BOARD OF ASSESSMENT APPEALS, **STATE OF COLORADO** 1313 Sherman Street, Room 315 Denver, Colorado 80203 Petitioner: **ROARING FORK COUNTRY CLUB,** v. Respondent: **PITKIN COUNTY BOARD OF EQUALIZATION.**	▲
Attorney or Party Without Attorney for the Petitioner: Name: William A. McLain, Esq. Address: 3962 South Olive Street Denver, Colorado 80237-2038 Phone Number: (303) 759-0087 E-mail: Attorney Reg. No.: 6941	**Docket Number: 37858**

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on April 24, 2001, Karen E. Hart, J. Russell Shaw and Debra A. Baumbach presiding. Petitioner was represented by William A. McLain, Esq. Respondent was represented by John Ely, Esq.

PROPERTY DESCRIPTION:

Subject property is described as follows:

BLK 1 LOT 4, BLK 2 LOTS 2 & 3 (Pitkin County Schedule Nos. 246717429004, 246717330002, & 24672023003)

Petitioner is protesting the 2000 actual value of the subject property, a newly developed non-equity club, golf course, and fishing community. There are 75 residential cabin sites located on approximately 300 acres. The development was built on two parcels bisected by Highway 82 and the Roaring Fork River.

ISSUES:

Petitioner:

Petitioner contends that the subject property has been overvalued. There were many atypical costs associated with the construction that were not considered by Respondent. Respondent did not consider all of the factors influencing value.

Respondent:

Respondent contends that the subject property has been correctly valued using the cost approach as the most appropriate measure of value. The market and income approaches were considered; however, they were not considered to be applicable to this property.

FINDINGS OF FACT:

1. Evidence and testimony is hereby incorporated from Docket Nos. 36961 and 36962 that is congruent with the present hearing.

2. Petitioner's witness, Mr. Thomas McElhinney, Tax Profile Services, Inc., presented the following indicators of value:

Cost:	$13,181,000.00	Income:	$9,592,307.00

3. Petitioner's witness presented a cost approach to derive a market-adjusted cost value for the subject property of $13,181,000.00.

4. Mr. McElhinney testified that all vertical improvements have been completed. All of the outbuildings have been constructed and are fully operational. The employee housing is under construction, and the lodge suites will be constructed during the course of the year.

5. The golf course was fully operational in 2000. One of the conditions of the annexation into Basalt was that registered voters have full usage of the golf course at discounted fees. The fees range from $35.00 to $40.00 for local clientele. The total rounds of golf expected to be played by local residents were estimated to be 20%. Access to the public for cross-country skiing and fishing must also be provided.

6. Mr. McElhinney testified to the AIA document from Wadsworth Golf Construction Company outlining the construction costs for the golf course. The final aggregate costs totaled $9,041,811.93. Projected golf course improvements totals were estimated to be $6,530,440.00. These figures do not include non-golf course related expenditures that are atypical when compared to other golf courses in the area. The non-golf related expenditures included a private water and sewer system, additional landscaping and relocation of irrigation ditches, enhancement of the Roaring Forks River and bio-islands/aquatic habitat, private access

roads and an underpass to accommodate emergency vehicles, upgrading the Waterman Bridge structure, construction of 10 units of on-site employee housing, and modifications and landscaping to the abandoned railroad line located on the property. The Jack Nicklaus signature design cost was another expenditure. Typical design costs should be no more that $5,500,000.00. The costs for upper-scale golf courses are very high and it is hard to sustain any type of profit. The sale of the residential site components is what pays for the golf course.

7. The Petitioner's witness testified that cabin sales originally ranged from $1,200,000.00 to $1,800,000.00 per site. The average sale price was $1,500,00.00. The resales are ranging from $2,000,000.00 to $2,400,000.00. The overall recapture of the investment is based upon the sale of the real estate. Since 1980, approximately 85% of newly constructed golf courses have a residential component. The residential sites are unique in nature compared to other golf course communities. There is a large degree of open space in ratio to the building sites. The residential sites have no excess land around them and represent a building footprint only. There are no streets. There is a common parking facility for residents, personal vehicles are prohibited, and golf carts are utilized for transportation around the facility.

8. Mr. McElhinney testified to the adjusted cost approach; $5,000.00 per acre was indicated for the land value. The administration building had an actual cost of $1,120,000.00, to which he applied a 50% economic obsolescence adjustment. Only The Roaring Fork Club Homeowner's Association and The Roaring Fork Club may utilize the building. The building has a commercial zoning; however, the PUD restricts its use. The clubhouse and pro shop had an actual cost of $8,234,700.00, to which he applied a 25% economic obsolescence adjustment. The clubhouse and pro shop do not generate much income. The maintenance building had an actual cost of $852,000.00, to which he applied a 50% economic obsolescence adjustment. The golf course was contracted for 18 holes at a cost of $316,000.00 per hole. The landscaping had an actual cost of $1,800,000.00, to which he applied a 50% economic obsolescence adjustment. There was a total cost of $15,181,000.00. The value transfer was calculated at $2,000,000.00, leaving an adjusted cost total of $13,181,000.00.

9. Mr. McElhinney testified to a summary consulting assignment contained in Petitioner's Exhibit A that was prepared by Mr. Steven Hughes. Mr. Hughes was requested by the Petitioner to estimate the value transfer component from the golf course to the adjacent residential sites. The report is limited in scope and was not an appraisal. Mr. McElhinney outlined the methodology utilized by Mr. Hughes to calculate the value transfer component. There were 30 golf front lots selling for $200,000.00 and 10 lots with golf and creek or river views selling for $156,250.00. There are 5 base lots selling for $125,000.00. The average golf lot actually sold for approximately $271,000.00. The golf premium was estimated to be 60% for golf front lots and 25% for golf, creek, or river views. The mountain and river view components as well as the Roaring Fork community premium were factored out. The average lot was estimated to be $200,000.00. The total golf lot premium was estimated at $2,560,000.00. There was a 20% discount due to the relatively fast absorption, and the indicated value transfer was estimated to be $2,562,500.00, rounded to $2,000,000.00.

10. Petitioner's witness presented an income approach to derive a value of $9,592,307.00 for the subject property.

11. Mr. McElhinney testified that expenses for maintaining a mountain golf course run much higher than non-mountain golf courses and it usually requires one month to winterize the course. Generally a mountain course can expect the average rounds of golf to range between 15,000 to 24,000 per year, and the most mountain courses can expect is approximately a four-month season.

12. Mr. McElhinney offered a pro forma summary report for consideration. The report outlines gross revenues and greens fees for upper scale mountain golf courses. The overall rounds of golf per year ranged from 18,000 to 25,000. The fees ranged from $80.00 to $100.00. The greens fees equal approximately 65% of the gross revenue. The total gross revenue ranged from $2,215.385.00 to $3,846,150.00. Expenses accounted for 75% of the gross revenue. Personal property was estimated at $600,000.00 and the capitalization rate was calculated to be 12%.

13. Under cross-examination, Mr. McElhinney testified that the golf course community was a well thought out plan; however, at some time the golf course must become self- sufficient. On the whole, most golf courses are not self-sufficient and have a hard time producing a profit.

14. Under redirect, Mr. McElhinney further testified that, to date, the golf course is showing no profit. The owner is absorbing the income loss. There is a ceiling on the income most of these golf courses can generate. The resale value would be approximately 30-60 cents on the dollar. The primary existence of the golf course is to enhance the value of the residential property.

15. The Petitioner is requesting a 2000 actual value of $9,592,307.00 but no higher than $13,000,000.00 for the subject property.

16. Respondent's witness, Mr. Larry Fite, Chief Appraiser for the Pitkin County Assessor's Office, presented the following indicator of value for tax year 2000:

Cost: $22,600,000.00

17. Respondent's witness presented 7 comparable vacant land sales. The sales prices ranged from $464,000.00 to $5,300,000.00. The land size ranged from 35.1 acres to 244.566 acres. After adjustments, the price per acre ranged from $10,071.00 to $170,627.00.

18. Mr. Fite testified that he used the more conservative end of the range for his raw land value. He felt that $10,000.00 per acre was appropriate. Of the 7 sales presented, the most weight was placed on Sale #3, which was a working ranch at the time of sale, and on Sale #1A, which involved the sale of BLM land. Sale #1A is superior in location, relative to Aspen; however, it represents a parcel of land that had no development rights at the time of sale and is a good indicator of "open space" land value.

19. Mr. Fite testified that the cost approach was the most appropriate indicator of value. The income and market approaches were considered; however, were not relied upon. Since it was the first full year of operation, the income levels generated by the subject property were not considered to be a sufficient indicator for the income approach. Due to the lack of sales of comparable golf courses and excessive adjustments that might have to be addressed, the market approach was not applicable.

20. Mr. Fite testified that the Petitioner's pro forma income report did not include revenue from membership fees and monthly dues. There is a difference between a "daily fee" course, non-equity courses, and private clubs. He referred to the Division of Property Taxation golf course class material for the methodology utilized in the valuation of non-equity and private clubs. Mr. Fite discussed the income approach with respect to the membership capitalization method. The Petitioner's income was based on a "daily fee" basis, not a private club. The subject was operational after the assessment date and the local clientele of Basalt are allowed access to the golf course. This would need to be addressed in the income approach.

21. Mr. Fite outlined the cost approach based on the total construction costs provided by Wadsworth Construction Company. The total cost was estimated to be $9,041,811.00, to which he applied a 35% adjustment for the non-golf course infrastructure. Other construction costs billed directly to the Roaring Forks Club included a bridge, the Jack Nicklaus signature design, landscaping costs, a new underpass to accommodate emergency vehicles, and a road to the clubhouse. After the additional costs were added, the total cost was estimated to be $10,322,177.00. The aggregate cost was then divided by 18 holes, equaling $573,454.00, rounded to $573,000.00 per hole.

22. The witness also presented cost estimates of non-golf course improvements. These costs include the clubhouse, which was completed in 1999 for a total cost of $7,498.325.00. The pro shop was completed in 1998 for a cost of $621,830.00. The cart storage barn was 30% complete as of January 1, 2000, for a cost of $204,000.00. The new storage barn was completed in 1999 at a cost of $560,000.00. The pump houses were completed in 1998 at a cost of $216,000.00 each; there are two on the south side of Highway 82 and two on the north side. Employee housing was 5% complete on January 1, 2000; the total cost at that time was estimated to be $122,400.00. The parking area is commonly owned by the residents and not included in the costs of non-golf course related expenditures.

23. Under cross-examination, Mr. Fite testified that no adjustment for superadequacy was made on the administration building or any other costs in the cost approach. It is reflective of the overall quality required for this type of community.

24. The Respondent assigned an actual value of $19,846,600.00 for the subject property for tax year 2000.

<u>CONCLUSIONS:</u>

1. Respondent presented sufficient probative evidence and testimony to prove that the subject property was correctly valued for tax year 2000.

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2. The Board has carefully considered all admitted evidence and testimony and has affirmed the Respondent's value for tax year 2000. The Petitioner has raised the issue of economic obsolescence adjustments in the cost approach. The PUD restricts the use of the administration building and the pro shop generates minimal income. Some of the costs associated with the non-golf related improvements are atypical of other similar golf courses. He believes the subject is superadequate for the area. The Board concurs with the Respondent that the construction quality is reflective of the quality of the improvements that is expected in this type of golf community.

3. The Board agrees with the Respondent that there was not enough data to support a reliable income approach. The Board also agree that the income approach can be supportive to help sustain the final value concluded by other approaches. The subject is a private non-equity club; however, residents of Basalt have access to the golf course on a "daily fee" basis, which would also need to be addressed in the income approach. The membership pricing and absorption matrix in the Petitioner's exhibit were not included in the income approach that was presented. This was the first full year the golf course was operational, and the actual income generated by the subject property during the tax base year period would not be considered reliable, as it would not yet be stabilized.

4. The Board found that the golf course community land sales comparables presented by the Petitioner's witness in his exhibit were not adjusted. The sales dates and price ranges per acre were provided, however no other information regarding any factors that might affect the value was provided. The average price range per acre indicated a higher land value than what the Petitioner's witness presented in his cost approach. Therefore, with the limited information presented on these sales, the Board can give little weight to the land value concluded in Mr. McElhinney's cost approach.

5. The Board agrees with Petitioner that there may be a value transfer attributed to the residential sites from the golf course. The Board also heard testimony that there were atypical costs associated with the construction that would not necessarily be reflected in the costs of other similar golf courses, and that the recapture of the investment is based upon the sale of the real estate. Mr. Hughes' consulting assignment outlined the methodology utilized in reconciling the value transfer. However, there was no detail analysis or adjustment calculation provided to support what adjustments were made and what the golf lot premiums were based upon. There were no actual sales provided with any type of breakdown to support what golf front lots and non-golf front lots sold for. There was not enough support for the Board to draw any conclusion as to the accuracy of the value transfer adjustment. The Board was not persuaded by the limited information provided that an accurate adjustment for a value transfer could be determined, if warranted.

6. The Board does not agree there was sufficient evidence and testimony presented to establish if any direct value loss to the golf course could be attributed to the subject property as a result of the value transfer.

7. The Respondent presented a well-documented and reasonably supported value conclusion for tax year 2000.

ORDER:

The petition is denied.

APPEAL:

Petitioner may petition the Court of Appeals for judicial review within 45 days from the date of this decision.

If Respondent alleges procedural errors or errors of law by this Board, Respondent may petition the Court of Appeals for judicial review within 30 days from the date of this decision.

DATED and MAILED this 20th day of June, 2001.

BOARD OF ASSESSMENT APPEALS

Karen E. Hart

J. Russell Shaw

Debra A. Baumbach

This decision was put on the record

JUN 20 2001

I hereby certify that this is a true and correct copy of the decision of the Board of Assessment Appeals.

Diane Von Dollen

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