

# STATE OF INDIANA

DEPARTMENT OF LOCAL GOVERNMENT FINANCE



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**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](mailto: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](mailto:Bwood@dlgf.in.gov).

## EXAMPLE

INCOME	2009	2008	2007	3-Year Average
Rounds Played	1100	1200	1300	
<b>GOLF INCOME</b>				
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
<b>NON-GOLF INCOME</b>				
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
<b>GOLF EXPENSES</b>				
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
<b>NON-GOLF EXPENSES</b>				
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.