

**LYNN COUNTY APPRAISAL DISTRICT
REAPPRAISAL PLAN FOR
TAX YEARS 2015 - 2016**

LYNN COUNTY APPRAISAL DISTRICT
REAPPRAISAL PLAN

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EXECUTIVE SUMMARY

PROPERTY TAX CODE REQUIREMENT

Senate Bill 1652 passed during the 2005 Regular Legislative Session amended the Texas Property Tax Code to require a written biennial reappraisal plan. The following details the changes to the Property Tax Code:

The Written Plan

Section 6.05, of the Property Tax Code, is amended by adding Subsection (i) to read as follows:

- (i) 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 of 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.

Plan for Periodic Reappraisal

Subsections (a) and (b), Section 25.18, of the Property Tax Code, are amended to read as follows:

- (a) Each appraisal office shall implement the 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 for 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 the 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 (REAPPRAISAL CYCLE)

The Lynn County Appraisal District reappraises all property located in one-third of the County on an annual basis with the exception of the industrial, mineral, and personal property accounts, which are appraised annually. In a reappraisal year, the District appraises all properties in that one-third of the County. Tax year 2015 is a reappraisal year for the southern one-third of Lynn County; tax year 2014 is a reappraisal year for the middle one-third of Lynn County.

PERFORMANCE ANALYSIS

The individual school districts equalized values are analyzed with ratio studies to determine the appraisal accuracy and appraisal uniformity with regards to the State Comptroller's property reporting categories. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* published by the International Association of Assessing Officers.

ANALYSIS OF AVAILABLE RESOURCES

The staffing and budget requirements for the Lynn County Appraisal District for the 2015 tax year are detailed in the 2015 budget. The reappraisal plan references the 2015 and 2016 tax year and is attached to the 2015 budget and adopted by the Board of Directors. The existing appraisal practices are identified along with the methods utilized to keep these practices current. Information Systems (IS) support is detailed regarding current specific functions. Existing maps and data requirements are specified and updates scheduled.

PLANNING AND ORGANIZATION

A preliminary reappraisal calendar is prepared to detail completion dates for the District. The calendar projects estimated deadline dates for the completion of the reappraisal. The calendar is prepared for tax years 2015 and 2016.

COMPUTER ASSISTED MASS APPRAISAL SYSTEM

Computer Assisted Mass Appraisal (CAMA) system revisions are completed by the Information Systems Software Provider. System revisions and procedures are performed by the Provider. Lynn County Appraisal District contracts with Pritchard & Abbott, Inc. for these services.

DATA COLLECTION REQUIREMENTS

Data sources used by the District are continually reviewed and researched. Mechanics liens including demolition, remodeling, and new construction are worked on an annual basis. Research into problematic market areas and re-inspection of parcels outside city limits are also scheduled for re-inspection on an annual basis. On properties that have transferred ownership, the District will verify the sales price and individual property characteristics as of the date of sale through field inspection and office research.

PILOT STUDY/IN-HOUSE STUDY BY TAX YEAR

New or revised mass appraisal models are tested each tax year. Ratio studies are conducted by school district on proposed values each tax year. Proposed values on each category are tested for accuracy and reliability.

VALUATION BY TAX YEAR

Valuation models are calibrated by analyzing comparable sales and locally tested cost data. The calculated values are tested for accuracy and uniformity using ratio studies. The ratio studies are specified in compliance with supplemental standards from the International Association of Assessing Officers and the Uniform Standards of Professional Appraisal Practice.

THE MASS APPRAISAL REPORT

Each tax year Mass Appraisal Report required by the Property Tax Code is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 25th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6 – 8 of the *Uniform Standards of Professional Appraisal Practice*. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6 – 9 of USPAP. This written reappraisal plan is attached to the report by reference.

VALUE DEFENSE

The Appraisal District has the burden of proof for market value and equity in both formal and informal Appraisal Review Board hearings. The evidence used in these hearings is specified and tested.

REVALUATION DECISION

The Lynn County Appraisal District, by policy adopted by the Board of Directors and the Chief Appraiser, reappraises one-third of all property in the district every year, with the exception of the industrial, mineral, and personal property accounts, which are appraised annually. Each year, the District reappraisal is done by the school district boundaries located in the one-third of the county scheduled for reappraisal. Lynn CAD contains eight school districts: O'Donnell ISD, Tahoka ISD, Wilson ISD, New Home ISD, Dawson ISD, Southland ISD, Post ISD, and Slaton ISD. O'Donnell ISD and Dawson ISD are located in the southern one-third of Lynn County and overlaps into Dawson County on the south boundary line, and into Terry County on the west boundary line. Tahoka I.S.D. is in the central part of Lynn County and overlaps into Terry County on the west boundary line. Post ISD comes into Lynn County on the east side of Tahoka ISD. Wilson ISD, New Home ISD, Slaton ISD, and Southland ISD are in the north one-third of Lynn County. The reappraisal year is a complete appraisal of all properties located in the scheduled one-third of the county. Tax year 2015 is a reappraisal year for the south one-third of Lynn County and contains O'Donnell I.S.D. and Dawson ISD. Tax year 2016 is a reappraisal year for the middle one-third of Lynn County and contains Tahoka ISD and Post ISD. For the one-third of the County reappraised, Notices of Appraisal Value are mailed on all properties in that area for changes that may have occurred such as value increased over \$1000, ownership changes, etc.

In addition to the normal field inspections conducted for the reappraisal, every tax year the District must inspect and appraise new construction and add the property to the appraisal roll. The District must also inspect and reappraise properties that have been remodeled or demolished, properties with additions, and properties with any other changes. These changes can be found through mechanic liens and deed changes filed at the Lynn County Clerk's office. Appraisers will also conduct detailed field inspections of properties if requested by the owner, and reappraise these properties as necessary. During non-reappraisal years, Notices of Appraised Value are mailed on any property that required a reappraisal due to new construction, additions, demolitions, or the property owner filed a rendition. Notices are also mailed if there is a change in ownership or in the exemptions applied to the property.

The District conducts an annual sales review and makes necessary schedule updates. All sales are compiled and analyzed by school district. Problematic areas are further researched and may indicate the use of market modifiers. The use of these modifiers is the predominant method of adjusting sales for location and time. Values throughout the County may be adjusted by use of market modifiers during reappraisal years.

The Appraisal District's boundaries are the same as the County's boundaries.

PERFORMANCE ANALYSIS

Sales ratio studies are used to evaluate the District's mass appraisal performance. These studies not only provide a measure of performance, but also are an excellent means of improving mass appraisal performance. Ratio studies are conducted in compliance with the current *Standard on Ratio Studies* from the International Association of Assessing Officers. The District uses ratio studies not only to aid in the reappraisal of properties, but also to test the State Comptroller's Property Tax Division Annual Property Value Study results.

The ratio study usually begins in February with all sales reports being compiled by school district.

Outliers are characterized as having low or high ratios. They can result from an erroneous or unrepresentative sale price, an error in the appraisal, or a mismatch between the property sold and the property appraised.

The remaining sales are then correlated to indicate comparable neighborhoods within each school district. The sales from each comparable neighborhood are grouped (stratified) according to classification. The median ratio indicated by the sales is then compared to the desired ratio. The coefficient of dispersion is also studied to indicate how tight the ratios are in relation to the measures of central tendency. The median and coefficient of dispersion are good indicators of the types of changes to be made if any are necessary. The use of market modifiers is the predominant method of adjusting sales for location and time to indicate market values. Market modifiers are methods of adjusting property to equal the market without changing the schedules.

REAL PROPERTY VALUATION

Revisions to appraisal models are specified, updated, and tested each year.

Cost schedules are tested with market data to ensure that the District is in compliance with 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 compared with cost data from Pritchard & Abbott, Inc. and local contractors.

Land schedules are updated using current sales and then tested with ratio study tools. Values are then modified by adjusting actual values as indicated by the latest data. Units of comparison vary as to the typical sales data indicated.

PERSONAL PROPERTY VALUATION

Density schedules are updated using data received during the previous tax year from renditions received from taxpayers and Appraisal Review Board protest hearing documents. Valuation procedures are reviewed, modified as needed, and tested.

NOTICING PROCESS

Notices of Appraised Value are reviewed, proofed, and edited for updates and changes signed off on by District Chief Appraiser.

HEARING PROCESS

Lynn County currently conducts formal and informal hearings. Informal hearings are actually meetings between the taxpayers or their agents and the Chief Appraiser. If valuation issues are not agreed upon, then the taxpayer may elect to proceed to a formal hearing.

Evidence in compliance with HB201 may be requested by the taxpayer or their agent and will be provided at least 14 days prior to the scheduled protest hearing.

ANALYSIS OF AVAILABLE RESOURCES

Staffing and budget requirements for tax year 2015 are detailed in the 2015 District budget to be adopted by the Board of Directors and attached to the written biennial plan by reference. This reappraisal plan is adjusted to reflect the available staffing in tax year 2015 and the anticipated staffing for tax year 2016. Staffing will impact the cycle of real property re-inspection and personal property on-site reviews that can be accomplished in the 2015-2016 time period.

Existing appraisal practices, which are continued from year to year, are identified and methods utilized to keep these practices current are specified. Our current cost schedule for residential and commercial real properties are derived and updated by our staff. In a reappraisal year, real property appraisal depreciation tables and cost new tables are tested against verified sales data to ensure they represent current market data. Personal property density schedules are tested and analyzed based on rendition and prior year protest hearing documentation.

Changes in legislation involving appraisal districts may occur in any year when the legislature is called into session. These new laws may require adjustments to the budget, staffing, and programming.

Lynn CAD uses digital photography to enhance its appraisal practices. All improvements located in the reappraisal area are photographed and loaded into the PC system. Lynn CAD has developed maps that comply with Comptroller Rule 9.3002. Lynn CAD is continually updating these maps yearly.

We are under contract with Pritchard & Abbott, Inc. for our current Information Systems (IS). P&A provides support and system upgrades and keeps legislative changes up to date. The following is the work schedule we use in using this software:

DAILY

Back up all libraries

Tax master maintenance – name, address, legal, value, etc.

Maintain prorated accounts

Maintain exempt frozen accounts

Key mobile home changes

Key residential/commercial changes

Key agricultural changes

AS NEEDED

Make changes for supplemental accounts and update collection view
Mail Appraisal Review Board Certified changes/no change letters
Mail letter on properties receiving over-65 exemption where property owner is now deceased
Homestead letter
Protest hearing reminder letter
Notice of protest hearing Letter
ARB pending decision letter
Agricultural use denial letter
Recommended change/no change letter
Removing agricultural exemption letter
Agent not authorized letter
Rendition penalty waiver approve/deny letter
Scan records to computer
Maintain records retention
Answer telephone call for general information

PLANNING AND ORGANIZATION

Lynn CAD will begin fieldwork for the 2015 and 2016 tax years by printing task reports from the PC system which show where the new improvements, remodeling, or re-checks need to be done.

2015 WORK CALENDAR

August, 2014

Run task report and begin fieldwork measuring any new improvements that have been completed in areas not included in the current scheduled reappraisal area.

September, 2014

Lynn CAD collects for all of the jurisdictions located in Lynn County. In September, we work with these jurisdictions in completing their tax rate setting process. After rates are set, we prepare tax statements, stuff and mail them by October 1.

October 2014

Tax bills are mailed. Tax collection process begins. No field work is done during this month due to the heavy collections.

November, 2014

Fieldwork begins in the southern one-third of Lynn County. As parcels are driven, staff will begin inputting changes.

December, 2014

Continue fieldwork in the southern one-third of Lynn County.

January, 2015

All personal property renditions are mailed. Continue fieldwork for the southern one-third of Lynn County.

February, 2015

Begin in-house ratio studies. Begin working renditions that have been returned. Work continues on fieldwork in the southern one-third of Lynn County.

March, 2015

Complete field work on real property and mobile home accounts and staff completes inputting changes. Complete ratio studies on real property. Possibility of working appeals regarding State Comptrollers Office. Continue working renditions.

April, 2015

April 15 is the deadline to file renditions unless extensions are granted. Continue working renditions. Complete field work for the southern one-third of Lynn County and all parcels in other areas with tasks scheduled. Complete all input of changes. By April 30, 2015 send estimated values to the jurisdictions per §26.01(e) Texas Property Tax Code.

May, 2015

Continue to work renditions and new personal property accounts. All changes will be completed by May, 2015 so Pritchard and Abbott, Inc. can run Notices of Appraised Value. Notices to be mailed by about May 15th. Complete the Mass Appraisal Report.

June, 2015

Chief Appraiser and staff begin working with property owners regarding proposed values and protests filed. Prepare for scheduled Appraisal Review Board hearings.

July, 2015

Prepare last minute changes and recalculate file from protest hearings. Send preliminary Appraisal Review Board change letters, no change letters. Print Board orders and mail. Mark personal property accounts that have not rendered for penalty.

Pritchard & Abbott, Inc. prepares certified roll. Begin calculations of effective tax rates.

2016 WORK CALENDAR

August, 2015

Fieldwork for residential, commercial and personal property begins for the 2016 scheduled central one-third of Lynn County. Task reports are run and review of new improvements begins.

September, 2015

Work with collection jurisdictions to complete tax rate setting process. Submit appraisal roll to Pritchard & Abbott, Inc. for running tax statements. Staff completes stuffing and mailing of tax statements. Staff may attend appraisal courses as needed.

October, 2015

Mail 2015 tax statements. Due to heavy collections, no field work is done in October. Staff may attend appraisal courses as needed.

November, 2015

Fieldwork begins in the central one-third of Lynn County. As parcels are driven, staff will begin inputting changes.

December, 2015

Fieldwork continues on the central one-third of Lynn County. As parcels are driven, staff will begin inputting changes.

January, 2016

All personal property renditions are mailed. Continue fieldwork for the central one-third of Lynn County.

February, 2016

Begin in-house ratio studies. Begins working renditions that have been returned. Work continues on fieldwork in the central one-third of Lynn County.

March, 2016

Complete field work on real property and mobile home accounts and staff completes inputting changes. Complete ratio studies on real property. Possibility of working appeals regarding State Comptrollers Office. Continue working renditions.

April, 2016

April 15 is the deadline to file renditions unless extensions are granted. Continue working renditions. Complete field work for the central one-third of Lynn County and all parcels in other

areas with tasks scheduled. Complete all input of changes. By April 30, 2016 send estimated values to the jurisdictions per §26.01(e) Texas Property Tax Code.

May, 2016

Continue to work renditions and new personal property accounts. All changes will be completed by May 2016 so Pritchard and Abbott, Inc. can run Notices of Appraised Value. Notices to be mailed by about May 25th. Complete the Mass Appraisal Report.

June, 2016

Chief Appraiser and staff begin working with property owners regarding proposed values and protests filed. Prepare for scheduled Appraisal Review Board hearings.

July, 2016

Prepare last minute changes and recalculate file from protest hearings. Send preliminary Appraisal Review Board change letters, no change letters. Print Board orders and mail. Pritchard & Abbott, Inc. prepares certified roll. Begin calculations of effective tax rates.

COMPUTER ASSISTED MASS APPRAISAL SYSTEM

Lynn CAD leases our software package from Pritchard & Abbott, Inc. The software is supported by P&A and they make programming updates as needed. P&A staff is able to get on our server through the internet, and can assist us with corrections and updates.

The computer system leased from P&A allows us to enter revisions to the appraisal record and take pictures of the property in the field using a digital camera and then download from the camera into the parcel record. Lynn CAD staff is responsible for entering all name, address, exemption changes, as well any appraisal schedule changes. We are able to scan deed documents into the parcel record, or other information needed to assist us in our appraisal work. We are able to create and enter the information for new accounts. All supplemental changes will be entered by the Lynn CAD staff. Lynn CAD staff backs up the files daily on the PC Server.

DEFINING MARKET AREAS WITHIN THE DISTRICT

Market areas for residential properties are delineated within the City of O'Donnell, City of Tahoka, City of New Home and City of Wilson as well as the immediately surrounding areas. Rural residential properties represent one market area. Market areas are reviewed annually for presence of competing property characteristics.

DATA COLLECTION REQUIREMENTS

The chief appraiser performs market analysis. Sales data is gathered throughout the year from deed records, sales confirmation letters from property owners, and other sources. The market data is analyzed, sales data is confirmed, outliers are identified, existing classification system is reviewed, market schedules are reviewed and updated as necessary, and final market schedules are applied to the universe of properties. LCAD cost and value schedules include land, residential improved, commercial improved, and personal property.

Renditions are confidential sources and cannot be used for specific information; however, data from renditions may be compared with data obtained from cost manuals and used to test schedules for their accuracy.

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

NEW CONSTRUCTION/DEMOLITION

The appraisers performing reappraisals in the field have field cards that contain specific information regarding the property being appraised. These cards contain brief legal descriptions, ownership interests, property use codes, property addresses, land size, and sketches of improvements as well as detailed information of any improvements.

Appraisal field inspections require the appraisers to check all information on the field cards and to update the information when necessary. New construction may be identified from field inspections or by permits obtained from cities or the County. If physical inspections of the property indicate changes to improvements are necessary, the appraiser notes these changes in the field. Examples of types of changes that may be made are condition or age of improvements or additions to the improvements. New improvements are also added at this time.

In addition, mechanics liens filed at the County Clerk's office are obtained and changes to accounts are made as indicated. Individual properties are also reappraised due to changes to the condition of the property in instances such as fire, remodeling, or an addition or demolition of a portion of the improvement. Appraisers will perform detailed field inspections of properties if requested by the owner.

FIELD OR OFFICE VERIFICATION OF SALES DATA AND PROPERTY CHARACTERISTICS

Sales information is received from various sources. One source is conversations with local real estate appraisers, agents and brokers. In addition to this, the District obtains deed transactions from the Lynn County Clerk. The District mails out sales surveys to the purchasers and to the seller in an effort to obtain additional sales information that may not be otherwise discovered.

These sales are compared to the existing data on the field cards and changes are made as indicated. These changes include age and condition as well as any improvements made to the property before the sale takes place. When sales data indicates a difference in the improvement's square footage over 5%, the buildings are remeasured.

RE-INSPECTION OF PROBLEMATIC MARKET AREAS

Real property market areas, by property classification, are tested by indications from the in-house ratio studies. High or low ratios are good indicators of problematic areas. Protested accounts are compiled to determine areas of the County that may need adjustment. The Chief Appraiser conducts field studies to verify or correct property characteristic data. In-house studies determine neighborhood realignment.

PILOT STUDY/IN-HOUSE STUDY

New and/or revised mass appraisal schedules are tested against sales. Residential valuation schedules are cost-based tables modified by actual sales with the cost reflecting the actual replacement cost new of the subject property. Market research indicates that the common unit of comparison for new residential construction as well as sales of existing housing is the price paid per square foot. The value of extra items is based on their contributory value to the property. This value may be estimated by the price per square foot or a value of the item as a whole. This data is extracted from the market by paired sales analysis and conversations with local appraisers and brokers. These schedules are prepared by Pritchard & Abbott, Inc.

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

1. Quality of construction: Residential construction may vary greatly in quality of construction. The type of construction affects the quality and cost of the material used, the quality of the workmanship, as well as the attention paid to detail. The cost and value of residential property will vary greatly depending on the quality of construction. As stated above, the District's residential schedules currently class houses based on quality of construction from 1 to 7. Residential properties are classified according to the following 7 categories; minimal quality, low quality, fair quality, average quality, good quality, very good quality, and excellent quality.

2. Size of structure: The size of a building also has direct impact on it's cost as well as its value. The larger the building, the less the cost per square foot. The District's schedules are graduated in size increments from 100 to 200 square feet, depending on market conditions.

3. Condition of improvements: The District rates conditions as poor, fair, average, good, and very good. Properties that, in the opinion of the Chief Appraiser, are unlivable are not appraised according to the schedule. Rather, they are appraised at a fair market or salvage value.

4. Age of Structure: The District's residential schedule groups age categories as 0 to 5 years of age, 6 to 10 years, and by increments of 10 years thereafter up to the age of 51. This method is supported by conversations with local appraisers and builders who estimate the economic life of residential properties to be approximately 50 years. Properties in the age 51 and

over bracket are given the maximum amount of depreciation. As stated above, effective age and chronological age may or may not be the same depending on the condition of the structure.

5. Extra Items: As stated above, extra items are valued according to their contributory value to the whole. Examples of extra items include covered porches and patios, screened or enclosed porches, storage buildings, swimming pools, additional baths and fireplaces.

6. Land Value: The District values land based on market transactions. Units of comparison depend on how the property is purchased and marketed. For example, large acreage tracts are usually purchased based on the price paid per acre. Commercial tracts are purchased based on the price per square foot, and residential properties are purchased based on the price per front foot. Depth factors are used to modify values according to market indicators. Land prices vary throughout the County; therefore, their values are dependent upon homogenous areas. Land schedules for residential, commercial, agricultural, and industrial properties are available upon request from the District.

The sales comparison model is our PC software. This program has the capability of selecting comparable sales according to the property use, quality of construction, location, size, condition, and age. The comparable sales may be selected by the computer or manually selected by the appraisers. Adjustments are made in dollar increments and may be made for tract size, quality of construction, age of the improvements, condition of the improvements, functional adequacy, size of the improvements, and for additional items. As previously stated, inspections of property are made by exterior perspective; therefore, interior finish as well as interior components are assumed and are not adjusted. All financing for comparable sales is considered typical to the market. The final estimate of value is a correlation of the comparable sales after net adjustments have been deducted from the sales price to equal the subject property. The value by this method is estimated by the appraiser and is not a function of the computer.

VALUATION BY TAX YEAR

RESIDENTIAL REAL PROPERTY

SALES COMPARISON APPROACH TO VALUE

The sales comparison approach to value is utilized by grouping or clustering sales within the specified neighborhoods and classification of properties. The sales are then tested against the appraised values to indicate a ratio for the neighborhood. A neighborhood is a grouping of complementary land uses affected equally by the four forces that influence property value: social trends, economic circumstances, governmental contracts and regulations, and environmental conditions. These factors have an impact on the value of properties within this grouping and in turn on properties being appraised.

Individual neighborhood boundaries within the County vary according to market indications and the type of property being appraised. The boundaries of these neighborhoods may be physical, geographical, or political in nature. Generally, residential neighborhoods consist of individual subdivisions or clusters of subdivisions that contain similar properties located within the same cities or school districts. Commercial neighborhoods may be smaller areas within a city, an entire city, or rural area. Industrial neighborhoods may include the entire County. Defining neighborhood boundaries depends on the subject of the appraisal assignment.

If sufficient sales are not found then sales from competing neighborhoods are found and appropriate adjustments are made in the form of market modifiers. These modifiers are applied to cost schedules to indicate mass appraisal values for a given neighborhood. Therefore, the sales comparison approach is actually blended with the cost approach to create a hybrid of these two approaches to value.

COST APPROACH TO VALUE

The district uses a hybrid cost-market approach when valuing residential properties. The comparative unit, also known as the Square-foot method, will be used to develop an indication of the basic cost of a structure. Adjustments will then be made for amenities of individual properties based upon characteristics that affect value in the market. The district's cost tables are, and will continue to be based upon information obtained from the Marshall Valuation Service, also known as *Marshall and Swift*. These cost figures are adjusted to the local market to reflect current local labor and material costs. Neighborhood Market Adjustment factors will be developed from appraisal statistics provided by ration studies to ensure that estimated values reflect both the supply and demand side of the market in each specific neighborhood. The following equation is the hybrid model used by the district:

$$MV = (RCNLD) MA + LV$$

In the formula above, the replacement cost new less depreciation (RCNLD) of the improvements are multiplied by the appropriate neighborhood market adjustment factor (MA) to arrive at a current improvement value. The current improvement value is added to the land value (LV) to arrive at an estimate of market value (MV). Market adjustments will be applied uniformly within neighborhoods to account for market preferences affecting value in each location throughout the district.

INCOME APPROACH TO VALUE

The income approach to value or rent multipliers are currently not a reliable indicator of value for residential mass appraisal reports unless rents are specified. Databases or data sources for income producing residential properties are not available in the Lynn County area. Therefore, the income approach to value is not used in the residential mass appraisal report.

SPECIAL INVENTORY RESIDENTIAL SCHEDULE

Lynn CAD does not have special inventory residential schedule because we do not have any of these types of properties.

MULTIFAMILY RESIDENTIAL PROPERTY

Lynn CAD does not have sufficient sales of these types of properties.

COMMERCIAL REAL PROPERTY

Lynn CAD does not have sufficient sales of these types of properties.

VACANT REAL PROPERTY

SALES COMPARISON APPROACH TO VALUE

The sales comparison approach to value is utilized by grouping or clustering sales within the specified neighborhoods. Units of comparison are identified and appropriately selected. Land schedules reflecting the units of comparison are developed and applied to the PC system. The appraisal staff selects the appropriate land schedule and apply it on a mass basis. It should be noted that all land is valued as vacant and ready for development as to its highest and best use. This process considers physical possible uses, legally permissible uses, as well financially feasible uses. A maximally productive use is then established and considered the highest and best use. Most of the vacant real property in Lynn CAD is agriculture land.

COST APPROACH TO VALUE

The cost approach to value is not the appropriate method to value vacant land as no improvements are considered and land is not generally felt to suffer from depreciation.

INCOME APPROACH TO VALUE

The income approach to value for unimproved land is not currently used by the District on a mass appraisal basis.

INDUSTRIAL REAL PROPERTY

Subsections (a) and (b), Section 25.18, Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of selected industrial property appraised by the CAD. The CAD has a professional services contract with **Pritchard & Abbott, Inc.** to appraise these properties for the CAD.

IDENTIFYING PROPERTIES TO BE APPRAISED

Industrial properties are identified as part of the appraiser's physical inspection process each year and through submitted data by the property owner. The appraiser may also refer to legal documents, photography, and other descriptive items.

IDENTIFYING AND UPDATING RELEVANT CHARACTERISTICS OF PROPERTY

The appraiser identifies and updates relevant characteristics through the inspection process. Confidential rendition, assets lists, and other confidential data also provide additional information. Subject property data is verified through previously existing records and through published reports.

DEFINING MARKET AREAS IN THE DISTRICT

Market areas for industrial properties tend to be regional, national, and sometimes international. Published information such as prices, financial analysis, and investor services reports are used to help define market area.

DEVELOPING AN APPRAISAL APPROACH THAT REFLECTS THE RELATIONSHIP AMONG PROPERTY CHARACTERISTICS AFFECTING VALUE AND DETERMINES THE CONTRIBUTION FOR INDIVIDUAL PROPERTY CHARACTERISTICS

Among the three approaches to value (cost, income, and market), industrial properties are most commonly appraised using replacement/reproduction cost new less depreciation models because of readily available cost information. If sufficient income or market data are available, those appraisal models may also be used.

COMPARISON AND REVIEW

The appraiser considers results that best address the individual characteristics of the subject property and that are based on the most reliable data when multiple models are used. Year-to-year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process.

UTILITY, RAILROAD, AND PIPELINE PROPERTY

Subsections (a) and (b), Section 25.18, Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all utility, railroad and pipeline property appraised by the CAD. The CAD has a professional services contract with **Pritchard & Abbott, Inc.** to appraise these properties for the CAD.

IDENTIFYING PROPERTIES TO BE APPRAISED

Utility, railroad, and pipeline properties that are susceptible to inspection are identified by inspection. The appraiser may also refer to other documents, both public and also confidential to assist in identification of these properties.

IDENTIFYING AND UPDATING RELEVANT CHARACTERISTICS OF EACH PROPERTY

The appraiser identifies and updates relevant characteristics through data collected as part of the Inspection process and through later submissions by the property owner, sometimes including confidential renditions. Additional data is obtained through public sources, regulatory reports, and through analysis of comparable properties.

DEFINING MARKET AREAS IN THE DISTRICT

Market areas for utility, railroad, and pipeline property tend to be regional or national in scope. Financial analyst and investor services reports are used to help define market areas.

DEVELOPING AN APPRAISAL APPROACH THAT REFLECTS THE RELATIONSHIP AMONG PROPERTY CHARACTERISTICS AFFECTING VALUE AND DETERMINES THE CONTRIBUTION FOR INDIVIDUAL PROPERTY CHARACTERISTICS

For all three types of property, the appraiser must first form an opinion of highest and best use. Among the three approaches to value (cost, income, and market), pipeline value is calculated using a replacement/reproduction cost new less depreciation model [RCNLD]. In addition to the RCNLD indicator, a unit value model may also be used if appropriate data are available. Utility and railroad property are appraised in a manner similar to pipeline except that the RCNLD model is not used.

COMPARISON AND REVIEW

The appraiser considers results that best address the individual characteristics of the subject property when multiple models are used. Year-to-year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process. These types of property are also subject to review by the Property Tax Division of the Texas Comptroller's Office through their annual Property Value Study.

OIL AND GAS PROPERTY

In accordance with Section 25.18 of the Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property as approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all oil and gas property appraised by the CAD. The CAD has a professional services contract with **Pritchard & Abbott, Inc.** to appraise these properties for the CAD.

IDENTIFICATION OF NEW PROPERTY AND ITS SITUS

As subsurface mineral properties lie within the earth, they cannot be physically identified by inspection like other real property. However, the inability to directly inspect does not appreciably affect the ability to identify and appraise these properties. To identify new properties, Pritchard & Abbott, Inc. obtains monthly oil and gas lease information from the Railroad Commission of Texas [RRC] to compare against oil and gas properties already identified. The situs of new properties is determined using plats and W-2/G-1 records from the RRC, as well as Pritchard & Abbott, Inc. in-house map resources.

IDENTIFYING AND UPDATING RELEVANT CHARACTERISTICS OF ALL OIL AND GAS PROPERTIES TO BE APPRAISED

Relevant characteristics necessary to estimate value of remaining oil or gas reserves are production volume and pattern, product prices, expenses borne by the operator of the property, and the rate at which the anticipated future income should be discounted to incorporate future risk. Pritchard & Abbott, Inc. obtains information to update these characteristics annually from regulatory agencies such as the RRC, the Comptroller of Public Accounts, submissions from property owners and operators, as well as from published investment reports, licensed data services, service for fee organizations, and through comparable properties, when available.

DEFINING MARKET AREAS IN THE DISTRICT AND IDENTIFYING PROPERTY CHARACTERISTICS THAT AFFECT PROPERTY VALUE IN EACH MARKET AREA

Oil and gas markets are regional, national, and international. Therefore they respond to market forces beyond defined market boundaries as observed among more typical real properties.

DEVELOPING AN APPRAISAL APPROACH THAT REFLECTS THE RELATIONSHIP AMONG PROPERTY CHARACTERISTICS AFFECTING VALUE AND DETERMINES THE CONTRIBUTION FOR INDIVIDUAL PROPERTY CHARACTERISTICS

Among the three approaches to value (cost, income, and market), the income approach to value is most commonly used in the oil and gas industry. Through use of the discounted cash flow technique in particular, the appraiser is able to bring together relevant characteristics of production volume and pattern, product prices, operating expenses, and discount rate to determine an estimate of appraised value of an oil or gas property.

COMPARISON AND REVIEW

Use of the income approach is the first step in determining an estimate of market value. After that the appraiser reviews the estimated market value compared to its previous certified value and also compares it to industry expected payouts and income indicators. The appraiser examines the model's value with its previous year's actual income, expecting value to typically vary within a range of 2-5 times actual annual income, provided all appropriate income factors have been correctly identified. Finally, periodic reassignment of properties among appraisers and review of appraisals by a more experienced appraiser further expand the review process.

INDUSTRIAL TANGIBLE PERSONAL PROPERTY

Subsections (a) and (b), Section 25.18, Tax Code:

- (a) CAD shall implement the plan for periodic reappraisal of property approved by the board of directors under Section 6.05 (i).
- (b) The plan provides for annual reappraisal of all industrial personal property appraised by the CAD. The CAD has a professional services contract with **Pritchard & Abbott, Inc.** to appraise these properties for the CAD.

IDENTIFYING PROPERTIES TO BE APPRAISED

Through inspection the appraiser identifies personal property to be appraised. The appraiser may also refer to other documents, both public and also confidential, to assist in identification of these properties. Such documents might include but are not limited to the previous year's appraisal roll, vehicle listing services, and private directories.

IDENTIFYING AND UPDATING RELEVANT CHARACTERISTICS OF EACH PROPERTY

Data identifying and updating relevant characteristics of the subject properties are collected as part of the inspection process through directories and listing services as well as through later submissions by the property owner, sometimes including confidential rendition. These data are verified through previously existing records and through public reports.

DEFINING MARKET AREAS IN THE DISTRICT

Market areas for industrial personal property are generally either regional or national in scope. Published price sources are used to help define market areas.

DEVELOPING AN APPRAISAL APPROACH THAT REFLECTS THE RELATIONSHIP AMONG PROPERTY CHARACTERISTICS AFFECTING VALUE AND DETERMINES THE CONTRIBUTION OF INDIVIDUAL PROPERTY CHARACTERISTICS

Personal property is appraised using replacement/reproduction cost new less depreciation models. Income approach models are used when economic and/or subject property income is available, and a market data model is used when appropriate market sales information is available.

COMPARISON AND REVIEW

The appraiser reconciles multiple models by considering the model that best addresses the individual characteristics of the subject property. Year-to-year property value changes for the subject property are examined using computer-assisted statistical review. Periodic reassignment of properties among appraisers or the review of appraisals by a more experienced appraiser also contributes to the review process.

SPECIAL VALUATION PROCESS

AGRICULTURAL USE

Market value for agricultural property is established by acceptable appraisal methodology.

The District also values agricultural property by the income approach as set forth in the Texas Property Tax Code. This is a special valuation process as there are parameters set forth in the Code regarding capitalization rates. Income and expenses for each different category of agricultural use is estimated from surveys, actual rental data obtained by property owners, as well as conversations with local governmental agencies. Capitalization rates derived from data reviewed are established. When the capitalizations rates are within the parameters set forth by the Property Tax Code, these rates are used to estimate value by direct capitalization method. If indicated cap rates do not fall within the limits set forth for certain types of properties, then the maximum rate mandated is applied to the net operating income.

BUSINESS TANGIBLE PERSONAL PROPERTY

SALES COMPARISON APPROACH

Sales of business tangible personal property are rare and detailed. When available they are considered in updating schedules and individual accounts. However, adjustments between these types of properties present a very complex appraisal problem. Therefore, the sales comparison approach is not reliable on a mass appraisal basis.

COST APPROACH TO VALUE

The cost approach to value is felt to be the most appropriate method of valuing business tangible personal property. Cost schedules are developed by the District from various sources including renditions, national publications, and the Comptroller of Public Accounts. These schedules are applied on a mass appraisal basis and are adjusted by information obtained from individual renditions.

INCOME APPROACH TO VALUE

The income approach to value for business tangible personal property is not currently used by the District on a mass appraisal basis.

MASS APPRAISAL REPORT

Each tax year the Property Tax Code required Mass Appraisal Report is prepared and certified by the Chief Appraiser at the conclusion of the appraisal phase of the ad valorem tax calendar (on or about May 25th). The Mass Appraisal Report is completed in compliance with STANDARD RULE 6-8 of the Uniform Standards of Professional Appraisal Practice. The signed certification by the Chief Appraiser is compliant with STANDARD RULE 6-9 of USPAP. This written reappraisal plan is attached to the Mass Appraisal Report by reference.

VALUE DEFENSE

RESIDENTIAL PROPERTY

Informal hearings are conducted by phone, mail, or in person by District appraisers. Appraisers may present sales data or data specific to the property in defense of our values. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to provide its evidence regarding value disputes. Equity evidence is generated through the PC program that presents property types comparable and adjusted to the subject property. Comparable sales and applicable schedules along with depreciation tables are also included in this packet.

MULTIFAMILY RESIDENTIAL PROPERTY

Lynn CAD has very few multifamily residential properties. Most are owned by Federal Housing Authorities and are tax exempt.

COMMERCIAL REAL PROPERTY

Informal hearings are conducted by phone, mail, or in person by **Pritchard & Abbott, Inc.** appraisers. Appraisers may present sales data or data specific to the property in defense of our values. Income, expense, and capitalization data is reviewed and presented if available. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the appraisal district has 14 days prior to the protest hearing to respond with sales of comparable properties regarding value disputes. Any income and expense information derived from the market is accumulated and developed into charts containing general data. No confidential income and expense data on specific accounts will be released. Equity evidence is generated through the PC program that presents property types comparable and adjusted to the subject property. Applicable schedules along with depreciation tables are also included in this packet.

VACANT REAL PROPERTY

Informal hearings are conducted by phone, mail, or in person by District appraisers. Appraisers may present sales data or data specific to the property in defense of our values. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings, they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested the appraisal district has 14 days prior to the protest hearing to respond with sales of comparable properties regarding value disputes. Equity evidence is generated through the PC program that presents property types comparable and adjusted to the subject property.

INDUSTRIAL REAL PROPERTY

Informal hearings are conducted by phone, mail, or in person by **Pritchard & Abbott, Inc.** appraisers. Appraisers may present sales data or data specific to the property in defense of District values. Income, expense, and capitalization data are reviewed and presented if available. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the Appraisal District has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. Any income and expense information derived from the market is accumulated and developed into charts containing general data. No confidential income, expense, or other information received from taxpayers on specific accounts will be released.

Equity evidence is generated by Pritchard & Abbott, Inc. using programs and tools it has developed to compare other properties to the subject property. Applicable appraisal reports and research data applicable to the property are also included in this packet.

UTILITIES

Informal hearings are conducted by phone, mail, or in person by **Pritchard & Abbott, Inc.** appraisers. Appraisers may present sales data or data specific to the property in defense of District values. Income, expense, and unit appraisal data (when applicable) are reviewed and presented if available. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the Appraisal District has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. No confidential income, expense, or other information received from taxpayers on specific accounts will be released. Equity evidence is generated by Pritchard & Abbott, Inc. using programs and tools it has developed to compare other properties to the subject property. Applicable appraisal reports and research data applicable to the property are also included in this packet.

MINERAL INTEREST

Informal hearings are conducted by phone, mail, or in person by **Pritchard & Abbott, Inc.** appraisers. Appraisers may present recent production data and sales prices to compare with the actual income received by the taxpayer in defense of District values. Income, expense, and capital expense data are reviewed and presented if available. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. Since oil and gas leases have multiple owners, all owners who pursue a formal protest on the same property will be scheduled at the same time for a hearing. If protest hearing evidence is requested, the Appraisal District has 14 days prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. No confidential income, expense, or other information received from taxpayers on specific accounts will be released.

INDUSTRIAL BUSINESS TANGIBLE PERSONAL PROPERTY

Informal hearings are conducted by phone, mail, or in person by **Pritchard & Abbott, Inc.** appraisers. Appraisers may present general data specific to the property in defense of District values. Renditions other than that of the subject property will not be released. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested, the Appraisal District has 14 days

prior to the protest hearing to respond with characteristics and values of comparable properties regarding value disputes. As previously stated, no confidential renditions of competing properties will be provided as evidence.

SPECIAL VALUATION PROPERTIES

Informal hearings are conducted by phone, mail, or in person by District appraisers. Evidence is compiled from surveys, actual rental data obtained by property owners as well as conversations with local governmental agencies. This evidence is presented in form of tables, charts and general data.

BUSINESS TANGIBLE PERSONAL PROPERTY

Informal hearings are conducted by phone, mail, or in person by District appraisers. Appraisers may present general data specific to the property in defense of our values. Renditions other than that of the subject property will not be released. If the taxpayer wishes to pursue a dispute further, the appraiser guides them through the initial phase of the formal protest procedures.

When taxpayers are scheduled for formal hearings they receive an ARB procedures pamphlet and a copy of *Taxpayer's Rights, Remedies, and Responsibilities* published by the State Comptroller's Office. If protest hearing evidence is requested the appraisal district has 14 days prior to the protest hearing to respond with schedules and general data of comparable properties regarding value disputes. As previously stated, no confidential renditions of competing properties will be provided as evidence.

ARB APPEAL PROCEDURES

After the Appraisal Review Board hears and determines all timely filed protests, and the Chief Appraiser certifies the appraisal roll to the taxing entities, the District mails out the Appraisal Review Board orders containing the Board's decision on the protest to the property owners by certified mail, return receipt requested. Property owners have 60 days after receiving a Board order to either file suit in District Court or to file a request for arbitration. Information on procedures for appealing an Appraisal Review Board order is included in the order along with a Request for Binding Arbitration form.