2025-2026 Reappraisal Plan

Biennial plan for periodic reappraisal of all property in accordance with section 25.18, Property Tax Code

Adopted July 29, 2024

Fannin Central Appraisal District Board of Directors

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The Fannin Central Appraisal District has prepared and published this reappraisal plan pursuant to Section 605(i), Property Tax Code, to ensure adherence with generally accepted appraisal practices and Section 25.18, Property Tax Code, to implement the plan for reappraisal for all properties situated in Fannin County. This Reappraisal Plan, as approved by the Board of Directors provides the Taxing Units, citizens, and taxpayers with a better understanding of the district's responsibilities, methods and activities.

General Information

Introduction

The Fannin Central Appraisal District (District) 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. Members of the Board of Directors are appointed by the taxing units within the boundaries of Fannin County. The Board of Directors constitutes the District's board of governance. The Chief Appraiser, is appointed by the Board of Directors, and is the Chief Administrator of the Appraisal District.

Mission Statement

The mission of the Fannin Central Appraisal District is twofold. First, to discover, list and appraise property as accurately, ethically and impartially as possible in order to estimate the market value of all property within the boundaries of the District for ad valorem tax purposes; Second, to assist Taxing Units in assessment functions, to collect and disburse property tax revenue in accordance with the collection contracts in order to fund the various services provided by the taxing units. The District must make sure each property owner is given the same consideration, information, and assistance. The reappraisal plan addresses how the District will accomplish the appraisal portion of the mission statement. This will be done by administering the laws under the property tax system and operating under the standards of:

- The Property Tax Assistance Division of the Texas State Comptroller's Office
- The International Association of Assessing Officers
- The Uniform Standards of Professional Appraisal Practice
- Texas Department of Licensing and Regulation
- All other applicable Laws and Regulations

General Overview of Requirements

Requirement Established

Senate Bill 1652 in 2005 amended the Property Tax Code to require each appraisal district to prepare a biennial reappraisal plan.

Written Plan, § 6.05. Appraisal Office

(i) To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property **within the boundaries of the district according to the requirements of Section 25.18** and shall hold a public hearing to consider the proposed plan. Not later than the 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.

Implementation, § 25.18. Periodic Reappraisals

(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.

Scope of Responsibilities

The District is responsible for establishing and maintaining approximately 32,200 real and personal property accounts covering approximately 900 square miles within Fannin County.

The District is also responsible for local property tax appraisal and exemption administration for twenty-eight taxing units in the county. Each taxing unit, such as the county, a city or school district sets their own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Property appraisals are used by the taxing units to distribute the annual tax burden. The District also determines the eligibility for various types of property exemptions such as those for homeowners, the elderly, disabled persons, disabled veterans and charitable or religious organizations.

Except as otherwise provided by the Property Tax Code, all taxable property is appraised at “100% of its Fair Market Value” as of January 1 of the given tax year.

By Property Tax Code, the definition, “Market Value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

Appraisal District Personnel Resources

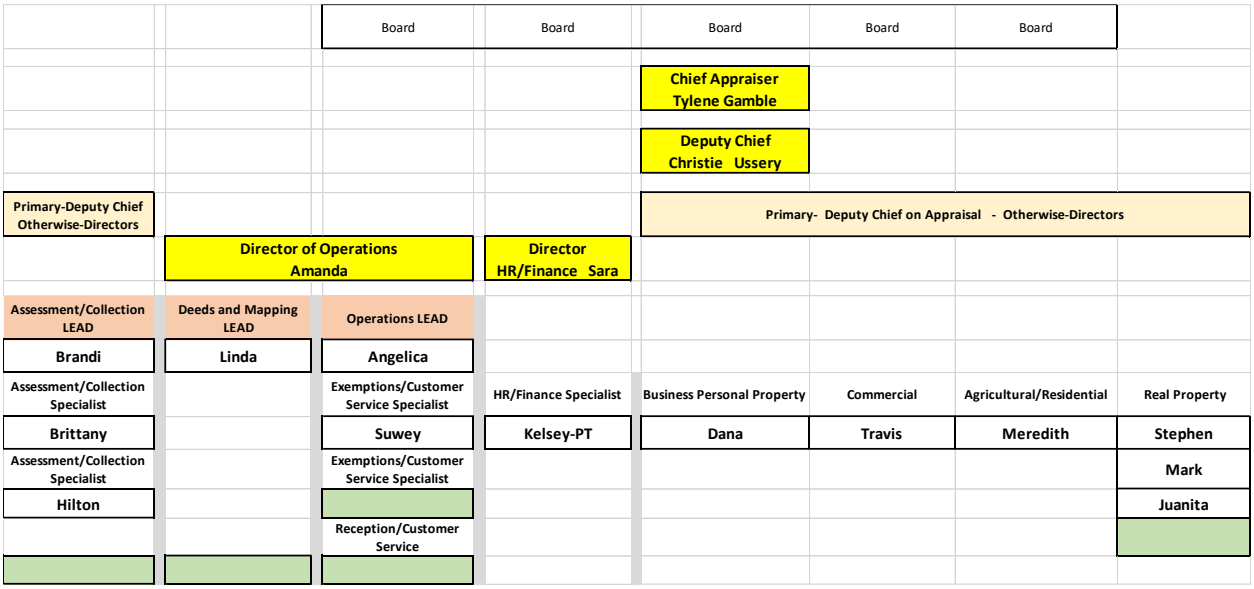
The District Board of Directors, and the Chief Appraiser plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services.

The Chief Appraiser is primarily responsible for overall planning, organizing, staffing, budgeting, coordinating, and controlling District operations.

The Deputy Chief Appraiser, under the guidance of the Chief Appraiser, assist in the supervision and direction of the appraisal and operational aspects of the district. The Deputy Chief Appraiser oversees the Property Value Study, the state comptroller MAP Review and other compliance operations.

The District’s appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation (TDLR). Support functions such as records maintenance, release of information, providing general assistance to property owners, and hearings before the Appraisal Review Board are coordinated by personnel in support of the Property Tax Code requirements.

As outlined in the approved 2025 Appraisal District Budget, the appraisal district staff consists of 22 employees as depicted in the following organization chart:



Staff Education and Training

All District Appraisers are required to be registered with the Texas Department of Licensing & Regulation (TDLR) and are required to take courses to achieve the Property Tax Professional designation of Registered Professional Appraiser (RPA) within five years of registration. These requirements are set forth in the property tax code and Title 16, Texas Administrative Code, Chapter 94, Property Tax Professionals.

The training, testing and minimum years of field experience requirements are non-negotiable, locally funded by the District, and must be to the standards required of the Department of Licensing and Regulation.

After receipt of their license, appraisers must complete a minimum of 30 hours of Continuing Education Units (CEU's) every two years. Failure to meet these minimum standards results in disqualification for recertification and can lead to the termination of the employee. To help offset the cost of this required training the District became a Continuing Education Provider through TDLR in 2014 and a Core Education Provider through TDLR in 2016. The District, to the extent possible, provides all required Continuing Education courses to staff members in-house or within our region.

All appraisal personnel receive extensive training in data gathering processes, including data entry, fieldwork procedures and protocols, and statistical analyses of all types of property to ensure equality and uniformity of appraisal of all types of property. This is part of the five-year field experience training required by the District. On-the-job training is delivered by the department directors for new appraisal staff. The Director meets regularly with staff to introduce new procedures and regularly monitor appraisal activity to ensure that standardized appraisal procedures are being followed by all personnel.

Information Gathering and Availability

General trends in employment, interest rates, new construction trends, costs and market data are obtained through various sources, including internally generated questionnaires to buyer and sellers, the Texas A&M University Research Centers, market data centers and private vendors.

The District utilizes a Geographic Information System (GIS) to maintain cadastral maps and various layers of data and aerial photography.

The District's website makes a broad range of information available for public access, including information on the appraisal process, property characteristics data, certified values, protest and appeal procedures. Downloadable files of related tax information and District forms, including exemption applications, agricultural special appraisal applications and business personal property renditions are also available.

Information Systems

The Information Technology (IT) vendor maintains the District's data processing server, software applications, internet website and peripheral equipment. The Deeds and Mapping department staff, in concert with our GIS vendor, maintains the GIS information embedded within our software and the District's website. The District operates from a server database. The Mainframe hardware system software is a Dell Server system. The user base is networked through the mainframe using Windows Server. Our Computer Aided Mass Appraisal (CAMA) software services and collections application software are provided and maintained by Harris Govern (True Automation). Data back-ups conform to industry standards as outlined in the District's Disaster Response and Mitigation Plan.

Local Challenges

County-Wide Building Permits

Building permits and Certificates of Occupancy are generally considered a primary source of information for discovering new improvements or demolished improvements. These records typically provide sufficient data necessary to code the CAMA system and begin the work of appraising the property and determining exemption eligibility. Fannin County does not regulate new construction nor does the county have a countywide permitting presence. Mechanics lien filings, aerial imagery and appraiser vigilance are key to discover new construction.

As of the date of this publication, Fannin County does not have building permit requirements for areas outside of incorporated municipalities nor are there programs in effect to aid or assist in the data collection process. Septic Tank Permits issued by the County Health Inspector do offer some assistance in the discovery process. However, many new homes are constructed on sites where a mobile home once stood and are unreported. These factors are challenges faced by the District each year and often result in unreported properties being back assessed through the omitted property provisions of the Property Tax Code.

Major Changes in Fannin County

Impact of Explosive Growth of Neighboring Counties

Fannin County is quickly becoming a great option for people that work in Collin County, one of the fastest growing in the nation. Also, industrial and tech manufacturing in Grayson County has had a significant impact in job creation as well. Those markets are beginning to price people out of their areas and Fannin is becoming more attractive as a place to live. The Southwest and West regions of Fannin are growing rapidly and have the highest average homestead values. As neighborhoods blossom in these areas, as well as the whole county, additional staff is required to administer the property tax related functions.

Lower Bois D' arc/North Texas Municipal Lake

The construction of this 16,000-acre reservoir began in the spring of 2018 after a lengthy permitting process. The county has the authority to zone up to 5,000 feet from the water line. A special commission has been established to propose and oversee the zoning of the reservoir. As the zoning unfolds, the District will reflect the new neighborhoods subject to the same PEGS for the purpose of establishing Market Values. North Texas Municipal Water District (NTMWD) is the owner/operator of the reservoir. The economic impact to the county and school districts will be significant and continues to create the need for additional staff to administer the property tax related functions. The lake opened to the public May 2024.

Lake Ralph Hall

Construction of this 12,000-acre reservoir is ongoing. The County has the authority to zone up to 5,000 feet from the water line. A special commission has been established to propose and oversee the zoning of the reservoir. As the zoning unfolds, the District will reflect the new neighborhoods subject to the same PEGS for the purpose of establishing Market Values. Upper Trinity Regional Water District (UTRWD) is the owner/operator of the reservoir. The economic impact to the county and school districts will be significant and will most likely result in the need for additional staff to administer the property tax related functions.

Freeport/Triple Freeport

Fannin County, Bonham ISD and the City of Bonham began granting the Freeport Exemption for 2018. The economic impact to the county and participating taxing units regarding manufacturing is unknown as of the date of this publication.

Appraisal Activities

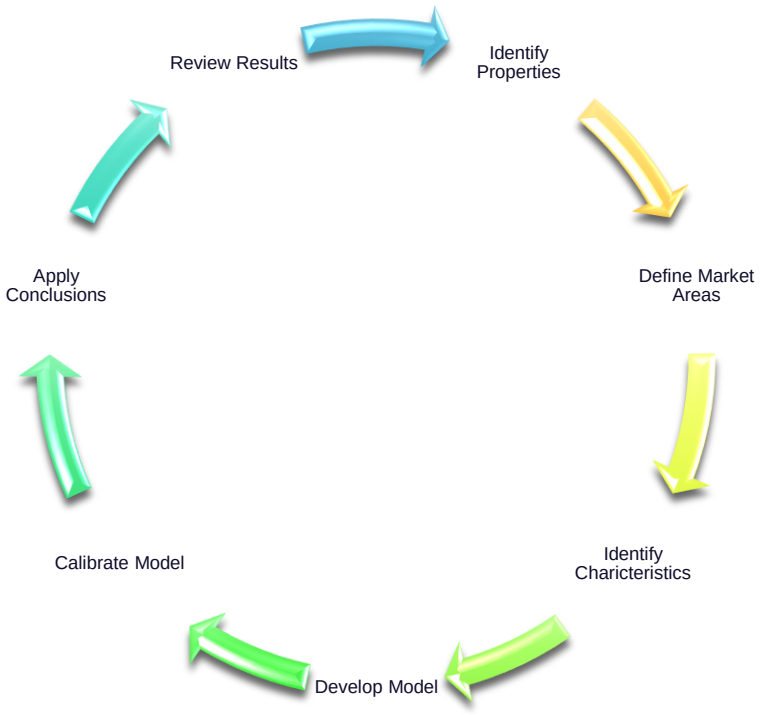
As mentioned previously, the District is responsible for establishing and maintaining approximately 32,200 real and personal property accounts covering approximately 900 square miles within Fannin County. The date of appraisal is January 1 unless specifically mentioned elsewhere.

Guidance

USPAP

The Uniform Standards of Professional Appraisal Practice (USPAP), 2024-2025 Edition, Standard 5: Mass Appraisal Development sets forth the following steps when performing a Mass Appraisal. The steps outlined in USPAP, Standard 5 are: identify properties to be appraised; define market areas of consistent behavior that applies to properties; identify characteristics (supply and demand) that affect the creation of value in that market area; develop a model structure that reflects the relationship among the characteristics affecting value in the market area; calibrate the model structure to determine the contribution of the individual characteristics affecting value; apply conclusions reflected in the model to the characteristics of the properties being appraised; and review the mass appraisal results.

USPAP Cycle



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

Tax Code

The Texas Property Tax Code lists similar requirements under Section 25.18, Periodic Reappraisals.

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(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.

(c) A taxing unit by resolution adopted by its governing body may require the appraisal office to appraise all property within the unit or to identify and appraise newly annexed territory and new improvements in the unit as of a date specified in the resolution. On or before the deadline requested by the taxing unit, which deadline may not be less than 30 days after the date the resolution is delivered to the appraisal office, the chief appraiser shall complete the appraisal and deliver to the unit an estimate of the total appraised value of property taxable by the unit as of the date specified in such resolution. The unit must pay the appraisal district for the cost of making the appraisal. The chief appraiser shall provide sufficient personnel to make the appraisals required by this subsection on or before the deadline requested by the taxing unit. An appraisal made pursuant to this subsection may not be used by a taxing unit as the basis for the imposition of taxes.

Compliance with Section 25.18

Each subsection under Section 25.18 (b) is addressed in detail below.

(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;

Reappraisal activities include periodic site inspections and the revaluation (reappraisal) of all properties.

Site Inspection

The purpose of the site inspection is to verify the improvements (as defined by Texas Property Tax Code Section 1.04(3) on the ground, evaluate the condition of the structures, document any change in the property from the last site inspection, confirm ownership, special appraisals or exemption entitlements and address any taxpayer concerns while on site. The site inspection of each property is accomplished on a cyclic basis of once every three years. This cycle is determined by the aggregate parcel count of a school district boundary or combination of school district boundaries and the geographical area to be traveled which results in approximately one-third of the parcels being inspected each year. The cycle is outlined as follows: Using 2024 as the beginning, year 1 is Wolfe City ISD in Fannin County, Blue Ridge ISD in Fannin County, Leonard ISD in Fannin County, Trenton ISD in Fannin County, Whitewright ISD in Fannin County, Savoy ISD and Ector ISD; Year 2, or 2025 is Bonham ISD; Year 3, or 2026 is Sam Rayburn ISD, North Lamar ISD in Fannin County, Honey Grove ISD, Fannindel ISD in Fannin County and Dodd City ISD. See Appendix end of document. Reappraisal Area Maps

Four C's

The purpose of the site inspection is to collect site-specific data that will be used in the analysis phase of reappraising properties. The four C's are what the appraiser is attempting to determine or verify. They are: The Classification of the property and the improvements situated on the property; the Condition of the improvements; the Characteristics of the property and the improvements and, finally; the Configuration of the property and the improvements situated on the property. The appraiser must account for all improvements situated on a property regardless of their contributory value.

Locked Gate/Posted No Trespassing

District appraisers will not attempt to enter properties with visible no trespassing signs or locked gates. Appraisers will send two letters to owners of locked gates or no trespassing properties to arrange a date and time to inspect the property. If the owner does not respond, a final mailing will be sent informing the owner of the necessity to utilize other approved methods (i.e., aerial photography) to inspect their property and values will be estimated. Estimated values will not be subject to an informal review change without access for inspection. This process will be repeated annually and increased annually until inspected.

Section 25.18, requires a physical inspection at least once every 3 years. In an effort to ensure all property owners are treated fair and equal, clear and convincing evidence of no inspection and unfair treatment will remove any ARB order reducing values on properties not inspected during their cycle.

Use of Mobile Field Devices (iPad) Technology

Although the iPad has been beneficial for locating property, the PACS Mobile Application has proven to be more time consuming and less reliable than using appraisal cards and recording findings. We continue to test systems for use in the field in an effort to increase our agility and capability to work remotely as necessary. We are hoping to implement new technology as it becomes available and deemed reliable.

Reappraisal

Reappraisal, as opposed to site inspections, is the process of reviewing and analyzing real estate transactions, comparing findings from site visits, and conducting ratio studies within defined market areas. Changes are applied to existing improvement schedules and land valuation tables based on the market forces within the market areas. Sales are evaluated to make sure they meet the definition of a fair market or "Arm's Length" transaction. The time period considered is dependent on market activity. Typically, the previous year for fair market transactions is considered unless there is sufficient activity in the market during the six months preceding the date of appraisal and provides sufficient data to base changes. In some cases, the previous two years may be considered for fair market transactions. However, duress or foreclosure sales may be considered up to three previous years. The impact of the change in the market on properties in Fannin County is revealed in the form of preliminary value reports to the taxing units and the Notice of Value submitted to the property owners.

Mass adjustments are made to areas adversely impacted by the influence of the foreclosure sales when supported by data. The impact of the foreclosure market in a given area (ISD, Neighborhood and Subdivision) is calculated by comparing the foreclosure sale price per sq. ft. to the arm's length sale price per sq. ft. and is expressed by a percentile adjustment applied in mass to the affected area. The percentile adjustment is validated through the ratio study and model calibration process.

The District subscribes to and utilizes Marshall and Swift Residential and Commercial Cost Guides. These cost guides are approved and recognized by the Board of Directors and the Taxing Units supporting the Appraisal District functions as an authoritative source for basing improvement values within the county. Cost schedules, building feature additions and reductions, economic life and depreciation tables are updated to mirror the changes made by the publishers of Marshall and Swift cost guides annually. Prescriptive local and cost multipliers as of January of the value year are used to coincide with the January 1st date of appraisal prescribed by law. All schedules and tables used to value properties are updated annually and are developed through ratio studies for each market area and strata. Timelines for task accomplishment and appraiser production standards for these processes may be found in this document beginning on page 53.

The District receives listings of all deeds filed for record with the County Clerk at the Fannin County Courthouse. Those deeds are processed by the District's operational support staff. Information is scanned in the CAMA software including grantor, grantee, and date of recording, volume, and page number as recorded in the County Clerk's records. New Property Identification Numbers (PID's) are generated by the CAMA system when a deed splits the property or if the property is otherwise subdivided by recorded plat. All recorded deeds are processed within 30 days of the date of filing with the County Clerk.

Business personal property is located by: site inspection, data sources such as yellow pages, sales tax permit holder lists, commercial vehicle listings, renditions and other business listing publications to ensure that all business personal property is identified. Renditions are also required of utility companies, railroads,

and pipelines. All businesses are mailed a rendition in January of each year. Owners are required by state law to list all their business personal property. Failure to render results in a non-discretionary 10% penalty and a possible 50% penalty if fraud is involved in a false rendition.

Maps have been developed showing ownership lines for all real estate. These maps are stored digitally in the District's Geographic Information System (GIS) system and can be viewed by the public on the District's website at www.fannincad.org. The data and its maintenance are an ongoing effort of Fannin Central Appraisal District and our contracted GIS vendor.

(2) Identifying and updating relevant characteristics of each property in the appraisal records; Real properties are physically inspected on a cyclic basis of once every three years.

Cities and Towns (Urban):

Appraisers will walk the incorporated towns and cities in the re-inspection area and gather data about each home, commercial business, or vacant land tract. Site specific data is recorded on the property card and the CAMA system is updated in the office. Paper cards have shown to increase appraiser production and the edits made in the field are scanned into the account to preserve the work file for review.

Each improvement/structure is measured and drawn or sketched when it is initially placed on the appraisal roll. Improvements are test measured during site inspections if there are indications of add-ons or other discrepancies requiring re-measurement and redrawing of the improvement. The property card is updated on site and the account is updated during the data entry process. Data stored in the CAMA system includes an exterior sketch of the improvement which allows the computer system to calculate square footage for the various areas of the building, and components within the building such as bathrooms, fireplaces, air conditioning, type of roof, type of exterior, etc. Photographs taken on site are digitally stored in each property account and serve to document the state of the property at the time of the site visit and reflect changes over time.

At times a property owner may refuse access to their property or disregard our attempts to gain access through locked gate letters; the District utilizes aerial photography to ascertain the type, size and condition of improvements on a property and to verify the use of the property. Aerial/Satellite images of the entire county are periodically captured with the latest images taken in 2023 and the future flights tentatively scheduled for 2025/2027 pending budget approval at that time. These images can be viewed on the District's website using the interactive map feature and offers functions such as measuring distances, acreage, sq. footage, etc.

Rural Areas:

Appraisers drive the re-inspection areas and stop at each property. The same evaluation process for urban properties is followed with a few exceptions: Large tracts of land are inspected using a combination of information obtained on the ground and aerial imagery; new or recent construction or remodels (since last inspection cycle) may also be identified and verified via aerial imagery since there is no permit system in the area outside the incorporated cities; locked gate properties are handled in the same manner mentioned above.

Open Space (1-d-1)

Properties receiving 1-d-1 Agricultural Special Appraisal and properties enrolled in Wildlife Management are inspected according to the re-inspection cycle for real property. Field appraisal staff will confirm the current use of the land against the property record. Any inconsistencies are noted and the property account coded for reapplication, questionable use, or change of use as applicable. Once flagged the Agricultural Appraiser handles the agricultural portion of the account until the matter is resolved. Property owners will then be notified by Certified Mail of the need to reapply according to section 23.54 of the Property Tax Code. Failure of the owner to timely submit a new application will result in the removal of the special appraisal. Additional information regarding valuation process, degrees of intensity standards and other pertinent factors related to open space valuation may be found in the most recent Agricultural Policy and Procedure for Fannin County developed in concert with the Agricultural Advisory Committee.

Business Personal Property

Business personal property is inspected by the BPP staff. They look at the quality and density of the inventory and make general notes about equipment they see. If their observations are different from the rendition made by the taxpayer, additional information is gathered and a different value from the rendered amount may be assigned.

Industrial Properties

Industrial properties, utilities, railroads and pipelines are appraised by Thomas Y. Pickett and Company, Inc.

(3) Defining market areas in the district;

Annually, appraisers combine property into neighborhoods. Neighborhoods may be based on similar types of property (residential, commercial, multi-family, industrial etc.), location (lake with waterfront, lake without waterfront, subdivisions etc.), improvements that are of similar construction and type as well as similar years of construction, and school district or city where properties are subject to the same Physical, Economic, Governmental and Social (PEGS) forces.

Market sales are examined to determine areas of increased demand. Occupancy rates are considered for apartments, commercial retail leased space, wholesale, and service retail, the properties are categorized by market demand. Trade areas with similar rents, quality, and age are combined to analyze and apply sales and rental data.

Land is also put into regions or neighborhoods with other parcels having similar characteristics, school districts, and amenities. Using these neighborhoods, values are applied to all parcels using linear regression formulae. The regression formulae take into consideration location, size, topography, and other characteristics that the market recognizes as significant.

The specific market areas within Fannin County are delineated by the school district boundaries, the municipalities within those school district boundaries and areas historically identified through market trends within the boundaries of the school district or the municipality. The current market areas are:

School District (ISD)	Municipality	Other Market area within ISD
Bonham ISD	City of Bonham City of Randolph City of Bailey City of Ravenna	Hwy 121 corridor Bonham Lake South Bonham Bonham Business District Bonham Rural North Bonham Rural Southeast Bonham Rural Southwest Rural Subdivisions
Dodd City ISD	City of Dodd City	Dodd City Rural Lake front Property-Bois d arc
Ector ISD	City of Ector	Ector Rural
Fannindel ISD	City of Ladonia	Fannindel Rural Rural Subdivisions Ralph Hall Lake
Honey Grove ISD	City of Honey Grove Town of Windom	Honey Grove Commercial Honey Grove Rural North Honey Grove Rural South North Lamar ISD (in Fannin) Rural Subdivisions Lake front Property-Bois d arc
Leonard ISD	City of Leonard	Leonard Commercial Leonard Rural Rural Subdivisions

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School District (ISD)	Municipality	Other Market area within ISD
Savoy ISD	City of Savoy	Savoy Rural
		Rural Subdivisions
Sam Rayburn ISD		Rural Subdivisions
Trenton ISD	City of Trenton	Trenton Commercial Trenton Rural Rural Subdivisions Blue Ridge ISD (in Fannin)
Whitewright ISD (in Fannin)	City of Whitewright	Whitewright Rural
Wolfe City ISD (in Fannin)		Wolfe City Rural

(4) Identifying property characteristics that affect property value in each market area, including;
(A) The location and market area of the property;
(B) Physical attributes of property, such as size, age, and condition;
(C) Legal and economic attributes; and
(D) Easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;

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

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

(5) Developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;

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

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

Utilities, railroads and pipelines are individually appraised using the three approaches to value. The appraisal is a “unit appraisal” that looks at the entire company to be appraised, values it based on original cost less depreciation, net income to the company, and comparable equipment lines, or customers, within that jurisdiction.

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

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

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

(7) Reviewing the appraisal results to determine value.

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

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

Appraisal Responsibilities

The appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property requires a comprehensive physical description of personal property, and land and building characteristics. The Appraisal Department is responsible for administering, planning and coordinating all activities involving data collection and data entry into the CAMA system and maintenance of all commercial, residential and personal property types. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the CAMA system. The opinion of value for all property located in the district is reviewed and evaluated **each** year.

Appraisal Resources

Appraisal activities are conducted by either staff appraisers or by contractual appraisers for complex properties such as utilities companies, pipelines, mining and quarry operations or business ventures with involvement in gas or oil sales or distribution.

Data used by field appraisers includes the existing property characteristic information contained in the district's CAMA system. The data is printed on a property record card, or personal property data sheets or displayed on a mobile device.

Other data used includes maps, sales data, fire and damage reports, building permits, photos and actual cost and market information. Sources of information are gathered using reciprocal relationships with other participants in the real estate marketplace. The district also cultivates sources and gathers information from both buyers and sellers participating in the real estate market.

Appraisal Frequency and Method Summary

Residential Property – Currently residential property is physically examined once every three years with appraisers walking the property, noting condition of the improvement and looking for changes that might have occurred to the property since the last on-site check. In some instances, where change of condition is frequent, homes are examined annually. Exterior pictures are taken of homes as inspection or re-inspection occurs. Every neighborhood and subdivision is statistically analyzed to ensure sales that have occurred since the last appraisal are within a +/-5% range of appraised value. If the sales do not indicate that range, adjustments are made using a process outlined in detail in the Residential Appraisal section of this report.

Commercial & Industrial Property- Commercial properties are also physically examined once every three years in the same fashion as residential properties. However, the Business Personal Property appraiser, while performing a site inspection of the personal property may identify issues relevant to the real property appraisal staff. Pictures are taken of the improvements as required. Real estate accounts are analyzed against sales of similar properties in Fannin CAD as well as similar communities in North Texas that have similar economies.

The Income Approach is considered when tasked to appraise larger valued commercial properties such as shopping centers, apartment complexes, office buildings, restaurants, motels, and other types of property that typically sell based on net operating income.

Business Personal Property- Business personal property is inspected as frequently as possible with the appraiser actually going into businesses to develop quality and density observations. Renditions are mailed to all business owners in January of each year. Similar businesses are analyzed annually to

determine consistency of appraisal per square foot. Businesses are categorized using SIC codes. Rendition laws provide additional information on which to base values of all BPP accounts.

Minerals- Fannin County has no working mineral accounts or properties.

Utilities and Pipelines- Utility companies and pipelines are appraised annually using a unit value developed using all three approaches to value. For example, a utility company's total value in the State is estimated using cost, market, and income approaches to value and then the entire value is allocated using the components of that utility company that have situs in the various tax units of Fannin CAD. Components include such things as miles of transmission lines, miles of distribution lines, substations and the like for an electric utility. As indicated above, this is contracted to an outside appraisal firm, Thomas Y. Picket, who specializes in appraisal of these type properties on a nationwide scale.

Appraisal to Parcel Ratio

Based on the statewide Appraisal District Operations Report, the number of parcels that can be efficiently appraised by an appraiser in a calendar year varies based on numerous factors. Naturally, more residential properties within a city or town can be inspected and reappraised at a greater rate within in a given time than in a rural setting. **The appraisal to parcel ratio used for planning and staffing purposes is 2,750 parcels** per field appraiser as noted in the Appraisal Standards Review conducted by the Office of the Comptroller of Public Accounts.

Data Collection/Validation

Data collection of real property involves maintaining data characteristics of the property on the appraisal district CAMA data base. The information contained in this data base includes site characteristics, such as land size and topography, and improvement data, such as square foot of living area, year built, quality of construction, and condition. Field appraisers are required to use a property classification system that establishes uniform procedures for the correct listing of real property. All properties are coded according to a classification system. The approaches to value are structured and calibrated based on this coding system and property description and characteristics. The field appraisers use property classification references as a guide while conducting field inspection of properties. Data collection for personal property involves maintaining information on software designed to record and appraise business personal property.

The type of information contained in the BPP file includes personal property such as business inventory, furniture and fixtures, machinery and equipment, with details such as cost and location. This information is held CONFIDENTIAL and is NOT subject to Open Records Requests.

As mentioned previously, the District subscribes to and utilizes Marshall and Swift Residential and Commercial Cost Guides. These cost guides are approved and recognized by the Board of Directors and the Taxing Units supporting the Appraisal District functions as an authoritative source for basing improvement values within the county.

Sources of Data

The sources of data are building permits (where available), periodic property inspections, new construction, market data review efforts, data mailer questionnaires, ARB hearings, sales validation field efforts,

commercial sales verification and field efforts, newspapers and publications, and property owner correspondence by mail or in person.

The Multiple Listing Service is considered a reliable source of data, for property descriptions, characteristics and market sales data. Area and regional real estate brokers and managers are also sources of market and property information. Data surveys of property owners requesting market information and property description information is also valuable data.

Soil surveys and agricultural surveys of farming and ranching property owners and industry professionals are helpful for productivity value calibration. Improvement cost information is gathered from local building contractors and Marshall and Swift Valuation Service.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers walk entire neighborhoods to review the accuracy of our data and update accounts as necessary. The sale validation effort in real property pertains to the collection of market data for properties that have sold. Sale validation is conducted in accordance with the applicable IAAO (International Association of Assessing Officers) Standards.

Property owners are one of the best sources for identifying incorrect data that generates a field check. Various income and rental surveys are performed by interviewing property managers and operators to determine operating income and expenses for investment and income producing real property.

Frequently, the property owner provides reliable data (photographs, estimates, etc.) to allow correction of records. Using the internet, property owners have the opportunity to review information on their property and initiate corrective actions due to the increased amount of information available.

For the property owner without access to the Internet, letters are sometimes submitted notifying the district of inaccurate data. Properties identified in this manner are added to a work file and inspected at the earliest opportunity. Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed throughout the appraisal process from year to year.

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

Data Collection Procedures

The appraisers conducting reappraisal functions are assigned to specific areas throughout the district to conduct field inspections. The areas are designated by the approved reappraisal plan.

When possible, these geographic areas of assignment are maintained for several years to enable the appraiser assigned to that area to become knowledgeable of all the factors that drive values for that specific area and to develop a rapport with property owners. Appraisers of real estate and business personal property conduct field inspections and record information obtained during the data entry process of appraisal.

The quality of the data used is extremely important in estimating market values of taxable property. While work performance standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection and the classification system set forth and recognized as “rules” to follow. Experienced appraisers are routinely refreshed in listing procedures prior to major field projects such as new construction, sales validation or data review.

The Deputy Chief provides a quality assurance process by reviewing the work being performed by the field appraisers.

Data Maintenance

The staff appraiser is responsible for the data entry of his/her fieldwork into the computer file. The work file record is scanned to the account for quality control purposes and serves as a reference for any changes made to the account that year.

Field Review

The date of last inspection and the CAD appraiser are listed on the appraisal record.

If a property owner or jurisdiction disputes the district’s records concerning this data during a hearing or other correspondence received, the record may be corrected based on the evidence provided or an on-site inspection may be conducted. Typically, a field inspection is requested to verify this information for the current year’s valuation or for the next year’s valuation.

Office Review

Office reviews are completed on properties where updated information has been received from the owner of the property and is considered accurate and correct.

Data mailers, sent in mass, or at the request of the property owner frequently verify some property characteristics or current condition of the property. When the property data is verified in this manner, and considered accurate and correct, field inspections may not be required. The personal property appraiser mails property rendition forms in January of each year to assist in the annual review of the property which includes any and all new business endeavors.

Fannin Central Appraisal District will continue to mail renditions with letters of instruction to business owners annually.

Performance Testing

The Deputy Chief is responsible for conducting ratio studies, comparative analysis and model calibration. The appraisal staff conducts ratio studies on properties based on their assigned neighborhood grouping.

The sale ratio and comparative analysis of sold property to appraised property forms the basis for determining the level of appraisal and market influences and factors for the neighborhood. This information is the basis for updating property valuation for the entire area of property to be evaluated.

Field appraisers, in many cases, may conduct field inspections to ensure the accuracy of the property descriptions at the time of sale for this study. This inspection is to ensure that the ratios produced are accurate for the property sold and that appraised values utilized in the study are based on accurate property data characteristics observed at the time of sale. Also, property inspections are performed to discover if property characteristics have changed as of the sale date or subsequent to the sale date due to significant value changes. An example of this may be due to a remodel or renovation. Sales ratios should be based on the value of the property as of the date of sale not after a subsequent or substantial change.

Independent Performance Testing by PTAD

According to Chapter 5 of the TPTC and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Assistance Division (PTAD) conducts a property value study (PVS) of each Texas school district and each appraisal district. As part of this study, the code requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, appraisal standards, governance and procedures to determine whether the district used recognized standards and practices (MAP review); test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and, determine the level and uniformity of property tax appraisal in each appraisal district.

The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analyses of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting.

For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median and price-related differential (PRD) for properties overall and by state category.

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

Residential Valuation Process

Introduction

There are three approaches used to produce an opinion of value for a given property. Each approach has distinct considerations, and each approach will produce a value relevant to that approach. The three approaches to value are the Cost, Market (Sales Comparison) and Income approach. Each is permitted in the Texas Property Tax Code and other guidance. Generally speaking, the cost approach can be used for unique properties or where there is little or no movement in the open market. The market or comparable sales approach is used when there is a good sampling of properties being transferred on the open market and those sales can be verified and the data utilized to reflect value across a range of properties. The income approach requires the property in question to first produce income. Mini warehouses, retail rental spaces, apartment complexes and other income producing properties are suitable for this approach. Other factors must be considered before determining which approach will yield the most accurate opinion of value.

Valuation Approach:

Land Analysis

Residential land valuation analysis is conducted prior to neighborhood sales analysis. The value of the land component to the property is estimated based on available market sales for comparable and competing land under similar usage. A comparison and analysis of comparable land sales is conducted based on a comparison of land characteristics found to influence the market price of land located in the neighborhood. A computerized land table stores the land information required to consistently value individual parcels within neighborhoods given known land characteristics. Specific land influences are considered, where necessary, and depending on neighborhood and individual lot or tract characteristics, to adjust parcels outside the neighborhood norm for such factors as access, road frontage type and composition, shape, size, and topography.

The appraisers use abstraction and allocation methods to insure that estimated land values best reflect the contributory market value of the land to the overall property value.

Area Analysis

Data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources and provide the appraiser with the economic outlook on the real estate market. Information is gleaned from real estate publications and other sources such as continuing education in the form of IAAO (International Association of Assessing Officers) and classes required for licensing through the Texas Department of Licensing and Regulation.

Neighborhood and Market Analysis

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

comparable market sales forms the basis of estimating market activity and the level of supply and demand affecting market prices for any given market area, neighborhood or district.

Market sales indicate the effects of these market forces and are interpreted by the appraiser into an indication of market price ranges and indications of property component change considering a given time period relative to the date of appraisal.

Cost and Market Approaches to estimate value are the basic techniques utilized to interpret these sales. For multi-family properties, the Income Approach to value is also utilized to estimate an opinion of value for investment level residential property.

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits.

A "neighborhood" for analysis purposes is the largest grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform.

Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood with similar characteristics has been identified, the next step is to define its boundaries. This process is known as "delineation".

Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis.

Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market.

In Fannin County, f*ew neighborhoods are fixed in character*.

Each neighborhood may be characterized as being in a stage of *growth*, *stability* or *decline.* The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes.

In the period of stability, or equilibrium, the forces of supply and demand are about equal. Generally, in the stage of equilibrium, older neighborhoods can be more desirable due to their stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability.

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are field inspected and delineated based on observable aspects of homogeneity.

Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legally permissible, financially feasible, and its most productive use. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, *through use of deed restrictions and zoning, precludes other land uses*.

Residential valuation undertakes reassessment of highest and best use in *transition areas* and areas of *mixed residential and commercial use*. In transition areas with ongoing gentrification, (the buying and renovation of houses and stores in deteriorated urban neighborhoods) the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis.

Valuation and Statistical Analysis – (Model Calibration):

Cost Schedules

All residential parcels in the district are valued with a replacement cost estimated from cost schedules based on the improvement classification system using a comparative unit method. The district's residential cost schedules are estimated from Marshall and Swift cost estimator service. These cost estimates are compared with sales of new improvements and evaluated annually and indexed to reflect the local residential building and labor market.

Costs may also be indexed for neighborhood factors and influences that affect the total replacement cost of the improvements in a smaller market area based on evidence taken from a sample of market sales.

A review of the residential cost schedule is performed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in district are considered. The property data characteristics of these properties are verified and photographs are taken of the samples. CAD replacement costs are compared against Marshall & Swift and the indicated replacement cost abstracted from these market sales of comparably improved structures. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing of estimated building costs plus land to sales prices.

As a result of this analysis, a new regional multiplier or economic index factor and indications of neighborhood economic factors are developed for use in the cost process. This new economic index is estimated and used to adjust the district's cost schedule to be in compliance with local building costs as reflected by the local market.

Sales Information

Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a sales information system.

Residential improved and vacant sales are collected from a variety of sources, including: district questionnaires sent to buyer and seller, field discovery, protest hearings, Board of Realtor's MLS, various sale vendors, builders, and realtors. A system of type, source, validity and verification codes has been established to define salient facts related to a property's purchase or transfer and to help determine relevant market sale prices.

The effect of time as an influence on price was considered by paired comparison and applied in the ratio study to the sales as indicated within each neighborhood area on a by-month basis.

Neighborhood sales reports are generated as an analysis tool for the appraiser in the development and estimation of market price ranges and property component value estimates.

Abstraction and allocation of property components based on sales of similar property is an important analysis tool to interpret market sales under the cost and market approaches to value. These analysis tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

Monthly time adjustments, if warranted, are estimated based on comparative analysis using paired comparison of sold property.

Sales of the same property are considered and analyzed for any indication of price change attributed to the passing of time.

Property characteristics, financing, and conditions of sale are compared for each property sold in the pairing of property to isolate only the time factor as an influence on price.

Statistical Analysis

The residential valuation appraisers perform statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted on each of the residential valuation neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy--level of appraisal and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed for each neighborhood.

The level of appraised values is determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.

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

Market and Cost Reconciliation and Valuation

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

The following equation denotes the hybrid model used: MV = LV + (RCNLD)

Whereas, in accordance with the Cost Approach to Value, the Estimated Market Value (MV) of the property equals the Land Value (LV) plus the Replacement Cost New of property improvements (RCN) Less accrued Depreciation (LD).

As the cost approach separately estimates both land and building contributory values and uses depreciated replacement costs, which reflect only the supply side of the market.

It is expected that adjustments to the cost values may be needed to bring the level of appraisal to an acceptable standard as indicated by market sales. Thus, demand side economic factors and influences may be observed and considered. These market, or location adjustments, may be abstracted and applied uniformly within neighborhoods to account for locational variances between market areas or across a jurisdiction. Whereas, in accordance with the Market Approach, the estimated market value (MV) of the property equals the basic unit of property, under comparison, times the market price range per unit for sales of comparable property.

For residential property, the unit of comparison is typically the price per square foot of living area or the price indicated for the improvement contribution. This analysis for the hybrid model is based on both the cost and market approaches as a correlation of indications of property valuation.

A significant unknown for these two indications of value is determined to be the rate of change for the improvement contribution to total property value. The measure of change for this property component can best be reflected and based in the annualized accrued depreciation rate.

This cost related factor is most appropriately measured by sales of similar property. The market approach, when improvements are abstracted from the sale price, indicates the depreciated value of the improvement component, in effect, measuring changes in accrued depreciation, a cost factor. The level of improvement contribution to the property is measured by abstraction of comparable market sales, which is the property sale price less land value. The primary unknown for the cost approach is to accurately measure accrued depreciation affecting the amount of loss attributed to the improvements as age increases and condition changes. This evaluation of cost results in the depreciated value of the improvement component based on age and condition. Land has no accrued depreciation. The evaluation of this market and cost information is the basis of reconciliation and indication of property valuation under this hybrid model.

When the Deputy Chief, along with the appraisal staff review a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales prices (if warranted) indicates the neighborhood level of appraisal based on sold properties.

This ratio is compared to the acceptable appraisal ratio (95% to 105%) to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are both required and made.

If reappraisal of the neighborhood is indicated, the appraiser analyzes available market sales, appropriately adjusted for the apparent effects of time, by market abstraction of property components. This abstraction of property components allows the appraiser to focus on the rate of change for the improvement contribution to the property by providing a basis for calculating accrued depreciation attributed to the improvement component. This impact on value is usually the most significant factor affecting property value and the most important unknown to determine by market analysis.

Abstraction of the improvement component from the adjusted sale price for a property indicates the effect of overall market suggested influences and factors on the price of improvements that were a part of this property, recently sold.

Comparing this indicated price or value allocation for the improvement with the estimated replacement cost new of the improvement indicates any loss in value due to accrued forms of physical, functional, or economic obsolescence.

This is a market driven measure of accrued depreciation and results in a true and relevant measure of improvement marketability, particularly when based on multiple sales that indicate the trending of this rate of change over certain classes of improvements within certain neighborhoods. Based on this market analysis, the appraiser estimates the annual rate of depreciation for given improvement descriptions

considering age and observed condition. Once estimated, the appraiser recalculates the improvement value of all property within the sale sample to consider and review the effects on the neighborhood sale ratio.

The District has developed a chart representing class, age, depreciation and condition which has proven itself to be both highly beneficial for the property owner and accurate for the appraiser. A Copy of this document is located on page 57 and 58. Condition Chart.

After an acceptable level of appraisal is achieved within the sale sample, the entire neighborhood of property is recalculated utilizing the indicated depreciation rates taken from market sales.

This depreciation factor is the basis for trending all improvement values and when combined with any other site improvements and land value, brings the estimated property value through the cost approach closer to actual market prices as evidenced by recent sale prices available within a given neighborhood. Therefore, based on analysis of recent sales located within a given neighborhood, estimated property values will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The estimated property values calculated for each update neighborhood are based on market indicated factors applied uniformly to all properties within a neighborhood. Finally, with all the market-trend factors applied, a final ratio study is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both update and non-update neighborhoods and verifies appraised values against overall trends as exhibited by the local market, and finally, for the school district as a whole.

Treatment of Residence Homesteads

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under that law, beginning in the ***second year***, any homestead exemption increases in the assessed value of that property are "capped." The value for tax purposes (assessed value) of a qualified residence homestead will be the limited to 10% annually.

Assessed values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1st of the year following sale of the property and the property is appraised at its market value. An analogous provision applies to new homes. While a developer owns them, unoccupied residences may be partially complete and appraised as part of an inventory. This valuation is estimated using the district's land value and the percentage of completion for the improvement contribution that usually is similar to the developer's construction costs as a basis of completion on the valuation date. However, in the year following changes in completion, occupancy, or sale, and a recheck for completion of construction, they are appraised at 100% full market value.

Treatment of Non Homestead Valuation Caps

Beginning in the 2024 Appraisal year, the legislature created valuation "caps" for property that the market appraised value is $5 million or less. Though market value will continue to be determined by the appraisal district, the assessed value for tax purposes will be "capped" at an annual 20% increase, plus the value of any new improvements. Just as with the residence homestead caps, a property that sells the cap the automatically expires as of the next January 1st.

Individual Value Review Procedures:

Field Review

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

This process demands entity permitting efforts be strong, rigidly enforced, and accurate.

Additionally, the appraiser must review subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property. Entities without stringent code enforcement will see economic decline consume the new growth and improvements in revenue.

After preliminary estimates of value have been determined in targeted areas, the appraiser takes valuation documents to the field to test the computer-assisted values against his own appraisal judgment. During this review, the appraiser is able to physically inspect both sold properties and unsold properties for comparability and consistency of values.

Office Review

Once field review is completed, the appraiser conducts a routine valuation review of all properties as outlined in the discussion of ratio studies and market analysis. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties.

The percentage of value difference are noted for each property within a delineated neighborhood allowing the appraiser to identify, research and resolve value anomalies before final appraised values are released. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year.

Once the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value are prepared to be placed on and mailed as a Notice of Appraised Value.

Performance Tests:

Sales Ratio Studies

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

Ratio studies generally have six basic steps:

(1) determination of the purpose and objectives,

(2) data collection and preparation,

(3) comparing appraisal and market data,

(4) stratification,

(5) statistical analysis, and

(6) evaluation and application of the results.

Management Review Process

Once the proposed value estimates are finalized, the Deputy Chief reviews the sales ratios by neighborhood and presents pertinent valuation data, such as weighted sales ratio and pricing trends, to the Chief Appraiser for final review and approval. This review includes comparison of level of value between related neighborhoods within and across jurisdictional lines. The primary objective of this review is to ensure that the proposed values have met appraisal guidelines appropriate for the tax year in question when compared against the market trends – resulting in Market Value Appraisals.

Commercial and Industrial Property Valuation Process

PLAN: Continue the annual reappraisal of all properties in this and the BPP classification.

Appraisal Responsibility

This mass appraisal assignment includes all of the commercially described real property within the District. Appraisers appraise the fee simple interest of properties according to statute and court decisions. However, the effect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisement of any non-exempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

Appraisal Resources

Personnel - The improved real property appraisal responsibilities are categorized according to major property types of multi-family or apartment, office, retail, warehouse and special use (i.e. hotels, hospitals and, nursing homes).

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

Preliminary Analysis

Market Study

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

Fannin CAD coordinates its discovery and valuation activities with adjoining appraisal districts.

Numerous field trips, interviews and data exchanges with adjacent appraisal districts have been conducted to ensure compliance with state statutes. In addition, Fannin CAD administration and personnel interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers, Texas Association of Appraisal Districts and the Texas Association of Assessing Officers. District staff strives to maintain appraisal skills and professionalism by continuing education in the form of courses that are offered by several professional associations such as International Association of Assessing Officers (IAAO), Texas Association of Assessing Officers (TAAO), Texas Association of Appraisal Districts (TAAD) and Department of Licensing and Regulation requirements.

Valuation Approach

Land Value

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

Area Analysis

Area data on regional economic forces such as demographic patterns, area & location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources.

Neighborhood Analysis

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

In the mass appraisal of commercial and industrial properties these subsets of a universe of properties are generally referred to as market areas, neighborhoods, or economic areas.

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces.

These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent influences.

Economic area identification and delineation by each major property use type is the benchmark

of the commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific.

Economic areas are periodically reviewed to determine if re-delineation is required. The geographic boundaries as well as income, occupancy and expense levels and capitalization rates by age within each economic area for all commercial use types and its corresponding income model have been estimated for these properties.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest net to land and present value of the real estate as of the date of valuation. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive.

For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This perspective assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, is excess land, or a different optimum use if the site were vacant. For vacant tracts of land within this jurisdiction, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to: office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis ensures that an accurate estimate of market value (sometimes referred to as value in exchange) is derived.

On the other hand, value in use represents the value of a property to a specific user for a specific purpose. This perspective for value may be significantly different than market value, which approximates market price under the following assumptions:

- no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale,
- well-informed buyers and sellers acting in their own best interests,
- a reasonable time for the transaction to take place, and
- payment made in cash or its equivalent.

Market Analysis

A market analysis relates directly to examining market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions.

Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), and expense ratio trends. Capitalization rate studies are analyzed to determine market ranges in price, operating costs and investment return expectations.

Data Collection / Validation

Data Collection Manuals

Data collection and documentation for Commercial/Industrial property is continually updated. This provides a uniform system of itemizing the multitude of components comprising improved properties. All properties located in Fannin CAD's inventory are coded according to a specific classification system and the approaches to value are structured and calibrated based on this coding system.

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

Sources of Data

In terms of commercial sales data, Fannin CAD receives a copy of the deeds recorded in Fannin County that convey commercially classed properties. Commercial or Industrial ownership transfers rarely reflect sales price. Business endeavors only occasionally involve land and or buildings; but the business within or on the land and buildings. These deeds involving a change in commercial ownership of land and buildings are entered into the sales information system and researched in an attempt to obtain the pertinent sale information. Other sources of sale data include the protest hearings process and local, regional and national real estate and financial publications.

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

Valuation Analysis

Model calibration involves the process of periodically adjusting the mass appraisal formulae, tables and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new construction procedures, materials and/or costs, which can vary from year to year.

The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to the current market conditions.

However, at some point, if the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure.

Cost Schedules

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever possible.

Cost models are typically developed based on the Marshall Valuation Service which indicates estimated hard or direct costs of various improvement types. Commercial improvement schedules are identical to Marshall & Swift Commercial guidance. The occupancy of the building drives the classification process. Cost schedules are constructed in such a way that they identify the occupancy, type of construction, quality of construction and the exact table from the Marshall & Swift guide where the detailed data can be located.

Cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district. These include comparative base rates, per unit adjustments and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employs the sales comparison approach in the evaluation of soft or indirect costs of construction.

Evaluating market sales of newly developed improved property is an important part of understanding total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels. In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Fannin County. Local modifiers are additional cost factors applied to replacement cost estimated by the national cost service. Estimated replacement cost new will reflect all costs of construction and development for various improvements located in Fannin CAD as of the date of appraisal.

Accrued depreciation is the sum of all forms of loss affecting the contributory value of the improvements and is the measured loss against replacement cost new taken from all forms of physical deterioration, functional and economic obsolescence.

Accrued depreciation is estimated and developed based on losses typical for each property type at that specific age. Depreciation estimates have been implemented for what is typical of each major class of commercial property by economic life categories. Estimates of accrued depreciation have been calculated for improvements with a range of variable years expected life based on observed condition considering actual age. These estimates are continually tested to ensure they are reflective of current market conditions. The actual and effective ages of improvements are noted as parameters in the CAD software. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Effective age estimates are considered and reflected based on various percentage levels of observed condition, given actual age.

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

The result of estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements.

Adding the estimated land value, (as if vacant), to the contributory value of the improvements indicates a property value by the cost approach method. Given relevant cost estimates and market related measures of accrued depreciation, the indicated value of the property by the cost approach becomes a very reliable valuation technique.

Income Models

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

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

Next, a secondary income or service income is considered and, if applicable, calculated as a percentage of stabilized effective gross rent. Secondary income represents parking income, escalations, reimbursements, and other miscellaneous income generated by the operations of real property.

The secondary income estimate is derived from actual data collected and available market information. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income, when applicable.

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

This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. As a result, expense ratios are implemented and estimated based on observed market experience in operating various types of commercial property.

Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air conditioning or major mechanical equipment or appliances) requiring expenditures of lump sum costs. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type, these expenses when annualized are known as replacement reserves.

For some types of property, typical management does not reflect expensing reserves and is dependent on local and industry practices.

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

Return rates and income multipliers are used to convert operating income expectations into an estimate of market value for the property under the income approach. These include income multipliers, overall capitalization rates, and discount rates. Each of these multipliers or return rates are considered and used in specific applications. Rates and multipliers may vary between

property types, as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market for individual income property types and uses. These procedures are supported and documented based on analysis of market sales for these property types.

Capitalization analysis is used in the income approach models to form an indication of value. This methodology involves the direct capitalization of net operating income as an indication of market value for a specific property. Capitalization rates applicable for direct capitalization method and yield rates for estimating terminal cap rates for discounted cash flow analysis are derived from the market.

Sales of improved properties from which actual income and expense data are obtained provide a very good indication of property return expectations a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived and estimated from the built-up method (band-of-investment). This method relates to satisfying estimated market return requirements of both the debt and equity positions in a real estate investment. This information is obtained from available sales of property, local lending sources, and from real estate and financial publications.

Rent loss concessions are estimated for specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss is discounted using an acceptable risk rate.

The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances and leasing commissions) becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy.

A variation of this technique allows a rent loss deduction to be estimated for every year that the property's actual occupancy is less than stabilized occupancy.

Sales Comparison (Market) Approach

Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to parcels on the appraisal roll. As previously discussed in the Data Collection/Validation section of this plan, pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information which can be used in all aspects of valuation.

Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

Caution must be exercised when evaluating sales of commercial properties. Sale data can become skewed due to the entire business being sold. The value of the inventory, furnishings, equipment must be deducted from the sale price. The intangible value (known as blue sky) of the business such as the value of its name, trademark, branding etc. must be considered. Careful analysis of these factors must be exercised.

Final Valuation Schedules

Based on the market data analysis and review discussed previously in the cost, income and sales approaches, the cost and income models are calibrated and finalized. The calibration results are keyed to the schedules in the data base for utilization on all commercial properties in the district. Market factors reflected within the cost and income approaches are evaluated and confirmed based on market sales of commercial and industrial properties. The appraisers review the cost, income, and sales comparison approaches to value for each of the types of properties with available sales information.

The final valuation of a property is estimated based on reconciling these indications of value considering the weight of the market information available for evaluation and analysis in these approaches to value.

Statistical and Capitalization Analysis

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

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

The appraisers review every commercial property type annually through the sales ratio analysis process. The first phase involves ratio studies that compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies affords the appraiser an

excellent means of judging the present level of appraised value and uniformity of the appraised values.

The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal, or whether the level of market value is at an acceptable level.

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of non-recoverable items and replacement reserves), net operating income and capitalization rate and multipliers are continuously reviewed. Income model estimates and conclusions are compared to actual information obtained on individual commercial and industrial income properties during the protest hearings process, as well as with information from published sources and area property managers and owners.

Treatment of Non Homestead Valuation Caps

Beginning in the 2024 Appraisal year, the legislature created valuation "caps" for property that the market appraised value is $5 million or less. Though market value will continue to be determined by the appraisal district, the assessed value for tax purposes will be "capped" at an annual 20% increase, plus the value of any new improvements. Just as with the residence homestead caps, a property that sells the cap the automatically expires as of the next January 1st.

Individual Value Review Procedures

Field Review

The date of last inspection, extent of that inspection, and the Fannin Central Appraisal District appraiser responsible are listed in the data base. If a property owner disputes the District's records concerning this data in a protest hearing, the date may be changed based on the credibility of the evidence provided. Normally, a new field check is then requested to verify this information for the current year's valuation or for the next year's valuation.

In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is added to a work file for review.

The Appraisers become somewhat limited in the time available to field review all commercial properties of a specific use type. However, a major effort is made by appraisers to field review as many properties as possible or economic areas experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. Field review of real property accounts can be accomplished while business personal property is reviewed and inspected in the field.

Additionally, the appraisers frequently field review subjective data items such as building class, quality of construction (known as cost modifiers), condition, and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. In some cases, field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. With preliminary estimates of value in these targeted areas, the appraisers test computer assisted values against their own appraisal judgment. While in the field, the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties subject to field inspections and are performed in compliance with the guidelines required by the existing classification system. Office reviews are typically limited by the available market data presented for final value analysis.

These reviews summarize the pertinent data of each property as well as comparing the previous value to the proposed value conclusions of the various approaches to value.

These evaluations and reviews show proposed value changes, income model attributes or overrides, economic factor (cost overrides) and special factors affecting the property valuation such as new construction status, and up to the three previous years of sales history.

The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions.

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

Performance Tests

Sales Ratio Studies

Sales ratio studies are an integral part of estimating equitable and accurate market values, and ultimately property assessments for these taxing jurisdictions.

The primary uses of sale ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of property types for reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and, to calibrate models used to estimate appraised values during valuation or reappraisal cycles. However, these studies cannot be used to judge the accuracy of an individual property appraised value. The Fannin County Appraisal

Review Board may make individual value adjustments based on unequal appraisal (ratio) protest evidence submitted on a case-by-case basis during the hearing process.

Comparative Appraisal Analysis

The commercial appraiser performs an average unit value comparison in addition to a traditional ratio study. These studies are performed on commercially classed properties by property use type (such as apartment, office, retail and warehouse usage or special use).

The objective to this evaluation is to determine appraisal performance of sold and unsold properties. The appraiser will average unit prices of sales and average unit appraised values of the same parcels and the comparison of average value changes of sold and unsold properties.

These studies are conducted on substrata such as building class and on properties located within various economic areas. In this way, overall appraisal performance is evaluated geographically, by specific property type to discern whether sold parcels have been selectively appraised. When sold parcels and unsold parcels are appraised equally, the average unit values are similar. These sales and equity studies are performed in conjunction with the preparation and mailing of the Notices of Appraised Value annually.

Business Personal Property Valuation Process

Plan: Continue the annual reappraisal of all properties within this class annually; make maximum effort to fine & penalize property owners for "failure to render" to the maximum effort allowed by law. Business owners are required by law to render, timely, their individual report of value.

Appraisal Responsibility

There are four different property types that can be appraised by the district's personal property section: Business Personal Property accounts; leased assets; vehicles and aircraft; and multi-location assets.

Data - A common set of data characteristics for each personal property account in Fannin CAD is collected in the field and data entered upon return to the office. The property characteristic data drives the computer-assisted personal property appraisal. The personal property appraiser collects the field data and maintains electronic property files making updates and changes gathered from field inspections, newspapers, property renditions, sales tax permit listing and interviews with property owners.

Valuation Approach

SIC Code Analysis

Business personal property is classified and may use Standard Industrial Classification (SIC) codes that were developed by the federal government to describe property. These classifications are used by the District and the State Comptroller's Property Tax Assistance Division to classify personal property by business type.

SIC code identification and delineation is the cornerstone of the personal property valuation system at the district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. SIC codes are delineated based on observable aspects of homogeneity and business use.

Highest and Best Use Analysis

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

Data Collection/Validation

Data Collection Procedures

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

Sources of Data

Business Personal Property

The district's property characteristic data was collected through a massive field data collection effort coordinated by the district over the recent past and from property owner renditions. From year to year, reevaluation activities permit district appraisers to collect new data via an annual field inspection. This project results in the discovery of new businesses, changes in ownership, relocation of businesses, and closures of businesses not revealed through other sources. Tax assessors, city and local newspapers, and the public often provide the district information regarding new personal property and other useful facts related to property valuation. Collecting information from the Courthouse "assumed Names" or Doing Business As" records is a beneficial tool.

Vehicles

Outside publications and sources provide Fannin CAD with a listing of vehicles within the jurisdiction. Vendors develop these listings from the Texas Department of Transportation (TxDOT) Title and Registration Division records. Other sources of data include property owner renditions and field inspections.

Leased and Multi-Location Assets

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

Valuation and Statistical Analysis (Model Calibration)

Cost Schedules

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

Statistical Analysis

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

Depreciation Schedule and Trending Factors:

Business Personal Property

The District's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from CAD developed valuation models. The trending factors used by the CAD to develop RCN are based on published valuation guides. The percent good depreciation factors used by Fannin CAD are also based on published valuation guides. The index factors and percent

good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

PVF = INDEX FACTOR x PERCENT GOOD FACTOR

The PVF is used as an "express" calculation in the cost approach. The PVF is applied to reported historical cost as follows:

MARKET VALUE ESTIMATE = PVF x HISTORICAL COST

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

Vehicles

Value estimates for vehicles are provided by outside vendor information and are based on published book/loan values, and there are also considerations available for high mileage. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

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

Individual Value Review Procedures

Office Review

Business Personal Property

A district valuation computer program exists in a mainframe environment that identifies accounts in need of review based on a variety of conditions. Property owner renditions, accounts with field or other data changes, accounts with prior hearings, new accounts, and SIC cost table changes are all considered.

Performance Tests

Ratio Studies

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

Minerals (Oil & Gas Reserves) Property Valuation Process

PLAN: Currently no mineral accounts exist in Fannin County. However, should that change reappraisal activities are performed by Thomas Y. Pickett & Associates.

Utility Property Valuation Process

Plan: Continue to conduct annual reappraisal of all properties within this class.

Appraisal Responsibility

Utility properties are the tangible assets of various businesses including electric production, transmission, and distribution companies, railroads, petroleum product gathering and delivery pipelines, telephone and communication providers and others. The valuation of these properties is considered complex due to the involvement of both tangible and intangible property elements that comprise these businesses and due to the size of some of the utilities that are regional and national companies. Appraising these properties is complex when considering the valuation of the property as a unit in place, evaluating the property using the approaches to value at the company level.

Appraisal Resources

These services are outsourced to Thomas Y. Picket and Associates, a nationally known appraisal firm specializing in this type of property appraisal. Due to the constantly changing inventory and production values, these properties are appraised annually.

Data - A common set of characteristics for each utility property account in Fannin CAD is collected from the various government regulatory agency records, field inspections, and property owner renditions. This data is entered to the district's computer. Individual company financial information is gathered through industry specific governmental filings such as Federal Energy Regulatory Commission Reports, Securities and Exchange Commission 10-k filings, and Public Utility Commission publications. Other company information is gathered from annual reports, internal appraisals, and other in-house and industry publications. Property owner renditions are requested to document and list property owned and located in our particular jurisdictions (railroad track mileage, number of meters, pipeline size and mileage, substation and transmission capacity, etc.). The property characteristic data drives the computer-assisted appraisal of the property.

The appraisal of utility property utilizes three-approach analysis for form an opinion of value for the property. Financial and capital market information is pertinent to understanding factors affecting valuation of complex property. Gathering financial data to attempt to understand investor and corporate attitudes for capital return expectations giving considering return components such as current interest rates, capital debt structure, bond market rates, and capital supply and demand trends. These financial factors result in overall return rates and capital structure for these companies and affects capitalization rates. The weighted average cost of capital is the most commonly used method of estimating capitalization rates for utility properties. Capitalization rates are estimated using capital return expectations from various publications: Ibbotson's SBBI Valuation Edition, Wall Street Journal, and numerous Investment Survey Ratings and Reports. Industry specific information is also gathered from web sites, publications, periodicals, and reference manuals. Fannin CAD utilizes the weighted average cost of capital to estimate the capitalization rate for utility appraisal under the income approach provided by Thomas Y. Picket and Associates.

Valuation and Statistical Analysis (Model Calibration)

Approaches to Valuation, Reconciliation

Valuation of tangible assets for utility companies relies primarily on indications of value based on the cost and income approaches to value under the unit value approach. This methodology involves developing and estimating market value considering the entirety of the company's tangible assets and resolving an allocated value for that portion of specific tangible assets located in particular tax jurisdictions. The valuation opinion is based on three approach analysis utilized for the indicated unit appraisal of all company tangible assets, then an estimated allocation of unit value for only assets located in the district and particular jurisdictions.

The Property Tax Assistance Division of the State Comptroller of Public Accounts office recommends and has approved this method as the accepted standard within the industry and appraisal community.

Value Review Procedures

Review of the valuation of utility property is based on verifying economic and financial factors utilized in the methodology as relevant to current capital markets and that these factors reflect current return expectations. Market sales of utility properties do occur and are a good source for comparison and review when the price of the tangible assets can be abstracted or allocated from the selling price. Typically, the sale of utility companies involves significant intangible property assets such as customer base, goodwill, favorable contracts, name recognition, etc. and the contributory value and allocation of these assets is subjective and unknown.

"In Texas, intangible property assets are exempt from taxation and must not be included on the appraisal roll as taxable property."

Therefore, because of the lack of specific market information on sales of utility properties, appraised value is regularly compared to the valuation of similar property within the same set of property characteristics, business type and size. More of comparison for equity concerns on valuation rather than the full recognition of a market level certainty about appraisal level. Of course, the estimated value is based on recognized methodology for considering the valuation of these tangible assets, but true market confirmation of these factors may not be possible due to minimal market knowledge and experience.

Ratio studies are also a method of review for relevance of appraisal valuation to market value. Again, in the absence of full disclosure of prices paid and without the abstraction of prices paid for the tangible asset components from recent utility property acquisitions or sales, market-based analysis and review is not possible. Ratio studies for utility property must rely on a comparison of one appraisal opinion as the basis for the reasonable property valuation with the district's appraised value to determine the ratio for level and uniformity of appraisal. The Property Tax Division conducts the annual ratio study of selected utility properties to gauge the appraisal district's performance. The PTD utilizes the same valuation methodology to estimate appraisal valuations of utility properties and the results, when compared to the appraisal valuation estimated by Fannin CAD for these properties yield ratios. This ratio study of certain utility properties indicates the level and uniformity of appraisal for this category of property.

Agricultural Property Appraisal and Valuation Process

Appraisal Process and Responsibility

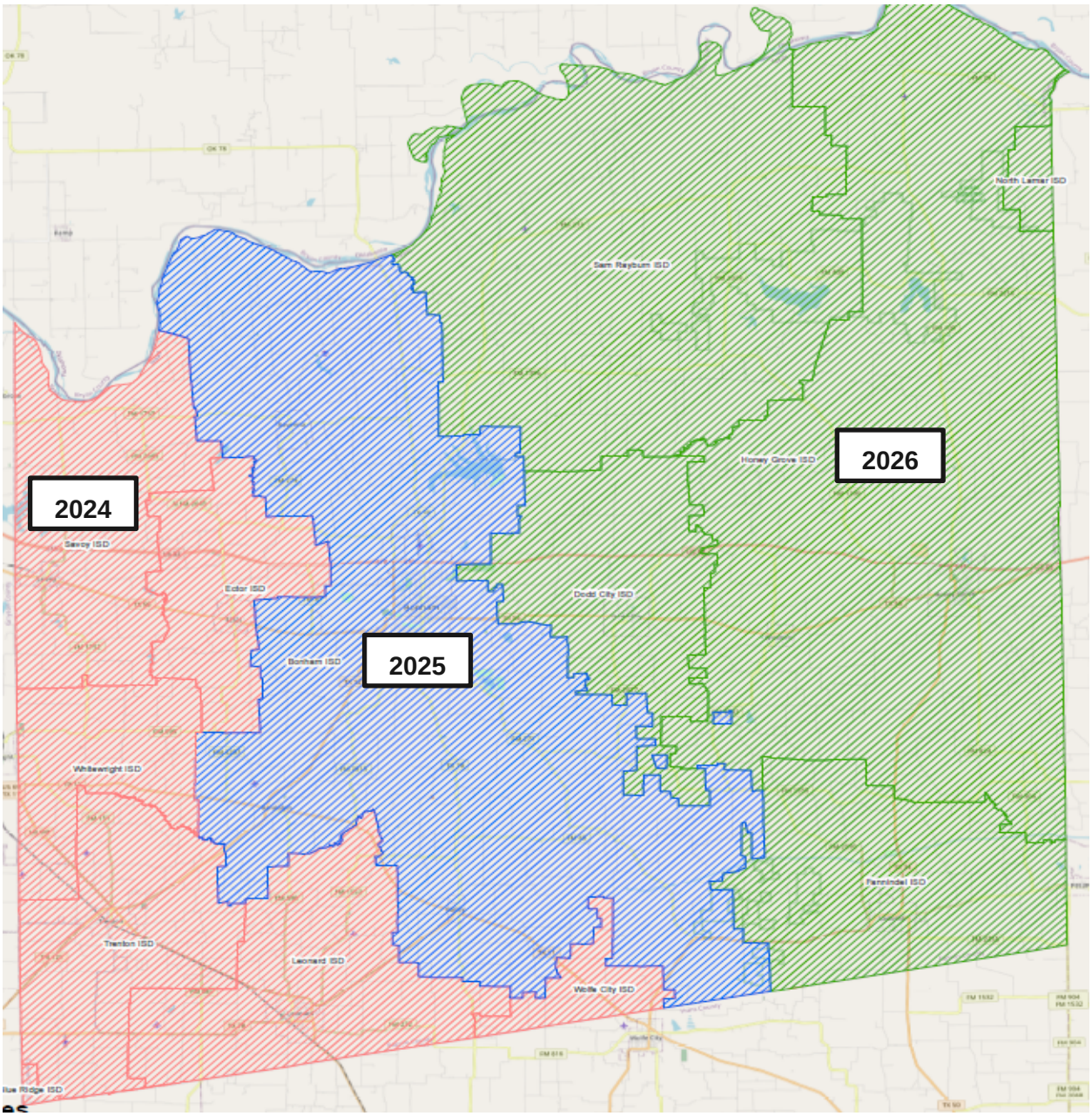
Land devoted to an agricultural use may be appraised based on the “Productivity Value” as opposed to the “Market Value” as in other land. This can create substantial property tax savings for the property owner. The agricultural productivity value loss for Fannin County equals roughly one third of the entire tax base. Over 70% of the land mass is receiving 1-d-1 Open Space Appraisal as outlined in Section 1-d-1 of the Texas Constitution.

Agricultural Appraisal only applies to land qualified for this appraisal process, and only in an agricultural use typical of the area, and to the degree of intensity specified. In short, having peach tree in your yard does not constitute productivity appraisal as an orchard.

Property owners desiring to use this method of appraisal must apply for Open Space 1-d-1 Agricultural Special Appraisal. This process occurs specifically between January 1 and April 30 of the property tax year. After APPROVAL of the Appraisal Records by the Appraisal Review Board, no 1-d-1 applications may be processed by the CAD that year. Again, this is an APPRAISAL PROCESS and NOT an EXEMPTION as most property owners believe it to be. Because the Fannin County Agricultural Policy and Guidelines are updated each year, individuals are encouraged to view the most recent document online at www.fannincad.org or at the District’s office.

Productivity Values for appraisal are computed as outlined in the State Comptroller publication “The Manual for Appraisal of Agricultural Lands.” Typical Land Classes in Fannin County include Native Pasture, Improved Pasture, Hay Production, Dry Crop, Irrigated Dry Crop, Orchards and Tree and Sod Farms. These classes and value computations for each land class are determined annually by the Chief Appraiser with assistance from the County Agricultural Advisory Board. This board of agricultural professionals includes the County Extension Agent, Local farmers and the Farm Service or USDA representatives. The yield reports, lease rates, and production rates establish a net operating income and it is then broken down into Direct Costs, Indirect Costs, and Owner Costs which establish a productive value per acre per crop. A detailed Agricultural Valuation Example and Process is published each year and may be viewed at the District’s website at www.fannincad.org.

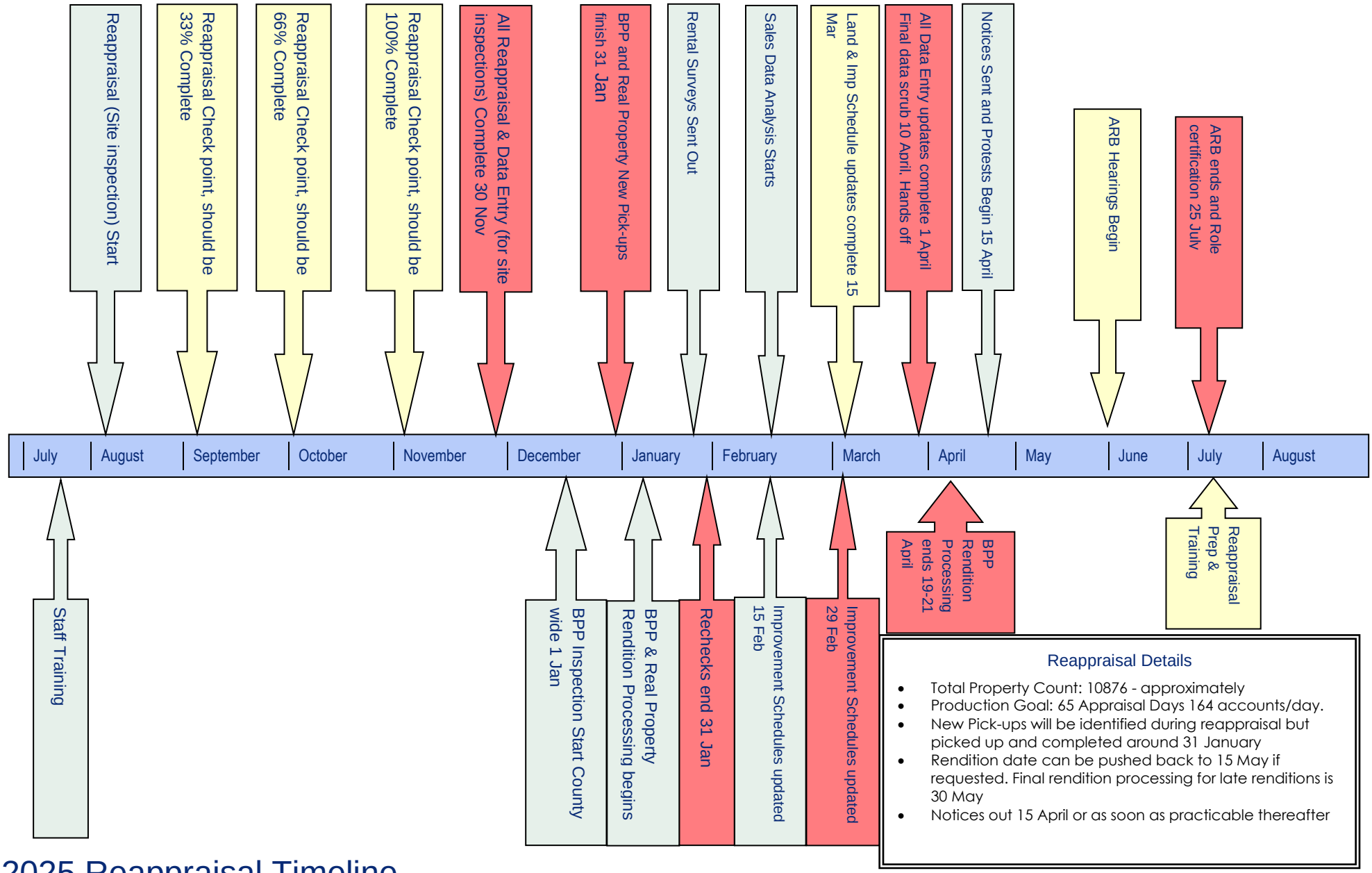
Reappraisal Area Maps



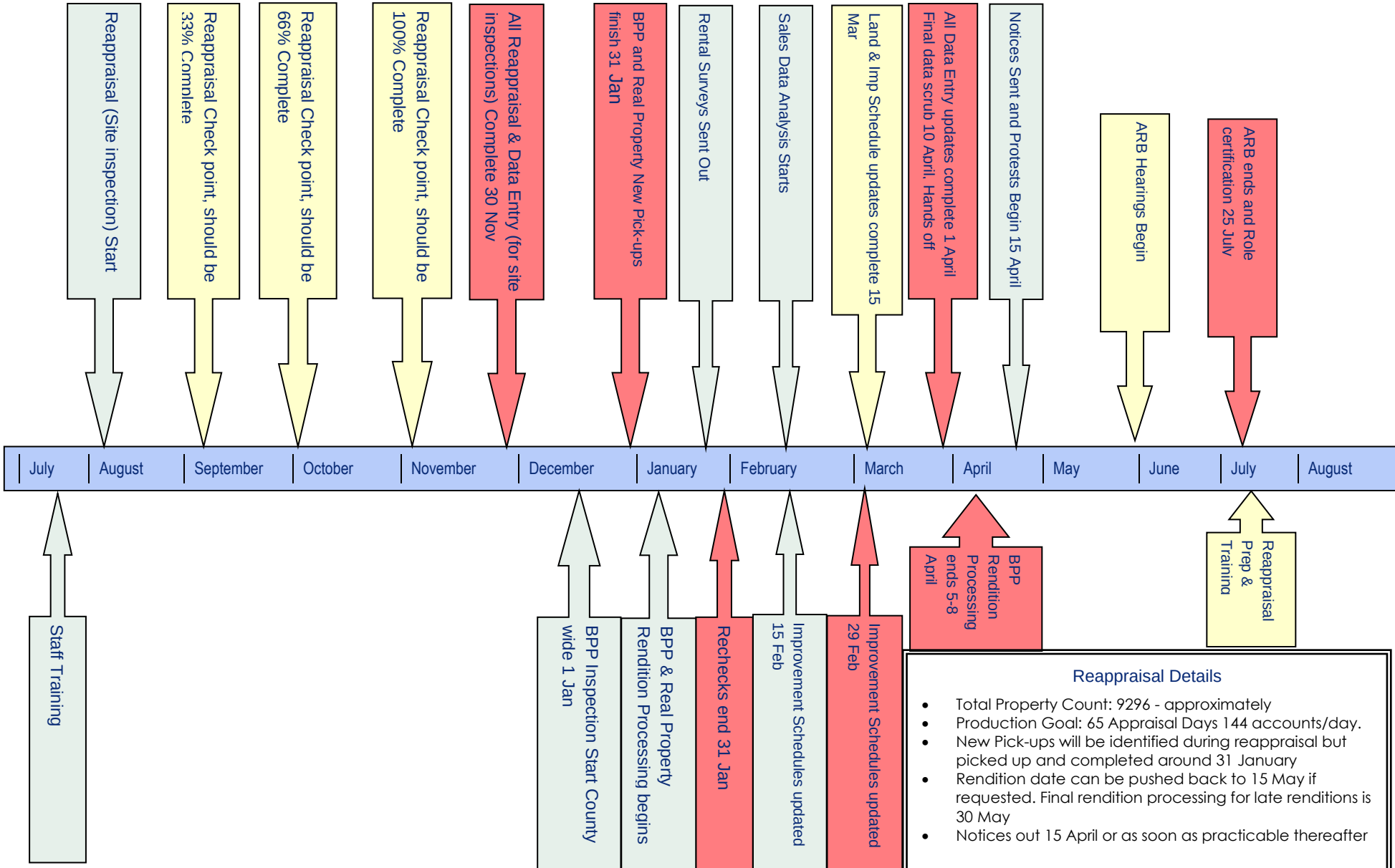
2024 Reappraisal Area-- Savoy ISD, Ector ISD, Whitewright ISD, Trenton ISD, Leonard ISD, Wolfe City ISD

2025 Reappraisal Area-- Bonham ISD

2026 Reappraisal Area-- Sam Rayburn ISD, Honey Grove ISD, Fannindel ISD, Dodd City ISD)



2025 Reappraisal Timeline



2026 Reappraisal Timeline

School District Wide Production

ISD-YR	ACCOUNTS	COMMERCIAL	URBAN RES	RURAL RES/LD	VACANT LOT	BPP	EXEMPT
		B-F-J	A-M	D-E	C	L	X
2025							
SBO	**11,776**	778	4989	3295	1030	784	900
2026							
SFD	**1,664**	60	392	558	233	38	383
SHI	**4,753**	208	1248	2169	471	166	491
SDI	**1,438**	48	395	576	184	78	157
SNL	**14**	3	0	5	0	0	6
SSR	**2,624**	33	726	1575	56	74	160
	10,493						
2027							
SBR	**79**	3	33	36	1	1	5
SEI	**1,163**	53	454	451	52	42	111
SLI	**2,773**	159	1175	912	129	210	188
SSI	**1,819**	113	674	769	59	101	103
STI	**3,089**	142	1332	911	404	170	130
SWH	**581**	29	117	384	8	21	22
SWO	**132**	10	7	107	0	2	6
	9,636						
TOTALS	**31,950**	**1639**	**11542**	**11748**	**2627**	**1687**	**2662**

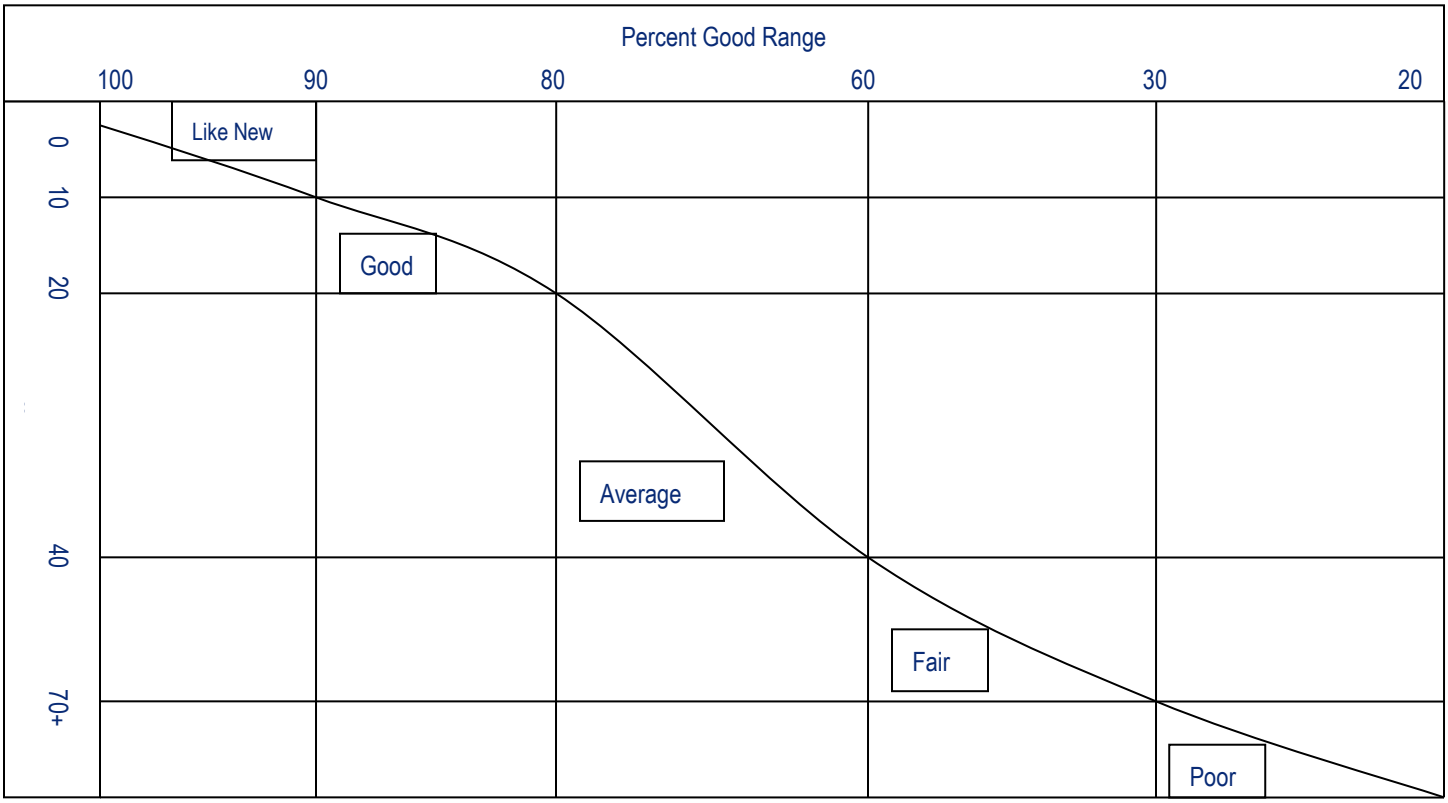
City/Urban Production

CITY-YR	ACCOUNTS	COMM	URBAN RES	RURAL RES/LD	VACANT LOT	BPP	EXEMPT
		B-F-J	A-M	D-E	C	L	X
2025							
CBA	169	9	106	12	20	4	18
CBC	5171	597	2736	119	758	510	451
CRV	211	5	100	52	22	6	26
	5,551						
2026							
CHG	1,348	145	706	53	221	92	131
CLA	669	38	312	48	191	22	58
CDC	325	18	176	41	36	11	43
CPG	19	3	5	11			
CWC	208	18	120	19	18	5	28
	2,569						
2027							
CEC	456	21	294	47	22	14	58
CLE	1,273	115	750	52	95	121	140
CSA	477	47	309	20	30	22	49
CTR	795	79	331	34	198	73	80
CWW	4		1				3
	3,005						
TOTALS	**11,125**	**1095**	**5946**	**508**	**1611**	**880**	**1085**

Condition Chart

Condition Code	Condition Description	Effective Age	Percent Good Range (Class Dependent)	Effective Year Built
1	Like New: Generally reserved for structures between 1-10 yrs old.	0-10	100-90	Use Yr built
2	Good: Generally, newer (in terms of economic life) structures in this condition are entering a stage where minor maintenance is needed (resealing around windows/doors, trim might need a fresh coat of paint, carpet needs attention, electrical and plumbing fixtures might be worn and need of replacement, etc.)	11-20	90-80	Current yr minus 11 through 20 (2009-16 = 1993)
3	Average: Generally, structures that are now considered older but well maintained. The cumulative effect of some functional obsolescence and perhaps minor physical issues impacts the marketability of the structure. Upon site inspection, the structure would be perceived as average for its age where you would expect to see what you see.	21-40	79-60	Current yr minus 21 through-40 (2009 – 28= 1981)
4	Fair: Generally, structures are older and suffer from the effects of deferred maintenance but are still capable of being renovated. (roof sags, siding is separating, windows not square, possible shifting in the foundation, unleveled areas etc.)	41-70	59-30	Current yr minus 41 through-70 (2009 – 60 = 1949)
5	Poor: Generally, structures are old and/or worn out and not capable of renovation and considered to be uninhabitable or unsafe. The structure suffers from neglect and has been allowed to deteriorate.	71 and beyond	29-20*	Current yr minus 71 through-100 (2009 – 79 = 1930)

* Automated base depreciation bottoms out at 20% good per Marshall and Swift. Salvage value can be considered if the structure is so deteriorated that a bulldozer is the only option in correcting the deficiencies.



Use of this Chart:

1. Upon site visit, determine the condition of the structure based on the descriptions mentioned above.
2. Assign the appropriate condition code that correlates to the description
3. Using the Percent Good Range column, determine the Percent good from the range given
4. Determine what Effective age to use that corresponds with the Percent Good you assign and calculate the effective year using the examples in the Effective Year Built Column

Note: This is a guide for all classes of construction. Remember that each class has its own lifespan and therefore will depreciate at either an accelerated or decelerated rate. (For example, A Low-Quality Home has a 45 yr. lifespan and depreciates more quickly than a Good quality home on a 55 or 60 yr life span). Therefore, you may need to adjust the effective age you use to arrive at the correct Percent Good you are attempting to reflect.

LIMITING CONDITIONS

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

1. **The appraisals were prepared exclusively for ad valorem tax purposes.**
2. **The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised were performed under circumstances as staff resources and time allowed. Interior inspections of property appraised were performed only at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.**
3. **Validation of sales transactions was attempted through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.**
4. **Jurisdictional Exceptions as authorized by USPAP and directed by Texas Property Tax Code have been applied to affected properties and typically result in a reduced value from what is indicated by highest and best use analysis.**

Certification Statement:

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

_____

Tylene Gamble, RPA, RTA, CCA, CTA
Chief Appraiser
Fannin Central Appraisal District