

Appeal No. VA94/3/019

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

**Stardale House Limited t/a Lake of Shadows**

**APPELLANT**

**and**

**Commissioner of Valuation**

**RESPONDENT**

RE: Licensed Hotel at Map Ref: 2,4 Townland: Town of Buncrana, Ardravan Road No.1,  
Ward: Buncrana Urban, U.D. Buncrana, Co. Donegal  
Quantum - Method of Valuation

**B E F O R E**

**Henry Abbott**

**S.C. Chairman**

**Brian O'Farrell**

**Valuer**

**Fred Devlin**

**F.R.I.C.S. A.C.I. Arb.**

**JUDGMENT OF THE VALUATION TRIBUNAL**  
**ISSUED ON THE 1ST DAY OF JUNE, 1995**

By Notice of Appeal dated the 25th day of October 1994 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £400.00 on the above described hereditament.

The grounds of appeal were set out in a letter accompanying the Notice of Appeal and inter alia were that the valuation was excessive, inequitable and bad in law with no account taken of nett annual value in determining rateable valuation. Reference was made to the fraction applied to net annual value which is described as being different to other rating authorities in the county and country and contrary to the spirit of the Valuation Acts.

**The Property:**

The property comprises the two star Lake of Shadows hotel in Buncrana. It is situated in a predominantly residential area in the town of Buncrana approximately 350 yards from Main Street. The property was acquired in two stages:

- No. 4 - Ardravan Road No. 1 was described in the valuation list as a guest house purchased in 1987
- No. 2 - Ardravan Road No. 1 with a domestic description in the valuation list was subsequently acquired.

The accommodation comprises a reception foyer leading into a public bar area of 1,085 square feet. The dining room is in two sections- the "breakfast" dining room seating 40 and the "new" dining room seating a further 50. The Ballroom/Function room with maple floor can seat approximately 300. The kitchen area serves both dining room and function room. There are 23 en suite bedrooms on the upper two floors. On the first floor there is also a residents lounge, an office and a store.

**Valuation History:**

Prior to the current appeal the property was valued as two separate hereditaments:

- Lot 2 - Ardravan Road No. 1 had a rateable valuation of £16.50
- Lot 4 - Ardravan Road No. 1 had a rateable valuation of £145.00

In November 1992 the valuation was revised and buildings valuation fixed at £450.00. An appeal was lodged against this determination and at first appeal the valuation was reduced from £450.00 to £400.00. It is against this determination of the Commissioner of Valuation that an appeal lies to the Tribunal.

**Written Submissions:**

A written submission was received on the 22nd day of May 1995 from Mr. Patrick McCarroll, Chartered Surveyor, Auctioneer and Rating Consultant on behalf of the appellant. In his written submission Mr. McCarroll said that Buncrana at one time the largest town in the county was now an important industrial centre. Despite the fact that it is a major employer, the commercial life of Buncrana had not benefited to the expected degree. In relation to the subject premises Mr. McCarroll said that in fixing a rateable valuation regard must be had to some of the items following:

## **1 Design of Buildings**

The greater part of the building consists of two old adjoining buildings, one originally a dwelling house. The ground floor had effectively been remodelled, but the fact that it was not specifically designed and built as a hotel adds to the overall management problems. Car parking in the hotel grounds is severely restricted.

### **1(a) The Dining Room**

The dining room is divided into two rooms because of internal walls. It has no natural light and together with low ceilings created a claustrophobic effect in this room.

### **1(b) The Kitchen Area**

The kitchen comprises four rooms which does not assist in the efficient running of the kitchens. The standard of finish is poor.

## **2 Access to Upper Floors**

The floor level varies throughout the building and access to the top floors is by way of three different sets of stairs.

## **3 Bedroom Accommodation**

The quality of the bedrooms is defined by the age of the building, apart from the new bedroom extension. There is no consistency in the size of bedrooms and bathrooms he said but the standard of finish was average and this was reflected in the grading.

## **4 Hotel Grading**

The hotel is a two star hotel in Bord Failte's Accommodation Guide, 1995. He said that in the opinion of Bord Failte and the International Classification a two star hotel resided at the bottom of the ladder and its only saving point was the "charm" offered by the establishment. He said that this was reflected in the overnight bed and breakfast rate of £20.00 (including breakfast) to £23.00.

## **5 Location**

It would be possible to by-pass it as it is off the main road passing through Buncrana.

## **6 The Customer Base**

Mr. McCarroll said that there are three hotels in the Buncrana area. He said that with the arrival of Fruit of the Loom the Lake of Shadows was renovated and had benefited from the arrival of this major industry. However, he said the White Strand now under improved management was emerging as a strong competitor for the trade of the Lake of Shadows. Mr. McCarroll assessed rateable valuation on three bases as follows:

### **Valuation No. 1:-**

Estimated Market Value

Estimated Market Value	£450,000
NAV @ 10%	£ 45,000
RV = 0.63% of NAV	£ 283
Say	£ 285

**Valuation No. 2:-**

Square Foot Basis

Total agreed area of hotel:	18,938 square feet
	18,938 square feet @ £2.20 per square foot = £41,663
	£41,663 @ 0.63% = £ 262.00
	Say = £ 265.00

**Valuation No. 3:-**

On a Bedroom Basis

23 bedrooms @ £10.00	=	£230.00
Say	=	£230.00

£10.00/Bedroom is used to reflect the fraction applied in Bunrana.

In appendices to his written submission Mr. McCarroll supplied the Tribunal with information as follows:

Comparing the tariffs	Appendix 1
List of hotels	Appendix 2
Analysis of hotels	Appendix 3
The Strand Hotel	Appendix 4
Copy of page 12 from VA94/3/032	Appendix 5
Extracts from Accounts	Appendix 6
Site Map of White Strand	Appendix 7

A written submission was received on the 23rd day of May 1995 from Mr. Paschal Conboy, Valuer with 14 years experience working in the Valuation Office on behalf of the respondent. In his written submission Mr. Conboy described the property, grounds of appeal and valuation history as set out above.

Mr. Conboy said in his written submission said that the valuation was assessed at 0.63% of net annual value, which is in line with the basis adopted for the determination of recently revised property in the urban district of Bunrana. Mr. Conboy said that no useful comparative evidence was available to him in his research for this appeal, and in the absence of evidence other valuation methodologies were considered.

**Valuation 1:-**

Estimated Market Value	-	£635,000
NAV @ 10%	=	£ 63,500
RV = 0.63% of NAV =	£	400

In assessing the valuation as above on the market value basis, Mr. Conboy said that he had been influenced by the location of the property size and quality of the construction and the facilities provided. Also the volume and quality of the business done and sales of other hotels.

**Valuation 2:-**

Total area -	20,073 square feet @ £3.15	=	£63,230
	Say		£63,500
	RV = 0.63% of NAV =		£ 400

Mr. Conboy gave examples of three hotels devalued on a square foot basis:

- 1     **Gallaghers Hotel, Letterkenny**  
       RV £225  
       NAV devalues 14,074 square feet @ £3.20
  
- 2     **Mount Errigal Hotel, Letterkenny**  
       RV £875  
       NAV devalues 75,800 square feet @ £2.30
  
- 3     **Benners Hotel, Dingle**  
       RV £210  
       NAV devalues 16,835 square feet @ £2.50

**Valuation 3:-**

Valuation by reference to turnover/profit. Mr. Conboy said that accounts had been supplied for 1991 and 1992 but that to carry out a profits method of valuation accounts over a number of years to establish a clear trading pattern were required.

Mr. Conboy said that part of the development work was carried out in 1991 and consequently accounts for that year and preceding years were of limited value.

**Valuation 4:-**

Assessment of rateable valuation on a bedroom basis. Rateable valuation of £400 devalues 23 bedrooms @ £17.39. This method he said was the most unreliable method of valuation and comparisons could be quoted with the facility to sustain a wide range of values.

**Valuation 5:-**

Assessment of rateable valuation on a contractors method. Mr. Conboy said he had insufficient information at his disposal to attempt such a methodology in this case.

**Oral Hearing:**

The oral hearing took place in the Courthouse, Letterkenny on the 1st day of June, 1995.

Mr. Patrick McCarroll, Chartered Surveyor, Auctioneer and Rating Consultant appeared for the appellant and Mr. Paschal Conboy, Valuer appeared for the respondent.

The case was very well presented in the précis of evidence by both sides with useful comparisons. However, the valuations put forward by the opposing sides presented a relatively vast gap between them. The Tribunal considered all the comparisons. The debate between the parties dealt with all comparisons but concentrated somewhat on The White Strand Hotel in Buncrana. Mr. Conboy made out a strong case for the subject premises being able to match or surpass the turnover of the more established hotels in historically better locations in Letterkenny, due to the fact that the local economy has been transformed by the development of the Fruit of the Loom. Mr. McCarroll referred to the sale price of The White Strand Hotel at over £600,000 and adjusted this back to 1988 values at £375,000. In so doing he adopted a local "index" arising from the fact that there had been two strategic changes in the area since 1988. The first of these was the upsurge of the Fruit of the Loom and the second (and less importantly) the slow drift to more peaceful conditions vis-à-vis the border. The Tribunal is not convinced that it can go "all the way" with Mr. McCarroll in relation to this index. Where there is a local strategic change dramatically for the better the proper course is to allow only a nationally based reduction of the index where one is dealing with circumstances where there has been a relative increase in the NAV due to the strategic change in the premises. The Tribunal does not consider that this aspect is the main deterrent of its decision and reserves for further consideration in other cases just how problems arising from strategic and relative improvement such as the Buncrana phenomenon may be dealt with.

A conclusion of the Tribunal is that the subject, having a lower Bed & Breakfast charge than that of premises of comparable turnover in Donegal such as the Mount Errigal Hotel and

Gallaghers in Letterkenny, depends more on a varied public house, restaurant and functions trade. It is not a premises dependent on a fast moving disco type appendage. It is thus a solid business based not on the movement of higher class trade of executives and customers generated by Fruit of the Loom ( which apparently goes elsewhere) but by the overall improvement in the Buncrana economy obviously driven by the Fruit of the Loom and lesser positive factors earlier mentioned. The Tribunal has had the benefit of different valuation methods being applied by the two valuers to establish consistency of approach. It commends the valuers for their integrity in approaching these different methods. While the Tribunal is disposed to reduce the valuation, it has, in its conclusion (having considered the various approaches to valuation), taken the view that the net annual value of £63,500 represents 8.86% of 1992 sales. The Tribunal is not disposed to go very far below 7-8% of sales as a parameter in respect of the premises which has large aspects of a thriving public house evident. Also the Tribunal has significantly taken into account the influence of the actual market sales of The White Strand Hotel and The Strand Hotel in Ballyliffen as guides to establishing the range of valuation.

Having regard to the foregoing circumstances of the Tribunal determines the rateable valuation of the premises at £350.00.