

The Gillespie Central Appraisal District has prepared and published this reappraisal plan to provide our Board of Directors, citizens and taxpayers with a better understanding of the district's responsibilities and activities.

Appraisal Plan 2015- 2016

Adopted September 9, 2014

Gillespie Central Appraisal District
101 West Main Street #11
Fredericksburg, Texas 78624
(830)997-9807

David D. Oehler, RPA
Chief Appraiser

TABLE OF CONTENTS

INTRODUCTION	4
Scope of Responsibility	4
Tax Code Requirement	5
REVALUATION DECISION	7
APPRAISAL RESPONSIBILITIES	8
Appraisal Resources	8
APPRAISAL FREQUENCY AND METHODS SUMMARY	8
Residential Property	8
Commercial Property	9
Farm and Ranchland	9
Business Personal Property	9
Minerals	9
Utilities and Pipelines	9
DATA COLLECTION / VALIDATION	9
Sources of Data	11
Data Collection Procedures	11
DISTRICT MARKET AREAS	12
Regions	12
Subsets	13
Neighborhoods	16
PERFORMANCE TEST	17
Ratio Studies	17
Appraisal Uniformity	17
ANALYSIS OF AVAILABLE RESOURCES	19
Personnel Resources	19
Financial Resources	20
Information Technology Resources	20
Data Resources	21
PLANNING AND ORGANIZATION	22
Tax Calendar 2015	22
Tax Calendar 2016	23
Target Completion Dates 2015 and 2016	24
MASS APPRAISAL SYSTEM	25

Real Property Valuation	25
Personal Property Valuation	25
Notice Process	25
Hearing Process	25
DATA COLLECTION REQUIREMENTS	26
New Construction/Demolition	26
Remodeling	26
Re-Inspection of Changing Market Areas	26
Re-Inspection of the Universe of Properties	26
Field or Office Verification of Sales Data and Property Characteristics	27
VALUATION BY PROPERTY TYPE	27
Residential Real Improved and Vacant	28
Cost Schedules	28
Sales Information	28
Statistical Analysis	29
Market and Cost Reconciliation and Valuation	29
Commercial and Industrial Real Property	30
PRELIMINARY ANALYSIS	30
Market Study	30
Land Value	31
Area Analysis	31
Neighborhood Analysis	31
Highest and Best Use Analysis	32
Market Analysis	32
DATA COLLECTION AND VALIDATION	32
Sources of Data	32
Cost Schedules	33
Income Models	34
Sales Comparison Approach	36
Final Valuation Schedules	36
Statistical and Capitalization Analysis	37
INDIVIDUAL VALUE REVIEW PROCEDURES	37
Field Review	37
Office Review	38
Performance Tests	38
Sales Ratio Studies	38
Comparative Appraisal Analysis	39
Mineral Properties	39

Utilities	39
Valuation Approach	39
Business Personal Property	40
NAICS Code Analysis	40
Sources of Data	40
Vehicles	40
Leased and Multi-Location Assets	40
Cost Schedules	40
Statistical Analysis	41
Depreciation Schedules	41
Real Property Inventory	41
Special Inventory	41
Limiting Conditions and Certification	42
Staff Providing Significant Assistance	43

INTRODUCTION

SCOPE OF RESPONSIBILITY

The Gillespie Central Appraisal District has prepared and published this reappraisal plan and appraisal report to provide our Board of Directors, citizens and taxpayers with a better understanding of the district's responsibilities and activities. This report has several parts: a general introduction and then, several sections describing the appraisal effort by the appraisal district.

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

The appraisal district is responsible for local property tax appraisal and exemption administration for 8 jurisdictions or taxing units in the district. Each taxing unit, such as the county, city, school district, utility district, etc., sets its own tax rate to generate revenue to pay for such things as police and fire protection, public schools, road and street maintenance, courts, water and sewer systems, and other public services. Property appraisals and estimated values by the appraisal district allocate the year's tax burden on the basis of each taxable property's market value. The district also determines eligibility for various types of property tax exemptions such as those for homeowners, the elderly, disabled veterans, charitable or religious organizations and agricultural productivity valuation.

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

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

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

to which the appraisal applies by filing an application with the chief appraiser requesting that the inventory be appraised as of September 1st.

The Texas Property Tax Code, under Sec. 25.18, requires each appraisal office to implement a plan to update appraised values for real property at least once every three years. The district's current policy is to conduct a general reappraisal of taxable property every one to two years. Appraised values are reviewed annually and are subject to change annually. Business personal properties, minerals and utility properties are appraised every year.

The appraised value of real estate is calculated using specific information about each property. Using computer-assisted mass appraisal programs, and recognized appraisal methods and techniques, that information is compared with the data for similar properties, and with recent cost and market data. The district follows the standards of the International Association of Assessing Officers (IAAO) regarding its appraisal practices and procedures, and subscribes to the standards promulgated by the Appraisal Foundation known as the Uniform Standards of Professional Appraisal Practice (USPAP) to the extent they are applicable.

TAX CODE REQUIREMENT

Sec. 6.05. Appraisal Office

- (a) Except as authorized by Subsection (b) of this section, each appraisal district shall establish an appraisal office. The appraisal office must be located in the county for which the district is established. An appraisal district may establish branch appraisal offices outside the county for which the district is established.
- (b) The board of directors of an appraisal district may contract with an appraisal office in another district or with a taxing unit in the district to perform the duties of the appraisal office for the district.
- (c) The chief appraiser is the chief administrator of the appraisal office. The chief appraiser is appointed by and serves at the pleasure of the appraisal district board of directors. If a taxing unit performs the duties of the appraisal office pursuant to a contract, the assessor for the unit is the chief appraiser.
- (d) The chief appraiser is entitled to compensation as provided by the budget adopted by the board of directors. He may employ and compensate professional, clerical, and other personnel as provided by the budget.

- (e) The chief appraiser may delegate authority to his employees.
- (f) The chief appraiser may not employ any individual related to a member of the board of directors within the second degree by affinity or within the third degree by consanguinity, as determined under Chapter 573, Government Code. A person commits an offense if the person intentionally or knowingly violates this subsection. An offense under this subsection is a misdemeanor punishable by a fine of not less than \$100 or more than \$1,000.
- (g) The chief appraiser is an officer of the appraisal district for purposes of the nepotism law, Chapter 573, Government Code. An appraisal district may not employ or contract with an individual or the spouse of an individual who is related to the chief appraiser within the first degree by consanguinity or affinity, as determined under Chapter 573, Government Code.
- (g) The board of directors of an appraisal district by resolution may prescribe that specified actions of the chief appraiser relating to the finances or administration of the appraisal district are subject to the approval of the board.
- (h) To ensure adherence with generally accepted appraisal practices, the board of directors of an appraisal district shall develop biennially a written plan for the periodic reappraisal of all property within the boundaries of the district according to the requirements of Section 25.18 and shall hold a public hearing to consider the proposed plan. Not later than the 10th day before the date of the hearing, the secretary of the board shall deliver to the presiding officer of the governing body of each taxing unit participating in the district a written notice of the date, time, and place for the hearing. Not later than September 15 of each even-numbered year, the board shall complete its hearings, make any amendments, and by resolution finally approve the plan. Copies of the approved plan shall be distributed to the presiding officer of the governing body of each taxing unit participating in the district and to the comptroller within 60 days of the approval date.

Sec. 25.18. Periodic Reappraisals

- (a) Each appraisal office shall implement a plan for periodic reappraisal of property approved by the board of directors under Section 6.05(i).
- (b) The plan shall provide for the following reappraisal activities all real and personal property in the district at least once every three years:

- (1) identifying properties to be appraised through physical inspection or by other reliable means of identification, including deeds or other legal documentation, aerial photographs, land-based photographs, surveys, maps, and property sketches;
- (2) identifying and updating relevant characteristics of each property in the appraisal records;
- (3) defining market areas in the district;
- (4) identifying property characteristics that affect property value in each market area, including:
 - (A) the location and market area of property;
 - (B) physical attributes of property, such as size, age, and condition;
 - (C) legal and economic attributes; and
 - (D) easements, covenants, leases, reservations, contracts, declarations, special assessments, ordinances, or legal restrictions;
- (5) developing an appraisal model that reflects the relationship among the property characteristics affecting value in each market area and determines the contribution of individual property characteristics;
- (6) applying the conclusions reflected in the model to the characteristics of the properties being appraised; and
- (7) reviewing the appraisal results to determine value.

REVALUATION DECISION

According to the Texas Property Tax Code Section 25.18, the plan shall provide for the following reappraisal activities of all real and personal property in the district at least once every three years. Gillespie CAD is located in an area known as the Texas Hill Country. This area has experienced slowed growth since 2008 following a period of substantial growth from 1990 to 2008. To maintain the level of appraisal accuracy within the district, 2015 will be a reappraisal year with 2016 being a year of maintaining and updating appraisals.

APPRAISAL RESPONSIBILITIES

The field appraisal staff is responsible for collecting and maintaining property characteristic data for classification, valuation, and other purposes. Accurate valuation of real and personal property by any method requires a comprehensive physical description of personal property, and land and building characteristics. This appraisal activity is responsible for administering, planning and coordinating all activities involving data collection and maintenance of all commercial, residential and personal property types located within the boundaries of Gillespie Central Appraisal District. The data collection effort involves the field inspection of real and personal property accounts, as well as data entry of all data collected into the existing information system. The goal is to periodically field inspect residential, commercial, and personal properties in the district every third year. The appraisal opinion of value for all property located in the district is reviewed and evaluated each year.

APPRAISAL RESOURCES

PERSONNEL

The district has seven employees registered as appraisers with the Texas Department of Licensing and Regulation. All seven appraisers have received the RPA (Registered Professional Appraiser) designation. In addition to appraisers the CAD has three clerical positions that include a deed abstractor, data entry clerk and receptionist.

DATA

The data used by field appraisers begins with the existing property characteristic information contained in each account in PACS, the district's computer assisted mass (CAMA) appraisal system. The data is printed on a property record card, or personal property data sheets. Other data used includes maps, sales data, fire and damage reports, building permits, photos and actual cost and market information. Sources of information are gathered using excellent reciprocal relationships with other participants in the real estate market place. The district cultivates sources and gathers information from both buyers and sellers participating in the real estate market.

APPRAISAL FREQUENCY AND METHOD SUMMARY

RESIDENTIAL PROPERTY

Residential property is examined every three years through field inspections and Pictometry with appraisers inspecting each structure, noting condition of the improvement and looking for changes that might have occurred to the property since the last on-site check. In some subdivisions and neighborhoods where change of condition is frequent, homes are examined annually. Exterior pictures are taken of homes upon inspection. Every subdivision and neighborhood is statistically analyzed annually to ensure that sales that have occurred in the subdivision during the past 18 months are within an acceptable range of appraised value. If the sales do not indicate that range, adjustments are made to

the subdivision and neighborhood using a process outlined in detail in the Residential Appraisal section of this report.

COMMERCIAL PROPERTY

Commercial and industrial real estate is observed annually through field inspections and Pictometry to verify class and condition. Real estate accounts are analyzed against sales of similar properties in Gillespie CAD as well as similar communities in the Hill Country of Texas that have similar economies. The income approach to value is also utilized to appraise larger valued commercial properties such as shopping centers, apartment complexes, office buildings, restaurants, motels and hotels, and other types of property that typically sell based on net operating income.

FARM AND RANCLAND

Farm and ranchland property is examined every three years through field inspections and Pictometry with appraisers inspecting each property, noting condition of any improvements, land characteristics, agricultural use, and looking for changes that might have occurred to the property since the last on-site check. In some subdivisions and neighborhoods where change of condition is frequent, properties are examined annually. Exterior pictures are taken of improvements upon inspection. Every subdivision and neighborhood is statistically analyzed annually to ensure that sales that have occurred in the subdivision during the past 12 months are within an acceptable range of appraised value. If the sales do not indicate that range, adjustments are made to the subdivision and neighborhood.

BUSINESS PERSONAL PROPERTY

Business personal property (BPP) is appraised annually. Every business is required by state law to file a rendition of their property used to produce income. Similar businesses to a subject are analyzed annually to determine consistency of appraisal per unit of comparison. Businesses are categorized using NAICS codes. Rendition laws provide additional information on which to base values of all BPP accounts.

MINERALS

Gillespie CAD has minimal mineral accounts and these are appraised by the district.

UTILITIES AND PIPELINES

Gillespie CAD annually appraises utility companies and pipelines.

DATA COLLECTION / VALIDATION

Data collection of real property involves maintaining data characteristics of the property in the PACS CAMA. The information contained in PACS includes site characteristics, such as land size and topography, and improvement data, such as square foot of living area, year built, quality of construction, and condition. Field appraisers are required to use a property classification system that

establishes uniform procedures for the correct listing of real property. All properties are coded according to a classification system. The approaches to value are structured and calibrated based on this coding system and property description and characteristics. The field appraisers use property classification references during their initial training and as a guide in the field inspection of properties. Data collection for personal property involves maintaining information on the PACS CAMA software designed to record and value business personal property. The type of information contained in the BPP file includes personal property such as business inventory, furniture and fixtures, machinery and equipment, with details such as cost and location. The field appraisers conducting on-site inspections use a personal property classification system during their initial training and as a guide to correctly list all personal property that is taxable. The listing procedure utilized by the field appraisers is available in the district offices. Appraisers periodically update the classification system. Section 25.02 (a) of the Property tax Code defines the information that must be maintained in the appraisal records.

SEC. 25.02. FORM AND CONTENT

- (a) The appraisal records shall be in the form prescribed by the comptroller and shall include:
- (1) the name and address of the owner or, if the name or address is unknown, a statement that it is unknown;
 - (2) real property;
 - (3) separately taxable estates or interests in real property, including taxable possessory interests in exempt real property;
 - (4) personal property;
 - (5) the appraised value of land and, if the land is appraised as provided by Subchapter C, D, E, or H, Chapter 23, the market value of the land;
 - (6) the appraised value of improvements to land;
 - (7) the appraised value of a separately taxable estate or interest in land;
 - (8) the appraised value of personal property;
 - (9) the kind of any partial exemption the owner is entitled to receive, whether the exemption applies to appraised or assessed value, and, in the case of an exemption authorized by Section 11.23, the amount of the exemption;
 - (10) the tax year to which the appraisal applies; and
 - (11) an identification of each taxing unit in which the property is taxable.

This and relevant additional information is maintained through the district's PACS CAMA system and is regularly maintained and updated annually.

SOURCES OF DATA

The sources of data collection are through property inspection, Pictometry, Pictometry ChangeFinder, new construction field effort, data review/relist field effort, data mailer questionnaires, deed records, hearings, sales validation field effort, commercial sales verification and field effort, newspapers and publications, and property owner correspondence by mail or via the Internet. A principal source of data comes from building permits received from taxing jurisdictions that require property owners to take out a building permit. Paper permits are received and matched manually with the property's tax account number for data entry. The Multiple Listing Service of the Gillespie Board of Realtors is a reliable source of data, for both property description and market sales data. Area and regional real estate brokers and salespeople are also sources of market and property information. Data surveys of property owners requesting market information and property description information is also valuable data. Soil surveys and agricultural surveys of farming and ranching property owners and industry professionals are helpful for productivity value calibration. Improvement cost information is gathered from local building contractors and Marshall and Swift Valuation Service. Various income and rental surveys are performed by interviewing property managers and operators to determine operating income and expenses for investment and income producing real property.

Data review of entire neighborhoods is generally a good source for data collection. Appraisers inspect entire neighborhoods to review the accuracy of our data and identify properties that have to be relisted. The sales validation effort in real property pertains to the collection of market data for properties that have sold. In residential, the sales validation effort involves on-site inspection by field appraisers to verify the accuracy of the property characteristics and confirmation of the sales price. Property owners are one of the best sources for identifying incorrect data that generates a field check. Frequently, the property owner provides reliable data to allow correction of records without having to send an appraiser on-site. As the district has increased the amount of information available on the Internet, property owners have the opportunity to review information on their property. Accuracy and validity in property descriptions and characteristics data is the highest goal and is stressed throughout the appraisal process from year to year. Appraisal opinion quality and validity relies on data accuracy as its foundation.

DATA COLLECTION PROCEDURES

The appraisers are assigned specific areas throughout the district to conduct field inspections. These geographic areas of assignment are maintained for several years to enable the appraiser assigned to that area to become knowledgeable of all the factors that drive values for that specific area. Appraisers of real estate and business personal property conduct field inspections and record information for entry into the appraisal system computer. The quality of the data used is extremely important in estimating market values of taxable property. While work performance standards are established and upheld for the various field activities, quality of data is emphasized as the goal and responsibility of each appraiser. New appraisers are trained in the specifics of data collection and the classification system set forth and recognized as "rules" to follow. Experienced appraisers are routinely re-trained in listing procedures

prior to major field projects such as new construction, sales validation or data review. A quality assurance process exists through supervisory review of the work being performed by the field appraisers. Quality assurance supervision is charged with the responsibility of ensuring that appraisers follow listing procedures, identify training issues and provide uniform training throughout the field appraisal staff.

DISTRICT MARKET AREAS

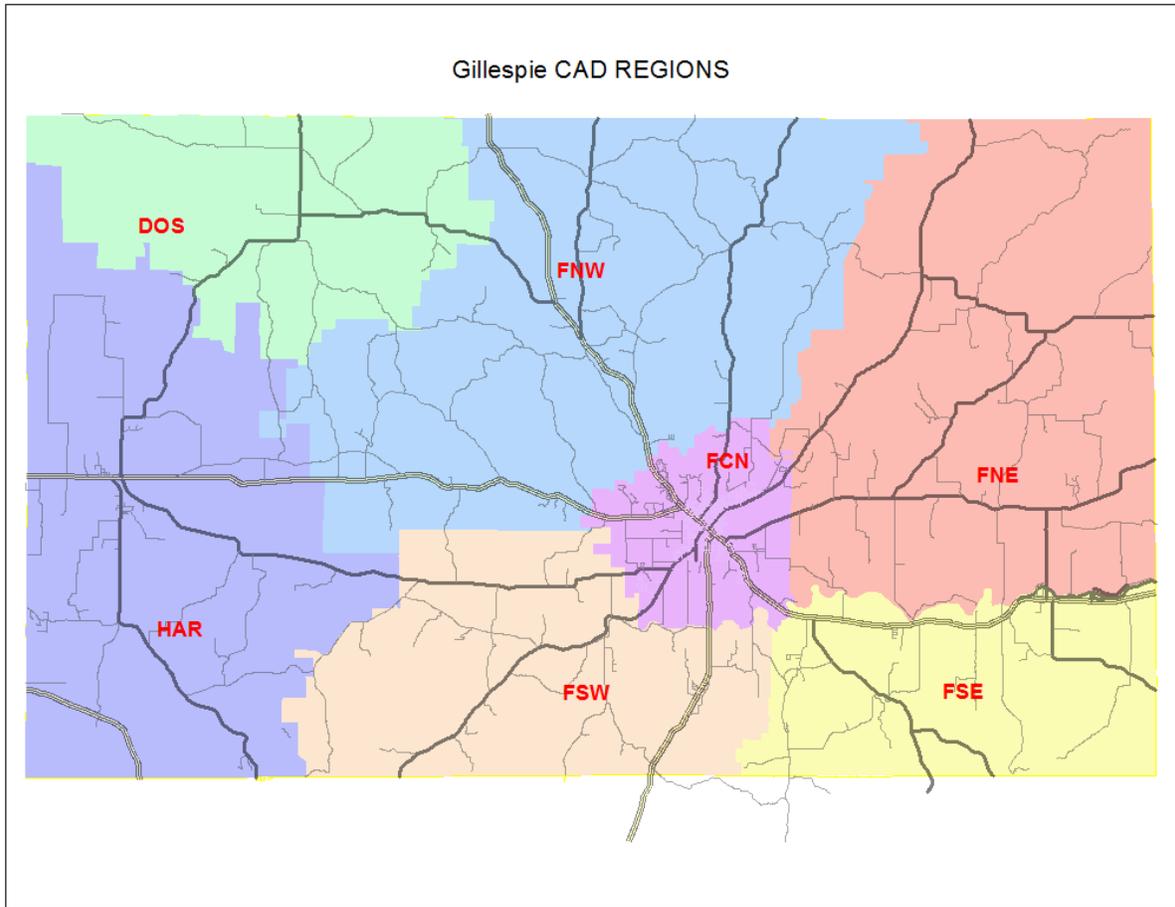
The CAD utilizes three different classifications of market areas; Regions, Subsets, and Neighborhoods. Market area is an encompassing general term and is further refined by each classification.

Regions

Regions are the most broad market area definition used by Gillespie CAD. There are 7 Regions. These are geographical areas based primarily on School District Lines and the quadrants. Regions give the district the ability to analyze sales and ownership regardless of subdivision or abstract. They are also utilized to distribute workload amongst the appraisers for reappraisal.

The following table and map indicates the Region market areas analyzed by GCAD.

REGION	DESCRIPTION	GENERAL AREA
FCN	Fredericksburg ISD Central	City of Fredericksburg and ETJ
FNE	Fredericksburg ISD Northeast	Willow City Area
FNW	Fredericksburg ISD Northwest	Hilltop Area
FSE	Fredericksburg ISD Southeast	Stonewall Area
FSW	Fredericksburg ISD Southwest	Hwy 16 South
HAR	Harper ISD	All of HISD
DOS	Doss CCSD	All of Doss CCSD

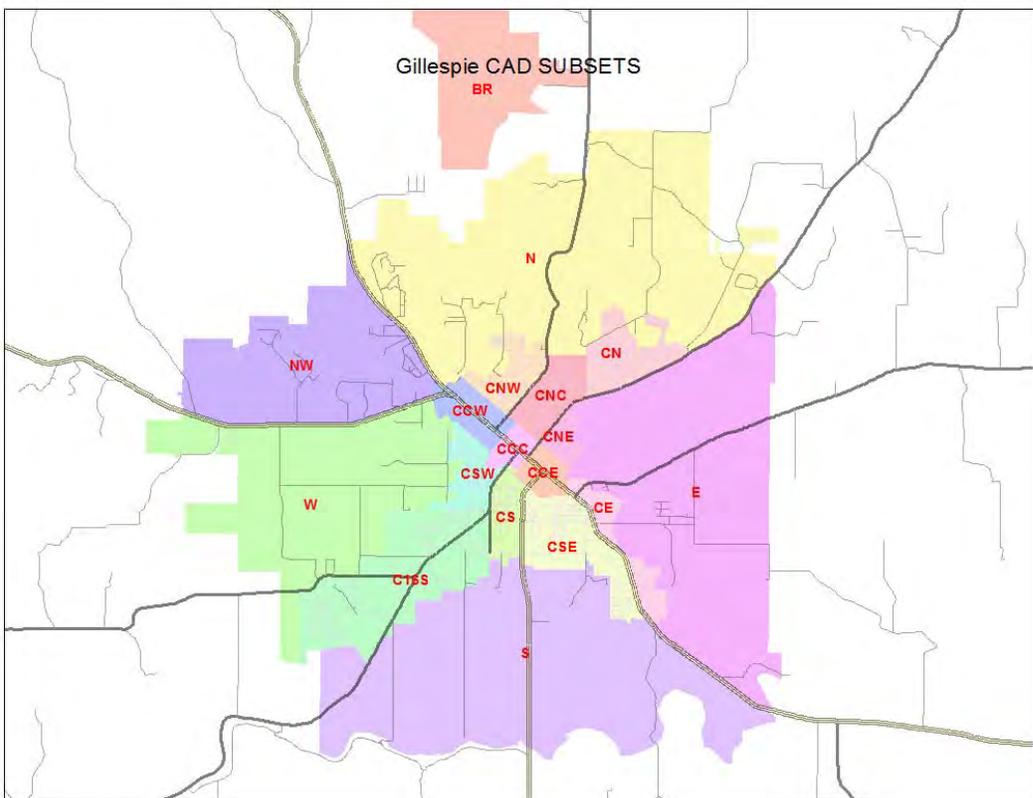
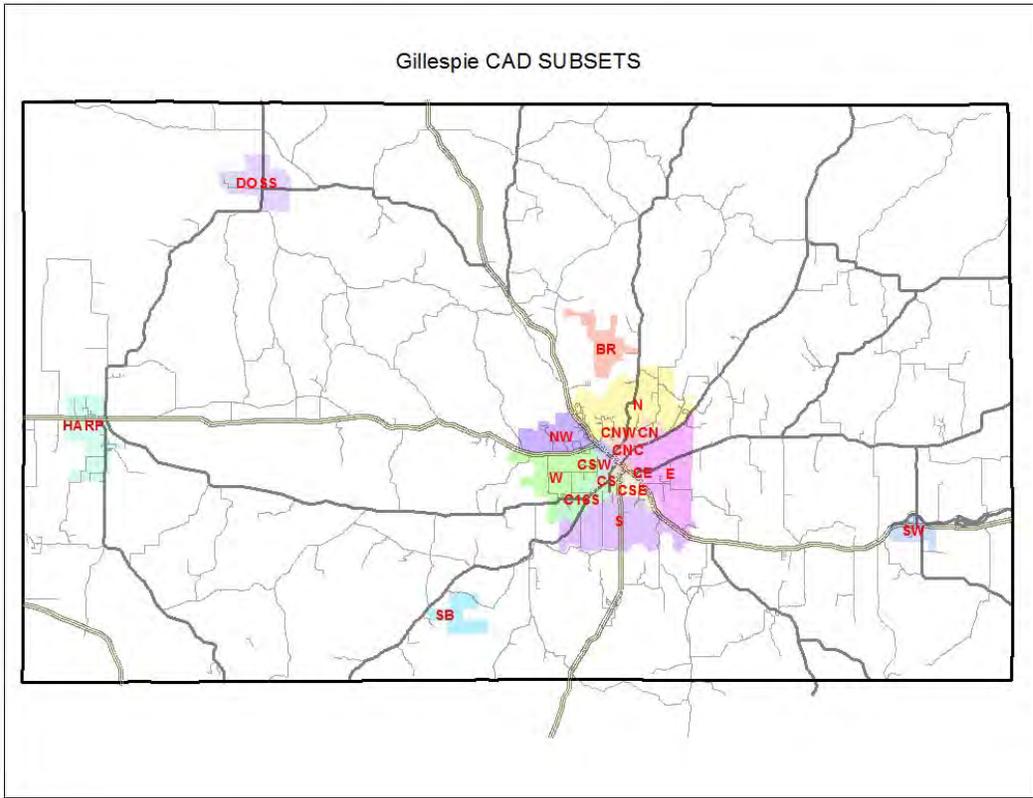


Subsets

Subsets further refine the market areas into 22 areas. Doss (DOSS), Harper (HARP) and Stonewall (SW) are unincorporated communities, each with their own subset. Boot Ranch (BR) is an exclusive and private golf course community. Snaffle Bit (SB) is a large ranch once owned by the lieutenant governor that has been subdivided into multiple ranchettes. The remaining Subsets break the City and ETJ into similar areas. Subsets give the district the ability to analyze sales and ownership regardless of subdivision or abstract. They are also utilized to distribute workload amongst the appraisers for reappraisal.

The following table and maps indicate the Subset market areas for GCAD.

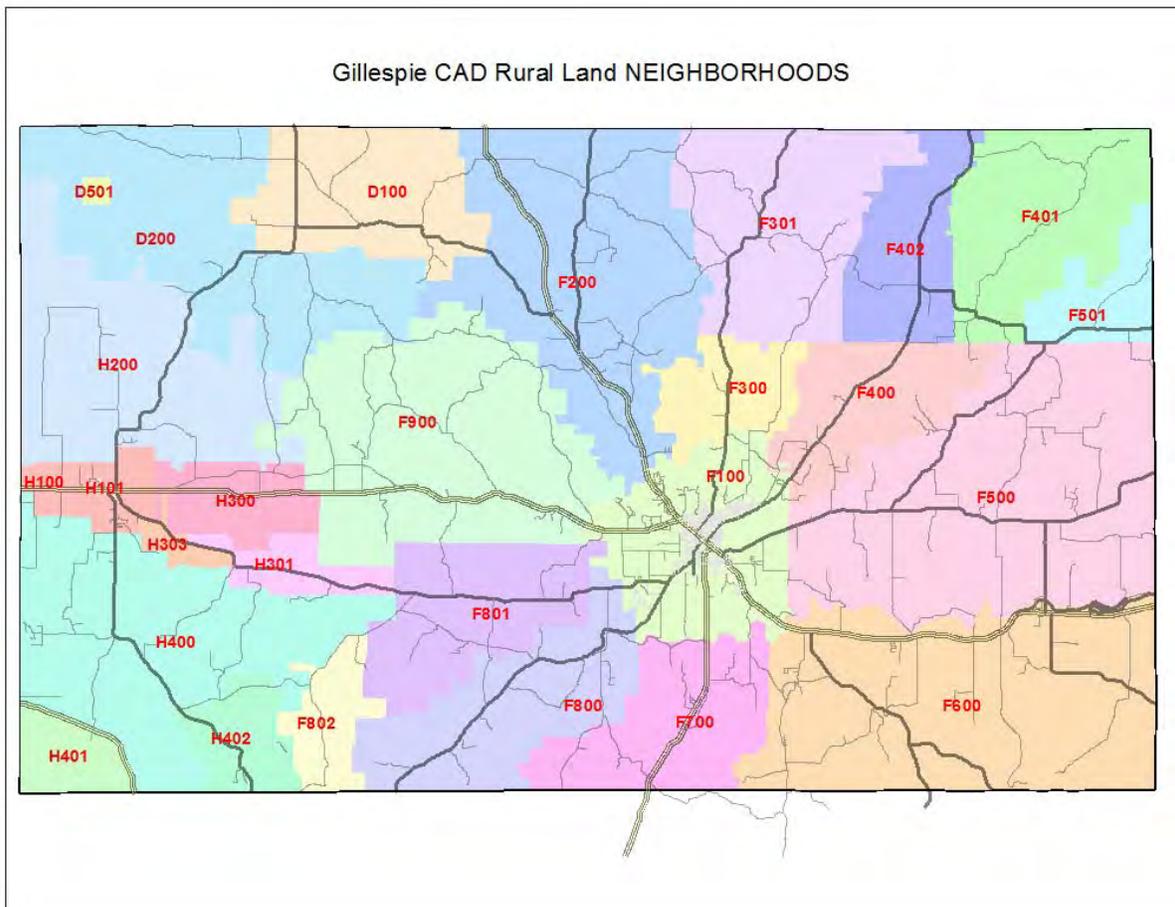
SUBSET	DESCRIPTION	GENERAL AREA
BR	Boot Ranch	Boot Ranch golf course community
C16S	City South along Hwy 16	Primarily commercial along Kerrville highway
CCC	City Central Center	Downtown CBD
CCE	City Central East	Downtown CBD east
CCW	City Central West	Downtown CBD west
CE	City East	Residential east part of town
CN	City North	North part of town on Hwy 16 N
CNC	City North Central	Residential older part of central town
CNE	City Northeast	Residential northeast part of town
CNW	City Northwest	Residential northwest part of town
CS	City South	Residential between Hwy 16 and 87
CSE	City Southeast	Residential between Hwy 87 S and 290 E
CSW	City Southwest	Residential South west of Hwy 16 S
DOSS	Doss	Unincorporated community of Doss
E	East of City, close in	ETJ between Hwy 16 N and 290 E
HARP	Harper	Unincorporated community of Harper
N	North of City, close in	ETJ area between Hwy 87 N and 16 N
NW	Northwest of City, close in	German Emigrant Outlots between Hwy 87 N and 290 W
S	South of City, close in	ETJ to river between Hwy 16 S and 290 E
SB	Snaffle Bit	Multiple ranch tracts originally Snaffle Bit Ranch
SW	Stonewall	Unincorporated community of Stonewall
W	West of City, close in	German Emigrant Outlots between 290 W and 16 S



Neighborhoods

Neighborhoods are the most precise or refined market area the CAD utilizes. They are typically divided into two categories. These two categories are Rural Abstract Land and Subdivisions. The Rural Abstract Land is typically not in subdivision; however there are certain cases where the subdivision may not contribute any adjustment in comparison to adjoining abstract land. There are 27 Rural Abstract Land Neighborhoods. Each of these neighborhoods is analyzed annually for sales ratio analysis and these Neighborhoods are also utilized for allocating property inspections.

In addition to the 27 Rural Abstract Land Neighborhoods each recorded and most unrecorded subdivisions are coded with a Neighborhood Code. There are 439 additional Neighborhood codes for these subdivisions and areas. Each of these neighborhoods is analyzed annually for sales ratio analysis and these Neighborhoods are also utilized for allocating property inspections. A list of all Neighborhoods is attached to this report in the appendix.



PERFORMANCE TEST

The Chief Appraiser is responsible for conducting ratio studies and comparative analysis. Ratio studies are conducted on property located within certain neighborhoods or districts by appraisal staff. The sale ratio and comparative analysis of sale property to appraised property forms the basis for determining the level of appraisal and market influences and factors for the neighborhood. This information is the basis for updating property valuation for the entire area of property to be evaluated. Field appraisers, in many cases, may conduct field inspections to insure the accuracy of the property descriptions at the time of sale for this study. This inspection is to insure that the ratios produced are accurate for the property sold and that appraised values utilized in the study are based on accurate property data characteristics observed at the time of sale. Also, property inspections are performed to discover if property characteristics had changed as of the sale date or subsequent to the sale date. Sale ratios should be based on the value of the property as of the date of sale not after a subsequent or substantial change was made to the property after the negotiation and agreement in price was concluded. Properly performed ratio studies are a good reflection of the level of appraisal for the district.

RATIO STUDIES

Ratio studies are conducted by the Chief Appraiser and appraisal staff to determine the accuracy of appraisals to market value. A ratio study compares the appraised value to market value. Typically, a sample of properties is compared to sales of comparable property. In some instances independent appraisals are compared to the district's appraised values of like property. To compute this ratio the following formula is utilized.

$$\text{Appraised Value} / \text{Market Value} = \text{Ratio}$$

The district is required to appraise most properties at 100% of market value. There are several exceptions such as, agricultural productivity value.

In addition to the CAD preparing its own multiple "in house" ratio studies, the district is independently audited annually by the Texas Comptroller's Property Tax Assistance Division. According to their Property Value Study results the district has historically been appraising property district wide within the required ratio range.

APPRAISAL UNIFORMITY

Appraisal uniformity is a measure of appraisal consistency and equity. Appraisal uniformity is used to gauge ratio study performance. According to the International Association of Assessing Officers (IAAO), the Coefficient of Dispersion (COD) is the most used measure of uniformity in ratio studies. The COD measures the average percentage deviation of the ratios from the median ratio and it is expressed as a percentage. Low COD's tend to be associated with good appraisal uniformity. The IAAO has set standards for COD's based on the type of property in the ratio study.

The formula for computing the COD is as follows:

$$\text{(Average Absolute Deviation) / (Median assessment / sale price) x 100 = COD}$$
$$\text{(AAD / Median A/S) x 100 = COD}$$

The IAAO standards are as follows:

<u>Type of Property</u>	<u>COD</u>
Single-family residential	
Newer, more homogenous areas	10.0 or less
Older, more heterogeneous areas	15.0 or less
Rural, residential and seasonal	20.0 or less
Income-producing properties	
Larger, urban jurisdictions	15.0 or less
Smaller, rural jurisdictions	20.0 or less
Vacant land	20.0 or less

The district receives COD's as part of the Property Value Study conducted independently by the PTD as well as prepares a COD analysis through the PACS CAMA system on a regular basis.

ANALYSIS OF AVAILABLE RESOURCES

PERSONNEL RESOURCES

The office of the Chief Appraiser is primarily responsible for overall planning, organizing, staffing, coordinating, and controlling of district operations. The administration department's function is to plan, organize, direct and control the business support functions related to human resources, budget, finance, records management, purchasing, fixed assets, facilities and postal services. The appraisal department is responsible for the valuation of all real and personal property accounts. The property types appraised include commercial, residential, farm and ranch, business personal, mineral, utilities, and industrial. The district's appraisers are subject to the provisions of the Property Taxation Professional Certification Act and must be duly registered with the Texas Department of Licensing and Regulation. Support functions including records maintenance, information and assistance to property owners, and hearings are coordinated by personnel in support services.

The appraisal district staff consists of 10 employees with the following classifications:

- 1 - Official/Administrator (executive level administration)
 - David Oehler, RPA, Chief Appraiser
- 2- Professional (supervisory and management)
 - Scott Fair, RPA, Deputy Chief Appraiser
 - Mary Lou Smith, RPA, Office Manager
- 4 - Technicians (appraisers, program appraisers and network support)
 - Scott Smith, RPA, Appraiser
 - Tom Cates, RPA, Appraiser
 - Dustin Althaus, RPA, Appraiser
 - Melissa Longoria, RPA, Business Personal Property Appraiser
- 3 - Administrative Support (professional, customer service, clerical and other)
 - June Dartez, Deed Abstractor
 - Aileen Hayes, Data Entry
 - Carol Durst, Receptionist

According to the IAAO (International Association of Assessing Officers) *Guide to Assessment Administration Standard*, small taxing units run from 1,500 to 1,700 parcels per staff member and large taxing units run from 3,000 to 3,500 parcels per staff member with an average of 2,500. In 2014 GCAD had 32,367 parcels and 10 staff members. This equates to 3,237 parcels per staff member. Utilizing the IAAO average standard, the district should have 13 employees or 3 more than current. The District is restricted on hiring additional employees due to physical and financial restraints at the time this plan was written. The district is located in the Gillespie County Courthouse and does not have available space for additional employees. The budgeted funds for the district also restrict the hiring of additional personnel.

FINANCIAL RESOURCES

According to Section 6.06 of the Texas Property Tax Code, the district must annually prepare and adopt a budget. This budget must then be submitted and approved by the voting taxing units within the district. The current 2014 budget for GCAD is \$788,382 or \$24.36 per parcel. The 2015 and 2016 budgets have not been adopted as of the date of this Reappraisal Plan. The proposed 2015 budget is \$829,394 or \$25.62 per parcel.

INFORMATION TECHNOLOGY RESOURCES

The district utilizes a main computer system provided by True Automation's PACS system to maintain all of the real, personal and mineral properties. This software resides on two servers located in the district's office and is accessed by individual workstations of Dell PC's on a local network. PACS maintains an individual property account with all information required by the Tax Code. Required information includes owner name, legal description, situs, and physical attributes. Additionally, PACS allows for pictures, maps, and scanned images to be placed in the individual accounts. PACS also allows the district to produce ratio studies and appraisal uniformity tests on demand.

The district also utilizes several computer programs to maintain and view property maps. ArcMap, a product of ESRI, is used to build and maintain a map database of parcels, roads, and other layers. Map Objects, a product of ESRI, and Pictometry Online, a product of Pictometry are imbedded in PACS. ArcMap, Map Objects, and Pictometry Online are used to view ownership maps and they allow for tracking of property ownership, roads, aerial photography, water influence, and topography. The district has utilized Pictometry since 2009. This software is very beneficial in locating property and analyzing the uniformity of appraisal.

DATA RESOURCES

The district subscribes to multiple sources for appraisal information. The following is a list of data resources used by the district to obtain information for appraisal of property.

<u>Source</u>	<u>Property Type</u>	<u>Valuation Method</u>
Marshall & Swift Valuation Service	Residential, Commercial	Cost
NADA Appraisal Guides	Personal Property	Market
Gillespie Multiple Listing Service	Residential, Commercial, Acreage & Land	Market
Realty Rates	Commercial	Income
Source Strategies	Commercial	Income
Smith Travel Research	Commercial	Income
Loop Net	Commercial	Income, Market

The Gillespie Multiple Listing Service provides information on real estate sales as well as attributes to property often not available to field appraisers. Other local professionals provide the district with local construction costs and rental information. Septic permits, building permits, construction applications are gathered from city, county, and state offices and used for the discovery of new property. Ownership information is obtained from deed records from the county clerks of Gillespie. Unrecorded Contracts for Deed are provided by grantors and grantees of the transactions. The internet is also becoming a valuable tool in providing sales and cost information, as well as market economy analysis.

PLANNING AND ORGANIZATION

TAX CALENDAR 2015

Tax Calendar 2015	
January 1	General Appraisal Date
January 31	Last day for taxpayer to file 25.25 protest
February 1	Deadline for delivery of applications for special appraisal and exemptions requiring annual applications
April 1	Mail notices of appraised value for properties with homesteads
April 15	Deadline to file Business Personal Property Rendition
April 30	Deadline to file Agricultural-Use Application
May 1-15	Publish newspaper notice of taxpayer protest procedures
May 2	Mail notices of appraised value other than homestead properties
May 15	Last day to file renditions if extension is requested
May 15	Mail notices of appraised value, denial of exemptions, and special appraisals
May 15	Begin informal staff review with taxpayers
May 15	Submit records to Appraisal Review Board
June 15	Last day to file written Protest of Appraised Value
July 20	ARB must approve Appraisal Records
July 25	Chief Appraiser must certify Appraisal Roll to entities
August 1	Last day for taxpayer to file for September 1 Inventory
September 15	Last day for BOD to submit budget to entities

TAX CALENDAR 2016

Tax Calendar 2016	
January 1	General Appraisal Date
January 31	Property Value Study results released
January 31	Last day for taxpayer to file 25.25 protest
February 1	Deadline for delivery of applications for special appraisal and exemptions requiring annual applications
March 12	Deadline to file Property Value Study Appeal
April 2	Mail notices of appraised value for properties with homesteads
April 15	Deadline to file Business Personal Property Rendition
April 30	Deadline to file Agricultural-Use Application
May 1	Mail notices of appraised value other than homestead properties
May 1-15	Publish newspaper notice of taxpayer protest procedures
May 15	Last day to file renditions if extension is requested
May 15	Mail notices of appraised value, denial of exemptions, and special appraisals
May 15	Begin informal staff review with taxpayers
May 15	Submit records to Appraisal Review Board
June 15	Last day to file written Protest of Appraised Value
July 20	ARB must approve Appraisal Records
July 25	Chief Appraiser must certify Appraisal Roll to entities
August 1	Last day for taxpayer to file for September 1 Inventory
September 15	Last day for BOD to submit budget to entities
September 15	Last day for BOD to approve the 2017 – 2018 Reappraisal Plan

TARGET COMPLETION DATES 2015 AND 2016

Mail Agricultural – Use Application resets	January 31
Mail Homestead and Exemption resets	January 31
Appraisal Field work completed	April 15
Generate Notices for Printing	May 1
Mail Notices of Appraisal Value	May 15
Appraisal Review Board Begins	June 15
Appraisal Review Board approve records	July 20
Chief Appraiser certify Appraisal Roll	July 20
Begin Next Year’s Field work	August 1
Mail Wildlife Management Annual Reports (current year)	December 1
Mail BPP Renditions (for following year)	December 31

MASS APPRAISAL SYSTEM

The district has been utilizing True Automation's PACS appraisal software previously mentioned since 2007. PACS enables the efficient entry, analysis and export of appraisal data. All computer forms and procedures in PACS are reviewed and revised as required. The following details these procedures as it relates to the 2015 and 2016 tax years.

REAL PROPERTY VALUATION

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

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

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

PERSONAL PROPERTY VALUATION

Appraisals and schedules are updated using data received from renditions, discovery, and Appraisal Review Board hearing documentation. Valuation procedures are reviewed, modified as needed, and tested.

NOTICE PROCESS

Notices of Appraised Value (25.19) are reviewed and edited for updates and changes approved by the chief appraiser. Updates include the latest version of the Comptroller's *Property Tax Remedies*.

HEARING PROCESS

Protest hearing scheduling for informal and formal Appraisal Review Board hearings is reviewed and updated as required. Standards of documentation are reviewed and amended as required. The appraisal district hearing documentation is reviewed and updated to reflect the current valuation process.

DATA COLLECTION REQUIREMENTS

Field and office procedures are reviewed and revised as required for data collection. Activities scheduled for each tax year include inspections of new construction, demolition, or remodeling; re-inspection of changing market areas; and physical re-inspection of the universe of properties on a specific cycle (4-6 years).

NEW CONSTRUCTION / DEMOLITION

New construction field and office review procedures are identified and revised as required. Field production standards are established and procedures for monitoring tested. Source of building permits is confirmed and system input procedures are identified. Process of verifying demolition of improvements is specified. This critical annual activity is projected and entered on the key events calendar for each tax year.

REMODELING

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

RE-INSPECTION OF CHANGING MARKET AREAS

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

RE-INSPECTION OF THE UNIVERSE OF PROPERTIES

The International Association of Assessing Officers, *Standard on Mass Appraisal of Real Property* specifies that the universe of properties should be re-inspected on a cycle of 4-6 years. Additionally, the use of aerial photography such as Pictometry ChangeFinder on a three year cycle can be utilized to meet this requirement. The re-inspection includes the re-measurement of at least two sides of each improved property. The annual re-inspection requirements for the 2015 and 2016 tax years are identified by property type and property classification. and scheduled on the key events calendar.

FIELD OR OFFICE VERIFICATION OF SALES DATA AND PROPERTY CHARACTERISTICS

Sales information must be verified and property characteristic data contemporaneous with the date of sale captured. The sales ratio tools require that the property that sold must equal the property appraised in order that statistical analysis results will be valid.

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

VALUATION BY PROPERTY TYPE

The district is required to categorize property according to the Comptroller’s rules on property classification. The following table is a summary of the district’s property types at 2014 Certification.

Category	Description	No. of Accts / Units	Market Value
A	Residential Real, Single Family	6796	\$1,210,450,772
B	Residential Real, Multi Family	92	\$31,293,945
C	Real, Vacant Platted Lots	1055	\$56,148,953
D1	Qualified Ag Land	638,704 acres	3,553,276,840
D2	Improvements on Qualified Agriculture Land	2913	\$34,171,862
E	Real, Farm and Ranch Improvements, Non-Ag Land	7426	\$1,095,535,769
F	Real, Commercial and Industrial	1466	\$554,246,260
G	Real, Oil, Gas, and Minerals	4	\$27,050
H	Personal Vehicles	0	\$0
I	Banks, Intangible	0	\$0
J	Real and Personal Utilities	153	\$93,014,700
L	Business Personal Property	4388	\$132,994,030
M	Personal Other	330	\$11,174,260
N	Intangible, Personal	0	\$0
O	Real, Inventory	286	\$18,818,120
X	Exempt	1360	\$220,629,423
S	Special Inventory	12	\$1,914,150
Total			\$7,014,080,354

RESIDENTIAL REAL IMPROVED AND VACANT (CAT A, B, C, D, E)

COST SCHEDULES

All residential parcels in the district are valued with a modified replacement cost estimated from identical cost schedules based on the improvement classification system using a comparative unit method. The district's residential cost schedules initially based on *Marshall & Swift* values. These cost estimates are compared with sales of new improvements and evaluated from year to year and indexed to reflect the local residential building and labor market. Costs may also be indexed for neighborhood factors and influences that affect the total replacement cost of the improvements in a smaller market area based on evidence taken from a sample of market sales.

A review of the residential cost schedule is performed annually. As part of this review and evaluation process of the estimated replacement cost, newly constructed sold properties representing various levels of quality of construction in district are considered. The property data characteristics of these properties are verified and photographs are taken of the samples. CAD replacement costs are compared against *Marshall & Swift* and the indicated replacement cost abstracted from these market sales of comparably improved structures. The results of this comparison are analyzed using statistical measures, including stratification by quality and reviewing of estimated building costs plus land to sales prices. As a result of this analysis, a new regional multiplier or economic index factor and indications of neighborhood economic factors are developed for use in the district's cost process. This new economic index is estimated and used to adjust the district's cost schedule to be in compliance with local building costs as reflected by the local market.

SALES INFORMATION

A sales file for the storage of sales data at the time of sale is maintained for real property. Residential vacant land sales, along with commercial improved and vacant land sales are maintained in a sales information system. Residential improved and vacant sales are collected from a variety of sources including CAD questionnaires sent to buyer and seller, field discovery, protest hearings, Board of Realtor's MLS, builders, and real estate professionals. A system of type, source, validity and verification codes has been established to define salient facts related to a property's purchase or transfer and to help determine relevant market sale prices. The effect of time as an influence on price is considered by paired comparison and applied in the ratio study to the sales as indicated within each neighborhood area. Neighborhood sales reports are generated as an analysis tool for the appraiser in the development and estimation of market price ranges and property component value estimates. Abstraction and allocation of property components based on sales of similar property is an important analysis tool to interpret market sales under the cost and market approaches to value. These analysis tools help determine and estimate the effects of change, with regard to price, as indicated by sale prices for similar property within the current market.

Monthly time adjustments are estimated based on comparative analysis using paired comparison of sold property. Sales of the same property were considered and analyzed for any indication of price change attributed to a time change or influence. Property characteristics, financing, and conditions of sale were compared for each property sold in the pairing of property to isolate only the time factor as an influence on price.

STATISTICAL ANALYSIS

The Chief Appraiser performs statistical analysis annually to evaluate whether estimated values are equitable and consistent with the market. Ratio studies are conducted on each of the residential valuation neighborhoods in the district to judge the two primary aspects of mass appraisal accuracy-- level and uniformity of value. Appraisal statistics of central tendency generated from sales ratios are evaluated and analyzed for each neighborhood. The level of appraised values is determined by the weighted mean ratio for sales of individual properties within a neighborhood, and a comparison of neighborhood weighted means reflect the general level of appraised value between comparable neighborhoods.

The Chief Appraiser, through the sales ratio analysis process, reviews every neighborhood annually. The first phase involves neighborhood ratio studies that compare the recent sales prices of neighborhood properties to the appraised values of these sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the sales. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level in a neighborhood needs to be updated or whether the level of market value in a neighborhood is at an acceptable level.

MARKET AND COST RECONCILIATION AND VALUATION

Neighborhood analysis of market sales to achieve an acceptable sale ratio or level of appraisal is also the reconciliation of the market and cost approaches to valuation. Market factors are developed from appraisal statistics provided from market analyses and ratio studies and are used to ensure that estimated values are consistent with the market and to reconcile cost indicators. The district's primary approach to the valuation of residential properties uses a hybrid cost-sales comparison approach. This type of approach accounts for neighborhood market influences not particularly specified in a purely cost model.

When the appraiser analyzes a neighborhood, the appraiser reviews and evaluates a ratio study that compares recent sales prices of properties, appropriately adjusted for the effects of time, within a delineated neighborhood, with the value of the properties based on the estimated depreciated replacement cost of improvements plus land value. The calculated ratio derived from the sum of the sold properties' estimated value divided by the sum of the time adjusted sales prices indicates the neighborhood level of appraisal based on sold properties. This ratio is compared to the acceptable

appraisal ratio, 96% to 100%, to determine the level of appraisal for each neighborhood. If the level of appraisal for the neighborhood is outside the acceptable range of ratios, adjustments to the neighborhood are made.

COMMERCIAL AND INDUSTRIAL REAL PROPERTY (CAT F)

INTRODUCTION

This mass appraisal assignment includes all of the commercially described real property which falls within the responsibility of the Gillespie Central Appraisal District and is located within the boundaries of this taxing jurisdiction. Appraisers appraise the fee simple interest of properties according to statute. However, the effect of easements, restrictions, encumbrances, leases, contracts or special assessments are considered on an individual basis, as is the appraisal of any non-exempt taxable fractional interests in real property (i.e. certain multi-family housing projects). Fractional interests or partial holdings of real property are appraised in fee simple for the entire property as a whole and divided programmatically based on their prorated interests.

DATA

The data used by the commercial appraisers includes verified sales of vacant land and improved properties and the pertinent data obtained from each (sales price levels, capitalization rates, income multipliers, equity dividend rates, marketing period, etc.). Other data used by the appraisers includes actual income and expense data when available, actual contract rental data, leasing information (commissions, tenant finish, length of terms, etc.), and actual construction cost data. In addition to the actual data obtained from specific properties, market data publications are also reviewed to provide additional support for market trends.

PRELIMINARY ANALYSES

Market Study

Market studies are utilized to test new or existing procedures or valuation modifications in a limited sample of properties located in the district and are also considered and become the basis of updating whenever substantial changes in valuation are made. These studies target certain types of improved property to evaluate current market prices for rents and for sales of commercial and industrial real property. These comparable sale studies and ratio studies reveal whether the valuation system is producing accurate and reliable value estimates or whether procedural and economic modifications are required. The appraiser implements this methodology when developing cost approach, market approach, and income approach models.

Gillespie CAD coordinates its discovery and valuation activities with adjoining appraisal districts. Field trips, interviews and data exchanges with adjacent appraisal districts have been conducted to ensure

compliance with state statutes. In addition, Gillespie CAD administration and personnel interact with other assessment officials through professional trade organizations including the International Association of Assessing Officers (IAAO), Texas Association of Appraisal Districts (TAAD), the Texas Association of Assessing Officers (TAAO), and the Texas Rural Chiefs Appraisers, Inc (TRCA). District staff strives to maintain appraisal skills and professionalism by continuing education in the form of courses that are offered by several professional associations such as IAAO, TAAO, TAAD and The Appraisal Institute (AI). District staff also attends seminars conducted by the Texas Comptroller's Property Tax Assistance Division (PTAD).

Land Value

Commercial land is analyzed annually to compare appraised values with recent sales of land in the market area. If appraised values differ from sales prices being paid, adjustments are made to all land in that region. Generally, commercial property is appraised on a price per square foot basis. Factors are placed on individual properties based on corner influence, depth of site, shape of site, easements across site, and other factors that may influence value. The land is valued as though vacant at the highest and best use.

Area Analysis

Area data on regional economic forces such as demographic patterns, regional location factors, employment and income patterns, general trends in real property prices and rents, interest rate trends, availability of vacant land, and construction trends and costs are collected from private vendors and public sources.

Neighborhood Analysis

The neighborhood and market areas are comprised of the land area and commercially classed properties located within the boundaries of this appraisal jurisdiction. These areas consist of a wide variety of property types including multiple-family residential, commercial and industrial. Neighborhood and area analysis involves the examination of how physical, economic, governmental and social forces and other influences may affect property values within subgroups of property locations. The effects of these forces are also used to identify, classify, and organize comparable properties into smaller, manageable subsets of the universe of properties known as neighborhoods. In the mass appraisal of commercial and industrial properties these subsets of a universe of properties are generally referred to as market areas, neighborhoods, or economic areas.

Economic areas are defined by each of the improved property use types (apartment, office, retail, warehouse and special use) based upon an analysis of similar economic or market forces. These include but are not limited to similarities of rental rates, classification of projects (known as building class by area commercial market experts), date of construction, overall market activity or other pertinent

influences. Economic area identification and delineation by each major property use type is the benchmark of the commercial valuation system. All income model valuation (income approach to value estimates) is economic area specific. Economic areas are periodically reviewed to determine if re-delineation is required. The geographic boundaries as well as income, occupancy and expense levels and capitalization rates by age within each economic area for all commercial use types and its corresponding income model have been estimated for these properties.

Highest and Best Use Analysis

The highest and best use is the most reasonable and probable use that generates the highest net to land and present value of the real estate as of the date of valuation. The highest and best use of any given property must be physically possible, legally permissible, financially feasible, and maximally productive. For improved properties, highest and best use is evaluated as improved and as if the site were still vacant. This perspective assists in determining if the existing improvements have a transitional use, interim use, nonconforming use, multiple uses, speculative use, is excess land, or a different optimum use if the site were vacant. For vacant tracts of land within this jurisdiction, the highest and best use is considered speculative based on the surrounding land uses. Improved properties reflect a wide variety of highest and best uses which include, but are not limited to: office, retail, apartment, warehouse, light industrial, special purpose, or interim uses. In many instances, the property's current use is the same as its highest and best use. This analysis insures that an accurate estimate of market value.

Market Analysis

A market analysis relates directly to examining market forces affecting supply and demand. This study involves the relationships between social, economic, environmental, governmental, and site conditions. Current market activity including sales of commercial properties, new construction, new leases, lease rates, absorption rates, vacancies, allowable expenses, expense ratio trends, capitalization rate studies are analyzed to determine market ranges in price, operating costs and investment return expectations.

DATA COLLECTION / VALIDATION

Sources of Data

In terms of commercial sales data, Gillespie CAD accesses and reviews the deeds recorded in Gillespie County that convey commercially classed properties. These deeds involving a change in commercial ownership are entered into the sales information system and researched in an attempt to obtain the pertinent sale information. Other sources of sale data include the protest hearings process and local, regional and national real estate and financial publications.

Cost Schedules

The cost approach to value is applied to improved real property utilizing the comparative unit method. This methodology involves the utilization of national cost data reporting services as well as actual cost information on local comparable properties whenever possible. Cost models are typically developed based on the Marshall & Swift Valuation Service which indicates estimated hard or direct costs of various improvement types. Cost models include the derivation of replacement cost new (RCN) of all improvements represented within the district. These include comparative base rates, per unit adjustments and lump sum adjustments for variations in property description, design, and types of improvement construction. This approach and analysis also employs the sales comparison approach in the evaluation of soft or indirect costs of construction.

Evaluating market sales of newly developed improved property is an important part of understanding total replacement cost of improvements. What total costs may be involved in the development of the property, as well as any portion of cost attributed to entrepreneurial profit can only be revealed by market analysis of pricing acceptance levels. In addition, market related land valuation for the underlying land value is important in understanding and analyzing improved sales for all development costs and for the abstraction of improvement costs for construction and development. Time and location modifiers are necessary to adjust cost data to reflect conditions in a specific market and changes in costs over a period of time. Because a national cost service is used as a basis for the cost models, location modifiers and estimates of soft cost factors are necessary to adjust these base costs specifically for various types of improvements located in Gillespie County. Thusly, local modifiers are additional cost factors applied to replacement cost estimated by the national cost service. Estimated replacement cost new will reflect all costs of construction and development for various improvements located in Gillespie CAD as of the date of appraisal.

Accrued depreciation is the sum of all forms of loss of value affecting the contributory value of the improvements. It is the measured loss against replacement cost new taken from all forms of physical deterioration, functional obsolescence, and economic obsolescence. Accrued depreciation is estimated and developed based on losses typical for each property type at that specific age. Depreciation estimates have been implemented for what is typical of each major class of commercial property by economic life categories. Estimates of accrued depreciation have been calculated for improvements with a range of variable years expected life based on observed condition considering actual age. These estimates are continually tested to ensure they are reflective of current market conditions. The actual and effective ages of improvements are noted in PACS. Effective age estimates are based on the utility of the improvements relative to where the improvement lies on the scale of its total economic life and its competitive position in the marketplace. Effective age estimates are considered and reflected based on five levels or rankings of observed condition, given actual age.

Additional forms of depreciation such as external and/or functional obsolescence can be applied if observed. A depreciation calculation override can be used if the condition or effective age of a property

varies from the norm by appropriately noting the physical condition and functional utility ratings on the property data characteristics. These adjustments are typically applied to a specific condition adequacy or deficiency, property type or location and can be developed via ratio studies or other market analyses. The result of estimating accrued depreciation and deducting that from the estimated replacement cost new of improvements indicates the estimated contributory value of the improvements. By adding the estimated land value, as if vacant, to the contributory value of the improvements indicates a property value by the cost approach. Given relevant cost estimates and market related measures of accrued depreciation, the indicated value of the property by the cost approach becomes a very reliable valuation technique.

Income Models

The income approach to value is applied to those real properties which are typically viewed by market participants as “income producing” and for which the income methodology is considered a leading value indicator. The first step in the income approach pertains to the estimation of market rent on a per unit basis. This is derived primarily from actual rent data furnished by property owners and from local market surveys conducted by the district and by information from area rent study reviews. This per unit rental rate multiplied by the number of units results in the estimate of potential gross rent.

A vacancy and collection loss allowance is the next item to consider in the income approach. The projected vacancy and collection loss allowance is established from actual data furnished by property owners and local market survey trends. This allowance accounts for periodic fluctuations in occupancy, both above and below an estimated stabilized level. This feature may also provide for a reasonable lease-up period for multi-tenant properties, where applicable. The market derived stabilized vacancy and collection loss allowance is subtracted from the potential gross rent estimate to yield an indication of estimated annual effective gross rent to the property.

Next, a secondary income or service income is considered and, if applicable, calculated as a percentage of stabilized effective gross rent. Secondary income represents parking income, rent escalations, reimbursements, and other miscellaneous income generated by the operations of real property. The secondary income estimate is derived from actual data collected and available market information. The secondary income estimate is then added to effective gross rent to arrive at an effective gross income, when applicable.

Allowable expenses and expense ratio estimates are based on a study of the local market, with the assumption of prudent management. An allowance for non-recoverable expenses such as leasing costs and tenant improvements may be included in the expenses. A non-recoverable expense represents costs that the owner pays to lease rental space. Relevant expense ratios are developed for different types of commercial property based on use and market experience. For instance, retail properties are most frequently leased on a triple-net basis, whereby the tenant is responsible for all operating

expenses, such as ad valorem taxes, insurance, and common area and property maintenance. In comparison, a general office building is most often leased on a base year expense stop. This lease type stipulates that the owner is responsible for all expenses incurred during the first year of the lease. As a result, expense ratios are implemented and estimated based on observed market experience in operating various types of commercial property.

Another form of allowable expense is the replacement of short-lived items (such as roof or floor coverings, air conditioning or major mechanical equipment or appliances) requiring expenditures of lump sum costs. When these capital expenditures are analyzed for consistency and adjusted, they may be applied on an annualized basis as stabilized expenses. When performed according to local market practices by commercial property type these expenses, when annualized, are known as replacement reserves. For some types of property typical management does not reflect expensing reserves and is dependent on local and industry practices.

Subtracting the allowable expenses (inclusive of non-recoverable expenses and replacement reserves when applicable) from the annual effective gross income yields an estimate of annual net operating income to the property.

Return rates and income multipliers are used to convert operating income expectations into an estimate of market value for the property under the income approach. These include income multipliers, overall capitalization rates, and discount rates. Each of these multipliers or return rates are considered and used in specific applications. Rates and multipliers may vary between property types as well as by location, quality, condition, design, age, and other factors. Therefore, application of the various rates and multipliers must be based on a thorough analysis of the market for individual income property types and uses. These procedures are supported and documented based on analysis of market sales for these property types.

Capitalization analysis is used in the income approach models to form an indication of value. This methodology involves the direct capitalization of net operating income as an indication of market value for a specific property. Capitalization rates applicable for direct capitalization method and yield rates for estimating terminal cap rates for discounted cash flow analysis are derived from the market. Sales of improved properties from which actual income and expense data are obtained provide a very good indication of property return expectations a specific market participant is requiring from an investment at a specific point in time. In addition, overall capitalization rates can be derived and estimated from the built-up method (band-of-investment). This method relates to satisfying estimated market return requirements of both the debt and equity positions in a real estate investment. This information is obtained from available sales of property, local lending sources, and from real estate and financial publications.

Rent loss concessions are estimated for specific properties with vacancy problems. A rent loss concession accounts for the impact of lost rental income while the building is moving toward stabilized

occupancy. The rent loss is calculated by multiplying the rental rate by the percent difference of the property's stabilized occupancy and its actual occupancy. Build out allowances (for first generation space or retrofit/second generation space as appropriate) and leasing expenses are added to the rent loss estimate. The total adjusted loss from these real property operations is discounted using an acceptable risk rate. The discounted value (inclusive of rent loss due to extraordinary vacancy, build out allowances, and leasing commissions) becomes the rent loss concession and is deducted from the value indication of the property at stabilized occupancy. A variation of this technique allows a rent loss deduction to be estimated for every year that the property's actual occupancy is less than stabilized occupancy.

Sales Comparison (Market) Approach

Although all three of the approaches to value are based on market data, the Sales Comparison Approach is most frequently referred to as the Market Approach. This approach is utilized not only for estimating land value but also in comparing sales of similarly improved properties to parcels on the appraisal roll. As previously discussed in the Data Collection / Validation section of this report, pertinent data from actual sales of properties, both vacant and improved, is pursued throughout the year in order to obtain relevant information which can be used in all aspects of valuation. Sales of similarly improved properties can provide a basis for the depreciation schedules in the Cost Approach, rates and multipliers used in the Income Approach, and as a direct comparison in the Sales Comparison Approach. Improved sales are also used in ratio studies, which afford the appraiser an excellent means of judging the present level and uniformity of the appraised values.

Final Valuation Schedules

Based on the market data analysis and review discussed previously in the cost, income and sales approaches, the cost and income models are calibrated and finalized. The calibration results are keyed to the schedules and models in the PACS system for utilization on all commercial properties in the district. Market factors reflected within the cost and income approaches are evaluated and confirmed based on market sales of commercial and industrial properties. The appraisers review the cost, income, and sales comparison approaches to value for each of the types of properties with available sales information. The final valuation of a property is estimated based on reconciling these indications of value considering the weight of the market information available for evaluation and analysis in these approaches to value.

Statistical and Capitalization Analysis

Statistical analysis of final values is an essential component of quality control. This methodology represents a comparison of the final value against the standard and provides a concise measurement of the appraisal performance. Statistical comparisons of many different standards are used including sales of similar properties, the previous year's appraised value, audit trails, value change analysis and sales ratio analysis.

Appraisal statistics of central tendency and dispersion generated from sales ratios are calculated for each property type with available sales data. These summary statistics including, but not limited to, the weighted mean provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value of a particular property type. The level of appraised values can be determined by the weighted mean for individual properties within a specific type and a comparison of weighted means can reflect the general level of appraised value.

The appraisers review every commercial property type annually through the sales ratio analysis process. The first phase involves ratio studies that compare the recent sales prices of properties to the appraised values of the sold properties. This set of ratio studies affords the appraiser an excellent means of judging the present level of appraised value and uniformity of the appraised values. The appraiser, based on the sales ratio statistics and designated parameters for valuation update, makes a preliminary decision as to whether the value level of a particular property type needs to be updated in an upcoming reappraisal, or whether the level of market value is at an acceptable level.

Potential gross rent estimates, occupancy levels, secondary income, allowable expenses, net operating income and capitalization rate and multipliers are continuously reviewed. Income model estimates and conclusions are compared to actual information obtained on individual commercial and industrial income properties during the protest hearings process, as well as with information from published sources and area property managers and owners.

INDIVIDUAL VALUE REVIEW PROCEDURES

Field Review

The date of last inspection, extent of that inspection, and the Gillespie CAD appraiser responsible are listed in the CAMA system. If a property owner disputes the District's records concerning this data in a protest hearing, PACS data and values may be altered based on the credibility of the evidence provided. Normally, a new field check is then requested to verify this information for the current year's valuation or for the next year's valuation. In addition, if a building permit is filed for a particular property indicating a change in characteristics, that property is added to a work file for review

A major effort is made by appraisers to field review as many properties as possible or economic areas experiencing large numbers of remodels, renovations, or retrofits, changes in occupancy levels or rental

rates, new leasing activity, new construction, or wide variations in sale prices. Field review of real property accounts is accomplished while business personal property is reviewed and inspected in the field. Additionally, the appraisers frequently field review subjective data items such as building class; quality of construction; condition; and physical, functional and economic obsolescence factors contributing significantly to the market value of the property. In some cases field reviews are warranted when sharp changes in occupancy or rental rate levels occur between building classes or between economic areas. With preliminary estimates of value in these targeted areas, the appraisers test computer assisted values against their own appraisal judgment. While in the field, the appraisers physically inspect sold and unsold properties for comparability and consistency of values.

Office Review

Office reviews are completed on properties subject to field inspections and are performed in compliance with the guidelines required by the existing classification system. The appraiser may review methodology for appropriateness to ascertain that it was completed in accordance with USPAP or more stringent statutory and district policies. This review is performed after preliminary ratio statistics have been applied. If the ratio statistics are generally acceptable overall the review process is focused primarily on locating skewed results on an individual basis. Previous values resulting from protest hearings are individually reviewed to determine if the value remains appropriate for the current year based on market conditions. Once the appraiser is satisfied with the level and uniformity of value for each commercial property within their area of responsibility the estimates of value are considered finished and are ready to be sent in the Notice of Appraised Value. Each parcel is subjected to the value parameters appropriate for its use type.

Performance Tests

The primary tool used to measure mass appraisal performance is the ratio study. A ratio study compares appraised values to market prices. In a ratio study, market values (value in exchange) are typically represented with the range of sale prices, i.e. a sales ratio study. Independent, expert appraisals may also be used to represent market values in a ratio study, i.e. an appraisal ratio study. If there are not enough examples of market price to provide necessary representativeness, independent appraisals can be used as indicators for market value. This can be particularly useful for commercial or industrial real property for which sales are limited. In addition, appraisal ratio studies can be used for properties statutorily not appraised at market value, but reflect the use-value requirement.

Sales Ratio Studies

Sales ratio studies are an integral part of estimating equitable and accurate market values, and ultimately property assessments for these taxing jurisdictions. The primary uses of sale ratio studies include the determination of a need for general reappraisal; prioritizing selected groups of property types for reappraisal; identification of potential problems with appraisal procedures; assist in market analyses; and, to calibrate models used to estimate appraised values during valuation or reappraisal

cycles. However, these studies cannot be used to judge the accuracy of an individual property's appraised value. The Appraisal Review Board may make individual value adjustments based on unequal appraisal (ratio) protest evidence submitted on a case-by-case basis during the hearing process.

Comparative Appraisal Analysis

The commercial appraiser performs an average unit value comparison in addition to a traditional ratio study. These studies are performed on commercially classed properties by property use type (such as apartment, office, retail and warehouse usage or special use). The objective to this evaluation is to determine appraisal performance of sold and unsold properties. An appraiser averages the unit price of sales and unit appraised value of the same parcels. They then compare the average value changes of sold and unsold properties. These studies are conducted on substrata such as building class and on properties located within various economic areas. In this way, overall appraisal performance is evaluated geographically by specific property type to discern whether sold parcels have been selectively appraised. When sold parcels and unsold parcels are appraised equally, the average unit values are similar. These sales and equity studies are performed prior to final appraisal and to annual noticing.

MINERAL PROPERTIES (CAT G)

Gillespie CAD has a minimal number of mineral properties. These properties are appraised by utilizing standard procedures.

UTILITIES (CAT J)

Gillespie CAD will be appraising the utilities "in house" for 2015 and 2016.

Valuation Approach

The income approach is the most valid approach to use in valuing utility properties. The reason is that the unit as a whole is being valued and the result apportioned to the pieces of the whole. The worth of a utility is the income stream the system will generate.

BUSINESS PERSONAL PROPERTY (CAT L)

NAICS Code Analysis

Business personal property is classified and utilizes numeric codes, called the North American Industry Classification System (NAICS, pronounced Nakes) codes that were developed by the federal government to describe property. These classifications are used by Gillespie CAD to classify personal property by business type. NAICS code identification and delineation is the cornerstone of the personal property valuation system at the district. All of the personal property analysis work done in association with the personal property valuation process is NAICS code specific. NAICS codes are delineated based on observable aspects of homogeneity and business use.

Sources of Data

The district's property characteristic data was collected through a field collection effort coordinated by the district over the recent past and from property owner renditions. From year to year, reevaluation activities permit district appraisers to collect new data via an annual field inspection. This project results in the discovery of new businesses, changes in ownership, relocation of businesses, and closures of businesses not revealed through other sources. County Clerk records, state sales tax, local advertisements, internet searches, and the public often provide the district information regarding new personal property and other useful facts related to property valuation.

Vehicles

The Texas Department of Transportation (TxDOT) Title and Registration Division records provide Gillespie CAD with a listing of vehicles within the jurisdiction.

Leased and Multi-Location Assets

The primary source of leased and multi-location assets is property owner renditions of property. Other sources of data include field inspections.

Cost Schedules

Cost schedules are developed based on the NAICS code by the Property Tax Assistance Division of the Comptroller's Office and by the district's personal property appraiser. The cost schedules are developed by analyzing cost data from property owner renditions, hearings, state schedules, and published cost guides. The cost schedules are reviewed as necessary to conform to changing market conditions. The schedules are typically in a price per square foot format, but some exception NAICS codes are in an alternate price per unit format, such as per room for hotels.

Statistical Analysis

Summary statistics including, but not limited to, the median, weighted mean, and standard deviation provide the appraisers an analytical tool by which to determine both the level and uniformity of appraised value by NAICS code. Review of the standard deviation can discern appraisal uniformity within NAICS codes.

Depreciation Schedule and Trending Factors

Gillespie CAD's primary approach to the valuation of business personal property is the cost approach. The replacement cost new (RCN) is either developed from property owner reported historical cost or from CAD developed valuation models. The trending factors used by the CAD to develop RCN are based on published valuation guides. The percent good depreciation factors used by Gillespie CAD are also based on published valuation guides.

REAL PROPERTY INVENTORY (CAT O)

Certain residential property that is being held for resale can qualify for a special valuation. This property is typically vacant residential lots that are held by a developer for sale. However, a speculative home being held by a homebuilder can also qualify under certain restrictions. An example of this discount might be a builder purchasing several lots within a subdivision could expect a "bulk discount" from the developer for purchasing several lots.

In arriving at a value for special inventory, a discounted cash flow analysis utilizing actual comparable lot sales, and projected holding periods, is prepared by the chief appraiser.

SPECIAL INVENTORY (CAT S)

The property tax code has a provision for special valuation of vehicle, trailer, and manufactured housing dealer inventory. The district utilizes the formula as set forth in the code for qualified properties.

LIMITING CONDITIONS

The appraised value estimates provided by the district are subject to the following conditions:

1. The appraisals were prepared exclusively for ad valorem tax purposes.
2. The property characteristic data upon which the appraisals are based is assumed to be correct. Exterior inspections of the property appraised were performed as staff resources and time allowed. Some interior inspections of property appraised were performed at the request of the property owner and required by the district for clarification purposes and to correct property descriptions.
3. Validation of sales transactions was attempted through questionnaires to buyer and seller, telephone survey and field review. In the absence of such confirmation, residential sales data obtained from vendors was considered reliable.
4. I have attached a list of staff providing significant mass appraisal assistance to the person signing this certification.

CERTIFICATION STATEMENT

"I, David D. Oehler, Chief Appraiser for the Gillespie Central Appraisal District, solemnly swear that I have made or caused to be made a diligent inquiry to ascertain all property in the district subject to appraisal by me, and that I have included in the records all property that I am aware of at an appraised value which, to the best of my knowledge and belief, was determined as required by law."

David D. Oehler, RPA

Chief Appraiser

STAFF PROVIDING SIGNIFICANT MASS APPRAISAL ASSISTANCE

David D. Oehler, RPA	Chief Appraiser
Mary Lou Smith, RPA	Office Manager
Scott Fair, RPA	Deputy Chief Appraiser
Scott Smith, RPA	Appraiser
Tom Cates, RPA	Appraiser
Dustin Althaus, RPA	Appraiser
Melissa Longoria, RPA	Appraiser

Addendum

Gillespie Central Appraisal District Calendar

Month	Governance	Administration	Appraisers	Office Staff
January	<p><i>1st – General date of appraisal.</i></p> <p><i>31st – Last day for taxpayer to file 25.25 protest.</i></p> <p><i>31st – Deadline for delivery of applications for special appraisal and exemptions requiring annual applications.</i></p> <p><i>31st – Property Value Study released by the PTAD.</i></p>	<p>Review sales of real property and continue compiling current sales database.</p>	<p>Field appraisers conducting inspections of rural and urban properties due to rechecks, permits, or other reasons.</p> <p>Personal property appraiser obtains State sales tax permit list and County Clerk’s filed assumed name list to discover new businesses.</p> <p>Personal property appraiser begins working on submitted business personal property renditions.</p>	<p>Mail homestead applications to residential properties where the situs is the same as the mailing address and there is no homestead exemption.</p> <p>1-d-1 (Open Space) Agriculture Appraisal applications mailed to landowners who are required to file new applications.</p> <p>Mail sales letters for property that has recently sold.</p> <p>Analyze State vehicle registration list to determine business personal property vehicles.</p> <p>Mail letters to owners of rental-space to determine January 1st vendors list.</p> <p>Mail letters to reservation services to determine January 1st operators of bed and breakfasts.</p> <p>Obtain building permits, septic permits, and electric hookups list and code appropriate accounts for appraisal rechecks.</p>

Month	Governance	Administration	Appraisers	Office Staff
February	<i>1st – Last day for motor vehicle, vessel and outboard motors, heavy equipment and manufactured housing dealers to file dealer’s inventory declarations.</i>	Review sales of real property and continue compiling current sales database.	Field appraisers conducting inspections of rural and urban properties due to rechecks, permits, or other reasons. Personal property appraiser working through renditions. Agriculture appraiser conducting inspections of application properties.	Mail letters concerning properties with homestead exemptions where the mailing address does not match the situs address. Mail sales letters for property that has recently sold. Obtain building permits, septic permits, and electric hookups list and code appropriate accounts for appraisal rechecks.
March		<i>1st – Send reminder of 2nd cost allocation payment to taxing entities.</i> <i>12th – Deadline to file Property Value Study Appeal.</i> Start publishing required public information articles. Analyze market sales and review/modify land and improvement schedules.	Field appraisers conducting inspections of rural and urban properties due to rechecks, permits, or other reasons. Personal property appraiser working through renditions. Agriculture appraiser conducting inspections of application properties.	Mail sales letters for property that has recently sold. Mail homestead exemption removal letters. Mail homestead exemption denial letters. Obtain building permits, septic permits, and electric hookups list and code appropriate accounts for appraisal rechecks.
April	<i>1st – Mail notices of appraised value for properties with homesteads (or as soon as practical thereafter).</i> <i>15th – Deadline to file Business Personal Property Rendition.</i> <i>30th – Deadline to file 1-d-1 Agriculture-Use application.</i>	<i>30th - Last day for chief appraiser to certify estimate of the taxable value for counties, municipalities, and school districts.</i> Publish required public information articles. Analyze market sales and review/modify land and improvement schedules.	Field appraisers conducting inspections of rural and urban properties due to rechecks, permits, or other reasons. Personal property appraiser working through renditions. Agriculture appraiser conducting inspections of application properties.	Mail sales letters for property that has recently sold. Obtain building permits, septic permits, and electric hookups list and code appropriate accounts for appraisal rechecks.

Month	Governance	Administration	Appraisers	Office Staff
May	<p><i>1st – Mail notices of appraised value other than homestead properties (or as soon as practical thereafter).</i></p> <p><i>15th – Last day to file renditions if extension is requested.</i></p> <p><i>15th – Mail notices of appraised value, denial of exemptions, and special appraisals.</i></p> <p><i>31st – Last day to file a written Protest of Appraised Value to the ARB (or by 30th after notice is delivered, whichever is later).</i></p>	<p><i>1st – 15th – Publish newspaper notice of taxpayer protest procedures.</i></p> <p><i>15th – Submit appraisal records to the Appraisal Review Board.</i></p>	<p>Appraisers begin informal staff reviews with taxpayers and agents when notices of appraised value and denial letters are mailed.</p>	<p>Mail sales letters for property that has recently sold.</p> <p>Obtain building permits, septic permits, and electric hookups list and code appropriate accounts for appraisal rechecks.</p>
June	<p><i>15th – Last day to file a written Protest of Appraised Value.</i></p>	<p><i>1st – Send reminder of 3rd cost allocation payment to taxing entities.</i></p> <p><i>14th – Last day for chief appraiser to submit proposed budget for next year to CAD board and taxing units.</i></p>	<p>Appraisers conduct informal staff reviews with taxpayers and agents.</p> <p>Appraisers work on protests and ARB hearings.</p>	
July	<p><i>20th – Last day for ARB to approve appraisal records.</i></p>	<p><i>25th – Last day for chief appraiser to certify appraisal roll to each taxing unit.</i></p>	<p>Appraisers conduct informal staff reviews with taxpayers and agents.</p> <p>Appraisers work on protests and ARB hearings.</p>	
August			<p>Appraisers work on protests and ARB hearings.</p> <p>Field appraisers begin field inspections for next year’s appraisals, with emphasis on rural properties.</p>	

Month	Governance	Administration	Appraisers	Office Staff
September	<p>14th – Last day for CAD board to adopt CAD budget for the next year.</p> <p>15th (even number years)– Last day for Board of Directors to approved the biennial reappraisal plan.</p>	<p>1st – Send reminder of 4th cost allocation payment to taxing entities.</p> <p>4th – Last day to notify entities and publish the Notice of Public hearing on CAD budget for following year.</p> <p>30th (odd numbered years) – Last day to calculate votes for directors and notify entities of the nomination process for BOD.</p>	<p>Field appraisers continue inspections related to rechecks, permits, or other reasons, with emphasis on rural properties.</p> <p>Personal property appraiser conducts field inspections.</p>	<p>Mail sales letters for property that has recently sold.</p> <p>Obtain building permits, septic permits, and electric hookups list and code appropriate accounts for appraisal rechecks.</p>
October		<p>29th (odd numbered years) – Last day to send BOD ballots to taxing entities.</p>	<p>Field appraisers continue inspections related to rechecks, permits, or other reasons, with emphasis on rural properties.</p> <p>Personal property appraiser conducts field inspections.</p>	<p>Mail letters to personal property owners who received a penalty for not filing a rendition or filing a late rendition.</p> <p>Mail sales letters for property that has recently sold.</p> <p>Obtain building permits, septic permits, and electric hookups list and code appropriate accounts for appraisal rechecks.</p>
November			<p>Field appraisers continue inspections related to rechecks, permits, or other reasons, with emphasis switching to urban properties.</p> <p>Personal property appraiser conducts field inspections.</p>	<p>Mail sales letters for property that has recently sold.</p> <p>Obtain building permits, septic permits, and electric hookups list and code appropriate accounts for appraisal rechecks.</p>

Month	Governance	Administration	Appraisers	Office Staff
December	(odd numbered years) – BOD solicits bids for a bank depository.	<p>1st – Calculate and send cost allocation notices to taxing entities (and notify that 1st quarter payment is due before January 1st).</p> <p>30th (odd numbered years) – Last day to notify entities of names of elected BOD.</p> <p>Begin reviewing sales of real property and compiling current sales database.</p> <p>Analyze agricultural valuation data and calculate agriculture-use land values.</p>	<p>Field appraisers continue inspections related to rechecks, permits, or other reasons, with emphasis on urban properties.</p> <p>Personal property appraiser conducts field inspections.</p>	<p>Wildlife Management Annual Reports mailed to appropriate landowners.</p> <p>Mail Agriculture Land Questionnaire.</p> <p>Personal property renditions for following year mailed to existing businesses and discovered new businesses.</p> <p>Mail sales letters for property that has recently sold.</p>

All dates in italics are subject to change if they fall on a weekend or holiday.