

# **REPORT OF PROPERTY TAX VALUES**

**AN OPINION OF THE IMPACT OF INDUSTRIAL  
PROPERTY VALUES ON THE CITY OF KILGORE**

**Updated August 2013**

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### PURPOSE

The report on property values was requested by the Kilgore Economic Development Corporation (KEDC) in order to determine the impact of economic development on the property tax base of the City of Kilgore. The specific request was to provide an informed opinion of how economic development has impacted the property tax base of the City of Kilgore. The report is based on information provided by the Gregg County Appraisal District for the years 1990 through 2012. This is an update from a previous report that provided data through 2010.

This study is specific to property tax assessments and does not attempt to measure any other components of KEDC or its effectiveness in industrial site development, marketing, financing or any other activities.

### INTRODUCTION

**CONSOLIDATED TAX SERVICE, LLP (CTS)** was retained for this assignment based on its experience, expertise, and familiarity of the data involved in this report. Lisa Waller, Managing Partner with Consolidated Tax Service, is the primary author of this report and has extensive experience as a property tax professional.

This will be a comprehensive review of the values certified by the Gregg County Appraisal District (GCAD) for the years 1990 through 2012. Market Values, rather than assessed values, were used in order to provide consistent comparisons. Assessed values were not used to avoid adjustments required for exemptions, agricultural values, and other statutory departures from market value.

The assessment date for all years involved is generally January 1<sup>st</sup> of each year. Typically, the appraisal district uses mass appraisal techniques that rely on large databases of information that precede the date of appraisal. In a growing market, the market values expressed by the appraisal district may be less than specific property appraisal judgments or “fee appraisals”. Therefore, appraisal district values may differ from the actual market values reported by individual companies or KEDC. This report is limited to the values assigned by the appraisal district.

Property values assigned by the appraisal district are separated into categories. Although each category will be reviewed, specific attention will be given to the industrial categories for real estate and business personal property. The industrial real estate category is “F2” and includes all land and buildings whose highest and best use is considered industrial. Industrial business personal property is category “L2” and includes all machinery, equipment, inventory, vehicles, and other movable items associated with the use of industrial property. These properties are specified since they represent a major focus of the Kilgore Economic Development Corporation.

This report is divided into three sections. Section one will provide a general overview of the property value trends. Section two will provide comparative analysis and section three will examine the top taxpayers within the city.

# SECTION ONE

## PROPERTY VALUE TRENDS

Prior to 1990, the general economy was in an economic downturn. The City of Kilgore was particularly impacted due to the price of oil and a heavy reliance on oilfield related service companies. In 1990 real and business personal property in the City of Kilgore totaled \$374,029,476. That value would increase to \$1,156,700,983 over the next twenty years. The East Texas region, as well as the state and national economy, prospered during this time. However, values in the City as well as those in Gregg County as a whole slowed or declined from 2002 to 2003. 2004 to 2008 showed substantial growth mainly due to the upswing in the oilfield sector.

In 2008 the American economy found itself in recession. Texas was hit hard by the recession in 2009, but the Texas economy made progress toward growth in 2010. Values in the City of Kilgore found stability during this time thanks to the Energy sector and shale discoveries.

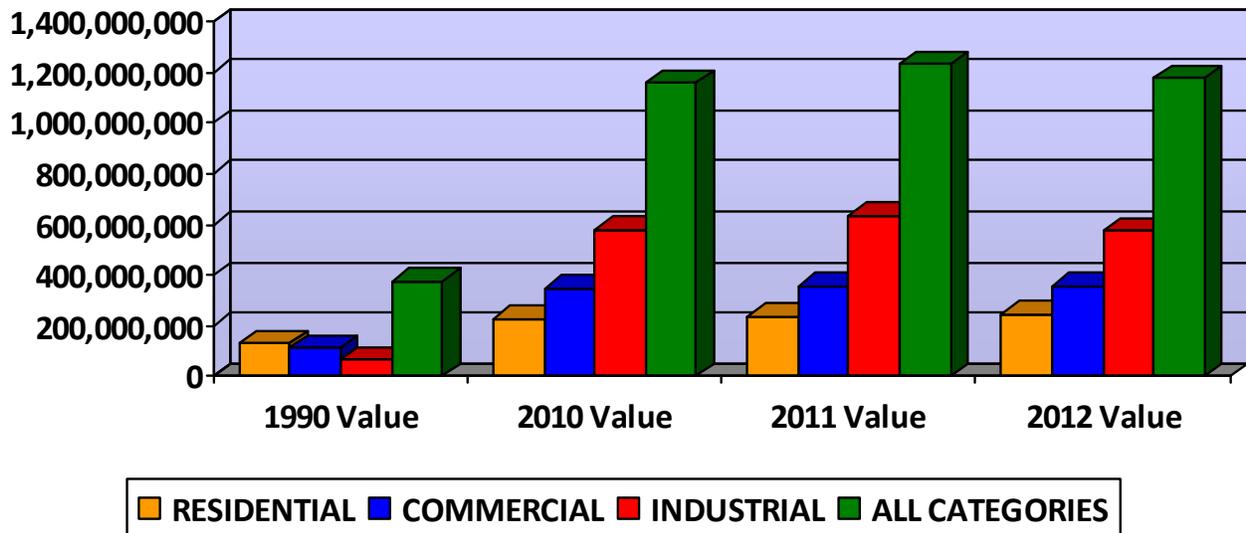
While the rest of the country continued to struggle in 2011, most of Texas continued the upward trend. Real and business personal property values in the City of Kilgore rose to \$1,232,434,015. Unfortunately the trend started back down in 2012 with values coming in at \$1,178,084,420.

This was mainly in the L2 category, industrial personal property. The L2 category is the largest value class for the City and was affected largely due to the movement of oilfield related equipment moving to highly active fields in South and North Central Texas.

***“Industrial expansion continues to outpace all other categories.”***

The chart below provides the annual trends for all properties as well as three major categories of residential, commercial, and industrial property. Industrial expansion continues to outpace all other categories.

	1990 Value	2010 Value	2011 Value	2012 Value	Annualized % Increase through 2010	Annualized % Increase through 2012
ALL CATEGORIES	374,029,476	1,156,700,983	1,232,434,015	1,178,084,420	10%	9.77%
RESIDENTIAL	131,585,180	228,666,708	236,271,024	244,803,209	3.69%	3.91%
COMMERCIAL	112,904,796	350,930,254	358,590,372	357,964,973	10.50%	9.87%
INDUSTRIAL	66,899,490	577,104,021	637,572,619	575,316,238	38%	34.54%



Annualized growth in all categories has slowed slightly with the exception of Residential. Industrial property is still outpacing all other categories over an extended period of time. Industrial personal property fell from 2002 to 2003 by approximately twenty million dollars. The closing of Mansfield Plumbing Products accounted for half of this loss. The L2 category bounced back in 2004 with a value of \$171,550,410 but still almost

eight million dollars lower than the high of \$180,177,380 posted in 2002. Growth from 2004 to 2008 was a hefty \$278,879,420 but slowed through 2009 and 2010 with only 13.81% growth or \$62,206,510.

The value of L2 properties dropped from 2010 to 2012 by \$1,787,783, less than 1%.

The overall growth rate for the City of Kilgore remains ~10%.

***“The overall growth rate for the City of Kilgore remains ~10%.”***

## SECTION TWO

### COMPARATIVE ANALYSIS OF INDUSTRIAL PROPERTY

This section compares growth in Kilgore with the cities of Longview and Gladewater. Since the cities to be compared differ in size, comparative units of measure were used to provide context and meaningful comparison.

*“When combined with commercial property (also influenced by economic development) the distribution of value within the community is significant.”*

The first chart provides a ratio comparison of residential property to industrial property. In Kilgore, the distribution of value between residential and industrial is one to two. The ratio is unchanged from 2010. This is an important indicator since it demonstrates how the property tax burden is distributed within the community. Growth of the industrial category would be less significant if the category were small in comparison to others. Additionally, the industrial property impact would not be as important if it were similar to other city ratios within the same market area.

As the chart indicates, market values in Kilgore remain more balanced between residential and industrial properties than in either of the other cities. The ratio for Kilgore and Longview is unchanged from the previous report. Gladewater gained in residential value and lost industrial value widening the ratio from 5:1 to 6:1. The ratios in the chart demonstrate the strength of the industrial category for the City of Kilgore.

When combined with commercial property (also influenced by economic development) the distribution of value within the community is significant.

City	Residential	Industrial	Ratio
Kilgore	244,803,209	575,316,238	1:2
Longview	2,569,923,262	723,544,383	3:1
Gladewater	79,498,336	11,935,684	6:1

## TAX RATE COMPARISONS

We have demonstrated that industrial property shares a significant portion of the tax base. The next chart shows the changes in tax rates from 1990 to 2012. As can be seen by the chart, the tax rate in Kilgore continues to post a substantial decrease.

City	1990 Tax Rate	2012 Tax Rate	Change
Kilgore	.61	.40	-.21
Longview	.50	.5009	+.0009
Gladewater	.68	.644502	-.035498

\*1990 rates are rounded. All rates provided by Gregg County Tax Office.

## INDUSTRIAL PROPERTY PER CAPITA COMPARISONS

Finally, a comparison is made between industrial value and population. Using per capita value is another unit of measure designed to provide comparisons that adjust for size differences of the cities. This chart shows the dramatic influence of industrial property on the population of Kilgore. It is *significantly* higher than the other comparative cities.

City	2012 Population*	2012 Industrial	Value Per Capita
Kilgore	13,738	575,316,238	41,878
Longview	81,092	723,544,383	8,922
Gladewater	6,490	11,935,684	1,839

\*Texas A&M Estimates

# SECTION THREE

## ANALYSIS OF TOP TEN TAXPAYERS

In 1990 the top ten taxpayers included five commercial/industrial properties, two utilities, and three oil & gas producers with a total value of \$56,171,530.

In 2010 the top ten taxpayers included nine energy sector related companies and one distribution company with a total value of \$302,993,290; a noteworthy increase in value.

In 2012 the top ten taxpayers included seven energy sector related companies, one distribution company, one retailer and one manufacturer with a total value of \$339,186,600.

The top ten taxpayers for 1990 and 2012 are as follows:

<u>TOP TEN</u> <u>1990</u>	<u>VALUE</u>	<u>TOP TEN</u> <u>2012</u>	<u>VALUE</u>
Kilgore Plumbing	13,838,680	Halliburton Energy Services	121,643,860
General Telephone	10,205,830	Cudd Pressure Control (CPS)	76,026,510
Vertex Com.	8,603,220	Southern Plastics, Inc.	38,196,400
Southern Plastics	5,400,880	EES Leasing LLC/ EXPL Leasing LLC	24,544,100
Petrolite Corp.	5,337,215	B J Coiltech/ B J Services	21,229,870
Texaco Producing	3,209,165	Wal-Mart	15,584,030
SWEPCO	3,044,130	Gasfrac Inc.	11,098,180
Merritt Tool	2,336,600	Orgill Inc.	10,999,600
Exxon Corporation	2,193,190	Key Energy Services	10,479,280
Chevron USA	2,002,620	Skeeter Products Inc.	9,384,770
<b>TOTAL</b>	<b>56,171,530</b>	<b>TOTAL</b>	<b>339,186,600</b>

# CONCLUSIONS

The purpose of this study is to measure the impact of economic development on the tax base over a twenty-two year period using data provided by the Gregg County Appraisal District. The category of industrial property was the focus of this report. The cities of Gladewater and Longview were used for comparison due to the fact that all the cities were appraised by the same appraisal district and provided the most reliable comparison. Since the cities differ significantly, units of measure were used to adjust for size and provide more meaningful comparisons.

In comparison to other communities using the same appraisal methods, the City of Kilgore has excelled. This updated report extends the data for the last two years. The City of Kilgore continues to compare and surpass impressively to Longview and Gladewater.

It is our conclusion that the economic development efforts of the KEDC continue to have a tremendously positive impact on the community overall even in the face of economic downturn. KEDC plays a vital role in reducing the tax burden on the residential category.

This study covers the decade of the 1990's and extends into the 2000's, providing a comprehensive view. During this period industrial property in Kilgore grew faster than any other category of property. The top ten taxpayers in Kilgore increased in value 504% since 1990. The per capita value of industrial property in Kilgore is \$41,878 and is more than four times as large as Longview and twenty-two times larger than Gladewater. The tax rate has been reduced by \$0.21.