

**BOARD OF ASSESSMENT APPEALS,
STATE OF COLORADO**
1313 Sherman Street, Room 315
Denver, Colorado 80203

Petitioner:

CHIPETA GOLF COURSE, INC.,

v.

Respondent:

MESA COUNTY BOARD OF EQUALIZATION.

Attorney or Party Without Attorney for the Petitioner:

Name: Richard G. Olona, Esq.
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Docket Number: 43671

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on April 7, 2005, Diane M. DeVries and Judee Nuechter presiding. Petitioner was represented by Mr. Richard G. Olona, Esq. Respondent was represented by Ms. Valerie Robison, Esq.

PROPERTY DESCRIPTION:

Subject property is described as follows:

**222-29 Road, Grand Junction, Colorado
Mesa County Schedule Number 2943-293-00-151**

Petitioner is protesting the 2004 actual value of the subject property, an 18-hole daily fee golf course with a 6,162 square foot clubhouse, 4,800 square foot maintenance building and a 1,196 square foot residential dwelling.

ISSUES:

Petitioner:

Petitioner contends that the subject property was overvalued for tax year 2004. The subject property is an established 18-hole golf course with a stable income. The Petitioner relied on the income approach to determine the value.

Respondent:

Respondent contends that the subject property has been correctly valued based on the income approach.

FINDINGS OF FACT:

1. Petitioner's witness, Mr. Doug Dominguez, General Manager at Chipeta Golf Course since August 1999, testified that the subject is owned by Wilson Golf Group, owner of eight golf courses in the United States. He oversees all golf course operations, including scheduling and the clubhouse operation. He testified that Adobe Creek National Golf Course competes with Chipeta Golf Course in the local market. The number of golf rounds played in Mesa County peaked in 2001 and have since declined by 10 to 15 percent. Mr. Dominguez attributed the decline to the economy and the saturation of golf courses in the local marketplace. Expense ratios for Chipeta Golf Course are lower than average due to smart purchasing, national programs for stronger buying power, and a good determination of customer spending habits. The golf course's lean operation hampers his marketing efforts to attract more golfers to Chipeta.

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

Cost:	\$1,881,395.00
Income:	\$1,100,000.00
Market:	\$ 110,500.00 (Residential Only)

3. Mr. McElhinney testified that he considered the cost approach, but did not feel it was a reliable indicator of value due to the extreme cost of constructing a golf course that is not associated with a residential development. Chipeta Golf Course is a freestanding course located in unincorporated Mesa County. The zoning is restricted to PUD-Recreational Use, which indicates limited use. Golf courses in this market have external obsolescence due to a 150 percent increase in the number of golf holes available, and only a 30 percent increase in population.

4. Mr. McElhinney presented a cost approach, although he testified that potential buyers typically do not rely on this method. As detailed on page 11 of Petitioner's Exhibit A, Mr. McElhinney valued the subject's 123 acres of land at \$3,500.00 per acre, for a total land value of \$430,500.00. After adjusting for depreciation, he valued the vertical improvements at \$417,695.00 and the golf course improvements at \$1,033,200.00. Mr. McElhinney concluded to an indicated value of \$1,881,395.00, excluding the residential improvement.

5. Petitioner's witness indicated there was a residential dwelling on 1 acre of land located on the subject property. Mr. McElhinney had originally indicated a value for the residential property of \$93,100.00 but stipulated to Respondent's indicated value of \$110,500.00 for the residential land and improvements.

6. Petitioner's witness did not present a market approach for the subject property, as no comparable sales were available. He discussed two sales, which were not considered similar to the subject property. Mr. McElhinney testified that King's Deer Golf Club, located in Monument, Colorado, sold for less than half the actual cost to build that course, which demonstrates the external obsolescence of the golf environment. Eagle Trace Golf Course, located in Broomfield, Colorado, sold as a partial liquidation of a large real estate trust.

7. The parties stipulated that the income approach should be based on 2001 income and expenses, as the 2002 figure included six months of data that was outside the base period. Petitioner's 12.5 percent capitalization rate is based on a market that is oversupplied with golf courses resulting in flat revenues and decreasing rounds of golf. Mr. McElhinney used average industry expenses of 65 to 75 percent in his report, although he testified that the actual expenses for Chipeta Golf Course are less than the industry. Based on the income approach, Mr. McElhinney concluded to a value of \$1,100,000.00 for the subject property, excluding the residential improvement.

8. Petitioner's witness indicated that the subject golf course is shorter than typical executive quality golf courses. Most of the golf courses in the area are of modest quality with the exception of Redlands Mesa. Typically, golf courses in Colorado sell more 9-hole rounds than 18-hole rounds.

9. Mr. McElhinney testified that the land sales used in Respondent's cost approach were considered hobby farms or large developable lots within a subdivision. The subject property has a limited use zoning restriction that the Respondent's vacant land sales did not have. Mr. McElhinney believes Respondent's overall capitalization rate is too low given the current risk in the industry, although he admitted that there is less risk at Chipeta Golf Course due to lower capital investments. Mr. McElhinney testified that the income approach generally provides the best indication of value when the expenses and income are stabilized.

10. Under cross-examination, Mr. McElhinney indicated that Petitioner's Exhibit A was not an appraisal report, but an opinion of value. The witness testified that he used a value of \$3,500.00 per acre for the entire 123 acres of land owned by Chipeta although a portion of the land is rough area, which is not maintained.

11. Petitioner is requesting a 2004 actual value of \$1,210,500.00 for the subject property.

12. Attorney for Respondent, Ms. Valerie Robison, requested that the Board take judicial notice of Mr. Roy Benton Howell's testimony in Docket Number 43672 indicating that Petitioner's Exhibit A may not meet the Uniform Standards of Professional Appraisal Practice.

13. Respondent's witness, Mr. Brent Goff, a Certified General Appraiser with the Mesa County Assessor's Office, presented the following indicators of value:

Market:	\$ 110,500.00 (Residential Only)
Cost:	\$1,781,000.00
Income:	\$1,822,000.00

14. Mr. Goff testified that, according to a questionnaire completed by Mr. Dominguez, the golf course opened in 1997, although the date of construction is shown as 1994-1995. The Personal Property Declarations submitted by Wilson Golf for the subject property indicated the following personal property values:

1999	\$367,798.00
2000	\$323,101.00
2001	\$395,324.00

15. Respondent's witness testified that Petitioner's \$3,500.00 per acre land value was not supported, as no land sales were presented. The capitalization rate for commercial property in Grand Junction during the base period was lower than in the Denver area due to a construction boom in Grand Junction. Investors seek opportunities in areas with intense building activity. The Respondent believes that the Petitioner's capitalization rate is more in line with the Denver area.

16. Respondent's witness indicated that the comparable land sales used in his cost approach had low-density zoning or higher-density residential zoning. He concluded to a land value of \$8,500.00 per acre for 122.3 acres of golf course land. The additional acre has already been included in the valuation of the residential dwelling.

17. In the cost approach, Mr. Goff relied on Marshall Swift Valuation Service to determine the replacement costs for the golf course. Based on an executive course constructed in 1996, Mr. Goff determined a base cost per hole of \$61,500.00. He applied a 16 percent adjustment for physical depreciation and a 44 percent adjustment for economic obsolescence. The total market extracted depreciation shown by the witness was 60 percent. Respondent concluded to a value of \$1,781,000.00, excluding the residential land and improvement.

18. Respondent's witness testified that the market value of the residential dwelling was \$110,500.00.

19. Mr. Goff testified that typical golf course expenses are 65 to 70 percent, although Chipeta Golf Course's expense ratios were 62 percent in 2000 and 56 percent in 2001. In the income

approach, he used an expense rate of 68 percent. He calculated the return of personal property at \$359,213.00, which is an average of the declared personal property values for 2000 and 2001. The return on personal property was \$39,154.00 based on an average of the declared personal property value for 2000 and 2001. Mr. Goff applied a 10.9 percent capitalization rate determined from surveys. He concluded to a value of \$1,822,000.00, excluding the residential land and improvements, via the income approach.

20. Mr. Goff testified that he relied primarily on the income approach, as the subject's income and expenses were stabilized. He placed some validity on the cost approach due to the age of the course. In his final reconciliation of value, he allowed an 85 percent influence from the income approach and 15 percent from the cost approach.

21. The Respondent's witness could not explain why the value indicated by the income approach was higher than the value indicated by the cost approach. He explained that the 10.9 percent capitalization rate he used is based on a booming commercial market in Grand Junction.

22. Under cross-examination, Mr. Goff indicated that he believed the local golf market was better than the golf market in Denver. He does not believe that capitalization rates for businesses are always lower than the capitalization rates for golf courses; for example, restaurants can be much higher than golf courses. The witness indicated that he does not typically make a deduction for cost of goods sold. Instead, he believes a replacement or lump sum adjustment on gross income is appropriate.

23. Respondent assigned an actual value of \$1,970,767.00 to the subject property for tax year 2004, but is recommending a reduction in value to \$1,926,000.00.

CONCLUSIONS:

1. Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2004 valuation of the subject property was incorrect.

2. Ms. Robison objected to the admission of Petitioner's Exhibit A pursuant to 12-61-712 C.R.S., unlawful acts. Mr. McElhinney responded that he is an advocate for the Petitioner, and that Petitioner's Exhibit A is an opinion of value, not an appraisal. The Board accepted Mr. McElhinney as an expert in the valuation of golf courses. The Board further admitted Petitioner's Exhibit A for the data contained therein. The Board finds that whether or not Exhibit A is an "appraisal" pursuant to 12-61-712 is not relevant to its admissibility before the Board, except as it affects the weight placed on the various elements of the exhibit. The Board did not place any weight on the overall conclusion of value contained in Petitioner's Exhibit A. The Board relied on Mr. McElhinney's testimony and specific data elements contained in Exhibit A to assist in making an informed decision regarding the correct value of the subject property.

3. The parties stipulated to a value of \$110,500.00 for the residence and improvements based on the market approach.

4. The Board agrees with both parties that since there were limited golf course sales, it is not possible to derive a reliable conclusion of value for the golf course based on the market approach.

5. The Board finds the income approach to be the most appropriate method for valuing the subject property. The Petitioner's 2001 income and expense information appears reasonable and most convincing.

6. In calculating the value of the subject property, the Board utilized the 2001 income and expense information shown on page 25 of Petitioner's Exhibit A. The Board applied a 12 percent capitalization rate, as the Board felt that the risk associated with golf courses commands a higher capitalization rate than the Respondent used and the Petitioner's capitalization rate was not fully supported. The Board deducted \$395,324.00 for personal property, the value listed on Petitioner's Personal Property Declaration for 2001, and deducted \$81,738.00 for business value. The Board concluded to an indicated value of \$1,184,955.00, excluding the residential land and improvements.

7. The Board concluded that the 2004 actual value of the subject property should be reduced to \$1,295,455.00.

ORDER:

Respondent is ordered to reduce the 2004 actual value of the subject property to \$1,295,455.00.

The Mesa County Assessor is directed to change his/her records accordingly.

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 10th day of June, 2005.

BOARD OF ASSESSMENT APPEALS

Diane M. DeVries

Diane M. DeVries

Judee Nuechter

Judee Nuechter

This decision was put on the record

JUN 10 2005

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

Penny S. Lowenthal
Penny S. Lowenthal

