminary *Property Value Study (PVS)* findings, certify findings to the Texas Education Commissioner, and deliver findings to each school district (Government Code Sec. 403.302).

  NOTE: A qualified school district or property owner may protest preliminary findings by filing a petition with the Comptroller not later than the 40th day after the date (whether Jan. 31 or an earlier date) on which the Comptroller's findings are certified to the Texas Commissioner of Education (Government Code Sec.403.303).

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

	• Last day for disabled, 65-or-older or unmarried surviving spouse of disabled veteran homeowners to pay one quarter of homestead property taxes if using the installment payment option (Sec. 31.031). • Last day for homeowners or qualified businesses whose properties were damaged in a disaster within a designated disaster area to pay one quarter of taxes if using installment payment option (Sec. 31.032). • Last day for a CAD to give public notice of the capitalization rate to be used in that year to appraise property with low- and moderate-income housing exemption (Sec. 11.1825).
February	
1	• Last day for motor vehicle, vessel and outboard motors, heavy equipment and manufactured housing dealers to file dealer's inventory declarations (Secs. 23.121, 23.124, 23.1241, 23.127). • Date that taxes imposed the previous year become delinquent if a bill was mailed on or before Jan. 10 of the current year. Rollback tax for change of use of 1-d, 1-d-1, timber, and restricted-use timber land becomes delinquent if taxing unit delivered a bill to the owner on or before Jan. 10 of the current year (Secs. 23.46, 23.55, 23.76, 23.9807, 31.02). • Deadline for a chief appraiser to provide notice regarding the availability of agreement forms authorizing electronic communication, on or before this date (or as soon as practicable) if delivering the form (Sec. 1.085).
15	• Last day for county tax collector to disburse motor vehicle, vessel and outboard motor, heavy equipment and manufactured housing inventory taxes from escrow accounts to taxing units (Secs. 23.122, 23.1242, 23.125, 23.128). • Last day for Chief Appraiser to deliver a Preliminary Budget to the Board of Directors and taxing units in accordance to 2016 MAPS because our fiscal year runs from September 1 to August 31.
28 (29 if a leap year)	• Last day to request separate appraisal for interest in a cooperative housing corporation (Sec. 23.19).
March	
31	• Last day for taxing units' second quarterly payment for the current year CAD budget (Sec. 6.06). • Last day for disabled, 65-or-older or unmarried surviving spouse of disabled veteran homeowners to pay first installment on taxes (Sec. 31.031). • Last day for homeowners or qualified businesses whose properties were damaged in a disaster area to pay first installment on taxes (Sec. 31.032).

- Last day for qualified community housing development organizations to file listing of property acquired or sold during the past year with the chief appraiser (Sec. 11.182).

April

1

- 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).

15

- 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.

30

- 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-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 the taxable value for counties, municipalities, and school districts (counties and municipalities can choose to waive the estimate) (Sec. 26.01). A school district may use this certified estimate when preparing the notices to adopt the budget and tax rate (Education Code Sec. 44.004).

- Last day for property owners to file protest with ARB (or by 30th day after notice of appraised value is delivered, whichever is later) in connection with properties that are single-family residence homesteads; however, a property owner may file a protest before June 1 if the ARB has not approved the appraisal records (Sec. 41.44).

May

1

- 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).

1-14

- Period to file resolutions with chief appraiser to change CAD finance method (Sec. 6.061).

1-15

- Period when chief appraiser must publish notice about taxpayer protest procedures in a local newspaper with general circulation (Secs. 41.41, 41.70).

2

- Beginning of time period when taxing units must notify delinquent taxpayers that taxes delinquent on July 1 will incur additional penalty for attorney collection costs at least 30 days and not more than 60 days before July 1. Period ends on June 1 (Sec. 33.07).

15

- Last day for property owners to file renditions and property information reports if they requested an extension in writing. For good cause, chief appraiser may extend this deadline an additional 15 days (Sec. 22.23).
- Date (or as soon as practicable thereafter) for chief appraiser to prepare appraisal records and submit to ARB (Secs. 25.01, 25.22).

19

- Last day for chief appraiser to determine whether a sufficient number of eligible taxing units filed resolutions to change CAD's finance method (Sec. 6.061).

24

- Last day for chief appraiser to notify taxing units of change in the CAD's finance method (Sec. 6.061).
- Last day for taxing units to file challenges with ARB (or within 15 days after the date the appraisal records are submitted to ARB (whichever is later) (Sec. 41.04).
- Last day for disabled, 65-or-older or unmarried surviving spouse of disabled veteran homeowners to pay second installment on taxes (Sec. 31.031).
- Last day for homeowners and qualified businesses whose properties were damaged in a disaster area to pay second installment on taxes (Sec. 31.032).

31

- Last day for property owners to file protests with ARB (or by 30th day after the date the notice of appraised value is delivered, whichever is later) in connection with a property that is not a single-family residence homestead (Sec. 41.44(a) (2)).
- Last day for property owner to file a protest with ARB in connection with properties that are single-family residence homesteads if the ARB has not approved the appraisal records; otherwise the deadline to file a protest for single-family residence homesteads is before May 1 or by the 30th day after notice of appraised value is delivered, whichever is later (Sec. 41.44).

- Last day for a religious organization that has been denied an 11.20 exemption because of the charter to amend the charter and file a new application or the 60th day after the date of notification of the exemption denial, whichever is later (Sec. 11.421).

June

14

- Last day to file operations survey for the appraisal district (June 15)

16

- Beginning date that CAD board may pass resolution to change CAD finance method, subject to taxing units' unanimous approval. Period ends before Aug. 15 (Sec. 6.061).
- Last day to pay second half of split payment for taxes imposed last year (Sec. 31.03).
- Last day for taxing units' third quarterly payment for CAD budget for the current year (Sec. 6.06).

30

- Last day to form a taxing unit to levy property taxes for the current year (Sec. 26.12).
- Last day for taxing units to adopt local option percentage homestead exemptions (Sec. 11.13).
- Last day for a private school that has been denied an 11.21 exemption because of the charter to amend the charter and file a new application (or the 60th day after the date of notification of the exemption denial, whichever is later) (Sec. 11.422).

July

- Date that delinquent taxes incur total 12 percent penalty (Sec. 33.01).
- A taxing unit or CAD may provide that taxes that become delinquent on or after February 1 of a year but not later than May 1 of that year and that remain delinquent on July 1 of the year in which they become delinquent incur an additional penalty to defray costs of collection, if the unit or CAD or another unit that collects taxes for the unit has contracted with an attorney to enforce the collection of delinquent taxes (Sec. 33.07).

1

NOTE: Taxing units and CADs that have imposed the additional penalty for collection costs under Sec. 33.07 may provide for an additional penalty for attorney collection costs of taxes that become delinquent on or after June 1 under Secs. 26.07(f), 26.15(e), 31.03, 31.031, 31.032, 31.04, or 42.42. The penalty is incurred on the first day of the 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 review and protests of appraisals of railroad rolling stock values (or as soon as practicable thereafter); once the appraised value is approved, the chief appraiser certifies to the Comptroller the allocated market value (Secs. 24.35, 24.36).

20

- 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).

25	• 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). • Last day for disabled, 65 or older, or unmarried surviving spouse of disabled veteran homeowners to pay third installment on taxes (Sec. 31.031).
31	• Last day for homeowners and qualified businesses whose properties were damaged in a disaster area to pay third installment on taxes (Sec. 31.032) • Last day for property owners to apply for Sept. 1 inventory appraisal for the next year (Sec. 23.12).
August	
1	• Date taxing unit's assessor submits appraisal roll and date that collector submits collection rate estimate for the current year to the governing body (or soon after as practical) (Sec. 26.04).
7	• 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) (Secs. 26.04, 26.052).
14	• 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 the resolution to each taxing unit (Sec. 6.031).
15	• Deadline for Texas Comptroller to certify final PVS findings to Education Commissioner (Comptroller Rule Sec. 9.4317).
30	• Date ARB must approve appraisal records for CADs in counties with populations of 1 million or more where the board of directors has postponed the deadline from July 20 (Sec. 41.12). • If a tax bill is returned undelivered to a taxing unit by the United States Postal Service, a taxing unit must waive penalties and interest if the taxing unit does not send another tax bill at least 21 days before the delinquency date to the current mailing address furnished by the property owner and the property owner establishes that a current mailing address was furnished to the CAD for the tax bill before Sept. 1 of the year in which the tax is assessed (Sec. 33.011).
31	• 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 the number and selection of directors (Sec. 6.031).

September	
1	• Date that taxable value of inventories may be determined at property owner's written option (Sec. 23.12).
	• Last day for CAD board to adopt CAD budget for the next year, unless a district has changed its fiscal year (Sec. 6.06).
14	• 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).
29	• Last day for taxing units to adopt tax rate for the current year, or before the 60th day after the date the certified appraisal roll is received by a taxing unit, whichever is later. 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 of establishing rate (Sec. 26.05).
30	• Last day for taxing units' fourth quarterly payment for CAD budget for the current year (Sec. 6.06).
October	
1	• Date tax assessor mails tax bills for the year (or soon after as practical) (Sec. 31.01).
	• In a voting year, the letters to each entity must be delivered by October 1st informing them of their jurisdictions voting entitlement.
November	
30	• First half of split payment of taxes is due on or before this date (Sec 31.03).
December	
1-31	• Time when appraisal office may conduct a mail survey to verify homestead exemption eligibility (Sec. 11.47).
31	• Last day for taxing units' first quarterly payment for CAD budget for next year (Sec. 6.06).

* Property Tax Code citations, unless otherwise noted.

** Exemption applications for cemeteries, charitable organizations, private schools, nonprofit water and wastewater supply corporations and other nonprofit organizations must be filed within one year of acquiring the property. Unless birth date information has been provided to the appraisal district, persons who become age 65 or qualify as disabled during a tax year must apply for the applicable homestead exemptions within one year of qualifying (Sec. 11.43).

STANDARD 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals. USPAP standard 6 is a necessary set of rules that provides structure and guidance for the LIVE OAK COUNTY appraisal staff during the development and implementation of appraisal concepts.

Comment: STANDARD 6 applies to all mass appraisals of real or personal property regardless of the purpose or use of such appraisals. STANDARD 6 is directed toward the substantive aspects of developing and communicating credible analyses, opinions, and conclusions in the mass appraisal of properties. Mass appraisals can be prepared with or without computer assistance. The reporting and jurisdictional exemptions applicable to public mass appraisals prepared for ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

1) identifying properties to be appraised;
2) defining market area of consistent behavior that applies to properties;
3) identifying characteristics (supply and demand) that affect the creation of value in that market area;
4) developing a model structure that reflects the relationship among the characteristics affecting value in the market area;
5) calibrating the model structure to determine the contribution of the individual characteristics affecting value;
6) applying the conclusions reflected in the model to the characteristics of the property (ies) being appraised; and
7) reviewing the mass appraisal results.

The JURISDICTIONAL EXEMPTION RULE may apply to several sections of STANDARD 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

Standards Rule 6-1

In developing a mass appraisal, an appraiser must:

(a) be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce a credible mass appraisal;

Comment: Mass appraisal provides for a systematic approach and uniform application of appraisal methods and techniques to obtain estimates of value that allow for statistical review and analysis of results.

This requirement recognizes that the principle of change continues to affect the manner in which appraisers perform mass appraisals. Changes and developments in the real property and personal property fields have a substantial impact on the appraisal profession.

To keep abreast of these changes and developments, the appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and

techniques to meet new circumstances. For this reason, it is not sufficient for appraisers to simply maintain the skills and the knowledge they possess when they become appraisers. Each appraiser must continuously improve his or her skills to remain proficient in mass appraisal.

(b) not commit a substantial error of omission or commission that significantly affects a mass appraisal; and

Comment: An appraiser must use sufficient care to avoid errors that would significantly affect his or her opinions and conclusions. Diligence is required to identify and analyze the factors, conditions, data, and other information that would have a significant effect on the credibility of the assignment results.

(c) not render a mass appraisal in a careless or negligent manner.

Comment: Perfection is impossible to attain, and competence does not require perfection. However, an appraiser must not render appraisal services in a careless or negligent manner. This Standards Rule requires an appraiser to use due diligence and due care.

Standards Rule 6-2

In developing a mass appraisal, an appraiser must:

(a) **identify the client and other intended users;**

(b) identify the intended use of the appraisal;

Comment: An appraiser must not allow the intended use of an assignment or a client's objective to cause the assignment results to be biased.

(c) identify the type and definition of value, and, if the value opinion to be developed is market value, ascertain whether the value is to be the most probable price:

(i) in terms of cash; or

(ii) in terms of financial arrangements equivalent to cash; or

(iii) in such other terms as may be precisely defined; and

(iv) if the opinion of value is based on non-market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly identified and the appraiser's opinion of their contributions to or negative influence on value must be developed by analysis of relevant market data;

Comment: For certain types of appraisal assignments in which a legal definition of market value has been established and takes precedence, the JURISDICTIONAL EXEMPTION RULE may apply.

(d) **identify the effective date of the appraisal;**

(e) identify the characteristics of the properties that are relevant to the type and definition of value and intended use, including:

(i) the group with which a property is identified according to similar market influence;

(ii) the appropriate market area and time frame relative to the property being valued; and

(iii) their location and physical, legal, and economic characteristics;

Comment: The properties must be identified in general terms, and each individual property in the universe must be identified, with the information on its identity stored or referenced in its property record.

When appraising proposed improvements, an appraiser must examine and have available for future examination, plans, specifications, or other documentation sufficient to identify the extent and character of the proposed improvements.

Ordinarily, proposed improvements are not appraised for ad valorem tax. Appraisers, however, are sometimes asked to provide opinions of value of proposed improvements so that developers can estimate future property tax burdens. Sometimes units in condominiums and planned unit developments are sold with an interest in unbuilt community property, the pro rata value of which, if any, must be considered in the analysis of sales data.

(f) identify the characteristics of the market that are relevant to the purpose and intended use of the mass appraisal including:

(i) location of the market area;

(ii) physical, legal, and economic attributes;

(iii) time frame of market activity; and

(iv) property interests reflected in the market;

(g) in appraising real property or personal property:

(i) identify the appropriate market area and time frame relative to the property being valued;

(ii) when the subject is real property, identify and consider any personal property, trade fixtures, or intangibles that are not real property but are included in the appraisal;

(iii) when the subject is personal property, identify and consider any real property or intangibles that are not personal property but are included in the appraisal;

(iv) identify known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of similar nature; and

(v) identify and analyze whether an appraised fractional interest, physical segment or partial holding contributes pro rata to the value of the whole;

Comment: The above requirements do not obligate the appraiser to value the whole when the subject of the appraisal is a fractional interest, physical segment, or a partial holding. However, if the value of the whole is not identified, the appraisal must clearly reflect that the value of the property being appraised cannot be used to develop the value opinion of the whole by mathematical extension.

(h) analyze the relevant economic conditions at the time of the valuation, including market acceptability of the property and supply, demand, scarcity, or rarity;

(i) identify any extraordinary assumptions and any hypothetical conditions necessary in the assignment; and

Comment: An extraordinary assumption may be used in an assignment only if:

it is required to properly develop credible opinions and conclusions;

the appraiser has a reasonable basis for the extraordinary assumption;

use of the extraordinary assumption results in a credible analysis; and

the appraiser complies with the disclosure requirements set forth in USPAP for extraordinary assumptions.

A hypothetical condition may be used in an assignment only if:

use of the hypothetical condition is clearly required for legal purposes, for purposes of reasonable analysis, or for purposes of comparison;

use of the hypothetical condition results in a credible analysis; and

the appraiser complies with the disclosure requirements set forth in USPAP for hypothetical conditions.

(j) **determine the scope of work necessary to produce credible assignment results in accordance with the SCOPE OF WORK RULE.**

Standards Rule 6-3

When necessary for credible assignment results, an appraiser must:

(a) in appraising real property, identify and analyze the effect on use and value of the following factors: existing land use regulations, reasonably probable modifications of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use of the real estate; and

Comment: This requirement sets forth a list of factors that affect use and value. In considering neighborhood trends, an appraiser must avoid stereotyped or biased assumptions relating to race, age, color, gender, or national origin or an assumption that race, ethnic, or religious homogeneity is necessary to maximize value in a neighborhood. Further, an appraiser must avoid making an unsupported assumption or premise about neighborhood decline, effective age, and remaining life. In considering highest and best use, an appraiser must develop the concept to the extent required for a proper solution to the appraisal problem.

(b) in appraising personal property: identify and analyze the effects on use and value of industry trends, value-in-use, and trade level of personal property. Where applicable, identify the effect of highest and best use by measuring and analyzing the current use and alternative uses to encompass what is profitable, legal, and physically possible, as relevant to the type and definition of value and intended use of the appraisal. Personal property has several measurable marketplaces; therefore, the appraiser must define and analyze the appropriate market consistent with the type and definition
of value.

Comment: The appraiser must recognize that there are distinct levels of trade and each may generate its own data. For example, a property may have a different value at a wholesale level of trade, a retail level of trade, or under various auction conditions. Therefore, the appraiser must analyze the subject property within the correct market context.

Standards Rule 6-4

In developing a mass appraisal, an appraiser must:

(a) identify the appropriate procedures and market information required to perform the appraisal, including all physical, functional, and external market factors as they may affect the appraisal;

Comment: Such efforts customarily include the development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration.

(b) employ recognized techniques for specifying property valuation models; and

Comment: The formal development of a model in a statement or equation is called model specification. Mass appraisers must develop mathematical models that, with reasonable accuracy, represent the relationship between property value and supply and demand

factors, as represented by quantitative and qualitative property characteristics. The models may be specified using the cost, sales comparison, or income approaches to value. The specification format may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics. Appropriate approaches must be used in appraising a class of properties. The concept of recognized techniques applies to both real and personal property valuation models.

(c) employ recognized techniques for calibrating mass appraisal models.

Comment: Calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model. The table entries in a cost manual are examples of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation.

Standards Rule 6-5

In developing a mass appraisal, when necessary for credible assignment results, an appraiser must:

(a) collect, verify, and analyze such data as are necessary and appropriate to develop:

(i) the new cost of the improvements;

(ii) accrued depreciation;

(iii) value of the land by sales of comparable properties;

(iv) value of the property by sales of comparable properties;

(v) value by capitalization of income or potential earnings i.e., rentals, expenses, interest rates, capitalization rates, and vacancy data;

Comment: This Standards Rule requires appraisers engaged in mass appraisal to take reasonable steps to ensure that the quantity and quality of the factual data that are collected are sufficient to produce credible appraisals. For example, in real property, where applicable and feasible, systems for routinely collecting and maintaining ownership, geographic, sales, income and expense, cost, and property characteristics data must be established. Geographic data must be contained in as complete a set of cadastral maps as possible, compiled according to current standards of detail and accuracy. Sales data must be collected. confirmed. screened. adjusted. and filed according to current standards of practice. The sales file must contain, for each sale, property characteristics data that are contemporaneous with the date of sale. Property characteristics data must be appropriate and relevant to the mass appraisal models being used. The property characteristics data file must contain data contemporaneous with the date of appraisal including historical data on sales, where appropriate and available. The data collection program must incorporate a quality control program, including checks and audits of the data to ensure current and consistent records.

(b) base estimates of capitalization rates and projections of future rental rates and/or potential earnings capacity, expenses, interest rates, and vacancy rates on reasonable and appropriate evidence;

Comment: This requirement calls for an appraiser, in developing income and expense statements and cash flow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction.

(c) identify and, as applicable, analyze terms and conditions of any available leases; and

(d) **identify the need for and extent of any physical inspection.**

Standards Rule 6-6

When necessary for credible assignment results in applying a calibrated mass appraisal model an appraiser must:

(a) value improved parcels by recognized methods or techniques based on the cost approach, the sales comparison approach, and income approach;

(b) value sites by recognized methods or techniques; such techniques include but are not limited to the sales comparison approach, allocation method, abstraction method, capitalization of ground rent, and land residual technique;

(c) when developing the value of a leased fee estate or a leasehold estate, analyze the effect on value, if any, of the terms and conditions of the lease;

Comment: In ad valorem taxation the appraiser may be required by rules or law to appraise the property as if in fee simple, as though unencumbered by existing leases. In such cases, market rent would be used in the appraisal, ignoring the effect of the individual, actual contract rents.

(d) analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the value of the whole must not be developed by adding together the individual values of the various parcels, divided interests, or component parts; and

Comment: When the value of the whole has been established and the appraiser seeks to value a part, the value of any such part must be tested by reference to appropriate market data and supported by an appropriate analysis of such data.

(e) **when analyzing anticipated public or private improvements, located on or off the site, analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.**

Standards Rule 6-7

In reconciling a mass appraisal an appraiser must:

(a) reconcile the quality and quantity of data available and analyzed within the approaches used and the applicability or suitability of the approaches used; and

(b) employ recognized mass appraisal testing procedures and techniques to ensure that standards of accuracy are maintained.

Comment: It is implicit in mass appraisal that, even when properly specified and calibrated mass appraisal models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. However, appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy. This responsibility requires appraisers to evaluate the performance of models, using techniques that may include but are not limited to, goodness-of-fit statistics, and model performance statistics such as appraisal-to-sale ratio studies, evaluation of hold-out samples, or analysis of residuals.

Standards Rule 6-8

A written report of a mass appraisal must clearly communicate the elements, results, opinions, and value conclusions of the appraisal.

Each written report of a mass appraisal must:

(a) clearly and accurately set forth the appraisal in a manner that will not be misleading;

(b) contain sufficient information to enable the intended users of the appraisal to understand the report properly;

Comment: Documentation for a mass appraisal for ad valorem taxation may be in the form of (1) property records, (2) sales ratios and other statistical studies, (3) appraisal manuals and documentation, (4) market studies, (5) model building documentation, (6) regulations, (7) statutes, and (8) other acceptable forms.

(c) clearly and accurately disclose all assumptions, extraordinary assumptions, hypothetical conditions, and limiting conditions used in the assignment;

Comment: The report must clearly and conspicuously: state all extraordinary assumptions and hypothetical conditions; and state that their use might have affected the assignment results.

(d) state the identity of the client and any intended users, by name or type;

(e) state the intended use of the appraisal;

(f) disclose any assumptions or limiting conditions that result in deviation from recognized methods and techniques or that affect analyses, opinions and conclusion;

(g) set forth the effective date of the appraisal and the date of the report;

Comment: In ad valorem taxation the effective date of the appraisal may be prescribed by law. If no effective date is prescribed by law, the effective date of the appraisal, if not stated, is presumed to be contemporaneous with the data and appraisal conclusions.

The effective date of the appraisal establishes the context for the value opinion, while the date of the report indicates whether the perspective of the appraiser on the market or property use conditions
as of the effective date of the appraisal was prospective, current, or retrospective.

Reiteration of the date of the report and the effective date of the appraisal at various stages of the report in tandem is important for the clear understanding of the reader whenever market or property use conditions on the date of the report are different from such conditions on the effective date of the appraisal.

(h) state the type and definition of value and cite the source of the definition;

Comment: Stating the type and definition of value also requires any comments needed to clearly indicate to intended users how the definition is being applied.

When reporting an opinion of market value, state whether the opinion of value is: In terms of cash or financing terms equivalent to cash; or based on non-market financing with unusual conditions or incentives. When an opinion of market value is not in terms of cash or based on financing terms

equivalent to cash, summarize the terms of such financing and explain their contributions to or negative influence on value

(i) identify the properties appraised including the property rights;

Comment: The report documents the sources for location, describing and listing the property. When applicable, include references to legal descriptions, addresses, parcel identifiers, photos, and building sketches. In mass appraisal this information is often included in property records. When the property rights to be appraised are specified in a statute or court ruling, the law must be referenced.

(j) describe the scope of work used to develop the appraisal; exclusion of the sales comparison approach, cost approach, or income approach must be explained;

Comment: Because intended user's reliance on an appraisal may be affected by the scope of work, the report must enable them to be properly informed and not misled. Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed.

When any portion of the work involves significant mass appraisal assistance, the appraiser must describe the extent of that assistance. The signing appraiser must also state the name(s) of those providing the significant mass appraisal assistance in the certification, in accordance with SR 6-9.

(k) describe and justify the model specification(s) considered, data requirements, and the model(s) chosen;

Comment: The appraiser must provide sufficient information to enable the client and intended users to have confidence that the process and procedures used conform to accepted methods and result in credible value conclusions. In the case of mass appraisal for ad valorem taxation, stability and accuracy are important to the credibility of value opinions. The report must include a discussion of the rationale for each model, the calibration techniques to be used, and the performance measures to be used.

(l) **describe the procedure for collecting, validating, and reporting data;**

Comment: The report must describe the sources of data and the data collection and validation processes. Reference to detailed data collection manuals must be made, as appropriate, including where they may be found for inspection.

(m) describe calibration methods considered and chosen, including the mathematical form of the final model(s); describe how value conclusions were reviewed; and, if necessary, describe the availability of individual value conclusions;

(n) when an opinion of highest and best use was developed, discuss how that opinion was determined;

Comment: The mass appraisal report must reference case law, statute, or public policy that describes highest and best use requirements. When actual use is the requirement, the report must discuss how use-value opinions were developed. The appraisers reasoning in support of the highest and best use opinion must be provided in the depth and detail required by its significance to the appraisal.

(o) identify the appraisal performance tests used and set forth the performance measures attained;

(p) describe the reconciliation performed, in accordance with Standards Rule 6-7; and

(q) **include a signed certification in accordance with Standards Rule 6-9.**

Standards Rule 6-9

Each written appraisal review report must contain a signed certification that is similar in content to the following form:

I certify that, to the best of my knowledge and belief:

The statements of fact contained in this report are true and correct.

The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions. I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest with respect to the parties involved. I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment. My engagement in this assignment was not contingent upon developing or reporting predetermined results. My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal. My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice.* I have (or have not) made a personal inspection of the properties that are the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.) No one provided significant mass appraisal assistance to the person signing this certification. {If there are exceptions, the name of each individual providing significant mass appraisal assistance must be stated.)

Comment: The above certification is not intended to disturb an elected or appointed assessors work plans or oaths of office. A signed certification is an integral part of the appraisal report. An appraiser, who signs any part of the mass appraisal report, including a letter of transmittal, must also sign this certification.

In an assignment that includes only assignment results developed by the real property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes personal property assignment results not developed by the real property appraiser(s), any real property appraiser{s) who signs a certification accepts full responsibility for the real property elements of the certification, for the real property assignment results, and for the real property contents of the appraisal report.

In an assignment that includes only assignment results developed by the personal property appraiser(s), any appraiser(s) who signs a certification accepts full responsibility for all elements of the certification, for the assignment results, and for the contents of the appraisal report. In an assignment that includes real property assignment results not developed by the personal property appraiser(s), any personal property appraiser(s) who signs a certification accepts full responsibility for the personal property elements of the certification, for the personal property assignment results, and for the personal property contents of the appraisal report.

When a signing appraiser(s) has relied on work done by others who do not sign the certification, the signing appraiser is responsible for the decision to rely on their work. The signing appraiser(s) is required to have a reasonable basis for believing that those individuals performing the work are competent and that their work is credible.

The names of individuals providing significant mass appraisal assistance who do not sign a certification must be stated in the certification. It is not required that the description of their assistance be contained in the certification, but disclosure of their assistance is required in accordance with SR 6-8(i).

LIVE OAK COUNTY APPRAISAL DISTRICT
REAPPRAISAL PLAN

TIMELINE
2019 & 2020

September – December

Begin property reappraisal per reappraisal cycle - **September 1st**
Gather current sales data - **September 1st**
Assist with Collections - **October 1st thru December 31st**
Complete mass mail outs for any exemptions (Ag, Wildlife, HS, O65, DP) - **September 1st- November 30th**
Review Status of Mapping Completions - **September 30th**
Annual Fall Ag Advisory Meeting - **October 1st - 30th**
1st Quarter BOD meeting - **September 1st -30th**

January – March

Mail renditions and any required forms or applications - **January 1st**
Begin running sales ratio reports - **March 1st - 30th**
Continue property reappraisal - **by March 30th**
2nd Quarter BOD meeting - **by February 1st -15th**
Deliver Preliminary Budget to BOD - **by February 15th**

April – May

Refine sales analysis - **April 15th-30th**
Finalize property inspections - **by April 30th**
Mail *'Notices of Appraised Value'* - **by April 30th**
Annual Spring Ag Advisory Meeting - **April 15th-May 30th**

June – July

Hold town hall meeting - **by June 15th**
Hold ARB hearings - **June 1st to July 10th**
Certify values - **by July 20th**
3rd Quarter BOD Meeting - **by July 15th**

August and as needed throughout the year

Supplemental appraisals
25.25 corrections
Adoption of Budget by BOD - **by September 15th**
ARB hearings for outstanding protests accordingly - **Before May 30th of the following tax year**
Perform Truth-in-Taxation process with jurisdictions - **from July 25th to September 30th**

Appraisal Models

The system outlined in this plan is based on the following market value equations:

1. Market Value of Residential Property =
   Replacement Cost New x Total Percent Good + Depreciated Additive Values + Land Value

   (Adjusted by Market Indicators as determined by Sales Data, as available and Marshall & Swift Valuation Service)

2. Market Value of Commercial Property =
   Replacement Cost New x Total Percent Good + Depreciated Additive Values + Land Value

   (Adjusted by Market Indicators as determined by Sales Data, as available)

3. Market Value of Manufactured Housing =

   Replacement Cost New x Total Percent Good + Depreciated Additive Values
   Also: Marshall & Swift, NADA Valuation Guide

4. Market Value of Commercial Personal Property=
   Units x (Price/Unit of Inventory) + Units x (Price/Unit of FFE x Percent Good) + Additive Values
   (Verified and adjusted by yearly Personal Property Renditions)
   LOCAD Commercial Manual, Marshall & Swift Valuation Service
5. Market Value of Vacant Lots or Acreage =

   Units X Price/Unit
   (As determined by Market Transactions, Allocation/Abstraction)

6. 1-d-1 Special Use Valuation (Ag Value) =

   Units x Value per Acre of Agricultural Use
   (As determined by Net Income per Acre/State Mandated Cap Rate)

Approved and adopted this 10th day of September 2018.

Karl R Ann

Chair, Board of Directors

Willie James

Secretary, Board of Directors

Reappraisal Timeline

Appraisal Manual Info

These documents are on a flash drive.