Appraisal Manual – Borden County Appraisal District

Introduction

The purpose of this manual is to help and establish a set of uniform methods used by appraisers in order to appraise property in Borden County. It is not intended to replace the USPAP standards or to detail every thought process or judgement made by the appraiser.

One of the oldest and most firmly established forms of taxation as well as a principal source of income for the counties, cities and school districts of the State is that of ad valorem or property taxation. Chapter 6, Subsection 6.01 of the Texas Property Tax Code (PTC) provides for the establishment of an appraisal district in each county and further states that the district is responsible for appraising property in the district for ad valorem tax purposes of each taxing unit that imposes ad valorem taxes on property in the district. Ad valorem taxes are imposed upon specific properties in this State, at a rate of one hundred percent of the market value of the said properties.

Section 1.04(7) of the Texas Property Tax Code defines "market value" as the price at which a property would transfer for cash or its equivalent under prevailing market conditions if:

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

Taxable properties are set out by the Texas Property Code, and defined under Section 1.04 as follows:

1. "Property" means any matter or thing capable of private ownership.
2. "Real property" means:
    - land
    - an improvement
    - a mine or quarry
    - a mineral in place
    - standing timber
    - an estate or interest, other than a mortgage or deed of trust creating a lien on
    - property or an interest securing payment or performance of an obligation, in a
    - property enumerated in Paragraph 2(a) through 2(e).
3. "Improvement" means:
    - a building, structure, fixture, or fence erected on or affixed to land
    - a transportable structure that is designed to be occupied for residential or business
        - purposes, whether it is affixed to land, if the owner of the structure owns the
        - land on which it is located, unless the structure is unoccupied and held for sale or
        - normally located at a particular place only temporarily.
    - for purposes of an entity created under Section 52, Article III, or Section 59, Article XVI, Texas Constitution, the
    - subdivision of land by plat
    - installation of water, sewer, or drainage lines
    - paving of undeveloped land
4. "Personal property" means property that is not real property.
5. "Tangible personal property" means personal property that can be seen, weighed, measured, felt, or otherwise perceived by the senses, but does not include a document or other perceptible object that constitutes evidence of a valuable interest, claim, or right and has negligible or no intrinsic value.
6. "Intangible personal property" means a claim, interest, right, or other thing that has value but cannot be seen, felt, weighed, measured, or otherwise perceived by the senses, although its existence may be evidenced by a document (i.e.: a stock, bond, note or account receivable, franchise, license or permit, demand or time deposit, certificate of deposit, share account, share certificate account, share deposit account, insurance policy, annuity, pension, cause of action, contract, and goodwill).

This Appraisal Manual was developed with data gathered from Borden County market research and appraisal publications. The purpose of this manual is to guide and assist Borden County Appraisal District staff in appraising more efficiently and with greater overall consistency. It is important to bear in mind, when using this manual, that it is only a guide for reference. Article VIII, Section 1 of the Texas Constitution requires that all property shall be assessed equally and uniformly. It is the belief of the Borden County Appraisal District that this fundamental principle is the cornerstone and foundation upon which all properly administered tax rolls rest. Such mandatory requirements must be met to ensure the safety of the tax rolls of each taxing jurisdiction from lateral attack. The primary purpose of this manual and its main objective is to provide uniform methods of appraisal to establish equitable market values of various properties throughout the district. The instructions on the following pages are designed to serve as a guide for

measuring property components, obtaining information on each parcel of property, and classifying each property. The information recorded on the fieldwork sheet is extremely important. For this reason, the field appraiser must use extreme care in recording data accurately and completely. Even though the appraisal employs a mass appraisal approach to value, each property must be approached as an individual parcel.

Procedures for Developing a Mass Appraisal

What is Mass Appraisal

Mass appraisal is the process of valuing a universe (group) of properties as of a given date using standard methodology, employing common data and allowing for statistical testing. The Texas Constitution and Section 23.01 of the Texas Property Tax Code require that taxable property be appraised at its market value on January 1 of a given tax year, even though the physical examination of the property may be done on an earlier or later date. The exception to this as of date can be found in Section 23.12(f) of the Tax Code that allows qualifying inventory to be appraised as of September 1. Mass appraisal is a standard methodology. It requires defined steps in a specific sequence. It involves employing common data based on consistent procedures for collection and maintenance of property characteristics and market data Mass appraisals must be statistically testable. Statistics is a simple way to sort, combine, and re-combine numbers to make them reveal patterns or trends about the group of properties. You must be able to examine your appraisals and see how well it meets the prescribed goal of determining a property's market value. A ratio study is the best test of appraisal accuracy.

Summary

To summarize, in a mass appraisal system the appraisal district first collects detailed descriptions of each taxable property in the district. It then classifies properties according to a variety of factors, such as size, use and construction types. It uses data from recent property sales and construction costs to replace the improvements at the same level of utility. With the help of modifiers that compensate for minor differences between individual properties, such as differences in age or location, the appraisal uses typical properties as benchmarks, or reference points, to appraise all the properties in each classification. Lastly, the computer is used in mass appraisal to make the process more efficient and the results more uniform. Accuracy and uniformity are ensured with error reports included in the CAMA system, for both Real Estate and Business Personal Property. These reports analyze for specific errors, common and uncommon, that are then corrected before notification. In addition, both the appraisal supervisor and Chief Appraiser randomly sampled the work product of all the staff. Errors in application and judgment are identified and corrected in a timely fashion. Borden CAD routinely provides training to staff to reinforce identification and coding to avoid errors.

Overview & Sales Data Collection

To evaluate the accuracy of the schedule values, property sales information is collected throughout the year. Each property buyer and seller receive a sales letter along with any other necessary forms as soon as the CAD office updates the ownership in the appraisal records. When the sales letter is returned, the sale amount and any other pertinent information are recorded within that parcel's sales records. Information is gathered also from real estate offices, other appraisers, other appraisal districts, and state reviewers. All credible information is included in the sales records and confirmation is attempted through additional sales letters (to buyers and sellers as necessary) or other personal contact. Given that the State of Texas is a non-disclosure state, and that the information needed by the Appraisal District is often confidential in nature, the market analysis performed is limited (USPAP Rule 6-8) by the availability of pertinent and complete data, including sales prices, sales conditions and circumstances, income and expense data, etc. As discussed, hereafter, each sale is initially considered (assumed) to be a market transaction unless otherwise proved. The resulting conclusions from the market analysis are thereafter limited by those assumptions. The Mass Appraisal conducted yearly by the Borden CAD also can claim the Jurisdiction Exemption (USPAP) due to the limited scope and purpose of the appraisal and considering the guidelines of the Texas Property Tax Code. Given that market data (sales, leases, and other individual indications of value) is severely limited in Borden County, due to few and infrequent actual occurrences, the annual market analysis is often expanded to include transactions of comparable property from neighboring counties, as available. Each property is evaluated as if it were in Borden County using existing property schedules and that value is then compared to its sale price within the market analysis. Each sale is analyzed to determine the conditions of the sale.

All sales included in the study must be a "market value" transaction, as defined in the Texas Property Tax Code, Section 1.04(7), and quoted earlier in this manual. Any sale determined to not be an "arm's length" transaction is then omitted from the final study. Several criteria are also considered when determining if each sales price needs any adjustment including, but not limited to date of sale (in comparison to date of appraisal), special or unusual financing terms, inclusion of personal property, inclusion of intangible value, and significant variances between the market value and the sale price due to physical changes to the property that cannot be accounted for due to the January 1 target date. If adjustments can be made to the sales price to show a current, "arm's length" value (including time and financing adjustments), the adjusted value is used in the ratio study. Any adjustments to reported sales prices must be discussed, debated, and approved by the appraisal supervisor and the Chief Appraiser. Sales used to determine real estate value should not include value that can be attributed to personal property or intangible value. For example, if a home sells, and the transaction included personal property (vehicles, boats, furniture, free-standing appliances, tools, etc.), the value associated with that personal property should be deducted from the reported sales price. The resulting adjusted sales price is then used in the ratio study. Likewise, commercial property transactions often include both personal property and intangible value. For example, if a

motel sells and the buyer purchased the motel franchise along with the real estate, the value of the franchise (being intangible) should be deducted from the sales price before being used in any market study. Determining the value of any intangibles in any transaction can be problematic and will require research into the industry and the local and similar markets. Although suspected by the appraisal staff, and often reported by buyers, adjustment for intangibles requires confirmation from outside sources and the seller. To quantify the intangible value in any sale, you must first determine the value of the tangible property. Land value must be determined by comparable sales. Improvement and Personal Property value can be determined by either cost or market approaches. Income Approach can also be used to determine the total value of the property. Great care must be taken in each of these valuation procedures to be as accurate as possible and to use the most comparable similar properties.

Once all pertinent values have been determined, the calculation of Intangible Value follows this formula:

Sales Price of Subject Property
Less Market Value of Land
Less Market Value of Improvements
Less Market Value of Personal Property
Any positive remainder *can* be attributed to Intangible Value.

Before finalizing any determination of Intangible Value, one must be confident in the data gathered and the calculations made to determine the Market Value of the subject. Several issues arise, and questions must be answered prior to any adjustment to the reported sales price of the subject.

- Comparable sales must be recent and similar to the subject.
- Depreciation used in the Cost Approach must be accurate and appropriate and verified within the market.
- Market Rents and Expenses must be accurate and appropriate for comparison.

Without recent, overwhelming data for accurate comparison, any remainder in the calculation above can arguably be attributed to other causes, which would negate any need for adjustment.

Some other causes to be considered include:

- A general increase in value across the market.
- Unresolved Financing Adjustments.
- Overstated depreciation in the Cost Approach, especially in Functional and Economic depreciation.
- Buyer's intent as to the acquired Personal Property.
- Economic Principle of Supply and Demand, especially in a limited market.
- Fluctuations in the Capitalization Rate and the future intent of the buyer.
- Bad business and/or financing decisions of the buyer.

If and when Intangible Value can be proven to have affected a sale, the calculated value of that Intangible Value must be subtracted from the sales price of the property. Financing adjustments occur rarely. Typically, prudent buyers will strive to acquire the most reasonable financing available, and then purchase the property of their choice using that same financing. Atypical financial arrangements usually accompany transactions that would not be considered "arm's length" and would therefore be omitted from the ratio study. Time adjustments are adjustments to the reported sales price of the property that are made when and if it can be proven that the general market trend in an area is changing over a given time period. While relatively simple to calculate in the abstract, time adjustments are extremely difficult to quantify without substantial data, especially in small, rural markets. If a typical property transfers more than one time in a given time period (ideally no more than one year, each time being an arms-length transaction, with typical financing, and without physical changes to the property, the difference in the sales prices can be attributed to the general market. This difference, expressed as a positive or negative percentage per month, can then be applied to other property's sales prices to adjust the price to a standard date, usually January 1 of the appraisal year. For example, a residence may sell for $50,000 on June 1 and then sell again October 1 (five months later) for $55,000.

The difference of $5,000 (or ten percent of the original sales price) is allocated as a market increase of two percent per month. A market Decrease is calculated in the same way. If this was an arms-length transaction of a typical property, that same percentage of increase or decrease can be used on other sales to adjust their sales prices to the January 1 target date. If the market analysis conducted for the purpose of determining land values does not have sufficient information of vacant land sales, improved property sales can and should be included, provided proper adjustments for the value of the improvements can be made. The value of the improvements can be determined using the cost approach through a reputable estimator, such as Marshall & Swift, or using the local improvements schedules. Subtracting the derived improvement value from the adjusted sales price will leave a residual value that can be used in the land analysis. Independent Fee Appraisals, if available, can and should be used within the Ratio Study. These appraisals should be used as if they were market value transactions. However, the data included in these appraisals should be verified by the Appraisal District and the conclusions should be determined to be reasonable, just as if the appraisal is to be presented as evidence in a formal or informal value discussion. A statistical analysis of each class of property is conducted using the available, credible, and adjusted sales information. Within each class of property, the appraisal district looks for not only an acceptable median value, but also a reasonable COD. Each of these values is considered when determining whether to adjust a class schedule, and by how much. The sample size of each class analysis is also a major consideration. Classes that exhibit little or slow activity are allowed a larger variance due to the fact that minimal data sets (small samples) may tend to give incomplete

analysis or biased results for an entire statistical population. Once a median value indicates that a particular property type or class needs adjustment, and the COD value reflects a consistent result, schedule values are recalculated to produce a revised analysis. The resulting median ratio should indicate that the adjusted appraised value of the property more closely matches the current market value, as tested by the sales used in the analysis. The appraised values of all properties sold and unsold, within that type or class are then recalculated, using the increase or decrease indicated by the ratio study, and submitted for notification. If, as explained earlier, the market analysis was expanded to include transactions of comparable properties from neighboring counties, the resultant adjusted schedules are applied to any sales within the county to determine whether any local modifier should be used within the Borden Appraisal District to further refine the overall market analysis. A similar process is used to determine whether any neighborhood factors are needed by analyzing sales within a specific area (market segments) in comparison to the overall general market. These areas could be neighborhoods, cities, school districts or any other definable area within the appraisal district that displays market trends or values differing from the trends or values derived from the market as a whole. Any significant and quantifiable differences then need to be addressed with economic adjustments to the properties within the pertinent area.

Ratio Study

Ratio study statistics provide concise, formal measures of appraisal performance and often constitute the primary basis for reappraisal or equalization decisions. The ratio study itself is a study of the relationship between the appraisal value derived from schedules and models, and the market value. Indicators of market values may be either sales (sales ratio study) or independent appraisals (appraisal ratio study).

The ratio study will tell you how well you have met the two major goals of reappraisal:

- To appraise properties accurately. An accurate appraisal comes close to one hundred (100%) percent market value; and
- To appraise properties uniformly. To run a complete ratio study, you must examine both accuracy and uniformity. Doing so requires you to learn two types of statistical tools:
    - One measures central tendency (accuracy).
    - One measures dispersion (uniformity).

Ratio Study Procedures

Collect and Post Sales Data:

- Solicit sales information from all new property owners through sales letters and/or personal contact.
- Collect sales information from outside appraisers and from fee appraisals presented.
- Utilize sales information from Comptroller's office.

Post sales information to the sales database:

- Record actual sale price.
- Note unusual financing.
- Note non-arm length participants.
- Adjust sales price for inclusion of personal property or intangible value.
- Initiate frozen characteristics/partial sale codes if necessary.
    - Imminent construction/renovation can bias any later analysis by including values not part of the original transaction.
    - Sales including only a portion of the property described can also produce skewed results.
- Note any legal restrictions or economic characteristics that may affect value.

Preliminary Analysis:

- Run sales analysis (by type, group, or class) which includes any and all sales collected to date
- Note median result and COD

Examine each sale included:

- Compare sale ratio to median result.
- Ratios substantially higher or lower than the median result (outliers) are singled out for further, in-depth analysis.
    - Note seller-financial institutions, known real estate opportunists, probates, known persons who finance their own transactions.
    - Note buyer-financial institutions, known real estate opportunists, and re-location companies.
    - Examine deed records to confirm "arm's length" violations not evident from examination of buyer and seller.
        - contract for deed.
        - assumption of previous note.
        - atypical financing.
    - Re-inspect properties to rule out any physical differences from the current property records.
    - Outlier sales that cannot be excluded or adjusted due to the reasons given above are nonetheless included in the subsequent analysis.

Adjust original data set:

- Omit sales that are not arm's length.
- Adjust sales values for time or financing if necessary and possible.
- For land analysis, adjust out improvement values.
- Adjust appraisal values for physical differences if applicable.

Secondary Analysis:

- Run sales analysis (by type, group, or class) utilizing information from preliminary analysis
- Note median result and COD:
  - Median value may or may not change significantly.
  - COD value should improve.

Note sample size:

- Compare the number of sales within the class to the perceived number of total properties within the class.
- From experience and discussion among the appraisal staff, determine whether any median result different from 1.00 is significant.
- Attempt to increase sample size—if necessary.
  - Utilize time adjustments if determinable
  - Keep in mind marketing time for local market and any trends
  - Be careful to not include more sales just for sales sake
  - Changing markets and trends cannot be reflected in sales that are too old without accurate time adjustments.

Apply results of analysis to current records:

- Any class whose median value is NOT SIGNIFICANTLY different from 1.00 does not require adjustment.
- Any class whose median value indicates that an adjustment is necessary should be analyzed
  - Look at typical depreciation (age/condition) for that class as reflected in the sales analysis
  - Calculate increase necessary to raise the individual ratios to produce a median result of 1.00 (keeping in mind that because of depreciation, the percentage increase required is going to be necessarily larger than the difference in percentage points needed to reach a 1.00 result)
  - Apply the calculated increase to the database
- Repeat procedure for all classes determined to need adjustment

Run analysis again to test results.

Examine results to identify neighborhoods that need adjustment:

- As individual sales are examined, note any areas/neighborhoods/sub-divisions that consistently show ratios significantly different from the median result
- Run analysis excluding the area in question
- Run analysis including only the neighborhood in question
- Check for significant variance between the two results
- Apply neighborhood factor to correct variance

Value Defense

Evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings is contained within the Mass Appraisal Report for the current appraisal year. Specifically, appraisal cards, sales ratio studies and results, and individual sales records make up the foundation of any value defense. Individual sales used for comparables must be adjusted for their individual characteristics in comparison to the subject property. Other information, such as maps, photographs, and specific property comparisons can be produced depending on the specific concerns of the taxpayer. All evidence supporting the value position of the CAD is available for review by the taxpayer or their agent. Taxpayers have the option to present their concerns and evidence informally to the Chief Appraiser, or by appointment with the Pritchard & Abbott staff. Should an understanding not be reached informally, the taxpayer may present their arguments to the Appraisal Review Board as a formal appeal. The appraisal staff provided by Pritchard & Abbott Inc. defends the position of the Chief Appraiser before the ARB. The Appraisal District has the burden of proof for the value as notified. Evidence for further consideration by the CAD or the ARB should be presented by the taxpayer.

Informal Meetings

Any informal meeting with a taxpayer should be utilized as an opportunity for civil discussion and education for both the taxpayer and the CAD staff. After careful consideration of the taxpayer's concerns, the appraiser must explain the methods, procedures, and information used to arrive at the taxable value of the property in question. Appraisal cards, inspection results, schedules, sales ratio studies, and individual sales results, used by the CAD in determining the appraised value are available for review and reproduction at the owner or agent's request.

An outline follows:

- The taxpayer presents their questions, concerns, or disagreements with the action of the CAD.
- The appraiser responds with an explanation of the property card, market analysis, and/or situation that produced the taxable value.
- The appraiser fully considers any additional evidence presented by the taxpayer that may have a bearing on the taxable value. If testimony is given of pertinent details, not accounted for in the current value, an inspection of the property is suggested to verify and quantify the suggested problem.
- After careful and complete consideration of the evidence presented and verified testimony, a revised taxable value may be suggested to the taxpayer. As a general rule, the appraisal supervisor or Chief Appraiser must approve any suggested changes that result from the following.
    - A change in Building Class of more than one (1) grade (+ and – steps included).
    - A change in Effective Year of more than ten (10) years.
    - A change in Condition Rating of more than one (1) grade.
    - Any Functional Depreciation adjustment of more than five (5%) percent.
    - Any inclusion of Economic Obsolescence.
    - Any change in Exemption or Special Valuation Status.
- Once an adjusted value is agreed upon, the appraiser or CAD staff must retain any evidence supporting the change and/or note the results of any inspection in the appraisal records.

Formal ARB Hearings

Formal ARB hearings are scheduled and held when no informal meeting is requested, or after no informal agreement can be reached. Following the posted ARB Procedures, the Chief Appraiser (or their designee) presents the justification of the current taxable value. The CAD develops a protest packet or record for each individual owner's property or properties, containing the evidence to be used to justify the actions under protest. Upon written request by the property owner or agent, the contents of the packet will be reproduced and supplied to the owner or agent prior to the scheduled hearing as required by and in accordance with the Property Tax Code.

Conducting Hearings Open to the Public: For most protest hearings, the hearing should be conducted in the following order:

- ARB Chairperson commences the hearing open, reads the introductory statement, and announces the property location, owner, and other identifying information and reviews the protest in question.
- ARB Chairperson announces the exchange of all written and electronic material by all parties.
- ARB Chairperson verifies and attests the signature on the Sworn Affidavit of Testimony from the property owner and recognizes any witnesses. ARB Chairperson then introduces the Ex Parte Affidavit and states that the ARB members on the hearing ARB have not communicated with anyone about the protest and asks the ARB members to attest their ARB signatures on the Ex Parte Affidavit. ARB Chairperson also asks the appraiser to attest their signatures on all affidavits.
- ARB Chairperson welcomes the parties and explains the content of the hearing procedures, time limits for the hearing that apply on each party, and other relevant matters.
- ARB Chairperson asks if the testifying witness holds a license or certificate from the Texas Appraiser Licensing and Certification Board and if the witness is appearing in that capacity.
- ARB Chairperson informs all parties that all testimony must be given under oath.
- ARB Chairperson states that the property owner or agent shall present his/her case first.
- The property owner or agent shall present evidence (documents and/or testimony). At the end of the presentation, ARB Chairperson states that an opinion of value from the property owner must be stated.
- ARB Chairperson offers the appraisal district representative they may cross-examine the property owner, the agent, or the representative and/or witnesses.
- ARB Chairperson calls on the appraisal district representative to present evidence (documents and/or testimony). At the end of the presentation, ARB Chairperson asks for an opinion of value (if applicable) for the property that must be stated.
- ARB Chairperson offers the property owner or agent they may cross-examine the appraisal district representative and/or any witnesses. Members of the ARB shall not be examined or cross-examined by parties.
- ARB Chairperson asks for rebuttal evidence from the property owner or agent.
- ARB Chairperson asks for rebuttal evidence from the appraisal district representative.
- ARB Chairperson offers the property owner or agent to make its closing arguments, if any, and state the ARB determination being sought.
- ARB Chairperson offers the appraisal district representative to make its closing arguments, if any, and state the ARB determination being sought.
- ARB Chairperson shall state that the hearing is closed.
- The ARB shall deliberate orally. No notes, text messages, or other forms of communication are permitted.
- ARB Chairperson shall ask for motions for each separate matter that was the subject of the protest hearing. The motion should include the exact value or issue to be determined. A vote shall be taken and recorded by a designated district staff person or ARB member. Separate motions and determinations shall be made for each protested issue.

- ARB Chairperson should thank the parties for their participation.
- ARB Chairperson shall announce the determination(s) of the ARB hearing ARB and state that an order determining protest will be sent by certified mail to the property owner.

Conceptual Overview / Appraisal Models: The system outlined in this manual is based on the following market value equations:

1. Market Value of Residential Property =
   Replacement Cost New X Total Percent Good + Depreciated Additive Values + Land Value
   (Adjusted by Market Indicators as determined by Sales Data, as available)
2. Market Value of Commercial Property =
   Replacement Cost New X Total Percent Good + Depreciated Additive Values + Land Value
   (Adjusted by Market Indicators as determined by Sales Data, as available)
3. Market Value of Manufactured Housing =
   Replacement Cost New X Total Percent Good + Depreciated Additive Values
4. Market Value of Commercial Personal Property =
   Units x (Price/Unit of Inventory) + Units x (Price/Unit of FFE x Percent Good) + Additive Values
   (Verified and adjusted by yearly Personal Property Renditions)
5. Market Value of Vacant Lots or Acreage =
   Units x Price/Unit
   (As determined by Market Transactions)
6. 1-d-1 Special Use Valuation (Ag Value) =
   Units x Value per Acre of Agricultural Use
   (As determined by Net Income per Acre/State Mandated Cap Rate)

General Procedures

Real Property Valuation

In accordance with Sec: 11.01 of the Texas Property Tax Code, the Borden County Appraisal District strives to discover, appraise, and assess all taxable property within the jurisdiction served by the Appraisal District. Each parcel shall be appraised including all determinable improvements, factors, and conditions affecting the value of the property as a whole. Improvements, as defined in Sec. 1.04(3), include any structures affixed to the land that is not readily, reasonably, and immediately portable. As such, the structure adds value to the property and would be typically included in any sale of the property as a whole.

This application includes, but is not limited to:

- Above ground swimming pools,
- Patios,
- And storage buildings or units, regardless of its permanent attachment, or lack thereof, to the land by means of metal tie downs, or anchorage to a foundation.

Mobile or Manufactured Homes can be either Real Estate or Tangible Personal Property depending on the ownership of the land to which the structure is affixed, and/or the status of the Title or the Statement of Location as determined by the Texas Department of Housing and Community Affairs. In either case, Mobile or Manufactured Homes are taxable under Sec. 11.14 of the Texas Property Tax Code. With proper proof of ownership and residency, Mobile or Manufactured Homes and the land upon which they are located, are eligible to apply for Residential Homestead Exemption. Fences, residential, commercial, or agricultural, are considered appurtenances to the land and are included in the value of the site. Square foot measurements of each type of building are based on the perimeter measurements of that building. Schedule values are originally based on locally modified construction cost, adjusted over time by market conditions determined by sales. Therefore, a buildings value per square foot applies not to useable area (space) but constructed area. Using the building code descriptions and schedules, each structure is assigned an undepreciated value per square foot. Depreciation (physical, functional, and economic) factors are applied to each structure as is necessary. Land values are determined from available information and applied using the appropriate basis (square footage, front footage, acreage, etc.).

Business Personal Property Valuation

Tangible personal property, used in the operation of a commercial business and not exempt by application or statute, is appraised for each tax year. Personal Property Renditions begin the yearly process for existing accounts. Being familiar with the local market and businesses, each rendition is evaluated for accuracy and reasonableness. A rendition that indicates significant variation is further investigated for accuracy. Office discussions, telephone calls and inspections are used to resolve the suspected variances. As the renditions are processed, the declared property is depreciated as necessary, and the information recorded in the appraisal records. Each year, some personal property accounts fail to be rendered. The same procedure for suspect renditions is followed. There is office discussion, to see if someone has any information pertaining to the business, telephone calls and/or inspections are conducted to determine if the business is closed or to input a proper appraised value with the appropriate penalty.

Agricultural (1-d-1) Valuation

Land qualified for special use valuation (1-d-1) is appraised and two distinct values are recorded: market value, based on the analysis of current market groups, and agricultural value. Each appraisal begins with the 1-d-1 application. The specific agricultural use, and location, indicates the proper agricultural classification. Periodic inspections, through reappraisal, recheck, and diligent

notice while on other projects, are used to verify current use or initiate further contact with the land owner as to current use. If an inspection raises a question about a property's current status as 1-d-1 qualified, such as a change in use or suspected lack of use, the Chief Appraiser may direct the Appraisal District staff to send a new 1-d-1 application to the land owner. This process will weed out many unnecessary Ag denials due to a misinterpretation of inspection details. All new 1-d-1 applications, whether first time applications, new ownerships, or reapplications, will be inspected to verify the agricultural use and the information on the application. Landowners receive an Ag Use Questionnaire periodically. The CAD uses the gathered information in its analysis of Agricultural income and expenses used in the yearly calculation of Ag Values. As directed by the Property Tax Code, typical and reasonable income and expenses are evaluated to arrive at typical operating income for each agricultural classification. The current Capitalization Rate converts the calculated income per acre to a value per acre.

Appraisal (Valuation) Techniques

In any determination of value, data is sought in the local market on such factors as sales and offerings of similar properties and tracts of vacant land; current costs of reproduction of the improvements; rentals of similarly improved properties; and the current rate of return on investments and comparable properties. From this data, a value can be developed for both the land and the property as a whole. For the latter, several methods may be used: the cost approach, the income approach, and the market data approach.

Cost Approach to Value

In this method of valuation, an estimate is made of current costs of reproduction (or replacement) of the improvements. This amount is adjusted to reflect depreciation resulting from physical deterioration and obsolescence and is then added to the value of the land.

Income Approach to Value

In this method of valuation, estimates are made of the gross income that might be expected from rentals and other sources, and of the expenses that might be incurred in operating the property. Resulting net income is then capitalized into an indication of value.

Market Data Approach to Value

In this method of valuation, similar properties recently sold in the current market are analyzed and compared with the property being appraised. Adjustments are made for differences in such factors as time of sale, location, type, age, and condition of the improvements, and prospective use. The following value schedules are originally based on the cost to construct the typical building types found in Borden County. Over time and as market sales indicate, these values are adjusted to give an undepreciated value per square foot. This value, applied to the square footage calculated for that building type and then appropriately depreciated, gives a value for the particular structure. Adding all contributory buildings, additives, and land values creates the total value for the subject property. Borden CAD attempts to include pertinent information from all three approaches to value. Each approach has inherent benefits and limitations. And in some cases, one approach will be more indicative of the value of a property than the other approaches. The cost approach provides the basis for the value schedules that follow. Unique properties, or properties that are not typical to the general market for any reason, are often valued with the cost approach. The market approach is used to adjust the value schedules yearly. When market transactions indicate a general market change to typical properties, the adjusted mass schedules are used to apply changes to the records. An in-depth discussion of the procedures in this approach appears in the Procedures for Developing a Mass Appraisal section of this manual. As mentioned previously, the income approach to value is based on the value of anticipated income or profit an owner can derive from the property. Simply put, "What would a prudent investor pay to acquire a given income stream over a set period of time or as of a set date?" The same economic principles, namely supply and demand, substitution, competition, and anticipation, affecting the cost and market approaches, influence the income approach as well. However, since the income approach is based on the value of a cash flow over time, the primary focus of the procedure is the quantification, not merely the influence, of the principle of anticipation. The formula for the income approach is expressed as Value = Income/Rate. Here value expresses the final result, being the value of the property. Income denotes the Net Operating Income of the property or Gross Income less expenses. Rate is a representation of the Capitalization Rate. Expressed as a decimal, the Capitalization Rate converts an income to value by incorporating the previously mentioned principles of economics, as gleaned from the market, for a typical, prudent investor. Although a sound methodology, the income approach is limited by several important considerations. The data collected and used must be sufficient, complete, and reliable. The typical investor's intent and goals within the current market must be apparent. In smaller markets, with inadequate numbers of income producing properties, the limitations become exaggerated. Moreover, the majority of income producing properties in the smaller markets are owner occupied and managed, and include unquantifiable components, such as historic value, value in use, and exaggerated consumptive value. As such, the Borden CAD finds that the cost and market approaches to value to be more reliable, especially in the mass appraisal of commercial properties. (Texas Property Tax Code Section 23.0101). The income approach is utilized mainly as a verification or second opinion of commercial property, or for certain properties where the income approach is required by statute. Insufficient data is available to develop typical Mass Appraisal schedules based on income information, with the exception of 1-d-1 values. However, the income approach is often the primary approach on some commercial property where market (sales) information is lacking, and the cost approach cannot completely address the issues affecting the property within the current market conditions, and the necessary income information is readily available through governmental or industry publications, or through

diligent investigation within the local market. In cases where the income approach is utilized, accurate and typical income and expense data must be collected and scrutinized by the appraiser to make sure the data accurately reflects the potential of the property. The income and expenses must be attributable to the ownership and operation of the property, not the business, for it to be considered in the calculation. Once expenses are deducted from income, and a Net Operating Income is determined, the property value is determined by dividing the Net Operating Income by an appropriate Capitalization Rate. Industry, financial, and market publications are researched yearly to determine the appropriate Capitalization Rate for that particular property for that year. The Capitalization Rate used in local valuation is derived from these publications and adjusted by the Appraisal Supervisor and/or the Chief Appraiser for local conditions, based on local market analysis and through discussions with local financial and real estate people. The process is the same as that taught in the "Income Approach to Value" course and reference is made here to that course for further instructions and details. Finally, the value derived for the property based on an income approach necessarily includes any personal property associated with the operation of that property. Great care should be taken then to ensure that the included personal property is not double assessed.

Data Collection

The three main types of data necessary for use in the income approach are property income, expenses related to the operation of the real estate and economic/market information related to real estate investment in the local market. Interviews with property owners or managers are the primary collection tool. Property owners and managers consider their income and expense information confidential, and oftentimes refuse to provide the information. Further, property owners and managers may not fully comprehend the economic and market forces at work in their own financial decisions.

Therefore, information collected to determine Capitalization Rates may be incomplete or misleading.

1. Income data – At each interview, record all income sources to the property. This includes both primary sources, the use of the building (rents, leases, etc.) and secondary sources such as parking, vending, and service income. As an adjustment to income, record vacancy and collection loss information.
2. Expense data – At each interview, record typical, prudent and necessary expenses for the operation of the property. Many owners and managers will not comprehend the difference between allowable and non-allowable expenses. In the appraisal of real estate, only expenses necessary and reasonable for the operation and maintenance of the real estate are allowable. Expenses attributable to the business or ownership are not allowable.

Examples include:

Allowable Expenses

- Maintenance and Repair
- Property Insurance
- Janitorial
- Grounds Maintenance
- Legal Fees
- License Fees
- Salaries and Wages
- Office Expenses
- Supplies
- Utilities/Internet/Telephone
- Management
- Accounting Fees
- Advertising Fees
- Property Taxes
- Reserves for Replacement

Non-Allowable Expenses

- Capital Expenditures
- Income Taxes of the business or owner
- Loan fees
- Mortgage Interest and Debt Service
- Depreciation
- Non-typical expenses (repairs due to accident or calamity)

3. Market (Capitalization Rate) Data – At each interview, record the owner's expected or anticipated return. Take note of intensions and motivations, as they often will reflect on the financial decision made, and whether the decision was influenced by considerations beyond the scope of market value. These considerations may include historical value, consumptive value, philanthropic motivations, intangible value, or unrealistic expectations.

4. Industrial or Governmental Data – The secondary, and often more reliable and obtainable, data collection tool is reports from outside sources, including industrial publications and governmental reports. Lacking local cooperation from property owners, these reports are often the only source of the necessary data.

Development of Market Income and Expenses

The collection of sufficient, reliable, and complete income and expense data for typical properties allows the development of market incomes and expenses, in other words "market norms" for the property types. These "market norms" can then be applied to similar properties to calculate a typical value that will be both accurate and uniform across the market. Equality and uniformity among similar properties and within property classes is assured by using the market derived income and expenses. These market norms should be used when and if calculated, unless using the actual income and expenses for that property are required by statute. Using each property where data was collected, determine the typical income per unit of measure (i.e., square foot, cubic foot, rental unit, etc.) for that property type. Then, determine the typical vacancy or collection loss adjustment for the property type. Next, calculate the allowable expenses for each property sampled. Market expenses are usually calculated as a percentage of the potential income and expressed as Expense Ratios. Comparing the various expense ratios within the property type allows the determination of the typical market expense. Variances between both the income and expense data in the sample should be addressed. No two properties are the same. Any differences in amenities, location, or other factors affecting either the income or expenses of a particular property may necessitate the adjustment of the individual income or expenses prior to the determination of the market norm. These adjustments are applied at the discretion of the Chief Appraiser or the Appraisal Supervisor. Subtracting the typical allowable expense ratio from the typically adjusted income per unit leaves the Net Operating Income (NOI) per unit. Capitalization of the typical NOI produces the typical value per unit for the property type. This typical value per unit can then be applied to similar properties. Adjustments for size, condition, or other economic factors can then be applied on a case-by-case basis. These adjustments are applied at the discretion of the Chief Appraiser or the Appraisal Supervisor. In a mass appraisal system, these calculations are extremely important. Individual properties will display variances from typical, but it is essential that the CAD determine what is typical within the local market and use the typical "market norm" to reflect highest and best use of the property. Many of the variances can be explained by poor management, bad financial decisions, or owner apathy which would have little effect on the market value of real estate.

Development of a Capitalization Rate

The Capitalization Rate used to convert the typical NOI of a property must also be typical for the market. There are three methods of determining the typical Capitalization Rate for the Borden CAD. The preferred method is the first one. However, due to lack of information in both the NOI calculations and the required sales prices, a combination of the last two methods is most often utilized.

- Market Determination – Using the sale price of a property and the calculated typical NOI of that property, the Income = Value/Rate formula can be used to determine the Capitalization rate inherent in that transaction. Comparing multiple transactions, a typical Capitalization Rate becomes apparent.
- Built-up (Summation) Method – Lacking the sales necessary to do the calculation, a Capitalization Rate can be developed by determining the local, typical values of each of the four components of a Capitalization Rate, the Safe Rate, the Risk Rate, the Non-Liquidity Rate, and the Management Rate. This method adds up the four (4) components of the overall rate individually. The Safe Rate is the rate that could be gained on a riskless investment in an alternative venture, such as Certificates of Deposits or guaranteed government bonds. The next portion of the overall rate is the Risk Rate. This portion is the additional return one must expect to reasonably make the investment. The third (3rd) part of the calculation is the Non-Liquidity Rate. This rate corresponds to the return one would expect to offset the day-to-day consequence of having a substantial part of one's assets tied up in a long-term investment and the costs (both in time and money) associated with liquidating the asset. The last part of the overall rate is the return one would reasonably expect in managing an investment of this size in this location. Each portion of the Capitalization Rate must be determined by in-depth research in the local market. Local financial consultants, bankers, real estate investors provide the most accurate data.
- Financial and Investment Publications – Many financial and investment organizations publish their own determinations of typical Capitalization Rates.

Different property types will require different Capitalization Rates. Just as the different property types will have unique typical income and expense ratios, the Capitalization Rate for each property type will vary due to investor expectations due to risk, economic outlook, supply and demand, etc. The Capitalization Rate may also be affected within property types. Just as location, age, amenities, and other factors may affect both income and expenses, the same factors can also affect the Capitalization Rate for that particular property. The typical Capitalization Rate may need adjustments based on the particulars of the individual property being appraised. These adjustments are applied at the discretion of the Chief Appraiser or the Appraisal Supervisor. The collection of data, including income and expenses, establishment of market income and expenses, and the development of property type Capitalization Rates must be done annually.

Discounted Rates

Discounted Cash Flow calculations offer an alternative method of income approach valuation. Rather than taking a "snapshot" of one year's income and expenses for the subject property, this method considers an investor's holding period and the estimated

changes in the property's cash flow over that holding period. The DCF approach requires more in-depth research into the local markets. The discount rate, used to convert future income to present value, is primarily based on prevailing interest rates. The determination of the discount rate to be used in a local evaluation is heavily influenced by information provided by local investors and industry publications. The Chief Appraiser or the appraisal supervisor makes the final determination for the discount rate to be used on any DCF valuation.

Property Types

Income, expense, and Capitalization information must be grouped by property type to appropriately apply the conclusions in a mass appraisal system. Once grouped, the information provides benchmarks to estimate the market value of specific properties, as well as providing standards for the adjustment of individual property's data during collection. If the market and economy of Borden CAD changes and income property is introduced into the county a listing of the types of income producing properties will be generated at that time.

Income Approach Examples

Scenario 1: Valuation of a strip mall. Market data is insufficient to establish typical incomes, expenses, and there are no sales available to determine a market derived Capitalization Rate.

- Income determined to be $0.50 per square foot, per month.
- Vacancy and Collection Loss reported at 18% annually.
- Expenses are $33,000 annually.
- Local Capitalization Rates for this type of property investment is 10.5%.
- The strip mall measures 10,000 square feet.
- Additional parking income of $5,000 per year.

Gross Potential Rent	10,000 x .50 x 12	60,000		
Less Vacancy	18% of $60,000	-10,800		
Plus, Effective Gross Rent	Additional Income			5,000
Effective Gross Income				54,200
Less Allowable Expenses				-33,000
Net Operating Income			21,200	
Capitalization	21,200 / .105	Value = $201,905		

Scenario 2: Valuation of a Hotel. Average Daily Room Rate, Occupancy Rate, Secondary Income, and Expense Ratio have been established for the property type.

- Number of Rooms = 150.
- Average Daily Room Rate = $120.
- Occupancy = 65%.
- Secondary Income = 2% of Gross Potential.
- Expense Ratio = 68% of Gross Potential
- Local Capitalization Rates for this type of property investment is 11.5%.

Gross Potential Rent	150 x 120 x 365	6,570,000		
Occupancy Adjustment	65% of Potential	4,270,500		
Secondary Income	2% of Potential		131,400	
Effective Gross Income				4,401,900
Less Allowable Expenses	68% of Occupancy Adjusted			2,903,940
Net Operating Income			1,497,960	
Capitalization	1,497,960 / .115	Value = $13,025,739		

Residential Real Property

"Residential Property", as defined by the International Association of Assessing Officers (IAAO), is "Real property that might be vacant land or an improved parcel of land devoted to or available for residential use". Residential properties could be improved or unimproved (vacant). Residential properties are physically inspected on an annual basis. Changes that have occurred and observed condition are noted by the field appraiser and entered into account records. Pictures of the exterior of the residence are taken of new homes and to existing homes whenever a change in physical appearance has occurred. The appraiser is responsible for verifying and collecting accurate and reliable property data. By reasoned use of developed models, an appraiser can finalize a preliminary property value while in the field. Borden CAD uses cost schedules to value residential parcels in the district. These cost schedules (models) are hybrid models called "Market-Adjusted Cost Hybrid" computer assisted mass appraisal models. These hybrid models are the most predominately used by appraisal districts in the state. Few districts use a pure RCN cost model (schedule) to value residential properties. Borden CAD residential models consists of six main classes with class defining features for each class listed in the Borden CAD Appraisal Manual. Property specific features are additives to the main class such as attached/detached

garages, covers, storage bldgs., etc. Residential structures are classified according to quality of construction, style and design, appeal, and the presence of certain features. The age and condition of structures are adjusted for from real estate depreciation tables. These depreciation tables adjust for not only physical deterioration, but also for market reactions to obsolescence. The real estate depreciation tables are what are called CDU percent good tables. CDU (condition, desirability and usefulness) is the overall value change from a benchmark new property, to reflect all losses of utility. A review of residential cost schedules (models) is performed annually (as information is available) and a decision is made as to whether the value level within a class of residential properties needs to be changed for the current appraisal year, or if the values are at acceptable existing level.

Data Collection

The district gathers as much information as possible from available resources. The data gathered is used for further review, valuation and analysis of properties.

Data sources are used in the collection of data including but not limited to:

- Maps & Plats
- Deed Transactions
- Field Inspections
- Sales Surveys

Data gathered is subject to accuracy and accountability. Quality control occurs immediately after data collection begins and is achieved through performance audits to check for accuracy and transposition as per Section 3.3.2.5 *Data Collection Quality Control* from the IAAO Standards on *Mass Appraisal of Real Property*.

Resident Homestead Caps

Borden County Appraisal District's CAMA system calculates and maintains the Homestead Cap Value for each tax year. Beginning in the second year a property receives a homestead exemption, an existing residence homestead property can increase in taxable value only ten percent over the previous year. This increase can be caused by market trends, maintenance, and land value increases, etc. If however, the increase is caused by the valuation of new improvements (structures not accounted for on the previous year's valuation) or by assemblage (the inclusion in the legal description of land not included in the previous year), the taxable value can exceed a ten percent increase over the previous year.

The value is calculated thus:

Current Homestead Cap Value = (Previous Year Taxable Value x 110%) +
Current Value of New Improvements + Current Value of Assembled Land

The CAMA system will automatically properly include in the calculation any new improvements. However, assemblage must be calculated by hand and the computer updated by staff when a new Homestead Form is processed. The Taxable Value for a given Tax Year for a Residence Homestead is the lesser of the current Market Value (after any adjustments to the Residential Market Schedules and any adjustments to the specific property) or the Homestead Cap Value as calculated above. Values of capped properties must be recomputed annually. If a capped property sells, the cap automatically expires as of January 1 of the following year. In that following year, that home is reappraised at its Market Value to bring its appraisal into uniformity with other like properties.

Commercial Real Property

The fee simple interest of commercial real property is appraised as required by state statute. The effect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis. Commercial properties are physically inspected on an annual basis. Changes that have occurred and observed condition are noted by the field appraiser and entered into account records. Pictures of the exterior of the improvement are taken whenever a change in physical appearance has occurred. The appraiser is responsible for verifying and collecting accurate and reliable property data. Borden CAD uses cost schedules to value commercial parcels in the district. These cost schedules (models) are hybrid models called "Market-Adjusted Cost Hybrid" computer assisted mass appraisal models. Commercial structures are classified according to quality of construction and type of use. Effective age and condition of structures are adjusted for with depreciation tables. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Effective age estimates are considered and reflected based on eight (8) levels or rankings of observed condition, given actual or effective age. Additional forms of depreciation such as external and/or functional obsolescence can be applied. A review of commercial cost schedules (models) is performed annually (as information is available) and a decision is made as to whether the value level within a class of commercial properties needs to be changed for the current appraisal year, or if the values are at acceptable existing level.

Land Value

Land is valued as if vacant and available for the highest and best use. Similar land recently sold or offered for sale is analyzed and comparisons made for such factors as size, time, location, and physical characteristics. The Sales Comparison Approach to value is primarily used to value vacant real property within the district. Vacant land is valued according to common units of comparison.

Borden CAD develops per lot site land valuation tables for the platted town area. Land tables based on per acre value are utilized for rural platted and unplatted areas within the district. Land sale prices are also expressed on the same unit comparison basis and stratified (sorted) according to location and probable use. Sorting criteria ensure that land values will reflect market data for parcels with similar or competitive uses in the same market area. A computerized land table file stores the land information required to consistently value individual parcels within the market area.

Personal Property

"Personal Property" means property that is not real property. The appraisal of income producing personal property is conducted annually. Items not permanently affixed to a building are personal property. Usually, an item is personal property if it can be removed without damage to fixed property or the item.

General Procedures: Per Section 22.01 PTC

- On or around January 1, information is gathered by checking prior year's tax roll. Additional information may be obtained through newspapers or other publications. This may discover new businesses as well as expansion. Also, the telephone directory yellow pages are scanned to discover new businesses and expansions, and the County is driven to look for new businesses. A list is maintained throughout the year of new business and businesses that have been closed. As mentioned earlier, inspections of commercial real estate offer a perfect opportunity to re-evaluate and verify business personal property, not to mention contact business operators and/or owners. New businesses are specifically targeted for personal visitation by appraisers, usually during other property rechecks. Time is set aside to compile the necessary information to set up the Personal Property account, to discuss the rendition process, and to make preliminary accounting of the Personal Property involved.
- Rendition forms are mailed to all businesses in January of each year. Also, a list, from the Office of the Comptroller, of active sales tax permit holders is examined and forms mailed to each new business listed.
- Compare renditions as received to the information obtained during the field inspection.
- As renditions are received the records are coded, and a 10% penalty is assessed to any business that did not render by April 15 unless an extension was received.
- On a case-by-case basis, and with the approval of the Chief Appraiser, the 10% Late Penalty can be waived if the property owner requests in writing and can show due diligence in complying, or substantially complying with the rendition requirements.
- For properties that owners refuse to render, estimations of Business Personal Property Values can be calculated using the latest published Personal Property Schedules or internet research. Sources normally considered:
    - Texas Comptroller of Public Accounts, Property Tax Assistance Division – this schedule has not been updated for several years, but by applying the schedule to known properties, a local modifier can be calculated and used to adjust the estimation taken directly from the schedules.
    - Marshall & Swift Valuation Services – applying this schedule to known properties can also provide a local modifier used similarly.
    - Internet Research – this is the best source since Borden County has only a few, small personal property accounts and renditions are usually received for most accounts.

The local modifiers used in the two estimation systems must be recalculated yearly to keep current with market variances. Personal Property such as Machinery, Equipment, and Furniture and Fixtures are normally valued using replacement cost less depreciation. Inventories are valued as of January 1 each year at the cost of goods on hand as of January 1, unless application for September 1 appraisal was received and approved by the prior July 31. The owner's rendered value is accepted if it is consistent with previous years and a change in operations has not occurred. Oil field pumpers' vehicles are valued using the renditions received by the district and/or the NADA value for the vehicle rendered. Based on the information rendered, the appraiser determines which NADA condition rating to apply to the vehicle. The Borden CAD strives to choose the most appropriate method of appraisal for each property, ever mindful to maintain fairness and equality within the local general market.

Field Inspections & Discovery

Field inspections remain the primary method of discovery and verification of appraisal records. The Borden CAD Reappraisal Plan calls for examination of all real property on an annual cycle. During each check, all aspects of the property are inspected, and any pertinent changes are noted. These changes may affect value, ownership, or identification and include, but are not limited to measurements, additions, new construction, demolition, renovation, deterioration, rehabilitation, occupation, abandonment, etc. Inspections will also note changes, or perceived changes in ownership or property use, for further investigation by the CAD office. For example, a new or different occupation may indicate a sale or a change in homestead status. Appraisal sheets must be filled out with date of appraisal and identity of appraiser. For commercial property, real estate inspections provide an opportunity for personal property verification and contact with the owner. Business names and preliminary personal property assessments are noted at each commercial property real estate inspection. This information is then compared to Business Personal Property Renditions. When a new business is identified, extra care is taken to speak with the owner and explain Personal Property taxation and the rendition procedure. As noted earlier, 1-d-1 status is verified with field inspections in both the reappraisal and rechecks. Properties identified as receiving the special valuation are confirmed and properties that could qualify, but currently do not and

properties exhibiting a "change of use" are noted for further contact by the CAD office. Whereas field inspections are the primary method of discovery, other indicators are also utilized. Official public records list deeds of trust, mechanic's liens, and changes of ownership. Any of these documents can, and often do, indicate that current value needs to be verified. Third party information is also useful to indicate changes in value, or the need to verify existing records. Insurance agents, fee appraisers, bank officials, interested neighbors, and "gossip" often provide information, although these sources are often suspected. Sales tax listings, telephone number listings, and various advertising methods provide additional information for the discovery of business personal property. Omitted property, taxable property discovered during the current appraisal that should have been included in prior years, will be assessed for the years omitted, up to and including the five previous years.

Field Protocols

The field appraiser is an important person in the Ad Valorem tax system. Their appearance, attitude, and appraisal skills have a strong influence on the public's perception of the entire Ad Valorem tax system. Since the field appraiser makes contact where the taxpayer lives and works and is often the only contact the taxpayer has with the tax system, it is important that appraisers and appraisal district staff always conduct us in a way that will favorably impress the public.

The following suggestions should be reviewed and followed:

- We should dress appropriately for the type of appraisal we are conducting. Our appearance should be neat, clean, and fitting the circumstances, whether we are working in town or on rural properties. Everyone that we encounter should be treated with dignity and respect. We should be always courteous and friendly.
- The field appraiser will often be on a taxpayer's property when no one else is present. We must be careful to be perfectly trustworthy, being careful to leave things as they were when we arrived, such as closed gates, etc., and never disturbing the property we are appraising. Our ethical conduct should always be above reproach.
- It may be desirable to have a sign on your vehicle, plainly identifying it as a CAD vehicle.
- We should always have identification with us and carry our TDLR registration card when we are appraising.
- You should always be prepared to present a business card to occupants when they are present or leave a card in an appropriate place when no one else is on the property and you need to make further contact with the occupant or the owner.
- As you approach the property, note the external features, such as road topography and access, neighborhood, and conformity of improvements to the area. Also note roof type, roofing material, foundation, siding, story height, condition, maintenance level, and other details needed for your appraisal.
- Go directly to the front door and knock or ring the doorbell. Do not aggravate the occupants by prolonged, excessive ringing or knocking. If a minor answers the door, ask to speak to an adult. If no adult is available, leave a business card and leave the premises immediately.
- Greet the occupant and explain your purpose in a brief and courteous manner. For example, you might say "Good Morning. I am John Doe from the Borden County Appraisal District. We are conducting a general reappraisal of the property in the county. I need to verify the measurements of the outside of this house and any outbuildings." Then proceed with questions needed to complete your work.
- Care should be taken when asking any of the following questions, since the owner or occupant may consider much of the information personal and private. Never push an owner, taxpayer, or occupant to answer questions if the situation becomes uncomfortable. he first questions you should ask is: "To make sure we have everything correct; do you mind if I ask you a few questions about this property?" If the response is favorable, you may proceed.

    - Sample questions you may need to ask the occupant:
    - What is the property owner's name?
    - What is the property owner's mailing address?
    - What is the physical address of this property?
    - If this is a recent purchase, do you mind sharing the price with us?
    - How old is the house/structure?
    - How many baths does the house have?
    - Does the house have central heat and air?
    - Do you have sewer services or a septic system?
    - Do you have public water, community water, or a water well?
    - If acreage: How is the land use divided (pasture, cropland, wildlife management, etc.)?
    - If acreage: Are there any other structures not located at this site?

- After you have finished with your questions, thank them for their assistance and tell them, "We will only be here for a few more minutes, to check the measurements of your improvements." It is best to avoid unnecessary gossip or discussion of taxes and values. If the owner or occupant inquiries about property values or confidential information, the appraiser must firmly, but politely, state that the purpose of the visit is to gather specific information on that property, and that values will be determined later once all specific property information in gathered. However, please take the time to answer simple procedural questions and general taxation inquiries. Establish a good rapport with the taxpayers.

- Remember to use “please” and “thank you” as often as appropriate, and do not hesitate in your conversation. The owner/occupant needs to be confident in your presentation and capabilities.
- If the owner/occupant is uncooperative, rude, obnoxious, or asks you to leave, do not argue or lose your temper. Move to a safe distance and estimate the structure size, and then draw a sketch on your worksheet/card. Be sure to note that the owner/occupant refused to let you measure and inspect the property. Initial and date the worksheet along with noting all
- property characteristics apparent. Anytime an appraiser documents a change of any kind on a property card that is based on estimation, that fact MUST be noted on the property record.
- If you encounter locked gates, bad dogs, or “No Trespassing” signs, follow the same procedure explained above. If no improvements are visible but reasonably suspected from what you see (road traffic, power lines, etc.) leave a business card with a note to contact the appraisal district for access.
- In addition to the primary task of collecting and verifying data and property characteristics, there will often be secondary projects for which data will need to be collected. These projects are designed to make subsequent appraisals and inspections easier and more efficient for each following year or appraisal cycle. Updating addresses, specific location notes, and public relations suggestions are continuing secondary field concerns. Field staff is directed to note and inform the CAD office of any concerns relating to CAD administration and resources, such as any corrections or modifications to the existing mapping system, areas of new development, or field perceptions of existing or potential market areas. Further, a major (strategic) goal may be incorporated to each reappraisal cycle and noted in the current Reappraisal Plan. As directed by the Chief Appraiser, this goal, developed with the purpose of increasing accuracy, efficiency, and ease of appraisal operations, is a primary focus of the CAD staff during the current reappraisal cycle. Please consult the Chief Appraiser or Appraisal supervisor for any additional requirements of the reappraisal inspections.
- The appraiser should perform the following procedures:
  - Insure the property being appraised is the property indicated in the legal description of record.
  - Leave a business card.
  - Ensure sketches, notes, and classifications are accurate and readable.
  - Photograph the improvements, if needed.
  - Ensure improvement sketches close and balance.
  - Ensure all necessary information is recorded on the card or worksheet, i.e., Classification, Condition, Effective Year, and any notes on each structure, attachment, and outbuilding.
  - Make note of anything needing to be discussed with the supervisor.
  - Initial and date the worksheet.
  - Collect secondary or additional information as requested for this reappraisal’s goals.
  - Mobile Homes
  - The same general procedures apply when appraising a mobile home site. All structures need to be measured and classed. However, additional information needs to be gathered to complete the process.
  - Note Manufacturer and Model.
  - Note color scheme: Main color(s)/Trim color.
  - Note HUD Label number. If the HUD number is not available due to repainting or residing or age, be sure to note that fact.

Try to get ownership info at inspection. Mobile homes often have different ownership than the land on which they are located. Also, the purchaser may not have changed the title, in which case, the possessor may not be the official owner listed in the Department of Housing and Community Affairs records. All these ownerships are important for the appraisal records.

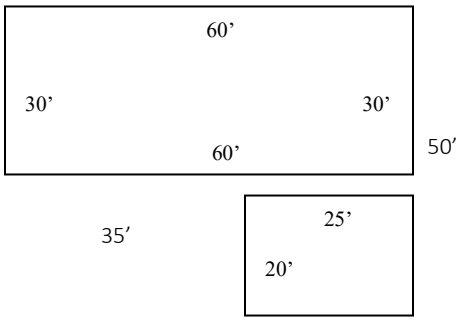
Measuring Procedures

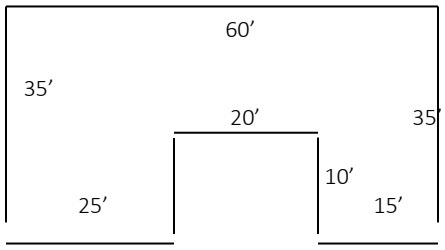
Basic Procedures

- Neatly draw the outline of the improvements on the worksheet or property card in front of the improvement toward you, or as it faces the street.
- If there are multiple buildings, draw the sketches on the card as you see them on the property, in relation to each other. If there are more buildings than will fit on one page of records, group the drawings with the primary building of the property on the first page and then progress logically so that in subsequent inspections another appraiser can easily identify any changes that may have occurred.
- Try to draw the improvement in approximate proportions to the size of the structure. If the improvement is 30’ wide and 60’ long, draw the outline with its length double its width.
- Measurements should be written horizontally opposite the line representing the measurement. Outside measurements should be written on the outside, and inside measurements on the inside. The placement of measurements on the drawing should clearly indicate the wall measured on the structure. When taking secondary measurements, such as overall length and/or width,

- that may include more than one class of structure (garages, carports, porches along with living area), these measurements should be distinct from measurements of the individually classed structures.
- Be sure to draw the second story of a structure separately from the main body.
- Be sure to note any changes in construction type (frame to brick, etc.).
- Begin at one corner and measure completely around the building (note: If you are entering data into the computer, some computer systems require that you draw in a specific pattern. Check with your supervisor or CAD staff to see if this applies in your case.) Check the sum of overall measurements along the front of the improvement against the overall measurements of the rear. Then check the measurements along one side with that of the other side. The opposite wall measurements must balance for the drawing to be correct.

Examples:



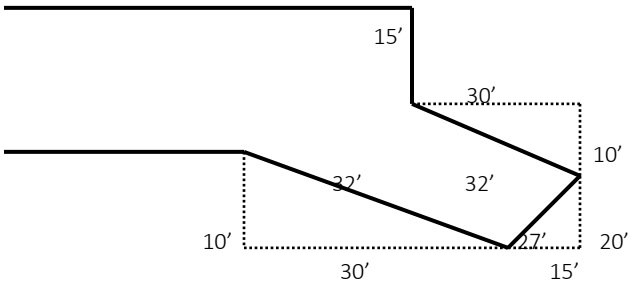


35' & 50' are outside measurements

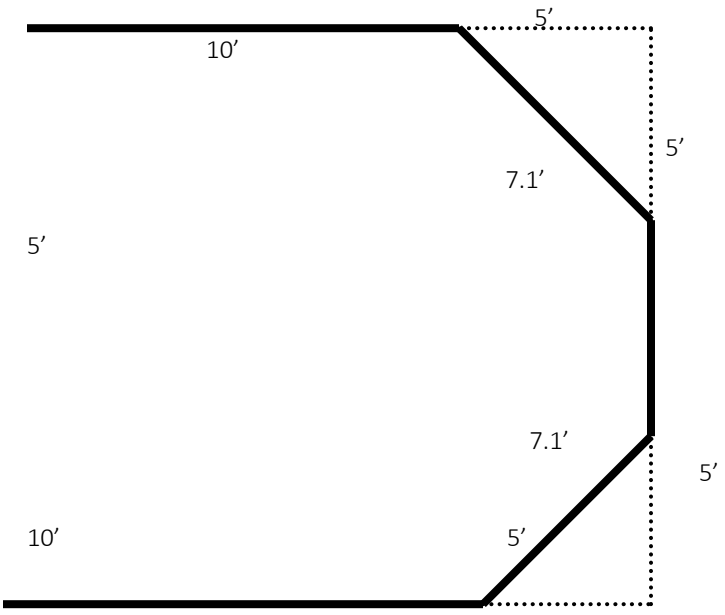
Front = Rear 25+20+15=60

All others are measurements of those individual parts.

- Angled Structures: When measuring angled structures, we need additional measurements to square the angled portions. While some computer drawing programs will draw angles for calculation of square footage, those angles are ultimately based on the "offsets" (up & over) from the base drawing. Measuring the angled wall itself may be helpful, but the other two measurements of the "triangle" are more important. This applies to odd, shaped houses as well as bay windows. See the following examples.



In this example, the angled measurements of 32', 27', and 32', while informative, are not as important as the offset measurements indicated by the dotted lines. The offset measurements are the two "missing" measurements of a right triangle.



As in the previous example, the 7.1' measurements are not as important as the 5' "offset" measurements.

Additional Residential levels should be drawn separately and classed as STR2. This includes basements as well as floors above ground level. Each level, above or below ground level, must be noted as such and factored for lesser functionality by 84%. STR2 includes an 84% FC adjustment. Commercial structures do not receive any adjustment unless necessary and approved by the Chief Appraiser and/or the appraisal supervisor. In cases where the additional levels cannot be measured, or to simplify the plot on the appraisal card, the 84% factor for the additional levels can be incorporated into the calculation of the ground level. Notes must be recorded when using this method.

Examples of these calculations follow:

Estimations of Additional Levels Based on Ground Floor Area

Full 2 Story	FC = 1.84
Est. 1 ¾ Story	FC = 1.63
Est. 1 ½ Story	FC = 1.42
Est. 1 ⅓ Story	FC = 1.28
Est. 1 ¼ Story	FC = 1.21

Where Actual Upper (or Basement) Floor Square Footages are Known

$$1.0 + \frac{\text{(Upper Square Footage)}}{\text{(Ground Floor Square Footage x .84}} = \text{FC}$$

EXAMPLE:

$$1.0 + \frac{\text{(946 sq. Ft. upper floor)}}{\text{(1500 sq. Ft ground floor x .84)}} = 1.53$$

Property Category Codes

Each property is described with Category Codes (formerly known as TEA Codes). These codes allow the CAD to separate properties individually and in groups for a multitude of purposes, not the least of which is reporting to the State Comptroller's office. All properties will fall within one of the following categories.

Cat Code	Description / Classification
A1	Single Family Residential
A2	Mobile Homes w/ Land (Designated as Real Estate)
A3	Real Residential Aux Imp
C1	Real Vacant Lots/Tracts
D1	Real Ranch 1-d-1 Qualified
D2	Real Ranch Improvement on 1-d-1 Qualified
E1	Rural Land, Not 1-d-1 Qualified and Residential Imp
F1	Real Commercial
F2	Real Industrial
G1	Real Mineral Production Oil & Gas
G2	Real Mineral Other
G3	Real Mineral Non-Production
H1	Personal Non-Business Vehicle
J1	Water Systems
J2	Gas Companies
J3	Electric Companies
J4	Telephone Companies
J5	Railroads
J6	Pipelines
J7	Cable TV
J8	Other Describe
L1	Commercial Personal Property
L2	Industrial Personal Property
M1	Personal Property Mobile Home
N1	Intangible Personal Property
XB	Income Producing Personal Property under $500
XC	Mineral Interest Property under $500
XV	Other Exemptions (including Public Property, Religious,
	Charitable, and Property not Rendered Elsewhere)

These codes are assigned to each parcel in accordance to its property classification within the Borden County Appraisal District and are found listed on both the parcel records in the computer system and on the property appraisal card. During inspection, the Category Codes should be verified for each parcel.

Jurisdiction Codes

Jurisdictions are usually political sub-divisions of the State with the power to levy and collect property taxes. Jurisdictions are specifically delineated areas. Each property parcel is coded for each and all Jurisdictions that have authority over that parcel. Jurisdiction codes may also be used to define certain areas that may not levy taxes.

Jurisdiction #	Jurisdiction Name
CAD	Borden County Appraisal District
033	Borden County
30	Borden County ISD
30IS	Borden County ISD IS
80	Borden County ISD Howard Co
80IS	Borden County ISD IS Howard Co
90	Sands ISD

These codes are assigned to each parcel in accordance to its location within the Borden County Appraisal District and are found listed on both the parcel records in the computer system and on the property appraisal card. During inspection, the Jurisdiction Codes should be verified for each parcel.

Road Type Codes

Each parcel of Real Estate is coded and described according to the road access to the parcel.

Road Type Code	Description
PAVE	Paved State or County Road
GRVL	County maintained Gravel (Caliche) Road
DIRT	Privately Maintained Gravel (Caliche) or Dirt Road
UNIM	Dirt Track, Unmaintained

These codes are assigned to each parcel in accordance to its road access and are found listed on both the parcel records in the computer system and on the property appraisal card. During inspection, the Road Type Codes should be verified for each parcel.

Utility Type Codes

Each parcel of Real Estate is coded and described according to its access to Utilities.

Utility Type Code	Description
W	Access to public Water Supply System
E	Access to public Electrical Supply System
G	Access to public Gas Supply System
S	Access to public Sewer/Wastewater System

These codes are assigned to each parcel in accordance with its access to public utilities and are found listed on both the parcel records in the computer system and on the property appraisal card. During inspection, the Utility Type Codes should be verified for each parcel.

Homestead Exemption Codes

As authorized by the Texas Property Tax Code, various homestead exemptions can be applied to qualifying properties as determined by the Chief Appraiser.

HS Code	Description
1	DVET/Homestead
2	DVET/Disabled
3	DVET/Over 65
B	Disability Homestead
F	Disabled Widow
H	General Homestead
O	Over 65 – No Homestead
S	Over 65 Homestead
W	Widow Homestead-SCH

These codes are assigned to each parcel in accordance to its qualification to an exemption within the Borden County Appraisal District and are found listed on both the parcel records in the computer system and on the property appraisal card. During inspection note whether an exemption is in place on the property records and try to verify with the occupant of the property. Record on the property card and report to the Chief Appraiser any discrepancies in exemption status that may be discovered during a property inspection, including improperly granted homesteads, property that could qualify for homestead, and changes in the homeowner's status that could change the homestead qualification.

CDU Rating Guide
Condition, Desirability, and Utility

CDU Rating	Code Used	Definition and Description
Excellent	EX	Building is in perfect condition-very attractive and highly desirable
Very Good	VG	Very slight evidence of deterioration-still attractive and quite desirable
Good	GD	Minor deterioration is visible-slightly less attractive and desirable, but very useful
Average	AV	Only normal wear and tear is apparent- average attractiveness and desirability
Fair	FA	Marked deterioration-but quite usable, rather unattractive and undesirable
Poor	PO	Definite deterioration is obvious-definitely undesirable but moderately useful
Very Poor	VP	Condition approaches unsound-extremely undesirable and barely usable
Unsound	US	Building is unusable, not repairable, and practically unfit for use

These codes are assigned to each building in accordance with its condition, desirability and utility and are found listed on both the parcel records in the computer system and on the property appraisal card. During inspection, the CDU Rating Codes should be verified for each building and updated for improvements to the condition of the building or further deterioration of the building.

Depreciation

Over time, all structures will lose value as compared to newly constructed buildings of comparable use. This loss in value is referred to as depreciation. The three (3) main types of depreciation, physical, functional, and economic, must be considered and estimated (if appropriate) to each property inspected. Physical depreciation is the loss of value from natural aging and deterioration. Functional depreciation is value lost to a particular property due to market pressures in the form of buyer's tastes and preferences, and how they have changed over time. These effects are normally specific to the market area and include, but are not limited to: unusual floor plans, second floors, basements, and marked, specific deterioration of the structure or its components beyond the scope of overall physical depreciation. Economic depreciation refers to value lost to a specific property (or group of properties) due to effects outside the property itself.

Most often caused by location, a property's value can be affected by where it is or what surrounds it.

- Physical Depreciation – Over time, a structure loses value due to the wasting away of materials, and this may be accelerated by deferring necessary maintenance. Expressed as a condition grade and a building age, all properties have their physical depreciation estimated at inspection.
- Functional Depreciation – Oftentimes a property will exhibit characteristics that will affect its value, either positively or negatively, when compared to the typical format for that structure. These characteristics need to be addressed when estimating the market value. A few examples will be helpful.
    - The second floors are less functional and often less desirable to buyers. Therefore, the living area on the second floor has less value per square foot than the corresponding living area on the first floor.
    - Enclosed garages, porches, or additions often have less utility than the original living area due to the quality or
    - completeness of the renovation.
    - Room arrangements that are obviously poorly planned, creating flow problems and inconveniences will affect the marketability of a property.
    - Structures that have extra amenities, such as more than typical insulation, superior air conditioning systems, intricate water filtration systems, specialty fixtures, custom cabinetry, etc., can all increase the value of a structure when compared to typical.
- Economic Depreciation – If a property's value is affected by conditions or situations outside the property itself, the result is economic depreciation. As with physical depreciation, the result can be either positive or negative. Although logical and often easy to imagine, economic depreciation is the most difficult adjustment to estimate because it is the most difficult to prove within the given market conditions. As such, adjustments for economic depreciation should be approached very carefully and only in situations where the estimated effect is obvious and significant.
- Examples are:
    - Residential property located in areas that are not primarily residential in nature.
    - Homes that are significantly larger (or smaller) than the typical home in each neighborhood.
    - Commercial property subject to excessive regulation, or to income-limiting contracts.

All forms of depreciation should be considered when inspecting a property. Functional and economic depreciation may not be appropriate for a given structure, but details affecting the decision to apply must be noted and justified during inspection. Both functional and economic depreciation are applied at the discretion of the appraiser, with approval from the Chief Appraiser and/or the appraisal supervisor. In that the Borden CAD estimates values from a statistical model (mass appraisal); the functional and economic factors discussed above are deviations from the market norm for a particular property. Consequently, both functional and economic adjustments can be either positive or negative depending on the specific attributes of the property inspected. Physical Depreciation is estimated using the descriptions and table listed below to determine an appropriate Percent Good (value remaining or the inverse of Depreciation). Superior maintenance or appearance (condition) and below-average maintenance or appearance (condition) affect the loss in value over time and must be noted in order to apply depreciation appropriately in comparison to like properties. Either the built year (if known) or an "effective" year must be determined at inspection. The "effective" year gives the relative age of the structure given its level of maintenance. The useful life of residential and commercial structures is approximately 50 years. Beyond that age, utility and function are limited such that the building is no longer enhancing the value of the property. The structure may have limited value and use but could be feasibly replaced with a new structure. The life of a structure can be extended if maintenance issues are addressed as they arise. A house that has been properly maintained over its life, i.e. roof repairs/replacement, painting, foundation repairs, wiring/plumbing modernization, renovation, etc., can have an effective age of 20 years when its actual age may be in excess of 100 years. In other words, protecting or enhancing the investment in your property extends its life and extends its value over time. Effective age is determined by estimating the remaining life of a structure. For example, a residence could be in excess of 100 years of actual age. However, with timely repair, rehabilitation, or renovation, the structure may be comparable to a residence of only 10-20 years of age. Physical depreciation is based on the effective age, in conjunction with the observed condition of the structure.

Physical Depreciation Table

The following table will produce a “percent good” to be applied to a structure within this schedule.

AGE	Residential/Commercial							
	EX	VG	GD	AV	FA	PO	VP	US
1	1	1	0.99	0.94	0.89	0.84	0.74	0.64
2	1	1	0.98	0.93	0.88	0.83	0.73	0.63
3	1	1	0.98	0.93	0.88	0.83	0.73	0.63
4	1	1	0.97	0.92	0.87	0.82	0.72	0.62
5	1	0.99	0.96	0.91	0.86	0.81	0.71	0.61
6	1	0.98	0.95	0.9	0.85	0.8	0.7	0.6
7	1	0.97	0.94	0.89	0.84	0.79	0.69	0.59
8	0.99	0.96	0.93	0.88	0.83	0.78	0.68	0.58
9	0.98	0.95	0.92	0.87	0.82	0.77	0.67	0.57
10	0.97	0.94	0.91	0.86	0.81	0.76	0.66	0.56
11	0.96	0.93	0.9	0.85	0.8	0.75	0.65	0.55
12	0.95	0.92	0.89	0.84	0.79	0.74	0.64	0.54
13	0.94	0.91	0.88	0.83	0.78	0.73	0.63	0.53
14	0.93	0.9	0.87	0.82	0.77	0.72	0.62	0.52
15	0.91	0.88	0.85	0.8	0.75	0.7	0.6	0.5
16	0.9	0.87	0.84	0.79	0.74	0.69	0.59	0.49
17	0.89	0.86	0.83	0.78	0.73	0.68	0.58	0.48
18	0.87	0.84	0.81	0.76	0.71	0.66	0.56	0.46
19	0.86	0.83	0.8	0.75	0.7	0.65	0.55	0.45
20	0.85	0.82	0.79	0.74	0.69	0.64	0.54	0.44
21	0.84	0.81	0.78	0.73	0.68	0.63	0.53	0.43
22	0.83	0.8	0.77	0.72	0.67	0.62	0.52	0.42
23	0.82	0.79	0.76	0.71	0.66	0.61	0.51	0.41
24	0.8	0.77	0.74	0.69	0.64	0.59	0.49	0.39
25	0.79	0.76	0.73	0.68	0.63	0.58	0.48	0.38
26	0.77	0.74	0.71	0.66	0.61	0.56	0.46	0.36
27	0.75	0.72	0.69	0.64	0.59	0.54	0.44	0.34
28	0.73	0.7	0.67	0.62	0.57	0.52	0.42	0.32
29	0.72	0.69	0.66	0.61	0.56	0.51	0.41	0.31
30	0.7	0.67	0.64	0.58	0.54	0.49	0.39	0.29
31	0.68	0.65	0.62	0.57	0.52	0.47	0.37	0.27
32	0.66	0.63	0.6	0.55	0.5	0.45	0.35	0.25
33	0.64	0.61	0.58	0.53	0.48	0.43	0.33	0.23
34	0.62	0.59	0.56	0.51	0.46	0.41	0.31	0.21
35	0.6	0.57	0.54	0.49	0.44	0.39	0.29	0.19
36	0.59	0.56	0.53	0.48	0.43	0.38	0.28	0.18
37	0.57	0.54	0.51	0.46	0.41	0.36	0.26	0.16
38	0.55	0.52	0.49	0.44	0.39	0.34	0.24	0.14
39	0.53	0.5	0.47	0.42	0.37	0.32	0.22	0.12
40	0.51	0.48	0.45	0.4	0.35	0.3	0.2	0.1
41	0.49	0.46	0.43	0.38	0.33	0.28	0.18	0.1
42	0.47	0.44	0.41	0.36	0.31	0.26	0.16	0.1
43	0.45	0.42	0.39	0.34	0.29	0.24	0.14	0.1
44	0.44	0.41	0.38	0.33	0.28	0.23	0.13	0.1
45	0.42	0.39	0.36	0.31	0.26	0.21	0.11	0.1
46	0.41	0.38	0.35	0.3	0.25	0.2	0.1	0.1
47	0.39	0.36	0.33	0.28	0.23	0.18	0.1	0.1
48	0.38	0.35	0.32	0.27	0.22	0.17	0.1	0.1
49	0.36	0.33	0.3	0.25	0.2	0.15	0.1	0.1
50	0.35	0.32	0.29	0.24	0.19	0.14	0.1	0.1
51	0.33	0.3	0.27	0.22	0.17	0.12	0.1	0.1
52	0.32	0.29	0.26	0.21	0.16	0.11	0.1	0.1
53	0.31	0.28	0.25	0.19	0.15	0.1	0.1	0.1
54	0.3	0.27	0.24	0.2	0.14	0.9	0.1	0.1
55	0.29	0.26	0.23	0.18	0.13	0.9	0.1	0.1
999999	0.26	0.25	0.22	0.16	0.12	0.9	0.1	0.1

Economic Life
Percent Good Table

Effective Age	PC	4	5	6	8	10	12	15	20	Effective Age
1	68	75	78	83	88	90	90	93	95	1
2	44	56	63	69	77	82	84	90	92	2
3	28	42	50	58	67	73	78	85	88	3
4	10	32	39	48	60	64	71	80	84	4
5	03	15	25	35	50	55	65	75	80	5
6	02	10	10	22	40	46	58	70	76	6
7				10	30	37	51	65	72	7
8					20	28	44	60	68	8
9					10	15	37	55	64	9
10						10	30	50	60	10
11							23	45	56	11
12							16	40	52	12
13							10	35	48	13
14								30	44	14
15								25	40	15
16								20	36	16
17									32	17
18									28	18
19									27	19
20									26	20
21									25	21
22										22
23										23
24										24
25										25

PC Life - Computers & Peripheral Equipment ONLY

5 Yr. Life - Electric Equipment, Light Duty Equipment, Office Equipment, Passenger Vehicles, Security Systems, Telephone Systems

6 Yr. Life - Telecommunications Equipment, Vending Equipment

8 Yr. Life - Convenience Stores, Dental Equipment, Furniture & Fixtures, Medical Equipment, Retail Business (most stores), Restaurant Kitchen Equipment, Signs (not Billboards), Trailers

12 Yr. Life - Excavation & Road Equipment, Machinery & Equipment

15 Yr. Life - Industrial Equipment

20 Yr. Life - Boat Dock (floating), Gas Tanks (underground), Towers

30 Yr. Life - Billboards / Sign Poles

Personal Property Depreciation

The following table illustrates the percent good factors applied to discovered and rendered Business Personal Property. Borden County Appraisal District lacks sufficient information to develop typical schedules for business types. Owner Renditions and/or appraiser inspections determine Personal Property valuation. Individual assets are depreciated from original cost by the actual or effective age. Asset classes from the rendition are compared to the example property types at the bottom of the Business Personal Property Schedule to determine the appropriate Economic Life of the assets. The appraiser must then choose the correct percent good factor from the table using the asset's age and economic life. Multiplying the percent good factor by the original cost of the asset or asset class from the rendition produces the current value of the asset for inclusion in the Personal Property account. Borden CAD uses the latest published Business Personal Property Depreciation and Life Expectancies Tables published by the of the Texas Comptroller's Office.

Building Codes & Descriptions

TYPE CODE	DESCRIPTION	AMENITY CODE	DESCRIPTION
ADD	Addition	FP	Fireplace
ATT GAR	Attached Garage	C/H/A	Central Heat/Air
BARN	Barn		
CNPY	Canopy		
COM STG	Commercial Storage		
CPT	Carport		
DECK	Deck		
DET GAR	Detached Garage		
EP	Enclosed Porch		
FARM BLDG	Farm Building		
FARM WAREHOUSE	Farm Warehouse		
FV	Flat Value Bldg.		
MH	Mobile Home		
OFF	Office		
OP	Open Porch		
PCH	Covered Porch		
QUONSET	Quonset Barn		
REST	Restaurant		
SM	Mini-Storage		
SHED POLE	Shed - Telephone Pole Construction		
SHED STEEL	Shed - Metal Frame Construction		
SHED WOOD	Shed - Lumber Construction		
SLAB	Slab		
SCN PCH	Screened Porch		
STG	Storage Building		
STORE	Retail Store		
STR2	2nd Story - Residential		
WHSE	Warehouse		

The Type Codes are followed by a Classification Code indicating the quality and method of construction. See the individual pages on Residential, Rural, and Commercial Buildings for further explanation.

Percentage of Completion

There may be some structures that are incomplete on the assessment date of January 1. For each building under construction, the appraiser should classify the structure and indicate the percentage complete. By properly classifying the building and pricing it according to the schedule, then applying the percent complete, the result will be partial value for the current year's assessment. All buildings under construction and so priced will have to be rechecked the following year for a final value. To assist the appraiser in arriving at the percent complete, a chart has been prepared indicating by items of construction the percent complete figure to be used.

LOT	0.0
PRELIMINARY PLANS PERMITS ETC.	1.0
FOOTINGS & FOUNDATION	2.0
PLUMBING ROUGH-IN	4.0
SLAB	6.0
EXTERIOR WALL FRAMING	6.0
INTERIOR WALL FRAMING	4.0
CEILING JOISTS	2.5
WALL SHEATHING	1.5
ROOF FRAMING	2.5
ROOF SHEATHING	3.0
PLUMBING STACK OUT	2.8
FINISH ROOFING	4.5
WINDOWS SET	2.5
ELECTRIC ROUGH-IN	2.5
EXTERIOR DOORS & GARAGE DOORS	1.7
INSULATION-WALLS & CEILING	1.0
BRICK & WOOD TRIM	10.0
SHEETROCK TAPE & TEXTURE	4.5
TRIM PANELING & CABINETS	6.0
FIREPLACE	1.0
INTERIOR DOORS	2.5
SHOWER STALL & CERAMIC TILE	1.5
HEATING & PLUMBING FIXTURES	5.4
CABINET TOPS	1.0
EXTERIOR PAINTING	1.0
INTERIOR PAINTING & DECORATING	3.5
ENTRY FLOOR COVER	0.5
CARPET & OTHER FINISH FLOORS	5.0
LIGHT FIXTURES	1.2
KITCHEN APPLIANCES	1.8
AIR CONDITIONING	2.8
PORCHES PATIOS WALKS & DRIVE	2.0
FENCE	1.8
EXTRAS & COMPLETION	1.0
PERCENTAGE OF COMPLETION	100.0%

Residential Overview / Methodology

The basic formula for calculating the value of single-family residential property is:

Market Value of Residential Property =

Replacement Cost New X Total Percent Good + Depreciated Additive Values + Land Value

(Adjusted by Market Indicators as determined by Sales Data, as available)

Two-Story Residences

The second story of a two-story residence should be adjusted by multiplying the schedule value by a factor of 0.84. The second story should be drawn separately and classed as **STR2,** with reference to the first story.

Bathrooms

The base cost of the residential classes includes a value for the typical number of bathrooms for that class. Any variance from the typical number (+ or -) should be reflected as an Amenity Adjustment of (+ or -) $1850.

Typical Bathroom/Class

Class	Number of Bathrooms
1-2	1
2-3	1
3-4	1.5
5-6	2

Fireplaces

The base cost of the residential classes does not include any value for fireplaces. The presence of 1 or more places requires an Amenity Adjustment for each fireplace based on the core construction of the fireplace. Metal/Steel core fireplace (FP1) = $725. Masonry core fireplace (FP2) = $1275.

Central Heat & Air

The base cost of the residential classes does not include any value for central heating and air conditioning systems. A property with a central heat/air system should have an Amenity adjustment of $1.25/sq. ft for residential property, or a total adjustment of $1875 for a mobile home.

Porches, Decks, and Patios

Porches and Patios add value to the property as a percentage of the base cost of the residential class. They should be classed as follows with reference to the main living area:

Description	Type	Class	% age of base
Open porches	OP	1	20%
Covered Porches	PCH	1	25%
Enclosed Porches	EP	1	40%
Screened Porches	SCN PCH	1	30%

Porches are typically small in relation to the house and are used as entranceways. Patios are larger and have more utility than a mere entry, i.e., sitting area, outdoor cooking, etc. For covered patios that are homemade, or the construction quality is significantly different from the living area flat values may be appropriate depending on level of construction.

Decks are typically of wooden construction and usually are not covered.

Quality of Deck	Type	Class	Value/sq. ft.
Low	DECK	1	$2.50
Average	DECK	2	$3.00
Good	DECK	3	$5.00

Garages and Carports

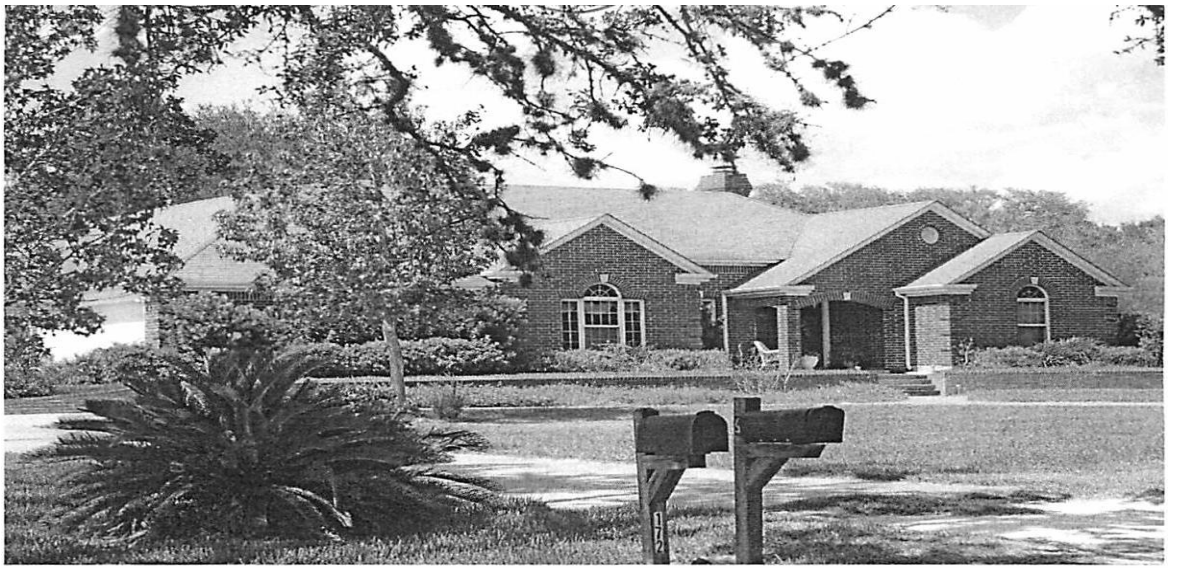
Attached and detached garages are measured and classed independently from the main living area. Their value is based on a percentage of the main structure. They should be classed as follows with reference to the main living area:

Description	Class	% age of base
Attached Garage	ATT GAR	50%
Detached Garage	DET GAR	40%
Carport	CPT 1	25%

Carports that differ significantly from the typical construction of the house, whether attached or detached, may be flat valued depending on level of construction.

RESIDENTIAL CLASSES AND DESCRIPTIONS

M6



Identification Characteristics:

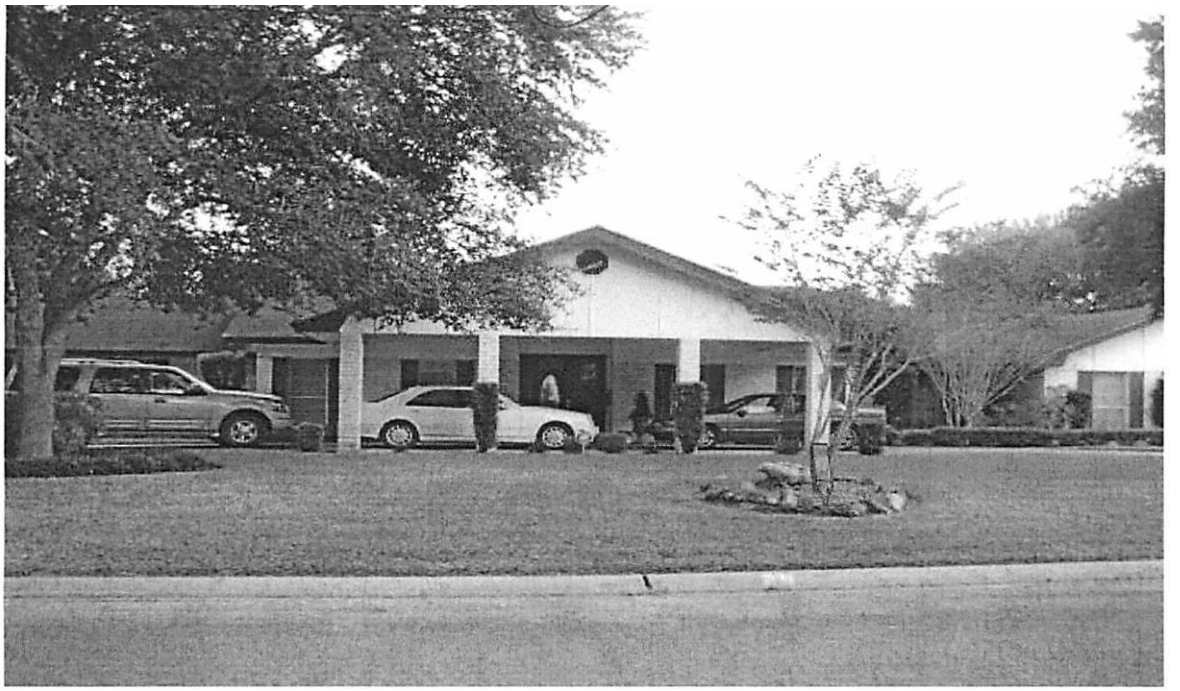
This house has been erected with the best possible materials throughout, specially designed by an architect to meet the builder's or owner's requirements. It will contain many amenities or special features and the components will be of the best quality. The house will have been built under architectural supervision by a good general contractor. Large size or more expensive, special items are characteristic of this class.

Standard Specifications:

Construction	Best available Concrete
Foundation Exterior	Brick or stone veneer Meticulous attention to details
Interior Roofing	Wood shake shingles, slate, clay tile, copper, or heavy gauge metal
Flooring	Expensive carpet, Terrazzo, stained and etched concrete
Electrical Plumbing	Top quality standard fixtures
Heating/Cooling Typical	Quality fixtures, 1 bath per 2 bedrooms, or more Central, may have multiple
Features	compressors, heat pump Two to four car garage, built-ins, solid wood panel doors, unique roof design, one to two fireplaces.

Designate as Class M6+ those residences of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

M5



Identification Characteristics:

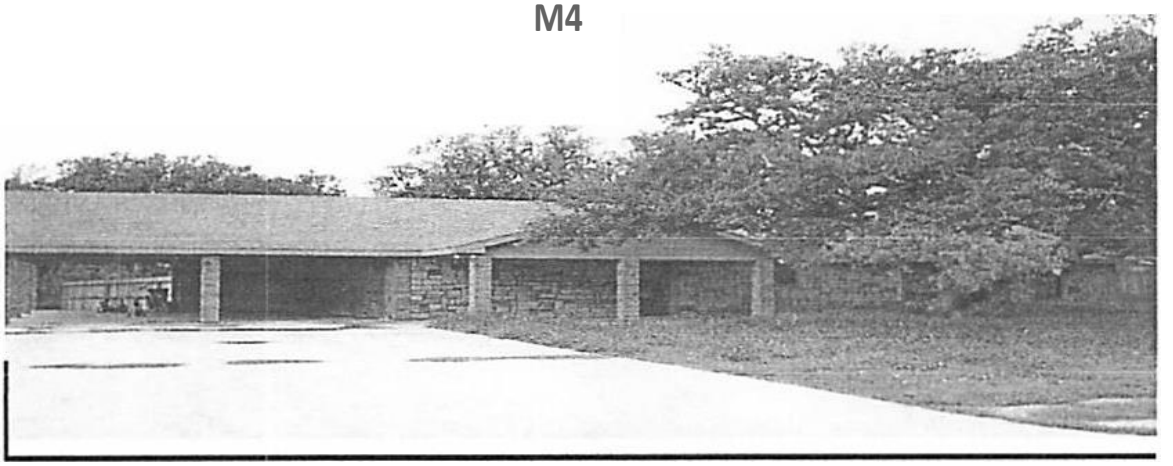
This type of residence has been specially designed by an architect to meet the builder's requirements and will contain several special features. It is not a luxury house, but the components used are of the best quality. The house will have been built under strict supervision by a good general contractor u sing the most skilled labor a v a i l a b l e .

Standard Specifications:

Construction	Select Quality Concrete
Foundation Exterior	Brick or Stone veneer
Interior	Excellent Finish, some ornamentation
Roofing	Heavy cedar shakes, tile, # I cedar shingles, or good quality composition shingle, heavy gauge metal
Flooring	High quality carpet, tile, stained and etched concrete good quality
Electrical	fixtures
Plumbing	1 bath per 2 bedrooms
Heating/Cooling	Central, may have two or more compressors
Typical Features	Two or three car garages, one or more fireplaces, interior brick or stonework, side or rear entry garage, spacious rooms, quality built-ins, special features.

Designate as Class M5+ those residences of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

M4



Identification Characteristics:

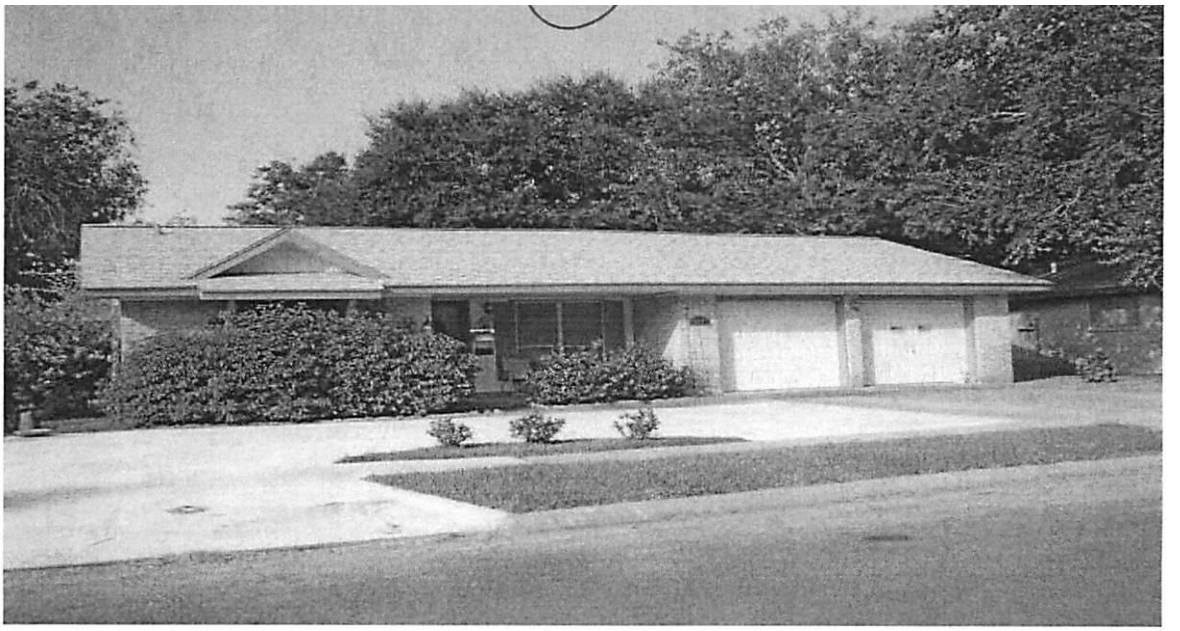
The better homes built by a good contractor are in this classification. The grade of construction shows good materials and workmanship, and room sizes are generous and finished. Interior and exterior finish will have special features and details and the normal complement of built-in features will also be found. Houses built prior to 1950 may have less than 1,600 square feet or only one bath but, because of better quality materials and workmanship, they can still meet this class category.

Standard Specifications:

Construction	Good quality
Foundation Exterior	Concrete slab or pier and beam Brick (or stone) veneer over frame or masonry, some trim
Interior Roofing	Better finished Good grade composition or cedar shingles, metal good
Flooring Electrical	carpet, tile, stained concrete Adequate for good building codes
Plumbing	Adequate for good building codes, with laundry facilities Central Heat and air
Heating/Cooling Typical Features	Two-car attached garage, fireplace and interior brickwork, average built-in appliances. The interior and exterior may have one or two special features such as: entry foyer, front porch and covered rear porch.

Designate as Class M4+ those residences of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

M3



Identification Characteristics:

This class of residence is usually in newer, yet affordable subdivisions. Although many are built from stock plans, their visual appeal is attractive and individual. These homes are generally the better FHA homes equipped with built-in features. Houses built prior to 1950 may have less than 1,200 or only one bath but, because of good quality materials and workmanship, they can still meet this class category.

Standard Specifications:

Construction	Standard FHA
Foundation	Concrete slab, or pier and beam in older homes
Exterior	Brick (or stone) veneer, may have little wood trim
Interior	Standard finish
Roofing	Good grade composition or built-up tar and gravel, some may have wood shingles, metal
Flooring	Carpet, tile, hardwood
Electrical	Average fixtures
Plumbing	Adequate standard with laundry facilities
Heating/Cooling	Central heat and air
Typical Features	Two-car garage. May have average quality built-ins such as: range/oven, disposal, fireplace, etc

Designate as Class M3+ those residences of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

M2

Identification Characteristics:

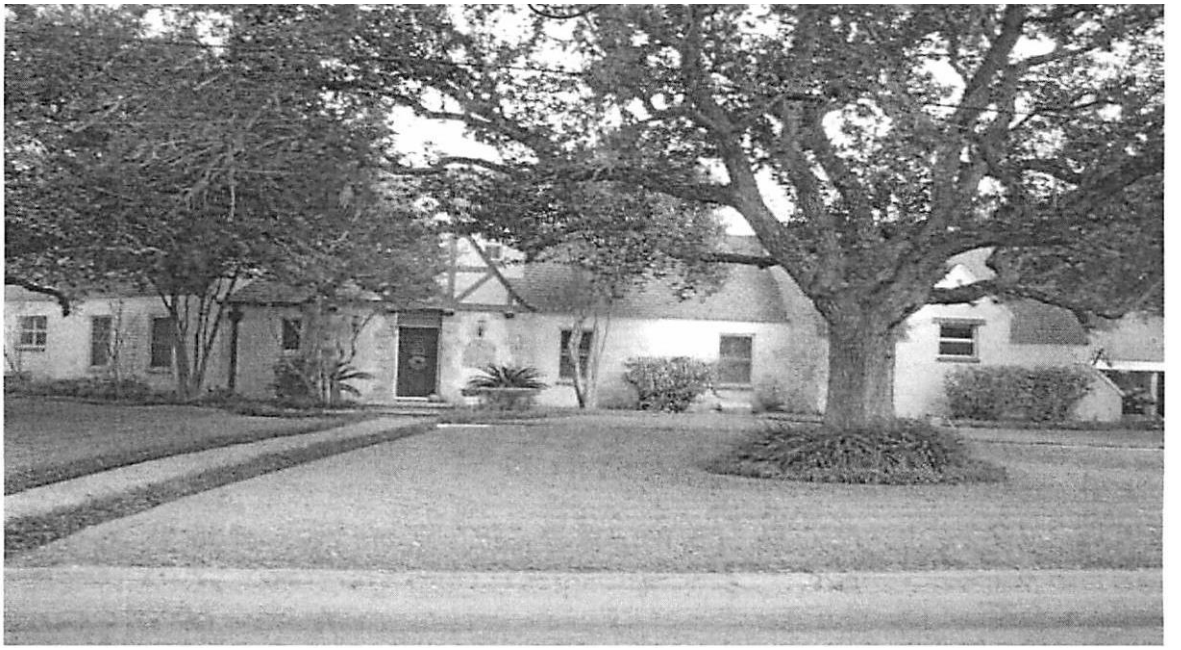
The brick project homes built for HUD and FMHA programs by speculative builders for resale are generally in this class and these houses are normally built from stock plans.
Materials, workmanship and structural design are sufficient to meet minimum to average requirements of local building codes.

Standard Specifications:

Construction	
Foundation	Minimum FHA Concrete
Exterior	Brick veneer Average finish
Interior	
Roofing	Medium pitch with medium grade composition Shingles or built-up tar and gravel, metal, cheap
Flooring	hardwood, tile, low grade carpet
Electrical	Minimum outlets, builder's fixtures
Plumbing	Minimum standard, cheap fixtures
Heating/Cooling	Panel heat or central heat, with window A/C, later conversion to central air
Typical Features	One-car garage, recent construction has trended toward two-car garage with reduced living area, basic rectangular shape with minimum built-ins.

Designate as Class M2+ those residences of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

F6



Identification Characteristics:

The better homes of frame or stucco construction, which are often custom built, are in this category. They have been built from good architectural plans by a good contractor with very good materials and workmanship evident. This type of residence may be in the better subdivisions where areas are controlled by zoning laws and deed restrictions.

Standard Specifications:

Construction	Good
Foundation Exterior	Slab foundation or pier and beam in older homes
	Best available grade exterior wood, stucco, EIFS, or hardy board siding, wall insulation, or a good cedar siding painted, may have brick trim
Interior Roofing	Finished
	Good grade composition, metal or cedar shingle cover, with large boxed eaves
Flooring	Good quality hardwood, carpet, tile
Electrical	More than ample, top quality standard fixtures
Plumbing Heating/Cooling	1 bath per 2 bedrooms typical with laundry facilities Central heat and air, heat pump
Typical Features	Two-car garage, fireplace, ample closets and cabinets. May have brick trim.

Designate as Class F6+ those residences of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

F5

Identification Characteristics:

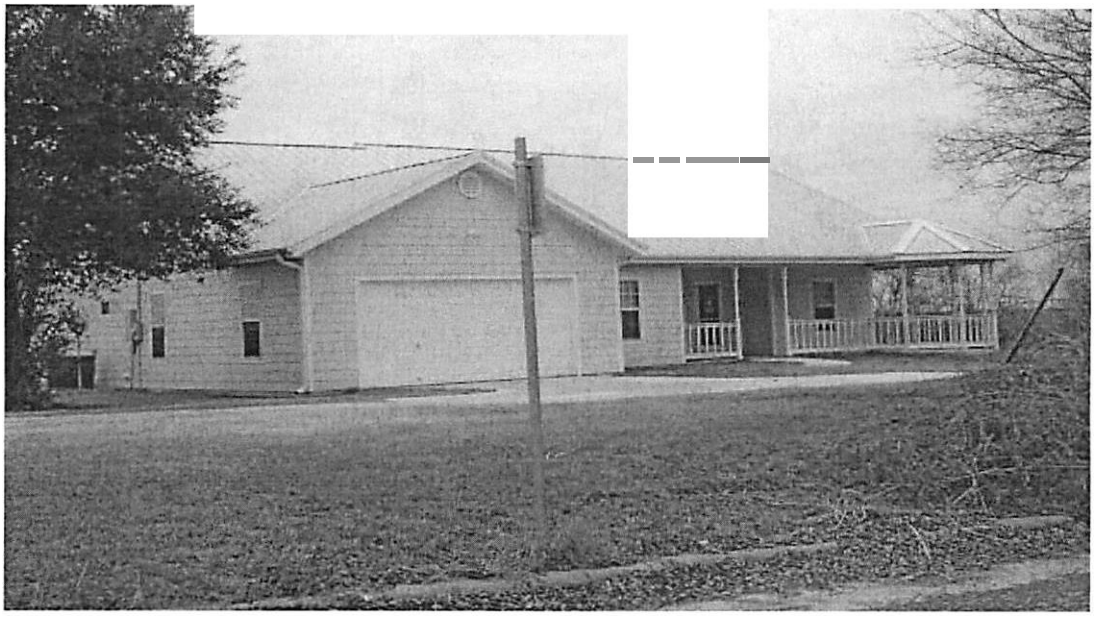
The better frame or stucco homes that are termed "individual built" are in this class. The buildings have been constructed from good plans. The grade of construction shows good or better quality in both material and workmanship. These buildings can generally be found in the better type subdivisions which may be controlled by building restrictions.

Standard Specifications:

Construction Foundation	FHA or better Pier and beam in older homes, concrete slab in newer homes
Exterior	Wood frame or good grade painted siding, good cedar shakes, or hardy board, EIFS Finished, some ornamentation
Interior Roofing	medium pitch, good grade composition shingles, metal or built-up tar and gravel
Flooring Electrical Plumbing	Hardwood, tile, carpet More than, ample Usually 1 bath per 2 bedrooms, with laundry facilities
Heating/Cooling	Central Heat and air
Typical features	Adequate built-ins, 2 car garages. May have offset or reset entry way and covered rear porch.

Designate as Class F5+ those residences of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

F4



Identification Characteristics:

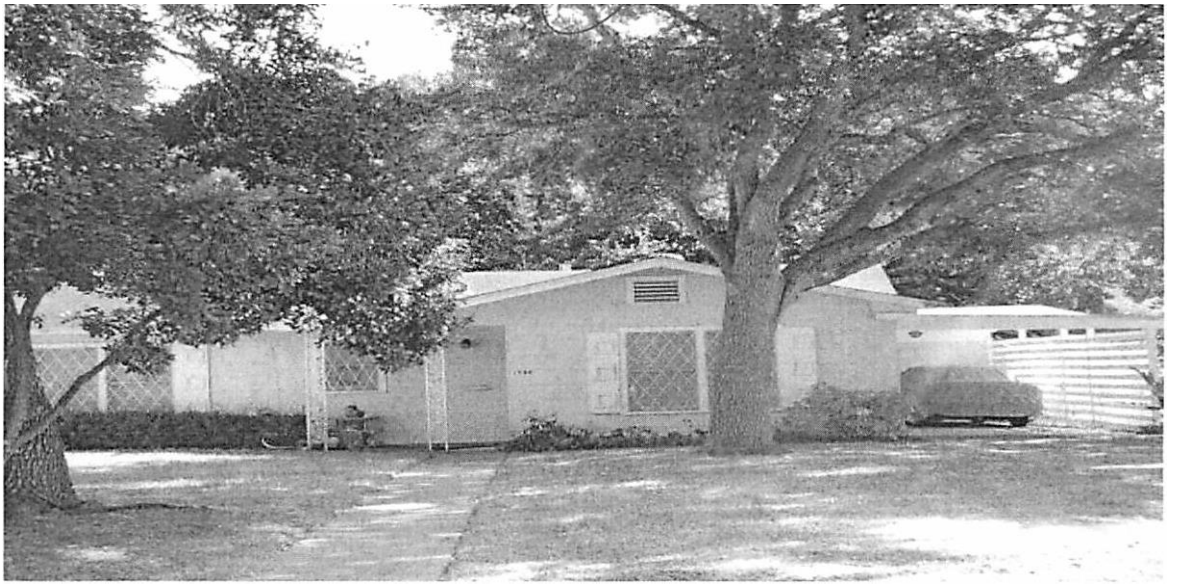
In this class is the typical move-up type of development. Material and workmanship exceed the average or minimum requirements of city building codes.

Standard Specifications:

Construction	Exceeds minimum FHA/VA. Higher quality mass produced or lower quality custom construction.
Foundation	Concrete slab or pier and beam foundation
Exterior	Average stucco or siding, EIFS, some trim
Interior	Finished, little or no ornamentation
Roofing	Medium pitch, good composition, metal or tar and gravel
Flooring	Hardwood, carpet, vinyl tile
Electrical	Builder's fixtures, adequate outlets
Plumbing	Adequate per good building codes
Heating	Forced air or central unit

Designate as Class F4+ those residents of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

F3



Identification Characteristics:

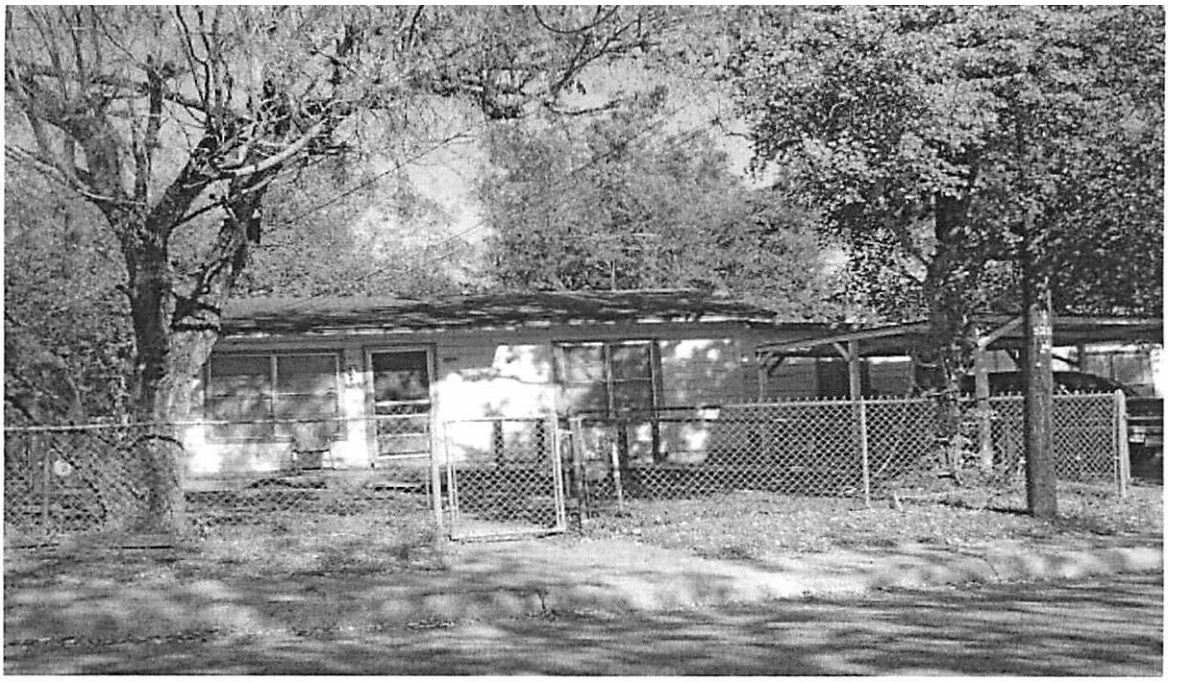
In this class is the typical mass-produced house built to minimum FMHA, FHA, and VA standards. Material and workmanship are sufficient to meet the average or minimum requirements of city building codes. Designs are simple, sash and doors are few and low cost, roof lines are plain. Minimum ornamentation such as shutters, brick skirts, or window boxes are not uncommon.

Standard Specifications:

	Minimum FHA/VA
Construction Foundation	Concrete slab or pier and beam foundation
Exterior	Painted wood frame, wood sheathing, low cast cedar shakes, stucco, or low-grade siding Finished, no ornamentation
Interior Roofing	Medium pitch, light composition, metal or tar and gravel
Flooring Electrical	Hardwood, carpet, vinyl tile
Plumbing Heating	Builder's fixtures, adequate outlets
Typical features	1 bath, shower over tub usual Gas outlets, panel heating or floor furnace, later conversion to central unit Front and rear porch, one-car garage or carport, usually has one offset in front and a straight back.

Designate as Class F3+ those residences of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

F2



Identification Characteristics:

Houses of this class are built to the barest minimum building code requirements; yet fail to meet minimum FMHA, FHA, or VA standards. Class is usually evident by poor workmanship with the cheapest grade of material used throughout.

Standard Specifications:

Construction Foundation	Economy
Exterior	Concrete block, piers, or wood sills on concrete Low grade lumber or siding and batten cover, stucco, or vinyl, few windows
Interior Roofing	Minimum finish Low pitch, wood frame, roll roofing, light metal or light composition shingle cover, undersized or over spaced rafters not uncommon
Flooring Electrical	Pine, #2 hardwood, linoleum Few outlets,
Plumbing Heating	few fixtures Usually one bath, cheap fixtures
Typical Features	Gas stoves, electrical space heaters, window units One small porch, no small detached garage or carport.

Designate as Class F2+ those residents of this type that exhibit slightly more overall quality, sturdier structures (i.e., hip), or irregular shape.

F1 & F1+

Identification Characteristics:

This Class of house provides only minimum shelter, and, in most cases, these houses will be in the older, lower priced section of town or adjoining the city limits where building codes are not required. These houses may have been identified by the substandard qualities of basic construction with substandard material and workmanship and usually built prior to code enforcement or in small towns and in areas where there is no building code.

Standard Specifications:

Construction	Substandard
Foundation	Concrete block, brick, post or stone piers
Exterior	Light stud wood frame or box construction, siding may be covered with tar paper or low-grade composition siding or stucco
Interior	Semi-finished
Roofing	Low pitch. Wood frame, rolled, tin or composition roofing
Flooring	Single soft wood, minimum joist, low quality slab
Electrical	Sub-standard, few outlets, minimal fixtures
Plumbing	Sub-standard small bath
Heating	Generally gas outlets only, electric space heaters

Borden CAD Mobile Home Schedule

AREA	T1S	T2S	T2D
1-600	10.95	20.76	24.60
601-700	10.74	18.94	23.87
701-800	10.42	17.18	23.12
801-900	10.18	16.24	22.58
901-1000	9.94	15.13	21.73
1001-1100	9.38	14.42	20.81
1101-1200	8.94	13.55	19.21
1201-1300	8.55	12.95	18.60
1301-1400	8.31	12.63	18.30
1401-1500	8.07	12.32	17.73
1501-1600	7.84	12.00	17.24
1601-1700	7.62	117.75	16.81
1701-1800	7.28	11.49	16.30
1801-1900	6.88	10.71	15.79
1901-2000	6.45	10.02	15.29
2001-2200	6.22	9.84	15.06
2201-2400	6.00	9.70	14.76
2401-2600	5.74	9.53	14.36
2601-2800	5.51	9.38	14.06
2801-3200	5.18	9.18	13.66

Residential Property Value Schedule

Masonry Structures (RES M)

AREA	M2	M2+	M3	M3+	M4	M4+	M5	M5+	M6	M6+
1-600	20.28		22.07		26.57		30.52		32.51	
601-700	19.73		20.63		25.95		29.93		31.92	
701-800	19.33		19.96		25.37		29.35		31.36	
801-900	18.82		19.39		24.85		28.79		30.79	
901-1000	18.51		18.92		24.37		28.25		30.22	
1001-1100	18.28		18.55		23.94		27.73		29.74	
1101-1200	17.98		18.4		23.51		27.23		29.21	
1201-1300	17.77		18.24		23.09		26.75		28.74	
1301-1400	17.52		17.98		22.78		26.32		28.32	
1401-1500	17.31		17.71		22.49		26.01		28.01	
1501-1600	17.18		17.49		22.21		25.72		27.72	
1601-1700	16.92		17.27		22		25.41		27.43	
1701-1800	16.83		17.17		21.72		25.2		27.22	
1801-1900	16.71		17.08		21.55		25.02		27.03	
1901-2000	16.62		16.99		21.39		24.85		26.86	
2001-2200	16.48		16.85		21.1		24.69		26.69	
2201-2400	16.28		16.6		20.91		24.4		26.39	
2401-2600	16.08		16.45		20.68		24.12		26.12	
2601-2800	15.85		16.3		20.31		23.81		25.8	
2801-3200	15.62		16.14		20.02		23.68		25.67	
3201-999999	15.41		15.99		19.72		22.95		24.95	

Brick Veneer – Cut Stone

Residential Property Value Schedule

Frame Structures (RES F)

Frame/Stucco

AREA	f1	f1+	f2	f2+	f3	f3+	f4	f4+	f5	f6
1-600	7.07	8.38	18.81	19.08	21.07	21.96	25.57	26.61	29.62	31.51
601-700	6.89	7.96	18.19	18.53	19.63	21.11	24.95	25.84	28.93	30.92
701-800	6.72	7.62	17.61	18.03	18.96	20.36	24.37	25.13	28.35	30.36
801-900	6.56	7.45	17.10	17.58	18.39	19.73	23.85	24.58	27.79	29.79
901-1000	6.41	7.30	16.66	17.20	17.92	19.20	23.37	24.07	27.25	29.22
1001-1100	6.29	7.15	16.28	16.86	17.55	18.77	22.94	23.56	26.73	28.74
1101-1200	6.18	7.07	16.00	16.72	17.40	18.46	22.51	23.27	26.23	28.21
1201-1300	6.08	7.00	15.77	16.57	17.24	18.18	22.09	23.04	25.75	27.74
1301-1400	5.99	6.93	15.58	16.32	16.98	17.99	21.78	22.85	25.32	27.32
1401-1500	5.91	6.86	15.42	16.08	16.71	17.81	21.49	22.63	25.01	27.01
1501-1600	5.84	6.79	15.27	15.88	16.49	17.63	21.21	22.41	24.72	26.72
1601-1700	5.78	6.70	15.13	15.68	16.27	17.46	21.00	22.20	24.41	26.43
1701-1800	5.73	6.60	15.00	15.53	16.17	17.30	20.72	21.99	24.20	26.22
1801-1900	5.68	6.55	14.88	15.38	16.08	17.15	20.55	21.80	24.02	26.03
1901-2000	5.63	6.50	14.78	15.28	15.99	17.01	20.39	21.62	23.85	25.86
2001-2200	5.58	6.45	14.70	15.18	15.90	16.88	20.01	21.47	23.69	25.69
2201-2400	5.48	6.35	14.65	15.08	15.60	16.76	19.91	21.17	23.40	25.39
2401-2600	5.38	6.25	14.60	15.00	15.30	15.65	19.68	20.83	23.12	25.12
2601-2800	5.28	6.15	14.55	14.95	15.10	15.55	19.31	20.51	22.81	24.80
2801-3200	5.18	6.05	14.50	14.80	14.92	15.32	19.02	19.99	22.68	24.67

Borden CAD Schedule

Ancillary Buildings

AGF2	0.30
AGF3	0.30
AGU1	0.30
AGU2	0.25
AGU3	0.25
ATT GAR	0.50
CPT	0.25
DET GAR	0.40
EP	0.40
PCH	0.25

Rural Buildings

Type	Class	Area	Value
Barn	1	1000	5.10
		2000	4.70
		3000	4.30
		5000	3.90
		999999	3.50
Farm Building	PE	999999	11.17
	STL	999999	6.29
	Wood	999999	5.13
	Pole	999999	3.58
Quonset	QUO	999999	6.04
Shed Pole	OP1	999999	2.29
	OP4	999999	1.90
Shed Wood	OP1	999999	3.15
	OP4	999999	2.52
Shed Steele	OP1	999999	4.33
	OP4	999999	3.34
Farm Warehouse	1	999999	15.00
	2	999999	12.50
	3	999999	10.50
	4	999999	8.50

Adjustments:

For Barns, Sheds, and Farm Buildings, where concrete flooring is not typical, add $1.50 per square foot for an area with concrete flooring. Some concrete is expected in the Farm Warehouse. Add for more than typical concrete area.

Farm Warehouse:

Class 1 = Excellent Construction Quality
Class 2 = Good Construction Quality
Class 3 = Average Construction Quality
Class 4 = Low Construction Quality

RURAL BUILDINGS DESCRIPTIONS

BARN: refers to an older (or older design) structure of general, livestock utility. All four sides should be enclosed and may have internal divisions for feed/equipment storage, and/or livestock working or holding. Concrete flooring, wash racks or general plumbing, and electrical supply are additives.

FARM BLDG: refers to a farm or ranch structure of non-specific, general utility. Typically, fully enclosed but without internal divisions. Usually has an open interior for equipment or feed storage and workspace. Concrete flooring, wash racks or general plumbing, and electrical supply are additives.

PE = pre-engineered. Construction steel framework, good metal siding and roof.
STL = steel or pipe framework. May be owner constructed.
WOOD = lumber framework.
POLE = creosote post/telephone pole framework.

QUONSET: Quonset style barn construction. Measurements are taken of the floor area. Concrete flooring, wash racks or general plumbing, and electrical supply are additives.

SHED POLE: refers to open sheds of "telephone pole" framework. Concrete flooring and electrical supply are additives.

OP1 = open on one (or two) sides.
OP4 = open on three sides or completely open such as a canopy.

SHED WOOD: refers to open sheds of lumber framework. Concrete flooring and electrical supply are additives.

OP1 = open on one (or two) sides.
OP4 = open on three sides or completely open such as a canopy.

SHED STEEL: refers to open sheds of metal or pipe framework. Concrete flooring and electrical supply are additives.

OP1 = open on one (or two) sides.
OP4 = open on three sides or completely open such as a canopy.

FARM WHSE: refers to a farm or ranch structure of newer design and construction for general use. Construction is like a commercial warehouse. Framework is usually structural steel with metal covering and roofing. Some concrete flooring and basic electrical service (110V with 220V for equipment) is typical. Installed equipment, such as lifts, hoists, etc. are additives. Classes range from 1 to 4 based on level of amenities (electrical, plumbing, insulation, etc.)

RURAL BUILDINGS

TYPE	CLASS	AREA	VALUE
BARN	1	1000	5.10
		2000	4.70
		3000	4.30
		5000	3.90
		999999	3.50
FARM BLDG	PE	999999	7.20
	STL	999999	6.29
	WOOD	999999	5.13
	POLE	999999	3.58
QUONSET	QUO	999999	6.04
SHED POLE	OP1	999999	2.29
	OP4	999999	1.90
SHED WOOD	OP1	999999	3.15
	OP4	999999	2.52
SHED STEEL	OP1	999999	4.33
	OP4	999999	3.34
FARM WHSE	1	999999	8.50
	2	999999	10.50
	3	999999	12.50
	4	999999	15.00

Add as commentary to rural buildings as needed:

Concrete Floor	$1.50/sq. ft
Insulation	$1.00/sq. ft
Water Service	$ .12/sq. ft
Electrical Service	$ .24/sq. ft

Schedule for Town Lots

Residential Lots	50’ x 140’
Business Lots	25’ x 140’
Blocks 24, 26, 38, & 40 Lots 13-16	35’ x 140’
Blocks 24, 26, 38, & 40 Lots 17-21	28’ x 140’
Blocks 25, 31, 33, & 39 Lots 13-22	28’ x 140’
2 Acre Blocks	104 yards x 93-1/13 yards
Alleys	20’
Lake Lots (estimated)	67’ x 197’

Overview

Full Lots	$300.00
Business Lots	$300.00
Lake Lots	$150.00

AGRICULTURAL PRODUCTIVITY VALUATION AND GUIDES

Introduction

A publication manual by the State Comptroller's Office entitled *Guidelines for the Valuation of Open-Space Land* gives suggested guidelines pursuant to the Texas Constitution, Article VIII, Section 1-d and 1-d-1. This manual is an official administrative rule that has the force of law and has been adopted by the State Comptroller's office and approved by a committee composed of the Governor, the Comptroller, the Attorney General, the Agricultural Commissioner, and the General Land Office Commissioner. Suggestions from this publication set the basic procedural guidelines for determination of agricultural use values set forth in this report. Form 50-129 *Application for 1-d-1 (Open-Space) Agricultural Use Appraisal* can be downloaded from the Comptroller's website. The deadline for filing applications is before May 1, meaning the application form must be postmarked or filed no later than midnight April 30. The Chief Appraiser may extend the filing deadline at the property owner's request in writing before the May 1 deadline, for good cause, but not for more than sixty days. You can get more information from the *Manual for the Appraisal of Agricultural Land* located on the Comptroller's website.

Purpose

The purpose of this section of the appraisal manual is to explain the agricultural productivity valuation of land in the Borden County Appraisal District.

Assumptions and Limiting Conditions

Appraisals for ad valorem tax purposes require assumptions and generalizations on land categories. The inherent nature of ad valorem tax appraisals prohibits each parcel of land from being individually and extensively analyzed. This appraisal is conducted for the purpose as stated and should not be used for any other purpose.

Land Categorization System

In mass appraisal for ad valorem tax purposes, the derivation of value on an individual basis is not practical or advisable. For this reason, a system of land categorization is utilized that enables homogeneous land types to fall into a land category or classification. The development of a workable and comprehensive land categorization system is an important phase in an agricultural use evaluation. The land categorization system must adjust for physical, legal and economic factors relative to agricultural use. The land categorizations system must also be harmonious with the market value categorization system to allow for the rollback provisions of the Texas Constitution. This co-ordination of agricultural categories and market categories facilitates the efficient use of personnel in the tax equalization process and in tax administration.

Land Productivity Valuation

In 1966, Texas voters approved the 1st agricultural appraisal law. A constitutional amendment added Section 1-d to Article VIII of the Texas Constitution. This amendment, and the appraisals statutes that implement it, provides those certain kinds of farmland to be "appraised at its value based on the land's capacity to produce agricultural products," not at market value. In many cases, this appraisal technique substantially reduces taxation of land that qualifies for agricultural appraisal. This special appraisal technique has several popular names including productivity valuation, productivity appraisal, special appraisal and agricultural (ag) appraisal. Tax Code Chapter 23, Subchapter C (Section 23.41-23.48) governs the appraisal of land designated for agricultural use pursuant to the Texas Constitution, Article VIII, Section 1-d (ag-use) and is referred to as 1-d or ag-use appraisal law. Section 1-d is restrictive as it applies only to land owned by families and individuals. Under 1-d, agriculture must also be the owner's primary occupation and primary source of income. In 1978, Texas voters approved a second constitutional amendment adding Section 1-d-1, allowing open-space land (as well as timber land) to be appraised based on its productivity value. This amendment allows for eligibility for productivity appraisal for corporations as well as individuals; there are no income or occupation tests. Tax Code Chapter 23, Subchapter D (Sections 23.51-23.60) governs the appraisal of agricultural land pursuant to Texas Constitution, Article VIII, Section 1-d-1 and is also referred to as the 1-d-1 or open-space appraisal law. The purposes of the provisions are similar. Under both provisions, the land must be in agricultural use and is valued in the same manner. However, there are differences in the qualifications that must be met to receive the productivity valuation.

Ag-use or 1-d qualifications:

- The land must be owned by a natural person (partnerships, corporations, or organizations may not qualify.)
- The land must have been in agricultural use for 3 years prior to claiming this valuation. The owner must apply for the designation each year and file a sworn statement about the use of the land.
- The agricultural business must be the landowner's primary occupation and source of income.

Open-space or 1-d-1 qualifications:

- The land may be owned by an individual, corporation, or partnership.
- The land must be devoted principally to agricultural use to the degree of intensity that is common for the area.
- The land must have been devoted to a qualifying agricultural use for at least five of the past 7 years.
- Agricultural business need not be the principal business of the owner.
- Once an application for 1-d-1 is filed and approved, a landowner is not required to file again as long as the land qualifies unless ownership changes or the Chief Appraiser requests another application to confirm current qualification.

The possibility for a "rollback tax" exists under either form of special-use land appraisal. This liability for additional tax is created under 1-d valuation by either sale of the land or a change in use of the land. It extends back to the three years prior to the year in which the sale or change occurs. Under 1-d-1, a rollback is triggered by a change in use to a non-agricultural purpose that would not qualify for productivity valuation. Taxes are rolled back or recaptured for the five years preceding the year of the change. The Manual for the Appraisal of Agricultural Land defines "change of use" as a physical change in the use of the land to a non-agricultural use. Non-use, leaving the land idle beyond a typical period, or letting the land revert to its natural state without agricultural use or participation in a government program requiring non-use, is considered a change of use and will trigger rollback procedures. Change of use, verified through inspection, can be determined at any time during the tax year. Typically, Borden CAD will contact the property owner by mail, informing them that a recent inspection has raised questions about the property's qualification as 1-d-1 land. The owners are requested to reapply and contact the Appraisal District with any questions or concerns. Once the change of use is verified, the property owner is notified that the property no longer qualifies for agricultural appraisal. The notice will also include rollback value information for the preceding five years. The Agricultural Appraisal Denial may be protested before the ARB. The Appraisal Roll for that year is changed and the taxable values are sent to the appropriate tax offices for assessment and collection. Properties can also be denied agricultural appraisal for the current tax year if the degree of intensity of use does not meet the local standards. Under-utilization causes the agricultural appraisal to be denied, but it does not initiate roll-back procedures since the use did not change, only the intensity. Prudent management often will necessitate changes in intensity. Rotational grazing, crop rotation, natural disasters, climatic variations are examples of causes of intensity variances that may be justifiable and should be investigated further before any ag denials are issued. The additional tax is measured by the difference between taxes paid under productivity valuation provisions and the taxes that would have been paid if the land had been put on the tax roll at market value. These provisions are effective only if applications are filed with the appraisal district office in a timely manner. Applications should be filed between January 1 and May 1. Applications received after May 1 and until the appraisal records are approved by the ARB are subject to a penalty for late filing. Applications may not be filed after the records are approved for that tax year by the ARB.

Calculating the Rollback

The 1-d-1 rollback covers the three calendar years preceding the current year. If the use changes in 2020, the rollback covers 2019, 2018 and 2017. The preceding years are based on calendar year use from January through December and not on the tax collection periods. The tax assessor must add 7% percent annual interest to the amounts from the date they would have become due. The due date for each year is the date the bills were mailed that year. Since the tax assessor computes interest from the date the difference would have become due to the date of change use occurs, some proration will be necessary. Assuming that the use changed on November 1, 2020, and that the tax assessor mailed bills on October 1 each year. The interest proration may be figured using number of days only. For example, the 2020 interest runs for 1,492 days (4 years = 1,460 days + 32 days from Oct. 1 to Nov 1). The interest is computed by multiplying: $430 X .07(1,492/365) = $123.04 The rollback tax is due when the rollback tax bill is mailed. The rollback tax becomes delinquent if not paid before the first of Feb. 1 date that is at least 20 days after the tax bill is mailed.

Classifications

Land classes should be based on the appraisal district's most common land uses.
The Tax Code list six typical classes of land uses:

- Irrigated cropland
- Dry cropland
- Improved pasture
- Native pasture
- Orchard
- Waste

It is the opinion of the Borden County Appraisal District that the attached land descriptions and classification guidelines are valid for mass appraisal purposes and can be applied uniformly throughout the appraisal district. It should be noted that these guidelines are to be used as a general guide for qualifying agricultural land. Exceptions to the general rule will be handled on a case-by-case basis.

Land Classifications Descriptions

Tillable Lands

IRCP- Irrigated Cultivated Land: Land that is cultivated on a regular basis and seeded into annual crops, which are artificially watered on a systematic basis. May have some usage restrictions and moderate to severe erosion or soil limitations.
DLCP-Non-Irrigated Cultivated Land: Drylands that are cultivated on a regular basis and seeded into annual crops. These lands may vary with land that has few limitations to restrict their usage and with land that have moderate to extreme limitations that restrict their usage due to factors such as moderate to notable erosion of soil limitations.

Pasture Lands

IMPR-Improved Pasture: Improved Pastures are composed of relatively level to moderately sloping to rolling pastures, having most of their grasses introduced and which may be artificially watered on a systematic basis.
NATP-Pasture and Rangeland: Pasture and Rangeland are composed of relatively level to gently or moderately sloping to rolling pastures, having both native and introduced grasses along with occasional scattered brush. These lands have characteristics that warrant their continued use as grasslands.

Agricultural Land Qualification Policy Statement

The general policy of the Borden County Appraisal District is in accordance with the State Property Tax Code's qualification guidelines for agricultural use. The district's policy is that for ag-use valuation to be applied, the land must:

- Be utilized to the "degree of intensity" generally accepted in Borden County.
- Be managed in a "typically prudent manner".
- Be a substantial tract of land.
- Be devoted principally to agricultural use for five of the seven years preceding the application for special appraisal.

In accordance with the State Property Tax Code guidelines, the net-to-land is based on a five-year average of the years preceding the year of the appraisal. This five-year average tends to remove fluctuations in value because of varying prices, yields, weather conditions, and costs. Only the factors associated with the land's capacity to produce marketable agricultural and recreational (hunting) products are considered in estimating the productivity values. Only typical cash leases are used for this estimation of productivity value.

Words and Phrases

Prudent: Capable of making important management decisions, shrewd in the management of practical affairs. Specifically, the law states that the land must be utilized, as would an ordinary and prudent manager in the area of the taxing unit. Normally, prudent farm or ranch managers are ordinary farmers in terms of acres farmed as well as management ability. Given that all other factors remain constant, the number of acres farmed determines the farmer's capital structure. Prudent farm or ranch managers in each area are presumed to have similar equipment of similar value and utility.

Substantial: Ample to satisfy; considerable in quantity. Specifically, the law states that the agricultural land must be an identifiable and substantial tract of land. This means that the tract must be of adequate size to be economically feasible to farm or ranch.

Typically: Exhibiting the essential characteristics of a group. Specifically, the law states that Ag land will be utilized, as would a typical or ordinary prudent manager. Statistically, a typically prudent manager is the median farmer or rancher.

Agricultural use to the degree of intensity generally accepted in the area: Farming or ranching to the extent that the typically prudent manager in the taxing unit would farm or ranch on an identifiable and substantial tract of land when the tract is devoted principally to agricultural use. The farming and ranching practices (cropping patterns, planting rates, fertilization methods, harvesting and marketing techniques, etc.) are those of a typically prudent farm or ranch manager.

Area: Land that is located inside the jurisdictional boundaries of the Borden County Appraisal District.

Principally: The most important use in comparison with other uses to which the land is put.

Market and Productivity Schedules

Qualified agricultural land is taxed on its productivity value. To determine that value, the CAD first must calculate the typical property owner's income that is generated by the land after certain expenses have been paid - commonly known as net-to-land. The Property Tax Code then requires the CAD to divide the average net-to-land for a five-year period by the annual cap rate to arrive at the land's productivity value. Typical income and expenses for agricultural land are determined by periodic surveys sent to landowners. This information is then augmented and verified with input from the Ag Advisory Board. The 5-year average net-to-land does not include the immediate previous year and includes only those incomes and expenses attributable to the ownership of the land. Please see the Agricultural Schedule for further detail. The capitalization rate mandated by the Texas Property Tax Code is the prime interest rate from the Federal Land Bank (or its successor) on

December 31 of the previous year plus 21/2% percentage points, but no lower than ten percent. The Texas Comptroller of Public Accounts, Property Tax Assistance Division verifies and publishes this cap rate annually.

Steps in a Typical Cash Lease Approach

A cash lease (cash rent) is an agreement between a landowner and tenant to lease for a fixed cash price. This payment is usually in terms of dollars per acre for a period of one year.

- Gather cash lease rates for each year of the five-year period.
- Choose one value to serve as a typical lease rate for the year.
- Determine typical landowner expenses.
- For each of the five base years, subtract the expenses from the typical lease rate. The remainder is the net to land value. Average the 5 nets to land values for each of the five years to obtain the overall net to land value for the 5-year period. Use the figure to calculate sub-category value.
- Calculate apportioned value by acres for each class then use five-year average net income to derive each class apportioned value by acre. Divide each apportioned value by acre by the capitalization rate to obtain the agricultural use value of each sub-category.

Wildlife Use Requirements

In 1995, Texas voters approved amending the Texas Constitution Article VIII, Section 1-d-1 to permit agricultural appraisal for land used to manage wildlife. Qualified agricultural use can include wildlife management. Properties qualified with wildlife management must have been previously qualified as 1-d-1 qualified, and a new 1-d-1 application must be submitted with an accompanying wildlife management plan in the form proposed by Texas Parks and Wildlife (TPWD). Three of the 7 listed wildlife management practices must be included both in the 1-d-1 application and the wildlife plan. As qualified open-space land or as qualified timber land under Tax Code Chapter 23, Subchapter E, and was appraised as such time wildlife-management use began in at least 3of the following ways to propagate a sustaining breeding, migrating or wintering population of indigenous wild animals for human use including food, medicine or recreation:

- Habitat control
- Erosion control
- Predator control
- Providing supplemental supplies of water
- Providing supplemental supplies of food
- Providing shelter
- Making of census counts to determine population

Each property claiming wildlife management must be inspected by the Chief Appraiser, per Tax Code Chapter 23, Subchapter E and Title 34, Administrative Code, Section 9.2004(a), or their representative, to confirm the efficacy of the plan and to verify the management practices in place and as claimed in the application and the plan as reviewed by the Chief Appraiser. The Comptroller of Public Accounts has published a brochure called *Guidelines for Qualification of Agricultural Land in Wildlife Management Use.* The Comptroller's publication, in addition to the *Comprehensive Wildlife Management Planning Guidelines* published by the TPWD, is to be followed for qualification of wildlife management land in the Borden County Appraisal District. The Borden CAD Board of Directors has established a minimum acreage for wildlife management qualification based on the recommendations of the Texas Parks & Wildlife for this eco-region. Reference is made here to that document for that requirement. Those recommendations form the basis for the inspection by the Chief Appraiser, or their representative, to verify compliance for Wildlife Management. Landowners must file annual reports detailing actions taken to implement the wildlife management plan on each tract of land qualified for agricultural appraisal based on wildlife management use. Plans filed on behalf of a wildlife management association must be signed by each member of the association or their properly designated agent and the plan must detail the management practices on each member's tracts. The productivity value applied to the property qualifying for 1-d-1 special valuation based on wildlife management will be the same value as was applied based on the land's use before the conversion to wildlife management, thus being value and ultimately revenue neutral for that property.

Beekeeping

Beekeeping is an agricultural use and shall qualify for agricultural use productivity valuation if used for pollination or to produce human food or other tangible products having a commercial value. The State of Texas has set a minimum of five acres and a maximum of twenty acres to qualify beekeeping as an agricultural use. The Borden County Appraisal District degree of intensity standard is set at a minimum of three colonies and five acres. A colony is a hive, and its equipment and appurtenances include bees, comb, honey, pollen and brood. An apiary is a place where six or more colonies of bees or nuclei of bees are kept. When a property owner initially seeks qualification for agricultural use appraisal for beekeeping, they must show proof of history of agricultural use on the land for five of the preceding seven years. Bees can be used to establish history with supporting documentation.

Degree of Intensity:

5 to 6 acres	3 hives
6.1 to 8 acres	4 hives
8.1 to 10 acres	5 hives
10.1 to 12 acres	6 hives
12.1 to 14 acres	7 hives
14.1 to 16 acres	8 hives
16.1 to 18 acres	9 hives
18.1 to 20 acres	10 hives

The hives must be maintained and kept alive. Supplemental food and water should be provided, and pests controlled. The hives must be located on the property for at least 7 months of the year. The property owner will provide a map with the location of hives and plant life and a list of vegetation for hive's food source (all plant life intended to support hive). The appraisal district will grant agricultural use on the total acreage, not just the area where the hives sit.

New Texas Law Changes for 2024-2025

Section 23.03 – Adds properties that are subject to a limitation on taxable value under Subchapter T, Government Code 403, to the list of large properties and properties subject to a limitation on appraised or taxable value required to be compiled by the chief appraiser and submitted to the Texas Economic Development and Tourism Office.

Section 23.231 – Provides a circuit breaker limitation on the appraised value of real property. It only applies to real property with an appraised value of not more then 5 million in 2024; requires the Comptroller to adjust the value threshold annually by the percentage increase or decrease during the preceding state fiscal year in the consumer price index rounded to the nearest $10,000. Provides that the appraisal office may increase the appraised value of qualified real property for a tax year to an amount not to exceed the lesser or the market value of the property for the most recent tax year that the market value was determined or the sum of 20% of the appraised value of the property for the preceding tax year, the appraised value of the property for the preceding tax year and the market value of all new improvements to the property. The chief appraiser is required to appraise the property at market value and include both the market value and the value as determined under the circuit breaker limitation in the appraisal records.

Section 23.54 – Addes subsection (e-1) to provide that, for purposes of qualifying for open-space agriculture special valuation, ownership of the land is not considered to have changed if the land is transferred to a surviving spouse of the former owner.

Section 23.51 – Subdivision 4, the definition of net to land, now defines "wildlife or livestock disease or pest area to mean an area designated by the Texas Parks and Wildlife Department or the Texas Animal Health Commission as an area in which disease or pest that affect wildlife or livestock may exist, include chronic wasting disease containment or surveillance zone under Subtitle C, Title 6, Agricultural Code. The bill requires the chief appraiser to take into consideration the effect that the presence of the applicable disease or pest or the designation of the area has on the net income from the land when calculating net to land of open-space land located in or adjacent to a wildlife or livestock disease or pest area.