

Appeal No. VA96/3/016

AN BINSE LUACHÁLA
VALUATION TRIBUNAL
AN tACHT LUACHÁLA, 1988
VALUATION ACT, 1988

Hugh Boyle, Boyle Entertainment Limited t/a The Seaview Hotel APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel and Yard at Map Ref: 37Ab, ED: Magheraclogher, RD: Dunfanaghy, Co. Donegal

Quantum - Percentage of turnover

B E F O R E

Fred Devlin - FRICS.ACI Arb.

Deputy Chairman

Mary Devins - Solicitor

Deputy Chairman

Marie Connellan - Solicitor

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 24TH DAY OF APRIL, 1997

By Notice of Appeal dated the 15th July, 1996 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £385 on the above described hereditament.

The grounds of appeal as set out in the Notice of Appeal are that:-

- "1.** The valuation is excessive and inequitable;
- 2.** The valuation is bad in law;
- 3.** No account is taken of the net annual value iBy Notice of Appeal dated the 15th July, 1996 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £385 on the above described hereditament.

4. The respondent erred in law in fixing and determining the said valuation in that he failed to have any or any proper regard to the provisions of the Valuation Acts and in particular *Section 5 of the 1986 Act*;
5. The rateable valuation is not assessed in accordance with the relevant Valuation Acts and related legislation;
6. The valuation is excessive, inequitable and bad in law having regard to the particular location of the hereditament, the subject matter of this appeal and the difficulties associated therewith".

This appeal proceeded before the Tribunal by way of an oral hearing held in the Courthouse, Letterkenny on the 27th day of November, 1996. The appellant was represented by Mr. Patrick McCarroll, ARICS ASCS, and the respondent by Mr. Christopher Hicks, a Valuer in the Valuation Office.

The Property:

The property is a family run two storey hotel in the village of Bunbeg in north west Donegal. This region of Donegal is a popular tourist area particularly during the peak summer months of July and August. The hotel is open all the year round and enjoys a steady local custom.

The building is mainly two storey and has been subject to continual alteration and extension over the past 25 years to its now present state and circumstance. The agreed external floor area is 21,800 sq.ft. together with stores at the rear which have an agreed area of 2,680 sq.ft.

Accommodation:

Ground Floor:

- Entrance porch
- Reception
- Dining Room
- Restaurant Bar
- Lounge
- Kitchen
- Disco and Male/Female Toilet Accommodation

First Floor:

22 bedrooms four of which are used by the staff.

Turnover:

Turnover for year ending 31st October, 1993	-	£779,644 (exc.. VAT)
Turnover for year ending 31st October, 1994	-	£800,676 (exc.. VAT)
Gross Profit	c. 61%	

Oral Hearing:

Having taken the oath each valuer adopted as their evidence in chief their respective written submissions which had previously been exchanged by them and submitted to the Tribunal.

Appellant's Contentions:

1. Bunbeg is a small village with a short tourist season and is subject to intense competition from other hotels in the area.
2. A high percentage of the turnover is achieved during the summer months.
3. The hotel has been extended in a piece-meal fashion over the past 25 years and is built of a variety of materials. The ground floor accommodation is at different levels. The standard of bedroom accommodation is basic and the layout at ground floor level is far from ideal.

Respondent's Contentions:

1. The Seaview Hotel is situated in a popular tourist area and benefits from strong local custom.
2. The hotel is open all year round and has a strong well balanced turnover as can be seen from an examination of the accounts introduced by the appellant. One of the main competing hotels (Ostan Gweedore) in the immediate locality is owned and operated by the same family.
3. The Glenveigh Hotel (Comparison No. 7) is located close-by and was first valued at 1995/4 revision at a rateable valuation of £500 and has not been subject to an appeal. This hotel has a gross area of 35,000 sq.ft. with 40 bedrooms and a large disco in the basement area.

Mr. McCarroll's Valuation:

Mr. McCarroll valued the subject property on the accounts or profit method on the basis of the accounts for the year ending 31st October, 1993 and arrived at a net annual value of £52,802 and a rateable valuation of £264 of which he attributed £10 to a domestic element.

Mr. McCarroll's valuation is as set out below:-

"	Turnover Y/E 31st October, 1993	£779,644
	Gross Profit	£473,772

Less			
Wages	£124,782		
Overhead Expenses	£295,554		
Finance interest charges	£ 16,230		
Depreciation	£ 36,434		£473,000
Net Profit			£ 772
Add Back			
Rent	£ 74,638		
Rates	£ 7,761		
Loan Interest	£ 16,230		
Depreciation	£ 36,434		
Directors	£ 6,317		£141,380
Divisible Balance			£142,152
Available for Rent and Rates (50%)			£ 71,076
Adjust to 1988			£ 61,409
Rate in £/divider 1.163			£
NAV			£ 52,802
RV (0.5%)		£264.00 (£10.00 domestic)"	

In support of this method of valuation Mr. McCarroll relied upon a statement contained in the recent Valuation Tribunal decision *VA95/1/025 - Ferrycarrig Castle Hotel Limited v. Commissioner of Valuation* which was valued on an accounts and profit basis "*It must be said however, that since the nature of the operation of a hotel is to achieve profit, it follows that the rent will be based upon this assumption and hence the most appropriate method of valuation will be the accounts or profits method*".

Mr. McCarroll also carried out a comparative analysis of the subject hotel with the Bay View Hotel in Killybegs and the Lake of Shadows hotel in Buncrana as set out in Appendix 1 attaching to this decision.

Mr. Hicks' Valuation:

Mr. Hicks valued the subject property by comparison with several other hotels in County Donegal as set out in the summary contained in Appendix 2 attached to this decision.

Mr. Hicks' valuation is set out below:

"	Seaview Hotel:	21,800 ft ²	@	£3.30 =	£71,940
	Store:	2,680 ft ²	@	£1.65 =	<u>£ 4,422</u>

NAV	=	£76,362
@ .5%	=	£381.81
		<u>Say £385</u>

OR

Turnover 1993:	=	£779,644
To 1988 base (.865)	=	£674,392
		@ 11.36%

NAV	=	£76,611
@ 0.5%	=	<u>£383</u>

OR

Rent:	=	£74,638
Fixed Assets: £299,726 (1993) @ 10%	=	£29,973
Backdate to 1988 (.865)	=	£90,489
	@ 0.5%	= <u>£452"</u>

In response to a question from Mr. Hicks, Mr. McCarroll said that the rent appearing in the accounts was not a rent in the true sense of the word but a financial arrangement in order to allow the appellant to obtain a tax deduction.

In support of this statement, Mr. McCarroll handed in a letter from the appellant's auditors to this effect.

Mr. McCarroll challenged Mr. Hicks evidence in relation to the Glenveigh Hotel (Comparison No. 7). This hotel he said had only 10 bedrooms and not 40 as stated by Mr. Hicks. In response Mr. Hicks said that the Revising Valuer was unable to carry out a full inspection of this property at revision but nonetheless he had measured the premises externally and upon this basis had arrived at his opinion of net annual value. He did not have any information regarding turnover in this hotel as there was a lack of co-operation on the owners part. Nonetheless the rateable valuation of £500 had not been appealed.

Findings:

1. The Seaview Hotel is located in a popular tourist area and enjoys the business benefits following therefrom together with a steady locally based custom.

2. The hotel is well managed with a gross profit margin of 61%. An analysis of the 1993 accounts shows a turnover breakdown as follows:-
- | | | |
|-----------------|---|------------|
| Food | - | 20% |
| Accommodation | - | 15% |
| Beverage Sales | - | 54% |
| Disco Admission | - | <u>11%</u> |
| Total | - | 100% |
3. From the above analysis it is clear that the subject possesses many of the characteristics of a thriving public house and that the accommodation element represents a relatively small proportion of total turnover. This is a fact that a hypothetical tenant would take into account in arriving at an opinion of rental value.
4. Both valuers introduced in evidence the assessments of other hotels in County Donegal and with the exception of the Glenveigh Hotel made no submission that their rateable valuations were either incorrect or unfair. Having regard to Mr. McCarroll's comments in relation to the Glenveigh Hotel the Tribunal attaches no weight to this comparison. However in arriving at the net annual value of the subject property the Tribunal must in accordance with Section 5 of the Valuation Act, 1986 have regard to these assessments and maintain the levels established by them.
5. Of all the comparisons introduced, the Tribunal considers the Lake of Shadows Hotel in Buncrana to be the most helpful, in that it too has a high level of bar trade relative to total turnover. It is also of somewhat similar size and has the same number of bedrooms. It does not however, have a disco. Buncrana is of course a much larger town than Bunbeg.
6. Harvey's Point Hotel is of a similar size but it is a new purpose built hotel aimed at a different segment of the market.
7. Whilst the Tribunal agrees with the principles stated in the Ferrycarrig decision, the nature of the business in the Seaview Hotel is significantly different and in this instance the Tribunal is disposed to look at the findings in the Lake of Shadows Hotel decision VA94/3/019 where a figure of around 8% was applied to the turnover in order to arrive at a net annual value of £55,550. Having referred to the nature of the turnover in the subject premises the Tribunal considers a slightly higher figure to be appropriate.
8. The Tribunal notes that Mr. McCarroll's opinion of net annual value is equivalent to 7.8% of Mr. Hicks' adjusted turnover figure of £675,000.

Determination:

Having regard to the above the Tribunal determines the rateable valuation of the subject premises to be £290.