

<p><b>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO</b> 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p><b>FAIRWAY PINES GOLF PARTNERS, LTD.,</b></p> <p>v.</p> <p>Respondent:</p> <p><b>OURAY COUNTY BOARD OF EQUALIZATION.</b></p>	<p><b>Docket No.: 46563</b></p>
<p><b>ORDER</b></p>	

**THIS MATTER** was heard by the Board of Assessment Appeals on July 29, 2008, Karen E. Hart and Debra A. Baumbach presiding. Petitioner was represented by Richard Olona, Esq. Respondent was represented by Mary E. Deganhart, Esq. Petitioner is protesting the 2006 actual value of the subject property.

**PROPERTY DESCRIPTION:**

Subject property is described as follows:

**105 North Badger Trail, Ridgway, Colorado  
(Ouray County Schedule Nos. R002734 & R004851)**

The subject is a daily fee 18-hole regulation, links-style golf course with a driving range located on 106 acres. Improvements include a 2,305 square foot maintenance facility with living area, office space, and garage area.

Petitioner presented the following indicators of value:

Market:	\$2,700,000.00 to \$3,740,000.00
Cost:	\$1,716,900.00
Income:	\$ 835,000.00

Based on the market approach, Petitioner presented an indicated value range of \$2,700,000.00 to \$3,740,000.00. There were sales of nine golf course properties in Colorado since 2000. The golf industry as a whole is distressed and each of the sales involved extenuating circumstances requiring aggressive adjustments. Subsequently, no adjustments were made to any of the sales and Petitioner gave no weight to this methodology.

Petitioner relied on Marshall & Swift Cost Estimator and information from the Golf Course Builder's Association to derive a market-adjusted cost value for the subject property of \$1,716,876.00. Replacement costs for the golf course were based on a segregated cost analysis including depreciable items. The course was considered to be a low Class III for an indicated cost per hole of \$91,000.00. Petitioner was aware of only one sale of land specifically designated for open space or a golf course. The sale occurred in 2002 at a sales price of \$500,000.00 or \$2,529.00 per acre. Petitioner gave no weight to the cost approach.

Petitioner used the income approach to derive a value of \$835,000.00 for the subject property. Petitioner reviewed the last four years of actual revenue and expenses including revenue from the base period and considered the golf course to have reached stabilization. Using 2003 actual values, a total of 8,173 rounds were played with an average fee without cart rental of \$43.04. Revenue from all sources was estimated to be \$819,532.00. Historical data was reviewed to determine the deductions for fixed and operating expenses. Petitioner deducted 12.53% for a return on personal property along with 3% reserves for replacement. The net income of \$104,590.00 was capitalized at 10% based on published survey data with a tax load of 2.53%. Petitioner believes this methodology to be the best indication of value.

Petitioner is requesting a 2006 actual value of \$835,000.00 for the subject property.

Petitioner's witness, Mr. Larry Murphy, is a general partner and past general manager for Fairways Golf Course. Mr. Murphy has extensive knowledge in the management of this course and provided Tax Profiles Services, LLC with the income and expense information they relied upon.

The subject property was constructed as an amenity for the subdivision. Memberships are open to residents of the subdivision and fees constitute prepaid golf membership. Membership consists of approximately 20% of the rounds, with 80% of the rounds requiring outside participation. There is no food or beverage operation and the pro shop is located within the Homeowner's Association clubhouse. There was land set aside to construct a clubhouse, however it was never built.

Mr. Murphy testified that the subject was never able to achieve the desired rounds of golf. There are numerous golf courses in the area all competing for the same clients. The population in the area is small compared to the number of golfers they can attract. In an attempt to compete, the daily fees are usually discounted.

Respondent presented the following indicators of value:

Market:	\$2,600,000.00 to \$3,300,000.00
Cost:	\$3,114,000.00
Income:	\$2,300,000.00

Based on the market approach, Respondent presented an indicated range of value from \$2,600,000.00 to \$3,300,000.00 for the subject property. There were six comparable sales within the maximum allowable five year period that could be considered in the analysis. The sales reflect a wide range of differences and would require a large degree of adjustments. To determine market value, a unit of comparison analysis and greens fee multiplier analysis were performed. Respondent placed minimal weight on the market approach.

Respondent used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$3,114,000.00. Respondent relied on eight vacant land sales ranging in size from 2 acres to 38 acres and in sale price from \$4,276.00 to \$106,865.00 per acre. Most weight was placed on the four 35 acres or larger parcels as they reflect land area more similar in size to the subject and consist of raw land. Respondent concluded to \$7,000.00 per acre or \$717,500.00. Respondent relied on Marshall & Swift cost figures in the analysis for the golf course improvements and buildings. The course was rated as a Class III and concluded to a value of \$180,500.00 per hole. Respondent applied depreciation for physical deterioration and external obsolescence; there was no functional obsolescence noted as the course was considered to have a good design.

Respondent presented an income approach to derive a value of \$2,300,000.00 based on projections for a daily fee course. Respondent considers the subject a semi-private course, not a daily fee course. Petitioner did not provide Respondent with specifics on the dues structure and number of members prior to this hearing. After reviewing the income and expense reports Respondent determined that the subject was not stabilized enough to rely on actual income and expenses. Using projected annual rounds of 15,000 and \$60.00 greens fees per round, Respondent concluded to a total gross income of \$900,000.00. Operating expenses of 70% were deducted for a net operating income of \$270,000.00. The net income was then capitalized at a tax loaded rate of 11.1%, and actual personal property of \$135,900.00 was deducted.

Respondent assigned an actual value of \$1,482,270.00 to the subject property for tax year 2006.

Respondent presented sufficient probative evidence and testimony to prove that the tax year 2006 valuation of the subject property was correct.

The Board agrees with both parties that the market and cost approach do not provide a reliable value conclusion.

The Board was convinced the income approach is the most appropriate methodology in valuing the subject property. The Board understands the complexity in the valuation of a course that is considered to be semi-private and daily fee. The Board was convinced that the

subject golf course has reached stabilization and therefore the actual income should be considered in the analysis. The Board was not convinced by the expense ratios used by Petitioner because they were aggressive; the Board relied on Respondent's expenses of 70% because they were based upon market expenses for a daily fee golf course. The Board utilized Petitioner's tax loaded capitalization rate, as it reflected a stabilized golf course. After recalculation, the Board concluded to an indicated value by the income approach of \$1,825,000.00, above the value assigned by Respondent. Respondent's assigned value is well below all of the value conclusions with the exception of Petitioner's income approach.

**ORDER:**

The petition is denied.

**APPEAL:**

If the decision of the Board is against Petitioner, Petitioner may petition the Court of Appeals for judicial review according to the Colorado appellate rules and the provisions of CRS § 24-4-106(11) (commenced by the filing of a notice of appeal with the Court of Appeals within forty-five days after the date of the service of the final order entered).

If the decision of the Board is against Respondent, Respondent, upon the recommendation of the Board that it either is a matter of statewide concern or has resulted in a significant decrease in the total valuation of the Respondent county, may petition the Court of Appeals for judicial review according to the Colorado appellate rules and the provisions of CRS § 24-4-106(11) (commenced by the filing of a notice of appeal with the Court of Appeals within forty-five days after the date of the service of the final order entered).

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

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 of the respondent county, Respondent may petition the Court of Appeals for judicial review of such questions within thirty days of such decision.

CRS § 39-8-108(2) (2008).

DATED and MAILED this 17<sup>th</sup> day of October 2008.

BOARD OF ASSESSMENT APPEALS

*Karen E Hart*

Karen E. Hart

*Debra A Baumbach*

Debra A. Baumbach

This decision was put on the record

**OCT 16 2008**

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

*HA flz*

Heather Flannery

