

Appeal No. VA97/7/004

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

Clonmaca Ltd.

APPELLANT

and

Commissioner of Valuation

RESPONDENT

RE: Hotel and land at Map Ref: 5J, Townland: Bunnagee, ED: Letterkenny Rural, RD: Letterkenny, Co. Donegal

Quantum - Turnover as basis of Valuation agreed

B E F O R E

Liam McKechnie - Senior Counsel

Chairman

Barry Smyth - FRICS.FSCS

Member

Michael Coghlan - Solicitor

Member

JUDGMENT OF THE VALUATION TRIBUNAL
ISSUED ON THE 1ST DAY OF MARCH, 1999

By Notice of Appeal dated the 5th day of November 1997 the Appellant Company appealed against the determination of the Commissioner of Valuation in fixing a rateable valuation of £330 on the above described hereditament.

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

"1) The valuation is excessive and inequitable.

2) The valuation is bad in law.

3) No account has been taken of the NAV in determining the RV assessment of this hereditament.

4) Not valued in accordance with the Valuation Acts and related legislation".

1. This appeal proceeded by way of an oral hearing which took place in the District

Court, Letterkenny on 19th June 1998. The Appellant Company was represented by Mr. Patrick McCarroll, ARICS ASCS MIAVI. Mr. Peter Walsh, Appeal Valuer in the Valuation Office appeared on behalf of the Respondent.

2. Prior to the oral hearing as required by the Rules, written submissions were received from Mr. Patrick McCarroll on behalf of the Clonmaca Ltd., and from Mr. Peter Walsh on behalf of the Respondent. At the oral hearing both Valuers adopted their submissions as their evidence in chief given under oath.
3. From the evidence so tendered the following facts either agreed or so found are considered by the Tribunal to be relevant to this appeal.

The property is a 21 bedroom, 3 star hotel situated on the main Letterkenny to Derry Road.

The agreed areas of the hotel are:

Hotel	24,948 sq.ft.
Store	1,174 sq.ft.

The accommodation comprises:

- Reception areas
- Dining Room
- Kitchen
- Bar/Lounge
- Stores
- Function area
- First floor bedrooms (21)

4. The present valuation history is that the property was revised in 1995 following extensions to the premises in the early 1990's. The hotel has an all year round trade.

The RV was assessed at £380 reduced to £330 at first appeal.

5. Mr. McCarroll submitted that a reasonable rateable valuation in comparison with comparable hotels in Donegal was £203. The comparable hotels proposed by him were the Mount Errigal, the Lake of Shadows (VA94/3/019) and the Seaview Hotel (VA96/3/016).
6. Mr. Walsh said that the rateable valuation was assessed at revision stage at £3 psf on hotel and £1 psf on storage area giving a total RV of £380.
7. At appeal stage the rateable valuation was assessed on the turnover basis as follows:

1994/1996 Turnover Average	£648,968
To 1988	£551,623
NAV @ 12%	£ 66,194
@ 0.5%	£330 RV.

The Commissioner adduced two comparisons:-

- (1) VA93/1/069 - Mount Errigal Hotel, Letterkenny
RV £875
- (2) VA94/3/019 - Lake of Shadows (Stardale House), Buncrana
RV £350.
8. In addition to this evidence, during the course of the oral hearing we were

informed as to what the charges for overnight accommodation per person sharing were at this hotel. Between the period 1st January to 31st May the sum is £25, between 1st June and 30th September it is the same and equally so it is the same for 1st October to 31st December of each year. The source of this

information was the 1998 edition of the Ireland Accommodation Guide. We were informed as to what the breakdown of turnover figures were, taking into account the various categories, namely, beds, food and drink. For the year ending 31st December 1994 the total turnover of was approx. £605,543 with the following breakdown thereof: £76,451 was attributable to accommodation, £247,448 to food and £280,004 to drink. For the following year ending 31st December 1995, the total turnover was £690,442 with £87,721 being attributable to the accommodation, with £294,460 being attributable to the food and with £308,261 being attributable to beverages. For the third year, the year ending 31st December 1996 the total turnover was £650,649 with almost £100,000 being attributable to overnight accommodation, with £282,670 going to food and £269,528 being attributable to drink.

9. In terms of the approach with regard to the correct method of valuation, it will be obvious from what is stated above that at revision stage, the Commissioner valued this property on a square footage basis but that an entirely different basis, namely the turnover basis was used by the Appeal Valuer at the appeal stage. As was pointed out in a previous judgment (*William Forker t/a Ostan na Rosann - VA97/7/002*), the turnover basis is not an independent basis, it is but part of what is recognised as an independent basis, namely the accounts basis or as sometimes referred to as the receipts and expenditure basis. The difficulties which the hypothetical tenant finds himself in when confronted with evidence of turnover only, have once more being identified in the judgement referred to and the same is repeated herein for the purposes of this appeal.

- 10.** During the course of the evidence, both Valuers were invited to indicate a Preference as to the best method of approaching the valuation of the subject premises. Both agreed that the turnover basis was that best method. Subject to the categories above mentioned, we are prepared to decide this case on the basis of turnover figures, but once more it should be pointed out that in truth, it would be far more satisfactory for this Tribunal if in fact the entire set of accounts were made available so that the net adjustment profit could be ascertained. Moreover if this was so the tenant could then readily see what would be available for his share of profit, and also of course what would be available for rent and therefore rates.
- 11.** Nevertheless, in the circumstances we are, as we have said, prepared to approach this matter on the basis of turnover. Before so doing however, a few comments on the comparisons referred to are appropriate. Mr. Walsh as indicated above, has referred us to two comparisons, the first being Mount Errigal Hotel and the second being the Lake of Shadows Hotel. The Mount Errigal Hotel is a totally different creature, and a totally different unit of hereditament than the subject property. Its costs are substantially different. Its capital value is substantially greater. Its turnover is a multiple of that applicable to the subject property. It has an area of over 75,000 sq.ft., it has an RV of £875 and it caters for a more upmarket, clientele than what would normally be applicable to the subject.
- 12.** Accordingly, we do not believe that even with adjustments we can, rely upon this comparison as affording any reliable basis for the purposes of extrapolating therefrom and applying the same as an evidential foundation for arriving at the correct RV.
- 13.** We are however, of the view that the second comparison, namely the Lake of Shadows is indeed a good comparison and by far the best comparison in this

case. The similarities between that property and the subject property are immediately evident from the evidence given, in particular from Mr.

McCarroll.

In relation to the Lake of Shadows Hotel, the number of beds is 23 as against

21

for the subject with the floor area being 20,000 sq.ft. as against almost 25,000 sq.ft. for the subject. The RV as determined is £350 and whilst we are

prepared to

accept that the Lake of Shadows Hotel is perhaps less well located than the subject property nevertheless, it is a reliable guide and it does form one of the bases upon which we are prepared to ascertain the NAV in this case. Before leaving that comparison, it should be pointed out, that what is crucial is of course the level of net annual value which has been attributable to that hotel. The fact that the fraction of 0.63% is applied to that NAV is not relevant for the purposes of making a comparison between that property and the subject.

- 14.** Accordingly, taking the turnover basis in this case, we are of the view that it is correct to take the average turnover for the years 1994 to 1996 and I think, it is agreed that the resulting figure is £648,968. Mr. Walsh has used this figure and has suggested that the appropriate percentage figure to be used in order to adjust that to 1988 terms is 15%. In taking that approach Mr. Walsh has suggested that the resulting figure is £551,623. If one takes that figure which we are prepared to do so, that is £551,000 we believe that in order to arrive at the appropriate NAV the percentage which should be applied is not 12%, which is too high in our opinion, but the figure should be 10%. We accordingly calculate that the resulting NAV is £55,162 which when converted by the agreed fraction of 0.5% gives a resulting RV of £275 and we so determine.

