

Golf Courses



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Background

A golf course consists of a large tract of land, supporting facilities and improvements devoted to the sport of golf. Golf courses normally fall into one of four categories. These are:

1. Publicly owned golf courses for public use.
2. Privately owned golf courses for public use.
3. Privately owned golf courses for use only by members, employees or residents.
4. Privately owned golf courses for use by members, employees or residents, and for public use.

The publicly owned golf course is tax exempt and will not be discussed in detail. It is important to keep in mind, however, that the proximity of public golf courses may impact the value and the amount of play at privately owned golf courses in the vicinity. Many privately owned golf courses are not intended to generate a profit. Some courses are operated for the benefit of members. If a golf course is operated for the benefit of members, operating expenses will often be offset by other income.

Other privately owned golf courses are usually intended to stimulate sales in a subdivision or community development. Such courses usually do not generate a profit from operations. In some cases, use as a golf course is a transitional use. Fees from the golf course may provide income or help defray expenses during the period of development of a real estate project with which it is affiliated. Presence of a golf course may also be a feature used for promotion of the project during its developmental stage.

Although some privately owned golf courses do not generate a profit from operations, many do generate income. The cash flow generated by golf course operations, however, normally does not reflect the value of the course.

Income Generating Golf Courses

Golf courses that are operated or intended to generate an income normally fall into one of the following categories:

1. Golf courses developed in conjunction with a community or subdivision development.
2. Golf courses developed in conjunction with a country club.
3. Golf courses developed in conjunction with a resort or hotel.
4. Golf courses developed for use by the public.
5. Golf courses developed in conjunction with a business, industry, school, military or similar facility.

1. Community or Subdivision Golf Courses

A major portion of the development cost of golf courses in conjunction with community or subdivision development is recovered from the sale of adjacent and surrounding lots. The cost of golf course operation, maintenance, and a return on and of any remaining investments will be derived from income generated by greens fees, pro shop operations, cart rental and clubhouse receipts and other activities that generate a cash flow. Such golf courses are normally committed to use as a golf course by deed restriction. Golf courses built as part of a community or subdivision development are seldom sold in the open market. When they are sold in the open market the selling price is generally less than land acquisition and course development costs. In most cases, courses built in conjunction with a residential development will be deeded to property owner groups or associations when a major portion of the subdivision has been developed and sold. When this occurs, such courses may be open to the public or may be operated for the benefit of property owners. In the latter case, the golf course facility may evolve into a country club.

2. Country Club Golf Courses

Most country clubs are developed to meet the social needs of the members and include a variety of recreational facilities. One of the most common recreation facilities provided by country clubs is the golf course which is available to members, guests and prospective members. Although members and their guests pay fees for the use of the golf course facilities and equipment, such fees are usually insufficient to cover golf course operation and maintenance costs. As a result, golf courses which are part of a country club may operate at a net loss which is compensated by club operating profits and members dues.

3. Resort or Hotel Golf Courses

A third category operated for income is the privately owned golf course developed and operated in conjunction with a resort. This type course is open to the public but is primarily operated to attract guests to the resort. Though such courses are often operated at a net loss, their contribution is significant to the overall operation and income of the resort.

4. Commercial Golf Courses

A fourth category operated to generate an income includes privately owned courses constructed or purchased for use by the public. Such courses will almost invariably be constructed on land that is restricted to more intensive use development. Courses in this category may include a pro shop, cart rental, a limited service restaurant and bar and will have membership provisions and special participation incentives.

5. Limited Use Golf Courses

Other types of golf course ownership and management typically include courses owned by a business, industry, school, military or similar facility. Such courses are generally exempt from ad valorem property taxes. The nonexempt courses are maintained to provide golf facilities for a selected group and not intended to generate a profit.

Legal Definition of a Golf Course

A.R.S. [42-13151](#) addresses the valuation of golf course property. The statute reads in part, “**As used in this section, ‘golf course’ means substantially undeveloped land, including amenities such as landscaping, irrigation systems, paths and golf greens and tees, which may be used for golfing or golfing practice by the public or by members and guests of a private club but not including commercial golf practice ranges operated exclusive of golf courses valued under this section, clubhouses, pro shops, restaurants or similar buildings associated with the golf course which are generally used by the public or by members and guests entitled to use the golf course.**”

Legal Class

Land and structures developed as private clubs for the exclusive use of members and their guests will be classed in legal class 4 and assessed at a ratio of **16%** of full cash value.

Land and structures developed by private owners and used by the public will be classed in legal class 3 and assessed at a ratio of **25%** of full cash value.

Land and structures developed as private clubs but also open to the public in addition to membership play will be assessed at a **mixed ratio**. One such example would be a course operated by a resort wherein membership is available to residents of the community, but is primarily operated as an attraction of the resort. The operator of such a course must maintain a record of the number of rounds played by resort guests as opposed to regular members. This information would then have to be made available to the assessor, who would use it to calculate a mixed ratio, based on the percentage of each class. This ratio would be split between legal class 3 and legal class 4.

Golf Course Development Costs

Golf course development costs generally will relate to the size, layout and overall quality of the course. Development costs are included in the per hole values generated by the components listed in the component section of the Department's Construction Cost Manual. Improvement value of the golf course itself for the 1995 tax year shall be established by the Department's 1988 per hole improvement cost for the grade of golf course as described in the Department's 1986 Assessment Practices Manual for golf course assessment, effective January 1, 1986. The per hole cost shall be multiplied by the number of holes included. The value shall be adjusted to reflect the application of economic obsolescence, which will be determined uniformly as described in "Calculation of Full Cash Value For Entire Golf Course Facility", presented later in this section of the manual. Every tax year after 1995, the per hole improvement costs shall be adjusted using the change in the GDP Price Deflator as defined in A.R.S. [42-13152\(E\)](#). The land shall be valued as described under the subject "Golf Course Land Valuation," later in this section of the manual. A.R.S. [42-13152\(C\)](#).

Grading of Golf Courses

The quality of the golf course, together with the topography and design of the golf course, establishes the grade of the course (Course Designation). The following components and codes are established for use in valuing golf courses for ad valorem tax purposes:

COURSE DESIGNATION	COURSE DESCRIPTION
GCA	<p>GOLF COURSE, MINIMAL QUALITY, (Each Hole)</p> <p>A simply developed budget course on open, natural or mostly level terrain. This course has small tees and level greens and few bunkers (sand traps).</p> <p>The cost includes the normal clearing of the land, incidental grading with minimal contouring, complete irrigation and drainage systems, fairways, service roads and cart paths</p> <p>Bridges, buildings and lakes are not included in the cost.</p> <p>These golf courses typically have course yardage of 5,200 - 6,000 yards on 65 - 80 acres, a fairway of 20 - 25 acres and a rough of 40 - 48 acres.</p> <p>The size and layout of the terrain and the size and quality of the irrigation system should be considered when selecting a rank.</p>
GCB	<p>GOLF COURSE, SIMPLE DESIGN (Each Hole)</p> <p>A simply designed course on relatively level terrain with natural rough. This course has few bunkers (sand traps), small built-up tees and greens and some small trees.</p> <p>The cost includes the normal clearing of the land, incidental grading with slight contouring, complete irrigation and drainage systems, fairways, service roads and cart paths.</p> <p>Bridges, buildings and lakes are not included in the cost.</p> <p>These golf courses typically have course yardage of 6,100 - 6,400 yards on 81 - 100 acres, a fairway of 26 - 33 acres and a rough of 49 - 60 acres.</p> <p>The size and layout of the terrain and the size and quality of the irrigation system should be considered when selecting a rank.</p>

COURSE DESIGNATION	COURSE DESCRIPTION
GCC	<p>GOLF COURSE, GOOD DESIGN (Each Hole)</p> <p>This course is typical of a private club. The course is on undulating terrain. It has bunkers (sand traps) at most greens, average elevated tees and greens, some large trees moved in or clearing of some wooded areas and a driving range.</p> <p>The cost includes the normal clearing of the land, incidental grading with moderate contouring, complete irrigation and drainage systems, trees, greens, tees, fairways, service roads and cart paths. Bridges, buildings and lakes are not included in the cost.</p> <p>These golf courses typically have course yardage of 6,500 - 6,800 yards on 101 - 144 acres, a fairway of 34 - 144 acres and a rough of 61 - 90 acres.</p> <p>The size and layout of the terrain and the size and quality of the irrigation system should be considered when selecting a rank.</p>
GCD	<p>GOLF COURSE, CHAMPIONSHIP (Each Hole)</p> <p>This course is on fair to severe undulating terrain with fairway and greens that are bunkered (sand traps) and contoured. It has large tees and greens, large transplanted trees and a driving range. Championship courses are designed by “name” architects.</p> <p>The cost includes the normal clearing of the land, incidental grading with extreme contouring, complete irrigation and drainage systems, service roads and cart paths.</p> <p>Bridges, buildings and lakes are not included in the cost.</p> <p>These golf courses typically have course yardage of 6,900 - 7,500 yards, on 145 - 200 acres, a fairway of 45 - 60 acres and a rough of 91 - 120 acres.</p> <p>The size and layout of the terrain and the size and quality of the irrigation system should be considered when selecting a rank.</p>

COURSE DESIGNATION	COURSE DESCRIPTION
GCE	<p>GOLF COURSE, MINIATURE, BUDGET (Each Hole)</p> <p>A minimum quality, simply developed or prepackaged budget course. This course is typically built on a 1/4 acre of level terrain. The cost includes course lighting.</p> <p>The cost does not include booths, snack bars, plumbing or a parking lot.</p> <p>Use component GCF for standard quality miniature golf courses.</p>
GCF	<p>GOLF COURSE, MINIATURE, STANDARD (Each Hole)</p> <p>These courses typically have eighteen holes on one-half acre. They are professionally designed and installed. The cost includes course plumbing and lighting.</p> <p>The cost does not include booths, snack bars or a parking lot.</p> <p>For prepackaged budget courses use component GCE.</p>
GCG	<p>GOLF COURSE, PITCH & PUTT (Each Hole)</p> <p>These courses typically have nine or less holes on 10 to 15 acres and are 1,000 yards long, no fairway and no rough. The layout normally utilizes unbuildable or excess land with minimal or natural contouring and minimal definition of the greens. The cost includes irrigation.</p> <p>The cost does not include structures or lighting.</p> <p>The size and quality of the irrigation system should be considered when selecting a rank.</p>
GCH	<p>GOLF COURSE, PAR 3 (Each Hole)</p> <p>These courses typically have nine holes on 15 to 20 acres and are 1,400 - 3,000 yards long, no fairway, possibly a rough. The terrain is level with straight fairways. The cost includes irrigation.</p> <p>The cost does not include structures or lighting.</p> <p>The size and quality of the irrigation system should be considered when selecting a rank.</p>

COURSE DESIGNATION	COURSE DESCRIPTION
GCHE	<p>GOLF COURSE, PAR 3 EXPENSIVE (EACH HOLE)</p> <p>These courses typically have 9 holes on 15 to 20 acres and are 1,400 - 3,000 yards long, no fairway, possibly a rough. The cost includes irrigation.</p> <p>The cost does not include structures or lighting.</p> <p>The size and quality of the irrigation system should be considered when selecting a rank.</p>
GCJ	<p>GOLF COURSE, EXECUTIVE (Each Hole)</p> <p>The courses typically have eighteen holes on 50 or 60 acres and average 3,100 - 5,100 yards long, no fairway, possibly a rough. These courses are rated par 60. The cost includes irrigation.</p> <p>The cost does not include structures or lighting.</p> <p>The size and quality of the irrigation system should be considered when selecting a rank.</p>
GCK	<p>DRIVING RANGE (Each Station)</p> <p>A range used to practice hitting golf balls. The cost includes uncovered grass or paved stations, fencing, irrigation, and lighting.</p> <p>The cost does not include heated tees (component GCM), range covers (GCL), pitching and putting greens, buildings or equipment.</p>

Golf Course Land Valuation

Golf courses are frequently built on land that is not readily adaptable to commercial, industrial or residential development. A golf course can operate effectively on land subject to noise pollution, flooding or used to provide a drainage system for a developed area.

The land comprising the golf course playing area, practice area (not including commercial golf practice ranges), and parking area will be valued at \$500 an acre for ad valorem tax purposes. A.R.S. [42-13152\(C\)](#). That portion of land used for the club house, pro shop, restaurant, or similar buildings or improvements not included in the total course deed restriction, will be valued comparably with similar land used for commercial purposes.

A.R.S. [42-13154](#) requires a binding legal commitment to use a parcel of land as a golf course for a period of at least 10 years. Where this occurs, the ownership rights associated with the parcel have been limited and a legal impediment to development has been imposed.

It shall be the responsibility of the golf course owner to record a deed restriction with the County Recorder, with a copy to the Assessor, restricting the property use to a golf course for at least 10 years. Upon receipt of the recorded restriction to use, the Assessor shall determine the valuation based on this guideline.

The deed restriction must be refiled as necessary to ensure that the property is restricted to use as a golf course for a period of at least 10 years from the current tax year. If a property qualifies and is taxed as a golf course and is used for anything other than a golf course during the 10 year period, a penalty shall be levied against the property as prescribed in A.R.S. [42-13154\(A\)](#). This penalty is equal to the difference in the amount of property taxes that would have been levied for the preceding 10 years, had the property not been assessed under this section.

Economic Obsolescence

Golf courses are subject to many outside influences which impact the cash flow realized by the course. For example, in the mountainous areas, golf courses may be covered with snow several months of the year. In the desert areas, play may be drastically reduced during the hottest months of summer. In addition, many golf courses are subject to flooding which may occur during peak play periods as well as off peak periods. The external influences on golf course operations affect the cash flow and the marketability of the golf course property. Since these influences are external and beyond the control of the golf course owners/managers, the influence is reflected in the application of economic obsolescence. Economic obsolescence must be uniformly applied by strict adherence to the method described in the section entitled "Calculation Of Full Cash Value For Entire Golf Course Facility", below on this page.

Improvement Valuation

Using the methods described in previous paragraph, "Golf Course Development Costs" on p. 5, the ad valorem tax value of the golf course itself is established by grading the course, multiplying the value per hole for the appropriate description by the number of holes included in the course, and applying the economic obsolescence. The improvement value for the clubhouse, together with the cost value of facilities such as swimming pools, tennis courts, shuffle board courts, parking lots and other amenities that are part of the total operation is generated by use of the Department's Construction Cost System (replacement cost new less depreciation).

Calculation Of Full Cash Value For Entire Golf Course Facility

The valuation for the entire golf course facility is performed as follows:

By August 1 of each year, the County Assessor shall mail to the last known mailing address of each golf course owner or manager, a form as prescribed by the Department. The completed form must be returned to the County Assessor not later

than September 30, in order for the golf course to receive the economic obsolescence adjustment.

The full cash value will then be calculated uniformly in the following manner:

1. Determine the number of actual rounds played during the most recent twelve months ending July 31, as reported by the owner or manager.
2. Multiply the rounds played during the peak month, as reported by the owner or manager, by twelve to determine the number of rounds of play the course would have had under optimum conditions.
3. Divide the actual number of rounds played during the most recent 12 months ending July 31 by the optimum number of rounds that could have been played.
4. Multiply the answer obtained in Step 3 above by 100 to get the per cent good.
5. Subtract the per cent good from 100% to get the per cent of economic obsolescence.
6. Enter the per cent of economic obsolescence into the Construction Cost System in the obsolescence field for the appropriate improvement (s) and calculate the improvement value of the golf course.
7. Through the Construction Cost System, calculate the replacement cost new less depreciation for the structures and additional items to determine the value of the facility improvements.
8. To determine the full cash value of the entire golf course facility, add:
 - a. Land value of the golf course at \$500 per acre.
 - b. Land value of that portion of facility occupied by clubhouse, pro shop, restaurant and recreational facilities not included in the golf course land in subparagraph 8a. above, as valued at market value by standard appraisal methods.
 - c. Value of the golf course improvements adjusted for obsolescence, pursuant to paragraphs 1 - 6 above.
 - d. Value of the structures and additional items, pursuant to paragraph 7 above.

**TABLE 2.2.1
GOLF COURSE VALUATION SCHEDULE OF EVENTS**

EVENT	DATE	RESPONSIBILITY
Provide Assessor with verification of recorded deed restriction restricting property for golf course use for at least 10 years.	as required by County where golf course located	Golf Course Owner or Manager
Mail "Report of Golf Course Rounds Played" (Form 82365A) to Golf Course Owner or Manager.	8/1 each year	Assessor
Provide Assessor with completed "Report of Golf Rounds Played" form.	by 9/30 each year	Golf Course Owner or Manager
Issue cost per hole for each golf course description.	by 11/30 each year (provided 10/12/94 for 1994)	Department
Calculate appropriate obsolescence adjustment and establish full cash value.	as needed to meet notice of value mailing date below	Assessor
Mail notice of value to each golf course owner/management.	by 11/15/94 for 1995/1996 tax years. by 3/1 for 1997 tax year & thereafter.	Assessor Assessor