

SUMMARY REPORT

(TO ACCOMPANY USPAP)

KNOX COUNTY APPRAISAL DISTRICT 2024 REPORT

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INTRODUCTION

The purpose of this summary report is to aid the taxpaying public in better understanding the methods and techniques utilized by the Knox County Appraisal District (KCAD) in the valuation and revaluation of taxable property within Knox County. This report attempts to comply with Standard 6 of the Uniform Standards of Professional Appraisal Practice. KCAD maintains a more detailed operations manual for appraisal use.

KCAD is a Central Appraisal District, a political subdivision of the State of Texas created pursuant to Subchapter A of the Property Tax Code and is charged with the appraisal of all taxable property within the taxing entities within the district boundaries. Currently these taxing entities are as follows:

| | | |
|-------------------------------------|-------------------|--------------|
| Knox County General | City of Goree | Benjamin ISD |
| Knox County Special | City of Knox City | Seymour ISD |
| Knox County Hospital | City of Munday | Crowell ISD |
| Knox County Drainage District | City of Benjamin | |
| North Central Texas Water Authority | Munday CISD | |
| Rolling Plains Groundwater District | KCOB CISD | |

USPAP

The chief appraiser is the chief administrative and executive officer of the appraisal district. The chief appraiser employs and directs the district’s staff, oversees all aspects of the appraisal district’s operations, and performs either directly or through the district staff a variety of operations.

The chief appraiser’s responsibilities are as follows:

1. Discover, list, and appraise
2. Determine exemptions and special use requests
3. Organize periodic reappraisals
4. Notify taxpayers, taxing units, and the public about matters that affect property values

Knox County Appraisal District is a small office consisting of the chief appraiser and one deputy clerk.

The district employs the services of Prichard and Abbott, an appraisal firm, to appraise all minerals, industrial plants, pipelines, industrial personal property, and utilities within the boundaries of the appraisal district. The district uses computer software provided by Southwest Data Solutions for its data processing of all appraisal records, records management system, and maintenance of the digitized mapping system.

As of **July 25, 2024**, the 2024 appraisal roll for Knox County Appraisal District indicates a total of **8,982** parcels. The breakdown of these areas is as follows.

| | | |
|---------------------------|--|--------------|
| A | Residence - Single Family----- | 1375 |
| C | Vacant Lots ----- | 786 |
| D | Qualified Open-Space Land & Improvements ---- | 3,162 |
| E | Rural land not qualified as Open-Space and Improvements ----- | 833 |
| F | Real - Commercial & Industrial and Manufacturing ---- | 323 |
| G | Oil, Gas, and Minerals, Sub-Surface Interests ----- | 1,690 |
| J | Tangible Personal Property Utilities ----- | 119 |
| L | Tangible Personal Commercial & Industrial and Manufacturing----- | 464 |
| M | Mobile Homes ---- | 53 |
| X | Exempt Properties ----- | 467 |
| TOTAL PARCEL COUNT | | 8,982 |

VALUATION APPROACH

Market Value

The definition of market value as established by the State Property Tax Code differs from the definition established by USPAP, therefore, a JURISDICTIONAL EXCEPTION applies.

The following definition of market value, Section 1.04 of the Texas Property Tax Code, 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 purchaser know all of 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.
- ◆ Both the seller and the purchaser set to maximize their gains, and neither is in a position to take advantage of the demands of the other.

The effective date of appraisals is January 1 with the exception of inventory, which may be appraised at its market value as of September 1. To receive September 1 appraisal date, a taxpayer must file an application by July 31.

The purpose of and intended use of the appraisals performed by the Knox County Appraisal District is to estimate market value for ad valorem tax purposes of the taxing entities located within the boundaries of Knox County Appraisal District. It is the goal of the staff of KCAD to provide the best possible service to the taxpaying public and the taxing entities. The KCAD staff promotes and adheres to professional standards and ethics as set forth by the Texas Association of Appraisal Districts, the Texas Association of Appraisal Districts, and the International Association of Assessing Officers.

AREA ANALYSIS

The universe of properties appraised by KCAD falls within the physical boundaries of Knox County.

Knox County is in the northwestern part of Texas. Benjamin, the county seat, has a population of 258. Other towns in the county are Munday with a population of 1831, Knox city with a population of 1538, and Goree with a population of 331. The total area is 551,040 acres, or about 861 square miles. It is located about 125 miles East of Lubbock and about 80 miles West of Wichita Falls on Highway 82. Several small farming communities are in Knox County. These communities once thrived with schools, gas stations, and banks, but only three schools remain in the county and two of those are consolidated school districts.

Knox County is bordered on the north by Foard County, on the south by Haskell County, on the west by King County, and on the east by Baylor County.

Most of the county lies within the Rolling Red Plains section of the Southern Great Plains. It is drained by the North Wichita, South Wichita, and Brazos Rivers, nearly all the tributaries of these rivers are deeply entrenched. Elevation ranges from 1,300 feet along the Brazos River to 1,700 feet in the northwestern section of the county. Soil is the most important natural resource in the country. In most areas of the county, water is adequate for domestic use. Stock tanks are needed for watering livestock in some parts of the county. Oil is a natural resource and is produced mostly in the southern part of the county. Also present in the county are small deposits of gravel which are suitable for road material.

There are 46 soils identified in Knox County. Nearly all the soil formed under and supported native grasses. The soils range widely in texture, color, depth, natural drainage, and other characteristics. Slope, depth to bedrock, natural fertility, and the hazard of flooding influence agriculture and urban uses.

Two largest soil types in Knox County are Knoco-Vernon: Very shallow to moderately deep, calcareous, clayey soils on uplands. The potential use for Knoco is recreation uses because of the complex slopes, soil depth, and shrinking and swelling of the clayey surface layer. Residents call this are the “Badlands” due to deep ravines and no vegetation on the land, except large amounts of cactus, juniper cedar trees and small patches of native grasses. Fencing is complex on this land due to the ravines and sources of water is lacking.

Miles-Rotan soil is deep, noncalcareous, loamy soils on uplands. This soil is used for cultivated crops. The potential is high for row crops and small grains. Wheat and cotton are the main crops in Knox County. The yields of forage are good during favorable years when the county has been blessed with rain.

Knox County is agriculturally oriented. Approximately 58% of the land area is used as rangeland. Most of the county agricultural income is derived from the sale of livestock. Livestock operations are primarily cow-calf. Some of the ranches use stocker calves to graze rangeland during the warm season and small grain forage during the cool season. Supplemental feeding of range cattle is generally needed from December through mid March. Horses are used to working cattle on most ranches. The production of cattle, wildlife, cotton, small grains, sorghums, old world bluestem, weeping love grass, and native grasses contributes to a significant amount of landowner’s livelihood.

At present, approximately 40% of the land area in Knox County is cultivated. Cotton, the main crop, is being replaced by small grains for cool season grazing. Forage sorghums are commonly grown for hay and supplemental grazing. Most of the cropland that is not presently cultivated has been seeded to introduce pasture grasses or native grasses for use as hay land, rotational grazing, or conservation reserve. The normal monthly accumulation is used to schedule single or successive plantings of a crop between the last freeze in the spring and the first freeze in the fall.

The total number of farms and ranches is decreasing because smaller farms and ranches have consolidated into larger commercial units. The number of farmed acres is also decreasing. Economic, intermittent droughts, highly erosive soils, and occasional hailstorms are some of the contributing factors. High cost of overhead is also a source that is putting property owners out of farming. Wildlife produced on the farms and ranches provide recreation and a source of income for many residents. Deer, turkey, quail, dove, and feral hogs are plentiful throughout the county wherever cover is adequate.

The prevailing winds in Knox County are southerly to southeasterly throughout the year except in January and February when northern winds are most frequent. Winter is relatively dry period and snow accumulations are rare. The average seasonal snowfall is 5 inches. On average, three days per year have at least 1” of snow on the ground. Surges of Canadian air masses are common in winter, but cold spells are brief and are not severe. The average temperature in winter is 38-40 degrees. Summer months range from 85-100 degrees.

Knox County has a warm-temperature subtropical climate with dry winters and hot, humid summers. There is a wide range in annual extreme of temperature characteristic of continental environment. The mean total annual precipitation is 22.34 inches. Rainfall, which is mostly in the form of thunderstorms, may vary considerably from month to month.

The closest city of any size to Knox County is Stamford, Texas located 40 miles south of Knox County, and larger urban areas within approximately 100 miles include Wichita Falls northeast of Knox County

and Abilene located southwest of Knox County. The location of Knox County has an impact on the values of properties within the county.

Overview of Types of Properties Appraised

There are four major categories of property appraised by the Knox County Appraisal District. These categories are:

Real Properties:

- Residential
- Commercial
- Vacant Lots
- Vacant rural land and improvements on rural land

Personal Properties

- Income producing business personal property
- Industrial personal properties

Utilities:

- Telephone companies
- Cable companies
- Electrical companies/Fiber optics
- Miscellaneous other utilities

Minerals:

- Oil and Gas

The Property Tax Assistance Division of the State Comptroller's Office requires properties to be identified by type using a standard identification code. The codes currently used by the Knox County Appraisal District are as follows:

- A1 Residence – Single family
- C1 Vacant lots and land tracts
- D1 Qualified open-space land
- D2 Farm and ranch improvements on qualified open-space land
- E1 Rural Land, not qualified for open-space and improvements
- F1 Real – commercial
- F2 Real – Industrial and manufacturing
- G1 Oil, gas, and minerals
- J Tangible personal property utilities
- L1 Tangible personal commercial
- L2 Tangible personal industrial and manufacturing
- M1 Mobile Homes
- X Totally exempt properties

Highest and Best Use Analysis

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

To complete the highest and best use analysis of a property, an appraiser must estimate the highest and best use as if the land were vacant. This estimate ignores the value of, and the restrictions created by

existing improvements. It is the highest value the land could have if it were available for any legal, physically possible and economically feasible kind of development.

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

Knox County Appraisal District property appraisal cards contain information regarding lot size and frontage; therefore, appraisers normally make judgments on physical possible use of sites in the field. Economically feasible and most profitable uses are determined by observing surrounding property. However, changes in property use require a more detailed and technical, highest and best use analysis. These studies are performed in the office.

Market Analysis

National, regional, and local trends affect the universe of properties appraised in Knox County. An awareness of social, economic, governmental, and environmental conditions is essential in understanding, analyzing, and identifying local trends that affect the real estate market.

Market analysis is carried out throughout the year. Both general and specific data is collected and analyzed. An in-house ratio study is conducted at least once a year.

Examples of sources of general data include "Trends" issued by The Real Estate Center and Texas A&M University, "The Statement" published by the State Comptroller's Office, "The Appraiser" published by The Texas Association of Appraisal Districts, and the "Texas Assessor's News" published by the Texas Association of Assessing Officers. When possible, sources in surrounding counties such as lending institutions, realtors, Chambers of Commerce, and articles published in the area newspapers are used to obtain financing information, market trends and information, demographics, and labor statistics.

Sales information is received from various sources. Asking prices can be gathered from the area paper and realtor listings. Information is also gathered from conversations with real estate appraisers located in surrounding counties, agents, and brokers. Sales confirmation letters are mailed to each new owner and seller when a property changes ownership.

Knox County Appraisal District retrieves records from the Knox County Clerk's Office located in the County Courthouse on a regular basis to track all deed transactions. From this information, sales confirmation letters are mailed to the seller and buyer to obtain information on the sale. This information is not mandatory in the State of Texas and only a small percentage of letters are returned with useful information. This is a serious problem in that there is usually inadequate sales data to perform as thorough an analysis of sales data as USPAP would require. However, every effort is made to use what data is available. The Property Tax Division also sends out sales letters.

The Knox County Appraisal District currently does reappraisals on a three-year basis. The reappraisal includes the inspection of properties and the updating of all information on the properties. Sales and market analysis are performed each year on residential properties, as information is available. Each year new properties are inspected, measured and added to the roll. Individual properties are also reappraised with changes to the condition as the property warrants, for example, fire, remodeling, or an addition or demolition of a portion of the improvement. The appraiser will perform detailed field inspections of properties if requested by the owner. **Please refer to the Knox County Appraisal District "Written plan for reappraisal" for more information on reappraisal, requirements for reappraisal, and the cycles of reappraisal.

The appraisers performing reappraisal in the field have property record cards that contain specific information regarding the property being appraised. These cards contain brief legal descriptions, ownership interests, property use codes, property addresses, land size, sketches of improvements as well as any detailed information available of the improvements. A copy of a property record card may be obtained at the appraisal office.

Field inspections require the appraisers to check all information on the property record cards and to update in necessary. If physical inspection of the property indicates changes to improvements, the appraiser notes these changes in the field. Examples of types of changes may be the effective age of the improvements as well as additions to the improvements. The classification of residential properties is also reviewed during the revaluation process. New improvements are also added at this time.

DATA COLLECTIONS AND VALIDATION

Data Collection and Sources

Knox County Appraisal District's cost and value schedules include land and residential improvements. Commercial schedules are comprised by using information from Marshall & Swift Valuation Services and local factor adjustments. Personal property schedules are obtained from the Property Tax Division appraisal manual, or "Field Appraiser's Guide" and this "Guide" is used in conjunction with personal property renditions and onsite inspections. (Marshall & Swift Valuation Service is a national based cost manual and is generally accepted throughout the nation by the real estate industry. The cost manual is based on the cost per square foot and the unit place method. The unit in place methods involves the estimated cost by using actual building components. This national based cost information service provides the base price of buildings as per classification with modifications for equipment and additional items. The schedule is then modified for time and location.) Renditions are confidential sources and cannot be used for specific information. However, data from renditions may be compared with data from cost manuals and used to test for accuracy.

Knox County Appraisal District schedules are then formulated from a combination of each of these sources. Schedules may also be modified using local market data (sales information) to further ensure the accuracy of the cost and valuation schedules.

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

Currently, single family dwellings are classified for quality and type of construction and whether frame or brick veneer. The classifications range from the most basic of structures using the poorest quality materials and lowest workmanship to structure of the highest possible quality using only the best of materials and the highest and best quality workmanship available. For any dwelling that exceeds the general description of the top-most classification, a special class may be assigned.

The age of building is used to estimate depreciation and based on effective age of the improvements. Effective age is the age of the property appears to be due to maintenance and upkeep. An effective age for a house that is properly maintained may be its actual or chronological age. However, if a structure suffers from deferred maintenance due to neglect, its effective age may be older than the actual age. In contrast, if a house is an older structure and has been remodeled or updated, its effective age may be less than its actual age.

Depreciation is also estimated by the condition of the improvements. Conditions range from unsound to excellent. Appraisers in the field usually inspect structures from exterior perspectives. The interior condition is assumed to be like the exterior. However, if the taxpayer requests, an interior inspection may be made.

Foundation failure may occur in varying degrees and may also result in loss of value. The appraiser makes allowances for foundation problems on a case-by-case basis.

Additional depreciation may be estimated for a variety of reasons including functional obsolescence resulting from bad floor plans or out of date construction methods. Economic obsolescence results from a loss of value to a property due to adverse influences from outside the physical boundaries of the property.

Valuation Analysis

Knox County Appraisal District valuation schedules are divided into three main classifications: residential, commercial, and business personal property. These schedules are based on the most appropriate data available. Miscellaneous special categories such as mobile homes, special inventory, and agricultural land are appraised using different techniques, which are addressed later in this report. Depreciation tables/schedules are also included within these schedules. These tables are calculated with costs as well as sales data and updated as needed. These tables and schedules are included in the "Appraisal Manual" compiled by the appraisal district.

Residential Schedules

Residential valuation schedules are cost based tables modified by actual sales data from the county. That is, the cost reflects the actual replacement cost new of the subject property. Market research indicates that the common unit of comparison for new residential construction as well as sales of existing housing is the price paid per square foot. The value of extra items is based on their contributory value to the property. This value may be estimated by the price per square foot or the value of the item as a whole. This data is extracted from the market by paired sales analysis and conversations with local appraisers and brokers.

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

1. **Quality of construction:** Residential construction may vary greatly in quality of construction. The type of construction affects the quality and cost of material used and the quality of the workmanship, as well as the attention paid to detail. The cost and value of residential property will vary greatly depending on the quality of the construction. As stated above, Knox County Appraisal District's residential schedules currently class houses based on quality of construction. This classification schedule is based on the Property Tax Division's definitions of residential classes of dwellings with modification for local market.
2. **Size of structure:** The size of structure also has a direct impact on its cost as well as value. The larger the structure, the less the cost per square foot. Knox County Appraisal District's schedules are graduated in the size increments from 100 to 200 square feet, depending on market conditions.

3. Condition of improvements: Knox County Appraisal District rates conditions from unsound or unusable to excellent. Properties that in the opinion of the appraiser are unlivable may be taken off the schedule and given a salvage value.
4. Age of structure: Knox County Appraisal District's residential depreciation schedule groups depreciation factors or percentages together in approximately five-year clusters, until the maximum amount of depreciation is reached. As stated above, effective age and chronological age may be the same or different depending on the condition of the structure.
5. Extra items: As stated above, extra items are valued according to their contributory value to the whole. Examples of extra items include storage buildings, swimming pools, fireplaces, additional baths, etc.
6. Land value, Knox County Appraisal District values land based on market transactions when possible. As there are not always market transactions available, other recognized methods of land valuation may be used. The two most common methods are the land residual method and the land ratio method. Land schedules are available at the appraisal district office.

Commercial Schedules

Commercial properties are valued using valid market transactions in the area, along with Marshall and Swift Valuation schedules for commercial property. Replacement cost new is determined and then adjusted for location. Depreciation is then applied using physical observation of the property.

Business Personal Property Schedules

The business personal property schedules value business furniture, fixtures and equipment as well as inventory that is taxable by law. Business vehicles located within the appraisal district boundaries are also appraised for ad valorem tax purposes.

Business personal property values are derived from several sources. Business owners are required by Texas Law to render their income producing personal property each year. It is the experience of the district that we receive approximately ninety percent (90%) of the business renditions each year. Rendered values are used on business personal property if the value is reasonable for the type of business and is within acceptable ranges when compared to the PTD personal property schedules for the type of business rendered. Should the rendered values not be acceptable, the PTD schedules are applied to established values. Value on all business personal property not rendered is established using PTD schedules for the type of business being valued. Depreciation is determined by the age of the property and its expected life. Schedules are available in the appraisal district office.

Business vehicles are valued based on the NADA Used Car Guide trade-in value for the make, model, and age of the vehicle. The trade-in value may also be obtained from "Vin audit": or other web sites available on the internet. When adverse factors such as high mileage are known, then the appropriate adjustments are made to the value.

Statistical Analysis

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

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

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

The statistics are included in the district's ratio study and may be obtained from the appraisal office.

Individual Value Review Procedures

For comparable sales data to be considered reliable it must contain a sales date, sale price, financing information, tract size and details of the improvements. Sales data is gathered by sending sales letters to the buyer of properties that the district knows changed ownership. Commercial sales are confirmed by the direct parties involved whenever possible. Confirmation of sales from local real estate appraisers is also considered a reliable source.

Sales data is compiled, and the improved properties are physically inspected (and most are photographed). All data listed on the property record card is verified and updated as needed including building classification, building size, and additions or new outbuildings, condition of structures and any type of change in data or characteristics that would affect the value of the property.

Individual sales are analyzed to meet the test of market value. Only arm length transactions are considered. Examples of reasons why sales may be deleted or not considered are:

1. Properties are acquired through foreclosures or auction
2. Properties are sold between relatives
3. The buyer or the seller is under duress and may be compelled to sell or purchase.
4. Financing may be non-typical or below or above prevailing market rates.
5. Considerable improvements or remodeling have been made since the date of the sale and the appraiser is unable to make judgements on the property's condition at the time of the transaction.
6. Sales may be unusually high or low when compared with typical sales located in the market area. Some sales may be due to relocation or through divorce proceedings.
7. The property is purchased through an estate sale.
8. The sale involves personal property market value is difficult to determine.
9. There are value-related data problems associated with the sale. For example: incorrect land size or square footage of the living area.
10. Property use changes occur after the sale.

Performance Tests

Sales ratio studies are used to evaluate the district's mass appraisal performance. These studies not only provide a measure of performance but also are an excellent means of improving mass appraisal performance. Knox County Appraisal District uses ratio studies not only to aid in the revaluation of properties, but also to test the Comptroller's Property Tax Division value study results.

Sales ratio studies are usually performed in the spring of the year to test cost schedules. They may also be performed at any other time deemed appropriate by the chief appraiser. Currently, individual properties which have sold are reviewed for accurate in their data. Property record cards indicate the results of the field inspections are used to further aid in the analysis and decision making.

Ratio studies are usually done on a countywide basis of all residential sales in the county and then by residential classification. The median ratio within each classification is then compared to the desired ratio to determine if schedule adjustments should be made. The coefficient of dispersion is also studied to indicate how tight the ratios are in relation to measures of central tendency ("goodness of fit" statistic). The media and coefficient of dispersion are good indicators of the types of changes, if any, that need to be made. If properties that fall outside of the common parameters (referred to as outliers) are held out or not included in the study, these properties shall be identified and explanations given for their exclusion from the ratio study, these properties shall be identified and explanations given for their exclusion from the ratio study. It may be necessary to depart from USPAP Standard Six in this area.

REAPPRAISAL PLAN-KNOX COUNTY APPRAISAL DISTRICT

Except as otherwise provided by the TEXAS PROPERTY TAX CODE, all taxable property will be appraised at its market value as of January 1. The market value of property shall be determined by the application of generally accepted appraisal techniques, and 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. (Section 23.01, TEXAS PROPERTY TAX CODE).

As mandated by Section 25.19, TPTC, reappraisal of all real property in Knox County Appraisal District shall be done at least once every three years.

Each year, real property is reviewed to locate newly constructed improvements, review work in progress, and delete property that has been removed or damaged beyond repair.

Each year, sales information is compiled and evaluated on each class of real property. Ratio studies are made, and schedules are adjusted when necessary.

Reappraisals begin in the month of October before January 1 at which time the market area to be reappraised is driven out. Any work in progress is noted and reviewed in early January. The completion target of the reappraisal is by the first of March.

Personal property is reviewed each year. Renditions for the use of commercial and industrial property owners are mailed in January. All new businesses are visited by an appraiser. Sources, other than renditions, include the Appraisal on-site guide furnished by the Property Tax Division, Marshall & Swift valuation Service, and personal interviews.

Producing properties (Oil & Gas) are appraised using the discount cash flow method. Utility and other income producing properties are appraised using the Unit Appraisal Method or Modified Unit Appraisal Method. The appraisal will be done by a firm specializing in that type of property.