

Appeal No. VA02/3/004

AN BINSE LUACHÁLA
VALUATION TRIBUNAL
AN tACHT LUACHÁLA, 2001
VALUATION ACT, 2001

Mary O'Neill

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Hotel at Map Reference 57 Bride Street, Ward: Loughrea Urban County Galway

B E F O R E

Tim Cotter - Valuer

Deputy Chairperson

John Kerr - FIAVI

Member

Brian Larkin - Barrister

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 28TH DAY OF APRIL, 2003

By Notice of Appeal dated 9 May 2002, the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €444.00 on the relevant property described above. The Grounds of Appeal as set out in the said Notice of Appeal are that:

(1) The Valuation is excessive and inequitable. (2) The Valuation is bad in law.

This appeal proceeded by way of an oral hearing, which took place on the 11th December 2002, in the Council Chamber, Galway City Council, Galway. The appellant was represented by Mr. Owen Hickey, B.L., instructed by O'Reilly & Co., Francis Street, Galway. Ms. Sheelagh O Buachalla, BA., ASCS., a Director of GVA Donal O Buachalla gave evidence on behalf of the appellant. The appellant, Mrs. Mary O'Neill, also gave evidence. Ms. Sean Quinn, BL., instructed by the Chief State Solicitor, represented the Commissioner of Valuation. Mr. Colman Forkin, BSc., MRICS., ASCS., MIAVI, Surveying, a District Valuer in the Valuation Office, gave evidence on behalf of the respondent.

Both parties to the appeal provided written précis of evidence to the Tribunal and exchanged them with each other in advance of the oral hearing. This evidence was supplemented by additional evidence obtained either directly or via the cross-examination process including photographic images taken of the interior of the hotel provided by Ms. O Buachalla and copy O.S. maps, photographic images of the external elevations of the Lady Gregory Hotel (Comparison No. 1 on the respondent's submission), and extracts from the 1993 and 1998 Bord Fáilte Accommodation Guides, and the 2001 Irish Hotel Federation, Hotel and Guest Houses Guide. From the evidence so tendered the following relevant facts either agreed or so found emerged as being material to this appeal.

The Property

The property consists of a four and partial three-storey townhouse hotel with 32 en-suite bedrooms, a function room, bar lounge, restaurant and rear car park. The main premises consists of a 19th century townhouse that was extended and refurbished initially in 1981/1982 when a function room, kitchen and lounge were added. Following these works, the premises re-opened as an hotel in 1982 and in 1988/1989 a two-storey extension was completed comprising a ground floor lounge and two bedrooms overhead. Subsequent extensions and improvements of a further 10 en-suite bedrooms were constructed in a two-storey block over the function room at the rear of the hotel in the 1990s.

The total gross external floor area was agreed between the appellant and respondent at 2,418 sq. metres.

Location

A street side townhouse development, O’Dea’s Hotel, is located on Bride Street being part of the main thoroughfare route used by traffic travelling through the town to and from Dublin to the east and Galway to the west. Loughrea had a reported population in the 2001 census of 4,000 persons and is located approximately 20 miles east of Galway city.

Accommodation

Ground Floor Bar & Lounge:	60 seats
Restaurant	32 covers
Function Room:	150 persons
Upper Floors:	30 bedrooms en-suite

Bord Fáilte classification: 3 Star

Tenure

Interest in the subject property is held freehold.

History

The subject property was first assessed on an NAV basis in 1992 when the Valuation Tribunal fixed the Valuation (Ref: VA94/1/014) when the hotel contained 13 guest bedrooms and two staff bedrooms, in the amount of £140.00 (RV €177.76). At that time the valuations submitted by the appellant and respondent were based on the Accounts Method but during the course of the hearing then, references were made to per square foot amounts in NAV calculations for comparison purposes. At that time it would appear that the property was classified as a Grade B hotel, as indicated in the 1993 Bord Fáilte Accommodation Guide. The RV was increased in 1998 to £175.00

(€220.00) resulting from the addition of ten new en-suite bedrooms, the corresponding increase in floor area and the installation of a passenger lift. An Appeal on same was not proceeded with due to a disagreement between the parties on floor area calculations and the imminent construction of five additional bedrooms. In November 2001, the property was reassessed and the overall RV was increased to £350.00 (€144.00).

The Appellant's Evidence

Mrs. Mary O'Neill, the appellant having taken the oath gave her evidence as follows. She characterised her facility as a country town hotel being managed and operated by herself. Mrs. O'Neill indicated that the primary sources of business following the completion of the most recent block of ten bedrooms en-suite, and the upgrading to three star classification by Bord Fáilte is primarily from commercial travellers during the off-season and a limited number of tourists during the summer. She indicated that the Function room is too small and unsuitable for weddings and is being operated primarily as a disco for one night a week. She advised the Tribunal that notwithstanding improvement and extension works over the years, the nature of the business has changed and her location within the town, is in her view, mitigating against business which she believes seeks the convenience of considerable off-street parking and more modern premises and layout. She drew attention to Ms. O Buachalla's Comparison No. 2, being the Meadow Court Hotel (the respondent's Comparison No. 3), and highlighted substantial differences in the scope and nature of the services purveyed between that out-of-town hotel and her premises.

In cross-examination, Ms. Quinn BL for the respondent made reference to the re-grading of the hotel from a former Grade B to the current 3 Star and contended that Grade B would broadly represent the equivalent of 1 Star in 1992/93. Mrs. O'Neill on the other hand asserted that Grade B would approximate to a 2 Star classification or rating.

Ms. Sheelagh O Buachalla, having taken the oath, adopted her précis as her evidence-in-chief and summarised her submission. Under examination by Mr. Hickey BL, Ms. O Buachalla summarised the history of the subject property and drew attention to the respondent's photo

images of the Meadow Court Hotel, being the only comparison property, save the subject, noted in her submission. She expressed the view that the images served to underpin her contention that the Meadow Court Hotel, though a comparison, is clearly different in nature, style, design and purpose to the subject. Ms. O Buachalla stated that the Meadow Court is a much better hotel than the subject premises and does not suffer from the piece-meal development characteristics of the subject. She also reviewed her valuation indicating that in her view, turnover is an important factor in this case. By extrapolating turnover only using the shortened accounts method, and adjusting the 2001 figure by the Consumer Price Index back to 1988, Ms. O Buachalla calculated an appropriate NAV of €48,032 producing an RV of €240.00. These figures were based on a copy of Certified Accounts attached to Ms. O Buachalla's submission, prepared by Gorman McNamee & Company, for the year ended 30th June, 2001. As an alternative, she also offered a square metre basis of valuation as follows

			€
Original Hotel:	1,503	sq. metre @ €23.64	= 35,530.90
Bedroom extension:	325.5	sq. metre @ €27.33	= 8,895.91
Bedroom extension:	589.5	sq. metre @ €25.97	= <u>15,309.31</u>
TOTAL NAV = €9,736.12 @ .5% =			RV €98

Ms. O Buachalla concluded that a fair Rateable Valuation, having regard to the above calculations, would amount to the average of both or **€269.00**.

Ms. Quinn cross-examined Ms. O Buachalla. She contended that the addition of the most recent 10 rooms increased the value of the overall property. Ms. O Buachalla acknowledged same but indicated that in her opinion, such an increase would be very limited and that the new rooms, though complying with planning conditions, are configured and designed in a less than optimal manner, being long and narrow, served by a series of corridors and stairs making it a property difficult to compare to modern, purpose designed complexes. Mrs. O'Neill also contributed her views on the three Comparisons noted below proffered by the Valuation Office and attached as Schedule 1 herein. She felt the Lady Gregory Hotel should not be considered as an appropriate comparison as it is a more modern complex with a large Reception and Lounge, capable of serving the needs of and greeting large groups such as weddings, etc., and catering to residents'

requirements, whereas her premises, being a former Georgian style house, lacks same. Mrs. O'Neill also referred to the Lady Gregory Hotel, as a modern purpose built and refurbished structure benefiting greatly from extensive on-site parking and large reception and function areas. She went on to describe the benefits in her mind attributing to the operations of the Oyster Manor Hotel, i.e. Comparison No. 2, with its large ground floor facility, as different from her own Hotel and the considerable functions business conducted at the Oyster Manor Hotel. Ms. O Buachalla reiterated these points, highlighting in her opinion the superb Lobby, Restaurant, Bar and Function room, and the excellent layout and floor plan, that taken together with the extensive parking, represented a considerable improvement over and above the subject. In reference to Comparison No. 3, being the Meadow Court Hotel, Mrs. O'Neill explained that the management of this premises exploits its location and design with an extensive number of functions and weddings held there, served by a large reception area.

Respondent's Evidence

Mr. Forkin took the oath and adopted his submission as his evidence in chief. Mr. Forkin summarised his précis and addressed the comparisons offered by him in his submission. He explained the approach adopted by the Valuation Office in terms of calculating an appropriate RV, as follows:

Total floor area = 2419m² @ €6.74 = €8,883.74

Est NAV say €8,888 @ 5% = €444.00

Referring to Schedule 3 attached herewith being his Comparisons commencing with Comparison No. 1, the Lady Gregory Hotel in Gort, he informed the Tribunal that the structure was reconstructed in 1994 from a derelict condition. It is a complex comprising of approximately double the gross floor area of the subject and was formerly the site of a secondary school. Mr. Forkin noted that it is also a 3 Star Hotel containing 48 en-suite bedrooms and in preparing his submission for the subject, he calculated an appropriate quantum allowance. In addressing his Comparison No. 2, the Oyster Manor Hotel in Clarinbridge, Co. Galway, he informed the Tribunal that it was a former convent converted to a hotel in the late 1990's, is now 3 Star with 26 en-suite bedrooms and was valued in 1997. His Comparison No. 3, the Meadow Court Hotel

in Loughrea, a comparison in common with both appellant and respondent, is located 3 miles from Loughrea, off the main Galway Road, in a set-back position and also has a 3 Star grade. It was valued in 2000. Mr. Forkin offered the view that the values of each of the properties had improved considerably in recent years and he submitted that he had chosen his specific comparisons because of their proximity to the subject and their common Bord Fáilte 3 Star grading.

In cross-examination, Mr. Hickey queried why Mr. Forkin had emphasised the previous nature and purpose of his comparisons e.g. school and convent, in apparent derelict states. Mr. Hickey submitted that same would have little effect on the NAV but Mr. Forkin emphasised that major structural and improvement changes were required on those properties to achieve operating hotel layouts. Mr. Forkin also indicated that the value of the lift in the subject was calculated into the RV and that a quantum allowance had been made by the respondent taking account of the more recent extensions, but that in his view, the overall hotel had improved in value when all the additional works were completed. Mr. Hickey challenged the increase in value adopted by the respondent on the older non-refurbished areas of the hotel and contended that the respondent did not apply the quantum principle on such areas. Mr. Hickey submitted that the current assessment amounts to approximately €6.00 per sq. metre, greater on the subject when compared to the Meadow Court Hotel. Mr. Hickey expressed the view that the 3 Star re-grading was the primary reason why the Valuation Office applied such an increase.

Findings

The Tribunal has carefully considered all the evidence and arguments adduced by the parties and makes the following findings:

1. The subject premises is clearly disadvantaged by scale, layout and location when compared to the common comparison adopted by both parties, i.e. The Meadow Court Hotel. There was no clear evidence provided by the Valuation Office confirming the application of a quantum allowance on the total floor area of 2,418 m²

2. It appears appropriate to this Tribunal that an approach to Valuation in circumstances such as this, would necessitate an allocation of values to areas within the complex, specific to their use and age. From the submissions made by the Respondent, it is not clear that such an approach was adopted. Whereas it seems unusual that the appellant referred only to her own premises, and one other for comparative purposes, it similarly surprises the Tribunal that the Comparisons No's 1 and 2 employed by the Respondent, are properties which appear to have undergone not merely refurbishment, but essentially conversion and substantial reconstruction within recent years, adopting modern hospitality industry design criteria for 3 Star hotels.

3. It is the view of the Tribunal that the foregoing two comparisons are of little assistance to the Tribunal in this case and consequently it has been led to rely heavily on the information supplied by both parties in relation to the Meadow Court Hotel. As the Respondent did not challenge the descriptions offered by the Appellant and her advisors on the Meadow Court Hotel and in particular, its apparent location, modern and functional design, layout, floor plan and considerable surface on-site parking facilities, the Tribunal has concluded that such is an appropriate description. The Tribunal also notes the rate applied of €30.75 per sq. metre, as outlined in the submission of the Valuation Office, during the 00/04 Revision on the Meadow Court Hotel.

Accordingly the Tribunal now determines the Net Annual Value of the subject premises as follows:

Total Area: 2418 m² x €25.00 per square metre = NAV of €60,450

RV @ .5% = €302.25

Say RV €300 and the Tribunal so determines