

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p>SNOWMASS CLUB ASSOCIATES LLC,</p> <p>v.</p> <p>Respondent:</p> <p>PITKIN COUNTY BOARD OF EQUALIZATION.</p>	<p>Docket No.: 53193</p>
<p>AMENDED ORDER</p>	

THIS MATTER was heard by the Board of Assessment Appeals on April 6, 2011, Debra Baumbach and Sondra W. Mercier presiding. Petitioner was represented by F. Brittin Clayton III, Esq. Respondent was represented by Christopher G. Seldin, Esq. Petitioner is protesting the 2009 actual value of the subject property.

Subject property is described as follows:

**239 Snowmass Club Circle (Athletic Club) and 446 Clubhouse Drive
(Golf Course), Snowmass Village, Colorado
Pitkin County Schedule No. R013724 (Athletic Club) & R013757 (Golf
Course)**

The subject includes an 18-hole golf course with clubhouse located on a 187.78 acre parcel. An athletic club with tennis facility is located on a separate 17.26 acre parcel. The improvements were originally completed in the 1980s with significant renovation to the facilities in the early 2000s.

Petitioner is requesting a combined actual value of \$13,000,000.00 for the subject property for tax year 2009. Respondent assigned a combined value of \$24,112,800.00 for the subject property for tax year 2009 but is recommending a reduction to \$23,000,000.00.

Both parties testified that they had relied on the methodology outlined in the class material APR 230: Valuation of Golf Courses, as taught by the Division of Property Taxation, in their valuation of the subject. However, the parties varied on their interpretation of the steps outlined in the course material, agreeing that portions of the methodology were unclear.

Petitioner presented the following indicators of value:

Market:	Not applied
Cost:	Not applied
Income:	\$13,000,000.00

Petitioner's witness, Ms. Jodi Sullivan, Duff & Phelps, LLC, presented an income approach to derive a total value of \$13,000,000.00 for the subject property. Ms. Sullivan altered the methodology shown in the APR 230 course material by reducing the number of potential membership sales by the number of memberships already sold as of the date of value. Petitioner contends that memberships that have already been sold should not be included as potential future income from membership sales.

Petitioner contends that of the original 600 athletic club memberships, only 485 remain available for sale. Petitioner estimated that nine athletic club memberships would be sold per year based on the actual membership sales that occurred between July 1, 2007 and June 30, 2008, for a total of 54 years to sell all athletic club memberships. The cost of an athletic club membership was calculated at \$37,500.00. A discount rate of 12.0% was concluded based on investor surveys showing discount rates for golf clubs.

Of the 375 original golf memberships, Petitioner contends that only 265 remain available for sale. Absorption of golf memberships was calculated at 11 per year based on the actual sales that occurred between July 1, 2007 and June 30, 2008, for a total sell-out of 24 years. Petitioner concluded to an average golf membership of \$80,000.00. Again, a discount rate of 12.0% was applied based on the same investor surveys.

Petitioner calculated the net operating income from operations to include interest on membership deposits, and capitalized it at a tax loaded rate of 12.12% based on investor surveys. Petitioner added the value of the net income capitalized to the present worth of athletic club and golf membership sales to conclude to a value of \$13,000,000.00 rounded.

Ms. Sullivan testified that she had considered the sales comparison approach as a check to the value indicated by the income approach. Petitioner identified four sales which indicated a range in going-concern value of \$186,111.00 to \$343,056.00.

Respondent presented the following indicators of value:

Market:	Not applied
Cost:	\$47,168,589.00
Income:	\$22,900,000.00 to \$25,100,000.00

Respondent's witness, Mr. Larry Fite, Pitkin County Assessor's Office, used local cost information to derive a market-adjusted cost value for the subject property of \$47,168,589.00.

Respondent used the income approach to derive a range in value of \$22,900,000.00 to \$25,100,000.00 for the subject property. Respondent contends that its analysis more closely follows the steps outlined in the APR 230 course material, which in its interpretation instructs appraisers to include all potential memberships as part of future income. The course material states: "The income approach can be used to value this type [membership courses] of golf course by starting with the assumption that there are no members and all memberships are available for sale." *APR 230: Valuation of Golf Courses*, Page 2.13 (2009).

Respondent concluded to a sellout period of 17 years for the athletic club memberships. This was based on the average number of sales that actually occurred between June 30, 2005 and June 30, 2008, which indicated an average of 12 sales per year. A similar average was indicated for that same period for golf membership sales, resulting in a sellout period of 11 years. Respondent applied a cost of membership of \$30,000.00 for the athletic club and \$65,000.00 for the golf membership. Respondent concluded to a discount rate of 8.5% based on extrapolated local capitalization rates for commercial properties, increased 2% to 3% to reflect the differential between capitalization rates and discount rates indicated by investor surveys. To the value indicated for the sale of future memberships, Respondent adds the value of the net income capitalized at a tax loaded rate of 9.12%. The capitalization rate is calculated based on rates indicated for sales of retail and office properties in the Aspen area with a mid-point of 5%, increased 3% to reflect the increased risk of the golf course/athletic club operation, with a tax load of 1.12%.

Respondent assigned a combined value of \$24,112,800.00 for the subject property for tax year 2009 but is recommending a reduction to \$23,000,000.00.

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

The Board was convinced that club memberships that had already been sold should not be considered as potential future income for the subject. The Board found the absorption used by both parties to be inaccurate. Petitioner's calculation was based on the last 12 months of the base period while the Respondent's calculation include initial sales to prior members as part of the Platinum program introduced immediately after the redevelopment in 2005. The Board has recalculated the income approach based on actual sales that occurred during the 18-month base period. That results in absorption of 12 athletic club memberships and 20 golf club memberships. The number of years to sellout is calculated at 41 years for the athletic club and 14 years for the golf memberships. Both parties deducted cost of sales equal to 5% of total revenue from membership sales.

The Board was convinced that the discount and capitalization rates used by Petitioner based on investor surveys more accurately reflected the risks associated with a golf course. Respondent's methodology of adjusting estimated capitalization rates for the Aspen office and retail properties is not adequately supported by market surveys or market data. It is also reasonable to include interest income from membership deposits as annual revenue, as shown by

Petitioner. Applying the discount rate of 12.0% and a capitalization rate of 12.12%, to the revised sellout, the Board calculates the value of the subject as \$17,788,000.00.

After subtracting a personal property deduction of \$1,023,280.00, the Board concludes that the 2009 actual value of the subject property should be reduced to \$16,764,720.00.

ORDER:

Respondent is ordered to reduce the 2009 actual value of the subject property to \$16,764,720.00 with 51% (\$8,549,854.00) attributed to schedule number R013724 (athletic club) and 49% (\$8,214,713.00) attributed to schedule number R013757 (golf club).

The Pitkin County Assessor is directed to change his/her 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 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 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 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.

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

DATED and MAILED this 27 day of May 2011.

BOARD OF ASSESSMENT APPEALS

Debra A. Baumbach

Debra A. Baumbach

Sondra W. Mercier

Sondra W. Mercier

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

Amy Bruhn

Amy Bruhn

