

FORT BEND CENTRAL APPRAISAL DISTRICT



LAND APPRAISAL MANUAL

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Preface

The Fort Bend Central Appraisal District Land Appraisal Manual was developed from information collected by the Fort Bend Central Appraisal District.

The appraisal district staff extracted from their records copies of recent transactions and sorted them into categories. The major categories are sales of small acreage tracts, large acreage tracts, and sales from within the city. Once this sales information was collected, the District's staff contacted grantors, grantees, realtors and lending institutions in an attempt to ascertain the actual conditions and considerations involved in the transactions. Of the many transactions investigated, only those where the conditions and consideration could be verified and deemed to be "arm's length" were used in the development of the schedule and guidelines. Any transaction not considered typical of the market (family sales, foreclosure sales, etc.) was discounted.

The FBCAD Land Appraisal Manual associated schedules and outlines were developed as a guide to facilitate the review appraisers in establishing market value, using standardized procedures to ensure fair and equitable appraisals throughout the District.

Obviously, no schedule can be constructed to fit all properties. Therefore, when applying the schedules, the appraiser must use his/her experience and judgment to compensate for the individuality of various parcels of real estate.

In the compilation of the FBCAD Land Manual, appraisals were tested by comparison to known market transactions.

Chapter 1 Land Valuation Techniques

Land is the surface of the earth and the major source of all mineral, vegetable, and animal matter; it is the foundation for the social and economic activities of people as well as a commodity and the root of wealth.

Land may be defined as the surface of the earth together with everything under its boundary and everything over it, extending into the heavens. (IAAO Property Assessment Valuation)

Section 1.1 The Concept of Land

The concept of land is an economic concept. A common understanding of the attributes of land is recognized by appraisers:

- Each parcel of land is unique in its location and composition.
- Land is physically immobile.
- Land is durable.
- The supply of land is finite.
- Land is useful to people.

In real estate appraisals, the emphasis on land is *location*.

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.

In making appraisals for ad valorem tax purposes, it is generally necessary to estimate separate values for the land and the improvements on the land. In actuality, the two are not separated and the final estimate of the property as a single unit must be given prime consideration. However, in arriving at the final estimate of value, aside from the requirements for property tax appraisals, there are certain other advantages in making a separate estimate of value for the land:

- An estimate of land value is required in the application of the Cost Approach. An estimate of land value must be deducted from the total property-selling price in order to derive an indication of depreciation through market-data analysis. (Depreciation is defined as the difference between the replacement cost new of a structure and the actual price paid in the market place for the structure).
- As land is not a depreciable item, a separate estimate of land value is required for bookkeeping and accounting purposes; likewise, the total capitalization rate applicable to land will differ from the rate applicable to the improvements on the land. Since land may or may not be used to its highest potential, the value of land may be completely independent of the existing improvements on the land.

Section 1.2 **Comparable Sales Method**

The most frequently used method in estimating the value of land is the **Comparable Sales Method** in which land values are derived from analyzing the selling prices of similar sites. This method is in essence the application of the market-data approach to value; all the pertinent considerations are equally applicable here.

The appraiser must select comparable and valid market transactions, and must weigh and give due consideration to all the factors significant to value, adjusting each to the subject property. The comparable sites must be used in the same way as the subject property, and subjected to the same zoning regulations and restrictions. It is also preferable, whenever possible, to select comparables from the same or a similar neighborhood or area. The major adjustments will be to account for variations in time, location, and physical characteristics to include size, shape, topography, landscaping, and access as well as other factors which may significantly influence the selling price, such as the productivity of farm land.

Although it is always preferable to use sales of unimproved lots for comparables, it is not always possible to do so. Older neighborhoods are not likely to yield a sufficient number of representative sales of unimproved lots to permit a valid analysis. In such cases, in order to arrive at an estimate of land values using the comparable sales approach, it is necessary to consider improved property sales and to 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:

$$\textit{Selling Price of Property - Estimated Depreciated Value of Buildings = Indication of Land Value}$$

In order to apply the comparable sales method it is first necessary to establish a common unit of comparison. The units generally used in the valuation of land are per square foot, value per acre, value per front foot, and value per lot. The selection of any one particular unit depends upon the type of property under appraisal ... frontage being commonly used for platted, uniform type lots and square footage 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, adjustments to land values should be made to account for differences in size and shape between the comparables and the subject property. Since such adjustments are generally necessary for each lot, it is beneficial that the appraiser adopts and/or develops standardized procedures for adjusting the lot size and the unit values to account for the variations. Some of the techniques commonly employed are as follows:

- **Standard lot sizing techniques** provide for the adjustment of value because of the frontage, width, and/or depth of irregularly shaped lots to make the units of measurement more comparable with uniform rectangular lots.

- **Standard depth tables** provide a uniform system of measuring the additional value to lots which accrues because of added depth, with the extra depth valued according to the added utility it creates.
- **Frontage tables** provide for adjustments to front footage unit values to account for variations in the relative utility value of excessive or insufficient frontage as compared to a predetermined norm.
- **Acreage tables** provide for adjustments to acreage unit values to account for variations in the relative utility value of excessive or insufficient acreage as compared to a predetermined norm.

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 properly, 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 down to the value level, which is most applicable to the subject property.

Section 1.3 The Land Residual Technique

In the absence of sufficient market data, income-producing land may be valued by determining the portion of the net income attributable to the land and capitalizing the net income into an indication of value. The procedure is as follows:

1. Determine the highest and best use of the land that may be either its present use, or hypothetical use.
2. Estimate the net income that the property can be expected to yield.
3. Estimate the replacement cost new of the improvements.
4. If the case involves the present use, estimate the proper allowance for depreciation, and deduct that amount from the replacement cost new of the improvements to arrive at an estimate of their depreciated value.
5. Develop separate capitalization rates for the structures and the land.
6. Calculate the income requirements of the improvements, and deduct that amount from the total net income to derive that portion of the income that could be attributed to the land.
7. Capitalize the residual income attributable to the land to an indication of value.

Section 1.4 Cost of Development Method

This method finds its widest application in the appraisal of large tracts of undeveloped land suitable for residential, commercial, and industrial development. It is a technique that requires a great deal of data, time, and skill and is therefore generally used only in those cases where an insufficient number of comparable sales are available for analysis. This method involves making estimates of the value of the site fully developed for its highest and most likely use and deducting an estimate of the total cost of developing the site to derive an indication of its present value. The procedure for employing the method is as follows:

1. Determine the highest and most likely use of the site, including the optimum size of the lots if the use involves subdividing.
2. Estimate the most likely selling price of the development site(s) by the comparable sales method.
3. In cases involving subdividing, determine the optimum number of sites that can be developed.
4. Calculate the aggregate selling price that the developer can expect to receive.
5. Estimate the developing cost to include the cost of improvements, taxes, insurance, engineering fees, interest, advertising, sale, profit, and other related expenditures, and deduct that amount from the anticipated gross sale, to arrive at an indication of the present value of the developed site.

Section 1.5 Zoning Regulations

Zoning regulations primarily control a property's use. Existing and potential property uses must be checked against zoning regulations to determine if they are conforming or nonconforming uses. When the present use does not conform to current zoning regulations, the appraiser should consider how this fact might affect property value.

Chapter 2 Appraising Vacant Land

This section is adapted from guidelines provided by the State Comptroller's office to assist in the market valuation of vacant lands. Appraised values based on market valuation must be established for all taxable land in each taxing jurisdiction, regardless of whether the land qualified or would qualify for productivity valuation. Market value must be retained for land receiving productivity valuation in the event of rollback purposes. In addition, market values could be submitted to the Appraisal Review Board for determination of protests.

The vacant land market can better be understood by dividing it into three types of markets, each based on the principle factor which influences value. Discussion of these market influences and common examples of each are presented below.

The Production Land Market

The principle factor influencing value of rural land in the production land market is the income potential associated with agricultural production. In the productive capacity of soils, the availability of irrigation water, and the topographic features which influence the ability of a producer to use the land for agricultural purposes.

The Investment Land Market

The principle factor influencing the market value of vacant land in the investment land market is the appreciation potential of land investments. The investment land market is not composed strictly of speculators who purchase land with the intent to make a quick profit by resale, but also includes individuals who purchase land for conversion into subdivisions or for other types of development. In addition, the investment land market includes individuals who purchase land as a means of preserving their capital for a later use, or as a hedge against inflation.

The Consumptive Land Market

The principle factor influencing the market value of vacant land in the consumptive land market is the satisfaction that land ownership provides. The consumptive land market is often characterized by the purchase of small tracts of land to be used for recreational purposes. For instance, an individual who lives in a city or town may purchase a 10-acre tract of land in a rural area to visit on weekends with his family.

Generally, the value of land located within 200 miles of major population centers is most heavily affected by consumptive market influences.

The most distinctive feature of the vacant land market is that all three types of market influences, in combination with supply, establish market values. For this reason, it is important that the appraiser be knowledgeable of the key factors that influence value and of the relative influence each of these factors has upon value when establishing procedures for the valuation of vacant land in a jurisdiction.

Section 2.1 Analysis of the Location Market

From a practical standpoint, using a fee-appraisal approach to appraise each individual tract of land in a jurisdiction is not possible. Fee appraisers make detailed appraisals of individual parcels by obtaining comparable sale of other land in the jurisdiction and adjusting each comparable sale to the subject property to estimate the value of the subject property. In this way, fee appraisers allow market transitions that have occurred regarding other properties to define the market value of the subject property. Common types of adjustments made by fee appraisers to comparables in estimating market values of subject properties include adjustments for date of sale, for size of tract, for productivity factors, for improvement value, and for special amenities.

Appraisers must also use market transactions to define factors that influence vacant land values in their jurisdiction. However, unlike fee appraisers, we cannot compare each tract individually to each market transaction identified to make adjustments because of the volume of properties to be appraised. We must, therefore, incorporate the factors indicated by market transactions into general standards of schedules of value. Such schedules are normally comprised of per acre values that will be multiplied by the number of acres in an individual tract to develop an estimate of the value of the tract. Schedules of this kind should be divided into as many categories or classes as are necessary to reasonably reflect market values when applied to individual tracts of land found in the jurisdiction.

Section 2.2 Classification and Valuation of Land

Land in Fort Bend County is generally analyzed by school districts (clusters). Each school district in Fort Bend County may be broken down into smaller subsets or groups. These subsets or groups are then also broken down into market areas or neighborhoods where properties are fairly homogeneous and fewer adjustments are required to compare market value sales. Market areas where groups or school districts meet may be combined into one market area in two districts where market value sales information indicates little or no difference between the adjacent market areas.

Subsets or groups within school districts consist of, master planned communities and lot and block subdivisions, urban areas or cities that are divided into commercial, residential and/or unrestricted use, and rural areas that may also be divided into commercial, residential and/or unrestricted uses, but are mainly unrestricted use. Each of these groups may be divided into several market areas or neighborhoods.

Section 2.2.1 Master Planned Communities and Subdivisions

Most master planned communities have many subsets and market areas. This is due to developers attempting to offer a broad range of perspective home buyers many options to purchase properties from varying price ranges within their communities. This marketing technique creates the need for many market areas.

Typical master planned community or lot and block subdivision land values begin, from the platting, or beginning stage of development, as an inventory cost per lot basis. Inventory lot value is either rendered or can be estimated.

To estimate an inventory lot value, an appraiser must first determine a value per acre of the raw land before development. Using data from other subdivisions or independent sources, the appraiser must then estimate the cost per acre to develop the raw land into a subdivision. To calculate a per lot value, the appraiser must first combine the raw acreage value with the cost to develop the acreage, then multiply that by the amount of acreage being developed and divide this new value by the amount of lots platted, generating an inventory (cost) lot value. This value is then applied uniformly to the market area using a land table/model (schedule).

$$[(value\ per\ acre + cost\ to\ develop) \times acres \div platted\ lots] = inventory\ per\ lot\ value$$

As inventory lots transfer from the developer to being owned by a builder the value will change to the builders rendered market value of the lots or a calculated appraised value from other verified market value lot sales in the area.

Retail value of subdivision lots may be calculated by estimating builder profit of a lot when sold as an improved home site or by typical land to property ratio (land + improvement =property) of market value sales in the market area.

Once lot values in a lot and block subdivision have been established, market areas are periodically reviewed for uniformity and changes in market value and/or changes in influences to value.

Typically green spaces, restricted to recreation reserves and platted drainage easements in lot and block subdivisions are valued at a nominal value that is uniform throughout the entire county.

Section 2.2.2 Urban and Suburban Areas and Cities

Urban and suburban areas and cities in Fort Bend County are typically appraised in subsets of commercial properties, residential properties, and unrestricted properties. Each subset may be divided into several market areas dependent on how properties are selling in the open market.

Section 2.2.2.1 Commercial Land

When analyzing commercial land, as with any appraisal, an exhaustive search is done to discover and record as many current market value commercial vacant land transactions as possible within the market area to be analyzed.

Vacant land sales found in the discovery process are then analyzed using the Comparable Sales Method (see Section 1.2) to determine a base value for the unit of measure used in each market area.

An analysis consists of an array of sales from a particular market area. These sales are then adjusted, if needed; using market driven adjustments to estimate each sale's base price per unit. Examples of market adjustments are, but not limited to, time, financing terms, size, location, and/or any attribute or detriment that may affect the sales price of a property. This array of adjusted sales prices is then analyzed to draw a conclusion of a base unit price.

The unit of measure, for valuation, is typically determined by the actual measure properties are selling by in the open marketplace. (i.e. front foot, square foot, per lot, and or acre)

Improved commercial properties may also be used to reach an indication of land market value. This can be done by using Comparable Sales or the Land Residual Method (see Section 1.3) to arrive at a base unit value in each market area.

After discovered land sales have been analyzed, and a per unit value has been determined, a land table/model (schedule) may be created or modified to reflect the current base value per unit of the market area. This table/model (schedule) will be applied uniformly to properties in the analyzed market area. A market driven adjustment for size may or may not be built into a land table/model (schedule) to reflect how the size of a property may affect the property's value per unit.

Section 2.2.2.2 Residential and Unrestricted Land

When analyzing residential and unrestricted land in urban and suburban areas or cities an exhaustive search is done to discover and record as many current market value vacant land transactions as possible within the market area to be analyzed.

Vacant land sales found in the discovery process are then analyzed using the Comparable Sales Method (see Section 1.2) to determine a base value for the unit of measure used in each market area.

An analysis consists of an array of sales from a particular market area. These sales are then adjusted, if needed; using market driven adjustments to estimate each sale's base price per unit. Examples of market adjustments are, but not limited to, time, financing terms, size, location, and/or any attribute or detriment that may affect the sales price of a property. This array of adjusted sales prices is then analyzed to draw a conclusion of a base unit price.

Unit of measure is typically determined by the actual measure properties are selling by in the open marketplace. (i.e. front foot, square foot, per lot, and or acre)

After discovered land sales have been analyzed, and a per unit value has been determined, a land table (schedule) may be created or modified to reflect the current base value per unit of the market area. This table (schedule) will be applied uniformly to properties in the analyzed market area. A market driven adjustment for size may or may not be built into a land table (schedule) to reflect how the size of a property may affect the property's value per unit.

Section 2.2.3 Rural Land

Analyses of rural land in Fort Bend County are similar to analyses of urban residential and unrestricted land because uses are similar and methods used to appraise rural properties are the same as in urban properties.

When analyzing rural land an exhaustive search is done to discover and record as many current market value vacant land transactions as possible within the market area to be analyzed.

Vacant land sales found in the discovery process are then analyzed using the Comparable Sales Method (see Section 1.2) to determine a base value for the unit of measure used in each market area.

An analysis consists of an array of sales from a particular market area. These sales are then adjusted, if needed; using market driven adjustments to estimate each sale's base price per unit. Examples of market adjustments are, but not limited to, time, financing terms, size, location, and/or any attribute or detriment that may affect the sales price of a property. This array of adjusted sales prices is then analyzed to draw a conclusion of a base unit price.

Unit of measure is typically determined by the actual measure properties are selling by in the open marketplace (i.e. front foot, square foot, per lot, and or acre).

After discovered land sales have been analyzed, and a per unit value has been determined, a land table (schedule) may be created or modified to reflect the current base value per unit of the market area. This table (schedule) will be applied uniformly to properties in the analyzed market area. A market driven adjustment for size may or may not be built into a land table (schedule) to reflect how the size of a property may affect the property's value per unit.

Ratio studies are used, regardless of appraisal method or land type, to statistically test appraisals for accuracy and uniformity.

Section 2.3 Market-Driven Adjustments

Typically when a property is traded from a builder to a consumer or from one consumer to another and market value sales are collected and analyzed, market driven adjustments can be measured and applied to properties.

Adjustments and values of adjustments, or lack of either, may be determined by paired sales analysis, (where two or more sales of similar properties having only one perceived different characteristic are compared to estimate the value of said characteristic) or statistically determined by using ratio studies to isolate properties with similar characteristics to estimate that characteristic's value.

When an appraiser has determined what adjustments are required, if any, and/or their values, to be applied to properties, the appraiser must apply adjustments uniformly upon the affected properties in the market area.

Adjustments may be applied to a market area by introducing another land table into the market area that combines the lot value with the adjustment value. Another way of applying adjustments to a property is the use of adjustment factors which are multipliers that are used with the land table value to calculate market value.

Chapter 3 Land Productivity Valuation

Two amendments of the Texas Constitution permit agricultural and open-space land to be taxed generally on its agricultural use, or productivity value. This means that taxes would be assessed on the productive value of the land instead of the market value of the land.

The legal basis for special land appraisal is found in the Texas Constitution in Article VIII, Sections 1-D and 1-D-1. The two types of land and valuation are commonly called "ag-use" or "1-D" and "open-space" or "1-D-1". The corresponding provisions of the Texas Property Tax Code are Sections 23.41 through 23.46, Agricultural Land; and Sections 23.51 through 23.57, Open-Space Land.

The purpose of the two provisions is similar. Under both provisions, the land must be in agricultural use and valued in the same manner. However, there are differences in the qualifications that must be met in order to receive the productivity valuation.

AG-Use, 1-D, qualifications include:

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

Open-Space, 1-D-1, qualifications include:

- The land may be owned by an individual, corporation, or partnership.
- The land must be currently devoted principally to agricultural use to the degree of intensity generally accepted in the area.
- The land must have been devoted to a qualifying agricultural use for at least five (5) of the past seven (7) years, prior to the application year.
- Agricultural business need not to be the principal business of the owner.

Once an application for 1-D-1 is filed and approved, a landowner is not required to file again as long as the land qualifies unless, the ownership of the property changes, the use of the property changes, or the chief appraiser requests another application to confirm current qualifications.

These provisions are effective only if applications are filed with the appraisal district office in a timely manner. Applications should be filed after January 1 and before May 1.

The Fort Bend Central Appraisal District has established guidelines for the implementation of these provisions. It is the opinion of the Fort Bend Central Appraisal District that the guidelines are valid for mass appraisal purposes and can be applied uniformly throughout the district.

These guidelines are supported by Section 183 of the IRS Regulations.

These guidelines are to be used as a general guide for qualifying agricultural land. Each application will be handled on a case by case basis.

The possibility for a "rollback tax" exists under both forms of special use land valuation. Either sale of the land or a change in use, to a non-qualifying use of the land creates this liability for additional taxation under 1-D valuation. It recaptures taxes that would have been imposed for the three years preceding the year of change or the sale occurs, plus interest.

Under 1-D-1, a rollback is initiated by a change in the use of the land to a nonagricultural purpose that would no longer qualify for productivity valuation. A rollback of a 1-D-1 property recaptures taxes that would have been imposed for the five years preceding the year of change, plus interest.

The additional tax is measured by the difference between taxes imposed under productivity valuation provisions and the taxes, which would have been imposed if the land had been valued on the tax roll at market value.

Definitions of Key Words/Phrases:

Prudent: Capable of making important management decisions; shrewd in the management of practical affairs. Specifically the law states that the land must be utilized as would an ordinary and prudent manager.

Typical: Exhibiting the essential characteristics of a group. Specifically, the law states that Ag Land will be utilized, as would a typically (ordinary) manager. Statically, a typically prudent manager is the median farmer or rancher.

Agricultural use to the degree of intensity generally accepted in the area: farming or ranching to the extent that a typically prudent manager in the area of the taxing unit would farm or ranch on a typical operation when the tract is devoted principally to agricultural use. A better understanding of this definition can be gained by identifying the key elements of the definition and explaining each as follows:

- **Degree of intensity generally accepted in the area** shall mean that the farming and ranching practices (cropping patterns, planting rates, fertilization methods, harvesting and marketing techniques, etc.) are those typical of a prudent farm or ranch manager.
- **Typically prudent farm or ranch managers** are ordinary producers with similar practices. The number of acres worked determines the producer's capital structure. Typically prudent farm or ranch managers located in the Fort Bend Central Appraisal District are assumed to

have similar equipment of similar value or utility.

- **Area** is interpreted to be that land inside the jurisdiction boundaries of the Fort Bend Central Appraisal District.
- **Principally** means the more important use in comparison with any other uses to which the land is put.

Section 3.1 Guidelines for Determination of Intensity of Ag-Use

Section 3.1.1 Size of Acres of Land Under Agricultural Production

Land under agricultural production must be specifically identified and products produced clearly stated. The land shall be described legally and physically. Physical description of the land identifies the land and in categories or classifications of land such as dryland, cropland and native pasture; as well as stating the number of acres in production. Productive capacity of the land must be described to allow measurements of agricultural production intensity.

Intensity of agricultural production is the central issue or standard of agricultural use qualification. Intensity of use for our area is based on information gathered from several local sources and statistical data from USDA. The number of animal units will vary with land size and type and the operator's management practices. An animal unit is typically defined as a 1,000-pound of animal. Year round means twelve (12) months.

The following typical acreages for the different land categories listed below are intended to be used as general guidelines based upon typical stocking rates. **As a general rule however, 5 acres is required for Ag use consideration by the Fort Bend Central Appraisal District.** Each application will be handled on a case by case basis.

Orchard: Typically, 5 acres of land is required to achieve minimum standard of production to qualify agricultural use given prudent management.

Irrigated cropland: Typically, 20 acres of land is required to achieve minimum standard of production to qualify agricultural use given prudent management.

Dryland cropland: Typically, 20 acres of land is required to achieve minimum standard of production to qualify agricultural use prudent management.

Improved pasture: Typically, 25 acres of land is required to achieve minimum standard of production to qualify agricultural use prudent management.

Native pasture: Typically, 40 acres of land is required to achieve minimum standard of production to qualify agricultural use prudent management.

Section 3.1.2 Exceptions

Typically a small tract, less than 5 acres, is NOT considered as qualifying agricultural land unless it is used as part of a larger contiguous qualified agricultural operation of the same use.

- If a small vacant tract is used as part of a larger grazing operation it may qualify. Written verification of participation in a larger operation **must** be filed with the Fort Bend Central Appraisal District. This written documentation can be a written lease and/or a written affidavit statement from the property owner that a written agreement is in effect. If a statement is used, the location of property, parties involved and length of agreement must be stated.
- Small acreage with a residential or commercial structure is considered primarily residential or commercial in nature, with agricultural use secondary. Open-Space Land **must** have agricultural use as its **primary use** in order to qualify. Adding small acreage to existing residential or commercial tracts is considered an extension of the site and is not considered primarily agricultural.

A small vacant parcel of land that is not contiguous with other parcels being held in common ownership or under lease may be considered for Ag-Use if it is principally devoted to agricultural use as product storage, equipment storage, or livestock feeding or handling. Generally such uses compliment agricultural usage as farming or ranching operations and achieve intensity of use typically accepted in the area. The tract is used to support a larger farm or ranch in a close proximity to the larger operation.

Section 3.2 Gross Annual Receipts or Income from the Sale of Agricultural Products for 1-D

If the land is under agricultural use there should be sales of products. The owner may be required to provide the following data:

- Internal Revenue Service Schedule F Tax Form
- Statement by owner declaring products produced and gross income earned to land

Land left idle as part of a government agricultural or conservation program, or land left idle for normal crop or livestock rotation may also qualify for Ag-Use appraisal under normal circumstances. Given prudent management, production of agricultural products can achieve intensity of use typical for the area.

Guidelines for Typical Farming and Ranching Operations, Standard Practices Orchards

16-300 trees per acre/ (50' centers being pecan and 12' centers being fruit)

Water available for establishment / maintenance Insect control

Apply herbicide/mechanical weed control Fertilizer

Pruning

Harvest yield per acre varies with crop

Cropland

Shredding previous crop Tillage

Planting Fertilize

Apply herbicide/mechanical weed control Insect control

Maintained in a workman-like manner Harvest yield per acres varies with crop

Grass Farm/ Tree Farms

Water available for establishment / maintenance Insect control

Apply herbicide/mechanical weed control Fertilizer

Grass cut twice each year

Harvest yield per acres varies with crop

Improved Pasture or Hay

2000 lbs./acre (hay)

Fertilizing

Apply herbicide/mechanical weed control

Grazing

Stock Water

Marketing

Must produce sufficient forage to sustain a minimum of 5 animal units on 25 acres (1 to 5 ratio) on a year basis satisfying the intensity levels

Native Pasture

Fence maintenance Grazing

Stock Water

Marketing

Must produce sufficient forage to sustain a minimum of 5 animal units on 40 acres (1 to 8 ratio) on a year round basis satisfying the intensity levels

Section 3.3 Land Use Type Classification

PI (improved pasture): Land that has been cultivated, fertilized and /or introduced with improved grasses.

PN (native pasture): Defined as FENCED grazing land, non-improved native grasses and in its native state. Acreage may contain a small amount of Yaupon and Huisache. This type of land would not be fertilized, limed or have herbicides use on pasture.

FR (irrigated cropland): Irrigated farmland used for raising crops typically rice. Crops are established on a three (3) year rotation basis.

GC (dry cropland): Non irrigated farmland used for raising crops such as milo, corn, cotton, wheat, melons, soy beans or peanuts.

TFI (tree farm softwoods): Includes Christmas tree farms and other land planted in pine, other softwoods or evergreens, but not designated as timber forest.

TF (tree farm hardwoods): Includes land planted in Live Oak or other hardwoods, but not designated as timber forest.

GF (grass farms): Land devoted to the production of sod which is highly managed with multiple applications of fertilizer and herbicides and irrigated.

FO, PO (orchards): Land typically devoted to the production of fruits or nuts such as pecans, grapes, and limited numbers of berry crops (blueberry).

HO (horticulture): Land devoted to the cultivation of plants, especially flowers, fruit and vegetables, in gardens and greenhouses.

PT (timber): Land where softwoods or evergreen trees comprise more than two-thirds of the stems that are free to grow. Timber land requires a Forest Management Plan, commercial timber stocking, and documented timber harvest.

BK (beekeeping): The use of land to raise or keep bees for pollination or for the production of human food or other tangible products having a commercial value.

W (wildlife management): Land actively used for wildlife-management. Use under this subchapter in at least three of the following ways to propagate a sustaining breeding, migrating, or wintering population of indigenous wild animals for human use, including food, medicine, or recreation:

- Habitat control;
- Erosion control;
- Predator control
- Providing supplemental supplies of water;
- Providing supplemental supplies of food;
- Providing shelters; and

- Making of Census counts to determine population

The property must be actively qualified under 1-D or 1-D-1 before changing to Wildlife Management. The policy of FBCAD states the minimum acreage for wildlife is the same minimum acreage as the previous agricultural use. Therefore, if the Texas Department of Parks and Wildlife approves a management plan for said acreage the FBCAD may approve the application for wildlife management if the acreage continues to meet the minimum acreage requirement for the previous agricultural use.

April 15, 2019, in accordance with Comptroller Rule 9.2005, Fort Bend Central Appraisal District has adopted the following Wildlife Use Requirement for tracts that have reduced in size from January 1st of the previous year to qualify for Wildlife Management Use. Trace of land as defined by Comptroller Rule 9.2001 "the entire area of a parcel or contiguous parcels of land as reflected in appraisal district records, under common ownership."

Wildlife management use – **14.3 acres**

Wildlife property associations – **11.1 acres**

Areas designated as habitat for candidate, threatened, or endangered species – **11.1 acres**

A Wildlife Management Plan, promulgated by the Texas Department of Parks and Wildlife or qualified biologist, must accompany each application for wildlife management use. In addition, a Wildlife Management Annual Report must be filed each year thereafter. Both of these forms are available at the appraisal district office or online with Texas Department of Parks and Wildlife.

Section 3.4 Reviewing and Approving Agricultural Appraisal

As Agricultural Use Applications are received these processes are followed to maintain accurate and uniform property valuation.

Section 3.4.1 Processing the Application

1. Land Department receives the application by mail or by hand.
2. A clerk scans the application to the appropriate account and places the application in a file to be reviewed.
3. Land Appraiser reviews the application for completeness:
 - a. Correct year
 - b. Property owner information completed
 - c. Account information
 - d. History
 - e. Applied for use

- f. Additional accounts if less than the minimum acres required for the applied for use
 - g. If applicable, lease information provided, and a copy of the lease attached.
 - h. Signature and date
 - i. If application is for new agricultural use, the property did not have a special use in previous years, review proof of the history of use from the past 5 of 7 years.
4. Land Appraiser determines the next step:
 - a. If the application is incomplete, contact the property owner by disapproval letter and possible Phone call, and request additional information. When the application is updated, return to step 1.
 - b. If information is complete, begin field inspections.

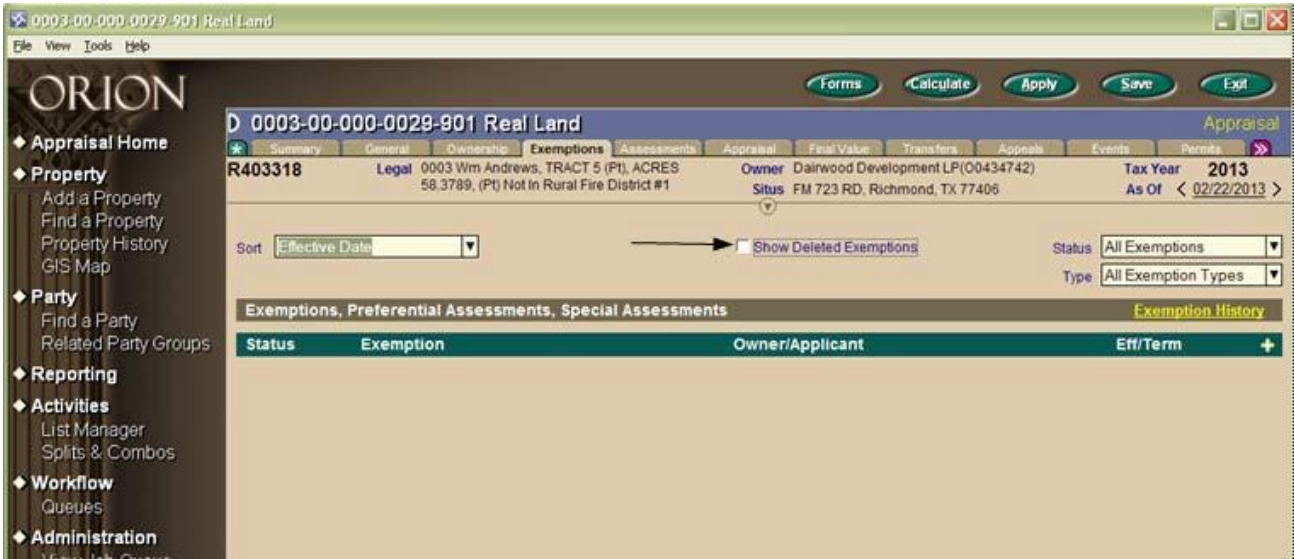
Section 3.4.2 Field Inspection Process

1. Locate the property in the software map or paper map or both.
2. Review current aerial photography for previous agricultural use or lack thereof and/or for current use.
3. And/or drive to the property and inspect for use:
 - a. Make note, in writing, of agricultural use, or lack of use. For example:
 - Fencing and livestock
 - Property plowed in rows or growing
 - Hay bales or growing hay
 - Trees planted and growing
 - b. Find distinguishing landmarks to photo and take photos of the property to show use or lack of use.
 - c. Upon return to the appraisal office, have the land clerk link the photos to the account.

Section 3.4.3 Approval Process

If the minimum requirements have been met to approve agricultural use based on a field inspection, and proper documentation has been provided, then approve the property for agricultural use appraisal. Follow these steps for properties with previous Ag use:

1. Acquire the folder for the property from the cabinet.
2. Open the record for the property in Orion.
3. Go to the Exemptions tab.



a. Click Show Deleted Exemptions. This enables you to see the Effective Date.



b. In the Status line, click the plus sign to the right of the screen. The Add Exemption or Preferential Assessment screen appears.

Note: On an Undivided Interest (UDI) account, the system will prompt to select an owner for which to add an exemption. After you choose an owner, the Add Exemption or Preferential Assessment appears.

Select an Owner for the new exemption.

Owner Name	Interest %	Int. Type
Bosco, David	4.33	UDI
Dusek, Carolyn F	4.33	UDI
Fojtik, Evelyn L	4.34	UDI
Holub, Lucie F	12.21	UDI
Hruzek Michael Etal	12.2	UDI
Hruzek, Gene A	4.34	UDI
Janicek, Dolores	12.21	UDI
Lawhon, Jeanette Bosco	4.34	UDI
Luhn Rosie etal	12.2	UDI

Exit

- c. Click in the Exemption field. Type AG, then press Tab.
- d. In the Status field enter A for Active. Press Tab three times.
- e. In the Effective date field enter 01/01/year, where year is when the previous Ag use (deleted) began. If there is no previous effective date, enter 1986 for year. Only use the current year when new Ag (the property has not had Ag use in the prior years).
- f. Enter any useful remarks in the Comments field.

Add Exemption or Preferential Assessment

Exemption or Preferential Assessment Information Applicant

Exemption: Agriculture Use ← Property ID: 0003-00-000-0029-901
 Status: Active ← Owner: Dairwood Development LP
 Application Date: [] Address: 10001 Westheimer RD, STE 2888, Houston, TX
 Effective Date: 01/01/2012 ← Applicant: Dairwood Development LP
 Termination Date: []
 Change Reason: []

Additional Information

Comment: []

Continue Exit

- g. Click Continue.

4. Go to the Appraisal tab.

The screenshot shows the Orion software interface for property R403318. The 'Appraisal' tab is active, displaying a form with several sections:

- Property Information:** Last Inspected (03/19/2013), Appraiser (SU), Next Insp Date, Reason, Last Appr Year, Property Code, Include in CAD (checked), Misc Code, Rendered Value, Rendered Date, Audit Name, Comment, Late Correction, and Omitted Property.
- Appraisal Information:** Utilities (Electricity), Topography, Access (A), Other (D), Zone, Region, Subset, Shape, Road Factor, and Audit Date.
- Neighborhood Information:** Map Sheet, Original Builder, Model, Eff Acres (1.056 30020), Land Size for Calculations (58.37890), Land Mod, Imp Mod, Characteristics, Shared Flag, Nbhd Land Adj (100.00), and Nbhd Imp Adj (90.00).
- Additional Information:** Split Jurisdiction (TU Pcts).

Two arrows point to the 'Last Inspected' and 'Appraiser' fields. A tree view on the left shows 'Property' expanded to 'Land Information (1)'.

- In the Last Inspected field enter the date of the field inspection.
- In the Appraiser field enter your initials.
- Click on Land Information. Click on the Land Segment. Notice the screen changes.

d. Under Land Detail:

- i. In the Land Type field click the down arrow, scroll to the type per the application and inspection, and click.
- ii. In the State Code field click the down arrow, scroll to the appropriate "D" state code, and click. {Note: this setting will change as the State updates the codes.}

e. Under Ag Information:

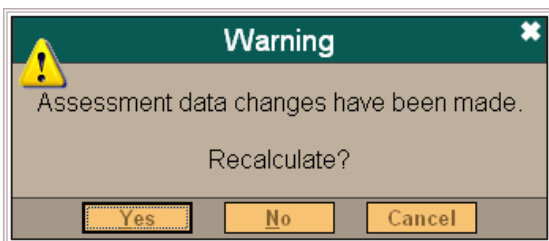
- i. In the Ag Apply field click the down arrow, scroll to Yes, and click. If application is received after May 1, scroll to Late, and click.
 - ii. DO NOT enter an "Ag Apply Year" unless the subject property or its parent did not enjoy agricultural appraisal in the previous year.
 - iii. In the Ag Use Code field click the down arrow, scroll to 1D1, and click.
 - iv. In the Ag Method field click the down arrow, scroll to Acreage, and click.
 - v. In the Ag Table field click the down arrow, scroll to the matching land type, and click.
 - vi. Only use the Ag Prev Type field if a change in use has occurred. In the Ag Prev Type field, if the type has changed from the previous year, click the down arrow, scroll to the previous type, and click.
5. Click Calculate at the top of the screen.

6. Verify that the Productivity Value appears.



7. Go to the Summary tab.

a. Click Apply at the top right of the screen.



b. Click Yes.

c. Verify the Ag use value.

d. Verify Ag appears in the Exemptions area.



8. Write your initials on the top right-hand corner of the application.
9. Record the inspection in the tracking document.
10. Ask the land clerk to send an approval letter to the property owner.
11. File the inspection notes and application in the folder for the property in the cabinet.

Section 3.4.4 Denial Process

If dependent on the field inspection an account is to be flagged for further review, pull the folder for the property from the cabinet.

If the property does not meet minimum requirements based on a field inspection:

1. Ask the Land Clerk to send a denial letter describing why the property will not receive special use value for the current year. The property owner has 30 days to correct the situation or the application will be denied and the property will be denied the ag appraisal.
2. Land Clerk will scan the letter to the account.
3. Return the folder for the property to the cabinet

Section 3.4.5 Record Retention Process

1. Retain all information gathered: the application and field notes, and the denial letter if applicable, in a file under the Xref (long) number.
2. Maintain a list or file of denied properties for future review for additional taxation (rollback) if needed.

Section 3.5 Procedures for Wildlife Management

Section 3.5.1 Approval Process

1. Upon request for Wildlife Appraisal furnish the applicant the following:
 - a. Application for Agricultural Appraisal
 - b. Guidelines for Qualification of Agricultural Land in Wildlife Management Use
 - c. Texas Parks & Wildlife Open Space Agricultural Valuation Wildlife Management Plan
2. Perform field inspection.
3. Value land upon approval on the same schedule as previous year's agricultural value

Section 3.5.2 Field Inspection Wildlife Management Properties

1. In the beginning of every year run a report of every wildlife property in the county. Include the last inspection date, which may be in the Comments.
2. Send an annual report request letter to each wildlife property.
3. Review the list and determine which, if not all, properties to review for the current year.
4. As annual reports are received, or before May 1st, visit or aerial view properties with a new wildlife management plan or those selected from the county report (step 1) to inspect for compliance with the wildlife program; take photos.
5. Return the appraisal office and record in the software the appraiser name and date of inspection in the Appraisal and Exemption tabs Comments, or in another appropriate location in the Exemptions tab.
6. Retain applications, management plans, annual reports, and field inspection notes in the corresponding file for each property.
7. Retain list of non-compliance for future rollback to be determined.

Section 3.5.3 Annual Reports Process

As Annual Reports are received by FBCAD, additional field inspections are performed when warranted, preferably before certification.

Section 3.6 Suggested Minimum Requirements for 1-D-1 Timberland Use Classification

1. A written Forest Management Plan prepared by a properly trained forester.
2. Records of improvements and Forest Management. Treatments as prescribed in the plan (Cost Records).
3. Commercial Timber Stocking (Pine or Cedar).
4. Documented Timber Harvest:
 - As prescribed in Forest Management Plan
 - Approximately 7 to 10 year intervals
 - Exception for immature Stands
5. On immature Stands, must have 300 stems of commercial timber per acre that are not overtopped, that is being released.
6. Must have a soil index of 65 or greater for pine trees.

Section 3.7 Internal Revenue Service

The IRS considers the following items when considering agricultural property (reference Section 183-2 of The I.R.S. Regulations):

1. Manner in which taxpayer carries on the activity.

Does the taxpayer go about the activity in a business-like fashion keeping books and records, and does he operate as similar businesses are operated?

2. The expertise of the taxpayer or his advisors.

Where the taxpayer has no expertise, does he seek it, and does he follow the advice once found?

3. The time and effort expended by the taxpayer in carrying on the activity.

Are either the efforts of the taxpayer or his qualified assistants consistent with the size of the investment and profit motive?

4. *Expectation that assets used in activity may appreciate in value.

Lack of current income may be offset by the possibility of asset appreciation.

5. The success of the taxpayer in carrying on other similar or dissimilar activities.

A long uninterrupted history of losses will be harmful, but the resumption noted above will operate if the taxpayer has a profit in two years out of five (or seven).

6. *The taxpayer's history of income or losses with respect to the activity.

7. The amount of occasional profits, if any, which are earned.

If profits are generated, their size in relation to prior or later losses will be considered.

8. The financial status of the taxpayer.

If the taxpayer has sufficient wealth to suffer losses, that indicate a nonprofit motive.

9. Elements of personal pleasure or recreation.

If the taxpayer has personal motives or engages in the activity for recreational purposes his overall profit motives will be suspect.

* Not applicable under the Texas State Property Tax Code Guidelines.

Section 3.8 Requirements for Agricultural and 1-D-1 Appraisal

1. An agricultural use must be the **primary** use of the land.
2. A separate application is requested on each account. The application period is from Jan 1 to April 30 of the year in which you wish to have this special appraisal.
3. First time applicants must be able to show proof of agricultural use five out of the last seven years in the country and five out of five in the city.
4. A new agricultural application must be filed whenever there is a change in use, or a change in the ownership of any kind, or at the request of the Chief Appraiser. For example: (change in use) whenever changing from irrigated cropland to dry cropland, from pasture land to native pasture, etc.
5. A minimum of 1 acre must be taken out for a home site, where applicable.
6. Agricultural use to the degree of intensity must be met before a property will qualify, for all types of agricultural use. (See guidelines)
7. Each application will be considered on its own merit.
8. If the tract is subject to a lease, a copy of the lease must accompany the application, and in the case of a verbal lease, an Affidavit by the Lessee, verifying the terms of the lease.

Section 3.9 Degree of Intensity Ratings *Subject to change without notice

The following is a guideline for Density and Intensity ratings:

Type	Intensity Rate Per Year	Minimum Acres
Cotton	15 bales-3/4 bale per acre	20 acres
Corn	1000 bushels – 50 per acre	20 acres
Milo	70,000 lbs. – 3500 per acre	20 acres
Rice	1000,000 lbs. – 5000 per acre	20 acres
Soybeans	500 bushels – 25 per acre	20 acres
Improved pasture or hay*	4000 lbs. per acre 5 animal units – 1 to 5 ratio	25 acres
Native pasture*	5 animal units – 1 to 8 ratio	40 acres
Pecan Orchard	16 trees per acre (50’ centers	5 acres
Fruit Orchard	260 trees per acre (12’ centers)	5 acres

* Animal unit = 1000 lbs.

Note: Smaller acreage tracts may qualify if used in conjunction with other acreage to meet the acreage requirements; less than 5 acres must be used with adjoining acreage.

Important Notice:

The law imposes a rollback tax on land when the owner stops using it for agriculture. The rollback tax is a penalty for taking the land out of agricultural production. This penalty is called a rollback because it recaptures the taxes the owner would have paid had his property been taxed at market value for the previous 5 years covered by the rollback; plus 7% flat interest charged per year.

Section 3.10 Agricultural Value per Acre

Agricultural Use Schedule 2018 (Cap Rate 10%) **subject to change without notice*

Code	Description	Value Per Acre	
A-PN	Native Pasture	\$120.00	
A-PI	Improved Pasture	\$130.00	
A-FR	Farm Rotation	\$430.00	(irrigation)
A-FO	Fruit Orchard	\$550.00	
A-GC	Grain/Cotton	\$360.00	
A-GF	Grass Farm	\$680.00	
A-PO	Pecan Orchard	\$1190.00	
A-HO	Horticulture	\$4390.00	
A-TR1	Tree Farm	\$6060.00	(example fir)
A-TR	Tree Farm	\$8,800.00	(example live oak)
A-BK	Beekeeping	\$1,320.00	
Timberland		1978 Market Value	

Appendix A Adjustment Guide

Example of market driven adjustments the appraiser uses for residential subdivision lot pricing

RI (residential interior) = Base price

RC (residential corner) and RX (residential cul-de-sac) = Base price plus:

Under 20000	20000	30000	40000	50000+
1000	1500	2000	2500	3000

Developer’s inventory = Base price times adjusted % (Developer cost)

Builder’s inventory = Base price times adjusted % (Builder cost)

	Under 50000	50000-79000	80000-99000	100000+
Developer	75	70	65	60
Builder	85	80	75	70

Adjust for oversize and other adjustments as needed when sold to homeowner.

Example: Base 20000
 Developer 15000 (20000 x 75%)
 Builder 17000 (20000 x 85%)

Example:

Base 20000
 Developer 15000 (20000 x 75%)
 Builder 17000 (20000 x 85%)
 RI 20000
 RC 21500 (20000 + 1500)
 RX 21500 (20000 + 1500)

Appendix A.1 Land Influence Codes

These are **examples** of the Land Influence codes that may or may not be used.

- A Wooded site
- B Fencing
- C Misimprovement
- D Tank (farm pond)
- E Unusable area
- F Not buildable site
- N Neighborhood influence (see notes)
- O Ditch or creek
- P Private road
- Q ESMT(s)
- R Rear site
- S Shape or size

G	Traffic	T	Topography
H	HLP line nearby	U	Unimproved
I	Restricted	V	Floodplain
J	View	W	Floodway/wetlands
K	Needs clearing	X	Corner influence
L	Landscaping	Y	Frontage
M	Miscellaneous adjustment (see notes)	Z	Access

Appendix A.2 Market Driven Size Adjustments

Example of adjustments made for tracts from 1 acre to 26 acres:

1.0	100.0	9.5	.83	18.0	.66
1.5	.99	10.0	.82	18.5	.65
2.0	.98	10.5	.81	19.0	.64
2.5	.97	11.0	.80	19.5	.63
3.0	.96	11.5	.79	20.0	.62
3.5	.95	12.0	.78	20.5	.61
4.0	.94	12.5	.77	21.0	.60
4.5	.93	13.0	.76	21.5	.59
5.0	.92	13.5	.75	22.0	.58
5.5	.91	14.0	.74	22.5	.57
6.0	.90	14.5	.73	23.0	.56
6.5	.89	15.0	.72	23.5	.55
7.0	.88	15.5	.71	24.0	.54
7.5	.87	16.0	.70	24.5	.53
8.0	.86	16.5	.69	25.0	.52
8.5	.85	17.0	.68	25.5	.51
9.0	.84	17.5	.67	26.0	.50

Example adjustment for tracts under 1.0 acre:

Formula: $200 - \text{acreage} = \text{adjustment}\%$

Example: $200 - .25 = 1.75\%$

Example: $200 - .50 = 1.50\%$

Example: $200 - .75 = 1.25\%$

Appendix A.3 Market Driven Shape Adjustments

Example of shape adjustments calculated using the frontage to depth ratio:

Residential/Farm			Commercial		
Frontage	Depth	Adjustment %	Frontage	Depth	Adjustment %
1	2	95	1	2	90
1	3	90	1	3	80
1	4	85	1	4	70
1	5	80	1	5	60
1	6	75	1	6+	50
1	7	70			
1	8	65			
1	9	60			
10	Greater	50			
5	1	105			
Double frontage		110			