

Gregg County Appraisal District



2024
Mass Appraisal Report



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2024 Mass Appraisal Report

INTRODUCTION

Scope of Responsibility

The Gregg County Appraisal District (GCAD) has prepared and published this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This mass appraisal report was written in compliance with Standard Rule 6 of the Uniform Standards of Professional Practice (USPAP) as promulgated by the Appraisal Standards Board of The Appraisal Foundation. This report has several parts: a general introduction and then several sections describing information specific to particular appraisal divisions and the appraisal effort by the appraisal district.

The 2024 GCAD mass appraisal was prepared under the provisions of the Texas Property Tax Code. Taxing jurisdictions that participate in the district must use the appraisal as the basis for imposition of property taxes. *The State of Texas allocates state funds to school districts based upon the district's appraisals, as tested and modified by the state comptroller of public accounts.* The appraisal results in an estimate of the market value of each taxable property within the district's boundaries. Where required by law, the district also estimates value on several bases other than market value. These are described where applicable later in this report.

The Gregg County Appraisal District (GCAD) is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A member board of directors, elected by the taxing units within the boundaries of Gregg County Appraisal District, constitutes the district's governing body. The chief appraiser, appointed by the board of directors, is the chief administrator and chief executive officer of the appraisal district. The appraisal district is responsible for local property tax appraisal and exemption administration for 21 jurisdictions or taxing units in the county. Each taxing unit, such as the county, a city, school district, municipal utility district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Appraisals established by the appraisal district allocate the year's tax burden on the basis of each taxable property's January 1st market value. We also determine eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

General Assumptions and Limiting Conditions

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

- The appraisals were prepared exclusively for ad valorem tax purposes.
- The property characteristic data upon which the appraisals are based is assumed to be correct.
- Physical inspections of the property appraised were performed as staff resources and time allowed.
- Validation of sales transactions occurred through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to any property is assumed to be good and marketable, unless otherwise stated.
- All property is appraised as if free and clear of all liens or encumbrances, unless otherwise stated.
- All property is appraised as though under responsible, adequately capitalized ownership and competent property management.
- All engineering is assumed to be correct. Any plot plans and/or illustrative material contained with the appraisal records are included only to assist in visualizing the property.
- It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in this mass appraisal report.
- It is assumed that all applicable zoning and use regulation and restrictions have been complied with unless nonconformity has been stated, defined and considered in this mass appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in the report is based.
- It is assumed that the utilization of the land and improvements of the properties described are within the boundaries or property lines, and that there are no encroachments or trespasses unless noted on the appraisal record.

Unless otherwise stated in this report, the appraiser is not aware of the existence of hazardous substances or other environmental conditions. The value estimates are predicated on the assumption that there is no such condition on or in the property or in such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such conditions, or for any expertise or engineering knowledge required to discover them.

Effective Date of Appraisal & Date of the Report

With the exception of certain inventories for which the property owner has elected a valuation date of September 1, 2023, all appraisals are as of January 1, 2024. The date of this report is July 10th, 2024.

Definition of Value

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

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

The Property Tax Code defines special appraisal provisions for the valuation of several different categories of property. Specially appraised property is taxed on a basis other than market value as defined above. These categories include residential homestead property (Sec. 23.23, Tax Code), agricultural and timber property (Chapter 23, Subchapters C and D, Tax Code), real and personal property inventory (Sec. 23.12, Tax Code), certain types of dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127, Tax Code), and normal (Sec. 23.18, Tax Code) or restricted use properties (Sec. 23.83, Tax Code).

Properties Appraised

Using the mass appraisal system GCAD appraised all taxable real and personal property known to the district as of the date of this report, with the exception of certain properties on which valuation was not complete as of the date of this report. These, by law, will be appraised and supplemented to the jurisdictions after equalization. The property rights appraised were fee simple interests, with the exception of leasehold interests in property exempt to the holder of the property’s title. The latter are appraised under a statutory formula described in Sec. 25.07, Tax Code. The description and identification of each property appraised is included in the appraisal records submitted to the Gregg County Appraisal Review Board.

Scope of Work Used to Develop the Appraisal

This mass appraisal system appraised all taxable real and tangible personal property within the boundaries of the Gregg County Appraisal District, which encompasses all of Gregg County, Texas. This involves approximately 264,318 accounts. The district distributes the work of the appraisal among several appraisal personnel. The following sections describe, by area of responsibility, the scope of work performed and those items addressed in USPAP standard 6-2 (h) through (n).

The Chief Appraiser, who is the chief executive officer of the appraisal district, manages the district. All district employees report to the chief appraiser through their immediate supervisor. The district is further subdivided into four departments. The four departments are *Appraisal*, responsible for all appraisal activities, *Technical Services*, responsible for property records maintenance, taxpayer information/assistance, and appraisal review board support, *Information Systems*, which operates the district’s computer facilities, and *Administration*, responsible for budget and financial matters. The Body district’s appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with The Texas Department of Licensing & Regulation.

Appraisal District Staff

Chief Appraiser	Mark A. Cormier, RPA, CCA, CTA (70498)
Business/Finance Manager	Cathy Hadley
HR Administration Assistant	Marisa Rabadan
Taxpayer Liaison Officer	Resa Norris
Director of Appraisal	Joshua Payne, RPA, RES (74496)
Director of Techs/Public Info.	Berta Fuentes, RPA (68926)
Director of IT/GIS	Patti Coppedge, RPA (70332)

Appraisal Staff

Shannon Mayhan, RPA (75894)
Kelli Dial, RPA (75898)
Lena Haley, RPA, RTA, CTA (74775)
Marcus Campbell, RPA (76711)
Gisele Morris, RPA (73337)
Garry Lilly, Class III (76622)
Rebecca Gay, Class II (77288)
Chad Davis, Class II (77486)
Hailee Dixon, Class II (77637)

Technicians

Stephanie Rhodes – Tech Coordinator
Lamonica Oziegbe – Records Manager
Rita Kincaide
Liberty Wilson
Nikki Recer
Kennedie Dodd

Specialists

Justine Hayes – Residential
Kristy Alejandro, RPA (74335) – BPP
Tatiana Anthony – BPP
Elisha Pena – ARB
Denise Obregon – ARB

IT/GIS & Exemptions

Treva Key – Exemptions Manager
Lee Williams
Randi Evans
Cheri Queen

While the appraisal district staff conducted most of the appraisal activities, the district received significant assistance from the appraisal contract firm, Capitol Appraisal Group, LLC. The district established procedures whereby ownership and property data information are routinely updated. Analysts and appraisers from the appraisal district and the appraisal contract firm discuss data collection and valuation issues to minimize the possibility of differences in property characteristics, legal descriptions, and other administrative data.

Data

The district is responsible for establishing and maintaining approximately 264,318 real and personal property accounts covering approximately 273.4 square miles within Gregg County, (population 126,927). The data collected to meet this responsibility includes property characteristic, ownership and exemption information. Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through field review that is prioritized by last field inspection date. Sales are routinely validated during a separate field effort; however, numerous sales are validated as part of the new construction and data review field activities. General trends in employment, interest rates, new construction trends, and cost and market data are acquired through various sources, including internally generated questionnaires to buyer and seller, university research centers, market data centers and vendors.

The district has a geographic information system (GIS) that maintains cadastral maps and various layers of data. The Geo/Data Processing Department maintains the district's data processing facility, software applications, internet website, and geographical information system. The district operates under an MS Win Server 2019 database. The mainframe hardware/system is a Dell Power edge T640 main frame.

The district's web site makes a broad range of information available for public access, including detailed information on the appraisal process, property characteristics data, certified values, protests and appeal procedures, property maps, and a tax calendar. Downloadable files of related tax information and district forms, including exemption applications and business personal property renditions are also available.

Determination of Highest and Best Use for Real Property

The district's market value appraisals are performed pursuant to Article VIII, Sec. 1., Texas Constitution, which provides that property must be taxed in proportion to its value as determined by law, Sec. 23.01; Tax Code implements this provision as follows:

§ 23.01. Appraisals Generally

(a) Except as otherwise provided by this chapter, all taxable property is appraised at its market value as of January 1.

(b) 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. The same or similar appraisal methods and techniques shall be used in appraising the same or similar kinds of property. However, each property shall be appraised based upon the individual characteristics that affect the property's market value, and all available evidence that is specific to the value of the property shall be taken into account in determining the property's market value.

(c) Notwithstanding Section 1.04(7)(C), in determining the market value of a residence homestead, the chief appraiser may not exclude from consideration the value of other residential property that is in the same neighborhood as the residence homestead being appraised and would otherwise be considered in appraising the residence homestead because the other residential property:

(1) was sold at a foreclosure sale conducted in any of the three years preceding the tax year in which the residence homestead is being appraised and was comparable at the time of sale based on relevant characteristics with other residence homesteads in the same neighborhood; or

(2) has a market value that has declined because of a declining economy.

(d) The market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property.

(e) Notwithstanding any provision of this subchapter to the contrary, if the appraised value of property in a tax year is lowered under Subtitle F, the appraised value of the property as finally determined under that subtitle is considered to be the appraised value of the property for that tax year. In the following tax year, the chief appraiser may not increase the appraised value of the property unless the increase by the chief appraiser is reasonably supported by substantial evidence when all of the reliable and probative evidence in the record is considered as a whole. If the appraised value is finally determined in a protest under Section 41.41(a)(2) or an appeal under Section 42.26, the chief appraiser may satisfy the requirement to reasonably support by substantial evidence an increase in the appraised value of the property in the following tax year by presenting evidence showing that the inequality in the appraisal of property has been corrected with regard to the properties that were considered in determining the value of the subject property. The burden of proof is on the chief appraiser to support an increase in the appraised value of property under the circumstances described by this subsection.

While there is no specific statute defining highest and best use as it applies in appraisals conducted under the Property Tax Code, Texas courts have acknowledged that highest and best use is a factor that must be considered in determining market value. *King v. Real* 466 S.W.2d 1 TEX.Civ.App., 1971, *Exxon Pipeline Co. v. Zwahr* 2002 WL 1027003 Tex., 2002. In an unpublished opinion, the Houston Court of Appeals approved the following definition of highest and best use:

"Highest and best use" is the reasonably probable and legal use of vacant land or an improved property, which is physically possible, appropriately supported, financially feasible, and results in the highest value. The four criteria the highest and best use must meet are legal permissibility, physical possibility, financial feasibility, and maximum profitability. *Clear Creek Drainage Dist. of Galveston County v. Mansion Not Reported* in S.W.3d Tex. App.-Houston [14 Dist.], 1997.

With the exception of residence homesteads, this definition of highest and best use still applies to appraisals conducted under the Tax Code.

Appraisal Performance Tests and Performance Measures Attained

Government Code Section 403.302 requires the Comptroller to conduct a study at least once every two years to determine the degree of uniformity and the median level of appraisals by the appraisal district with each major category of property, as required by Section 5.10, Tax Code. If the locally appraised value in a school district is within the statistical margin of error of the state value, the Comptroller's Property Tax Assistance Division (PTAD) certifies a school district's local tax roll value to the Commissioner of Education. A 5% margin of error is used to establish the upper and lower value limit for each school district. If the local value is outside the acceptable range, the PTAD certifies the state value, unless the school district is eligible for a grace period, which is a period when local value is used even though it is determined to be invalid. The findings, based on the district's 2023 appraisal roll, were reported to the district from PTAD on January 31, 2024. The overall median appraisal ratio for Gregg

CAD was 98%. GCAD's next PVS study will be conducted using the 2025 appraisal roll. To review the Texas Comptroller's 2023 PVS Report for GCAD, use the following link:

<https://comptroller.texas.gov/auto-data/PT2/ratio-study/2023/0920000001A.php>

Section 5.102, Tax Code requires the Comptroller of Public Accounts to review county appraisal district governance, taxpayer assistance, operating and appraisal standards, procedures and methodology at least once every two years. A MAPS review was completed for 2022 and the Gregg Appraisal District received a perfect score of 100, which exceeds the mandatory standard of evaluation established by the Texas Comptroller. To review the Texas Comptroller's 2022 MAPS report for GCAD, use the following link:

file:///C:/Users/cp%20appr1/Downloads/gregg-2022%20(2).pdf

Certification Statement:

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

Mark A. Cormier, RPA, CCA, CTA (70498)
Chief Appraiser

APPRAISAL DEPARTMENTS

Introduction

Scope of Work

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real property and personal property by any method requires a physical description of personal property, and land and building characteristics. This appraisal activity is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types which are located within the boundaries of Gregg Appraisal District. The data collection efforts involve the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to field inspect residential and commercial properties in Gregg Appraisal District every three years, and personal properties annually. Meeting this goal is dependent on budgetary constraints.

Appraisal Resources

- **Personnel** - The appraisal activities staff consists of 9 field appraisers and contract appraisers from Capitol Appraisal Group.
- **Data** – The data used by field appraisers includes the existing property characteristic information contained in the mass appraisal system from the district's computer system. The data is either printed on a real estate property record card (PRC), personal property field card, or viewed via electronic field devices. Other data used includes aerial imagery, maps, sales data, fire and damage reports, septic tank reports, building permits, photos and actual cost information.

Data Collection/Validation

Data collection related to real property involves maintaining data characteristics of the property in the mass appraisal system. The information contained in the appraisal system includes site characteristics, such as land size and topography, and improvement data, such as square foot of living area, year built, quality of construction, and condition. Field appraisers use standard field cards and manuals that establish uniform procedures for the correct listing of properties. All properties are coded according to these manuals and the approaches to value are structured and calibrated based on this coding system. The field appraisers use those manuals during their initial training and as a guide in the field inspection of properties. Data collection for personal property also involves maintaining information on the personal property system (PERS). The type of information in PERS includes business personal property, such as inventory, supplies, furniture and fixtures, machinery and equipment, vehicles, cost, age, condition and location. The field appraisers conducting on-site inspections use a personal property manual during their initial training and as a guide to correctly list all personal property that is taxable.

The listing procedures utilized by the field appraisers are available in the district offices. If a property owner/agent requests a copy, customer service will handle this request through open records request. Appraisers periodically update the listing procedures with input from the appraisal group.

Sources of Data

The sources of data collection and verification are through the new construction field effort, data review/re-list field effort, data mailers, hearings, sales validation field effort, commercial sales verification, newspapers and publications, and property owner correspondence via the Internet. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. When available, permits received are loaded to our building permit system (BPS). Otherwise, paper permits not readily identified are received and matched manually with the property's tax account number for data entry.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers drive entire neighborhoods to review the accuracy of our data and identify properties that have to be re-listed. The sales validation effort in real property pertains to the collection of data of properties that have sold. In residential, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of the property characteristic data and confirmation of the sales price. In commercial, the appraisal group is responsible for contacting both grantee and grantor to confirm sales prices and to verify pertinent data where possible. Property owners are one of the best sources of identifying incorrect data that generates a field check. Frequently, the property owner provides sufficient data to allow correction of records without having to send an appraiser on-site. As the district has increased the amount of information available on the Internet, property owner's requests to correct data inconsistencies has also increased. For the property owner without access to the Internet, letters are often submitted notifying the district of inaccurate data. Properties identified in this manner are added to a work file and inspected at our earliest opportunity.

Data Collection Procedures

Field data collection requires organization, planning and supervision of the field effort. Data collection procedures have been established for residential, commercial, and personal property. The appraisers are assigned throughout the Gregg Appraisal District to conduct field inspections. Appraisers conduct field inspections and record information either on a data collection field device (i-pad), property record card (PRC), or a personal property field card.

The quality of the data used is extremely important in establishing accurate values of taxable property. While production standards are established and upheld for the various field activities, the quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection set forth in the manual as "rules" to follow. Experienced appraisers are routinely re-trained in listing procedures prior to major field projects such as new construction, sales validation or data review. A quality assurance process exists through supervisory review of the work being performed by the field appraisers. Quality assurance supervision is charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the field appraisal staff.

Data Maintenance

The appraisal technician is responsible for much of the data entry of appraiser's field-work, however data collection field devices also allow the appraiser to enter data while on site. As a quality control

measure, all information entered by field appraisal staff must be reviewed prior to being updated into the computer files. This additional review assists in quality assurance.

Review

Field Review

The date of last inspection, extent of that inspection, and the CAD appraiser responsible are listed on the appraisal record. If a property owner or jurisdictions dispute the districts records concerning this data during a hearing, via a telephone call or correspondence received, the appraisal record may be altered based on the evidence provided. Typically, a field inspection is requested to verify this evidence for the current year's valuation or for the next year's valuation. Every year a field review of certain areas or neighborhoods in the jurisdiction is done during the data review/re-measure field effort.

Office Review

Office reviews are completed on properties where information has been received from the owner of the property. Data mailers, sent in at the request of the property owner, frequently verify the property characteristics or current condition of the property. When the property data is verified in this manner, field inspections sometimes are not required.

Performance Test

The appraisal staff is responsible for conducting ratio studies and comparative analysis.

Field appraisers, in many cases may conduct field inspections to insure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics.

RESIDENTIAL APPRAISAL DEPARTMENT

Introduction

Scope of Work

The Residential Appraisers are responsible for developing equal uniform market values for residential improved and vacant property. There are approximately 39,683 residential improved parcels and 11,539 vacant residential properties in the Gregg Appraisal District.

Appraisal Resources

- **Personnel** – The Residential Valuation appraisal staff consists of 5 + appraisers. The following appraisers are responsible for determining residential values:

Lena Haley, RPA, RTA, CTA (74775)	Senior Residential Appraiser
Marcus Campbell, RPA (76711)	Residential Appraiser
Garry Lilly, Class III (76622)	Residential Appraiser
Chad Davis, Class II (77486)	Residential Appraiser
Hailee Dixon, Class II (77637)	Residential Appraiser

- **Data Collection** – A common set of data characteristics for each residential dwelling in the Gregg Appraisal District is collected in the field and stored in a CAMA database. This property characteristic data drives the mass appraisal system approach to valuation. Example of data collected:

Improvement Characteristics – Characteristics that are recorded on the field card for the purpose of valuing and describing improvements. Typical characteristics: Improvement type, class, quality, year built, number of baths, exterior wall construction, foundation type, AC/heat, fireplace, road type, roof materials and roof type.

Other factors that Influence Value – Items that are noted in the data collection phase and influence value are location, condition, topographic characteristics, economic conditions, functional problems, and neighborhood adjustments.

Ownership information – The owner of a property is determined through deed information. This is important for all required communication, tax liability and exemption qualification.

Highest and Best Use Analysis

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

undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing change, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are economic miss-improvements, and the highest and best use of such property is the construction of new dwellings. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties.

23.01(c) The market value of a residence homestead shall be determined solely on the basis of the property's value as a residence homestead, regardless of whether the residential use of the property by the owner is considered to be the highest and best use of the property. (Added by Acts 2009, 81st Leg., effective Jan. 1, 2010 and approval of the constitutional amendment on Nov. 3, 2009 election)

Model Specification

Area Analysis

Data on regional economic forces such as demographic patterns, regional location factors, employment and general trends in real property prices and rents, interest rate trends, availability of vacant land, construction trends and costs are collected from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources such as The Real Estate Center of Texas A&M. Continuing education in the form of PTEC, Inc. Classes offered by the TAAD, TAAO, and the International Association of Assessing Officers.

Neighborhood and Market Analysis

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

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform. Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character.

Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes. In the period of stability, or equilibrium, the forces of supply and demand are about equal. Generally, in the state of equilibrium, older neighborhoods can be more desirable due to the stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability.

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are field inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is assigned to a neighborhood based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in cost-derived areas of limited sales information or for direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed below, is performed on a neighborhood basis.

Model Calibration

Cost Schedules

All residential parcels in the district are valued from identical cost schedules using a comparative unit method. The district's residential cost schedules, originally adopted from a private mass appraisal firm, have been customized to fit the Gregg Appraisal District's local residential building and labor market. The cost schedules are reviewed regularly as a result of state legislation requiring that the appraisal district cost schedules be within a range of plus or minus 10% from nationally recognized cost schedules.

An extensive review and revision of the residential cost schedule was performed for the 2024 tax year. As part of this process, newly constructed sold properties at various levels of quality of construction in the Gregg Appraisal District are reviewed. The property data characteristics of these properties are verified. CAD dwelling costs were compared against Marshall & Swift, a nationally recognized cost estimator. This process includes correlation of quality of construction factors from CAD and Marshall & Swift. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing estimated building costs plus land to sales prices. As a result of this analysis, a multiplier is developed and used in the district's cost process. This new multiplier was used to adjust the district's cost schedule to be in compliance with the state legislative mandate described above.

Sales Information

A sales file for the storage of "snapshot" sales data at the time of sale is maintained. Residential improved and vacant land sales, along with commercial improved and vacant land sales are also maintained in this system. Improved and vacant sales are collected from a variety of sources, including:

district questionnaires sent to buyer and seller, field discovery, protest hearings, builders, and realtors. A system of type, source, validity and verification codes was established to define salient facts related to a property's purchase or transfer. School district or neighborhood sales reports are generated as an analysis tool for the appraiser in the development of value estimates. GCAD sales file for 2023 consisted of 1,207 sales and foreclosures.

Land Analysis

Residential land analysis is conducted by each of the appraisers. The appraisers develop a base lot, primary rate, and assign each neighborhood to land schedules. The square foot land table is designed to systematically value the primary and residual land based on a specified percentage of the primary rate. Computerized land schedule tables store the land information required to consistently value individual parcels within neighborhoods. Specific land influences are used, where necessary, to adjust parcels outside the neighborhood norm for such factors as view, shape, size, and topography, among others. The appraisers use abstraction and allocation methods to ensure that the land values created best reflect the contributory market value of the land to the overall property value.

Statistical Analysis

The residential appraisers perform statistical analysis annually to review whether values are equitable and consistent with the market. Ratio studies are conducted on each of the residential neighborhoods in the district to judge the two primary aspects of mass appraisal; accuracy-level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each stratified neighborhood within an ISD and summarized by year. These summary statistics including, but not limited to, the weighted mean, median, standard deviation, coefficient of variation, and coefficient of dispersion provide the appraisers a tool by which to determine both the level and uniformity of appraised value on a stratified neighborhood basis. The level of appraised values is determined by the weighted mean for individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods. Review of the standard deviation, coefficient of variation, and coefficient of dispersion discerns appraisal uniformity within and between stratified neighborhoods. Every neighborhood is reviewed annually by the appraiser through the sales ratio analysis process. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood properties to the appraised values of these sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level in a neighborhood needs to be updated in an upcoming reappraisal, or whether the level of market value in a neighborhood is at an acceptable level.

Final Models: Market Adjustment and Time Consideration

Neighborhood, or market adjustment, factors are developed from appraisal statistics provided from ratio studies and are used to ensure that estimated values are consistent with the market. The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not specified in the cost model.

The following equation denotes the hybrid model used:

$$MV = MA [LV + (RCN - D)]$$

Market Value equals the Market Adjustment factor times the land value plus the replacement cost new less depreciation. As the cost approach separately estimates both land and building values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values are needed to bring the level of appraisal to an acceptable standard. Market or location adjustments are applied uniformly within neighborhoods to account for location variances between market areas or across a jurisdiction. Additional depreciation or appreciation is added on a case-by-case basis to further account for any individual characteristics not accounted for in the model.

If a neighborhood is to be updated, the appraiser uses a cost ratio study that compares recent sales prices of properties within a delineated neighborhood with the properties' actual cost value. The calculated ratio derived from the sum of the sold properties' cost value divided by the sum of the sales prices indicates the neighborhood level of value based on the unadjusted cost value for the sold properties. This cost-to-sale ratio is compared to the appraisal-to-sale ratio to determine the market adjustment factor for each neighborhood. This market adjustment factor is needed to trend the values obtained through the cost approach closer to the actual market evidenced by recent sales prices within a given neighborhood. The sales used to determine the market adjustment factor will reflect the market influences and conditions only for the specified neighborhood, thus producing more representative and supportable values. The market adjustment factor calculated for each update neighborhood is applied uniformly to all properties within a neighborhood. Once the market-trend factors are applied, a second set of ratio studies is generated that compares recent sale prices with the proposed appraised values for these sold properties. From this set of ratio studies, the appraiser judges the appraisal level and uniformity in both update and non-update neighborhoods, and finally, for the school district as a whole.

Residence Homesteads

Beginning in 1998, the State of Texas implemented a constitutional classification scheme concerning the appraisal of residential property that receives a residence homestead exemption. Under this law, beginning in the second year a property receives a homestead exemption; increases in the appraised value of that property are "capped". The value for tax purposes (assessed value) of a qualified residence homestead is not to exceed the lesser of:

- The market value of the property for the most recent tax year that the market value was determined by the appraisal office; or the sum of:
- 10% of the appraised value of the property for the preceding tax year;
- The appraised value of the property for the preceding year; and
- The market value of all new improvements to the property.

Values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1st of the following year. In that following year, that home is assessed at its market value less any exemptions to bring its appraisal into uniformity with other properties.

An analogous provision applies to new homes. While a developer owns them, unsold and never occupied residences, are appraised as part of an inventory. In this instance, the district's land value, with an inventory adjustment, and the market value of the complete or partial complete improvement

combine to determine the taxable value for this property. In the year following the sale of this property, the inventory adjustments are removed and property is valued at its market value.

Estimates Reviewed

Field Review

The appraiser identifies individual properties in need of field review through sales ratio analysis. Sold properties with a high variance in sales ratios are field reviewed to check for accuracy of data characteristics.

As the district's parcel count has increased through new home construction, and the homes constructed in the boom years of the late 70's and early 80's experience remodeling, the appraisers are required to perform the field activity associated with transitioning and high demand neighborhoods. Increased sales activity has also resulted in a more substantial field effort on the part of the appraisers to review and resolve sales outliers. Additionally, the appraiser frequently field reviews subjective data items such as quality of construction, condition, and physical, functional and economic obsolescence, factors contributing significantly to the market value of the property. After preliminary estimates of value have been determined in targeted areas, the appraiser takes valuation documents to the field to test the mass appraisal values against his appraisal judgment. During this review, the appraiser is able to physically inspect both sold properties and unsold properties for comparability and consistency of values.

Office Review

Given the resources and time required to conduct a routine field review of all properties, homogeneous properties consisting of tract housing with a low variance in sales ratios and other properties having a recent field inspection date are value reviewed in the office. Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The dollar amount and percentage of value difference are noted for each property within a delineated neighborhood allowing the appraiser to identify, research and resolve value anomalies before final appraised values are released. Previous values resulting from a protest hearing are individually reviewed to determine if the value remains appropriate for the current year.

Once the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value are prepared for the 25.19 Notice delivery.

Appraisal Performance Test

Sales Ratio Studies

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each ISD to allow the appraiser to review general market trends within their area of responsibility, and to provide an indication of market trends over a specified period of time. The descriptive statistics are reviewed for each neighborhood being updated

for the current tax year. Reported in the sales ratio statistics for each school district is a level of appraisal value and uniformity profile, sales trends and appraisal value ranges.

The purpose of the district's ISD ratio study is to evaluate the relationship between appraisals and sale prices as of the January 1 assessment date. The district's ratio studies are designed and prepared, to the maximum extent possible, under the guidelines set forth in the International Association of Assessing officers (IAAO) *Standard on Ratio Studies*.

Management Review Process

Once the proposed value estimates are finalized, the appraiser reviews the sales ratios by neighborhood and presents pertinent valuation data, such as, the level of appraisal to the Chief Appraiser for final review and approval. This review includes comparison of level of value between related neighborhoods within and across jurisdiction lines. The primary objective of this review is to ensure that the proposed values have met preset appraisal guidelines appropriate for the tax year in question.

COMMERCIAL APPRAISAL DEPARTMENT

Introduction

Scope of Work

This mass appraisal assignment includes all commercially classed real property including vacant commercial land. There are approximately 7,345 improved accounts and 2,041 vacant accounts which fall within the responsibility of the commercial appraisers of the Gregg County Appraisal District. The appraisal roll displays and identifies each parcel of real property individually. Commercial appraisers appraise the fee simple interest of properties according to statute. However, the affect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisal of any nonexempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

Appraisal Resources

- **Personnel** – The Commercial Valuation appraisal staff consists of 2 appraisers. The following appraisers are responsible for determining commercial valuations:
Kelli Dial, RPA (75898) Senior Commercial Appraiser
Gisele Morris, RPA (73337) Commercial Appraiser
- **Data Collection and Validation** - The improved real property appraisal responsibilities are categorized according to major property types of multi family or apartment, office, retail, warehouse and special use (i.e. hotels, hospitals and, nursing homes). Two appraisers are assigned to commercial property and also are assigned to the land valuation responsibilities.

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

In terms of commercial sales data, Gregg CAD receives a copy of the deeds recorded in Gregg County that convey commercially classed properties. The deeds recorded in commercial ownership are entered into the sales information database and researched to obtain the pertinent sale information. For those properties involved in a transfer of commercial ownership, a sales verification involves a computer-generated questionnaire that is mailed to both parties in the transaction (Grantor and Grantee). If a questionnaire is answered and returned, the documented responses are recorded into the computerized sales database system. If no information is provided, verification is then attempted via phone calls to both parties and an on-site visit to the property. If the sales information is still not obtained, other sources are contacted such as the brokers involved in the sale, property managers or commercial vendors. In other instances, sales verification is obtained

from local appraisers or others that may have the desired information. Finally, closing statements are often provided during the hearings process. The actual closing

statement is the most reliable and preferred method of sales verification. After the sales data has been keyed into the database, the data is reviewed to maintain quality control. This sales information is used in GCAD ratio studies, model building and testing cap rate calculations.

Pilot Study

Pilot studies are utilized to test new or existing procedures or valuation modifications in a limited area (a sample of properties) of the district and are also considered whenever substantial changes are made. These studies, which are inclusive of ratio studies, reveal whether a new system is producing accurate and reliable values or whether procedural modifications are required. The appraiser implements this methodology when developing both the cost approach and income approach models.

Survey of Similar Jurisdictions: Gregg CAD coordinates its discovery and valuation activities with adjoining Appraisal Districts. Field trips, interviews and data exchanges with adjacent appraisal districts have been conducted to ensure compliance with state statutes. In addition, Gregg CAD administration and personnel interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers, Texas Association of Appraisal Districts and its subchapter Texas Metropolitan Association of Appraisal Districts and the Texas Association of Assessing Officers.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest present value of the real estate as of the date of valuation. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, excess land, or a different optimum use if the site were vacant. For vacant tracts of land within this jurisdiction, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to: office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis ensures that an accurate estimate of market value (sometimes referred to as value in exchange) is derived.

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

(1) no coercion of undue influence over the buyer or seller in attempt to force the purchase or sale, (2) well-informed buyers and sellers acting in their own best interests, (3) a reasonable time for the transaction to take place, and (4) payment in cash or its equivalent.

Model Specification

The commercial valuation function is divided into five property valuation groups and a vacant commercial land group. The improved real property appraisal responsibilities are categorized according to major property types of multi family or apartment, office, retail, warehouse and special use (i.e. hotels, hospitals and, nursing homes).

The cost approach to value is applied to all real property. This methodology involves the utilization of national cost data reporting services as well as actual cost information on comparable properties whenever possible. Cost models are typically developed based on the Marshall Swift Valuation Service. This approach also employs the sales comparison approach in the valuation of the underlying land value.

The income approach to value was applied to the real property that is typically viewed by market participants as “income producing” and for which the income methodology is considered a leading value indicator.

The sales comparison (market) approach was utilized not only for estimating land value but also in comparing sales of similarly improved properties to each parcel on the appraisal roll. All three approaches to value were considered in estimation of market value for each property, that most applicable of which are given primary emphasis.

Area Analysis

Data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources. Continuing education in the form of International Association of Assessing Officers (IAAO), Texas Association of Assessing Officers (TAAO), Texas Association of Appraisal Districts (TAAD) and Property Tax Education Coalition, Inc. (PTEC) courses, and real estate seminars provide district employees a current economic outlook on GCAD's real estate market. Strict adherence to these procedures ensures that appraisers consider pertinent factors and trends about the forces within the governmental bodies and cities in Gregg County and within the geographic boundaries of Gregg CAD.

Neighborhood Analysis

The neighborhood is comprised of the land area and commercially classed properties located within the boundaries of this taxing jurisdiction. This area consists of a wide variety of property types including residential, commercial and industrial, and vacant acreage. Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effect of these forces is also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial properties these subsets of a universe of properties are generally referred to as *market area or economic areas*.

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building

class by area commercial market experts), date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if re-delineation is required.

Market Analysis

A market analysis relates directly to market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses (inclusive of replacement reserves), expense ratio trends, and capitalization rate studies are analyzed.

Model Calibration

Model calibration involves the process of periodically adjusting the mass appraisal formulas, tables and schedules to reflect current local market conditions. Once the models have undergone the specification process, adjustments can be made to reflect new construction procedures, materials and/or costs, which can vary from year to year. The basic structure of a mass appraisal model can be valid over an extended period of time, with trending factors utilized for updating the data to the current market conditions. However, at some point, if the adjustment process becomes too involved, the model calibration technique can mandate new model specifications or a revised model structure.

Cost Schedules

The cost approach to value is applied to all improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on comparable properties whenever possible. Cost models are developed based on the Marshall Swift Valuation Service. Cost models include the derivation of replacement cost new (RCN) of all improvements. These include comparative base rates, per unit adjustments and lump sum adjustments. This approach also employs the sales comparison approach in the valuation of the underlying land value. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers are necessary to adjust these base costs specifically for Gregg County. These modifiers are provided by a national cost service.

Depreciation schedules are developed based on what is typical for each property type at that specific age. Depreciation schedules have been implemented for what is typical of each major class of commercial property by economic life categories. These schedules are then tested to ensure they are reflective of current market conditions. Both actual and effective ages of improvements are noted.

Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace.

Market adjustment factors such as external and/or functional obsolescence can be applied if warranted. A depreciation calculation override can be used if the condition or effective age of a property varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific property type or location and can be developed via ratio studies or other market analyses. Accuracy in the development of the cost schedules, condition ratings and depreciation schedules will usually minimize the necessity of this type of an adjustment factor.

Income Models

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

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established from actual data furnished by property owners and on local market publications. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an effective gross rent.

Next a secondary income or service income is calculated as a percentage of stabilized effective gross rent. Secondary income represents parking income, escalations, reimbursements, and other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected and available market information. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income.

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of *prudent management*. An allowance for non-recoverable expenses such as leasing costs and tenant improvements are included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Different expense ratios are developed for different types of commercial property based on use. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for his pro-rata share of taxes, insurance and common area maintenance. In comparison, a general office building is most often leased on a base year expense stop. This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. However, any amount in excess of the total per unit expenditure in the first year is the responsibility of the tenant. Under this scenario, if the total operating expense in year one (1) equates to \$10.00 per square foot, any increase in expense over \$10.00 per square foot throughout the remainder of the lease term would be the responsibility of the tenant. As a result, expense ratios are implemented based on the type of commercial property.

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

practices by commercial property type, these expenses when annualized are known as replacement reserves.

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

Rates and multipliers are used to convert income into an estimate of market value. These include income multipliers, overall capitalization rates, and discount rates. Each of these is used in specific applications. Rates and multipliers also vary between property types, as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market.

Capitalization analysis is used in the income approach models. This methodology involves the capitalization of net operating income as an indication of market value for a specific property. Capitalization rates, both overall (going-in) cap rates for the direct capitalization method and terminal cap rates for discounted cash flow analyses, can be derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of what a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived from the built-up method (band-of –investment). This method relates to satisfying the market return requirements of both the debt and equity positions of a real estate investment. This information is obtained from real estate and financial publications.

Rent loss concessions are made on specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances and leasing commissions) becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy. A variation of this technique allows that for every year that the property's actual occupancy is less than stabilized occupancy a rent loss deduction may be estimated.

Sales Comparison (Market Approach)

Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to each parcel on the appraisal roll. As previously discussed in the Data Collection/Validation section of this report, pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information which can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

Estimates Reviewed

Field Review

The date of last inspection, extent of that inspection, and the Gregg Appraisal District appraiser responsible are listed in the system. If a property owner disputes the District's records concerning this data in a protest hearing, it may be altered based on the credibility of the evidence provided. Typically, a new field check is then requested to verify this evidence for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is added to a work file. Finally, even though every property cannot be inspected each year, each appraiser typically designates certain segments of their area of responsibility to conduct field checks.

Commercial appraisers are somewhat limited in the time available to field review all commercial properties of a specific use type. However, a major effort is made by appraisers to field review as many properties as possible or economic areas experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental rates, new leasing activity, new construction, or wide variations in sale prices. Additionally, the appraisers frequently field review subjective data items such as building class, quality of construction (known as cost modifiers), condition, and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. In some cases, field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. With preliminary estimates of value in these targeted areas, the appraisers test computer assisted values against their own appraisal judgment. While in the field, the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties not subject to field inspections and are performed in compliance with the guidelines contained in the Commercial Manual. The Commercial Manual outlines the application of the three approaches to value. This manual is rigorously maintained and updated annually.

Office reviews are typically limited by the data presented in final value reports. These reports summarize the pertinent data of each property as well as comparing the previous values to the proposed value conclusions of the various approaches to value. The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions. Each appraiser's review is limited to properties in their area of responsibility by property type (improved) or geographic area (commercial vacant land).

Once the appraiser is satisfied with the level of uniformity of value for each commercial property within their area of responsibility, the estimates of value go to noticing.

Statistical and Capitalization Analysis

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

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

The appraisers review every commercial property type annually through the sales ratio analysis process. The first phase involves ratio studies that compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the appraised values. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal, or whether the level of market value is at an acceptable level.

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses (inclusive of non-recoverable and replacement reserves), net operating income and capitalization rate and multipliers are continuously reviewed utilizing frequency distribution methods or other statistical procedures or measures. Income model conclusions are compared to actual information obtained on individual commercial properties during the hearing process as well as information from published sources and area vendors.

Appraisal Performance Test

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market values. In a ratio study, market values (value in exchange) are typically represented by sales prices (i.e. a sales ratio study). Independent, expert appraisals may also be used to represent market values in a ratio study (i.e. an appraisal ratio study). If there are not enough sales to provide necessary representation, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial, warehouse or industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties statutorily not appraised at market value, but that reflect the use-value requirement. An example of this are multi-family housing projects subject to subsidized rent provisions for other governmental guarantees as provided by legislative statutes (affordable housing) or agricultural lands to be appraised on the basis of productivity or use value.

Gregg Appraisal District adopted the policies of the IAAO STANDARD ON RATIO STUDIES, circa July 1999 regarding its ratio study standards and practices. Ratio studies generally have six basic steps: (1)

determination of the purpose and objectives, (2) data collection and preparation, (3) comparing appraisal and market data, (4) stratification, (5) statistical analysis, and (6) evaluation and application of the results.

Sales Ratio Studies

Sales ratio studies are an integral part of establishing equitable and accurate market value estimates, and ultimately assessments for this taxing jurisdiction. The primary uses of sale ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of properties types for reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and to calibrate models used to derive appraised values during valuation or reappraisal cycles. However, these studies cannot be used to judge the accuracy of an individual property appraised value. The Gregg County Appraisal Review Board may make individual value adjustments based on unequal appraisal (ratio) protest evidence submitted on a case-by-case basis during the hearing process.

Overall sales ratios are generated by use type semi-annually (or more often in specific areas) to allow appraisers to review general market trends in their area of responsibility. The appraisers utilize programs to evaluate subsets of data by economic area or a specific and unique data item. This may

be customized and performed by building class and age basis. In many cases, field checks may be conducted to insure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the appraisers by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

Comparative Appraisal Analysis

The commercial appraiser performs an average unit value comparison in addition to a traditional ratio study. These studies are performed on commercially classed properties by property use type (such as apartment, office, retail and warehouse usage or special use). The objective to this evaluation is to determine appraisal performance of sold and unsold properties. Appraisers examine average unit prices of sales and average unit appraised values of the same parcels and the comparison of average value changes of sold and unsold properties. These studies are conducted on substrata such as building class and on properties located within various economic areas. In this way, overall appraisal performance is evaluated geographically, by specific property type to discern whether sold parcels have been selectively appraised. When sold parcels and unsold parcels are appraised equally, the average unit values are similar. These horizontal equity studies are performed prior to annual noticing.

INDUSTRIAL VALUATION

Introduction

Scope of Work

The industrial appraisers and/or contract appraisers of the Gregg Appraisal District are responsible for developing fair, uniform market values for improved industrial properties and industrial vacant land. The industrial and/or contract appraiser is responsible for the valuation of all tangible general industrial personal property in Gregg County with the exception of those accounts worked by in-house appraisal staff.

Appraisal Resources

- **Personnel** - The industrial section consists of Commercial Appraisers but mostly of contract appraisers. Gregg Appraisal District contracts with Capitol Appraisal Group, LLC to value properties for which the district does not have the available personnel or resources. The commercial and personal property appraisers and contract appraisal staff inspect their assigned properties to obtain information about buildings, site improvements, process and shop equipment, and various items of personal property.

Kelli Dial, RPA (75898)

Gisele Morris, RPA (73337)

Capitol Appraisal Group

Senior Commercial Appraiser

Commercial Appraiser

Staff Appraisers

- **Data Collecting and Validation** - Appraisal personnel use information provided by property owners concerning the cost to purchase, install, and construct items of real and personal property. The individual characteristics of the property being appraised are the primary factors that drive the appraised value.

An extended range of variations may exist within the same class of industrial property, and there are a multitude of property types within the industrial category. For this reason, effective data collection procedures would be very difficult to organize in a single comprehensive manual. The district has adopted the guide for Marshall & Swift Commercial Building System and the companion data acquisition forms to standardize data collection for buildings assigned to contract appraisal staff. The data generated by these forms enables the appraiser to use the software to value industrial buildings.

Industrial personal property also consists of many different classes of assets with a wide range of variation within each class. The district has adopted the convention of listing assets and estimation effective age of assets in the field. The field listing is then compared with information furnished by property owners during the final valuation review.

The original real and personal property data used by Gregg CAD was supplied by the ISD Tax Offices and the Gregg County Tax Office. Since that time, the contract appraisal personnel have updated that information based on field review. As new facilities are built, the contract appraisal

personnel collect all the real and personal property data necessary to value the property initially, and thereafter, update the information when the property is again visited. Building permit information is received from the cities when a facility is being built.

The appraisers take with them the historical data on the building and site improvements and in some cases the previous listing of personal property at the facility being visited. Changes to the existing structures and personal property are noted and that information is used for value estimation purposes. If cost information for the real or personal property is supplied later, the field data can be compared to that information to judge the accuracy of the information.

Highest and Best Use Analysis

Usually, the current use of the property is the highest and best use of that property. Industrial facilities are most commonly located in areas that support industrial use. In areas where mixed use does not occur, the highest and best use of the property is examined by the appraiser to estimate the effect of this factor.

Model Specification

Area Analysis

The scope of market forces affecting industrial products and the capital goods used in the production process tends to extend beyond regional considerations. The effects of information and transportation technology are such that most industrial market forces are measured globally. One exception to this general concept is the market for industrial land. The pricing of land tends to be closely tied to possible alternative uses in the area. For this reason, appraisers assigned to land valuation analyze market forces for specific areas and adjust land value schedules appropriately.

Neighborhood Analysis

Neighborhood analysis of the type of properties valued by the commercial/industrial appraiser is not meaningful. Industrial properties do not have the type of generic “sameness” that is appropriate for neighborhood models.

Market Analysis

Market analysis is the basis for finalizing value estimates on properties for which the industrial appraiser has responsibility. Even though many industrial properties are unique in nature, the market type for this type property is analyzed to see how the values of similar or similar as possible properties are affected by market forces. Industrial properties, such as machine shops, have many similar facilities that can be compared to the subject property in terms of type and size of equipment, type of property fabricated or serviced at the subject facility, and other factors. Those similarities help the appraiser estimate the value of the subject property. However, some facilities, such as specialty chemical plants, are so unique in nature that the appraiser must use the closest available plant in terms of output quantity, type of product manufactured, and other factors to estimate the value of the subject property.

Many industrial properties use the same type of building and, depending on the type of business may use the same type of manufacturing or service equipment. However, the manner in which the entire business operation is put together makes that particular facility unique. The district uses information

from similar businesses to examine the real and personal property values at a particular business, but the individual characteristics of the business being reviewed determine the value estimation.

Many of the buildings encountered at industrial facilities are generic in construction, such as pre-engineered metal buildings. The cost per square foot to construct these type structures can be used to estimate values at facilities that have similarly constructed buildings. However, the buildings as constructed will have differences that must be taken into account when estimating the final value of the property being reviewed.

A similar analysis is used for personal property. Many items of personal property, such as furniture and fixtures, computers, and even machinery and equipment are generic in construction, but individual characteristics that affect value, such as usage, environment where used, and level of care will have an effect on the final value estimation. When cost data for this type property is available and considered reliable, it is used for value estimation purposes at other plant facilities. However, on-site inspection and information provided by the property owner will affect the final value.

Model Calibration

The schedules used by the district are those integrated into Marshall Swift Commercial System for real property improvements. The real property valuation schedules are updated periodically through the use of update disks supplied by Marshall Swift. The valuation schedule incorporated into the district's records is updated annually.

Gregg Appraisal District schedules are based on Marshall & Swift schedules and depreciation factors for use in the valuation of all business and industrial personal property. These schedules are updated annually by Marshall & Swift and True Automation. The contract appraisal firms use similar schedules and methodology based on their experience in valuing real and personal property.

Data Collection Manuals

An extended range of variations may exist within the same class of industrial property, and there are a multitude of property types within the industrial category. For this reason, effective data collection procedures would be very difficult to organize in a single comprehensive manual. The district has adopted the guide for Marshall Swift Valuation System and the companion data acquisition forms to standardize data collection for buildings assigned to the industrial appraisal staff. The data generated by these forms enables the appraiser to use the software to value industrial buildings.

Industrial personal property also consists of many different classes of assets with a wide range of variation within each class. The district has adopted the convention of listing assets and estimating effective age of assets in the field. The field listing is then compared with information furnished by property owners during the final valuation review.

Sources of Data

Gregg County and the various school districts supplied the original real and personal property data used by Gregg Appraisal District in 1980. Since that time, the district and contract appraisal personnel have updated that information based on field review. As new facilities are built, the appraisal personnel collect all the real and personal property data necessary to value the property initially and thereafter

update the information when the property is again visited. The district receives building permit information from the cities when a facility is being built. Other sources of data include publications such as various refining and chemical industry magazine articles.

Data Collection Procedures

The district and contract appraisal personnel annually or periodically visit assigned plants. The frequency of the visit is determined by the nature of the business conducted at each facility. For example, refineries and chemical plants are continually changing or adding to processes to extract greater efficiencies or make new products, but machine shops may not add or remove equipment over a period of two or more years.

The appraisers take with them the historical data on the buildings and site improvements and the previous listing of personal property at the facility being visited. Changes to the existing structures and personal property are noted and that information is used for value estimation purposes. If cost information for the real or personal property is supplied later, the field data can be compared to that information to judge the accuracy of the information.

The district and contract firm appraisal staff members are not assigned any one geographical area of the county. The nature of the business and whether or not the district has the staff resources available determines which properties are valued by contract firms and which properties are valued by the district's appraisal staff. New district appraisers are trained by accompanying appraisers who have performed field visit and appraisal functions for a number of years. Each district appraiser is responsible for the completeness and correctness of their valuation work, but a new appraiser is encouraged to seek the advice of and review by experienced appraisal staff if that person is not sure of their value estimation results.

Estimates Reviewed

Field Review

The district's personnel periodically review their assigned real and personal property accounts where there is evidence of change at a particular facility and when there is not, these accounts are revisited on a two to three-year cycle. Certain properties are reviewed annually because past experience shows that changes are occurring continually in the real or personal property at that facility. Properties assigned to contract appraisal firms are reviewed annually because changes also occur regularly at these facilities.

The results of prior year hearings and indication of building permits being issued are another source of required field visits. Many times during hearings, issues are presented that cause a value adjustment. Those issues must be field checked to see if these influences will be on going and warrant permanent value adjustment or are transitory and permanent adjustment is not warranted. This information needs to be recorded so the appraiser will be better able to estimate the property value. Building permits must be field checked to see what affect these have on existing structures. Any new construction is noted and the information necessary to value the structure is recorded. Additionally, any structure demolition is noted so the improvement value can be adjusted accordingly.

Part of the field review includes noting any land characteristics that would affect the land value. The district values all land for the properties over which it has responsibility, including those properties assigned to contract appraisal firms. The contract appraisal firms must advise the district of any characteristics that would affect the value of the land associated with that assigned facility.

Office Review

All properties not subjected to field review are reviewed in the office by the district appraiser assigned to particular real or personal properties. The office review relies on historical information in the real or personal property file along with any newly gathered information as the basis for deciding on the estimated value to be placed on the property for the current tax year.

When valuing real property, the characteristics of the property being reviewed are the driving force in value estimation. Experience in valuing other real property, such as a comparable building elsewhere, helps the appraiser decide the estimated value to be placed on the subject improvements.

When valuing personal property, the type of furniture, equipment, computers, vehicles and inventories etc., will be used along with any cost data provided by the property owner to estimate the value. Experience in valuing similar property at other facilities will help the appraiser estimate the value of the subject facility. Individual characteristics of the property, such as usage and maintenance will have a bearing on the value calculated by use of District schedules.

Appraisal Performance Tests

Sales Ratio Studies

Ratio studies are an important tool to examine how close appraised values are to market values. The ratio study may use available sales data or may use independent, expert appraisals. Typically, there are not enough sales of industrial properties to show a representation of that class of property in a ratio study.

Comparative Appraisal Analysis

This type of analysis is usually not done on industrial properties due to the unique nature of the property and also because of time and budget constraints regarding available appraisal staff. Only in an instance where a jurisdiction would file a jurisdiction challenge with the Appraisal Review Board would the district perform such an analysis.

If a jurisdiction challenge is received by Gregg Appraisal District on an industrial category of properties, the appraisers assigned to those accounts will research the appraisal roll to see what other similar properties exist. The real property values can be compared on an average value per square foot of structure basis, but the differences from one facility to another must be carefully compared because it is unlikely that two different facilities are going to build like improvements and use them in similar ways.

BUSINESS PERSONAL PROPERTY

Introduction

Scope of Work

The personal Property Appraisers are responsible for developing fair and uniform market values for business personal property located within the district. There are four different personal property types appraised by the district's personal property section: Business Personal Property accounts; Leased Assets; Vehicles; and Multi-Location Assets. There are approximately 9600 business personal property accounts in the Gregg Appraisal District.

Appraisal Resources

- **Personnel** – The Personal Property staff consists of 2 appraisers and 3 technical staff. Capitol Appraisal Group appraisers are responsible for the valuation of Industrial and oilfield related business personal property accounts. The following appraisers are responsible for determining personal property values:

Shannon Mayhan, RPA (75894)
Rebecca Gay, Class II (77288)
Capitol Appraisal Group

Senior BPP Appraiser
BPP/Res. Appraiser
Staff Appraisers

Collecting and Validating Data - A common set of data characteristics for each personal property account in Gregg County is collected in the field and data entered to the district's computer. The personal property appraisers collect the field data. In gathering information for personal property accounts, two general types of data are required: data to identify the property and data to appraise the property. Data required to identify the property include ownership, location, business type, and other identification items. Appraisal data includes area measurements, density and quality measures, asset description, depreciation factors, and other appraisal related items.

Sources of Data

Business Personal Property

The district's property characteristic data was originally received from Gregg County and various school district records in 1980, and where absent, collected through a massive field data collection effort coordinated by the district over a period of time. During revaluation, district appraisers collect new data via a complete field drive-out. All accounts are reviewed annually. This approach results in the discovery of new businesses not revealed through other sources as well as businesses that have relocated or closed. Various discovery publications such as the assumed name listings and state sales tax listings are also used to discover personal property. Tax assessors, city and local newspapers, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

Vehicles and Leased Multi-Location Assets

An outside vendor provides Gregg Appraisal District with a listing of vehicles registered within Gregg County. The vendor develops this listing from the Texas Department of Transportation (DOT) Title and Registration Division records. Other sources of data include property owner renditions and field inspections. The primary source of leased and multi-location assets is property owner renditions.

Highest and Best Use Analysis

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

Model Specification

SIC Code Analysis

Standard Industrial Classification (SIC) codes developed by the federal government are used by Gregg Appraisal District as a way to classify personal property by business type. Gregg Appraisal District has further stratified these codes by adding suffixes to SIC codes in order to group business types that have similar personal property characteristics.

SIC code identification and delineation is the cornerstone of the personal property valuation system at the district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. SIC codes are delineated based on observable aspects of homogeneity. SIC code delineation is periodically reviewed to determine if further SIC code delineation is warranted.

Model Calibration

Cost Schedules

Cost schedules are developed by district personal property valuation appraisers. The cost schedules are developed by analyzing cost data from property owner renditions, hearings, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions.

The schedules are typically in a price per square foot format, but some SIC codes are in a price per unit format, such as per room for hotels.

Statistical Analysis

Summary statistics by SIC code provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value by SIC code.

Final Model (Depreciation Schedule & Trending Factors)

Business Personal Property

Gregg Appraisal District's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from Gregg Appraisal District developed valuation models. The trending factors used by Gregg Appraisal District to develop RCN are based on published valuation guides. The percent good depreciation factors used by Gregg Appraisal District are also based on published valuation guides. The index factors and percent good depreciation factors are used to develop present value factors (PVF), by year of acquisition, as follows:

$$\text{PVF} = \text{INDEX FACTOR} \times \text{PERCENT GOOD FACTOR}$$

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

$$\text{MARKET VALUE ESTIMATE} = \text{PVF} \times \text{HISTORICAL COST}$$

This mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market. Additional depreciation/appreciation is added on a case by case basis to further account for any individual characteristics not contained in the model.

Personal Property Appraisal

The valuation process has two main objectives: 1). Analyze and adjust existing SIC models. 2). Develop new models for business classifications not previously integrated into our system. The delineated sample is reviewed for accuracy of SIC code, square footage, field data, and original cost information. Models are created and refined using actual original cost data to derive a typical replacement cost new (RCN) per square foot for a specific category of assets. The RCN per square foot is depreciated by the estimated age using the depreciation table adopted for the tax year.

The data sampling process is conducted in the following order: 1) Prioritizing Standard Industrial Classification (SIC) codes for model analysis. 2) Compiling the data and developing the reports. 3) Field checking the selected samples. The models are built and adjusted using verified information. The models are then tested against the previous year's data. The typical RCN per square foot (or applicable unit) is determined by a statistical analysis of the available data.

These same schedules are used in the general business personal property valuation program to estimate the value of new accounts for which no property owner's rendition is filed. Model values are also used to establish tolerance parameters for testing the valuation of property for which prior years' data exist or for which current year rendered information is available. The calculated current year value or the prior year's value is compared to the indicated model value. Allowable tolerance ranges may be adjusted from year to year depending on the analysis of the results of the prior year.

Vehicles Leased and Multi-Location Assets

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

Estimates Reviewed

Business Personal Property

A district valuation computer program exists in a mainframe environment that identifies accounts in need of review based on a variety of conditions. Property owner renditions, accounts with field or other data changes, accounts with prior hearings, new accounts, and SIC cost table changes are all considered. The accounts are processed by the valuation program and pass or fail preset tolerance parameters by comparing appraised values to prior year and model values. Accounts that fail the tolerance parameters are reviewed by the appraisers.

Vehicles Leased and Multi-Location Assets

A vehicle master file is received on tape from an outside vendor and vehicles in the district's system from the prior year are matched to current DOT records. The vehicles remaining after the matching process are set up as new accounts. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides. Leasing and multi-location accounts that have a high volume of vehicles or other assets are loaded programmatically if reported by the property owner electronically. Electronic renditions, usually on diskette, often require reformatting before they can be loaded to the account. Accounts that render by hard copy are data entered by the CAD. After matching and data entry, reports are generated and reviewed by an appraiser. Once proofed, the account is noticed after supervisor approval.

Appraisal Performance Test

Every other year the Property Tax Assistance Division of the state comptroller's office conducts a property value study (PVS). The PVS is a ratio study used to gauge appraisal district performance. Results from the PVS play a part in school funding. Rather than a sales ratio study, the personal property PVS is a ratio study using state cost and depreciation schedules to develop comparative personal property values. These values are then compared to Gregg Appraisal District's personal property values and ratios are formed.

Gregg Appraisal District can test new or revised cost and depreciation schedules by running the valuation program in a test mode prior to the valuation cycle. This can give appraisers a chance to make additional refinements to the schedules if necessary.



***Appraisal Staff
Providing Significant Mass Appraisal Assistance***

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Chief Appraiser

Joshua Payne, RPA, RES (74496) _____
Director of Appraisal

Berta Fuentes, RPA (68926) _____
Director of Technicians, Public Information Officer

Patti Coppedge, RPA (70332) _____
Director of IT/GIS

Kelli Dial, RPA (75898) _____
Sr. Appraiser, Commercial Property

Lena McGill, RPA, RTA, CTA (75940) _____
Sr. Appraiser, Residential Property

Shannon Mayhan, RPA (75894) _____
Sr. Appraiser, Business Personal Property

Also providing assistance were staff appraisers of Capitol Appraisal Group, LLC