

ORANGE COUNTY APPRAISAL DISTRICT

**2011 and 2012
Reappraisal Plan**

**As Adopted by the OCAD
Board of Directors**

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EXECUTIVE SUMMARY

The Orange County Appraisal District (OCAD) is responsible for the appraisal of all classes of taxable property located within its jurisdictional boundaries. The boundaries include all property located in Orange County. OCAD is responsible for the discovery, listing and appraisal of approximately 71,243 accounts of which 53,138 are real property parcels; 6,867 are mineral accounts; and 4,518 are business and other personal property accounts. The District serves 22 taxing units consisting of 5 school districts, 8 cities, 1 county, and 8 special use districts, such as navigation, drainage, water supply, road and bridge, and emergency services. Orange County Appraisal District employs an outside appraisal firm, Pritchard & Abbott, Inc., to appraise minerals, oil and gas, utilities, and various other complex properties. Pritchard and Abbott, Inc. appraisers are also guided by the principles set forth in USPAP.

LEGAL REQUIREMENTS

The Texas Constitution contains the laws that form the foundation for the Texas Property Tax Code. The Tax Code provides an annotated and cross-referenced version of the tax laws that govern property tax administration in Texas. The provisions contained in the Texas Constitution, the Texas Property Tax Code, related case law, and Attorney General's opinions, serve as the primary source of law that govern the activities of the Orange County Appraisal District. Further, in Texas, ad valorem tax administration is subject to all state, county, and municipal laws.

TAX CODE REQUIREMENT

Passage of S.B. 1652 amended the Tax Code to require a written biennial reappraisal plan. The following details the changes to the Tax Code:

The Written Plan

Section 6.05, Tax Code, is amended by adding Subsection (i) to read as follows:

- (i) 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 of 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.

Plan for Periodic Reappraisal

Subsections (a) and (b), Section 25.18, Tax Code, are amended to read as follows:

- (a) Each appraisal office shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.08(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 the 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.

REVALUATION DECISION (REAPPRAISAL CYCLE)

The Orange County Appraisal District, by policy adopted by the Board of Directors, reappraises all property in the district every year. The revaluation process includes the physical inspection of properties and the updating of all necessary information on the properties. In addition, OCAD appraisers inspect all new construction each year. Tax years 2011 and 2012 are reappraisal years. The chief appraiser will provide a notice of appraisal for each property in compliance with Section 25.19 of the Property Tax Code. The activities involved in the appraisal analysis are described below.

REAPPRAISAL YEAR ACTIVITIES

1. Performance Analysis – the equalized values from the previous tax year are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity overall and by market area within property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* of the International Association of Assessing Officers (IAAO).
2. Analysis of Available Resources – staffing and budget requirements for tax year 2011 will be detailed in the 2011 budget, as adopted by the Board of Directors and attached to the written biennial plan by reference. Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. Information Systems (IS) support, existing maps and data requirements are detailed with year specific functions identified and system upgrades scheduled.
3. Planning and Organization – a calendar of key events with critical completion dates is prepared for each major work area. This calendar identifies all key events for appraisal, clerical, customer service, and information systems. A calendar is prepared for tax years 2011 and 2012. Production standards for field activities are calculated and incorporated in the planning and scheduling process.
4. Mass Appraisal System – Computer Assisted Mass Appraisal (CAMA) system revisions required are specified and scheduled with Information Systems. All computer forms and IS procedures are reviewed and revised as required.
5. Data Collection Requirements – field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include inspection of each property; either by site inspection or by using the Pictometry aerial photography, measuring new construction, checking for demolition or remodeling, re-inspection of problematic market areas, and field or office verification of sales data and property characteristics.
6. Pilot Study by Tax Year – new and/or revised mass appraisal models are tested each tax year. Ratio studies, by market area, are conducted on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability in randomly selected market areas. Pilot modeling and ratio studies will be conducted in accordance with International Association of Assessing Officers (IAAO) standards and the Uniform Standards of Professional Appraisal Practices (USPAP).

7. Valuation by Tax Year – using market analysis of comparable sales and locally tested cost data, valuation models are specified and calibrated in compliance with supplemental standards from the International Association of Assessing Officers (IAAO) and the Uniform Standards of Professional Appraisal Practice (USPAP). The calculated values are tested for accuracy and uniformity using ratio studies.
8. The Mass Appraisal Report – each tax year, the tax code required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 15th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6-8 of the *Uniform Standards of Professional Appraisal Practice*. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6-9 OF *USPAP*. This written reappraisal plan is attached to the report by reference.
9. Value Defense – evidence to be used by the appraisal district to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings will be developed, tested, and made available to the property owner or agent upon request.

REVALUATION DECISION

The Orange County Appraisal District, by policy adopted by the Board of Directors, reappraises all property in the district every year. The reappraisal is a complete appraisal of all properties in the district.

TAX YEAR 2011

Tax year 2011 is a reappraisal year.

TAX YEAR 2012

Tax year 2012 is a reappraisal year.

PERFORMANCE ANALYSIS

In each tax year, 2011 and 2012, the previous tax year's equalized values are analyzed with ratio studies to determine appraisal accuracy and appraisal uniformity overall and by market area within state property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* from the International Association of Assessing Officers. Mean, median, and weighted mean ratios are calculated for properties in each reporting category to measure the level of appraisal (appraisal accuracy). The mean ratio is calculated in each market area to indicate the level of appraisal (appraisal accuracy) by property reporting category. In 2011 and 2012, this analysis is used to develop the starting point for establishing the level and accuracy of appraisal performance.

ANALYSIS OF AVAILABLE RESOURCES

APPRAISAL RESOURCES

Staffing and budget requirements for tax year 2011 are detailed in the 2011 appraisal district budget as adopted by the Board of Directors and attached to the written biennial plan by reference. This reappraisal plan is adjusted to reflect the available staffing in tax year 2011 and the anticipated staffing for tax year 2012. Staffing will impact accomplishment of real property re-inspection and personal property on-site review for each year.

The OCAD staff consists of the chief appraiser, deputy chief appraiser, appraisers, GIS, data processing, secretarial, and other support type personnel. OCAD currently employs eight registered professional appraisers. Three additional employees are registered with the Texas Department of Licensing and Regulations and are receiving training classes toward their designation.

OCAD appraisers are actively involved in the discovery, listing, and appraisal of all types of property. Properties are grouped by location, type, use, quality, and a variety of other quantitative data elements. A common set of data characteristics on each specific type of property is observed, listed, and collected during field inspection. Each appraiser is trained in the use of the Orange County Appraisal District's appraisal manual, CAMA system, appraisal techniques, methodology, and philosophy in the use of this information.

Real property appraisal depreciation tables and cost new tables are tested against verified sales data to ensure they represent current market data. The capitalization rate study by commercial real property type is updated from current market data and market rents are revised and updated from local published data. Personal property density schedules are tested and analyzed based on rendition and prior year hearing documentation.

COMPUTER RESOURCES

Orange County Appraisal District contracts with Tyler Technologies, Inc. for appraisal administration software. OCAD employs the use of a server driven computer network with personal computers as workstations to form the CAD computer system. The OCAD appraisal software is a CAMA system (computer assisted mass appraisal). This system contains cost and depreciation schedules that utilize common data elements to assist in creating base values. The district also provides each appraiser with a "tablet" computer for use in the field. Each computer is equipped with wireless broadband internet service which allows the use of live district CAMA and mapping software. With this capability, all real and personal property accounts are inspected, the data entered, and the appraisal completed while in the field.

The entire OCAD database is available to the public via the Internet at www.orangecad.net. This service provides instant access to individual property information including homestead, ownership, address and all related appraisal data as of the last certified roll. This information includes square foot of building segment area, land size, age, class, construction type, and a variety of other useful information. Computer generated forms are reviewed for revisions based on year and reappraisal status.

MAPPING RESOURCES

Orange County Appraisal District uses a Geographic Information System (GIS) for the purpose of providing an accurate mapping system. The GIS System consists of a server and PC computers and operates ARC/INFO 9.3. At this time, 100% of the District is entered into the GIS system. Recent aerial photography is integrated into the GIS system and is available for employees and taxpayers to use. The mapping department receives scanned copies of all deeds on a daily basis. This information is used to make ownership changes and property splits as they are received. The mapping department is currently reviewing all mapped accounts to check for accuracy of the placement of property lines over the aerial photography. Footprint drawings of each improvement are being drawn over the improvement photographs. Placing the drawn footprints over the new photographs will show any new improvements or removed improvements.

INFORMATION SOURCES

OCAD appraisal staff and administration collect data on local and regional economic forces that may affect value. Locational forces are carefully observed as we find location to be the most significant factor in determining the market value of the property in our geographic area. General trends in employment, interest rates, availability of vacant land, and new construction trends are closely monitored. OCAD obtains information from local realtors, mail surveys, brokers, appraisers, and a variety of other sources.

THE DATABASE

The Orange County Appraisal District database was constructed from property data obtained originally from Orange County and the 5 school districts in 1981. Data received was on-site field-inspected and revised to create the foundation of our current database. Since the inception of the Appraisal District, this database has been continually updated to recognize the current status of the property records. A variety of programs designed to discover changes that may occur to data elements are maintained. Property inspections occur annually as well as resulting from information gathered during various forms of analysis. Building permits, field review, renditions, reports of value, local news publications, tax office, and the public are but a few of the sources of information considered by staff analysts during the discovery phase of the appraisal process. Information from building permits is compiled from local taxing units, sorted, and keypunched into our computer-assisted building permit system.

Data collection in the field requires preparation of maps, computer generated appraisal cards, and coordination of staff. Properties are grouped by type, location, and neighborhood prior to the start of the fieldwork. The Comptroller's Property Tax Division (PTD) property types include Residential, Multi-family, Commercial, Industrial, Farm and Ranch, Vacant Land and Acreage, Mineral, Utilities, Business Personal Property, and other Special Inventory types.

Properties are also grouped by location within each of our five school districts. Within each school district are neighborhoods, defined by the IAAO as the environment of a subject property that has a direct and immediate effect on value. The neighborhood concept is used in the grouping of all taxable property located in OCAD with the exception of some special use properties.

PLANNING AND ORGANIZATION

A calendar of key events with critical completion dates is prepared for each major work department. This calendar identifies all key events for appraisal, clerical, customer service, mapping and information systems. A separate calendar is prepared for each reappraisal year (2011 and 2012). Production standards for field activities are calculated and incorporated in the planning and scheduling process. The scope of work, available time frame, staffing resources, and any budgetary constraints have been considered in the development of this reappraisal plan.

Over the past five years, two major hurricanes have occurred which have caused severe devastation to Orange County. This has caused the district to significantly revise its plans for reappraisal in those years. The district has adopted procedures to provide for these type changes to its reappraisal plan.

2011 APPRAISAL CALENDAR

JANUARY

Holiday New Years' Day January 1& 2

1

- Mail VIT Declarations
- Mail applications for annual exemptions
- Reappoint Ag Committee
- Date that 2009 taxable values and qualification for certain exemptions determined (except for inventories appraised September 1) (Secs. 11.42, 23.01, 23.12).
- Date rendition period begins; continues through April 15 for those property owners not requesting a filing extension (Sec. 22.23).
- Date that half the members of the District Board of Directors begin two-year terms (Sec. 6.034).
- Date that half of appraisal review board (ARB) members begin 2-year terms (Sec. 6.41).

1 – 5

- Begin inspections of mobile home parks

15

- Begin testing residential and land appraisal schedules

31

- Deadline for Texas Comptroller's preliminary 2008 Property Value Study (PVS) findings to Education Commissioner and each school district (Government Code Sec. 403.302).
- Last day for Chief Appraiser to deliver applications for special appraisal and exemptions requiring annual applications (Secs. 11.44, 23.43)

- Last day for District to give public notice of 2009 capitalization rate used to appraise property with low and moderate-income housing exemption (Sec. 11.1825).

FEBRUARY

TAAD Conference

1

- Last day for motor vehicle, boat and outboard motors, heavy equipment and manufactured housing dealers to file dealer’s inventory declarations (Secs. 23.121, 23.124, 23.1241, 23.127).
- Schedule budget workshop

MARCH

Holiday	Texas Independence Day	March 2
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13

- Deadline to file written appeal of PVS findings with Texas Comptroller (Government Code Sec. 403.303). Not later than the 40th day after the date on which the comptroller’s findings are certified to the commissioner of education.

17

- 2009 reappraisal field work finished

31

- Last day for taxing units’ second quarterly payment for 2009 CAD budget (Sec. 6.06).
- Last day for disabled or 65-or-older homeowners or homeowners in a disaster area to pay second installments on home taxes (Secs. 31.031, 31.032).
- Last day for qualified community housing development corporation to file listing of property acquired or sold during past year with the Chief Appraiser (Sec. 11.182).

APRIL

Holiday Good Friday April 10

1 - 15

- Time that Chief Appraiser must publish notice about taxpayer protest procedures in a local newspaper with general circulation (Secs. 41.41, 41.70).
- Last day (or as soon thereafter as possible) for Chief Appraiser to mail appraisal notices for single family residences

15

- Last day for property owners to file renditions and property information reports unless they request a filing extension in writing (Sec. 22.23).

MAY

Holiday Memorial Day May 25

1

- Last day for property owners to file these applications or reports with the District:
 - Some exemption applications (Sec. 11.43);
 - Notice to Chief Appraiser that property is no longer entitled to an exemption not requiring annual application (Sec. 11.43);
 - Applications for special appraisal or notices to Chief Appraiser that property no longer qualifies for 1-d and 1-d-1 agricultural land, timberland, restricted-use timberland, recreational-park-scenic land and public access airport property (Secs. 23.43, 23.54, 23.75, 23.84, 23.94, 23.9804);
 - Railroad rolling stock reports (Sec. 24.32);
 - Requests for separate listing of separately owned land and improvements (Sec. 25.08);
 - Requests for separate listing of separately-owned standing timber and land (Sec. 25.10).
 - Requests for separate listing of undivided interests (Sec. 25.11); and
 - Requests for joint taxation of separately owned mineral interest (Sec. 25.12).

9

- Finish processing personal property renditions.

15

- Last day for property owners to file renditions and property information reports if they requested an extension in writing. For good cause, Chief Appraiser may extend this deadline another 15 days (Sec. 22.23).
- Last day (or as soon as practicable) for Chief Appraiser to mail notices of appraised value and notices of overlapping appraisal districts (Secs. 6.025 and 25.19).
- Last day (or as soon as practicable) for Chief Appraiser to prepare appraisal records and submit to ARB (Secs. 25.01, 25.22).

18

- Finish processing personal property renditions with extensions

21

- Begin scheduling appeals hearings.
- Industrial notices must be mailed by this date.

31

- Last day for property owners to file appeal with ARB (or by 30th day after notice of appraised value is delivered, whichever is later) (Sec. 41.44).
- Last day for taxing units to file challenges with ARB (or within 15 days after ARB receives appraisal records, whichever is later) (Sec. 41.04).
- Last day for disabled or 65-or-older homeowners or property owners with home in a disaster area to pay third installment on home taxes (Secs. 31.031,31.032).
- Last day for religious organizations to amend charters and file new applications (or within 60 days of exemption denial, whichever is later) (Sec. 11.421).

JUNE

7

- Last day for Chief Appraiser to certify estimate of school district’s taxable value for school district to use for publishing notice of budget and proposed tax rate and adopting its budget for a fiscal year that begins July 1 (Sec. 26.01).

15

- Last day for Chief Appraiser to submit recommended 2010 budget to CAD Board and taxing units (unless taxing units have changed CAD’s fiscal year) (sec. 6.06)
- Last day for property owner to file appeal (or 30 days after notice was delivered, whichever is later).

30

- Last day for taxing units’ third quarterly payment for 2009 CAD budget (Sec.6.06).
- Last day for taxing units to adopt local option percentage homestead exemptions (Sec. 11.13).
- Last day for District to report formation of reinvestment zones and tax abatement agreements to the Texas Comptroller (Sec. 312.005).

JULY

Holiday	Independence Day	July 4
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3

- Last day for ARB to complete review of railroad rolling stock values for submission to Texas Comptroller (or soon after) (Sec. 24.35).
- Deadline for Texas Comptroller to certify final 2005 PVS findings to Education Commissioner and each school district (Comptroller Rule Sec. 9.109).

9

- Industrial ARB hearings date.

16

- Start 2008 reappraisal field work.

21

- Date ARB must approve appraisal records, but may not do so if more than 5 percent of total appraised value remains under protest (Sec. 41.12).

25

- Last day for Chief Appraiser to certify appraisal roll to each taxing unit (Sec. 26.01).
- Begin work on USPSP reappraisal report for 2009.

31

- Last day for property owners to apply for September 1 inventory appraisal for 2008 (Sec. 23.12).
- Last day for disabled or 65-or-older homeowners or homeowners in a disaster area to pay fourth installment on home taxes (Secs. 31.031, 31.032).
- Last day for Texas Comptroller to certify apportionment of railroad rolling stock value to counties, with supplemental records after that date (Sec. 24.38)

AUGUST

1

- Date taxing unit's assessor submits appraisal roll and an estimate of collection rate for current year to governing body (or as soon as practicable) (Sec. 26.04).

31

- Last day for property owner to give correct address to District in writing for tax bill; penalties and interest waived if bill not sent to correct address 21 days before delinquency date (Sec. 33.011).

SEPTEMBER

Holiday

Labor Day

September 3

1

- 2010 taxable values of inventories may be determined as of this date, at property owner's written option (Sec. 23.12).

14

- Last day for District Board to adopt 2010 budget, unless District has changed its fiscal year (Sec. 6.06).

17

- Last day for District Board to approve written reappraisal plan (Sec. 6.05).

OCTOBER

Holiday	Columbus Day	October 8
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1

- Sales submission to Comptroller PTD deadline.
- Last day for taxing units' fourth quarterly payment for 2009 CAD budget (Sec. 6.06).

15

- Begin testing personal property values.

31

- Last day for Chief appraiser to prepare and deliver ballots to each voting entity for the election of Board members.

NOVEMBER

Holiday	Thanksgiving	November 22 - 23
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1

- Send letter concerning Freeport exemption applications to taxpayers qualified for the exemption in 2009.

DECEMBER

Holiday	Christmas	December 24 – 25
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1 – 29

- Time when Chief Appraiser may conduct a mail survey to verify homestead exemption eligibility (Sec. 11.47).

- Last day for taxing units' first quarterly payment for 2010 CAD budget.

2012 APPRAISAL CALENDAR

JANUARY

Holiday New Years' Day January 1& 2

1

- Mail VIT Declarations
- Mail applications for annual exemptions
- Reappoint Ag Committee
- Date that 2010 taxable values and qualification for certain exemptions determined (except for inventories appraised September 1) (Secs. 11.42, 23.01, 23.12).
- Date rendition period begins; continues through April 15 for those property owners not requesting a filing extension (Sec. 22.23).
- Date that half the members of the District Board of Directors begin two-year terms (Sec. 6.034).
- Date that half of appraisal review board (ARB) members begin 2-year terms (Sec. 6.41).

1 – 5

- Begin inspections of mobile home parks

15

- Begin testing residential and land appraisal schedules

31

- Deadline for Texas Comptroller’s preliminary 2006 Property Value Study (PVS) findings to Education Commissioner and each school district (Government Code Sec. 403.302).
- Last day for Chief Appraiser to deliver applications for special appraisal and exemptions requiring annual applications (Secs. 11.44, 23.43)
- Last day for District to give public notice of 2007 capitalization rate used to appraise property with low and moderate-income housing exemption (Sec. 11.1825).

FEBRUARY

TAAD Conference

1

- Last day for motor vehicle, boat and outboard motors, heavy equipment and manufactured housing dealers to file dealer’s inventory declarations (Secs. 23.121, 23.124, 23.1241, 23.127).
- Schedule budget workshop

MARCH

Holiday	Texas Independence Day	March 2
---------	------------------------	---------

13

- Deadline to file written appeal of PVS findings with Texas Comptroller (Government Code Sec. 403.303). Not later than the 40th day after the date on which the comptroller’s findings are certified to the commissioner of education.

31

- Last day for taxing units’ second quarterly payment for 2010 CAD budget (Sec. 6.06).

- Last day for disabled or 65-or-older homeowners or homeowners in a disaster area to pay second installments on home taxes (Secs. 31.031, 31.032).
- Last day for qualified community housing development corporation to file listing of property acquired or sold during past year with the Chief Appraiser (Sec. 11.182).

APRIL

Holiday Good Friday April 13

12

- 2010 reappraisal field work finished

16

- Last day for property owners to file renditions and property information reports unless they request a filing extension in writing (Sec. 22.23).

MAY

Holiday Memorial Day May 28

1

- Last day for property owners to file these applications or reports with the District:
 - Some exemption applications (Sec. 11.43);
 - Notice to Chief Appraiser that property is no longer entitled to an exemption not requiring annual application (Sec. 11.43);
 - Applications for special appraisal or notices to Chief Appraiser that property no longer qualifies for 1-d and 1-d-1 agricultural land, timberland, restricted-use timberland, recreational-park-scenic land and public access airport property (Secs. 23.43,23.54, 23.75, 23.84, 23.94, 23.9804);
 - Railroad rolling stock reports (Sec. 24.32);
 - Requests for separate listing of separately owned land and improvements (Sec. 25.08);
 - Requests for separate listing of separately-owned standing timber and land (Sec. 25.10).
 - Requests for separate listing of undivided interests (Sec. 25.11); and
 - Requests for joint taxation of separately owned mineral interest (Sec. 25.12).

1 – 15

- Time that Chief Appraiser must publish notice about taxpayer protest procedures in a local newspaper with general circulation (Secs. 41.41, 41.70).

9

- Finish processing personal property renditions.

15

- Last day for property owners to file renditions and property information reports if they requested an extension in writing. For good cause, Chief Appraiser may extend this deadline another 15 days (Sec. 22.23).
- Last day (or as soon as practicable) for Chief Appraiser to mail notices of appraised value and notices of overlapping appraisal districts (Secs. 6.025 and 25.19).
- Last day (or as soon as practicable) for Chief Appraiser to prepare appraisal records and submit to ARB (Secs. 25.01, 25.22).

18

- Finish processing personal property renditions with extensions

21

- Begin scheduling appeals hearings.
- Industrial notices must be mailed by this date.

31

- Last day for property owners to file appeal with ARB (or by 30th day after notice of appraised value is delivered, whichever is later) (Sec. 41.44).
- Last day for taxing units to file challenges with ARB (or within 15 days after ARB receives appraisal records, whichever is later) (Sec. 41.04).
- Last day for disabled or 65-or-older homeowners or property owners with home in a disaster area to pay third installment on home taxes (Secs. 31.031,31.032).
- Last day for religious organizations to amend charters and file new applications (or within 60 days of exemption denial, whichever is later) (Sec. 11.421).

JUNE

7

- Last day for Chief Appraiser to certify estimate of school district’s taxable value for school district to use for publishing notice of budget and proposed tax rate and adopting its budget for a fiscal year that begins July 1 (Sec. 26.01).

15

- Last day for Chief Appraiser to submit recommended 2011 budget to CAD Board and taxing units (unless taxing units have changed CAD’s fiscal year) (sec. 6.06)
- Last day for property owner to file appeal (or 30 days after notice was delivered, whichever is later).

30

- Last day for taxing units’ third quarterly payment for 2010 CAD budget (Sec.6.06).
- Last day for taxing units to adopt local option percentage homestead exemptions (Sec. 11.13).
- Last day for District to report formation of reinvestment zones and tax abatement agreements to the Texas Comptroller (Sec. 312.005).

JULY

Holiday Independence Day July 4

3

- Last day for ARB to complete review of railroad rolling stock values for submission to Texas Comptroller (or soon after) (Sec. 24.35).
- Deadline for Texas Comptroller to certify final 2010 PVS findings to Education Commissioner and each school district (Comptroller Rule Sec. 9.109).

9

- Industrial ARB hearings date.

16

- Start 2011 reappraisal field work.

20

- Date ARB must approve appraisal records, but may not do so if more than 5 percent of total appraised value remains under protest (Sec. 41.12).

25

- Last day for Chief Appraiser to certify appraisal roll to each taxing unit (Sec. 26.01).
- Begin work on USPSP reappraisal report for 2007.

31

- Last day for property owners to apply for September 1 inventory appraisal for 2011 (Sec. 23.12).
- Last day for disabled or 65-or-older homeowners or homeowners in a disaster area to pay fourth installment on home taxes (Secs. 31.031, 31.032).
- Last day for Texas Comptroller to certify apportionment of railroad rolling stock value to counties, with supplemental records after that date (Sec. 24.38)

AUGUST

1

- Date taxing unit's assessor submits appraisal roll and an estimate of collection rate for current year to governing body (or as soon as practicable) (Sec. 26.04).

31

- Last day for property owner to give correct address to District in writing for tax bill; penalties and interest waived if bill not sent to correct address 21 days before delinquency date (Sec. 33.011).

SEPTEMBER

Holiday Labor Day September 3

1

- 2011 taxable values of inventories may be determined as of this date, at property owner's written option (Sec. 23.12).

14

- Last day for District Board to adopt 2011 budget, unless District has changed its fiscal year (Sec. 6.06).

17

- Last day for District Board to approve written reappraisal plan (Sec. 6.05).

OCTOBER

Holiday Columbus Day October 8

1

- Sales submission to Comptroller PTD deadline.
- Last day for taxing units' fourth quarterly payment for 2010 CAD budget (Sec. 6.06).

15

- Begin testing personal property values.

31

- Last day for Chief appraiser to prepare and deliver ballots to each voting entity for the election of Board members.

NOVEMBER

Holiday Thanksgiving November 22 - 23

1

- Send letter concerning Freeport exemption applications to taxpayers qualified for the exemption in 2007.

DECEMBER

Holiday Christmas December 24 – 25

1 – 29

- Time when Chief Appraiser may conduct a mail survey to verify homestead exemption eligibility (Sec. 11.47).
- Last day for taxing units' first quarterly payment for 2010 CAD budget.

MASS APPRAISAL SYSTEM

Computer Assisted Mass Appraisal (CAMA) system revisions are specified and scheduled with Information Systems. All computer forms and Information Systems procedures are reviewed and revised as required. Details of these procedures as they relate to the 2011 and 2012 tax years are as follows:

REAL PROPERTY VALUATION

Revisions to cost models, income models, and market models are specified, updated and tested each tax year.

Cost schedules are tested with market data (sales) to insure that the appraisal district is in compliance with the Texas Property Tax Code, Section 23.011. Replacement cost new tables as well as depreciation tables are tested for accuracy and uniformity using ratio study tools and are compared with cost data from recognized industry leaders, such as Marshall & Swift, Inc.

Land schedules are updated using current market data (sales) and then tested with ratio study tools. Value modifiers are developed for property categories by market area and tested on a pilot basis with ratio study tools.

Income, expense, and occupancy data is updated in the income models for each market area and capitalization rate studies are completed using current sales data. The resulting models are tested using ratio study tools.

PERSONAL PROPERTY VALUATION

Density schedules are updated by personal property staff using data received during the previous tax year from renditions and hearing documentation. Valuation procedures are reviewed and modified as needed and tested.

NOTICING PROCESS

Tax Code Section 25.19 appraisal notice forms are reviewed and edited for updates and changes approved by district management. Updates will include the latest Comptroller's *Taxpayer's Remedies* publication.

HEARING PROCESS

Protest hearing scheduling for informal and formal Appraisal Review Board hearings is reviewed and updated as required. Standards of documentation are reviewed and amended as required. The Orange County Appraisal District will conduct staff training beginning in early April of each year to ensure and understanding of procedures for informal and formal hearings. These hearings will typically begin in late April. Any changes or enhancements affecting hearing scheduling procedures for Appraisal Review Board hearings will be reviewed and updated as necessary. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process. Production of documentation is tested and compliance with the Tax Code insured.

DATA COLLECTION REQUIREMENTS

Field and office procedures are reviewed and revised as required for data collection and verification of value-related and descriptive property characteristics for each property. Activities scheduled for each tax year include inspection of new construction, demolition, remodeling, re-inspection of problematic market areas, and re-inspection of the universe of properties on an annual basis.

New Construction / Demolition

New construction field and office review and inspection procedures are identified and revised as required. Field production standards are established and procedures for monitoring tested. Source of building permits is confirmed and system input procedures are identified. Process of verifying demolition of improvements is specified. The district is currently adding the improvement footprints to the GIS system to aid the appraisers in the inspection and discovery process. This critical annual activity is projected and entered on the key events calendar for each tax year.

Remodeling

Market areas with extensive improvement remodeling are identified, verified and field activities scheduled to update property characteristic data. Updates to valuation procedures are tested with ratio studies before finalized in the valuation modeling. This field activity, when entered in the key events calendar, must be monitored carefully.

Re-inspection of Problematic Market Areas

Real property market areas, stratified by property classification, are tested for: low or high protest volumes; low or high sales ratios; or high coefficient of dispersion. Market areas that fail any or all of these tests are determined to be problematic. Field reviews are performed with special attention given to verify and/or correct property characteristic data. Additional sales data is researched and verified. In the absence of adequate market data, neighborhood delineation is verified and neighborhood clusters are identified.

Re-inspection of the Universe of Properties

As required by Section 23.18 of the Tax Code, the universe of properties should be re-inspected on a cycle of 3 years. The Orange County Appraisal District re-inspects all property on an annual basis. For years 2011 and 2012, re-inspection requirements will be identified by property type and classification and scheduled on the events calendar. Office review of property for the 2011 tax year will include the examination of aerial photographs, property sketches, and field review of all properties.

Field or Office Verification of Sales Data and Property Characteristics

Sales information must be verified and property characteristic data contemporaneous with the date of sale captured. The district will obtain sales prices through the Multiple Listing Service, deeds, sales letter responses, third party sources, such as real estate agents or fee appraisers. The sales ratio tools require that the property that sold must equal the property appraised in order that statistical analysis results will be valid.

LEGAL ATTRIBUTES AFFECTING VALUE

The district will maintain an active program to identify and describe elements of recorded conveyances that will affect the use or value of the property, such as easements, covenants, reservations, and declarations. The district will also monitor the enactment or changes of

governmental restrictions affecting property value, such as zoning, health ordinances, special assessments, and other legal restrictions. Where leases and other possessory interests are of a nature and duration that they affect value, they will be considered in the individual valuation of the property to which they apply.

PILOT STUDY

New and/or revised mass appraisal models are tested on randomly selected market areas. These modeling tests (sales ratio studies) are conducted each tax year. Actual test results are compared with anticipated results and those models not performing satisfactorily are refined and retested. The procedures used for model specification and model calibration are in compliance with *Uniform Standards of Professional Appraisal Practice*, STANDARD RULE 6.

VALUATION BY TAX YEAR

Using market analysis of comparable sales and locally tested cost data, market area specific income and expense data, valuation models are specified and calibrated in compliance with the supplemental standards from the International Association of Assessing Officers and the *Uniform Standards of Professional Appraisal Practice*. The calculated values are tested for accuracy and uniformity using ratio studies. Performance standards are those as established by the IAAO *Standard on Ratio Studies*. Property values in all market areas are updated each reappraisal year. Tax year 2011 and 2012 are reappraisal years.

RESIDENTIAL REAL PROPERTY

Market 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 IAAO and Board of Tax Professional Examiners classes.

Neighborhood 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. The most common boundary used to define location is the school district boundary. In all types of property, valuation analysis and neighborhood analysis is conducted on school districts. The IAAO defines a neighborhood as the environment of a subject property that has a direct and immediate effect on value. For our purposes, the neighborhood boundary is the environment of the subject property. The neighborhood concept is used in the grouping of all taxable property located in Orange County Appraisal District with the exception of some special use properties.

Highest and Best Use Analysis

In considering the fair market value of taxable property, OCAD employs the principle of 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. Highest and best use is the first step in the District appraisers' economic analysis. For the purpose of ad valorem property taxation in Texas, the specific time is January 1 of each calendar year. The highest and best use must be legal, physically possible, and financially feasible. OCAD appraisers generally consider that the current use of the property is most likely its highest and best use. In certain types of property, local zoning and deed restrictions often determine highest and best use. However, in areas of transition, it may be necessary for the analyst to more carefully consider the concept of highest and best use. The chief appraiser and the deputy chief appraiser generally discuss decisions regarding changes in highest and best use determination. Highest and best use may not be the present use of the property when the agents of production are not in alignment (i.e. land, labor, capital, and management), then highest and best use of the property may not currently exist.

Cost Schedules

All residential parcels in the District will be valued based on cost schedules using a comparative unit method. The District's residential cost schedules were designed and built using *Marshall & Swift Residential Cost Handbook* and are adjusted to fit Orange County local residential building and labor market. The cost schedules are reviewed regularly as a result of Section 23.011(4) requiring that the appraisal district cost schedules be within a range of 10% of generally accepted cost data. Cost data is adjusted each year in the software application. Unique appraisal situations are handled individually using Marshall & Swift.

Sales Information

A sales file for the storage of sales date compared with the appraisal at the time of sale is maintained. Residential vacant land sales along with commercial improved and vacant land sales are coded by property use and can be pulled by this code. Residential improved and vacant sales are collected from a variety of sources including: District questionnaires sent to the buyer, field discovery, protest hearings, Board of Realtor's MLS, builders and appraisers. A system of type, source, validity and verification codes is established, defining salient facts related to a property's purchase or transfer. School district 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 the assistant chief appraiser with the assistance of each of the residential appraisers. Using sales within the neighborhood, a base lot and a base unit rate is developed. A computerized land table 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. Abstraction and allocation methods are used, when necessary, to insure that the land values created best reflect the contributory market value of the land to the overall property value.

Statistical Analysis

The chief appraiser and deputy chief appraiser perform statistical analysis annually to evaluate whether values are equitable and consistent with the market. Ratio studies are conducted by residential class and by neighborhood to measure appraisal accuracy. Appraisal statistics of central tendency and dispersion generated from sales ratios are calculated for each school district by residential classification. These statistics provide the district a tool by which to determine both the level and uniformity of appraised value.

Neighborhoods are reviewed annually by the Deputy Chief Appraiser by way of the sales ratio analysis process. By comparing recent sales prices to values within each neighborhood, the appraiser is able to judge the present level and uniformity of appraised values. Based on this information, a decision can be made as to whether the neighborhood needs to be updated or if the level of market value 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:

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

whereas, the market value equals the land value plus the depreciated replacement cost of buildings times the market adjustment factor. This adjustment factor is applied uniformly throughout the neighborhood to account for Locational variances between market areas or across a jurisdiction.

The market adjustment factor is calculated by using a cost ratio study that compares recent sales prices of properties 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. 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 enabling the appraiser to judge appraisal levels in the updated neighborhood.

Income Approach

Residential properties by the nature of their intended purpose do not lend themselves to be valued via the income approach. Other than multi-family residential properties and in special cases, this approach will not be used.

SPECIAL INVENTORY RESIDENTIAL PROPERTY

Section 23.12 of the Property Tax Code says: "the market value of an inventory is the price for which it would sell as a unit to a purchaser who would continue the business. An inventory shall include residential real property which has never been occupied as a residence and is held for sale in the ordinary course of a trade or business, provided that the residential real property remains unoccupied, is not leased or rented, and produces no income."

The methods used to appraise this property consist of the following steps:

- 1) Using a rendition required by the Chief Appraiser, the appraiser determines how many properties are being held in inventory by the owner.
- 2) A determination is made as to the age of the subdivision and the estimated number of years for sell out of the properties (typically 10 years). The remaining years to sell out the inventory is then calculated.
- 3) The number of properties in inventory is then divided by the years remaining in the estimated sell out period to calculate the average properties selling per year.
- 4) Using sales data as described in the Residential Real Property section above, the average sales price per property is developed.
- 5) Annual income is then calculated by dividing the average sale price by the average number of lots sold per year.
- 6) The present worth factor is calculated by dividing 1.0 by 1.0 plus the current capitalization rate.

- 7) The present worth is calculated for all properties. The total market value for all properties is also calculated. The total present worth is divided by the total market value for a modification factor to be used on each property in inventory.

The three approaches to value are considered, depending on the type property (vacant or improved), as described in the Residential Real Property section above.

MULTI-FAMILY RESIDENTIAL PROPERTY

See Commercial Real Property below

COMMERCIAL REAL PROPERTY

The Orange County Appraisal District employs all three approaches to value, when possible, in valuing income-producing property. The Deputy Chief Appraiser is responsible for the appraisal of commercial property types.

Data used by the District includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, marketing period, etc.). Other data used by the appraiser includes actual income and expense data, actual contract rental data, leasing information 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.

The primary approach used to initiate the valuation process is the cost approach to value. Each commercial property is listed according to its quantitative data elements. The data elements are entered into the Orion software system in which Marshall & Swift Commercial Cost Estimator run in tandem with Orion. Using this information, a replacement cost for each segment of the improvements is calculated and totaled. Depreciation is calculated and assigned during this process. After deducting depreciation estimated from all causes from the replacement cost new, a value estimate for the improvements is calculated and added to the estimated value of the land for a total value estimate via the cost approach. It is sometimes necessary to consider the unit-in-place, quantity survey, or historical cost method to derive accurate cost estimates.

Income and expense information of these type properties is gathered and evaluated from a variety of sources including appraisers, realtors, owners and various trade publications. When appropriate, the income approach to value is used. The commercial appraiser enters income and expense into the Orion direct capitalization section to derive a property value via the income approach.

The neighborhood and market analysis, highest and best use analysis, field inspection, valuation review and performance analysis described in throughout this report apply to commercial property as they do other types of property. When sales are available, the District uses the sales comparison approach to determine the market value of income-producing property.

VACANT REAL PROPERTY

Land Analysis

Land analysis is conducted by the assistant chief appraiser with the assistance of each of the residential appraisers. Using sales within the neighborhood, a base lot and a base unit rate is developed. A computerized land table 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. Abstraction and allocation methods are used, when necessary, to insure that the land values created best reflect the contributory market value of the land to the overall property value.

The District uses market transactions to define factors that influence rural land value. Unlike fee appraisers, the District cannot compare each tract individually to each market transaction to make adjustments due to the volume of the properties to be appraised. The District appraisers must incorporate the factors indicated by market transactions into general standards or schedules of value. Such schedules are normally comprised of per acre prices that will be multiplied by the number of acres in an individual tract to develop an estimate of value. Schedules of this kind are divided into categories or classes as necessary to reasonably reflect market values when applied to individual tracts of land. Ratio studies are then run by neighborhood throughout the District to determine the level and accuracy of the schedules.

SPECIAL VALUATION PROPERTIES

Agricultural Land

Section 23.52 of the Property Tax Code requires that “the appraised value of qualified open-space land is determined on the basis of the category of the land, using accepted income capitalization methods applied to average net to land. The appraised value so determined may not exceed the market value as determined by other appraisal methods.”

For these properties, two values are maintained by the District; market value and “ag” or special value based on the income attributable to the land. The market value is established as described in other sections of this report. To be eligible for this special valuation, an application must be timely filed providing the District with pertinent information about the agricultural history of the property. When a determination is made by the District agricultural appraiser that the property meets minimum requirements, approval for this special appraisal is granted.

The District annually calculates a price per acre schedule for the various types of agricultural products and uses of the property. These prices are derived using five year averages of land rent information as well as income attributable to the land from products grown on the property. The net income to the land is then capitalized using a formula spelled out in the property tax code in Section 23.53.

Timber Land

Section 23.73 of the Property Tax Code requires that “the appraised value of qualified timber land is determined on the basis of the category of the land, using accepted income capitalization methods applied to average net to land. The appraised value so determined may not exceed the market value of the land as determined by other appraisal methods.”

The District is required to maintain three values for these properties; the market value, the “timber” value and the value placed on the property in 1978. Section 23.78 of the Property Tax Code requires

that the minimum value a property qualified for special appraisal under this section of the code is the value that the property was appraised for in 1978 or the calculated “timber” value, whichever is greater. The market value is established as described in other sections of this report.

The District annually calculates a price per acre schedule for the various types of timber products and uses (hardwood, pine, mixed timber, etc) of the property. The prices are derived using five year averages of land rent information as well as income attributable to the land from products grown on the property. The net income to the land is then capitalized using a formula spelled out in the Property Tax Code in Section 23.74.

BUSINESS TANGIBLE PERSONAL PROPERTY

All income-producing business personal property located within the OCAD boundaries is subject to appraisal by the District. Business personal property types appraised by District personnel include such items as inventory, furniture and fixtures, leased assets, vehicles and multi-location assets. There are approximately 2419 business personal property accounts in Orange County Appraisal District. The District employs 1 personal property appraiser.

OCAD uses the Standard Industrial Code to group like types of personal property. The codes are incorporated within the account numbers used on each account. Each year, schedules are reviewed for accuracy by comparing owner renditions considered to be accurate by the appraiser, against calculated values using district schedules. Adjustments are made as necessary. Section 22.01 of the Property Tax Code requires each owner of tangible personal property used for the production of income to render said property. This information is used in the discovery phase and the valuation phase of the appraisal.

The personal property appraiser will make an onsite inspection of each business over a two year cycle. A comparison of the listed personal property gathered from previous inspections as well as renditions is made and any changes noted. The information is entered into the personal property section of Orion for and an appraisal performed. Depreciation of the property is determined using the age/life method. Special equipment, airplanes, automobiles and trucks, etc. are valued using various trade publications. The rendered amount is then compared with the appraisal to determine similarity. If similar, the rendered amount is generally used. If not, the appraisal is used.

INDUSTRIAL VALUATION (REAL, PERSONAL, UTILITIES AND MINERALS)

Orange County Appraisal District has contracted with Pritchard and Abbott, Inc for the 2009 and 2010 tax years for the appraisal of Industrial Real, Industrial Personal, Utilities and Minerals located within the District. Appraisers and engineers with Pritchard and Abbott, Inc. make annual inspections on all industrial properties and utilities and use methods following USPAP procedures to appraise these properties. Natural resources (minerals) are valued using information provided by the Texas Railroad Commission as well as trade and other publications. The income approach is most applicable in valuation of these properties. Industrial personal property is appraised using similar techniques to those in the Business Tangible Personal Property section.

THE MASS APPRAISAL REPORT

Each tax year, the tax code required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 15th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6-8 of the *Uniform Standards of Professional Appraisal Practice*. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6-9 OF *USPAP*. This written reappraisal plan is attached to the Mass Appraisal Report by reference.

VALUE DEFENSE

Evidence to be used by Orange County Appraisal District to meet its burden of proof for market value and equity in both informal and formal appraisal review board hearings is specified and tested. The District makes every attempt to notify the taxpayer of any property value changes through required notices which are sent annually to all properties. Informal hearings are held with the District appraisers in an attempt to allow the taxpayer to present evidence that may not have been considered in the appraisal. Formal protests are scheduled and if requested, District evidence is presented as required by the Property Tax Code before the hearing. At the formal hearing, District personnel, at the instruction of the Appraisal Review Board, present a defense of the appraisal using the evidence listed below.

All Properties

Evidence provided includes but is not limited to:

- Sales of similar properties
- Appraisal Manual
- Photos of property and comparables
- Aerial photography integrated with GIS (Pictometry)
- Appraisal card
- Testimony by appraiser
- Ratio Studies by neighborhood
- Income / Expense information
- Income Approach calculations