

MARION CENTRAL APPRAISAL DISTRICT

REAPPRAISAL PLAN FOR TAX YEARS 2023 – 2024

The 2023-2024 Reappraisal Plan of the Marion Central Appraisal District was approved by the Marion Central Appraisal District Board of Directors on August 17, 2022 by Resolution 2022-August-001, after a public hearing was held on said reappraisal plan in accordance with 6.05 (i) of the Texas Property Tax Code.

Marion Central Appraisal District

2023-2024

REAPPRAISAL PLAN

January 1, 2023-December 31, 2024

Chief Appraiser

Ann Lummus, RPA, CCA

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Executive Summary

Marion Central Appraisal District is a political subdivision of the State of Texas, Established January 1, 1980. This reappraisal plan and report required by S.B. 1652 is generated to provide the citizens of Marion County a better understanding of the district's procedures, responsibilities, activities, results and effects of those activities. The ultimate goal is to obtain an effective and positive result when analyzed by the Property Tax Division of the Comptroller's Office with the annual Property Value Ratio Study Report. This report establishes the position of equity and uniformity for the appraisal districts in the tested property categories.

Marion Central Appraisal District is governed by a Board of Directors appointed by the taxing entities. The Board of Directors hires the Chief Appraiser as administrator of the appraisal district. The Property Tax Code is the governor of the legal, statutory, and administrative requirements of the appraisal district.

The appraisal district is required to appraise all property in its district's boundaries for the purpose of local taxation at market value as of January 1 except otherwise provided by Sec. 23 of the Tax Code. Various types of property exemptions are determined by the appraisal district office such as homestead exemptions, charitable or religious exemptions, partial and absolute exemptions and agricultural productivity valuations.

Appraisals are generated with computer assisted mass appraisal programs using recognized appraisal techniques and methods. We compare our data gathered from recent cost guides and market sales data. The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards known as the Uniform Standards of Professional Appraisal Practices (USPAP) to the extent they are applicable.

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

The Written Plan

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

"To ensure adherence with generally accepted appraisal practices, the Board of Directors of an appraisal district shall develop biennially a written plan for periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later Than the 10th day 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 hearing. Not later than September 15,

of each even numbered year, the board shall complete its hearings, make amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 day of the approval date.”.

The Plan for periodic Reappraisal

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

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

In addition to periodic reappraisals, all personal property accounts are visited on an annual basis, timber and agricultural valuations are calculated on an annual basis. Ratio analysis are conducted to define reappraisals in rural areas (farm and ranch, lakefront development), populated city areas and commercial and residential properties. (Jefferson ISD, City of Jefferson, Marion County, Marion County Hospital District (2) overlapping school district’s Ore City ISD and Avinger ISD).

Appraisal District Personnel Resources

The Appraisal Districts Board of Directors, and the Chief Appraiser 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 Chief Appraiser of the Appraisal District is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. This is performed with the assistance, guidance, and authority of the Appraisal District Board of Directors.

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 in support of the Property Tax Code requirements coordinate support functions including records maintenance, information and assistance to property owners, and hearings.

As outlined in the approved 2023 Appraisal District Budget, the appraisal district staff currently consists of 6 employees:

- 1 - Chief Appraiser
- 2 - Appraisers
- 1 - Customer Service/Exemptions
- 1 - Secretary / Bookkeeper
- 1 – Deed Clerk/Mapping/BPP Appraiser

Staff Education and Training

All personnel within the Marion Central Appraisal District that are required to be registered with the Texas Department of Licensing & Regulation and are required to take courses to achieve the status of the Registered Property Tax Professional field within five years of employment as an appraiser. These requirements are set forth in the property tax code.

Training, Testing and five years of field experience are non-negotiable, locally funded by the CAD, and must be to the standards required of the Department of Licensing and Regulation.

Only after the five-year training period and the successful completion of all required state examinations will a State License be awarded.

After receipt of their license, personnel must complete continuing education hours during a 24-month period before the expiration of the registration. For Registered Professional Appraiser (RPA) 30 hours total of CE including: 2 hours in professional ethics, the approved state laws and rules update course, and 3.5 hours of USPAP.

All appraisal personnel receive extensive training in data gathering processes including data entry. Procedures used in field work 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 delivered by the Chief Appraiser for new appraisers and will meet regularly with staff to introduce new procedures and regularly monitor appraisal activity to ensure that standardized appraisal procedures are being followed by all personnel.

Revaluation Decision (Reappraisal Cycle)

The Marion Central Appraisal District reappraises all property every 3 years by designated area of the district. The reappraisal year is a complete appraisal of properties in the designated area. During a reappraisal, a decision is made on every property and an appraisal notice is sent to all taxpayers required. Tax Year 2023 is scheduled for a reappraisal for the City and select subdivisions (RA3). Tax Year 2024 is scheduled for a reappraisal for the West side of Hwy 59 excluding city and all subdivisions (RA1). All Business Personal Property accounts will be appraised and reviewed each year.

Reappraisal Year Activities

The goal for valuation of all property is to appraise all taxable property at “fair market value.” The Property Tax Code defines Fair Market value as 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 purchaser 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 purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

1. Performance Analysis- the equalized values from the previous tax year will be analyzed with ratio study to determine the appraisal accuracy & appraisal uniformity overall and by the market area with property reporting categories. Ratio studies will be conducted in compliance with the current Standard on Ratio Studies on the International Association of Assessing Officers (IAAO).
2. Analysis of Available Resources- Staffing and budget requirement for tax year 2023 are detailed in the 2023 budget, as adopted by the board of directors. Staffing and budget requirements for the tax year 2024 will be addressed in the 2024 budget to be adopted by the board of directors in accordance with Section 6.06 of the Property Tax Code.

The Board of Directors of the Marion Central Appraisal District will contract Mineral, Industrial, Utilities & related Personal Property Appraisals for the 2023-2024 Appraisal Years. (Attached hereto in the Appendix)

Planning and Organization- A calendar of events with critical completion dates will be prepared for each area. This calendar will identify key events for appraisal, mapping and records, administrative and information systems. A calendar is prepared for tax years 2023-2024. Goals for field activities will be established and incorporated in the planning and scheduling process. (Attached hereto in the Appendix)

3. Mass Appraisal System- Computer Assisted Mass Appraisal (CAMA) system revisions are completed by the Information Systems Software Provider. System revisions and procedures are performed by the Provider. The Marion Central Appraisal District contracts with the firm Pritchard & Abbott, Inc. for these services.
4. Identifying and updating relevant characteristics- Field and office procedures will be reviewed and revised as required for data collection. Activities scheduled for each appraisal year include new construction, demolition, remodeling, re-inspection of certain market areas as needed, periodic re-inspection of the universe of properties, and field or office verification of sales data and property characteristics. Re-inspection of properties is to be completed using 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.
5. Pilot Study of Tax Year- new and/or revised mass appraisal models are tested each year. Ratio studies, by market area, are conducted on proposed values each year. Proposed values in each category are tested for accuracy and reliability in selected market areas.
6. Valuation by Tax Year- using market analysis of comparable sales and locally tested cost data, valuation models are specified and calibrated in compliance with supplement standards from the International Association of Assessing Officers (IAAO) and the Uniform Standards of Professional Appraisal Practice (USPAP). The calculated values are tested for accuracy and uniformity using ratio studies.
7. Mass Appraisal Report- each appraisal year the Texas Property Tax Code requires Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar. The Mass Appraisal Report is completed in compliance with Standard Rule 6-8 of USPAP. The signed certification by the Chief Appraiser is compliant with Standard Rule 6-9 of USPAP. This written reappraisal plan is attached to the report by reference.
8. Value Defense- the Appraisal District has the burden of proof regarding protests related to appraisal or market value as well as unequal appraisals. Inspection and/or disclosure of evidence and materials will comply with Section 41.461 Property Tax Code.

2023 and 2024 Reappraisal Plan

Revaluation Decision

The Marion Central Appraisal District reappraises all property every 3 years by designated area of the district. The reappraisal year is a complete appraisal of properties in the designated area. During a reappraisal, a decision is made on every property and an appraisal notice is sent to all taxpayers in the designated area. All Business Personal Property accounts will be appraised and reviewed each year.

Tax Year 2023

Tax Year 2023 is scheduled for a reappraisal for RA3, the City of Jefferson and select subdivisions.

Tax Year 2024

Tax Year 2024 is scheduled for a reappraisal for RA1, the West side of the county excluding city and all subdivisions.

Performance Analysis

In each tax year 2023 and 2024 the previous tax years equalized values are analyzed with ratio studied to determine appraisal accuracy and appraisal uniformity overall and by market area within state property reporting categories. Ratio studies are conducted in compliance with the current Standard on Ratio Studies from the International Association of Assessing Officers. Mean, Median & Weighted Mean ratios are calculated for properties in each reporting category to measure the level of appraisal accuracy and of coefficient of dispersion (COD) will be calculated to measure appraisal uniformity by property reporting category. In each appraisal year this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance. Any reporting category that may have been previously excluded from reappraisal, due to lack of data, will be readdressed. If sufficient market data has been discovered and verified, the category will be tested and analyzed to arrive at an indication of uniformity or equity of existing appraisals.

Analysis of Available Resources

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

Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current as specified. In each reappraisal year, real property appraisal value tables are tested against verified sales data to ensure they represent current

market data. Personal Property density schedules are tested and analyzed based on rendition and prior year hearing documentation and inspections.

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

Planning and Organization

A calendar of events with critical completion dates is prepared (see appendix). This calendar identifies all key events for appraisal, clerical, customer service and information systems. Production standards for field activities are calculated and incorporated in the planning and scheduling process. This plan encompasses the normal processes carried out each year by the district, therefore catastrophic events or significant legislative action may be a detrimental effect to the District's operations and require changes to this plan.

Mass Appraisal System

Computer assisted Mass Appraisal (CAMA) system revisions are completed by the Information Systems Software Provider. System revisions and procedures are performed by the Provider. Marion Central Appraisal District contracts with the firm Pritchard & Abbott, Inc. for these services.

Real Property Valuation

Revisions to cost models, income models and market models are specified, updated and tested each year, as information is available.

Cost Schedules will be tested with market data (sales) to insure that the appraisal district is in compliance with the Texas Property Tax Code, Section 23.011. Replacement cost new tables as well as depreciation tables will be tested for accuracy and uniformity using ratio studies and compared with cost data from local building costs and recognized industry leaders, such as Marshall & Swift.

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

Income, expense and occupancy data will be updated in the income models for each market area or property type and cap rate studies will be completed using current sales data. The resulting models will be tested using ratio studies.

Personal Property Valuation

Schedules are updated using data during previous tax year from renditions and hearing documentation. Valuation procedures are reviewed modified as needed and tested.

Noticing Process

Section 25.19 appraisal notice forms are provided by the IS Provider. The Provider reviews and edits for updates and changes required by legislative mandates and reviewed by Appraisal District staff before mailing. The district publishes, in the local newspaper, information about the notices and how to protest. The district makes available the latest copy of the Comptroller's pamphlet *Taxpayer's Rights, Remedies and Responsibilities*.

Hearing Process

Protest hearing scheduling for informal and formal Appraisal Review Board hearings will be reviewed and updated as required. Standards of documentation are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process and requirements. Production of documentation is tested and compliance with Tax Code is insured. All formal ARB protests will be entered in the computer and related material printed for protest folders.

Data Collection Requirements

Field and office procedures are reviewed and revised as required for data collection. Projects for each tax year include the definition of market areas, new construction, demolition, remodeling, re-inspection of problematic market areas, and re-inspected of the universe of properties on a specific cycle, and office (or field) verification of sales data and property characteristics.

New Construction/Demolition

New Construction field and office review procedure are identified and revised as required. Field production standards are established and procedures for monitoring tested. Sources of building permits are confirmed. Municipal and county offices provide, as available, notification of utility hookups, septic system instillation, development permits, demolition orders, etc. Process of verifying demolition of improvements is specified.

Remodeling

Market Areas with extensive improvement remodeling are identified, verified and field activities scheduled to update property characteristic data. Official Public Records provide indications of properties that may be undergoing enhancement through Deeds of Trust, Mechanics Liens, etc. Property identified as having remodel or improvement updates will be scheduled for onsite inspection to verify property characteristic data.

Re-Inspection of Problematic Market Area

Real property market areas, stratified by property classification, will be tested for low or high sale ratios, and high COD (coefficients of dispersion). Market area that fail and or all of these test will be reviewed. Field reviews will be scheduled to verify and correct property characteristics data. Additional sales data will be researched and verified in order to assess whether the market area is correctly defined and stratified.

Re-Inspection of the Universe of Properties

The International Association of Assessing Officers' Standard on Mass Appraisal of Real Property, specifies that the universe of properties should be re-inspected on a cycle of 4 to 6 years. The re-inspection includes physically viewing the property, photographing (if possible), and verifying the accuracy of the existing data. The field appraiser has an appraisal card of each property to be inspected and makes notes of changes, depreciation, remodeling, additions, etc. The re-inspection requirements for 2023-2024 Tax Years are identified and scheduled in the reappraisal plan.

Field or Office Verification of Sales Data and Property Characteristics

Sales information must be verified and property data (characteristics), contemporaneous with the date of sale, must be captured. Valid statistical analyses for direct and indirect equalization using sales ratios require the appraisal data to reflect the condition of the property at the time of sale.

Market Areas

Marion County's neighborhoods or market areas consist of one (1) Independent School District & two (2) overlapping Independent School Districts that encompass the whole county with (1) City. City of Jefferson is a mixed use town. Historic Bed & Breakfast Community with Light Retail best describes it. 2 lakes surround the county, Caddo Lake and Lake O' The Pines has numerous subdivisions located around each body of water which creates a specific market area. Areas within the counties boundaries are rural, open-space, timberland and farms. Being a rural East Texas county, many homes, small farms, hay and cattle operations and timber growing operation make up a large portion of the tax base. Within these areas there are subsets that 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 or historic homes becoming modernized with newer home trends.

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.

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

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

Highest and Best Use

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 its maximum. 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.

Example:

It may be determined in a transition area that older, non-remodeled homes are economic detriments, and the highest and best use of such property is the construction of new dwellings.

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

Production standards for field activities and results are tested on an annual basis with the use of sales data gathered through buyer and seller questionnaires mailed by the appraisal district, verbal contact with citizens of Marion County, and confirmations of sales activity in warranty deed or county clerk's recorded documents. Just as with the annual Property Value Study performed by the Comptroller's Property Tax Division the use of sales and recognized auditing and sampling techniques are used to determine the level and uniformity of property tax appraisal in this district. This process utilizes statistical analysis of sold properties (sales ratio) and appraisals of unsold properties (appraisal ratios) as a basis for assessment ratio reporting. The reported measures include the median level of appraisal, coefficient of dispersion (COD),

the percentage of properties within 10% of the median, the percentage of properties within 25% of the median and price-related differential (PDR) for properties overall and by state category. The ratio study includes stratified samples to improve sample representation for measuring uniformity.

Pilot Study

New and/or revised mass appraisal models are tested each year. Ratio studies, by market category, are conducted on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. The procedures used for model specification and model calibration are in compliance with *Uniform Standards of Professional Appraisal Practice*, Standard Rule 6.

Valuation by Appraisal Year

Using market analysis of comparable sales and locally tested cost data (if available), valuation models (value per square foot schedules) are specified and calibrated in compliance with supplemental standards from the *International Association of Assessing Officers* and the *Uniform Standards of Professional Appraisal Practice*. The calculated values are tested for accuracy and uniformity using ratio studies. Performance standards are those as established by the *IAAO Standard on Ratio Studies*. Property Values in all market areas are analyzed and updated as necessary each appraisal year.

Residential Real Property

Ratio Studies will be conducted on neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy level and uniformity of value. The valuation process for residential property normally begins in August. Land analysis, sales outlier review, neighborhood sales analysis, and finalization of proposed estimates of value will be worked from August thru mid-April.

Valuation Methods Used:

Sales Comparison Approach (also referred as Market Approach)

In this method of valuation, similar properties recently sold in the current market are analyzed and compared with the property being appraised. Sales data is run by classification and location. Adjustments are made for differences in such factors as time of sale, location, type, age and condition of the improvements. Review the sales ratio for uniformity or equity of existing appraisals and if any adjustments need to be made. In comparing of classes of houses and/or age factors, classes can be identified which may require adjustments up or down.

Cost Approach

In the method of valuation, an estimate is made of current costs of reproduction or replacement of the improvements. This is known as the cost per square foot and is adjusted to reflect depreciation from all forms (physical, functional and economic obsolescence) and is added to the value of the land.

Model used to estimate the present value:

$$\begin{aligned} & \text{RCN (replacement cost new)} \\ & \quad \text{-DEPRECIATION} \\ & \text{RCNLD (replacement cost new less depreciation)} \\ & \quad \text{+LV (land value)} \\ & \text{MARKET VALUE} \end{aligned}$$

Costs tables are developed based on information obtained from mechanic's liens on local costs and Marshall & Swift Valuation Guide. Folders have been set up for a better comparison and study which includes ratio study and mechanic lien information.

Income Approach

In the method of valuation, a value of an investment property reflects the quality and quantity of income it is expected to generate of its life. In other words, value is the estimated present value of future benefits, namely income and proceeds from the sale of the property. The appraiser must estimate income from a property and capitalize the income into an estimate of current value.

Model used to estimate the present value of income expected in the future is represented by the following formula known as IRV. (VALUE=INCOME/RATE OR, INCOME= RATE X VALUE OR, RATE= INCOME/VALUE)

$$\begin{aligned} & \text{POTENTIAL GROSS RENT} \\ & \quad \text{-VACANCY \& COLLECTIONS} \\ & \text{EFFECTIVE GROSS RENT} \\ & \quad \text{+OTHER INCOME} \\ & \text{EFFECTIVE GROSS INCOME} \\ & \quad \text{-ALLOWED EXPENSES} \\ & \text{NET OPERATING INCOME} \\ & \quad \text{/ CAPITIZATION RATE} \\ & \text{MARKET VALUE} \end{aligned}$$

The income approach is most suitable for types of properties frequently purchased and held for the purpose of producing income, such as apartments, commercial buildings and office buildings. It is not conducive to the valuation of single-family residential properties that are seldom rented, or where market demand factors such as personal preference or location unduly influence the market.

Special Inventory Residential Property

Residential improved and vacant property, when qualified as inventory, will be appraised in compliance with the Texas Property Tax Code Section 23.12 (a).

In general, the district would use its own land estimates and the actual itemized construction, labor and material costs, plus other indirect costs to estimate market value as of the assessment date. The market values of improved inventory will be reviewed annually and inventory consideration will be eliminated when ownership transfers to the property owner.

Vacant residential inventory, when appropriate, will be valued using a discounted cash flow formula that considers value relative to the income or cash flow, the interest or discount rate and the number of years the property is likely to be held. As with improved inventory, full market value will be applied once the vacant land is absorbed and ownership transfers for the purpose of residential construction.

Agriculture and Timber Land

The appraisal of agriculture or timber land is governed by Chapter 23 of the Property Tax Code. The appraised value of qualified open-space or timber land is determined on the basis of the category of land, using accepted income capitalization methods applied to average net to land.

Schedules for valuing qualified land have been developed for various agriculture uses and types of timber production. These schedules are reviewed annually and update using data from sources such as Texas Forest Service and Texas Agriculture Extension Service as well as local landowners engaged in leasing land for agriculture use.

Commercial Real Property

All commercial properties including but not limited to retail properties, apartments, warehouses, medical offices, golf courses, office buildings, mobile home parks will be valued by the cost approach, income approach or sales comparison approach as deemed most appropriate pursuant Section 23.0101 of the Texas Property Tax Code. Ratio studies will be performed to test the level and uniformity of appraisal within the specific property use categories.

Valuation Methods Used:

Sales Comparison Approach (also referred as Market Approach)

In this method of valuation, similar properties recently sold in the current market are analyzed and compared with the property being appraised. Sales data is run by classification and

location. Adjustments are made for difference in such factors as time of sale, location, type, age and condition of the improvements. Review the sales ratio for uniformity or equity of existing appraisals and if any adjustments need to be made. In comparing of classes of houses or age factors, classes can be identified which may require adjustments up or down.

Cost Approach

In the method of valuation, an estimate is made of current costs of reproduction or replacement of the improvements. This is known as the cost per square foot and is adjusted to reflect depreciation from all forms (physical, functional and economic obsolescence) and is added to the value of the land.

Model used to estimate the present value:

$$\begin{aligned} & \text{RCN (replacement cost new)} \\ & \quad \text{-DEPRECIATION} \\ & \text{RCNLD (replacement cost new less depreciation)} \\ & \quad \text{+LV (land value)} \\ & \text{MARKET VALUE} \end{aligned}$$

Costs tables are developed based on information obtained from mechanic's liens on local costs and Marshall & Swift Valuation Guide. Folders for each class have been set up for a better comparison and study which includes ratio study and mechanic lien information.

Income Approach

In the method of valuation, a value of an investment property reflects the quality and quantity of income it is expected to generate of its life. In other words, value is the estimated present value of future benefits, namely income and proceeds from the sale of the property. The appraiser must estimate income from a property and capitalize the income into an estimate of current value.

Model used to estimate the present value of income expected in the future is represented by the following formula known as IRV.

$$\text{VALUE} = \text{INCOME} / \text{RATE}$$

OR

$$\text{INCOME} = \text{RATE} \times \text{VALUE}$$

OR

$$\text{RATE} = \text{INCOME} / \text{VALUE}$$

The income approach is most suitable for types of properties frequently purchased and held for the purpose of producing income, such as apartments, commercial buildings and office buildings. It is not conducive to the valuation of single-family residential properties that are seldom rented, or where market demand factors such as personal preference or location unduly influence the market.

Business Personal Property

These property types will be valued annually by the appraisal district staff. The Personal Property Appraiser engages in an annual canvas field review to identify new businesses to be added to the roll, movement of existing businesses to different locations or business closings and data review of current property characteristics in property records. Once pertinent data is updated in the field, property rendition forms will be sent to owners in order that they may declare their taxable personal property according to current law. The information obtained from renditions will be utilized by the district to develop an estimate of value. Generally, estimates of value developed for personal property will be produced by mid to late April of each appraisal year. The notices of appraised value for these properties are generally mailed in mid-May.

Valuation Methods Used:

Sales Comparison (Market Approach)

Business Personal Property is typically sold as part of the business as a whole and not by itself, which makes this approach unsuitable for valuing most personal property. This approach is only suitable for the valuation of certain types of vehicles, heavy equipment and airplanes. Value estimates for vehicles will be provided by independent sources and based on data furnished by market reports. These types of properties will be appraised using market guides such as NADA book values or Just Texas values.

Cost Approach

Actual values from renditions are used when applying values for inventory. The total cost is used as the basis for market value because cost is a good indicator of what a purchaser would pay for a similar inventory to go into business at the same level of trade. Property listings, furniture, fixtures, machinery and equipment is used from rendition for original costs then depreciated for age based on type of equipment, age, condition and use. If replacement cost is used, we estimate the replacement cost of each item and estimate the actual physical depreciation of each item. In striving for uniform value of personal property, consideration must be given to such factors as new replacement cost, age, physical condition and allowance for depreciation of each item of property. Percent good depreciation tables are provided by the Property Tax Division of the State Comptroller's office each year and are followed.

Cost per square foot method is used when rendition information is not available or undetermined. The type of business, quality and density of inventory, furniture and fixtures, machinery and equipment are serving in a useful capacity, they bear a value. Specific

procedures and guidelines must be used as basis for determining the fair value of the various types of property in order to attain and preserve uniformity.

Income Approach

Any information of income can be used to verify valuation.

Mineral, Industrial, Utility and Related Personal Property

The Marion Central Appraisal District will contract with an appraisal firm with specific expertise for the valuation of minerals, heavy industrial, utilities, railroads, pipeline properties and related personal property. These properties will be reappraised annually by the firm using recognized methods and techniques as required by the *Uniform Standards of Professional Appraisal Practice*.

Mass Appraisal Report

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

Value Defense

Evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings will be developed. Inspection and/or disclosure of evidence and related materials will comply with Section 41.461 of the Property Tax Code. A variety of evidence is utilized by the district depending on the property type of the subject of the protest. In addition, the district updates the evidence supplied to an owner, agent, or Appraisal Review Board to be contemporaneous with the valuation procedures utilized. Some examples of evidence may be used include, but not limited to:

1. Property sales information
2. Property sale adjustment grids
3. Property equity adjustment grids
4. Gross Rent/Income Multiplier data
5. Performa and actual Income data
6. Property characteristics data including photos, if applicable
7. Aerial photography
8. Cost Approach reports, if applicable
9. Property Rendition, if applicable

10. Published Reports regarding cost, market or income data
11. Schedules and Models Utilized
12. Any other Information collected by CAD

Performance Test

According to Chapter 5 of the TPTC and Section 403.302 of the Texas Government Code, the State Comptroller’s Property Tax Division (PTD) conducts a property value study (PVS) of each Texas school district and each appraisal district. As part of this 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 (MSP review); test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and, determine the level and uniformity of property tax appraisal in each appraisal district.

The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical 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 (PRD) for properties overall and by state category.

The preliminary results of this study are released February 1 in the year following the year of appraisalment. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) the following July. This outside (third party) ratio study provides additional assistance to the CAD in determining areas of market activity or changing market conditions.

Appendix

Wardlaw Appraisal Group Reappraisal Plan 2023-2024

Calendar of Key Events for 2023

Calendar of Key Events for 2024