ASSESSORS' HANDBOOK
SECTION 515

ASSESSMENT OF GOLF COURSES

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Reprint Note

This manual has been renumbered from AH 510B, *The Appraisal of Golf Courses*.

This manual has been reprinted with a new format and minor corrections for spelling and math errors. The text of the manual has not changed from the prior edition. It has **not** been edited for changes in law, court cases, or other changes since the original publication date.

TABLE OF CONTENTS

CHAPTER 1: INTRODUCTION

This handbook presents current concepts employed in appraising a golf course. Its purpose is to establish guidelines that lead to standardized procedures in the assessment of golf courses, especially nonprofit courses, throughout the state. The handbook includes a brief look into the background and trends in ownership, architecture, construction technique, costs, and operation practices. All these factors plus the **off-site** social, political, and economic patterns are intrinsic to the value of a golf course.

Golf is one of the few sports universally enjoyed. In the United States alone it is estimated that 10,000 courses presently utilize approximately 1,900,000 acres of land and provide recreation facilities for 12,000,000 people. In California, 3,000,000 people, or about 15 percent of the state's population, play golf or take advantage of some golf-oriented land use. Approximately 400 new courses are developed nationally each year, thereby creating an annual rate of growth of 5 percent, and the future demand for land, improvements, and equipment appears to be strong with no end in sight.

Golf has become a popular spectator sport through the medium of television and the keen interest promoted by business. In addition to the course itself, many improvements are being added to satisfy the recreational and social desires of the spectator, the businessman, the socialite, and in many instances the entire family. Historically, many courses have been just 18 golf holes and a place to dress. Today the golf club may include a clubhouse, pro shop, bar, restaurant and/or snack bar, steam bath, swimming pool, tennis courts, shuffleboard courts, putting green and practice tee, plus facilities for exercising and massages. Additionally, there are satellite businesses such as cart and equipment rental and clothing and equipment sales which contribute to the overall income stream.

The present magnitude of the golf business and the dynamic manner of its expansion make the value of real and personal property involved an important part of the tax base.

CHAPTER 2: GOLF AND THE GOLF COURSES

Golf originated in Scotland prior to 1457 and was first played on native pasture lands. By 1890 the game had been adopted in the United States, rules had been established, and courses had been laid out. Interest in the game increased, and courses became more sophisticated, although always the "natural lay of the land" and "natural obstacles" were used whenever possible. Today the typical course has 18 holes, with each hole being comprised of a tee, a fairway, and a green. The measure of the golfer's skill and the object of the game is to use the least number of strokes over the number of holes played to get the ball from the tee into the cup. Each player competes against the skill of his associates as well as against par (par being the number of strokes that the expert golfer could be expected to achieve on a given hole or series of holes).

Each course is different and must be evaluated on a "whole property" basis by analyzing the components. One of the conditions that complicates any appraisal is the designed dissimilarity from other courses built into each golf course.

The course architect must maintain overall course conformity so that universally accepted golfing rules will apply. Yet he must use every possible combination of distance, direction, grade, and obstacle so that the course will have individualistic phenomena that will challenge, vex, and satisfy the golfer. Because of this situation, direct comparison between courses is often difficult.

There are golf course similarities that can be used for identification purposes, but generally they are too broad to be of much assistance in establishing appraisal comparability. For instance, there are private, semi-private, and municipal courses. There are large 18-hole championship courses containing 180 acres, small 9-hole courses with as few as 30 acres, and courses classified as Penal, Heroic, or Strategic – terms that hold real significance for only the course architects. There are "pitch and putt" courses, and there are courses with sand greens.

The United States Golf Association has a mathematical system for rating courses, but this system, although applied to the course, is in reality a function of player ability.

To all of these dissimilarities, add the variations found in structural improvements, general and specific location, the different golf-oriented satellite businesses, plus the social and economic overtones, and comparison of subject properties with sold properties requires skillful investigation.

Important considerations include current trends in the golf business relative to new courses, motivation behind golf course ownership, the cost of development, financing, and the expected revenue.

CHAPTER 3: GOLF COURSE DEVELOPMENT

Course development follows a reasonably well-established pattern including:

1. Land acquisition
2. Water supply provision
3. Route planning and surveying
4. Grading and shaping
5. Installation of irrigation and drainage systems
6. Seeding and landscaping

The time necessary to complete development is usually from ten to twenty months depending upon timing of work in relation to seasonal weather patterns.

In broad terms, golf courses can be categorized by the topography of the surrounding area: (1) flat courses located upon valley lands, (2) gently sloping courses located upon flood plains, (3) hilly courses located upon gently rolling and steeper sloping lands. The course developer can spend any amount of money to develop a course, but current development costs collected in 1975 indicate the following ranges:[1]

Flat courses	$15,000 to $18,000	$2,100 to $2,500
Gently sloping courses	$15,000 to $20,000	$2,100 to $2,800
Hilly courses	$16,000 to $30,000	$2,200 to $4,200

It must be emphasized that these costs are not typical of large championship courses, where development costs have recently exceeded $50,000 per hole.

The irrigation system is the most important single feature of the golf course; without it the course would fail. The developer has the option of installing a fully automatic system (expensive), a single-row automatic system (moderately expensive), or a quick-coupling manual system (least expensive).

[1] These costs pertain to development of playing areas only and do not include the value of land, structures, or irrigation system.

These systems range in cost from $50,000 to $200,000, depending on the quality of the system and the nature of the water source (pumped ground water, a water company, etc.).

Clubhouse and companion features aside, development costs fall into two general categories – "indirect costs" and "direct costs."

Indirect costs are comprised of, but not limited to, the following items, intangible in nature, that are incurred prior to or during early construction:

1. Planning and consulting fees
2. Permit, legal, and recording fees
3. Taxes, insurance, and financing costs during construction

Direct costs include the actual "quantity survey" or "unit in-place" costs. The major development cost items are:

1. Rough grading and shaping[2]
2. Drainage system
3. Irrigation system[2]
4. Finish grading
5. Seeds and seeding
6. Trees and shrubs
7. Special supplies
    - Soil amendments
    - Fertilizers
    - Plant growth regulators
8. Sand for traps and greens
9. Supervision and labor during construction
10. Miscellaneous, e.g., bridges

Direct and indirect costs furnish the raw data for the particular method of cost analysis employed: historical, replacement, or reproduction.

[2] By far the most costly items.

CHAPTER 4: THE APPRAISAL PROCESS APPLIED TO GOLF COURSES

The appraisal process, as applied to golf courses, involves these steps:

Step 1: Make a thorough inspection of the subject golf course and improvements.

Step 2: Inspect and analyze the area lying within the zone of influence – especially the adjacent neighborhood. Consider the number, character, and quality of competing golf courses.

Step 3: Collect all income, cost, and sales information related to the subject course and any other reasonably similar course.

Step 4: Locate and verify all land sales that (a) indicate comparable land value and (b) are associated with golf course use.

Step 5: Analyze and separate pertinent data.

Step 6: Incorporate data into the cost, income, and sales approaches and the stock and debt approach where applicable.

Step 7: Record the final value estimate indicated by comparing the values obtained in Step 6. With respect to nonprofit golf courses qualifying for assessment under section 10 of article XIII of the California Constitution, the foregoing steps of the appraisal process are subject to the specific comments and limitations mentioned in Chapter 7 of this handbook.

CHAPTER 5: RESTRICTED LAND VALUE

ENFORCEABLE RESTRICTIONS

Section 402.1 of the Revenue and Taxation Code provides that

> In the assessment of land, the assessor shall consider the effect upon value of any enforceable restrictions to which the use of the land may be subjected...

An enforceable restriction of the type referred to in section 402.1 is one which limits or conditions the use of land and is imposed by a public agency. The most prevalent of such restrictions are those created by zoning ordinances. Others may be created when a public agency acquires an interest in land by deed, lease, contract or agreement.

An enforceable restriction ordinarily diminishes the rights of use associated with ownership and therefore must be considered in the appraisal of any property so affected. **Deed restrictions and/or reservations between private parties are not recognized as enforceable restrictions for assessment purposes.** (See section IV-C, Assessors' Handbook section 501, *General Appraisal Manual*.)

Sections 422 and 423 of the Revenue and Taxation Code provide that certain open-space land restrictions meet the requirements of article XIII, section B of the Constitution and that land subject to them must be appraised by the use of an income approach. The capitalization rate to be applied to the estimated net income includes an interest component equal to the yield rate on long-term U.S. Government bonds, a risk component, and a property tax component. (See section 423(b)(2) and (b)(3).

Such open-space enforceable restrictions may arise as a result of:

1. Land Conservation Act contracts.
2. Land Conservation Act agreements as restrictive as contracts or more so.
3. Scenic restrictions created under Sections 6950 to 6954 of the Government Code.
4. Open-space easements created under section 51050 to 51065 and 51070 to 51097 of the Government Code.

ZONING

Enforceable restrictions such as those imposed by **zoning** ordinances are not included in the provisions of section 422 of the Revenue and Taxation Code but do come within the scope of section 402.1 and must be taken into consideration when appraising a profit-seeking golf course subject thereto. Section 402.1 not only requires such consideration but establishes a rebuttable presumption that the restriction is permanent. This rebuttable presumption could be invoked if a golf course assessment were appealed to the county board of equalization or the Superior Court.

Most golf course properties are subject to zoning restrictions which vary in nomenclature and coverage from city to city and county to county. Golf courses are usually permitted, for example, in limited agricultural zones, open-space zones, recreation zones, etc. The appraiser must be aware of this fact and base his opinion of value of a profit-seeking course on evidence (sales, income, etc.) relating to the subject property or to other property that is subject to similar restrictions.

Profit-seeking golf courses subject to zoning or similar restrictions may be appraised by the use of the sales comparison approach provided comparable sales of similarly restricted improved or unimproved land are used as evidence of value. The income approach to value may also be used on profit-seeking golf courses if the typical net income (actual or imputed) resulting from the restricted use of the course is capitalized by employing a capitalization rate taken from market transactions involving sales of similar land subject to similar restrictions. The appraiser is not precluded from using a higher net income than the land will yield as a golf course (a) if the zoning permits another use capable of yielding a higher return or (b) if the county planning commission and/or the board of supervisors have demonstrated a willingness to grant requests for zoning changes and a more profitable use for the land (e.g., subdivision) appears imminent. Under the latter circumstances, the appraiser may also use sales of land that is comparable in respects other than zoning.

Nonprofit golf courses that receive special treatment under the provisions of section 10 of article XIII of the State Constitution may also be subject to zoning restrictions and/or additional use restrictions under open-space legislation contained in the Government Code. If such a golf course is subject **only** to zoning regulations, appraisal in accordance with the constitutional provision will automatically take into account the effects of zoning. If such a golf course is subjected to an open-space land use restriction, an income approach to value that employs the capitalization rate described in paragraph "A" of this section must be used. The net income to be capitalized cannot exceed the typical annual net income earned by similar golf course properties.

The application of a given appraisal approach will depend on the restricted or nonrestricted status of the golf course in question as is demonstrated by the following summary.

PROFIT-SEEKING GOLF COURSES

Subject to **no** enforceable restriction	Property should be appraised for its highest and best use, using any or all of the accepted approaches to value.
Subject to zoning but otherwise unrestricted	Property should be appraised for its permitted use under current zoning ordinances unless the assessor believes the statutory presumption that the restriction is permanent can be rebutted.
Subject to zoning and to an enforceable restriction of a type listed in section 422 of the Revenue and Taxation Code	Property should be appraised for its **restricted** use following the procedure outlined in section 423 of the Revenue and Taxation Code.

NONPROFIT GOLF COURSES

Subject to **no** enforceable restriction or to zoning restrictions only	Property should be appraised in accordance with the provisions of section 10, article XIII of the State Constitution using the procedure outlined in Chapter VII.
Subject to an enforceable restriction of a type listed in section 422 of the Revenue and Taxation Code	Property should be appraised for golf course use in accordance with section 423 of the Revenue and Taxation Code. This will automatically comply with sections 8 and 10 of article XIII of the State Constitution.

CHAPTER 6: PROFIT-SEEKING GOLF COURSES

A profit-seeking golf course is one that is organized for the purpose of returning a profit on funds invested by the owner. Such a course will usually be open to the public, and every effort will have been made to promote as many "rounds" and as much income as possible. This principle applies also to the companion features, where the underlying motive is the profitable sale of goods and services.

APPROACHES TO VALUE

The appraisal of any golf course is an intricate problem, and no single approach is best applied in all situations. Each of the approaches to value has merit when used with good judgment and held in correct perspective in relation to the specific problem. If each approach is correctly applied as outlined in Assessors' Handbook section 501, *General Appraisal Manual*, the golf course appraisal problem can be solved.

LAND VALUATION

When the owner of a golf course seeks to produce a profit, the land value estimate **is not** subject to section 10 of article XIII of the State Constitution. Accordingly, the assessment should be based upon the **highest and best use** of the land and not necessarily upon its use as a golf course. In this instance the appraisal should be made in accordance with accepted standard procedures at full value.

THE COST APPROACH

1. **The cost approach** is most often relied upon, not because it is theoretically superior to the other approaches, but simply because of the limited availability of land sales information and the fresh supply of current improvement cost data. The greatest pitfall associated with this approach is the depreciation estimate. This approach is exceptionally well adapted to the appraisal of a newly-developed course where construction costs are still available and depreciation is minimal. Be watchful for **functional** and **economic** obsolescence.

2. **The historical cost less depreciation** is by far the most frequently used technique, especially in those instances where the course being appraised is relatively new (5 to 10 years) and construction costs are still available. This approach produces a progressively less reliable estimate as the course ages.

3. **The replacement cost technique** is used on a limited basis today. However, the variation in courses generally, and the variation in course development costs, preclude a reliable value estimate based on a cost per hole, cost per acre, or cost per linear yard. Except for

championship courses, it appears that course development costs can range from $1,000 to $4,000 **per acre.** However, the replacement cost technique will probably be used more in the future because of a lack of meaningful historical cost data on many golf courses.

4. **The reproduction cost technique** applied to golf course appraisal tends to merge with the factored historical cost technique and is not very reliable for valuing older courses because it is difficult to envision that a golf course would be exactly reconstructed, or that reasonable cost data could be found. Skills and materials may not be available, and older structures may not meet current building codes.

5. **Depreciation** as a value estimate based on cost is no more reliable than the estimate of accrued depreciation. Physical deterioration of the clubhouse, pro shop, swimming pool, etc., may be measured fairly accurately by age-life tables and observed condition. **Functional** and **economic** obsolescence can best be estimated by the cost to cure and/or the capitalization of lost income.

The irrigation system, drainage system, fences, and bridges can also be depreciated according to published tables. Tees and greens are an integral part of the land value according to Property Tax Rule 121,[3] and land as such does not depreciate. However even though tees and greens are considered part of the land, they do depreciate. Allowance for this depreciation should be classified as physical deterioration and provided for by the cost-to-cure method. Deterioration of the greens results from different causes that proceed at different rates. Greens are constructed by first bringing the subsurface to within eight inches of the designed finished grade. Next the drainage and irrigation systems are installed, and the green is then brought to finished grade. Deterioration occurs primarily from three sources: (1) infestation of grasses that are uncontrollable and that are completely unadaptable to golf green use, (2) compaction due to foot traffic and abrasion from clubheads, and (3) poor maintenance – especially regarding irrigation and fertilization.

There are methods of replacing sod in the club-damaged areas that temporarily alleviate this problem. Also, sophisticated aerifiers can be used to correct compaction partially; ultimately, however, the green must be rebuilt.

Information provided by golf course managers indicates that greens subject to heavy foot traffic have an average life expectancy of 20 years, although some greens at private clubs where traffic is light and care is intense last as long as 40 years.

It has been estimated that an "average" green can be replaced for $8,000. However, greens vary widely in size and accessibility, and costs employed must be qualified accordingly. Traps usually are not replaced because of deterioration but sometimes are relocated due to proposed improved "playability" of a particular hole. Admittedly, sand is lost naturally by wind erosion and by the nature of the "blast" swing employed by golfers. The cost of replacing the sand should, however, be treated as a perpetual operating expense.

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[3] Section 12, Chapter 1, Title 18, California Administrative Code.

6. **Other Costs –** The example on pages 29 through 34 of this handbook shows the items most often included in a typical cost approach. Costs shown are within the range of costs reported by the golf course developers.

THE INCOME APPROACH

The income approach to value involves converting the income stream into an estimate of value. The basic data, actual or imputed, necessary to accomplish this are: (1) total gross income, (2) total operating expense, (3) the remaining economic lives of the improvements, (4) the independently estimated land value or the independently estimated improvement value, and (5) the capitalization rate.

The total gross income depends on the several modes of operation: (1) where the entire property is owner-operated, (2) where the entire property is leased, (3) a combination where one or more of the companion features is leased (restaurant, bar, pro shop, etc.) while the remainder is owner-operated.

Many types of leases may be encountered. They vary as to the length of the term, the rental rate, the renewal provisions, the party responsible for utilities, furniture, taxes, etc. For a more detailed explanation of leasing arrangements generally, the reader is referred to the American Institute of Real Estate Appraisers' *The Appraisal of Real Estate*, sixth edition, 1974.

Income

The underlying validity of the income approach is founded upon the principle that only an economic income stream should be capitalized to produce evidence of market value. Whether the subject is wholly leased, partially leased, or totally owner-occupied and -operated, the appraiser should always use economic income. The capitalization procedure outlined in Assessors' Handbook section 501 is recommended.

As a practical matter, entire golf courses are rarely leased, and the appraiser will almost always find himself reconstructing an income stream from a profit and loss statement such as Exhibit A, page 36.

Green fees produce most of the income at profit-seeking golf courses. Income from the rental of golf cars and carts is also a major source of income and is at times second only to green fees. Additional income is derived from the practice range, from the sale of food, beverages, and golfing equipment. A fair-rent percentage of this additional income is included in the total income figure of the income approach.

At most golf courses there are four green fee schedules: (1) weekday 9-hole rounds, (2) weekday 18-hole rounds, (3) weekend 9-hole rounds, and (4) weekend 18-hole rounds. Rounds played on holidays usually cost the same as those played on weekends.

Expenses

Items of expense are equally as important as items of income, and care must be exercised to discover the total cost of operation, especially where leases are involved. It is very important to discover which party to the lease is responsible for the costs of utilities, taxes, maintenance, and breakage.

The largest single item of expense will always be the maintenance and upkeep of the playing area of the golf course. Managers and greens superintendents report that this expense for an 18-hole course ranges from $100,000 to $150,000 annually. This figure makes no provision for the replacement of tees and/or greens; if such expenses are common to the course being appraised, they must be provided for separately.

Most profit-seeking courses do not have elaborate clubhouse facilities and therefore do not incur the large management, maintenance, and staff expenses that are found at the nonprofit country club courses. A few exceptions to this generalization will be found in several locations throughout the state where large privately owned public facilities exist. Other items of expense typically found in the operation of a golf course may be found in the example on pages 13 and 14.

The Capitalization Rate

A realistic capitalization rate may be extracted from the market by finding the quotient of the net income divided by the sale price of comparable properties. This method involves elusive factors since golf course sales are few in number and the courses are often difficult to compare. Market data are available, however, and should be sought out and analyzed.

The following outline may be used as a guide to the income approach to value. It is the land residual technique and is **very sensitive** to small variations in the amount of net income before recapture.

ANNUAL ECONOMIC GROSS INCOME

Green Fees

Weekdays, 9-hole rounds	5,000	@	$1.50	=	$7,500
Weekdays, 10-hole rounds	10,000	@	3.00	=	30,000
Weekends and holidays, 9-hole rounds	15,000	@	3.00	=	45,000
Weekends and holidays, 18-hole rounds	30,000	@	5.00	=	150,000
Annual gross income from green fees					**$232,500**

Additional Income Assigned to Rent

Food sales	@	5%	$1,200	
Beverage sales	@	10%	2,400	
Pro shop sales	@	5%	1,800	
Golf car and cart rental	@	10%	7,000	
Practice range	@	5%	1,500	
Total additional income assigned to rent				**$13,900**
Total annual gross income				**$246,400**

ANNUAL EXPENSES

Golf Course

Maintenance (bridges, fences, etc.)	$5,000	
Salaries (Pro and greenskeeper)	15,000	
Wages (starter, greensmen)	40,000	
Water	10,000	
Supplies (fertilizer and sand)	20,000	
		$90,000

Clubhouse and Pro Shop

Maintenance	$5,000	
Insurance - all types	5,000	
Utilities	5,000	
Salaries and Wages (Club Manager)	20,000	
		$35,000
Total Expenses		**$125,000**
NET INCOME BEFORE TAXES AND RECAPTURE		**$121,400**

Income Imputed to Improvements and Personalty

Buildings	$200,000	x	(2%[4] + 7%[5] + 2%[6])	=	$22,000
Irrigation	150,000	x	(3% + 7% + 2%)	=	18,000
Course structures	8,000	x	(5% + 7% + 2%)	=	1,120
Personal property[7]	45,000	x	(15% + 7% + 2%)	=	10,800

Total **$51,920**

Net Income Attributable to Land (Shaped and Planted) **$69,480**

Indicated Land Value **– Developed for Golf Course Use =** **$772,000**

Capitalization: $69,480 ÷ (7% + 2%)

Recapitulation

Land		$772,000
Buildings	(50 - year life)	200,000
Irrigation system	(33 - year life)	150,000
Course structures	(20 - year life)	8,000
Personal property[5]	(6 - year life)	45,000

Estimated Total Value **$1,175,000**

THE SALES COMPARISON APPROACH

The sales comparison approach to value is usually the most reliable approach when recent sales data are available. Unfortunately, golf course sales are scarce, and usually a large area must be searched to discover significant data. Additionally, each sold property will very likely exhibit local physical and economic characteristics that the appraiser must weight carefully when making comparisons.[8]

Historically, many golf course sales either have been of a forced nature or could not truly qualify as arm's-length transactions. This seems to stem from the fact that **successful** golf course operations usually are not sold. Every sale should be analyzed for realistic information that can be

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[4] Capital recapture
[5] Yield rate
[6] Property tax component
[7] Personal property includes golf course equipment such as mowers, rollers, etc.
[8] See pages 21-22 for characteristics that help establish comparability.

used to determine trends in motivation of ownership, financing arrangements, income and expense schedules, and sales prices. It should be remembered that sales prices are the strongest and best evidence of value when comparison is possible.

Today most new golf courses are developed as integral parts of planned subdivisions and, in some instances, such courses have subsequently been sold for a great deal less than their original development cost. Courses are planned and built to stimulate lot sales within the subdivision. Any loss resulting from a subsequent sale will usually have been more than offset by the enhanced prices of the subdivided lots. The buyers in many of these sales have been members of the golf club, if memberships exist. If a proprietary membership[9] does not exist, efforts are usually made by the course seller to organize a club that will include many of the homeowners in the subdivision. Subdivision homeowners usually have the right of first refusal. When golf course sales involving members are encountered, a careful analysis must be made to determine whether the price paid is in fact market value. Two new golf courses have been sold recently for prices approximately 50 percent of the original development costs. Some reasons believed to have had an influence upon these prices are:

1. The area in which the sales occurred has a wealth of good golf courses, and competition for the golfer's dollar is keen. Few investors are anxious to invest in a business where the competition for customers is so intense.

2. One of the courses was located to provide golfing facilities for employees of a nearby aerospace company. Because of cutbacks in government spending, many former employees were forced to move and the expected growth of the associated subdivision did not materialize.

3. Both courses were designed as championship courses that included large and costly clubhouse facilities designed for use by a clientele whose financial position was expected to be somewhat higher than that of the actual membership. The result of this was a cost/benefit ratio which was economically out of balance, demonstrating that **cost and value are not always related.**

Similar examples of economic and functional obsolescence may or may not exist in other areas. However, the point is that every sale must be analyzed in the light of the property being appraised, so that courses experiencing financial difficulty are not considered closely comparable to an appraisal subject that is operating successfully.

Aside from the extreme care that must be exercised in selecting and analyzing sales, the procedure outlined in the sales approach to value in Assessors' Handbook section 501, *General Appraisal Manual*, applies to the appraisal of profit-seeking golf course properties as well as to other classes of property.

[9] A proprietary membership embraces ownership of the golf course and/or companion features.

SUMMARY

Golf courses organized and operated for the purpose of producing a profit must be appraised on the assumption that the land and buildings are available for their highest and best use. The appraiser must consider any potential higher and better uses of the property and must predicate his final estimate of value on the most profitable of these uses. The procedure outlined in Assessors' Handbook section 501 applies to golf course properties **that are profit-seeking ventures,** and the three standard approaches to value are recommended.

CHAPTER 7: NONPROFIT GOLF COURSES

CONSTITUTIONAL PROVISIONS

Section 10 of article XIII of the California Constitution states as follows:

> Real property in a parcel of 10 or more acres which, on the lien date and for 2 or more years immediately preceding, has been used exclusively for nonprofit golf course purposes shall be assessed for taxation on the basis of such use, plus any value attributable to mines, quarries, hydrocarbon substances, or other minerals in the property or the right to extract hydrocarbons or other minerals from the property.

This section has six basic requirements:

1. The real property must **consist of one parcel of ten acres or more.** The question may arise as to whether a street or roadway cutting through a golf course would interfere with the ten-acre limitation. It is our belief that it does not. The intent of the people in voting for this section was that it apply to golf courses consisting of ten acres or more as long as the acreage is sufficiently contiguous to permit its use as a single course. Likewise the fact that a golf course is divided by tax-rate area lines does not prevent its being assessed under section 10 if its total area equals or exceeds ten acres.

2. The real property must be **used for nonprofit golf course purposes**. The nonprofit characteristic relates to monetary returns rather than amenities. The income from most homes is in the form of amenities, and the income from a mutual operation such as a nonprofit golf course is also in the form of amenities. Just as the house has value to the owner, so does the nonprofit property have value to the members of the organization because it yields returns in the form of amenities rather than in money.

If the operation is nonprofit, it may have been so classified by the Internal Revenue Service and/or the State Franchise Tax Board. Generally speaking, if it is a nonprofit operation it is organized as a nonprofit corporation and has appropriate articles of incorporation filed with the California Secretary of State. The assessor should verify its nonprofit status by inquiring of the Secretary of State or by requesting from the club manager a copy of the articles of incorporation certified by the Secretary of State.

Some golf courses are not owned in fee by the organization but are either leased or are being purchased from a private individual under contract of sale. section 10 does not put a limitation on ownership and applies to property used exclusively for nonprofit golf course purposes even though the club operating it leases it from a private individual.

3. Section 10 refers to the assessment of "real property," a term defined in the Revenue Code to include land and improvements. Among the improvements subject to the section are the clubhouse and other structures incidental to and normally connected with a golf course operation. Any land or structure rented for commercial, residential, or other nongolf course purposes, any land not essential to or used for the golf course, or incidental structures held for sale or potential rental would be excluded. Tennis courts and swimming pools that constitute part of the overall golf course operation do qualify under section 10.

4. In order to qualify as a nonprofit golf course, the property must have been used exclusively for that purpose **for at least 24 successive months prior to the lien date**. This means that a course being assessed in 1976 must have been used for nonprofit purposes at least since March 1974.

5. In assessing the real property the assessor shall, with one exception (see item 6), consider **no factors other than those relative to golf course use**. The potential of the property for residential, commercial or industrial use should be excluded from consideration in arriving at the value for tax purposes. Such a value may, however, be obtained by using data resulting from sales of similar undeveloped lands whose highest and best use is clearly golf course use. Furthermore, it is proper within the limitations imposed by section 10 to derive and use for appraisal purposes cost and income information taken from the development and operation of profit-seeking golf courses. Accordingly, if the "land residual" or the "building residual" technique is used to estimate value, the imputed income must be inferred from income produced by property used exclusively for either **profit or nonprofit golf course purposes**.

6. The assessor must consider the existence of any mineral rights within the property. Any value attributable to mines, quarries, hydrocarbon substances, or other minerals in the property or the right to extract hydrocarbons or other minerals from the property should be added to the value of the property for use as a golf course or substitute for the latter value if exploitation of the mineral rights would preclude continuation of the golf course use.

APPROACHES TO VALUE

The value of nonprofit golf courses must be estimated in accordance with section 10. The three classic approaches to value – income, cost, sales comparison – may be used. **However, caution must be exercised in selecting sales data.** (See sales comparison approach to value, page 21.) The residual technique of the income approach to value may be used **where imputed data (see page 13) have been taken from the operation of the subject course and/or similar golf courses.**

It is evident that the appraisal of a golf course, especially a nonprofit golf course, is an extremely intricate appraisal problem and that the appraiser necessarily must bring to bear all the standard approaches to value that are available.

THE COST APPROACH

The reader is referred to page 9 of this handbook, where the cost approach is discussed. This approach varies in its application to nonprofit golf courses only in that the land value must be estimated by relying either upon sales of lands sold for exclusive golf course use and whose highest and best use is clearly golf course use for the foreseeable future, or upon the income approach incorporating the land residual technique.[10] When the land value estimate is based upon the land residual technique, two points must be kept in mind.

- The land value is the value of the land contoured and landscaped as a golf course and not the value of raw land.
- The residual income stream imputed to the land must be compatible with the income streams received by **comparable** courses. The expenses of a municipal course do not ordinarily reflect financial support received in the form of city labor, central bookkeeping, etc. They are therefore not comparable to the expenses of a course operated by a nonprofit corporation.

An example of the cost approach may be found on page 28 in the appendix of this handbook.

THE INCOME APPROACH

The income approach is the process whereby net income is capitalized into an indicator of value. There is some question as to the credibility of this approach when applied to a nonprofit golf course since, by definition, a nonprofit course is one that should produce no net income (profit) and therefore cannot accommodate this method. However, **nonprofit,** as the term is used in article XIII, section 10 of the Constitution, does not necessarily indicate that a professed nonprofit operation can never realize a net income. Court decisions interpret the term to mean that the particular organization is not operated for the purpose of making a profit and that if a net return is realized it is or will be devoted to organizational purposes rather than being distributed to the individual members except upon dissolution of the organization. There are no legal restrictions placed upon using residual (net) income to upgrade the property (new drapes, new carpets, new golf cars, and/or provisions to improve the "playability" of the course). Over a period of time such upgrading could enhance the value of the golf club, thereby increasing the value of the club memberships and creating an opportunity for profit to a membership holder should he sell his membership or use it for loan security purposes. This possibility does not affect the club's nonprofit status.

Because a net income **potential** does exist, it is recommended that the income approach be explored fully, using extreme caution in establishing a long-term stabilized income stream, ascertaining accurate expense and recapture schedules, and determining a capitalization rate. This recommendation applies whether the total property value is being estimated by capitalization

[10] See Assessors' Handbook section 501, *General Appraisal Manual*, Land Residual (VI) (B) (6).

using an "overall rate" or by a land residual technique using a rate that includes interest and taxes only.

There are several general types of monies generated by a nonprofit golf club. They are:

1. Initiation fees that may range from a few hundred dollars up to $25,000 per membership.
2. Monthly membership dues that range normally from $25 to $100.
3. Green fees paid by nonmembers.
4. Miscellaneous income received from practice range fees, pro shop sales, bar sales, restaurant sales, and locker rentals.

In appraising a golf course where nonproprietary memberships are sold, the sum of such membership fees may be added to the capitalized value of other income earned by the golf course. However, membership fees must never be capitalized since they are not reoccurring income. Often, when a member sells his membership, a portion of the membership fee is retained by the club as a transfer charge. Such transfer fees are considered to be income earned by the club and should be included in the capitalized earning ability of the property.

The second type of monies, monthly dues, represents the amount members are willing to pay month after month to enjoy the use of the golf course. However, this income is scheduled for a "breakeven" operation, and a residual income seldom remains to be capitalized. Lacking such income, the appraiser should impute to the subject nonprofit course an income stream based upon the income developed by reasonably similar **profit-seeking courses.** This imputation will necessarily require a study of profit-seeking courses to ascertain an economic green fee schedule, an estimate of the expected volume of play,[11] and appropriate expenses.

It is imperative, however, that an appraiser using the imputed income approach have in mind at all times that the income stream that he imputes to a particular nonprofit course will only support value conclusions if the considerations involved in developing the income stream are reflected by the pertinent characteristic **of the specific course under consideration.** What the appraiser seeks is the answer to this question: What income would the subject property produce if put to its highest and best golf course use, whether that use be for a profit-seeking course or a nonprofit course?

The reader is referred to the land residual technique on page 13 and 14 for use as a guide to the income approach.

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[11] By letter dated April 2, 1969, T. L. Hartigan, counsel for the State Board of Equalization, presented the following opinion regarding Section 2.6, Article XIII of the State Constitution: “The only thing the constitutional provision does is require that when you use the income approach on a nonprofit golf course you cannot anticipate a better income than that which would be produced by a **golf course.** You cannot base value on a higher and better use than use as a golf course . . .

“Therefore, a full and complete satisfaction of the provision as to the income approach would be to employ as data in the valuation of nonprofit courses that from golf courses that are run for profit, but which, of course, are themselves a reflection of the highest and best use of their own lands.”

THE SALES COMPARISON APPROACH

The reader is referred to section VI (A) of Assessors' Handbook section 501, *General Appraisal Manual*, wherein the sales approach to value is discussed. The procedure outlined there should be followed in the appraisal of a nonprofit golf course, except that the data relied upon as indicators of value must be confined exclusively and totally to property devoted to golf course use. The following statement from the Attorney General's office is germane:

> . . . Sales of land in the market, whether it be improved or unimproved, are governed by what informed buyers will pay for the land presumably for any legally available use. The cost of raw land should not be used unless it is clear that use of the land as a golf course constitutes the highest and best use. A sale of a nonprofit golf course could be considered provided the land is permanently dedicated to such use. As a general rule, sales of profit-seeking golf courses should not be considered since their value may include the highest and best use of property for purposes unrelated to golf course purposes.[12]

It has been pointed out that sales of golf course properties are few in number and that a large area must necessarily be searched to acquire a reliable quantity of sales information. Bear in mind that considerable effort has been expended to make each course different and comparisons may therefore be difficult. Moreover, proximity to a wealthy and enthusiastic membership potential is one of the greatest contributions to value, and courses may differ greatly in this respect.

The crux of section 10, article XIII is that nonprofit golf courses must be appraised on the basis of golf course use and not upon the basis of a higher and better use. This concept limits useable golf course sales to only those where the highest and best use is golf course use. In making comparisons, the appraiser should consider the following items:

1. **Location**
   Distance from playing populace
   Interrelationship with subdivision
   Access and Parking

2. **Climate**
   Length of playing season
   Wind direction and velocity
   Frequency of play-stopping storms

[12] Hollingshead, Edward P., Deputy Attorney General, memorandum dated January 8, 1971.

3. Playability

Course challenge

- steep fairways
- esthetic contouring
- surface drainage
- size of greens
- width of fairways
- shrub and tree maturity

Course condition

4. Irrigation System

Reliable water source
Water cost (pumping costs or vendor charges)
Water quality
System type (fully automatic, etc.)

5. Soil Type and Texture

Intrinsic drainage; water-holding capacity
Salinity or alkalinity

6. Tools, Equipment, and Rental Items

Type
Condition
Income produced (golf cars, carts, clubs, etc.)

7. Practice Range

8. Size

Acreage
Number of holes

9. Improvements – Size and Condition

Clubhouse

- bar
- restaurant
- clubroom
- locker rooms

Pro shop
Pool
Tennis courts

10. **Financial Factors**
    Outstanding debt
    Number of members
    Monthly dues
    "Minimum" (to be spent at bar or restaurant)
    Green fees
    History of special assessments
    Annual operating costs
    Rounds played annually

11. **Sales Terms and Conditions**
    Sale price
    Trust deeds or mortgages including chattels
    Interest rates
    Terms of loans
    Leases (especially leaseback)
    Options
    Mineral rights
    Liquor license included in sale price or financing

STOCK AND DEBT APPROACH

It is recommended that the stock and debt approach never be used as the sole indicator of value. However, since at least one recent golf course sale was consummated on this value basis, a brief discussion is warranted.

The stock and debt approach is a variant of the market data approach to value. The stock represents the equity in the property, and its value is ascertained from the price people are paying for it. A purchaser of stock also implicitly assumes the debt against the property, and for this reason the amount of the debt assumed must be added to the consideration paid to obtain the total purchase price.

The stock and debt approach is a logical one when the property is publicly held and the stock is actively traded on a securities market. However, an element of uncertainty is introduced where golf courses are concerned since price of the stock may be "administered" rather than set by arm's length bids and offers. Also, the very eligibility of the prospective purchasers may be controlled by the sellers, and not by the purchasers themselves; that is, eligibility to purchase may be limited for geographic, economic, or social reasons. **With those reservations in mind,** we can proceed.

This approach to value, simply stated, calls for the addition of the total number of outstanding debt to the produce of the total number of members multiplied by the current cost of a membership. Most club managers agree that 400 is the optimum number of members, although a wide variation in membership may be found statewide. Initiation fees likewise vary throughout the state. For example, in the Sacramento area the cost to join one of the several country clubs ranges from about $1,000 to $4,000; in the San Jose area the cost varies from $2,000 to $6,000, and in Los Angeles the cost may go as high as $25,000.

Wide variations also exist in outstanding debt. Usually a relatively large construction loan is necessary to complete the development of a course; later a long-term "take out"[13] loan may be negotiated. These loans vary as to the length of the term, the repayment schedule, and the interest rate. Usually new members must pay their initiation fee within a short time although in some cases a portion of the fee will be financed by the club. Also, banks will often loan members as much as 75 percent of the initiation fee to promote club patronage.

The following example demonstrates the stock and debt approach:

Membership	**Number**	**Fee**	**Total**	
Regular member	400	$2,000	$800,000	
Associate member	50	1,200	60,000	
Social member	50	800	40,000	
				$900,000
Accounts payable				5,000
Balance due on outstanding loans				300,000
Indicated total value including personal property				**$1,205,000**

In addition to the debts shown above, there is often indebtedness against furniture or other items of personalty that must be considered in the "unit value" of the property.

SUMMARY

Not every facet of the many-sided golf course appraisal problem has been explored here. The nature of the property and the peculiarity of each course preclude coverage of such magnitude. The intent has been to point out the more important factors that contribute to the value of a golf course and to recommend several methods by which the value may be measured.

The appraiser must realize that a golf course is a specialized use of land and that each of the long-standing approaches to value may or may not be reliable. He must make an exhaustive investigation of the subject course and an equally exhaustive search for data in the golf course market. He should then be sufficiently armed to determine which of the approaches is best suited to the problem at hand.

The following recommendations are made with the above statement in mind:

[13] Loan secured by the land and improvements after construction is completed.

APPRAISAL OF NONPROFIT GOLF COURSES

1. The best approach would be to use sales of comparable golf course properties, provided all sales considered involve properties whose highest and best use is golf course purposes (preferably nonprofit golf course purposes). Comparability must be determined by a careful investigation which takes into account all of the considerations discussed in this text.

2. The best support is the **income approach** if it is carefully applied, making use of all of the factors suggested.

3. A good check would be **replacement cost less normal depreciation and obsolescence.**

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GOLFER'S ORGANIZATIONS

- **National Golf Foundation**
  Room 804, The Merchandise Mart
  Chicago, Illinois 60654

- **National Park and Recreation Association**
  1700 Pennsylvania Avenue
  Washington, D.C.

- **Northern California Golf Association**
  Stevens Drive and Spyglass Hill
  Pebble Beach, California

- **Southern California Golf Association**
  1709 West 8th Street
  Los Angeles, California

- **San Francisco Peninsula Golf and Country Club Assn**.
  Suite 950, Alcoa Building
  San Francisco, California

APPENDIX 1: EXAMPLE OF GOLF COURSE COST APPROACH

Assumptions:

- Subject property is a four-year-old 18-hole golf course containing 160 acres. It is 6,700 yards long, has a par rating of 72, and is rated 71 by the National Golf Association. It has a limited underground drainage system and a fully automatic sprinkler irrigation system.
- The course was constructed on class II agricultural land acquired for $1,300 per acre. The value of the land today, indicated by comparable land sales, is $2,000 per acre.[14] Improvements include a large clubhouse, pro shop, small restaurant, swimming pool, and tennis courts.
- Cost data are historical costs. Personalty has not been included.
- The course is owned and operated by a proprietary membership organized as a nonprofit corporation having articles of incorporation so stating filed with the Secretary of State.

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[14] This value is based upon the sale prices paid for three parcels of land purchased for development of three separate golf courses within the same patronage area.

Appendix 1: Example of Golf Course Cost Approach

SBE-DAS AH 510B (Front)

COMMERCIAL PROPERTY APPRAISAL RECORD

PARCEL XX – XXX – XXX

NAME OF PROPERTY GREEN GRASS COUNTRY CLUB ADDRESS GREEN GRASS ROAD

COMMUNITY BOGEYVILLE

SUBDIVISION ____ BLK. ____ LOT. ____ SHEET 1 OF 5 SHEETS

CHARACTER OF SUBJECT PROPERTY

USE		TOPOGRAPHY	LAND IMPS.	BUILDING
Store	x Proper	x Level	Sidewalk	Class:
Office	Marginal	Bank	Curb	Stories:
Hotel	Sub Marg'l	Hole	Gutter	Area:
x Golf Course		Slope	x Pavement	x Proper
Zoning: A-2			Orn. Lights	Typical
UTILITIES				Over Imp.
All Installed	Underground	Poles, Front	Poles, Rear	Under-Imp.

CHARACTER OF NEIGHBORHOOD

USE: Residential	USE: Commercial	USE: Industrial	TOPOGRAPHY	TREND	GENERAL
Residential	Commercial	Industrial	x Level	x Developing	Desirability; 80%
x Single	x Retail	Light	Low	Stationary	Stability; 90
Income	Wholesale	Heavy	High	Declining	Land Imps; G
x Area	Area	Area	Slope	Blighted	Utilities; G
Spotted	x Spotted	Spotted	Hilly		Built up %; 70
Ribbon	x Ribbon	Ribbon			Date Imps.; 67
Zoning: R-1					

SUMMARY

Assessment Year	1967	19	19	19	19	19	19	19
Appraiser And Date	DOE 3/6/68							
Improvement Replacement Cost (Structures)	497,000							
Improvement R. C. (Fixtures And Equipment)	*							
Personalty R. C. (Furniture And Equipment)	*							
Land Value - Including Course Dev. Cost	525,000							
Improvement R.C.L.N.D. (Structures)	471,500							
Improvement R.C.L.N.D. (Fixtures And Equip.)								
Personalty R.C.L.N.D. (Furniture And Equip.)								
Total Property R.C.L.N.D.	996,500							
Capitalized Earning Ability	780,000							
Indicated Sale Price	985,000							
Listed Price								

* PERSONALTY & IMPROVEMENTS NOT INCLUDED

APPRAISAL

Total Property Value	985,000							
Land Value - Including Course Dev. Cost	525,000							
Improvement Value (Structures)	460,000							
Improvement Value (Fixtures And Equip.)								
Personalty (Furniture And Equipment)								

ASSESSED VALUES

Land								
Improvements								
Personalty								
Total Property								
Entered								

SBE-DAS AH 510B 3-'54

SBE-DAS AH 510B (Back)

TRANSACTION RECORD

Date	I.R.S.	Tr. Deed	Indicated Price	Grantee	Source

REMARKS

RENTALS

St. No.	Front	Depth	Tenancy	19	19	19	19	19	19	19	19

CAPITALIZED EARNING ABILITY

	19	19	19	19	19	19	19	19
Fair Rent								
Land Value								
Imp. R.C.N.								
Formula								
C.E.A.								

COMPUTATION OF MODIFYING FACTOR

Lot		Width	Depth	Area	Base Dpth	METHODS USED No.	Corner	No.	Misc.	No.	Misc.		No.	Depth		Mod. Fact.

LAND VALUE COMPUTATION

Year	Width Area	Mod. Fact.	Unit Value	Fr. Ft. Value	Value

SBE-DAS AH 530B (Front)

COMMERCIAL BUILDING RECORD

GREEN GRASS COUNTRY CLUB — ADDRESS GREEN GRASS ROAD

PARCEL XX XXX XXX
SHEET 2 OF 5 SHEETS

DESCRIPTION OF BUILDING

CLASS & SHAPE	CONSTRUCTION	STRUCTURAL	EXTERIOR	FRONT	LIGHTING	AIR CONDITION
SPECIAL-B	Light	2"x 6"-16 Frame	F L R B	Flat	Wiring	X Heating X Cooling
	Sub-Standard		Unfinished	X Recessed	K.T. Conduit	Forced Cleang
ARCHITECTURE	Standard	Concrete	X S.C. Brick	Transom:	Bx. X Cable	Gravity Humid.
	Heavy	Brick	Br.		Fixtures	Wall Unit
1 Stories	X Special	Reinforced	Terra Cotta	Plate Glass in	Few Cheap	Floor Unit
TYPE		Pilasters	X X X Stucco	X Sheet Glass in	X Avg. Med.	Zone Unit
USE DESIGN	FOUNDATION	Ct. Bond Beam	Siding	Metal Wood	Many Good	X Central
Apartment	X Concrete	Curtain Walls		Bulkhead:		
Garage	Brick	Partitions:	ROOF		PLUMBING	Steam
Hotel	X Reinforced		Flat		Poor X Good	Hot Water
Market		X Wall 2"x 6	Trusses	Back Trim:		
Office	Light Heavy	Party Wall	X GABLE		Fixtures	Oil Burner
Store			Steel Deck		X Water Heater	300 M-B.T.U.
Theatre		X Conc. Floor	Composition	Lighting	X Gas Electric	
X CLUBHOUSE X		Sub Floor	Tile Trim	Drop Ceiling	X Water Softener	

ROOM AND FINISH DETAIL

ROOMS	Floors B	1	2	3	Floor Finish Material	Grade	TRIM	Interior Finish Walls	Ceilings
Store									
CLUB		1			WWC	AVG.		SR-TEX	ACQ Ti
LOCKER		2			CONC	"		SR-EN.	"
BAR		1			WWC	"		SR-TEX	"
Office		1			"	"		"	"
Lobby		1			"	"		"	"
Hall		1			"			"	"
Lavatory		4			ASPH. TILE	"		SR EN	"
Living									
Dining		2			WWC	"		SR TEX	"
Bed									
Kitchen		1			CONC	"		SR-EN	SR-EN

CONSTRUCTION RECORD

Permit No.	For	Amount	Date	EFFEC. YEAR	APPR. YEAR	NORMAL % GOOD Age	Remaing Life	Table	%	RATING (E,G,A,F,P) Cond	Arch. Attr.	Func. Plan	Con-form	Storage Space Cupb'd	Closet	Work-manship
XXX	CLBHSE	175,000	1964		1968	4	51		R-55	96	G	G	G	G	G	G

BATH & LAVATORY DETAIL

Fl.	No.	Finish Floors	Walls	Fixtures Wc.	La.	Tub	Ur.	Type	Grade	Shower St.	Q.T.	G.D.	Finish
1	1	ASPH TI	SR-EN	1	1		1	MOD	AVG				
1	2	"	"	1	1			MOD.	"				
1	3	"	"	3	3		3	MOD	"	3			CER Ti.
1	4	"	"	3	3			MOD	"	3			CER Ti.

SPECIAL FEATURES

Refrigeration: NO WALKIN
Elevators: NONE
Sprinklers: YES

COMPUTATION

Appraiser & Date

Unit	Area	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost	Unit Cost	Cost
CLUBHOUSE	10,000	15.00	150,000														
CCCP	1,000	6.00	6,000														
PATIO	72 00	0.50	3,600														
WALKS	3,600	0.50	1,800														
FIRE PLACE			1,500														
A.C.			30,000														
SPRINKLERS			1,500														
TOTAL		194,400															
NORMAL % GOOD		96 %															
R.C.L.N.D.		186,620															

SBE-DAS AH 530B 3-'54

SBE-DAS AH 530B (Back)

MISCELLANEOUS STRUCTURES

Structure	Found	Cons.	Ext.	Roof	Floor	Int.	Size, etc.

COMPUTATIONS

Remarks:

STRUCTURE COST RECORD

PARCEL xx xxx xxx

COMMUNITY BOGEYVILLE

OWNER GREEN GRASS GOLF & COUNTRY CLUB ADDRESS GREEN GRASS ROAD

PERSON CONTACTED MANAGER

APPRAISER ______ 19 ______ DATA AS OF ______ DATA SOURCE ______

SHEETS 3 OF 5 SHEETS

	Name or Use - Construction - Size	Year Built	Cost	Fact. Ref.	Factor	R. C. N.	Depr. Table	Rem. Life	% Good	R.C.L.N.D.	Remarks
1.	PRO SHOP	1964	8,800	533	110	9,680	R	51	96	9,293	
2.	SWIMMING	"	15,000	533	108	16,200	OR	26	90	14,580	
3.	TENNIS COURTS	"	12,000	533	108	12,960	"	26	90	11,664	
4.	HALF WAY HOUSE	"	1,200	533	109	1,308	"	21	94	1,230	
5.	MAINT. SHED	"	7,200	533	109	7,848	"	36	92	7,220	
6.	SERVICE RDS & PARKING	"	26,000	533	109	28,340	"	36	96	27,206	
7.	OUTSIDE LIGHTING	"	6,000	533	111	6,660	"	-	-	6,660	
8.	LANDSCAPING (CLUBHOUSE)	"	4,000	533	111	4,440	"	26	90	3,996	
9.	TREE & SHRUB PLANTING	"				9,700				9,700	
10.	IRRIGATION SYSTEM - (COURSE)	"	175,000	533	111	194,250	OR	26	90	174,825	
11.	GOLF CAR PATHS	"	7,000	533	110	7,700	"	21	86	6,622	
12.	FENCING	"	6,000	533	110	6,600	"	26	90	5,940	
13.	BRIDGES	"	1,000	533	110	1,100	"	21	86	946	
14.	MISC. - DRINKING WATER SYSTEM	"	5,000	533	110	5,500	"	16	79	4,345	
	COURSE RESTROOMS CART RACKS										
	PRACTICE TEES										
						312,000				284,227	

SBE-DAS AH 530 I

SBE-DAS AH 530 I

STRUCTURE COST RECORD

LAND VALUE (RAW LAND + COURSE DEVELOPMENT COSTS)

OWNER GREEN GRASS GOLF & COUNTRY CLUB ADDRESS GREEN GRASS ROAD

APPRAISER ______ 19 ______ DATA AS OF ______ DATA SOURCE ______

PARCEL XX - XXX - XXX

COMMUNITY BOGEYVILLE

PERSON CONTACTED ______

SHEETS 4 OF 5 SHEETS

	Name or Use – Construction – Size	Year Built	Cost	Fact. Ref.	Factor	R. C. N.	Depr. Table	Rem. Life	% Good	R.C.L.N.D.	Remarks
1.	RAW LAND VALUE (BASED UPON COMP. SALES)					160 AC/2,000				$ 320,000	
2.	COURSE DEVELOPMENT COSTS										
3.	INDIRECT COSTS										
4.	PLANNING & CONSULTATION		500							500	
5.	LEGAL FEES		500							500	
6.	BUILDING PERMIT		400							400	
7.	INT. ON LOAN DURING CONST.		24,000							24,000	
8.	INS. DURING CONST.		400							400	
	MANAGEMENT DURING CONST.		12,000							12,000	
9.	ARCHITECT FEES & PLANS		45,000							45,000	
10.											
11	DIRECT COSTS										
12	ENGINEERING & SURVEYS		8,000							8,000	
13	ROUGH GRADING & SHAPING		50,000							50,000	
	FINAL GRADING (TEES & GREENS)		16,000							16,000	
	SOIL AMENDMENTS & FERTILIZERS		5,000							5,000	
	SEEDS & SEEDING		4,200							4,200	
	(CONT. PAGE #5									(CONT.)	

SBE-DAS AH 530 I

Appendix 1: Example of Golf Course Cost Approach

SBE-R & S R530G

STRUCTURE COST RECORD

OWNER GREEN GRASS GOLF & COUNTRY CLUB ADDRESS GREEN GRASS ROAD

APPRAISER ________ 19 ____ DATA AS OF ________ DATA SOURCE ________

PARCEL XX-XXX-XXX

COMMUNITY BOGEYVILLE

PERSON CONTACTED MANAGER

SHEET 5 OF 5 SHEETS

Item. No.	Name or Use - Construction - Size	Year Built	Cost	Fact. Ref.	Fac-tor	R.C.N.	Depr. Table	Rem. Life	% Good	R.C.L.N.D.	Remarks
1.	(COURSE DEV. COSTS CONT.)										
2.	WATER DURING DEVELOPMENT					2,700				2,700	
3.	WAGES DURING DEVELOPMENT					26,000				26,000	
4.	DRAINAGE SYSTEM					11,000				11,000	
5.											
6.											
7.											
8.											
9.											
10.											
11.	1) ACCORDING TO S.B.E RULE 121 DRAINAGE SYSTEMS ARE CONSIDERED INTRINSIC										
12.	TO THE LAND USE.										
13.											
	LAND VALUE	(RAW	LAND & DEVELOPMENT COSTS			525,700				525,700	

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EXHIBIT A: EXAMPLE STATEMENT OF INCOME AND EXPENSES

Golf and Country Club

Summary of Income and Expenses

Income:	
Green Fees	______________
Miscellaneous	______________
TOTAL	______________
Departmental Profit (Loss):	
Food	______________
Beverage	______________
Locker Room	______________
Swimming Pool	______________
TOTAL	______________
Net Income Before Unallocated Expenses	______________
Unallocated Expenses:	
Golf Course	______________
Club House	______________
TOTAL	______________
Net Gain or (Loss)	______________
Transfer Fees	______________
Net Profit (Loss)	______________

Golf and Country Club

Departmental Profit & Loss

Club House

Expenses:

Salaries and Wages (Including Management)	______________
P/R Taxes and Employee Relations	______________
Employee Meals	______________
Casual Labor	______________
Cleaning and Janitorial	______________
Contract Services	______________
Fertilizers, Plants and Shrubs	______________
Laundry	______________
Miscellaneous	______________
Repairs and Maintenance	______________
Supplies - Miscellaneous	______________
Utilities	______________
Rentals	______________
Insurance	______________
Legal	______________
Publicity and Stationery	______________
TOTAL CLUB HOUSE EXPENSE	______________

Golf and Country Club

Departmental Profit & Loss

Bar

Sales	____________
Cost of Sales	____________
Gross Profit	____________
Expenses:	
Salaries and Wages	____________
P/R Taxes and Employee Relations	____________
Employee Meals	____________
Casual Labor	____________
Cleaning and Janitorial	____________
Contract Services	____________
Laundry	____________
Licenses	____________
Miscellaneous	____________
Printing and Stationery	____________
Provision for Replacement:	
Glassware	____________
Repairs and Maintenance	____________
Rentals	____________
Snack Bar Supplies	____________
Supplies:	
Miscellaneous	____________
TOTAL EXPENSES	____________
Departmental Profit (Loss)	____________

Exhibit A: Example Statement Of Income And Expenses

Golf and Country Club

Departmental Profit & Loss

Restaurant

Sales	
Cost of Sales	
Gross Profit	
Expenses:	
Salaries and Wages	
P/R Taxes and Employee Relations	
Employee Meals	
Casual Labor	
Cleaning and Janitorial	
Contract Services	
Flowers and Decorations	
Laundry	
Miscellaneous	
Music	
Printing and Stationery	
Provision for Replacement:	
China and Glass	
Silver	
Uniforms	
Repairs and Maintenance	
Rentals	
Supplies:	
Paper	
Miscellaneous	
Utensils	
Utilities:	
Electricity	
TOTAL EXPENSES	
Departmental Profit (Loss)	

Golf and Country Club

Departmental Profit & Loss

Locker Rooms

Rental Fees	
Expenses:	____________
Salaries and Wages	____________
P/R Taxes and Employee Relations	____________
Employee Meals	____________
Laundry	____________
Miscellaneous	____________
Repairs and Maintenance	____________
Supplies:	____________
Miscellaneous (Locker Supplies)	____________
Utilities:	
Electricity	____________
TOTAL EXPENSES	____________
Departmental Profit (Loss)	____________

Golf and Country Club

Departmental Profit & Loss

Pool

Snack Bar Sales	________
Guest Fees	________
TOTAL SALES	________
Cost of Sales	________
GROSS PROFIT	________
Expenses:	
Salaries and Wages	________
P/R Taxes and Employee Relations	________
Employee Meals	________
Contract Services	________
Laundry	________
Miscellaneous	________
Repairs and Maintenance	________
Rentals	________
Supplies:	
Miscellaneous	________
Utilities	________
TOTAL EXPENSES	________
Departmental Profit (Loss)	________

Golf and Country Club

Departmental Profit & Loss

Golf Course

Sales	
Green Fees	
Other	
TOTAL SALES	
Expenses:	
Salaries and Wages (Including Management)	
P/R Taxes and Employee Relations	
Dues and Subscriptions	
Employee Meals	
Casual Labor	
Cleaning and Janitorial	
Fertilizer, Plants, Etc.	
Gas and Oil	
Miscellaneous	
Printing and Stationery	
Repairs and Maintenance	
Rentals	
Supplies - Miscellaneous	
Utilities:	
Electricity	
Water	
Integrated Data Service	
TOTAL EXPENSES	
Golf Course Profit (Loss)	

Golf and Country Club

Departmental Profit & Loss

Other Income

Members Dues:	
Regular	____________
Other Dues	____________
TOTAL DUES	____________
Miscellaneous Income	____________
TOTAL MISCELLANEOUS INCOME	____________
TOTAL OTHER INCOME	____________