ZMETROVIC MOVES TO EXECUTIVE SPORTS

Michael Zmetrovich has been appointed vice president of the Club Services Division at Executive Sports. For the past three years, Zmetrovich was the director of Landauer Associates Golf Services Group, where he was responsible for marketing, sales and management of the firm's national golf and club consulting practice. Executive Sports, a division of Golden Bear International, is a global sports management company specializing in professional golf tournament management, corporate sports marketing and golf club management and marketing.

BROTHERS JOINS WALLACE

John Brothers, former VP of Finance and Administration for Paragon Golf Construction and CFO of Nicklaus/Sierra Development, has joined Wallace & Associates, a certified public accounting firm in Dayton, Ohio. Brothers will be responsible for developing the firm's real estate, construction and golf-related business.

GUEST COMMENTARY

Problems and solutions for tax assessments

By LARRY HIRSH

As local governments and school districts become increasingly squeezed for operating revenues, real estate owners are asked to bear a larger burden. Golf courses seem to be an easy target in the search for property tax revenues. Why not? Only 12 percent of the population plays golf and most golfers are perceived by non-golfers as "rich people in bright clothes chasing a little white ball." Moreover, when schools, police and fire protection are at risk, golf courses certainly are politically acceptable targets.

The choice of perceptions on valuation methodologies which determine property assessments differs generally depending on which side of the equation one takes.

Appraisers traditionally rely on three approaches to value. These are the income approach, the sales-comparison approach and the cost approach.

Income Approach — A set of procedures through which an appraiser derives a value indication for income-producing property. A measurement of the present worth of future benefits.

Sales-Comparison Approach — A set of procedures through Continued on page 36

Larry Hirsh is president of Golf Property Analysts, a Harrisburg, Pa.-based golf course appraisal firm.

Golf Ventures, USGC tie the knot

By PETER BLAIS

ORLANDO, Fla. — Course operators Golf Ventures Inc. of Salt Lake City and U.S. Golf Communities (USGC) of Orlando, Fla., have signed an agreement amounting to a reverse merger.

Golf Ventures operates three courses in Utah and USGC six golf properties and related real estate scattered throughout the United States.

Under the pact, Golf Ventures will issue 26.6 million authorized, but unissued, shares of common stock representing 81 percent of the post-transaction shares outstanding. The assets of USGC will be merged with Golf Ventures.

"We're ready to go public and should close within the next 75 days," said USGC President Warren Stanchina in mid-September. "This will give us better access to more capital. We have an engagement letter from Oppenheimer & Co. Inc. to do our secondary offer."

Some people don't know when they have it good

By VINCE ALFONSO

The front counter at The Rail was positioned perfectly. While standing behind the counter facing my customers, a simple turn to my right revealed the 10th tee, to my left the 1st tee and I could turn around behind me and see the putting green and driving range.

I had just sent a foursome to the 1st tee, when a man and woman approached the front counter. They looked to be in their 70s and definitely on a mission. The man pointed over my right shoulder, obviously pointing at something on the golf course, and said, "Do you like that thing?"

I turned around, scanned my putting green and driving range for clues. Finding none I turned back to the gentleman and said, "I'm sorry, what thing?"

He said, "That silver thing at the range."

I said, "Oh, my range servant!"

"Yea," he said. "How do you like it?"

"It's great," I said. "It's always here in the morning before I arrive. It doesn't complain about working late, never takes a break, even for lunch and it has never asked off for prom. Oh, it gets sick every once Continued on page 37

Vince Alfonso Jr. is a 40-year golf industry veteran, president of Alfonso Creative Enterprises Inc., and owner of Kimberling Golf Course near Branson, Mo. He can be reached at 417-639-4370.
Tax assessments
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which an appraiser derives a value indication by comparing the property being appraised to similar properties that have sold recently.

Cost Approach — A set of procedures through which an appraiser derives a value indication by estimating the current cost to reproduce or replace the existing building, deducting depreciation and adding land value.

Taxing authorities, assessors and their legal advisors often typically argue that the cost approach is the only valid method for measuring the value of a golf property. This is especially true when the subject property is a private club operated not for profit.

On the other hand, golf property owners and managers may argue that the income approach is the only reliable way to estimate the value of golf properties and, as a result, golf property owners and prospective owners often rely exclusively on the income approach, that is, when they consider properties for acquisition or disposition.

Golf property owners can be critical of the cost approach because they say that courses often cost more to build than their economic worth; therefore, that cost approach analysis yields unfairly high tax assessments in their opinion.

The answer may lie in the sales-comparison approach. In the sales-comparison approach an analysis of golf courses similar to the subject which have recently sold is conducted and may often lead to an understanding of the motivations behind the sales.

Of course, the sales comparisons must be done thoroughly and all potential units of comparison should be examined. No longer can an appraiser only rely on the price per hole (the old method).

This unit of comparison doesn’t really allow for a true common denominator because most golf courses have similar numbers of holes (18, 27, 36), and similar land sizes. Therefore, the units of comparison which are tied to income, rather than to the physical dynamics of the course, can often (but not always) lead to more reliable indications of value.

Specifically, these units of comparison include green fee multiplier (GFM), overall rate (OAR), membership dues multiplier (MDM) and the other various income multipliers. Nevertheless, while often reliable, these multipliers do not allow consideration for operating expenses, which differ from course to course depending on many factors.

None of the above-mentioned methods consider the portion of the income that may be produced by personal property or business efforts.

Additionally, taxing authorities may argue that a golf club can be worth the combined value of its membership multiplied by fees (initiation and equity); i.e., $30,000 x 400 members = $12,000,000.

In recent years, many stronger, more supportable valuation techniques for golf properties have been developed.

The Appraisal Institute published a book on the topic of golf property valuation, numerous articles have appeared in professional journals and there now exists a group of appraisal professionals specializing in golf course properties called the Society of Golf Appraisers, whose members are dedicated to the valuation of golf properties.

All the above happenings in the past five years.

By most indications, the income approach would seem to be the most applicable valuation method for most golf properties; however this is not always the case.

For example, in many states there are defined procedures for valuing specific property types. In Florida, for instance, the cost approach is, by direction of the state Department of Revenue, the primary indicator of value for tax assessment.

Any appellant (golf course owner) must overcome the presumption of correctness (assessors law in most states typically places the burden of proof on the taxpayer, i.e., the assessor is assumed to be correct) given to the assessor and a court unfamiliar with golf properties and appraisal methodology.

Conversely, a 1991 New York decision in the Supreme Court of Nassau County (The New Country Club of Garden City v. The Board of Assessors, et. al.) on June 4, 1991, Rossetti, J., favored the income approach, stating, “Therefore we find that a proper consideration of the applicable statute and case law warrants valuation of the subject golf course according to its existing valuable and income-producing use.”

The case also stipulates that valuation of the property based on an alternative approach could produce an unfair and legally erroneous use.

While The New Country Club of Garden City case would seem to support valuation by the income approach, as well as the other arguments mentioned above, other appraisers’ considerations which may warrant deeper consideration of the sales comparison or cost approaches.

For instance, is the subject a “trophy” property or in a market where few substitutes are available or development is unusually difficult or expensive? To illustrate this, consider New York and California, where there have been sales of golf course properties (sometimes to overseas buyers) which seem to have no relationship to income and appear to relate only to the supply of and demand for ownership of real properties.

Consequently, when this is in balance, seemingly unrealistic prices can occur, the income (and cost) approach fails and the sales comparison approach becomes more reliable.

Finally, while it is widely perceived that the cost approach sets the upper limit of the value range, such does not always hold true for golf courses. Just as many courses cost too much to build, golf courses by nature become more valuable as they age. Physical maturity as well as historical significance can create value that cannot be reproduced anywhere else.

As the battle to increase revenue dollars continues in many local jurisdictions, assessors are now contemplating the re-assessment of all their golf course properties. In some cases, the taxing districts are engaging experienced golf property consultants to assist in achieving fair assessments, while in other jurisdictions, golf property owners are mobilizing in groups to respond to the reassessments by engaging legal counsel and golf property appraisers and consultants.

What can be done?

While each side holds decidedly different views, the entire process is bound to benefit if each is in search of fair assessment.

There are several ways to accomplish this. Individual property owners can retain an appraiser to evaluate the ad valorem tax assessment (a real-estate tax which is based on the value) and provide an appraisal, if necessary. A property owner can engage the services of a contingent-fee consulting firm which will require a substantial percentage of annual tax savings.

We think a particularly efficient way is for a group of owners or individual property owners to participate in a program like our firm’s TaxPar program, which allows property owners (or local assessment offices) to pool their resources to annually and regularly monitor and evaluate individual assessments.

With TaxPar, groups of clubs or courses in a particular market or geographical area can unite to share the cost of market research and analysis that is an integral part of any assessment evaluation or appraisal.

The program can be tailor-made for any geographical area and reduces the cost to each club as more clubs participate. Clubs can unite on their own or through their state and local golf associations, which can participate in TaxPar and offer these services as a value-added service of membership.

By participating in TaxPar, clubs gain the advantage of independent and objective assessment analysis and appraisal services while reducing their "up-front" risk by pooling their resources. Taxing jurisdictions are typically more receptive to independent, fee-based experts opposed to contingent-fee consultants. And with TaxPar, the initial investment is reduced.

TaxPar is also available to taxing jurisdictions and assessors seeking to accurately reassess the golf properties within their domain. We have acted as consultants to counties throughout this process and it has proven to avoid costly appeals and litigation by assisting property assessors in getting it right the first time.

Ad valorem tax assessments can be a complex and expensive issue. The most important lesson to be learned is to formulate a plan that allows the property owner or taxing jurisdiction to effectively monitor his/her assessment and take appropriate action when necessary while controlling the cost of these services.