Establishing the fair market value of a golf course, based on what it would sell for on the open market, can be an inequitable way to tax. Because of this, this approach is seldom utilized. If, though, you are in area where several courses have changed hands in the last few years, you may want to consult the new facility owner or the local assessing authority to get a handle on how much yor property is truly worth.

Although more difficult, the income approach would probably be more tangible to compute for the assessor. The income data at a golf course or club is readily available, but daily fee operators strive just to break even in many cases, and the private country club has income that is based on the amenities and services it establishes for its members.

Assessors using this approach would take just about every avenue of income into account, such as: green fees, golf car rentals, food and beverage service, pro shop sales, nonmember business such as golf activities or banquets, swimming pool charges, lessons, and locker room fees.

After all the income is totalled, the assessor would then deduct cost of operation to arrive at the net income. Salaries for all personnel would be subtracted, and supplies for the foodservice and total club operation would be computed, along with maintenance funds for the golf course and bills for water and energy needs. Club administration costs would also be deducted including, oddly enough, taxes, insurance, licenses necessary for the operation, accounting costs, and general office expenses. After this all is subtracted from income, the net is established and the appropriate rate is achieved. Again, this would offer little direction in assessing nonprofit clubs. The income approach could be quite applicable to the daily fee operation, though.

Most popular of the three and most widely accepted, is the cost approach. Many assessors and private fee appraisers concur this tactic will probably be the best in gaining an equitable assessment. In general, the courts seem to accept the cost approach, because it does the best job at handling unique assessments like golf courses and country clubs.

When assessors employ this technique, they take the overall value of the land, then add the present cost of the buildings and improvements upon the property — less, of course, the depreciation. Most facilities are viewed as parcels of land that are utilized for golf course purposes only with a minimum nine holes on the property. Any additional facilities that are not entirely golf-related — for example, a resort hotel complex — would be taxed on another value.

Many assessors will tax the land on its market value as is and can look at such improvements to the course as new automatic irrigation equipment, new greens and tees, or additional landscaping as valuable assets to the property that will ultimately be figured into the total facility worth. In the same vein, such improvements should be deducted from overall value as they age and depreciate.

Who assesses?

Real estate taxation is not something easy to generalize about. There are more than 13,500 separate assessment units in the United States. Some employ full-time staffs that go out into the field and assess in the proper manner. Some do not have any staffs at all; this is especially true in rural areas where county governments run on skeleton crews. According to various state laws, assessments may be made on-the-spot every year, or every 10 years. Even then, if there is a lot of property in the area that would have to be taxed, assessing officials in certain portions of the nation may not visit a specific site for several years. Here, they would generally rely on office files and what the assessments have been in the past. This practice would almost always disregard any improvements or buildings that may have been added to the property since the last assessment.

In fact, in certain assessment districts, there is no communication between the assessing authority and the agency that issues building permits. This would keep the assessor in the dark, and he might only realize improvements to the property if he had the opportunity to drive by it or make an on-the-spot visit.

Assessment practice is not an exact science. It will vary from township to township, county to county, and state to state. There are inequities. According to the International Association of Assessing Officials, in 1971 the assessed value of local taxable property was $552.7 billion. That rose to $853.4 billion 4 years later. The total

Richard Almy of the International Association of Assessing Officials.

local property tax yield in 1975 was approximately $50 billion. Census figures show, though, that the real property value was close to $1,755 billion. If nominal rates were raised to reflect full market value, total tax yield would have more than doubled to $116.5 billion in revenue.

This hits home even harder when the figures indicate that if fair market value were taken into greater account, more than $80 billion in additional funds would come in to local governments. Reforms are needed across the board, but the pace of correcting these problems is slow in view of the political ramifications.

Mass appraisal techniques have cost government most of the trust it may have had in the past. Use of computers is becoming more popular for assessors and the service that these machines provide is only as good as the assessing official in the field that feeds it data.

It has been difficult to establish just how much time an assessor may spend at a site when he does go out in the field. According to Richard Almy, director of research and technical services for the International Association of Assessing Officials, an average visit in certain areas of the country may not last more than 15 minutes. Of course, this would occur after the assessor has consulted files of past assessments at your course or club.

"Assuming the role of the environmentalist is not the job of the assessor," says Almy. "They are not there to dwell on the aesthetic side of the land, but on what is the land's best use." That may be the problem with real estate taxation in itself. What is or who decides "best use"?

State constitutions, often vague, dictate to most taxing authority what best use is. There is little doubt, though, that many assessors take into account what the land of a golf course or country club could become if the present facility wasn't there. That attitude has surely led to the higher-than-normal tax increases at many clubs and courses over the last few years.

Is open space best?

Open space legislation has been a key issue for many clubs and courses for years, but in the states that do not have any such laws, the strategy in pushing such bills through the state legislation is somewhat unorganized. According to the NCA's Ahlberg, "Many golf people do not know what the tactics are in achieving such open space campaigns."

"Additional taxes are often met with the only alternative private clubs have: a dues increase."

Lack of local publicity was the chief reason Ahlberg cited in the failure of recent campaigns in states such as Ohio. Ohio, in 1971, got use legislation through both houses and signed by the governor, but then the state supreme court stepped in and ruled the bill unconstitutional.

Like many other states, courses and clubs in Ohio are taxed on potential use factors. The state allows no classification of land for special purposes under the present tax setup. In 1975, the proposal went to the voters and even in an off-year election, the question was voted down almost three-to-one. Critics of the greenbelt campaign in Ohio have noted that the electorate was not given the story properly and had gotten the false impression that it was just another tax break scheme for a special interest group.

Ahlberg admitted that the fight for greenbelt in many states is just in its infancy. "We are just scratching the surface," he said. Fifteen states currently have some form of easement on the books (see page 25).

Indications are New York is attempting to update its law, and club-related associations in the Empire state have been working quite hard over the last few years to get legislation through the continuing battle of upstate interests versus downstate interests. The joint proposal has been languishing in the legislature for nearly a year. New York's law would establish a tax break for open and natural lands, particularly in and near rapidly growing urban and suburban areas. This is especially true in Westchester county, near New York City. Outdoor recreational land assessments, such as proposed in New York, would certainly protect many privately-operated facilities in the state and save management from the alternative of eventually selling all or parts of their land, because of the growing tax burden.

Money is the key to any successful legislative campaign and without enough, most greenbelt moves in the next year are doomed, especially if they end up in a general referendum as did the Ohio proposal in 1975. The Ohio Golf Association's Nick Popa told GOLF BUSINESS the $27,000 budget for the 1975 ballot was merely a token effort.

"Agriculture in the state had moved for an easement in 1973, and we thought the people were well-enough educated on the similarities of the cases," Popa stated. The gamble did not pay off. Ohio agriculture pulled out all the stops in its effort, spending $300,000 on TV, radio, and newspaper advertising. Popa indicated the ballot defeat was further complicated by the governor's insistence on four controversial issues being included on the ballot. Their overwhelming rejection by the voters spelled disaster for greenbelt. Moves in Ohio are not mute, since the golf interests are having a hard time finding a champion for their cause. The one they previously had in the Ohio senate lost in the recent election.

Sometimes, though, low-profile campaigns may have to serve as the answer, since voter suspicions are easily roused in these post-Watergate days. An advantageous way to lobby for such legislation is for golf groups to align themselves with other recreation interests. For example, the commercial camping industry in the state. This is what is occurring in Massachusetts. Although the state golf association is thoroughly involved in the attack on real estate taxes, it would probably be unwise to try it alone. To most of the population, golf is still considered in many areas a rich man's sport. This would be reemphasized when country clubs become openly involved in the lobbying effort.

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other states. Indications are Kansas and Texas will soon be involved in movements for easements by state associations. The National Club Association has made it clear it has advice available for state groups which are considering mounting an effort. Ahlberg noted that the NCA has also stressed the importance of clubs and courses telling their story to assessors, establishing public relations.

There is a point, though, where public relations ends and clubs or courses are forced to appeal their assessments to higher authority. In states such as Washington and Connecticut, the cases have hit the courts with the clubs eventually glad they went through the legal maneuvers.

Rolling Hills Country Club in Wilton, Conn., was being assessed as unimproved land near a 2-acre residential zone. In 1971, Rolling Hills appealed its assessment to the local tax review authority with the authority upholding the original assessment. Contending that it was indeed open space land and should be taxed in that classification, the club took its case to the Court of Common Pleas. That body ruled in favor of the open space claim. The town of Wilton appealed the verdict to the state Supreme Court.

Upholding the ruling of the lower court, the Supreme Court ruled in 1975 that privately-owned golf courses, like privately owned farmland, do qualify for lower assessments. This would fall under the law that passed in Connecticut in 1963. The town of Wilton was done in by its own planning and zoning commission, which had classified the course on several, separate occasions as open space.

Writing the opinion of the court at that time, Associate Justice Herbert S. MacDonald ruled, "It certainly is not arguable that the mere fact of the private ownership and the use of the land disqualifies the land from open space classification. Otherwise there would be no purpose even in considering preferential tax treatment for privately-owned farmland, forest land, and other lands which qualify physically as open space land (according to state law.)

Taxation and discrimination

Even beyond the tough problem of taxation, state governments have thrown in the moral implications of restrictive admissions policies, something which still strikes fear into many in the industry that see the loss of this "freedom of association" spelling the true end to the private country club as we know it today.

Most publicized of these cases is probably the Maryland case (GB, Aug. 1976). The attorney general there is left with the responsibility of deciding if clubs still qualify for open space classification based on whether those clubs withhold membership or guest privileges from anyone because of race, religion, sex, or national origin. That issue was tacked on to the original 1966 tax legislation in 1974. In accordance with the law, the attorney general there launched an investigation into whether discrimination was indeed present at any of the facilities. In the final analysis, 22 clubs had not answered an extensive questionnaire adequately enough to get the tax break. In the final analysis, 19 clubs were left to investigate, but at this point, none of them has had any discriminatory charges leveled at them.

Problems in Canada

Escalating assessments or threats of higher tax bills are not unique to the United States. Our neighbors to the north in Canada are also wrestling with the tax man.

Provincial government in Ontario is planning to triple the assessment rate on golf courses and country clubs in 1978. Ontario has more than 400 golf courses. Less than 100 are private clubs, so 75 percent of the courses in the province are open to the public.

In 1970, some courses in the province were being taxed at market value. The result was a drastic increase for those operations. A major committee was appointed by the provincial government and after 18 months, the 20-member panel concluded the market value approach would close down many facilities in the area. Recommendations on tax easement were made to the government in 1972 and still have not been carried out.

A. Ross Thomson, executive director of the Ontario Golf Association, told GOLF BUSINESS from his Toronto office that if the planned assessment increases go through next year, it will mean the end for many courses. "The government has ignored our recommendations, and now municipal rates are set to escalate."

Coordinating the lobbying effort for the OGA with provincial officials is Bob Osborne, but lately his work has been stalled by changes within the local government. After months of working with treasury officials in Ontario, Osborne saw much of his work get sidetracked by a personnel shakeup in the Ministry of the Treasury. Talk in Ontario now is that the minority government is planning new elections later on this year, further adding to the confusion of just who will be in charge of province taxation.

Even if the taxation problem becomes too much to bear, there are indications the government would be in favor of acquiring courses that can no longer meet their tax responsibilities. This would at least preserve open space in the province and not short the many golfers in the area.

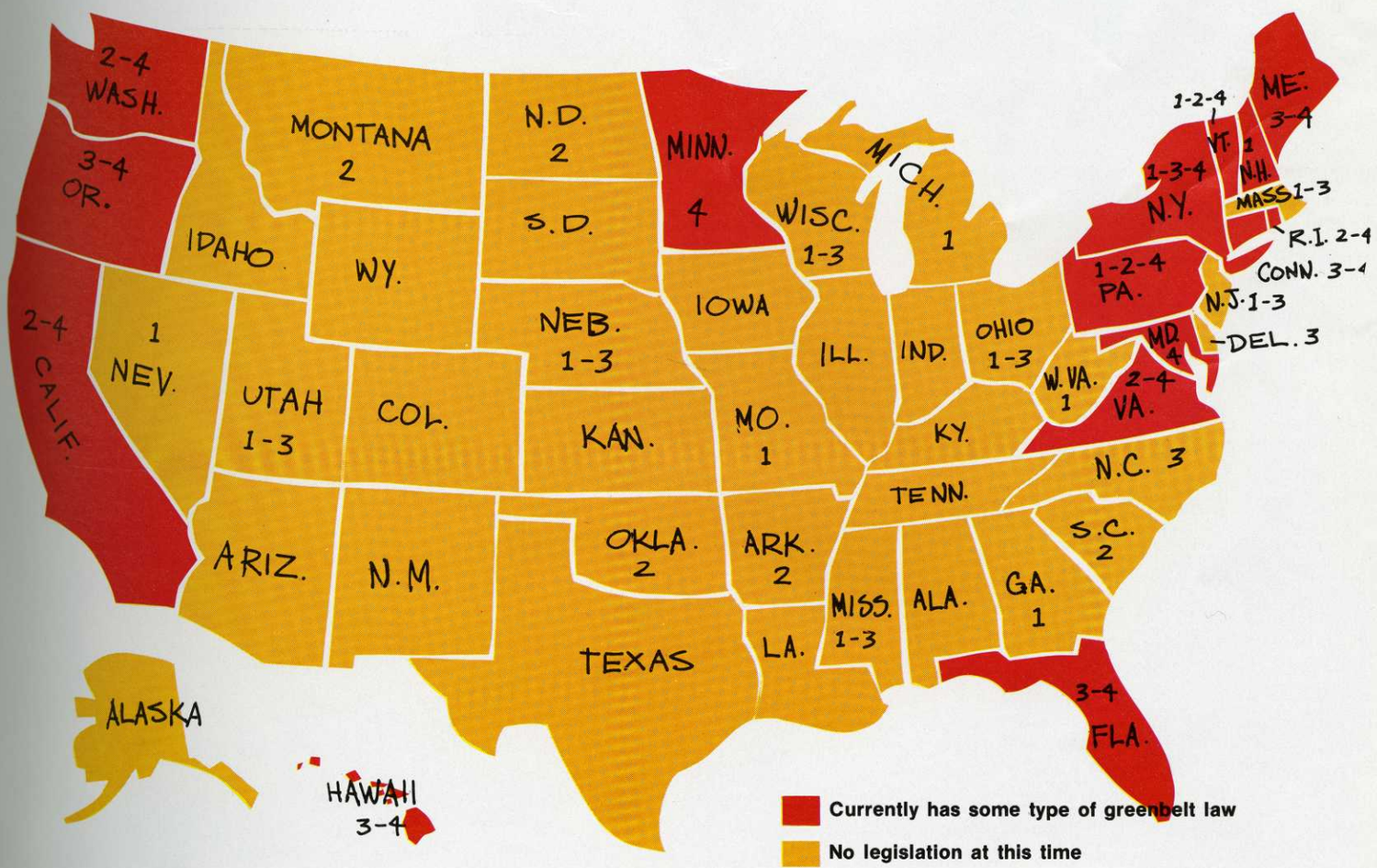
Irony and the IRS

Municipalities acquiring poorly managed facilities thus could lead to those courses being bought by cities and counties. Then, those acquired facilities compete directly for golfers with existing daily fee and private club operations in that market.

Strictly involving the private country club, nonmember business allowances by the Internal Revenue Service have raised many questions in taxation outside those of real estate. To maintain their non-private status and to avoid taxes that would be incurred if clubs were run on a profit basis, audits by the IRS every year or two are becoming more common. There is evidence the IRS will scrutinize more on the specifics of clubs engaged in nonmember outings, banquets, and dinners. Some IRS offices have already requested that managers file information on such income. They want to know what activities are involved and even which rooms were rented by the groups.

Some private clubs do pay taxes to the federal government and an exempt status probably will not reduce the tax bill, but there are many additional benefits clubs obtain by being

Greenbelt scoreboard: where does your state stand on taxes?



placed in this classification. For example, nonprofit clubs are not subject to the federal equal opportunity laws which dictate employment practices.

New developments in legislation on the federal level with bills like H.R. 1144 have altered the views of the IRS in dealing with nonmember business. Codes now state that tax-exempt clubs should have "substantially all" activities for pleasure, recreation, and other non-profitable reasons. In the past, the IRS had taken the hard line that clubs in this category had to deal "exclusively" in these areas, almost excluding nonmember business.

Investment income is another area where taxation can become involved for clubs. Nonmember business guidelines established with the passage of H.R. 1144 are now 15 percent of the total gross receipts of the club. Investment income guidelines dictate activity. If there is, that allowable percentage (under 15 percent) would be subtracted from the maximum 35 percent. Sources in the government admit the 15 and 35 percentages are not carved in granite, but the government will probably not revoke exempt status if clubs stay within these ranges.

Taxes are with the golf business to stay. Reassessments will continue to occur. National Club Association figures indicated in one survey that 70 percent of the facilities they questioned had been reappraised within the last 3 years.

Best suggestion for course and club management personnel to cut into the assessment problem: tell your own story. The system can be beaten, but only if clubs and courses join it. □

Number designations:

1. **Constitutional amendment needed for legislation.**
2. **Land is assessed for potential use.**
3. **Land is assessed for best use.**
4. **Current Open Space legislation in practice.**

Information supplied by National Club Association.

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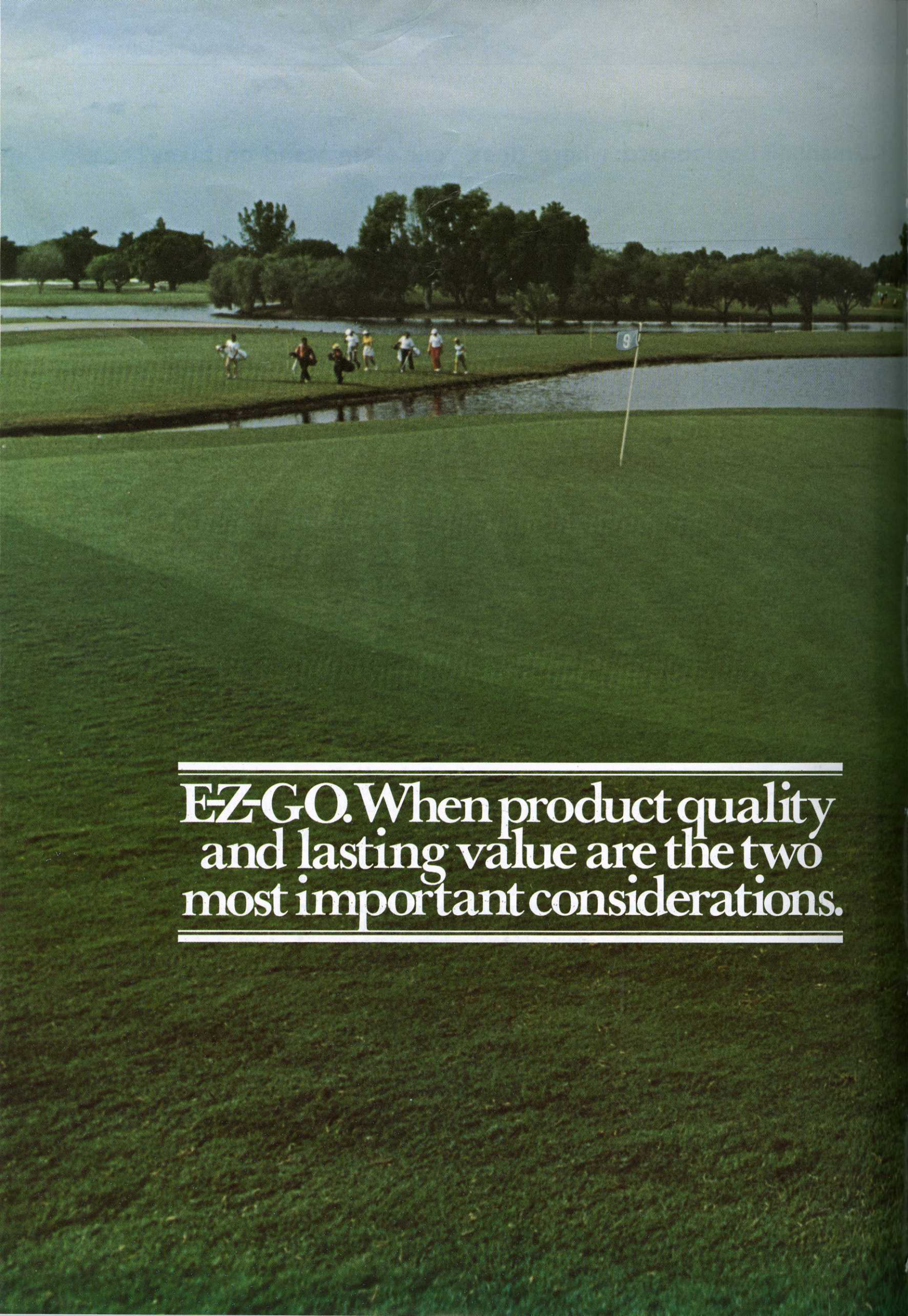
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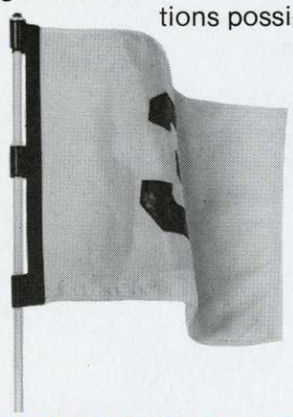

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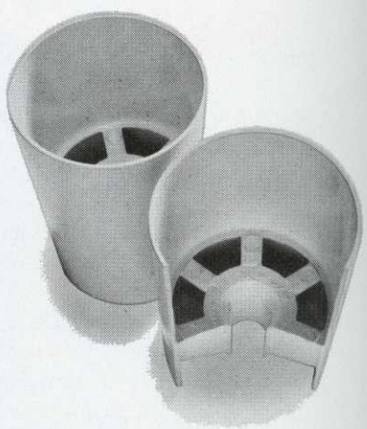

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Tees: misused and abused

by Joseph S. Finger, P.E.

(This is the second half of a two-part series. The first half, on the subject of misplaced and improperly directioned tees, appeared in GOLF BUSINESS last month.)

Getting back to the old "tee box," it was not uncommon 50 to 60 years ago to build these tees with sharp slopes, since labor was only 15-25 cents per hour and golf was played primarily by wealthy people. But times have changed. One of the great things about this country is the fact that nearly anyone can play golf, or certainly the upper three-fourths of the population by income groups can afford either a private, semi-private, or municipal golf course once in a while. On those courses where it is necessary to hold maintenance to a minimum, the old tee box is a thing of the past. Tees must be maintained in the most inexpensive manner, and this means either using fairway mowers or special tee mowers (which give superior effects). To use mechanized equipment, the sideslopes, backslopes, and frontslopes of the tees must have slopes no steeper than one vertical to four horizontal; or they should have no maintainable slope at all. In the latter situation, railroad ties, stone, brick, and concrete block have been used for many years.

Another feature of low maintenance cost is to avoid having too many tees, requiring the transfer of mowing equipment from tee to tee rather than mowing in a continuous operation. The same applies for spraying, fertilizing, etc. One course in Mexico, which received a great deal of publicity in one of the golfing magazines, recently called me for consultation on what to do about some of the holes which had as many as nine different tees! Their maintenance cost was tremendous.

In my opinion, in the future we are going to see more ground cover and less grass on the sideslopes of the tees. It is not only more beautiful, but it is usually a lot easier to maintain. A few walkways through this groud cover will provide access to the various parts of the teeing areas.

"To use mechanized equipment, tees must have side, back, and front slopes no steeper than one vertical to four horizontal."

Condition of turf

Finally we get to that part of the discussion which most people automatically believe is the only problem relating to tees. This usually results from one of three things: 1) They can't get the tee in the ground; 2) they can't get a level lie; or 3) water is standing on the tee.

There is never any excuse for not being able to get a tee in the ground. If you are going to spend from $500,000 to $1,000,000 on a golf course, you ought to be able to afford $50 to $100 per tee for sufficient sand to work into the top 3 inches to permit soft teeing areas. The trouble is, by the time many construction projects get to the finishing of the tees, someone has underestimated the cost (often of the club-

photo © Walt Disney Productions

Joseph S. Finger is not only a professional engineer, but a golf course architect and planner as well. He has been in the business for 20 years.

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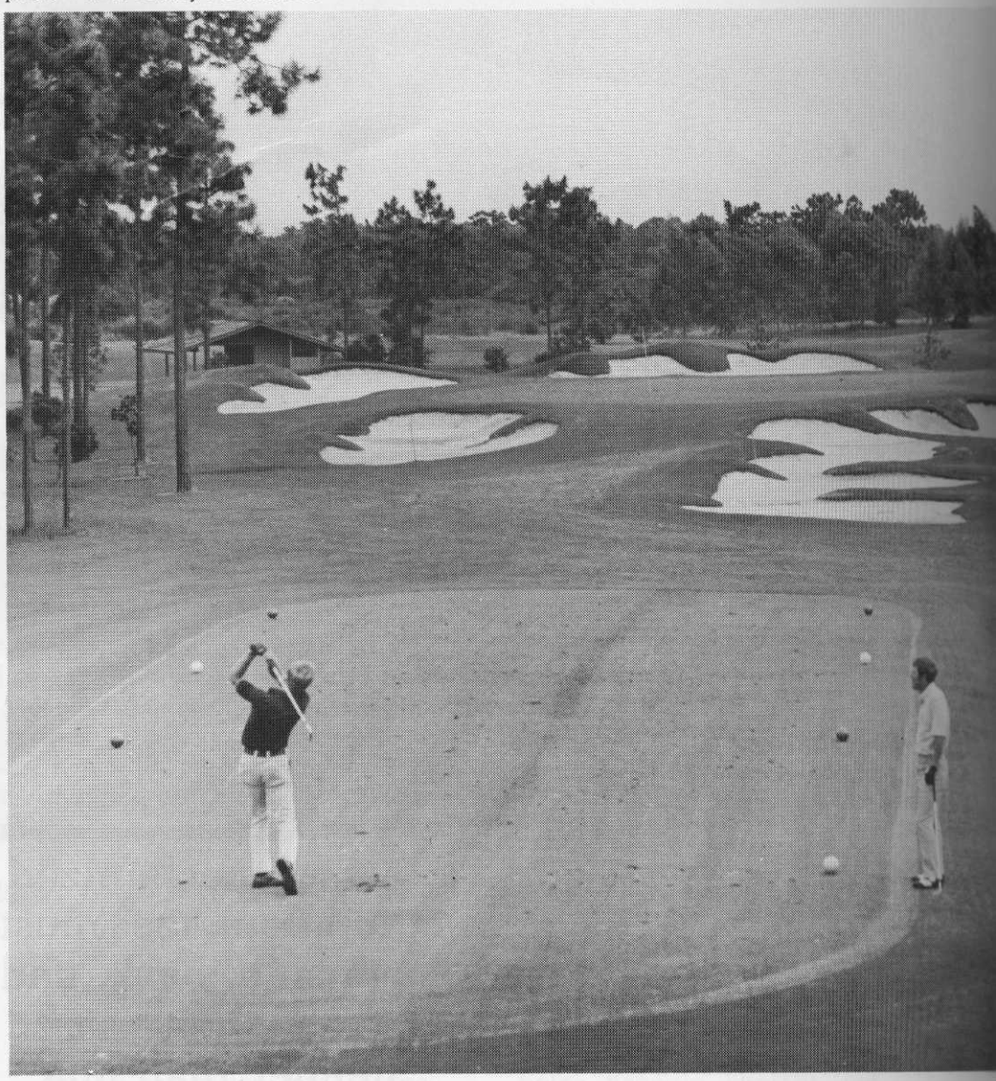

house) and there is no money left for this purpose. Either the architect, the contractor, or the owner will hope that the tees turn out soft enough so that the players won't complain. But sometimes it just doesn't work out. Sooner or later there will be additional expense of aerifying many times, topping with sandy material, and otherwise creating maintenance costs three or four times what it would have cost to construct the tees properly in the first place.

Some people believe the tees should be built the same way that USGA greens are built. This involves high permeability and very expensive sub-drains and seedbed materials. I question whether this is necessary. In the first place, most seedbeds for greens meeting USGA specifications are so sandy that it would be difficult for players to stand up on a hard drive until the turf and root system had built up over several years. Furthermore, in most cases such expensive procedures are just not necessary. If the top 6 to 8 inches of the tee contains a good mixture of at least 50 percent sand, 15 to 20 percent peat, and the remaining material either a clay loam or loam, you will probably get a good turf growing medium.

The second problem, of not being able to find a level lie, might result from poor construction techniques or from the problem of settling after the tee has been in play for from 1 to 5 years. Good construction techniques supervised by a qualified architect will avoid the first problem. There is a technique to getting tees level without wasting a lot of teeing area; and this requires a qualified contractor and/or a qualified golf course architect. If the tee has been elevated more than 4 feet, there is a good chance that the tee will settle unevenly unless correct compaction practices have been employed during construction. Whenever a tee is to be built with fill higher than 3 feet, it is wise to put the material in lifts of not more than a foot each, compacting them under proper moisture with a sheepsfoot roller until a height of 8 to 12 inches below final grade is obtained. This top 8 to 12 inches should be of the type of seedbed mentioned above.

If these techniques haven't been used during construction, or if the tee has settled unevenly, then the only thing to do is to shut down about a third of the tee at a time and remove the sod, level the tee, and either replace the sod or replant. But releveling must be done with either an engineer's level or transit; it should not be merely eyeballed. Furthermore, a 1 to 2 percent slope either lengthwise or laterally should be allowed for good drainage. I prefer replanting to resodding. Very few people can or will resod to the levels required for tees.

Often tees will hold water after rains or after irrigation because of uneven settling mentioned above, or because of poor techniques in installing the watering system. I prefer to have the watering system on the shoulder of the tee, not down the middle. There is always an excess of water collecting around the sprinkler heads, regardless of manufacturer; and this often leads to excessive settling in this spot, eventually creating a water hole. If the sprinkler heads are maintained on the shoulder of the tee, the chances are most of the water will run off the side — particularly if the tee is slightly crowned laterally with a 1 to 2 percent slope. Furthermore, if the piping in the irrigation system on the tee should spring a leak, you don't have to tear into the middle of the tee to correct it.

Teeing area

The amount of teeing area required will depend entirely on the amount of play and the shot required. Obviously, the par three holes on which irons are used will take more teeing area to allow for grass recovery than holes requiring a wood shot off the tee. I have seen various area requirements based on the length of hole, etc. Obviously, though, highly crowded municipal courses will require larger tees than country clubs which receive very little play. I personally like tees of from 40 to 50 yards in length, for the purposes of permitting higher-handicapped players to use more clubs in the bag (in spite of previous remarks), as well as to allow for different wind conditions.

The width of the tee will vary with the type of hole. I seldom find it desirable to make a tee less than 15 to 20 feet in width, and just as seldom find it unecessary to make a tee over 40