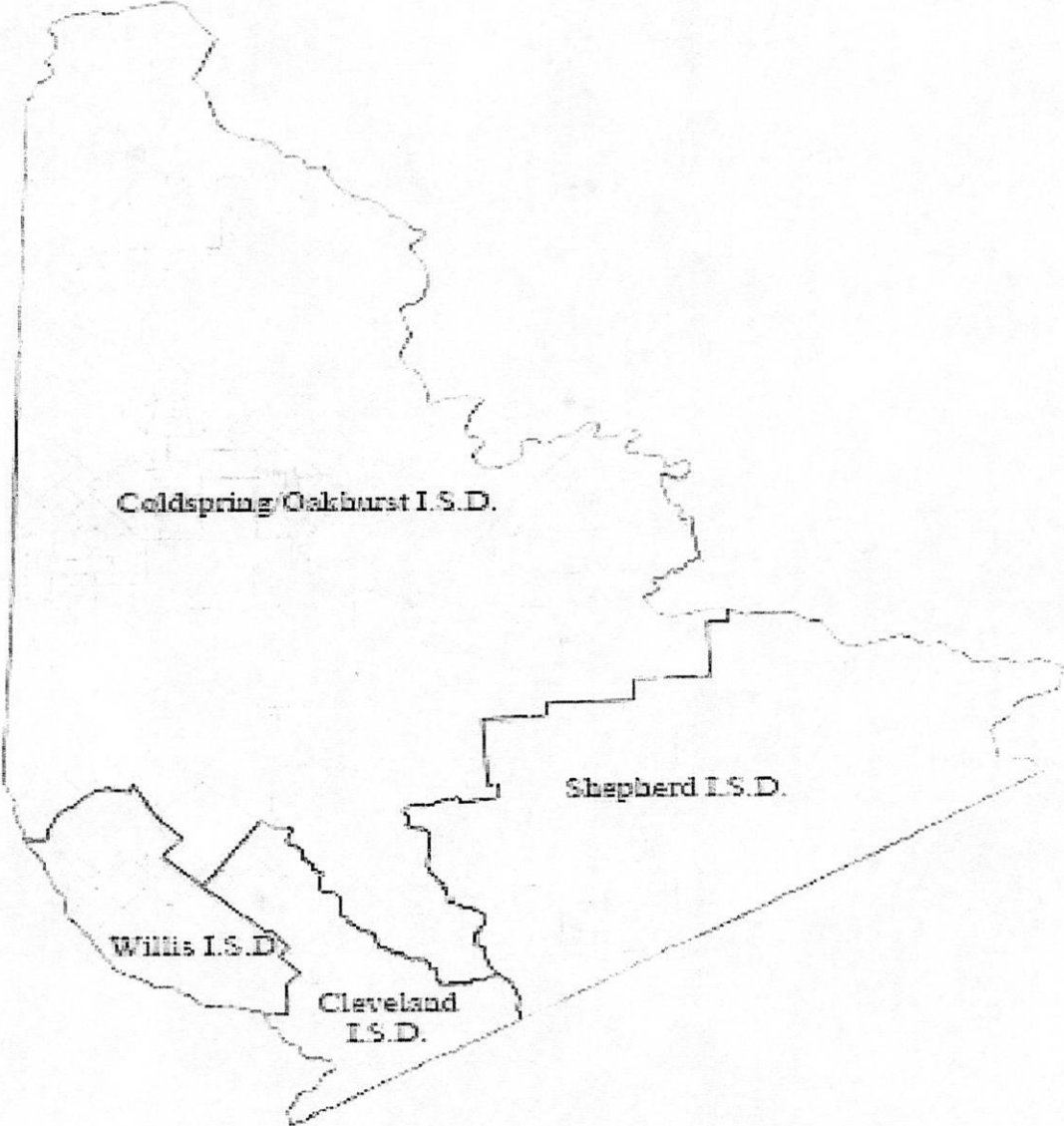


# SAN JACINTO COUNTY APPRAISAL DISTRICT



**REAPPRAISAL PLAN**  
2023 and 2024

## INTRODUCTION

According to Texas law, appraisal districts must establish a plan for the periodic reappraisal of all property within the boundaries of the district. Please see attached property tax code sections 6.05 and 25.18. In order to comply with state law, the San Jacinto County Appraisal District set forth and established the following reappraisal plan.

The San Jacinto County Appraisal District (SJCAD) is responsible for the appraisal of all classes of taxable property located within its jurisdictional boundaries. The boundaries include all property located in San Jacinto County. SJCAD is responsible for the appraisal of approximately:

39,819 real property parcels.

5,762 mineral accounts.

765 industrial, and other personal property accounts.

The district serves taxing units. Those taxing units consist of 4 Independent school districts, 2 cities, 1 county, 6 special use districts, such as an Emergency Service District, Municipal Utility Districts, Road and Bridge and Junior College. SJCAD employs an outside appraisal firm, Hugh Landrum and Associates, Inc. to appraise minerals, oil and gas, utilities, and various other complex properties, Hugh Landrum and Associates, Inc.'s appraisers are guided by the principles set forth in the Uniform Standard of Professional Appraisal Practices (USPAP).

In mass appraising property for the purpose of ad valorem taxation, SJCAD subscribes to the standards established by the International Association of Assessing Officers (IAAO). In addition, SJCAD is guided by the principles set forth in the appraisal foundation's "Uniform Standards of Professional Appraisal Practice" (USPAP). In appraising property for ad valorem tax purposes, the district employs generally accepted appraisal methods and techniques. The Districts appraisers conduct mass appraisal utilizing the three approaches to value: the cost, market, and income approaches.

### **Mission Statement**

The mission of the San Jacinto County Appraisal District is to serve the citizens, property owners and taxing units of San Jacinto County with the highest standards of professionalism, integrity, and respect. We will uphold these standards by timely producing an accurate, complete, and equitable appraisal roll in compliance with the laws of the State of Texas.

We expect excellence in the services that we provide and recognize that excellence shall be achieved through individual and team effort on the part of well-trained, motivated personnel. Accordingly, we are committed to creating and maintaining a work environment that provides and supports innovation and change that is essential to effectively perform in a constantly changing society.

We are also committed to earn and keep the public's trust and confidence in the work we perform, striving to provide quality services and demonstrating a professional attitude.

The San Jacinto County Appraisal District's goals are:

- Appraise property at market value in a fair, equal, and uniform manner, adhering to the Texas Property Tax Code, USPAP, and generally accepted appraisal standards.
- Administer exemptions and special use valuation in a fair, equal, and uniform manner.
- Be diligent and proficient in maintaining records on valuation, deed changes, and mapping.
- Operate at the least expense to taxpayers without compromising quality.
- Provide excellent customer service that is accessible, responsive, and transparent.

This professional attitude will include:

1. Always being respectful and courteous
2. Communicating with understandable language
3. Being honest with the people we meet
4. A willingness to correct errors to the extent allowed by law
5. Respecting the taxpayer or entities concerns or problems
6. Providing comprehensive and accurate information
7. Treat everyone in the manner you would like to be treated

### **LEGAL REQUIREMENTS**

The Texas constitution contains the laws that form the foundation for the Texas Property Tax Code. The tax code provides an annotated and cross-referenced version of the tax laws that govern property tax administration in Texas. The provisions contained in the Texas constitution, the Texas property tax code, related case law, and attorney general's opinions, serve as the primary sources of law that govern the activities of the San Jacinto County Appraisal District.

## SJCAD 2023-2024 Reappraisal Plan

*San Jacinto CAD proposes to review, physically, by aerial imagery, or other means, all property every four years. The appraisal opinion of value for all property located in the district is reviewed and evaluated each year. For 2023-2024 tax years, San Jacinto CAD, within time and budget constraints, will reappraise properties in the county. The county is divided into 4 Regions. The appraisers will work to complete the reappraisal in each abstract or subdivision within each region as set forth by the timeline. Commercial personal property, as well as mineral and industrial property is reappraised annually (see mineral, industrial reappraisal plan). Included is our proposed 2023-2024 work timeline.*

SJCAD will reevaluate all real property annually by reviewing all appraisal schedules and tables, neighborhood factors and depreciation schedules. **Within time and budget constraints**, it is the District's goal to complete update inspections of all improved properties excluding industrial improved properties appraised by Hugh Landrum and Associates, Inc. on a four (4) year rotating cycle by regions. These update inspections will include physical inspection of the properties and updating all attributes and other necessary information. Revisions to cost models, income models, and market models are updated and tested each year.

Cost schedules are tested with market data (sales) to ensure 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 are tested for accuracy and uniformity using ratio study tools.

Land tables are updated using current market data (sales) and tested with ratio study tools. Value modifiers are developed for property categories by market area and tested with ratio study tools.

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

All personal property will be reappraised annually. Update inspections of personal property may be conducted one or more times per year. Density schedules are updated using data received during previous year from renditions and hearings, if warranted. Valuation procedures are reviewed, modified, and tested.

Mineral and industrial property will be appraised annually by Hugh Landrum and Associates, Inc. in Houston, Texas.

## **APPRAISAL RESOURCES**

The SJCAD staff consists of the Chief Appraiser, Deputy Chief Appraiser, Field Appraisers, and other support type personnel. Currently SJCAD does not provide collection services; however, the SJCAD does provide technical support to the taxing units it serves. The District Board of Directors may consider an appointment of a taxpayer liaison officer in the future.

SJCAD appraisers are actively involved in the discovery, listing, and appraisal of all types of property. Properties are grouped by location, type, use, quality, and a variety of other quantitative data elements. A common set of data characteristics on each specific type of property is observed, listed, and collected during field inspection. Each appraiser is trained in the use of the San Jacinto County Central Appraisal District's appraisal manual, appraisal techniques, and methodology.

## **COMPUTER RESOURCES**

The District's appraisal records are maintained using Harris Govern True Automation's PACS appraisal software and a server computer. The PACS software is a CAMA (computer assisted mass appraisal) based system using cost and depreciation schedules for creating values for both real and personal property.

The District provides for public access via the internet to the appraisal district records at <http://www.sjcad.org>. The website provides access to individual property information including ownership, address, and appraisal data.

## **MAPPING RESOURCES**

The District contracts with Harris Govern True Automation to maintain ownership maps on paper and electronically using a geographic information system (GIS) of San Jacinto County utilizing ESRI's products arc-info, arc-viewer and arc-map. Additionally, the District has a license agreement with Pictometry International for aerial photography of San Jacinto County.

## **INFORMATION SOURCES**

SJCAD appraisal staff and administration collect data on local and school district economic forces that may affect value. Locational forces are observed as we find location to be the most significant factor in determining the market value of property in our geographic area. General trends in employment, interest rates, availability of vacant land, and new construction trends are monitored. SJCAD obtains information from mail surveys, local realtors, brokers, appraisers, and a variety of other sources, such as Marshall & Swift, the Appraisal Institute, Texas A&M Real Estate Center and local Chambers of Commerce.

## THE DATABASE

The SJCAD database was constructed from property data obtained originally from San Jacinto County in 1980. Since the inception of the SJCAD, the property records have been continually updated. Property inspections occur as the result of information gathered from various information sources. Building permits, field review, renditions, reports of value, local news publications, tax offices, and the public are but a few of the sources of information considered by staff appraisers during the discovery phase of the appraisal process. Information from building permits is compiled from local taxing units and entered into our CAMA system.

Data collection in the field may require preparation of maps, computer generated appraisal cards, mobile data and coordination of the appraisal staff. Properties are grouped by location and neighborhoods prior to the start of the fieldwork. State Property Tax Assistance Division (PTAD) property classifications include residential, multi family, commercial, industrial, farm and ranch, vacant lots, acreage, oil, gas, minerals, utilities, business personal property, and other special inventory types.

Properties are also grouped by location within each of our four school districts. Within each school district are neighborhoods, defined by the IAAO as the environment of a subject property that has a direct and immediate effect on value. The neighborhood concept is used in the grouping of all taxable property located in SJCAD with the exception of some special use properties.

## APPROACHES TO VALUE

Value occurs in many different forms. Numerous and varied forces and influences combine to create, sustain, or destroy value. The appraiser must define the type of value sought in order to compile and analyze all relevant data, giving due consideration to all factors which may influence value. The appraisal is simply an opinion of value, and the accuracy and validity of the opinion can be measured against the supporting evidence from which it was derived along with its accuracy against the actual behavior of the market. An appraiser must adequately and fully obtain, document, and then interpret the evidence into a final estimate of value.

Appraising real property is an exercise in reasoning. It is a discipline, and, like any discipline, it is founded on fundamental, economic, and social principles. From these principles evolve a certain premise which, when applied to the valuation of property, serve to explain the reaction of the market. This section concerns itself with those concepts and principles basic to the property valuation process.

The processing of data into a conclusion of value generally takes the form of three recognized approaches to value: the cost, market, and income approaches to value. Underlying each approach is the principle that the justifiable price of a property is no more than the cost of acquiring and/or reproducing an equally desirable substitute property. The use of one or all three approaches in the valuation of a property is determined by the quantity, quality, and accuracy of the data available to the appraiser.

## **THE COST APPROACH TO VALUE**

The cost approach to value is an appraisal analysis that is based on the economic principle of substitution that suggests that an informed purchaser would not pay more for a property than the cost of reproducing a substitute property with the same utility. The cost approach involves estimating the cost of the improvements new less all forms of depreciation (physical, functional, economic) plus the value of the site. If an improvement has no accrued depreciation, then and only then is cost equal to value.

### **STEPS IN THE COST APPROACH INCLUDE:**

1. Estimate the value of the site as if vacant
2. Estimate reproduction or replacement cost new of the improvements
3. Estimate accrued depreciation
4. Deduct the accrued depreciation from the reproduction (or replacement) cost new to obtain an estimate of the present worth of the improvements
5. Add the present worth to the site value to obtain the indicated value.

The significance of the cost approach lies in its extent of application; it is the one approach that can be used on all types of properties. The cost approach is a starting point for appraisers and therefore a very effective "yardstick" in any equalization program for ad valorem taxes. Its widest application is in the appraisal of properties where lack of adequate market and income data preclude the reasonable application of the other two approaches to value.

## **THE MARKET APPROACH TO VALUE**

The market approach to value is an appraisal analysis that involves the compiling of sales and offerings of properties that are comparable to the property being appraised. The sales and listings are then adjusted for differences and a value range obtained. The market approach is reliable to the extent that the properties are comparable, and the appraiser's judgment of property adjustments is sound. The procedure for utilizing this approach is essentially the same for all types of property with the only difference being the elements of comparison.

The significance of the market approach directly lies in its ability to produce estimates of value that directly reflect the attitude of the market. Application is contingent upon the availability of comparable sales, and therefore finds its widest range in the appraisal of vacant land and residential properties.

## THE INCOME APPROACH TO VALUE

The income approach to value is an appraisal technique that measures the present worth of the future benefits of a property by capitalization of the net income stream over the remaining economic life of the property.

The income approach involves making an estimate of "effective gross income" which is derived by deducting vacancy and collection losses from the estimated economic rent, as evidenced by comparable properties. Operating expenses, taxes and insurance, and reserves for replacements are deducted from the effective gross income. The resultant net income is capitalized into an indication of value. The income approach obviously has its basic application in the appraisal of properties universally bought and sold for their ability to generate and maintain an income stream. The effectiveness of the approach lies in the appraiser's ability to relate to the changing economic environment and to analyze income yields in terms of their relative quality and durability.

In theory, the market value of a property should be equal to the present value of its future income. The simplest capitalization formula is  $v = i/r$  (present value of the property = annual net income expected in the future divided by the rate [interest, risk, or discount rates]). For an asset that declines in value over time, the appropriate capitalization formula is  $v = (i/r) [1 - 1/(i + r)^n]$  where  $n$  equals the number of years that the asset will be in use. The resultant capitalization rate is the hoped-for or expected rate of return. It is the rate necessary to attract capital to the investment.

Section 23.012 of the Texas Property Tax Code requires the chief appraiser, when using the income approach, to:

1. Analyze available comparable rental data or the potential earnings capacity of the property, or both, to estimate the gross income potential of the property.
2. Analyze available comparable operating expense data to estimate the operating expenses of the property.
3. Analyze available comparable data to estimate rates of capitalization or rates of discount; and
4. Base projections of future rent or income potential and expenses on reasonably clear and appropriate evidence.
5. In developing income and expense statements and cash-flow projections, the chief appraiser shall consider: (1) historical information and trends; (2) current supply and demand factors affecting those trends; and (3) anticipated events such as competition from other similar properties under construction.



## **VALUATION PROCESS**

All taxable properties in the District are valued by the aforementioned cost schedule using a comparative unit method. All SJCAD schedules were developed in house except the original residential schedules that were developed by a contract mass appraisal firm and are periodically modified to reflect the current market. The cost schedules are tested against commonly accepted sources of building cost information, such as Marshall & Swift, to determine accuracy. Cost estimates are also compared to analysis of the local market to determine level of appraisal.

## **RESIDENTIAL MARKET ANALYSIS**

Market analysis is performed throughout the year. Both, general and specific data is collected and analyzed. There are a number of economic principles that relate to the market value of property. The principle of supply and demand is an important economic principle that must be considered by appraisers. There are several others including economic trends, national, school district, and local trends that affect the value of properties located in our various tax jurisdictions. An awareness of physical, economic, governmental, and social forces is essential in understanding, analyzing, and identifying local trends that affect the real estate market.

## **DATA COLLECTION**

Field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, and re inspection of the universe of properties on a 3-year cycle. 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 4-6 years.

The re-inspection includes the re-measurement of at least two sides of each improved property. The annual re-inspection requirements are identified by the property type and property classification.

New construction field and office review procedures are identified and revised as required. Field production standards are established and procedures for monitoring tested. Source of building permits is confirmed, and system input procedures are identified. Process of verifying demolition of improvements is specified. Market areas with extensive improvement remodeling are identified, verified and field activities scheduled to update property characteristic data. Updates to valuation procedures are tested with ratio studies before finalized in the valuation modeling.

Real property market areas, by property classification, are tested for low or high protest volumes; low or high sales ratios; or high coefficient of dispersion. Market areas that fail any or all these tests are determined to be problematic. Field reviews are scheduled to verify and/or correct property characteristic data. Additional sales data is researched and verified. Sales information must be verified and property characteristic data contemporaneous with the date of sale captured. The sales ratio tools require that the property that sold must equal the property appraised in order that statistical analysis results will be valid.

## **BASIC MEASURING PROCEDURES**

In any appraisal, the foundation for the cost approach is the improvement sketch. The District's appraisers are trained in the procedures for measuring, drawing, vectoring and reconciling measurements. Appraisers are also trained to segregate and separately measure areas by use (i.e., main area/living area, porches, garages, patios etc.)

## **DEPRECIATION**

SJCAD depreciation tables are based on the extended life concept, which starts with the hypothesis that buildings age in much the same manner as people and that the older they get the greater their total life expectancy. This concept recognizes that a building is in the prime of life before mid-life and that the road is downhill after that, but the correction of deficiencies may lower effective age and lengthen the remaining life.

## **HIGHEST AND BEST USE ANALYSIS**

In considering the fair market value of taxable property, SJCAD employs the principle of highest and best use analysis. Highest and best use analysis is the first step in the district appraisers' economic analysis. Highest and best use is defined as the most profitable use at a specific time. For the purpose of ad valorem property taxation in Texas, the specific time is January 1st of each calendar year. The highest and best use must be legal, physically possible, and financially feasible. SJCAD appraisers generally consider that the current use of the property is most likely its highest and best use. In certain types of property, local zoning and deed restrictions often determine highest and best use. However, in areas of transition, it may be necessary for the analyst to more carefully consider the concept of highest and best use. Highest and best use may not be the present use of the property when the agents of production are not in alignment (i.e., land, labor, capital, and management).

## **NEIGHBORHOOD ANALYSIS**

Initially, property is considered based on its location within particular boundaries. The most common boundary used to define location is the school district boundary. In all types of property, valuation analysis and neighborhood analysis are conducted on school districts. The IAAO defines a neighborhood as the environment of a subject property that has a direct and immediate effect on value. For our purposes, the neighborhood boundary is the environment of the subject property. The neighborhood concept is used in the grouping of all taxable property located in SJCAD with the exception of some special use properties.

## **LAND ANALYSIS**

Land analysis is conducted generally by the District's review appraisers. Highest and best use determinations generally occur at this time. Base lot square footage tables and acreage tables are established during this phase of the appraisal operation. A computerized land table containing the necessary information by school district and neighborhood, and any other pre-specified area, assist the appraisal in consistently valuing land based on its location, size, configuration, and topography elements. When possible, the sales comparison approach is used to assist in the development of unit prices. The land appraisal techniques of allocation by abstraction and allocation by ratio are used to best reflect the value of the land as vacant in areas where build-out has occurred or in areas where vacant land sales are not available.

## **APPRAISAL OF RURAL LAND**

This section provides general guidelines to assist appraisers in the market valuation of rural lands. Appraised values based on market valuation must be established for all taxable land in each taxing jurisdiction, regardless of whether the land qualified, or would qualify, for productivity valuation under either article VIII, section 1-D or section 1-d-1 of the Texas constitution. Market values so determined must be submitted to the appraisal review board for determination of protests for all taxable land in each jurisdiction, including land that qualifies for productivity valuation. In addition, appraised values based on market valuation must be retained for land receiving productivity valuation for rollback purposes.

The rural land market can best be understood by dividing it into three distinct types of markets; the production, investment, and consumptive land markets--each based on the principal factor, which influences value. Discussion of these market influences and common examples of each are presented below.

### **PRODUCTION LAND MARKET**

The principle factor influencing value of rural land in the production land market is the income potential associated with agricultural production. In the production land market, land values will reflect the productive capacity of soils, the availability of irrigation water, and the topographic features, which influence the ability of a producer to use the land for agricultural purposes.

### **INVESTMENT LAND MARKET**

The principal factor influencing the market value of rural land in the investment land market is the appreciation potential of land investments. The investment land market is not composed strictly of speculators who purchase land with the intent to make a quick profit by resale, but also includes individuals who purchase land for conversion into subdivisions or for other types of development. In addition, the investment land market includes individuals who purchase land as a means of preserving their capital for a later use, or as a hedge against inflation. Although investment-market influences exist in all areas of the state, they are the principal market influences in suburban areas.

## **CONSUMPTIVE LAND MARKET**

The principal factor influencing the market value of rural land in the consumptive land market is the satisfaction that land ownership provides. The consumptive land market is often characterized by the purchase of small tracts of land to be used for recreational purposes. For instance, an individual who lives in a city or town may purchase a 10-acre tract of land in a rural area to visit on weekends with his family. Generally, the value of land located within 200 miles of major population centers is most heavily affected by consumption-market influences.

The most distinctive features of the rural land market are that all three types of market influences, in combination with supply, establish market values. For this reason, it is important that the appraiser be knowledgeable of the key factors that influence value and of the relative influence each of these factors has upon value when establishing procedures for the valuation of rural land in a jurisdiction.

## **ANALYSIS OF THE LOCATION MARKET**

From a practical standpoint, using a fee-appraisal approach to appraise each individual tract of land in a jurisdiction is not possible. Fee appraisers make detailed appraisals of individual parcels by obtaining comparable sales of other land in the jurisdiction and adjusting each comparable sale to the subject property to estimate the value of the subject property. In this way, fee appraisers allow market transactions that have occurred regarding other properties to define the market value of the subject property. Common types of adjustments made by fee appraisers to comparable properties in estimating market values of subject properties include adjustments for date of sale, for size of tract, for productivity factors, for improvement value, and for special amenities.

Appraisal district appraisers must also use market transactions to define factors that influence rural land values in their jurisdictions. However, unlike fee appraisers, these appraisers cannot compare each tract individually to each market transaction identified to make adjustments because of the volume of properties to be appraised. Appraisal district appraisers, therefore, must incorporate the factors indicated by market transactions into general standards or schedules of value. Such schedules are normally comprised of per acre prices that will be multiplied by the number of acres in an individual tract to develop an estimate of the value of the tract. Schedules of this kind can be divided into as many categories or classes as are necessary to reasonably reflect market values when applied to individual tracts of land found in the jurisdiction.

## **SALES ANALYSIS**

The SJCAD review appraisers gather sales information. SJCAD receives sales from a variety of sources including, but not limited to, field discovery, local realtors, appraisers, buyer and seller questionnaires, protest hearings, local builders, and sometimes from overlapping jurisdictions. Sales are reviewed for validity and inspected for data accuracy. All sales are entered into our CAMA system. The sales are classified to recognize their appropriate status, source, and confirmation codes. The sales ratio analysis and associated individual property review is conducted on a year around basis. Properties that do not fit a homogenous statistical profile are set aside for review.

Ratio studies are performed by property class, school district, neighborhood, subdivisions to identify areas in need of reappraisal.

## **RESIDENTIAL VALUATION**

The ratio study procedures provide accurate information regarding the level of appraisal of the various classes and categories of properties. For the purpose of valuing residential property, the SJCAD approach to value is described by the IAAO as a hybrid cost-sales comparison approach. This commonly accepted mass appraisal technique considers local influences not always accounted for in the cost approach. The following equation explains this theory:  $MV = MA (RCN - D) + LV$ .

Where MV equates to market value, MA equals market adjustment, RCN-D is the replacement cost new of the dwelling, less depreciation, and LV is the estimate of land value based on highest and best use. Market value equals market adjustment times RCNLD + LAND.

In areas where the sales ratio indicate that the property located within a given neighborhood is not being appraised at the legally permissible level of appraisal, the market adjustment process described in the previous paragraph is conducted. Base cost estimates are compared to sales and a ratio is derived. The ratio is divided into a target ratio, and a neighborhood adjustment factor is determined. Each homogenous parcel in that given neighborhood is programmatically adjusted according to the factor derived from the process. This adjustment factor is entered into the CAMA system and each parcel is adjusted programmatically. Ongoing neighborhood analysis and delineation ensures the accuracy of this process.

## **COMMERCIAL PROPERTY VALUATION**

The SJCAD employs all three approaches to value when possible, in valuing income-producing property. The primary approach used to initiate the valuation process is the cost approach to value. Each commercial property is listed according to its quantitative data elements. The data elements are entered into our CAMA system and an initial cost value is calculated. The depreciation is calculated and assigned during this process so that an RCNLD of the improvements may be derived and this is added to an estimate of the land value.

The income and expense data of these types of properties is gathered and evaluated. When appropriate, one or more forms of the income approach to value are used. Information from a variety of sources is obtained and detailed analysis is undertaken. When possible, the appraiser uses the technique of direct capitalization to derive the income approach value. Further, during the establishment of the capitalization rate it is always important to estimate an appropriate amount of risk when building the capitalization rate. SJCAD prefers utilizing current market, sales, and income information to develop overall rates by class, use, location, and quality of commercial improvements.

The field inspection, valuation review, and performance analysis described throughout this report, apply to commercial as well as other types of properties. When available, the commercial analyst also uses the sales comparison approach to determine the fair market value of income-producing properties. In using the cost approach, however, it is sometimes necessary for the appraiser to utilize the unit in place, quantity survey, or historical cost method to derive accurate cost estimates.

## **PERSONAL PROPERTY VALUATION**

All income-producing business personal property located within district boundaries is subject to taxation. Business use vehicles are also listed in the appraisal records and subject to ad valorem taxation. Personal property schedules are used to value business furniture, fixtures, equipment, and inventory. Additionally, personal property values are obtained by some other sources. Business owners are required by Texas law to render their business personal property each year. The appraiser considers rendered values during the appropriate phase of valuation analysis. Rendered values are often used as the basis is for the CAD value if the value rendered is reasonable for the type of business and within acceptable ranges when compared to the district's personal property schedules. Should the property owner choose not to render the property, or if the rendered amount does not fit acceptable ranges, then the district will render for the property owner or appraise the property based on the district's schedules.

Depreciation of the property is determined by the age of the property and its expected life. Valuation and depreciation schedules are included in the SJCAD appraisal manual. Business vehicles are valued based on NADA used car guide trade-in value for the make, model, and age of the vehicle. The appraisal district uses a vehicle report to determine ownership, make, model, and vehicle characteristics to determine NADA trade-in value. This report along with the renditions and physical observations are used to discover and list vehicles that are taxable.

## **PROCEDURES FOR RATIO STUDIES**

A ratio study is designed to evaluate appraisal performance through a comparison of appraised or assessed values for tax purposes with estimates of market value based on sales prices and tested by measures of central tendency. The district will adhere to the IAAO standards on ratio studies.

The property tax division of the Texas comptroller of public accounts performs annual ratio studies on all Texas school districts. Appraisal districts performance is judged by the results of these ratio studies. State law requires that appraisal districts appraise all taxable property at one hundred percent (100%) of market value.

Failure to appraise property within a confidence interval of 95% to 105% may result in diminished funding from the state to local school districts. Additionally, in circumstances where an appraisal district fails to appraise properties within the PTAD's intervals for an extended period of time a master may be appointed to assume control of the appraisal district's operations.

## PLANNING OBJECTIVES

### Long Range Objectives:

#### IMPROVED SERVICE, RECORD ACCURACY, APPRAISAL SYSTEM, EQUITY, AND REPORTING SYSTEM.

- Continue converting all computerized maps to ARC-GIS and updates from Harris Govern True Automation for changes.
- Continue to update all land account records with a minimum of last deed transfer volume and page with focus on 'legacy' records.
- Each year examine and test appraisals, using ratio studies of selected categories of property and areas of the county.
- Continue to analyze and improve preparation and presentation of appraisal values and support at ARB hearings.
- Continue to refine and improve field appraisal procedures.
- Complete improvement update, inspections on four regions on a 4-year rotating cycle.
- Complete update of open space agricultural and timberland applications.
- Strive to improve employee retention through competitive benefits, salary increases and increased job satisfaction.

### OPERATIONAL PLANS:

- I. Mineral and industrial property will be appraised on annual basis by Hugh Landrum and Associates, Inc. in Houston, Texas. (See reappraisal plan specific to mineral and industrial)
- II. All personal property will be appraised on an annual basis by the San Jacinto CAD personal property department. Personal property will be appraised using renditions, on-site inspections, density schedules or any combination thereof. Additionally, data from sources such as assumed name lists, vehicle lists, and Chamber of Commerce membership lists will be used to discover taxable personal property. Similar types of properties will be appraised using the same or similar methods.
  - A. Update inspections may be conducted by the personal property department one or more times a year. The real property department, during the course of inspecting, will assist by reporting to the personal property department any new businesses or businesses with significant changes. The inspections are used for determining:
    - 1. Location changes
    - 2. New businesses.
    - 3. Business closings.
    - 4. Significant changes in character, nature, inventory, density levels or size of a particular business; and
    - 5. Businesses warranting detailed on-site inspections.
  - B. All inspections will be evidenced by notes on computer listings of personal property accounts.

- III. All real property will be reviewed annually by school district using statistical analysis and ratio studies. Inspections by the real property department on a mass appraisal basis using generally accepted appraisal practices as follows:
- A. County and city building permits will be used to discover, list, and appraise new improvements on an annual basis. Permit inspections will normally begin in December of the proceeding tax year and end in March of the current year.
  - B. Within budget constraints, it is the district's goal to complete and update inspections of all improvements excluding industrial properties appraised Hugh Landrum and Associates, Inc. by regions on a four (4) year rotating cycle.
  - C. New open-space agricultural and timber applications will be requested for properties with questionable qualifying use or for ownership changes. Field inspections may be performed on all properties in each district to identify properties requiring a new application.
  - D. Interim property improvements inspections or neighborhood reappraisals may result from requests from taxing units, the appraisal review board, or as a result of in-house ratio studies.
  - E. Residential and commercial appraisal schedules will be evaluated for accuracy and uniformity annually through comparison with Marshall and Swift cost schedules or through the use of ratio studies.
  - F. The residential and commercial depreciation schedules, base years and effective years may be adjusted to the current year. Improvement values and depreciation schedules will be reviewed annually for accuracy and uniformity to assure that all property is appraised at its market value as required by Sec. 22.01 of the Texas Property Tax Code.
  - G. All land sales will be reviewed on a continuous basis to identify land use or types and locations that are in need of reappraisal. Land schedules will be built for all new subdivisions. Other tools for the discovery of land warranting reappraisal are the State Comptroller's bi-annual value study, the appraisal districts in-house ratio studies, the ARB hearing process or new subdivisions filed of record with the county clerk.
  - H. To facilitate the district's land scheduling, computerized effective acre tracts may be established for owners with contiguous properties in different abstracts or subdivisions.
  - I. Annually survey all apartment complexes for occupancy rates, income and expense data.



## **PROJECT PLANS 2023-2024**

These project plans are **dynamic** and will be updated as needed during the year.

## **REAL PROPERTY PLANS 2023-2024:**

All districts: permits, field checks, & rechecks.

### **EFFECTIVE YEAR CHANGES:**

All school districts: plus 1 year\*

\*Effective years may be changed to update to current conditions and to aid in establishing yearly reappraisals.

Appraisal of new improvements

All school districts: new construction

Improvement reappraisal by market area subdivision or neighborhood

Revalue land areas/subdivisions, development of land schedules.

Development or adjustment of land schedules for all districts.

All school districts: miscellaneous improvement schedule correction.

Appraise new subdivisions 2023-2024:

All school districts- development of land schedules for each new subdivision developed for the tax year 2023-2024.

## **OPEN SPACE AG & TIMBER APPLICATIONS**

All School districts:

Field check all agricultural & timber applications, contact the taxpayer if more information is necessary to make the determination of approval or denial.

Process any re-checks on agricultural & timber accounts.

Send letters of denial by certified mail.

Apply agricultural or timber use values to the properties that were approved.

Calculate the agricultural & timber values for the current year.



SCS Coldspring-Oakhurst CISD

A232	A295	A37	A467	A79	S1350	S2002	S2604	S5722	A141	A391	A318	A252
A230	A10	A173	A233	A296	A370	A468	A8	S1352	S2017	S2700	S5860	A144
A244	A100	A175	A234	A297	A371	A470	A82	S1353	S2020	S2701	S5880	A145
A245	A101	A176	A235	A298	A372	A471	A83	S1391	S2030	S2702	S5885	A162
A253	A102	A178	A236	A299	A373	A472	A85	S1392	S2035	S2990	S5890	A163
A255	A104	A179	A237	A3	A374	A474	A88	S1393	S2036	S3001	S6020	A164
A259	A105	A18	A238	A30	A375	A478	A9	S1394	S2041	S3010	S6031	A165
A264	A108	A182	A239	A300	A376	A48	A90	S1398	S2042	S3050	S6032	A166
A277	A109	A183	A24	A307	A377	A481	A93	S1399	S2050	S3060	S6051	A167
A304	A11	A185	A240	A309	A378	A482	A94	S1400	S2060	S3080	S6052	A168
A313	A110	A187	A241	A31	A38	A485	A95	S1401	S2070	S3090	S6090	A169
A324	A115	A188	A242	A310	A380	A486	A96	S1402	S2081	S3100	S6093	A170
A325	A116	A19	A244	A311	A384	A487	A97	S1450	S2082	S3110	S6095	A171
A326	A117	A191	A247	A313	A385	A488	A99	S1480	S2083	S3120	S7020	A172
A350	A118	A193	A248	A315	A387	A489	S1501	S2084	S3130	S7022	A177	A386
A12	A194	A250	A316	A39	A490	S1502	S2085	S5001	S7050	A181	A195	A120
A251	A317	A390	A491	S1550	S2095	S5050	S7061	A189	A197	A121	A403	A389
A492	S1580	S2097	S5070	S7062	A190	A122	A199	A254	A319	A392	A493	A406
S1590	S2098	S5111	S7063	A192	A201	A393	S5112	A123	A416	A32	A256	A495
A20	A203	A257	A321	A394	A497	S7800	A205	S2100	S1601	S7064	A124	A428
A258	A322	A395	A498	S1603	S2102	S5160	S8001	A208	A126	A206	A26	S5130
A323	A399	A5	S1001	S1604	S2103	S5170	S8020	A212	A127	A207	A260	S2101
A328	A4	A51	S1047	S1605	S2104	S5185	S8066	A24	A128	A209	A261	S1602
A333	A40	A52	S1050	S1620	S2130	S5321	S8067	A243	A13	A210	A262	A125
A336	A400	A53	S1101	S1680	S2135	S5322	S8070	A25	A211	A263	A338	A429
A401	A56	S1102	S1690	S2137	S5323	S8084	A272	A265	A342	A405	A58	A200
A213	A136	S1697	A14	S1104	A140	A146	A142	A335	S8300	S5623	S2230	S1901
S1103	S1693	S2140	S5324	S8085	A276	A214	A266	A344	A408	A6	A438	A45
S2145	S5351	S8150	A278	A215	A267	A346	A409	A61	S1151	S1703	S2149	A457
S5352	S8155	A290	A216	A269	A347	A41	A62	S1152	S1710	S2150	S5400	A48
S8160	A291	A217	A27	A348	A414	A65	S1153	S1720	S2151	S5500	S8170	A134



**SWI Willis ISD**

A63	A64	A80	A87	A103	A129	A130	A139	A148	A160	A161	A184	A249
A274	A314	A327	A332	A334	A352	A420	A431	A451	A452	S1650	S1651	S6005
S8030	S6004											

**Category D properties are based on a countywide market area.**

**COMPLEX PROPERTIES PLANS 2023-2024  
PERSONAL PROPERTY APPRAISAL 2023-2024**

All school districts

Discover new businesses by using the assumed name list from the county clerk's office, social media, and the chamber of commerce list of new members.

Search newspapers and telephone book for new business.

Inspect all new businesses.

Process all renditions received from taxpayers.

Grant an extension of the deadline for filing a rendition until May 15th if the property owner requested the extension in writing. The chief appraiser may extend the filing date another fifteen (15) days with good cause per Section 22.23 of the State Property Tax Code.

Impose a penalty of 10% on the total amount of taxes imposed if the person failed to file a timely rendition statement per Section 22.28 of the State Property Tax Code.

Impose a penalty of 50% of the total amount of taxes imposed on the property for the tax year if the court finds that the person filed a false statement or report with the intent to commit fraud or evade the tax or alters, destroys, or conceals any record or document for the purpose of affecting the outcome of an inspection or determination before the appraisal district per Section 22.29 of the State Property Tax Code.

Reappraisal inspection of all existing personal property accounts.

Appraisal of leased equipment from the leasing companies' renditions.

Appraisal of vehicles from the vehicle listings obtained.

## **REAL PROPERTY PLANS 2023:**

### **APPRAISAL OF IMPROVEMENTS**

All school districts:  
All new construction reviews  
All improvement schedules  
Field Checks  
Ratio Studies

### **REAPPRAISAL OF SCHOOL DISTRICTS**

School district: All  
Update property characteristics as needed  
Ratio Studies  
Field Checks

### **REVALUE LAND AREAS/SUBDIVISIONS, DEVELOPMENT OF LAND SCHEDULES**

Development of land schedules for any area of all districts that are not valued on a land schedule.

### **APPRAISE NEW SUBDIVISIONS FOR 2023**

Development of land schedules for each new subdivision developed for the tax year 2023.

### **OPEN SPACE AGRICULTURAL AND TIMBER APPLICATIONS**

Field checks or aerial review for all properties with new agricultural and timber applications.  
Contact the taxpayer if more information is necessary to make the determination of approval.

### **COMPARABLE SALES ANALYSIS**

Process all sales data as received.  
Perform periodic ratio studies by:  
1. Property improvement class  
2. School district  
3. Market area, neighborhood, or subdivision

**COMPLEX PROPERTIES PLANS: 2023**  
**PERSONAL PROPERTY: 2023**

All school districts:

Process assumed names from county clerk's office for the current year.

Search newspapers, social media, and telephone book for new business.  
Inspect all new businesses.

Process all renditions received from taxpayers.

Grant an extension of the deadline for filing a rendition until May 15th if the owner requested the extension in writing. The chief appraiser may extend the filing date another fifteen (15) days with good cause as per Section 22.23 of the state property tax code.

Impose a penalty of 10% of the tax amount imposed if the taxpayer did not file a timely rendition statement as per Section 22.23 of the State Property Tax Code.

Impose a penalty of 50% of the total amount of taxes imposed on the property for the tax year if the court finds that the person files a false statement or report with the intent to commit fraud or evade the tax or alters, destroys, or conceals any record or document for the purpose of affecting the outcome of an inspection or determination before the appraisal district as per Section 22.29 of the State Property Tax Code.

Reappraisal inspection of all existing personal property accounts.

Appraisal of leased equipment from the leasing company renditions.  
Appraisal of vehicles from the vehicle listing report acquired.

**INDUSTRIAL AND MINERAL PROPERTIES:**

Forward all renditions received on industrial or mineral properties Hugh Landrum and Associates, Inc. in Houston Texas.

Process all information from, Hugh Landrum and Associates, Inc. in Houston Texas., about the appraisal of industrial and mineral properties.

## SAN JACINTO CAD 2023 REAPPRAISAL WORK TIMELINE

A work completed timeline report will be ran from CAMA Console for of all appraisal activity completed during the year.

2023 Fieldwork begins in August 2022 and ends April 2023

### August-April

Overview

Discover new subdivisions

Begin reappraisal field and aerial imagery work in Region 3

Review and analyze cost tables and compare new construction cost from all residential properties

Quality control

Review problem Regions (discovered from conference hearings and current sales reports.)

Data Entry

Run sales valuation reports/ Analysis

### January-April

Begin personal property inspections for all jurisdictions

Work permits and field checks for all jurisdictions

Complete 2023 reappraisal fieldwork by April 15th.

Run sales valuation reports/ Analysis

Redefine neighborhoods if necessary

Test results of neighborhood adjustments with sales ratios

Review and analyze cost tables and compare new construction cost from all residential properties

Perform Sales Analysis/ Market shifts

Prepare final sales reports for protest season.

Prepare and mail 2023 Notices of Appraised Value

Prepare ARB informal and formal hearing procedures

### April

Continue working personal property renditions

### May-July

Conduct ARB formal and informal hearings

Certify Appraisal Roll by July 25, 2023



## **REAL PROPERTY PLANS 2024:**

### **APPRAISAL OF IMPROVEMENTS**

All school districts:  
Ratio Studies  
Field Checks  
All new construction reviews  
All improvement schedules

### **REAPPRAISAL OF SCHOOL DISTRICTS**

School district: All  
Update new property characteristics as needed  
Ratio Studies  
Field Checks

### **REVALUE LAND AREAS/SUBDIVISIONS, DEVELOPMENT OF LAND SCHEDULES**

Development of land schedules for any area of all districts that are not valued on a land schedule.

### **APPRAISE NEW SUBDIVISIONS FOR 2024**

Development of land schedules for each new subdivision developed for the tax year 2024.

### **OPEN SPACE AGRICULTURAL AND TIMBER APPLICATIONS**

Field checks or aerial review for all properties with new agricultural and timber applications.  
Contact the taxpayer if more information is necessary to make the determination of approval.

### **COMPARABLE SALES ANALYSIS**

Process all sales data as received.  
Perform periodic ratio studies by:

1. Property improvement class
2. School district
3. Market area, neighborhood, or subdivision

**COMPLEX PROPERTIES PLANS: 2024**  
**PERSONAL PROPERTY: 2024**

All school districts:

Process assumed names from county clerk's office for the current year.

Search newspapers, social media, and telephone book for new business.

Inspect all new businesses.

Process all renditions received from taxpayers.

Grant an extension of the deadline for filing a rendition until May 15th if the owner requested the extension in writing. The chief appraiser may extend the filing date another fifteen (15) days with good cause as per Section 22.23 of the state property tax code.

Impose a penalty of 10% of the tax amount imposed if the taxpayer did not file a timely rendition statement as per Section 22.23 of the State Property Tax Code.

Impose a penalty of 50% of the total amount of taxes imposed on the property for the tax year if the court finds that the person files a false statement or report with the intent to commit fraud or evade the tax or alters, destroys or conceals any record or document for the purpose of affecting the outcome of an inspection or determination before the appraisal district as per Section 22.29 of the State Property Tax Code.

Reappraisal inspection of all existing personal property accounts.

Appraise of leased equipment from the leasing company renditions.

Appraisal of vehicles from the vehicle listing reports acquired.

**INDUSTRIAL AND MINERAL PROPERTIES:**

Forward all renditions received on industrial or mineral properties Hugh Landrum and Associates, Inc. in Houston Texas.

Process all information from, Hugh Landrum and Associates, Inc. in Houston Texas., about the appraisal of industrial and mineral properties.

## SAN JACINTO CAD 2024 REAPPRAISAL WORK TIMELINE

A work completed timeline report will be ran from CAMA Console for of all appraisal activity completed during the year.

2024 Fieldwork begins in August 2023 and ends April 2024

### August-April

Overview

Discover new subdivisions

Begin reappraisal field and aerial imagery work Region 4

Review and analyze cost tables and compare new construction cost from all residential properties

Quality control

Review problem Regions (discovered from conference hearings and current sales reports.)

Data Entry

Run sales valuation reports/ Analysis

### January-April

Begin personal property inspections for all jurisdictions

Work permits and field checks for all jurisdictions

Complete 2024 reappraisal fieldwork by April 15th.

Run sales valuation reports/ Analysis

Redefine neighborhoods if necessary

Test results of neighborhood adjustments with sales ratios

Review and analyze cost tables and compare new construction cost from all residential properties

Perform Sales Analysis/ Market shifts

Prepare final sales reports and maps for protest season.

Prepare and mail 2024 Notices of Appraised Value

Prepare ARB informal and formal hearing procedures

### April

Continue working personal property renditions

### May-July

Conduct ARB formal and informal hearings

Certify Appraisal Roll by July 25, 2024

**2023 - 2024**  
**Mass Appraisal Methodology Manual**  
**&**  
**Reappraisal Plan**

for

**San Jacinto County Appraisal District**

**Hugh L. Landrum & Associates, Inc.**  
*A Registered Professional Engineering Firm*

# Hugh L. Landrum & Associates, Inc. Mass Appraisal Methodology Manual

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# **Hugh L. Landrum & Associates, Inc.**

## **Mass Appraisal Methodology Manual**

### **INTRODUCTION**

Hugh L. Landrum & Associates, Inc. is a Registered Professional Engineering Firm in the State of Texas specializing in the mass appraisal of complex properties. In this role HLL&A recommends to its clients appraised values for selected properties. The recommended values are intended to be used by each client as part of the tax base of the taxing jurisdictions served by the client.

***THIS MANUAL IS SUBJECT TO CHANGE WITHOUT NOTICE.  
IT IS ROUTINELY UPDATED TO MEET THE REQUIREMENTS OF  
THE LEGISLATURE, THE COMPTROLLER AND OUR CLIENTS.***

### **SCOPE OF RESPONSIBILITY**

The specific responsibilities of HLL&A to each of its clients are described in the contract between them. HLL&A's general responsibilities are to discover certain types of property, as required; to inspect the subject properties, where possible; and to appraise the properties or classes of property that are listed in the contract. An owner name and address record is also maintained for each property that is appraised. This set of services is typically provided to all of HLL&A's appraisal clients. These services are also typically supplied to other Texas appraisal districts by competing mass appraisal firms. Appraisal techniques and model types employed by HLL&A are similar to and/or derived from techniques and model types found in a variety of appraisal texts and appraisal courses, including but not limited to the Texas Property Tax Code, the Texas State Comptroller's guidelines, and the Uniform Standards of Professional Appraisal Practices (USPAP).

### **TYPES OF PROPERTY**

In general, Hugh L. Landrum & Associates, Inc. is retained by its clients to appraise one or more of the following types of property:

- Industrial Property, Real and Personal
- Utility, Railroad, and Pipeline Properties
- Special Purpose Properties
- Business Personal Property
- Oil and Gas Reserves

Attached to this report are individual appraisal methods and a reappraisal plan for each type of property that Hugh L. Landrum & Associates, Inc. appraises. HLL&A's methodologies set out herein are derived from USPAP standards, the Texas Property Tax Code, State Comptroller guidelines and other relevant industry standards.

## **EXEMPT OR ABATED PROPERTIES**

All properties appraised by HLL&A that are exempt as determined by either the Chief Appraiser or some governmental agency, will be treated as exempt as set out in Chapter 11 of the Texas Property Tax Code.

Pollution control exemptions are applied as determined by the Texas Commission on Environmental Quality, to the market value established for the subject property each year.

Abatements and value limitations are applied as set out in the respective Abatement or Value Limiting Agreement associated with the property, for those jurisdictions party to the Agreement. The Abatement or Value Limitation Agreements are provided to HLL&A by the CAD. The percentages used in abating or limiting the value, are applied to the market value established for the abated property for that year.

## **MARKET DATA AVAILABILITY**

To the extent possible and where available, HLL&A researches, reviews, compiles and maintains market data information on the various types of industries in which the properties that it appraises belong. HLL&A utilizes this market data to support its property values and makes all non-confidential and non-proprietary market data available to the CAD and to property owners for inspection upon request.

## **PERSONNEL RESOURCES**

HLL&A maintains a staff that is skilled in appraisal, engineering, finance, information services, and property tax administration. All staff members participating in appraisal assignments are involved in a program of continuously improving his or her mass appraisal skills. Appraisal staff members are either advancing towards designation as a Registered Professional Appraiser by the Texas Department of Licensing and Regulation or, if they already hold such a designation, attend various classes and conferences designed to supplement their knowledge and abilities.

A list of appraisers and supporting staff members is attached. In general, the appraiser assigned to appraise a particular property is responsible for inspecting the property, analyzing it for characteristics that have a significant impact on value, gathering appropriate data, model development and model calibration, and arriving at an opinion of value. Centering these functions in the same appraiser tends to ensure that data that would have a material or significant effect on the resulting opinions or conclusions are correctly identified. The individual appraiser is involved in calibrating model structures to determine the contribution of the individual characteristics affecting value, applying the conclusions reflected in the model to the characteristics of the properties being appraised, and reviewing his or her results. The list of properties assigned to each individual appraiser is maintained in the appraisal files at Hugh L. Landrum & Associates, Inc. and by each respective client.

## **TAXPAYER ASSISTANCE**

HLL&A trains its entire staff in providing assistance to taxpayers as set out in the IAAO's *Standard on Public Relations*. Our staff is trained to timely and professionally respond to taxpayer phone calls and e-mails, as well as being able to instruct taxpayers on the appraisal process from the initial appraisal of their property through the protest process. HLL&A works closely with each appraisal district to see that any specific requirements of each CAD are being met and to keep them apprised of our progress throughout the process.

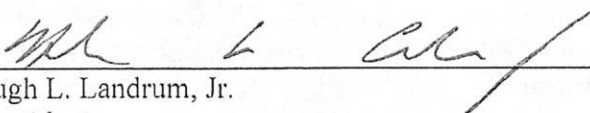


**CERTIFICATION STATEMENT:**

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 are my personal, impartial, and unbiased professional analyses, opinions, and conclusions or are the impartial and unbiased professional analyses, opinions, and conclusions of the other appraisers who are appraising property for the appraisal district to which this report is submitted. A list of the appraisers who are appraising property for the **San Jacinto County Appraisal District** is attached. Based on my personal knowledge of the education, background, and experience of the appraisers listed in this report, I believe that those appraisers are competent and that their work is credible.
- I have no present or prospective interest in the property that is the subject of this report and have no personal interest with respect to the parties involved.
- Other than the appraisal services performed under contract for the appraisal district for prior years, I have performed no other services, as an appraiser or in any other capacity, regarding any property that is the subject of this report within the three-year period immediately preceding my acceptance of this assignment.
- 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.
- The analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practices*.
- I have not made a personal inspection of all of the properties that are the subject of this report. However, the properties have been inspected by one or more of the appraisers assigned to appraise properties in the appraisal district to which this report is submitted.
- No one provided significant mass appraisal assistance to the person signing this certification except the appraisers assigned to appraise properties in this appraisal district, a list of which is attached.

Subscribed and sworn to this 7 day of June, 2022.

  
\_\_\_\_\_  
Hugh L. Landrum, Jr.

*President*

Hugh L. Landrum & Associates, Inc.

APPRAISER & STAFF LISTING  
FOR  
SAN JACINTO COUNTY APPRAISAL DISTRICT  
2023 & 2024

APPRAISERS:

Hugh L. Landrum, Jr., PE, RPA  
Tracey L. Foster, JD, RPA, RTA, CTA  
Douglass Warren, RPA  
Michael Rigsby, RPA  
Kirk L. Slaughter, RPA  
Chris Unbehagen  
Andrew Saul

ADMINISTRATIVE STAFF:

Taylor Drury  
Jordan Bannan  
Rebecca Grimes  
Samantha Crews  
Christa Gilbreath

***THIS LIST IS SUBJECT TO CHANGE AS NEEDED  
AND WITH NOTICE TO THE CAD.***

**VALUATION METHODOLOGY SUMMARY**  
**FOR**  
**INDUSTRIAL PROPERTY**  
**APPRAISED BY HUGH L. LANDRUM & ASSOCIATES, INC.**  
**2023 - 2024**

**A. Overview**

This type of property consists of processing facilities and related personal property. Hugh L. Landrum & Associates, Inc. is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). "Market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- A. exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- B. 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
- C. 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.

The effective date of the appraisals is January 1 of the year for which this report is submitted unless the property owner or agent has applied for and been granted September 1 inventory valuation as allowed by Section 23.12(f) of the Texas Property Tax Code.

The client for the mass appraisal is the Texas appraisal district named on the certification page of this report. The intended users of this report are the client and the property owners of the client appraisal district.

The appraisal results will be used as the tax base upon which a property tax will be levied. A listing of the industrial properties appraised by Hugh L. Landrum & Associates, Inc. for the appraisal district is available at the appraisal district office. Industrial properties are normally re-inspected annually.

Documents relevant to an understanding of these appraisals include the confidential rendition, if any, filed with the appraisal district by the owner or agent of the property; other reports described in the Texas Property Tax Code; asset lists and other confidential data supplied by the owner or agent; The Appraisal of Real Estate published by the Appraisal Institute, Property Appraisal & Assessment Administration published by the International Association of Assessing Officers and adopted by the Texas Comptroller of Public Accounts; Uniform Standards of Professional Appraisal Practice and Engineering Valuation and Depreciation by Marston, Winfrey, and Hempstead; the Texas Property Tax Code, and other codified statutes.

HLL&A's industrial appraisal staff includes Registered Professional Engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Industrial appraisal staff stays abreast of current trends affecting industrial properties through

review of published materials, attendance at conferences, course work, and continuing education. All industrial appraisers are registered with the Texas Department of Licensing & Regulation.

### **B. Assumptions and Limiting Conditions**

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
4. All information in the appraisal documents has been obtained by members of HLL&A's staff or by other reliable sources.
5. The appraisals were prepared exclusively for ad valorem tax purposes.
6. The appraisers have inspected as far as possible, by observation, the improvements being appraised, however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore no representations are made as to these matters unless specifically considered in an individual appraisal.

### **C. Data Collection and Validation**

Data on the subject properties is collected as part of the inspection process and through later submissions by the property owner. Submitted data may be on a rendition form or in other means which require confidentiality. HLL&A receives renditions from either the CAD or directly from the taxpayer. HLL&A is responsible for identifying the accounts that have been properly rendered to the CAD. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports, and through analysis of comparable properties, if any. Due to the unique nature of many industrial properties there is no standard data collection form or manual.

### **D. Market Data Availability**

Market data is collected and maintained for each of the various industries appraised. This data includes, but is not limited to, cap rate studies and the supporting evidence, value allocation methodologies, cost tables and expense ratio data applicable to the specific industries being appraised. All non-proprietary and non-confidential market data is available to the CAD and to taxpayers upon request.

### **E. Identification of New Property**

Identifying new industrial properties &/or new construction is the responsibility of HLL&A. This is accomplished through a variety of means including, but not limited to obtaining and reviewing building permit and abatement requests; a visual inspection of an area; the input from others in the County who might identify any new properties in the area.

## F. Valuation Approach and Analysis

Industrial properties are 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 knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if utilization and income data for the subject property justify such. Income Approach models (direct capitalization and discounted cash flow) are also used when economic and/or subject property income information is available. Capitalization and discount rates are based on published capital costs for the industry of the subject property. A market data model based on typical selling prices per unit of capacity is also used when appropriate market sales information is available.

Because cost information is the most readily available type of data, the cost approach model is always considered and used. If sufficient data is available either of both of the other two models may also be considered and used. The market data and income approach models may need to be reduced by the value of the land in order to arrive at a value of improvements and personal property.

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

The mathematical form of each model is described below.

### Cost Approach

$$RCN - PD - FO - EO = \text{Cost Indicator of Value}$$

Where:

RCN = Replacement or Reproduction Cost New

PD = Physical Depreciation

FO = Function Obsolescence

EO = Economic Obsolescence

### Income Approach

$$PGR - VCL - FE - VE = NOI$$

$$NOI/R = \text{Income Indicator of Value}$$

Where:

PGR = Potential Gross Rent

VCL = Vacancy and Collection Loss

FE = Fixed Expenses

VE = Variable Expenses

R = Discount Rate or Cost of Capital

A variation of the income model is:

NOI for year 1 x DF for year 1 = PW of year 1 NOI

NOI for year n x DF for year n = PW of year n NOI

Net Reversion x DF for year n = PW of Reversion

Sum of PW's for all years 1 - n = Income Indicator of Value

Where:

NOI = Net Operating Income

DF = Discount Factor

PW = Present Worth

n = Last year of holding period

#### Market Data Approach

ASPCP/U = PU

ASPU x SU = Market Data Indicator of Value

Where:

ASPCP = Adjusted Sales Price of Comparable Property

U = Unit of Comparison

PU = Price per Unit of comparison

ASPU = Adjusted Sales Price per Unit of comparison

SU = Subject Property's number of Units of comparison

In reconciling multiple model results for a property the appraiser considers the model results that best address the individual characteristics of the subject property and that are based on the most reliable data while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Land valuation for industrial properties is the responsibility of appraisal district staff as is the highest and best use analysis of the site. Sites are analyzed for highest and best use as though they were vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

#### G. Review and Testing

Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of

appraisals by an experienced appraiser also contributes to the review process. A computer-assisted statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance, however sales are very infrequent. Furthermore, market transactions normally occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review.

#### **H. Review, Verification & Evaluation by the CAD**

Prior to submission of the Appraisal Roll to the ARB, the Chief Appraiser shall request a random sampling of appraisals from HLL&A. HLL&A shall provide the Chief Appraiser with the requested appraisals and all non-privileged and non-proprietary supporting data and review the information with the Chief Appraiser in order for the CAD to evaluate the appraisal results of HLL&A. The HLL&A appraiser responsible for each property sampled will review the appraisal, including but not limited to methodology, technique, data used and final outcome, with the Chief Appraiser or other employee of the CAD designated by the Chief Appraiser to review the contracted work. The Chief Appraiser or designee will verify that all assigned properties were indeed appraised and valued as set out in the contract and here-in and document any failure to do so, noting what if anything is required to fulfill the contract requirements.

Further, a computer-assisted statistical review of property value changes is also conducted at various times throughout the year allowing the CAD to verify that the properties called for in the Contract were appraised and values were entered. Finally, HLL&A will make any non-privileged and non-proprietary market data supporting the values of the properties it appraises, available to the CAD and for inspection by property owners on request.

#### **I. Reappraisal Plan for Industrial Properties**

Industrial Properties covered by the contract between the CAD and HLL&A shall be reappraised each year. For each year of the contract, the following activities will be undertaken for all industrial properties assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year, but in any event will be available as requested by the Chief Appraiser each year.

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/or property sketches;
2. Identify and update relevant characteristics of each property in the property records of the CAD;
3. Define market areas in the CAD, where applicable;
4. Identify property characteristics that affect property value in each market area or for each property, including:
  - a. The location and market area of the property;
  - b. Physical attributes of the property such as size, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;

5. If applicable, develop an appraisal model that reflects the relationship among the property characteristics affecting the value in each market area and determines the contribution of individual property characteristics;
6. Apply conclusions reflected in the model to the characteristics of the property appraised; and
7. Review the appraisal results to determine value.

Generally, industrial properties will be valued on a cost approach basis since these properties have a low frequency of being bought and sold in the open market. In addition, since these properties are owner occupied, the income information is difficult to obtain and rarely applicable to industrial properties.



**VALUATION METHODOLOGY SUMMARY  
FOR  
UTILITY, RAILROAD, AND PIPELINE PROPERTIES  
APPRAISED BY HUGH L. LANDRUM & ASSOCIATES, INC.  
2023 - 2024**

**A. Overview**

This type of property consists of operating property, excluding land, owned by utility, railroad, and pipeline companies, and related personal property and improvements. Hugh L. Landrum & Associates, Inc. is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). "Market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- A. exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- B. 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
- C. 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.

The effective date of the appraisals is January 1 of the year for which this report is submitted unless the property owner or agent has applied for and been granted September 1 inventory valuation as allowed by Section 23.12(f) of the Texas Property Tax Code.

The client for the mass appraisal is the Texas appraisal district named on the certification page of this report. The intended users of this report are the client and the property owners of the client appraisal district.

The appraisal results will be used as the tax base upon which a property tax will be levied. A listing of the utility, railroad, and pipeline properties appraised by Hugh L. Landrum & Associates, Inc. for the appraisal district is available at the appraisal district office. Such utility, railroad, and pipeline properties that are susceptible to inspection (e.g. compressor stations, pump stations, buildings, and power plants) are normally re-inspected at least every three years.

HLL&A's utility, railroad, and pipeline appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. The appraisal staff stays abreast of current trends affecting utility, railroad, and pipeline properties through review of published materials, attendance at conferences, course work, and continuing education. All appraisers are registered with the Texas Department of Licensing & Regulation.

### **B. Assumptions and Limiting Conditions**

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers do not necessarily inspect every property every year.
4. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
5. All information in the appraisal documents has been obtained by members of HLL&A's staff or by other reliable sources.
6. The appraisals were prepared exclusively for ad valorem tax purposes.
7. The appraisers have inspected as far as possible, by observation, the improvements being appraised, however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore no representations are made as to these matters unless specifically considered in an individual appraisal.

### **C. Data Collection and Validation**

Data on the subject properties is collected as part of the inspection process and through later submissions by the property owner. Submitted data may be on a rendition form or in other means which require confidentiality. HLL&A receives renditions from either the CAD or directly from the taxpayer. HLL&A is responsible for identifying the accounts that have been properly rendered to the CAD. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports, and through analysis of comparable properties. Due to the varied nature of utility, railroad, and pipeline properties there is no standard data collection form or manual.

### **D. Market Data Availability**

Market data is collected and maintained for each of the various types of utility or pipeline being appraised. This data includes, but is not limited to, cap rate studies and the supporting evidence, value allocation methodologies, cost tables and expense ratio data applicable to the specific type of pipeline or utility company being appraised. All non-proprietary and non-confidential market data is available to the CAD and to taxpayers upon request.

### **E. Identification of New Property**

Identifying new properties &/or new construction is the responsibility of HLL&A. This is accomplished through a variety of means including, but not limited to obtaining and reviewing building permit and abatement requests; a visual inspection of an area; the input from others in the County who might identify any new properties in the area.

#### **F. Valuation Approach and Analysis**

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

In addition to the RCNLD indicator, a unit value model may also be used for those pipelines for which appropriate income statements and balance sheets are also available. Generally, this model is used for those pipelines that by regulation are considered to be common carriers. The unit value model must be calculated for the entire pipeline system. The unit value model typically involves an income approach to value and a rate base cost approach. The income approach is based on a projection of expected future typical net operating income (NOI). The projected NOI is discounted to a present worth using a current cost of capital that is both typical of the industry and reflective of the risks inherent in the subject property.

The unit value model cost approach is typically an estimation of the current rate base of the subject pipeline (total investment less book depreciation allowed under the current form of regulation). An additional calculation is made to detect and estimate economic obsolescence. Any economic obsolescence is deducted from the rate base cost less book depreciation to achieve a final cost indicator. The unit value model may also include a stock and debt approach in lieu of a market data approach. The stock and debt approach involves finding the total value of the owner's liabilities (equity and debt) and assuming that they are equal to the value of the assets. The two (or three, if the stock and debt approach is included) unit value indicators are then reconciled into a final unit appraisal model indicator of value. The unit value must then be reconciled with the RCNLD model indicator of value for the entire pipeline system being appraised. The final correlated value of the system can then be allocated among the various components of the system to determine the tax roll value for each pipeline segment.

Utility and railroad properties are appraised in a manner similar to pipeline except the RCNLD model is not used. For all three types of property (utility, railroad, and pipeline) the appraiser must first form an opinion of highest and best use. If the highest and best use of the operating property is the current use under current regulation, the unit value model is considered highly appropriate. If the highest and best use is something different, then the RCNLD model may be more appropriate. Compressor stations, pump stations, improvements, and related facilities are appraised using a replacement cost new less depreciation model.

Model calibration in the RCNLD model involves the selection of the appropriate service life for each type or class of property. Further calibration can occur through the use of utilization or through-put data provided by the owner or agent. Model calibration in the unit

value cost approach involves the selection of the appropriate items to include in the rate base calculation and selection of the best measure of obsolescence, if any. Income approach calibration involves the selection of the cost of capital or discount rate appropriate to the type of property being appraised as well as adjusting the projected income stream to reflect the individual characteristics of the subject property. Model calibration in the stock and debt approach involves allocating sales prices of debt and equity to reflect the contribution to value of the operating property of the subject company.

The mathematical form of each model is described below.

RCNLD Approach

$$RCN - PD - FO - EO = \text{RCNLD Indicator of Value}$$

Where:

RCN = Replacement or Reproduction Cost New

PD = Physical Depreciation

FO = Functional Obsolescence

EO = Economic Obsolescence

Unit Cost Approach

$$OC - AD - EO = \text{Unit Cost Approach Indicator of Value}$$

Where:

OC = Original Cost

AD = Allowed Depreciation

EO = Economic Obsolescence

Unit Income Approach

$$PGR - VCL - FE - VE = \text{NOI}$$

$$\text{NOI/R} = \text{Income Indicator of Value}$$

Where:

PGR = Potential Gross Rent

VCL = Vacancy and Collection Loss

FE = Fixed Expenses

VE = Variable Expenses

R = Discount Rate or Cost of Capital

A variation of the income model is:

NOI for year 1 x DF for year 1 = PW of year 1 NOI

NOI for year n x DF for year n = PW of year n NOI

Net Reversion x DF for year n = PW of Reversion

Sum of PW's for all years 1 - n = Income Indicator of Value

Where:

NOI = Net Operating Income

DF = Discount Factor

PW = Present Worth

n = Last year of holding period

#### Stock and Debt Approach

MVE + MVD = Market Value of Assets

Where:

MVE = Market value of Equity

MVD = Market value of Debt

In reconciling multiple model results for a property the appraiser considers the model results that best address the individual characteristics of the subject property while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Land valuation for utility and pipeline properties is the responsibility of appraisal district staff as is the highest and best use analysis of the site. Sites are analyzed for highest and best use as though they were vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use. Railroad corridor land is included in the appraisal of the operating property. The highest and best use of railroad corridor land is presumed to be as operating property. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

The rate-base cost approach, stock and debt approach, and income approach models must be reduced by the value of the land in order to arrive at a value of improvements, personal property, and other operating property.

#### **G. Review and Testing**

Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process. A computer-assisted statistical review of property value changes is also conducted.

Appraisals to sales ratios are the preferred method for measuring performance, however sales are very infrequent. Furthermore, market transactions normally occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review. Selected appraisal results are tested annually by the Property Tax Assistance Division of the Texas Comptroller's Office. The Comptroller's review as well as comparisons with single-property appraisals indicates the validity of the models as well as the calibration techniques employed.

#### **H. Review, Verification & Evaluation by the CAD**

Prior to submission of the Appraisal Roll to the ARB, the Chief Appraiser shall request a random sampling of appraisals from HLL&A. HLL&A shall provide the Chief Appraiser with the requested appraisals and all non-privileged and non-proprietary supporting data and review the information with the Chief Appraiser in order for the CAD to evaluate the appraisal results of HLL&A. The HLL&A appraiser responsible for each property sampled will review the appraisal, including but not limited to methodology, technique, data used and final outcome, with the Chief Appraiser or other employee of the CAD designated by the Chief Appraiser to review the contracted work. The Chief Appraiser or designee will verify that all assigned properties were indeed appraised and valued as set out in the contract and here-in and document any failure to do so, noting what if anything is required to fulfill the contract requirements.

Further, a computer-assisted statistical review of property value changes is also conducted at various times throughout the year allowing the CAD to verify that the properties called for in the Contract were appraised and values were entered. Finally, HLL&A will make any non-privileged and non-proprietary market data supporting the values of the properties it appraises, available to the CAD and for inspection by property owners on request.

#### **I. Reappraisal Plan for Utility, Railroad & Pipeline Properties**

Utility, Railroad & Pipeline Properties covered by the contract between the CAD and HLL&A shall be reappraised each year. For each year of the contract, the following activities will be undertaken for all Utility, Railroad & Pipeline properties assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year, but in any event will be available as requested by the Chief Appraiser each year.

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/or property sketches;
2. Identify and update relevant characteristics of each property in the property records of the CAD;
3. Define market areas in the CAD, where applicable;
4. Identify property characteristics that affect property value in each market area or for each property, including:
  - a. The location and market area of the property;
  - b. Physical attributes of the property such as size, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;
5. If applicable, develop an appraisal model that reflects the relationship among the property characteristics affecting the value in each market area and determines the contribution of individual property characteristics;
6. Apply conclusions reflected in the model to the characteristics of the property appraised; and
7. Review the appraisal results to determine value.

Generally, these types of properties will be valued as an entire unit and the result apportioned to the pieces in the whole.

**VALUATION METHODOLOGY SUMMARY  
FOR  
SPECIAL PURPOSE PROPERTIES  
APPRAISED BY HUGH L. LANDRUM & ASSOCIATES, INC.  
2023 - 2024**

**A. Overview**

This type of property consists of real property improvements that by the nature of their design and/or construction are suitable for a single use only. Hugh L. Landrum & Associates, Inc. is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). "Market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- A. exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- B. 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
- C. 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.

The effective date of the appraisals is January 1 of the year for which this report is submitted unless the property owner or agent has applied for and been granted September 1 inventory valuation as allowed by Section 23.12(f) of the Texas Property Tax Code.

The client for the mass appraisal is the Texas appraisal district named on the certification page of this report. The intended users of this report are the client and the property owners of the client appraisal district.

The appraisal results will be used as the tax base upon which a property tax will be levied. A listing of the properties appraised by Hugh L. Landrum & Associates, Inc. for the appraisal district is available at the appraisal district office. Special purpose properties are normally re-inspected annually.

Documents relevant to an understanding of these appraisals include the confidential rendition, if any, filed with the appraisal district by the owner or agent of the property; other reports described in the Texas Property Tax Code; asset lists and other confidential data supplied by the owner or agent; The Appraisal of Real Estate published by the Appraisal Institute, Property Appraisal & Assessment Administration published by the International Association of Assessing Officers and adopted by the Texas Comptroller of Public Accounts; Uniform Standards of Professional Appraisal Practice and Engineering Valuation and Depreciation by Marston, Winfrey, and Hempstead; the Texas Property Tax Code, and other codified statutes.

HLL&A's industrial appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Appraisal staff stays abreast of current trends affecting special purpose properties through review of published



materials, attendance at conferences, course work, and continuing education. All appraisers are registered with the Texas Department of Licensing & Regulation.

### **B. Assumptions and Limiting Conditions**

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. The appraisers do not necessarily inspect every property every year.
4. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
5. All information in the appraisal documents has been obtained by members of HLL&A's staff or by other reliable sources.
6. The appraisals were prepared exclusively for ad valorem tax purposes.
7. The appraisers have inspected as far as possible, by observation, the improvements being appraised, however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters unless specifically considered in an individual appraisal.

### **C. Data Collection and Validation**

Data on the subject properties is collected as part of the inspection process and through later submissions by the property owner. Submitted data may be on a rendition form or in other means which require confidentiality. HLL&A receives renditions from either the CAD or directly from the taxpayer. HLL&A is responsible for identifying the accounts that have been properly rendered to the CAD. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports, and through analysis of comparable properties. Due to the unique nature of each special purpose property, there is no standard data collection form or manual.

### **D. Market Data Availability**

Market data, where available, is collected and maintained for each of the various industries appraised. This data includes, but is not limited to, cap rate studies and the supporting evidence, value allocation methodologies, cost tables and expense ratio data applicable to the specific industries being appraised. All non-proprietary and non-confidential market data is available to the CAD and to taxpayers upon request.

### **E. Identification of New Property**

Identifying new special purpose properties &/or new construction is the responsibility of HLL&A. This is accomplished through a variety of means including, but not limited to obtaining and reviewing building permit and abatement requests; a visual inspection of an area; the input from others in the County who might identify any new properties in the area.

## F. Valuation Approach and Analysis

Special purpose properties are 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. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence, and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if utilization and income data for the subject property justify such. Income Approach models (direct capitalization and discounted cash flow) are also used when economic and/or subject property income information is available. Capitalization and discount rates are based on published capital costs for the industry of the subject property. A market data model based on typical selling prices per unit of area, volume, or capacity is also used when appropriate market sales information is available.

Because cost information is the most readily available type of data, the cost approach model is always considered and used. If sufficient data is available either of both of the other two models may also be considered and used. The market data and income approach models must be reduced by the value of the land in order to arrive at a value of improvements and personal property.

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

The mathematical form of each model is described below.

### Cost Approach

$$RCN - PD - FO - EO = \text{Cost Indicator of Value}$$

Where:

RCN = Replacement or Reproduction Cost New

PD = Physical Depreciation

FO = Function Obsolescence

EO = Economic Obsolescence

### Income Approach

$$PGR - VCL - FE - VE = NOI$$

$$NOI/R = \text{Income Indicator of Value}$$

Where:

PGR = Potential Gross Rent

VCL = Vacancy and Collection Loss

FE = Fixed Expenses  
VE = Variable Expenses  
R = Discount Rate or Cost of Capital

A variation of the income model is:

NOI for year 1 x DF for year 1 = PW of year 1 NOI  
NOI for year n x DF for year n = PW of year n NOI  
Net Reversion x DF for year n = PW of Reversion  
Sum of PW's for all years 1 - n = Income Indicator of Value

Where:

NOI = Net Operating Income  
DF = Discount Factor  
PW = Present Worth  
n = Last year of holding period

#### Market Data Approach

ASPCP/U = PU  
ASPU x SU = Market Data Indicator of Value

Where:

ASPCP = Adjusted Sales Price of Comparable Property  
U = Unit of Comparison  
PU = Price per Unit of comparison  
ASPU = Adjusted Sales Price per Unit of comparison  
SU = Subject Property's number of Units of comparison

In reconciling multiple model results for a property, the appraiser considers the model results that best address the individual characteristics of the subject property while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Land valuation for industrial properties is the responsibility of appraisal district staff as is the highest and best use analysis of the site. Sites are analyzed for highest and best use as though they were vacant. Highest and best use analysis of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use. Highest and best use analysis of these improvements is essential to an accurate appraisal. Identification of a highest and best use different from the current or intended use has a significant effect on the cost and market data models. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

The market data and income approach models must be reduced by the value of the land and perhaps personal property in order to arrive at a value of the improvements.

#### G. Review and Testing

Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of

appraisals by an experienced appraiser also contributes to the review process. A computer-assisted statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance; however sales are very infrequent. Furthermore, market transactions normally occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review.

#### **H. Review, Verification & Evaluation by the CAD**

Prior to submission of the Appraisal Roll to the ARB, the Chief Appraiser shall request a random sampling of appraisals from HLL&A. HLL&A shall provide the Chief Appraiser with the requested appraisals and all non-privileged and non-proprietary supporting data and review the information with the Chief Appraiser in order for the CAD to evaluate the appraisal results of HLL&A. The HLL&A appraiser responsible for each property sampled will review the appraisal, including but not limited to methodology, technique, data used and final outcome, with the Chief Appraiser or other employee of the CAD designated by the Chief Appraiser to review the contracted work. The Chief Appraiser or designee will verify that all assigned properties were indeed appraised and valued as set out in the contract and here-in and document any failure to do so, noting what if anything is required to fulfill the contract requirements.

Further, a computer-assisted statistical review of property value changes is also conducted at various times throughout the year allowing the CAD to verify that the properties called for in the Contract were appraised and values were entered. Finally, HLL&A will make any non-privileged and non-proprietary market data supporting the values of the properties it appraises, available to the CAD and for inspection by property owners on request.

#### **I. Reappraisal Plan for Special Purpose Properties**

Special Purpose Properties covered by the contract between the CAD and HLL&A shall be reappraised each year. For each year of the contract, the following activities will be undertaken for all special purpose properties assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year, but in any event will be available as requested by the Chief Appraiser each year.

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/or property sketches;
2. Identify and update relevant characteristics of each property in the property records of the CAD;
3. Define market areas in the CAD, where applicable;
4. Identify property characteristics that affect property value in each market area or for each property, including:
  - a. The location and market area of the property;
  - b. Physical attributes of the property such as size, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;

5. If applicable, develop an appraisal model that reflects the relationship among the property characteristics affecting the value in each market area and determines the contribution of individual property characteristics;
6. Apply conclusions reflected in the model to the characteristics of the property appraised; and
7. Review the appraisal results to determine value.

Like industrial properties, special purpose properties will be valued on a cost approach basis since these properties have a low frequency of being bought and sold in the open market. In addition, since these properties are owner occupied, the income information is difficult to obtain and rarely applicable.

**VALUATION METHODOLOGY SUMMARY  
FOR  
BUSINESS PERSONAL PROPERTY  
APPRAISED BY HUGH L. LANDRUM & ASSOCIATES, INC.  
2023 – 2024**

**A. Overview**

This type of property consists of tangible personal property owned by a business or individual for the purpose of producing an income. The Uniform Standards of Professional Appraisal practice define personal property as “identifiable portable and tangible objects which are considered by the general public as being ‘personal,’ e.g. furnishings, artwork, antiques, gems and jewelry, collectibles, machinery and equipment; all property that is not classified as real estate.” The Texas Property Tax Code (Sec. 1.04(5)) defines tangible personal property as “...personal property that can be seen, weighed, measured, felt, or otherwise perceived by the senses but does not include a document or other perceptible object that constitutes evidence of a valuable interest, claim, or right and has negligible or no intrinsic value.” The Texas Property Tax Code (Sec. 1.04(4)) defines personal property as “...property that is not real property.”

Hugh L. Landrum & Associates, Inc. is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). “Market value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- A. exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- B. 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
- C. 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.

A separate definition of the value of inventory is found in the Texas Property Tax Code (Sec. 23.12(a)), “...the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business.” Additionally, some inventories may qualify for appraisal as of September 1 in accordance with the provisions of Texas Property Tax Code Section 23.12(f).

The effective date of the appraisals is January 1 of the year for which this report is submitted unless the property owner or agent has applied for and been granted September 1 inventory valuation as allowed by Section 23.12(f) of the Texas Property Tax Code.

The client for the mass appraisal is the Texas appraisal district named on the certification page of this report. The intended users of this report are the client and the property owners of the client appraisal district.

The appraisal results will be used as the tax base upon which a property tax will be levied. A listing of the personal property appraised by Hugh L. Landrum & Associates, Inc.

for the appraisal district is available at the appraisal district office. Personal property is normally re-inspected annually.

Documents relevant to an understanding of these appraisals include the confidential rendition, if any, filed with the appraisal district by the owner or agent of the property; other reports described in the Texas Property Tax Code; asset lists and other confidential data supplied by the owner or agent; The Appraisal of Real Estate published by the Appraisal Institute, Property Appraisal & Assessment Administration published by the International Association of Assessing Officers and adopted by the Texas Comptroller of Public Accounts; Uniform Standards of Professional Appraisal Practice and Engineering Valuation and Depreciation by Marston, Winfrey, and Hempstead; the Texas Property Tax Code, and other codified statutes.

HLL&A's personal property appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. Personal property appraisal staff stays abreast of current trends affecting personal property through review of published materials, attendance at conferences, course work, and continuing education. All personal property appraisers are registered with the Texas Department of Licensing & Regulation.

#### **B. Assumptions and Limiting Conditions**

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.
3. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
4. All information in the appraisal documents has been obtained by members of HLL&A's staff or by other reliable sources.
5. The appraisals were prepared exclusively for ad valorem tax purposes.

#### **C. Data Collection and Validation**

Data on the subject properties are collected as part of the inspection process and through later submissions by the property owner. Submitted data may be on a rendition form or in other means which require confidentiality. HLL&A receives renditions from either the CAD or directly from the taxpayer. HLL&A is responsible for identifying the accounts that have been properly rendered to the CAD. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports, and through analysis of comparable properties.

#### **D. Market Data Availability**

Market data is collected and maintained for the various types of business personal property appraised. This data includes, but is not limited to, cost indices and tables, depreciation schedules, and value allocation methodologies, applicable to the specific types

of properties being appraised. All non-proprietary and non-confidential market data is available to the CAD and to taxpayers upon request.

#### **E. Identification of New Property**

Identifying new personal property is the responsibility of HLL&A. The most typical way to do this is through the rendition process mentioned above. Discovery of new property is also accomplished through a variety of other means including, but not limited to obtaining and reviewing building permits and abatement requests; a visual inspection of an area; the input from others in the County who might identify any new properties in the area.

#### **F. Valuation Approach and Analysis**

Personal property is 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. Depreciation is calculated on the age/life method using typical economic lives and depreciation rates based on published sources, market evidence, and the experience of knowledgeable appraisers. Adjustments for functional and economic obsolescence may be made if utilization and income data for the subject property justify such. Income Approach models (direct capitalization and discounted cash flow) are also used when economic and/or subject property income information is available. Capitalization and discount rates are based on published capital costs for the industry of the subject property. A value estimate derived from an income approach model in which the operating income of a business was capitalized must be reduced by the value of any real property in order to arrive at the value of the operating personal property. A market data model based on typical selling prices per item or unit of capacity is also used when appropriate market sales information is available. In the case of some personal property types, such as licensed vehicles, market data from published pricing guides is used to construct a market value model. In other cases, models are based on sales information available through published sources or through private sources.

Because cost information is the most readily available type of data, the cost approach model is always considered and used. If sufficient data is available either of both of the other two models may also be considered and used. The market data and income approach models may need to be reduced by the value of the land in order to arrive at a value of improvements and personal property.

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

The mathematical form of each model is described below.

#### **Cost Approach**

RCN - PD - FO - EO = Cost Indicator of Value



Where:

RCN = Replacement or Reproduction Cost New

PD = Physical Depreciation

FO = Function Obsolescence

EO = Economic Obsolescence

#### Income Approach

$PGR - VCL - FE - VE = NOI$

$NOI/R = \text{Income Indicator of Value}$

Where:

PGR = Potential Gross Rent

VCL = Vacancy and Collection Loss

FE = Fixed Expenses

VE = Variable Expenses

R = Discount Rate or Cost of Capital

A variation of the income model is:

$NOI \text{ for year } 1 \times DF \text{ for year } 1 = PW \text{ of year } 1 \text{ NOI}$

$NOI \text{ for year } n \times DF \text{ for year } n = PW \text{ of year } n \text{ NOI}$

$\text{Net Reversion} \times DF \text{ for year } n = PW \text{ of Reversion}$

$\text{Sum of PW's for all years } 1 - n = \text{Income Indicator of Value}$

Where:

NOI = Net Operating Income

DF = Discount Factor

PW = Present Worth

n = Last year of holding period

#### Market Data Approach

$ASPCP/U = PU$

$ASPU \times SU = \text{Market Data Indicator of Value}$

Where:

ASPCP = Adjusted Sales Price of Comparable Property

U = Unit of Comparison

PU = Price per Unit of comparison

ASPU = Adjusted Sales Price per Unit of comparison

SU = Subject Property's number of Units of comparison

In reconciling multiple model results for a property, the appraiser considers the model results that best address the individual characteristics of the subject property and that are based on the most reliable data while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Highest and best use analysis of personal property is based on the likelihood of the continued use of the personal property in its current and/or intended use. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

#### **G. Review and Testing**

Field review of appraisals is performed through the regular inspection of subject properties. The periodic reassignment of properties among appraisers or the review of appraisals by an experienced appraiser also contributes to the review process. A computer-assisted statistical review of property value changes is also conducted.

Appraisal-to-sales ratios are the preferred method for measuring performance and are used when possible. However, sales for some types of personal property are very infrequent. Furthermore, many market transactions occur for multiple sites and include both real and personal property, tangible and intangible, making analysis difficult and subjective. Performance is also measured through comparison with valid single-property appraisals submitted for staff review.

#### **H. Review, Verification & Evaluation by the CAD**

Prior to submission of the Appraisal Roll to the ARB, the Chief Appraiser shall request a random sampling of appraisals from HLL&A. HLL&A shall provide the Chief Appraiser with the requested appraisals and all non-privileged and non-proprietary supporting data and review the information with the Chief Appraiser in order for the CAD to evaluate the appraisal results of HLL&A. The HLL&A appraiser responsible for each property sampled will review the appraisal, including but not limited to methodology, technique, data used and final outcome, with the Chief Appraiser or other employee of the CAD designated by the Chief Appraiser to review the contracted work. The Chief Appraiser or designee will verify that all assigned properties were indeed appraised and valued as set out in the contract and here-in and document any failure to do so, noting what if anything is required to fulfill the contract requirements.

Further, a computer-assisted statistical review of property value changes is also conducted at various times throughout the year allowing the CAD to verify that the properties called for in the Contract were appraised and values were entered. Finally, HLL&A will make any non-privileged and non-proprietary market data supporting the values of the properties it appraises, available to the CAD and for inspection by property owners on request.

#### **I. Reappraisal Plan for Business Personal Properties**

Business Personal Properties covered by the contract between the CAD and HLL&A shall be reappraised each year. For each year of the contract, the following activities will be undertaken for all business personal properties assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year, but in any event will be available as requested by the Chief Appraiser each year.

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, or renditions;
2. Identify and update relevant characteristics of each property in the property records of the CAD;

3. Identify property characteristics that affect property value for each property, including:
  - a. The location and market area of the property;
  - b. Physical attributes of the property such as size, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;
4. Develop or update a cost schedule based on SIC codes and market conditions;
5. Create or refine valuation models using actual cost data to derive the RCN of a particular unit;
6. Apply these schedules and models to estimate values; and
7. Review the rendition information in light of the schedules to determine value.

Business personal properties are required to be rendered and will typically be valued on a cost approach basis.

**VALUATION METHODOLOGY SUMMARY  
FOR  
MINERAL PROPERTIES  
APPRAISED BY HUGH L. LANDRUM & ASSOCIATES, INC.  
2023 - 2024**

**A. Overview**

This type of property consists of operating property, excluding land, owned by any number of working, royalty and overriding interest owners and related personal property. Hugh L. Landrum & Associates, Inc. is contracted to reappraise this type of property annually for the appraisal district. The completed appraisals are all retrospective in nature. The purpose of the appraisals is to estimate market value as of January 1 in accordance with the definition of market value established in the Texas Property Tax Code (Sec. 1.04). "Market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

- A. exposed for sale in the open market with a reasonable time for the seller to find a purchaser;
- B. 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
- C. 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.

The effective date of the appraisals is January 1 of the year for which this report is submitted.

The client for the mass appraisal is the Texas appraisal district named on the certification page of this report. The intended users of this report are the client and the property owners of the client appraisal district.

The appraisal results will be used as the tax base upon which a property tax will be levied. A listing of the mineral properties appraised by Hugh L. Landrum & Associates, Inc. for the appraisal district is available at the appraisal district office. Such mineral properties that are susceptible to inspection are normally re-inspected at least every three years.

HLL&A's mineral appraisal staff includes licensed engineers as well as experienced appraisers who are knowledgeable in all three approaches to value. The appraisal staff stays abreast of current trends affecting mineral properties through review of published materials, attendance at conferences, course work, and continuing education. All appraisers are registered with the Texas Department of Licensing & Regulation.

**B. Assumptions and Limiting Conditions**

All appraisals are subject to the following assumptions and limiting conditions:

1. Title to the property is assumed to be good and marketable and the legal description correct.
2. No responsibility for legal matters is assumed. All existing liens, mortgages, or other encumbrances have been disregarded and the property is appraised as though free and clear, under responsible ownership and competent management.

3. The appraisers do not necessarily inspect every property every year.
4. All sketches on the appraisal documents are intended to be visual aids and should not be construed as surveys or engineering reports unless otherwise specified.
5. All information in the appraisal documents has been obtained by members of HLL&A's staff or by other reliable sources.
6. The appraisals were prepared exclusively for ad valorem tax purposes.
7. The appraisers have inspected as far as possible, by observation, the improvements being appraised, however, it is not possible to personally observe conditions beneath the soil or hidden structural components within the improvements. Therefore, no representations are made as to these matters unless specifically considered in an individual appraisal.

#### **C. Data Collection and Validation**

Data on the subject properties is collected as part of the inspection process and through later submissions by the property owner. Production rates for each lease are developed using monthly production reported to the Railroad Commission of Texas. Monthly lease volumes sold, and the income received for them, as reported to the Comptroller's Office for severance tax purposes, are used to develop product prices and also to estimate the previous year's income.

Submitted data may be on a rendition form or in other means which require confidentiality. HLL&A receives renditions from either the CAD or directly from the taxpayer. HLL&A is responsible for identifying the accounts that have been properly rendered to the CAD. Subject property data is verified through previously existing records and through published reports. Additional data are obtained and verified through published sources, regulatory reports, and through analysis of comparable properties. Due to the varied nature of mineral properties, there is no standard data collection form or manual.

#### **D. Market Data Availability**

Market data is collected and maintained for each of the various types of mineral leases appraised. This data includes, but is not limited to, discount rate studies and the supporting evidence, cost of capital information and typical capital structures for the type and area being appraised, lease operating expense data, salvage value data and property and severance tax rate data. All non-proprietary and non-confidential market data is available to the CAD and to taxpayers upon request.

#### **E. Identification of New Property**

Identifying new mineral properties is the responsibility of HLL&A. This is accomplished through a variety of means including, but not limited to obtaining and reviewing monthly production updates from the Railroad Commission and comparing the data to the lease information already being appraised; a visual inspection of an area where production is suspected; the polling of operators in the County to see if they can identify any new producing leases or new operators in the area.

### F. Valuation Approach and Analysis

The appraisal of mineral properties is based on an income approach to value. This entails estimating the remaining future reserves of the property and the timing of how those reserves will be recovered. This estimation of future production along with the estimation of future pricing generates an estimated yearly income that is discounted to current day dollars. Each succeeding year's income is more heavily discounted than the previous, thus rendering less and less value contribution with each succeeding year. Each mineral lease is valued as a whole. The value of each interest owned within that lease is then determined from this total, based on the type of interest owned and the decimal interest owned in the lease.

The mathematical form of the income model is described below.

#### Unit Income Approach

NOI for year 1 x DF for year 1 = PW of year 1 NOI  
NOI for year n x DF for year n = PW of year n NOI  
Net Reversion x DF for year n = PW of Reversion  
Sum of PW's for all years 1 - n = Income Indicator of Value

Where:

NOI = Net Operating Income  
DF = Discount Factor  
PW = Present Worth  
n = Last year of holding period

Section 23.175 (a) of the Texas Property Tax Code reads as follows: "If a real property interest in oil or gas in place is appraised by a method that takes into account the future income from the sale of oil or gas to be produced from the interest, the method must use the average price of the oil or gas from the interest for the preceding calendar year multiplied by a market condition factor as the price at which the oil or gas produced from the interest is projected to be sold in the current year of the appraisal."

Section 23.175 also requires that the Comptroller shall calculate the market condition factor, as well as the price escalators/de-escalators that are to be used each year. All prices are determined according to Section 23.175. Further, the Comptroller's methods and procedures for discounting future income from the sale of oil or gas are also used.

In reconciling results for a given property, the appraiser considers the model results that best address the individual characteristics of the subject property while maintaining equalization among like properties. Final results for each property may be found on the appraisal district's appraisal roll.

Land valuation for mineral properties is the responsibility of appraisal district staff. Valuation of the surface estate rarely effects the valuation of the underlying mineral estate.

### G. Review and Testing

Appraisal results are tested annually by the Property Tax Assistance Division of the Texas Comptroller's Office. The Comptroller's review as well as comparisons with single-property appraisals indicates the validity of the model and techniques employed.

At various times throughout the year, at the request of the Chief Appraiser, HLL&A provides an updated list from the Railroad Commission in order for the CAD to compare to the list of leases already being appraised by HLL&A for the CAD. In this way, the CAD can verify that HLL&A is indeed discovering all taxable mineral properties in its discovery process.

#### **H. Review, Verification & Evaluation by the CAD**

Prior to submission of the Appraisal Roll to the ARB, the Chief Appraiser shall request a random sampling of appraisals from HLL&A. HLL&A shall provide the Chief Appraiser with the requested appraisals and all non-privileged and non-proprietary supporting data and review the information with the Chief Appraiser in order for the CAD to evaluate the appraisal results of HLL&A. The HLL&A appraiser responsible for each property sampled will review the appraisal, including but not limited to methodology, technique, data used and final outcome, with the Chief Appraiser or other employee of the CAD designated by the Chief Appraiser to review the contracted work. The Chief Appraiser or designee will verify that all assigned properties were indeed appraised and valued as set out in the contract and here-in and document any failure to do so, noting what if anything is required to fulfill the contract requirements.

At various times throughout the year, at the request of the Chief Appraiser, HLL&A provides an updated list from the Railroad Commission in order for the CAD to compare to the list of leases already being appraised by HLL&A for the CAD. In this way, the CAD can verify that HLL&A is indeed discovering all taxable mineral properties in its discovery process.

Further, a computer-assisted statistical review of property value changes is also conducted at various times throughout the year allowing the CAD to verify that the properties called for in the Contract were appraised and values were entered. Finally, HLL&A will make any non-privileged and non-proprietary market data supporting the values of the properties it appraises, available to the CAD and for inspection by property owners on request.

#### **I. Reappraisal Plan for Mineral Properties**

Mineral Properties covered by the contract between the CAD and HLL&A shall be reappraised each year. For each year of the contract, the following activities will be undertaken for all business personal properties assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year, but in any event will be available as requested by the Chief Appraiser each year.

1. Identify properties to be appraised through physical inspection or by other reliable means of identification, including Railroad Commission filings, deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps and/or property sketches;
2. Identify and update relevant characteristics of each property in the property records of the CAD;
3. Identify and update all ownership information of each property;
4. Identify property characteristics that affect property value for each property, including:

- a. The location of the property;
  - b. Physical attributes of the property such as production history, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;
5. Identify the preceding year's average price and lease operating expenses;
  6. Calculate the starting rates and price and apply them to the decline curve; and
  7. Review the appraisal results to determine value.

Generally, these types of properties will be valued on an income approach basis, using the Comptroller's and statutory guidelines as to price and discount rate.



## **Hugh L. Landrum & Associates, Inc. Reappraisal Plan by Property Type**

### **INTRODUCTION**

Hugh L. Landrum & Associates, Inc. is a Registered Professional Engineering Firm in the State of Texas specializing in the mass appraisal of complex properties. In this role HLL&A recommends values to its client appraisal districts.

Pursuant to the Texas Property Tax Code, each Appraisal District is required to implement a biennial reappraisal plan. As a contractor to the Appraisal District, Hugh L. Landrum & Associates, Inc. provides this reappraisal plan in an effort to assist the taxpayers of the county in understanding the methods by which their properties are being valued; and to further aid the CAD in satisfying its requirements under the Code and those of the Comptroller's Property Tax Assistance Division.

***THIS MANUAL IS SUBJECT TO CHANGE WITHOUT NOTICE.  
IT IS ROUTINELY UPDATED TO MEET THE REQUIREMENTS OF  
THE LEGISLATURE, THE COMPTROLLER AND OUR CLIENTS.***

### **PLAN FOR PERIODIC REAPPRAISAL**

#### **INDUSTRIAL PROPERTIES:**

Each year the following activities will be undertaken for all industrial properties assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year.

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/or property sketches;
2. Identify and update relevant characteristics of each property in the property records of the CAD;
3. Define market areas in the CAD, where applicable;
4. Collect, update, review and analyze market data to be used to support values on properties appraised;
5. Identify property characteristics that affect property value in each market area or for each property, including:
  - a. The location and market area of the property;
  - b. Physical attributes of the property such as size, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;
6. If applicable, develop an appraisal model that reflects the relationship among the property characteristics affecting the value in each market area and determines the contribution of individual property characteristics;
7. Apply conclusions reflected in the model to the characteristics of the property appraised; and

8. Review the appraisal results to determine value.

Generally, industrial properties will be valued on a cost approach basis since these properties have a low frequency of being bought and sold in the open market. In addition, since these properties are owner occupied, the income information is difficult to obtain and rarely applicable to industrial properties.

#### **UTILITY, RAILROAD & PIPELINE PROPERTIES:**

Each year the following activities will be undertaken for all utility, railroad and pipeline properties assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year.

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/or property sketches;
2. Identify and update relevant characteristics of each property in the property records of the CAD;
3. Define market areas in the CAD, where applicable;
4. Collect, update, review and analyze market data to be used to support values on properties appraised;
5. Identify property characteristics that affect property value in each market area or for each property, including:
  - a. The location and market area of the property;
  - b. Physical attributes of the property such as size, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;
6. If applicable, develop an appraisal model that reflects the relationship among the property characteristics affecting the value in each market area and determines the contribution of individual property characteristics;
7. Apply conclusions reflected in the model to the characteristics of the property appraised; and
8. Review the appraisal results to determine value.

Generally, these types of properties will be valued on an income approach basis, being valued as an entire unit and the result apportioned to the pieces in the whole.

#### **SPECIAL PURPOSE PROPERTIES:**

Each year the following activities will be undertaken for all special purpose improvements assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year.

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/or property sketches;
2. Identify and update relevant characteristics of each property in the property records of the CAD;

3. Define market areas in the CAD, where applicable;
4. Collect, update, review and analyze market data to be used to support values on properties appraised;
5. Identify property characteristics that affect property value in each market area or for each property, including:
  - a. The location and market area of the property;
  - b. Physical attributes of the property such as size, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;
6. If applicable, develop an appraisal model that reflects the relationship among the property characteristics affecting the value in each market area and determines the contribution of individual property characteristics;
7. Apply conclusions reflected in the model to the characteristics of the property appraised; and
8. Review the appraisal results to determine value.

Like industrial properties, special purpose properties will be valued on a cost approach basis since these properties have a low frequency of being bought and sold in the open market. In addition, since these properties are owner occupied, the income information is difficult to obtain and rarely applicable.

#### **BUSINESS & INDUSTRIAL TANGIBLE PERSONAL PROPERTIES:**

Each year the following activities will be undertaken for all business personal property assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year.

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, or renditions;
2. Identify and update relevant characteristics of each property in the property records of the CAD;
3. Collect, update, review and analyze market data to be used to support values on properties appraised;
4. Identify property characteristics that affect property value for each property, including:
  - a. The location and market area of the property;
  - b. Physical attributes of the property such as size, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;
5. Develop or update a cost schedule based on SIC codes and market conditions;
6. Create or refine valuation models using actual cost data to derive the RCN of a particular unit;
7. Apply these schedules and models to estimate values; and
8. Review the rendition information in light of the schedules to determine value.

Business personal properties are required to be rendered and will typically be valued on a cost approach basis.

**MINERAL PROPERTIES:**

Each year the following activities will be undertaken for all mineral properties assigned to HLL&A under its contract with the CAD. Estimates of value are typically provided to the CAD in mid to late May of each Tax Year.

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/or property sketches;
2. Identify and update relevant characteristics of each property in the property records of the CAD;
3. Collect, update, review and analyze market data to be used to support values on properties appraised;
4. Identify and update all ownership information of each property;
5. Identify property characteristics that affect property value for each property, including:
  - a. The location of the property;
  - b. Physical attributes of the property such as production history, age and condition;
  - c. Legal and economic attributes, if any;
  - d. Easements, covenants, leases, reservations, contracts, declarations, special assessments, exemptions or legal restrictions;
6. Identify the preceding year's average price and lease operating expenses;
7. Calculate the starting rates and price and apply them to the decline curve; and
8. Review the appraisal results to determine value.

Generally, these types of properties will be valued on an income approach basis, using the Comptroller's and statutory guidelines as to price and discount rate.