

<p>BOARD OF ASSESSMENT APPEALS, STATE OF COLORADO 1313 Sherman Street, Room 315 Denver, Colorado 80203</p> <hr/> <p>Petitioner:</p> <p>REDCLIFF DEVELOPMENT INC.</p> <p>v.</p> <p>Respondent:</p> <p>LA PLATA COUNTY BOARD OF EQUALIZATION.</p>	<p>Docket No.: 44746</p>
<p>ORDER</p>	

THIS MATTER was heard by the Board of Assessment Appeals on April 12, 2006, MaryKay Kelley and Debra A. Baumbach presiding. Petitioner was represented by Richard G. Olona, Esq. Respondent was represented by Jeffrey Robbins, Esq. Petitioner is protesting the 2005 actual value of the subject property.

PROPERTY DESCRIPTION:

Subject property is described as follows:

589 County Road 252, Durango, Colorado
La Plata County Account Nos. R417387, R417503, R425655, R427075, R427076

The subject property, known as the Dalton Ranch Golf Club, is a daily fee 18-hole regulation links-style golf course located on 171.67 acres. Improvements include a clubhouse, tennis and swimming complex, maintenance facilities and parking lot.

FINDINGS OF FACT:

1. Petitioner presented the following indicators of value:

Market:	\$1,890,000.00 to \$2,240,000.00
Cost:	\$2,216,417.00
Income:	\$1,899,272.00

2. Petitioner utilized seven comparable sales in the market approach. Petitioner determined that Sales 1, 2 and 7 are the most comparable to the subject property, with per hole sales prices ranging from \$150,000.00 to \$177,778.00. However, Petitioner contends that the sales prices should be reduced by 25% to 30% to reflect the subject's season length, size and population base.

3. Petitioner did not rely on the market approach, as adjustments for conditions of sale and other differences render this methodology unreliable.

4. Petitioner used a state-approved cost estimating service to derive a market-adjusted cost value for the subject property of \$2,216,417.00. Petitioner placed little weight on the value indicated by the cost approach, as limited land sales exist to derive an accurate land value and depreciation is significant.

5. Petitioner presented an income approach to derive a value of \$1,899,272.00 for the subject property. Based on an analysis of the subject's three-year income history, the total gross revenue was \$1,850,000.00. After deducting operating expenses of \$1,424,500.00, reserves for replacement of \$79,612.00 (3%), and return on tangible personal property of \$36,200.00 (10%), the net operating income was \$309,688.00. Petitioner utilized a 12% capitalization rate and applied adjustments for tangible and intangible personal property to conclude to an indicated value of \$1,899,272.00 for the subject real estate. Petitioner relied on the income approach as providing the most accurate indication of value for the subject property.

6. Petitioner is requesting a 2005 actual value of \$1,900,000.00 for the subject property.

7. Respondent presented the following indicators of value:

Market:	\$2,706,880.00
Cost:	\$2,725,300.00
Income:	\$2,340,000.00

8. Respondent presented two comparable sales ranging in sales price from \$3,000,000.00 to \$3,800,000.00. After adjustments for personal property, the sales ranged from \$3,000,000.00 to \$3,320,000.00. The sales were verified through the Assessor's office and included telephone interviews with buyers, sellers, agents and golf course managers. The sales price of Comparable Sale 1 did not include personal property or going concern value. Comparable Sale 2 was purchased in conjunction with adjoining land intended for residential development.

9. Respondent used a state-approved cost estimating service to derive a market-adjusted

cost value for the subject property of \$2,725,300.00. Respondent placed little weight on the cost approach due to the lack of suitable land sales and difficulty with estimating depreciation.

10. Based on the income approach, Respondent derived a value of \$2,340,000.00 for the subject property. Respondent utilized an annualized gross income of \$1,263,263.00, which was based on the annualized gross income information from several years. Years with outlying (higher and lower) income streams were eliminated. The rate of return on tangible and intangible personal property was included in expenses, which were estimated at 78.5%. Respondent did not consider the value derived from the income approach to be reliable.

11. Respondent assigned an actual value of \$2,706,880.00 to the subject property for tax year 2005.

CONCLUSIONS OF LAW:

1. Petitioner presented sufficient probative evidence and testimony to prove that the tax year 2005 valuation of the subject property was incorrect.

2. The income approach is the most appropriate methodology to utilize in the valuation of daily fee golf courses, as the majority of potential investors base purchasing decisions on the income derived from income producing properties. Petitioner relied on the subject's actual income and expense information to derive a well-founded conclusion of value.

3. Respondent's market approach did not provide a reliable indication of value, as the comparable sales are located near a metropolitan area with different demographics and the sales were not adjusted to reflect differences in conditions of sale and physical characteristics.

ORDER:

Respondent is ordered to reduce the 2005 actual value of the subject property to \$1,900,000.00.

The La Plata County Assessor is directed to change his/her records accordingly.

APPEAL:

Petitioner may petition the Court of Appeals for judicial review within 45 days from the date of this decision.

If Respondent alleges procedural errors or errors of law by this Board, Respondent may petition the Court of Appeals for judicial review within 30 days from the date of this decision.

DATED and MAILED this 16th day of May 2006.

BOARD OF ASSESSMENT APPEALS

MaryKay Kelley

MaryKay Kelley

Debra A. Baumbach

Debra A. Baumbach

This decision was put on the record

MAY 15 2006

I hereby certify that this is a true
and correct copy of the decision of
the Board of Assessment Appeals.

Penny S. Lowenthal
Penny S. Lowenthal

