

NON DOMESTIC REVALUATION 2003

CLASS 531

MISC EDUCATIONAL AND CULTURAL

HISTORIC PROPERTIES

INDEX

SUBJECT	PARAGRAPH
DESCRIPTION	1.0
UNIT OF ASSESSMENT	2.0
VALUATION APPROACH	3.0
Implications for the Valuation of National Trust Properties	3.1
Implications for other Occupiers	3.2
DISTRICT RESPONSIBILITIES	4.0
BASIS OF VALUATION	5.0
CONTACTS	6.0

1.0 DESCRIPTION

This scheme applies to those properties within class 531 sub-class HISTB ie to the following types of property:-

- Premises that comprise an historic property where the principle use is non-domestic e.g. occupied by the National Trust [The Trust] etc. There may be living accommodation for caretaker, or similar, within the hereditament but the principle use will remain non-domestic;
- Premises where the principle use is as a residence but where the house is also open to the public;
- Gardens etc open to the public at a fee;
- Other historic buildings including the remains of windmills, towers, forts etc.

2.0 UNIT OF ASSESSMENT

The unit of assessment should be identified having regard to the usual rules of rating. Looking specifically at the National Trust, in general terms all of the buildings etc within the boundary of a property such as Castleward will be part of a single hereditament in the occupation of the Trust. This accords with the principle stated in the “Switzer” case that the unit of occupation is the property held under one head of title.

Exceptions to this general rule are possible depending on the facts of each case and the following may require separate assessment:

- Catering and retail facilities let or held under franchise agreements by third parties.
- Property used for the provision of short stay accommodation or self contained lets and associated ancillary accommodation.
- Caravan parks.

3.0 VALUATION APPROACH

The approach to the valuation of these properties can be better understood by a consideration of relevant case law.

HOARE (V0) v THE NATIONAL TRUST 1998 RA 391

This case was concerned with two stately homes occupied by the Trust (Petworth and Castle Drago). The parties agreed that the only hypothetical tenant for the property was the National Trust so it was

necessary to decide how much rent the National Trust themselves would pay under the rating hypothesis for the hereditament. The Court of Appeal considered that where there was only one possible hypothetical tenant, the known policies of that hypothetical tenant should be taken into account. They called this the principle of reality (Gibson at 415).

The Court accepted that the Trust would not take a property unless it was accompanied with sufficient endowment to ensure that their own central resources were unaffected. Under the principle of reality, this known policy of the hypothetical tenant (as the only hypothetical tenant was the Trust) had to be included in the considerations. This was sufficient evidence that, under the rating hypothesis, the Trust would not pay a rent for the hereditament and a nil assessment was appropriate.

3.1 Implications for the Valuation of National Trust Properties

It follows from the decision that many loss making historic properties where the only hypothetical tenant is the Trust should be assessed at nil. However this will not always be the case. The decision has less relevance for National Trust properties where, for instance, there is more than one hypothetical tenant or where the National Trust may, if they wish, sell the property (ie it is not inalienable) or where rental evidence from a different use can be considered relevant. Such hereditaments may merit a substantive assessment.

For clarification in properties such as Castleward where the hereditament will comprise the house and grounds as well as the shop and restaurant the valuation should consider the hereditament as a whole and not look at the component parts separately.

3.2 Implications for other Occupiers

The Trust had evidence that they would not pay a rent for the appeal hereditaments. For most other occupiers, and especially local authorities, no such evidence will exist. Indeed in most cases evidence will exist that the hypothetical tenant would pay a rent. Therefore the Trust decision is unlikely to support nil assessments on other historic properties because:-

- The Trust would not spend their own money on acquiring and maintaining loss making properties (they would only take a property if it came with a sufficient endowment), which implies that they would also not pay a rent for loss making properties. Other occupiers will have chosen to spend their money on a loss-making hereditament and this is evidence that they would also choose to pay a rent.
- The Court of Appeal considered that its decision did not compromise the doctrine of the overbid. Therefore, assessments that rest upon overbid- in particular those occupied by Local Authorities or Government Departments are unaffected.

- The Trust could not sell the properties (they were inalienable). Most other occupiers can if they wish sell a loss-making hereditament. The fact that they do not supports the assumption that it is of value, and therefore they would pay a rent for the hereditament.
- The National Trust was the only hypothetical tenant – many hereditaments will have more than one hypothetical tenant.

Nevertheless, if the actual occupier is perceived as being the only hypothetical tenant of a loss making historic property and has evidence that they would not pay a rent then a nil assessment may be appropriate.

4.0 DISTRICT RESPONSIBILITIES

Individual districts will be responsible for referencing any such properties in their districts.

5.0 BASIS OF VALUATION

Historic properties occupied by the Trust and not run with a view to profit should be valued on the receipts and expenditure method. Where this produces a negative figure the valuation assessed should be nil.

Historic properties occupied with a view to profit or capable of being operated for profit should (in the absence of rental evidence) be assessed using the receipts and expenditure method. Where such properties are occupied by the Trust the receipts require to be adjusted upwards to reflect members visiting (and therefore not paying on the day).

Many historic properties are neither operated for profit nor are capable of being operated for profit. The motivation of the actual occupier is not profit or income- they are motivated by different factors such as heritage, conservation, education or social and economic benefits. If these benefits were not present in sufficient quantities then organisations such as local authorities would not occupy many of their historic properties. The same motivation would lead the hypothetical tenant (who may be the actual occupier) to pay a rent to secure the hereditament.

In considering their rental bid the hypothetical tenant would weigh up the benefits that they expected to receive from occupying the hereditament. The motivation behind the occupiers of these types of historic property are as noted above. The hypothetical tenant would look at all of the relevant information available in judging to what extent the hereditament could meet these benefits. A number of factors would influence the rental bid but one of the most important will be the number of visitors.

The greater the number of visitors, the more likely that objectives such as heritage, education and social and economic benefits can be achieved.

6.0 CONTACTS

Alan Hanna, Craigavon District Office, Marlborough House, Central Way, Craigavon - Tel: 028 3832 0016.