BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203 Petitioner: **CCRE, LLC & CCGO, LLC DBA COMMON GROUND GOLF COURSE,** v. Respondent: **DENVER & ARAPAHOE COUNTY BOARDS OF EQUALIZATION.**	**Docket Nos.: 51807 & 53082**

ORDER

THIS MATTER was heard by the Board of Assessment Appeals on September 16, 2010, Diane M. DeVries and James R. Meurer presiding. Petitioner was represented by Richard G. Olona, Esq. Respondents were represented by George Rosenberg, Esq. Petitioner is protesting the 2009 actual value of the subject property.

The Board consolidated Docket Nos. 51807 & 53802 for hearing. Parcel No. 1973-10-4-00-004 (located in Arapahoe County) was deleted from consideration in this hearing by the parties.

Subject property is described as follows:

> **Common Ground Golf Club**
> **10300 E. Golfers Way, Aurora, Colorado**
> **(Denver County Schedule Nos. 06103-00-003-000, 06103-00-004-000, 06103-005-000, and 06103-00-006-000)**
> **(Arapahoe County Schedule Nos. 1973-10-4-00-009, 1973-10-4-011, 1973-10-4-00-012, and 1973-10-4-01-001)**

The subject property consists of an 18-hole regulation golf course facility designed by Tom Doak, including a nine-hole golf course, a 5,000 square foot clubhouse, parking lot, cart barn, maintenance building, driving range, and practice green. The property is located just east of the Lowry Redevelopment and occupies a rectangular site bounded on the north by Golfers Way, on the east by South Havana St., and on the south by East Alameda Ave. Total site size is

373.994 acres including wetland areas totaling approximately 100 acres. A portion of the site is within a flood zone which would affect seven holes of the course and the driving range. The property contains nine legal parcels and is bisected by the Arapahoe and Denver County line with approximately 302 acres located in Denver and 72 acres located in the City of Aurora, Arapahoe County. The clubhouse and maintenance facilities are located in Arapahoe County. Zoning for the Denver County parcels is O-1 (Open Space) and zoning for the Arapahoe County parcels is Recreational Open Space through the City of Aurora. The property was purchased in December of 2005 from the Lowry Redevelopment Authority for $2,000,000.00 and was only in operation for approximately nine months subsequent to purchase and during the base period. The deed included a restriction for golf course use for 20 years. The subject was originally constructed in 1974 as the Mira Vista Golf Course, was totally renovated in 2008, and opened as the Common Ground Golf Club in 2009. As of January 1, 2009 (the valuation date) the subject was not yet in operation; therefore, actual data from the operation of the facility was not available. In addition, the clubhouse was only partially complete as of January 1, 2009.

Petitioner presented the following indicators of value:

Cost:	$2,296,724.00
Market:	$2,193,300.00 to $3,093,300.00
Income:	$2,152,130.00

Based primarily on the analysis contained in the income approach, Petitioner presented an indicated value of $2,152,100.00 for the subject property.

Petitioner's first witness, Mr. Edward Mate, Executive Director of the Colorado Golf Association testified to the condition of the golf course as of the valuation date, the projected performance of the facility, and discussed the oversupply of golf course facilities in the metropolitan area.

Petitioner's second witness, Mr. Thomas F. McElhinney developed a cost, market (sales comparison), and income approach to provide an opinion of the market value for the subject. A summary of his analysis is as follows:

Petitioner's cost approach estimated value for the 373.944 acres at $2,000.00 per acre reflecting a total value for the land of $747,888.00. The estimate of land value was based primarily on the acquisition price in 2005. Land improvements were estimated at $3,532,945.00 and vertical improvements were estimated at $1,292,000.00 prior to depreciation. Subsequent to depreciation, Mr. McElhinney's opinion of value via the cost approach was $2,296,724.00.

Petitioner's market approach referenced multiple sales summarized in two tables. The first table listed 27 sales of golf course facilities located within Colorado that sold between the year 2000 and mid-year 2010. The second table refined the sales listed in the first table to those 14 sales that occurred during the extended base period from July of 2003 through June of 2008. After elimination of non-qualifying sales, the comparables ranged from approximately $100,000 to $300,000 per hole, rounded. After adjustments, including a deduction for personal property, the final value range for the subject equated to $2,193,300.00 to $3,093,300.00 or $121,850.00 to $171,850.00 per hole.

The income approach used data from the previous operation of the Mira Vista golf course, as well as financial projections for the anticipated operation of the new course based on industry averages. The estimate of gross revenue was based on 28,000 18-hole equivalent rounds per year at $45.00 per round. Additional income was recognized including food and beverage sales, pro shop sales, and miscellaneous income, and after deducting the cost of goods sold, resulted in effective gross income of $1,528,320.00. Subtracting expenses, the net operating income equated to $310,740.00, which when capitalized at a 13.0% overall rate resulted in $2,390,300.00 for total assets of the going concern. Further deducting $238,170.00 in estimated personal property resulted in an indicated value, via the income approach for the real estate only, of $2,152,130.00 or $119,562.78 per hole. The income approach was considered the primary indicator of value for the subject property by Petitioner.

Mr. McElhinney testified that there was an over-supply of golf courses resulting in diminished rounds and revenue for the individual facilities. In addition, the subject course was functionally obsolete throughout the actual nine months of operation during the base period and only 20 acres could ultimately be used for development and the remainder must remain open space. Mr. McElhinney stated that the purchase price of $2,000,000.00 in December of 2005 reflected land value and was a reliable indication of value for the subject given current market conditions and the limitations on future development.

Petitioner is requesting a 2009 actual value of $2,152,100.00 for the subject property.

Respondents presented the following indicators of value:

Cost:	$5,800,000.00
Market	$5,300,000.00
Income:	$5,100,000.00

Based on the market approach with secondary consideration to the income approach, Respondents concluded an indicated value of $5,300,000.00 for the subject property; however, this value did include the Red Cross Parcel No. 1973-10-4-00-004 (located in Arapahoe County), which was deleted from consideration and valued at $500,000.00. Eliminating this parcel resulted in a net appraised value of $4,800,000.00.

Respondents' witness, Mr. Greg A. Feese developed a cost, market, and income approach to provide an opinion of market value for the subject. A summary of his analysis is as follows:

The cost approach estimated value for the 373.944 acres at $7,700.66 per acre based on ten land sales reflecting a value of $2,880,000.00. Total improvement cost minus the depreciated cost of buildings were estimated at $7,363,692.00, and economic depreciation was estimated at 60% of total improvement cost resulting in a concluded value via the cost approach of $5,800,000.00.

The market approach referenced five sales ranging in sale dates from December of 2003 to December of 2006. Prior to adjustment, the sales ranged from $2,275,000.00 to $8,625,000.00 or $126,388.00 to $479,166.00 per hole. Subsequent to adjustment, the sales ranged from $252,676.00 to $335,416.00 per hole. The adjustments to the sales ranged from a minus 30% to a positive 100%; however, no explanation was provided to support these percentages. The market approach was given primary weight in the opinion of final value for the subject by Respondents.

The income approach used data from the operation of competitive facilities. The estimate of gross revenue was based on 40,000 18-hole equivalent rounds per year at $40.00 per round. Additional income was recognized including fees generated from the nine hole course, food and beverage sales, pro shop sales, and miscellaneous income, and after deducting the cost of goods sold, resulted in effective gross income of $2,216,000.00. Subtracting expenses, the net operating income equated to $775,600.00, which when capitalized at a 15.0% overall rate resulted in $5,170,667.00 for total assets of the going concern. Further deducting $32,006.00 in personal property resulted in an indicated value, via the income approach for the real estate only, of $5,138,661.00 or $285,481.17 per hole. The income approach was considered a secondary indicator of value for the subject property by Respondents.

Mr. Feese testified that the course should support 40,000 18-hole equivalent rounds per year given its metropolitan location, the projected average daily fees, its overall projected market share, and the rehabilitated condition of the course. The witness further testified that placing significant weight on an income approach to provide an opinion of value was suspect since no operating history of the course was available and that the market share of the subject should be superior to the sale comparables used in the analysis.

Respondents assigned a total actual value of $4,379,636.00 to the subject property for tax year 2009 subsequent to the deletion of Parcel No. 1973-10-4-00-004 from the hearing by Arapahoe County.

The major points of contention between the parties were the weight given to the purchase of the subject in 2005, the value of the land, and the operation of the golf course prior to rehabilitation. In addition, the weight afforded to the market approach versus the income approach in terms of the final opinion of value, the financial projections for operation of the new golf facility, and the potential for any future development of the 373.944 acres were in dispute.

Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2009 valuation of the subject property was incorrect.

Given the physical and economic characteristics of the property, the Board agrees that the income approach provides the most reliable indication of market value for subject golf facility and concludes that Petitioner’s income model represents the best reflection of the operation of the property. However, based on testimony and review of the exhibits, it is the conclusion of the Board that the number of 18-hole equivalent rounds used in the income model by Petitioner does not accurately reflect the operational capability of the facility. The Board concludes that 32,500 18-hole equivalent rounds rather than the 28,000 rounds used by Petitioner is more realistic given the location, design, market conditions, and pricing of the facility. The majority of the other variables used in both Petitioner's and Respondents' income models, including other income, cost of goods sold, and expenses appear relatively similar with the exception of the estimate of personal property and the capitalization rate. Relative to these two variables, the Board concludes that Petitioner's estimates are better explained and more supportable.

A reconstructed income approach using what the Board concludes to be the most supportable variables relative to the operation of the facility is as follows:

	Number of Rounds	$ per round	Percent	Calculation
Gross Revenue				
Golf Operations	32,500	$45		$1,462,500
Food & Beverage	32,500	$8		$260,000
Pro Shop	32,500	$6		$195,000
Miscellaneous Revenue (percent of golf revenue)			2.00%	$29,250
Total Gross Revenue				$1,946,750
Less Cost of Goods				
Food & Beverage			32.00%	$83,200
Merchandise			40.00%	$78,000
Total				$161,200
Effective Gross Income				$1,785,550
Percent COS to Revenue				
Less Expenses including Payroll				
Golf Operations				$750,000
Food & Beverage				$89,600
Pro Shop				$67,200
General & Administrative				$200,000
Total Payroll and Expenses				$1,106,800
Percent Payroll and Exp (Gross Revenue)			56.85%	
		Estimated Fixed Assets		
Return on Tangible Personal Property		$426,296	10.00%	$42,630
Reserves for Replacement			4.00%	$77,870
Net Operating Income				$558,250
Capitalization Rate			13.00%	
Total Assets of the Going Concern				$4,294,234
Less Intangible Personal Property				$238,170
INCOME APPROACH TO VALUE [REAL ESTATE ONLY]				$4,056,064
Per Hole				$225,337

The Board concludes that the 2009 actual value of the subject property should be reduced to $4,056,064.00 which equates to approximately $225,000.00 per hole.

ORDER:

Respondents are ordered to reduce the total 2009 actual value of the subject property to $4,056,064.00.

The Arapahoe and Denver County Assessors are directed to change their records accordingly.

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 Section 24-4-106(11), C.R.S. (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 Respondents, Respondents, 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 counties, may petition the Court of Appeals for judicial review according to the Colorado appellate rules and the provisions of Section 24-4-106(11), C.R.S. (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 Respondents, Respondents may petition the Court of Appeals for judicial review of alleged procedural errors or errors of law within thirty days of such decision when Respondents 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 counties, Respondents may petition the Court of Appeals for judicial review of such questions within thirty days of such decision.

Section 39-8-108(2), C.R.S..

DATED and MAILED this 15 day of October 2010.

BOARD OF ASSESSMENT APPEALS

Diane M. DeVries

Diane M. DeVries

James R. Meurer

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

Amy Bruins

STATE OF COLORADO SEAL BOARD OF ASSESSMENT APPEALS

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