STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

TO: **Assessing Officials**

FROM: **Barry Wood, Assessment Division Director** JBW

RE: **Legislative Changes – Golf Course Assessments**

DATE: **August 17, 2009**

The purpose of this memorandum is to inform assessing officials of the changes made during the 2009 special session of the Indiana legislature to the assessment process of golf courses.

Assessment Practices

HEA 1001 – 2009 (ss) stipulates that for assessments after January 15, 2010 (i.e. starting with the March 1, 2010 assessment), the true tax value of a golf course will be determined by applying the income capitalization approach. The income approach should provide for the uniform and equal assessment of golf courses of similar grade quality and play length. The value of personal property, intangible property, and the income derived from personal property or intangible property is excluded. Golf carts are considered to be personal property; hence, the DLGF has interpreted this statute to exclude the income derived from the rental of golf carts from the income approach to valuation. Additionally, the DLGF believes this would be applicable to pro shop income as well. This could have a significant impact on the valuation of the golf courses. Assessing officials should closely review the income and expense statements of the taxpayer to ensure golf cart rental income is not included in the valuation.

For assessment dates after January 15, 2010 and before March 1, 2012, a township assessor (if any) or the county assessor shall gather and process information from the owner of a golf course to carry out these provisions. For assessment dates after February 28, 2012 (i.e. the March 1, 2012 assessment date and thereafter), the DLGF is to establish uniform income capitalization tables and procedures for the assessment of golf courses. Assessing officials shall use these tables and procedures to assess, reassess, and annually adjust the assessed values of golf courses.

This mandated approach will replace the Cost Approach, which, after January 2010, will no longer provide an approach to valuation of a regulation play golf course.

Cost Approach

Currently, the basis for the assessment of a regulation play golf course is the 2002 Reassessment Guidelines (see Appendix G – page 37 - http://www.in.gov/dlgf/files/bk2apG.pdf), which provides for the costs per hole for five (5) quality grades of golf courses, ranging from cheaply built courses to excellent quality courses designed for professional play. Pricing guidelines are also provided for hybrid courses, short play courses, and determining golf course land values.

Using the Guidelines pricing sheet, the Assessing official takes the following steps:

- Price by grade per hole
- Delete land under course value @$1,050 per acre
- Apply the appropriate physical and/or external depreciation
- Add value of other improvements
- Add land value
- Adjust to Market Value-in-Use

The Income Approach

Broadly speaking, the Income Capitalization approach is one of three approaches to the valuation of real property. The appraiser derives a value indication for income-producing property by converting the anticipated benefits through ownership of property. It is based on the economic principles of:

- Anticipation
- Change
- Supply and demand and competition
- Substitution
- Balance and contribution

There may be several different sources (basis) of income for a golf course, including green fees, membership dues, concessions, and other miscellaneous sources. If properly calculated, the income approach should closely approximate the cost approach to valuation.

If you have any questions, please contact Assessment Division Director, Barry Wood at bwood@dlgf.in.gov or 317.232.3762.

STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE

INDIANA GOVERNMENT CENTER NORTH
100 NORTH SENATE AVENUE N1058(B)
INDIANAPOLIS, IN 46204
PHONE (317) 232-3777
FAX (317) 232-8779

TO: **Assessing Officials**

FROM: **Barry Wood, Assessment Division Director** BW

RE: **Golf Course Valuation Guidance**

DATE: **December 15, 2009**

The purpose of this memorandum is to provide additional guidance for the valuation of golf courses. This will serve as a supplement to the memorandum issued by the Department of Local Government Finance ("Department") on August 17, 2009.

For assessment dates after January 15, 2010 (i.e. starting with the March 1, 2010 assessment), the true tax value of a golf course will be determined by applying the income capitalization approach. The income approach should provide for the uniform and equal assessment of golf courses of similar grade quality, play length, and location. The value of personal property, intangible property, and the income derived from personal property or intangible property is excluded. Golf carts are considered to be personal property; hence, the income and expenses derived from the rental of golf carts should be excluded from the income approach to valuation. A township assessor (if any) or the county assessor shall gather and process information from the owner of a golf course to carry out these provisions (IC 6-1.1-4-42).

For assessment dates after February 28, 2012 (i.e. the March 1, 2012 assessment date), the Department is to establish uniform income capitalization tables and procedures for the assessment of golf courses. Assessing officials shall use these tables and procedures to assess, reassess, and annually adjust the assessed values of golf courses. To establish these values, the Department will create a database of reconstructed income and expense statements, including sales. Please forward copies of the income and expense statements in an electronic format to Bwood@dlgf.in.gov.

To ascertain a fair and equitable assessment of the golf courses in their jurisdictions, assessing officials should ensure the underlying parcel characteristics are accurate, as well as obtaining course information, including rates and amenities. Attached is a sample golf course data collection sheet assessing officials may use to obtain the information. The data and information collected should be considered **confidential** to assessing officials to facilitate full disclosure by the golf course owner.

Because of the various types of golf courses, amenities, ownership structure, management contribution, and the numerous possible ancillary income sources, a simplistic approach to derive the valuation of the property for the majority of courses is difficult. Assessing officials should value the entire enterprise complex using the income approach. A sample spreadsheet showing the income approach to valuation is attached for illustrative purposes. Assessing officials should strive to obtain and use three (3) years of income and expense information (if available).

Assessing officials should solicit data for gross income and allowable operating expenses from the golf course operators and use federal tax returns or similar evidence as verification that the submissions are correct. **This should be utilized when submitted numbers are out of line with those of similarly situated competitors**. Additionally, the financial records and federal tax return(s) of the taxpayer should be carefully scrutinized to ensure the appropriate income and expense information for the subject property is utilized.

Please direct questions to Assessment Division Director Barry Wood at 317.232.3762 or Bwood@dlgf.in.gov.

EXAMPLE

INCOME	2009	2008	2007	3-Year Average
Rounds Played	1100	1200	1300	
GOLF INCOME				
Green Fees	$33,000	$34,000	$40,000	
Annual Golfing Member Dues	$75,000	$77,000	$72,000	
Driving Range	$11,111	$12,121	$9,999	
Miniature Golf Sales	$9,595	$8,700	$6,363	
Club Storage	$1,200	$1,200	$1,200	
Total Golf EGI	$129,906	$133,021	$129,562	$130,830
NON-GOLF INCOME				
Pro Shop Sales	$5,555	$6,000	$5,500	
Food & Beverage Sales	$40,000	$40,000	$40,000	
Annual Non-Golfing Member Dues	$18,000	$13,000	$10,000	
Other Income	$1,700	$1,600	$1,554	
Total Non-Golf Income	$65,255	$60,600	$57,054	$60,970
Total Enterprise Income				$191,800
GOLF EXPENSES				
Course Maintenance	$14,995	$15,224	$15,880	
Course Maintenance Salaries	$28,995	$29,000	$29,500	
Irrigation	$8,000	$7,500	$7,200	
Advertising/Promotion @ 50%	$1,000	$1,000	$1,000	
Facilities Insurance @ 25%	$3,200	$3,200	$3,200	
Management @ 10% Golf EGI	$12,991	$13,302	$12,956	
Replacement Reserves @ $2/round	$2,200	$2,400	$2,600	
Total Golf Expenses	$71,381	$71,626	$72,336	$71,781
NON-GOLF EXPENSES				
Other Real Estate Maintenance	$3,300	$5,000	$4,400	
Other Salaries	$31,000	$30,500	$30,250	
Other Utilities	$4,500	$4,600	$4,500	
Advertising/Promotion @ 50%	$1,000	$1,000	$1,000	
Facilities Insurance @ 75%	$9,600	$9,600	$9,600	
Cost of Pro Shop Sales	$3,500	$3,500	$3,500	
Cost of Food/Beverage Sales	$15,000	$15,000	$15,000	
Management @ 10% Non-Golf EGI	$6,526	$6,060	$5,704	
Total Non-Golf Expenses	$74,426	$75,260	$73,954	$74,547
Total Enterprise Expenses				$146,328
Total Enterprise NOI				$45,472
Capitalize @ 12%*				$378,933
				$378,900
Market Value In Use of Real Estate				$378,900

* Capitalization rate for illustrative purposes only.

Sample Golf Course Data Collection Sheet

The data listed on this sheet will be considered **CONFIDENTIAL** and utilized by the County Assessor's office to ensure that your property's assessment is fair and equitable. Please complete the following form with the appropriate current information and return at your earliest convenience to:

____________County Assessor
-------*address*-------
-----*city, state, zip* --------

Course Name:____ Date:___________________________
Address:____ Parcel #'s________________________
Ownership:____ _________________________________
Course Designer:____ _________________________________

Course Type/Operation

Regulation	Executive	Par 3
Public/Semi-Private	Private	Resort

Land

Total Acreage	GC Acreage	Type of Terrain

Course Layout

# of Holes	Par	Yardage
Slope	Rating	Annual # of Rounds

Course Ownership

"S" Corporation	U.S. Corporation	Partnership
Sole Proprietorship		

Golf Rates

Membership Rates	Type/Amount	
Green Fees (Off-Season)	Weekday	Weekend
Green Fees (In-Season)	Weekday	Weekend
Cart Fees (Off-Season)	Weekday	Weekend
Cart Fees (In-Season)	Weekday	Weekend
Other Rates	Type/Amount	

Other Rates

Driving Range	Bucket Price	Season Pass
Club Storage	Other	

Clubhouse Ammenities

Bar/Restaurant	Snack Bar	Banquet Facilities
Pro Shop	Full-Line	Basic-Line

Other Ammenities

Pool	Tennis Courts	Rain Shelters

Misc. Comments

____
____
____

Attach a scorecard and any other date relevant to the course

Name, telephone number and e-mail address of the golf operator providing the data:

Name Telephone Number E-mail Address