

Fiscal Cadastral Reform and the Implementation of CAMA in Cape Town

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Outline of this presentation





Presentation is divided into five parts:

1. Introduction to the research
2. The legacy of apartheid and the need for fiscal cadastral reform
3. The case study - introduction
4. The case study - identification of risks, forces driving reform, and dispute resolution processes
5. Conclusions

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Part I

Introduction to the research

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Introduction to the research

- ✳ **Doctoral level research**
 - ◆ framework for analysis of fiscal cadastral reform to inform policy and process
 - ◆ focus of this introductory, narrative paper
- ✳ **Masters level research**
 - ◆ Modelling of
 - location effects and
 - the effect of view on the market value of residential property using CAMA and GIS

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Introduction to the research





- ✳ Case study of fiscal cadastral reform in the General Valuation Project 2000 of the City of Cape Town
- ✳ Involves identification of:
 - ◆ predominant forces driving reform
 - ◆ key variants, especially risks
 - ◆ the role of Computer Assisted Mass Appraisal (CAMA) in fiscal cadastral reform
 - ◆ the mechanisms to resolve disputes

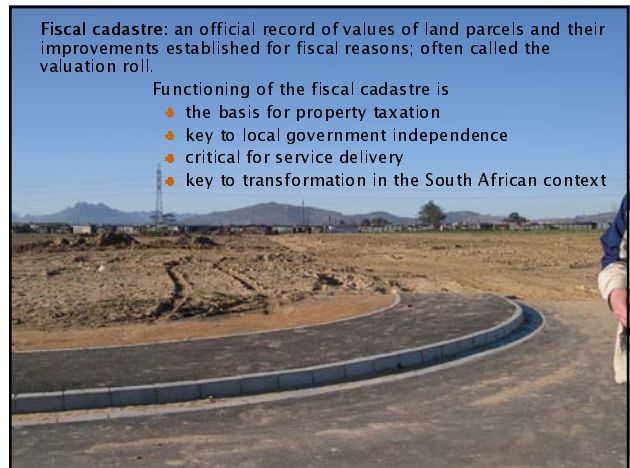
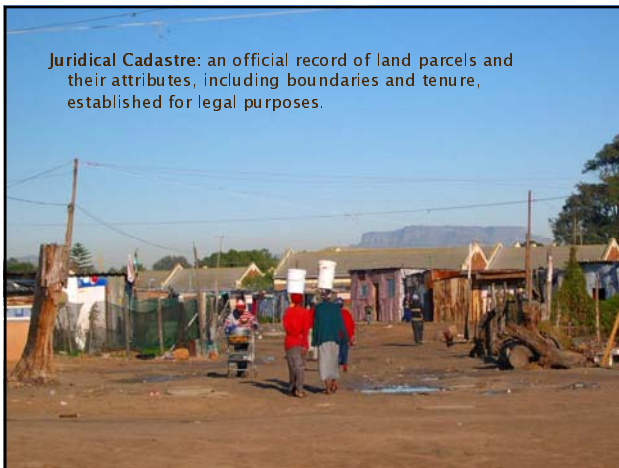
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Fiscal Cadastre – is it our domain?

- ✳ Intimate knowledge of cadastral systems:
 - Dale and McLaughlin (1999): land administration has four key components:
 - ◆ Juridical: land parcel definition and ownership
 - ◆ Regulatory: land use etc
 - ◆ Fiscal: value of land and improvements
 - ◆ Information management: provides the link

 a multipurpose cadastre (McLaughlin: 1975)

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Some more working definitions ...

- ✦ **Fiscal Cadastral System:**
 - ◆ the input required in order to determine the value of land and improvements,
 - ◆ the processes of valuation and taxation
 - ◆ the output of income generation.

A range of elements are identified in a systemic approach
- ✦ **Fiscal Cadastral Reform:** occurs when one or more aspects of the fiscal cadastre or its immediate context (e.g. enabling legislation) is subject to substantial change in any one cycle.

What can Geomaticians offer?

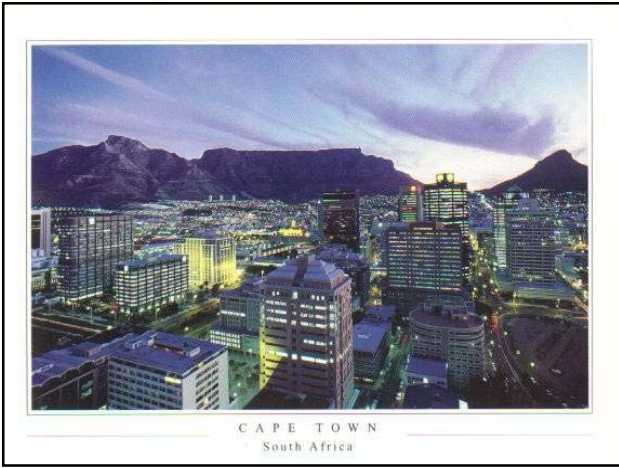
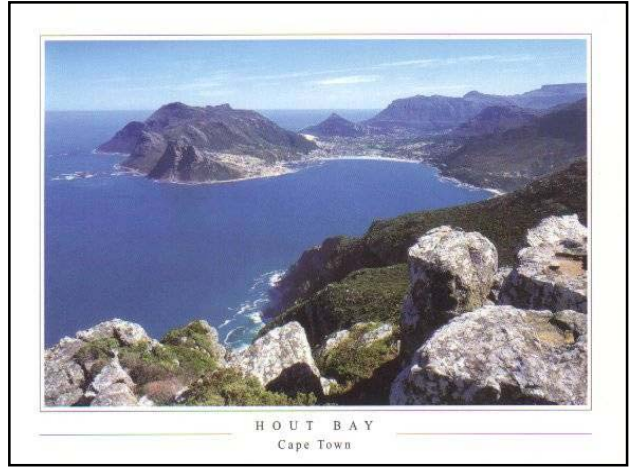
- ✦ **Long history of, and knowledge and skills in, the**
 - ◆ collection
 - ◆ modelling
 - ◆ analysis
 - ◆ representation of spatial data
- ✦ **Wide diversity of applications** – now includes computer assisted mass appraisal (CAMA) using GIS and statistical packages

Part II

The legacy of apartheid and the need for fiscal cadastral reform

The City of Cape Town

- ✦ City land area 2100 km² at the tip of Africa
- ✦ **Mountains, sea, business, residential** – patchwork mix of natural and built environment
- ✦ **Over 3 Million people**
- ✦ **Urban duality:**
 - ◆ concentrations of poverty and wealth
 - ◆ legacy of racial, and hence economic, spatial segregation – skewed settlement patterns
 - ◆ poor infrastructure and public services in former marginalized areas
 - ◆ formal and informal residential areas



The City of Cape Town

Urban duality:

- > 16% population live in informal settlements (shacks)
- housing backlog in 2005 = 345 000 dwellings, 190 000 sub-economic
- formal, wealthy property values = 1000 times value of entry level housing
- international property market in wealthy suburbs
- HIV/Aids, poverty, and unemployment

➔ social transformation challenges demand adequate finance for local government



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Fiscal cadastral reform is necessary

- to increase the income generated through property taxation through increasing the effectiveness of the fiscal cadastral system
- to narrow the gap between current fiscal cadastral performance and its goals, and
- to transform the system to adhere to various underlying principles



The State of the Fiscal Cadastre – need for reform

In the 8 yrs following democracy in 1994:

- Municipal boundaries changed
 - Merging of former municipal structures defined along racial lines
- Change in political control of local governments
- Property taxation governed by Municipal Ordinances – hence non-uniform
- Valuation rolls inconsistent, incomplete, out of date (1979), incorrect
- Inequity in property valuation and taxation – regressive – rich pay less, poor pay more than their “fair share”



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Part III

The case study – introduction

The General Valuation Project 2000

Project Details:

- valuation of 550 000 formal residential properties
- 6 previous municipal local councils now amalgamated
- CAMA used for the first time
- Public-private partnership
- Base date January 2000, handover June 2002
- Formal Review now underway
- Dispute Resolution: court cases relating to the valuation are underway



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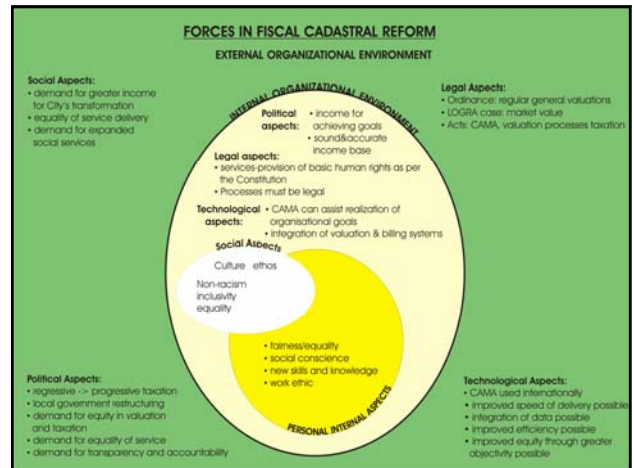
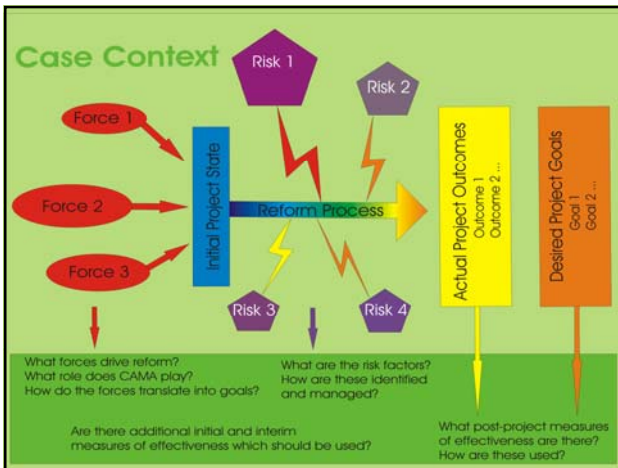
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Part IV

The case study – identification of risks forces driving reform, and dispute resolution processes



Key Variants

- Key variants in the process have the power to change process outcomes
 - favourable variants yield better results
 - neutral variants yield results of similar desirability
 - risk variants yield worse results
- Identification and management of risk is important in change management

Dispute Resolution Processes

- Use of, and outcomes from, dispute resolution processes indicate the success of fiscal cadastral reform
- Processes are:
 - Informal review** processes (non-legislated): check on property characteristics
 - Formal objection:** objections to property valuations of particular properties by a juristic person
 - Valuation Appeal Boards:** arbitration by a panel of experts
 - valuer and objector give evidence
 - deals only with the market valuation of a particular property
 - Ordinary Courts** (Cape High Court):
 - issues of legality of the valuation and taxation process, which generally affect more than one property

Dispute Resolution Processes

- Ordinary Courts – Cape High Court – 3 cases:
 - Illegal i.t.o. the legislative framework**
 - interdict (May 2004) on the City in the levying of property taxes based on a provisional property valuation roll (is in effect until all appeals have been resolved)
 - Case referred to the Constitutional Court
 - Interdict suspended for 1 year after that judgment
 - The use of property value to recover service delivery costs** (sewerage/refuse) is upheld
 - Use of market value of property as a basis for taxation** is recognized as a "wealth tax" and is upheld

Part V Conclusions

- Implementation of CAMA shows:
 - Interesting mix of driving forces
 - CAMA being the main catalyst driving reform implementation and the main technology used to meet goals
 - High level of risk
 - uncertain outcomes due to urgency of the outcomes and timing in the context of broad reaching legislative, structural, societal, and political transformation
 - low level of management control on the effects of exogenous forces such as legislative changes and dispute resolution processes
 - Formal dispute resolution processes used extensively
- The project has largely been a success

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Acknowledgements:


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Risk Factors


✦ **Risks identified at the outset:**

- Legal implementation of CAMA
- Changes to the system in the midst of legislative reform -> uncertainty
- Political will
- Public opinion
- Resource provision: human and technical resources insufficient – timely provision, retention
- Misaligned data
- Permanent staff and overtime
- Management and/or political decision making – timeliness
- Computer system amendments – timeliness


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Risk Factors

✦ **Additional risks identified in the research:**

- Security situation
- General wariness of the process, lack of support for local government
- New municipal structures not in sympathy with existing legislation leading to confusion of powers and responsibilities


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Dispute Resolution Processes


✦ **Formal Appeals:**


- 31 433 appeals, 764 discarded as invalid, rest to appeal boards


✦ **Valuation Appeal Boards:**


- 30 669 cases
 - 3276 withdrawn
 - 2032 still outstanding, of which 1849 are City objections
- 1344 cases in the additional valuations
 - 109 withdrawn
 - 111 outstanding

✦ **Ordinary Courts ...**


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