

Appeal No. VA14/4/007

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

Harvey's Point Ltd

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Property No. 2003649, at Lot No. 24 25a, Friary, Lough Eask, Donegal, Donegal County Council.

B E F O R E

Rory Lavelle – FRICS, FSCSI, ACI Arb

Deputy Chairperson

Mairead Hughes - Hotelier

Member

Frank Walsh

Member

**JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 20TH DAY OF MARCH, 2015**

By Notice of Appeal received on the 4th day of November, 2014, the Appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €1,500 in respect of the property the subject of the appeal.

The grounds of appeal are as set out in Appendix 1 attached to this judgement.

The appeal proceeded by way of an oral hearing held in the offices of the Valuation Tribunal, 3rd Floor, Holbrook House, Holles Street, Dublin 2. At the hearing the appellant was represented by Mr. Patrick McCarroll, PMC, Market Place, 18 The Diamond, Carndonagh, Inishowen, Co. Donegal, while the respondent was represented by Mr Viorel Gogu, MRICS, MSCSI, PhD Economics, MSc Real Estate, MSc Quality Management, valuer at the Valuation Office. Mr Michael Cullinan, Financial Controller at the Harvey's point Hotel, also attended.

The Issue

The issue between the parties was that of quantum only, the appellant maintaining that the rateable valuation (RV) of €1,500 was excessive.

The Property

The subject property comprises Harvey's Point Hotel which stands on a large site on the shores of Lough Eske, some 6.5 kilometres from Donegal Town. The hotel started off as a small guesthouse and since 1983, at various stages over the years, the property expanded to what is now a 4-star, 64 bedroom hotel over four floors with a restaurant, bar and administration building, while the part-basement area houses laundry, storage area, staff rooms and a plant room. Adequate car parking facilities are provided on site. The hotel is approached by travelling along a gravelled drive from the public road. There is planning permission for a fitness suite, spa and pool but these were only partially completed at inspection stage.

Location

The subject property is located approximately 6.5km north of Donegal Town, off the N15/Donegal to Letterkenny Road. The hotel is on the shores of Lough Eske, near the Bluestack Mountains.

Services

All mains services are connected to the hotel. However, water and drinking water as well as sewage treatment, are the responsibility of the occupier.

Tenure

Freehold.

Accommodation

Floor areas, calculated on a Gross External Area (GEA) basis, were agreed between the parties as follows:

Hotel	9,137.49 sq. metres
Lodge	422.80 sq. metres
Basement store	79.20 sq. metres
Ancillary	341.32 sq. metres

Valuation History

A rateable valuation of €368.22 was set by the Valuation Tribunal in 1994. Following an extension a second appeal in 2001 set the RV at €444.41 and, following a second hotel extension, a proposed Valuation Certificate issued on 15th January 2014 with a RV of €2,000. Mr McCarroll for the appellant made representations to the Revision Officer and, upon consideration, a reduction was made and a final Valuation Certificate was issued by the Commissioner of Valuation in the amount of €1,500 on 30th May 2014. An appeal was filed in July 2014 and on 8th October 2014 the Appeal Officer made no change to the adjusted RV of €1,500 issued. This decision is now before the Tribunal.

The Appellant's Case

Mr McCarroll for the appellant took the oath and adopted his précis as his evidence-in-chief. He described the subject property as a 4-star hotel premises with 64 bedrooms in two separate blocks. It now has an enlarged new bar and ancillary buildings, he said, adding that the hotel had been built in piecemeal fashion over the past 30 odd years and was not purpose-built. He further added that waste water treatment, sewage and drinking water management are the responsibility of the occupiers.

Mr McCarroll continued his evidence by informing the Tribunal that the hotel incurs an extra overhead expense of approximately €16,000 annually due to the necessary biological testing of the drinking water as set down by the EPA and Donegal County Council. In addition to this annual cost, the occupiers will invest a further €279,000 on a waste water treatment plant as specified by Donegal County Council to meet the needs of the sewage treatment on site. He said that this extra cost would be assessed by a hypothetical tenant due to the major impact it will have on profitability. He further stated that the nearby Lough Eske Castle has now been re-connected by Donegal County Council to the mains system having had to bear similar costs

associated with the transportation of sewage from the venue on a weekly basis because it was not originally permitted a septic facility.

Mr McCarroll described the difference between 4-star and 5-star hotels citing service, bedroom size, specification of bathrooms etc., as set out in Fáilte Ireland's rating classification guides, and he asserted that a hotel's star rating is a tourist board accreditation and does not add to the Net Annual Value (NAV).

He said that the closest hotel is Lough Eske Castle, while some five kilometres away in Donegal Town there is one 3-star hotel and one 4-star hotel. He said that both the subject and Lough Eske Castle were destination hotels, as distinct from the Mill Park and the Abbey at Donegal Town. He said that whereas the Carlton Redcastle Hotel is on the main road from Letterkenny and Buncrana, the subject is in a remote area.

Mr McCarroll contended that the remote location of the subject together with poor access, lack of public transport and street lighting, lack of a swimming pool, WiFi and golf course, as well as the seasonal aspect of the trade, all impacted on the profits at the hotel.

Comparisons

In support of his valuation, Mr McCarroll introduced four comparison properties, details of which are set out in Appendix 2 to this judgment.

He described his Comparison 1, Harvey's Point Hotel (subject), which then was a 3-star hotel and accommodated 20 bedrooms and was determined by the Valuation Tribunal in 2001, as his best comparison. At the time the floor area of the hotel was 2,499 sq. metres and its RV devalues at €31.44 per sq. metre resulting from this 2001 revision.

His comparison 2 was the 4-star Redcastle Oceanfront Golf & Spa Hotel with a golf course, seaside setting, 93 bedrooms, swimming pool and floor area of 8,486 sq. metres. The sewage is treated on site by the occupiers. Its RV devalues at €27.34 per sq. metre.

Comparison 3, Ballyliffin Lodge, is a 4-star, 40 bedroom hotel with leisure facilities and pool, water and sewage on the mains and with a floor area of 4,930 sq. metres. The RV devalues at €30 per sq. metre.

Comparison 4 is the Gweedore Court 4-star hotel that fronts onto the N56 and houses 66 bedrooms, has water mains connected, but whose sewage treatment is provided by the hotel. This hotel has a floor area of 7,260 sq. metres and devalues at €30.75 per sq. metre.

Respondent's Evidence

Mr Viorel Gogu, having taken the oath, adopted his written précis as his evidence-in-chief. He confirmed agreement on the floor areas, and noted an NAV of €301,734.74 calculated as follows:

Hotel	9137.49 sq. metres	@	€31.44 per sq. metre	=	€278,282.68
Basement Store	79.20 sq. metres	@	€15.00 per sq. metre	=	€ 1,118.00
Lodge	422.80 sq. metres	@	€20.51 per sq. metre	=	€8,671.63
Ancillary	341.32 sq. metres	@	€13.66 per sq. metre	=	<u>€4,662.43</u>
				NAV =	€301,734.74

€301,734.74 x 0.5% = RV of €1,508.67, Say €1500.

Mr Gogu outlined the valuation history of the subject as already detailed in this judgment. To support the Net Annual Value, he introduced the following nine comparisons:-

- (1) Harveys Point Hotel - old hotel (subject) 2,019.34 sq. metres @ €31.44 per sq. metre
- (2) Lough Eske Castle (5*) 11,400.00 sq. metres @ €38.54 per sq. metre
- (3) Abbey Hotel, Donegal Town (3*) 7,636.85 sq. metres @ €35.86 per sq. metre
- (4) Seaview Hotel, Bunbeg (3*) 3,690.76 sq. metres @ €38.95 per sq. metre
- (5) Lough Altan Teo, Gortahork (3*) 3,084.00 sq. metres @ €34.17 per sq. metre
- (6) Downings Bay Hotel, Downings (3*) 3,187.80 sq. metres @ €34.16 per sq. metre
- (7) McGrory's Hotel, Culdaff (3*) 1,411.44 sq. metres @ €34.91 per sq. metre
- (8) Malin Hotel, Malin (3*) 1,116.26 sq. metres @ €34.17 per sq. metre
- (9) An Grianan Hotel, Burt (3*) 3,815.72 sq. metres @ €31.00 per sq. metre

Mr. Gogu said that there is only one 5-star hotel in County Donegal (Lough Eske Castle), that other than the subject, which is a 4-star, the remaining comparisons are all 3-star and that, accordingly, the seven comparisons he cited are not truly comparable with the subject. He contended for the subject as his best comparison.

Cross-Examination

Under cross-examination from Mr McCarroll, Mr Gogu was asked if the water and sewage treatment issue was raised at the Tribunal in 1995, to which he replied that he did not know.

Evidence of Mr Cullinan

Mr Michael Cullinan, Financial Controller with the subject property then took the oath and summarised the situation with regard to finances at the hotel. He described both Lough Eske Castle and Jackson's Hotel in Ballybofey as the two main competitors to the subject property. He described the design as being inefficient and that some 25 years ago it was not the intention to have a 64 bedroom 4-star hotel. He said that the main cost base at the hotel is staff costs and repayments of loans. He told the Tribunal that the reason the leisure centre remained unfinished was lack of funds.

Findings

Having carefully considered all the arguments and evidence adduced by the parties, the Tribunal finds as follows:

1. The subject property is in a rural and somewhat isolated location and local trade is likely to be very limited, unlike that for hotel properties located in or very near a town.
2. The subject property is responsible for the treatment of water and sewage at the premises. However, Lough Eske Castle, which is located beside the subject, had similar issues at the time of valuation and was valued at €38.54 per sq. metre, whereas the subject is valued at €31.44 per sq. metre.
3. It is the Tribunal's view that the annual cost of €16,000 in respect of water management, together with a one-off future cost of €279,000 on a waste water treatment plant, lack of WiFi and poor roads and location are included in the rate applied, and that the appellant failed to prove otherwise.
4. The Tribunal could not ignore Lough Eske Castle as it is of the view that this hotel targets the same market as the subject, and while the former does have leisure facilities, both are destination properties.

Determination

In view of all the foregoing, the Tribunal determines that the decision of the Commissioner of Valuation be upheld and that the rateable valuation on the subject property be affirmed at €1,500.

And the Tribunal so determines.