

Appeal No. VA10/1/012

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

Aranbrook Ltd.

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Property No. 2005996, Hotel, Caravan Park at Lot No. 2F 4a, Larganreagh, Rosquill, Milford, County Donegal

B E F O R E

John Kerr - Chartered Surveyor

Deputy Chairperson

Mairéad Hughes - Hotelier

Member

Niall O'Hanlon - BL

Member

JUDGMENT OF THE VALUATION TRIBUNAL

ISSUED ON THE 4TH DAY OF AUGUST, 2010

By Notice of Appeal dated the 6th day of February, 2010, the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of €388.00 on the above-described relevant property.

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

"Not valued in accordance with Valuation Acts. NAV does not reflect 1988 values. Valuation excessive/bad in law. Valuation does not reflect tone of list. Valuation does not reflect current and anticipated economic climate."

The appeal proceeded by way of an oral hearing, which took place in the offices of the Valuation Tribunal, Ormond House, Ormond Quay, Dublin 7 on the 20th day of April, 2010. The appellant was represented by Mr. Patrick McCarroll, MRICS, ASCS, Chartered Valuation Surveyor. The respondent was represented by Mr. Don Donovan, BSc (Property Management & Valuation Surveying), Dip FM, MIAVI, MACCA, who has worked with the Valuation Office since November 2004.

In accordance with the rules of the Tribunal, the parties had exchanged their respective précis of evidence prior to the commencement of the hearing and submitted same to this Tribunal. At the oral hearing, both parties, having taken the oath, adopted their précis as being their evidence-in-chief. This evidence was supplemented by additional evidence given either directly or via cross-examination. From the evidence so tendered, the following emerged as being the facts relevant and material to this appeal.

The Property

The property is described as a 3-star rated hotel which was redeveloped following a fire in the original property in August 2005. Following the fire, the original section of the hotel at the rear was retained and integrated as part of a new complex. The hotel comprises 30 en-suite bedrooms, being a mix of double, twin and adjoining family rooms, a bar, a function room capable of serving 120 people, reception area and the usual kitchen and ancillary stores. In addition, a caravan park forms part of the subject property which has not changed since an earlier revision, carried out in 2003.

The hotel is fitted with a lift, all bedrooms are en-suite with shower or bath facilities, and are furnished with flat screen satellite televisions, telephone, tea and coffee making facilities and hairdryers. Free Wi-Fi service is provided throughout the hotel.

Location

The subject property is located in the village of Downings, Co. Donegal, which is situated on the western side of Rosguill Peninsula on the north-west coast of the county.

Trade at the modern purpose-built three storey hotel and the adjoining caravan park is seasonal.

Services

All mains services are connected to the property.

Tenure

Assumed freehold.

Caravan Park

The adjoining caravan park is an integral part of the subject property and the NAV on same remained unchanged since the 2003 revision and was agreed by the parties at €6,348.

Valuation History

- January 2010: Following inspection of the subject property by the Revision Officer, a draft Valuation Certificate issued with an RV of €388. No change was made to the rateable valuation at representations and appeal stage.
- April 2010: A Valuation Certificate issued by the Commissioner of Valuation indicating a rateable valuation of €388.
- February 2010: Appellant appealed the valuation by Notice of Appeal received by the Valuation Tribunal on 9th February, 2010.

Agreed Floor Areas

The parties agreed at the commencement of the hearing that the area of the hotel is 2,170 sq. metres.

Appellant's Case

Proceedings commenced when Mr. Patrick McCarroll, took the oath, adopted his amended précis* as his evidence-in-chief, and provided the Tribunal with a review of his submission. Having described the property and confirmed agreement as to area, description, location, hospitality, grading and nature of the property, Mr. McCarroll sought a rateable valuation on behalf of his client, based on differential levels to apply to the old and new section of the hotel, which he calculated as follows:

| | | |
|-------------|--|------------|
| Hotel (new) | 1,831.46 sq. metres @ €25.00 per sq. metre = | €45,786.50 |
| Hotel (old) | 338.54 sq. metres @ €23.23 per sq. metre = | €7,864.28 |

| | |
|-----------------------|------------------------|
| Caravan Park (agreed) | €6,348.00 |
| | = €9,998.78 |
| RV @ 0.5% = €299.99 | |
| Say RV €300 | |

* As per e-mail: Mr. Patrick McCarroll to Mr. Don Donovan dated 12th April, 2010 at 14.31pm, attached as Appendix 1 hereto. This e-mail superseded his correspondence to the Valuation Tribunal of 1st April, 2010, submitting a proposed RV of €94 which in turn superseded the appellant's Notice of Appeal submitted to the Tribunal dated 5th February, 2010, which sought a rateable valuation of €65. Copies of the latter two documents are attached herewith as Appendix 2.

Appellant's Comparisons

To support his appeal behalf of his client, Mr. McCarroll initially provided the Tribunal with details of six properties, namely: the subject, as comparison no. 1, when revised prior to the fire in June of 2003; Teach Jack at Derrybeg, Co. Donegal as comparison no. 2; Arnold's Hotel, Dunfanaghy, as comparison no. 3, which was withdrawn at hearing as it had been revised under previous legislation; Caislean an Oir (also known as Teach Jack 2) at Annagry, Co. Donegal, as Comparison No. 4; followed by the Shandon Hotel at Marble Hill and Ostan Gweedore at Derrybeg, both in Co. Donegal, as comparisons nos 5 and 6, respectively. Mr. McCarroll provided valuation details, descriptions, number of bedrooms, grading details, rateable areas, applied rates per square metre, and rates calculated on a per bedroom basis for each of the foregoing. He also provided a summary schedule which included a rate per square metre applying to the foregoing comparison properties ranging from €22.41 per sq. metre for the subject as revised prior to the fire of 2005 when graded as a 1-star, to €27.34 per sq. metre for a 3-star/4-star property. For convenience of reference, Mr. McCarroll also included an analysis of the revision under appeal on the subject which provides for a rate per sq. metre of €32.00, (as confirmed by e-mail from Mr. Don Donovan dated 13th April, 2010 to Ms. Olivia Bellamy and copied to Mr. Patrick McCarroll, attached as Appendix 3 hereto). Details of the appellant's comparisons were outlined on pages 9 – 17 inclusive of his précis, copies attached hereto at Appendix 4.

During the course of the hearing Mr. McCarroll agreed to also withdraw comparisons nos. 2, 4 and 6, and chose comparison no. 5, namely the Shandon Hotel, as his primary comparator to the subject, but he also requested that the Tribunal give full consideration to the subject,

Beach Hotel, when revised in 2003, prior to the fire. He also acknowledged under cross-examination that the Teach Jack and Caislean an Oir comparison properties may be primarily trading as Public Houses, though registered as Hotels.

Cross-examination by Mr. Don Donovan

In reply to a number of questions raised by Mr. Donovan, Mr. McCarroll advised the Tribunal as follows:

- The subject relevant property traded as a 1-star hotel facility prior to the fire.
- He did not include the Downings Bay Hotel, located in the same village as the subject, as a comparison property. Mr. McCarroll contended that the Commissioner did not reference the old or former 1-star subject Beach Hotel when valuing the former, but in the alternative, relied upon two other better hotels in his view, namely the Rossapenna Golf Hotel and Lough Altan, located at Rossapenna.
- The Downings Bay Hotel was formerly considered a Public House.
- The Downings Bay Hotel now has 40 rooms. The newer section of the subject Beach Hotel - prior to the fire graded as 1-star under the previous revision - carried a rate of €23.23 per sq. metre at that time.
- There may be an issue to consider based on the rate of €23.23 per sq. metre applied then on part of the subject property when it traded as a 1-star, now graded as 3-star.
- He was aware of, and appreciated the difference in quality of service provided at Arnold's Hotel at Dunfanaghy, (earlier withdrawn by the appellant), and the Shandon Hotel at Marble Hill, being comparison no. 5 in the appellant's précis, and acknowledged facility and service standards may be higher than those provided at the subject property.
- He could not understand the particular relevance which scheduled flights from Glasgow and Dublin to Donegal Airport may bring to bear on the value of the subject property.

Respondent's Case

Mr. Donovan, took the oath, adopted his précis as his evidence-in-chief and reviewed his submission. His description of the hotel, its location, facilities, number of bedrooms, grading, layout, the caravan park and features, together with its valuation history was held in common with the appellant and the details in the appellant's amended précis. Mr. Donovan also

acknowledged that the village of Downings relies heavily on tourism and that, accordingly, trade is of a seasonal nature there, a matter which he declared was common to the vast majority of hotel premises located along the Donegal coastline, and indeed the western seaboard and other tourist areas in the country.

He provided the Tribunal with a summary of the beaches on the Donegal coast stretching from a point west of Carrigart in a north-east direction from Trá Mór, up to Gortnalughoge, explaining that all of the six beaches are within a maximum distance of 7 km of the subject property, down to a very short walk to the nearest beach, Trá Beg.

Mr. Donovan confirmed that as Revision Officer, he considered a rate of €32 per sq. metre on the subject to be fair and reasonable and that this decision was upheld by the Appeal Officer, Ms. Oliva Bellamy.

Respondent's Comparisons

In support of his views, Mr. Donovan's précis indicated that the nearby Rossapenna Golf Hotel and Downings Bay Hotel, valued at rates of €33.52 per sq. metre and €34.16 per sq. metre, respectively were both suitable and comparable with the subject. He acknowledged that the subject, Beach Hotel, was rated at the slightly lower rate of €32 per sq. metre, which reflects the difference of quality between the subject and his comparisons. The respondent also referred in his précis to the Lough Altan Hotel at Gortahork, valued at €34.16 per sq. metre. Information provided by the respondent on the foregoing was contained on page 5 of his précis, copy attached hereto at Appendix 5.

Mr. Donovan queried why Mr. McCarroll chose not to include the aforementioned 2 Downings properties in his schedule of comparisons and also argued in his précis that the Shandon Hotel is positioned in a poorer location than the subject, as is the Teach Jack which he considered to be inferior to the subject property and, unlike the latter, not positioned on a beach. The respondent noted that Donegal Airport had scheduled flights to Prestwick and Dublin, and expressed the view that Mr. McCarroll's comparison property, Ostan Gweedore, is also in a much more remote location from the markets of Belfast, Dublin and Derry. Mr. Donovan stated that the provision of a pool or leisure facilities in properties such as the Shandon Hotel is neutral to the rating approach as the areas dedicated to such facilities are rated the same as the rest of the hotel and accordingly, the absence of same in the subject, in his opinion, should not qualify for a reduction in the applied rate per sq. metre. He

summarised his précis by indicating that the rate per sq. metre levied on the subject was lower than the levels assessed on most suitable comparison hotels in the area and though some other hotels were valued lower, he stated such lower levels reflected properties situated at poorer locations than the subject.

He reiterated that, in his view, the Downings Bay Hotel and Rossapenna Golf Hotel are better hotels than the subject, the latter he stated being much larger, trading as a 4-star property with two 18-hole golf courses. However, he informed the Tribunal that he did not rely exclusively upon the Rossapenna Golf Hotel and in the alternative, indicated that his primary comparison property might be the Beach Hotel by virtue of its previous revision while trading as a 1-star hotel, and the subsequent very significant grading increase to a 3-star hotel. He argued that the incremental difference in value between a 2-star and 3-star hotel is proportionally greater than between a 3-star and 4-star hotel, and deduced that there exists a very significant increase in value between a 1-star and 3-star hotel. He repeated that all of his comparison properties suffer from seasonal trading conditions and other factors such as recent negative trends in terms of currency exchange values against the Euro, and that the general downturn in tourism numbers has also created difficulties for the hospitality sector.

Cross-examination by Mr. Patrick McCarroll

In reply to questions raised by Mr. McCarroll, Mr. Donovan advised or confirmed the following:

- Some of the six beaches identified on page 2 of the respondent's précis (copy attached as Appendix 6) are only accessible by passage over private properties.
- He was not in a position to clarify the effect of grading on the rating assessment of the Shandon Hotel carrying a rate of €27.34 per sq. metre as a 3-star rating, and the Rossapenna Golf Hotel of €33.52 per sq. metre, graded as a 4-star facility.
- He did not personally inspect any of the comparison properties cited in his précis, but he did have a cursory look at the two Downings properties noted by him.
- The Valuation Office relied upon the comparison of two hotels at first appeal on the subject, namely the Downings Bay Hotel and the 3-star, 33 bedroom Milford Inn Hotel. He acknowledged that the Rossapenna Golf Hotel benefits from the adjoining 18-hole championship golf courses, club house, restaurant, 4-star hotel grading, and that the valuation on that property includes the club house.

- The Downings Bay Hotel primarily trades as a pub and nightclub.
- He could not reply to the query on what was the nature of the trade conducted at the Lough Altan Hotel.
- He considered the Shandon Hotel and Teach Jack as hotel-type properties and confirmed that they and the Ostan Gweedore were all similarly rated at €27.33 or €27.34 per sq. metre.

Findings & Conclusion

The Tribunal has carefully considered all the evidence and arguments submitted and adduced by the parties and finds as follows:

1. The respondent, represented by Mr. Donovan, confirmed that he did not inspect any of the comparison properties.
2. The Tribunal notes the absence of any photographs of the comparison properties cited in the respondent's précis as well as a lack of details either submitted or adduced at hearing with respect to the comparison properties.
3. It would have been helpful to the Tribunal if such details had been provided.
4. The Tribunal believes, on the basis of the evidence, that the Rossapenna Golf Hotel may not be a very useful comparison having regard to its 4-star grading, two 18 hole golf courses adjacent, and the inclusion of the golf club pavilion in the calculation of net annual value.
5. The paucity of details provided with respect to the Commissioner's other comparison property, namely the Lough Altan Hotel at Gortahork, in the précis and adduced at hearing made it difficult for the Tribunal to give consideration to all of the issues raised.
6. It may also have been helpful if the respondent's written submission were to have included a map indicating the location of the subject relevant property and its relative proximity to the comparisons cited in the précis.
7. The Tribunal discounted the value of evidence submitted on Teach Jack, Ostan Gweedore, Ballyliffin Lodge, Ballyliffin Hotel, Trasna Hotel at Ballyliffin, Pollen Beach Hotel and the Milford Inn at Milford, as they were either not considered comparable in terms of another hotel property or were revised prior to the enactment of the Valuation Act, 2001.

8. The assertion made at hearing that the Downings Bay Hotel trades primarily as a public house was neither refuted nor challenged by the respondent.
9. Having regard to all of the foregoing, the Tribunal was provided with details on other hotels in the area which, it appeared from evidence submitted and adduced at hearing, were comparable with the subject generally, and specifically on grading.
10. The Tribunal was not satisfied that a case might be made to support differential rates per sq. metre to apply between the so-called older and newer sections of the subject Beach Hotel as the property is trading as one, is graded accordingly and no evidence was provided to indicate a difference in quality, furnishings, layouts or perceived facility between the areas contained in the old and new sections.
11. In particular, the Tribunal felt that the most relevant and informative comparison properties which reflect the “tone-of-the-list” were comparisons nos. 5 and 6 in the appellant’s précis, both of which are 3-star, larger facilities than the subject, both with leisure complexes, one convenient of a golf club, and within walking distance to a beach, and the other including a swimming pool, function room with capacity for 350 guests, and, again, within walking distance of a golf club, which would indicate a quality of facility at least on par with the subject Beach Hotel.
12. The Tribunal was not given any evidence to suggest that the “tone-of-the-list” for 3- star hotels revised under the 2001 Valuation Act is other than €27.34 per sq. metre in the coastal region of north-west Donegal.

Accordingly the valuation of the subject property may be computed as follows:

| | | |
|--------------------------|---|---------------------------------|
| Hotel | 2,170 per sq. metres @ €27.34 per sq. metre = | €59,327.80 |
| Caravan Park (Agreed) | 6,348 = | <u>€ 6,348.00</u> €65,675.80 |
| €65,675.80 @ 0.5% | | €328.38 |
| Say RV | €328 | |

And the Tribunal so determines.