

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p>RIVER VALLEY RANCH GOLF, L.L.C.,</p> <p>v.</p> <p>Respondent:</p> <p>GARFIELD COUNTY BOARD OF COMMISSIONERS.</p>	<p>Docket No.: 46520</p>
<p>ORDER</p>	

THIS MATTER was heard by the Board of Assessment Appeals on March 20 and 21, 2007, Diane M. DeVries and Lyle D. Hansen presiding. Petitioner was represented by Richard Olona, Esq. Respondent was represented by Don DeFord, Esq. Petitioner is requesting an abatement/refund of taxes on the subject property for tax years 2003 and 2004.

PROPERTY DESCRIPTION:

Subject property is described as follows:

River Valley Ranch Golf Course
303 River Valley Ranch Drive

Schedule Nos: R450041, R590277, R590323, R590324
Carbondale, Colorado

The subject property consists of an 18-hole, daily fee, fully finished golf course including tees, fairways, greens, complete underground irrigation system, grass, sand bunkers, lateral water hazards, driving range and practice putting green. Building improvements consist of a 5,834 square foot clubhouse with basement cart storage, a 5,500 square foot maintenance building and an 800 square foot equipment storage building; all constructed in 1998. There are two 500 gallon aboveground fuel storage tanks. The golf course is situated on a 189.345 acre site.

The Respondent moved to dismiss the appeal of the 2003 tax year abatement based on lack of

jurisdiction. The Board granted Respondent's motion and tax year 2003 was dismissed.

Petitioner contends that the golf course has reached stability in the number of annual golf rounds played and that the Income Approach is the best approach to utilize for the valuation of daily fee golf courses. Petitioner indicates that the Respondent placed minimal reliability upon the Income Approach as an indication of value. Respondent contends that the subject property value is supported by the Cost Approach and the Sales Comparison Approach to value because the subject property has not yet reached stability in its economic performance.

Petitioner and Respondent presented the following indicators of value:

	<u>PETITIONER</u>	<u>RESPONDENT</u>
Cost:	\$3,148,889.00	\$6,430,000.00
Income:	\$2,039,411.00	\$4,150,000.00
Market:	\$1,890,000.00 – \$2,400,000.00	\$5,200,000.00 – \$5,900,000.00
Indicated Value:	\$2,040,000.00	\$6,000,000.00

Petitioner placed primary reliability upon the Income Approach as an indication of value for the subject property. Petitioner stated that the Income Approach best reflects the actual economic performance of the subject property. Respondent placed primary reliability upon the Cost Approach and Market Approach as a value indication for the subject property. Respondent placed minimal reliability upon the Income Approach, indicating that the subject property had not yet reached its stabilized economic performance.

Petitioner presented figures showing that the number of annual golf rounds for the subject property ranged from 20,000 to 24,000 rounds during the two years prior to the date of the appraisal which represented no significant change in demand during that period. Petitioner also stated that other competing golf courses in the same market area as the subject had experienced no significant change in annual golf rounds. Petitioner indicated that in a 30 mile radius from the subject property, there are twice the number of golf holes needed to satisfy the golfing public.

Petitioner presented an income approach to derive a value of \$2,039,411.00 for the subject property. Petitioner deducted \$33,000.00 for Return on Tangible Personal Property to derive a Net Operating Income of \$306,989.00. Petitioner applied a Capitalization Rate of 11% to derive a value for the Total Assets of the Going Concern of \$2,790,809.00. Petitioner deducted \$330,000.00 for Return of Tangible Personal Property and deducted \$421,398.00 for Intangible Personal Property to derive a value for the real property of \$2,039,411.00.

Using the Income Approach, Respondent derived a Net Operating Income of \$421,067.00. Respondent applied a Capitalization Rate of 9.57% to derive a value indication of \$4,400,000.00

(rounded). Respondent deducted \$250,000.00 attributable to Personal Property to derive a value indication for the real property of \$4,150,000.00.

Respondent's Cost Approach utilized five comparable land sales to support a value indication for the subject property site of \$6,000.00 per acre resulting in a land value estimate of \$1,130,000.00. Respondent derived replacement costs from Marshall & Swift Valuation Service to develop a replacement cost new for the subject improvements of \$8,081,253.00. Respondent had deductions for physical deterioration, functional obsolescence and external obsolescence for a total of \$2,776,964.00. Respondent's value indication by the Cost Approach was \$6,430,000.00.

Respondent's Market Approach utilized six golf course sales to derive a value. Respondent placed primary reliance upon the "greens fee multiplier" as a unit of comparison as recommended by the Analysis and Valuation of Golf Courses and Country Clubs text published by the Appraisal Institute. Respondent's value using the Market Approach concluded to a range between \$5,200,000.00 to \$5,900,000.00.

Both Petitioner and Respondent indicated that supply of golf courses exceeds the demand in the subject's market area which has resulted in a capping of greens fees and rounds played. This was further evidenced by both Petitioner and Respondent's Cost Approaches where a deduction was taken for external obsolescence. Petitioner's deduction for external obsolescence was 20% of replacement cost new while Respondent's deduction for external obsolescence was 15% of replacement cost new.

Respondent stated that current supply and demand for golf courses indicates that the subject golf course is at less than stabilized in annual golf rounds played. Respondent stated that the area population growth, the appeal of the nearby Aspen areas, the subject mountain views and future build-out of single-family residential lots will contribute to the subject golf course reaching stabilized economic income.

The Board concluded that, as a result of evidence from both Petitioner and Respondent concerning the oversupply of golf courses in the subject's market area, that stability had occurred in greens fees and rounds played. Based on testimony referencing the Analysis and Valuation of Golf Courses and Country Clubs text published by the Appraisal Institute recommending the Income Approach as a reliable indication of value for a daily-fee golf course, the Board agreed that the Income Approach is the best approach to value since it represents the actual economic performance of the subject property as of the date of the appraisal.

The Board placed greater reliability upon Respondent's Income Approach. While both Petitioner's and Respondent's reconstructed operating statements were reasonably comparable, the Board concluded that Petitioner's capitalization rate was not supported. The Board placed greater reliability upon Respondent's capitalization rate analysis. The Board agreed with Respondent's valuation by the Income Approach of \$4,150,000.00.

The Board placed secondary reliability upon an indication of value utilizing information provided in Respondent's Market Approach. The Board utilized Respondent's sales information on

sales eight through twelve with specific concentration on the “sales price per round” and the “greens fee multiplier” units of comparison. The unadjusted average sale price per round for the five sales was \$138.80. This average unit of comparison multiplied by Respondent’s 22,500 rounds that was concluded in the Income Approach resulted in a value indication of \$3,123,000.00. The unadjusted average greens fee multiplier for the three sales that had this multiplier computed was 4.0. This average greens fee multiplier multiplied by 22,500 rounds which product was multiplied by \$62.50 average greens fee concluded in the Income Approach results in a value indication of \$5, 625,000.00. After considering the recommendations from the Analysis and Valuation of Golf Courses and Country Clubs text published by the Appraisal Institute, the Board gave greater consideration to the “greens fee multiplier” unit of comparison with lesser consideration to the “sales price per round” unit of comparison and concluded a value indication in the upper portion of the two values or \$4,900,000.00.

The Board placed minimal reliability upon Petitioner’s and Respondent’s Cost Approach because of the existence of External Obsolescence and the difficulty of reliably projecting the loss in value attributable to that form of depreciation.

The Board gave final consideration to the Respondent’s value indication by the Income Approach of \$4,150,000.00 and the Market Value derived by utilizing information provided by the Respondent’s Market Approach of \$4,900,000.00 to conclude to a value of \$4,500,000.

The Board concluded that the 2004 actual value of the subject property should be reduced to \$4,500,000.00.

ORDER:

Respondent is ordered to cause an abatement/refund to Petitioner based on a 2004 actual value for the subject property of \$4,500,000.00.

The Garfield County Assessor is directed to change his records accordingly.

APPEAL:

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

In addition, if the decision of the Board is against the Respondent, the Respondent may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law when the Respondent alleges procedural errors or errors of law by the Board of Assessment Appeals.

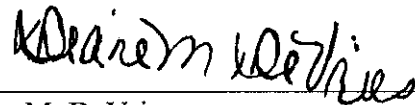
If the Board recommends that this decision is a matter of statewide concern, or if it results in a significant decrease in the total valuation of the county, Respondent may petition the Court of Appeals for judicial review within 45 days from the date of this decision.

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If the Board does not recommend its decision to be a matter of statewide concern or to have resulted in a significant decrease in the total valuation for assessment of the county in which the property is located, the Respondent may petition the Court of Appeals for judicial review of such questions with 45 days from the date of this decision.

DATED and MAILED this 10th day of May, 2007.

BOARD OF ASSESSMENT APPEALS



Diane M. DeVries

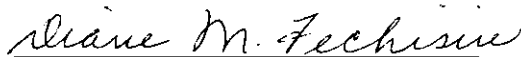


Lyle D. Hansen

This decision was put on the record

MAY 09 2007

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



Diane M. Fechisin