

Appeal No. VA04/3/043

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

Andrew & Jean Carr

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Guesthouse at Lot No. 1AB/29, Bunbeg, Magheraclogher, Dunfanaghy, County Donegal.

Quantum - environmental factors, seasonality

B E F O R E

Fred Devlin - FSCS.FRICS

Deputy Chairperson

Michael F. Lyng - Valuer

Member

Michael McWey - Valuer

Member

JUDGMENT OF THE VALUATION TRIBUNAL

ISSUED ON THE 1ST DAY OF FEBRUARY, 2005

By Notice of Appeal dated the 2nd day of August, 2004, the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €60.00 on the above described relevant property.

The Grounds of Appeal as set out in the Notice of Appeal are:

"1) Seasonality, 2) Area rated, Season, Area, Location"

1. This appeal proceeded by way of an oral hearing held in the District Courthouse, Letterkenny, Co. Donegal on the 26th November, 2004. At the hearing Mr Andrew Carr appeared on behalf of the co-appellants. The respondent was represented by Mr. Tomás Cassidy B.Sc(Surv) M.I.A.V.I, a Valuer in the Valuation Office.

The Property

2. The property concerned in this appeal is a registered guesthouse known as “Bunbeg House”, which is located on Bunbeg Pier in Northwest Donegal. Bunbeg is a small village about 30 miles from Letterkenny and 10 miles from Dungloe.

3. “Bunbeg House” is an old 3 storey detached house which is partly used as a registered guesthouse and partly as a private residence by the appellants and their family. The property is situated at the pier and is approached from a minor county road by means of a narrow and unlit laneway.

Appellant’s Evidence

4. Mr. Andrew Carr in his evidence outlined how he and his wife returned from England and took over the running of “Bunbeg House” in or about 1990. Initially “Bunbeg House” operated as a 6-bedroom Bed & Breakfast establishment but in 1991 it commenced operation as a registered guesthouse. In 1996 the property was extended to its present size and the expenditure was partly funded by a grant from Bord Failte.

5. As a result of the extension the house has 14 ensuite bedrooms available for guests. Business picked up considerably after the works to the extent that he and his wife decided to use the dining room as a restaurant in the evening open to guests and the general public alike. However in the following year business started to deteriorate and in due course the restaurant was closed and the dining room became utilised as part of the family residence. Mr. Carr said the causes of the downturn in business were many and included a general decline in the local economy, the effect of September 11th, increased competition from hotels which were offering special deals, competition from Bed & Breakfast

establishments which do not pay rates and a decrease in tourists from abroad and Northern Ireland. All of these coupled with a short season and unpredictable weather contributed to a sharp reduction in bookings and turnover and a significant erosion of profits.

6. Mr. Carr said that he had been in contact with Donegal County Council and as a result of inquiries, it was clear that a number of registered guesthouses, which were in direct competition with him, did not pay rates. Similarly, many Bed & Breakfast establishments in the vicinity and throughout Donegal in general operated in breach of the restrictions imposed by their licensing arrangements on the number of guest rooms. All of these were in direct competition with guesthouses generally and were in an advantaged position insofar as they did not pay rates. This situation, Mr. Carr said, represented unfair competition.

7. Mr. Carr said that due to business downturn he was unable to carry out ongoing repairs of a routine nature. As a consequence, the fabric of the building was deteriorating, which if it continued unabated would further curtail his business activities. Mr. Carr also said that as a result of lack of finance he was unable to afford a listing in the Hotel & Guesthouse Guide published by the Irish Hotels Federation. This also puts him in a disadvantaged trading position.

8. Mr. Carr said that management of Bunbeg Pier, which was the responsibility of the County Council, was virtually non-existent. There was no harbour master to supervise activities in the area and as a result several boats, some of which were probably abandoned, were parked on the pier. This practice interfered with car parking on the pier and also rendered the whole area unsightly and unkempt. However this was not the only problem as the pier area was also used for cleaning, grading and packing shellfish for onward sale. Despite several complaints by him to the County Council these actions continued unabated and it was clearly obvious that they were doing damage to the overall scenic and environmental quality of the pier and harbour area. Mr. Carr said trading conditions were difficult but in his case the difficulties were exacerbated by what he

considered to be a lack of action on the part of the County Council in adequately supervising and controlling activities on the pier which are having a detrimental effect on his business and on the quality of his day to day life in the house.

Respondent's Evidence

9. Mr. Cassidy, having taken the oath, adopted his written précis and valuation, which had previously been received by the Tribunal as his evidence-in-chief.

10. In his evidence Mr. Cassidy said that he had inspected "Bunbeg House" in October, 2003. During his inspection he noted that part of the building was used solely for residential purposes and in arriving at his opinion of Net Annual Value he had valued only that section of "Bunbeg House" which he considered to be in guesthouse use. During his inspection he noted that part of the building showed evidence of damp penetration and that the windows and external doors were in poor repair. Mr. Cassidy said he had taken these factors into account when arriving at his opinion of Net Annual Value as set out below:

| | | |
|---|---|------------|
| Guesthouse 625.5 sq metres @ €20.00 per sq. metre | = | €12,510 |
| Rateable Valuation at 0.5% | = | €62.55 |
| | | Say €60.00 |

11. In support of his opinion of Net Annual Value Mr. Cassidy introduced 3 comparisons details of which are set out in the Appendix attached to this judgment. Mr. Cassidy said that all his comparisons were guesthouses in North Donegal, which operated in the same market segment as the property concerned.

12. Under cross-examination Mr. Cassidy confirmed that at the date of his inspection in October 2003 there were no guests staying in "Bunbeg House". Whilst he agreed that tourism in Donegal had a relatively short season most guesthouses in his opinion operated

on a 12-month basis. As with all tourist activities Mr. Cassidy said, it was up to each individual occupier to run his or her business in the most cost-effective manner.

13. When questioned about his comparisons Mr. Cassidy agreed that they all occupied better locations and offered a better range of accommodation and facilities than “Bunbeg House”. In some instances there was also a Lounge/Bar facility.

14. Mr. Cassidy said that he had taken all the relevant disadvantages into account when arriving at his opinion of Net Annual Value. However, having heard Mr. Carr’s evidence in relation to the former restaurant area, Mr. Cassidy said that he wished to amend his valuation to take account of this new information. Accordingly, Mr. Cassidy put forward the following revised valuation:

| | |
|---|----------|
| Guesthouse 488 sq. metres @ €20.00 per sq. metre = Say €9,800 | |
| Rateable valuation at 0.5% | = €49.00 |

15. Mr. Cassidy said he accepted Mr. Carr’s evidence in relation to the competition from Bed & Breakfast establishments, but could not comment as to whether or not they operated outside the restrictions imposed by their licence agreements. Similarly, he could not comment as to why some registered guesthouses did not pay rates. This, he said, was a matter for the local authority.

Findings

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

1. It is common case that only part of “Bunbeg House” is used for guesthouse purposes.
2. The Tribunal accepts Mr. Carr’s evidence that “Bunbeg House” has little or no profile and that the only access to it from the county road is via a narrow laneway.

3. The Tribunal accepts Mr. Carr's uncontested evidence that the pier and harbour area of Bunbeg are poorly maintained and supervised and that this adversely affects the amenities of "Bunbeg House" and probably adversely impacts on its business activities and opportunities.
4. The Tribunal accepts that tourism in Donegal has suffered in recent times for a variety of reasons. However, this is a problem common to all those engaged either directly or indirectly in tourist activities and not just "Bunbeg House". Similarly, all guesthouses in Donegal and indeed elsewhere are subject to competition from hotels, other guesthouses and Bed & Breakfast establishments, be they registered or not.
5. The Tribunal accepts that Mr. Carr and his wife have tried their best to make a success of operating "Bunbeg House" as a good quality guesthouse. The Tribunal also accepts that "Bunbeg House" suffers from a number of inherent disadvantages such as access but it also suffers from other environmental factors outside the appellant's control, such as lack of supervision in the harbour area. These are all features that a hypothetical tenant would have regard to in formulating an opinion of rental value as envisaged under the Valuation Act, 2001.
6. The Tribunal accepts that Mr. Cassidy recognised the inherent disadvantages of Bunbeg House compared to his 3 comparisons. However it is the Tribunal's view that such allowance as he made to reflect these disadvantages is not sufficient nor does it fully reflect the other environmental factors above referred to.

Determination

Having regard to the foregoing the Tribunal determines the rateable valuation of the property concerned at €36 calculated as set out below:

| | |
|-------------------------------------|--------|
| Guesthouse 488 sq metres @ €15.00 = | €7,320 |
| Net Annual Value say | €7,200 |
| Rateable Valuation @ 0.5% = | €36 |

And the Tribunal so determines.