MADISON COUNTY APPRAISAL DISTRICT
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2025 MASS APPRAISAL REPORT

INTRODUCTION

Scope of Responsibility

The Madison County Appraisal District, known here on as MCAD, has prepared and published this report to provide our citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: a general introduction and several sections describing the appraisal effort by the CAD.

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

The appraisal district is responsible for local property tax appraisal and exemption administration for five taxing units in the county. Each taxing unit, Madison County, Madisonville CISD, City of Madisonville, North Zulch ISD, and Normangee ISD, sets its own tax rate to generate revenue. Appraisals established by MCAD allocate the year's tax burden based on each taxable property's January 1st market value. We also determine eligibility for various types of property tax exemptions, such as those for homeowners, the elderly, disabled veterans, and charitable and religious organizations.

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

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

Understood in this definition are the consummation of a sale as of a specified date and the passing of title from seller to buyer under conditions whereby:

1. Buyer and seller are typically motivated.
2. Both parties are well informed or well advised, and both are acting in what they consider their own best interest.
3. A reasonable time is allowed for exposure in the open market.
4. Payment is made in cash or its equivalent.
5. Financing, if any, is on terms generally available in the community at the specified date and typical for the property type in its locale.

The price represents a normal consideration for the property sold, unaffected by special financing amounts and/or terms, services, fees, costs, or credits incurred in the transaction.

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

The Texas Property Tax Code, under Sec. 25.18 requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district's current policy is to reappraise 1/3 of the county yearly, completing the reappraisal cycle on the third year. However, appraised values are reviewed annually and are subject to change for equalization. Personal property is appraised every year.

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

Personnel Resources

The Office of the Chief Appraiser is responsible for all appraisal district functions. The Administrative Department's function is to plan, organize, direct, and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities, and postal services. The Appraisal Department is responsible for valuing all real and personal property accounts. The property types appraised include commercial, residential, business, personal, and industrial. The district appraisers are registered with the Texas Department of Licensing and Regulation. The Support Services Department coordinates support functions, including records maintenance, information, and assistance to property owners.

The appraisal district staff consists of 6 employees with the following classifications:

- Chief Appraiser
- Deputy Chief Appraiser
- Field Appraiser
- Appraiser/Administrative Assistant
- ARB Coordinator/Administrative Assistant
- Front Office/Data Clerk

Data

The district is responsible for establishing and maintaining approximately 35,000 real and personal property accounts within Madison County. This data includes property characteristics, ownership, and exemption information. Property characteristic data on new construction is updated through an annual field effort; existing property data is maintained through a field review during the reappraisal phase. Sales are routinely validated during a separate field effort; however, numerous sales are validated as part of the new construction and data review field activities. General trends in employment, interest rates, new construction trends, and

cost and market data are acquired through various sources, including internally generated questionnaires to buyers and sellers, university research centers, and market data centers and vendors.

The district maintains ownership maps and various data layers, including zip code, property, and aerial photography. The district's website (www.madisoncad.org) makes a broad range of information available for public access. Other data, including detailed information on the appraisal process, property characteristics data, residential sales, certified values, protests and appeal procedures, property maps, and a tax calendar, are available at the MCAD office. Related tax information and district forms, including exemption applications and business personal property renditions, are also available at the MCAD office.

Information Systems

The mainframe hardware/system software is the CAMA (Computer Assisted Mass Appraisal) system supported by Harris Govern. True Automation and MCAD maintain Internet records. Maps are based on an ArcView system supported by True Automation. MCAD and BIS Consultants personnel make tract splits or mergers and forward the changes to BIS Consultants and True Automation for map updating. General-purpose desktop and server PCs and terminal emulation for mainframe Windows serve the user base.

Independent Performance Tests

According to Chapter 5 of the TPTC and Section 403.302 of the Texas Government Code, the State Comptroller's Property Tax Assistance Division conducts a biannual property value study (PVS) of each Texas school district and each appraisal district. As a part of this biannual study, the code also requires the Comptroller to: use sales and recognized auditing and sampling techniques; review each appraisal district's appraisal methods, standards and procedures to determine whether the district used recognized standards and practices (MSP review); test the validity of school district taxable values in each appraisal district and presume the appraisal roll values are correct when values are valid; and, determine the level and uniformity of property tax appraisal in each appraisal district. The methodology used in the property value study includes stratified samples to improve sample representativeness and techniques or procedures for measuring uniformity. This study utilizes statistical analysis of sold properties (sale ratio studies) and appraisals of unsold properties (appraisal ratio studies) as a basis for assessment ratio reporting. For appraisal districts, the reported measures include median level of appraisal, coefficient of dispersion (COD), the percentage of properties within 10% of the median, the percentage of properties within 25% of the median, and price-related differential (PRD) for properties overall and by state category (i.e., categories A, B, C, D and Fl are directly applicable to real property).

There are three independent school districts for which appraisal rolls are annually developed. The preliminary results of this study were released in January following the year of appraisal. The

final results of this study are certified to the Education Commissioner of the Texas Education Agency (TEA) in the following July of each year for the year of appraisement. This outside (third-party) ratio study assists the CAD in determining areas of market activity or changing market conditions.

Mass Appraisal

Mass appraisal is valuing a large universe of properties as of a given date, in a uniform order, utilizing standard methodology, employing a common reference for data, and allowing for statistical testing.

The main goal is to structure a systematic mass appraisal program to affect the appraisal of properties in such a way as to yield valid, accurate, and equitable property valuation at a reasonable cost dictated by budgetary limitations, and within a period compatible with assessing administration needs. To be effective, the reappraisal program must:

- Use proven and professionally acceptable techniques and procedures.
- Provide for the compilation of complete and accurate data and the processing of that data into an indication of value approximating the prices actually being paid in the marketplace.
- Standardization measures and quality controls are essential to promoting and maintaining uniformity throughout the jurisdiction.
- provide the appropriate production controls necessary to execute each phase of the operation by a carefully planned budget and work schedule; and,
- Provide techniques designed to streamline each operation phase, eliminating functions and reducing the complexities inherent in the appraisal process to more simplified but equally effective procedures.

The prime objective of mass appraisal for tax purposes is to determine fair and equitable property values in compliance with the *Uniform Standards of Professional Appraisal Practice (USPAP).*

A comprehensive record of each property's significant physical and economic characteristics is needed to compare the properties of “unknown” values with the properties of “known” values. All significant differences between properties must, in some measure, either positively or negatively, be reflected in the final value estimate.

Each property must be given individual treatment, but the treatment must be uniform, standardized, and essentially no different than any other property. All the factors affecting

values must be analyzed and evaluated for every property within the jurisdictional boundaries. This will ensure equalization between properties and between properties can be achieved.

In summary, the objective of an individual appraisal is to arrive at an opinion of value, the key elements being the approach's validity and the estimate's accuracy. The objective of a mass appraisal for tax purposes is essentially the same. However, in addition to being valid and accurate, the value of each property must be equitable to each other's property. Moreover, these valid, accurate, and equitable valuations must be generated as economically and efficiently as possible.

Uniformity is assured by measuring central tendency (mean, median, or weighted mean). The Coefficient of Dispersion (C.O.D.) provides data about the quality and uniformity of appraisal. A measure of central tendency near 1.00 or 100% indicates that properties are being appraised at or near market value. Similar measures of central tendency for different geographical areas and classes of property are utilized to ensure that appraisals are evenly distributed.

Section 23.01 of the Texas Property Tax Code states:

(a) Except as otherwise provided by this chapter, all taxable property is appraised at its market value as of January 1.

(b) Property's market value shall be determined by applying generally accepted appraisal methods and techniques. If the appraisal district determines the appraised value of a property using mass appraisal standards, the mass appraisal standards must comply with the USPAP. The same or similar appraisal methods and techniques shall be used in appraising the same or similar kinds of property. However, each property shall be appraised based upon the individual characteristics that affect the property's market value.

BUNDLE OF RIGHTS

Real estate and real property are often used interchangeably. Generally speaking, REAL ESTATE pertains to the real or fixed improvements to land, such as structures and other additions. In contrast, REAL PROPERTY encompasses all the interests, benefits, and rights enjoyed by real estate ownership.

Real property ownership involves the Bundle of Rights Theory, which asserts that the owner has the right to enter, use, sell, lease, or give it away, as he chooses. The law guarantees these rights but is subject to certain governmental and private restrictions.

Governmental restrictions are found in its power to:

- Tax property (Taxation)

- Take property by condemnation for the benefit of the public, providing that just compensation is made to the owner (Eminent Domain).

- Police property by enforcing any necessary regulations to promote the public's safety, health, morals, and general welfare. (Police Power); and,

- Provide for the reversion of ownership to the state in cases where a competent heir to the property cannot be ascertained (Escheat).

Private restrictions imposed upon property are often in the form of agreements incorporated into the deed. The deed spells out precisely which rights of the total bundle of rights the buyer is acquiring. Since value is related to each of these rights, it benefits the appraiser to know precisely which rights are involved in their appraisal.

Appraisals for ad valorem tax purposes generally assume the property is owned in "*Fee Simple,*" meaning that the total bundle of rights is considered intact. (Fee Simple is defined as an absolute fee; a fee without limitation to any particular class of heirs or restrictions, but subject to the limitation of eminent domain, escheat, police power, and taxation.)

VALUATION PROCEDURES

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

For ad valorem tax purposes, the value sought is generally market value. The descriptive term "market" indicates the activity of buyers and sellers. Market Value is the justifiable price, or that an informed and prudent buyer, fully aware of competing properties, and not being compelled to act, would be justified in paying for a particular property.

APPROACHES TO VALUES

Highest and Best Use

The highest and best use of property is the reasonable and probable use that supports the highest present value as of the appraisal date. The highest and best use must be physically possible, legal, financially feasible, and productive to its maximum. In determining the market value of property, the chief appraiser shall consider the cost, income, and market data

comparison methods of appraisal and use the most appropriate method pursuant to tax code section 23.0101

THE COST APPROACH involves estimating the depreciated cost of reproducing or replacing the building and site improvements. Replacement cost refers to the cost of reproducing improvements of equal utility. Any depreciation for loss in value caused by physical deterioration, functional or economic obsolescence is now deducted from this cost. To this depreciated cost is then added the estimated value of the land, resulting in an indication of value derived by the Cost Approach.

The Market Approach involves the compilation of sales data of properties that are comparable to the property being appraised. These sales are then adjusted for any dissimilarity, and a value range is obtained by comparison of said properties. The approach is reliable to the extent that the properties are comparable, and the appraiser's judgment of proper adjustments is sound. The procedure for using this approach is essentially the same for all types of property.

The significance of this approach lies in its ability to produce estimates of value that directly reflect the attitude of the market within MCAD. Its application is contingent upon the availability of comparable sales and therefore finds its widest range in the appraisal of vacant land and residential properties.

The Income Approach measures the present worth of the future benefits of a property by capitalizing the net income stream over the remaining economic life of the property. The approach involves estimating the "effective gross income" of a property, derived by deducting the appropriate vacant and collection losses from its estimated economic rents, as evidenced by the yield of comparable properties. From this figure, applicable operating expenses, the cost of taxes and insurance, and reserve allowance for replacements are deducted, resulting in an estimate of income, which may then be capitalized into an indication of value.

The assigned appraiser must determine which approach to value will render the most accurate results.

If appropriately applied, any or all three approaches should lead to a decision of market value; the primary concern is applying the approaches equitably. Each property must be physically reviewed, during which time the reviewer must:

- Verify the accuracy of the characteristics recorded on the field cards.
- Certify that the proper schedules and cost tables were used in computing the replacement cost of each building and structure.

- Verify the proper class and condition for each building to account for variations from the base specifications.
- Judge the overall condition, desirability, and usefulness of each improvement in the process of verifying allowance for depreciation.
- Capitalize net income into an indication of value to determine the loss of value attributable to functional and economic obsolescence.
- Review the total property value in relation to the value of comparable properties.

RESIDENTIAL VALUATION PROCESS

DISCOVERY POLICY

MCAD's discovery policy is as follows. During the reappraisal cycle 1/3, one-third of the county will be reappraised with a field inspection to verify improvements and measurements. Any new improvements, upgrades, etc., to the property will be measured and classed accordingly. MCAD annually receives permits from the County, County Clerk, City, HUD, and 911 office. Those properties are flagged to be rechecked for that appraisal year. The recheck list is printed, and each property is inspected for potential new improvements. MCAD field appraisers are to note any new improvements, upgrades, etc., they see during their daily field work. Those notes are brought back to the office, and the accounts are flagged for a recheck if they are not already. Any notes pertaining to the construction of utility properties are given to the utility appraisal firm we contract with through written form, phone call, email, or conversation.

All residences are measured and classed. Classification is determined by style, quality of construction, materials used, customization, and size. The appraiser matches these factors to a class description with a corresponding range of square foot values. On existing improvements, the appraiser verifies the class and depreciation. If the improvement has any upgrades or has been remodeled, adjustments are made to the physical depreciation and the effective year. Conversely, if the improvement has accelerated depreciation, that is reflected in the physical depreciation and the effective year. Any other obsolescence is noted and categorized as Functional or Economic. Attributes such as fireplaces and CHCA are documented and added during the input process.

LAND VALUATION

Land is valued as if vacant and available for the highest and best use. Similar land "recently sold" is analyzed, and comparisons are made for such factors as size, time, location, and physical characteristics.

The most frequently used method in estimating land value is the comparable sales method, in which land values are derived from analyzing the selling prices of similar sites. In essence, this method applies to the market-data approach to value, and all the considerations are equally applicable here.

The appraiser must select comparable and valid market transactions and weigh and consider all the factors significant to value, adjusting each to the subject property. Comparable sites must be used the same way as the subject property and subject to the same zoning regulations and restrictions. It is also preferable, whenever possible, to select compatibles from the same or a similar neighborhood or area. The major adjustments will be to account for variations in time, location, and physical characteristics, including size, shape, topography, landscaping, access, and other factors that may significantly influence the selling price, such as the productivity of farmland. If a residence is located on the land account, one acre will be split out for the home site land segment and will not receive any special evaluation. Up to 20 acres may be put in the home site segment per the owner's request.

Although it is always preferable to use sales of unimproved lots for compatibles, it is not always possible. Older neighborhoods are not likely to yield a sufficient number of representative sales of unimproved lots to permit a valid analysis. In such cases, to estimate land values using the comparable sales approach, it is necessary to consider improved property sales and estimate the portion of the selling price applicable to the structures. The procedure would be to estimate the replacement cost of the buildings as of the date of sale, estimate the accrued depreciation and deduct that amount from the replacement cost resulting in the estimated selling price of the buildings which can be deducted from the total selling price of the property to derive at the portion of the selling price which can be allocated to the land. The equation is as follows:

Selling Price of Property

\- Estimated Depreciated Value of Buildings

= Indication of Land Value

A standard unit of comparison is necessary to apply the comparable sales method. The units generally used in land valuation are price per square foot and per acre. The selection of any particular unit depends upon the type of property under appraisement; square footage is

commonly used for platted, uniform type lots, and acreage for larger, unplatted tracts, as well as irregularly shaped lots or tracts lacking in uniformity.

The utility of a site will vary with the frontage, width, depth, and overall area. Similarly, the unit land values should be adjusted to account for differences in size and shape between the comparables and the subject property.

During the process of adjusting the comparable sales to account for variations between them and the subject property, the appraiser must exercise great care to include all significant factors and to properly consider the impact of each of the factors upon the total value. If done correctly, the adjusted selling prices of the comparable properties will establish a range in value in which the value of the subject property will fall. Further analysis of the factors should enable the appraiser to narrow the range to the value level most applicable to the subject property.

COMMERCIAL APPRAISAL

Appraisal Responsibility

This mass appraisal assignment includes all of the commercially classed real property, which falls within the responsibility of the Madison County Appraisal District appraisers. The appraisal roll displays and identifies each parcel of real property individually. Appraisers appraise the fee simple interest of properties according to statute. However, the effect of easements, restrictions, encumbrances, leases, contracts, or special assessments is considered individually.

Cost Approach

The cost approach to value is applied to all improved real property utilizing the comparative unit method. This methodology involves utilizing national cost data reporting services and actual cost information on comparable properties whenever possible. Cost models are typically developed based on the Marshall Swift Valuation Service. Because a national cost service is used as a basis for the cost models, locational modifiers are necessary to adjust these base costs specifically for Madison County.

Depreciation schedules are developed based on what is typical for each property type at that specific age. Schedules for improvements with 40, 50, 55, and 60-year expected life have been developed. The actual and effective ages of improvements are noted in CAMA. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace.

Market adjustment factors such as external and/or functional obsolescence can be applied if warranted. A depreciation calculation override can be used if a property's condition or effective age varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. Accuracy in the development of the cost schedules, condition ratings, and depreciation schedules will usually minimize the necessity of this type of adjustment factor.

Income approach

The income approach to value should only be applied to those real properties that market participants typically view as "income producing" and for which the income methodology is considered a leading value indicator. Although a cost approach is calculated within the PACS appraisal system on all properties, income-producing properties such as apartments, hotels, motels, office buildings, etc., are typically valued based on the income approach. The income approach is calculated using either the direct capitalization method or the revenue multiplier method.

Pursuant to Tax Code Section 23.012, the chief appraiser shall:

1) Analyze comparable operating expense data available to the chief appraiser to estimate the operating expenses of the property.

2) Analyze comparable operating expense data available to the chief appraiser to estimate the operating expenses of the property.

3) Analyze comparable data available to the chief appraiser to estimate rates of capitalization or rates of discount; and

4) Base projections of future rent or income potential and expenses on reasonably clear and appropriate evidence.

Collecting Income Data

MCAD will annually collect income and expense data on each class's income-producing properties to test the income models. Sales surveys, phone surveys, publications/subscriptions, websites, and inquiring with neighboring CADs will be used to acquire data.

The data collected in these surveys will be broken into “income” and “expense” categories. The data is then sorted into the three classes of income-producing properties: Low, Medium, and

High. The data is then used to test the current models under those classes, including market rents, allowable expenses, and discount or capitalization rates.

Expense data

The projected vacancy and collection loss allowance is established from actual data furnished by property owners and local market survey trends. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. The market-derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to indicate the estimated annual effective gross rent to the property. Secondary income or service income is considered and calculated as a percentage of stabilized effective gross rent. The secondary income estimate is derived from collected data and available market information. The secondary income estimate is then added to the effective gross rent to arrive at an effective gross income. Allowable expenses and expense ratio estimates are based on a local market study, assuming prudent management. An allowance for non-recoverable expenses, such as leasing costs and tenant improvements, may be included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Relevant expense ratios are developed for different types of commercial property based on use and market experience. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for all operating expenses, such as ad valorem taxes, insurance, and common area and property maintenance. In comparison, a general office building is most often leased on a base-year expense stop. This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. As a result, expense ratios are implemented and estimated based on observed market experience in operating various commercial property types. Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air conditioning or major mechanical equipment or appliances) requiring expenditures of lump sum costs. When these capital expenditures are analyzed for consistency and adjusted, they may be applied annually as stabilized expenses. These annualized expenses are known as replacement reserves when performed according to local market practices by commercial property type.

For some types of property, typical management does not reflect expensing reserves and depends on local and industry practices. Subtracting the allowable expenses (including non-recoverable expenses and replacement reserves when applicable) from the annual effective gross income yields an estimate of annual net operating income to the property. Return rates and income multipliers convert operating income into an estimate of market value for the

property under the income approach. These include income multipliers, overall capitalization rates, and discount rates. These multipliers or return rates are considered and used in specific applications. Rates and multipliers may vary between property types.

Components of the Discount Rate -Safe Rate + Risk Rate + Non-Liquidity Rate + Management Rate = Total Discount Rate

Safe Rate- The rate obtainable with the most safety and the least risk
Risk Rate- the return commensurate with the risk assumed by the investor
Liquidity Rate- the rate necessary because an investment in real estate ties up money that cannot be quickly converted to cash
Management Rate- is the component that compensates for the time and cost of managing real estate investment.

COMMERCIAL CLASSES

LOW- Poorly constructed property located in a low-performing economic area. These properties generally have a high level of deferred maintenance. They typically have a lower occupancy rate and market rents.

MEDIUM- The average constructed property is located in an average to moderate performing economic area. These properties generally have a medium level of deferred maintenance. They typically have an average occupancy rate and market rents.

HIGH- Higher than average quality construction located in a highly competitive market area. These properties generally have little to no deferred maintenance. They typically have high occupancy rates and market rents.

The basic formula for the income approach is

Market Value= Net Operating Income Divided By Overall Cap Rate

This is also known as "Direct Capitalization", a generally accepted appraisal technique used to convert one year's stabilized income into an indication of market value. The PACS income approach module provides the mechanism to capture and specify a property's income characteristics for three levels or variable situations known as "Pro Forma", "Direct Cap" (actual), and "Schedule" (market). The income formula is the same for each variable, but the data used to populate each situation may differ. The "Direct Cap" allows

the appraiser to use actual income characteristics that are property-specific to create an income model individual to the property. Some key model fields in the income approach formula include gross potential income, economic vacancy, secondary income, total operating expenses, net operating income, and capitalization rate. The income approach formula is generally expressed in the following way. A brief definition of each component of the formula is listed below.

Potential Gross Rent Minus
Vacancy & Collection Loss
Equals
Effective Gross Rent Plus
Secondary Income
Equals
Effective Gross Income
Minus
Operating Expenses
Equals Net Operating Income
Then Net Operating Income/Overall Cap Rate = Value

Potential Gross Rent (PGR). Total economic or market rent at 100% occupancy; usually expressed as an annual amount per square foot or per unit basis.

Vacancy and Collection (V&C). - Loss in rental income because of economic vacancies, bad debt, or economic rental concessions; often expressed as a percentage of PGR; based on market cycles and trends.

Effective Gross Rent (EGR) - Rental income after subtracting vacancy & rental loss from potential gross rent.

Secondary or Other income -. Income, other than rent, is received from concessions, such as laundry rooms, parking, storage area rental, electronic communication roof space rental, and other sources related to the ordinary operation of a property. Can be expressed as a percentage of PGR, EGR, or dollar amount per unit of measure.

Effective Gross Income -. Amount of actual income received from rent and secondary sources.

Operating Expenses- Expenses necessary to maintain a cash flow from the real property (not from the business). Typical expenses include management, utilities, property insurance, property taxes, repairs and maintenance, etc. This dollar amount can also be expressed as a percentage or ratio representing total expenses divided by effective gross income.

Net Operating Income (NOI). - Income remaining after subtracting operating expenses from Effective Gross Income. This amount is income before debt service, property depreciation, personal income taxes, amortization, or interest payments.

Overall Capitalization Rate (OAR) - Rate used to convert income into value. An overall rate represents the requirements of discount (return), recapture, and effective tax rates for the whole property. This is expressed as the cap rate plus the tax rate. If the tax rate is "loaded" into the cap rate, then the amount of real estate taxes is removed as an expense item.

Actual income data is property-specific, but income characteristics derived from these "actuals" generally represent typical, market-based characteristics for similar income-producing properties. Standardized or "default income models" can be developed by grouping these actual income comparables based on specific comparison or search criteria under "Pro Forma" in the Income model. The groupings provide a set of results for income parameters that can be reviewed and analyzed. The income parameters that can be reviewed include potential gross rent per square foot, economic vacancy percent, other income per square foot or as a percentage of effective gross income, and expenses per square foot or as a percentage of effective gross income, as the information is available.

RATIO STUDY

Ratio studies are done every year per category and by class, land, residential, commercial, industrial, etc. Using our CAMA system, the study is sorted by date, ratio type, and sale type code. Vacant land is the first to be studied. It is sorted by rural, residential, and commercial. Outliers are defined and flagged in the system. That is done at this point if there is enough information to determine an accurate time adjustment. The study is reproduced with all sales considered and the outliers disregarded. The mean, median, mode, coefficient of dispersion, and weighted mean are calculated from the CAMA system. They will be tested to see if there is enough data to determine new market areas. The ratio study results are compared to the current schedules, and adjustments are made when needed. These steps are repeated for all categories and classes of property until all schedules have been tested and approved.

SALES GATHERING

Sales gatherings are performed throughout the year. All ownership transfers, with the exception of Gift Deeds and Executor Deeds, are mailed a sales survey to the buyer and seller. As they are returned, the sales surveys are researched and determined to be arm's-length. They are then entered into the CAMA system as arms-length or disqualified. If any time adjustments

can be determined, they are then adjusted. Sales information may also be received from outside sources such as Fee Appraisers, real estate firms, information provided at an ARB hearing, and subscription companies. That information is also researched and confirmed.

Circuit Breaker Limitation-Property Tax Code Section 23.231

Beginning in 2024, real property valued at $5,000,000 or less will benefit from a 20% limitation on the net appraised value of the property used to calculate your taxes, with the exclusion of land receiving the agriculture-use special appraisal and homestead properties that could qualify for the 10% homestead limitation.

The circuit breaker provision limits the amount the appraisal district can increase the appraised value of a property. The appraised value of qualifying real property is limited to an increase of no more than 20% per year unless new improvements, excluding ordinary maintenance, have been made. This limitation takes effect on January 1 of the tax year following the first tax year in which the owner owns the property. The Texas Legislature has only authorized the circuit breaker limitation for the 2024, 2025, and 2026 tax years. The appraised value that the circuit breaker applies to is set at $5,000,000 or less for 2024; however, the State Comptroller can increase or decrease the appraised value limit for 2025 and 2026 based on the consumer price index.

Staff providing Mass Appraisal Assistance

Randy Dudley, Chief Appraiser
Michelle Clary, Deputy Chief Appraiser
Joel Black, Appraiser

APPRAISER'S CERTIFICATION:

I, Randy Dudley, Chief Appraiser for the Madison County Appraisal District, solemnly swear that I made or caused to be made a diligent effort to ascertain all property in the district subject to appraisal by me. I included in the records all property of which I am aware of at an appraised value, which, to the best of my knowledge and belief, was determined as required by law. I further certify the following:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are my personal, impartial, and unbiased professional analyses, opinions. and conclusions.

- I have no present or prospective interest in the property that is the subject of this report, and I have no personal interest with respect to the parties involved.
- I have no bias concerning any property that is the subject of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting Predetermined results.

My compensation for completing this assignment is not contingent upon the reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

My analyses, opinions, and conclusions were developed, and this report has been prepared in conformity with the Uniform Standards of Professional Appraisal Practice.

I have not personally inspected all the properties that are the subject of this report.

Randy Dudley

Randy Dudley
5-15-25