

WOOD COUNTY APPRAISAL DISTRICT

RESOLUTION TO ADOPT

2027-2028 REAPPRAISAL PLAN

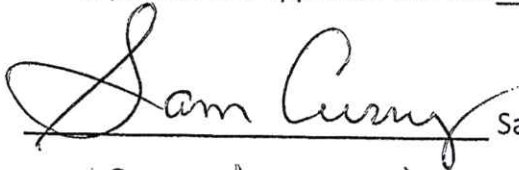
Whereas, according to Section 6.05(i) of the *Texas Property Tax Code*, the Board of Directors of an Appraisal District *shall develop biennially a written Plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and Section 6.05(i) shall hold a public hearing to consider the proposed plan.*

Whereas, the District Board of Directors has notified the presiding officer of the governing body of each taxing unit participating in the District a written notice of the time, date, and place of the public hearing, and

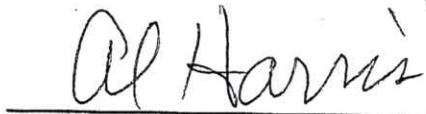
Now therefore, be it resolved that the District Board of Directors adopts the written reappraisal plan.

Resolved further, the Chief Appraiser of the District is authorized and directed to deliver copies of the approved written reappraisal plan in compliance with the remainder of Section 6.05(i) to the presiding officer of the governing body of each taxing unit participating in the District and to the state comptroller of public accounts within 60 days of the approval date.

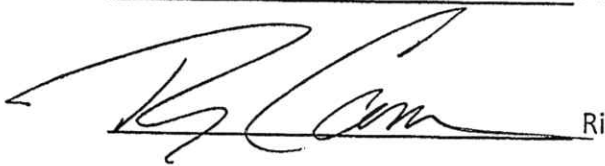
Read, passed and approved this the 20 day of August 2026.



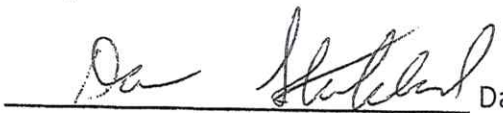
Sam Curry, Chairman



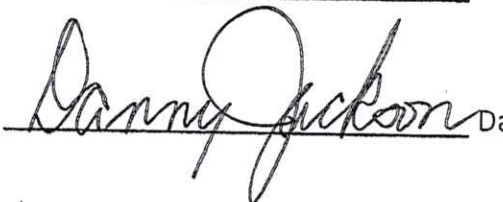
Al Harris, Secretary



Rick Cameron, Member



Dan Strickland, Member



Danny Jackson, Member

**Plan for the Periodic Reappraisal of Properties
Wood Central Appraisal District
2027-2028**

The Written Plan

Tax Code Requirements: S.B. 1652 amends Section 6.05, Texas Property Tax Code, by adding Subsection (i) to read as follows:

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

The Plan for Periodic Reappraisal

Subsections (a) and (b) of the Texas Property Tax Code, are amended to read as follows:

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

- (B) Physical attributes of property, such as size, age, and condition;
 - (C) Legal and economic attributes; and
 - (D) Easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;
- (5) Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;
 - (6) Applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
 - (7) Reviewing the appraisal results to determine value.

Steps in a Reappraisal

The Wood Central Appraisal District uses the ten (10)-step plan for reappraisal as recommended by the International Association of Assessing Officers (IAAO) textbook, Property Appraisal and Assessment Administration.

Required activities are presented below in the order they should occur:

1. Performance Analysis

A. Ratio Study—According to the Comptroller's Property Tax Division, the Wood Central Appraisal District did fall within the acceptable range for the most recent study year.

B. Are existing values equitable? —According to the Comptroller's Property Tax Division, the Wood Central Appraisal District did fall within the acceptable range for the most recent study year.

C. Are values consistent with the market? —According to the Comptroller's Property Tax Division, the Wood Central Appraisal District did fall within the acceptable range for the most recent study year.

2. Revaluation Decisions

A. Statutory—The Texas Property Tax Code requires that a complete reappraisal be completed at least every three (3) years.

The schedule will be as follows:

2027 Reappraisal:

Yantis, Winnsboro, Pittsburg overlap, Union Hill overlap

2028 Reappraisal

Alba-Golden, Quitman and Como Pickton overlap

B. Administrative Policy—The chief appraiser of the Wood Central Appraisal District made the decision for yearly reappraisals. The assistant chief appraiser is responsible for delegation of the work and monitoring the progress of work.

3. Analysis of Available Resources

A. Staffing—The current appraisal staff consists of four (5) field appraisers, one (1) appraisal supervisor, and the chief appraiser.

B. Budget—The appraisal budget has been adequate in the past. The additional resources possible would include additional mileage reimbursement for the appraisal staff if the current trend of high gasoline prices continues. The Computer System has now been updated using the latest technology from True Automation.

C. Existing practices—The chief appraiser constantly monitors the operations of the CAD to determine if employees need additional resources to complete their assigned task. Procurement of such resources is made as necessary.

D. Existing data and maps—The Wood Central Appraisal District's mapping system is being digitized. Currently, 100 percent of the county has digitized maps. Two employees work full time on this project.

4. Planning and Organization

A. Target completion date—The projected date for completion of field work is February 1 of each calendar year. This early completion date is critical. It will allow ample time to develop models, calibrate and test schedules. Targeted completion date for the entire reappraisal is April 1 of each calendar year.

B. Performance objectives—The Wood Central Appraisal District has determined the most efficient use of the field appraisers is as follows: Appraisers

accomplish their field work in pairs. Two sets of appraisers are in the field at any given time.

C. Specific action plan and schedule—The field work will begin on or near August 1 of the current year. All field appraisers will work the same school district until field work is completed. The Wood Central Appraisal District uses Pictometry. This tool is high resolution aerial photography of the county. This tool will allow the appraisers to look at each account, to which they are responsible; adding or removing structures to said property. This will not eliminate field work but should enhance the appraiser's ability to ensure property is appraised correctly. They will have the ability to measure two significant sides (as outlined in the TPTC).

The schedule will be as follows:

2027 Reappraisal:

Yantis, Winnsboro, Pittsburg overlap, Union Hill overlap

2028 Reappraisal

Alba-Golden, Quitman and Como Pickton overlap

D. Critical activities with completion dates—Sales data retrieval and analysis will begin January 1 of each year. This process will continue until April 1 of the following year. April 1 is the date, which we expect to have all preliminary values completed and ready to mail the Notice of Appraised Value.

Field appraisal completion date is predicted to be February 1. Weather permitting.

E. Production Standards for field activities—The appraisers will print, place in order and be responsible to see that their work is completed in a timely manner. Each appraiser will take the Ipads in the field and work on each assignment group until work is complete.

The following steps should be followed by the appraisers when in the field:

1. Appraisers are expected to be in the field by 8:30 a.m. (weather permitting).
2. Appraisers should be sure they have their assigned work, IPads, blank field sheets, tape measures, identification badges and any other necessary equipment they may need for their daily duties.

3. Appraisers may wear shorts during their fieldwork. They must be of modest appeal. The attire will be at the discretion of the chief appraiser or the appraisal supervisor.
4. Identification badges will be worn on appraiser's clothing when they are outside the office. NO EXCEPTIONS.
5. Each appraiser will carry business cards for distribution upon request.
6. When the appraisal team arrives at a property they should immediately proceed to the house and knock on the door or ring the doorbell. Adequate time should be given for the homeowner to respond. If no response, continue with measuring the house. Under no circumstances go into a house without the homeowner permission.
7. You will encounter "No Trespassing" signs. Do not enter the property. Take pictures from the road. If you can see the improvements, make your best estimate of its size and classification. Get any measurements that CAD has on Eagleview (Pictometry). If no determination can be made, an inspection letter will be sent to the property owner.
8. If you encounter a property owner who asks you to leave the property, immediately leave. Once you have exited the property, make note on the appraisal card and estimate the value of the improvements.
9. Appraisers must not deviate from their daily task without permission from the chief appraiser or the asst. chief appraiser.
10. Appraisers can coordinate between themselves the driving arrangements.
11. Data entry should be split between the two appraisers or the appraisers may decide how they prefer to handle it.
12. Each team of appraisers should take pictures with Ipads of all the new improvements.
13. You are expected to always conduct yourself in a professional manner.

5. Mass Appraisal System

Forms and procedures revised—The appraisal field information cards have been updated in a simpler format. The intention is to make the field appraiser's job more efficient without compromising accuracy.

6. Pilot Study

A. Test new/or revised appraisal methods—Appraisal methods are followed as outlined in the USPAP manual.

B. Ratio Study by market area—All sales data is gathered and installed on the main computer using True Automation software developed for said purpose. This data can be broken down by any number of determining factors. IE., school districts, cities, counties, subdivisions, abstracts, etc.

C. Determine if values are accurate and reliable in certain market areas---

Defining Market Areas

MARKET AREA: Wood County continues to experience a tremendously rapid growth. According to the United States Census Bureau, the population of Wood County was **29,380** in 1990.

The 2000 population rose to **36,752**.

The 2004 estimate was **40,752**.

The 2010 estimate is **41,964**.

The 2021 estimate is **45,875**.

The 2023 estimate is **47,921**.

The 2024 estimate is **48,742**.

These figures are based on people living within the boundaries of Wood County. It does not factor in the numerous people who have established Wood County as a second home. Another 1/3 could be added to these population figures when considering absentee property owners within the county.

Although we are seeing growth throughout the county, the major market areas in Wood County are located near Lake Fork and the four county owned lakes. The demand for "lake front" properties is at an all-time high. The choice properties on Lake Fork have become occupied. This has created a demand for property on the county lakes. High demand and a limited number of available properties have caused the lakefront properties on these smaller lakes to skyrocket.

Acreage tracts have become a popular commodity. Metropolitan buyers are paying premium price for larger (20+) acres.

Additionally, the cities of Winnsboro, Quitman and Mineola are for the most part equal and could be considered a Market area.

Yantis and Alba could under most circumstances be viewed as one market area. Hawkins is isolated in the southeastern corner of the county and is a market all to itself.

There are exceptions in each of these school districts. Areas such as Holly Lake Ranch in Hawkins and Harmony, Land's End in Yantis are entities all to themselves. Holly Lake, if incorporated, would be among the largest cities in Wood County.

Life Cycle of a Market Area: The typical, but not necessarily universal, four-stage cycle that describes the life pattern of market areas. These stages include:

Growth—a life cycle stage in which the market area gains public favor and acceptance.

Stability—a life cycle stage in which the market area experiences equilibrium without market gains or losses.

Decline—a life cycle stage characterized by renewal, redevelopment, modernization, and increasing demand.

Revitalization—a life cycle stage characterized by renewal, redevelopment, modernization, and increasing demand.

Wood County falls into the “Growth” cycle. Several reasons can be sighted to explain this theory.

Lake Fork is a major tourist attraction. Lake Fork is one of if not the prime bass fishing lake in the United States. Several hundred thousand fishermen migrate to Lake Fork in search of “the big bass.” Consequently, many of these anglers decide to retire to this area.

Wood County also provides a rural country setting which the city dwellers find comforting. They move from areas of high property values and find that Wood and the surrounding counties land values to be much lower. Therefore, they compete for the limited number of acres for sale.

Wood County has seven small school districts which gives students a more one-on-one learning environment. This appeals to many parents with school age children. The county also has adequate medical facilities and doctors. Many younger families are moving to Wood County because of the short drive to the major cities of Dallas, Tyler, and Longview.

Evaluating Market Areas:

As stated in this document, the Wood Central Appraisal District gathers sales information in various ways. We send both the buyer and seller letters requesting the sales price. Local realtors are also helpful in obtaining this information.

The sales ratio for each category within a school district is analyzed. Each category of property is then studied to determine which areas are near market value and which areas

are outside the accepted range. Further modifications are made according to the sales ratio results from each category within each school district. We have in place neighborhood codes for each subdivision, abstract, survey, city and individual areas within these jurisdictional locations. We group together (when possible) like subdivisions, abstract, surveys, etc. and perform another sales ratio for that area. The properties will be adjusted within each neighborhood to achieve the desired market result.

7. Data Collection

A. New Construction—The Wood Central Appraisal district field appraisers gather information on new construction in several ways. They are given the construction deeds from the deed department. Deeds of Trust are also used to alert the appraiser to possible new construction. Wood County does not require building permits. The larger cities in the county do require such permits and the appraisers will gather them from each entity. Further, the Wood Central Appraisal District does an on-sight inspection of all real property each year. This allows the WCAD to be confident that all new construction is accounted for.

B. Remodeling—The Wood Central Appraisal district field appraisers gather information on remodeled properties in several ways. They are given the construction deeds from the deed department. Deeds of Trust are also used to alert the appraiser to possible new construction. Wood County does not require building permits. The larger cities in the county do require such permits and the appraisers will gather them from each entity. Further, the Wood Central Appraisal District does an on-sight inspection of all real property each year. This allows the WCAD to be confident that all exterior signs of remodel (add on, etc) is accounted for.

C. Inspection of problematic market areas—Problematic areas within the county are inspected yearly and analysis of sales data is used to determine the effectiveness of the appraisal valuation process.

8. Valuation

A. Market Analysis—Sales data is gathered from several sources not limited to GTAR (MLS), buyer and seller sales informational letters. This sales information is then analysis by school district, cities, abstracts, subdivisions, etc.

B. Model Development—A model for each classification of property is built using the Marshal & Swift Cost manual. USPAP standards indicate we must use a “nationally known cost manual.” Marshal & Swift meets this criterion. Once the cost model has been developed the analyzer calibrates the data.

C. Model Calibration—When the cost model has been completed, the analyzer generates a ratio analysis study of sold properties to determine the span between the actual sale price and the sale price of the property. This conclusion will result in a percentile of a plus (+) or (-) depending on if the model value is higher or lower than the sale price indication. Percentage factors are determined and applied to the model to correspond with the sales price within each category of property.

D. Calculation of preliminary values—Upon determining the indicated value of the model (our goal is to be in the range of 95% to 1.05% of market value), the land and improvement schedules are entered into the main computer. When this task has been completed the system administrator recalculates all properties within the district.

E. Testing values for accuracy and uniformity—Testing for accuracy and uniformity is determined by procuring and analyzing various forms of the sales ratio report. If these tests determine inaccuracy, steps C & D will be repeated and inspected for errors.

9. The Mass Appraisal Report

Wood County Appraisal District 2027-2028 Mass Appraisal Report

INTRODUCTION:

Scope of Responsibility

The Wood Central Appraisal District has prepared and published this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: a general introduction and then several sections describing the appraisal effort by the appraisal district.

The Wood Central Appraisal District (CAD) is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A member board of directors, appointed by the taxing units within the boundaries of Wood County, constitutes the district's governing body. The chief appraiser, appointed by the board of directors, is the chief administrator and chief executive officer of the appraisal district.

The appraisal district is responsible for the local property tax appraisal and exemption administration for 20 jurisdictions or taxing units in the county. Each taxing unit, such as the county, a city, school district, municipal utility district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road

and street maintenance, courts, water and sewer systems, and other public services. Appraisals established by the appraisal district allocate the year's tax burden on the basis of each taxable property's January 1st MARKET VALUE. We also determine eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

Except as otherwise provided by the Property Tax Code, all taxable property is appraised at its "market value" as of January 1st. Under the tax code, "market value" means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

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

The Texas Property Tax Code under Sec. 25.18, requires each appraisal office to implement a written plan to update appraised values for real property and personal property at least once every three years. The written plan is adopted by the appraisal district's board of directors as required by section 6.05, Texas Property Tax Code. The approved written plan for this tax year is included as an attachment to the report and can be found in the addenda Section at the end of this mass appraisal report. The district's current policy is to conduct a general reappraisal of real property every year. Appraisal values are reviewed annually and are subject to change for purpose of equalization. Personal property is also appraised every year.

The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable. In cases where the appraisal districts contracts for professional

valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards.

10. Value Defense

A. Informal Appeals—Informal appeals will be held at the Wood Central Appraisal District offices beginning with the mailing of the Notice of Appraised Value. Each appraiser will have the evidence; the schedules and notes made during the scheduling process.

To the best of our abilities, we will explain to the taxpayer how we arrived at the values. At all times employees will strive to attain the highest regard and respect for the taxpayer.

The appraisers may ask the property owners to bring pictures, estimates of repairs, comparable sales, listing prices of homes in the area or anything that might benefit the property owner in an informal hearing.

B Formal Appeals—If after the informal appeals the property owner is not satisfied with the appraisal of his/her properties they may file a written protest notice to appeal to the appraisal review board or may request their hearing be conducted by an arbitrator chosen by the Comptrollers' Property Tax Division. This process also requires written appeal.

The property owner will be mailed a time and date to appear before the appraisal review board. This notice of time and date will be at least 15 days prior to the hearing date. The taxpayer may waive the 15-day notice.

If the taxpayer appeals to an arbitrator, the arbitrator will contact the property owner and the appraisal district of the time, date and location of the hearing.

C. Burden of proof evidence for market value and equity. —The Texas Property Tax Code places the burden of proof on the appraisal district. The property owner, by request, shall be provided all evidence the appraisal district will use for their hearing.

**Wood County Appraisal District
2027-2028
Summary Report**

Standard 6

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those generally accepted methods and techniques necessary to produce and communicate credible appraisals.

STANDARD 6 is directed toward the aspect of developing and communicating competent analysis, opinions, and conclusions in the appraisal of a universe of properties. Mass appraisals are used primarily for the purpose of ad valorem taxation. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for purposes of ad valorem taxation do not apply to mass appraisals prepared for other purposes.

Mass appraisals can be prepared with or without computer assistance and are often developed by teams of people. The validity of mass appraisal conclusions is frequently tested or contested by single-property appraisals. In the context of STANDARD 6, the terms appraisal and mass appraisal both refer to the appraisal of a universe of properties, whether real property, personal property, or both.

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

Standards Rule 6-1

In developing a mass appraisal, an appraiser must:

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

Mass appraisal uses:

1. Division of tasks-appraisals begin with the field appraisers locating properties. Improvements, if any, are measured to determine the square footage of amenities such as living area, carports, porches, decks, etc. The appraiser must then determine the class for the improvement and make a judgment on the amount of value lost to depreciation.
2. Standardized data collection and analysis-a common set of data characteristics for each residential dwelling in Wood County is collected in the field and data entered to the WCAD mainframe computer. The property characteristic data drives the computer-assisted mass appraisal approach to valuation.
3. Properly specified and calibrated valuation models; and

4. Standards and measurements of the accuracy of the data collected and values produced. --the valuation models were extracted using the comparable classification examples in the Marshall & Swift Residential handbook. Sales of vacant land were used to determine either a square foot or an acreage value. The M & S handbook was used to determine the cost to build using the area modifier of Tyler, Texas. Once the cost to build schedules were determined they were compared and refined to an existing number of samples to determine their accuracy. A sales ratio report was completed during each step of the process for accuracy. The worksheets and ratio studies can be found in the Wood County Appraisal District manual titled Summary, Maps and Pricing Information.

Rule 6-1 recognizes that the principle of change continues to affect the manner in which appraisers perform mass appraisals. Changes and developments in the real estate field have a substantial impact on the appraisal profession. Revisions in appraisal theory and practice result from changes in the cost and manner of constructing and marketing commercial, industrial, residential, and other types of real estate; changes in the legal framework in which real property rights and interests are created, conveyed, mortgaged, and taxed; corresponding changes in appraisal theory and practice; and, social and economic changes.

The appraisal profession is constantly reviewing and revising appraisal methods and techniques and devising new methods and techniques to meet new circumstances. Mass appraisers must continuously improve their skills to remain proficient.

(b) must not commit a substantial error of omission or commission that significantly affects an appraisal--In performing appraisal services an appraiser must be certain that the gathering of factual information is conducted in a manner that is sufficiently diligent to ensure that the data that would have a material or significant effect on the resulting opinions or conclusions are considered. An appraiser must use sufficient care in analyzing such data to avoid errors that would significantly affect his or her opinions and conclusions.

(c) must not render a mass appraisal in a careless or negligent manner--Perfection is impossible to attain and competence does not require perfection. However, an appraiser must not render an appraisal in a careless or negligent manner. This rule requires an appraiser to use due diligence and due care. The fact that carelessness or negligence of an appraiser has not caused an error that significantly affects his or her opinions or conclusions and thereby seriously harms a client or a third party does not excuse such carelessness or negligence.

Standards Rule 6-2

In developing a mass appraisal, an appraiser must observe the following specific appraisal guidelines:

(a) consider the purpose and intended use of the appraisal--While identification of the client's intended use of an appraisal, consulting, or review report is also a business concern, this activity is an essential step to be taken by an appraiser in performing

professional appraisal, consulting, or review services. Although an appraiser bound by USPAP must identify and consider the client's intended use of the appraiser's report appraisal, consulting, or review opinions and conclusions, an appraiser must not allow a client's intended use or the requirements of any user of the report to affect the appraiser's independence and objectivity in performing an assignment. An appraiser must not allow a client's objectives to cause the analysis or report to be biased. **Additional information can be found on Page 87 of USPAP 1998 Edition in Statement On Appraisal Standards No. 9.

(b) identify any special limiting conditions-Expenditure levels for assessment administration are a function of a number of factors. Fiscal constraints may impact data completeness and accuracy, valuation methods, and valuation accuracy. While appraisers should seek adequate funding and disclose the impact of fiscal constraints on the mass appraisal process, they are not responsible for constraints beyond their control.

(c) identify the effective date of the appraisal-The effective date for the appraisal of property for ad valorem purposes is January 1 unless otherwise specified in the Property Tax Code.

(d) define the value being considered; if the value to be estimated is market value, the appraiser must clearly indicate whether the estimate is the most probable price:

- (i) in terms of cash**
- (ii) in terms of financial arrangements equivalent to cash; or**
- (iii) in such other terms as may be precisely defined; if an estimate of value is based on below market financing or financing with unusual conditions or incentives, the terms of such financing must be clearly set forth, their contributions to or negative influence on value must be described and estimated, and the market data supporting the valuation estimate must be described and explained.**

(e) identify the real estate and personal property, as applicable--The universe of properties should be identified in general terms and each individual property in the universe should be identified with the information on its identity stored or referenced in its property record.

(f) in appraising real property:

- (i) identify and consider any personal property, trade fixtures, or intangible items that are not real property but are included in the appraisal**--This guideline requires the appraiser to recognize the inclusion of items that are not real property in the overall value estimate. Expertise in personal property or business appraisal may be required to allocate each overall value to its various components. Separate valuation of such items is required when they are significant to the overall value.

- (ii) consider whether an appraised physical segment contributes pro rata to the value of the whole**--This guideline does not require the appraiser to value the whole when the subject of the appraisal is a fractional interest or a partial holding. However, if the value of the whole is not considered, the appraisal must clearly reflect that the value

of the property being appraised cannot be used to estimate the value of the whole by mathematical extension.

(g) identify the property interest--

(i) consider known easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations, special assessments, ordinances, or other items of similar nature.

(ii) consider whether an appraised fractional interest or partial holding contributes pro rata to the value of the whole.

This guideline does not require the appraiser to value the whole when the subject of the appraisal is a fractional interest or a partial holding. However, if the value of the whole is not considered, the appraisal must clearly reflect that the value of the property being appraised cannot be used to estimate the value of the whole by mathematical extension

(h) in appraising real property, consider the effect on use and value of the following factors: existing land use regulations, reasonably probable modifications of such regulations, economic supply and demand, the physical adaptability of the property, neighborhood trends, and the highest and best use of the property. This guideline sets forth a list of factors that affect use and value. In considering neighborhood trends, an appraiser must avoid stereotyped or biased assumptions relating to race, age, color, gender, or national origin or an assumption that race, ethnic, or religious homogeneity is necessary to maximize value in a neighborhood. Further, an appraiser must avoid making an unsupported assumption or premise about neighborhood decline, effective age, and remaining life. In considering highest and best use, an appraiser should develop the concept to the extent required for a proper solution of the appraisal problem.

(i) recognize that land is appraised as though vacant and available for development to its highest and best use and that the appraisal of improvements is based on their actual contribution to the site

Standards Rule 6-3

In developing a mass appraisal, an appraiser must:

(a) identify and consider the appropriate procedures and market information required to perform the appraisal, including all physical, functional, and external market factors as they may affect the appraisal--This customarily includes the development of standardized data collection forms, procedures, and training materials which are used uniformly on the universe of properties under consideration.

(b) employ generally accepted techniques for specifying property valuation models--Mass appraisers must develop mathematical models that, with reasonable accuracy, represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. The models may be

specified using the cost, sales comparison or income approaches to value. The appropriate approaches should be used in appraising a class of properties. The concepts of accepted techniques apply to both real and personal property valuation models.

(c) employ generally accepted techniques for calibrating mass appraisal models- calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model. The table entries in a cost manual are examples of calibrated parameters, as well as the coefficients in a linear or nonlinear model. Models should be calibrated using generally accepted techniques, including, but not limited to, multiple linear regression, nonlinear regression and adaptive estimation.

Standards Rule 6-4

In developing a mass appraisal, an appraiser must observe the following specific appraisal guidelines, when applicable:

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

- (i) estimate cost new of the improvements;**
- (ii) estimate accrued depreciation;**
- (iii) estimate value by sales of comparable properties;**
- (iv) estimate value by capitalization of income.**

This rule requires appraisers engaged in mass appraisal to take reasonable steps to ensure that the quantity and quality of the factual data that are collected are sufficient to produce credible appraisals. For real property, systems for routinely collecting and maintaining ownership, geographic, sales, income and expense, cost, and property characteristics data should be established. These systems are in place at the WCAD. ***Geographic data should be contained in a complete set of maps compiled according to current standards of detail and accuracy.*** Sale data is collected by sending a sale survey to the new owner and seller on, or about, the first day of each month. The sales from the Multiple Listing Service (MLS) are reviewed quarterly.

(b) base projections of future rental rates, expenses, interest rates, capitalization rates, and vacancy rates on reasonable and appropriate evidence. This guideline requires an appraiser, in developing income and expense statements and cash flow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction.

(c) consider and analyze terms and conditions of any available leases.

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

Standards Rule 6-5

In applying a calibrated mass appraisal model an appraiser must:

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

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

(c) when estimating the value of a leased fee estate or a leasehold estate, consider and analyze the effect on value the terms and conditions of the lease--in ad valorem taxation the appraiser may be required by rules or law to appraise the property in fee simple, as though unencumbered by existing leases.

(d) consider and analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the value of the whole should not be estimated by adding together the individual values of the various parcels, divided interests or component parts -when the value of the whole has been established and the appraiser seeks to estimate the value of a part, the value of any such part must be tested by reference to appropriate market data and supported by an appropriate analysis of such data.

(e) consider and analyze the effect on value of anticipated public or private improvements, located on or off the site, to the extent that market actions reflect such anticipated improvements as of the effective appraisal date; appraised proposed improvements only after examining and having available for future examination;

(i) plans, specifications, or other documentation sufficient to identify the scope and character of the proposed improvements;

(ii) evidence indicating the probable time of completion of the proposed improvements; and

(iii) reasonably clear and appropriate evidence supporting development costs, anticipated earnings, occupancy projections and the anticipated competition at the time of the completion.

Proposed improvements are not appraised for ad valorem tax purposes. Appraisers are sometimes asked to provide estimates of value of proposed improvements so that developers can estimate future property tax burdens.

Standards Rule 6-6

In reconciling a mass appraisal an appraiser must:

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

(b) employ generally accepted mass appraisal testing procedures and techniques to ensure that standard of accuracy are maintained.

It is implicit in mass appraisal that, even when properly specified and calibrated mass appraisal models are used, some individual value estimates will not meet standards of reasonableness, consistency, and accuracy. Appraisers engaged in mass appraisal have a professional responsibility to ensure that, on an overall basis, models produce value estimates that meet attainable standards of accuracy. This responsibility requires appraisers to evaluate the performance of models, using techniques including, but not limited to, goodness of fit statistics, hold out samples, analysis of residuals, and appraisal to sale ratio data.

Standards 6-7

In written summary report of a mass appraisal for ad valorem taxation or a written report of a mass appraisal for any other purpose should clearly communicate the elements, result, opinions, and value conclusions of the appraisal.

Documentation for a mass appraisal for ad valorem taxation may be in the form of (1) property records, (2) reports, (3) manuals, (4) regulations, (5) statutes, and (6) other acceptable forms.

Each written report of a mass appraisal for any purpose other than ad valorem taxation must:

- (a). clearly and accurately set forth the appraisal in a manner that will not be misleading;**
- (b). contain sufficient information to enable the intended users of the appraisal to understand the report properly;**
- (c). clearly and accurately disclose any extraordinary assumptions, hypothetical conditions, or limiting conditions that directly affects the appraisal and indicate its impact on value.**

Furthermore, each written report of a mass appraisal for any purpose other than for ad valorem taxation, and, when provided, a written summary report of a mass appraisal for ad valorem taxation must:

- (a). state the purpose and intended use of the appraisal;**

- (b). **disclose any assumptions or limiting conditions that result in deviation from generally accepted methods and techniques or that affect analyses, opinions, and conclusions;**

Comment: One limiting condition that must be disclosed is whether or not any physical inspection was made.

- (c). **set for the effective date of the appraisal;**

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

- (d). **define the value;**

- (e). **identify the properties appraised including the property rights;**

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

- (f). **describe and justify the model specification(s) considered, data requirements, and the models chosen;**

Comments: The user and affected parties must have confidence that the process and procedures used conform to accepted methods and result in credible value estimates. In the case of mass appraisal for ad valorem taxation, stability and accuracy are important to the credibility of value opinions. The summary report should include a discussion of the rationale for each model, the calibration techniques to be used, and the performance measures to be used.

- (g). **describe the procedure for collecting, validating, and reporting data;**

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

- (h). **describe calibration methods considered and chosen, including the mathematical form of the final model(s); describe how value estimates are reviewed; and, if necessary, describe the availability of individual value estimates.**

- (i). **in the case of real property, discuss how highest and best use was determined;**

Comment: The mass appraisal summary report should reference case law, statute, or public policy that describes highest and best-use requirements. When actual use is the requirement, the report should discuss how use-value opinions were developed.

- (j). **identify the appraisal performance tests used and set forth the performance measures attained.**
- (k). **provide any additional information necessary to explain the appraisal, more fully, including departures permitted by the DEPARTURE RULE; and**
- (l). **contain a signed certification by the appraiser in a manner consistent with applicable laws, rules, or regulations and generally accepted appraisal practices for mass appraisals prepared for ad valorem taxation; and, for mass appraisals prepared for other purposes, contain a signed certification in accordance with Standards Rule 6-8.**

Standards Rule 6-8 (This Standard Rule contains binding requirements from which departure is not permitted.)

Each written mass appraisal for purpose other than ad valorem taxation must contain a signed certification that is similar in content to the following form:

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

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

*** The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and are my personal, impartial, and unbiased professional analyses, opinions, and conclusions.**

*** I have no (or the specified) present or prospective interest in the property that is the subject of this report, and I have no (or the specified) personal interest with respect to the parties involved.**

*** I have no bias with respect to any property that is the subject of this report or to the parties involved with this assignment.**

*** My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.**

*** My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.**

*** I have (or have not) made a personal inspection of the property that is the subject of this report. (If more than one person signs the report, this certification must clearly specify which individuals did and which individuals did not make a personal inspection of the appraised property.)**

*** no one provided significant professional assistance to the person signing this report. (If there are exceptions, the name of each individual providing significant professional assistance must be stated.)**

Wood County Appraisal District 2027-2028 Summary Report

Introduction

Purpose

The purpose of this report is to better inform the property owners within the boundaries of the Wood County Appraisal District (WCAD) and to comply with Standards Rule 6-7 of the Uniform Standards of Professional Appraisal Practice (USPAP), effective January 1, 1998. Standards Rule 6-7 addresses a written summary report of a mass appraisal for ad valorem taxation. Mass Appraisal is the process of valuing a group of properties as of a given date, using standard methods, and employing common data, which allows for statistical testing. The intended use of the appraised values is to establish a tax base upon which a property tax will be levied. Each taxing unit within WCAD boundaries will use the appraised values for ad valorem tax purposes only.

The purpose of the appraisals performed by WCAD is to estimate market value on January 1 of each year as defined by the Texas property Tax Code (Sec. 1.04) on all taxable property with the boundaries of WCAD. "Market Value" is defined by Sec. 1.04 as 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 the purchaser seek to maximize their gains, and neither is in a position to take advantage of the other's exigencies.

Responsibilities

The appraisal district is responsible for appraising property in the district for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on the property in the district. WCAD serves the public and twenty (20) taxing entities of Wood County.

Taxing entities in Wood County are composed of six school districts, six cities, the county, the waste disposal district, Holly Lake Emergency Services District and the Quitman hospital district and five overlap school districts.

The appraisal district certified to Wood County a total of **10.2** billion in market value for **2025** with a parcel count of **87,938**. The following properties are contained in these numbers:

- *Real, single family
- *Real, multi-family
- *Real, vacant lots/tracts
- *Real, acreage
- *Real, farm & ranch improvements
- *Real, commercial & industrial
- *Real, oil, gas, and other mineral reserves
- *Real & Personal, utilities
- *Tangible Personal, business
- *Tangible Personal, mobile homes
- 15,489** homestead properties

Organizational Structure

The Wood County Appraisal District was created by the Texas Legislature. WCAD appraises property and prepares assessments of real and personal property taxes for fifteen taxing entities in Wood County, Texas. WCAD is a political subdivision of the State of Texas. The appraisal district is governed by a five-member board of directors appointed by the taxing entities in the County. The board appoints the chief appraiser who serves at the pleasure of the board. The board also approves the budget and sets policy. The chief appraiser is the chief administrator of the appraisal district and may employ and compensate professional, clerical, and other personnel as provided by the budget. The chief appraiser may delegate authority to his employees.

WCAD currently has fifteen (15) employees. The chief appraiser, assistant chief appraiser, five staff appraisers, two mapping, five records and customer assistant employees and an executive secretary.

All appraisers are required to be registered with the Texas Department of License and Regulations (TDLR). The TDLR registration requires that each appraiser must successfully complete a five-year educational program and pass a required number of course hours within a specified time. Additionally, all appraisers must pass review exams at levels three and four of the certification program. After successfully completing the required curriculum and approval of a demonstration appraisal, an appraiser is awarded the designation of Registered Professional Appraiser (RPA). There is also a requirement of at least 30 hours of continuing education units every two years in order to recertify the RPA designation. WCAD currently has four RPA's on staff. The WCAD appraisal staff stays abreast of current trends affecting property through review of published materials, attendance at conferences, course work, and continuing education.

Each appraiser is assigned a geographical area within the boundaries of WCAD. Appraisers are responsible for the discovery, listing, data entry, and appraisal of all types of property within their assigned area, unless specific types of property have previously been assigned to another appraiser. Appraisers continually strive to improve the quality and performance of all appraisals.

Philosophy Statement

The Wood County Appraisal District believes that the most important asset of the District is its people. Every employee is important and deserves to be treated fairly with consideration and respect. WCAD believes in providing good working conditions, a safe, clean and friendly workplace to help each employee do his or her job effectively. We also believe that every employee has an obligation to develop his or her talents to the fullest.

The Wood County Appraisal District exists for the purpose of providing services to the property owners and taxing units within our jurisdiction. It is important that we recognize our responsibility to provide quality services on a cost-effective basis. Every property owner should be approached in a respectful, positive and friendly manner. Property owners should be assisted in a timely and courteous fashion. WCAD employees have an obligation as public servants to promote goodwill toward all property owners; not only in manner but also by example.

Because of the nature of our work, not every property owner will be pleased with the outcome of their contact with WCAD. What is important is that everyone who encounters our office should have reason to feel that a knowledgeable and qualified person handled his or her matter in a fair and equitable manner.

Assumptions and Limiting Conditions

1. Title to the property is assumed 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 developing these appraisals are not required to give testimony or attendance in court by reason of the appraisals, unless directed by, employed by, and provided legal counsel by the Wood County appraisal District.
4. All properties are appraised in fee simple interest in accordance with Texas Property Tax Code Section 25.06. (Jurisdictional exception to Standards Rule 6-4 (c) and 6-5 (c) of USPAP)
5. All sketches in the appraisal records are intended to be visual aids and may be rounded measurements and should not be construed as surveys or engineering reports, etc.
6. All information in the appraisal records has been obtained by members of the appraisal district's staff or other reliable sources.
7. The appraisal staff has inspected, as permitted, by observation, the land and the improvements thereon; 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.
8. All interior inspections are performed at the property owner's request by appointment. All other inspections performed are external and assume the quality, condition and desirability of the interior are approximately equal to that of the exterior, unless otherwise known.
9. Agricultural land is appraised at market value using a market data model based on market sales information. However, it may also be subject to appraisal using an income model specified in Section 23, Sub-chapters C, D, and E of the Texas Property Tax Code. (Jurisdictional Exception to 6-4 (b) of USPAP)
10. Subsurface rights (minerals and oil) are not considered in making these appraisals.
11. Due to the lack of readily available zoning information from various sources the highest and best use for a property is normally considered to be its current use. however, when zoning information is submitted by the property

owner, that information is considered in making the determination of highest and best use.

The following summary reports are presented to be more specific about the appraisal of various property types within Wood County Appraisal District.

Single-Family Residences

2027-2028 Summary Report

Overview

Single-family residences consist of all land and real property improvements, which by the nature of their design and/or construction are suitable for single-family use only. This includes manufactured homes, which are classified as real property when the owner of the land is also the owner of the manufactured home and personal property when the owner of the manufactured home does not own the land.

Assumptions and Limiting Conditions

The appraisals completed by WCAD for single-family residences are subject to the following assumptions and limiting conditions:

1. The Wood County Appraisal District's staff has physically inspected all single-family residences in Wood County, and all properties are re-inspected within a three-year period. Interior inspections have not been done on a majority of the properties in the county because (a) most residential owners are not at their residence during regular business hours, (b) permission to inspect is not always granted, (c) the safety of the appraiser may be in question, and (d) respect for privacy rights of the property owner should be exercised.
2. The opinion of value for each single-family property applies to land and improvement only. The value of personal property of an owner has not been included with the value of the real estate. The only personal property that is valued as an improvement only is a manufactured home where the owner of the home does not own the land. See Sec. 11.14 (a) of the Texas Property Tax Code.
3. Residential real property inventory as defined by the Texas Property Tax Code in Section 23.12 shall be considered as inventory and the market value shall be the price for which it would sell as a unit to a purchaser who would continue the business. (Jurisdictional Exception to Standard Rule 6-5 (d) of USPAP)
4. Single-family qualified properties used to provide affordable housing are appraised to comply with Section 23.22 of the Texas Property Tax Code. (Jurisdictional Exception to Standards Rule 6-4 (b) of USPAP)

Data Collection and Validation

Two basic types of data are collected: data, which is specific to each property, and data that is indicative of a particular class of property that has been pre-defined by WCAD.

Property specific data is collected as part of the inspection process and through submission by the property owner. As part of the inspection process, the improvements are measured and classified. The appraiser also estimates the effective age and condition of the improvements. Any additional or unusual features are also noted at the time of the inspection. Data on individual properties is maintained on the appraisal card(s) for that property. Data on individual properties is verified through previously existing records, published reports, building permits, analysis of comparable properties, and through submission by the property owner. Appraisal cards are available for review at the appraisal district office.

Data pertaining to a class of properties is grouped together according to the differing quality levels, and then used to develop valuation models for each property class. Such data is collected in a variety of ways. Cost information is obtained from nationally recognized sources, local contractors, new construction permits, mechanics liens, reliable sources of new property sales, and from renditions submitted by owners. All local information is used to verify, supplement, or modify costs from these published sources. new models and cost tables are currently under construction and are being used in test areas. Renditions are confidential submissions by property owners and cannot be used for other properties. However, data from renditions may be compared with data obtained from cost manuals to test their accuracy. A comprehensive appraisal manual for residential property is maintained by WCAD.

Market sales information is collected through a variety of sources including surveys of buyers and sellers, deed records, and from GTAR (MLS) and NTRIES (MLS).

Valuation Approach and Analysis

Improvements are appraised using replacement cost new less depreciation models. Replacement costs are estimated from published sources, other publicly available information, and 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. Adjustment for functional and economic obsolescence may be made if diminished utility and comparable sales are found to justify such. A market data model based on typical selling prices per unit of area is also used when appropriate sales information is available. Land values are based on selling prices for the appropriate highest and best use of the site, and as though it 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 and 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 and is always a statement of opinion, not a statement of fact.

Reviewing and Testing

Field review of appraisals is performed through the regular inspection of subject properties. A computer assisted statistical review of property value changes is also conducted. Ratio studies are performed and are the preferred method for measuring performance. The results of the performance measures used indicate the validity of the appraisal models used. Ratio studies are performed on all areas and categories of property within the WCAD. Appraisal results are also tested annually by the Property Tax Division of the Texas Comptroller's Office. Appraisal methods and procedures are also reviewed by the Property Tax Division.

Depreciation

Wood CAD places both an "Actual Age" (when known) and an "Effective Age" on structures. However, observed depreciation is the most commonly used in factoring depreciation. This "observed depreciation" method tends to be the most accurate.

Schedule on next page

Depreciation Schedule Single Family Residence

		F 1	F 2	F 3	F 4	F 5	F 6
		M 8	M 9	M 10	M 11	M 12	M 13
EFF YR	Age	(35 Yr)	(40 Yr)	(45 Yr)	(50 Yr)	(55 Yr)	(60 Yr)
2026	1	98	99	100	100	100	100
2025	2	98	99	100	100	100	100
2024	3	98	99	100	100	100	100
2023	4	96	98	98	99	99	99
2022	5	95	96	96	97	98	98
2021	6	93	96	96	97	97	97
2020	7	92	95	95	96	96	96
2019	8	91	95	95	96	96	96
2018	9	90	94	94	95	95	96
2017	10	89	92	92	93	94	94
2016	11	88	91	91	92	92	93
2015	12	87	90	90	91	91	92
2014	13	86	90	90	91	91	92
2013	14	85	89	89	90	90	91
2012	15	84	89	89	90	90	91
2011	16	83	88	88	89	89	90
2010	17	82	88	88	89	89	90
2009	18	81	87	87	88	88	89
2008	19	80	86	87	88	88	89
2007	20	79	85	86	87	88	89
2006	21	78	83	85	86	87	88
2005	22	77	83	84	85	86	88
2004	23	76	81	83	84	85	87
2003	24	75	79	81	82	84	86
2002	25	74	78	80	81	83	86
2001	26	73	77	79	80	82	85
2000	27	72	76	78	79	82	85
1999	28	71	75	77	78	81	84
1998	29	70	74	76	77	80	83
1997	30	69	73	75	76	80	83
1996	31	68	73	74	75	79	82
1995	32	67	72	74	75	79	82
1994	33	65	71	73	74	78	81
1993	34	64	70	71	72	77	80
1992	35	63	70	71	72	77	79
1991	36	61	69	70	71	76	78
1990	37	60	66	68	70	75	78
1989	38	59	65	67	69	74	77
1988	39	58	63	66	68	73	77
1987	40	57	63	66	68	73	77
1986	41	56	60	64	67	72	75
1985	42	55	59	63	67	72	75
1984	43	53	57	62	66	71	74
1983	44	51	55	60	65	70	74
1982	45	50	53	58	63	69	73
1981	46	49	53	57	61	68	72
1980	47	48	53	57	60	66	71
1979	48	46	51	55	59	65	69
1978	49	44	49	53	57	64	67
1977	50	42	47	52	56	61	65

Depreciation Schedule—Single Family Residence (continued)							
1976	53	37	42	48	53	59	62
1975	54	36	41	47	52	57	61
1974	55	35	40	45	49	54	60
1973	56	34	39	43	47	53	59
1972	57	32	38	42	46	52	57
1971	58	32	37	40	45	51	56
1970	59	32	36	39	44	50	55
1969	60	32	35	38	43	49	54
1968	61	32	35	38	43	49	54
1967	62	32	35	38	43	49	54
1966	63	32	35	38	43	49	54
1965	64	32	35	38	43	49	54
1964	65	32	35	38	43	49	54
1963	66	32	35	38	43	49	54
1962	67	32	35	38	43	49	54
1961	68	32	35	38	43	49	54

Multi-Family Properties 2027-2028 Summary Report

Overview

Multi-family properties with situs in this district are appraised at market value as previously defined.

Assumptions and Limiting Conditions

The appraised value derived is subject to the following assumptions and limiting conditions:

1. For multi-family properties only, the market value stated is for land improvements and the personal property common to the classification and economic area. The business personal property value is insignificant to the overall value.
2. Wood County Appraisal District staff physically inspected all apartment complexes for the reappraisal tax year. Duplex properties are inspected by the appraiser as they field inspect residential property, typically yearly.
3. For a multi-family property that is used to provide affordable housing the property is appraised to comply with Texas Property Tax Code section 23.22. (Jurisdictional exception to Standard Rule 6-2 (d) of USPAP)

Data Collection and Validation

Two basic types of data are collected: data, which is specific to each property, and data, which is indicative of a particular property class that has been pre-defined by WCAD.

The property appraised has a multi-family use. This classification of properties includes apartment complexes and duplex properties. Properties of this classification are discovered and their characteristics recorded during periodic field inspections, investigation of building permits issued through political entities, and investigation of mechanic liens recorded with the county clerk. Geographically, these properties are located throughout the county.

Specific property data is collected at the time of inspection or re-inspection and through submissions by property owners. Characteristics of a specific property's physical improvements and amenities are recorded and stored electronically and may be printed on an appraisal card(s). Appraisal cards are available for review at the district office.

Sale data is taken from deed records, local real estate professionals, a sales service publication, written appraisal reports, and telephone contact with principals. Sales are validated with the principals when possible. Sales data for properties is account specific and retained electronically.

General market data is gathered from multiple sources. Environmental, economic, political, and social influences vary geographically and by property use. Neighborhoods have been delineated to reflect competing properties within a use and the influences on that use. Apartment properties were assigned a comparative classification in the inspection process. Duplexes are classed in compliance with pre-defined classing criteria.

Valuation Approach and Analysis

Based on the principal of substitution, land values are determined by selling prices for similarly positioned functional tracts. Sites are analyzed for highest and best use as though they were vacant. highest and best use of the improvements is based on the likelihood of the continued use of the improvements in their current and/or intended use and 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 and is always a statement of opinion, not a statement of fact.

New apartment construction is valued based on actual cost, when available. If actual costs are not available, national cost manuals are compared to the estimated cost on the building permit.

For apartment complexes within the appraisal district, personal property value is included with the real property estimate. This practice is due to the district's reliance on sales information and the income approach to value. Sales prices reported to the district are for the total property, real and business personal, and the income approach develops a value indication for all property necessary to sustain stabilized income, for the total property. The business personal property value is considered an insignificant portion of the overall property value.

Duplex properties are appraised by market adjusted cost models. Property classifications are delineated and each classification's descriptive characteristics are set forth in WCAD appraisal manuals. Sales ratio studies are generated for each classification.

Review and Testing

Field review of appraisals is performed through the regular inspection of subject properties. A computer assisted statistical review of property value changes is conducted. Ratio studies are reviewed for level of appraisal, bias, and appropriateness of neighborhood boundaries. Results of the performance measures used indicate the validity of the appraisal models.

Preliminary values are reviewed in consideration of classification. Value indications are compared to renditions and valid single property appraisals submitted for staff review. Final value recommendations are tested for reasonableness by performing a sales ratio study. During the appeal process, property specific income and expenses are reviewed for reasonableness and values are adjusted as necessary.

Appraisal results are tested annually by the Property Tax Division of the Comptroller of Public Accounts for the State of Texas. Appraisal methods and procedures are also reviewed by the Property Tax Division.

Income and Expense Data

Valuation by the income approach requires information on income and expenses. Sources of market data for rental income and expense include national publications, local sources, and the property owner. National organizations collect information from owners and managers in major cities on local rents and operating expenses for various types of commercial property. An appraiser can use the information judiciously to determine whether the subject property appears consistent with experience reported nationally.

Obtaining Income and Expense Data

Income and expense data are not needed on each property, but sufficient data are needed to estimate typical income and expense figures for various types of income producing properties. Once collected there are five methods of gathering income and expense information:

1. Mail questionnaires
2. Personal interview
3. Telephone
4. Appeals

5. Published studies and other third-party sources.

Using the Income approach

The income approach is used in cases of properties that may not have sufficient market data available. The income approach has limited use in the fact that the data is many times skewed and unreliable. However, at the discretion of the chief appraiser, the Income Approach may be used on individual properties as one of the accepted appraisal methods determining value of properties.

Collecting Data

The Chief Appraiser may send questionnaires, phone calls, check with property owners to collect adequate data for consideration of the Income Approach. This information is not readily available in our county and furthermore, the property owners are very reluctant to divulge this information. However, due diligence will be made to acquire such data.

Once this information is developed the staff must attempt to establish market rents for the different types of properties, considering the vast differences of location, etc.

Rent

It is often that the Market Rent will differ from the actual rent that a property is procuring. Economic Factors should be weighed in this procedure. Is the property equivalent with other like properties in the rent sample? If so, why is the property owner asking less than he could acquire on the open market? Possible answers would be that owner does not have knowledge of the actual property rent potential or a financial situation is involved where one party is paying hidden cost such as property taxes, building insurance, etc. These should be factored in during the determination process.

Depreciation

Wood CAD places both and "Actual Age" (when known) and an "Effective Age" on structures. However, observed depreciation is the most commonly used in factoring depreciation. This "observed depreciation" method tends to be the most accurate.

Commercial Property 2027-2028 Summary Report

Overview

This type of property consists of all land and improvements in Wood County that are classed "commercial" according to the properties highest and best use.

Assumptions and Limiting Conditions

The appraisals completed by WCAD are subject to the following assumptions and limiting conditions:

1. The opinion of value for each property applies to land and improvements only. The value of trade fixtures, furnishing and other equipment has not been included with the value of the real estate.
2. The Wood County Appraisal District's staff has physically inspected all properties in the county and normally re-inspects these properties once every three years. Complete interior inspections have not been done on all the properties in the county.

Data Collection and Validation

Two basic types of data are collected: data which is specific to each property and data which is indicative of a particular class of property that has been pre-defined by WCAD.

The property owner collects property specific data as part of the inspection process and through submission. As part of the inspection process, the improvements are measured and classified. Properties are classified according to construction type and quality. The appraiser also estimates the effective age and condition of the improvements. Any additional or unusual features are also noted at the time of the inspection. Data on individual properties is maintained on the appraisal card(s) for that property. The data includes legal description, situs, owner address, parcel number, and the property specific information such as class, quality, measurements, condition, etc. Data on individual properties is verified through previously existing records, published articles and reports, building permits, mechanics liens, analysis of comparable properties, and through information obtained from the property owner. Appraisal cards are available for review at the appraisal district office.

Data pertaining to a class of properties is used to develop valuation models for that property class. Such data is collected in a variety of ways. Cost information is obtained from nationally recognized sources, as well as from new construction permits, mechanics liens, local contractors, reliable sources of sales on new property, and renditions submitted by the property owners. Cost information on newly constructed improvements is also used to verify and/or modify costs from published sources. New models and cost tables are currently under construction using this information and are being used in test areas. Renditions are confidential submissions by property owners and cannot be used for other properties. However, data from renditions may be compared with data obtained from cost manuals to test their accuracy.

Market sales information is collected through surveys of buyers and sellers in addition to real estate publications, reports, and public records.

Valuation Approach and analysis

Land values are based on selling prices for the appropriate highest and best use of the site analyzed as though 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 and 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 and is always a statement of opinion, not a statement of fact.

Improvements are valued using replacement/reproduction cost new less depreciation. Cost tables are constructed using published sources as a guide and adjustments are applied using local market information. Adjustments are also applied for functional and economic obsolescence if utilization, sales, and income information warrant. An income approach is also used when economic and/or subject property income information is available. A market data model based on typical selling prices per unit of similar properties is used when sufficient information is available.

The cost approach to value is most accurate and reliable when appraising new construction. In older areas or areas of transition, cost is calculated and considered. However, due to the difficulty of measuring accrued depreciation, more weight is applied to the market and income approaches.

Review and Testing

Field review of appraisal is performed through the regular inspection of subject properties. A computer-generated statistical review is also conducted. The statistical report includes appraisal to sales ratio, coefficient of dispersion, and other statistical measures. The performance measures used validate the results of the appraisal model.

Although the ratio study is the preferred method of measuring performance, single property appraisals submitted to the appraisal staff are also reviewed for appraisal accuracy. The appraiser reviews the submitted appraisal report. Appraisal results are tested annually by the Property Tax Division of the Texas Comptroller's Office. Appraisal methods and procedures are also reviewed by the Property Tax Division.

Wood County Appraisal District contracts with Pritchard & Abbott for the annual reappraisal of some real property in the commercial and industrial property types. Pritchard & Abbott primarily appraises special purpose real properties that are subject to review by WCAD.

Wood County Appraisal District also contracts with Pritchard & Abbott for the reappraisal of all mineral properties within the Wood County Appraisal District.

Pritchard & Abbott is required to submit Property Inspection Letters to the Wood CAD with the Date and Time of Inspection.

The Wood CAD Staff attends the inspections at the discretion of the Chief Appraiser.

The summary reports of Pritchard & Abbott for compliance with Standards 6-7 of the USPAP are attachments to this document.

Income and Expense Data

Valuation by the income approach requires information on income and expenses. Sources of market data for rental income and expense include national publications, local sources, and the property owner. National organizations collect information from owners and managers in major cities on local rents and operating expenses for various types of commercial property. An appraiser can use the information judiciously to determine whether the subject property appears consistent with experience reported nationally.

Obtaining Income and Expense Data

Income and expense data are not needed on each property, but sufficient data are needed to estimate typical income and expense figures for various types of income producing properties. Once collected there are five methods of gathering income and expense information:

1. Mail questionnaires
2. Personal interview
3. Telephone

4. Appeals
5. Published studies and other third-party sources.

Using the Income approach

The income approach is used in cases of properties that may not have sufficient market data available. The income approach has limited use in the fact that the data is many times skewed and unreliable. However, at the discretion of the chief appraiser, the Income Approach may be used on individual properties as one of the accepted appraisal methods determining value of properties.

Collecting Data

The Chief Appraiser may send questionnaires, phone calls, and check with property owners to collect adequate data for consideration of the Income Approach. This information is not readily available in our county and furthermore, the property owners are very reluctant to divulge this information. However, due diligence will be made to acquire such data.

Once this information is developed the staff must attempt to establish market rents for the different types of properties, considering the vast differences of location, etc.

Rent

It is often that the Market Rent will differ from the actual rent that a property is procuring. Economic Factors should be weighed in this procedure. Is the property equivalent with other like properties in the rent sample? If so, why is the property owner asking less than he could acquire on the open market? Possible answers would be that owner does not have knowledge of the actual property rent potential or a financial situation is involved where one party is paying hidden cost such as property taxes, building insurance, etc. These should be factored in during the determination process.

Depreciation

For Commercial property, other than that appraised by Pritchard and Abbott, is valued using the Marshall & Swift valuation software that is ran through the current software vendor, True Automation. Marshall & Swift is a nationally known cost indicator, and its depreciation schedule is based off both actual and effective age of the property.

Business Personal Property 2027-2028 Summary Report

Overview

Business personal property is the tangible personal property owned by a business or by an individual for the purpose of producing income. Other tangible personal property is exempt according to Sec. 11.14 (a) of the Texas Property Tax Code.

Assumptions and Limiting Conditions

The appraisals completed by the WCAD are subject to the following assumptions and limiting conditions:

1. Wood County Appraisal District staff personally inspects every business each year. Re-inspection schedules for business personal property are as follows: (1) Each year a list of properties that were not rendered for the previous year is compiled and visited. (2) These properties are checked to be sure that they are still in business. (3) New businesses that are not conducted from residential locations are visited before they are placed on the roll.

Data Collection and Validation

Data on new and existing businesses is collected through personal inspection, newspaper articles, government reports, comparisons to like businesses, renditions, and other confidential information supplied by the owner. Due to the multitude of personal property types, there is no standard data collection form or manual. We have attempted to standardize the data collection through a procedural method for business personal property that WCAD has developed and continues to maintain.

Valuation Approach and Analysis

Personal property as defined by the Uniform Standards of Professional Appraisal Practice is "identifiable, portable and tangible objects which are considered by the general public to be "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 Section 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 Section 1.04 (4) defines personal property as "...property that is not real."

The purpose of the appraisals of business personal property is to estimate market value on January 1 of each year as previously defined in the introduction. A separate definition of market value for 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." The Texas Property Tax Code sets forth three (3) ways in which inventory may be valued if the requirements are met:

- (A) Section 23.12 (f) allows some inventories to qualify for appraisal as of September 1 of the year before January 1 of the taxable year.
- (B) Section 23.121, 23.127, 23.1241 and 23.12D dictate that dealers in new and used vehicles, vessels, outboard motors and trailers, manufactured housing and heavy equipment be valued differently. (Jurisdictional exception to Standard Rule 6-3 (b) & (c))
- (C) Section 23.12 (a) covers the inventories of remaining businesses.

Personal property is appraised using original cost less depreciation models. 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 for the subject property justifies such. In the case of some personal property types, such as licensed vehicles and aircraft, market data from published pricing guides is used to construct a market value model. In other cases, models are based on quality and density information available through published sources or through private sources. These models are cost based.

Review and Testing

Field review of appraisals is performed through the 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.

Sales for most types of personal property are infrequent. Furthermore, many market transactions occur for multiple sites and include both real and personal property, tangible and intangible, thereby making analysis difficult, subjective, and inadequate to develop a statistical analysis. Performance is measured through comparison of like businesses as well as applying quality and density models to units of comparison. Performance is also measured through comparison with valid single property appraisals submitted for staff review. WCAD's appraisal methods, procedures, and values are subject to review by the Property Tax Division of the Texas Comptroller's Office.

Wood County Appraisal District contracts with Pritchard & Abbott for the annual reappraisal of some business personal property. Pritchard & Abbott primarily appraises special purpose personal property that is subject to review by WCAD.

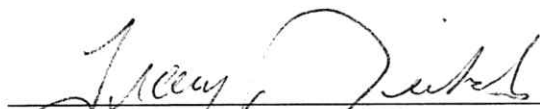
The summary reports of Pritchard for compliance with Standards 6-7 of USPAP are attachments to this document.

Certification

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 the appraisal staff's personal, unbiased professional analyses, opinions, and conclusions.
- * I have no present or prospective interest in the property that is the subject of this report, save and except the ownership of my personal residence and personal auto, and I have no personal interest or bias with respect to the parties involved.
- * My compensation is not contingent on the reporting of a predetermined value, or direction in value, that favors the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.
- * My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.
- * I have not made a personal inspection of the property that is the subject of this report. The WCAD appraisal staff makes personal inspections.
- * Persons providing significant professional assistance to the person signing this report are listed below:

Pritchard & Abbott
Tina Shaw, RPA



Tracy Nichols RPA, RTA, CTA
Chief Administrator/ Appraiser

Personnel Resources

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

The appraisal district staff consists of __15__ employees with the following classifications:

- __1__ -Official/Administrator (Executive level administration)
- __2__ -Professional (Supervisory and Management)
- __5__ -Technicians (Appraiser, program appraisers and network support)
- __7__ -Administrative Support (professional, customer service, clerical and other)

Certification

We certify that, to the best of our knowledge and belief: this report is true and accurate. The reported analyses, opinions and conclusions are limited only by the assumptions and limiting conditions and is our personal, unbiased professional analyses, opinions, and conclusions. We have no present or prospective interest in the property that is subject of this report, and we have no personal interest or bias with respect to the parties involved.

Our compensation is not contingent on a predetermined or direction in value that favors the cause of the client, the amount of the value estimate, the attainment of a stipulate result, or the occurrence of a subsequent event. Our analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

The appraisal staff provided professional assistance to the person signing this report for Wood County Appraisal District as well as one appraisal service contractor. Pritchard and Abbott are contracted for appraisal services of mineral properties, large commercial and industrial properties and well as personal property of these large industries.

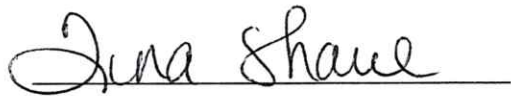
The following Staff appraisers provided significant assistance in the valuation of real and personal property within Wood County Appraisal District. Tracy Nichols, Chief Appraiser; Tina Shaw, Assistant Chief Appraiser; Lisa Jones, Appraiser and Personal Property; Jennifer Jackson, Appraiser; Amanda Harris, Appraiser; Jennifer Goss, Appraiser; and Shanna Miller-Jones, Appraiser.

The appraisal assignments only pertain to appraising properties for ad valorem taxes.

I have not made a personal inspection of all the properties that are the subject of this report. However, staff appraisers have inspected the properties in the appraisal district to which this report is submitted. As of the date of this report we have completed the requirements under the continuing education program of the State Property Tax Code.



Tracy Nichols, Chief Appraiser



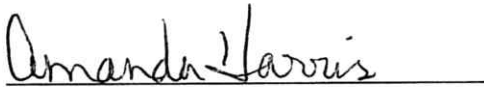
Tina Shaw, Asst. Chief Appraiser



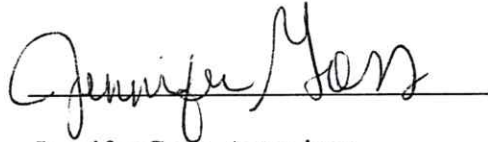
Lisa Jones, Appraiser



Jennifer Jackson, Appraiser



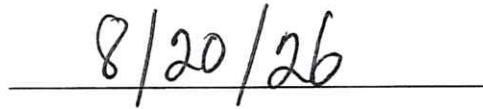
Amand Harris, Appraiser



Jennifer Goss, Appraiser



Shanna Miller-Jones, Appraiser



Date



PRITCHARD & ABBOTT, INC.
VALUATION AND IT CONSULTANTS

S.B. 1652* BIENNIAL REAPPRAISAL PLAN

**FOR THE ANNUAL APPRAISAL FOR
AD VALOREM TAX PURPOSES OF
MINERAL, INDUSTRIAL, UTILITY AND
RELATED PERSONAL PROPERTY**

For Tax Years:

2027 and 2028**

Originally Printed: July 2026

***This biennial reappraisal plan is largely predicated on the Scope of Work Rule in the most recent version of Uniform Standards of Professional Appraisal Practice (USPAP) promulgated by The Appraisal Foundation's Appraisal Standards Board (ASB). The 2024 edition of USPAP has an effective start date but no end date. Because the standards have matured, the ASB now states that the need for the standards to be updated on a regular basis has decreased. Therefore, the 2024 USPAP will be effective for an indeterminate number of tax years, or until the next USPAP version is produced.*

**Senate Bill 1652 passed by the Texas Legislature, 79th Regular Session in 2005, amending Section 6.05 of the Texas Property Tax Code, adding Subsection (i) as follows:*

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

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POLICY STATEMENT OF PRITCHARD & ABBOTT, INC., ON THE UNIFORM STANDARDS OF PROFESSIONAL APPRAISAL PRACTICE

Pritchard & Abbott, Inc., (P&A), a privately held company engaged primarily, but not wholly, in the ad valorem tax valuation industry endorses Uniform Standards of Professional Appraisal Practice (USPAP) as the basis for the production of sound appraisals. Insofar as the statutory requirement to appraise groups (or a “universe”) of real and personal property within an established period of time using standardized procedures—and subjecting the resulting appraisals to statistical measures—is the definition of mass appraisal, P&A subscribes to USPAP Standards 5 and 6 (Mass Appraisal, Development and Reporting) whenever applicable in the development and defense of values. When circumstances clearly dictate the use of single property appraisal procedures, P&A adheres to the spirit and intent of the remaining USPAP Standards within all appropriate, practical, and/or contractual limitations or specifications.

A biennial reappraisal plan is, at its core, a discussion of the CAD’s intended implementation of the Scope of Work Rule in USPAP. This plan provides general information about this rather comprehensive USPAP rule, as well as the specific steps P&A takes in the actual appraisal of various property types per our contractual obligations. This Biennial Reappraisal Plan should not be confused or conflated with an “appraisal manual” or other “how-to” guide which may or may not exist within P&A for any particular property type we appraise.

This reappraisal plan discusses a few other USPAP rules that interact with the Scope of Work Rule, such as the Ethics Rule, the Record Keeping Rule, and Jurisdictional Exception Rule. For further information regarding other sections of USPAP, including the Competency Rule, definitions, and appraisal reports, please reference P&A’s “USPAP report” which accompanies our appraisals and supporting documentation provided to clients per Property Tax Code, Sec. 25.01(c) at the completion of each tax year. ***An appraisal season thus begins with an appraisal plan (approved by the CAD’s Board of Directors) and ends with appraisal reports.*** Providing these reports is definitely part of the plan. Accordingly, much of the verbiage in the “USPAP report” is a reiteration of the Biennial Reappraisal Plan.

USPAP defines “appraisal” as the act or process of developing an opinion of value or pertaining to appraising and related functions such as appraisal practice or appraisal services. Valuation services is defined as services pertaining to an aspect of property value, regardless of the type of service and whether it is performed by appraisers or by others. The USPAP definition of “appraiser” is one who is expected to perform valuation services competently and in a manner that is ***independent, impartial, and objective***. USPAP Advisory Opinion 21: *USPAP Compliance* states that this expectation (by clients and intended users of appraisal reports) is the basis that creates an ethical obligation to comply with USPAP, even if not legally required. Advisory opinions do not establish new standards or interpret existing standards, but instead are issued to illustrate the applicability of appraisal standards in specific situations.

The majority of property types that P&A typically appraises for ad valorem tax purposes are categorized as unique, complex, and/or “special purpose” properties (mineral interests, industrial, utility, and related personal property). These categories of properties do not normally provide sufficient market data of reliable quality and/or quantity to support the rigorous use of all USPAP-prescribed mass appraisal development mandates (Standard 5: Mass Appraisal, Development), particularly with regards to some, but not all, of the *model calibration* and *statistical performance testing* confines. However, P&A does strive to employ all or most elements of mass appraisal techniques with regards to the *definition* and *identification of property characteristics* and *model specification* and application.

Per USPAP Advisory Opinion 32: *Ad Valorem Property Tax Appraisal and Mass Appraisal Assignments*, in the interests of equity, the scope of work in mass appraisal assignments for ad valorem taxation can include consideration of appraisal level (the overall proximity between appraised values and actual prices) and the

uniformity of property values (equity within groups of like properties). The appraiser is responsible for recognizing when the concepts of appraisal level and appraisal uniformity are necessary for credible assignment results in a mass appraisal assignment for ad valorem taxation.

Residential real estate property appraisers most frequently apply mass appraisal methods within the sales comparison (market) approach to value. Through the use of standardized data collection (i.e., actual market sales), specification and calibration of mass appraisal models, tables, and schedules are possible. Through ratio study analysis and other performance measures, a cumulative summary of valuation accuracy can thus be produced in order to calibrate the appraisal model(s). Where sufficient data of reliable quality exists, mass appraisal is also used for other types of real estate property such as farms, vacant lots, and some commercial uses (e.g., apartments, offices, and small retail).

Regarding mass appraisal reports due the client and other intended users per USPAP (Standard 6 (Mass Appraisal, Reporting), a written report of the mass appraisal as described in Standards 6-2 is not provided for each individual property. An individual property record or worksheet may describe the valuation of the specific property after the application of the mass appraisal model. To understand the individual property result developed in a mass appraisal requires the examination of all the information and analysis required by Standards 6-2.

P&A will clearly state or otherwise make known all extraordinary assumptions, hypothetical conditions, limitations imposed by assignment conditions, and/or jurisdictional exceptions in its appraisal reports as they are conveyed to our clients. ***Intended users of our reports are typically the client(s) for which we are under direct contract.*** Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. ***A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.*** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

USPAP does not currently address communications of assignment results prior to completion of the assignment, thus such communications have no requirements other than to comply with the general requirements in the Ethics Rule, the Competency Rule, and the Jurisdictional Exception Rule. The client and all intended users should be aware that mass appraisals, as opposed to most "fee" appraisals, are somewhat inherently "limited" versus "complete" and that appraisal reports, unless otherwise contracted for by the client, will most often be of a "restricted" nature whereas explanations of appraisal methods and results are more concise versus lengthy in order to promote brevity, clarity, and transparency to the intended user(s).

Per USPAP, the appropriate reporting option and level of information in a report are dependant on the intended use and the intended users. Although the reporting verbiage in USPAP Standard 6 does not specifically offer or promulgate a "Restricted Appraisal Report" such as in Standard 2 (Real Property Appraisal, Reporting) and Standard 8 (Personal Property Appraisal, Reporting), it should be noted that: a) all mass appraisals and mass appraisal reports deal with real and personal property in some form or fashion; and b) P&A is a private consulting firm, a fact which may necessitate the withholding of certain data and/or appraisal models/techniques which are deemed confidential, privileged and/or proprietary in nature. The use of "limited" appraisals in conjunction with "restricted" reports in no way implies non-compliance with USPAP. ***The substantive content of a report determines its compliance.***

P&A believes that, with its vast experience and expertise in these areas of appraisal, all concluded values and reports thereof are credible, competent, understandable, uniform and consistent; and most importantly for ad

valorem tax purposes, accomplished in a cost-efficient and timely manner.

Per previous ASB comments under Standard 6-2(b) [*scope of work... special limiting conditions*]:

“Although appraisers in ad valorem taxation should not be held accountable for limitations beyond their control, they are required by this specific requirement to identify cost constraints and to take appropriate steps to secure sufficient funding to produce appraisals that comply with these standards. Expenditure levels for assessment administration are a function of a number of factors. Fiscal constraints may impact data completeness and accuracy, valuation methods, and valuation accuracy. Although appraisers should seek adequate funding and disclose the impact of fiscal constraints on the mass appraisal process, they are not responsible for constraints beyond their control.”

In any event, however, it is not P&A’s intent to allow constraints, fiscal or otherwise, to limit the scope of work to such a degree that the mass appraisal results provided to our clients are not credible within the context of the intended use(s) of the appraisal.

PREAMBLE

The Uniform Standards of Professional Appraisal Practice (USPAP®) is the generally recognized ethical and performance standards for the appraisal profession in the United States. USPAP® is updated on an as needed basis by the Appraisal Standards Board (ASB). Any updates follow the release of exposure drafts of proposed changes and a public vote. The most recent update to USPAP® went into effect on January 1, 2024.

The purpose of USPAP is to establish requirements and conditions for ethical, thorough, and transparent property valuation services. Valuation services pertain to all aspects of property value and include services performed by appraisers and other professionals including attorneys, accountants, insurance estimators, auctioneers, or brokers. Valuation services include appraisal, appraisal review, and appraisal consulting. The primary intent of these Standards is to promote and maintain a high level of public trust in professional appraisal practice.

It is essential that professional appraisers develop and communicate their analyses, opinions, and conclusions to intended users of their services in a manner that is meaningful and not misleading. The importance of the role of the appraiser places ethical obligations upon those who serve in this capacity. These USPAP Standards reflect the current standards of the appraisal profession.

These Standards are for both appraisers and users of appraisal services. To maintain a high level of professional practice, appraisers observe these Standards. However, these Standards do not in themselves establish which individuals or assignments must comply. The Appraisal Foundation nor its Appraisal Standards Board is not a government entity with the power to make, judge, or enforce law. Compliance with USPAP is only required when either the service or the appraiser is obligated to comply by law or regulation, or by agreement with the client or intended users. When not obligated, individuals may still choose to comply.

USPAP addresses the ethical and performance obligations of appraisers through Definitions, Rules, Standards, Statements (if any), and Advisory Opinions. USPAP Standards deal with the procedures to be followed in performing an appraisal or appraisal review and the manner in which each is communicated. A brief description of the USPAP Standards are as follows:

- **Standards 1 and 2:** establish requirements for the development and communication of a real property appraisal.
- **Standards 3 and 4:** establishes requirements for the development and communication of an appraisal review.
- **Standards 5 and 6:** establishes requirements for the development and communication of a mass appraisal.
- **Standards 7 and 8:** establish requirements for the development and communication of a personal property appraisal.
- **Standards 9 and 10:** establish requirements for the development and communication of a business or intangible asset appraisal.

Section 23.01(b) [Appraisals Generally] of the Texas Property Tax Code states:

"The market value of property shall be determined by the application of generally accepted appraisal methods and techniques. If the Appraisal District determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the Uniform Standards of Professional Appraisal Practice...." (underline added for emphasis)

Consequently, USPAP Standards 5 and 6 are assumed to be applicable for ad valorem tax purposes in Texas, if mass appraisal practices are in fact being used to appraise the subject property. USPAP Advisory Opinion 32 suggests several USPAP standards other than Standards 5 or 6 can apply in ad valorem tax work. It appears that

an appraiser engaged in ad valorem tax work in Texas is not specifically required by law to rigorously follow USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. The Jurisdictional Exception Rule could then be invoked because of a contradiction between the requirements of USPAP and the law or regulation of a jurisdiction. Please see the P&A Policy Statement on USPAP as provided elsewhere in this report for a more detailed discussion regarding this matter.

On April 23, 2026, the Appraisal Standards Board adopted Advisory Opinion 41, Use of Technology in an Appraisal or Appraisal Review Assignment. AO-41 offers guidance on appraisers' USPAP® responsibilities when using technological tools, including automated valuation models, regression and statistical software, and generative artificial intelligence, in appraisal and appraisal review assignments across real property, personal property, and intangible property. The Advisory Opinion is available now and will be incorporated into a future edition of the USPAP Guidance and Reference Manual.

ETHICS RULE

Because of the fiduciary responsibilities inherent in professional appraisal practice, the appraiser must observe the highest standards of professional ethics. This Ethics Rule is divided into four (4) sections:

- Nondiscrimination;
- Conduct;
- Management;
- Confidentiality.

This Rule emphasizes the personal obligations and responsibilities of the individual appraiser. However, it should be noted that groups and organizations *which are comprised of individual appraisers engaged in appraisal practice* effectively share the same ethical obligations. To the extent the group or organization does not follow USPAP Standards when legally required, individual appraisers should take steps that are appropriate under the circumstances to ensure compliance with USPAP.

Compliance with these Standards is required when either the service or the appraiser is obligated by law or regulation, or by agreement with the client or intended users, to comply. *Compliance is also required when an individual, by choice, represents that he or she is performing the service as an appraiser.*

An appraiser must not misrepresent his or her role when providing valuation services that are outside of appraisal practice.

Honesty, impartiality, and professional competency are required of all appraisers under USPAP Standards. To document recognition and acceptance of his or her USPAP-related responsibilities in communicating an appraisal or appraisal review completed under USPAP, an appraiser is required to certify compliance with these Standards.

NONDISCRIMINATION

An appraiser must not act in a manner that violates or contributes to a violation of federal, state, or local anti-discrimination laws or regulations. This includes the Fair Housing Act (FHAct), the Equal Credit Opportunity Act (ECOA), and the Civil Rights Act of 1866.

An appraiser must have knowledge of anti-discrimination laws and regulations and when those laws or regulations apply to the appraiser or to the assignment. An appraiser must complete an assignment in full compliance with applicable laws and regulations.

1. An appraiser, when completing a residential real property assignment, must not base their opinion of value in whole or in part on race, color, religion, national origin, sex, disability, or familial status.
2. An appraiser, when completing an assignment where the intended use is in connection with a credit transaction, not limited to credit secured by real property, must not base their opinion of value in whole or in part on race, color, religion, national origin, sex, marital status, age, source of income, or the good-faith exercise of rights under the Consumer Credit Protection Act.
3. An appraiser must not violate any state or local anti-discrimination laws or regulations applicable to the appraiser or to their assignment.

Whether or not any anti-discrimination law or regulation applies:

1. An appraiser must not develop and/or report an opinion of value that, in whole or in part, is based on the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).
2. An appraiser must not base an opinion of value upon the premise that homogeneity of the inhabitants of a geographic area is relevant for the appraisal.
3. An appraiser must not perform an assignment with bias with respect to the actual or perceived race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s).
4. An appraiser must not use or rely upon another characteristic as a pretext to conceal the use of or reliance upon race, ethnicity, color, religion, national origin, sex, sexual orientation, gender, gender identity, gender expression, marital status, familial status, age, receipt of public assistance income, or disability of any person(s), when performing an assignment.

If an assignment does not involve residential real property and the intended use is not in connection with a credit transaction, the FhAct and ECOA do not apply. If the FhAct and ECOA do not apply, and no other law or regulation prohibits the use of or reliance upon a protected characteristic,⁵ then the use of or reliance upon that characteristic is permitted only to the extent that it is essential to the assignment and necessary for credible assignment results.

CONDUCT

An appraiser must perform assignments with impartiality, objectivity, and independence, and without accommodation of personal interests.

An appraiser:

- must not perform an assignment with bias;
- must not advocate the cause or interest of any party or issue;
- ***must not accept an assignment that includes the reporting of predetermined opinions and conclusions;***
- must not misrepresent his or her role when providing valuation services that are outside of appraisal practice;
- must not communicate assignment results with the intent to mislead or to defraud;
- must not use or communicate a report or assignment results known by the appraiser to be misleading or fraudulent;
- must not knowingly permit an employee or other person to communicate a report or assignment results that are misleading or fraudulent report;
- must not engage in criminal conduct;
- must not willfully or knowingly violate the requirements of the RECORD KEEPING RULE; and must not perform an assignment in a grossly negligent manner.

If known prior to accepting an assignment, and/or if discovered at any time during the assignment, an appraiser must disclose to the client, and in each subsequent report certification:

- any current or prospective interest in the subject property or parties involved; and
- any services regarding the subject property performed by the appraiser within the three year period immediately preceding acceptance of the assignment, as an appraiser or in any other capacity.

The appraiser can agree with the client to keep the mere occurrence of a prior appraisal assignment confidential. If an appraiser has agreed with the client not to disclose that he or she has appraised a property, the appraiser must decline all subsequent assignment that fall within the three year period. In assignments in which there is no report, only the initial disclosure to the client is required.

Presumably all parties in an ad valorem tax appraisal will be aware of the ongoing yearly nature of the appraisal assignments performed by valuation consulting firms like Pritchard & Abbott, Inc.—i.e., it will not be confidential—so that this particular conduct instruction is more or less a moot point (regarding the three year period discussed) if the prior service is in fact the ad valorem tax appraisals performed in previous tax years.

MANAGEMENT

The payment of a fee, commission, or a thing of value by the appraiser in connection with the procurement of an assignment must be disclosed. This disclosure must appear in the certification and in any transmittal letter in which conclusions of value are stated; however, the disclosure of the amount paid is not required. Intra-company payments to employees of groups or organizations involved in appraisal practice for business development do not require disclosure.

It is unethical for an appraiser to accept compensation for performing an assignment when it is contingent upon the reporting of a *predetermined result, a direction in assignment results that favors the cause of the client, the amount of a value opinion, the attainment of a stipulated result*, or the occurrence of a subsequent event directly related to the appraiser's opinions and specific to the assignment's purpose.

Advertising for or *soliciting assignments in a manner that is false, misleading, or exaggerated* is unethical. Decisions regarding finder or referral fees, contingent compensation, and advertising may not be the responsibility of an individual appraiser, but for a particular assignment it is the responsibility of the individual appraiser to ascertain that there has been no breach of ethics, that the assignment consulting assignment has been prepared in accordance with USPAP Standards, and that the report can be properly certified when required by USPAP Standards 2-3, 4-3, 6-3, 8-3, or 10-3.

An appraiser must affix, or authorize the use of, his or her signature to certify recognition and acceptance of his or her USPAP responsibilities in an appraisal or appraisal review assignment. An appraiser may authorize the use of his or her signature only on an assignment-by-assignment basis.

In addition, an appraiser must not affix the signature of another appraiser without his or her consent. An appraiser must exercise due care to prevent unauthorized use of his or her signature. However, an appraiser exercising such care is not responsible for unauthorized use of his or her signature.

CONFIDENTIALITY

An appraiser must protect the confidential nature of the appraiser-property owner relationship.

An appraiser must act in good faith with regard to the legitimate interests of the client in the use of confidential information and in the communication of assignment results.

An appraiser must be aware of, and comply with, all confidentiality and privacy laws and regulations applicable in an assignment.

An appraiser must not disclose confidential factual data obtained from a property owner to anyone other than:

1. The client;
2. Parties specifically authorized by the client;
3. State appraiser regulatory agencies;
4. Third parties as may be authorized by due process of law; or
5. A duly authorized professional peer review committee except when such disclosure to a committee would violate applicable law or regulation.

An appraiser must take reasonable steps to safeguard access to confidential information and assignment results by unauthorized individuals, whether such information or results are in physical or electronic form. In addition, an appraiser must ensure that employees, coworkers, subcontractors, or others who may have access to confidential information or assignments results, are aware of the prohibitions on disclosure of such information or results.

It is unethical for a member of a duly authorized professional peer review committee to disclose confidential information presented to the committee.

When all confidential elements of confidential information are removed through redaction or the process of aggregation, client authorization is not required for the disclosure of the remaining information, as modified.

RECORD KEEPING RULE

An appraiser must prepare a workfile for each appraisal or appraisal review assignment. A workfile must be in existence prior to the issuance of any report or other communication of assignment results. A written summary of an oral report must be added to the workfile within a reasonable time after the issuance of the oral report.

The workfile must include the name of the client and the identity, by name or type, of any other intended users, and true copies of all written reports, documented on any type of media. (A true copy is a replica of the report transmitted to the client. A photocopy or an electronic copy of the entire report transmitted to the client satisfies the requirement of a true copy.) A workfile must contain summaries of all oral reports or testimony, or a transcript of testimony, including the appraiser's signed and dated certification; and all other data, information, and documentation necessary to support the appraiser's opinions and conclusions and to show compliance with USPAP, or references to the location(s) of such other data, information, and documentation.

A workfile in support of a Restricted Appraisal Report or an oral appraisal report must be sufficient for the appraiser to produce an Appraisal Report. A workfile in support of an oral appraisal review report must be sufficient for the appraiser to produce an Appraisal Review Report.

An appraiser must retain the workfile for a period of at least *five years after preparation* or at least two years after final disposition of any judicial proceeding in which the appraiser provided testimony related to the assignment, whichever period expires last.

An appraiser must have custody of the workfile, or make appropriate workfile retention, access, and retrieval arrangements with the party having custody of the workfile. This includes ensuring that a workfile is stored in a medium that is retrievable by the appraiser throughout the prescribed record retention period. An appraiser having custody of a workfile must allow other appraisers with workfile obligations related to an assignment appropriate access and retrieval for the purpose of:

- submission to state appraiser regulatory agencies;
- compliance with due process of law;
- submission to a duly authorized professional peer review committee; or
- compliance with retrieval arrangements.

A workfile must be made available by the appraiser when required by a state appraiser regulatory agency or due process of law.

An appraiser who willfully or knowingly fails to comply with the obligations of this Record Keeping Rule is in violation of the Ethics Rule.

SCOPE OF WORK RULE

For each appraisal or appraisal review assignment, an appraiser must:

1. Identify the problem to be solved;
2. Determine and perform the scope of work necessary to develop credible assignment results; and
3. Disclose the scope of work in the report.

An appraiser must properly identify the problem to be solved in order to determine the appropriate scope of work. The appraiser must be prepared to demonstrate that the scope of work is sufficient to produce credible assignment results.

Scope of work includes, but is not limited to:

- the extent to which the property is identified;
- the extent to which tangible property is inspected;
- the type and extent of data researched; and
- the type and extent of analyses applied to arrive at opinions or conclusions.

Appraisers have broad flexibility and significant responsibility in determining the appropriate scope of work for an appraisal or appraisal review assignment. Credible assignment results require support by relevant evidence and logic. *The credibility of assignment results is always measured in the context of the intended use.*

PROBLEM IDENTIFICATION

An appraiser must gather and analyze information about those assignment elements that are necessary to properly identify the appraisal, appraisal review or appraisal consulting problem to be solved. The assignment elements necessary for problem identification are addressed in the Standard 6-2:

- client and any other intended users;
- intended use of the appraiser's opinions and conclusions;
- type and definition of value;
- effective date of the appraiser's opinions and conclusions;
- subject of the assignment and its relevant characteristics; and
- assignment conditions.

This information provides the appraiser with the basis for determining the type and extent of research and analyses to include in the development of an appraisal. Similar information is necessary for problem identification in appraisal review and appraisal consulting assignments. Assignment conditions include:

- assumptions;
- extraordinary assumptions;
- hypothetical conditions;
- laws and regulations;
- jurisdictional exceptions; and
- other conditions that affect the scope of work.

SCOPE OF WORK ACCEPTABILITY

The scope of work must include the research and analyses that are necessary to develop credible assignment results. The scope of work is acceptable when it meets or exceeds:

- the expectations of parties who are regularly intended users for similar assignments; and
- what an appraiser's peers' actions would be in performing the same or a similar assignment.

Determining the scope of work is an ongoing process in an assignment. Information or conditions discovered during the course of an assignment might cause the appraiser to reconsider the scope of work. An appraiser must be prepared to support the decision to exclude any investigation, information, method, or technique that would appear relevant to the client, another intended user, or the appraiser's peers.

An appraiser must not allow assignment conditions to limit the scope of work to such a degree that the assignment results are not credible in the context of the intended use. In addition, the appraiser must not allow the intended use of an assignment or a client's objectives to cause the assignment results to be biased.

DISCLOSURE OBLIGATIONS

The report must contain sufficient information to allow intended the client and other intended users to understand the scope of work performed. Proper disclosure is required because clients and other intended users may rely on the assignment results. Sufficient information includes disclosure of research and analyses performed or not performed. ***The information disclosed must be appropriate for the intended use of the assignment results.***

Sufficient information includes disclosure of research and analyses performed and might also include disclosure of research and analyses not performed. ***The appraiser has broad flexibility and significant responsibility in the level of detail and manner of disclosing the scope of work in the appraisal report or appraisal review report.*** The appraiser may, but is not required to, consolidate the disclosure in a specific section or sections of the report, or use a particular label, heading or subheading. An appraiser may choose to disclose the scope of work as necessary throughout the report.

JURISDICTIONAL EXCEPTION RULE

If any applicable law or regulation precludes compliance with any part of USPAP, only that part of USPAP becomes void for that assignment. When compliance with USPAP is required by federal law or regulation, no part of USPAP can be voided by a law or regulation of a state or local jurisdiction. ***When an appraiser properly follows this Rule in disregarding a part of USPAP, there is no violation of USPAP.***

In an assignment involving a jurisdictional exception, an appraiser must:

- identify the law or regulation that precludes compliance with USPAP;
- comply with that law or regulation;
- clearly and conspicuously disclose in the report the part of USPAP that is voided by that law or regulation; and
- cite in the report the law or regulation requiring this exception to USPAP compliance.

The purpose of the Jurisdictional Exception Rule is strictly limited to providing a saving or severability clause intended to preserve the balance of USPAP if one or more of its parts are determined as contrary to law or public policy of a jurisdiction. By logical extension, there can be no violation of USPAP by an appraiser who disregards, with proper disclosure, only the part or parts of USPAP that are void and of no force and effect in a particular assignment by operation of legal authority.

It is misleading for an appraiser to disregard a part or parts of USPAP as void and of no force and effect in a particular assignment without identifying the part or parts disregarded and the legal authority justifying this action in the appraiser's report.

"Law" includes constitutions, legislative and court-made law, and administrative rules (such as from the Office of the Texas Comptroller of Public Accounts) and ordinances. "Regulations" include rules or orders having legal force, issued by an administrative agency. ***Instructions from a client or attorney do not establish a jurisdictional exception.***

A jurisdictional exception prevalent in Texas is that appraisers are seeking to establish "fair market value" as defined by the Texas Property Tax Code instead of "market value" as found in the USPAP definitions section.

USPAP STANDARDS 5 AND 6: MASS APPRAISAL, DEVELOPMENT AND REPORTING (General Discussion)

In developing a mass appraisal, an appraiser must be aware of, understand, and correctly employ those recognized methods and techniques necessary to produce and communicate credible mass appraisals.

Standards 5 and 6 apply to all mass appraisals of real and personal property regardless of the purpose or use of such appraisals. It is directed toward the substantive aspects of developing and communicating competent analyses, opinions, and conclusions in the mass appraisal of properties, whether real property or personal property. Standard 5 is directed toward the substantive aspects of developing credible analyses, opinions, and conclusions in the mass appraisal of properties, while Standard 6 addresses the content and level of information required in a written report that communicates the results of a mass appraisal. The reporting and jurisdictional exceptions applicable to public mass appraisals prepared for purposes of ad valorem taxation do not apply to mass appraisals prepared for other purposes.

A mass appraisal includes:

- identifying properties to be appraised;
- defining market areas of consistent behavior that applies to properties;
- identifying characteristics (supply and demand) that affect the creation of value in that market area;
- developing (specifying) a model structure that reflects the relationship among the characteristics affecting value in the market area;
- calibrating the model structure 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 the mass appraisal results.

The Jurisdictional Exception Rule may apply to several sections of Standards 5 and 6 because ad valorem tax administration is subject to various state, county, and municipal laws.

As previously stated in the P&A Policy Statement (page 2), it may not be possible or practicable for all the mass appraisal attributes listed above to be rigorously applied to the many types of complex and/or unique properties that P&A typically appraises. Often there are contractual limitations on the scope of work needed or required. More prevalently, these types of properties do not normally provide a reliable database of market transactions (or details of transactions) necessary for statistically supportable calibration of appraisal models and review of appraisal results. Generally these two functions are effectively accomplished through annual extended review meetings with taxpayers (and clients) who provide data, sometimes confidentially, that allows for appraisal models to be adjusted where necessary. Nevertheless, and notwithstanding whether P&A implicitly or explicitly employs or reports all attributes listed above, in all cases P&A at the minimum employs tenants of “generally accepted appraisal methods” which are the genesis of USPAP Standards.

Per USPAP guidelines, P&A will make known all departures and jurisdictional exceptions when invoked (if an appraisal method or specific requirement is applicable but not necessary to attain credible results in a particular assignment).

The various sections of Standard 5 (development of mass appraisal) and Standard 6 (communication of the mass appraisal results) are briefly summarized below:

- **Standard 5-1:** Establishes the appraiser's technical and ethical framework. Specifically, appraisers must recognize and use established principles, methods and techniques of appraisal in a careful manner while not committing substantial errors of fact or negligence that would materially affect the appraisal results and not give a credible estimate of fair market value. To this end appraisers must continuously improve his or her skills to maintain proficiency and keep abreast of any new developments in the real and personal property appraisal profession. This Standards does not imply that competence requires perfection, as perfection is impossible to attain. Instead, it requires appraisers to employ every reasonable effort with regards to due diligence and due care.
- **Standard 5-2:** Defines the introductory framework requirements of developing a mass appraisal, focusing on the identification and/or definition of: client(s), intended users, effective date, appraisal perspective, scope of work, extraordinary assumptions, hypothetical conditions, the type and definition of value being developed (typically "fair market value" for ad valorem tax purposes), characteristics of the property being appraised in relation to the type and definition of value and intended use, the characteristics of the property's market, the property's real or personal attributes, fractional interest applicability, highest and best use analysis along with other land-related considerations, and any other economic considerations relevant to the property.
- **Standard 5-3:** Defines requirements for developing and specifying appropriate mass appraisal data and elements applicable for real and personal property. For real property, the data and elements include: existing land use regulations, reasonably probable modification of such regulations, economic supply and demand, the physical adaptability of the real estate, neighborhood trends, and highest and best use analysis. For personal property, the relevant data and elements include: identification of industry trends, trade level, highest and best use, and recognition of the appropriate market consistent with the type and definition of value.
- **Standard 5-4:** Further defines requirements for developing mass appraisal models, focusing on development of standardized data collection forms, procedures, and training materials that are used uniformly on the universe of properties under consideration. This rule specifies that appraisers employ recognized techniques for specifying and calibrating mass appraisal models. Model specification is the formal development of a model in a statement or mathematical equation, including all due considerations for physical, functional, and external market factors as they may affect the appraisal. These models must accurately represent the relationship between property value and supply and demand factors, as represented by quantitative and qualitative property characteristics. Models must be calibrated using recognized techniques, including, but not limited to, multiple linear regression, nonlinear regression, and adaptive estimation. Models may be specified incorporating the income, market, and/or cost approaches to value and may be tabular, mathematical, linear, nonlinear, or any other structure suitable for representing the observable property characteristics such as adaptive estimation. Model calibration refers to the process of analyzing sets of property and market data to determine the specific parameters of a model.
- **Standard 5-5:** Defines requirements for collection of sufficient factual data, in both qualitative and quantitative terms, necessary to produce credible appraisal results. The property characteristics collected must be contemporaneous with the effective date of the appraisal. The data collection program should incorporate a quality control procedure, including checks and audits of the data to ensure current and consistent records. This rule also calls for an appraiser, in developing income and expense statements and cash flow projections, to weigh historical information and trends, current market factors affecting such trends, and reasonably anticipated events, such as competition from developments either planned or under construction. Terms and conditions of any leases should be analyzed, as well as the need for and extent of any physical inspection of the properties being appraised.

- **Standard 5-6:** Defines requirements for application of a calibrated model to the property being appraised. This rule calls for: the appraiser to recognize methods or techniques based on the cost, market, and income approaches for improved parcels; the appraiser to value sites by recognized methods or techniques such as allocation method, abstraction method, capitalization of ground rent, and land residual; the appraiser to develop value of leased fee or leasehold estates with consideration for terms and conditions of existing leases, and, when applicable by law, as if held in fee simple whereas market rents are substituted for actual contract rents; the appraiser to analyze the effect on value, if any, of the assemblage of the various parcels, divided interests, or component parts of a property; the appraiser to analyze anticipated public or private improvements located on or off the site, and analyze the effect on value, if any, of such anticipated improvements to the extent they are reflected in market actions.
- **Standard 5-7:** Defines the reconciliation process of a mass appraisal. Specifically, appraisers must analyze the results and/or applicability of the various approaches used while ensuring that, on an overall basis, standards of reasonableness and accuracy are maintained with the appraisal model selected (underline added for emphasis). It is implicit in mass appraisal that, even when properly specified and calibrated models are used, some individual value conclusions will not meet standards of reasonableness, consistency, and accuracy. Appraisers have a professional responsibility to ensure that, on an overall basis, models produce value conclusions that meet attainable standards of accuracy.
- **Standard 6-1:** Defines general requirements of a mass appraisal report which is required to be in writing; no option exists for oral reports. This standard addresses the level of information required so that the report is clearly understood (i.e., not misleading) and sufficiently qualified with any assumptions and conditions (elements of which are further detailed in the next three sections of this report that discuss P&A appraisal procedures with regards to specific categories of property).
- **Standard 6-2:** Defines specific content required to be included in a mass appraisal written report.
- **Standard 6-3:** Defines the certification of the mass appraisal written report.

The following sections of this report discuss in more detail the various elements of the development of P&A's mass appraisals and associated written reports as required by USPAP Standards 5 and 6, with regards to P&A appraisal of Mineral Interests, Industrial, Utility, Related Personal Property, and Real Estate.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF MINERAL INTERESTS

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Mineral Valuation Department of Pritchard & Abbott, Inc. ("P&A" hereinafter), is responsible for developing credible values for mineral interests (full or fractional percentage ownership of oil and gas leasehold interest, the amount and type of which are legally and/or contractually created and specified through deeds and leases, et.al.) associated with producing (or capable of producing) leases. Mineral interests are typically considered real property because of their derivation from the bundle of rights associated with original fee simple ownership of land. Typically all the mineral interests that apply to a single producing lease are consolidated by type (working vs. royalty) with each type then appraised for full value which is then distributed to the various fractional decimal interest owners prorata to their individual type and percentage amount.

P&A's typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A's core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller's Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A's USPAP report is not applicable to any mineral or mineral interest property that an appraisal district appraises outside of P&A's appraisal services, in which case the appraisal district's overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or "fair market value" of said mineral interests. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;
- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and

- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of “typical practice”; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A’s peers’ actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: In Texas, the provisions of the Texas Property Tax Code and other relevant legislative measures involving appraisal administration and procedures control the work of P&A as an extension of the Appraisal District. Other states in which P&A is employed will have similar controlling legislation, regulatory agencies, and governmental entities. P&A is responsible for appraising property on the basis of its fair market value as of the stated effective date (January 1 in Texas) for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All mineral properties (interests) are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of “market value” as found in USPAP definitions.

NOTE: IN TEXAS, P&A BELIEVES THE PROPERTY BEING APPRAISED AND PLACED ON THE TAX ROLL IS THE INTEREST AND NOT THE OIL OR GAS MINERAL ITSELF, PER PROPERTY TAX CODE SECTION 1.04(2)(F) IN LIEU OF 1.04(2)(D). WHILE OIL AND GAS RESERVES CERTAINLY HAVE VALUE, THE FACT IS THAT IT IS THE INTERESTS IN THESE MINERALS THAT ARE BOUGHT AND SOLD, NOT THE MINERALS THEMSELVES. THE SALE OF MINERALS AS THEY ARE EXTRACTED FROM THE SUBSURFACE OF THE LAND WHERE THEY RESIDE AS MINERALS IN PLACE “MONETIZES” THE INTEREST AND THUS GIVES THE INTEREST ITS VALUE. WHENEVER P&A REFERS TO “MINERAL PROPERTIES” IN THIS REPORT OR IN ANY OTHER SETTING, IT IS THE MINERAL INTEREST, AND NOT THE MINERAL ITSELF, THAT IS THE IMPLIED SUBJECT OF THE REFERENCE.

Administrative Requirements: P&A endorses the principals of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A also endorses, and follows when possible, the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to “generally accepted appraisal methods and techniques” so that its value conclusions are credible and defensible. P&A submits annual or biannual contract bids to the Appraisal District Board of Directors or the Office of the Chief Appraiser and is bound to produce appraisal estimates on mineral properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined or allowed through IAAO or USPAP requirements are specified by the Texas Property Tax Code or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Mineral Valuation Division staff consists of competent Petroleum Engineers, Geologists, and Appraisers. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation within the allowable time frames prescribed by the Texas Department of Licensing and Regulation (TDLR) and/or other licensing and regulatory agencies as applicable.

Data: For each mineral property a common set of data characteristics (i.e. historical production, price and expense data) is collected from various sources and entered into P&A's mainframe computer system. Historical production data and price data is available through state agencies (Texas Railroad Commission, Texas Comptroller, et al.) or private firms who gather, format and repackage such data for sale commercially. Each property's characteristic data drives the computer-assisted mass appraisal approach to valuation.

Information Systems: The mainframe systems are augmented by the databases that serve the various in-house and 3rd-party applications on desktop personal computers. In addition, communication and dissemination of appraisals and other information is available to the taxpayer and client through electronic means including internet and other phone-line connectivity. The appraiser supervising any given contract fields many of the public's questions or redirects them to the proper department personnel.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of oil and gas properties is not an exact science, and exact accuracy is not attainable due to many factors. Nevertheless, standards of reasonable performance do exist, and there are usually reliable means of measuring and applying these standards.

Petroleum properties are subject to depletion, and capital investment must be returned before economic exhaustion of the resource (mineral reserves). The examination of petroleum properties involves understanding the geology of the resource (producing and non-producing), type of reservoir energy, the methods of secondary and enhanced recovery (if applicable), and the surface treatment and marketability of the produced petroleum product(s).

Evaluation of mineral properties is a continuous process; the value as of the lien date merely represents a "snapshot" in time. The potential value of mineral interests derived from sale of minerals to be extracted from the ground change with mineral price fluctuation in the open market, changes in extraction technology, costs of extraction, and other variables such as the value of money.

Approaches to Value for Petroleum Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. The cost approach typically derives value by a model that begins with replacement cost new (RCN) and then applies depreciation in all its forms (physical depreciation, functional and economic obsolescence). This method is difficult to apply to oil and gas properties since lease acquisition and development may bear no relation to present worth. Though very useful in the appraisal of many other types of properties, the cost approach is not readily applicable to mineral properties. [Keep in mind that the property actually being appraised is the mineral interest and not the oil and gas reserves themselves. Trying to apply the cost approach to evaluation of mineral interests is like trying to apply the cost approach to land; it is a moot point because both are real properties that are inherently non-replaceable.] **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., does not employ the cost approach in the appraisal of mineral interests.**

Market Approach: This approach may be defined as one which uses data available from actual transactions recorded in the market place itself; i.e., sales of comparable properties from which a comparison to the subject

property can be made. Ideally, this approach's main advantage involves not only an opinion but an opinion supported by the actual spending of money. Although at first glance this approach seems to more closely incorporate the aspects of fair market value per its classical definition, there are two factors that severely limit the usefulness of the market approach for appraising oil and gas properties. First, oil and gas property sales data is seldom disclosed (in non-disclosure states such as Texas); consequently there is usually a severe lack of market data sufficient for meaningful statistical analysis. Second, all conditions of each sale must be known and carefully investigated to be sure one does have a comparative indicator of value per fair market value prerequisites.

Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets in addition to oil and gas reserves are involved; this further complicates the analysis whereby a total purchase price must be allocated to the individual components - a speculative and somewhat arbitrary task at best. In the case of oil and gas properties, a scarcity of sales requires that every evidence of market data be investigated and analyzed. Factors relative to the sale of oil and gas properties are:

- current production and estimated declines forecast by the buyer;
- estimated probable and potential reserves;
- general lease and legal information which defines privileges or limitation of the equity sold;
- undeveloped potential such as secondary recovery prospects;
- proximity to other production already operated by the purchaser;
- contingencies and other cash equivalents; and
- other factors such as size of property, gravity of oil, etc.

In the event that all these factors are available for analysis, the consensus effort would be tantamount to performing an income approach to value (or trying to duplicate the buyer's income approach to value), thereby making the market approach somewhat moot in its applicability. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of mineral interests.**

Income Approach: This approach to value most readily yields itself to the appraisal of mineral interests. Data is readily available whereby a model can be created that reasonably estimates a future income stream to the property. This future income may then be converted (discounted) into an estimate of current value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield. If the land or improvements are of any residual value after the cessation of oil and gas production, that value should also be included (if those components are also being appraised).

The relevant income that should be used is the expected future net income. Assumptions of this method are:

- Past income and expenses are not a consideration, except insofar as they may be a guide to estimating future net income.
- That the producing life as well as the reserves (quantity of the minerals) are estimated for the property.
- Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the income approach to value in the appraisal of mineral interests.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data is data from the Railroad Commission of Texas as reported by operators. As a monthly activity, the data processing department receives data tapes or electronic files which have updated and new well and production data. Other discovery tools are fieldwork by appraisers, financial data from operators, information from chief appraisers, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new wells and other useful facts related to property valuation.

Another crucial set of data to obtain is the ownership of these mineral interests. Typically a mineral lease is fractionated and executed with several if not many owners. This information is typically requested (under a promise of confidentiality concerning owners' personal information) from pipeline purchasers and/or other entities (such as operators) who have the responsibility of disbursing the income to the mineral interest owners. Another source of ownership information is through the taxpayers themselves who file deeds of ownership transfer and/or correspond with P&A or the appraisal district directly.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures for mineral properties are generally accomplished globally by the company; i.e., production and price data for the entire state is downloaded at one time into the computer system. Appraisers also individually gather and record specific and particular information to the appraisal file records, which serves as the basis for the valuation of mineral properties. P&A is divided into four district offices covering different geographic areas. Each office has a district manager, appraisal and ownership maintenance staff, and clerical staff as appropriate. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser.

VALUATION ANALYSIS (MODEL CALIBRATION)

Appropriate revisions and/or enhancements of schedules or discounted cash flow software are annually made and then tested prior to the appraisals being performed. Calibration typically involves performing multiple discounted cash flow tests for leases with varying parameter input to check the correlation and relationship of such indicators as: Dollars of Value Per Barrel of Reserves; Dollars of Value Per Daily Average Barrel Produced; Dollars of Expense Per Daily Average Barrel Produced; Years Payout of Purchase Price (Fair Market Value). In a more classical calibration procedure, the validity of values by P&A's income approach to value is tested against actual market transactions, if and when these transactions and verifiable details of these transactions are disclosed to P&A. Of course these transactions must be analyzed for meeting all requisites of fair market value definition. Any conclusions of this analysis are then compared to industry benchmarks for reasonableness before being incorporated into the calibration procedure.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's discounted cash flow software dynamically generates various benchmark indicators that the appraiser reviews concurrent with the value being generated. These benchmarks often prompt the appraiser to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are dollars of value per barrel of oil reserve, years payout, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values, either before or after Notices of Appraised Value are prepared. Operators routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as individual lease operating expense and reserve figures. And of

course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as an extension of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for mineral properties. School jurisdictions are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.

USPAP STANDARDS 5, 6-1, 6-2: MASS APPRAISAL OF INDUSTRIAL, UTILITY AND RELATED PERSONAL PROPERTY

INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Engineering Services Department of Pritchard & Abbott, Inc. (P&A) is responsible for developing fair and uniform market values for industrial, utility and related personal properties. Personal property is often referred to as “business personal property” (or BPP), as tangible non-income producing personal property in Texas (personal property not held to produce income related to a business purpose) is generally exempt.

P&A’s typical client is a governmental entity charged with appraisal responsibility for ad valorem tax purposes, although other types of clients (private businesses, individuals, etc.) occasionally contract for appraisal services which are strictly for various non-ad valorem tax purposes so that no conflicts of interest are created with P&A’s core ad valorem tax work.

P&A hereby makes the **assumption** that, in all appraisal assignments performed for governmental entities in satisfaction of contractual obligations related to ad valorem tax, the client does not wish to or cannot legally request the appraisal report not identify the client.

Intended users of our reports are typically the client(s) for which we are under direct contract. Although taxpayers or their agents who own and/or represent the subject property being appraised often receive these reports either by law or as a courtesy of the client or P&A, this receipt does not mean these parties automatically become Intended Users as defined by USPAP. **A party receiving a copy of a report in order to satisfy disclosure requirements does not become an intended user of the appraisal or mass appraisal unless the appraiser specifically identifies such party as an intended user.** Potential other users include parties involved in adjudication of valuation disputes (review board members, lawyers, judges, etc.), governmental agencies which periodically review our appraisals for various statutory purposes (such as the Texas Comptroller’s Office) and private parties who may obtain copies of our appraisals through Open Records Requests made to governmental agencies.

This section of P&A’s USPAP report is not applicable to any Industrial, Utility, or related Personal Property that an appraisal district appraises outside of P&A’s appraisal services, in which case the appraisal district’s overall USPAP report should be referenced.

P&A makes the **Extraordinary Assumption** that all properties appraised for ad valorem tax purposes are marketable whereas ownership and title to property are free of encumbrances and other restrictions that would affect fair market value to an extent not obvious to the general marketplace. If and/or when we are made aware of any encumbrances, etc., these would be taken into account in our appraisal in which case the extraordinary assumption stated above would be revoked.

P&A is typically under contract to determine current market value or “fair market value” of said industrial, utility, and related personal property. Fair market value is typically described as the price at which a property would sell for if:

- exposed in the open market with a reasonable time for the seller to find a purchaser;
- both the buyer and seller know of all the uses and purposes to which the property is, or can be, adapted and of the enforceable restrictions on its use; and

- both the buyer and seller seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other. [Exigencies are pressing or urgent conditions that leave one party at a disadvantage to the other.]

For ad valorem tax purposes the effective date is usually legislatively specified by the particular State in which we are working - for example, in Texas the lien date is January 1 per the Texas Property Tax Code. For ad valorem tax purposes, the date of the appraisals and reports are typically several months past the effective date, thereby leaving open the possibility that a retrospective approach is appropriate under limited and prescribed circumstances (information after the effective date being applicable only if it confirms a trend or other appraisal condition that existed and was generally known as of the effective date).

P&A believes this section of this report, in conjunction with any attached or separately provided P&A-generated report(s), meets the USPAP definition of “typical practice”; i.e., it satisfies a level of work that is consistent with:

- the expectations of participants in the market for the same or similar appraisal services; and
- what P&A’s peers’ actions would be in performing the same or similar appraisal services in compliance with USPAP.

Legal and Statutory Requirements: The provisions of the Texas Property Tax Code and relevant legislative measures involving appraisal administration and procedures control the work of P&A as a subcontractor to the Appraisal District. P&A is responsible for appraising property on the basis of its market value as of January 1 for ad valorem tax purposes for each taxing unit that imposes ad valorem taxes on property in the contracted Appraisal District. All industrial, utility and personal properties are reappraised annually. The definition of Fair Market Value is provided and promulgated for use in ad valorem tax work in Texas by the Texas Property Tax Code, and therefore as a **Jurisdictional Exception** supercedes the definition of “market value” as found in USPAP definitions.

Administrative Requirements: P&A follows generally accepted and/or recognized appraisal practices and when applicable, the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures. P&A, when applicable, also subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP). In all cases where IAAO and/or USPAP requirements cannot be satisfied for reasons of practicality or irrelevancy, P&A subscribes to “generally accepted appraisal methods and techniques” so that its value conclusions are credible and defensible. P&A submits annual or biannual contract bids to the Office of the Chief Appraiser and is bound to produce appraisal estimates on industrial, utility and personal properties within the cost constraints of said bid. Any appraisal practices and procedures followed by P&A not explicitly defined through IAAO or USPAP requirements are specified by the Texas Property Tax Code and/or at the specific request or direction of the Office of the Chief Appraiser.

Appraisal Resources

Personnel: The Engineering Services Department and P&A’s appraisal staff consists of appraisers with degrees in engineering, business and accounting. All personnel are Registered Professional Appraisers with the State of Texas, or are progressing towards this designation as prescribed by the Texas Department of Licensing and Regulation (TDLR).

Data: A set of data characteristics (i.e. original cost, year of acquisition, quantities, capacities, net operating income, property description, etc.) for each industrial, utility and personal property is collected from various sources, often including personal inspection (in-person observation of the subject property performed as part of

the scope of work, not to be confused with an inspection performed by a home inspector, structural engineer, or the like). This data is maintained in either hard copy or computer files as part of the appraiser's work file (documentation necessary to support the appraiser's analyses, opinions, and conclusions). Each property's characteristic data drives the appropriate computer-assisted appraisal approach to valuation.

Information Systems: P&A's mainframe computer system is composed of in-house custom software augmented by schedules and databases that reside as various applications on personal computers (PC). P&A offers a variety of systems for providing property owners and public entities with information services.

VALUATION APPROACH (MODEL SPECIFICATION)

Concepts of Value: The valuation of industrial, utility and personal properties is not an exact science, and exact accuracy is not attainable due to many factors. These are considered complex properties and some are considered Special Purpose properties. Nevertheless, standards of reasonable performance do exist, and there are reliable means of measuring and applying these standards.

The evaluation and appraisal of industrial, utility and personal property relies heavily on the discovery of the property followed by the application of recognized appraisal techniques. The property is subject to inflation and depreciation in all forms. The appraisal of industrial and personal property involves understanding petroleum, chemical, steel, electrical power, lumber and paper industry processes along with a myriad of other industrial processes. Economic potential for this property usually follows either the specific industry or the general business economy. The appraisal of utility properties involves understanding telecommunications, electrical transmission and distribution, petroleum pipelines and the railroad industry. Utility properties are subject to regulation and economic obsolescence. The examination of utility property involves the understanding of the present value of future income in a regulated environment.

The goal for valuation of industrial, utility and personal properties is to appraise all taxable property at "fair market value". The Texas Property Tax Code defines Fair Market value as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

Approaches to Value for Industrial, Utility, and Personal Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial and related personal property and some, but not all, utility property. Under this method, the market value of property equals the value of the land plus the current cost of improvements less accrued depreciation. An inventory of the plant improvements and machinery and equipment is maintained by personally inspecting each facility every year. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the cost approach to value in the appraisal of industrial, utility, and related personal property. Exceptions exist for core operating property of rate-regulated utility property - see discussion of Income Approach below.**

Market Approach: This approach is characterized as one that uses sales data available from actual transactions in the market place. There are two factors that severely limit the usefulness of the market approach for appraising industrial, utility and personal properties. First, the property sales data is seldom disclosed; consequently there is insufficient market data for these properties available for meaningful statistical analysis. Second, all conditions of sale must be known and carefully investigated to be sure one does have a comparative indicator of value. Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets and intangibles in addition to the industrial, utility and personal property are involved. The complexity of these sales presents unique challenges and hindrances to the process of allocation of value to the individual components of the transaction.

In the case of industrial, utility and personal properties, a scarcity of sales requires that all evidence of market data be investigated and analyzed. Factors relative to the sale of these properties are:

- plant capacity and current production; terms of sale, cash or equivalent;
- complexity of property;
- age of property;
- proximity to other industry already operated by the purchaser; and
- other factors such as capital investment in the property.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., rarely employs a rigorous application of the market approach in the appraisal of industrial, utility, and personal property.

Income Approach: This approach to value most readily yields itself to all income generating assets, especially utility properties. Data for utility properties is available from annual reports submitted to regulatory agencies whereby future income may be estimated, and then this future income may be converted into an estimate of value. The valuation of an entire company by this method is sometimes referred to as a Unit Value. Many refer to this as a capitalization method, because capitalization is the process of converting an income stream into a capital sum (value). As with any method, the final value estimate is no better than the reliability of the input data. The underlying assumption is that people purchase the property for the future income the property will yield.

The relevant income that should be used in the valuation model is the expected future net operating income after depreciation but before interest expense (adjustments for Federal Income Taxes may or may not be required). Assumptions of this method are:

- Past income and expenses are a consideration, insofar as they may be a guide to future income, subject to regulation and competition.
- The economic life of the property can be estimated.
- The future production, revenues and expenses can be accurately forecasted. Future income is less valuable than current income, and so future net income must be discounted to make it equivalent to the present income. This discount factor reflects the premium of present money over future money, i.e., interest rate, liquidity, investment management, and risk.

As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., employs the income approach in the appraisal of industrial and utility property only when quantifiable levels of income are able to be reliably determined and/or projected for the subject property. P&A does not routinely employ the income approach in the appraisal of personal property, other than for core operating business personal property of rate-regulated utility companies where “unitary methodology” is the widely accepted norm.

DATA COLLECTION/VALIDATION

Sources of Data: The main source of P&A's property data for industrial and personal property is through fieldwork by the appraisers and commercially/publicly available schedules developed on current costs. Data for performing utility appraisals is typically provided by the taxpayer or is otherwise available at various regulatory agencies (Texas Railroad Commission, Public Utilities Commission, FERC, et. al.). Other discovery tools are financial data from annual reports, information from chief appraisers, renditions, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new industry and other useful facts related to property valuation.

Data Collection Procedures: Electronic and field data collection requires organization, planning and supervision of the appraisal staff. Data collection procedures have been established for industrial and personal properties. Appraisers gather and record information in the mainframe system, where customized programs serve as the basis for the valuation of industrial, utility and personal properties. P&A is divided into multiple district offices covering different geographic zones. Each office has a district manager and field staff. While overall standards of performance are established and upheld for the various district offices, quality of data is emphasized as the goal and responsibility of each appraiser. Additionally, P&A's Engineering Services Department provides supervision and guidance to all district offices to assist in maintaining uniform and consistent appraisal practices throughout the company.

VALUATION ANALYSIS (MODEL CALIBRATION)

The validity of the values by P&A's income and cost approaches to value is tested against actual market transactions, if and when these transactions and verifiable details of the transactions are disclosed to P&A. These transactions are checked for meeting all requisites of fair market value definition. Any conclusions from this analysis are also compared to industry benchmarks before being incorporated in the calibration procedure. Appropriate revisions of cost schedules and appraisal software are annually made and then tested for reasonableness prior to the appraisals being performed.

INDIVIDUAL VALUE REVIEW PROCEDURES

Individual property values are reviewed several times in the appraisal process. P&A's industrial, utility, personal property programs and appraisal spreadsheets afford the appraiser the opportunity to review the value being generated. Often the appraiser is prompted to reevaluate some or all of the parameters of data entry so as to arrive at a value more indicative of industry standards. Examples of indicators are original cost, replacement cost, service life, age, net operating income, capitalization rate, etc. In addition to appraiser review, taxpayers are afforded the opportunity to review the appraised values either before or after Notices of Appraised Value are prepared. Taxpayers, agents and representatives routinely meet with P&A's appraisers to review parameters and to provide data not readily available to P&A through public or commercial sources, such as investment costs and capitalization rate studies. And of course, all property values are subject to review through normal protest and Appraisal Review Board procedures, with P&A acting as a representative of the Office of the Chief Appraiser.

PERFORMANCE TESTS

An independent test of the appraisal performance of properties appraised by P&A is conducted by the State of Texas Comptroller's Office through the annual Property Value Study for school funding purposes. This study determines the degree of uniformity and the median level of appraisal for utility properties. School jurisdictions

are given an opportunity to appeal any preliminary findings. After the appeal process is resolved, the Comptroller publishes a report of the findings of the study, including in the report the median level of appraisal, the coefficient of dispersion around the median level of appraisal and any other standard statistical measures that the Comptroller considers appropriate.