

Appeal No. VA93/1/082 & 83

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

Benners Hotel

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: (1) Licensed Hotel at Map Ref: 1/14, Main Street, Townland of Dingle, Ward of Dingle, R.D. Dingle - (VA93/1/082) R.V. £257.00

(2) Licensed Hotel at Map Ref: 1/13b,14, Main Street, Townland of Dingle, Ward of Dingle, R.D. Dingle - (VA93/1/083) R.V. £275.00 Co. Kerry

Quantum - Limitations, potential

B E F O R E

Henry Abbott

S.C. Chairman

Veronica Gates

Barrister

Brian O'Farrell

Valuer

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 23RD DAY OF MARCH, 1994

By Notice of Appeal dated the 4th March, 1993 the appellant appealed against the determination of the Commissioner of Valuation in fixing Rateable Valuations of: (1) R.V. £257.00 and (2) R.V. £275.00 on the above described property.

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

- "(1) That the Valuation represents a huge increase on the valuation on the former premises.
- (2) That the Hotel is largely seasonal and its nature, income and profits would in no way justify such a valuation.
- (3) That the valuation is far above comparable premises in the locality.
- (4) That the property is largely a small private hotel with no function room or like facilities. Further and other grounds."

The Property

The property is a Grade A hotel situated in the centre of Dingle with 24 en suite bedrooms. The property was totally rebuilt around 1989 and apart from the four outer walls of the main block fronting the street, everything is new. The other accommodation in the hotel consists of a bar, dining room, sun lounge, kitchen and stores. There is a rear garden also.

Tenure

The property is held on a ground rent from the Townsend Estate.

Valuation History

The hotel was valued in 1962 at R.V. £95.00. It was reassessed in 1990 following major renovations and extensions to R.V. £257.00 on the section listed for revision that year. The figure was increased to £275.00 on 1991 revision when the entire hotel on two lots was relisted for revision. The property was the subject of the 1990 and 1991 revisions as not all the lots upon which the hotel stands were listed by Kerry County Council for the 1990 revision. Therefore two valuations stand on the premises (1) £257.00 for the 1990 revision and £275.00 for the 1991 revision. It was agreed between parties that the appeal would deal with the R.V. £275.00. An adjustment would then be made to the R.V. £257.00 to reflect the premises as it existed at the time of that appeal. The floor area applicable to VA93/1/083 is 1,564 square metres (16,835 square feet).

Written Submissions

A written submission was received on the 18th March, 1994 from Mr. Des Killen F.R.I.C.S., F.S.C.S., I.R.R.V., a Director of Donal O'Buachalla & Company Limited on behalf of the appellant. In the written submission Mr. Killen set out details of the valuation history on the subject premises and described the property and its accommodation as follows:-

Ground Floor: Reception, Front Bar, Toilets, Kitchen, Rear Bar, Dining Room, Meeting Rooms and Stores.

First Floor: Front: Bedrooms 1, 2, 3, 4.
 Middle: Bedrooms 5, 6, 7(Staff Room), 8, 9, 10.
 Rear: Bedrooms 11, 12, 13.

Second Floor: Front: Bedrooms 15, 16, 17, 18.
 Middle: Bedrooms 19, 20, 21.
 Rear: Bedrooms 22, 23.

Attic Floor: Front: Bedrooms 25, 26.

Mr. Killen said that there was no lift in the building and that the natural light and outlook from some bedrooms was very poor. He said that there was limited car parking and that the hotel's business was bed and breakfast, bar and food, that it had no function facilities. Mr. Killen said that accounts for the 53 month period ending 31st January, 1992 and two month period ending 21st January, 1992 had been provided. He said that the redevelopment of the hotel was at the cost of some £420,000. Mr. Killen provided details of two comparative hotels:-

- (1) Skellig Hotel - R.V. £600.00.
- (2) Hillgrove Hotel - R.V. £175.00.

Mr. Killen set out his calculation of the appropriate Rateable Valuation on the subject premises as follows:-

(1) **On a Net Profit Basis**

Mr. Killen assessed the amount available for rent as £45,000 divided by 1.174 = £29,812 giving a Ratable Valuation of £150.00.

- (2) **On the Asset Valuation** of land he derived a Rateable Valuation of £155.00 based on an asset value of land of £550,000 adjusted to 1988 = £440,000 @ 7% N.A.V. £30,800.

(3) **Square Foot Method.**

$$16,835 \text{ sq.ft.} @ \text{ £2.00 p.s.f.} = \text{ £33,670}$$

$$\text{R.V.} = \text{ £170.00.}$$

Mr. Killen in summary said that the maximum figure to be attributed to the hotel is N.A.V. £34,000, that is, R.V. £170.00. Details of the accounts were attached as Appendix A to Mr. Killen's written submission.

A written submission was received on the 4th November, 1993 from Mr. Frank O'Connor A.R.I.C.S., B.Sc(Surveying) a Valuer with 13 years experience in the Valuation Office on behalf of the Respondent. In his written submission, Mr. O'Connor, gave details of the appeal and commenting on the grounds of appeal said that "the R.V. was in line with other recently revised R.V.'s in Dingle and throughout Co. Kerry. He said that no attempt had been made at First Appeal stage to supply information to indicate that the R.V. should be reduced". Describing the property Mr. O'Connor said that it was in good condition throughout. He said that he calculated the Rateable Valuation on an N.A.V. basis as follows:-

"Estimated Value of hotel prior to renovations £200,000
at November, 1988.

Add cost of Structural Work.	<u>£600,000</u>
Say Capital Value at November 1988	£800,000
Decapitalise @ 7% yield	
N.A.V. at November, 1988	£ 56,000
	<u> @ .5%</u>
	<u>£280.00</u>

Say £275.00 R.V.

Apportion on area basis for listed lot in 1990.

$$\frac{1460\text{m}^2}{1564} \times \frac{\text{£}275.00}{1} = \text{£}257.00 \text{ R.V. (1990 Revision)}$$

On 1991 Revision the R.V. increased to £275.00.

The R.V. of £257.00 devalues:

$$15716\text{ft}^2 @ \text{£}3.27/\text{ft}^2 = \text{£}51400 \text{ N.A.V. } @ .5\% = \text{£}257.00 \text{ R.V.}$$

The R.V. of £275.00 devalues:

$$16835\text{ft}^2 @ \text{£}3.27/\text{ft}^2 = \text{£}55,000 @ .5\% = \text{£}275.00 \text{ R.V.}"$$

He also assessed his valuation in relation to comparative evidence in Dingle:-

- (1) Skellig Hotel - This hotel he said was a Grade A hotel with 75 bedrooms en suite. A much larger hotel ½ mile out of town which had a Rateable Valuation of £600.00.
- (2) Hillgrove Hotel - A Grade C with 12 en suite bedrooms built in the 60's and extended since with a function room and disco with a Rateable Valuation of £175.00.

In relation to other bases Mr. O'Connor said that no accounts were supplied and therefore he was not in a position to consider their relevance. Mr. O'Connor also said that the bedroom basis had been rejected by the Tribunal in the *Dromoland Castle* case.

Oral Hearing

At the oral hearing which took place in Tralee Urban District Council on the 23rd day of March, 1994. Mr. Desmond M. Killen F.R.I.C.S., I.R.R.V. of Donal O'Buachalla & Company Limited appeared on behalf of the appellant and Mr. Frank O'Connor, Valuer appeared on behalf of the respondent. Mr. Dan O'Keeffe, Manager of the hotel, Mr. Peter Callery, Solicitor and Secretary of the Holding Company and Mr. Edward O'Neill of E.F. Stephenson & Company, Auditors and Accountants of the company also gave evidence. From the outset Mr. Killen indicated that there was agreement on the areas involved in the hotel. Mr. Killen confirmed that the expenditure on the hotel in extensively reconstructing it apart from the front facade was more in the region of £600,000 than the £420,000 mentioned by him in his precis. He indicated that the hotel did not enjoy the usual lucrative aspects of

wedding and function trade nor did it have a disco or swimming pool. Its room capacity precluded it from taking part in the coach tour trade. While the hotel remained open during the year its bedroom occupancy was way down during the winter months reflecting a lack of commercial use in the tourist off season. Mr. Killen indicated the significant difference between the estimated rent per square foot of the subject compared with the Skellig and Hillgrove hotels. Mr. Killen highlighted the lack of parking, the one-way street system and the lack of an imposing frontage of the hotel together with the physical make-up of the hotel giving rise to high labour and running costs. In addition Mr. O'Keeffe indicated that he had inherited a staffing level with the hotel equivalent to that which might be required for a 50 bedroom hotel. He indicated that due to the labour laws it was difficult to reduce staffing levels but that efforts were being made.

Mr. O'Connor countered that the premises was situated in a town centre location and therefore was a suitable venue for year round drinking and that it had a considerable amount of money spent on it in the recent past. He indicated that it was a more inviting location than the Skellig and Hillgrove hotels and he noted in particular that the finish of the Hillgrove Hotel was much more basic and he also indicated that the Skellig had a seasonal existence closing for the winter months. Mr. O'Connor indicated that the site value of the subject was much higher than that of the Skellig or the Hillgrove.

Mr. Killen based his valuation on an objective assessment of the sum which would be available for rent of a maximum of £45,000 with possible reductions. In arriving at this figure Mr. Killen stated that he had ignored the high labour costs and also ignored interest charges in the accounts.

Findings

The Tribunal accepts that the valuation of the subject is too high. It accepts the broad approach of Mr. Killen but considers that the hotel has potential which even in the short term can be approached and this should also be a factor in determining the valuation. Having regard to the foregoing and having regard to the existence of the competition from the more

specialist hotels of Hillgrove and Skellig the Tribunal finds that the 1991 revision valuation should be £210.00.

The parties have agreed that the 1990 revision may be adjusted by them having regard to the finding of the Tribunal in relation to the 1991 revision. It was indicated to the Tribunal following judgment that the parties have agreed on a Rateable Valuation of £196.00 for 1990 and the Tribunal accordingly determines the Rateable Valuation in relation to VA93/1/082 at £196.00.