

PREFACE

TO CCAD 2025-2026 BIENNIAL REAPPRAISAL PLAN

The purpose of this reappraisal plan is to comply with SB-1652., Sec 6.05i and Sec. 25.18 of Texas Property Tax Code. The appraisal district shall develop biennially a written plan for periodic reappraisal of all properties within the boundaries of the district.

This “Preface” gives only a brief description of the plan in front of you – yet alone identities, lists and explains the lawful requirements of the appraisal efforts to be performed to comply with Section 25.18 of the Property Tax Code. As a result, it is the intent of the Appraisal District that this plan be titled-comprehensive.

On behalf of the Appraisal District Board of Directors, I am providing this preface to briefly describe the document enclosed.

Contents of this plan not only identify the specific areas to be reappraised, but the frequency in which that event must occur. By Section 25.18, this must occur at least once every three years. While Cooke CAD does an annual reappraisal by updating values and schedules county wide, the physical re-inspection process places appraisers on the ground, on the property once every three years. The entities are given the option to change the frequency of the reappraisal. In the resolution to adopt the current plan, entities are requested to specify at what frequency they desire. Advantages and disadvantages to the frequency of appraisal are also found within the plan.

Naturally, if the frequency of reappraisal were to be changed, properties would be reappraised accordingly. Appraisal effort is performed by Field Appraisers.

Residential real property goals are as follows:

- 2025 goal is to inspect the residential real properties in the area south of Hwy 82 and east of I-35 to FM 2071, north of Hwy 82 and west of FM 1200, south of Hwy 82 and east of FM 2071 to FM 902, north of Hwy 82 between I-35 and FM 678, south of FM 2383, and the northeast area of Gainesville. This primarily includes the towns and rural areas of: Valley View, Moss Lake, Muenster,, Lake Kiowa interior, and rural subdivisions. Additionally, as time permits, properties in other areas of the county will be inspected.
- 2026 goal is to inspect the residential real properties in the area south of Hwy 82 and west of FM 51, north of Hwy 82 and west of FM 1200, east of I-35 and south of FM 678 to FM 902, and the southeast area of Gainesville. This primarily includes the towns and rural areas of: Lindsay, Oakridge, Lake Kiowa golf course, and the rural subdivisions. Additionally, as time permits, properties in other areas of the county will be inspected.

Commercial property goals are as follows:

- 2025 goal is to inspect real commercial property in the City of Muenster, Lindsay, and Valley View.
- 2026 goal is to inspect real commercial property in the city of Gainesville neighborhoods 7, 8 and 9.

Business Personal Property goals are as follows:

- 2025 goal is to inspect business personal property located within Valley View city limits and Lake Kiowa.
- 2026 goal is to inspect business personal property located within the Muenster and Lindsay city limits.

The total completion is anticipated however, weather and uncontrollable circumstances may interfere with the scheduled completion.

Additionally, this plan may need to be amended in the following year as changes to appraisal software and resources take place.

Entities will discover in this plan, that some properties are required to be reappraised annually- those may include properties of industrial, commercial, utility etc. These efforts are performed by the Business/Personal Property Appraisers who also process the BPP Renditions – another annual requirement. High valued and complex properties in these categories are appraised for the appraisal district by a commercial appraisal firm contracted by the Appraisal District Board of Directors for this purpose.

Appraisers, in their daily routine of appraisal, perform property inspections of the property. During the on-site inspection, improvements on and to the land are viewed, checked, added or deleted and verified with property records and other working documents. Appraisers must assume the inside of a residence is commensurate to the outside in respect to condition and age. If allowed an appraiser may inspect the inside of a structure for condition, functionality, and quality to better determine the value.

While reappraising areas an appraiser will make inspection as to the current Agriculture qualifications, making notes as to the use of property.

Business endeavors are visited annually during the normal business hours. If requested by the owner, an appointment will be made so as not to interfere with the normal routine or conduct of the business.

All land, regardless of classification as residential or other, is reviewed for road type, land usage, deed restrictions, zoning, ownership, utilities, legal description or other factors that may influence a value determination. Where land is priced by the acre, such as land in agricultural production, the deed or survey provides the most lawful acreage verification.

Value determinations are made from the compilation of gathered and assembled information and how an individual property relates to a known sale of like and similar properties. Accuracy can be measured using the sale of a property comparing the sale price to the appraised value. This process is discussed greatly in the attached plan.

Additionally, this report is to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: a general introduction and then several sections describing the appraisal effort by the appraisal district. After board approval, the plan will be published on our website.

Following this "Preface" you will find attached the following: A copy of the tax code referencing this re-appraisal plan, an outline of the report, the comprehensive report with appendix. The appendix includes: a) the CCAD calendar, b) the work plan, c) inspection year map, and d) neighborhood / subset maps & descriptions. If in your review of this plan it is determined my assistance is needed, feel free to contact me at the appraisal district.

Doug Smithson, Chief Appraiser Cooke
County Appraisal District

Sec 6.05(i) of the Texas Property Tax Code

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

Section 25.18 of the Texas Property Tax Code

Periodic Reappraisals.

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05(i).*

- (b) The plan shall provide for the following reappraisal activities for all real and personal property in the district at least once every three years:*
 - (1) identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;*

 - (2) identifying and updating relevant characteristics of each property in the appraisal records;*

 - (3) defining market areas in the district;*

 - (4) identifying property characteristics that affect property value in each market area, including:
 - (A) the location and market area of property;*
 - (B) physical attributes of property, such as size, age, and condition;*
 - (C) legal and economic attributes; and*
 - (D) easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;**

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

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

 - (7) reviewing the appraisal results to determine value.*

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



COOKE COUNTY APPRAISAL
DISTRICT

2025-2026
BIENNIAL REAPPRAISAL PLAN

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2025 – 2026 Reappraisal Plan

INTRODUCTION

SCOPE OF RESPONSIBILITY

The Cooke County Appraisal District has prepared and published this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: a general introduction and then several sections describing the appraisal effort by the appraisal district.

The Cooke County Appraisal District (CCAD) is a political subdivision of the State of Texas created effective January 1, 1980. The provisions of the Texas Property Tax Code govern the legal, statutory, and administrative requirements of the appraisal district. A member board of directors, appointed by the taxing units within the boundaries of Cooke County, constitutes the district's governing body. The chief appraiser, appointed by the board of directors, is the chief administrator and chief executive officer of the appraisal district.

The appraisal district is responsible for local property tax appraisal and exemption administration for thirty jurisdictions or taxing units in the county. Each taxing unit, such as the county, a city, school district, municipal utility district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Appraisals established by the appraisal district allocate the year's tax burden on the basis of each taxable property's January 1st market value. We also determine eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

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

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

The Property Tax Code defines special appraisal provisions for the valuation of residential homestead property (Sec. 23.23), productivity (Sec. 23.41), real property inventory (Sec. 23.12), dealer inventory (Sec. 23.121, 23.124, 23.1241 and 23.127), nominal (Sec. 23.18) or restricted use properties (Sec. 23.83) and allocation of interstate property (Sec. 23.03). The owner of business property inventory may elect to have the inventory appraised at its market value as of September 1st of the year preceding the tax year to which the appraisal applies by filing an application with the chief appraiser requesting that the inventory be appraised as of September 1st.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The Appraisal District's current policy is to conduct a general reappraisal of real and business personal property value annually, meaning that a property's appraised value is established and reviewed for equality and uniformity each year. The district conducts an onsite field review of real property in a portion of the county annually as part of an inspection cycle. Business personal property is verified as time permits on an annual basis through various means.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted appraisal programs, and recognized appraisal methods and techniques, we compare that information with the data for similar properties, and with recent market data. The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable. In cases where the appraisal district contracts for professional valuation services, the contract that is entered into by each appraisal firm requires adherence to similar professional standards.

PERSONNEL RESOURCES

The Office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The Administration Department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The Appraisal Department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, business personal, and industrial. The district's appraisers are subject to the provisions of the Taxation Professional Certification Act and must be duly registered with The Texas Department of Licensing and Regulations. Support functions including records maintenance, information and assistance to property owners, and hearings support are coordinated by the Computer Department.

The 2024 and 2025 adopted budgets will provide information for employee positions and classifications.

OVERVIEW OF DISTRICT OPERATIONS

STAFF EDUCATION AND TRAINING

All appraisal district employees that perform appraisal work are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with The Texas Department of Licenses and Regulations (TDLR). This board is responsible for ensuring appraisers are professional, knowledgeable, competent and ethical. This is accomplished through a statewide program of registration, education, experience, testing and certification for all property tax professionals for the purpose of promoting an equitable tax system.

Upon registration, appraisers registered with the Texas Department of Licenses and Regulations have up to five years to take ten required courses and pass two major exams in order to achieve certification as a Registered Professional Appraiser (RPA). During each subsequent two-year period after certification, appraisers must complete an additional 30 hours of continuing education, (includes at least 2 hours of Ethics, 3.5 hours refresher on USPAP, and Legislation updates). Failure to meet these minimum standards will result in the removal of the employee from an appraiser position.

Additionally, all appraisal personnel receive training in the data gathering and valuation processes. Standardized manuals are provided to ensure uniform and accurate data collection. Senior personnel provide on-the-job data collection training in the office and the reappraisal field area. Managers meet regularly with staff to introduce new procedures and regularly monitor appraisal activity to ensure that all personnel are following standardized appraisal methods and techniques.

Data

The district is responsible for establishing and maintaining approximately 58,815 total accounts (35,735 real, 20,254 mineral and 2,826 personal property accounts), covering 902 square miles within Cooke County.

Each parcel contains data related to property characteristics, ownership and exemption information. Accurate ownership and legal description data is maintained by processing recorded deeds and plats that are provided by the Cooke County Clerk's office. Exemption data, in amounts authorized by State and local governments, is processed in conjunction with various application requirements as stipulated in the State Property Tax Code.

Existing property characteristics data is updated and maintained through physical inspections completed at least once every three years and through other generally accepted methods. The property data related to new construction and other building permit activity is also collected through an annual field review effort. Each city within CCAD's jurisdiction provide building permit information. This information is also requested from non-taxing units such as Lake Kiowa Subdivision Cooke County provides septic permits

and 911 addressing information. Cooke County Electric COOP's provides a monthly listing of new meters and new hook-ups. Comparable sales and listing data are also routinely validated as part of the building permit field review and reappraisal activities.

Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review that is prioritized by last field inspection date. Sales are routinely validated during a separate field effort; however, numerous sales are validated as part of the new construction and data review field activities. General trends in employment, interest rates, new construction trends, and cost and market data are acquired through various sources, including internally generated questionnaires to buyer and seller, real estate publications, internet, university research centers, and market data centers.

The district has a geographic information system (GIS) that maintains cadastral maps and various layers of data, including zip code and aerial photography. The district's website makes a broad range of information available for public access, including detailed information on the appraisal process, property characteristics data, residential sales, certified values, protests and appeal procedures, and a tax calendar. Downloadable files of related tax information and district forms, including exemption applications and business personal property renditions are also available.

Information Systems

The Information Systems Department maintains the district's data processing facility, software applications, Internet website, and geographical information system. The district operates under a hierarchical relational database using SQL Server with M S Windows Server 2008 R2 Standard. Clients establish a connection through ODBC with PC's in a network environment. The M S Windows Server 2008 R2 Standard host our LAN, Internet, and document imaging. The geographical system is operated through 2012 Windows 7 PC Server and is accessible through PC workstations and network structure.

Appraisal District Boundaries

The Cooke Appraisal District is responsible for all properties within the county. Entities which overlap into our district are Collinsville, Pilot Point, Saint Jo, Slidell, Whitesboro I. S. D., Mud District Clear Sky No. 1, and Pilot Point City. Era I.S.D. overlaps into Denton County. Counties adjoining Cooke are (Grayson, Denton, Wise, and Montague). After certification all information is exported to the assessor collector who collects for that entity.

Independent Performance Test

According to Chapter 5 of the TPTC and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Division (PTD) conducts a property value study (PVS) of each Texas independent school district and each appraisal district once every two years.

Tax Code Section 5.102 requires the Comptroller of Public Accounts to review county appraisal district (CAD) governance, taxpayer assistance, operating standards and appraisal standards, procedures and methodology at least once every two years.

The Comptroller's Property Tax Assistance Division (PTAD) has been performing Methods and Assistance Program (MAP) reviews of approximately half of all CADs each year. School districts located in counties that do not receive MAP reviews in a year will be subject to property value studies in that year.

As a part of these annual studies, the code also requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices; test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and, determine the level and uniformity of property tax appraisal in each appraisal district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures of measuring uniformity. This study utilizes statistical analysis of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median, and price-related differential (PRD) for properties overall and by state category (i.e., categories A, B, C, D, E and F1 are directly applicable to real property).

There are thirteen independent school districts in Cooke CAD for which appraisal rolls are annually developed. The preliminary results of this study are released in January in the year following the year of appraisal. The final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) in the following July of each year for the year of appraisal. This outside (third party) ratio study provides additional assistance to the CCAD in determining areas of market activity or changing market conditions.

APPRAISAL ACTIVITIES

INTRODUCTION

Appraisal Responsibilities

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a physical description of the property, the land, and the building characteristics. The appraisal department is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types which are located within the boundaries of Cooke County. The data collection effort involves the inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. Cooke CAD does an annual reappraisal. The land and improvement schedules are reviewed for necessary updates every year. Additionally, the goal is to periodically inspect residential, personal property, and commercial properties in Cooke County every three years.

A geographical map has been developed to show the inspections for residential real property to be completed in a given year. (This is included in the appendix.)

Residential real property goals are as follows:

- 2025 goal is to inspect the residential real properties in the area south of Hwy 82 and east of I-35 to FM 2071, north of Hwy 82 and west of FM 1200, south of Hwy 82 and east of FM 2071 to FM 902, north of Hwy 82 between I-35 and FM 678, south of FM 2383, and the northeast area of Gainesville. This primarily includes the towns and rural areas of: Valley View, Moss Lake, Muenster,, Lake Kiowa interior, and rural subdivisions. Additionally, as time permits, properties in other areas of the county will be inspected.
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- 2026 goal is to inspect real commercial property in the city of Gainesville neighborhoods 7, 8 and 9.

Business Personal Property goals are as follows:

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and Lake Kiowa.

- 2026 goal is to inspect business personal property located within the Muenster and Lindsay city limits.

The total completion is anticipated, however, weather and uncontrollable circumstances may interfere with the scheduled completion.

Appraisal Resources

- **Personnel** - The appraisal activities consists of eight appraisers and two clerical personnel.
- **Data** - The data used by field appraisers includes the existing property characteristic information contained in CAMA (Computer Mass Appraisal System) from the district's computer system. The data is printed on a property record card (PRD), or personal property data sheets. Other data used includes maps, sales data, flood - fire - & damage reports, building permits, photos and actual cost information.

PRELIMINARY ANALYSIS

Data Collection/Validation

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

The procedure manuals that are utilized by the field appraisers are stored on the main server and accessible from the individual computers and downloadable. Manuals are also located on the customer service computers for public inspection. If a property owner/agent requests a copy of the procedural manual, customer service will handle this request. Supervisors regularly update the procedural manuals.

Sources of Data

The sources of data collection are through the new construction field effort, data review/relist field effort, data mailers, hearings, sales validation field effort, commercial sales verification, newspapers and publications, and property owner correspondence via the Internet. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. Where available, permits are received electronically and loaded to our Building Permit System (BPS). Otherwise, paper permits are received and matched manually with the property's tax account number for data entry.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers drive entire neighborhoods to review the accuracy of our data and identify property changes. The sales validation effort in real property pertains to the collection of data of properties that have sold. In residential, the sales validation effort may involve on-site inspection by field appraisers to verify the accuracy of the property characteristics data and confirmation of the sales price.

Property owners are one of the best sources for identifying incorrect data that generates a field check. Frequently, the property owner provides sufficient enough data to allow correction of records without having to send an appraiser on-site. As the district has increased the amount of information available on the Internet, property owner's requests to correct data inconsistencies has also increased. For the property owner without access to the Internet, letters are often submitted notifying the district of inaccurate data. Properties identified in this manner are added to a work file and inspected at our earliest opportunity.

Data Collection Procedures

Field data collection requires organization, planning and supervision of the field effort. Data collection procedures have been established for residential, commercial, and personal property. The appraisers are assigned throughout Cooke County to conduct field inspections. Appraisers conduct field inspections and record information. This can be done with pen and paper either on a property record card, or a personal property data sheet. Cooke CAD is in a constant renewal process with new technology availability. Adapting to this new technology must be cost-effective and time saving while meeting the I.A.A.O. standards and the state requirements. Procedures are ever changing and evolving.

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

appraisers follow listing procedures, identify training issues and provide uniform training throughout the field appraisal staff.

Data Maintenance

As Cooke CAD converts to new technology during field inspections, the field appraiser will either make the changes on the device themselves or make changes on the field review card. If the field review card is turned in to the data entry department – that field review card will be scanned into the computer system with changes made by the computer department. A corrected field review card is printed and attached to the scanned record. The appraiser will check their work and the value on the property. Additional checks and balances are in place by the computer data entry and appraisal supervisors. Accounts are consistently reviewed / approved, before being spot checked by the supervisor. It is ultimately the field appraiser's responsibility for the data entry of his/her fieldwork directly into the computer file.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

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

Office Review

Office reviews are completed on properties where information has been received from the owner of the property. Field inspections are frequently requested and property data is verified in this manner.

PERFORMANCE TEST

The valuation appraisers are responsible for conducting ratio studies and comparative analysis. (Refer to the individual valuation process summary reports).

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

RESIDENTIAL VALUATION PROCESS

INTRODUCTION

Scope of Responsibility

The Residential Valuation appraisers are responsible for developing equal uniform market values for residential improved and vacant property. There are approximately 23,628 residential improved parcels and 12,107 vacant residential properties in Cooke County.

Appraisal Resources

Personnel - The Residential Valuation appraisal staff consists of five appraisers. These appraisers are responsible for determining residential values.

Data - A common set of data characteristics for each residential dwelling in Cooke County is collected in the field and data entered to the computer. The property characteristic data drives the computer-assisted mass appraisal (CAMA) approach to valuation. Residential appraisal also requires verified sales data, actual construction cost data, and other real estate sources and data. Appraisers also review various real estate related publications to keep abreast of trends and changes in the marketplace.

VALUATION APPROACH (Model Specification)

Area Analysis

Data on regional economic forces such as demographic patterns, regional & locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources and provide the field appraiser a current economic outlook on the real estate market. Information is gleaned from real estate publications and sources such as continuing education in the form of approved TDLR classes.

Neighborhood and Market Analysis

Neighborhood analysis involves the examination of how physical, economic, governmental and social forces and other influences affect property values. The effects of these forces are also used to identify, classify, and stratify comparable properties into smaller, manageable subsets of the universe of properties

known as neighborhoods. Residential valuation and neighborhood analysis is conducted on each of the political entities known as Independent School Districts (ISD).

The first step in neighborhood analysis is the identification of a group of properties that share certain common traits. A "neighborhood" for analysis purposes is defined as the largest geographic grouping of properties where the property's physical, economic, governmental and social forces are generally similar and uniform. Geographic stratification accommodates the local supply and demand factors that vary across a jurisdiction. Once a neighborhood has been identified, the next step is to define its boundaries. This process is known as "delineation". Some factors used in neighborhood delineation include location, sales price range, lot size, age of dwelling, quality of construction and condition of dwellings, square footage of living area, and story height. Delineation can involve the physical drawing of neighborhood boundary lines on a map, but it can also involve statistical separation or stratification based on attribute analysis. Part of neighborhood analysis is the consideration of discernible patterns of growth that influence a neighborhood's individual market. Few neighborhoods are fixed in character. Each neighborhood may be characterized as being in a stage of growth, stability or decline. The growth period is a time of development and construction. As new neighborhoods in a community are developed, they compete with existing neighborhoods. An added supply of new homes tends to induce population shift from older homes to newer homes. In the period of stability, or equilibrium, the forces of supply and demand are about equal. Generally, in the stage of equilibrium, older neighborhoods can be more desirable due to their stability of residential character and proximity to the workplace and other community facilities. The period of decline reflects diminishing demand or desirability. During decline, general property use may change from residential to a mix of residential and commercial uses. Declining neighborhoods may also experience renewal, reorganization, rebuilding, or restoration, which promotes increased demand and economic desirability.

Neighborhood identification and delineation is the cornerstone of the residential valuation system at the district. All the residential analysis work done in association with the residential valuation process is neighborhood specific. Neighborhoods are field inspected and delineated based on observable aspects of homogeneity. Neighborhood delineation is periodically reviewed to determine if further neighborhood delineation is warranted. Whereas neighborhoods involve similar properties in the same location, a neighborhood group is simply defined as similar neighborhoods in similar locations. Each residential neighborhood is assigned to a neighborhood group based on observable aspects of homogeneity between neighborhoods. Neighborhood grouping is highly beneficial in cost-derived areas of limited or no sales, or use in direct sales comparison analysis. Neighborhood groups, or clustered neighborhoods, increase the available market data by linking comparable properties outside a given neighborhood. Sales ratio analysis, discussed below, is performed on a neighborhood basis, and in soft sale areas on a neighborhood group basis. Neighborhood groups and subsets are included in the appendix.

Highest and Best Use Analysis

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the date of the appraisal. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. The highest and best use of residential property is normally its current use. This is due in part to the fact that residential development, in many areas, through use of deed restrictions and zoning, precludes other land uses. Residential valuation undertakes reassessment of highest and best use in transition areas and areas of mixed residential and commercial use. In transition areas with ongoing gentrification, the appraiser reviews the existing residential property use and makes a determination regarding highest and best use. Once the conclusion is made that the highest and best use remains residential, further highest and best use analysis is done to decide the type of residential use on a neighborhood basis. As an example, it may be determined in a transition area that older, non-remodeled homes are economic mis-improvements, and the highest and best use of such property is the construction of new dwellings. In areas of mixed residential and commercial use, the appraiser reviews properties in these areas on a periodic basis to determine if changes in the real estate market require reassessment of the highest and best use of a select population of properties. Exception is if the property is homesteaded it is to be valued as a residential property, per Texas Property Tax Law.

VALUATION AND STATISTICAL ANALYSIS (Model Calibration)

Cost Schedules

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

Depreciation schedules are developed based on what is typical for each property type at that specific age. Schedules have been developed for improvements with 50, 55, 60, 65, 70 and 75 year expected life. These schedules are then tested to ensure they are reflective of current market conditions. The actual age and percent good of improvements are noted in CAMA.

Sales Information

A sales file for the storage of "snapshot" sales data at the time of sale is maintained. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a separate sales information system. Residential improved and vacant sales are collected from a variety of sources, including: district questionnaires sent to buyer and seller, field discovery, protest hearings, Board of

Realtor's MLS, various sale vendors, builders, independent fee appraisals and realtors. A system of type, source, validity and verification codes was established to define salient facts related to a property's purchase or transfer. School district or neighborhood sales reports are generated as an analysis tool for the appraiser in the development of value estimates.

Land Analysis

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

Statistical Analysis

The residential valuation appraisers perform statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted on neighborhoods, school districts, and other factors in the district to judge the two primary aspects of mass appraisal accuracy--level and uniformity of value. Appraisal statistics of central tendency and dispersion generated from sales ratios are available for each stratified neighborhood within an ISD and summarized by year. These summary statistics including, but not limited to, the weighted mean, median, standard deviation, coefficient of variation, and coefficient of dispersion provide the appraisers a tool by which to determine both the level and uniformity of appraised value on a stratified neighborhood basis. The level of appraised values is determined by the weighted mean for individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods. Review of the standard deviation, coefficient of variation, and coefficient of dispersion discerns appraisal uniformity within and between stratified neighborhoods.

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

Market Adjustment or Trending Factors

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

The following equation denotes the hybrid model used:

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

Whereas, the market value equals the market adjustment factor times the land value plus the replacement cost new less depreciation. As the cost approach separately estimates both land and building values and uses depreciated replacement costs, which reflect only the supply side of the market, it is expected that adjustments to the cost values are needed to bring the level of appraisal to an acceptable standard.

Market, or location adjustments are applied uniformly within neighborhoods to account for locational variances between market areas or across a jurisdiction.

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

TREATMENT OF RESIDENCE HOMESTEADS

Beginning in 1998, the State of Texas implemented a constitutional classification system concerning the appraisal of residential property that receives a residence homestead exemption. Under the new law, beginning in the second year a property receives a homestead exemption, increases in the value of that property are "capped." The value for tax purposes (appraised value) of a qualified residence homestead will be the LESSER of:

- the market value; or
- the preceding year's appraised value;

PLUS 10 percent for each year since the property was re-appraised;

PLUS the value of any improvements added since the last re-appraisal.

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

An analogous provision applies to new homes. While a developer owns them, unoccupied residences are appraised as part of an inventory using the district's land value and the developer's construction costs as of the valuation date. However, in the year following sale, they are reappraised at market value.

Time adjustments are reviewed using the sales ratio trend analysis method. For each school district, sales-to appraisal ratios based on unadjusted cost values were stratified. Statistics produced from the quarterly market data include measures of central tendency (mean and median) that represent the level of appraised values, and measures of uniformity (coefficient of dispersion and coefficient of variation) that represent the consistency of appraised values within and between strata. The resulting medians were graphically plotted for examination and analysis. A linear regression routine was performed on each of the school district samples, along with specific market areas. Linear regression statistics, such as the coefficient of determination (R^2) and the P-value, identify the reliability and significance, respectively, of the regression outcome, namely, the independent variable of time. A time adjustment for each market area sample was produced. Analysis was then performed on each school district sample to determine the appropriate time adjustment to be employed, or if a time adjustment was even warranted. Once the market areas time adjustment was determined, a monthly time adjustment was calculated.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

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

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

Office Review

Given the ample resources and time required to conduct a routine field review of all properties, homogeneous properties consisting of tract housing with a low variance in sales ratios and other properties having a recent field inspection date are value reviewed in the office.

Valuation reports comparing previous values against proposed and final values are generated for all residential improved and vacant properties. The dollar amount and percentage of value difference are noted for each property within a delineated neighborhood allowing the appraiser to identify, research and resolve value anomalies before final appraised values are released. Previous values resulting from a hearing protest are individually reviewed to determine if the value remains appropriate for the current year.

Once the appraiser is satisfied with the level and uniformity of value for each neighborhood within his area of responsibility, the estimates of value go to noticing.

PERFORMANCE TESTS

Sales Ratio Studies

The primary analytical tool used by the appraisers to measure and improve performance is the ratio study. The district ensures that the appraised values that it produces meet the standards of accuracy in several ways. Overall sales ratios are generated for each ISD to allow the appraiser to review general market trends within their area of responsibility, and provide an indication of market changes over a specified period of time. The neighborhood descriptive statistic, along with frequency distributions and scatter diagrams are reviewed for each neighborhood being updated for the current tax year. In addition to the mainframe sales ratios by school district and neighborhood, sales ratios are generated from a PC-based statistical application in Microsoft EXCEL. Reported in the sales ratio statistics for each school district is a level of appraisal value and uniformity profile by land use, sales trends and 12 month time frame, and appraisal value ranges. The PC-based ratio studies are designed to emulate the findings of the state comptroller's annual property value study for category A property. A copy of the district's latest ratio study is available upon request.

Management Review Process

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

COMMERCIAL VALUATION PROCESS

INTRODUCTION

Appraisal Responsibility

This mass appraisal assignment includes all of the commercially classed real property which falls within the responsibility of the commercial valuation appraisers of the Cooke County Appraisal District and located within the boundaries of this taxing jurisdiction. The appraisal roll displays and identifies each parcel of real property individually. Commercial appraisers appraise the fee simple interest of properties according to statute. However, the affect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisalment of any non exempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the whole property and divided programmatically based on their prorated interests.

Appraisal Resources

The improved real property appraisal responsibilities are categorized according to major property types of multi-family or apartment, office, retail, warehouse and special use (i.e. hotels, hospitals and, nursing homes). One appraiser is assigned to improved commercial property types and assigned to the land valuation responsibilities.

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

PRELIMINARY ANALYSIS

Pilot Study

Pilot studies are utilized to test new or existing procedures or valuation modifications in a limited area (a sample of properties) of the district and are also considered whenever substantial changes are made.

These studies, which are inclusive of ratio studies, reveal whether a new system is producing accurate and reliable values or whether procedural modifications are required. The appraiser implements this methodology when developing both the cost approach and income approach models.

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

VALUATION APPROACH (Model Specification)

Area Analysis

Data on regional economic forces such as demographic patterns, regional locational factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources. Continuing education in the form of approved courses by the Texas Department of Regulation (TDLR), IAAO, Texas Association of Assessing Officers (TAAO), Texas Association of Appraisal Districts (TAAD), and any other courses to help in the performance of appraising.

Neighborhood Analysis

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

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent influences. Economic area identification and delineation by each major property use type is the benchmark of the

commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if re-delineation is required.

Highest and Best Use Analysis

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

On the other hand, value in use represents the value of a property to a specific user for a specific purpose. This is significantly different than market value, which approximates market price under the following assumptions: (i) no coercion of undue influence over the buyer or seller in an attempt to force the purchase or sale, (ii) well-informed buyers and sellers acting in their own best interests, (iii) a reasonable time for the transaction to take place, and (iv) payment in cash or its equivalent.

Market Analysis

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

DATA COLLECTION / VALIDATION

Data Collection Manuals

All properties located in Cooke CAD's inventory are coded according to this manual and the approaches to value are structured and calibrated based on this coding system.

Annually, prior to the hearing season and after the sales have been researched, verified, and quality control has been completed, the sales data are summarized and filed. The confirmed sales reports, known as the Commercial Improved and Vacant Land sales files categorize the sales by property and use type, and sort the data by location and chronological order. These files are available for use during the hearing process.

Sources of Data

In terms of commercial sales data, Cooke CAD receives a copy of the deeds recorded in Cooke County that convey commercially classed properties. The deeds involving a change in commercial ownership are entered into the sales information system and researched in an attempt to obtain the pertinent sale information. Other sources of sale data include the hearings process and local, regional and national real estate and financial publications.

For those properties involved in a transfer of commercial ownership, a sale file is produced which begins the research and verification process. The initial step in sales verification involves a computer-generated questionnaire, which is mailed to parties in the transaction into the computerized sales database system. If the sales information is still not obtained, other sources are contacted such as the brokers involved in the sale, property managers or commercial vendors. In other instances sales verification is obtained from local appraisers or others that may have the desired information. Finally, closing statements are often provided during the hearings process. The actual closing statement is the most reliable and preferred method of sales verification.

VALUATION ANALYSIS (Model Calibration)

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

Cost Schedules

The cost approach to value is applied to all improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on comparable properties whenever possible. Cost models are typically developed based on the Marshall Swift Valuation Service. Cost models include the derivation of replacement cost new (RCN)

of all improvements. These include comparative base rates, per unit adjustments and lump sum adjustments. This approach also employs the sales comparison approach in the valuation of the underlying land value. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers are necessary to adjust these base costs specifically for Cooke County. These modifiers are provided by the national cost services.

Depreciation schedules are developed based on what is typical for each property type at that specific age. Depreciation schedules have been implemented for what is typical of each major class of commercial property by economic life categories. Schedules have been developed for improvements with 15, 20, 30, 40, 50 and 60 year expected life. These schedules are then tested to ensure they are reflective of current market conditions. The actual age and percent good of improvements are noted in CAMA. Percent good estimates are based on the utility of the improvements remaining relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Percent good estimates are based on 3 levels of renovation and are described in the Commercial / Industrial Lister's Manual.

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

Income Models

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

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

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

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-recoverable expenses such as leasing costs and tenant improvements are included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Different expense ratios are developed for different types of commercial property based on use. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for his pro-rata share of taxes, insurance and common area maintenance. In comparison, a general office building is most often leased on a base year expense stop. This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. However, any amount in excess of the total per unit expenditure in the first year is the responsibility of the tenant. Under this scenario, if the total operating expense in year one (1) equates to \$8.00 per square foot, any increase in expense over \$8.00 per square foot throughout the remainder of the lease term would be the responsibility of the tenant. As a result, expense ratios are implemented based on the type of commercial property.

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

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

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

Capitalization analysis is used in the income approach models. This methodology involves the capitalization of net operating income as an indication of market value for a specific property. Capitalization rates, both overall (going-in) cap rates for the direct capitalization method and terminal cap rates for discounted cash flow analyses, can be derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of what a specific

market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived from the built-up method (band-of-investment). This method relates to satisfying the market return requirements of both the debt and equity positions of a real estate investment. This information is obtained from real estate and financial publications.

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

Sales Comparison (Market) Approach

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

Final Valuation Schedules

Based on the market data analysis and review discussed previously in the cost, income and sales approaches, the cost and income models are calibrated and finalized. The calibration results are keyed to the schedules and models on the mainframe CAMA system for utilization on all commercial properties in the district. The schedules and models are summarized in the Commercial Review Manual.

Statistical and Capitalization Analysis

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

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

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

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

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the Cooke CAD appraiser responsible are listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, CAMA may be altered based on the credibility of the evidence provided. Typically, a new field check is then requested to verify this evidence for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in

characteristics, that property is added to a work file. Finally, even though every property cannot be inspected each year, each appraiser typically designates certain segments of their area of responsibility to conduct field checks.

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

Office Review

Office reviews are completed on properties not subject to field inspections and are performed in compliance with the guidelines contained in the Commercial Review Manual. The Commercial Review Manual outlines the application of the three approaches to value (including Discounted Cash Flow - DCF). This manual is maintained and updated as needed.

Office reviews are typically limited by the data presented in final value reports. These reports summarize the pertinent data of each property as well as comparing the previous values (two year value history) to the proposed value conclusions of the various approaches to value. These reports show proposed percentage value changes, income model attributes or overrides, economic factor (cost overrides) and special factors affecting the property valuation such as new construction status, prior year litigation and a three years sales history (USPAP property history requirement for non-residential property). The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions.

Once the appraiser is satisfied with the level and uniformity of value for each commercial property the estimates of value go to noticing.

PERFORMANCE TESTS

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

Cooke CAD has adopted the policies of the IAAO STANDARD ON RATIO STUDIES, circa July, 1999 regarding its ratio study standards and practices. Ratio studies generally have six basic steps: (1) determination of the purpose and objectives, (2) data collection and preparation, (3) comparing appraisal and market data, (4) stratification, (5) statistical analysis, and (6) evaluation and application of the results.

Sales Ratio Studies

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

Overall sales ratios are generated by use type to allow appraisers to review general market trends. The appraiser utilizes desktop applications such as MS ACCESS and EXCEL programs to evaluate subsets of data by economic area or a specific and unique data item. On the desktop, this may be customized and performed by building class and age basis. In many cases, field checks may be conducted to insure the ratios produced are accurate and the appraised values utilized are based on accurate property data characteristics. These ratio studies aid the appraiser by providing an indication of market activity by economic area or changing market conditions (appreciation or depreciation).

Comparative Appraisal Analysis

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

INDUSTRIAL VALUATION PROCESS

INTRODUCTION

Appraisal Responsibility

The industrial appraisers and/or contract appraisers of the Cooke County Appraisal District are responsible for developing fair, uniform market values for improved industrial properties and industrial vacant land. The industrial appraiser is also responsible for the valuation of all tangible general industrial personal property in Cooke County. There are approximately 81 parcels of industrial real property in Cooke County. The industrial appraiser appraises approximately 859 parcels of tangible personal property.

Appraisal Resources

Personnel - The industrial section consists of one real appraiser. In addition, CAD contracts with the Capital appraisal firm to value properties for which the district does not have the available personnel or resources.

Data - The industrial appraisers and contract appraisal staff inspect their assigned properties to obtain information about buildings, site improvements, process and shop equipment, and various items of personal property. In addition, appraisal personnel use information provided by property owners concerning the cost to purchase, install, and construct items of real and personal property. The individual characteristics of the property being appraised are the primary factors that drive the appraised value.

VALUATION APPROACH (MODEL SPECIFICATION)

Area Analysis

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

Neighborhood Analysis

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

Highest and Best Use Analysis

The highest and best use of real or personal property is the most reasonable and probable use of the property on the date of appraisal that is physically and financially feasible, legal, and that derives maximum production from the property. Usually, the current use of the property is the highest and best use of that property. Industrial facilities are most commonly located in areas that support industrial use. In areas where mixed use does occur, the highest and best use of the property is examined by the appraiser to estimate the effect of this factor.

Market Analysis

Market analysis is the basis for finalizing value estimates on properties for which the industrial appraiser has responsibility. Even though many industrial properties are unique in nature, the market for this type property is analyzed to see how the values of similar or similar as possible properties are affected by market forces. Industrial properties, such as machine shops, have many similar facilities that can be compared to the subject property in terms of type and size of equipment, type of property fabricated or serviced at the subject facility, and other factors. Those similarities help the appraiser estimate the value of the subject property. However, some facilities, such as specialty chemical plants, are so unique in nature that the appraiser must use the closest available plant in terms of output quantity, type of product manufactured, and other factors to estimate the value of the subject property. Many industrial properties use the same type of building and, depending on the type of business, may use the same type of manufacturing or service equipment. However, the manner in which the entire business operation is put together makes that particular facility unique. The district uses information from similar businesses to examine the real and personal property values at a particular business, but the individual characteristics of the business being reviewed determine the value estimation. Many of the buildings encountered at industrial facilities are generic in construction, such as pre-engineered metal buildings. The cost per square foot to construct these type structures can be used to estimate values at facilities that have similarly constructed buildings. However, the building as constructed will have differences that must be taken into account when estimating the final value of the property being reviewed.

A similar analysis is used for personal property. Many items of personal property, such as furniture and fixtures, computers, and even machinery and equipment are generic in construction, but individual characteristics that affect value, such as usage, environment where used, and level of care will have an

effect on the final value estimation. When cost data for this type property is available and considered reliable, it is used for value estimation purposes at other plant facilities. However, on-site inspection and information provided by the property owner will affect the final value.

DATA COLLECTION/VALIDATION

Data Collection Manuals

An extended range of variations may exist within the same class of industrial property, and there are a multitude of property types within the industrial category. For this reason, effective data collection procedures would be very difficult to organize in a single comprehensive manual. The data generated by these forms enables the appraiser to use the software to value industrial buildings.

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

Sources of Data

The original real and personal property data used by Cooke CAD was supplied by the Marshall & Swift and local Contractors. Since that time, the district and contract appraisal personnel have updated that information based on field review. As new facilities are built, the appraisal personnel collect all the real and personal property data necessary to value the property initially and thereafter update the information when the property is again visited. The district receives building permit information from the cities and from the county when a facility is being built outside an incorporated city. Other sources of data include publications such as the Texas Register regarding waste control permits, various refining and chemical industry magazine articles, and Texas Industrial Expansion articles on new construction.

Data Collection Procedures

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

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

The district and contract firm appraisal staff members are not assigned any one geographical area of the county. The nature of the business and whether or not the district has the staff resources available determines which properties are valued by contract firms and which properties are valued by the district's appraisal staff.

VALUATION ANALYSIS (MODEL CALIBRATION)

Final Valuation Schedules

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

Cooke CAD develops schedules based on indexed Marshall & Swift depreciation factors for use in the valuation of all business and industrial personal property. The contract appraisal firms use similar schedules and methodology based on their experience in valuing real and personal property.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

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

The results of prior year hearings and indication of building permits being issued are another source of required field visits. Many times during hearings, issues are presented that cause a value adjustment. Those issues must be field checked to see if these influences will be on going and warrant permanent value adjustment or are transitory and permanent adjustment is not warranted. This information needs to

be recorded so the appraiser will be better able to estimate the property value. Building permits must be field checked to see what affect these have on existing structures. Any new construction is noted and the information necessary to value the structure is recorded. Additionally, any structure demolition is noted so the improvement value can be adjusted accordingly.

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

OFFICE REVIEW

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

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

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

PERFORMANCE TESTS

Sales Ratio Studies

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

Comparative Appraisal Analysis

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

If Cooke CAD receives a jurisdiction challenge on an industrial category of properties, the appraisers assigned to those accounts will research the appraisal roll to see what other similar properties exist. The real property values can be compared on an average value per square foot of structure basis, but the differences from one facility to another must be carefully compared because it is unlikely that two different facilities are going to build like improvements and use them in similar ways. In like manner, the personal property values can be compared per category, such as furniture and fixtures, machinery and equipment, etc., but the same comparison of the type of and use of the property must be examined to ensure property comparison.

BUSINESS PERSONAL PROPERTY VALUATION PROCESS

INTRODUCTION

Appraisal Responsibility

There are four different personal property types appraised by the district's personal property section: Business Personal Property accounts; Leased Assets; Vehicles; and Multi-Location Assets. There are approximately 2,933 business personal property accounts in Cooke County.

Appraisal Resources

- **Personnel** - The personal property staff consists of one appraiser and one support staff.
- **Data** - A common set of data characteristics for each personal property account in Cooke County is collected in the field and data entered to the district's computer. The property characteristic data drives the computer-assisted personal property appraisal (CAPP) system. The field data is collected by the personal property appraiser.

VALUATION APPROACH (Model Specification)

SIC Code Analysis

Four digit numeric codes, called Standard Industrial Classification (SIC) codes were developed by the federal government. These classifications are used by Cooke CAD as a way to classify personal property by business type. Cooke CAD has further stratified these codes by adding alpha suffixes to SIC codes in order to group business types that have similar personal property characteristics.

SIC code identification and delineation is the cornerstone of the personal property valuation system at the district. All of the personal property analysis work done in association with the personal property valuation process is SIC code specific. There are in excess of 150 to 200 CAD personal property SIC codes. SIC codes are delineated based on observable aspects of homogeneity. SIC code delineation is periodically reviewed to determine if further SIC code delineation is warranted.

Highest and Best Use Analysis

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

DATA COLLECTION/VALIDATION

Data Collection Procedures

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

Sources of Data

Business Personal Property

When revaluation activities permit, district appraisers collect new data via an annual field drive-out. This project results in the discovery of new businesses not revealed through other sources. Various discovery publications such as the Court Reporter and state sales tax listings are also used to discover personal property. Tax assessors, city and local newspapers, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

Vehicles

An outside vendor provides Cooke CAD with a listing of vehicles within Cooke County. The vendor develops this listing from the Texas Department of Transportation (DOT) Title and Registration Division records. Other sources of data include property owner renditions and field inspections.

Leased and Multi-Location Assets

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

VALUATION AND STATISTICAL ANALYSIS (model calibration)

Cost Schedules

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

Statistical Analysis

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

Depreciation Schedule and Trending Factors:

Business Personal Property

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

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

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

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

This mass appraisal PVF schedule is used to ensure that estimated values are uniform and consistent within the market.

Computer Assisted Personal Property Appraisal (CAPPA)

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

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

CAPPA model values are used in the general business personal property valuation program to estimate the value of new accounts for which no property owner's rendition is filed. Model values are also used for testing the valuation of property for which prior data years' data exist or for which current year rendered information is available. The calculated current year value or the prior year's value is compared to the indicated model value. If the value being tested is within an acceptable amount, the account passes that range check and moves to the next valuation step. If the account fails, it is flagged for individual review.

Vehicles

Value estimates for vehicles are provided by an outside vendor and are based on Kelly Blue Book published book values. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

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

INDIVIDUAL VALUE REVIEW PROCEDURES

Office Review

Business Personal Property

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

Vehicles

A vehicle master file is received on tape from an outside vendor and vehicles in the district's system from the prior year are programmatically matched to current DOT records. The vehicles remaining after the matching process are sorted by owner name and the owners are then prioritized by the number of vehicles owned. These vehicles are then matched to existing accounts and new accounts are created as needed. Vehicles that are not valued by the vendor are valued by an appraiser using PVF schedules or published guides.

Leased and Multi-Location Assets

Leasing and multi-location accounts that have a high volume of vehicles or other assets are loaded programmatically if reported by the property owner electronically. After matching and data entry, reports are generated and reviewed by an appraiser. Once proofed, the report is then mailed to the property owner for review. Corrections are made and the account is noticed after supervisor approval.

PERFORMANCE TESTS

Ratio Studies

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

Internal Testing

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

AGRICULTURE / WILDLIFE

While appraising areas an appraiser will make inspections as to the current Agriculture qualifications making notes about the use of the property. All new applications are inspected verified as to compliance.

Wildlife management updates are required annually and the property is inspected every three years. The annual update is considered an annual application, if the update is not turned in the property does not enjoy the special use valuation for that year.

MANUFACTURED HOME PARKS

Manufactured housing parks, subdivisions, and areas with a large concentration of manufactured homes are inventoried at the first of every year verifying the existence of the structure.

STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

Daisy Watson	Deputy Chief Appraiser	Supervise Data Collection and Value Review
Chris Murray	Appraiser	Data Collection and Value Review
Jermery Schneider	Appraiser	Data Collection and Value Review
Marylynn Loyd	Appraiser	Data Collection and Value Review
Dusty Kollmansberger	Appraiser	Data Collection and Value Review
Kyra Springer	BPP Appraiser	BPP Schedules, Data Collection and Value Review



LIMITING CONDITIONS

- 1. The appraised value estimates provided by the district are subject to the following conditions:
- 2. The appraisals were prepared exclusively for ad valorem tax purposes.
- 3. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised were performed as staff resources and time allowed.
- 4. Validation of sales transactions was attempted through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.

Certification Statement:

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

Doug Smithson

Chief Appraiser

APPENDIX A 2024 CALENDAR

COOKE CAD PROPOSED CALENDAR OF KEY ACTIVITIES

DATE 2024 APPRAISAL RELATED ACTIVITY OR EVENT

July

Independence Day Holiday

18

Appraisal

Review Board (ARB) Approves Appraisal Records

ARB Creates Appraisal Roll

21

Chief Appraiser Certifies Appraisal Roll to Taxing Units

CCAD Financial Audit Reported (usually in July BOD meeting)

Mass Appraisal Report

31st is last day to pay the final quarterly payment

August

E.A.R.S.

(Electronic Appraisal Roll Submission)

E.P.T.S. (Electronic Property Transfer Submission)

Begin Next Year Appraisal Field Work for Residential & Commercial New Construction

Research Cost, Sale & Income Data Collection for Model Calibration (ongoing)

Staff Training including in-house, continuing education, & required courses (ongoing)

Texas Association of Assessing Officers (TAAO) – Annual Conference

Rollover of CCAD Data Records to Begin New Appraisal Year

Begin Residential Field Inspections

Begin Business Personal Property Inspection, Discovery and Verification

September

Sept. 1 –

Statutory Appraisal Date for Certain Inventory Properties (Sec.23.12)

Sept. 15 – Statutory Deadline for CCAD Board of Directors to Approve 2025 Budget & 2025-2026 Reappraisal Plan

Labor Day

ARB Hearings Continue from September 2024 through March 2025

Prepare State Reports for submission

Tax Rates are Processed

October

CCAD Mails

Tax Bills – Appraisal Support for Phones & Customer Service through Feb.

Gather Information for Comptroller's M.A.P. Review

Convert to I-Pads for appraiser field review

November

Veteran's

Day

Texas Rural Chief Appraisers Conference

Thanksgiving Holiday

2025 M.A.P. documents must be sent to reviewer

December

Review &

return information for 2025 M.A.P. review

2025 M.A.P. compliance must be complete

E.O.Y. Run End of the Year Processing on Ag & Homesteads

TAAO Red River Chapter's annual all day seminar

Chief Appraiser's Annual Report Prepared

Employee Performance Reviews – Discussions with Staff

Christmas Holiday

APPENDIX A 2025 CALENDAR

DATE 2025 APPRAISAL RELATED ACTIVITY OR EVENT

January

New Year's

Day

Jan. 1 – Statutory Appraisal Date for Most Categories of Taxable Property

Inspection of all Manufactured Home Parks or Subdivisions

Run end of the year process including:

Mail

Agricultural Use Applications to New Owners

Mail

Homestead application to new owners

Create second group of mailings for:

Annual exemptions for re-application

Wildlife

Management Letter reminding them of meeting and annual report

Business

Personal Property Renditions

Martin Luther King Day

Publications for: Annual exemptions, renditions, new owners – Ag & Homesteads

Long Range Planning Session – CCAD Supervisors

Update Web Site (ongoing throughout the year)

E.P.T.S. (Electronic Property Transfer Submission)

2024 tax bills are due by the 31st

31st first quarterly payment due

February

Receive 2024

Property Value Study Results from Property Tax Division (part of
 Comptroller’s review / audit) – Begin Appeals Preparations if needed
Early Delinquent Notices are mailed
 Texas Association of Appraisal Districts (TAAD) Conference
President’s Day
 Business Personal Property Completes Field Verification Activities
 Begin Working Business Personal Property Renditions
 Begin applying Residential Neighborhood Market Adjustments

March Deadline to Submit Property Value Study Appeals Evidence

Publication that CCAD will be Mailing Appraisal Notices
 Finalize Residential Changes Prior to Noticed Values
 Notice Run
 New Construction Letters with Information Mailings
31st the second quarterly payment due

April

Begin Budget

Preparation for 2026
 Publication for Notices Mailed & the Right to Protest
 Complete Commercial Final Value Edits
 Appraisal Notices Mailed
 Begin Informal Appeals
Good Friday Holiday
 April 15 – Business Personal Property Rendition Deadline
 Finalize Commercial & BPP Changes Prior to first Value Notice Run
 April 30 – Deadline to File Abatement Application
 April 30 – Deadline to File Freeport Application

April 30 – Deadline to File Charitable, Religious, Miscellaneous, etc. Application
April 30 – Last Day to file Agricultural Use Application without “Late Penalty”

May

Section 33.07 Delinquent Notices Mailed

Auditor Verifying & Inspecting Records for Financial Audit
Informal Appeals
Appraisal Review Board Hearings Begin

Memorial Day Holiday

31st the third quarterly payment is due

June

Statutory

Deadline to File Appraisal Review Board Protest for Value Issues
Chief Appraiser Submits Completed Appraisal Records to ARB
Appraisal Review Board Hearings

July

Independence Day Holiday

20-25

Appraisal

Review Board (ARB) Approves Appraisal Records
ARB Creates Appraisal Roll
Chief Appraiser Certifies Appraisal Roll to Taxing Units
CCAD Financial Audit Reported (usually in July BOD meeting)
Mass Appraisal Report
31st is last day to pay the final quarterly payment

August

E.A.R.S.

(Electronic Appraisal Roll Submission)
E.P.T.S. (Electronic Property Transfer Submission)

Begin Next Year (2026) Appraisal Field Work for Residential & Commercial New Construction

Research Cost, Sale & Income Data Collection for Model Calibration (ongoing)

Staff Training including in-house, continuing education, & required courses (ongoing)

Texas Association of Assessing Officers (TAAO) – Annual Conference

Rollover of CCAD Data Records to Begin New Appraisal Year

Begin Residential Field Inspections

Begin Business Personal Property Inspection, Discovery and Verification

September

2025 M.A.P.

Report Sent to Chief Appraiser

Sept. 1 – Statutory Appraisal Date for Certain Inventory Properties (Sec.23.12)

Labor Day

ARB Hearings Continue from September 2025 through March 2026

Sept. 15 – Statutory Deadline for CCAD Board of Directors to Approve 2026 Budget

Prepare State Reports for Submission

Tax Rates are Processed

October

CCAD Mails

Tax Bills – Appraisal Support for Phones & Customer Service through Feb.

November

Veteran's

Day

Texas Rural Chief Appraisers Conference

Thanksgiving Holiday

December

2025 M.A.P.

Final Report is Published (1 year to comply)

E.O.Y. Run End of the Year Processing on Ag & Homesteads

TAAO Red River Chapter's annual all day seminar

Chief Appraiser’s Annual Report Prepared

Employee Performance Reviews – Discussions with Staff

Christmas Holiday

APPENDIX A 2026 CALENDAR

DATE 2026 APPRAISAL RELATED ACTIVITY OR EVENT

January

New Year’s

Day

Jan. 1 – Statutory Appraisal Date for Most Categories of Taxable Property

Inspection of all Manufactured Home Parks or Subdivisions

Run end of the year process including:

Mail

Agricultural Use Applications to New Owners

Mail

Homestead application to new owners

Create second group of mailings for:

Annual exemptions for re-application

Wildlife

Management Letter reminding them of meeting and annual report

Business

Personal Property Renditions

Martin Luther King Day

Publications for: Annual exemptions, renditions, new owners – Ag & Homesteads

Long Range Planning Session – CCAD Supervisors

Update Web Site (ongoing throughout the year)

E.P.T.S. (Electronic Property Transfer Submission)

2025 tax bills are due by the 31st

31st first quarterly payment due

February

Texas

Association of Appraisal Districts (TAAD) Conference

President’s Day

Early Delinquent Notices are mailed

Business Personal Property Completes Field Verification Activities

Begin Working Business Personal Property Renditions

Begin applying Residential Neighborhood Market Adjustments

March

Finalize Residential Changes Prior to Noticed Values

Publication that CCAD will be Mailing Appraisal Notices

Notice Run

New Construction Letters with Information Mailings

31st the second quarterly payment due

April

Begin Budget

Preparation for 2025

Publication for Notices Mailed & the Right to Protest

Complete Commercial Final Value Edits

Appraisal Notices Mailed

Begin Informal Appeals

Good Friday Holiday

April 15 – Business Personal Property Rendition Deadline

Finalize Commercial & BPP Changes Prior to first Value Notice Run

April 30 – Deadline to File Abatement Application

April 30 – Deadline to File Freeport Application

April 30 – Deadline to File Charitable, Religious, Miscellaneous, etc. Application

April 30 – Last Day to file Agricultural Use Application without “Late Penalty”

May

Section 33.07 Delinquent Notices Mailed

Auditor Verifying & Inspecting Records for Financial Audit

Informal Appeals

Appraisal Review Board Hearings Begin

Memorial Day Holiday

31st the third quarterly payment is due

June

Statutory

Deadline to File Appraisal Review Board Protest for Value Issues

Chief Appraiser Submits Completed Appraisal Records to ARB

Appraisal Review Board Hearings

July

Independence Day Holiday

20-25

Appraisal

Review Board (ARB) Approves Appraisal Records

ARB Creates Appraisal Roll

Chief Appraiser Certifies Appraisal Roll to Taxing Units

CCAD Financial Audit Reported (usually in July BOD meeting)

Mass Appraisal Report

31st is last day to pay the final quarterly payment

August

E.A.R.S.

(Electronic Appraisal Roll Submission)

E.P.T.S. (Electronic Property Transfer Submission)

Begin Next Year (2025) Appraisal Field Work for Residential & Commercial New Construction

Research Cost, Sale & Income Data Collection for Model Calibration (ongoing)

Staff Training including in-house, continuing education, & required courses (ongoing)

Texas Association of Assessing Officers (TAAO) – Annual Conference

Rollover of CCAD Data Records to Begin New Appraisal Year

Begin Residential Field Inspections

Begin Business Personal Property Inspection, Discovery and Verification

September

Sept. 1 –

Statutory Appraisal Date for Certain Inventory Properties (Sec.23.12)

Sept. 15 – Statutory Deadline for CCAD Board of Directors to Approve 2025 Budget & 2025 – 2026 Reappraisal Plan

Labor Day

ARB Hearings Continue from September 2026 through March 2025

Prepare State Reports for Submission

Tax Rates are Processed

October

CCAD Mails

Tax Bills – Appraisal Support for Phones & Customer Service through Feb.

Gather Information for Comptroller’s M.A.P. Review

November Day

Veteran’s

Texas Rural Chief Appraisers Conference

Thanksgiving Holiday

2025 M.A.P. documents must be sent to reviewer

December

2025 M.A.P.

compliance must be complete

Review & return information for 2025 M.A.P. review

E.O.Y. Run End of the Year Processing on Ag & Homesteads

TAAO Red River Chapter's annual all day seminar

Chief Appraiser's Annual Report is Prepared

Employee Performance Reviews – Discussions with Staff

Christmas Holiday

**** Note: This calendar should be used as a guide – there may be some items that are actually completed in the month before or after they are listed.**

APPENDIX B 2025 WORK PLAN

2025 COOKE CAD PROPOSED APPRAISAL WORK PLAN

2025 Appraisal Work begins after the roll is certified in July, 2024.

Exemptions and **special valuation** are monitored and applied throughout the tax year.

Mapping to CCAD's GIS system is continually updated throughout the year.

Straight transfer – deeds are worked throughout the year.

Splits are worked throughout the year.

August, 2024 through March, 2025 – the following appraisal activities are scheduled to be completed:

- ✓ Listing and Sales Input into computer system
- ✓ Building, Septic, 9-1-1 Addressing & Electric Permits input into computer system
- ✓ Sales Ratios are checked throughout the year with final ratios in April
- ✓ Collect and refine M.A.P. information
- ✓ Update procedures and web-site as needed
- ✓ Update 5-1 next inspections throughout year
- ✓ Add New Construction & update changes on properties
- ✓ Review Agricultural-Use and Wildlife Management Properties
- ✓ Refine schedules throughout the year as needed
- ✓ Appraisers attend classes
- ✓ Manufactured Housing Areas Annual Reappraisal
- ✓ Field Review / Appraisal on inspection areas (listed below)

April, 2025

- ✓ Notices are Mailed to Property Owners and Agents
- ✓ Informal Review Process
- ✓ Interior Property Inspections when requested

May through Mid-July (Certification), 2025

- ✓ A.R.B. Formal Protest Process & Preparation

Cooke CAD does an ***annual*** reappraisal. The land and improvement schedules are updated every year. Additionally, the goal is to periodically inspect residential, personal property, and commercial properties in Cooke County every three years.

The neighborhoods or sub-sets slated for **residential real property** inspections for the 2025 tax year include but are not limited to the following:

- Properties located in the SW3 rural area
- Properties located in the SW5 rural area
- Properties located in the SW5A rural area
- Properties located in the NW4A rural area
- Properties located in the SE1-SE2 rural areas
- Properties located in the SE3 rural area
- Properties located in the SE4 rural area
- Properties located in the SE6 rural areas
- Properties located in the SE8 rural area
- Properties located in the SE9 rural area
- Town of Roadrunner
- City of Valley View
- Moss Lake area
- Southeast portion of Gainesville City
- Additional sub-divisions in these areas will be included

Commercial 2025 goals are to inspect real commercial properties in the city of Gainesville neighborhoods 7, 8 and 9.

Business Personal Property 2025 goals are to inspect business personal property in the rural areas and within all city limits located north of Highway 82 and west of I-35.

The total completion is anticipated, however, weather and uncontrollable circumstances may interfere with the scheduled completion.

APPENDIX B 2026 WORK PLAN

2026 COOKE CAD PROPOSED APPRAISAL WORK PLAN

2026 Appraisal Work begins after the roll is certified in July, 2025.

Exemptions and **special valuation** are monitored and applied throughout the tax year.

Mapping to CCAD's GIS system is continually updated throughout the year.

Straight transfer – deeds are worked throughout the year.

Splits are worked throughout the year.

August, 2025 through March, 2026 – the following appraisal activities are scheduled to be completed:

- ✓ Listing and Sales Input into computer system
- ✓ Building, Septic, 9-1-1 Addressing & Electric Permits input into computer system
- ✓ Sales Ratios are checked throughout the year with final ratios in April
- ✓ Collect and refine M.A.P. information
- ✓ Update procedures and web-site as needed
- ✓ Update 5-1 next inspections throughout year
- ✓ Add New Construction & update changes on properties
- ✓ Review Agricultural-Use and Wildlife Management Properties
- ✓ Refine schedules throughout the year as needed
- ✓ Appraisers attend classes
- ✓ Manufactured Housing Areas Annual Reappraisal
- ✓ Field Review / Appraisal on inspection areas (listed below)

April, 2026

- ✓ Notices are Mailed to Property Owners and Agents
- ✓ Informal Review Process

- ✓ Interior Property Inspections when requested

May through Mid-July (Certification), 2026

- ✓ A.R.B. Formal Protest Process & Preparation

Cooke CAD does an ***annual*** reappraisal. The land and improvement schedules are updated every year. Additionally, the goal is to periodically inspect residential, personal property, and commercial properties in Cooke County every three years.

The neighborhoods or sub-sets slated for **residential real property** inspections for the 2026 tax year include the following:

- Properties located in the NW1 rural areas
- Properties located in the NW2 rural area
- Properties located in the NW3 rural area
- Properties located in the NW4 rural area
- Properties located in the SW1 rural area
- Properties located in the SW2 rural area
- Properties located in the SW4 rural area
- Properties located in the NE1 rural area
- Properties located in the NE2 rural area
- Properties located in the NE3-NE8 rural areas
- City of Callisburg
- City of Lindsay
- City of Muenster
- Southwest area of Gainesville city
- Additional sub-divisions in these areas will be included

Commercial 2026 goals are to inspect real commercial properties in the City of Muenster.

Business Personal Property 2026 goals are to inspect business personal property within the Gainesville city limits.

The total completion is anticipated, however, weather and uncontrollable circumstances may interfere with the scheduled completion.

APPENDIX C - MARKET AREAS or NEIGHBORHOODS

Cooke CAD Residential Market Areas or Neighborhoods

The rural areas of the county are divided into four main market areas that are created by two main roads that dissect the county. Highway 82 divides the county into a north and south section and I-35 divides the county into an east and west section. The rural areas are thus called the **North-East, South-East, South-West** and **North-West** market areas. These market areas are further divided into what we refer to as sub-sets. At the present time there are 9 sub-sets in the NE, 14 in the SE, 9 in the SW, and 7 in the NW. These sub-sets correspond with the land codes and land schedules. The land is valued at a per acre price which is interpolated according to the parcel size.

The county has three major sub-divisions that surround lakes and / or golf courses. These are: **Lake Kiowa, Moss Lake, and Town of Roadrunner.**

Lake Kiowa market areas are waterfront, golf course, and interior. The subsets include 3 areas of the golf course and each of the areas with a location rating, 6 subsets for location on the waterfront, and 6 subsets for location on the interior lots.

Moss Lake has two market areas: waterfront & interior. There are 4 subsets for the interior properties and 6 subsets for the waterfront properties.

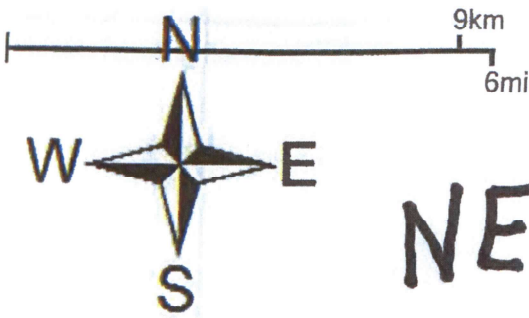
Town of Roadrunner has two market areas: waterfront & interior. These are not divided into subsets.

Gainesville city was not developed with major homogeneous neighborhoods or market areas. There are pockets of scattered types of homes throughout the city. CCAD currently has twenty-three neighborhoods identified, however you will see outliers within these neighborhoods. Other towns in the county that are statistically reviewed include: **Callisburg, Lindsay, Muenster, Oakridge and Valley View.**

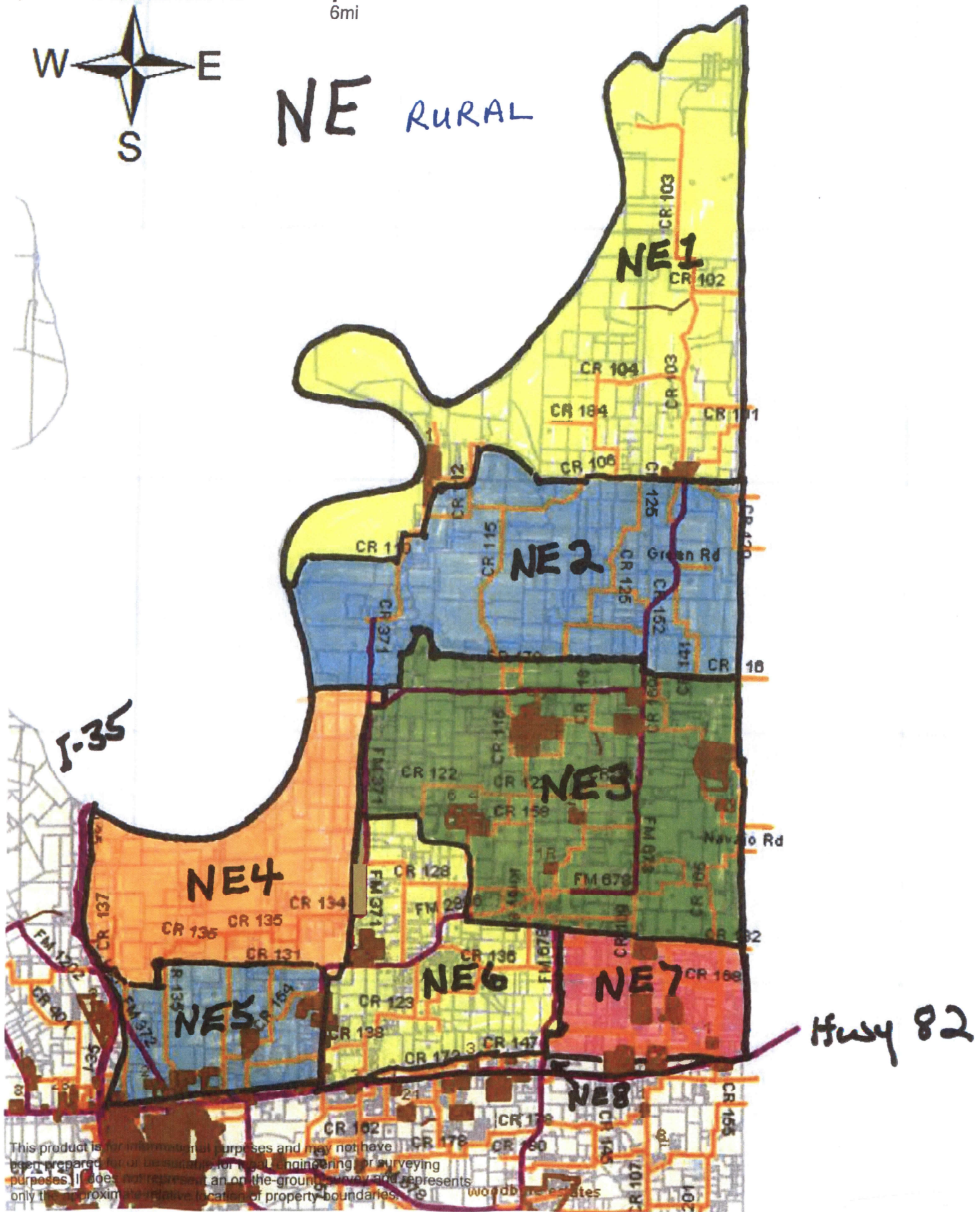
There are other smaller sub-divisions that are located throughout the county that will be studied on their own and additionally in the overall rural areas.

See attached maps and descriptions identifying the market areas.

APPENDIX D MAP IDENTIFYING INSPECTION YEARS

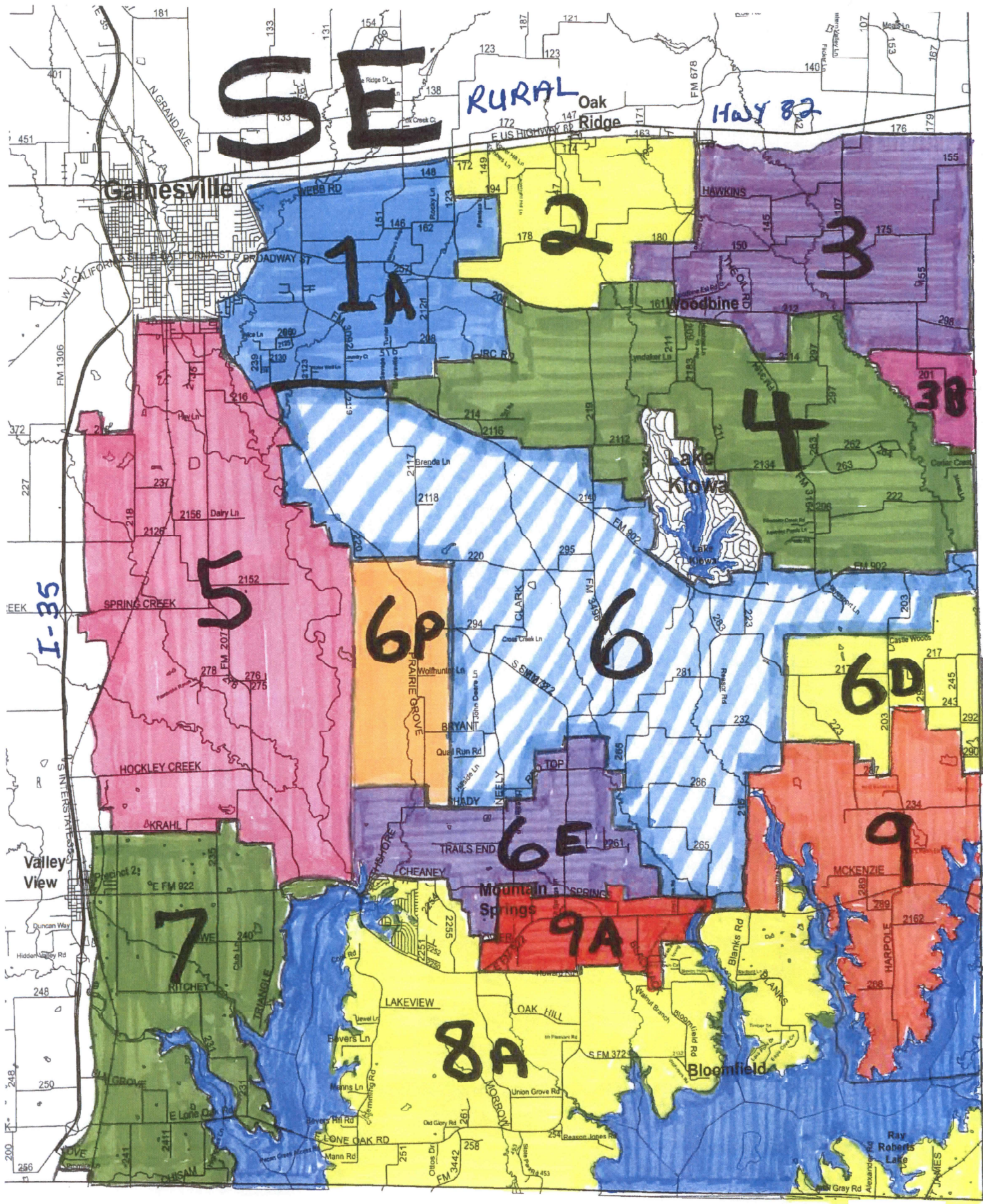


NE RURAL



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Woodburn Estates



SE

RURAL

HAY 82

Gainesville

Oak Ridge

1A

2

3

4

38

I-35

5

6P

6

60

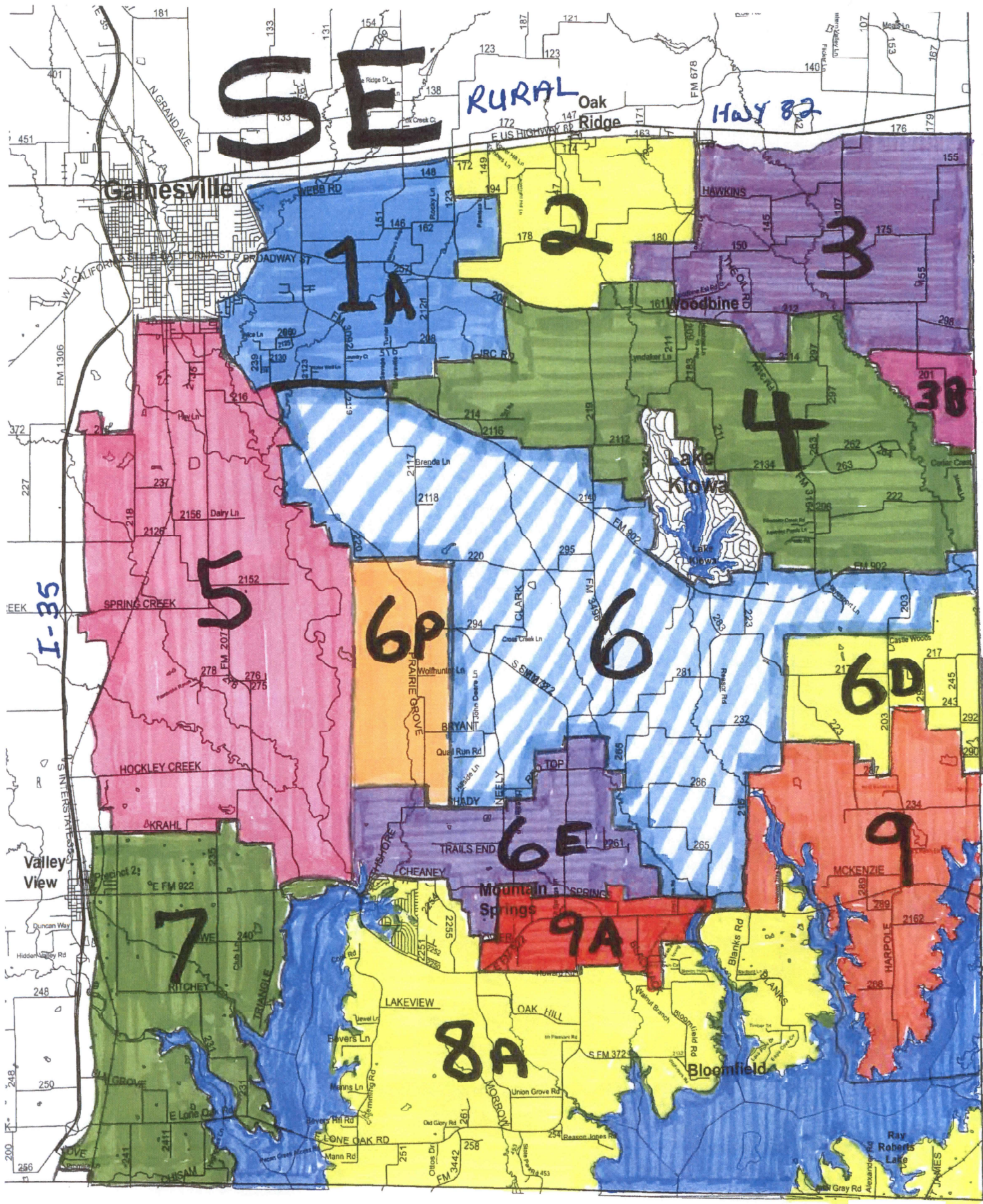
6E

9

7

8A

9A



Gainesville

Oak Ridge

Lake Kiowa

Bloomfield

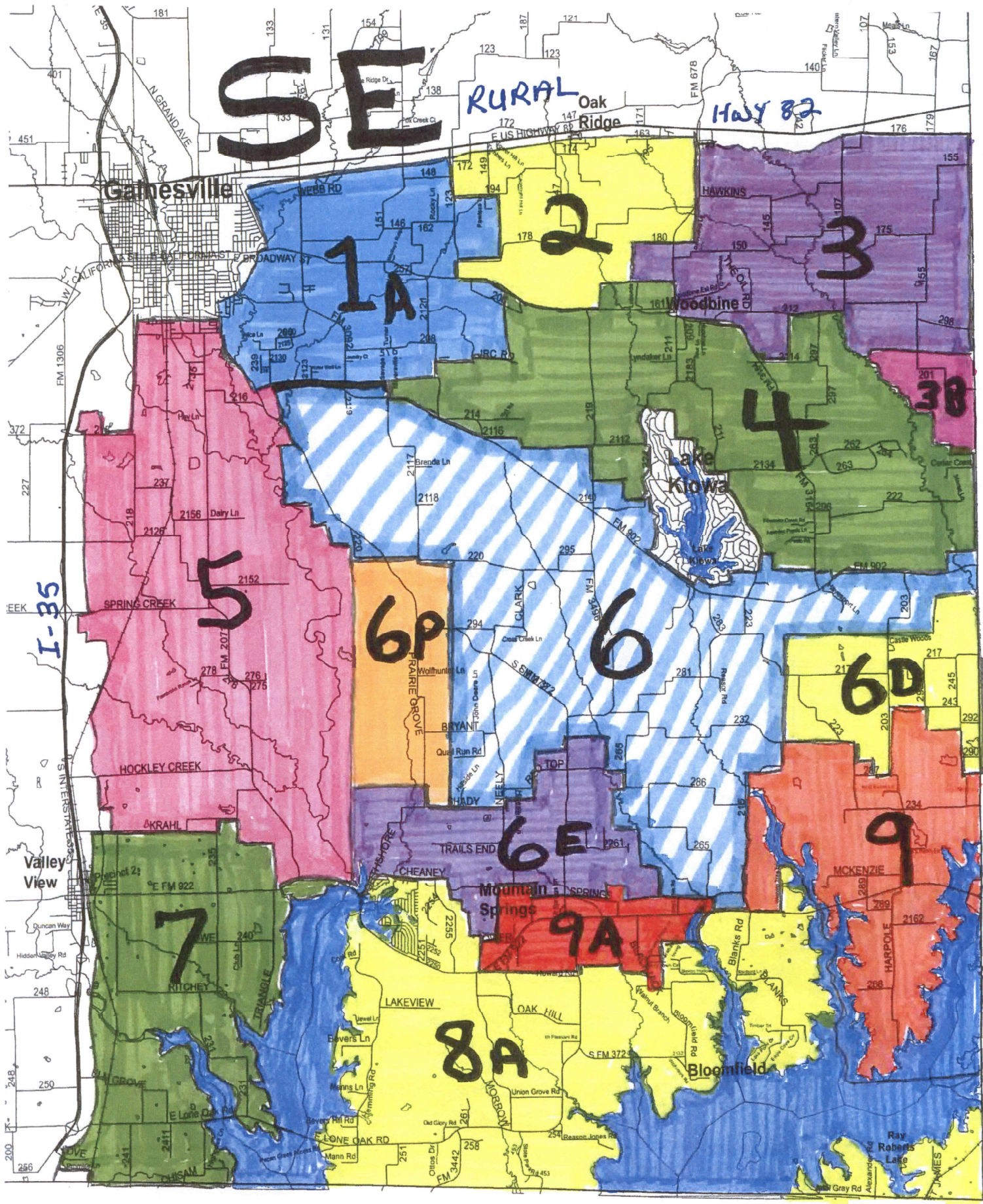
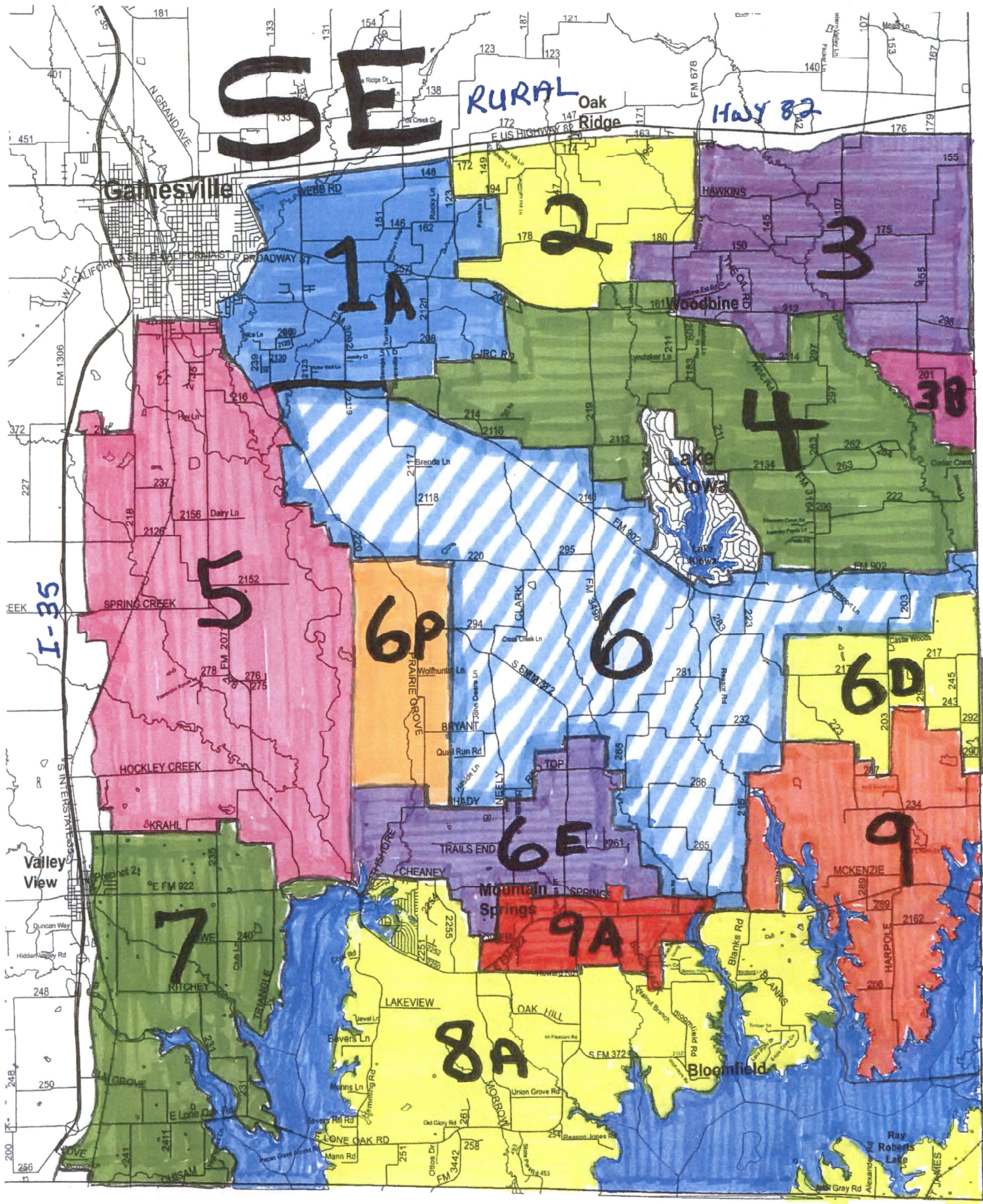
Mackenzie

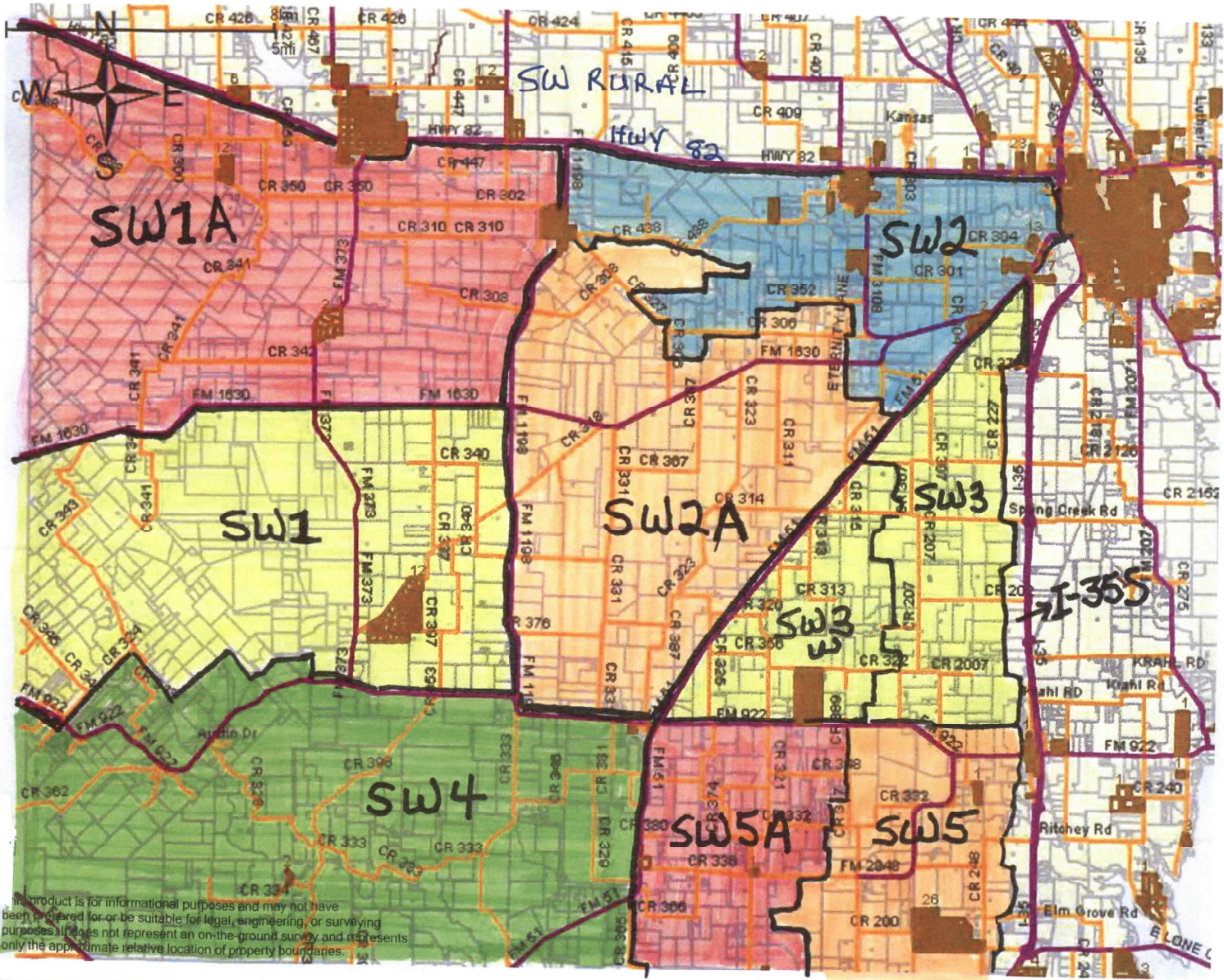
Harpole

Blanks Rd

Ray Roberts Lake

James Lake

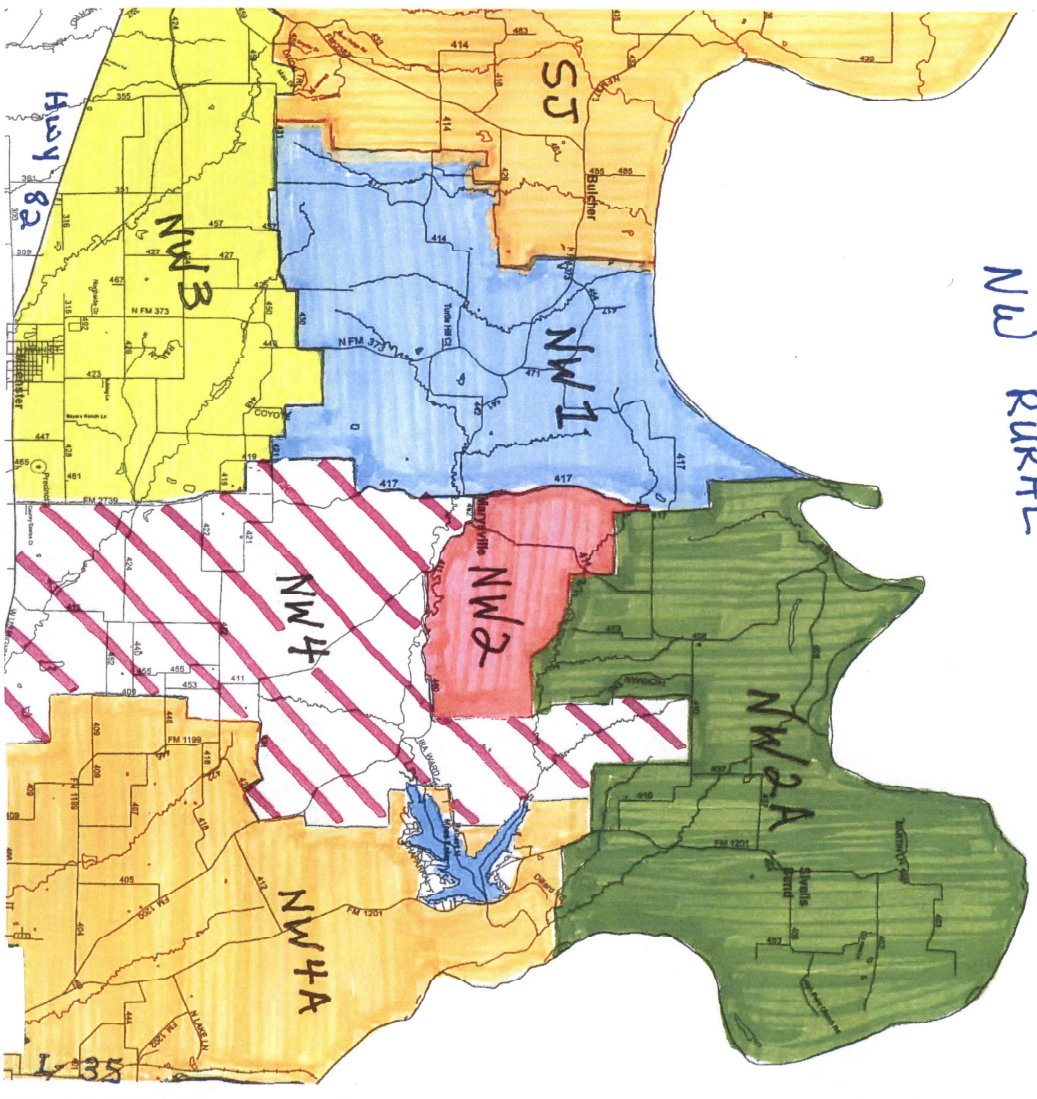




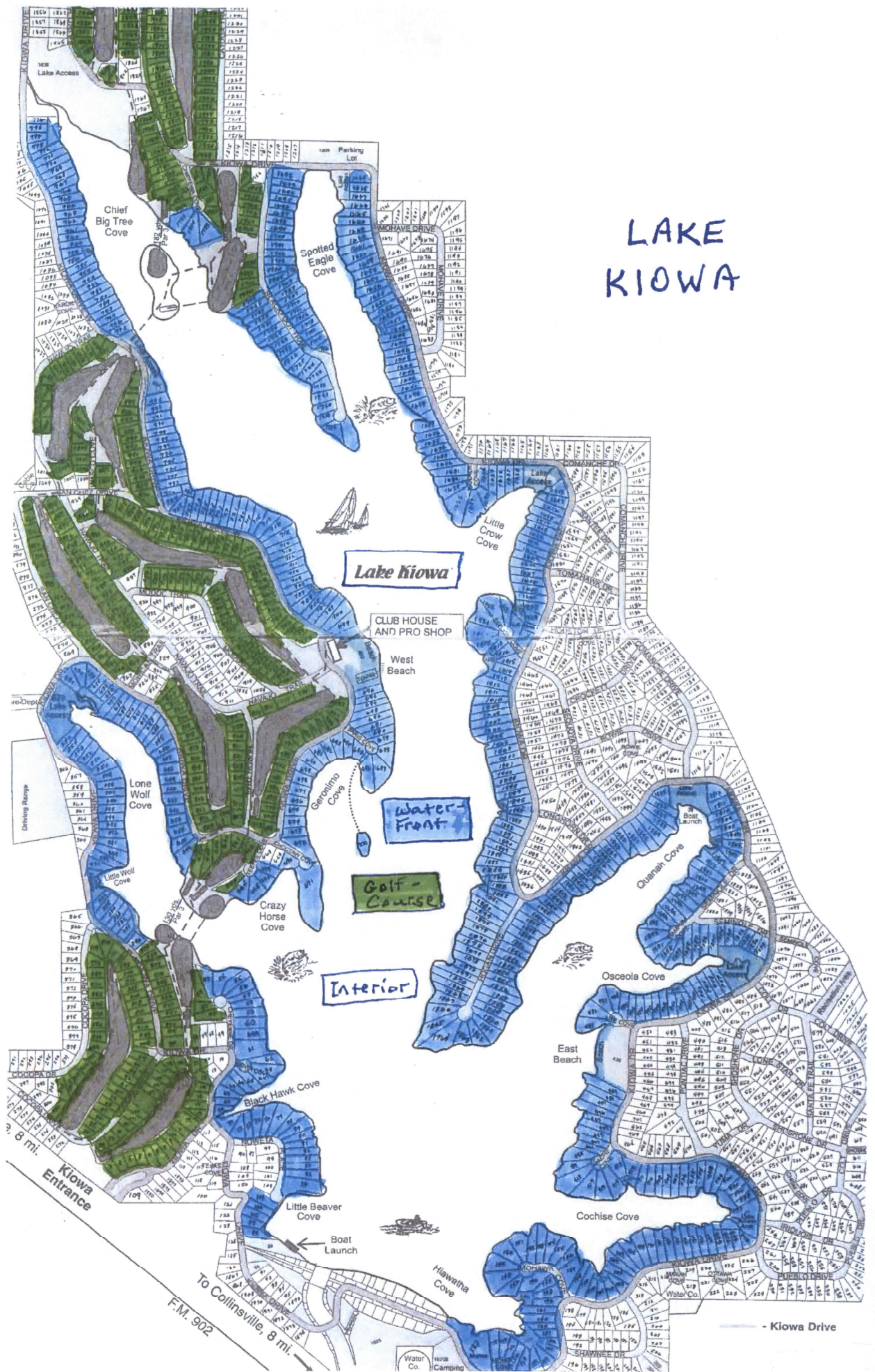
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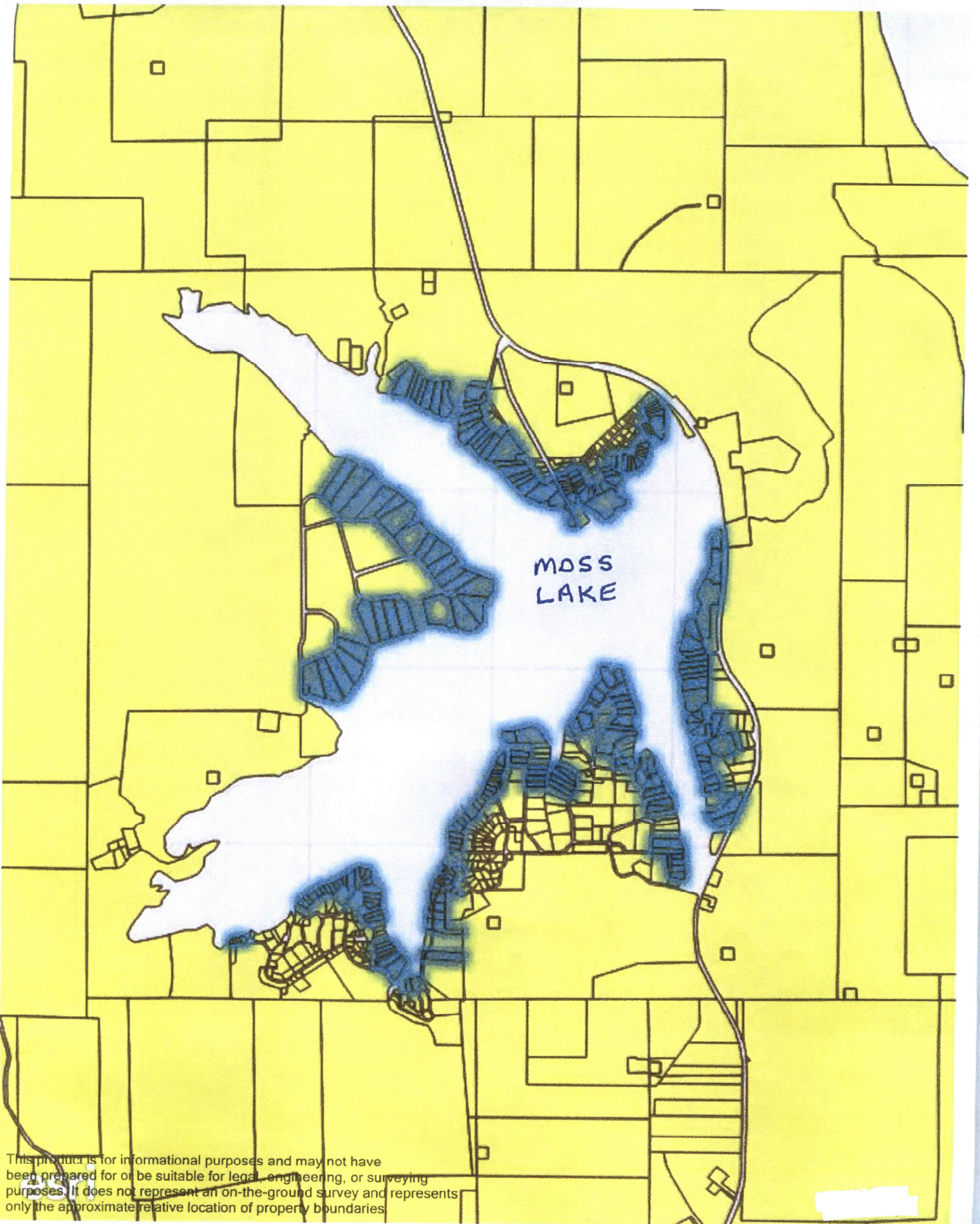
COOKE COU

NW RURAL



LAKE KIOWA





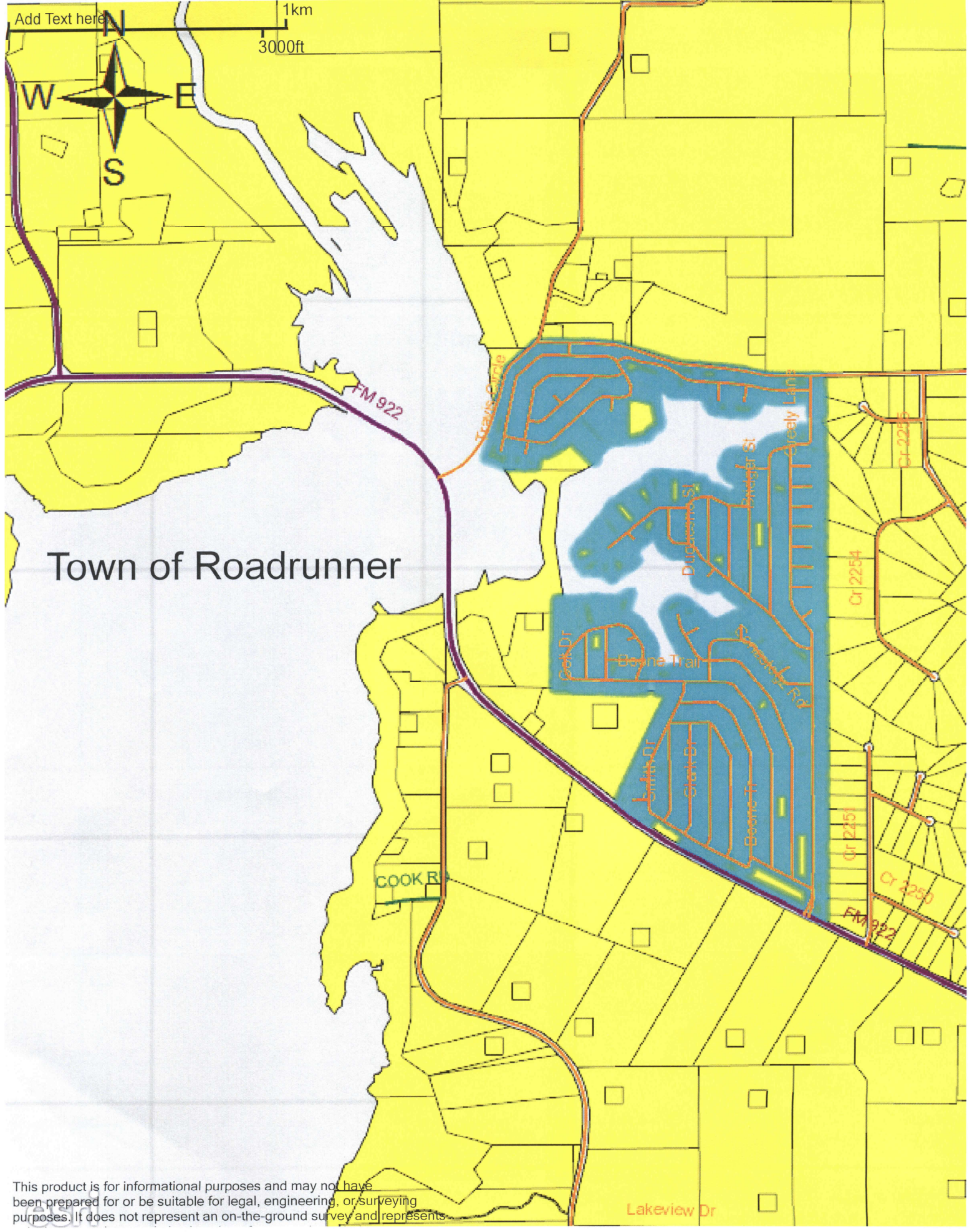
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Add Text here

1km
3000ft



Town of Roadrunner



COOK R

Lakeview Dr

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NEIGHBORHOOD CODES

GAINESVILLE CITY

