

## GOLF COURSE VALUATION MODULE SELF TEST QUESTIONS

(The Applicable Section of the Guide is noted after each question)

1. When would you consider not valuing a golf course as a golf course? 2.0  
*When the property has a higher value under an alternate permitted use.*
2. What form of ownership should be considered when valuing for assessment purposes? 2.2  
*When valuing golf courses for assessment purposes, all courses are assessed as if owned in fee simple and must reflect typical market conditions for golf course properties. The motivations of owners can vary but cannot be considered for assessment purposes.*
3. What is the minimum value a golf course should have? 2.0  
*The minimum value of a golf course is represented by its unimproved land value.*
4. Which are the only restrictions on value that an assessor should consider? 2.1  
*When valuing golf course land, assessors should only consider the zoning and other restrictions placed on the property by local governments.*
5. Why is it important to collect data on golf course sales? 4.7  
*The assessor should collect sales data whenever possible as sales data is useful in:*
  - determining the depreciation rate employed in the Cost Approach,*
  - establishing the appropriate capitalization rates to apply in the Income Approach, and*
  - Confirming final market values.*
6. When would you typically rely on the cost approach method to value a course? 7.0  
*When golf course sales information is generally not available, typically in rural or smaller communities, and income information may not be reliable, thus the Cost Approach is the preferred method.*
7. What unit of comparison should be used for land valuation? 8.2  
*Value per acre or dollars per hectare as the only available source of market evidence for large tracts of land is from sales of farmland.*
8. What are the two main benefits for using the cost approach? 8.5  
*Two approaches are typically used to establish costs new:*
  - 1. Actual construction costs - useful for relatively new courses (0 to 10 years).*
  - 2. Replacement cost technique - applied in the analysis of typical building improvements and course improvements (preferred method).*
9. Under normal circumstances, what is the maximum depreciation that should be applied to an irrigation system? 8.6

*The maximum depreciation should be no less than 50 percent (as indicated on GC4) as a well-functioning irrigation system is critical and therefore is continually maintained with new components.*

**10. What is an example of a situation when a cost to cure adjustment could be used? 8.8**

*A deduction for cost to cure could apply to items related to the clubhouse such as roof or HVAC replacement, or for significant irrigation system replacement costs. The easiest way to recognize additional depreciation at a golf course is through analysis of the cost to cure the deficiency. Additionally, to prevent double counting of depreciation any cost to cure amounts will be deducted from costs new before deducting normal age-related depreciation.*

**11. When can the income approach be utilized? 9.0**

*The Income Approach works best when sufficient data has been collected from a number of golf courses thereby allowing the assessor to accurately establish the economic rates and ratios required for application of the approach. The type of golf course ownership can determine the suitability of the information provided for analysis. Some golf courses are operated on a break even basis, not to make a profit; therefore the income information provided is likely not suitable for developing economic rates.*

**12. Why are economic rates used in the income approach? 9.1**

*Establishing market rates allows the assessor to verify the actual stabilized data on profit orientated courses that provide financial information and to consistently value not-for-profit, private, or for-profit courses that do not submit financial information.*

**13. What are the three most significant economic rates required for the income approach? 9.1**

*The most significant economic rates are the number of rounds played, average green fee and overall expense ratio.*

**14. Why are profit orientated courses relied upon for establishing economic rates? 9.3**

*Profit-oriented courses strive to achieve this point. As profit orientation is the typical market motivation factor, all types of golf courses should be valued in comparison to profit-oriented courses. Therefore, the potential income from a public course should be the same as for a private or semi-private course of similar quality and rating.*

**15. What two items are typically found on an expense statement that should not be considered? 9.3**

*Income and expense statements often contain accounting items that do not form part of the income approach procedure and should be removed from the analysis of expenses. These include:*

- income taxes,*
- depreciation,*

*In addition to the above, there is also:*

- interest and debt service,*
- capital improvements,*
- owner's business expenses (over and above reasonable expenses incurred in regard to the property's generation of income), and*
- Lease payments.*

**16. What are the two methods available for establishing gross rents? 9.7**

*Gross Rents per Square Foot and Gross Rents as a Percentage of Sales*

**17. What is the typical expense range of profit orientated courses? 9.8**

*The typical expense range is between 60% and 80%.*

**18. What items should be considered when selecting a capitalization rate? 9.12**

*The class and specific quality and nature of the property should be considered. Such things as age, state of repair, and location affect the risk associated with the property and the capitalization rate that should be applied. Generally speaking, superior and/or newer properties have lower capitalization rates.*

**19. What purpose can the GIM method serve? 9.13**

*While GIM is not recommended as method of establishing assessed values, this approach is most useful in providing secondary support, or as a cross check, for the value established through Direct Capitalization or the Cost Approach.*

**20. Which is the best method of adjusting sales in the direct comparison approach? 10.2**

*Golf courses are too dissimilar to allow for accurate quantitative adjustments. When applying the qualitative technique, the assessor identifies the comparable's characteristics as inferior, superior, or similar to the subject in order to bracket the probable value range of the subject property. A value indication derived with qualitative analysis will usually require more narrative explanation than when quantitative adjustments are utilized.*