



2019 Mass Appraisal Report

Orange County Appraisal District

Prepared for the Taxing Entities and General Public of Orange County, Texas

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INTRODUCTION

The purpose of this report is to aid the taxpaying public in obtaining a better understanding of the methods and techniques utilized by the Orange County Appraisal District (OCAD) in the valuation and reappraisal of all taxable property within Orange County.

Appraisal District Overview

The Orange County Appraisal District is a political subdivision of the State of Texas. The jurisdictional boundary of the appraisal district encompasses 380 square miles. The Constitution of the State of Texas, the Texas Property Tax Code, and the Rules of the Texas Comptroller's Property Assistance Division govern the legal, statutory, and administrative requirements of the appraisal district.

The appraisal district is responsible for the local property tax appraisal and exemption administration for 22 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 1 market value. The appraisal district is also responsible for determining eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

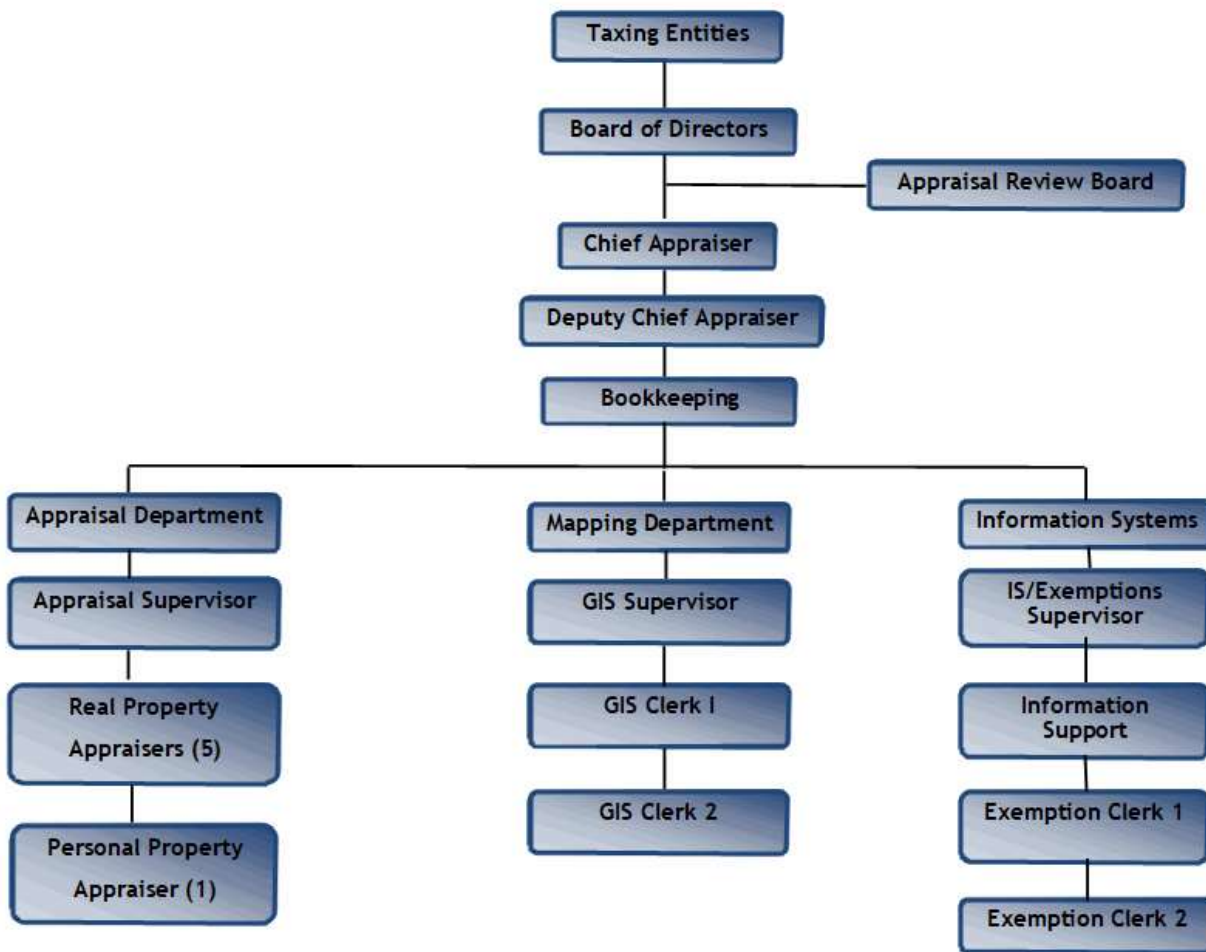
Personal Resources

A five member board of directors appointed by the taxing units within the boundaries of Orange County constitutes the district's governing body. The chief appraiser, appointed by the board of directors of the appraisal district, is the chief administrative and executive officer of the district. The chief appraiser employs and directs the district's staff, oversees all aspects of

the district’s operations and performs either directly or through the district’s staff a variety of legal operations. The chief appraiser may employ temporary services, legal services, consulting services or private appraisal services as needed to perform his duties.

The Orange County Appraisal District consists of four (4) departments: Administration, Appraisal, Information Systems/ Exemptions, and Mapping. The Administration Department consists of the Chief Appraiser, the Deputy Chief Appraiser, and the Bookkeeping. The Mapping Department consists of the GIS Supervisor and two GIS Clerks. The Appraisal Department consists of an Appraisal Supervisor, and five real property appraisers and a business personal property appraiser. The Information Systems / Exemptions Department consists of an Information System / Exemptions Supervisor, two exemptions clerks and an information support position. The following organizational chart depicts the employees and their various departments:

Organization Chart



The appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation (TDLR). The TDLR has adopted the following Code of Ethics to be sworn and subscribed to by all those licensed by the Department. The Code of Ethics is printed in a form prescribed by the department and after being sworn and subscribed to by each applicant seeking registration, is filed as a permanent portion of the record of each applicant for licensing.

Code of Ethics

Registrants must:

- Be guided by the principle that property taxation should be fair and uniform, and apply all laws, rules, methods, and procedures in a uniform manner, to all taxpayers;
- Not accept or solicit any gift, favor, or service that might reasonably tend to influence me in the discharge of official duties, with the following exceptions:
 - The benefit is used solely to defray the expenses that accrue in the performance of duties or activities in connection with the office which are nonreimbursable by the state or political subdivision;
 - A political contribution as defined by Title 15 of the Election Code; or
 - An item with a value of less than \$50, excluding cash or a negotiable instrument;
- Not use information received in connection with my duties as an appraiser, assessor, or collector for my own purposes or for my own gain, unless such information can be known by ordinary means to any ordinary citizen;
- Engage in an official act that is dishonest, misleading, fraudulent, deceptive, or in violation of law;
- Not conduct my professional duties in a manner that could reasonably be expected to create the appearance of impropriety;
- Not accept an appraisal, assessment, or collection related assignment that can reasonably be construed as being in conflict with my responsibility to the Orange County Appraisal District, my employer or client, or in which I have an unrevealed personal interest or bias; and
- Not accept an assignment or responsibility in which I have a personal interest without full disclosure of that interest.

The Orange County Appraisal District contracts with Pritchard and Abbott, Inc. to appraise industrial real and personal properties, utility properties, and natural resource properties.

Educational Requirements

The Texas Department of Licensing and Regulations (TDLR) requirements for certification of appraisers consist of educational requirements under time allotments. Successful completions of educational courses as well as level examinations are mandatory. After appraisers have completed the Level 4 examination and the number of hours of experience has been met, a designation of RPA, Registered Professional Appraiser, is awarded. The appraiser must then re-certify every 24 months from the date of the first certification while

registered. Re-certification consists of obtaining 30 continuing education units (CEU's) annually.

TDLR's requirements for an appraiser certification are as follows:

Class 2 (must be completed within 12 months of becoming registered as Class 1 Appraiser):

- 32 hours of Basics of Texas Property Tax System
- 8 hours of Professional Ethics

Class 3 (must be completed within 36 months of becoming registered as a Class 1 Appraiser):

- 18 hours of Income Approach to Value
- 18 hours of Theory and Practice of Personal Property Appraisal
- 15 hours of Uniform Standards of Professional Appraisal Practices (USPAP)
- 24 hours in Theory and Practice of Appraisal of Real Property
- Class 3 Examination

Class 4 RPA (must be completed within 60 months of becoming registered as a Class 1 Appraiser and cannot be earned until the registrant has 36 months of experience as an Appraiser registrant.)

- 18 hours in Analyzing Real Property Appraisal
- 16 hours in Texas Property Tax Law
- 18 hours in Mass Appraisal
- 3.5 hours in USPAP (if no USPAP within 2 years)
- Class 4 Examination

Record Keeping

Orange County Appraisal District is responsible for establishing and maintaining approximately 80,000 real and personal property accounts covering the entirety of Orange County. The data includes property ownership, location, description characteristics and exemption information.

Retention periods for documents including appeal records, appraisal cards, appraisal correspondence, appraisal field notes, appraisal monitoring documentation, appraisal rolls, amendments and notices, and litigation information are required by the State of Texas. These requirements differ from the record keeping requirements of the USPAP; therefore, a JURISDICTIONAL EXCEPTION applies. The District's board of directors has chosen the Texas State Library and Archives Commission's rules on records retention as its policy. A copy of this policy can be obtained from the chief appraiser.

Pursuant to Local Government Code §203.041 – Texas State Library and Archives Commission SLR 500 (2/9.3), original filing July 28, 1994, Page 6 of 45.

Information Systems

The District uses the Orion Software System by Tyler Software Group for its computer assisted mass appraisal (CAMA) system. The district's website and information technology interfaces are designed and maintained by BIS Consultants.

Taxing Jurisdictions

The Orange County Appraisal District is responsible for appraising all properties within the county boundaries. This area includes the following jurisdictions:

County of Orange	Orange County Navigation and Port District
Orange County Drainage District	Bridge City ISD
Little Cypress-Mauriceville CISD	Orangefield ISD
Vidor ISD	West Orange-Cove CISD
City of Bridge City	City of Orange
City of Pine Forest	City of Pinehurst
City of Port Arthur	City of Rose City
City of Vidor	City of West Orange
Orange Co. Water Control #1	Orange Co. ESD #1
Orange Co. ESD #2	Orange Co. ESD #3
Orange Co. ESD #4	

SCOPE OF THE APPRAISAL

Purpose and Intended Use

Orange County Appraisal District is charged with the appraisal of all real estate and tangible personal property, unless specifically exempted, within its jurisdiction. As directed by the Texas Property Tax Code, “except as otherwise provided...all taxable property is appraised at its full “market value” as of January 1. This is to be done in an equitable and efficient manner and to be used for ad valorem tax purposes in accordance with said laws of the State of Texas.

Market Value

Market value as defined by the Texas Property Tax Code differs from the definition used by USPAP; therefore, a JURISDICTIONAL EXCEPTION applies.

The following is the definition of market value as found in Section 1.04 of the Texas Property 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; and
- Both the seller and purchaser know of all the uses and purposes to which the property is adapted and for which it is capable of being used and of the enforceable restrictions on its use; and
- Both the seller and purchaser seek to maximize their gains and neither is in a position to take advantage of the exigencies of the other.

The purpose of and intended use of the appraisals performed by the Orange County Appraisal District is to estimate market value for ad valorem tax purposes for the taxing entities it serves.

Administrative Requirements

This mass appraisal was conducted in accordance with the 2018-2019 Orange County Appraisal District reappraisal plan and the methods and procedures described in the Appraisal Manual and Procedures Manual of the district. Furthermore, the district subscribes to the standards of the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practices (USPAP) in accordance with Section 23.01(b) of the Texas Property Tax Code.

Property Rights Appraised

Most properties are appraised as fee simple interest unless otherwise required by the Texas Property Tax Code. Restrictions, easements, encumbrances, etc., however, are considered on an individual basis. Fractional interests or partial holdings are appraised in fee simple for the total

property and divided proportionately based on the pro-rated interests. Fee simple estate is defined by the Dictionary of Real Estate, 2nd Ed. (published by the Appraisal Institute) as: “an absolute ownership unencumbered by any other interest of estate subject only to the four powers of government.” In some properties where existing leases are in place, the Fee Simple interest is appraised subject to leasehold.

General Assumptions and limiting Conditions

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

- The appraisals were prepared exclusively for ad valorem tax purposes.
- All property is appraised as if free and clear of any or all liens or encumbrances unless otherwise stated. All taxes are assumed to be current.
- No responsibility is assumed for the legal description or for matters including legal or title considerations. Title to any property is assumed to be good and marketable unless otherwise stated.
- Assumptions made in the report are based on the best knowledge and judgment of the appraiser and are believed to be typical of the market.
- The property characteristics data upon which the appraisal is based are assumed to be correct.
- Physical inspections of the property appraised were performed as staff resources and time allowed. Inspections were also performed using aerial photography.
- Any drawings, photographs, plans or plats are assumed to be correct and are included solely to assist in visualizing the property.
- No responsibility is assumed for hidden or unapparent conditions in the property that may affect its value.
- All property is appraised as though under responsible, adequately capitalized ownership and competent property management.
- It is assumed that there is full compliance with all applicable federal, state and local environmental regulations and laws unless noncompliance is stated, defined and considered in this mass appraisal report.
- It is assumed that all applicable zoning and use regulations and restrictions have been complied with unless nonconformity has been stated, defined and considered in this mass appraisal report.
- It is assumed that all required licenses, certificates of occupancy, consents or other legislative or administrative authority from any local, state or national government or private entity or organization have been or can be obtained or renewed for any use on which the value estimate contained in this report is based.
- It is assumed that the utilization of the land and improvements of the properties described are within the boundaries or property lines, and that there are no encroachments or trespasses unless noted on the appraisal record.
- Unless otherwise stated in this report, the appraiser is not aware of the existence of hazardous substances or other environmental conditions. The value estimates are predicated on the assumption that there is no such condition on or in the property or in

such proximity thereto that it would cause a loss in value. No responsibility is assumed for any such condition, or for any expertise or engineering knowledge required to discover them.

Effective Date of Appraisal and Date of the Report

With the exception of certain inventories for which the property owner has elected a valuation date of September 1, 2018, all appraisals are as of January 1, 2019. The Date of this report is August 9, 2019.

Documentation for Mass Appraisal

The documentation for this report is contained in the appraisal records, property cards, appraisal and procedures manuals, sales ratio studies and supporting data maintained by Orange County Appraisal District.

VALUATION PROCESS

Property Identification

Orange County Appraisal District field cards and appraisal records identify properties by account number, address (when applicable), current owner's name and property description.

The account numbers are twelve (12) digit numbers, formatted as xxxxxx-xxxxxx. Account numbers consist of a six digit subdivision number which identifies the subdivision or abstract in which the property is located, and a six digit sequential number that identifies individual properties within the subdivision or abstract. A random number is also generated by the computer system and assigned to each property.

The physical address (situs address) is listed when this information is known. Some properties, such as unimproved land, may state only the street name. Appraisers are constantly updating situs addresses, as they become available.

Due to limited space, Orange County Appraisal District field cards provide a brief property description only. This description may be a full legal description or it may be in abbreviated form. No metes and bounds descriptions are reported on the appraisal cards. However, the Map Department, from deed records furnished by the County Clerk, obtains this information. These detailed legal descriptions are then used to maintain and update ownership and map records throughout the County and a digital image is stored in the computer file of each property.

Area Analysis

The universe of properties appraised by the Orange County Appraisal District falls within the physical boundaries of Orange County. Orange County is located in the extreme southeast corner of Texas, on the western shore of the Sabine River which separates Texas from Louisiana. The City of Orange is about 100 miles east of Houston and 36 miles upstream from the Gulf of Mexico.

The City of Orange is the county seat of Orange County. Orange County is one of three counties that comprise the Beaumont-Port Arthur metropolitan statistical area (MSA). The other counties in the MSA are Jefferson and Hardin. This region is commonly referred to as the “Golden Triangle” (a reference gained some years ago due to the prosperity associated with the oil industry), or “Triplex”.

Within Orange County, the major cities are Orange, Vidor, and Bridge City. The greater Orange area includes the neighboring cities of West Orange and Pinehurst. The unincorporated areas of Little Cypress and Mauriceville are a portion of Orange County.

Orange County’s economy is based largely upon manufacturing industries. As a result of the high concentration of large-scale manufacturing plants, Orange County’s labor force is comprised of large numbers of skilled craftsmen. Many “multi-apprenticeship” programs and a local emphasis on vocational and technical instruction are largely responsible for the well-trained and highly skilled work force of the area.

Four major highways serve Orange. The largest of these is Interstate Highway 10, an east-west freeway providing access to Houston and the state of Louisiana. Three state highways provide north and south access. Texas State Highway 87 parallels the Texas, Louisiana border and connects Orange to Port Arthur. Texas State Highway 62 connects Orange with U.S. Highway 96 in Buna, north of Orange in Jasper County. Texas State Highway 105 connects Vidor with U.S. Highway 96 in Evadale, north of Vidor in Jasper County.

Commercial air transportation service is provided by airlines operating from the Jefferson County Airport located between Beaumont and Port Arthur and about 26 miles from downtown Orange.

General aviation facilities are available at the Orange County Airport, west of Orange. The airport has a 4,400 foot paved runway and a 5,000 foot runway and is attended during daylight hours, with pilot control lighting available for emergency night landings.

The Port of Orange is a deep-water port located 36 miles upstream from the Gulf of Mexico on the Sabine River. The Sabine River channel has a project depth of 30 feet and a bottom width of 200 feet. The port is served by rail, motor freight and barge carriers.

Neighborhood Analysis

A neighborhood is a grouping of complementary land uses affected equally by the four forces that influence property value: social trends, economic circumstances, governmental contacts and regulations, and environmental conditions. These factors have an impact on the value of properties within this grouping and in turn on properties being appraised.

Individual neighborhood boundaries within the County vary according to market indications and the type of property being appraised. The boundaries of these neighborhoods may be physical,

geographical or political in nature. Generally, residential neighborhoods consist of individual subdivisions or areas of similar properties located within the same cities or school districts. Commercial neighborhoods may be smaller areas within a city, an entire city or rural area. Industrial neighborhoods may include the entire County or areas along navigable waterways. Defining neighborhood boundaries depends on the subject of the appraisal assignment. The Orange County Appraisal District has determined that school district boundaries will make up the five distinct neighborhoods for the District. This was determined by examination of fee appraisals and discussions with fee appraisers as to how they define neighborhoods as well as discussions with real estate agents about competing neighborhoods.

Highest and Best Use

The highest and best use of real estate is defined as the most reasonable and probable use of land that will generate the highest return to the property over a period of time. This use must be legal, physically possible, economically feasible, and the most profitable of the potential uses. An appraiser's identification of a property's highest and best use is always a statement of opinion, never a statement of fact.

In order to complete the highest and best use analysis of a property, an appraiser must estimate its highest and best use as if the land were vacant. This estimate ignores the value of and the restrictions created by any existing improvements. It is the highest value the land could have if it were available for any legal, physically possible and economically feasible kind of development.

In determining highest and best use, preliminary judgments are made in the field by appraisers. The appraisers are normally aware of zoning regulations within physical boundaries of the cities.

Orange County Appraisal District appraisals contain information describing size and configuration of the property being appraised. Using this information during the field inspection assists the appraiser in determining any limitations to potential uses of the property. Economically feasible and most profitable uses are determined by observing surrounding property. However, changes in property use require a more detailed and technical highest and best use analysis. These studies are usually performed in the office.

Following is a list of the property use codes currently used by Orange County Appraisal District:

- A1 Real, residential, single-family (on 5 acres or land or less)
- A2 Real, residential, mobile homes (on 5 acres of land or less owned by mobile home owner)
- B1 Real, residential, multi-family (apartments)
- B2 Real, residential, multi-family (duplexes)
- C1 Real, vacant platted lots/tracts (5 acres or less)
- C2 Real, vacant platted lots/tracts (5 acres or less) located within a city
- D1 Acreage, pasture and ranch land (5 acres or more)
- D2 Timberland
- D3 Farm land, rice, soybean and cropland
- D4 Undeveloped land (vacant land over 5 acres – not agriculture)
- D5 Over 20 acres, vacant
- E1 Real, farm and ranch improvements (on 5 acres or more of land)
- F1 Real, Commercial (hotels, motels, stores, office buildings)
- F2 Real industrial
- G1 Oil, gas and mineral reserves
- G2 Non-producing minerals
- J1 Real and tangible personal property, utilities (water systems)
- J2 Gas companies
- J3 Electric companies
- J4 Telephone companies
- J5 Railroads
- J6 Pipelines
- J7 Television and radio stations
- J8 Other, describe
- K1 Tangible personal property, commercial (farm and ranch equipment: machinery and livestock, privately-owned vehicles 1 ton and over used in farming)
- L1 Tangible commercial personal property, personal leased and business vehicles
- L2 Tangible industrial personal property
- M1 Tangible personal property – watercraft
- M2 Tangible personal property – private aircraft
- M3 Tangible personal property – mobile homes on leased land
- M4 Miscellaneous

Collection of Field Data for Reappraisal

Orange County Appraisal District currently conducts a countywide reappraisal on 3-year rotation. During the 2019 reappraisal period, all properties needing inspection were inspected and updated (if necessary) using either on-site field inspections or by using the District's Pictometry / GIS aerial photography. The latest photography was flown in February of 2019. Each year new properties are inspected, measured, when necessary, and added to the appraisal roll. In addition, building permits throughout the County are obtained and changes to accounts are made as indicated. Individual properties are also reappraised due to changes to the condition of the property in instances such as fire, remodeling, or an addition or demolition of a portion of the improvement. Appraisers will perform detailed field inspections of properties if requested by the owner.

The district's appraisers perform reappraisal inspections in the "field" and in the office. Inspections performed in the office are done using the Pictometry aerial imagery and the district's Geographic Information System (GIS). Improvements are reviewed and then flagged for either further office review or a site review as warranted. While making site inspections, appraisers utilize tablet computers and Mobile Office software. This software allows all of the pertinent information (property and improvement data as well as aerial photography) to be available while the appraiser is making the inspection and allow any change to the appraisal to be made while at the property. Examples of changes typically made during the inspection (in-office or site visit) may include changes to the age, condition, improvement add-ons, new construction and other forms of depreciation observed by the appraiser.

Market Analysis

Economic trends as well as national, regional and local trends affect the universe of property appraised in Orange County. An awareness of social, economic, governmental and environmental conditions is essential in understanding, analyzing and identifying local trends that affect the real estate market.

Market analysis is performed throughout the year. Both general and specific data is collected and analyzed.

Examples of sources of general data include "Trends", published by the Real Estate Center at Texas A&M University, "Valuation Insights & Perspectives", published by the Appraisal Institute, as well as financing information from local lending institutions. Information on zoning, demographics, labor statistics and transportation is also obtained from the incorporated cities. Chamber of Commerce information is also studied.

Sales information is received from various sources. These sources include various internet websites as well as conversations with local real estate appraisers, agents and brokers. In addition to these sources, Orange County Appraisal District receives scanned images of all deeds filed in

the Orange County Courthouse. From these deed transactions, the District mails out a sales survey to the sellers in an effort to obtain additional sales information that may not be otherwise discovered.

Data Collection/ Validation

Orange County Appraisal District cost and value schedules include land, residential improved, commercial improved and personal property. Data sources currently used by Orange County Appraisal District include cost information from Marshall and Swift Valuation Service, cost data obtained from local contractors and renditions provided by the property owners. Marshall and Swift Valuation Service is a national based cost manual and is generally accepted throughout the nation by the real estate appraisal industry. This cost manual is based on cost per unit or square foot and also used the unit in place method. The unit in place method involves the estimated cost by using actual building components. This national based cost information service provides the base price of buildings by classification with modifications for equipment and additional items. The District's schedule is then modified for time and location.

Local contractors and builders are another source of cost data utilized by Orange County Appraisal District. Local contractors provide cost data on new structures that is compared to cost information obtained from Marshall and Swift.

Renditions are confidential sources and cannot be used for specific information; however, data from renditions may be compared with data obtained from cost manuals and used to test schedules for accuracy.

Orange County Appraisal District schedules are then formulated from a combination of each of these sources. Schedules may also be modified for market data (sales information).

Data on individual properties is also collected from the field, compiled and analyzed. Buildings and other improvements are inspected in the field, measured and classified. The appraiser estimates the age and condition of the improvements. This data is used to compile depreciation (loss of value) tables. Any notes pertaining to the improvements are made during inspection.

Currently, single family dwellings are classified for quality of construction from Class 1 to Class 6. Class 1 is the most basic of structures and Class 6 is a structure of excellent quality. Manufactured homes are classified from Class 1 to Class 4. The type of siding is noted. Commercial and light industrial classifications are more detailed and are based on a variety of building styles and uses. A list of commercial building types is included in this report. Benchmark properties, along with their descriptions, attributes and photographs are maintained in the District's appraisal manual.

The age of buildings is based on effective age and is used to estimate depreciation. Effective age is the age the property appears to be due to maintenance and upkeep. Effective age for a house that is properly maintained may be its actual or chronological age; however, if a structure suffers

from deferred maintenance due to neglect, its effective age may be older than the actual age. In contrast, if a house is an older structure and has been remodeled or updated, its effective age may be less than its actual age.

Depreciation is also estimated by condition of improvements. Conditions range from poor, fair, average, good and excellent. Appraisers in the field usually inspect structures from exterior perspectives. The interior condition is assumed to be similar to the exterior. However, at the request of the taxpayer, an interior inspection will be made by appointment. Foundation failure may occur in varying degrees and may also result in loss of value. Orange County Appraisal District measures foundation failure and makes adjustments based on cost information from local foundation contractors to repair foundations using concrete piers or other stabilization techniques.

Additional depreciation may be estimated for a variety of reasons including functional obsolescence resulting from a bad floor plan or out of date construction methods. Economic obsolescence results from a loss in value to a property due to adverse influences from outside the physical boundaries of the property. Examples of economic obsolescence may be proximity to commercial or industrial property or heavy traffic patterns.

Valuation Analysis

Orange County Appraisal District valuation schedules are divided into two primary classifications: Real and Personal Property. Real property schedules include site-built residential and manufactured homes. Commercial properties are appraised using Marshall and Swift Valuation, Inc. and the income approach when data is available. Miscellaneous special categories such as special inventory and agricultural land are appraised using different techniques, which will be addressed later in this report. Depreciation tables / schedules (loss of value schedules) are also included within these schedules. These tables are calibrated from cost data as well as sales data and are updated as needed. The Residential and Commercial Schedules are available upon request from the Appraisal District.

Residential Schedules

Residential valuation schedules are cost-based tables modified by actual sales with the cost reflecting the actual replacement cost new of the subject property. Market research indicates that the common unit of comparison for new residential construction as well as sales of existing housing is the price paid per square foot. The value of extra items is based on their contributory value to the property. This value may be estimated by the price per square foot or a value of the item as a whole. This data is extracted from the market by paired sales analysis and conversations with local appraisers and brokers. These schedules were originally formulated from the cost of new residential construction due to the stability of the market. Then the schedules were tested against the Marshall and Swift Valuation Service Residential Handbook. The District's appraisal manual includes benchmark properties showing photographs and descriptions which help each

appraiser determine the property classification to be used on each subject property. Variables listed below are included in these descriptions.

The residential schedule is based on quality of construction, size of structure, age of structure, condition of structure, contributory value of extra items and land value. Each of these variables has a direct impact on the cost as well as the value of a property. Following is an example of each of the variables and how they may affect market value.

1. Quality of Construction: Residential construction may vary greatly in quality of construction. The type of construction affects the quality and cost of the material used, the quality of the workmanship, as well as the attention paid to detail. The cost and value of residential property will vary greatly depending on the quality of construction. As stated above Orange County Appraisal District residential schedules currently class houses based on quality of construction from 1 to 6. This classification is supported by Marshall and Swift Valuation Service which classifies houses according to the following 6 categories: low quality, fair quality, average quality, good quality, very good quality and excellent quality.
2. Size of Structure: The size of a building also has direct impact on its cost as well as its value; the larger the building, the less the cost per square foot. Orange County Appraisal District schedules are graduated in size increments from 100 to 200 square feet, depending on market conditions. Marshall and Swift Valuation Service also supports this size factor.
3. Stories: The number of stories can also have an impact on a structure's cost. This is primarily due to the fact that foundation costs do not have to be included. Orange County Appraisal District schedules consider the cost difference between 1 story, 1 ½ story and 2 story structures. Marshall and Swift Valuation Service also supports this factor.
4. Condition of Improvements: Orange County Appraisal District rates conditions as poor, fair, average, good, and excellent. These conditions are given numerical symbols from 5 to 1 respectively. Properties that, in the opinion of the appraisers, are unlivable are not appraised according to the schedule. Rather, they are appraised at a fair market or salvage value.
5. Age of Structure: Orange County Appraisal District's residential schedule groups age categories as 0 to 2 years of age, 3 to 5 years, and by increments of 3 years thereafter, up to the age of 50 years. This method is supported by conversations with local appraisers and builders who estimate the economic life of residential properties to be approximately 50 years. Properties in the 51 years and older bracket are given the maximum amount of depreciation. As stated above, effective age and chronological age may or may not be the same, depending on the condition of the structure.
6. Extra Items: As stated above, extra items are valued according to their contributory value to the whole. Examples of extra items include covered porches and patios, screened or enclosed porches, storage buildings, swimming pools, and in some instances fireplaces.

7. Land Value: Orange County Appraisal District values land based on market transactions. Units of comparison depend on how the property is purchased. For example, large acreage tracts are usually purchased based on the price paid per acre. Commercial tracts are purchased based on the price per square foot and residential properties are purchased based on the price per front foot. Depth factors are used to modify values according to market indicators. Land prices vary throughout the County; therefore, their values are dependent upon homogenous areas. Land schedules for residential, commercial, agricultural and industrial properties are available upon request from the Appraisal District.

The residential schedule has one depreciation schedule. This schedule is used to estimate the loss in value of improvements due to age and condition. This depreciation schedule is included as ADDENDUM #3 of this report.

The sales comparison model used by Orange County Appraisal District is one designed by The Software Group (TSG) and is known as Orion. This program has the capability of selecting comparable sales according to the property use, quality of construction, location, size, condition and age. The comparable sales may be selected by the computer or manually selected by the appraiser. Adjustments are made in dollar increments and may be made for tract size, quality of construction, age of improvements, condition of improvements, functional adequacy, size of improvements, and for additional items. As previously stated, inspections of property are made by exterior perspective; therefore, interior finish as well as interior components are assumed and are not adjusted. All financing for comparable sales is considered typical to the market. The final estimate of value is a correlation of the comparable sales after net adjustments have been deducted from the sales price to equal the subject property. The value by this method is estimated by the appraiser and is not a function of the computer.

Commercial Schedules

Commercial valuation schedules are market-modified; cost-based tables reflection replacement cost new of the subject property. Market research indicates that the common unit of comparison for new, commercial construction is the price paid per square foot. The value of extra items is based on their contributory value to the property. This value may be estimated by the price per square foot or by a value of the item as a whole. These schedules are Marshall and Swift Valuation Service adjusted for area. The District's computer assisted mass appraisal system (CAMA) has the Marshall and Swift Valuation Service built in for ease of use.

The commercial schedule is based on type of construction, quality of construction, age of structure, condition of structure, contributory value of extra items and land value.

The types of commercial buildings vary greatly depending on the intended use of the property. Categories are valued using Marshall & Swift Valuation Service. Following is a list of commercial property types:

Auto Showroom	Drive-in Grocery
Bar / Tavern	Fast Food Restaurant
Barber Shop	Laundromat
Bowling Alley	Lodges, Clubs & Dance Studios
Car Wash	Lumber Yard Building
Cafeteria	Material Storage
Clinic, Dental or Medical	Markets
Discount Store	Mini-Warehouse
Mobile Home Park	Rice Dryer
Mortuaries	Service Station
Motels	Telephone Relay & Switching Station
Multi-family Buildings	Hospital
Nursing Homes	Churches
Offices	Post Offices
Medical Offices	Libraries
Banks	Fire Stations
Government Offices	Schools
Veterinarian Clinic	Theaters / Auditoriums
Restaurant	Telephone Company Work Centers
Retail and Department Store	Warehouse & Auto Service Garages
Shopping Center	

Orange County Appraisal District rates quality for commercial properties as low, average, good, very good and excellent. These conditions are given numerical symbols from 1 to 5 respectively. Properties that, in the opinion of the appraisers, are considered to be below low quality are appraised at a fair market value.

Age of Structure: Orange County Appraisal District uses the depreciation schedule of Marshall and Swift Valuation Service.

The commercial schedule's depreciation schedule / table are based on the loss of value resulting from age and quality. Additional depreciation may be added on a case by case basis. The commercial property depreciation table is included as ADDENDUM #4 of this report.

Business Personal Property Schedules

The Personal Property Schedule values furniture, fixtures, and equipment, as well as inventory, that is taxable by law. This schedule is based on cost less depreciation. The data to develop these schedules is compiled from various sources including cost manuals and acquisition information provided by the property owner. Sales information of personal property or inventory is difficult to obtain due to the lack of a local organized database.

Codes for Personal Property schedules are based on Standard Industrial Classification Codes or SIC codes. These codes were developed to classify establishments by the type of business activity in which they are engaged and for the purposes of facilitating the collection, tabulation, presentation, and analysis of data relating to establishments for promoting uniformity and comparability in the presentation of statistical data collected by various agencies of the United States Governments, state agencies, trade associations, and private search organizations.

The Personal Property schedule contains depreciation tables based on condition and age. These schedules are available upon request from the Appraisal District.

Statistical Analysis

The use of statistics is a way to analyze data and study the characteristics of a collection of properties. In general, it is not feasible to study the entire population; therefore, statistics are introduced into the process.

Orange County Appraisal District statistical analysis on real estate is based on measures of central tendency and measures of dispersion. The measure of central tendency determines the center of a distribution. The measures of central tendency utilized with the aid of the Orion computer system are the mean, median, mode and the weighted mean.

The measure of dispersion calculated is the coefficient of dispersion. This analysis is used to indicate spread from the measure of central tendency. Statistical bias is measured by the price-related differential (PRD). The PRD indicates how high-priced properties are appraised in relation to low-priced properties.

Individual Value Review Procedures

In order for comparable sales data to be considered reliable, it must contain a sales date, sales price, financing information, tract size, and details of the improvements. Confirmation of MLS sales is considered reliable. Commercial sales are confirmed from the direct parties involved,

including brokers. Confirmation of sales from local real estate appraisers is also considered reliable.

Sales information includes vacant land, subdivision lots, improved residential dwellings, commercial properties as well as industrial properties. Sales data is compiled and the improved properties are physically inspected. These sales are compared to the existing data on the field cards and changes are made as indicated. These changes included age and condition as well as any improvements made to the property before the sale takes place. When sales data indicates a difference in the improvement's square footage over 5%, the buildings are inspected and measured if necessary.

These sales may indicate upward or downward trends in the market as well as changes in property uses. Multiple sales of the same property over a period of several years are usually reliable indicators of changes in the market for time.

Individual sales are analyzed to meet the test of market value. Only arms-length transactions are considered.

Examples of reasons sales may be deleted or not considered are:

1. Properties are acquired through foreclosures or auctions.
2. Properties are sold between relatives.
3. The buyer or seller is under duress and may be compelled to sell or purchase.
4. Financing may be non-typical or below or above prevailing market rates.
5. Considerable improvements or remodeling have been completed since the date of the sale and the appraiser is unable to make judgments on the property's condition at the time of the transaction.
6. Sales may be unusually high or low when compared with typical sales located in the market area. Some sales may be due to relocation or through divorce proceedings.
7. Conversations with parties involved indicate that they believe they paid above or below current market value.
8. Properties are purchased by individual investors or investment companies for immediate resale.
9. The property is purchase through an estate sale.
10. The sale involves personal property that is difficult to value.
11. There are value-related data problems associated with the sale; (i.e.; incorrect land size or square footage of living area).
12. Property use changes occurring after the sale.

After the sales have been inspected and analyzed, dividing the appraised value of the property derives a sales ratio by its actual sales price. These ratios are used to estimate current values and are good indicators of any changes that may be taking place in the market.

Statistical analyses and paired sales analyses are performed to update or modify schedules. The details of these analyses were discussed in the valuation section of this report.

Approximately 90% to 95% of the data received from all sources are single family residential sales. Historically and currently there are no accessible commercial databases located within Orange County. Attempts to organize these services have met with little enthusiasm from local commercial brokers as well as independent appraisers. This information is considered private. Therefore, reliable commercial sales data as well as income and expense information is difficult to obtain and is not generally available. The State of Texas is known as a non-disclosure state. The buyer or seller is under no obligation to report sales prices on deed transactions. Deeds filed typically state the consideration as the "ten dollars and other consideration".

Performance Tests

Sales ratio studies are used to evaluate the District's mass appraisal performance. These studies not only provide a measure of performance, but also are an excellent means of improving mass appraisal performance. Orange County Appraisal District uses ratio studies not only to aid in the reappraisal of properties, but also to test the State Comptroller's Property Tax Division Annual Property Value Study results.

The ratio study usually begins in February with all sales runs being compiled by school districts. Outliers and questions that were not identified in the field are reviewed and analyzed. Field cards indicating results of inspections are available for each individual sale to further aid the analysts in making decisions regarding outliers.

Outliers are characterized as having low or high ratios. They can result from an erroneous or unrepresentative sale price, an error in the appraisal or a mismatch between the property sold and the property appraised.

The remaining sales are then correlated to indicate comparable neighborhoods within each school district. The sales from each comparable neighborhood are grouped (stratified) according to classification. The median ratio indicated by the sales is then compared to the desired ratio. The coefficient of dispersion is also studied to indicate how tight the ratios are in relation to the measures of central tendency. The median and coefficient of dispersion are good indicators of the types of changes to be made if any are necessary. The use of market modifiers is the predominant method of adjusting sales to indicated market values. Market modifiers are methods of adjusting property to equal the market without changing the schedules.

Independent Performance Tests

Section 5.10 of the Texas Property Tax Code requires that “at least once every two years, the Comptroller shall conduct a study in each appraisal district the degree of uniformity of and the median level of appraisals by the appraisal district within each major category of property. The Comptroller shall publish a report of the findings of the study, including in the report the median levels of appraisal for each major category of property, the coefficient of dispersion around the median level of appraisal for each major category of property, and any other standard statistical measures that the Comptroller considers appropriate.” To date, the district has always been successful in preparing values that fall within the confidence intervals set by the property value study performed by the Comptroller.

Valuation Changes

Residential properties saw a 5% increase in value in all school districts except West Orange Cove CISD. This increase was due to an uptick in the residential market in Orange County over last year.

Commercial properties county-wide saw slight cost increases due to Marshal and Swift Cost Services; a national commercial costing service used by the district. Most of these increases were somewhat offset by the additional depreciation caused by the increased age of the improvements being appraised. As the district has been able to acquire and confirm income and expense information, the Income Approach to value has been considered in the appraisal process. Currently, this approach has become the primary estimate of value in appraising hotels. This approach was used as a secondary valuation indication in several other commercial property types.

Business Personal Property was tested by comparing the District’s appraised value against renditions deemed accurate. No major changes to the district’s schedules were made for 2019.

Industrial, Utility and Mineral properties ere worked by the district’s industrial appraisers, Pritchard and Abbott, Inc.

