

**MATAGORDA COUNTY APPRAISAL DISTRICT**  
**RESOLUTION**  
**ADOPTING BIENNIAL REAPPRAISAL PLAN**  
**FOR YEARS 2025 - 2026**

WHEREAS, the Matagorda County Appraisal District is a political subdivision of the State of Texas and;

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

WHEREAS, the Board of Directors of the Matagorda County Appraisal District met on Tuesday, August 13, 2024, at 12 Noon to review and discuss the 2025/2026 Biennial Reappraisal Plan.

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Matagorda County Appraisal District does hereby approve the adoption of the 2025/2026 Biennial Reappraisal Plan.

  
Stephen Zapalac, Chairman

  
Tony Kučera, Secretary

PASSED AND APPROVED THIS TUESDAY, AUGUST 13, 2024

**MATAGORDA COUNTY APPRAISAL DISTRICT**  
**BIENNIAL REAPPRAISAL PLAN**  
**FOR YEARS 2025 & 2026**

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## Introduction

Matagorda County Appraisal District has developed this reappraisal report to outline the duties and responsibilities of the district. The intent of this plan is to convey to the staff, Board of Directors, taxing jurisdictions and the public which areas of the county we shall conduct our periodic reappraisal duties and the methods that we will employ to accomplish this task.

### About Us

The appraisal districts are political subdivisions of the State of Texas. The governing body is the Board of Directors, who are elected by the local taxing jurisdictions to oversee the district. The Chief Appraiser is appointed by the Board of Directors to oversee the day-to-day operation of the district. The duties of the Chief Appraiser and the staff are to value all taxable property in the county and administer all exemptions. The resulting values are given to each jurisdiction. A tax rate is applied to derive a tax. This is how taxing jurisdictions fund their districts.

## Executive Summary

### Tax Code Requirement

Passage of S.B. 1652 amended the Tax Code to require a written biennial reappraisal plan. The following details the changes to the Tax Code:

#### The Written Plan

Section 6.05, Tax Code, is amended by adding Subsection (i) to read as follows:

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

## Plan for Periodic Reappraisal

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

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the Board of Directors under Section 6.5(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 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;
  - (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.

## Revaluation Decision or Reappraisal Cycle

The Matagorda County Appraisal District by policy adopted by the district's Board of Directors reappraises all property in the district every three years. The reappraisal year is a complete appraisal of all properties in the district. Tax year 2025 is a reappraisal year for Region 1, and tax year 2026 is a reappraisal year for Region 2. (Region Reference pg. 7)

### Reappraisal and Non-Reappraisal Year Activities

- 1. Performance Analysis – the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within

property reporting categories. Ratio studies are conducted in compliance with the current Standard on Ratio Studies of the International Association of Assessing Officers.

2. Analysis of Available Resources – staffing and budget requirements for tax year 2025 are detailed in the 2024 budget, as adopted by the Board of Directors and attached to the written biennial plan by reference. Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. True Automation support is detailed with year-specific functions identified and system upgrades scheduled as recommended. Existing maps and data requirements are specified and updates scheduled.
3. Planning and Organization – a calendar of key events with critical completion dates is prepared for each major work area. This calendar identifies all key events for appraisal. A calendar is prepared for tax years 2025 and 2026. The production standards for field activities are calculated and incorporated in the planning and scheduling process.
4. Mass Appraisal System – Computer Assisted Mass Appraisal (CAMA) system revisions required are specified and scheduled with True Automation. All computer forms and True Automation procedures are reviewed and revised as required.
5. Data Collection Requirements – field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas, re-inspection of the universe of properties on a specific three year cycle, and field or office verification of sales data and property characteristics.
6. Pilot study by tax year – new and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area are conducted on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability in randomly selected market areas.
7. Valuation by tax year – using market analysis of comparable sales and locally tested cost data, valuation models are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers and the Uniform Standards of Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies.
8. The Mass Appraisal Report – each tax year the tax code required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar. The Mass Appraisal Report is completed in compliance with STANDARD RULE 6-8 of the Uniform Standards of Professional Appraisal Practice. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6-9 of USPAP. This written reappraisal plan is attached to the report.
9. Value defense – evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings is specified and tested.

## **Revaluation Decision**

The Matagorda County Appraisal District by policy adopted by the Board of Directors reappraises all property in a region every three years. The reappraisal year is a complete appraisal of all properties in the region. The non-

reappraisal years are used to pick up new construction, adjust for changes in property characteristics that affect value and adjust previous year value equalization.

Tax Year 2025 - Tax year 2025 is a reappraisal year for Region 1

Tax Year 2026 - Tax year 2026 is a reappraisal year for Region 2

### **Performance Analysis**

In each tax year 2025 and 2026, the previous tax year's equalized values are analyzed with ratio studies to determine appraisal accuracy and appraisal uniformity overall and by market area within state property reporting categories. Ratio studies are conducted in compliance with the current Standard on Ratio Studies from the International Association of Assessing Officers. Mean, median, and weighted mean ratios are calculated for properties in each reporting category to measure the level of appraisal (appraisal accuracy). The mean ratio is calculated in each market area to indicate the level of appraisal (appraisal accuracy) by property reporting category. In 2023, the reappraisal year for Region 2, the analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance for 2024. The 2024 final data will become the basis for the 2025 reappraisal of Region 1.

### **Analysis of Available Resources**

Staffing and budget requirements for tax year are detailed in the 2025 appraisal district budget, as adopted by the Board of Directors and attached to the written biennial plan by reference. This reappraisal plan is adjusted to reflect the available staffing in tax year 2024 and the anticipated staffing for tax year 2025. Staffing will impact the cycle of real property re-inspection and personal property on-site review that can be accomplished in the 2025-2026 time period.

Existing appraisal practices, which are continued from year to year, are identified, and methods utilized to keep these practices current are specified. In the reappraisal year, real property appraisal depreciation tables and new cost tables are tested against verified sales data to ensure they represent current market data. The cap rate study by commercial real property type is updated from current market data and market rents are reviewed and updated from local published data. Personal property density schedules are tested and analyzed based on rendition and prior year hearing documentation.

True Automation support is detailed within their PACS/CAMA program with year-specific functions identified and system upgrades scheduled. Computer-generated forms are reviewed for revisions based on year and reappraisal status. Legislative changes are scheduled for completion and testing. Existing maps and data requirements are specified and updates scheduled.

### **Staff Education & Training**

All personnel that are performing appraisal work are required to be registered with the Texas Department of Licensing and Regulation. Appraisers are required to achieve the status of Registered Professional Appraiser within five years of employment. Appraisers must receive additional training through continuing education to maintain their certification.

## Planning & Organization

Matagorda County Appraisal District has established the following reappraisal plan to provide for the reappraisal of all real property within the district at least once every three years.

1. Three Year Cycle – MCAD is divided into three major geographic regions. Each year, all real property within one of the three regions will be reappraised, regardless of any ratio study/report finding. The three major regions are identified as follows:

<u>YEAR</u>	<u>REGION</u>	<u>SCHOOL DISTRICTS</u>
2025	1	Palacios/Tidehaven
2026	2	Boling/Van Vleck
2027	3	Bay City/Matagorda

2. Annual Ratio Reports – In addition to the three-year cycle stated above, sales ratio reports shall be run on all regions, neighborhoods and subdivisions within the CAD but outside of the region undergoing a full reappraisal, in order to identify those areas within the CAD which need to be reappraised during the current year based on sales ratios. Those areas or subdivisions whose ratios are above or below statutory requirements shall be reappraised in the current year regardless of the region in which they are located.

This approach will ensure not only that all residential real property within the MCAD is reappraised at least once every three years, but also that all other areas within MCAD are reviewed annually so that the appraisal district stays current with respect to market value in those areas where residential property values appear to be changing rapidly.

A calendar of key events with critical completion dates is prepared for each major work area. This calendar identifies all key events for appraisal and clerical functions. A separate calendar is prepared for tax year 2025 and 2026. The production standards for field activities are calculated and incorporated in the planning and scheduling process.

## 2025 Calendar of Key Events

### REGION 1 Reappraisals of Palacios ISD and Tidehaven ISD

Event	Beginning Date	Ending Date
Start of Region 1 Reappraisal Palacios ISD & Tidehaven ISD	07/2024	
Run ratio study, analyze for areas of concern, discuss with staff, create 2025 work file.	08/2024	10/2024



Last day for property owners to apply for September 1 inventory appraisal for 2025	07/31/2024	
Send EARS & sales tape to State	08/01/2024	08/03/2024
Route and begin measuring Region 1 properties assigned for reappraisal year.	08/2024	02/2025
Region 2 & 3 field checks and data entry work.	08/2024	10/2024
Region 1 Reappraisal Palacios ISD & Tidehaven ISD	09/2024	04/2025
Last day to approve Biennial Reappraisal Plan	09/15/2024	
Execute tasks for homestead monitoring program for Region 1, Palacios ISD & Tidehaven ISD per Tax Code	10/2024	12/2024
Personal Property Rendition printed/mailed	12/2024	12/2024
Statutory appraisal date for most categories of taxable properties	01/01/2025	
Run ratio study, analyze for areas of concern, discuss with staff.	01/2025	02/2025
Process exemptions and special use applications.	01/2025	To Applicable Deadlines
Process Business Personal Property Renditions	01/2025	04/30/2025
Sales tape to State Comptroller	02/01/2025	02/01/2025
Region 2 & 3 and Reappraisal Region 1 field checks, rechecks and data entry.	02/2025	04/2025
Full valuation effort – model specification/calibration included, followed by report to supervisors on efforts.  Valuation Review/Test/Error Report clean-up – Run Sales Ratio Reports to verify and adjust schedules, models as necessary to reach market value appraisals.	02/2025	04/2025
Finalize with supervisory approval all valuation efforts.	03/2025	04/2025
Send appraisal notices to residential homesteads & e-files.	03/2025	04/2025
Informal Review Process	04/2025	05/2025
Deadline to file 2025 Business Personal Property Renditions and/or General Real Estate Rendition, unless extension is granted.	04/15/2025	
Send appraisal notices to non-residential properties.	04/2025	04/2025

Chief Appraiser prepares Mass Appraisal Report.	05/15/2025	
Preliminary estimates for taxing units prepared.	04/30/2025	
Turn over 2025 Appraisal Records to ARB.	05/2025	05/2025
Formal hearings process	05/2025	07/2025
Deadline to file protests with the ARB for most properties	05/2025	05/2025
Penalty letters for Business Personal Property are sent.	04/2025	6/2025
Chief Appraiser certifies 2025 Appraisal Roll.	07/20/2025	
Certified totals are provided to taxing entities.	07/25/2025	
Finalize and close 2025 work file.	07/25/2025	

## 2026 Calendar of Key Events

### REGION 2 Reappraisals Boling ISD and Van Vleck ISD

Event	Beginning Date	Ending Date
Start of Region 2 Reappraisal for Boling ISD & Van Vleck ISD	07/2025	
Run ratio study, analyze for areas of concern, discuss with staff, create 2026 work file.	08/2025	10/2025
Last day for property owners to apply for September 1 inventory appraisal for 2026	07/31/2025	
Send EARS & sales tape to State.	08/01/2025	
Route and begin measuring Region 2 properties assigned for reappraisal year.	08/2025	02/2026
Region 1 & 3 field rechecks and data entry work.	08/2025	10/2025
Execute tasks for homestead exemption monitoring program for Region 2, Boling ISD & Van Vleck ISD per Tax Code	08/2025	12/2025
Region 2 Reappraisal Boling ISD & Van Vleck ISD	09/2025	04/2026
Personal Property Rendition printed/mailed	12/2025	12/2025
Statutory appraisal date for most categories of taxable properties.	01/01/2026	

Run ratio study, analyze for areas of concern, discuss with staff.	01/2026	02/2026
Process exemptions and special use applications.	01/2026	To Applicable Deadlines
Process Business Personal Property Renditions	01/2026	04/30/2026
Sales tape to State Comptroller	02/01/2026	02/01/2026
Region 1 & 3 and Reappraisal Region 2 field checks, rechecks and data entry.	02/2026	04/2026
Full valuation effort – model specification/calibration included, followed by report to supervisors on efforts.  Valuation Review/Test/Error Report clean-up – Run Sales Ratio Reports to verify and adjust schedules, models as necessary to reach market value appraisals.	02/2026	04/2026
Finalize with supervisory approval all valuation efforts.	03/2026	04/2026
Send appraisal notices to residential homesteads & e-files.	03/2026	04/2026
Informal Review Process	04/2026	05/2026
Deadline to file 2026 Business Personal Property Renditions and/or General Real Estate Rendition, unless extension is granted.	04/15/2026	
Send appraisal notices to non-residential properties.	04/2026	04/2026
Chief Appraiser prepares Mass Appraisal Report.	05/15/2026	
Preliminary estimates for taxing units prepared	04/30/2026	
Turn over 2026 Appraisal Records to ARB.	05/2026	05/2026
Formal hearings process	05/2026	07/2026
Deadline to file protests with the ARB for most properties	05/2026	05/2026
Send penalty letters for Business Personal Property.	04/2026	06/2026
Chief Appraiser certifies 2026 Appraisal Roll.	07/20/2026	
Certified totals are provided to taxing entities.	07/25/2026	
Finalize and close 2026 work file.	07/25/2026	

## **Mass Appraisal System**

Computer Assisted Mass Appraisal (CAMA) system revisions are specified and scheduled with True Automation. All computer forms and True Automation procedures are reviewed and revised as required. The following details these procedures as it relates to the 2025 and 2026 tax years:

### **Real Property Valuation**

Revisions to cost models, income models and market models are specified, updated and tested each year.

Cost schedules are tested with market data (sales) to ensure the appraisal district is in compliance with Texas Property Tax Code Section 23.011. New replacement cost tables as well as depreciation tables are tested for accuracy and uniformity using ratio study tools and compared with cost data from recognized industry leaders, such as Marshall and Swift.

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

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

### **Personal Property Valuation**

Density schedules are updated using data received during the previous tax year from renditions and hearing documentation. Valuation procedures are reviewed and modified as needed and tested against the Comptroller's schedules.

### **Notice Process**

25.19-appraisal notice forms are reviewed and edited for updates and changes are signed off on by appraisal district management. Updates include the latest copy of Comptroller's Taxpayers Rights, Remedies and Responsibilities.

### **Hearing Process**

Protest hearing scheduling for informal and formal Appraisal Review Board hearings is reviewed and updated as required. Standards of documentation are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process. Production of documentation is tested and compliance with HB 201 is ensured.

### **Periodic Reappraisals**

In accordance with the Texas Property Tax Code Section 25.18(a) Periodic Reappraisals, the following steps will be implemented in the biennial reappraisal plan:

### **Re-Inspection of the Universe of Properties; Tax Code Section 25.18(b)**

The International Association of Assessing Officers, Standard on Mass Appraisal of Real Property specifies that the universe of properties should be re-inspected on a cycle of 4-6 years. The re-inspection includes the re-measurement of at least two sides of each improved property. The annual re-inspection requirements for tax years 2025 and 2026 are identified by property type and property classification and scheduled on the key events calendar.

### **Identifying/Updating Relevant Property Characteristics; Tax Code Section 25.18(b)(1)(2)**

Field and office procedures are reviewed and revised as required for data collection and verification of value-related and descriptive property characteristics for each property. Activities scheduled for each tax year include new construction, demolition, remodeling, re-inspection of problematic market areas and re-inspection of the universe of properties on a specific three-year cycle. Sales data verification is an annual process.

Identifying new property is the responsibility of the field appraiser. It is important to add new value to the tax roll as well as remove property that has been torn down or gone out of business. Tools at the disposal of the field appraisers are: deed transfers, newspaper articles, County and City Building and Demolition permits, aerial photographs, photos taken in past property inspections, surveys, maps, mobile home movement, Comptroller's Sale Tax Report and property sketches. Field appraisers, during the periodic reappraisal, are to verify at least 2 sides of the outside perimeter for all improvements located on the property and verify any new or deleted characteristic data. All the data collected during this process will be entered into the CAMA system. The field appraiser should refer to the appraisal manual and the work file during this process for instructions or updates regarding steps to follow in the field work process, changes made to property classing/characteristics/neighborhood delineation and workflow schedules.

The field appraiser will verify sales data and property characteristic data contemporaneous with the date of the captured sale. Since Texas does not require full disclosure of the sale price, the field appraiser may obtain sales prices through deeds, voluntarily disclosed closing statements or fee appraisals that are usually submitted as evidence in the prior year protest hearings, buyers'/sellers' mailed questionnaires, actual field inspections or third-party sources, such as, real estate agents and multiple listing services. It is imperative for the field appraiser to capture accurate information regarding sales data as he/she will use this collected data to test values with ratio studies before the values are finalized through the valuation model.

### **Defining Market Areas in the District; Tax Code Section 25.18(b)(3)(4)(A)(B)(6)**

Market areas are defined by the physical, economic, governmental and social forces that influence property values. The effects of these forces are used to identify, classify, and stratify or delineate similarly situated property into smaller, more comparable and manageable subsets for valuation purposes. Delineation can involve the physical drawing of neighborhood boundary lines on a map, or it can also involve statistical separation or stratification based on attribute analysis. These homogeneous properties have been delineated into valuation neighborhoods for residential property or economic class for commercial property, but because there are discernible patterns of growth that characterize a neighborhood or market segment, appraisers will annually evaluate the neighborhood boundaries or market segments to ensure homogeneity or property characteristics. For the purpose of the CAD's three-year re-inspection, regions are defined by school district. In addition, reappraisals are determined by delineated neighborhoods based on concentration of protests and/or sales. Finally re-inspection dates that fall out of the mandated three-year cycle are included in the annual plan.

### **Legal Attributes Affecting Value; Tax Code Section 25.18(4)(C)(D)**

The district will identify and describe elements of recorded conveyances that will affect the use or value of the property, such as easements, covenants, reservations, and declarations. The district will also monitor the enactment of or changes to governmental restrictions affecting property value, such as zoning, health ordinances, special assessments, and other legal restriction. Where leases and other possessory interests are of

a nature and duration that affect value, the affect will be considered in the individual valuation of the property to which they apply.

### **Re-Inspection of Problematic Market Areas; Tax Code Section 25.18(6)**

The coordinator will test the market data a minimum of three times: 1.) At the end of the prior year's certification, 2.) On January 1 and 3.) Prior to sending out appraisal notices. The coordinator will be evaluating low or high protest volumes, low or high sales ratios, and high coefficient of dispersions. Market areas that fail any or all of these tests are determined to be problematic. The field appraiser will then conduct a field review to verify and/or correct property characteristic data. Additional sales data is researched and verified. In the absence of adequate market data, neighborhood delineation may need to be expanded or neighborhoods re-clustered to establish a representation of the overall market area.

### **Reappraisal Year Work File**

The coordinator will be responsible for the current year Reappraisal Work File that is adopted by reference to this reappraisal plan. The Reappraisal Work File is a notebook with current data available to the appraisal staff and used to monitor, update and forecast current market conditions regarding property classifications, characteristics and neighborhood code delineation. All field appraisers should refer and contribute to this work file as needed throughout the appraisal year. The coordinator will report to the Appraisal Manager and Chief Appraiser with recommended changes to be made to property classification, characteristics and neighborhood code delineation.

### **Pilot Study; Tax Code Section 25.18(5)**

New and/or revised mass appraisal models are tested on randomly selected market areas. These modeling tests (sales ratio studies) are conducted each tax year. Actual test results are compared with anticipated results, and those models not performing satisfactorily are refined and retested. The procedures used for model specification and model calibration are in compliance with Uniform Standards of Professional Appraisal Practice, STANDARD RULE 6.

### **Valuation by Tax Year; Tax Code Section 25.18(7)**

Using market analysis of comparable sales and locally tested cost data as well as market area specific income and expense data, valuation models are specified and calibrated in compliance with the supplemental standards from the International Association of Assessing Officers and the Uniform Standards of Professional Appraisal Practice. The calculated values are tested for accuracy and uniformity using ratio studies and comparing them to known sales information. Performance standards are established by IAAO Standard on Ratio Studies. Characteristics that typically affect value such as quality, depreciation, location, size, rental rates, occupancies and cap rates are analyzed through available sales data and ratio studies. Properties located in non-reappraisal year market areas are tested and evaluated during regional reappraisals. Tax year 2025 is a reappraisal year for Region 1. Tax year 2026 is a reappraisal year for Region 2.

The appraisal staff will refer to the Reappraisal Work File regarding information that was gathered, updated or maintained for all property classifications, characteristics and neighborhood codes and delineations. It is the responsibility of the coordinator to see that changes made to property classifications and/or schedules, neighborhood codes or delineations have been approved by the Appraisal Manager and Chief Appraiser and to confirm that the information was accurately input into the CAMA system.

## Residential & Commercial Real Property

Mass Appraisal is the art of appraising a universe of properties while considering their individual characteristics. Valuation is consistent with USPAP STANDARD RULE 6-9.

### Market Value

Market Value means the price at which a property would transfer for cash or its equivalent under prevailing market conditions if (a) exposed for sale in the open market with a reasonable time for the seller to find a purchaser, (b) both the seller and the purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and (c) both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

### Ratio Studies

The appraiser's primary analytical tool used to measure and improve performance is the ratio study. An appraiser conducts a ratio study to judge the two primary aspects of mass appraisal: level of accuracy and uniformity of value. The appraiser can generate a study by building class, by neighborhood, by city and by school district to allow a review of general market trends and to find any indication of market appreciation over a specified period of time. Typically samples of properties are compared to sales of comparable property, and in some instances independent appraisals are used for comparison to the district's appraised values of like properties. The following formula is utilized to compute an individual property ratio:

$$\text{Appraised Value/Market Value} = \text{Ratio}$$

### Three Approaches to Value

In addition to the ratio studies, the appraiser will consider the three approaches to value listed below:

1. Market Data Approach – A method of valuation based on substitution. Similar sold properties are compared to determine the market value of an unsold property.
2. Cost Approach – A method that involves estimating the value of the site and adding to it the cost to replace the improvements today, less all estimated forms of depreciation. Local and national publications are available with cost trends and prices.
3. Income Approach – A method based on the premise that value is the present worth of future benefits to be generated and received from the property. Non-income generating properties do not lend themselves very well to the income approach.

### The Mass Appraisal Report

Each tax year the Tax Code requires a Mass Appraisal Report to be prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 15th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6-8 of the Uniform Standards of Professional Appraisal Practice. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6-9 of USPAP. This written reappraisal plan is attached to the Mass Appraisal Report by reference.

### Value Defense

Evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal Appraisal Review Board hearings is specified and tested to ensure compliance with HB 201.

## Matagorda County Appraisal District Staff

Employee Name	Position	Type of Assistance
Vince Maloney	Chief Appraiser	valuation correlation
Laurie Medina	Office Manager	office management, HR, valuation correlation
Allison Schneider	Appraisal Manager	property data/valuation correlation
Juan Martinez	Appraiser	property field and data correlation
James Adams	Appraiser	property field and data correlation
Felicia Flores	Appraiser	property field and data correlation
Elida Flores	Head Clerk	customer service, data collection/entry, exemption specialist
America Ramos	Clerk	customer service & data collection/entry
Mirna Sanchez	GIS/Mapping & ARB Clerk	GIS/mapping data collection/entry & ARB secretarial duties
Marta Gonzalez	Deeds & ARB Clerk	deeds data collection/entry & ARB secretarial duties

CONTRACTED APPRAISAL FIRM PROVING MINERALS & INDUSTRIAL APPRAISAL:

PRITCHARD & ABBOTT

6950 EMPIRE CENTRAL DR.

HOUSTON, TX 77040-3204



## Matagorda County Appraisal District

### 2025/2026 Reappraisal Plan Workflow

Matagorda County Appraisal District has the following 2025/2026 Reappraisal Plan Workflow. The reappraisal plan is set up to reappraise property within the district at least once every three years by region. Listed below are the regions, year of reappraisal, and areas included in reappraisal for each year.

Region	Year	School District
1	2025	Palacios ISD / Tidehaven ISD
2	2026	Van Vleck ISD / Boling ISD
3	2027	Bay City ISD / Matagorda ISD

## Matagorda County Appraisal District

# 2025 REAPPRAISAL PLAN WORKFLOW

This workflow schedule will be used to meet all the reappraisal activities for all real and personal property located in Region 1 (Palacios ISD & Tidehaven ISD). In addition to the Region 1 reappraisal, the workflow schedule takes into account the work for both real and personal property outside of the region to ensure the district stays current with respect to changing market values. The staff will use this workflow schedule to ensure production timelines are met.

**The start and end dates for this workflow schedule are July 31, 2024, and July 25, 2025, respectively.**

Tasks that are to be carried out each week and every month by both the appraisal and clerical departments are specified below, followed by activity related/events chart by departments.

**Each week**, a Monday morning staff meeting will be held to discuss areas of concern. The staff is encouraged to participate. Production timelines will be verified to ensure target dates are met. The minutes of these weekly meetings will be kept in the work file.

**Every month, the appraisal staff is charged with:**

- gathering deeds to verify and confirm sales information;
- mailing sales verification letters to buyers/sellers;
- inputting sales data received by outside sources and sales letters;
- collecting and inputting county/city building and demolition permits;
- collecting and inputting mechanic liens;
- collecting and inputting TDHCA and TXDOT mobile home movements;
- updating the nationally subscribed cost schedule publications;
- collecting data for new or closing businesses and entering monthly VIT reports;
- identifying and locating missing GIS parcels; and
- performing periodic field checks (supervisor task).

The coordinator will update the work file as monthly tasks are completed.

**Every month, the clerical staff will:**

- assist taxpayers with filing exemptions or special valuation forms and address changes;
- answer taxpayer and public inquiry questions;
- flag/pull and scan verification documents to accounts that will need exemptions pulled/denied due to death or change in address/ownership;
- write up field checks from information received through inquiries;
- update, process and prepare documentation of supplemental property changes required for submittal to the Appraisal Review Board; and
- identify and locate missing GIS parcels.

**Activity related/events chart by departments**  
**REGION 1 Reappraisal of Palacios ISD & Tidehaven ISD for 2025**  
**Estimated Parcel Count: 17,662**

**Appraisal Department:**

July 2024	<ul style="list-style-type: none"> <li>Region 1 coordinator/Appraisal Manager coordinates with appraisers on routing and aerial measurements for Region 1 properties for 2025 Reappraisal.</li> </ul>
July 31, 2024	<ul style="list-style-type: none"> <li>Last day for property owners to apply for September 1 inventory appraisal for 2025</li> </ul>
Aug. 1, 2024	<ul style="list-style-type: none"> <li>Appraisal Manager sends EARS tape &amp; sales tape to State Comptroller office.</li> </ul>
Aug. 2024 to Oct. 2024	<ul style="list-style-type: none"> <li>Region 1 coordinator/Appraisal Manager runs and analyzes ratio study results to identify key areas of concern for the 2025 value review, reviews the prior year ARB protests for high volume areas, creates a 2025 work file, and discusses results with staff.</li> </ul>
Aug. 2024	<ul style="list-style-type: none"> <li>Begin field checks/data entry work in Regions 2 &amp; 3 for both real &amp; personal property.</li> </ul>
Sept. 2024	<ul style="list-style-type: none"> <li>Complete field checks/data entry for Regions 2 &amp; 3.</li> </ul>
Sept. 2024	<ul style="list-style-type: none"> <li>Region 1 coordinator/Appraisal Manager coordinates with appraisers on assigning and distributing appraisal routes for Palacios ISD &amp; Tidehaven ISD reappraisal. Begin measuring, routing, and inspections for Region 1.</li> </ul>
Sept. 15, 2024	<ul style="list-style-type: none"> <li>Last day to approve Biennial Reappraisal Plan for tax years 2025 &amp; 2026.</li> </ul>
Dec. 2024 Jan. 2025	<ul style="list-style-type: none"> <li>County-wide mobile home park discovery – prepare, print and mail mobile home tenant letters, work field checks.</li> </ul>
Dec. 2024 Jan. 2025	<ul style="list-style-type: none"> <li>Begin preparing &amp; printing 2025 Business Personal Property renditions &amp; 2025 VIT special inventory packets.</li> </ul>
Dec. 2024 Jan. 2025	<ul style="list-style-type: none"> <li>Mail 2025 Business Personal Property rendition and 2025 VIT special inventory packets.</li> </ul>
Jan. 2025	<ul style="list-style-type: none"> <li>Region 1 coordinator/Appraisal Manager runs and analyzes ratio study as Jan. 1, 2025, to current and discusses results with staff.</li> <li>Begin receiving, processing and reviewing Business Personal Property Renditions.</li> <li>Begin/complete field discovery/verification of commercial fishing/shrimping vessels.</li> </ul>
Feb. 1, 2025	<ul style="list-style-type: none"> <li>Sales tape sent to Comptroller office</li> </ul>
Feb. 2025	<ul style="list-style-type: none"> <li>Begin reviewing land schedules.</li> <li>Begin reviewing residential/commercial model systems.</li> <li>Begin reviewing residential neighborhood market adjustments.</li> <li>Begin reviewing Business Personal Property schedules.</li> </ul>
Feb. 2025  March 2025	<ul style="list-style-type: none"> <li>Begin re-checks/data input for Region 2 &amp; 3 areas and Reappraisal Region 1 for both real &amp; personal property.</li> <li>Begin working 2025 Business Personal Property Renditions.</li> <li>Complete Region 2 &amp; 3 and Reappraisal Region 1 field checks, re-checks and data entry for both real &amp; personal property.</li> </ul>
March 2025	<ul style="list-style-type: none"> <li>Complete field discovery/verification and measuring for Palacios &amp; Tidehaven ISD reappraisal. Data entry will be complete.</li> <li>Complete mobile home park field checks.</li> </ul>

March 2025	<ul style="list-style-type: none"> <li>• Report suggested changes to land schedules to supervisors.</li> <li>• Report suggested changes to residential/commercial model system adjustments to supervisors.</li> <li>• Report suggested changes to residential neighborhood market adjustments to supervisors.</li> <li>• Report suggested changes to Business Personal Property schedules to supervisors.</li> <li>• Testing/verification of approved model and market adjustments, land schedules and Business Personal Property schedules.</li> <li>• Supervisor approves and finalizes all changes to 2023 Reappraisal, residential/commercial model system adjustments, residential neighborhood market adjustments, land schedules and Business Personal Property schedules.</li> <li>• Region 1 Coordinator/Appraisal Manager runs ratio study.</li> </ul>
April 2025	<ul style="list-style-type: none"> <li>• Print/mail 2025 appraisal notices for residential homestead (Sec 25.19) &amp; e-files for homestead accounts.</li> </ul>
April 2025	<ul style="list-style-type: none"> <li>• Begin conducting residential homestead inquiries, informal reviews and prepare cases for protest hearings.</li> </ul>
April 15, 2025	<ul style="list-style-type: none"> <li>• Deadline to file 2025 Business Personal Property Renditions</li> </ul>
April 2025	<ul style="list-style-type: none"> <li>• Print/mail 2025 appraisal notices for all non-residential homestead properties (Sec 25.19), unless an extension has been granted.</li> </ul>
May 2025	<ul style="list-style-type: none"> <li>• Conduct taxpayer inquires and informal review hearings, and prepare cases for protest hearings.</li> </ul>
May 2025	<ul style="list-style-type: none"> <li>• Print/mail 2025 appraisal notices for Business Personal Property.</li> </ul>
May 15, 2025	<ul style="list-style-type: none"> <li>• Chief Appraiser prepares Mass Appraisal Report.</li> <li>• Chief Appraiser turns Appraisal Records over to Appraisal Review Board.</li> <li>• Appraisal Review Board starts formal review process and starts building scheduled days for hearings to be held during May, June and July.</li> </ul>
May 30, 2025	<ul style="list-style-type: none"> <li>• Print notices for extensions granted.</li> </ul>
June 2025	<ul style="list-style-type: none"> <li>• Business Personal Property penalty letters are mailed at this time if they were not mailed with the notices.</li> </ul>
July 2025	<ul style="list-style-type: none"> <li>• Conduct final Appraisal Review Board hearing.</li> <li>• ARB approves 2025 appraisal records and turns them back over to the appraisal district.</li> </ul>
July 2025	<ul style="list-style-type: none"> <li>• All 2025 cases are finalized in CAMA systems for certification process to begin.</li> </ul>
July 20, 2025	<ul style="list-style-type: none"> <li>• Chief Appraiser certifies the 2025 Appraisal Rolls.</li> </ul>
July 25, 2025	<ul style="list-style-type: none"> <li>• Certified Appraisal Rolls are sent to the taxing jurisdictions.</li> </ul>
July 30, 2025	<ul style="list-style-type: none"> <li>• Region 2 Coordinator finalizes and closes 2025 work file.</li> </ul>

#### **Clerical Department:**

July 2024	<ul style="list-style-type: none"> <li>• Close out files and label/store according to records management schedule.</li> </ul>
Aug. 2024	<ul style="list-style-type: none"> <li>• Start receiving and inputting mortgage company codes and address corrections.</li> </ul>
Sept. 2024	<ul style="list-style-type: none"> <li>• Verify with tax offices the dates the statements will be printed so all mortgage company codes and taxpayer addresses can be completed as of the print date.</li> </ul>

	Advise the tax office of any updates after printing and before mailing of tax statement for new mortgage codes or addresses received.
October 2024	<ul style="list-style-type: none"> <li>Send data request to software team for homestead exemption monitoring program and begin following up on action items generated by data pull for Region 1, Palacios ISD &amp; Tidehaven ISD per Tax Code</li> </ul>
Dec. 2024	<ul style="list-style-type: none"> <li>Finish homestead exemption monitoring program action items for Region 1, Palacios ISD &amp; Tidehaven ISD.</li> </ul>
Jan. 2025	<ul style="list-style-type: none"> <li>Begin receiving/processing real/industrial property renditions for 2025.</li> <li>Begin receiving/processing/reviewing exemption applications.</li> <li>Begin removing exemptions &amp; special valuation use from properties that were flagged due to ownership transfers or deaths.</li> <li>Mail out exemptions/special valuation use forms to any and all new owners.</li> <li>Mail out change in use for special valuation forms to any and all applicable owners from appraisal field work checks.</li> </ul>
March 2025	<ul style="list-style-type: none"> <li>Complete the data entry of all verified residential homestead exemptions prior to mailing out 2025 residential homestead appraisal notices. (Sec 25.19)</li> </ul>
April 15, 2025	<ul style="list-style-type: none"> <li>Last day to receive renditions.</li> <li>Begin receiving and processing rendition extensions.</li> <li>Last day to mail out change in use forms from appraiser field work to any and all applicable owners.</li> </ul>
April 30, 2025	<ul style="list-style-type: none"> <li>Deadline for filing special valuation form (Ag) without penalty</li> <li>Complete data entry of all address changes, exemptions applications and special valuation (Ag) forms prior to mailing out 2025 non-residential appraisal notices. (Sec 25.19).</li> </ul>
May 2025	<ul style="list-style-type: none"> <li>Contact Pritchard &amp; Abbott about notice mailing and scheduling for informal and formal hearings with Appraisal Review Board on mineral and industrial accounts.</li> <li>Review and process all special valuation (Ag) forms now with a 10% late file penalty added on.</li> <li>Complete and process all extension granted renditions.</li> </ul>
May 2025	<ul style="list-style-type: none"> <li>Prepare and present all prior year appraisal roll changes to be reviewed by the Appraisal Review Board.</li> <li>Provide assistance to taxpayers, appraisers and Appraisal Review Board during the informal and formal taxpayer hearings.</li> </ul>
July 19, 2025	<ul style="list-style-type: none"> <li>Final day to process late special valuation (Ag) with 10% late file penalty.</li> <li>Finalize all changes to the 2025 appraisal records before Appraisal Review Board approves the rolls.</li> <li>Present all prior year changes to the Appraisal Review Board for review and approval.</li> </ul>
July 20, 2025	<ul style="list-style-type: none"> <li>Process supplements and prepare for close-out of 2025 appraisal year.</li> </ul>
July 25, 2025	<ul style="list-style-type: none"> <li>Last day of 2025 appraisal year.</li> </ul>

## Matagorda County Appraisal District

# 2026 REAPPRAISAL PLAN WORKFLOW

This workflow schedule will be used to meet the reappraisal activities for all real and personal property located in Region 2 (Boling ISD & Van Vleck ISD). In addition to the Region 2 reappraisal, the workflow schedule takes into account the work for both real and personal property outside of the region to ensure the district stays current with respect to changing market values. The staff will use this workflow schedule to ensure production timelines are met.

**The start and end dates for this workflow schedule are July 29, 2025, and July 25, 2026, respectively.**

Tasks that are to be carried out each week and every month by both the appraisal and clerical departments are specified below, followed by activity related/events chart by departments.

**Each week**, a Monday morning staff meeting will be held to discuss areas of concern. The staff is encouraged to participate. Production timelines will be verified to ensure target dates are met. The minutes of these meetings will be kept in the work file.

**Every month, the appraisal staff is charged with:**

- gathering deeds to verify and confirm sales information;
- mailing sales verification letters to buyers/sellers;
- inputting sales data received by outside sources and sales letters;
- collecting and inputting county/city building and demolition permits;
- collecting and inputting mechanic liens;
- collecting and inputting TDHCA and TXDOT mobile home movements;
- updating the nationally subscribed cost schedule publications;
- collecting data for new or closing businesses and entering monthly VIT reports;
- identifying and locating missing GIS parcels; and
- performing periodic field checks (supervisor task).

The region coordinator will update the work file as monthly tasks are completed.

**Every month, the clerical staff will:**

- assist taxpayers with filing exemptions or special valuation forms and address changes;
- answer taxpayer and public inquiry questions;
- flag/pull and scan verification documents to accounts that will need exemptions pulled/denied due to death or change in address/ownership;
- write up field checks from information received through inquiries; and
- update, process and prepare documentation of supplemental property changes required for submittal before the Appraisal Review Board.

**Activity related/events chart by departments**  
**REGION 2 Reappraisal of Boling ISD & Van Vleck ISD for 2026**  
**Estimated Parcel Count: 16,274**

**Appraisal Department:**

July 2025	<ul style="list-style-type: none"> <li>Region 2 coordinator/Appraisal Manager coordinates with appraisers on routing and aerial measurements for Region 2 properties for 2026 Reappraisal.</li> </ul>
July 31, 2025	<ul style="list-style-type: none"> <li>Last day for property owners to apply for September 1 inventory appraisal for 2026</li> </ul>
Aug. 1, 2025	<ul style="list-style-type: none"> <li>Appraisal Manager sends EARS tape &amp; sales tape to State Comptroller office.</li> </ul>
Aug. 2025 to Oct. 2025	<ul style="list-style-type: none"> <li>Region 2 coordinator/Appraisal Manager runs and analyzes ratio study results to identify key areas of concern for the 2025 value review, reviews the prior year ARB protests for high volume areas, creates a 2026 work file, and discusses results with staff.</li> </ul>
Aug. 2025	<ul style="list-style-type: none"> <li>Begin field checks/data entry work in Regions 1 &amp; 3 for both real &amp; personal property.</li> </ul>
Sept. 2025	<ul style="list-style-type: none"> <li>Complete field checks/data entry for Regions 1 &amp; 3.</li> </ul>
Sept. 2025	<ul style="list-style-type: none"> <li>Region 2 coordinator/Appraisal Manager coordinates with appraisers on assigning and distributing appraisal routes for Bay City ISD &amp; Matagorda ISD reappraisal. Begin measuring, routing and inspections for Region 2.</li> </ul>
Sept. 2025 to July 2026	<ul style="list-style-type: none"> <li>Begin preparing the Reappraisal Plan for tax years 2027 &amp; 2028.</li> </ul>
Dec. 2025 Jan. 2026	<ul style="list-style-type: none"> <li>County-wide mobile home park discovery – prepare, print and mail mobile home tenant letters, work field checks.</li> </ul>
Dec. 2025 Jan. 2026	<ul style="list-style-type: none"> <li>Begin preparing &amp; printing 2024 Business Personal Property renditions &amp; 2024 VIT special inventory packets.</li> </ul>
Dec. 2025 Jan. 2026	<ul style="list-style-type: none"> <li>Mail 2026 Business Personal Property rendition and 2026 VIT special inventory packets.</li> </ul>
Jan. 2026	<ul style="list-style-type: none"> <li>Region 2 coordinator/Appraisal Manager runs and analyzes ratio study as Jan. 1, 2025, to current and discusses results with staff.</li> <li>Begin receiving, processing and reviewing Business Personal Property Renditions.</li> <li>Begin/complete field discovery/verification of commercial fishing/shrimping vessels.</li> </ul>
Feb. 1, 2026	<ul style="list-style-type: none"> <li>Sales tape sent to Comptroller Office</li> </ul>
Feb. 2026	<ul style="list-style-type: none"> <li>Begin reviewing land schedules.</li> <li>Begin reviewing residential/commercial model systems.</li> <li>Begin reviewing residential neighborhood market adjustments.</li> <li>Begin reviewing Business Personal Property schedules.</li> </ul>
March 2026	<ul style="list-style-type: none"> <li>Complete field discovery/verification and measuring for Boling ISD &amp; Van Vleck ISD reappraisal. Data entry will be complete.</li> </ul>

	<ul style="list-style-type: none"> <li>• Complete mobile home park field checks.</li> </ul>
Feb. 2026	<ul style="list-style-type: none"> <li>• Begin re-checks/data input for Region 1 &amp; 3 areas and Reappraisal Region 2 for both real &amp; personal property.</li> </ul>
March 2026	<ul style="list-style-type: none"> <li>• Begin working 2026 Business Personal Property Renditions.</li> <li>• Complete Region 1 &amp; 3 and Reappraisal Region 2 field checks, re-checks and data entry for both real &amp; personal property.</li> </ul>
March 2026	<ul style="list-style-type: none"> <li>• Report suggested changes to land schedules to supervisors.</li> <li>• Report suggested changes to residential/commercial model system adjustments to supervisors.</li> <li>• Report suggested changes to residential neighborhood market adjustments to supervisors.</li> <li>• Report suggested changes to Business Personal Property schedules to supervisors.</li> <li>• Testing/verification of approved model and market adjustments, land schedules and Business Personal Property schedules.</li> <li>• Supervisor approves and finalizes all changes to 2026 Reappraisal, residential/commercial model system adjustments, residential neighborhood market adjustments, land schedules and Business Personal Property schedules.</li> <li>• Region 2 Coordinator/Appraisal Manager runs ratio study.</li> </ul>
April 2026	<ul style="list-style-type: none"> <li>• Print/mail 2026 appraisal notices for residential homestead (Sec 25.19) &amp; e-files for homestead accounts.</li> </ul>
April 2026	<ul style="list-style-type: none"> <li>• Begin conducting residential homestead inquiries, informal reviews and preparing cases for protest hearings.</li> </ul>
April 15, 2026	<ul style="list-style-type: none"> <li>• Deadline to file 2026 Business Personal Property Renditions</li> </ul>
April 2026	<ul style="list-style-type: none"> <li>• Print/mail 2026 appraisal notices for all non-residential homestead properties (Sec 25.19), unless an extension has been granted.</li> </ul>
May 2026	<ul style="list-style-type: none"> <li>• Conduct taxpayer inquires and informal review hearings, and prepare cases for protest hearings.</li> </ul>
May 2026	<ul style="list-style-type: none"> <li>• Print/mail 2026 appraisal notices for Business Personal Property.</li> </ul>
May 15, 2026	<ul style="list-style-type: none"> <li>• Chief Appraiser prepares Mass Appraisal Report.</li> <li>• Chief Appraiser turns Appraisal Records over to Appraisal Review Board.</li> <li>• Appraisal Review Board starts formal review process and starts building scheduled days for hearings to be held during May, June and July.</li> </ul>
May 30, 2026	<ul style="list-style-type: none"> <li>• Print notices for extensions granted.</li> </ul>
June 2026	<ul style="list-style-type: none"> <li>• Business Personal Property penalty letters are mailed at this time if they were not mailed with the notices.</li> </ul>
July 2026	<ul style="list-style-type: none"> <li>• Develop for September 2026 submission of Reappraisal Plan for tax years 2027 &amp; 2028.</li> </ul>
July 2026	<ul style="list-style-type: none"> <li>• Conduct final Appraisal Review Board hearing.</li> <li>• ARB approves 2026 appraisal records and turns them back over to the appraisal district.</li> </ul>
July 2026	<ul style="list-style-type: none"> <li>• All 2026 cases are finalized in CAMA systems for certification process to begin.</li> </ul>
July 20, 2026	<ul style="list-style-type: none"> <li>• Chief Appraiser certifies the 2026 Appraisal Rolls.</li> </ul>
July 25, 2026	<ul style="list-style-type: none"> <li>• Certified Appraisal Rolls are sent to the taxing jurisdictions.</li> </ul>
July 30, 2026	<ul style="list-style-type: none"> <li>• Region 2 Coordinator finalizes and closes 2026 work file.</li> </ul>



**Clerical Department:**

July 2025	<ul style="list-style-type: none"> <li>• Close out files and label/store according to records management schedule.</li> </ul>
Aug. 2025	<ul style="list-style-type: none"> <li>• Start receiving and inputting mortgage company codes and address corrections.</li> </ul>
Aug. 2025	<ul style="list-style-type: none"> <li>• Send data request to software team for homestead exemption monitoring program and begin following up on action items generated by data pull for Region 2, Boling ISD &amp; Van Vleck ISD per Tax Code</li> </ul>
Sept. 2025	<ul style="list-style-type: none"> <li>• Verify with tax offices the dates the statements will be printed so all mortgage company codes and taxpayer addresses can be completed as of the print date. Advise the tax office of any updates after printing and before mailing of tax statement for new mortgage codes or addresses received.</li> </ul>
Dec. 2025	<ul style="list-style-type: none"> <li>• Finish homestead exemption monitoring program action items for Region 2, Boling ISD &amp; Van Vleck ISD</li> </ul>
Jan. 2026	<ul style="list-style-type: none"> <li>• Begin receiving/processing real/industrial property renditions for 2026.</li> <li>• Begin receiving/processing/reviewing of exemption applications.</li> <li>• Begin removing exemptions &amp; special valuation use from properties that were flagged due to ownership transfers or deaths.</li> <li>• Mail out exemptions/special valuation use forms to any and all new owners.</li> <li>• Mail out change in use for special valuation forms to any and all applicable owners from appraisal field work checks.</li> </ul>
March 2026	<ul style="list-style-type: none"> <li>• Complete the data entry of all residential homestead exemptions prior to mailing out 2026 residential homestead appraisal notices. (Sec 25.19)</li> </ul>
April 15, 2026	<ul style="list-style-type: none"> <li>• Last day to receive renditions.</li> <li>• Begin receiving and processing rendition extensions.</li> <li>• Last day to mail out change in use forms from appraiser field work to any and all applicable owners.</li> </ul>
April 30, 2026	<ul style="list-style-type: none"> <li>• Deadline for filing special valuation form (Ag) without penalty</li> <li>• Complete the data entry of all address changes, exemptions applications and special valuation (Ag) forms prior to mailing out 2026 non-residential appraisal notices. (Sec 25.19).</li> </ul>
May 2026	<ul style="list-style-type: none"> <li>• Contact Pritchard &amp; Abbott about notice mailing and scheduling for informal and formal hearings with Appraisal Review Board on mineral and industrial accounts.</li> <li>• Review and process all special valuation (Ag) forms now with a 10% late file penalty added on.</li> <li>• Complete and process all extension granted renditions.</li> </ul>
May 15, 2026	<ul style="list-style-type: none"> <li>• Prepare and present all prior year Appraisal Roll changes to be reviewed by the Appraisal Review Board.</li> <li>• Provide assistance to taxpayers, appraisers and Appraisal Review Board during the informal and formal taxpayer hearings.</li> </ul>
July 19, 2026	<ul style="list-style-type: none"> <li>• Final day to process late special valuation (Ag) with 10% late file penalty.</li> <li>• Finalize all changes to the 2026 Appraisal Records before Appraisal Review Board approves the rolls.</li> <li>• Present all prior year changes to the Appraisal Review Board for review and approval.</li> </ul>
July 20, 2026	<ul style="list-style-type: none"> <li>• Process supplements and prepare for close-out of 2026 appraisal year.</li> </ul>
July 25, 2026	<ul style="list-style-type: none"> <li>• Last day of 2026 appraisal year.</li> </ul>

## **S.B. 1652\* BIENNIAL REAPPRAISAL PLAN**

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

**For Tax Years:**

**2025 and 2026\*\***

**Originally Printed: July 2024**

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## PREAMBLE

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

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

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

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

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

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

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

Consequently, USPAP Standards 5 and 6 are assumed to be applicable for ad valorem tax purposes in Texas, if mass appraisal practices are in fact being used to appraise the subject property. USPAP Advisory Opinion 32 suggests several USPAP standards other than Standards 5 or 6 can apply in ad valorem tax work. It appears that an appraiser engaged in ad valorem tax work in Texas is not specifically required by law to rigorously follow USPAP standards if in fact mass appraisal practices have not been used to appraise the subject property. The Jurisdictional Exception Rule could then be invoked because of a contradiction between the requirements of USPAP and the law or regulation of a jurisdiction. Please see the P&A Policy Statement on USPAP as provided elsewhere in this report for a more detailed discussion regarding this matter.



## ETHICS RULE

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

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

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

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

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

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

### NONDISCRIMINATION

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

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

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

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

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

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

## CONDUCT

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

An appraiser:

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

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

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

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

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

## MANAGEMENT

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

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

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

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

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

## CONFIDENTIALITY

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

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

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

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

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

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

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

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

## RECORD KEEPING RULE

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

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

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

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

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

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

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

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

## SCOPE OF WORK RULE

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

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

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

Scope of work includes, but is not limited to:

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

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

## PROBLEM IDENTIFICATION

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

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

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

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

## SCOPE OF WORK ACCEPTABILITY

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

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

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

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

## DISCLOSURE OBLIGATIONS

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

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

## JURISDICTIONAL EXCEPTION RULE

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

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

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

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

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

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

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



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

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

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

A mass appraisal includes:

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

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

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

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

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

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

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

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

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

### INTRODUCTION

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## Appraisal Resources

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

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

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

## VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

### Approaches to Value for Petroleum Property

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

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

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

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

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

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

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

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

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

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

## DATA COLLECTION/VALIDATION

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

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

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

## VALUATION ANALYSIS (MODEL CALIBRATION)

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

## INDIVIDUAL VALUE REVIEW PROCEDURES

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



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

## **PERFORMANCE TESTS**

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

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

### INTRODUCTION

Definition of Appraisal Responsibility (Scope of Effort): The Engineering Services Department of Pritchard & Abbott, Inc. (P&A) is responsible for developing fair and uniform market values for industrial, utility and personal properties.

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

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

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

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

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

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

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

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

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

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

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

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

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

## Appraisal Resources

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

Data: A set of data characteristics (i.e. original cost, year of acquisition, quantities, capacities, net operating income, property description, etc.) for each industrial, utility and personal property is collected from various

sources. This data is maintained in either hard copy or computer files. Each property's characteristic data drives the appropriate computer-assisted appraisal approach to valuation.

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

## VALUATION APPROACH (MODEL SPECIFICATION)

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

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

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

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

## Approaches to Value for Industrial, Utility, and Personal Property

Cost Approach: The use of cost data in an appraisal for market value is based upon the economic principle of substitution. This method is most readily applicable to the appraisal of industrial and personal property and some utility property. Under this method, the market value of property equals the value of the land plus the current cost of improvements less accrued depreciation. An inventory of the plant improvements and machinery and equipment is maintained by personally inspecting each facility every year. **As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., relies predominantly on the cost approach to value in the appraisal of industrial, utility, and personal property.**

Market Approach: This approach is characterized as one that uses sales data available from actual transactions in the market place. There are two factors that severely limit the usefulness of the market approach for appraising industrial, utility and personal properties. First, the property sales data is seldom disclosed; consequently there

is insufficient market data for these properties available for meaningful statistical analysis. Second, all conditions of sale must be known and carefully investigated to be sure one does have a comparative indicator of value. Many times when these properties do change hands, it is generally through company mergers and acquisitions where other assets and intangibles in addition to the industrial, utility and personal property are involved. The complexity of these sales presents unique challenges and hindrances to the process of allocation of value to the individual components of the transaction.

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

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

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

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

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

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

**As a general rule, and for the reasons stated above, Pritchard & Abbott, Inc., employs the income approach in the appraisal of industrial and utility property only when quantifiable levels of income are able to be reliably determined and/or projected for the subject property. P&A does not employ the income approach in the appraisal of personal property.**

## **DATA COLLECTION/VALIDATION**

Sources of Data: The main source of P&A's property data for industrial and personal property is through fieldwork by the appraisers and commercially/publicly available schedules developed on current costs. Data for

performing utility appraisals is typically provided by the taxpayer or is otherwise available at various regulatory agencies (Texas Railroad Commission, Public Utilities Commission, FERC, et. al.). Other discovery tools are financial data from annual reports, information from chief appraisers, renditions, tax assessors, trade publications and city and local newspapers. Other members of the public often provide P&A information regarding new industry and other useful facts related to property valuation.

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

## **VALUATION ANALYSIS (MODEL CALIBRATION)**

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

## **INDIVIDUAL VALUE REVIEW PROCEDURES**

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

## **PERFORMANCE TESTS**

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