

Appeal No. VA95/4/013

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

Michael O'Callaghan

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Licensed Hotel at Map Ref: 1Aa, Townland: Longueville, ED: Ballyclogh, RD: Mallow,
Co. Cork

Quantum - Method of valuation , relevant comparison

B E F O R E

Fred Devlin

FRICS.ACI Arb. (Acting Chairman)

Brid Mimmagh

Solicitor

Marie Connellan

Solicitor

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 18TH DAY OF SEPTEMBER, 1996

By Notice of Appeal dated the 28th day of September 1995 the appellant appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £175 on the above described hereditament.

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

- "1) The valuation is excessive and inequitable.
- 2) The valuation is bad in law."

The Property:

The property consists of an old mansion converted into a "Country House" hotel known as the 'Longueville House' hotel. The premises is located approximately 5 miles west of Mallow, off the main Killarney road. There is a 'Turner' glasshouse attached to the side of the hotel.

The accommodation is as follows:-

Ground Floor:

Dining Room, Library, Bar, Residents Lounge, Kitchen and Pantry, Shop, Office, WC's and Domestic living room.

First Floor:

10 bedrooms.

Second Floor:

6 bedrooms.

Basement:

Stores, Laundry, Wine Cellar, etc.

The floor area of the premises was agreed between parties as follows:-

Main Hotel	13,596 sq.ft.
Glasshouse	560 sq.ft.
Basement	4,428 sq.ft.

Valuation History:

Prior to 1969 the property was rated as a house with a rateable valuation of £26.00. In 1969 it was rated as a guest house at a rateable valuation of £55.00. In 1994 Revision it was rated as a licensed hotel, the rateable valuation was increased to £175.00 with £20.00 domestic.

No change was made to the rateable valuation on First Appeal and 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 14th May, 1996 from Mr. Des Killen, FRICS FSCS IRRV, a Director of Donal O'Buachalla & Company Limited with 34 years experience in all aspects of rating valuation, on behalf of the appellant. In his written submission, Mr. Killen described the property and its valuation history.

Mr. Killen gave details of two methods of rateable valuation, the comparison basis and the accounts basis. He set out his calculation of the correct rateable valuation on the subject premises as follows:-

(1) Comparison Basis:

"Main Building	13,596 sq.ft.	@ £1.75 psf	=	£23,793
Conservatory	560 sq.ft.	@ £1.25 psf	=	£ 700
Basement	4,428 sq.ft.	@ 50p psf	=	<u>£ 2,214</u>
				£26,707 NAV
		@ 0.5%	=	<u>£130 RV"</u>

(2) Accounts Basis:

Mr. Killen proposed a valuation of £115 based on accounts submitted to the Tribunal.

A written submission was received on the 1st May, 1996 from Mr. Frank O'Connor, ARICS BSc (Surveying), a Valuer with 15 years experience in the Valuation Office on behalf of the respondent. In his written submission, Mr. O'Connor described the property and its valuation history as set out above.

Mr. O'Connor set out his calculation of the correct rateable valuation on the subject premises as follows:-

"Main Hotel	13,596 sq.ft.	@ £2.20/sq.ft.=	£29,911
Glasshouse & bsmt	4,988 sq.ft.	@ £1.00/sq.ft.=	<u>£ 4,988</u>

$$\text{NAV} = \text{£34,899} \\ \text{@ 0.5\%}$$

$$\text{RV} = \text{£175}$$

(Domestic allowance £20.00 out of £175.00)"

Both Mr. Killen for the appellant and Mr. O'Connor for the respondent gave details of comparisons.

Oral Hearing:

The oral hearing took place in Cork on the 29th day of May, 1996. The appellant was represented by Mr. Des Killen accompanied by Mr. Michael O'Callaghan, Proprietor of the subject premises, Longueville House, Mallow, Co. Cork, and Mr. Sean Sheehan, Chartered Accountant from Sheehan Quinn & Company, Registered Auditors for the appellants. Mr. Frank O'Connor, ARICS BSC, a Valuer with the Valuation Office appeared for the respondent.

Mr. O'Callaghan and Mr. Sheehan were sworn and the written submission supplied by Mr. Des Killen was adopted by him as a sworn testimony in this case. It was pointed out by Mr. Killen that the subject premises was a Country House and only used the term "Hotel" to preserve the licence. Being a 'heritage house' it is also open for viewing to the public free of charge at certain times. It is a small mansion house, the original part of which was built in or around 1720 and the famous Turner Conservatory was added in 1866. It has an entrance drive approximately 0.6 miles long and the maintenance of the premises up to the standard required of a heritage house is unusually high.

Mr. O'Callaghan is well known for his expertise in the business over a long period of time and he is assisted by his wife, his son and daughter-in-law. The accommodation consists of 16 bedrooms (ten double and six single). Areas have been agreed between the parties.

Mr. Killen's valuation is based on the accounts supplied which as indicated by Mr. Sheehan, Chartered Accountant, hold the same force as audited accounts and on the comparisons as set out in his written précis.

It was pointed out to the Tribunal that it was difficult to identify properties in the area which could be considered as being truly comparable and as his main comparison Mr. Killen opened the Tribunal decision *VA93/4/011 - Tinakilly House Hotel v. Commissioner of Valuation* to the Tribunal. Mr. Killen pointed out that Tinakilly House had been the subject of a £1.2million extension and in his opinion occupied a much superior location 28 miles from Dublin. Tinakilly House Hotel is a much better establishment suitable for functions and provides excellent dining and conference facilities together with 29 en-suite bedrooms. No information was available on either Marlfield House or Tulfarris House which were cited in the above Tribunal decision.

Two hotels in the Mallow region were submitted by Mr. Killen as comparisons but he considered that they were not truly comparable other than from the point of view of location; these were the Central Hotel and the Hibernian Hotel in Mallow. The Central Hotel is a 20 bedroom hotel with bar, restaurant, function room and disco facilities and is much larger than the subject premises. The Hibernian Hotel is a 40 bedroom hotel and contains similar facilities to the Central Hotel.

Mr. Killen further pointed out that Longueville House was not allowed to place any advertising signs along the main road and no public services such as water and sewage were provided by the County Council.

In relation to the accounts, it was pointed out to the Tribunal that the level of expenditure under the heading of subscriptions and donations appeared to be quite significant for a property of this size and nature. In relation to this it was pointed out that the major items of expenditure under this heading were in relation to membership of Relais Chateau with an annual fee of somewhere in the order of £8,000 to £10,000 per annum and inclusion in Ireland's Bluebook published by the Irish Country House and Restaurant Association which had an annual subscription of £3,000. The remainder of the expenditure was made up of membership of other organisations and magazine subscriptions. It was indicated both by Mr. O'Callaghan and Mr. Sheehan that the level of business encouraged or maintained by the

Membership of Relais Chateau was debatable and its membership necessitated Mr. O'Callaghan attending conferences in Europe during the year. Nonetheless, the prestige attached thereto and its importance in training for Mr. O'Callaghan's son, Mr. William O'Callaghan, the Head Chef could not be ignored.

In regard to the costs of maintenance, it was pointed out to the Tribunal that in order to add "heritage" to this house, it was necessary to maintain the hereditament in its actual state. It further emerged in evidence that the cost of repairs and maintenance is in fact, similar to the wages cost, and that the figures set out for maintenance were solely for repairs of the hereditament and did not include any items of expenditure which could be considered in the nature of improvements or additions.

Mr. O'Connor adopted his written submission as his sworn testimony and evidence in chief. Mr. O'Connor confirmed that there was no dispute regarding the physical attributes of the hereditament and said that in this instance more consideration should be given to evidence of comparable properties rather than to the accounts.

In cross examination of the appellant, Mr. O'Connor suggested that the purpose of using an accounts valuation was to lower the valuation and no figure for actual profit was used to show the remuneration for the appellants. The reply indicated that there was little, if any, money coming out of the business and in fact additional capital was injected into it in 1993 by Mr. and Mrs. O'Callaghan in the amount of £89,000 received by way of two inheritances.

In regard to the appellant's comparisons Mr. O'Connor referring to the judgement in Tinakilly House Hotel, said that there were other houses such as Assolas House, which was a Country House and Restaurant at Kanturk, County Cork and it too was included in Ireland's Blue Book. The appellant indicated that this was a licensed Guest House and not an "hotel" under the definition thereof. Mr. O'Connor indicated that Assolas House was similar to the subject property, being over 100 years old and catered for a similar market and had no disco or conference facilities.

In cross examination by Mr. Killen, Mr. O'Connor referred to his comparisons and they were as follows:-

- (1) Castle House, which he indicated was an old building opposite the Castle and in the town centre of Macroom. He was not familiar with the grading thereof but indicated that there was no disco facilities.
- (2) The West Lodge Hotel, Bantry, he admitted that this catered for a different market and was a large modern hotel which was extended in 1993. It was his view that this hotel was 'B' Star rating with Bord Failte.
- (3) Hibernian Hotel, it was indicated that this was in the centre of Mallow. It was a modern hotel, catering for discos, and had a 'B' Star rating. Similarly the Munster Arms Hotel was an old building which was updated and had a grading of at least 'B' Star.

In conclusion Mr. O'Connor indicated that he considered Tinakilly House to be the appellant's more relevant comparison and that the subject premises classification as a "Heritage House" would help to attract more business. He also suggested that whilst the accounts would be relevant, the use of comparables in this instance was of more assistance to the Tribunal in arriving at the appropriate net annual value. He accepted that the importance of the work of the O'Callaghan family was significant to the success of the business. In regard to his own comparisons Mr. O'Connor indicated that Assolas House would be of most help, as it was the most directly comparable, despite the fact that it is a licensed Guest House whereas Longueville House was a registered hotel. He further indicated that in his opinion the type of people who would stay in Assolas House would be the same as those using the subject property and that both of them provided broadly similar accommodation and quality of service. In his opinion therefore the subject property should be valued on a broadly similar basis to Assolas House.

Determination:

The Tribunal has considered all the evidence provided and examined the information in relation to the comparables offered and makes the following preliminary findings:-

- (1) Longueville House is a somewhat unique property and the only premises which can be considered as being comparable are Tinakilly House and Assolas House.
However each of these are of limited assistance because of locational differences and other factors.
- (2) The Tribunal accepts that considerable annual expenditure is necessary in order to maintain the property in its actual state and circumstance and that a hypothetical tenant would take this into account in formulating an opinion of rental value.
- (3) Generally speaking accounts reflect the quality of the management and in this instance neither valuer expressed the view that the level of trade and profitability achieved by the hypothetical tenant will be significantly different from that of the present operator.
- (4) The Tribunal notes that the level of contribution and costs incurred in respect of Relais Chateau and that the benefits deriving therefrom are difficult to quantify. Under the circumstances it is unlikely therefore that a hypothetical tenant would consider continuing membership of this body to be warranted. Accordingly, therefore the Tribunal considers this item of expenditure should be added back before arriving at the divisible balance.
- (5) The Tribunal accepts Mr. Killen's contention that Longueville House does not operate as a hotel in the accepted sense.
- (6) The Tribunal notes the importance that Mr. O'Connor places on the relevance of Assolas House and concurs with his contention that the subject hereditament should be valued on a somewhat similar basis.
- (7) Mr. O'Connor devalues the valuation of Assolas House to give a figure of £2.15 per square foot on the main section. Having regard to the evidence of the unusually high cost of maintaining Longueville House and the difference in size, the Tribunal considers a downward adjustment to the above figure to be warranted.

Having regard to the above and all the evidence and arguments adduced, the Tribunal determines the net annual value of the subject hereditament to be £28,000 giving a rateable valuation of £140 as set out below:-

Main Hotel - Building	13,526 sq.ft @ £1.85 = £25,152	
Remainder - Glasshouse & basement	Say	<u>£ 3,000</u>
		<u>£28,152</u>
Nett annual value	Say	£28,000
Rateable valuation @ 0.5%		£140.