2014 Level II Prep Class
Income Approach to Valuing Golf Courses

Golf Course Valuation – The Income Approach

- Significant changes were made during the 2009 legislative special session (HEA 1001) pertaining to the valuation of golf courses.

- Let's review the legislation.

Golf Course Valuation Legislation

IC 6-1.1-4-42

Sec. 42. (a) This section applies to assessment dates after January 15, 2010.

(b) As used in this section, "golf course" means an area of land and yard improvements that are predominately used to play the game of golf. A golf course consists of a series of holes, each consisting of a teeing area, fairway, rough and other hazards, and the green with the pin and cup.

(c) The true tax value of real property regularly used as a golf course is the valuation determined by applying the income capitalization appraisal approach. The income capitalization approach used to determine the true tax value of a golf course must:

(1) incorporate an applicable income capitalization method and appropriate capitalization rates that are developed and used in computations that lead to an indication of value commensurate with the risks for the subject property use;

(2) provide for the uniform and equal assessment of golf courses of similar grade quality and play length; and

(3) exclude the value of personal property, intangible property, and income derived from personal or intangible property.

Golf Course Valuation Legislation

(d) 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 this section in accordance with the rules adopted by the department of local government finance under IC 4-22-2.

(e) For assessment dates after February 28, 2012, the department of local government finance shall, by rules adopted under IC 4-22-2, establish uniform income capitalization tables and procedures to be used for the assessment of golf courses. The department of local government finance may rely on analysis conducted by a state educational institution to develop the income capitalization tables and procedures required under this section. Assessing officials shall use the tables and procedures adopted by the department of local government finance to assess, reassess, and annually adjust the assessed value of golf courses.

(f) The department of local government finance may prescribe procedures, forms, and due dates for the collection from the owners or operators of golf courses of the necessary earnings, income, profits, losses, and expenditures data necessary to carry out this section. An owner or operator of a golf course shall comply with the procedures and reporting schedules prescribed by the department of local government finance.

Golf Course Valuation – The Income Approach

- The TTV of golf courses beginning with the **March 1, 2010** assessment date will be determined by applying the income capitalization approach.

- This method will provide for uniform & equal assessment of golf courses of similar quality, grade and play length.

Golf Course Valuation – The Income Approach

- Assessing officials should have already been gathering income & expense data on all the golf courses in their county.

- In addition, the assessing official should have been gathering other data on each golf course. This should consist of the following:

Golf Course Valuation – The Income Approach

- Data Collection of Courses:
  - Tees – Size/Difficulty/Stations per hole
  - Fairways – Width/Irrigation Type/Grass Type/Condition
  - Bunkers – Size/Number/Difficulty
  - Greens – Size/Number/Condition
  - Rough – Irrigation Type/Area
  - Practice Facilities – Size/Maintenance
  - Number of Rounds played for last three years

Golf Course Valuation – The Income Approach

- Data Collection of Courses continued:
  - Fee Schedule
  - Public vs. Private?
  - Who was the architect?
  - Last major renovation?
  - Initiation fees/dues (Social only)?
  - Obtain Scorecard (Should have par & slope)

Golf Course Valuation – The Income Approach

- Data Collection of Courses:
  - Clubhouse
  - Facilities/Pool/Tennis
  - Parking
  - Maintenance/Support Buildings

Golf Course Valuation – The Income Approach

- Key point to remember – The value of personal property, intangible property, and income derived from PP is excluded. See Memorandum of August 17, 2009. http://www.in.gov/dlgf/files/090817_-_Wood_Memo_-_Valuation_of_Golf_Courses_-_Legislative_Changes.pdf

- Assessing officials should closely review the income & expense statement of the golf course to remove golf cart rental and pro shop income.

Golf Course Valuation – The Income Approach

- Once this data has been collected the assessing official will use this information to determine if there are “comparable” golf courses in their county.

- This will be helpful when applying the income capitalization rate.

Golf Course Valuation – The Income Approach

- Beginning with the **March 1, 2012** assessment date, the DLGF is to establish uniform income capitalization tables and procedures for the assessment of golf courses.

- Assessing officials will use these tables to assess, reassess and annually adjust the assessed values of golf courses.

Golf Course Valuation – The Income Approach

- Memorandum provided to assessing officials on December 15, 2009 which provided golf course valuation guidance. http://www.in.gov/dlgf/files/091215_-_Wood_Memo_-_Golf_Course_Valuation_Guidance_Supplement.pdf
- http://www.in.gov/dlgf/files/Golf_Course_Data_Collection_Sheet.xls

- Income to be excluded should consist of golf cart rental & pro shop income. Other personal property income consisting of food & beverage will be included.

- Assessing officials should strive to obtain three (3) years of income / expense information. Could request federal income tax returns to verify information.

Golf Course Valuation – The Income Approach

This concludes the Golf Course Valuation tutorial and is a reminder that should you have questions you can email these questions to the DLGF.

Please send emails to Level2@dlgf.in.gov.