

Appeal No. VA94/1/022

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

Angela & Robert Lyne t/a Auburn Lodge Hotel

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licenced Hotel and Land at Map Reference 3g, Townland: Dulick (Gore Road), Ward:
U.D.: Ennis A.R.A., U.D.: Ennis, Co. Clare
Quantum - Agreed comparison

B E F O R E
Henry Abbott

S.C. Chairman

Mary Devins

Solicitor

Patrick Riney

F.R.I.C.S. M.I.A.V.I.

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 30TH DAY OF AUGUST, 1994

By Notice of Appeal dated the 26th day of April, 1994 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £1,000 on the above described hereditament.

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

"The Rateable Valuation is excessive, inequitable and bad in law."

The Property:

The property is a modern purpose built Grade A Hotel located on the outskirts of Ennis on the main Ennis to Galway Road about one mile from the town centre.

The hotel comprises a foyer, restaurant, bar, two function rooms and ninety eight bedrooms, meeting room plus ancillary buildings extending to approximately 66,787 square feet.

The premises were purchased in June 1990 for £1,120,000 but at that stage the accommodation was only 42 bedrooms. An extra 56 bedrooms were added at a cost in the region of £525,000.

The accommodation comprises:

	<u>Capacity</u>
New Dining Room	60
Old Dining Room	120
Function Room (1)	350
Function Room (2)	120
Bar	150

95 Double Bedrooms (all ensuite)

5 Single Bedrooms (all ensuite)

Car parking - 115 spaces

Agreed Area - 66,787 square feet

Valuation History:

The hotel was erected in the early 1970's and was extended and improved over the years with consequent adjustments to the rateable valuation.

Prior to the most recent revision the R.V. had been assessed at £325 in 1983 but was increased to £1,000 following the 1992 Revision to take account of improvements and extensions. The appellant appealed to the Commissioner of Valuation but at First Appeal no change was made to the rateable valuation. It is, therefore, against this rateable valuation of £1,000 that an appeal lies to the Tribunal.

Written Submissions:

A written submission was received on the 12th August, 1994 from Mr. Frank O'Donnell of Frank O'Donnell & Company, Valuation, Rating & Property Consultants, on behalf of the appellant.

In the written submission Mr. O'Donnell described the property and said that this was built on the banks of the river Fergus on a low-lying site. He said, therefore, that it was subject to flooding at certain times of the year. The hotel caters, he said, for the tourist trade and relies heavily on coach tours. In addition, he said, that there are two function rooms in the hotel which cater for weddings.

Mr. O'Donnell said the Auburn Lodge was severely hampered by the lack of a leisure centre at the hotel, a facility which has become synonymous with most hotels over the past number of years.

In addition, he said, that competition in the immediate environs was intense with the West County Hotel, the Clare Inn and Dromoland Castle Golf Club competing with the subject premises. He said that the Auburn Lodge was less well equipped than these hotels and would need further upgrading to compete effectively.

Mr. O'Donnell set out his calculation of the net annual value on the following basis:-

- 1) Contractors Method
- 2) Square Foot Basis
- 3) Turnover Basis
- 4) Profit Basis

Details are set out in Appendix 1.

In conclusion Mr. O'Donnell said that, in his opinion, the most appropriate method of calculating net annual value, therefore rateable valuation, was on the Contractors Method. He said that the hotel was recently purchased and both the purchase price and the cost of additions/improvements had been incorporated to calculate net annual value. On this basis, he said that a fair R.V. for the subject property as at November, 1988 is £518.40 - say £520.

Mr. O'Donnell supplied details of a number of comparisons in the area. Details of which are attached at Appendix 2.

A written submission was received on the 9th August, 1994 from Mr. Patrick Conroy, District Valuer in the Valuation Office with 20 years experience, on behalf of the respondent.

Mr. Conroy, in his written submission, described the property, the valuation history and grounds of appeal as set out above. He set out his calculation of the net annual value on the subject premises according to:-

- (a) Comparative Method
- (b) Profits Method
- (c) Investment Method

Details are set out in Appendix 3.

In conclusion Mr. Conroy said that the average rateable valuation on these three basis was £1,008. He said that he considered that the rateable valuation is fairly represented in the sum of £1,000 based on the three methods. He said that because of the uncertainties involved in the Accounts Valuation and Investment Method, a greater emphasis should be placed on the Comparative Method as a means of arriving at the correct rateable valuation.

Mr. Conroy gave details of a number of comparisons in the Ennis area, a summary of which is set out below:-

	Grade	Bedrooms	Total Area	£ per sq.ft.	N.A.V.	R.V.
West County Hotel	A (3 Star)	110	62,398	£3.83	£239,250	£957
Shannon Shamrock	A (3 Star)	115 & 9 Chalets	76,584	£3.91	£295,541	£1,500
Oakwood Arms	A (3 Star)	10	13,010	£5.36	£69,800	£350
Clare Inn	A (3 Star)	121	65,057	£2.84	£184,761	£925
Old Ground Hotel	A (3 Star)	58			£123,750	£495

<i>Subject Premises</i>	<i>A (3</i>	<i>98</i>	<i>66,78</i>	<i>£3.7</i>	<i>£250,0</i>	<i>£1,00</i>
	<i>Star)</i>		<i>7</i>	<i>4</i>	<i>00</i>	<i>0</i>

Oral Hearing:

The oral hearing took place in Ennis on the 25th August, 1994. Mr. Frank O'Donnell of Frank O'Donnell & Company appeared for the appellant and Mr. Patrick Conroy appeared for the respondent.

While the comparisons were debated at length Mr. O'Donnell urged the Tribunal to adopt the contractors method.

Mr. Conroy proposed the application of a rate of return of 15% when using the contractors method as opposed to 7% or 8% urged by Mr. O'Donnell.

Mr. O'Donnell pointed out inconsistent approaches having been taken by the respondent to the appropriate percentage rate of return on capital and Mr. Conroy argued that the considerable investment involved in the subject premises represented a high risk investment. In such circumstances he asserted that investors would seek a high return on their capital.

Mr. Conroy argued that a discount back to 1988 was not realistic in view of the movements of the tourist industry from 1988 to 1990 and the present date due to the fall caused by the Gulf War.

Mr. Conroy confirmed that the Clare Inn valuation used in comparisons did not include the leisure centre and that the comparison such as the Shannon Shamrock was generally out of the class of the subject premises.

The Tribunal was disposed to consider the West County Hotel on the Limerick Road on the far side of Ennis as an appropriate comparison.

Mr. O'Donnell argued that the West County Hotel had a conference hall for 800 people whereas the disco in the subject premises had been closed down and the space was almost unused. He also indicated that while the West County Hotel did not have a leisure centre the patrons could avail of the facilities in the Clare Inn Hotel.

Findings:

The Tribunal finds that the approach of both valuers has been clear and explicit and that to resolve the differences of approach, the comparison of the West County Hotel in Ennis is appropriate. On the basis that the West County Hotel is a superior premises as regards location and otherwise the Tribunal considers that the valuation ought to be less for the subject premises.

The Tribunal also accepts the usual discounting back to 1988 is not appropriate in view of the influence of the Gulf War on tourist trade.

Having regard to the approaches of the valuers and in consideration of the other comparisons offered, the Tribunal finds that the rateable valuation of the subject ought to be £875 and so determines.