

Rising Property Tax Assessments— Can Anything be Done?

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We believe the answer is yes, but we're not sure how just yet. You'll see what I mean as we go along.

But what does this subject have to do with you, anyway?

Maybe it hasn't hit your club yet, but an alarming number of our golf club members are now facing leapfrog jumps in their property tax bills, principally because inflation and the population shift to the suburbs and beyond has brought a heavy demand for all municipal services—which requires tax support. Our clubs are the victims of sprawl.

Unfortunately, taxation methods today create an economic compulsion to develop land and place economic penalties upon an owner or owners who do not want to develop along with the neighbors. When I say taxes, I'm talking anywhere from a few thousand dollars to over \$200,000 a year in property tax alone. Very few clubs can tolerate increased expenses and we can easily see how jobs, new equipment, member willingness to pay, and even the club's existence is threatened if we don't stem the tide. Club people and suppliers alike, we all have a stake in this campaign.

Who are "we" anyway? A shorthand answer is that the National Club Association is the national trade association which represents the business interests of golf clubs; its activities are supported by dues. Our Golf & Country Club Division Council feels that property taxation is such a significant bottom line problem for our clubs that we must help our members minimize that burden—

That's why the Council, with the support of the NCA Board, has launched a preliminary study which has two goals:

- 1- Analyze property taxation procedures across the country as they apply to golf clubs and recreation land.
- 2- Identify or develop potential forms of relief.

My objective is to summarize where we are in our study, report some early feelings and to suggest where all this might take us.

First, where are we now?

"Swamped," is probably the most accurate answer. The NCA and David Pearson Associates, of Coral Gables, Fla., consultants who are helping us with the study, have been sifting through data since January trying to pull together all we can that deals with golf course property taxation. One thing we've

discovered is that no one has done any definitive work in this area. We're breaking new ground.

As to the study itself—

1- We're getting a better understanding of the extent of the problem among golf clubs. Eighty-five per cent of our golf club member respondents in a recent survey wanted us to launch a study of this question.

15 per cent had tax increases of over 50 per cent in the last 5 years;

35 per cent had tax increases of over \$10,000 in the last 5 years;

23 per cent said the problem could force a liquidation.

How much can we tolerate?

2- We're looking at the broad spectrum of taxation methods across the country today. Of course this is a state's rights question, or better, county or municipal rights. Differential (let's not call it preferential) tax treatment is usually treated in a state's constitution or within tax regulations.

Currently, all 50 states use a variation of fair market value as the basis for general real property assessment. Fifteen states have enacted open space legislation; 13 of those provide for current use valuation. Thirty-eight of the states have interpreted their various constitutional clauses in a manner which would allow the use of a simple statutory amendment to protect private recreational areas; the other dozen would require a constitutional amendment to authorize open space legislation, such as was attempted recently in Ohio.

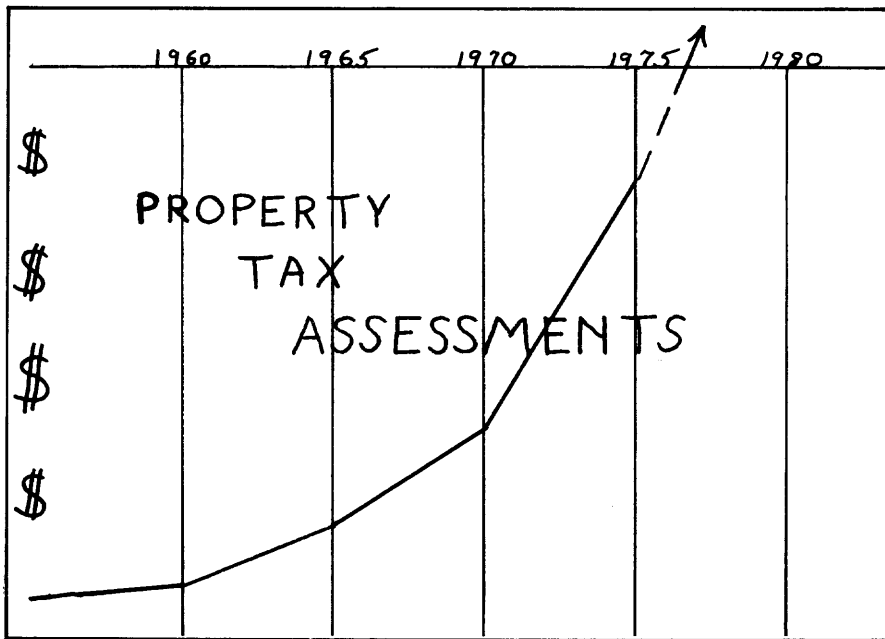
3- Whether for highest valuation or a use valuation, there are three appraisal approaches in California which we may find are used throughout the country.

a- The cost approach—

This is used frequently because land sales data is often limited and improvement cost data is available—

- (1) the replacement cost technique will be used more in the future;
- (2) *historical cost*, less depreciation used in the newer courses;
- (3) *reproduction or replication costs*; unlikely that any course will be replicated and identical materials are hard to find.

There are weaknesses in this approach, such as to what use is the comparable land (for valuation) being put, and what are the guidelines on the



depreciation of greens, etc.?

b- The income approach—

Here the appraiser wants to convert club income into value; he may ask "what income would this golf club property produce if put to its highest and best *golf course* use, whether that be for a profit-seeking course or a non-profit course?" This approach is very sensitive and must be studied in detail.

c- Sales comparison approach—

This is obviously a very reliable approach, but there's little sales data. The objective is to compare the various factors of the course in question with those whose sale price is known. One fault with this approach is that courses are designed to be different and, therefore, hard to compare. By the way, California tax authorities feel that the *irrigation system* is the club's single most important feature; without it the course would fail.

In comparing sales of properties, other things impact on the club's value—competition from other clubs, changes in the local customer mix and whether the cost burden of the operation overrides its value to members.

d- A fourth approach considers the club's Stock and Debt. There appears to be favor in the appraisal community first for the comparable sales approach supported by the income approach, backed up by "replacement costs less normal depreciation and obsolescence."

So much for approaches.

4- We'll be studying existing and proposed land use controls and legislation to determine what has been successful and what new steps to take. This will cover such things as zoning, easements, re-

strictions, transfer of development rights and so on.

5- Of course we'll try to identify opportunities for tax relief and what must we do to set the stage. We believe there will be some alternatives, but there won't be any single, magic answers.

6- Finally, we'll try to define areas for intense study and possible cooperative activity with other golf related organizations.

We believe that clubs should be sensitive to how their community relates to them and the value they place on recreation open space.

There is complete spectrum among clubs in their willingness to have their facilities used by scholastic and civic groups, municipal employees and sometimes, in the case of skiing, and so forth, the public at large. Some clubs have virtually no contact with their community *per se*, which may not be enlightened self-interest if you ever hope to develop local empathy for the club. That's a highly individual question.

But, turning from empathy to plain understanding, our members readily boast that our clubs contribute far more to the communities in dollars than in the services they draw. Houses surrounding golf courses are more valuable because of the course, or they *exist* because of.

As some detractors have pointed out, as printed in the *Washington Post*, "there's a list as long as one's imagination of multiple uses for acreage normally restricted to golf, thus providing a better cost-benefit ratio. Such lists include bike trails, picnic areas, jogging courses, boating, lawn bowling, flower gardens, and so on." Is that so? Where are the numbers? And who's going to pay the bill?

Frankly, we haven't found any numbers on either side of the question, but in a shouting match in court or before your County Council, we haven't a prayer

unless we can convert these "if it weren't for our golf club being here" claims into recognizable value. Can we do it?

There's no reason why we can't get a "how to" cost/benefit procedure started if we set our mind to it. We've been told by national experts in this field that real cost/benefit or tax-impact studies have never been attempted in recreation land use. But, then, they've never cared about the subject, either.

Finally, there doesn't appear to be an acknowledged system for determining the monetary value of recreational land for appraisers and assessors; and damage is done first at the appraisal level. The national appraiser and assessor groups recognize that their members often are operating in the dark and they don't like reversals in court. They'd like to study the question of valuing recreation land with us to better understand and normalize the situation for both our benefits. That will be a long range program of significance to the industry.

On current/potential relief mechanisms—

- 1) To date—open space legislation is an answer for many, but it can require a lengthy constitutional process, often is political to a fault because it can stunt local taxing prerogatives, and when the public gets wind of it, look out!

In 1973 we published a comprehensive analysis of state tax regulations with an emphasis on a model constitutional amendment: It is still current. While open space provides for evaluating land according to use instead of market value, often there aren't any formulas for such valuation. Hopefully, we may be able to contribute in this area.

- 2) Land valuation assumes a transferrable *right* to develop, which is worth money. Once that

right is conveyed or restricted through easement or Transfer of Development Right, the concept goes, its value is reduced, and its tax should be also.

There are a number of considerations on such restrictions. First, these easements, etc., are granted by the taxing authority; they are not for the taking. *Second*, once the value of the property is reduced, your capacity to raise a mortgage may be impaired. *Third*, the length of time on these arrangements will determine how often you'll be rerated.

- 3) The development of wetland protection laws may offer some protection. Local officials set the conditions under which the wetland protection laws can be applied. Possibly, the land can't be developed.
- 4) The last recourse, of course, is the courts—finding weaknesses in the appraisal process. We'll compile the most significant cases for quick reference.

As things are going now, we can already see two major areas to be studied that no individual club could tackle:

- 1- A system for evaluating open space in the appraisal process, in cooperation with national appraiser, planner and assessor groups;
- 2- Developing a system which helps in comparing club-used recreation land against any other use.

That is where we are—barely the edge.

We know that this first effort, which we hope to wrap up very soon, will only scratch the surface of this enormous question. We ask for your support, your input, your cooperation.

Government Regulations— Their Impact on Golf Turf Management

by **PALMER MAPLES, JR.**, President, Golf Course Superintendents Association of America and Superintendent at the Standard Club, Atlanta, Ga.

All of us are aware of the new regulations that have come from the different government agencies in the past few years. There was a time when the only form to fill out was the social security withholding form; that was our only contact with government. Today a number of forms and lists have to be filled out and maintained as we go about our business of growing turf. Today regulations govern not only people and how they work, but machinery, chemicals, noise, pollution of air and water, and housekeeping of the maintenance area and building before we even get

out to the turfgrass area itself. How are these regulations affecting the management of turf?

Presently, there are two major government agencies that, through laws passed by Congress, exercise some oversight in the management of turfgrasses. These are OSHA and EPA. One minor agency would be the Fair Labor Standards Act as it applied to the wage and hours laws, and possibly insurance and pension regulations.

OSHA refers to the Occupational Safety and Health Act of 1970. OSHA became an official part of