

2020

**SUMMARY REPORT OF A MASS APPRAISAL OF PROPERTIES
WITHIN THE HOUSTON COUNTY APPRAISAL DISTRICT
PURSUANT TO USPAP STANDARDS RULE 6-7**

PREPARED BY:

**CAREY MINTER
CHIEF APPRAISER**

HOUSTON COUNTY APPRAISAL DISTRICT

HOUSTON COUNTY APPRAISAL DISTRICT
2018 SUMMARY MASS APPRAISAL REPORT

Purpose

The Houston County Appraisal District (HCAD) is responsible each year for appraising at market value all taxable property in Houston County for ad valorem taxation. The District utilizes a mass appraisal system to provide both an equitable and efficient market valuation of all taxable property in accordance with Texas Law. These appraisals constitute the appraisal roll for the various taxing units with property located within HCAD. The appraisal roll becomes the tax roll for a taxing unit once the tax rate is set and levied. See the addendum for a list of these taxing units.

Appraisal Date

The effective date of the appraisal is January 1 of the tax year in question unless otherwise provided by the Texas Property Tax Code. In regard to business personal property, some inventories may qualify for September 1 appraisals in accordance with Section 23.12 of the Property Tax Code.

Assumptions & Limiting Conditions

The appraised values provided by HCAD through the appraisal roll are subject to the assumptions and limiting conditions.

1. All appraised values were prepared for ad valorem tax purposes only.
2. No responsibility is assumed for legal descriptions or other matters including legal or title considerations. Title to property is assumed to be good and marketable, unless otherwise stated.
3. All properties are appraised as if free and clear of any or all liens or encumbrances, unless otherwise stated.
4. All properties are appraised as though under responsible, adequately capitalized ownership and competent property management.
5. Information furnished by others is believed to be reliable. However, no warranty is given for its accuracy.
6. All sketches, plot plans and other illustrative materials are intended to be visual aids only. All engineering and survey data are assumed to be correct.
7. It is assumed that there are no hidden or unapparent conditions of the property, subsoil or structures that render it more or less valuable. No responsibility is assumed for such conditions arranging for engineering studies that may be required to discover them.
8. It is assumed that there is full compliance with the applicable federal, state and local environmental regulations and laws unless non-compliance is stated, defined and considered in the Mass Appraisal Report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless non-conformity has been stated, defined and considered in this Mass Appraisal Report.
10. 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 appraisal roll covered by this report.

11. 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 in the report.
12. The property characteristics upon which the appraisal values are based are assumed to be correct. (On-site inspections of properties are performed as staff resources and time permit.)
13. Sales data received is considered to be reliable. The District attempts to confirm sales transactions through contact with realtors, buyers and sellers.
14. The Houston County Appraisal District will not be required to give testimony or appear in court because of having produced this mass appraisal with reference to the properties in question, unless arrangements have been previously made thereof.
15. Any cause of action from this mass appraisal will be limited in damages and fees to the amount prescribed by law.
16. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the party to whom addressed without written consent of the Houston County Appraisal District and only in its entirety.
17. It is assumed that the properties, the subject of this report, are in compliance with American With Disabilities Act unless otherwise noted in this report.
18. The HCAD appraisers have not made determinations about the existence of hazardous materials.
19. The HCAD appraisers have not and will not make termite inspections.

Definition of Market Value

“Market Value” means the price at which a property would transfer for cash or its equivalent under prevailing market conditions.

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

Definitions of Special Valuations

“Agricultural or Timber Use Value” means land designated for agricultural or timber use is appraised at its value based on the land’s capacity to produce agricultural or timber products but this value cannot exceed the market value of the land.

“Real Property Inventory Value” means the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business. An inventory is defined as residential real property, which has never been occupied as a residence and is held for sale in the ordinary course of a trade or business, provided that the residential real property remains unoccupied, is not leased or rented, and produces no income.

“Dealer Inventory Value” means the market value of a dealer’s inventory on January 1, is the total annual sales from the dealer’s inventory, less sales to dealer’s fleet transactions, and subsequent sales, for the twelve (12) month period corresponding to the prior tax year, divided by twelve (12).

Properties and Rights Appraised

Houston County Appraisal District appraises in excess of 30,000 properties each year. These products make up the appraisal roll for the district and are described in the District's property records maintained by the Chief Appraiser. These properties are categorized in accordance with the use classification codes established by the State Comptroller's Office Property Tax Division (PTD). Please see addendum for a list of these codes.

"Nominal Value" means a trivial value placed on property nominally owned by a non-profit homeowner's organization for the benefit of its members.

"Restricted Use Value" means the value of land devoted exclusively to recreational, park or scenic uses considering only those factors relating to the value of land as restricted and sales of comparable land not similarly restricted may not be used to determine value.

All the above definitions established by the State Property Tax Code differ from the definitions established by USPAP, therefore, a jurisdictional exception applies.

All properties rights are appraised in fee and in compliance with Texas Property Tax Code Sec. 25.06.

Furthermore, the HCAD property records contain data on property characteristics, ownership, address, situs, legal descriptions, exemptions and new construction.

The computer system used for appraisal records is an on-line computer system with Pritchard & Abbott Inc. The Appraisal District also has all County Maps on Micro-Station with Bentley Software. The map system has several overlays consisting of ownership, parcel numbers, acreage and other information for tax record purposes.

Area Analysis

Houston County has a population of 23,000 people. It is located between Anderson and Trinity County, with Crockett being the County Seat. The City of Crockett is the largest city with a population of approximately 7,300 people.

The District analyzes social, economic, government and environmental forces, which influence property values in the area. This area of influence is divided into neighborhoods. A "neighborhood" is defined as a group of complimentary land uses. A "District" is a type of neighborhood with homogeneous land use. The primary neighborhood boundaries for HCAD are the five (5) school districts. Neighborhoods or districts may be described within these school district neighborhoods based on land use, type of structures, transportation arteries or topography. Crockett City is largely developed with residential properties ranging from older two story historical homes, to newer custom-built homes. The historical Houston Avenue is the center of much of the hub of the historical district. Most of the new businesses are being developed and located around Loop 304.

Employment in the County centers around the Crockett area with jobs being provided by school district, retail and services businesses and industrial-manufacturing facilities. The largest employer is Vulcraft Steel, located in Grapeland, which employs approximately 350 people. The largest taxpayer in Latexo is Ampacet which has 76 employees. Houston County is fortunate to have many employment opportunities, which constitutes only a 4.2% unemployment rate.

Data Collection and Valuation

The District has developed a separate appraisal manual for real and personal property. These manuals contain appraisal procedures, codes, model specifications and value schedules. Annually, these manuals are reviewed to meet changing requirements, neighborhoods and market conditions. Copies of these manuals are maintained in the Appraisal District's Office. The Appraisal of industrial and mineral properties is contracted out to Pritchard & Abbott Inc. in Fort Worth, Texas. The appraisers from the Henderson Office service our District.

Specific data on individual properties is collected from inspection, property owners, real estate brokers, appraisers, newspaper articles and etc.

Field inspections are the primary source of personnel data on individual properties. An efficient field data collection system requires organization, planning and supervision. HCAD has one (1) appraisal supervisor and two (3) staff appraisers. Appraisers territories are drawn by School District boundaries. One appraiser handles two school districts, one appraiser handles one school district and part of another while the third handles personal property and the other part of a school district. Information gathered from inspections is drawn on an appraisal card in the field and then entered into the automated appraisal system. An updated appraisal card may be printed from the system if needed.

For personal property appraisals, one appraiser appraises the entire County. These are done from using manuals developed from Marshall & Swift, Just Texas, State renditions and personal inspections.

Supervisors are charged with the responsibility of ensuring the appraisers follow procedures and are adequately trained. They are also responsible for reviewing the field appraisers' work.

Neighborhood Analysis

Neighborhood analysis involves the examination of how physical, economical, governmental, and social forces influence and affect property values. The effect of these forces is used to identify, classify, and organize properties into smaller groups of properties known as neighborhoods.

Highest and Best Use

"Highest and Best Use" is defined as 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 the maximum. For improved properties, highest and best use is evaluated both as if land is vacant and as improved. This assists in determining if existing improvements have a transitional use, interim use, non-conforming use, multiple uses, speculative use, or a different optimum use. For vacant tracts of land within this jurisdiction, the highest and best use is considered speculative and based on the surrounding land uses and on any deed restrictions or other restrictions on use. Improved properties reflect a wide variety of highest and best uses, which include: residential housing, apartments, office, retail, warehouse, light industrial, special purpose, manufacturing or interim uses. In many instances, the property's current use is the same as its highest and best use.

Market Analysis

A market analysis relates directly to market forces affecting supply and demand. This study involves the effect of social, environmental, economic, governmental and site conditions on the universe of property appraised by the Houston County Appraisal District.

The District reviews weekly local newspaper, the Houston County Courier and the Grapeland Messenger to stay abreast on changes in the local market. For information on both local and regional influences affecting supply and demand, State wide publications such as the Texas Real Estate Center's "Trends" magazine, Texas Association of Appraisal District's "The Appriser" and the Texas Association of Assessing Officers' "Texas Assessor's News" are reviewed periodically. Local real estate sales listing on the internet are also very helpful in identifying market trends.

Since Houston County does not have the advantage of a multiple listing service for real estate sales information, the Appraisal District maintains its own sales database. The information in this database is gathered from sending out sales letters to buyers, sellers, appraisers and brokers.

Model Specification and Calibration

The District's valuation schedules are divided into four (4) main classifications: land; residential improvements, commercial improvements and personal property.

Land Schedules: The land tables are built primarily from a market analysis of comparable sales. These sales must be stratified into homogeneous groups reflecting geographic areas subject to different market influences. Within strata, land tables should be built using units of comparison found in the market (i.e., acre, square foot, front foot, etc.). In some cases, the appraisal staff may use the abstraction method to determine, adjust or reconcile land values. The base values reflected in the land tables are built around three (3) primary influences: (1) location (2) size and (3) characteristics. Adjustment for special influences such as drainage, easements, and frontage may be necessary to reconcile base values to individual properties.

Residential and Commercial Schedules: All residential and commercial parcels are valued using schedules, which are cost based tables adjusted by sales data from Houston County. The comparative unit of measure used in these tables is price per square foot. Base values are established based on quality of construction and size and modified for locational factors by neighborhood. Additional adjustments to these bases values are made for condition of improvements based on the District's depreciation schedules. These schedules are calibrated from cost and sales data and are tested to ensure they reflect current market conditions. Adjustment factors for functional and external obsolescence are applied to individual properties or specific locations when warranted. The value of improvements not included in the base values, such as air conditioners and fire places will be estimated based on their contributory value to the property. These contributory values may be estimated by square foot or as a lump sum adjustment. The cost of building additions such as garages, carports and porches are expressed as a percentage of the base cost of the living area.

The income approach to value may be used to reconcile market value estimates derived from the District's schedules when appropriate and reliable data is available. This approach is applied to those properties typically viewed as income producing and the income methodology is considered a leading value indicator. Reliability

of this approach depends on accurate estimates of stabilized income, vacancy and collection losses and expenses. Estimates of market rent are derived from market surveys or actual rents from property owners. Vacancy and collection loss must account for periodic fluctuations in occupancy above and below estimated stabilized level. Allowable expenses estimates are based on a study of the local market assuming prudent management. Capitalization rates may be derived from the market or from the band of investment method. The band of investments relates to satisfying the market return requirements of both debt and equity positions.

In addition, the sales comparison or market approach may be used to reconcile market value estimates derived from the District's schedules when appropriate and sales are available. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to the District's appraised values. Sales may also provide a basis for depreciation schedules or capitalization rates. Sales are used in ratio studies which affords the analyst an excellent means of judging the present level and uniformity of the District's appraised values.

Personal Property Schedules: Four digit codes called Standard Industrial Classification Codes (sic) developed by the Federal Government are used by HCAD to classify personal property by business type. The District's personal property schedules are developed by analyzing data from personal property renditions, ARB hearings, state schedules, Marshall & Swift and neighboring appraisal districts. The publication, "Just Texas" is also used in valuing personal property vehicles. The schedules are reviewed as necessary to conform to changing market conditions. Depreciation schedules and trending factors are used to adjust historical cost to a market value estimate.

Sales Review: The District gathers sales information on vacant land, lots, improved residential, commercial properties and industrial properties. Property owners, appraisers and brokers confirm these sales. Next, the District compiles this sales data and compares it to the District's appraised values. When warranted, field inspections and photographs are ordered.

This sales data assists the District in identifying changes in property uses, neighborhoods and market trends. If justified by the sales data, the District may schedule reappraisals of neighborhoods, areas or districts.

Also, individual sales are analyzed to meet the test of market value. Only arms-length transactions are considered for this testing.

Statistical Analysis: Statistics is a way to analyze data and study characteristics of a collection of properties. In general, it is not feasible to study the entire population, therefore, statistics are introduced into the process. The District performs statistical analysis periodically to evaluate whether appraisal roll values are equitable and consistent with market values. Appraisal statistics of central tendency and dispersion are generated from sales ratios through the District's computer sales module. These ratio studies are conducted by neighborhood, property type and or class for a predetermined time period. The District also evaluates Appraisal performance through individual ratio studies. Ratio studies are conducted in accordance with IAAO Standards. The District also checks against the state's ratio study to check appraisal conformity.

Performance Testing

An independent test of the District's appraisal performance is conducted annually by the Property Tax Division of the State Comptroller's Office. This study is performed and published by school district and includes those statistical measures that the Comptroller considers appropriate. In addition, a summary of the median levels of appraisal is prepared for the appraisal district by property category.

Certification Statement

"I, CAREY MINTER, Chief Appraiser for the Houston County Appraisal District, solemnly swear that I have made or caused to be made a diligent inquiry to as 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."

4-14-2020

DATE

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CAREY MINTER

CHIEF APPRAISER

Market Value

TAX CODE DEFINITION OF MARKET VALUE IS AS FOLLOWS:

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

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

TWO DEFINITIONS OF MARKET VALUE IMPLIED BY SUPREME COURT RULINGS MAY BE STATE AS FOLLOWS:

Personal Property Market value is the price that the dealers in the goods are willing to receive and purchasers are willing to pay when goods are bought and sold in the ordinary course of trade.

Real property Market value is the amount of money that probably would be arrived at through fair negotiations between a willing seller and a willing buyer, taking into consideration the uses to which the property may be put.

The Appraisal Institute’s definition of market value, disposition value and liquidation value are as follows:

Market Value

Market value is based on the concept of an open and competitive market in which transactions are free of duress or forced liquidation. The report clarifies and rearranges the conditions set forth in the definition, as follows:

Market value is the most probable price, which a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale as of a specified date.
2. Open and competitive market for the property interest appraised.
3. Buyer and seller each acting prudently and knowledgeably.
4. Price not affected by undue stimulus.
5. Buyer and seller typically motivated.
6. Both parties acting in what they consider their best interests.
7. Adequate marketing efforts made and a reasonable time allowed for exposure in the open market.
8. Payment made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. Price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

Disposition Value

Disposition value is the most probable price, which a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of a sale within a severely limited future marketing period specified by the client.
2. Current actual market conditions for the property interest appraised.
3. Buyer acting prudently and knowledgeable.
4. Seller under extreme compulsion to sell.
5. Buyer typically motivated.
6. Buyer acting in what he/she considers his/her best interests.
7. Limited marketing effort made and limited time allowed for completion sale.
8. Payment made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. Price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with this sale.

Liquidation Value

Liquidation value is the most probable price, which a specified interest in real property is likely to bring under all of the following conditions:

1. Consummation of sale within a severely limited future marketing period specified by the client.
2. Current actual market conditions for the property interest appraised.
3. Buyer acting prudently and knowledgeable.
4. Seller under extreme compulsion to sell.
5. Buyer typically motivated.
6. Buyer acting in what he/she considers his/her best interests.
7. Limited marketing effort made and limited time allowed for completion of sale.
8. Payment made in cash in U.S. dollars or in terms of financial arrangements comparable thereto.
9. Price represents the normal consideration for the property sold, unaffected by special or creative financing or sales concessions granted by anyone associated with the sale.

The following types of sales are generally NOT considered arm's-length transactions:

1. Sales involving courts, or in which government agencies or public utilities are principals.
2. Sales in which charitable, religious or educational institutions or principals.
3. Sales in which a financial institution is the buyer and a lien holder or the seller of property taken through foreclosure.
4. Sales between relatives.
5. Sales between corporate affiliates.
6. Sales of convenience.
7. Sales settling an estate.
8. Forced sales.
9. Sales of doubtful title.
10. Auctions.
11. Foreclosure sales, condemnation sales or other sales, which the price was not representative of market.

12. Sales resulting from divorce proceedings.

Although the following are considered arm's-length, open-market sales, because they involve special circumstances, they should be either excluded from analysis or used with caution:

1. Trades.
2. Transactions involving partial interests.
3. Land contracts, contracts-for-deed and other installment purchase agreements.
4. Incomplete or un-built property.

MARKET PRICE VS. MARKET VALUE

Market price, or value in exchange, is represented by the equilibrium price determined by supply and demand in a market. Market price is the amount actually paid in a particular transaction. The type of competition prevailing in the market is ignored in this definition. For example, no allowance is made for knowledge or prudent conduct on the part of buyer or seller, degree and type of stimulus motivating either or both, financing terms, the use for which the property is best suited or is to be put, or length of time the property is exposed to the market. Market price can, and often does, result from caprice, carelessness, desperation, egotism, ignorance, pressure, sentiment, social ambition, whim, and many other factors.

Market value, is a hypothetical, or estimated, sale price, such as would result from the careful consideration by the buyer and of all data, with primary reliance on those data that reflect the actions of responsible, prudent buyers and sellers under conditions of a fair sale. The definition of market value is concerned with the type of competition prevailing in the market. Although the definition does not require adherence to all the features of pure competition, it incorporates many of them. It principally leaves out the requirement that goods be exact substitutes for each other. Market value, as defined here, is what the appraiser is trying to estimate in the appraisal process.

Market price approximates market value and value in exchange under the following assumptions:

1. No coercion or undue influence over the buyer or seller in an 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.
4. Payment in cash or its equivalent

ATTACHMENT A

TAXING UNITS

Houston County
Houston County ESD #1
Houston County ESD #2
Houston County Hospital
Grapeland ISD
Grapeland City
Grapeland Hospital
Latexo ISD
Crockett ISD
Crockett City
Lovelady ISD
Lovelady City
Kennard ISD
Kennard City

MASS APPRAISAL CONCEPT

IAAO Standards of mass appraisal per Mass Appraisal of Real Property Copyright 1999 ISBN 088329-1665.

Mass Appraisal Process:

1. Definition of the appraisal problem
2. Data Collection
3. Market Analysis
 - a. Supply and Demand Data
 1. General
 - a. Economic
 - b. Social
 - c. Environmental
 - d. Governmental
 2. Specific
 - a. Site
 - b. Off-site
 - c. Improvements
 3. Comparative
 - a. Cost
 - b. Sales
 - c. Income/Expense
4. Highest and best use analysis
5. Specification and calibration of the valuation model
6. Model testing quality control, and reconciliation of values

RATIO STUDIES

Ratio studies serve many purposes. The primary use is evaluation of mass appraisal performance. Local assessors, supervisory agencies, and others can use the studies to determine where appraisal performance meets acceptable standards and where it does not. Market-based trending factors developed from information provided by ratio studies can be used not only to measure, but also to improve performance. By providing information on current operations, ratio studies also help assessors plan, schedule, and budget future activities. Another important use of ratio studies is indirect equalization, in which ratio studies are used to estimate property wealth for distributing aid payments.

The primary users of ratio studies are equalization agencies, supervisory agencies, assessors, mass appraisal firms, taxpayers, and appeal boards.

Design of Ratio Studies

The ratio study is a flexible tool that can provide valuable information for a variety of purposes. The design of a ratio study should reflect its purposes, including any legal requirements, and available budget and

staff. Computer software options should also be considered. A ratio study usually has six parts: (1) delineation of objectives, (2) collection and preparation of market data, (3) matching of appraisal and market data, (4) stratification, (5) statistical analysis, and (6) evaluation and use of results.

Three Approaches to Valuing Property

Sales Comparison Approach

The sales comparison approach uses sales prices as evidence of the value of similar properties. The price at which a particular property sells is the price determined by the interaction of supply and demand at the time of sale. If competitive market conditions are approximated, and conditions have not changed greatly, a similar property would sell at approximately the same price.

The Cost Approach

The cost approach is sometimes called summation, engineering, or brick and mortar approach. The cost approach is based on the idea that the value of an existing property is the value of the land plus the replacement cost of the improvements less depreciation (not accounting depreciation, deterioration, functional obsolescence, or changes in the economy or neighborhood). The appraiser determines the replacement cost of a new property functionally equivalent to the subject property, not necessarily an exact replica. If, for example, the subject property is a large building with high ceilings and many windows placed to provide cross-ventilation in hot weather, it might be replaced with a low ceiling, air-conditioned build that has equal utility.

Sometimes the cost of the replacement building is determined stick by stick, that is, by an actual engineering calculation of the cost. More often, estimates are made using tables that show the per-square foot values of constructing various types and styles of buildings. These tables may be prepared locally or purchased from firms that specialize in providing such information.

The Income Approach

The income approach requires the appraiser to estimate the rental income from a property and capitalize the income into an estimate of current value. The approach recognizes that potential buyers demand property because they anticipate a future stream of income. Traditionally, appraisers have referred to this as the principle of anticipation.

Summary

The Houston County Appraisal District utilizes all three approaches to value as prescribed by the Property Tax Code.

Training of Assessing Officers and Valuation Personnel

Training programs can be developed within the assessment office or elsewhere in local government. The program should be planned well in advance: employees can be encouraged to participate by appropriate increases in salaries and responsibilities. The budget should include funds for training and, if necessary, provide for temporary staff to carry out the regular responsibilities of persons absent for training.

In Texas, PTEC and TDLR set the criteria for education and training of Appraisers, Collectors, and Assessors, and the Houston County Appraisal District follows these guidelines.