

South African Institute of Valuers: Introductory Note

Following an invitation by the SACPVP for comment on the 'Final Draft V07 Standards', the SAIV MPRA working group has collated the following from its collective membership for submission within the requested deadline.

The SAIV fully supports the development of MPRA Standards and applauds the efforts made thus far by the Technical Team tasked with this project. It will be relevant to know who the individuals are who make up the Team and what their qualifications, locus standi and experience is within the valuation profession.

There has been a quantum leap forward in content between draft V06 and this V07, with the former having focussed more specifically in building on earlier drafts to adapt the IAAO Mass Appraisal Standards.

V07 is more substantive in content and length, with much of the latter sections breaking down direct extracts from the IAAO and MPRA content. Direct MPRA extracts have frequently been re-classified as 'Standards' and will require revision. We note too that several quoted Sections of the IAAO appear to show some passive bias toward residential property valuation standards. The drafting process and time taken has been inversely proportional to the limited time frame (3 weeks) offered by the compilers for public comment. To date, and to our knowledge, there has been very limited collaboration with valuers in private practice. Many of these are actively engaged in municipal valuations and have a significant contribution to make not only to the development, but also the maintenance of standards. We propose the timeframe for comment be extended for a reasonable period.

This should not preclude the wider property stakeholders from participating. They include property associations such as SAPOA, the SA Council for Shopping Centres; BVA; AgriSA and the RICS.

We would caution you against the perception within the valuation profession that the draft standards are in fact Government Standards of Valuation. From inception to roll-out, the SACPVP has been increasingly under pressure by Government to launch the Standards, to the extent that it has, by default, become to be seen as the voice of the profession which by its own admission it is not. This can and will lead to the integrity of the profession itself being brought into question – for all the wrong reasons.

On a point of application, there is a risk that the operational end of the standards are more geared to Metro's and larger municipalities which are in the minority. It is the view of the Institute that substantially more attention is needed to distinguish the applicability of the standards, to the extent that they (the standards) should nominate municipalities in making the distinction. For example, it becomes meaningless to refer to the "municipality's MPRA Implementation Team" and "GIS layers" if the vast majority of municipal entities do not have the tools and capacity to provide these.

If Standards are to comply with the MPRA, then the obligations which have been shifted to the municipal valuer and which are inconsistent with the MPRA will need to be reversed (see suggestions on section 23).

This submission is a comprehensive response at the time of submission. Three weeks is inadequate considering the complexity of the MPRA business process. V07 demonstrates significant progress but has not yet achieved its purpose which is to disseminate Standards and guidelines which collectively leave the users of this legislation in no doubt as to their application. More compilation and collaboration is necessary before the document can be released into the public domain.

Comments for the SAIV have been collated by RM Fitchet (FIVSA; MRICS), (MD Knight Frank SA (Valuations & BPG Mass Appraisals), assisted by Ben Espach, Director of Rates Watch and former Tshwane Municipal Valuer; Andre Zybrands; Alan Stephenson (MD of Mills Fitchet (Pty) Ltd; Janet Channing (MIVSA; MD of MetGovis (Pty) Ltd, a VRMS systems company); Robin Marten FRICS (former IVSC Representative to SA); FIVSA; Mark Pardey; private valuer and Appeal Board member; Ken Davies FIVSA – Valuer in private practice. Collectively, the contributors have at one time been appointed as Municipal Valuers across more than 48 Municipalities; have certified over 150 Supplementary valuations and have appeared before several Appeal Boards across South Africa, all in terms of the MPRA.

SOUTH AFRICAN

STANDARD ON GENERALLY RECOGNISED VALUATION PRACTICE:

MUNICIPAL VALUATIONS FOR PROPERTY RATING

24th July 2015

Version 7.0

SAIV 001: Naming of the standard

The draft standard covers more than valuation issues and includes data and quality standards; substantial references to procedural compliance, rating issues etc. It is recommended therefore that name of the standard become all encompassing, of which a part is made up of specific Municipal Valuation Standards, much like the structure of the Act itself:

Suggestion: "Standards for the Municipal Property Rates Act", incorporating:

- Rating Compliance and procedures;*
- Property Valuations for Municipal Rating*

Acknowledgments (South Africa)

The International Association of Assessing Officers (IAAO) is acknowledged by the South African Council for the Property Valuers Profession, the National Department of Cooperative Governance, the KwaZulu-Natal Department of Cooperative Governance and Traditional Affairs (Provincial) and municipalities in South Africa for the use of their IAAO Guidance On International Mass Appraisal and Related Tax Policy — 2014, for the development of customised South African Municipal Valuation Standards for Property Rating **SAIV 001a: *acknowledgement is inappropriately the exclusive domain of Government.***

The customised version is published for the purpose and use in South Africa, XXX 2015, and known as the SOUTH AFRICAN STANDARD ON GENERALLY RECOGNISED VALUATION PRACTICE: MUNICIPAL VALUATIONS FOR PROPERTY RATING (SA_sMVPR). (*see SAIV 001*)

At the time of the modifications and revisions for South Africa (2015), a National Steering Committee known as the National Municipal Property Rates Act - Mass Appraisal Steering Committee (NMPRA-MAS SC) and a technical sub-committee on MPRA-Mass Appraisal has facilitated the development of the SAMVPRs which included participation and comments from National, Provincial and Local Government (municipalities), stakeholders and voluntary organisations. **SAIV 001b: *Stakeholders and voluntary organisations must be named***

A special acknowledgement also goes to the KwaZulu-Natal Department of Co-operative Governance and Traditional Affairs (KZN-CoGTA), who through the Honourable MEC and dedicated officials have supported the research and development of these municipal valuation standards in support of municipalities, the valuation profession and ratepayers.

Published and adopted by the South African Council for the Property Valuers Profession (SACPVP)

SAIV 002: *The SAIV needs to be advised ahead of any intention to adopt. (The acknowledgements refer to the proposed standards as having been adopted by SACPVP)*

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Published in South Africa, XXX 2015.

SAIV 003: *This section correctly omits to acknowledge contributions from the valuation profession in private practice. This is due to valuer inputs thus far being limited to valuers in the full time employ of the state.*

With most municipalities procuring municipal valuers from the private sector, this stakeholder group ought to have been brought into the development process at an early stage but was not. Thus the perception that private sector valuers have been overlooked deliberately. The SAIV contends that this group is a key source of intellectual property and 'hands-on' experience which is critical to this process.

DOCUMENT REVISION CONTROL

Version	Date	Changes
20150116 Version 5	16 January 2015	As reviewed
20150529 Version 6	29 May 2015	Version 5 updated taking account of comments from NDCOG, KZN CoGTA, Municipalities, Municipal Valuers and the Metro Valuers Forum
20150724 Version 7.0	24 July 2015	Version 6 updated taking account of comments from NDCOG, KZN CoGTA, Municipalities, Municipal Valuers and the Metro Valuers Forum

UPDATED BY

Name	Comments
MPRA-Mass Appraisal Strategic Committee on property rates Project Office	Versions 1 to 7 prepared and updated in consultation with - 1. The South African Council for the Property Valuers Profession, 2. National and Provincial Departments who monitor and support implementation of the MPRA through established and official structures, committees and working groups and, 3. The valuation profession and stakeholders.

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1 INTRODUCTION

Municipal valuations in South Africa are governed by a single piece of legislation namely the Local Government Municipal Property Rates Act, Act No 6 of 2004 (as amended), known as the MPRA. The purpose of this document is to provide guidance to the valuation profession and municipalities in the implementation and application of the provisions of the MPRA as well as ensuring adherence to professional standards and ethics in the implementation of the MPRA and valuation of property for rating.

SAIV 004: *In the Introduction, the purpose of these standards is to quoted as intending to provide guidance However, Page 11, describes the objective as 'prescribes the treatment required to conduct valuations of property for municipal property rating and the compilation and updating of valuation rolls, taking account of legislative obligations and professional best practice'. Prescriptive and 'guidance' are thus in conflict.*

PREAMBLE

AND WHEREAS the Constitution entitles municipalities to impose rates on property in their areas, subject to regulation in terms of national legislation and enjoins local government to be developmental in nature, in addressing the service delivery priorities of the country and promoting the economic and financial viability of municipalities;

WHEREAS members of the property valuation profession are registered, regulated and monitored through the South African Council for the Property Valuers Profession (SACPVP) established in terms of the Property Valuers Profession Act, Act No. 47 of 2000;

AND WHEREAS members of the property valuation profession perform municipal valuations and compile valuations rolls on behalf of municipalities for the levying of rates in terms of the Local Government: Municipal Property Rates Act, Act No 6 of 2004, subject to regulation in terms of national legislation;

AND WHEREAS valuation rolls prepared and certified by the valuation profession through an appointed municipal valuer is a critical component in the income revenue from rates to municipalities and that a level of uniformity, consistency and accuracy is required to ensure rating fairness and equity;

AND WHEREAS it is acknowledged that strongly associated with standards, is performance monitoring of valuation rolls and values by applying recognised and accepted methodology, measures and procedures to support national, provincial and municipal oversight and monitoring;

SAIV 005: *The amendments to section 81 provide for escalated provincial monitoring and reporting. Section 80 provides for a monitoring framework as may be prescribed. It is essential to develop a monitoring framework simultaneously with or indeed prior to the development to Standards such as these. The question therefore is: Where is the monitoring framework? ...and secondly is the term 'performance monitoring' used in relation to valuation accuracy or procedural compliance?*

This standard is applicable to all municipalities intending to levy rates on property and the appointed municipal valuer of a municipality.

As the MPRA provides a sound legislative platform for the compliance and actions required from the property valuation profession (municipal valuers) and from municipalities, the MPRA is seen to be the primary reference point to support the development of these standards.

SAIV 005: *This document should provide guidance on the application of the legislation and required compliance. Much of these draft standards are exclusively verbatim copy from the legislative framework and are therefore not standards but rather existing legislation.*

The structure and format of the standard therefore has included the applicable MPRA sections which relate to the municipal valuer function, responsibilities and obligations, and includes professional valuation practice notes with the applicable corresponding standard relevant to the MPRA section. The MPRA section is identified by for example [1.] Definitions etc and each “standard” is identified by sequential numbering starting at “0.01”. Reference to the term “Practice Note” in the standard is intended as supporting best practice in the interpretation and understanding of a particular standard. All appendices and annexures form part of the standards and document.

The MPRA definitions and the Glossary: common concepts of municipal rating cited in this document are not intended as an exhaustive list. Only those that have a direct bearing for the purpose of the “standards” are cited and are subject to updating as the profession and technology change. The same applies to provisions or sections of the MPRA.

2 OBJECTIVE

The objective of this standard is to prescribe the treatment required to conduct valuations of property for municipal property rating and the compilation and updating of valuation rolls, taking account of legislative obligations and professional best practice.

SAIV 006: *The quoted purpose of these standards is to provide guidance. Introduction: Page 11, describes the objective as ‘prescribes the treatment required to conduct valuations of property for municipal property rating and the compilation and updating of valuation rolls, taking account of legislative obligations and professional best practice’. This is a contradiction.*

3 SCOPE

The MPRA provides for specific legislative requirements in the valuation of property and the compilation of valuation rolls for the levying of property rates.

The Local Government: Municipal Property Rates Act, N0.6 of 2004 has been amended since its promulgation as follows –

Local Government Laws Amendment Act, No. 19 of 2008

Local Government: Municipal Property Rates Amendment Act, No. 19 of 2009. Local Government: Municipal Property Rates Amendment Act, No. 29 of 2014.

3.1 General – Municipal valuations for property rating

0.01 **General standard: Compliance**

(a) A municipal valuer and assistant municipal valuer/s must be registered with the South African Council for the Property Valuers Profession (SACPVP). and comply with the qualification and registration requirements.

SAIV 007: ~~and comply with the qualification and registration requirements. Strikethrough~~

3.1.1 Registration implies the qualifications are in place. We suggest that an experiential clause is inserted e.g. "Not less than 10 years cumulative experience as a nominated Municipal Valuer to the MPRA; and 6 years, (more than 1 GV cycle) for an Assistant Municipal Valuer."

(b) A municipal valuer appointed in terms of the MPRA must comply with the legislative requirements, regulations and definitions contained in the MPRA.

(c) In performing the functions of a municipal valuer, the person must demonstrate broad competencies, knowledge and experience as referenced in these standards.

SAIV 008:

~~(c) In performing the functions of a municipal valuer, the person must demonstrate broad competencies, knowledge and experience as referenced in these standards. Suggest strikethrough as this is covered in the experiential clause.~~

(d) A municipal valuer and assistant municipal valuer/s must comply with the SACPVP code of conduct.

SAIV 009:

Registration implies that the code of conduct is complied with. This inclusion is superfluous and should be deleted.

(e) A municipal valuer must consider and take into account relevant court judgements which impact on the implementation of the MPRA and the valuation of property for rating.

SAIV 010:

The capture and classification of relevant judgements should be co-ordinated and hosted by the SACPVP as a service to members.

The scope of work recognised for undertaking the valuation of property for municipal property rates and the compilation and updating of valuation rolls shall include the following –

- (a) Property identification,
- (b) Property register creation (**SAIV 010a:** *substitute 'creation' for 'establishment'*) and maintenance,
- (c) Undertake a general valuation and prepare a valuation roll of all rateable properties, encompassing –
 - (i) Data Collection
 - (ii) Data Capture
 - (iii) Market research, sales review and benchmarking
 - (iv) Individual and mass valuations of rateable property
 - (v) Value review
 - (vi) Roll certification

- (d) Determine category of property for rating,
- (e) Quality Assurance,
- (f) Objections processing,
- (g) Valuation Appeals support,
- (h) Updating of rolls and preparation of supplementary valuation rolls,
- (i) Communication and reporting,
- (j) Systems (hardware/software) for implementing the MPRA (**SAIV 011: should read 'valuation roll'**).

The municipal valuer (**SAIV 012:** delete “valuation team”) must demonstrate competencies, knowledge and experience in the following areas –

- (a) individual valuation of property,
- (b) mass valuation of property,
- (c) mass appraisal techniques and practices,
- (d) the accessing and use of information from the deeds registry office, the office of the surveyor general and associated information,
- (e) property register development (**establishment**) and maintenance,
- (f) geographical information systems (GIS),
- (g) valuation roll data collection,
- (h) valuation roll data capture, management and security,
- (i) categorisation of property for rating,
- (j) market research and sales analysis,
- (k) communication and reporting,
- (l) quality assurance and performance monitoring,
- (m) Objections and appeals processing and defence,
- (n) hardware and software: valuation roll management systems,
- (o) project management.

SAIV 013:

These various competencies are included in the terms of reference or the evaluation criteria within the respective bid documentation. It would be useful for the bid document generic to be further adapted to become flexible for small and medium Municipalities to use and to be included within these guidelines.

SAIV 014:

Do municipal bid evaluation teams have the adequate competency to evaluate this content? There is a risk of this devolving to a ‘tick box’ exercise within municipalities where there is inadequate Supply Chain Management capacity. Furthermore it also leads to the development of secondary and 3rd tier Evaluation Criteria which are frequently in conflict with the published pricing scorecard.

SAIV 015: *It is suggested that (c) mass appraisal is an option. The application of mass appraisal is discretionary and not applicable for smaller municipalities and as such this skills set is not relevant for all bid evaluation purposes.*

SAIV 016: *All reference to “appraisal” should be dropped. This is the American terminology for a Valuer and is not relevant to our industry within South Africa; it is not defined in the MPRA; it is also not contained in the legislative language of the SACPVP or the standards of the SAIV.*

SAIV 017: *Clarification is required regarding whether the “Communication” is with the ratepayers or with the municipal client?*

SAIV 018: *Clarification is required in these Draft Standards as to whether the municipal valuer is considered a juristic person or a company.*

4 PROFESSIONAL ETHICS AND CODE OF CONDUCT FOR REGISTERED PERSONS

A municipal valuer appointed by a municipality in terms of the MPRA must observe and comply with the code of conduct (as may be amended from time to time) as prescribed by the South African Council for Property Valuers Profession (SACPVP) as referenced below.

EFFECTIVE DATE: The Code of Conduct for the Property Valuers Profession 1/2004 commenced operating on 10 November 2004.

1. The purpose of this code is to provide a code of professional conduct for registered persons. As required by section 28 of the Property Valuers Profession Act, 2000, this code has been drawn up in consultation with the Council for the Built Environment, voluntary associations and registered persons. In terms of the provisions of the said section 28 all registered persons must comply with this code and failure to do so constitutes improper conduct.

2. In this code, unless the context otherwise indicates -

(i) "the Act" means the Property Valuers Profession Act, 2000 (Act No. 47 of 2000);

(ii) "assignment" means a professional engagement related to property valuation and includes a written report prepared for purposes of an examination related to property valuation;

(iii) "client" means any person or body instructing a registered person to perform an assignment;

(iv) "the council" means the South African Council for the Property Valuers Profession, established by section 2 of the Act;

(v) "property valuation" means the determination of the value of immovable property; and

(vi) "registered person" means a person registered in any category referred to in, or prescribed by the council in terms of, section 19 of the Act.

3. A registered person shall -

(a) at all times display his or her registration certificate in a prominent position in his or her place of business or employment, except where he or she operates in an environment where the registration certificate cannot be displayed, in which case the certificate must be produced if requested to do so by any party requiring details in respect of the registered person's registration in terms of the Act;

(b) without delay, notify the council in writing of any change of postal address, e-mail address, telephone number and employment; and

(c) comply with the rules made under section 37 of the Act.

4. A registered person shall not -

(a) use false, misleading or exaggerated claims in order to secure assignments;

(b) advertise his or her professional services in a manner which is self-laudatory or which is not true or factual or which is derogatory to the dignity of the property valuers profession;

(c) maliciously or recklessly injure, whether directly or indirectly, the professional reputation, professional prospects, or business of any other registered person;

(d) maliciously criticise or disparage the work of another registered person or discuss, except when required to do so in terms of the Act or any other law, any allegation of improper conduct against another registered person;

(e) supplant or attempt to supplant another registered person in a particular assignment after definite steps have to his or her knowledge been taken towards the engagement of such other registered person, except with the written consent of the latter;

(f) accept remuneration for performing a property valuation from any person other than his or her employer, client, the client's authorized representative or agent, or from another registered person;

(g) divulge verbally or in writing any information of a confidential nature which he or she has obtained in exercising his or her powers or performing his or her duties, except if required to do so in terms of the Act or any other law; and

(h) either personally or through the agency of any other person, canvass or solicit an assignment by offering by way of commission or otherwise, to make payment for obtaining such assignment.

5. In carrying on the property valuers profession, a registered person shall-

(a) before accepting an assignment, disclose to his or her client the existence of any direct or indirect pecuniary interest which he or she may have in respect of such assignment;

(b) order his or her conduct so as to uphold the dignity, standing and reputation of the property valuers profession by maintaining a high standard of professionalism, honesty and integrity;

(c) discharge his or her duties to his or her employer or client in an efficient and competent manner, utilising the knowledge, skill and experience to complete any assignment to an acceptable professional standard, with complete fidelity and without undue delay;

(d) act with the strictest independence, objectivity and impartiality in performing an assignment;

(e) when performing an assignment on the basis of specific instructions, record such instructions in any written submission in connection with such assignment;

(f) verify, or cause to be verified, all critical information relevant to a property valuation supplied by the client or any other person, unless specifically instructed by the client to perform the property valuation based on the information so supplied;

(g) when performing a property valuation in terms of any law, acquaint himself or herself with the provisions of such law relevant to property valuation and comply therewith; and

(h) sign all property valuation reports and other documentation relating to his or her work in the property valuers profession, prepared by or for him or her, and use his or her title as provided for in section 22(3) of the Act.

6. In carrying on the property valuers profession, a registered person shall not-

(a) mislead any person, or allow any person to be misled, in respect of the registered person's professional qualifications and status, either by providing incorrect information or by withholding relevant information;

(b) without first qualifying himself or herself, undertake an assignment for the execution of which his or her training and experience have not rendered him or her competent;

(c) without full disclosure to all parties concerned, act for two or more parties in the same matter;

(d) accept an assignment that includes reporting of the outcome based on predetermined opinions and conclusions required by the client; and

(e) rely on critical information relevant to a property valuation supplied by the client or any other person, without appropriate qualification or confirmation from an independent source, unless reliance on such information is specifically instructed by the client.

SAIV 018a: *Exclude Code of Ethics (see earlier comment)*

MPRA

5 CHAPTER 1: MPRA INTERPRETATION (s 1)

5.1 [1.] Definitions

“agricultural property” means a property that is used primarily for agricultural purposes but, without derogating from section 9, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of ecotourism or for the trading in or hunting of game (Amended by s1 of Act 29 of 2014);

“appeal board” means a valuation appeal board established in terms of section 56;

“assistant municipal valuer” means a person designated as an assistant municipal valuer in terms of section 35(1) or (2);

“category” - (a) in relation to property, means a category of properties determined in terms of section 8: and (b) in relation to owners of properties, means a category of owners determined in section 15(2);

“data-collector” means a person designated as a data-collector in terms of section 36;

“date of valuation” means the date determined by a municipality in terms of section 31 (1);

“day” means when any number of days are prescribed for the performance of any act, those days must be reckoned by excluding the first and including the last day, unless the last day falls on a Saturday, Sunday or any public holiday, in which case the number of days must be reckoned by excluding the first day and also any such Saturday, Sunday or public holiday; (Amended by s1 of Act 29 of 2014);

“effective date”- (a) in relation to a valuation roll, means the date on which the valuation roll takes effect in terms of section 32(1); or (b) in relation to a supplementary valuation roll, means the date on which a supplementary valuation roll takes effect in terms of section 78(2)(b);

“market value”, in relation to a property, means the value of the property determined in accordance with section 46;

“mining property” means a property used for mining operations as defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002); (Amended by s1 of Act 29 of 2014);

“multiple purposes”, in relation to a property, means the use of a property for more than one purpose, subject to section 9; (Amended by s1 of Act 29 of 2014);

“municipal valuer” or “valuer of a municipality” means a person designated as a municipal valuer in terms of section 33(1);

“newly rateable property” means any rateable property on which property rates were not levied before the end of the financial year preceding the date on which this Act took effect, excluding- (a) a property which was incorrectly omitted from a valuation roll and for that reason was not rated before that date; and (b) a property identified by the Minister by notice in the Gazette where phasing-in of a rate is not justified;

“occupier”, in relation to a property, means a person in actual occupation of a property, whether or not that person has a right to occupy the property;

“office bearer”, in relation to places of public worship, means the primary person who officiates at services at that place of worship; (Added by s1 of Act 29 of 2014);

“official residence”, in relation to places of public worship, means-

- (a) a portion of the property used for residential purposes: or
- (b) one residential property, if the residential property is not located on the same property as the place of public worship, registered in the name of a religious community or registered in the name of a trust established for the sole benefit of a religious community and used as a place of residence for an office bearer;". (Added by s1 of Act 29 of 2014)

“owner”-

- (a) in relation to a property referred to in paragraph (a) of the definition of “property”, means a person in whose name ownership of the property is registered;
- (b) in relation to a right referred to in paragraph (b) of the definition of “property”, means a person in whose name the right is registered;
- (bA) in relation to a time sharing interest contemplated in the Property Time-sharing Control Act, 1983 (Act No. 75 of 1983), means the management association contemplated in the regulations made in terms of section 12 of the Property Time-sharing Control Act, 1983, and published in Government Notice R327 of 24 February 1984; (Added by s1 of Act 29 of 2014)
- (bB) in relation to a share block company, the share block company as defined in the Share Block Control Act, 1980 (Act No. 59 of 1980); (Added by s1 of Act 29 of 2014)
- (bC) in relation to buildings, other immovable structures and infrastructure referred to in section 17(1)(f), means the holder of the mining right or the mining permit; and (Added by s1 of Act 29 of 2014) ;
- (c) in relation to a land tenure right referred to in paragraph (c) of the definition of “property”, means a person in whose name the right is registered or to whom it was granted in terms of legislation; or
- (d) in relation to public service infrastructure referred to in paragraph (d) of the definition of “property”, means the organ of state which owns or controls that public service infrastructure as envisaged in the definition of “publicly controlled”, provided that a person mentioned below may for the purposes of this Act be regarded by a municipality as the owner of a property in the following cases:
 - (i) A trustee, in the case of a property in a trust excluding state trust land;

- (ii) an executor or administrator, in the case of a property in a deceased estate;
- (iii) a trustee or liquidator, in the case of a property in an insolvent estate or in liquidation;
- (iv) a judicial manager, in the case of a property in the estate of a person under judicial management; (v) a curator, in the case of a property in the estate of a person under curatorship;
- (vi) a person in whose name a usufruct or other personal servitude is registered, in the case of a property that is subject to a usufruct or other personal servitude;
- (vii) a lessee, in the case of a property that is registered in the name of a municipality and is leased by it; or
- (viiA) a lessee, in the case of property to which a land tenure right applies and which is leased by the holder of such right; (Added by s1 of Act 29 of 2014) or;
- (viii) a buyer, in the case of a property that was sold by a municipality and of which possession was given to the buyer pending registration of ownership in the name of the buyer;

"place of public worship" means property used primarily for the purposes of congregation, excluding a structure that is primarily used for educational instruction in which secular or religious education is the primary instructive medium: Provided that the property is- (a) registered in the name of a religious community; (b) registered in the name of a trust established for the sole benefit of a religious community; or (c) subject to a land tenure right; (Added by s1 of Act 29 of 2014)

"property" means-

(a) immovable property registered in the name of a person, including, in the case of a sectional title scheme, a sectional title unit registered in the name of a person;

(b) a right registered against immovable property in the name of a person, excluding a mortgage bond registered against the property;

(c) a land tenure right registered in the name of a person or granted to a person in terms of legislation; or

(d) public service infrastructure;

"property register" means a register of properties referred to in section 23;

"public service infrastructure" means publicly controlled infrastructure of the following kinds:

(a) national, provincial or other public roads on which goods, services or labour move across a municipal boundary (Note- New non-rateable wef 1 July 2015, existing subject to 5 yr phase out);

(b) water or sewer pipes, ducts or other conduits, dams, water supply reservoirs, water treatment plants or water pumps forming part of a water or sewer scheme serving the public; (Note- New non-rateable wef 1 July 2015, existing subject to 5 yr phase out);

(c) power stations, power substations or power lines forming part of an electricity scheme serving the public;

(d) gas or liquid fuel plants or refineries or pipelines for gas or liquid fuels, forming part of a scheme for transporting such fuels;

(e) railway lines forming part of a national railway system (Note- New non-rateable wef 1 July 2015, existing subject to 5 yr phase out);

(f) communication towers, masts, exchanges or lines forming part of a communications system serving the public;

(g) runways or aprons and the air traffic control unit at national or provincial airports, including the vacant land known as the obstacle free zone surrounding these, which must be vacant for the air navigation purposes; (Amended by s1 of Act 29 of 2014) (Note- New non-rateable wef 1 July 2015, existing subject to 5 yr phase out);

(h) breakwaters, sea walls, channels, basins, quay walls, jetties, roads, railway or infrastructure used for the provision of water, lights, power, sewerage or similar services of ports, or navigational aids comprising lighthouses, radio navigational aids, buoys, beacons or any other device or system used to assist the safe and efficient navigation of vessels; communications system serving the public (Note- Non-rateable wef 1 July 2015).

(i) any other publicly controlled infrastructure as may be prescribed; or

(j) a right registered against immovable property (Added and deleted by s24 of Act 19 of 2008) in connection with infrastructure mentioned in paragraphs (a) to (i);

“public service purposes”, in relation to the use of a property, means property owned and used by an organ of state as-

(a) Hospitals and clinics;

(b) schools, pre-schools, early childhood development centres or further education and training colleges;

(c) national and provincial libraries and archives;

(d) police stations;

(e) correctional facilities; or

(f) courts of law, but excludes property contemplated in the definition of "public service infrastructure"; (Added by s1 of Act 29 of 2014)

“rate” means a municipal rate on property envisaged in section 229(1) (a) of the Constitution;

“rateable property” means property on which a municipality may in terms of section 2 levy a rate, excluding property fully excluded from the levying of rates in terms of section 17;

“register”-

(a) means to record in a register in terms of-

(i) the Deeds Registries Act, 1937 (Act No. 47 of 1937); or

(ii) the Mining Titles Registration Act, 1967 (Act No. 16 of 1967); and

(b) includes any other formal act in terms of any other legislation to record-

- (i) a right to use land for or in connection with mining purposes; or
- (ii) a land tenure right;

“residential property” means a property included in a valuation roll in terms of section 48(2)(b) in respect of which the primary use or permitted use is for residential purposes without derogating from section 9;
(Amended by s1 of Act 29 of 2014)

“Sectional Titles Act” means the Sectional Titles Act, 1986 (Act No. 95 of 1986);

“sectional title scheme” means a scheme defined in section 1 of the Sectional Titles Act; “sectional title unit” means a unit defined in section 1 of the Sectional Titles Act;

“specified public benefit activity” means an activity listed in item 1 (welfare and humanitarian), item 2 (health care) and item 4 (education and development) of part 1 of the Ninth Schedule to the Income Tax Act;

“state trust land” means land owned by the state-

(a) in trust for persons communally inhabiting the land in terms of a traditional

(b) over which land tenure rights were registered or granted; or

(c) which is earmarked for disposal in terms of the Restitution of Land Rights Act, 1994 (Act 22 of 1994);

“this Act” includes regulations made in terms of section 83

6 CHAPTER 2: RATING (ss 2-23)

Part 2: Levying of rates

6.1 [7.] Rates to be levied on all rateable property

(1) When levying rates, a municipality must, subject to subsection (2), levy rates on all rateable property in its area. (Amended by s5 of Act 29 of 2014)

(2) Subsection (1) does not-

(a) oblige a municipality to levy rates on-

- (i) properties of which that municipality is the owner;
- (ii) public service infrastructure;
- (iii) properties referred to in paragraph (b) of the definition of “property” in section 1; or
- (iv) properties in respect of which it is impossible or unreasonably difficult to establish a market value because of legally insecure tenure resulting from past racially discriminatory laws or practices; or

(b) prevent a municipality from granting in terms of section 15 exemptions from, rebates on or reductions in rates levied in terms of subsection (1).

0.02 **Standard s7-1: Rates policy - rateable property identification**

A municipal valuer appointed in terms of the MPRA must annually as part of the municipality’s MPRA Implementation Team, contribute in the review and amendments of the rates policy; and implement the adopted rates policy in the performance of general valuations or supplementary valuations and compiling of valuation rolls.

SAIV 019: *The municipal valuer is only required to support rates policy review if contracted to do so by the municipality. Section 5(1) provides that a municipal council must annually review and if necessary amend its rates policy. Rates policy review is not included in section 34, Functions of municipal valuers.*

SAIV 020: *Is the MPRA Implementation team part of the municipality’s structure? or is this terminology used as a loose definition of a collective of officials and/or the contracted municipal valuer who are responsible for MPRA compliance?*

If the requirement for the establishment of an MPRA Implementation team is mandatory then a proposed Terms of Reference for this ‘body’ would be useful.

The municipality must approve the rates policy before the municipal valuer can commence with the preparation of the general valuation. It is generally practice that municipalities approve their amended rates policy for a new general valuation roll during the budget process preceding the effective date of the roll. The result is that there is no amended rates policy in place when the roll is open for inspection and objections.

The standard should be expanded to ensure that rates policies applicable to a new general valuation are approved or at least workshopped prior to the municipal valuer commencing the project. .

6.2 [8.] Differential rates

(1) Subject to section 19, a municipality may, in terms of the criteria set out in its rates policy, levy different rates for different categories of rateable property, determined in subsection (2) and (3), which must be determined according to the-

- (a) use of the property;
- (b) permitted use of the property; or
- (c) a combination of (a) and (b). (Amended by s6 of Act 29 of 2014)

(2) A municipality must determine the following categories of rateable property in terms of subsection (1):
Provided such property category exists within the municipal jurisdiction:

- (a) Residential properties;

- (b) industrial properties;
- (c) business and commercial properties; (d) agricultural properties;
- (e) mining properties;
- (f) properties owned by an organ of state and used for public service purposes; (g) public service infrastructure properties;
- (h) properties owned by public benefit organisations and used for specified public benefit activities; (i) properties used for multiple purposes, subject to section 9: or
- (j) any other category of property as may be determined by the Minister, with the concurrence of the Minister of Finance, by Notice in the Gazette. (Amended by s6 of Act 29 of 2014)

(3) In addition to the categories of property determined in terms of subsection (2), a municipality may determine additional categories of rateable property, including vacant land: Provided that, with the exception of vacant land, the determination of such property categories does not circumvent the categories of rateable property that must be determined in terms of subsection (2). (Amended by s6 of Act 29 of 2014)

(4) (a) Where a municipality can, on good cause, show that there is a need to sub-categorise the property categories listed in subsection (2), a municipality must apply to the Minister in writing for authorisation to create one or more such sub-categories.

(b) Such application must-

- (i) be accompanied by a motivation for such sub-categorisation;
- (ii) demonstrate that such sub-categorisation is not in contravention of section 19; and
- (iii) reach the Minister at least 15 months before the start of the municipal financial year in which the municipality envisages levying a rate on such sub-categorised property. (Amended by s6 of Act 29 of 2014).

0.03 Standard s8-1: Category of property annual review

A municipal valuer appointed in terms of the MPRA must annually as part of the municipality's MPRA Implementation Team, contribute in the review and amendments of the rates policy; and implement the adopted rates policy, in the performance of general valuations or supplementary valuations and compiling of valuation rolls.

0.04 **Standard s8-2: Category of property determination**

The municipal valuer must determine the appropriate category of property in terms of the MPRA and the adopted rates policy of the municipality, determine the associated actual use and / or reflect the permitted use of the property identified and update the valuation roll accordingly, by reviewing municipal plans, special consent applications, re-zonings, demolitions and related documents and if unable to logically determine the category of property and actual use then a physical inspection of the property must be conducted to determine the appropriate category of property and actual use.

SAIV 021: Please clarify if the reference to Municipal plans is the approved building plans of a property?

Other terminology corrections should include:

- *Consent approvals as opposed to special consent applications*
- *Building completion and building occupation certificates*

SAIV 022: It is noted that the businesses processes within each municipality vary. There should be provision for the municipality to be responsible for the assembly of relevant documentation to handover to the municipal valuer.

6.3 [9.] Properties used for multiple purposes

(1) A property used for multiple purposes must, for rates purposes, be assigned to a category determined by the municipality for properties used for-

- (a) a purpose corresponding with the permitted use of the property; (Amended by s27 of Act129 of 2008)
- (b) a purpose corresponding with the dominant use of the property; or
- (c) multiple purposes in terms of section 8 (2) (i). (Amended by s7 of Act 29 of 2014)

(2) A rate levied on a property assigned in terms of subsection (1) (c) to a category of properties used for multiple purposes must be determined by-

- (a) apportioning the market value of the property, in a manner as may be prescribed, to the different purposes for which the property is used; and
- (b) applying the rates applicable to the categories determined by the municipality for properties used for those purposes to the different market value apportionments.

0.05 **Standard s9-1: Property used for more than one purpose**

The municipal valuer must comply with and implement the municipality's adopted rates policy and s9 of the MPRA and where relevant apportion the market value of a property used for more than one purpose (multiple purpose use).

SAIV 023: Properties that are used for more than one purpose must be categorised as "properties used for multiple purposes" and must be rated by apportioning the value to the different uses and applying the tariff applicable to the respective categories.

The application of value apportionments must be in accordance with the IVSC Best Practice and the Guidelines published from time to time by the SAIV. Valuers will not be permitted to bend under pressure from CFO's (chief Financial Officers) to apportion 'fabrications' of value where there is no "market" evidence that such partitioning of value is legally permissible, economic, or practical. It is also noted that certain financial systems are unable to comply with the multiple tariffs per record. This needs to be investigated per financial system.

SAIV 024: *It is noted that the understanding of 'dominant use' is used differently across different rates policies. A practice note pertaining to the use of this clause to determine the categorisation of a property would be required.*

6.3.1 Practice note s9-1.1: Multiple purposes

Property used for more than one purpose (Multiple Purposes Category) which falls into the ambit of section 9 of the MPRA must be dealt with on a case by case basis. In particular where one is to apply the multiple purpose use category and the apportionment of value approach (not the dominant purpose use approach) an entry in the roll and GIS cadastral must be created to indicate and reflect the original registered property (probably as a dummy record) and then the separate portions under the apportioned value, each with its own individual record. Of note is that these would all be under the same ownership.

Properties which are partially exempt also fall under multiple purpose category and subject to the apportionment of value and require separate records to be created in the valuation roll – rateable and non-rateable. Similarly with large tracts of land where one has for example communal property, , residential, commercial, churches and agricultural, the multiple use approach must apply and the values apportioned with separate records created for each recognised apportioned value.

SAIV 025: *Property used for more than one purpose (Multiple Purposes Category) which falls into the ambit of section 9 of the MPRA must be dealt with in accordance with the precedent set in "The City of Johannesburg Metropolitan Municipality v The Chairman of the Valuation Appeal Board for the City of Johannesburg (282/2013) [2014] ZASCA 5."*

The challenge is also in the recognition of property in the first instance under the definition of property, for example a registered right or land tenure is a separate property and therefore may not need to be an apportioned value. So first one should look at the definition of property for recognition as a separate property and then if not feasible to revert to the apportionment of value approach.

Part 5:

7 CHAPTER 2 (part 5) MUNICIPAL REGISTER OF PROPERTIES

7.1 [23.] Register of properties

(1) A municipality must draw up and maintain a register in respect of properties situated within that municipality, consisting of a Part A and a Part B.

(2) Part A of the register consists of the current valuation roll of the municipality, including any supplementary valuation rolls of the municipality prepared in terms of section 78.

(3) Part B of the register must specify which properties on the valuation roll or any supplementary valuation rolls are subject to-

(a) an exemption from the rate in terms of section 15;

(b) a rebate on or a reduction in the rate in terms of section 15; (c) a phasing-in of the rate in terms of section 21; or

(d) an exclusion referred to in section 17(1) (a), (e), (g), (h) and (i).

(4) The register must be open for inspection by the public during office hours. If the municipality has an official website or another website available to it, the register must be displayed on that website.

(5) A municipality must at regular intervals, but at least annually, update Part B of the register. Part A of the register must be updated in accordance with the provisions of this Act relating to the updating and supplementing of valuation rolls.

SAIV 026: *Delete verbatim excerpt from the MPRA.*

Property register interpretation

SAIV 027:

It is proposed that a clear terminology table is included to avoid confusion around the following terms: Master File, GIS, spatial register, Municipal Register, geodatabase. Valuation Roll; GIS Cadastral Layer

Property Register (register of properties)—means a consolidated valuation roll which comprises, with reference to Section 23 Part A and B “register of properties”, the valuation roll with all properties required to be listed under Section 30 (3), and encompassing;

(i) supplementary valuations and roll updates in terms of sections 78 and 79 of the MPRA; (ii) objection and appeal decision roll adjustments;

(iii) the corresponding valuation roll property valuation database of all property data, and;

(iv) the corresponding GIS Valuation Roll cadastral layer (registered and unregistered property),

ALL of which must be aligned to the “definition of property” namely (a) registered deeds office records (full title and sectional title), (b) registered rights against immovable property, (c) land tenure rights, (d) public service infrastructure (PSI) records and all other rateable property by way of apportionment in terms of section 9 of the MPRA, in terms of prevailing rates policy.

SAIV 027:

The accepted definition from the Geomatics Institute is that the municipal register is a spatial database of all registered properties within a municipality.

A municipal property register is generally considered to include:

- Valuation rolls (Section 30, 77-79 of the MPRA)
- Valuation roll property database / cadastral layer (including ownership)
- Aerial photography
- Financial system data

It is suggested that the property register be maintained continuously for larger municipalities, and at least twice per year for smaller municipalities in order to comply with the provisions of sections 23 and 78 of the Municipal Property Rates Act, 2004 (Act No. 6 of 2004) .

There is a recommendation that property registers include an un-registered layer.

0.06 Standard s23-1: Property register creation and maintenance

The municipal valuer must ensure compliance with the requirements of the MPRA and draw up and maintain a register of properties (PART A of the property register) situated in the municipality in accordance with the MPRA definition of “property”, the definition of “property register” contained in this standard and taking account of the adopted rates policy of the municipality.

SAIV 028: *Part A consists of the current consolidated valuation roll including all value reviews and supplementary rolls. A recent challenge is where a value review was conducted and the registered owner did not receive the review notice. Their recourse was to check and verify the changed value on the Part A published on the municipal website. This is in terms of the legislation Part A only to be updated annually.*

It would be useful to include flow charts for ease of reference.

0.07 Standard s23-2: Property register listing

The municipal valuer must in drawing up and maintaining a property register include all properties required to be listed in the municipality in terms of section 30 (3).

0.08 Standard s23-3: Property register accuracy and associated GIS updates

The property register must be accurately maintained in accordance with industry specifications and include supplementary valuation roll updates.

SAIV 029: *Please clarify which industry specifications?*

The SAIV has opened dialogue with SA Geomatics Institute to bring these specifications up to date with GIS Practices in South Africa. This dialogue should dovetail with the preparation of these Standards. Important issues include:

The establishment of the municipal register of properties is considered a preparatory project, separate from the preparation of the General Valuation Roll. Appointed service providers will have to demonstrate the necessary data base experience and GIS qualifications to secure the contract award. Ideally the completed property register

will be handed to the appointed municipal valuer simultaneously with the appointment of the Municipal Valuer (i.e. project inception).

Dependant on the size of a municipality, planning for a new general valuation roll must commence at least a year before it is required.

Attribute and Vector Datasets

- All datasets (financial extracts, last valuation roll) must be acquired in a usable flat file format (CSV/XLS/XLSX/TXT).
- The most recent spatial property register in SHP or geodatabase (PGDB/FGDB) format.
- Each dataset should be converted / imported into geodatabase or any other format where analysis can be done to compare the data.
- If not present, the 21-digit SG Code must be created in each dataset for use as a common link so that queries can be run on the data.
- For sectional titles all units also have a 26-digit code which is created from the 21-digit SG Code plus 5 digits which comprise of leading zeroes and the unit number (must be created).

Raster Datasets (Imagery)

Municipalities must ensure that a new set of aerial imagery is flown at least a year before a new general valuation roll is required. Aerial photographs are generally classified as being vertical or oblique:

Vertical/Orthogonal

- This imagery is taken as close to the vertical as possible. Orthophotos are then created and geographically aligned to be viewed spatially as a backdrop to other datasets.
- Orthophotos are used as a backdrop to the spatial property register to inform the valuer as to the extent of (and existence of) the building footprint on a property.
- Photographs taken at an angle are called oblique photographs and are normally taken at an angle of 45° to the horizontal or vertical. This allows for easier interpretation and recognition of structures.
- Oblique imagery captures the front and sides of the exterior of buildings, making it possible to more accurately identify, and measure the area, distance, height and elevation of a structure.
- Value added to land by improvements such as buildings, structures or modifications to the land, of a lasting nature, and intended to enhance the worth or utility of the property can then be reviewed in an office as desk top exercise.
- Conventionally this process involves extensive fieldwork using valuers and data collectors with large cost implications in terms of time and money.
- The normal specifications for vertical imagery require colour imagery at 1:10 000 scale with a ground pixel size of 0.25m.

SAIV 030: Section 23(1) of the MPRA specifies that “a municipality must draw up and maintain a register in respect of properties situated within that municipality, consisting of a Part A and a Part B.”

It is noted that the spatial property master file includes all registered and unregistered properties. Unregistered properties are contained within the financial file and these need to be accommodated.

Details should include tags for registered, un-registered, dead and properties falling outside the municipal demarcation. If this detail is on file then the task need not be replicated as is currently the case.

0.09 Standard s23-4: Property register subject to relief

The municipal valuer in drawing up and maintaining a property register, must take into account the rates policy of a municipality which may include properties subject to exemptions and reductions impacting on the valuation roll.

SAIV 031: This relates to Part B of the register and should be a record-by-record report. Part B is an annual report that specifies exemptions, rebates, phasing-in and exclusions in the valuation roll and must be updated at regular intervals. This should also be aligned with budget processes each financial year.

Traditionally this has been the domain of the financial systems. The extract requires tariff codes per property parcel. There are certain challenges with Pastel and SAMRAS financial systems as their tariff codes are embedded.

0.10 Standard s23-5: Property register reflect content of valuation rolls

The municipal valuer must in drawing up and maintaining a property register reflect the content of rolls in terms of section 48 and additional required content and information in terms of Section 15 - Appendices, Appendices "A", "B" and "C" and corresponding templates of these standards (guidelines).

SAIV 032: *It is the responsibility of the municipality to draw up and maintain the register. The task may be delegated to the municipal valuer but only if this is included in the bid scope. Best practice is for a data management/GIS specialist service provider to establish and maintain the register and then to hand the refreshed layers to the valuation service provider. The municipality is therefore afforded oversight and monitoring through the separation of these functions.*

See annexures for further explanation on these comments.

A comparison of the fields required for template "A1" and "B" shows that 11 of the fields are duplicated. Duplicated fields are highlighted in yellow on template "B".

Template C deals with data to be collected for valuation purposes and should not be included in the register contemplated in section 23.

This standard should be removed.

0.11 Standard s23-6: Property register unique property identifier

The municipal valuer must ensure that each property listed on the property register (valuation roll) has a unique property identifier for all defined properties to support linking to other municipal databases such as the financial management system of the specific municipality and the valuation roll GIS cadastral layer.

7.1.1 Practice note S23-6.1: Unique property identifier

The Surveyor General Code (SG Code) (Alpha/Numeric) is the preferred unique property identifier which is an intelligent key derived from the property description. The initial parent property code is made up of 21 digits for registered full title property. To accommodate other property types such as sectional title, registered rights, land tenure rights, PSI and apportioned (s9) records a suffixed 5 digits extension is created to represent a 26 digit code. The intention and purpose of the SG code is to provide a common key for logical linking and matching of databases such as the property register (valuation roll), the Valuation Roll GIS cadastral layer and the municipal financial management system.

SAIV 033: *The creation of a standard property key is supported and is already best practice. The extension of the key to include the 26 digit code to accommodate sectional title properties is also the norm.*

It is noted that certain financial systems do not embrace the same SG key protocols and a standard should be drafted for this.

A practice note is required to identify 'split remainders'.

7.1.2 Practice note S23-6.2: Unique location identifier (GPS Coordinate)

In cases where it is difficult to locate a property, mainly for unregistered property, the (Global Positioning System - GPS) Latitude and Longitude (coordinates) of the property location must be recorded and captured in the valuation roll management system against the property.

0.12 **Standard s23-7: Consolidated Valuation Roll to GIS Cadastral synchronisation**

The Valuation Roll must have a one-to-one match to the Valuation Roll GIS Cadastral Layer (for defined and recognised property), excluding sections of sectional title property.

SAIV 034: Sectional title properties may be viewed spatially. The individual units may not be viewed spatially. The VMS should enable a valuer to sum the individual unit values together for the sectional title property.

A 'one on one' match is not appropriate for multiple purpose properties. It is proposed that these be handled as 'notional sectional title' properties to enable the viewer to see the multiple portions linked to a specific SG code or property description.

This standard should be reviewed.

0.13 **Standard s23-8: Professional resources GIS Roll cadastral component**

The Valuation roll GIS cadastral component of the property register must be managed and certified by a PLATO registered GIS Practitioner in accordance with these standards and where applicable additional industry specifications.

SAIV 035: The appropriate definition of a Municipal Register of Properties includes provision for the GIS Roll cadastral component.

Clarification is required as to what class of Plato registration is required for this scope item.

It is proposed that an experiential provision should be included in the evaluation criteria to ensure that the practitioner has adequate experience to conduct the work.

0.14 **Standard s23-9: Property register source data and information**

In compiling a property register the source data and information that must be considered and applied includes the valuation roll GIS cadastral data, the consolidated (current) valuation roll, the financial management system data, the deeds office data, Surveyor General (SG) diagrams and any unregistered diagrams/plans. For unregistered portions, the underlying parent registered property information must also be included for referencing along with the responsible assigned "owner". This requires that in the creation of a property register a registered GIS layer and an unregistered GIS layer must be created which spatially represents PART A of the property register (valuation roll).

SAIV 036: A municipal property register is generally considered to include:

- Valuation rolls (Section 30, 77-79 of the MPRA)
- Valuation roll property database / cadastral layer (including ownership)
- Aerial photography
- Financial system data

This standard should be reviewed.

0.15 **Standard s23-10: Property register Sectional Title parent property**

The parent property of a registered sectional title scheme must be depicted on the property register and the corresponding GIS registered layer with the name of the sectional title scheme, the sectional title number and the scheme number and year.

SAIV 037: This procedure is generally followed by Plato practitioners. It does not require a standard.

0.16 **Standard s23-11: Property register Land Extent**

(a) For registered properties the land extent from the deeds office must be used as the primary source data for the compilation of the property register however the land extent must be verified and corroborated against the land extent from the corresponding approved property survey diagram in cases of major discrepancies.

(b) For other rateable property such as property that is subject to land tenure rights and public service infrastructure the land extent must be determined with reference to recognised source registers and information. The land extent determined must be used for the property register (valuation roll) and converted and depicted in square metres (m²).

(c) The determined land extent must then be compared to the calculated GIS extent for each property and major anomalies identified for investigation and correction.

SAIV 038: The land extents available from the Deeds Registry are often inaccurately captured. The standard should provide an option for the valuer to determine whether the deeds extent or the Surveyor General (GIS) extents are to be used.

0.17 Standard s23-12: GIS coordinate system

In preparing valuation roll GIS cadastral layer, the coordinate system must be in an industry specified and approved system and in accordance with acceptable industry specifications.

SAIV 039:

This content is duplicated in 7.1.2

7.1.2 Practice note S23-6.2: Unique location identifier (GPS Coordinate)

In cases where it is difficult to locate a property, mainly for unregistered property, the (Global Positioning System - GPS) Latitude and Longitude (coordinates) of the property location must be recorded and captured in the valuation roll management system against the property.

0.18 Standard s23-13: Property register audit review

For audit and ensuring full coverage, records in the property register (valuation roll) must match and align to the valuation roll GIS cadastral layer records and the financial management system rates records of the municipality.

7.1.3 Practice note S23-13.1: Property register audit review

Any mismatches identified must be thoroughly investigated and resolved to ensure full coverage of the valuation roll platform to maximise and enhance revenue from rates. This to ensure that the entire property base within the municipality is accounted for in preparation for a general valuation. Ownership data is to be held in a suitable Database to permit data transfer and matching between the valuation roll and the GIS cadastral layer.

SAIV 040: *It is noted that CoGTA KZN prescribes the inclusion of the ownership data within the Property Register. This standard contradicts the practical application. There may be multiple owners for a property. The municipality has the discretion to elect how ownership should be captured.*

0.19 Standard s23-14: Property register data extracts

The property register must be extractable in electronic format on request by the municipality to support budgeting and quality assurance in accordance with section 48 "Contents of Rolls" and the structure, format and content as required in terms of Section 15 - Appendices, Appendices "A", "B" and "C" and corresponding templates of these standards.

SAIV 041: *Clarification is required as the purpose of this requirement. The GIS includes the property data not the financial information.*

7.1.4 Practice note S23-15: Public Service Infrastructure

Public Service infrastructure (PSI) is seen as artificial property, i.e., the components are not necessarily registered as separate registered entities. PSI must be valued to the exclusion (as with a registered right) of the registered property.

SAIV 042: *The PSI entries are determined according to use. E.g. Roads have their own polygons or right of way servitudes. Powerlines are registered servitudes. Sub stations have a SG code. The valuation of PSI should be dealt with under the relevant section of these standards.*

Clarification is required for this standard.

7.1.5 Practice note s23-16: Application s9 multiple purpose category

Property used for more than one purpose (Multiple Purposes Category) which falls into the ambit of section 9 of the MPRA must be dealt with on a case by case basis. In particular where one is to apply the multiple purpose use category and the apportionment of value approach (not the dominant purpose use approach) the roll and GIS cadastral must be created to indicate and reflect the original registered property and then the separate portions under the apportioned value each with its own individual record as unregistered portions. Of note is that these apportioned portions would all be under the same ownership.

Properties which are fully exempt but are under multiple purpose category and subject to the apportionment of value, require separate records to be created in the valuation roll. Similarly with large tracts of land where one has for example communal property, residential, commercial, churches and agricultural, the multiple use approach must apply and the values apportioned with separate records created for each recognised apportioned value.

SAIV 043: *The switch from Rural Communal Land to Multiple Purpose Property requires special attention as it is a unique feature of the South African landscape and one which is not covered in either IVSC or IAAO. This needs to be properly workshopped by all stakeholders, including owners.*

Mostly in rural areas one often finds property which is termed “Communal Property” and which means a property where there is a single registered cadastral land holding, typically held by one owner and used by many, and the property with its many uses are without formal services. These properties are often used for multiple purposes such as agricultural property, state occupied property, schools, clinics, residential, rural residential and non-residential property, which, in the case of a property used for more than one purpose, each use must be assigned to a category of property multiple use, the value apportioned and rates levied accordingly, as contemplated in section 9(1) and 9(2) of the Act.

The challenge is also in the recognition of property in the first instance under the definition of property, for example a registered right or land tenure is a separate property and therefore may not need to be an apportioned value. So first one should look at the definition of property for recognition as a separate property and then if not feasible to revert to the apportionment of value approach. The legal approach and precedential case to applying section 9 and the valuers role is contained in a recent judgement COJ versus the Appeal Board for the COJ / Connaught Properties case number 282/2013.

SAIV 044: *This standard should be revised and aligned to the requirement of the Municipal Register. Virtual sectionalisation (un-registered sectional title scheme) is an option for locating multiple purpose properties within the Municipal Register.*

The valuation of multiple purpose properties should be addressed under the relevant section of these standards.

7.1.6 Practice note s23-17: Valuation Roll GIS Cadastral Layer

To ensure that all properties (parcels and occupancy units) are accounted for, valuers must maintain or have access to accurate, up-to-date cadastral maps that cover the entire jurisdiction and that include a unique property identifier for each parcel or property.

Cadastral maps (GIS) are especially useful in mass valuation when they constitute part of a geographic information system (GIS). A GIS permits graphic displays of sale prices, assessed values, inspection dates, zoning, land uses, and much more. In addition, a GIS permits high-level analysis of nearby sales, neighbourhoods, and market trends.

The municipal valuer must therefore aim for a GIS spatial representation of all defined rateable property in a municipality (registered and unregistered property), excluding registered sections of sectional title scheme, essentially leading to a one-to-one match of the property register (valuation roll) records to the GIS valuation roll cadastral layer records. The valuation roll GIS cadastral layer must be updated as and when the configuration of land and ownership changes in terms of subdivisions and consolidations. This section to be read with section 77, 78 and 79 of the MPRA.

(IAAO acknowledgement 2014)

SAIV 045:

Clarification is required regarding the purpose of this standard.

This should focus on the application of ‘linked’ properties, also known as master/slaves, parent/children.

The maintenance of these entries should be maintained monthly.

This standard should be reviewed.

8 CHAPTER 4: GENERAL VALUATION OF RATEABLE PROPERTY

Part 1: General

8.1 [30.] General valuation and preparation of valuation rolls

(1) A municipality intending to levy a rate on property must in accordance with this Act cause-

(a) a general valuation to be made of all properties in the municipality determined in terms of subsection (2); and

(b) a valuation roll to be prepared of all properties determined in terms of subsection (3).

(2) All rateable properties in the municipality must be valued during a general valuation, including those properties partially excluded from rates in terms of section 17(1) (a) **(PSI 30%) and (h) (Mandatory first R15,000 MV off Residential COP)**: Provided that-

(a) properties referred to in section 7 (2) (a) (ie Property owned by the municipality, PSI, Para

(b) definition of property and property with legally insecure tenure) must be valued only to the extent that the municipality intends to levy a rate on those properties.; and

(b) the Minister may fully or partially exempt a municipality from the obligation to value properties excluded from rates in terms of section 17 (1) (e), (g) and (i) if the municipality can demonstrate that the valuation of those properties: is too onerous for it, given its financial and administrative capacity.

(3) All properties valued in terms of subsection (2) must be included in the valuation roll: Provided that properties referred to in sections 7 (2) (a) (i) **(Property owned by the municipality)** and (ii) **(PSI)** and section 17(1) (e) **(Special nature reserves / parks)** , (g) **(Land reform beneficiary)** and (i) **(Place of worship)** must be included in the valuation roll whether they have been valued or not. **(Amended by s18 of Act29 of 2014).**

0.20 Standard s30-1: General Valuation and preparation of valuation rolls

A valuer of a municipality appointed and designated to undertake a general valuation and value all rateable property in terms of s30 (3), must ensure that all properties required to be listed are listed and included in the property register (s23 Part A of the register – the valuation roll) and on instruction by a municipality, cause a general valuation to be made and a valuation roll to be prepared in terms of section 30 (1) (a) and (b). Under section 30 (2) a valuer must include those properties that may be partially excluded from rates and those fully or partially exempted from being valued.

SAIV 045: In previous standards the valuer was referred to as being appointed by the municipality. The word designated, which is actually the term used by the MPRA is added. Wording should be consistent and is suggested that in all standards the words “A municipal valuer must ...” should be used.

Section 30 deals with the valuation roll, why is reference made to the property register which is a secondary document. The focus should be on the valuation roll.

It is not clear what standard is created as the requirements of section 30 are repeated without setting a standard.

8.2 [31.] Date of valuation

(1) For the purposes of a general valuation, a municipality must determine a date that may not be more than 12 months before the start of the financial year in which the valuation roll is to be first implemented. (2) The general valuation must reflect the market value of properties determined in accordance with-

- (a) market conditions which applied as at the date of valuation; and
- (b) any other applicable provisions of this Act.

0.21 Standard s31-1: Confirmed date of valuation

A municipal valuer must confirm the official date of valuation and date of implementation with the municipality which must be in terms of a report to Council and an adopted Council resolution.

SAIV 045: "Date of valuation" is defined in the MPRA, not "official date of valuation". To avoid confusion the standards should use terminology created by the MPRA. Suggested wording:

0.21 Standard s31-1: Confirmed date of valuation

A municipal valuer must confirm the official date of valuation and date of implementation with the municipality which must be in terms of a report to Council and an adopted as per Council resolution.

0.22 Standard s31-2: Valuations based on date of valuation

Valuations must be undertaken and certified as at the date of valuation.

SAIV 046: The valuation roll is certified, not the valuations. Standard should be amended.

8.2.1 Practice note s31-3: Date of valuation MPRA compliance

A person who is a Professional Valuer or a Professional Associated Valuer who is intending accepting a nomination as a Municipal Valuer to perform a General Valuation (GV) for a municipality should, before accepting the nomination, assess the risks, consider the time frames available and the feasibility of being able to perform the General Valuation (GV) in a professional manner, and if considered a professional high risk of not being able to deliver a certified roll within the prescribed time frames, according to the MPRA and these standards, then that person should recuse him or herself from being nominated as municipal valuer.

Typical time frames for undertaking a General Valuation are influenced by the number of properties, the property type and complexity of valuation. Refer to Section 15 Appendices - Guidance: General Valuation (GV) Time Schedule Estimate (2014) of these standards.

SAIV 047: This is the first practice note on section 31, should the number not be s31-1?

The municipal valuer is designated, not nominated. Should this important issue not be a standard instead of a practice note?

SAIV 048: The adjudication and awarding of tenders are often delayed to the point that it is impossible to deliver a valuation roll that complies with the MPRA and any standards that may exist. Remedy for these delays lies with the Monitoring Framework which should ensure compliance with minimum, reasonable timeframes, together with the proper management of objections to bid awards. It should not be the responsibility of the professional to decline the designation on grounds of threatened timeframes?

Municipalities should be made aware of these time lines and the implementation of the roll should rather be postponed for a year affording the municipal valuer enough time to produce a quality roll.

8.2.2 Practice note s31-4: Guidance: General Valuation (GV) Time Schedule Estimate (2014)

SAIV 048: The note is not referring to the correct document.

The rates policy to be implemented with the new roll must be approved by February of year -1. The municipal valuer cannot allocate categories if the rates policy is not approved. This means that in year -1, two policies must be approved. New policy for the general valuation and a review of the existing policy to be implemented in July of year -1. No policy will have to be approved in year 0.

The schedule (s15.2.2 Appendix MPRA GV Schedule 3 years (2015-2017)) must be amended to ensure that there is an approved rates policy when the municipal valuer commences with the general valuation.

It should be noted that at least 6 months more should be allowed for metros. It is also suggested that small municipalities be distinguished in this schedule.

8.3 [32.] Commencement and period of validity of valuation rolls

(1) A valuation roll-

(a) takes effect from the start of the financial year following completion of the public inspection period required by section 49; and

(b) remains valid for that financial year or for one or more subsequent financial years as the municipality may decide, but in total not for more than-

(i) four financial years in respect of a metropolitan municipality; and

(ii) five financial years in respect of a local municipality.(Amended by s19 of Act29 of 2014)

(2) The MEC for local government in a province may extend the period for which a valuation roll remains valid- (a) in the case of-

(i) a metropolitan municipality, to five financial years; and

(ii) a local municipality, to seven financial years, (Amended by s19 of Act29 of 2014) if the provincial executive has intervened in the municipality in terms of section 139 of the Constitution; or

(b) in the case of-

(i) a metropolitan municipality, to five financial years; and

(ii) a local municipality, to seven financial years, **(Amended by s19 of Act29 of 2014)** on request by the municipality, in other exceptional circumstances which warrant such extension.

(3) The valuation roll of a municipality remains valid for one year after the date on which the roll has lapsed if the provincial executive intervenes in a municipality in terms of section 139 of the Constitution either before or after that date, provided that the intervention was caused by the municipality's failure-

(a) to determine a date of valuation for its general valuation in terms of section 31; or

(b) to designate a person as its municipal valuer in terms of section 33.

0.23 **Standard s32-1: Period of validity of valuation rolls MPRA compliance**

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 049: *Verbatim extracts from the MPRA cannot be made into Standards as they are already a requirement of law. This standard should be deleted.*

8.4 [33.] Designation of municipal valuers

(1) A municipality must, before the date of valuation, designate a person as municipal valuer. A municipality may designate either one of its officials or a person in private practice as its municipal valuer.

(2) If a municipality decides to secure the services of a person in private practice as its municipal valuer, it must-

(a) follow an open, competitive and transparent process in accordance with Chapter 11 of the Municipal Finance Management Act; and

(b) designate the successful bidder as its municipal valuer by way of a written contract setting out the terms and conditions of the designation.

(3) A municipality must issue to the person designated as its municipal valuer an identity card in the prescribed format containing a photograph of that person.

(4) A municipality may withdraw the designation of a person as its municipal valuer but only on the grounds of-

(a) misconduct, incapacity or incompetence;

(b) non-compliance with a provision of this Act;

(c) under-performance; or

(d) breach of contract, in the case of a person referred to in subsection (2).

8.4.1 Practice note s33.1: Designation / nomination acceptance

A Valuer who accepts a nomination as a municipal valuer on a general valuation bid under a commissioner of oaths, accepts and agrees to be designated as the municipal valuer. The designation as municipal valuer can only be withdrawn by the municipality under s33 (4) (a) to (d).

SAIV 050: *This is not a Practice note as it is simply quoting the MPRA in a different way.*

8.5 [34.] Functions of municipal valuers

The valuer of a municipality must in accordance with this Act-

(a) value all properties in the municipality determined in terms of section 30(2);

(aA) subject to section 81(1B), as part of the process towards submitting a valuation roll contemplated in paragraph (b), after appointment and until submission of the certified valuation roll, submit a monthly progress report to the municipal manager on the valuation of properties, regardless of whether properties are valued in terms of section 45(2) (a) or in terms of a combination of section 45(2) (a) and (b);(Added by s20 of Act29 of 2014)

(b) prepare a valuation roll of all properties in the municipality determined in terms of section 30 (3);

(c) sign and certify the valuation roll;

(d) submit the valuation roll to the municipal manager within a prescribed period;

(e) consider and decide on objections to the valuation roll;

(f) attend every meeting of an appeal board when that appeal board-

(i) hears an appeal against a decision of that valuer; or

(ii) reviews a decision of that valuer;

(g) prepare a supplementary valuation roll whenever this becomes necessary;

(h) assist the municipality in the collection of postal addresses of owners where such addresses are reasonably determinable by the valuer when valuing properties; and

(i) generally, provide the municipality with appropriate administrative support incidental to the valuation roll.

0.24 **Standard s34-1: Functions of municipal valuer MPRA compliance**

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 051: Verbatim extracts from the MPRA cannot be made into Standards as they are already a requirement of law. This standard should be deleted.

0.25 **Standard s34-2: Sign and certify the valuation roll**

The valuer of a municipality is responsible for the functions of the municipal valuer and the signing and certifying the valuation roll, and this specific function may not be delegated.

SAIV 052: Sections 34 & 37 provides that any of the functions could be delegated.

Indicating that the municipal valuer is responsible for the functions of the municipal valuer cannot not be regarded as a standard. This standard should be deleted.

8.5.1 Practice note s34.3: Municipal valuer delegated resources

A Municipal Valuer and delegated assistant municipal valuers, data collectors and administrative support resources must perform the functions of a municipal valuer in a competent and professional manner.

SAIV 053: Is it necessary to refer to a designated (not delegated) assistant municipal valuer? The municipal valuer and data collectors are also designated. The reference to a specific section is also unnecessary. This Practice note is not substantive and should be removed.

8.5.2 Practice note s34.4: Expert opinion Appeal board meetings

A municipal valuer, or a designated assistant municipal valuer in terms of Section 37 (1) (a) (i) of the MPRA, must attend every meeting of an appeal board when that board reviews a decision of that valuer or hears an appeal against a decision of that valuer as required by Section 34 (f). To attend a meeting infers that the municipal valuer or designated/delegated assistant municipal valuer will be prepared and will be able to give expert evidence to support the appeal board in its objection review decision.

8.5.3 Practice note s34.5: Delegation and competence at Appeal board meetings

Attendance and support is a compulsory requirement in terms of section 34 of the Act and a municipal valuer when accepting an appointment undertakes to be available or that they will ensure that a suitably qualified and experienced assistant municipal valuer will attend.

An assistant municipal valuer must be aware of their competence levels and the responsibility of the delegated function to assist the municipal valuer and only accept the delegation subject to the person's ability and competence levels. This means that an assistant municipal valuer should only accept an assignment by delegation only if he/she is competent in performing such delegated functions. In terms of experience and competence, refer to the SACPVP code of conduct. In terms of procedure any designated / delegated assistant municipal valuer who is authorised to attend and give evidence at appeal board reviews and hearings in terms of S34 (f) must comply with the SACPVP code of conduct and valuation standards.

This means that the assistant municipal valuer by accepting the designation and delegation has the relevant experience to provide expert opinion and evidence to support the objection review or appeal case. A delegated assistant municipal valuer who by their own admittance is not competent to prepare and present the required evidence at a review or an appeal hearing must timeously decline and recuse him/herself from the proceedings and immediately inform the municipal valuer.

It is noted that registered valuers are regulated by the South African Council for the Property Valuers Profession (SACPVP) ACT No 47 of 2000, and code of conduct adopted in terms of Section 28. In terms of the code of conduct, clause (6) (b) states that; in carrying on the property valuers profession, a registered person shall not, "without first qualifying himself or herself, undertake an assignment for the execution of which his or her training and experience have not rendered him or her competent".

In terms of the provisions of the said section 28 all registered persons must comply with this code and failure to do so constitutes improper conduct.

In terms of procedure a municipal valuer or by delegation an assistant municipal valuer must be prepared to explain and provide expert opinion to the appeal board on any objection review matter and therefore should be acquainted with the objection matter, the Subject Property, the market reports/sales and methodology used in the valuation. In this regard the municipal valuer must ensure that the delegated assistant municipal valuer is sufficiently experienced and is competent to provide expert opinion to the appeal board on any objection review matter.

SAIV 054: *The practice note could be restructured to set the requirements for the municipal valuer to give expert evidence at the appeal board. It should be stated that only persons that can comply with these requirements may be delegated to act as expert witness*

8.6 [35.] Assistant municipal valuers

(1) The municipal manager may designate officials of the municipality or persons in private practice as assistant municipal valuers to assist the valuer of the municipality with the performance of any of the functions set out in section 34.

(2) If the municipal valuer is not an official of the municipality, the municipal valuer may, with the concurrence of the municipal manager, designate persons in private practice as assistant municipal valuers to assist the municipal valuer with the performance of any of the functions set out in section 34.

(3) When designating persons in private practice as assistant municipal valuers in terms of subsection (2), a municipal valuer may recover from the municipality the cost of securing the services of those persons but only in terms of the contract concluded between the municipal valuer and the municipality in terms of section 33(2)(b).

(4) A municipality must issue to the person designated as an assistant municipal valuer an identity card in the prescribed format containing a photograph of that person.

(5) A municipality may withdraw the designation of a person referred to in subsection (1) as an assistant municipal valuer, and a municipal valuer may, and must if requested by the municipality, withdraw the designation of a person referred to in subsection (2) as an assistant municipal valuer. The designation of a person may be withdrawn only on the grounds of -

(a) misconduct, incapacity or incompetence;

(b) non-compliance with a provision of this Act; (c) under-performance; or

(d) breach of any of the terms or conditions of the designation, in the case of a person designated as an assistant municipal valuer in terms of subsection (2).

0.26 ***Standard s35-1: Assistant municipal valuer MPRA compliance***

The MPRA and the standards must be complied with in respect of this specific section.

8.7 [36.] Data-collectors

(1) The municipal manager may designate officials of the municipality or persons who are not officials of the municipality as data-collectors to assist the valuer of the municipality with the collection of data and other related work.

(2) If the municipal valuer is not an official of the municipality, the municipal valuer may, with the concurrence of the municipal manager, designate persons, other than officials of the municipality, as data-collectors to assist the municipal valuer with the collection of data and other related work.

(3) When designating persons as data-collectors in terms of subsection (2), a municipal valuer may recover from the municipality the cost of securing the services of those persons, but only in terms of the contract concluded between the municipal valuer and the municipality in terms of section 33(2)(b).

(4) A municipality must issue to the person designated as a data-collector an identity card in the prescribed format containing a photograph of that person.

(5) A municipality may withdraw the designation of a person referred to in subsection (1) as a data-collector, and a municipal valuer may, and must if requested by the municipality, withdraw the designation of a person referred to in subsection (2) as data-collector.

0.27 *Standard s36-1: Designation of data collector compliance*

The MPRA and the standards must be complied with in respect of this specific section.

8.8 [37.] Delegations by municipal valuers

(1) The valuer of a municipality- (a) may delegate –

(i) to an assistant municipal valuer any powers or duties reasonably necessary to assist the municipal valuer to exercise a power or to comply with a duty assigned to a municipal valuer in terms of this Act; or

(ii) to a data-collector any powers or duties reasonably necessary to assist the municipal valuer in the collection and processing of data; and

(b) must regularly review delegations issued in terms of paragraph (a) and, if necessary, amend or withdraw any of those delegations.

(2) A delegation in terms of subsection (1)-

(a) must be in writing;

(b) is subject to such limitations and conditions as the municipal valuer may impose in a specific case; and

(c) does not divest the municipal valuer of the responsibility concerning the exercise of the delegated power or the performance of the delegated duty.

(3) The municipal valuer may confirm, vary or revoke any decision taken in consequence of a delegation in terms of this section, but no such variation or revocation of a decision may detract from any rights that may have accrued as a result of the decision.

0.28 *Standard s37-1: Delegations by municipal valuers*

The MPRA and the standards must be complied with in respect of this specific section.

0.29 **Standard s37-2: Data Collector delegation and competence**

A data collector must have sufficient knowledge and experience in data collection pertaining to land and buildings in order to assist the valuer of a municipality to comply with data collection standards. The municipal valuer must before designating and delegating a data collection function to a data collector, either train a data collector to perform competent data collection or ensure that a data collector is able to perform competent data collection in accordance with the data collection training manuals approved by the municipal valuer.

SAIV 055: Will this standard serve any purpose if “competent data collection” is not defined and the content of the training manuals covered in these standards?

8.8.1 Practice note s37-1: Delegation and competence at Appeal board meetings

In terms of procedure an assistant municipal valuer who is delegated to attend and give evidence at appeal board hearings and reviews must prior to an appeal hearing or review submit the following documents to the appeal board.

(1) the designation letter issued and signed by the municipality / municipal valuer in terms of Section 35 of the MPRA, and

(2) the delegation letter issued and signed by the municipal valuer in terms of Section 37 of the MPRA, to the appeal board and

SAIV 056: Is it necessary to use the words “issued and signed” in (1) & (2)? The municipal valuer and assistant municipal valuer should submit a certified copy of the SACPVP registration certificate and registration card. The secretary of the valuation appeal board should record the expiry date of the registration card and ensure that municipal valuers and assistant valuers have valid registration cards. Is it necessary to refer to “delegated assistant?”

(3) the declaration regarding the performance of office signed in terms of section 40 of the MPRA. These documents need only be submitted on the first appeal board meeting of the delegated assistant municipal valuer and referred to in subsequent appeal meetings as required. The Valuation Appeal Board secretariat must retain copies of all designations, delegations and declarations on file for audit purposes.

0.30 **Standard s37-2: Procedural compliance with delegations by municipal valuer.**
The MPRA and the standards must be complied with in respect of this specific section.

8.9 [39.] Qualifications of municipal valuers

(1) A municipal valuer-

(a) must be a person registered as a professional valuer or professional associated valuer in terms of the Property Valuers Profession Act, 2000 (Act No. 47 of 2000); and

(b) may not be a councillor-

(i) of the designating municipality, if that municipality is a metropolitan or district municipality; or

(ii) of either the designating municipality or the district municipality in which that municipality falls, if the designating municipality is a local municipality.

(2) An assistant municipal valuer-

(a) must be a person registered as a professional valuer, a professional associated valuer or a candidate valuer in terms of the Property Valuers Profession Act, 2000; and

(b) may not be a councillor-

(i) of the designating municipality, if that municipality is a metropolitan or district municipality; or

(ii) of either the designating municipality or the district municipality in which that municipality falls, if the designating municipality is a local municipality.

0.31 *Standard s39-1: Qualifications of municipal valuers MPRA compliance*
The MPRA and the standards must be complied with in respect of this specific section.

8.10 [40.] Prescribed declaration

Before assuming office, the valuer of a municipality or an assistant municipal valuer must- (a) make the prescribed declaration before a commissioner of oaths regarding the performance of office: and (b) lodge a certified copy of such declaration with the municipal manager.

0.32 *Standard s40-1: Prescribed declaration by valuers MPRA compliance*
The MPRA and the standards must be complied with in respect of this specific section.

8.11 [41.] Inspection of property

(1) Subject to any legislation that restricts or prohibits entry to any specific property, the valuer of a municipality, assistant municipal valuer, data-collector or other person authorised by the municipal valuer in writing, may-

(a) between 07:30 and 19:00 on any day except a Sunday or public holiday, enter any property in the municipality that must be valued in terms of this Act; and

(b) inspect that property for the purpose of the valuation.

(2) If a person authorised by a municipal valuer in terms of subsection (1) is not in possession of an identity card in the prescribed format containing a photograph of that person, the municipality must issue to that person such a card.

(3) When entering any property in terms of subsection (1), a municipal valuer, assistant municipal valuer, data- collector or other person authorised in terms of that subsection-

(a) must, on demand by a person on that property, produce his or her identity card;

(b) may be accompanied by an interpreter or any other person whose assistance may reasonably be required in the circumstances.

0.33 *Standard s41-1: Inspection of property*
The MPRA and the standards must be complied with in respect of this specific section.

8.12 [42.] Access to information

(1) A municipal valuer or assistant municipal valuer may-

(a) require the owner, tenant or occupier of a property which the valuer must value in terms of this Act, or the agent of the owner, or the body corporate controlling a sectional title scheme or the share block company in respect of a share block scheme or the management association in respect of a property time-sharing scheme, to give the valuer access to any document or information in possession of the owner, tenant, occupier, agent, body corporate, share block company or management association which the valuer reasonably requires for purpose of valuing the property; (Amended by s21 of Act29 of 2014)

(b) make extracts from any such document or information; and

(c) in writing require the owner, tenant or occupier of the property, or the agent of the owner, or the body corporate controlling a sectional title scheme or the share block company in respect of a share block scheme or the managing association in respect of a property time sharing scheme to provide the valuer, either in writing or orally, with particulars regarding the property which the valuer reasonably requires for purpose of valuing the property. (Amended by s21 of Act29 of 2014)

(2) Where any document, information or particulars were not provided when required in terms of subsection (1) and the owner concerned relies on such document, information or particulars in an appeal to an appeal board, the appeal board may make an order as to costs in terms of section 70 if the appeal board is of the view that the failure to so have provided any such document, information or particulars has placed an unnecessary burden on the functions of the municipal valuer or the appeal board.

SAIV 057: *Practice notes and/or standards should be developed to set the minimum requirements for this report.*

0.34 **Standard s42-1: Access to information MPRA compliance**

The MPRA and the standards must be complied with in respect of this specific section.

8.13 [43.] Conduct of valuers

(1) A municipal valuer or assistant municipal valuer-

(a) must disclose to a municipality any personal or any private business interest that the valuer, or any spouse, parent, child, partner or business associate of the valuer, may have in any property in the municipality;

(b) may not use the position as a municipal valuer or assistant municipal valuer for private gain or to improperly benefit another person; and

(c) must comply with the Code of Conduct set out in Schedule 2 to the Municipal Systems Act.

(2) A municipal valuer or assistant municipal valuer who is not an official of a municipality must comply with the Code of Conduct as if that person is such an official.

(3) A municipal valuer or assistant municipal valuer who contravenes or fails to comply with subsection (1) is guilty of misconduct and subject to dismissal as municipal valuer or assistant municipal valuer.

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(4) A decision in terms of subsection (3) to dismiss a municipal valuer or assistant municipal valuer who is a municipal official must be based on a finding by an enquiry conducted in accordance with the terms and conditions of employment applicable to that person.

(5) A municipal valuer or assistant municipal valuer may not perform the valuation of a property in which that valuer, or any spouse, parent, child, partner or business associate of the valuer, has a personal or private business interest, and the municipal manager must designate a special valuer to perform that valuation. A special valuer must be qualified for designation as a municipal valuer or assistant municipal valuer in terms of section 39.

0.35 *Standard s43-1: Conduct of valuers MPRA compliance*

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 058: There must be a standard for the preparation for reviews and appeal hearings. The standard for reasons for a decision by a municipal valuer is also required. The standard for appeal hearings should include the following:

- *Inspection of property*
- *Engagement with appellant to*
 - *Verify value forming attributes*
 - *Identify reasons for the dispute*

8.14 [44.] Protection of information

(1) A municipal valuer, assistant municipal valuer, data-collector or other person may not disclose to any person any information obtained whilst exercising a power referred to in section 41 or 42, except-

(a) within the scope of that person's powers and duties in terms of this Act; (b) for the purpose of carrying out the provisions of this Act;
(c) for the purpose of legal proceedings; or

(d) in terms of a court order.

(2) Subsection (1) also applies to a person accompanying a municipal valuer, assistant municipal valuer, data- collector or other person authorised in terms of section 41 (1) when entering any property in terms of that section.

0.36 *Standard s44-1: Protection of information MPRA compliance*

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 059: Owners are often reluctant to provide information. There are a number of reasons, the security of information is often raised as an issue. The standards should be specific on the protection of information. Access to data base and hard copies should be restricted to municipal valuers, assistant municipal valuers and data collectors. All persons should make a declaration to the effect that they are bound by the provisions of the MPRA and any other legislation or policies. (Not unlike Non-disclosure agreements in private practice).

9 CHAPTER 5: VALUATION CRITERIA

9.1 [s45.] Valuation

(1) Property must be valued in accordance with generally recognised valuation practices, methods and standards, and the provisions of this Act.

(2) For the purposes of subsection (1)-

(a) physical inspection of the property to be valued is optional; and

(b) comparative, analytical and other systems or techniques may be used, including aerial photography and computer-assisted mass appraisal systems or techniques, taking into account changes in technology and valuation systems and techniques.

(3) (a) If the available market-related data of any category of rateable property is not sufficient for the proper application of subsections (1) and (2), such property may be valued in accordance with any mass valuation system or technique approved by the municipality concerned, after having considered any recommendations of its municipal valuer and as may be appropriate in the circumstances.

(b) A mass valuation system or technique that may be approved by a municipality in terms of paragraph (a) includes a valuation system or technique based on predetermined bands of property values and the designation of properties to one of those bands on the basis of minimal market-related data.

9.2 Practice: The Valuation Process

To determine a property's value, valuers rely upon data, sales information, market information, skills to interpret market conditions and knowledge of valuation methodology. In preparing valuation rolls and valuing large numbers of property at the same date, requires additional skills and expertise in municipal (mass) valuations where the valuation methodology is expanded to include valuation modelling equations, tables, and schedules developed through mathematical analysis of market data. When market value is the goal, values for individual parcels should not be based solely on the sale price of a property; instead, valuation schedules and models should be consistently applied to property data that is correct, complete, and current.

SAIV 060: *The statement "When market value is the goal, values for individual parcels should not be based solely on the sale price of a property; instead, valuation schedules and models should be consistently applied to property data that is correct, complete, and current." contradicts the well-known dictum that the selling price of a property is the best indication of its value.*

If the system is to be transparent, why then are municipal valuers reluctant to divulge how the value of a property was determined. Municipal valuers should not hide behind the objection and/or appeal process.

Is the owner, who is affected by the valuation not entitled to know how the value was determined?

Municipal valuers should be compelled to make this information available to the owner. This can be done via the website of the municipality and should not add to the workload of the municipal valuer.

The development, construction, and proper administration of a computer-assisted mass appraisal (CAMA) system results in a valuation system that is kept current and is characterised by accuracy, uniformity, equity, reliability, transparency, *and reduced valuation fees : SAIV 061*. Data is necessary to support the valuation process and data may be formulated for collection, capture, analysis and

reporting by qualitative (subjective) and quantitative (objective) data variables. The object of mass appraisal is to produce *equitable valuations at reduced valuation fees: SAIV 062*.

In summary mass valuation is the process of valuing a group of properties as of a given date using common data, standardised methods, and statistical testing (IAAO 1990, chapter 5, Gloudemans 1999, chapter 5, and Gloudemans; and Almy 2011, chapter 5). Computers are generally used for these processes hence the term computer assisted mass appraisal hence the acronym CAMA. It must however be stressed that certain properties may not be suitable for the application of CAMA techniques and these properties will need to be valued individually. (IAAO acknowledgement 2014)

0.37 **Standard s45-1: Market Value for each property**

The municipal valuer must determine a market value for each rateable property within a municipality that is required to be valued in accordance with the MPRA and these standards.

SAIV 063: This is a requirement of the Act and is not a Standard. However, that said, it must be pointed out that Section 45.(1) of the MPRA reads as follows :-

45.(1) Property must be valued in accordance with generally accepted valuation practice, methods and standards, and the provisions of this Act.

In effect, there are three distinct and separate components to this requirement, being adherence to:-

1. generally accepted valuation practices;
2. generally accepted valuation methods; and
3. generally accepted valuation standards.

The Standards now under consideration, which are geared to the municipal valuer rather than the private sector, and cover the entire range of the MPRA, are considered to fall under generally accepted valuation practices to be laid down by the SACPVP in the application of the MPRA as a whole (refer to 2 OBJECTIVE on Page 11 of 90).

Generally accepted methods fall more within the ambit of Section 45.(2)(b)

It is the third and what we consider to be the most vital component, namely the requirement to value in accordance with generally accepted valuation standards, which has not been accorded the strong emphasis that is required in terms of Section 45.(1), as the market value assessments in terms of Section 46.(1) are subject to the mandatory application of generally accepted valuation standards in terms of Section 45.(1). This is particularly necessary, as the definition of market value in terms of Section 46.(1) falls far short of the IVSC market value definition in the first instance.

The IVSC market value definition and the IVS 2005 Standards as a whole were adopted in toto by the SAIV and have since also been adopted by the SACPVP. Since the SACPVP has itself adopted such market value definition and the mandatory conceptual framework thereto in terms of its general adoption of the IV Standards, it seems that it should now be approached to specifically bring such definition and the conceptual framework thereto into its current proposed Standards, with the necessary permission of the IVSC, pending the intended future dissemination of IVS 2016 to all registered members.

0.38 **Standard s45-2: Valuation approach**

The municipal valuer must in determining a market value for each property determine the valuation approach or approaches (if more than one approach is required) to value each property. The common valuation approaches are (1) Direct sales comparison approach, (2) Income approach and (3) Cost approach.

SAIV 064: No valuation can be made without considering the valuation approach as the starting point. The content of this standard is already well covered by IVSC and if it is to serve any purpose, it should go beyond the obvious and add value by suggesting what should be done to deliver consistent values.

0.39 **Standard s45-3: CAMA or Individual valuation**

The municipal valuer must –

(a) determine, decide and capture against each property valued, giving reasons, which properties are valued by CAMA or which properties are valued by individual approach,

SAIV 065: Why must reasons be provided for the application of CAMA versus individual valuations? This is impractical/time and therefore fee wasting.

This standard should refer to the templates A, B, C & D.

(b) for all properties valued, provide the required property data, market data, income data, cost data, market reports and valuation templates in terms of these standards and,

(c) when deciding to value property by CAMA or individually SAIV 066: strike out. IVS is relevant throughout market value ~~also consider the relevance of and~~ take into account the International Valuation Standards (IVSs) in the valuation approach and methods applied to determine the market value as defined in the MPRA.

SAIV 067: IVS was adopted by the SACPVP as an SA standard and should be applicable to all valuations. CAMA valuations cannot be excluded from IVS.

(c) is already in force i.t.o. the Act and superfluous. Remove this component.

9.3 Practice: Municipal Valuer and Resources

The municipal manager may designate officials of the municipality or persons in private practice as municipal valuer, assistant municipal valuers as well as data collectors. The valuer of a municipality may delegate to an assistant municipal valuer any powers or duties reasonably necessary to assist the municipal valuer to exercise a power or to comply with a duty assigned to a municipal valuer in terms of this Act or to a data-collector any powers or duties reasonably necessary to assist the municipal valuer in the collection and processing of data. A municipal valuer can delegate, but not abdicate, responsibility and the delegations must be in writing.

A municipal valuer must be a person registered as a professional valuer or professional associated valuer in terms of the Property Valuers Profession Act, 2000 (Act No. 47 of 2000); and may not be a councillor. An assistant municipal valuer must be a person registered as a professional valuer, a professional associated valuer or a candidate valuer in terms of the Property Valuers Profession Act, 2000; and may not be a councillor.

SAIV 068: The paragraph deals with designation and delegation which were dealt with previously. It is suggested that it be moved to the applicable paragraphs.

International benchmarks on general valuation professional resources are in the region of 1 valuer per 10,000 properties, however this is dependent on the property configuration, size and complexity within a municipality.

0.40 Standard s45-4: Resource capacity

Sufficient resources must be assigned and dedicated to support a general valuation and the updating of valuation rolls to ensure compliance with the MPRA and applicable standards.

SAIV 069: This standard will have to specify, what is sufficient? It will be impossible to measure compliance without specific requirements.

9.3.1 Practice note s45.4.1: Time frames for undertaking a general valuation

To undertake a general valuation, a minimum period of 12 months is recommended from the date of appointment of the municipal valuer and resources to the regulated date of submission of the certified valuation roll to the municipal manager, provided that for local municipalities with a valuation roll property count of less than 10,000 properties this period may be reduced to 6 months. Refer to Section 15 - Appendices, Guidance 15.1.2

***SAIV 070:** The practice note should not refer to the “regulated date of submission”. The municipality could require the submission of the roll before 1 February and at least 12 months should be allowed from awarding of tender to submission of the roll.*

It is suggested that the minimum period provided for should be 12 months. The complexity to comply with the MPRA is not always directly linked to the number of properties.

Awarding of tenders are often delayed which has a direct impact on the quality of the valuation roll. The time frames for awarding these tenders may have to be regulated to resolve this issue.

Practice notes could then developed to provide guidance for the resources required by the tenderer to deliver a valuation roll.

There is no “Guidance 15.1.2.”

9.4 Practice: Data Collection Overview

The uniform and accurate valuation of property requires correct, complete, and up-to-date property characteristics data. The municipal valuer should collect and maintain sufficient property characteristics data for classification, valuation, and other purposes. Determining what data on property characteristics to collect and maintain is a crucial decision with long-term consequences. Marginal benefits and costs of collecting and maintaining each property characteristic must be weighed against what must be collected. Often specific data is collected as a nice to have. The level of data collection will depend on the requirements of the valuation methods that will be employed.

The quantity and quality of existing data should be reviewed. If the data are sparse and unreliable, a major data collection program is likely required. Data collection manuals with standard data collection forms must be developed and made part of the data collection practice to ensure consistency and quality.

Data collectors must be trained and there must be a quality control system to detect mistakes and also to continually improve on poor workmanship. A Data Collector is referenced in the Act and designations and delegations must be managed and controlled by the Municipal Valuer in terms of legislation. (IAAO acknowledgement 2014)

***SAIV 071:** These standards should determine the minimum data to be available as well as collection manuals and forms.*

0.41 **Standard s45-5: Data Collection Manual**

The municipal valuer must prepare a data collection manual for each general valuation and be periodically reviewed and maintained to support the valuation of each property. The data collection manual must contain the main property types and the minimum property data contained in the standards illustrated and explained with reference to a data collection form. The data collection manual must be prepared in such a way as to support the training of data collectors.

***SAIV 071:** The standard must set out clearly the minimum property data to be collected if it is to be prescriptive. Without these, remove the Standard. **Note:** Numerous property types and variable market conditions dictate the level/s of minimum data. There are minimum standards within the profession (IVSC) and contained in the existing recognised qualification for valuers which the Municipal Valuer is expected to be proficient in and which are revealed in the Bid Submission for evaluation.*

0.42 Standard s45-6: Property data collection forms and data

The municipal valuer must design and create a property data collection form for each property type which must comply with the minimum data content specified in these standards. The property data on the form must be accessible and be capable of being captured in the VRMS and be capable of being electronically exported to a spreadsheet/database and printed on request.

0.43 Standard s45-7: Data Collector training

A data collector must before being designated as a data collector undergo training in data collection and pass a proficiency test, in order to be eligible for designation as a data collector in terms of section 36 (2) of the MPRA. The appointed municipal valuer is responsible for the training of data collectors, the designation of data collectors, the delegation of data collectors and the management of data collector's.

SAIV 071: (Note: This is a duplication of Standard S37-2)

More often than not, data collected by the previous service provider is not available or not used when a new general valuation is undertaken. This is due to non-compliance by the Valuer AND failure by the municipality and the provincial monitor with jurisdiction, to ensure compliance.

Data, data collection and data bases should be standardised in South Africa. This will ensure the improvement of the quality of data over time. This will not be achieved with any measure of success unless there is complete co-operation by valuers engaged in municipal valuations and familiar with the current data structures and software applications currently in use in South Africa.

The standards must be specific on these issues and set the minimum requirements.

9.4.1 Practice: Data Collection Format

Data is necessary to support the valuation process and data must be structured and formulated for collection, capture, analysis and reporting by qualitative (subjective) and quantitative (objective) data variables. Data should be collected in a prescribed format designed to facilitate both the collection of data in the field and entry of the data into the computer system.

The coding of data should be as objective as possible, with measurements, counts, and check-off items used in preference to items requiring subjective evaluations (such as “number of plumbing fixtures” versus “adequacy of plumbing: poor, average, good”). With respect to check-off items, the available codes should be exhaustive and mutually exclusive, so that exactly one code logically pertains to each observable variation of a building feature (such as type of room). The data collection format should promote consistency among data collectors, be clear and easy to use, and be adaptable to virtually all types of construction.

Specialised data collection formats may be necessary to collect information on agricultural property, timberland, commercial and industrial properties, and other property types. (IAAO acknowledgement 2014)

0.44 *Standard s45-8: Property data structure, format and content*

All property data that are collected for a general valuation and supplementary valuation must adhere to prescribed minimum structures, minimum formats and minimum content as referenced in section 15 - appendices summarised below –

(a) valuation roll (Part A of the property register) (Appendix “A”),

(b) valuation roll GIS cadastral layer (Appendix “B”)

(c) property data (Appendix “C”), and

(d) Sales data (Appendix “D”)

SAIV 071: (including insertion of the red highlights above).

The section 15 appendices, with the necessary changes, should become the standard. A number of the fields are duplicated and must be removed. These appendices will need to be extensively workshopped as indicated earlier.

9.4.2 Practice: Property data Collection

A physical inspection is the best way to obtain initial property **attribute characteristics** data and, at a minimum, should include an **on-site interior and comprehensive** exterior inspection. In cases where there is ~~an~~ existing data ~~source~~ that has been collected and maintained since the last general valuation, the data should be (SAIV: Insert: **verified at least by an exterior inspection**) reviewed by desktop (**what is ‘desk-top’?**) unless there is a strong indication of low confidence (**degrees of confidence must be properly defined and comply with Best Practice**). Data should therefore only be collected by inspection for new properties and new buildings where in the opinion of the valuer the value is likely to increase or decrease substantially. ***This opinion can only be determined by a physical inspection in the first place. This last sentence should be deleted.***

Notwithstanding the above, there are several other data collection options referred to below which may be used independently to complement each other:

- Use of previously captured data (data conversion) **conversion to what??**
- Field canvasses (**what are ‘Field Canvasses’??**)
- Targeted inspections properties with building plans (building Completions), sold properties, properties under objection/appeal.
- Up to date** Imagery **of not < 0.35m resolution** (e.g., aerial, oblique, and street level photography)

e) Returns submitted by property owners / ratepayers ~~supported by~~ furnished in terms of S42 of the MPRA "Access to Information". (IAAO acknowledgement 2014)

SAIV 071: *All red highlights in 9.4.2 should be adopted and/or noted for changes to be made. Use of the term 'attribute' is favoured over 'characteristics' as the former is more frequently referred to in practice. The term 'desk-top' must be clearly defined in relation to valuation practices.*

The section states that a physical inspection is the best way to obtain initial property attributes/ data and, a minimum, should include an on sight interior and exterior inspection. Given the security and other issues associated with South Africa this may not be possible nor cost effective.

0.45 Standard s45-9: Property data collection accuracy

The municipal valuer must collect, verify and maintain property data for each property required to be valued in a uniform and accurate manner, and in accordance with the minimum data referred to in section 15 Appendices and templates of these standards.

0.46 Standard s45-10: Property data capture accuracy

The municipal valuer must ensure that all property data collected, verified and maintained is captured in a valuation roll management system (VRMS) in accordance with these standards.

9.5 Practice: Inspections

In terms of section 45(2)(a) physical inspections of property are optional. However professionally this provision only applies to the extent that relevant value forming attributes have been collected (and captured). At some point in time, physical inspections need to be undertaken and this should be programmed on a six to eight year cycle.

Section 45(2)(b) allows for the use of aerial photography and applicable standards for the use of aerial photography and oblique imagery should be developed and prescribed to promote consistency and uniformity of data. The use of aerial photography must not be seen as the sole source of data but rather as a tool for the valuer to complement existing data collection efforts.

A record of aerial photography can also be used to verify specific data at particular points in time and there are more sophisticated programs and tools available which use “change detection” to identify potential building changes between dates of aerial photography. This can assist the valuer in planning the next general valuation or for supplementary updates to valuation rolls.

Section 45(2)(b) also allows for systems and techniques and computer assisted mass appraisal systems, i.e., each property does not have to be manually assessed by the valuer.

The application of section 45 (2) and (3) of the MPRA should only be used if in the opinion of the valuer of the municipality, credible and equitable valuations of property can be determined for municipal property rating.

0.47 Standard s45-11: Inspections

Notwithstanding s45 (2) (a) of the MPRA, all new properties, new buildings, building additions and value changes contemplated in s78 (1) of the MPRA, and all objections and reviews where the market value is expected to increase or decrease substantially, and where insufficient data is recorded on a property to perform a credible valuation, must be inspected and data verified or recollected.

SAIV 072: It does not make sense to make the inspection of new buildings and additions to buildings compulsory if it is not required that existing buildings is to be inspected.

Inspection of properties subject to objections and appeals is supported, but may not be necessary if the municipal valuer agrees with the information provided by the objector or applicant. If the dispute relates to the zoning or use of the property an inspection may not be necessary.

The standard should be flexible to make provision if an inspection is not necessary, but must say so specifically.

9.6 Practice: Alternative to Periodic On-site Inspections

Provided that an initial physical inspection has been completed—and the requirements of a well-maintained data collection and quality-management program have been achieved—jurisdictions may employ a set of digital imaging technology tools to supplement field inspections with a computer-

assisted office review. Note the term supplement field inspections. In older neighbourhoods where internal refurbishment is prevalent cyclical physical inspections must take place.

SAIV 073:

The standard on “inspection” may be problematic to impose as referenced by Standard s45-11 and the last paragraph of 9.6 due to capacity challenges and they arguably go against the MPRA which states that “inspections are optional”, however, these clauses use the word “must” which is peremptory and carries a legal consequence if they are not followed.

There should be a defined cyclical requirement for physical inspections, say at least once every 7 years, even if a dataset is reported to have been maintained.

The digital imaging tools referred to above should include the following -

- Current high-resolution street-view images that enable quality grade and physical condition to be verified.
- Orthophoto images updated at least every 2 years in rapid-growth areas, or at least every 5 years in slow-growth areas to identify new buildings or alterations.
- Oblique aerial photographic images capable of being used for measurement verification, updated at least every 2 years in rapid-growth areas or 5 years in slow-growth areas.

A well-designed ratepayer declaration, may greatly reduce the need to send inspectors into the field. Effective tool sets validate CAMA data and incorporate change detection techniques that compare building dimension data (footprints) in the CAMA system to geo-referenced imagery or remote sensing data and identify potential CAMA sketch discrepancies for further investigation.

(IAAO acknowledgement 2014)

0.48 *Standard s45-12: Valuation tools – Aerial orthophoto / oblique imagery*

Where a physical inspection of a (residential?) property is not carried out the municipal valuer ~~may~~ must use orthophoto / oblique imagery to assist in the valuation of property and the orthophoto / oblique imagery must be in accordance with acceptable industry standards to support the property register and valuations. These associated tools and techniques must be applied and used in a responsible and professional manner to support credible valuations.

SAIV 074 (applicable to all red highlights under 9.6): It seems much of this content is biased toward residential property. Is it intended to apply to all property? The standard should be more specific with regards to the common practice found in each sector and sub-sector of property. What is acceptable? Are these the tools of buyers and sellers?

9.7 Standard: Data collection, measurement, accuracy and quality control

The measurement of data collection accuracy for properties recorded in the valuation roll and valued is as follows –

- Area measurement data, such as building size, to be accurate within 10 percent. If areas, dimensions, or volumes must be estimated, the property record should note where quantities are estimated.
- For each objective, categorical, or binary data field to be collected or verified, at least 90 percent of the coded entries should be accurate. Objective, categorical, or binary data characteristics include such attributes as condition, quality and sea view.

As an example, if a data collector collects 10 objective, categorical, or binary data items for 100 properties, at least 90 of the 1,000 total entries should be correct.

SAIV 074: The standard is not numbered. Is this biased toward Residential Data Collection? Much of this type of guideline in IAAO is biased toward Residential. Has this bias been interrogated or has the IAAO content been taken at face value? Clarity here is critical.

The standard should indicate the size of the sample required for a quality control program. Suggest that random selection of 1% be tested. The sample should be representative of the different property uses. Alternatively, there should be an ISO rated QA sampling standard. Research into past GV practices is required here.

- For each subjective categorical data field collected or verified, data should be coded correctly at least 90 percent of the time. Subjective categorical data characteristics include data items such as quality grade, physical condition, and architectural style.

- A quality control program is necessary to ensure that data accuracy standards are achieved and maintained. Independent quality control inspections should occur immediately after the data collection phase begins. The inspections should review samples of work for completeness and accuracy and keep tabulations of items coded correctly or incorrectly, so that statistical tests can be used to determine whether accuracy standards have been achieved. Stratification by geographic area, property type, or individual data collector can help detect patterns of data error. Data that fails to meet quality control standards should be re-collected.

- The accuracy of subjective data should be judged primarily by conformity with written specifications and examples in the data collection manual. Subjective data judgment calls should be substantiated by field notes. Data captured onto the valuation roll management system must be reviewed for completeness and correctness by applying the same data accuracy standards as data collection. (IAAO acknowledgement 2014)

0.49 Standard s45-13: Data Collection accuracy

The accuracy of data must be maintained by following the measurement standard prescribed in section 9.7.

0.50 Standard s45-14: Data Collection quality control

A data collection quality assurance program must be undertaken in accordance with these standards, relevant policies and regulations.

SAIV 075: Section 9.7 should be the standard here in lieu of the above 2 standards. What is meant by distinguishing standards, policies and regulations?? This is over-regulation, not least coupled to Practice Notes and Guidelines. Keep it simple!

9.8 Practice: Maintaining Property Data

Data collection does not stop when all the properties in the jurisdiction have been visited and valued initially. Periodic physical review is essential to maintain an accurate and current inventory of property attribute data. Building plans may not identify all changes in property characteristics, especially those related to property condition. Many internal renovations are done without plans and result in substantial value increases although internal inspections are often not possible to ensure uniform data collection to apply to valuations.

In areas that do not have effective building plans control systems or a building inspectorate to support building development approvals, up to date aerial photographs are another way to identify new construction. Comparison of property records against aerial photographs can identify unreported improvements, albeit external only.

As noted, some computerised oblique aerial photography applications can compare images of the same locality or property at different times and highlight new improvements, for example, a new garage or pool. It may also be feasible to determine type of structure and approximate square footage from the photographs. Aerial photographs are particularly effective in rural areas where improvements are hard to see from the road.

Effective tool sets validate CAMA data and incorporate change detection techniques that compare building dimension data (footprints) in the CAMA system to geo-referenced imagery or remote sensing data and identify potential CAMA sketch discrepancies for further investigation.

Apart for the ongoing supplementary and objection data review processing, inspections for updating rolls should also be planned when a property is sold and for the periodic 6 to 8 year best practice routine revisits to all property. This will also ensure that valuers are kept up to date to observe changes in neighbourhood condition, trends, and property characteristics.

Building plan completion or occupation certificates issued and authorised by the municipality should be regularly monitored if there are systems in the municipality, and where in the opinion of the valuer

the value is likely to be substantially increased or decreased the property should be inspected to update the valuation roll by supplementary valuation. (IAAO acknowledgement 2014)

SAIV 075: *It is suggested that "jurisdiction" be replaced with "municipality" and "square footage" to "extent". The 'Americanisms' in IAAO are not properly adapted if they remain features of the US landscape and not South Africa's.*

0.51 Standard s45-15: Updating property data

A valuation roll must be updated in accordance with the MPRA taking account of sections 77, 78 and 79 of the MPRA, objections and appeal decision roll updates and ensure all updates are current and captured to the valuation roll management system (VRMS) with the reasons for the change, the effective date of the change and the old and new values of the change.

0.52 Standard s45-16: Property data inspections

Notwithstanding s45 (2) or (3) of the MPRA, for general valuations in terms of section 30 and supplementary valuations contemplated in s78 (1) of the MPRA and objections processed in terms of s51, where insufficient data is recorded on a property to perform a credible valuation, and where the market value in the opinion of the valuer is expected to increase or decrease substantially, **then properties** must be inspected and data verified or recollected.

0.53 Standard s45-17: Updating and capture of data collected

Data collected must be updated and captured to the valuation roll management system to support the updating of the valuation roll and must be monitored and managed to ensure accuracy of data capture.

9.9 [s46] General basis of valuation

(1) Subject to any other applicable provisions of this Act, the market value of a property is the amount the property would have realised if sold on the date of valuation in the open market by a willing seller to a willing buyer.

(2) In determining the market value of a property, the following must be considered for purposes of valuing the property:

(a) The value of any licence, permission or other privilege granted in terms of legislation in relation to the property;

(b) the value of any immovable improvement on the property that was erected or is being used for a purpose which is inconsistent with or in contravention of the permitted use of the property, as if the improvement was erected or is being used for a lawful purpose; and

(c) the value of the use of the property for a purpose which is inconsistent with or in contravention of the permitted use of the property, as if the property is being used for a lawful purpose.

(3) In determining the market value of a property the following must be disregarded for purposes of valuing the property:

(a) Any (Amended by s32 of Act 19 of 2008) building or other immovable structure under the surface of the property which is the subject matter of any mining authorisation or mining right defined in the Mineral and Petroleum Resources Development Act, 2002 (Act No. 28 of 2002); (Added and deleted by s32 of Act 19 of 2008)

(b) any equipment or machinery which, in relation to the property concerned, is immovable property, excluding-

(i) a lift;

(ii) an escalator;

(iii) an air-conditioning plant;

(iv) fire extinguishing apparatus;

(iv) a water pump installation for a swimming pool or for irrigation or domestic purposes; and

(vi) any other equipment or machinery that may be prescribed; and

(c) any unregistered lease in respect of the property.

(4) In determining the market value of a property used for agricultural purposes, the value of any annual crops or growing timber on the property that have not yet been harvested as at the date of valuation must be disregarded for purposes of valuing the property.

9.10 Practice: Market Value

Section 46(1) provides that the basis of valuation is market value of a property as at the date of valuation. The Act however has specifically legislated that certain components of market value be disregarded when determining market value. These disregarded components may have the effect that the end result will not quite measure up with actual market value which a municipal valuer will need to determine.

These are defined in sections 46(3) and 46(4):

Section 46(3) (b) provides that the valuer must disregard any immovable equipment and machinery. Equipment provides for a wide classification of objects. Equipment means all machinery, fixtures, containers, vessels, tools, implements and apparatus used in and about an establishment / the things that are needed for a particular purpose or activity.

The most common type of machinery/equipment that must be disregarded is the apparatus that creates cold air in a cold storage plant (note this is not deemed to be air-conditioning equipment - see below). Once the valuer disregards the equipment and machinery the structure effectively becomes a normal warehouse.

The Act however provides for specific exclusions such as lifts, escalators, air-conditioning plant, fire extinguishing apparatus, and a water pump used for irrigation or a domestic swimming pool. The first three items effectively allow the valuer to apply standard rentals to buildings, i.e., it would be difficult to try and assess what rentals are for multi storey buildings without lifts.

Section 46 (3) (d) stipulates that the valuer must disregard any leases unless they are registered. This may be regarded as a distortion of the market value determination as leases when either below or above market rental levels may impact on the overall market value ie those below market will tend to reduce the value and those above will tend to inflate the market value. However much the same as the banking sector values income producing property is mostly valued by applying first years net income (open market rentals) capitalised in perpetuity and the interpretation of the MPRA is regarded as the same. The wording therefore whilst somewhat ambiguous it is generally accepted to mean that the valuer must apply the typical market evidence at the date of valuation as opposed to the specific evidence relating to the property in terms of any restrictive conditions of lease.

9.11 Practice: Market Data and Reporting

Valuation procedures and models should be documented. Cost manuals should be current and contain the rates and adjustments used to value improvements by the cost approach. Similarly, land values should be supported by tables of rates and adjustments for features such as water frontage, traffic, and other relevant influences. Multiple Regression Analysis (MRA) models and other sales comparison algorithms should document final equations and should be reproducible, so that rerunning the model will produce the same value if data remains unchanged. Schedules of rental rates, vacancy rates, expense ratios, income multipliers, and capitalization rates should document how values based on the income approach were derived.

A market report, which is a requirement and outlined in these standards, must be prepared for each major property type that provides a narrative summary of the valuation approach and methodology and contains the more common units of comparison, adjustments, and statistical quality measures.

The market reports serve as a resource for current staff and for training new staff or explaining the valuation process to other interested parties. Once prepared, the documents should be updated when valuation schedules change or methods and calculation procedures are revised.

***SAIV 075:** The last sentence of the first paragraph may not convey the correct message. Market value determined in terms of the MPRA may be different from the market value determined for expropriation purposes or the market value when a property is sold.*

It should be indicated that, as a result of the rules of section 46, it may be different, which does not make it wrong. The standards should go further and point out, by way of a Practice Note, the fundamental reasons for these differences.

9.11.1 Practice notes: Market Data

In a market value-based property rating system, sufficient market data (income, rents, vacancies, capitalisation rates, sale prices, etc) are crucial to accurate values.

9.11.1.1 Sales Data (Direct Sales Comparison Approach)

Especially in a market value system, a file of sales data should be maintained. Sales data are required in all applications of the sales comparison approach, in the development of market-based depreciation schedules in the cost approach, and in the derivation of capitalisation rates or discount rates in the income approach. Refer to (Property Appraisal and Assessment Administration IAAO 1990, chapter 5), Gloudemans (1999, chapter 2), and the Standard on Verification and Adjustment of Sales (IAAO 2010) for guidelines relating to the acquisition and processing of sales data.

Residential market report data

In the context of residential valuations, sales data need to be reviewed to establish the veracity of the sales as well as what was purchased (the value forming attribute data) and when the sale was concluded. This is in essence no different from the approach taken in a manual comparable sales approach. A full schedule (database) of all property sales extracted and considered (deeds office / rates clearance applications) must be created and maintained to support subsequent quality assurance, ratepayer queries and the objection and appeal decision process by appeal boards. It is necessary to record the validity of each sale (valid or invalid) after the research and analysis.

The first step in the market data process is to establish a sales database of all sales that have taken place in the municipal area. Depending on the sufficiency of sales the record of sales should extend over a minimum period of two years prior to the date of valuation, however the period may need to be extended where limited sales are available to support the determination of market value. Sales data can also be extracted from the "rates clearance" process and complemented with deeds office transfers. The sales record must be maintained between general valuations. In cases where dated sales are included in the market data sales analysis due to the paucity of up-to-date sales around the date of valuation, then the dated sales need to be time adjusted to the date of valuation based on generally accepted time adjustment practices. Ultimately, the accuracy of reported sales prices is inherent in the quality and acceptability of determined market values.

In addition where there are insufficient spread of market sales in a market area (neighbourhood / homogeneous area) then proxy sales (control / benchmark valuations) will need to be determined to support the application of computer assisted mass appraisal techniques to support the determination of market value. The proxy sales (control / benchmark valuations) used as sales must be flagged in the valuation roll management system for ease of reference. Proxy sales must not be used in the defence of an appeal at an appeal board hearing, and only valid sales should be presented for value argument and justification. This is the primary purpose of flagging these in a VRMS to identify for exclusion from the valid sales.

The physical attributes as they existed at the date of sale may differ from those at the date of inspection when viewed by the Municipal Valuer or an Assistant Municipal Valuer. Sales data may therefore differ from the inventory data and both sets of data must logically be recorded.

9.11.1.2 Income, Expense and Capitalisation Rates data (Income Approach)

In a market value system, a system for acquiring and storing income, rental, lease, vacancies and capitalisation rates information should be maintained. This includes collecting, income and expense data for income-producing property, as these data are required in the application of the income approach to value. A market report must be prepared for the relevant market data.

9.11.1.3 Cost and Depreciation Data (Cost Approach)

Current cost and depreciation data adjusted to the local market are required for the cost approach. Cost and depreciation manuals and schedules must be prepared and form part of the market report.

Non-residential market report data

In the context of non-residential valuations, a market report must reflect both the income data and the cost data as follows –

- a) Income and expense variables – rentals, operating expenses, vacancies and capitalisation rates. These variables are usually associated with a neighbourhood or commercial hub.
- b) Cost and depreciation tables. Cost tables should represent a range of buildings which are usually costed in terms of valuation methodology as well as a range for quality. Each component should then be assigned a replacement cost rate linked to a specific valuation date.

Market reports must be compiled as a basis for general valuations and subsequent supplementary valuations. Market reports will ensure that the same standards are maintained with consecutive supplementary valuations. Market reports must also be prepared for other specialised property such as agricultural property to reflect rates per hectare for different soil and crop types as well as cost tables for farming improvements.

(IAAO acknowledgement 2014)

9.11.2 Practice note: Request for information

Section 42 provides authority to the Municipal Valuer to request information from owners, tenants and occupiers. The success rate in this approach is often difficult to gauge with the greatest risk against unskilled ratepayers attempting to provide specialised data on their property. Importantly the data must be requested in a format that will facilitate the optimum use thereof (capture in valuation system) and time must be allowed for the analysis / review of the returned data.

One of the provisions which presents a limitation in valuation in referencing market evidence is the requirement in terms of section 46(3)(c), where unregistered leases are to be disregarded in the determination of value. Actual rentals in some cases do not necessarily represent/reflect up-to-date market data and owners have an expectation that their values will be based on the actuals if they are requested to furnish same.

Based on experiences, the determination of rentals, capitalisation rates, etc. for the income approach can be assembled by means of an expert panel approach which may augment the research and analysis of actual market sales.

Notwithstanding the above it may be beneficial to request the ratepayer to verify/review existing data and create a template data request form for the application of s42, in particular for non-residential property for rentals and rentable areas etc, where owners of such property are regarded as more sophisticated and knowledgeable.

0.54 Standard s46-1: General basis of value

The municipal valuer must in performing a general valuation comply with section 46 of the MPRA, and subject to the provisions and limitations of the MPRA, value all rateable property on the basis of ~~highest and best use~~ Market Value

SAIV 076: Market Value is required. The automatic application of Highest & Best Use is not the case in terms of the MPRA. There is extensive provision in rates policies for the Use of a property to be determined by either its Permitted use or the Actual Use to which it is being put (section 8 (1). Where the permitted use is undefined (un-zoned, vacant land) then the principle of highest and best use may apply. The application of Highest and Best Use to the MPRA must be specifically presented in a well-conceived Guideline, NOT a Standard.

0.55 Standard s46-2: Individual Valuation

In cases where the municipal valuer decides to value a property on an individual basis and not by applying CAMA techniques, a valuation template must be developed based on the property being valued and a separate valuation template must be completed for each property valued and submitted with the certified valuation roll and for every supplementary valuation performed.

0.56 Standard s46-3: Individual Valuation other approaches

In cases where the municipal valuer decides to value a property using other approaches (methods) such as the Residual approach, the Township Development approach or the Profits and Accounts approach or decides to apply more than one approach to determine the value, the property must be valued individually and the valuer must prepare and submit a fully motivated valuation report stating the market value with the certified valuation roll.

SAIV 077: What precisely is meant by a “fully motivated valuation report”?

Why is a valuation report required for these properties while a template is required for individual valuations.

The other areas pertaining to “inspections” appear in the practice notes and the term mainly used is “should” and is therefore not a peremptory standard. This standard should be deleted.

0.57 Standard s46-4: Market Area determination

The municipal valuer must in performing a general valuation perform geographic stratification and divide the municipality into market areas (neighbourhoods, homogeneous areas or regions) to accommodate computer assisted mass appraisal techniques and modelling to support mass valuations. Notwithstanding the method applied, every property listed on the property register must have a designated market area assigned. A spatial GIS layer and database of the market areas must be created and maintained.

SAIV 078: It may not be feasible to create and maintain a GIS for small municipalities and this requirement could increase the cost of the valuation roll without adding any benefit. Smaller municipalities (less than say 5 000 properties) should be excluded from this standard.

0.58 Standard s46-5: Market Report preparation

A valuer of a municipality must research and prepare a market report for every general valuation and for each property sector listed below irrespective of the valuation approach, and the market report must contain researched and analysed market data and comprise the three primary valuation approaches, namely (1) direct sales comparison approach, (2) the income approach and (3) the cost approach. The market reports must be fully motivated and provide methodologies, market data research and the sales, income and cost analysis upon which the general valuation is based per property sector and include the standard units of comparison rates. These must be referenced into (1) sales data, (2) income data and (3) cost data respectively with evidence gathered and collated.

All market data, analysis and market evidence must reference to the date of valuation used for the general valuation.

Market Report by property sector:

- a) Residential and sectional title residential property;
- b) Commercial, Industrial and Retail property – income producing property;
- c) Agricultural property;

- d) Public Service Infrastructure (PSI): by PSI type and in terms of rates policy and the policy on valuing the various PSI (If applicable);
- e) Specialised property specific per property;
- f) Vacant land by zoning or permitted land use.

0.59 Standard s46-6: Market Report and supporting data, files and information

A consolidated market report as envisaged by these standards must be approved and certified by the municipal valuer and submitted with the certified valuation roll for each general valuation and must at least include the submission of the following –

- a) Data collection forms developed, collected, captured and applied for properties valued.
- b) Individual spreadsheet or database template as developed and approved by the municipal valuer completed with associated value calculations for each property valued individually.
- c) Full extract of the Deeds office sales for full title and sectional title property used for the general valuation (format - csv, spreadsheet or database).
- d) Residential property database of sales and proxy sales categorised into “valid” or “invalid” and the neighbourhood / homogeneous area within which it is located. The proxy sales and control valuations used as sales must be flagged in the valuation roll management system for ease of reference. (format - csv, spreadsheet or database).
- e) Non-Residential Income producing property database of sales and proxy sales categorised into “valid” or “invalid” and the neighbourhood / homogeneous area within which it is located. The proxy sales and control valuations used as sales must be flagged in the valuation roll management system for ease of reference. (format - csv, spreadsheet or database).
- f) Non-Residential Income producing property market database and research relating to rentals, vacancies, expense ratios, capitalisation rates and any other data required for the determination of market value. (format - csv, spreadsheet or database).
- g) Agricultural property database of sales and proxy sales categorised into “valid” or “invalid” and the neighbourhood / homogeneous area within which it is located. The proxy sales and control valuations used as sales must be flagged in the valuation roll management system for ease of reference. (format - csv, spreadsheet or database).
- h) Non-Residential Cost database relating to costs of construction must be sourced from a quantity surveyor to support the determination of the estimated new replacement cost for all non-residential and specialised properties where the cost approach method is applicable. (format - csv, spreadsheet or database).
- i) Vacant Land database of sales and proxy sales categorised into “valid” or “invalid” and the neighbourhood / homogeneous area within which it is located. The proxy sales and control valuations used as sales must be flagged in the valuation roll management system for ease of reference. (format - csv, spreadsheet or database).

SAIV 080: According to standard s46-5, the municipal valuer is responsible for the various market reports, the requirement that a consolidated report be approved and certified by the municipal valuer does not make sense. The municipal valuer should compile the consolidated report. These documents should be in the public domain.

0.60 **Standard s46-7: Sales File Structure, Format and Content**

The municipal valuer must prepare and maintain a sales file of all sales reviewed, analysed and researched for a general valuation to support the market report in terms of Section 15 - Appendices, Appendix "D" of these standards.

SAIV 080: All Market Data and Methodology documents should be in the public domain. It will go a long way to demystify the valuation process. Refer to notes on template "D"

9.12 Practice: Valuation Using Mass Appraisal Modelling For Market Value

There are a wide variety of mass appraisal systems. This document focuses on systems that employ valuation models that simultaneously consider the effects of several factors on values.

9.12.1 Practice note: Valuation Models

A model is a logical representation, in words or an equation, of the relationship between value and variables representing factors of supply and demand. Mass appraisal models attempt to represent the market for a specific type of property in a specified area. Valuers first specify the model, that is, identify the variables (supply and demand factors) that may influence value and may specify mathematical conversions, such as logarithms, often used to transform nonlinear data. At the same time, they specify the mathematical form of the model. Linear (additive) and nonlinear (including multiplicative) forms may be used. Then, valuers calibrate the model, that is, analyse data to determine the adjustments or coefficients that best represent the value contribution of the variables chosen. Multiple regression analysis (MRA) is the most common calibration tool. Careful and extensive market analysis is required for both specification and calibration of a model that estimates values accurately.

When residential property is being valued, geographic stratification is appropriate when the value of property data varies significantly among areas. It is particularly effective when housing types and styles are relatively uniform within areas. Separate models can be developed for market areas (also known as neighbourhoods, homogeneous areas or norm areas).

Subareas can serve as variables in modelling and can also be used in land value tables and selection of comparable sales (see Gloudemans and Almy 2011). For smaller jurisdictions there may not be sufficient subareas that can be used as variables to develop a single residential model.

Commercial and income-producing properties should be stratified by property type. In general, separate models should be developed for apartment, office, warehouse/industrial, and retail properties. Large jurisdictions may be able to stratify properties further by type or area or to develop multiple commercial models.

9.12.2 Practice note: The Sales Comparison Approach

The sales comparison approach estimates the value of a subject property by statistically analysing the sale prices of similar properties. This approach is usually the preferred approach for estimating values for residential and other property types with adequate sales.

Applications of the sales comparison approach include direct market models, often based on multiple regression, and comparable sales algorithms. Before being applied, the models or algorithms should be tested by using sales ratio analysis or other methods. Users of comparable sales algorithms should take into account that sales ratio statistics will be biased if sales used in the ratio study are used as comparables for themselves in model development.

This problem can be avoided by (1) not using sales as comparables for themselves in modelling or (2) using holdout or later sales in ratio studies (IAAO 2013c).

9.12.3 Practice note: The Income Approach

In general, for income-producing properties the income approach is the preferred valuation approach when reliable income and expense data are available, along with well-supported capitalisation rates. Successful application of the income approach requires the collection, maintenance, and careful analysis of rental income, expense data, and capitalisation rates.

Mass appraisal applications of the income approach begin with collecting and processing income and expense data. The collected data are then analysed to determine typical figures.

The developed income figures can be capitalised into estimates of value.

9.12.4 Practice note: The Cost Approach

Reliable cost data are imperative in any successful application of the cost approach. Construction cost schedules can be -

- Developed internally, based on a systematic study of local construction costs
- Obtained from private firms that aggregate cost information
- Custom-generated by a contractor.

Cost schedules can be verified for accuracy by applying them to recently constructed improvements of known cost. Construction costs also should be updated before each revaluation cycle.

The estimation of accrued depreciation can be based on non-cost data (primarily sales) and can involve considerable subjectivity. Also, the land value should be estimated from sales (often from sales of improved property because sales of vacant land are scarce). Land values used in the cost approach must be current and consistent.

(IAAO acknowledgement 2014)

0.61 Standard s46-8: CAMA Modelling for Market Value

The municipal valuer in performing a mass valuation must undertake computer assisted mass appraisal techniques which include model specification and model calibration and create credible mass valuation (appraisal) models as a tool for the determination of market value.

0.62 Standard s46-9: CAMA Models, calculations and formulas

The municipal valuer must include all CAMA models, methodologies, calculations and formulas in the market report and submit with the certified valuation roll, where CAMA has been applied.

SAIV 080: Will it serve any purpose to include the calculations and formulas in the market report? This detail must be available if the model is to be tested or an audit is performed.

SAIV 081: There is no value added to these standards by repeating the IAAO document. All of the above is well documented in IVSC. Unless a distinct set of standards for Non Residential Property is developed, the little that is quoted above may be construed as a minimum and if so, it is inadequate and should be removed. There is no test for what constitutes a 'credible' commercial property CAMA model; or a Cost Approach based CAMA model. The

latter is often incorrectly applied, and once applied, incorrectly executed because each 'Cost Approach' valuation has its own unique set of Depreciation methods (straight-line; reducing balance etc); different Operational Lives; remaining lives; differing causes of functional and economic obsolescence. It would be better to refer to different Book and/or Case references on the subject than to attempt to develop a standard which sets out the hypothesis that the Cost Approach equals Market Value in terms of the MPRA.

All of the quoted IAAO notes under this section are very broadly based and offer little insight into the development and formulation of Non Residential models. It is insufficient to produce a standard based on general explanations which may be subject to broad or narrow interpretation. This entire section needs to be re-vised after extensive consultation with experts in this relatively new field.

9.12.5 Practice note: Value Review

Value review is an important component of quality control. This entails the physical review of valuation results by valuers. This can take many formats, e.g., focussing on properties that do not meet the standards reflected above, applying other ratios like building size to value and checking for outliers or merely perusing results. The methodology involved will be influenced by the size of the jurisdiction. Summary reports should show average values, value changes, and ratio study statistics for various strata of properties.

It is important though that value review commence prior to the final generation of values, i.e., valuers must check results and give feedback during the model building process.

Valuers must have confidence in computer generated values and be able to explain and defend them. This confidence begins with application of reliable appraisal techniques, generation of appropriate valuation reports, and review of preliminary values.

(IAAO acknowledgement 2014)

9.12.6 Practice note: Final quality control

(a) Compare the records in the new valuation roll against the current consolidated valuation roll, the GIS valuation roll cadastral layer and the current financial billing system data for any anomalies and missing records for investigation and correction. The exercise should include comparison of physical records, values, ownership and categories of property;

(b) Identify and investigate any missing / zero data or values;

(c) Compare the gross building extents captured on the VRMS against digitised building extents taking account of the number of storeys and identify and investigate major anomalies (where applicable);

(d) Undertake a broad review of the values and rates based industry norms of “units of comparison” and identify outliers for further investigation;

(e) Screening of highest and lowest values in terms of use and neighbourhood for abnormal values

(f) Review the new valuation roll values and categories against previously decided objections and appeal decisions to identify any anomalies;

(g) In the case of property data amendments, the Data Collection Forms and data must be updated to the VRMS for system value re-generation and final value review.

SAIV 082: *If value review includes a comparison with the previous value, then the latter must be supported by the full, former market report. Often it is discovered that prior values are under or overstated. There needs to be a distinct set of tests that may be carried out within each Value Review procedure. For example, all values that have increased by more than 50% must be reviewed. The percentage may have to be adjusted to make provision for specific circumstances. If it is assumed that all values should increase, then all values that decrease must equally be reviewed. Comparison of new roll with the other data sources should be part of the value review phase. Final quality control should include ratio studies or other analytical techniques, sample valuations. Reference to previous objections and appeals must be done as part of the valuation and value review phase.*

0.63 Standard s46-10: Value review supporting overall quality control

Value review of the value results determined must be conducted in accordance with these standards and best practice.

SAIV 083: *‘These standards and best practice’ are incomplete and too broad to be considered sufficient to be applied as a standard. A lot more work will be needed on this section before it can be classified as a standard.*

9.13 Standard: Quality Assurance

Mass valuation allows for model testing and quality assurance measures that provide feedback on the reliability of valuation models and the overall accuracy of estimated values.

It is important for modellers and valuers to be familiar with these diagnostics so that they can evaluate valuation performance properly and make improvements where needed. In addition, there should be an independent review procedure incorporating an audit of final values to ensure accuracy, uniformity, and consistency.

9.13.1 Model Diagnostics

Modelling software contains various statistical measures that provide feedback on model performance and accuracy. Multiple regression software contains multiple sets of diagnostic tools, some of which relate to the overall predictive accuracy of the model and some of which relate to the relative importance and statistical reliability of individual variables in the model. Modellers should understand these measures and ensure that final models make both valuation sense and are statistically sound.

9.13.2 Ratio Studies (Analyses)

Regardless of how values were generated, ratio studies provide objective, bottom-line indicators of valuation performance. The IAAO literature contains extensive discussions of this important topic, and the, IAAO Standard on Ratio Studies (2013c, table 1.1, p. 12,) provides guidance for conducting a proper study. It also presents standards for key ratio statistics relating to the two primary aspects of valuation performance: level and uniformity. The discussion below summarises these standards and describes how the valuer can use sales ratio metrics to help ensure accurate, uniform values.

9.13.3 Value Level

Value level relates to the overall or general level of market values of a jurisdiction and various property classes, strata, and groups within the jurisdiction. It is important that each group be valued at market value as required by professional standards. Three common measures of central tendency in ratio studies are the median, mean, and weighted mean. The median ratio should be between 0.90 and 1.10. Reliability statistics provide important indicators for determining whether the standard has not been achieved for a property group. Current, up-to-date valuation models, schedules, and tables help ensure that value levels meet required standards and values can be statistically adjusted between full revaluations or models recalibrated to ensure compliance.

9.13.4 Value Uniformity

Value uniformity relates to the consistency and equity of values. Uniformity has several aspects, the first of which relates to consistency in value levels between property groups. It is important to ensure, for example, that residential and commercial properties are valued at market value and that residential value levels are consistent among neighbourhoods and construction grades/classes. Consistency among property groups can be evaluated by comparing measures of central tendency calculated for each group. Various graphs can also be used for this purpose.

The level of valuation for each major group of properties should be within 5 percent of the overall level for the jurisdiction and provides criteria for determining whether one can conclude from ratio data that the standard has been met.

Another aspect of uniformity relates to the consistency of value levels within property groups. There are several such measures, the preeminent of which is the coefficient of dispersion (COD), which represents the average percentage deviation from the median ratio. The lower the COD, the more uniform the ratios within the property group. In addition, uniformity can be viewed spatially by plotting sales (rental) ratios on thematic maps.

The following standards are recommended for the COD:

- Single-family homes and sectional title units: CODs of 5 to 10 for newer or fairly similar residences and 5 to 15 for older or more heterogeneous areas
- Income-producing properties: CODs of 5 to 15 in larger, urban areas and 5 to 20 in other areas
- Vacant land: CODs of 5 to 15 in very large areas with active markets, 5 to 20 in large to mid-size areas with slower development, or 5 to 25 in rural or seasonal recreation areas
- Rural residential, seasonal, and manufactured homes: CODs of 5 to 20
- Rural vacant land with little development: CODs of 5 to 30.

It is important for the entire valuation staff to be trained in, aware of, and actively monitoring compliance with these standards and take corrective action where necessary. Poor uniformity within a property group is usually indicative of failure to properly identify property characteristics that influence market value, data problems, or deficient valuation procedures or tables and cannot be corrected by application of market adjustment factors.

A final aspect of valuation uniformity relates to equity between lower and higher value properties. Although there are statistical subtleties that can bias evaluation of price-related uniformity, several tests can provide useful information about the existence and extent of this type of bias. The most relevant measures are the price-related differential (PRD) and coefficient of price-related bias (PRB).

The PRD provides a simple gauge of price-related bias. The PRD should be between 0.98 and 1.03. PRDs below 0.98 tend to indicate valuation progressivity, the condition in which valuation ratios increase with price. PRDs above 1.03 tend to indicate valuation regressivity, in which valuation ratios decline with price.

The PRB indicates the percentage by which valuation ratios change whenever values are doubled or halved. For example, a PRB of -0.03 would mean that valuation levels fall by 3 percent when value doubles. The PRB should range between -0.05 and $+0.05$. PRBs outside the range of -0.10 to $+0.10$ are considered unacceptable.

Because price is observable only for sold properties, there is no easy correction for price-related bias, which is usually due to problems in valuation models and schedules. Sometimes other ratio study diagnostics will provide clues. For example, high ratios for lower construction classes may indicate that base rates should be reduced for those classes, which should in turn improve valuation ratios for lower value properties. Additional stratification may also be indicated.

9.13.5 Holdout Samples

Holdout samples are validated sales that are not used in the valuation but instead are used to test valuation performance. Holdout samples should be randomly selected with a view to obtaining an adequate sample while ensuring that the number of sales available for valuation will provide reliable results for the range of properties that must be valued (holdout samples of 10 percent to 20 percent are typical). If too few sales are available, later sales can be validated and used for the same purpose. Since they were not used in valuation, holdout samples can provide more objective measures of valuation performance.

This can be particularly important when values are not based on a common algorithm as cost and MRA models are. Manually assigning land values, for example, might produce sales ratios statistics that appear excellent but are not representative of broader performance for both sold and unsold properties. Comparable sales models that value a sold property using the sale of a property as a comparable for itself can produce quite different results when tested on a holdout group.

When a new valuation approach or technique is used for the first time, holdout sales can be helpful in validating use of the new method. In general, holdout samples are unnecessary as long as valuation models are based on common algorithms and schedules and the value assigned to a sale property is not a function of its price. Properly validated later sales can provide follow-up performance indicators without compromising the number of sales available for valuation.

(IAAO acknowledgement 2014)

0.64 ***Standard s46-11: Quality Assurance and performance measures***

The quality assurance methods contained in this standard are applicable to support the measurement and reporting on the performance of valuations. The IAAO Standard on Ratio Studies published and updated in April 2013 is recommended as an augmented measure in conducting quality assurance in terms of these standards.

SAIV 084: No standard is determined here. Paragraph 9.13 describes the different methods of quality assurance and is a repetition of the IAAO document. The terminology and process require more detailed references and explanations. The IAAO notes are more an exploration of possibilities and varying scenarios and options. As such, they cannot be construed as a standard but rather a broadly based guideline. This standard needs to be omitted or reviewed.

9.14 Practice: Transparency and Public Relations

9.14.1 Importance of Transparency and Public Relations

A public relations program provides an important opportunity for positive interaction among municipalities, the public, and media. This interaction can be used to promote programs, communicate policies, and inform the public of valuation issues. A proactive public relations program is essential to create public awareness of the valuation process. The significance of the property rates as a funding source for governmental services should also be emphasized. An effective public relations program encourages media coverage that is accurate and thorough and results in a better informed public.

Brochures, newspaper articles, websites, public meetings, and public announcements can be used in this process.

9.15 Practice: Valuation Roll Management Systems (VRMS)

A system for acquiring and storing property and valuation attribute data, building sketches, income and expense variables and cost data should be developed, maintained and a user version be handed over in working condition to the municipality.

9.15.1 Hardware and Software Support for Mass Valuation

CAMA systems require considerable data processing support and integration with other systems.

9.15.2 Hardware

The hardware should be powerful enough to support applications of the cost, sales comparison, and income approaches, as well as data maintenance and other routine operations. Data downloading, mass calculations, GIS applications, and web support tend to be the most computer-intensive operations. Hardware performance (including processing speed, Capacity efficiency requirements) should be established before hardware acquisition.

9.15.3 Software

CAMA software can be developed internally, adapted from software developed by other public agencies, or purchased (in whole or in part) from private vendors. Inevitably there will be some customisation needed to adapt externally developed software to the requirements of the user's environment. Each alternative has advantages and disadvantages. The software should be designed so that it can be easily modified; it should also be well documented, at both the valuer / user and programmer levels.

CAMA software works in conjunction with various general-purpose software, typically including word processing, spreadsheet, statistical, and GIS programs. It is important that these programs and applications be able to share data and work together cohesively.

Security measures should exist to prevent unauthorized use and to provide adequate backup to recover in the event of accidental loss or destruction of data.

(IAAO acknowledgement 2014)

0.65 **Standard s46-12: Valuation Roll Management System (VRMS) functionality**

A valuation roll management system must have the following functionality –

- a) be able to support the production of the property register (valuation roll part A), the production of valuation rolls, the management of property, sales and valuation data and the valuation of property.
- b) cater for the management, maintenance and production of valuation rolls with reference to the MPRA and these standards.
- c) be capable of creating, editing, updating, deleting, archiving, storage and searching of data and records applicable to the valuation roll and must include the property data and sales file records and provide for a full history of any changes for audit purposes.
- d) be capable of storing and accessing the previous valuation roll records and values for any enquiry and for audit purposes.
- e) be able to cater for a unique property identifier for each valuation roll record. f) be compatible with industry recommended GIS ESRI software.
- g) be able to integrate with the municipality's financial system with reference to linking by a common unique property identifier to support the synchronisation of the valuation roll and financial management system for rates.
- h) be capable of determining values using applied data for either CAMA or NON-CAMA type methodology. i) be able to store and view images, notices and electronic files against records of the valuation roll.
- j) be capable of producing, exporting and extracting valuation rolls and reports of data from the VRMS in electronic format to a spreadsheet, database or CSV format. These reports must be extractable in a flat file format and in accordance with the structure, format and content specified in these standards.
- k) have the functionality of updating the valuation roll with new data or editing data as envisaged in terms of the MPRA, and have the ability of producing reports of all changes reflecting the old and the new information, the difference in the values up or down with the effective date of the change and allow for the capturing of the applicable reason for the change.
- l) be secure with adequate backup of data to ensure that critical valuation data cannot be manipulated or corrupted and that backup data can be accessed, recovered and used in the case of a disaster.
- m) have security and access control in terms of data management.
- n) have management procedure for system changes with audit trails of changes to manage and control.

SAIV 085: The provision of a VRMS should be the responsibility of the municipality, not the municipal valuer. These programs require substantial capital investment and will increase the cost of valuation rolls if

the municipal valuer must provide the system. It may not be possible to recoup the cost over the life of one valuation roll. Furthermore, the cost to re-introduce a different VRMS each valuation cycle is exacerbated by different IT Platforms required to drive the system; different data base structures to license and interface with; a change on operating procedures which requires new training just as the municipal staff have come to grips with the system. The list is lengthy....and no different from the reasons why not to change a financial system frequently.

The municipality may not have a GIS and the compatibility with GIS ESRI software may have no financial benefit.

There should be flexibility to allow for the determination of values outside the VRMS.

9.16 [s47.] Valuation of property in sectional title schemes

When valuing a property which is subject to a sectional title scheme, the valuer must determine the market value of each sectional title unit in the scheme in accordance with section 46.

0.66 **Standard s47-1: Valuation of property in sectional title schemes**

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 086: There is no standard generated here

10 CHAPTER 6: VALUATION ROLLS

10.1 [48.] Contents of valuation rolls

- (1) A valuation roll must list all properties in the municipality determined in terms of section 30 (3).
- (2) The valuation roll must reflect the following particulars in respect of each property as at the date of valuation to the extent that such information is reasonably determinable:
 - (a) The registered or other description of the property;
 - (b) the category determined in terms of section 8 in which the property falls; (c) the physical address of the property;
 - (d) the extent of the property;
 - (e) the market value of the property, if the property was valued; (f) the name of the owner; and
 - (g) any other prescribed particulars.

0.67 **Standard s48-1: Contents of valuation rolls**

The MPRA must be complied with and carried out in accordance with legislation and the requirements of these standards.

SAIV 087: This is all quoted verbatim from the MPRA thus there is no standard here

10.2 [49.] Public notice of valuation rolls

- (1) The valuer of a municipality must submit the certified valuation roll to the municipal manager, and the municipal manager must within 21 days of receipt of the roll-
 - (a) publish in the prescribed form in the provincial Gazette, and once a week for two consecutive weeks advertise in the media, a notice-
 - (i) stating that the roll is open for public inspection for a period stated in the notice, which may not be less than 30 days from the date of publication of the last notice; and

(ii) inviting every person who wishes to lodge an objection in respect of any matter in, or omitted from, the roll to do so in the prescribed manner within the stated period;

(b) disseminate the substance of the notice referred to in paragraph (a) to the local community in terms of

Chapter 4 of the Municipal Systems Act; and

(c) serve, by ordinary mail or, if appropriate, in accordance with section 115 of the Municipal Systems Act, on every owner of property listed in the valuation roll a copy of the notice referred to in paragraph (a) together with an extract of the valuation roll pertaining to that owner's property.

(2) If the municipality has an official website or another website available to it, the notice and the valuation roll must also be published on that website.

SAIV 087: *The following practice note is suggested:*

Objections must be recorded on the VRMS and a receipt must be issued. Objections must be numbered.

The number must identify the roll and whether it is an objection against the general valuation roll or supplementary valuation roll, e.g. OBJ GV2013/1 for the first objection captured or OBJ GV2013 SVR01/5 for the fifth objection captured on the first supplementary valuation roll for the general valuation implemented in 2013.

Matters omitted from a roll

The municipal manager must accept an "omission objection" on a supplementary valuation roll where the owner is of the view that the property was incorrectly valued but the municipal valuer did not make a supplementary valuation.

0.68 **Standard s49-1: Public notice of valuation rolls**

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 088: *This is all quoted verbatim from the MPRA thus there is no standard here*

10.3 [51.] Processing of objections

A municipal valuer must promptly-

(a) consider objections in accordance with a procedure that may be prescribed;

(b) decide objections on facts, including the submissions of an objector, and, if the objector is not the owner, of the owner; and

(c) adjust or add to the valuation roll in accordance with any decisions taken.

SAIV 089: *The certified valuation roll must be a hard copy including the certification as prescribed by regulation. Although the municipal valuer is not responsible for the advertisement and serving of section 49 notices it is suggested that it be included as a practice note.*

Practice note: Public notice of valuation rolls

In the case of a supplementary valuation roll, the number of the roll must be indicated, e.g. GV2013 SVR01 for the first supplementary roll for the general valuation that was implemented in 2013.

The inspection period could commence before the last advertisement, but it should be at least 30 days after the advertisement in the provincial Gazette or the second advertisement in the media, whichever is last.

The notice served on the owner must consist of the notice that was published and an extract from the roll for the particular property.

Municipalities should be encouraged to receive objections electronically.

0.69 **Standard s51-1: Processing of objections**

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 090: Time frames

It is common knowledge that the processing of objections is delayed for more than 12 months. There are examples where objections have not been considered for 24 months.

Objections should be dealt with within 6 to 8 months. The processing is often delayed because the municipal manager does not comply with section 50(5) by not submitting the objections within 14 days after the end of the inspection period.

Objections should be submitted to the municipal valuer as it is received by the municipal manager.

If the objector is not the owner the municipal valuer must request the owner to make a submission. A copy of the objection must be made available to the owner.

It is suggested that this requirement be formalised as a standard.

10.3.1 Practice note: s51-2: Objection receipt procedure

It is considered best practice for the municipal valuer to institute a formal acceptance of the objection forms received from the municipal manager by a schedule sign off and reconciliation of the numbers per objection type. It is recommended that the municipal valuer and municipal manager discuss and agree the time frames to process objections.

10.3.2 Practice note: s51-3: Objection lodging procedure public communication

It is recommended that the municipal valuer liaise with the municipal manager during a general valuation to ensure that the objection and appeal lodging procedures are communicated to the ratepayer. This is to avoid unnecessary delays in processing objections in particular where insufficient information is provided to assess the objection.

10.3.3 Practice note: s51-4: Objection decision adjustments

For all value changes the municipal valuer must promptly adjust and add to the roll immediately and not place the decision on hold until the appeal board has reviewed the decision. The municipal valuer's decision outcome letter must comply with section 53.

SAIV 090: *This practice note should be reworded and elevated to a standard*

10.3.4 Practice note: s51-5: Objection decision reasons

The municipal valuer is obliged in terms of the objection form to record and approve his/her decision. The municipal valuer must provide reasons for an objection decision where the value has changed by more than 10% up or down. Practice is that reasons are often being provided on a roll data “review form” where a delegated assistant municipal valuer is investigating the objection. This is regarded as acceptable provided that the review form has sufficient reasons, is attached to the objection form and is approved and dated by the responsible valuer.

SAIV 091: *The format and content of reasons must be formalised as a standard.*

Reasons must include the actual calculation of the value and list the comparable transactions where applicable.

10.3.5 Practice note: s51-6: Timing of processing of objections by municipal valuer

It is advisable to process objections after the closing date of the objection period as to ensure consistency of decisions within a homogeneous area or sectional title scheme.

10.3.6 Practice note: s51-7: Objection decision record keeping

To comply with MPRA requirements of providing written reasons and best practice, the municipal valuer must keep objection records of review, research and analysis which must be made available for the appeal board during objections and appeals to support the information required. Poorly managed or poorly completed objection forms with poor or no written reasons contribute to unnecessary delays during the review of objections, which in turn results in wasteful time and effort impacting on appeal board costs incurred by a municipality.

10.3.7 Practice note: s51-8: Objection-Non-Valuation Matter

In terms of procedure a municipal valuer may not amend a value as a result of an objection lodged if that objection lodged is on the grounds of a non-valuation matter. For example where an objection is lodged for an “owner name change”, “property extent”, et cetera and where the value is not affected. The value adjustment cannot therefore form part of an objection review process by an appeal board and an appeal board may then revoke the decision of a municipal valuer. This means that an objection lodged against a matter other than value, such as “owner name or property extent” (with no impact on value), must be amended by the municipal valuer and if the value must be adjusted, then this must be adjusted by supplementary valuation and not through the objection route.

Based on procedure it is therefore submitted that an appeal board may not consider an objection review if the original grounds for the objection lodged was NOT against the value.

SAIV 091: *This view may not be shared by all municipal valuers and it is suggested that this note be reworded and elevated to a standard.*

10.4 [52.] Compulsory review of decisions of municipal valuer

- (1) If a municipal valuer adjusts the valuation of a property in terms of section 51(c) by more than 10 per cent upwards or downwards-
 - (a) the municipal valuer must give written reasons to the municipal manager; and
 - (b) the municipal manager must promptly submit to the relevant valuation appeal board the municipal valuer’s decision, the reasons for the decision and all relevant documentation, for review.
- (2) An appeal board must –
 - (a) review any such decision; and

(b) either confirm, amend or revoke the decision.

(3) If the appeal board amends or revokes the decision, the chairperson of the appeal board and the valuer of the municipality must ensure that the valuation roll is adjusted in accordance with the decisions taken by the appeal board.

0.70 Standard s52-1: Compulsory review of decisions of municipal valuer
The MPRA and the standards must be complied with in respect of this specific section.

10.4.1 Practice note: s52-2: Objection reviews and written reasons

In terms of section 52 a municipal valuer must provide written reasons to the municipal manager for objections where values have changed by more than 10% up or down. In terms of practice, written reasons should sufficiently motivate the reason for the value change with the requisite information being provided, which must ultimately lead an appeal board to the same conclusion of value as the municipal valuer.

Reasons should also accompany objection review forms, valuation methodology, valuation notes, documentation, sales analysis, and pertinent information in support of a value change.

Value changes may include the following -

- a. Value changes due to incorrect inherent factual property attribute data used in the valuation, such as property type, size of improvements, building style, quality, condition, view, land size, servitudes, topography, etc;
- b. Value changes due to incorrect application of market data such as location factors, sales, rentals, expenses, cap rates, etc;
- c. Value changes due to incorrect methodology being applied; and d. Any other factor impacting on value

There are cases where the municipal valuer has not provided written reasons to the municipal manager for value changes of more than 10 % up or down, which renders the procedure of the compulsory objection review at risk when it is placed before the appeal board. It is the responsibility of the municipal valuer to provide written reasons in these cases and it is the responsibility of the municipal manager to ensure that written reasons are provided before submitting objections and information to the appeal board.

In instances where an abbreviated reason has been provided on an individual objection form and/or the same abbreviation has been duplicated on all other similar matters of objections contained within a batch, a motivated addendum providing sufficient motivation for the value decision and change should be provided.

An appeal board should ensure that the municipal valuer has provided the mandatory written reasons for procedural compliance before proceeding with an objection review.

As procedure the municipal valuer must forward a copy all Notification of outcome of objections letters sent in terms of Section 53, to the municipal manager and separate the letters where Section 52 applies for the appeal board.

SAIV 092: Refer to comment on practice note s51-5

Reviews are often delayed and may be done 2 years or more after implementation of the valuation roll.

The financial burden on owners if the decision of the municipal valuer is amended and the value is increased by the valuation appeal board. Although it is important to have consistent values for all properties, rate payers do not have surplus funds available.

Owners of income producing properties will not be able to recover the adjusted rates from tenants that have left the building.

The obvious solution is to have these reviews within 6 to 8 months, but it is not practical.

Legislation may have to be amended to limit the increase of rates to 6 months.

10.4.2 Practice note: s52-3: Access to Municipal Valuer records by an appeal board

In terms of procedure an appeal board during an appeal hearing must have access to the objection form, the decision of the municipal valuer and written reasons from the municipal valuer, methodology, market reports, review documents and any other relevant information, in order for the appeal board to make a competent and informed decision.

10.5 [53.] Notification of outcome of objections and furnishing of reasons

(1) A municipal valuer must, in writing, notify every person who has lodged an objection, and also the owner of the property concerned if the objector is not the owner, of-

- (a) the valuer's decision in terms of section 51 regarding that objection;
- (b) any adjustments made to the valuation roll in respect of the property concerned; and
- (c) whether section 52 applies to the decision.

(2) Within 30 days after such notification, such objector or owner may, in writing, apply to the municipal manager for the reasons for the decision. A prescribed fee must accompany the application.

(3) The municipal valuer must, within 30 days after receipt of such application by the municipal manager, provide the reasons for the decision to the applicant, in writing.

0.71 Standard s53-1: Notification of outcome of objections and furnishing of reasons ***The MPRA and the standards must be complied with in respect of this specific section.***

10.5.1 Practice note: s53-2: Objection decisions municipal valuer written reasons

The municipal valuer must furnish reasons on written application, which should sufficiently motivate the reason for the value change with the requisite information being provided, and which should ultimately lead an objector (applicant) to the same conclusion of value as the municipal valuer.

SAIV 092: *Refer to comment on practice note s51-5. If proper reasons are provided the number of appeals could be reduced.*

10.6 [54.] Right of appeal

(1) An appeal to an appeal board against a decision of a municipal valuer in terms of section 51 may be lodged in the prescribed manner with the municipal manager concerned by-

- (a) a person who has lodged an objection in terms of section 50 (1) (c) and who is not satisfied with the decision of the municipal valuer;
- (b) an owner of a property who is affected by such a decision, if the objector was not the owner; or
- (c) the council of the municipality concerned, if the municipality's interests are affected.

(2) An appeal by-

(a) an objector must be lodged within 30 days after the date on which the written notice referred to in section 53(1) was sent to the objector or, if the objector has requested reasons in terms of section 53(2), within 21 days after the day on which the reasons were sent to the objector;

(b) an owner of such property must be lodged within 30 days after the date on which the written notice referred to in section 53(1) was sent to the owner, if the owner has requested reasons in terms of section 53(2), within 21 days after the day on which the reasons were sent to the owner; or

(c) a municipal council must be lodged within 30 days after the date on which the decision was taken.

(3) (a) A municipal manager must forward any appeal lodged in terms of subsection (1) to the chairperson of the appeal board in question within 14 days after the end of the applicable period referred to in subsection (2).

(b) The chairperson of an appeal board must, for purposes of considering any appeals, convene a meeting of the appeal board within 60 days after an appeal has been forwarded to the chairperson in terms of paragraph (a).

(c) When an appeal is forwarded to the chairperson of an appeal board in terms of paragraph (a), a copy of the appeal must also be submitted to the municipal valuer concerned. (4) An appeal lodged in terms of this section does not defer a person's liability for payment of rates beyond the date determined for payment.

10.7 Practice note: General information of objection and appeals

The rights of reviewing and disputing a value are in two parts. The first is the right to lodge an “objection” to a roll entry or a roll omission, and the second is a right to lodge an “appeal” to an objection decision of the municipal valuer.

Lodging an objection is not restricted to the owner. Any person may lodge an objection against any matter reflected in or omitted from the roll. The municipality may also lodge an objection against any matter reflected in or omitted from the roll. In a recent High Court judgement (VVVV) the judge pointed out that it is a requirement in terms of the MPRA to solicit a submission from the owner if the owner is not the objector – section 52(c).

All objection decisions of the municipal valuer in terms of which the value is adjusted upwards or downwards by more than 10% must be submitted to the appeal board for review and must be accompanied by written reasons for the adjustment.

Sales reports that select sold properties with comparable value forming attributes to the subject are very helpful to valuers to speed up the resolution of objections. In the absence of such reports sales files should be created reflecting value forming attributes, neighbourhoods, etc, so that valuers can filter and perform searches to identify comparable sales.

Values resulting from properly applied mass valuation models should be considered valid value estimates. However, they should also be subject to objection, review and appeal. The municipal valuer's staff must have confidence in the valuations and be able to explain and defend them. This confidence begins with application of reliable valuation techniques, generation of appropriate valuation reports, and review of preliminary values. It may be helpful to have reports that list each property, its characteristics, and its calculated value. Properties with unusual property data, extreme values, or extreme changes in values should be identified for subsequent individual review. Equally important, summary reports should show average values, value changes, and ratio study statistics for various strata of properties.

These should be reviewed to ensure the overall consistency of values for various types of property and various locations. The staff should also be prepared to support individual valuations as required, preferably through comparable sales. At a minimum, staff should be able to produce a property record and explain the basic approach (cost, sales comparison, or income) used to estimate the value of the property. A ratepayer should never be told that “the computer” or “the system” produced the valuation. Equations converted to tabular form can be used to explain the basis for valuation.

In all cases, the municipal valuer’s staff should be able to produce sales, valuations, or rental information of similar properties in order to support (or at least explain) the valuation of the property in question. Comparable sales can be obtained from market reports that list sales by such features as type of property, area, size, and age. Alternatively, interactive programs can be obtained or developed that identify and display the most comparable properties.

(IAAO acknowledgement 2014)

11 CHAPTER 7 VALUATION APPEAL BOARDS

11.1 [69.] Decisions affecting valuation rolls

(1) The chairperson of an appeal board and the valuer of the municipality must ensure that the valuation roll is adjusted or added to in accordance with the decisions taken by the appeal board.

(2) If an adjustment in the valuation of a property affects the amount due for rates payable on that property, section 55(2) must be applied.

(3) Where an addition has been made to the valuation roll as envisaged in subsection (1), section 55(3) must be applied.

0.72 ***Standard s69-1: Decisions affecting valuation rolls.***

The MPRA and the standards must be complied with in respect of this specific section.

11.1.1 Practice note: Updating of values based on appeal board decision

The valuer must capture and update information to the valuation roll based on the appeal board decisions with supporting documentation and workings such as revised property data, new rentals, and appropriate market data.

SAIV 093: It should be made clear that these changes to the valuation roll are not supplementary valuations and should not be included in a supplementary valuation roll.

12 CHAPTER 8: UPDATING OF VALUATION ROLLS

12.1 [78.] Supplementary valuations

(1) A municipality must, whenever necessary, cause a supplementary valuation to be made in respect of any rateable property-

- (a) Incorrectly omitted from the valuation roll;
- (b) Included in a municipality after the last general valuation; (c) subdivided or consolidated after the last general valuation;
- (d) Of which the market value has substantially increased or decreased for any reason after the last general valuation;
- (e) Substantially incorrectly valued during the last general valuation; (f) that must be revalued for any other exceptional reason;
- (g) Of which the category has changed or
- (h) The value of which was incorrectly recorded in the valuation roll as a result of a clerical or typing error.

(Added by s26 of Act 29 of 2014)

***SAIV 094:** Triggers for supplementary valuations such as rezoning, certificates of occupation etc. must be forwarded to the municipal valuer without delay.*

It is suggested to create a standard compelling the municipal valuer to make a supplementary valuation within 30 days after receiving the trigger for a supplementary valuation.

There are numerous examples where supplementary valuations have not been completed for more than 12 months. This is not acceptable and the standards should address this issue.

(2) For the purposes of subsection (1), the provisions of Part 2 of Chapter 4 and, Chapters 5, 6, 7, read with the necessary changes as the context may require, are applicable, except that-

- (a) A municipal valuer who prepared the valuation roll may be designated for the preparation and completion of the supplementary valuation roll; and
- (b) The supplementary valuation remains valid for the duration of the municipality's current valuation roll. **(Part Deletion by s26 of Act 29 of 2014)**

(3) Supplementary valuations must reflect the market value of properties determined in accordance with-

- (a) market conditions that applied as at the date of valuation determined for purposes of the municipality's last general valuation; and
- (b) any other applicable provisions of this Act.

(4) Rates on a property based on the valuation of that property in a supplementary valuation [roll] become payable with effect from -(Amended by s26 of Act 29 of 2014) ;

- (a) the first day of the month following the posting of the notice contemplated in subsection (5) in the case of a property referred to in subsection (1) (a) or (f); (Amended by s26 of Act 29 of 2014) ;

(aA) the first day of the month following the posting of the notice contemplated in subsection (5) in the case of property referred to in subsection 1 (a), (e), (f) or (h): Provided that in the case of a decrease in value in respect of a property referred to in subsection 1(e), the rates become payable on the date the property was incorrectly valued or the clerical or typing error was made; (Added by s26 of Act 29 of 2014);

(b) the date on which the property was included in the municipality, in the case of a property referred to in subsection (1) (b);

(c) the date on which the subdivision or consolidation of the property was registered in the Deeds Office, in the case of a property referred to in subsection (1) (c);

(d) the date on which the event referred to in subsection (1) (d) has occurred;

(e) the date on which the change of category referred to in subsection (1) (g) occurred.
(Amended by s33 of Act 19 of 2008)

(5) (a) A municipal valuer must on completion of the supplementary valuation contemplated in subsection (1) (a) to (g), and following a correction contemplated in subsection 1(h), serve the results of the supplementary valuations or corrections contemplated in subsections (1)(g) and (h), by ordinary mail, or if appropriate, in accordance with section 115 of the Municipal Systems Act, on every owner of property who has been affected by a supplementary valuation contemplated in subsection (1)(a) to (g) and a correction contemplated in subsection (1)(h), a notice reflecting the supplementary valuation or correction of the property, as well as the particulars listed in section 48(2); (Added by s26 of Act 29 of 2014).

(b) The notice referred to in paragraph (a) must inform the property owner that he or she may lodge a request for review with the municipal manager in writing, within 30 days after the posting of the notice in respect of any matter reflected in the supplementary valuation; (Added by s26 of Act 29 of 2014).

(c) The municipal valuer may adjust the valuation on consideration of the request for review contemplated in paragraph (b). (Added by s26 of Act 29 of 2014).

(6) The municipality must, at least once a year, compile and publish a supplementary valuation roll of all properties on which a supplementary valuation, as contemplated in subsection (1) was made, including review decisions referred to in subsection (5)(b), and make it public and available for inspection in the manner provided for in section 49 .(Added by s26 of Act 29 of 2014).

0.73 **Standard s78-1: Updating property data**

A valuation roll and associated property data must be updated in accordance with the MPRA taking account of sections 78 and 79 of the MPRA, objections and appeal decision roll updates and ensure all updates are current and captured to the valuation roll management system (VRMS) with the reasons for the change, the effective date of the change and the old and new values of the change.

SAIV 095: This section is quoting the MPRA. It is not a standard

0.74 **Standard s78-2: Data review inspections**

Notwithstanding s45 (2) or (3) of the MPRA, all supplementary valuations contemplated in s78 (1) of the MPRA and objections processed in terms of s51, where insufficient data is recorded on a property to perform a credible valuation and where the market value in the opinion of the valuer is expected to increase or decrease substantially, must be inspected and data verified or recollected.

0.75 **Standard s78-3: Data collection updating and capture**

The same standards are applicable for the collection and capture of data that is being updated, verified or recollected.

SAIV 096: *This is in effect saying the same thing as 78-2. Remove*

12.1.1 Practice Note: Impacts of section 78 of the MPRA amendments, No.29 of 2014

- A new supplementary valuation type is added by s78 (1) (h) which allows a municipality, through the municipal valuer, the opportunity to correct a value due to a clerical or typing error.
- The municipal valuer can review and adjust the roll as the changes occur (No longer need to wait for a supplementary roll to be advertised and be effective before levying rates).
- The municipal valuer must serve a notice on every owner who is affected by a supplementary valuation roll adjustment. The impact here is that roll systems will need to be customised to include the MPRA amendments and incorporate the management of correspondence and notices.
- The owner has a right to lodge a review within 30 days from the date of posting the notice. The date of posting the notice must therefore be tracked closely to manage and monitor applications. This right of review is in addition to the right to lodge an objection.
- The municipality through the municipal valuer must at least once a year, compile and publish a certified supplementary roll of all the individual supplementary updates in terms of s78 (1), including the review decisions of the valuer, and make it public and available for inspection in the manner provided for in section 49.
- Section 78 (4) provides the effective dates for when rates on a property based on the valuation of that property in a supplementary valuation roll with reference to section 78 (1), become payable.

SAIV 097: *Although these notices must be served by ordinary mail, communication via email should be encouraged.*

- *The delay in making supplementary valuations, especially for subdivisions, consolidations, new townships and new buildings is a concern. This affects clearances and the recovery of rates from tenants. The cash flow of the municipality and owners is also affected.*
- *Tenants are reluctant to pay rates on estimates and more often than not will only pay their share if it is based on the actual account.*
- *Communication between the municipal valuer and billing section must also be optimised to ensure that adjustments are not delayed.*

12.1.2 Practice Note: Maintaining Property Characteristics Data

Data collection does not stop when all the properties in the jurisdiction have been visited and valued initially. Periodic physical review is essential to maintain an accurate and current inventory of property attribute data. Building plans may not identify all changes in property characteristics, especially those related to property condition. Many internal renovations are done without plans and result in substantial value increases although internal inspections are often not possible to ensure uniform data collection to apply to valuations.

In areas that do not have effective building plans control systems or a building inspectorate to support building development approvals, up to date aerial photographs are another way to identify new construction. Comparison of property records against aerial photographs can identify unreported improvements, albeit external only.

As noted, some computerized oblique aerial photography applications can compare images of the same locality or property at different times and highlight new improvements, for example, a new garage or pool. It may also be feasible to determine type of structure and approximate square footage

from the photographs. Aerial photographs are particularly effective in rural areas where improvements are hard to see from the road.

Effective tool sets validate CAMA data and incorporate change detection techniques that compare building dimension data (footprints) in the CAMA system to geo-referenced imagery or remote sensing data and identify potential CAMA sketch discrepancies for further investigation.

Apart for the ongoing supplementary and objection data review processing, inspections for updating rolls should also be planned when a property is sold and for the periodic 6 to 8 year best practice routine revisits to all property. This will also ensure that valuers are kept up to date to observe changes in neighbourhood condition, trends, and property characteristics. Building plans should be regularly monitored if there are systems in a municipality, and affected properties that have significant change should be inspected when work is complete.

(IAAO acknowledgement 2014)

12.2 [79.] Amendment of valuation rolls

A municipality must regularly cause its valuation roll to be amended to reflect any changes to the particulars on the roll, except that changes to the roll in circumstances where section 78 applies may only be effected through a supplementary roll in accordance with that section.

0.76 ***Standard s79-1: Amendment of valuation rolls***

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 098: If taken to mean 12.2 [79.], then this is not a Standard, it is a MPRA Provision)

13 CHAPTER 9 MISCELLANEOUS MATTERS

13.1 [81.] Provincial monitoring and reporting

(1) The MEC for local government in a province must monitor whether municipalities in the province comply with the provisions of this Act.

SAIV 099: *Provided that the MEC does so within a Monitoring Framework*

The format, frequency and items to be monitored must be developed in conjunction with provincial officials.

The format and frequency of these reports must be developed in conjunction with the Minister.

(1A) The critical milestones that must guide monitoring by the MEC for local government as contemplated in subsection (1) include, but are not limited to, whether -

(a) a municipality has determined a date of valuation for its general valuation in terms of section 31; (Added by s28 of Act 29 of 2014)

(b) a municipality without in-house valuation capacity, has advertised for the appointment of a valuer by a date determined by the Minister by notice in the Gazette; (Added by s28 of Act 29 of 2014)

(c) a municipality has designated a municipal valuer by a date determined by the Minister by notice in the Gazette; (Added by s28 of Act 29 of 2014)

(d) the municipal manager has submitted a project plan in terms of subsection (1B); and (Added by s28 of Act 29 of 2014)

(e) the municipal valuer has submitted a certified valuation roll to the municipal manager by the prescribed date. (Added by s28 of Act 29 of 2014)

(1B) A municipality must-

(a) by a date determined by the Minister by notice in the Gazette, submit a project plan to the MEC for local government outlining detailed actions for the valuation of all properties in the municipal area, indicating when valuations will commence and when valuations will be finalised, including the following milestones: (Added by s28 of Act 29 of 2014)

(i) The date of valuation for the next general valuation and the date by which it will be determined in terms of section 31; (Added by s28 of Act 29 of 2014)

(ii) the date by which the municipality will advertise for the appointment of a municipal valuer, if the municipality has no in-house valuation capacity; (Added by s28 of Act 29 of 2014)

(iii) the date by which the municipality will designate a municipal valuer; (Added by s28 of Act 29 of 2014)

(iv) the date by which the municipal manager is to submit quarterly progress reports to the MEC for local government that are based on the municipal valuer's monthly progress reports contemplated in section 34 (aA); and (Added by s28 of Act 29 of 2014)

(v) the intended date by which the municipal valuer is to submit a certified valuation roll to the municipal manager taking into account the provisions of section 34(d); and (Added by s28 of Act 29 of 2014)

(b) by no later than 10 days after the date on which each milestone referred to in paragraph (a)(i) to (v) should have taken place, submit a report to the MEC for local government regarding the status of that milestone and, if the milestone has not been achieved, the remedial actions to rectify the failure to deliver on the milestones in the action plan, and any deviation in the action plan that will impact on the submission date referred to in subsection (1B). (Added by s28 of Act 29 of 2014)

(1C) A municipality must submit to the MEC for local government such information, reports, documents, explanations and motivations as may be required by the MEC. (Added by s28 of Act 29 of 2014)

(1D) (a) The Minister may, by notice in the Gazette, determine to which municipalities the provisions of this section apply. (Added by s28 of Act 29 of 2014)

(b) A determination referred to in paragraph (a) may differentiate between municipalities in terms of categories, types or budgetary size or in any other manner. (Added by s28 of Act 29 of 2014)

(2) If a municipality fails to comply with a provision of this Act, the MEC may take any appropriate steps to ensure compliance, including proposing an intervention by the provincial executive in terms of section 139 of the Constitution.

0.77 Standard s81-1: Provincial monitoring and reporting

The Valuer of a municipality will be required to provide specific reports and information pertaining to section 81 of the MPRA.

SAIV 099: This is a provision of the MPRA and is not a Standard. Both should be removed from this document

13.2 [82.] National monitoring and reporting

(1) The Minister may monitor, and from time to time investigate and issue a public report on, the effectiveness, consistency, uniformity and application of municipal valuations for rates purposes.

(2) The investigation may include-

(a) studies of the ratio of valuations to sale prices; and

(b) other appropriate statistical measures to establish the accuracy of the valuations, including the relative treatment of higher value and lower value property.

(3) Investigations in terms of subsection (1) may be undertaken in respect of one or more or all municipalities.

0.78 Standard s82-1: National monitoring and reporting

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 100: This is a provision of the MPRA and is not a Standard. Both should be removed from this document

13.3 [85.] Copyright of valuation rolls and other data

Copyright of valuation rolls and other documents produced by municipal valuers, assistant municipal valuers or data-collectors in the performance of their functions, and data collected by municipal valuers, assistant municipal valuers or data-collectors for the purpose of preparing valuation rolls, vests in the municipality concerned.

0.79 **Standard s85-1: Data management and hand over**

The valuer of the municipality must ensure that all data, property data, information, documents and reports produced in terms of the MPRA are available and handed over to the municipality on request. All data, property data, information, reports, files, and documents which are prepared, collected, gathered, formulated and/or researched during a general valuation and any supplementary valuation roll records of updating belongs to the municipality and must be officially handed over to the municipality at the time the certified roll is handed to the municipality and during the period of supplementary valuations.

SAIV 101: The actions of the municipal valuer must be pro-active. The documents must be handed to the municipality without being requested. A practice note should suggest a time frame for these hand overs.

0.80 **Standard s85-2: Typical data, documents and information to be handed over**

The data, property data, information, reports, files, and documents which are prepared, collected, gathered, formulated and/or researched include the following –

- a) General Valuation (GV) Roll certified (Hard Copy and electronic) if in a GV year***
- b) Supplementary Valuations and rolls (Hard Copy and electronic)***
- c) Consolidated Valuation Roll (current roll) (electronic)***
- d) Valuation Roll GIS cadastral Layer (electronic)***
- e) Property data (electronic)***
- f) General Valuation Sales File and GIS sales cadastral file (electronic)***
- g) General Valuation Deeds Extract (date stamped) for ownership and sales data (electronic)***
- h) Aerial Photography (Industry standards)***
- i) Data Collection Training Manuals (Hard Copy and Soft copy)***
- j) Sample Data Collection Forms – main property sectors (Hard Copy and Soft copy)***
- k) General Valuation Methodology by property sector (Hard Copy and Soft Copy)***
- l) General Valuation Market reports by property sector (Hard Copy and Soft Copy)***
- m) CAMA models (formula)***
- n) Data and Information pertaining to reviews, objection reviews and appeals (Hard Copy and Soft Copy)***

SAIV 102: Not all items on the list may be applicable and therefore prescriptive. The municipality may have provided some of the information e.g. deeds extract, aerial photos. CAMA models could be regarded as intellectual property (IP) of the municipal valuer and does not belong to the municipality unless it was a tender condition.

0.81 **Standard s85-3: Data structure, format and content**

The data, property data, information, reports, files, and documents must be handed over in terms of the standards and in the specified structure, format and content. The following, with reference to section 15 Appendices and the templates, must be made available and provided electronically to the municipality –

- a) General Valuation (GV) Roll certified (electronic) GV year (Appendix “A”)***
- b) Consolidated Valuation Roll (current roll) (electronic) as required (Appendix “A”)***
- c) Valuation Roll GIS cadastral Layer (ESRI shape file format) GV year or as required (Appendix “B”)***

d) Property data (electronic) GV year or as required (Appendix "C")

e) General Valuation Sales File and GIS sales cadastral file (electronic) GV year (Appendix "D")

SAIV 103: *Should this standard not to refer to "template" instead of "Appendix"?*

GIS data may not be included in the tender.

The electronic data must be handed over in spreadsheet, database or CSV format and for the GIS data in an ESRI shape file format.

13.4 [86.] Offences

(1) A person is guilty of an offence if that person-

- (a) Contravenes section 43(1) (a) or (b), 44, 62(1) (b) or (c), or 74;
- (b) Wilfully obstructs, hinders or threatens a valuer or a member of or person authorised by an appeal board when the valuer, member or person performs a duty or exercises a power in terms of this Act;
- (c) Wilfully gives information in an objection in terms of section 50 (1) (c) or in an appeal in terms of section 54 which is false in any material respect;
- (d) After having been summoned in terms of section 75 fails-
 - (i) to be present at a meeting of an appeal board at the time and place specified in the summons;
 - (ii) to remain present until excused; or
 - (ii) to produce a document specified in the summons;
- (e) after having been called in terms of section 75 refuses-
 - (i) to appear;
 - (ii) to answer any question, except where the answer might incriminate him or her; or
 - (iii) to produce a document in that person's custody; or
- (f) fails to comply with a request in terms of section 29 (4), 42 (1) (a) or (c) or 73 (a) or (c), or in response to such request wilfully supplies false or incorrect information in any material respect.

(2) A valuer is guilty of an offence if that valuer is grossly negligent in the exercise of the functions of office set out in section 34.

(3) A person convicted of an offence in terms of subsection (1) or (2) is liable to imprisonment not exceeding two years or to a fine as may be prescribed in applicable national legislation.

(4) A person convicted of an offence in terms of section 83(2) is liable to a fine or imprisonment not exceeding six months.

0.82 Standard s86-1: Offences

The MPRA and the standards must be complied with in respect of this specific section.

SAIV 104: *This is a provision of the MPRA and is not a Standard. Both should be removed from this document*

14 GLOSSARY: COMMON CONCEPTS IN MUNICIPAL VALUATIONS

SAIV 105: *Terms that are covered in the IAAO standards should be removed.*

It is not necessary to repeat MPRA definitions.

Aerial Photograph—A photograph of a part of the earth's surface taken by an aircraft-supported camera.

Agricultural property— means a property that is used primarily for agricultural purposes but, without derogating from section 9 of the MPRA, excludes any portion thereof that is used commercially for the hospitality of guests, and excludes the use of the property for the purpose of ecotourism or for the trading in or hunting of game (Amended by s1 of Act 29 of 2014);

Appeal—A process in which an original objector contests an objection outcome decision of the municipal valuer on a prescribed appeal form.

Arm's-Length Transaction—(1) A sale between a willing buyer and a willing seller who are reasonably knowledgeable of market conditions, are unrelated, and are not acting under duress, abnormal pressure, or undue influences. (2) A sale between two unrelated parties, both seeking to maximize their positions from the transaction. **SAIV 106:** *Do these statements conform to IVSC?*

Audit—A systematic investigation or appraisal of procedures or operations for the purpose of determining conformity with specifically prescribed criteria.

Audit, Performance—An analysis of an organization to determine whether or not the quantity and quality of work performed meets standards. Ratio studies are an important part of performance audits of an assessing organization.

Audit, Procedural—An examination of an organization to determine whether established or recommended procedures are being followed.

Audit Program—The procedures undertaken or particular work done by an accountant in conducting an examination.

Audit Trail—A set of records of the changes made to another set of records.

Automated Valuation Model (see Computer-assisted Mass Appraisal)—A computer program for property valuation that analyses data using an automated process.

Binary data—is data whose unit can take on only two possible states, traditionally termed 0 and +1 in accordance with the binary numeral system and Boolean algebra.

Cadastral Map—A large-scale map displaying property ownership boundaries and showing the dimensions of each parcel with related information such as parcel identifier, survey lines, and easements.

Categorical data—is the statistical data type consisting of categorical variables or of data that has been converted into that form, for example as grouped data.

Certified valuation roll—means a valuation roll certified by the Municipal Valuer compiled in terms of the MPRA, upon which a rate are levied by a municipality.

Coefficient of Dispersion (COD)—The average deviation of a group of numbers from the median expressed as a percentage of the median. In ratio studies, the COD is the average percentage deviation from the median ratio.

Coefficient of Price-Related Bias (PRB)—A measure of vertical equity between lower and higher value properties. The PRB indicates the percentage by which valuation ratios change whenever values double or are halved (e.g., a PRB of $-.035$ means that ratios fall by 3.5% when values double and increase by 3.5% when values are halved.).

Computer-Assisted Mass Appraisal (CAMA)—A system of valuing (appraising) property, usually only certain types of real property, that incorporates computer-supported statistical analyses, such as multiple regression analysis and adaptive estimation procedure, to assist the valuer (appraiser) in estimating value.

Comparable Sales—(1) Recently sold properties that are similar in important respects to a property being appraised. The sale price and the physical, functional, and locational characteristics of each of the properties are compared to those of the property being appraised in order to arrive at an estimate of value. (2) By extension, the term comparables is sometimes used to refer to properties with rent or income patterns comparable to those of a property being appraised.

Cost—The money expended in obtaining an object or attaining an objective; generally used in appraisal to mean the expense, direct and indirect, of constructing an improvement.

Cost Approach—The cost approach estimates the replacement cost new of an improvement less depreciation plus land value.

Cost Schedules—Charts, tables, factors, curves, equations, and the like intended to help estimate the cost of replacing a structure from knowledge of some other factors, such as its quality class and number of square meters.

Data—is a set of values of qualitative or quantitative variables and refers to masses of numbers, codes, and symbols. “Data” is the plural of datum, one element of data.

Data analysis—The process of inspecting, cleaning, transforming, and modelling data with the goal of discovering useful information, suggesting conclusions, and supporting decision-making.

Data Edit—The process of examining recorded data to ensure that each element of data is reasonable and is consistent with others recorded for the same object, such as a parcel of real estate. Data editing, which maybe done by persons or by computer, is essentially a mechanical process, distinct from verifying the correctness of the recorded information by calling or writing property owners.

Data Management—(1) the human, computer and technological procedures employed to ensure that no information is lost through negligent handling of records from a file, that all information is properly supplemented and up-to-date, and that all information is easily accessible. (2) Data management refers to the development, execution and supervision of plans, policies, programs and practices that control, protect, deliver and enhance the value of data and information assets.

Depreciation—Loss in value of an object, relative to its replacement cost new, reproduction cost new, or original cost, whatever the cause of the loss in value. Depreciation is divided into three types: physical deterioration (wear and tear), functional obsolescence (suboptimal design in light of current technologies or tastes), and economic obsolescence (poor location or radically diminished demand for the product).

Depreciation Schedules—Tables used in mass appraisal that show the typical loss in value at various ages or effective ages for different types of properties.

Equity—(1) In assessment, the degree to which assessments bear a consistent relationship to market value. Measures include the coefficient of dispersion, coefficient of variation, and price-related differential. (2) In popular usage, a synonym for rates fairness. (3) In ownership, the net value of property after liens and other charges have been subtracted.

Geographic Information System (GIS)—(1) a system designed to capture, store, retrieve, manipulate, analyse, manage, and present all types of spatial or geographical data. (2) a computerised mapping system capable of integrating spatial data (land information) and attribute data among different layers on a base map.

Highest and Best use—The highest and best use is the use of an asset that maximizes its productivity and that is possible, legally permissible and financially feasible.

Holdout Sample—A sample not used in model development but rather to test the model. The sample is usually drawn randomly and provides an objective test of the model when applied to properties not used to develop the model.

Income Approach—One of the three approaches to value, based on the concept that current value is the present worth of future benefits to be derived through income production by an asset over the remainder of its economic life. The income approach uses capitalization to convert the anticipated benefits of the ownership of property into an estimate of present value.

Integrity—The quality of a data element or program being what it says it is; usually distinguished from validity, the quality of its being what it should be in terms of some ultimate purpose. After data are edited and encoded and programs are prepared, their integrity is ensured by safeguards that prevent accidental or unauthorized tampering with them.

International Valuation Standards—The International Valuation Standards (IVSs) are international standards that consist of various actions required during the undertaking of a valuation assignment supported by technical information and guidance. The IVS Framework includes generally accepted valuation concepts, principles and definitions upon which the International Valuation Standards are based. This framework should be considered and applied when following the individual standards and valuation applications. In the context of these Standards and the determination of value, the IVSs is applicable as a reference guide where a property is recognised by the municipal valuer to be valued individually.

Legal Description—A delineation of dimensions, boundaries, and relevant attributes of a real property parcel that serve to identify the parcel for all purposes of law. The description may be in words or codes, such as metes and bounds or coordinates. For a subdivided lot, the legal description would probably include lot and block numbers and subdivision name. The legal description as recorded and maintained in the Deeds Registries Offices of South Africa depicting a registered property.

Level of Valuation (Appraisal)—The common, or overall, ratio of valuations (appraised) values to market values. Three concepts are usually of interest: the level required by law, the true or actual level, and the computed level, based on a ratio study.

Location—The numerical or other identification of a point (or object) sufficiently precise so the point can be situated. For example, the location of a point on a plane can be specified by a pair of numbers (plane coordinates) and the location of a point in space can be specified by a set of three numbers (space coordinates). However, location may also be specified in other terms than coordinates.

Map—A conventional representation, usually on a plane surface and at an established scale, of the physical features (natural, artificial, or both) of a part or the whole of the earth's surface. Features are identified by means of signs and symbols, and geographical orientation is indicated.

Market—(1) The topical area of common interest in which buyers and sellers interact. (2) The collective body of buyers and sellers for a particular product.

Market Adjustment Factors—Factors reflecting supply and demand preferences used to adjust values obtained from the cost approach to the market. These adjustments may be by type of property and area and are based on sales ratio studies or other market analyses.

Market Analysis—A study of real estate market conditions for a specific type of property.

Market Area—A geographic area, typically encompassing a group of neighbourhoods, defined on the basis that the properties within its boundaries are subject to similar economic forces and supply and demand factors. A separate valuation model is often developed for each market area. Smaller or mid-sized jurisdictions may constitute a single market area.

Market Value— is the amount the property would have realised if sold on the date of valuation in the open market by a willing seller to a willing buyer. (Reference s46 of the MPRA).

Mass Valuations (Appraisal)—The process of valuing a group of properties as of a given date, using standard methods, employing common data, and allowing for statistical testing.

Model—(1) A representation of how something works. (2) For purposes of appraisal, a representation (in words or an equation) that explains the relationship between value or estimated sale price and variables representing factors of supply and demand.

Model Calibration—The development of adjustments, or coefficients, based on market analysis, that identifies specific factors with an actual effect on market value.

Model Specification—The formal development of a model in a statement or equation, based on data analysis and appraisal theory.

Multiple Regression, Multiple Regression Analysis (MRA)—A particular statistical technique, similar to correlation, used to analyse data in order to predict the value of one variable (the dependent variable), such as market value, from the known values of other variables (called independent variables), such as lot size, number of rooms, and so on.

Neighbourhood (Also known as Market Area / Homogeneous Area)—(1) The environment of a subject property that has a direct and immediate effect on value. (2) A geographic area (in which there are typically fewer than several thousand properties) defined for some useful purpose, such as to ensure for later multiple regression modelling that the properties are relatively homogeneous and share important locational characteristics.

Open-Market, Arm's-Length Transaction—(1) A sale between a willing buyer and a willing seller who are reasonably knowledgeable of market conditions, are unrelated, and are not acting under duress, abnormal pressure, or undue influences. (2) A sale between two unrelated parties, both seeking to maximize their positions from the transaction.

Parcel (Property)—A contiguous area of land described in a single legal description (ERF) or as one of a number of ERFs; separately owned, either publicly or privately; and capable of being separately conveyed.

Price-Related Differential (PRD)—The mean divided by the weighted mean. The statistic has a slight bias upward. Price-related differentials above 1.03 tend to indicate valuation regressivity; price-related differentials below 0.98 tend to indicate valuation progressivity.

Price-Related Bias (PRB)—See Coefficient of Price-Related Bias (PRB).

Price, Sale—(1) The actual amount of money exchanged for a unit of goods or services, regardless of whether established in a free and open market. An indicator of market value. (2) Loosely used synonymously with “offering” or “asked” price. Note: The sale price is the “selling price” to the vendor and the “cost price” to the vendee.

Property—means a property defined in the MPRA and includes land and buildings.

Property Data—means all data related to and associated with a property record of a valuation roll, the valuation of a property and the determination of the value of a property.

Property Rates Policy—A purposeful course of action by governmental bodies that affects or determines the way property rates are created, levied, collected, or spent.

Property Record—A document used to record data for property identification, description, and for value estimation.

Property Register (register of properties)—means a consolidated valuation roll which comprises, with reference to Section 23 Part A and B “register of properties”, the valuation roll with all properties required to be listed under Section 30 (3), and encompassing;

- (i) supplementary valuations and roll updates in terms of sections 78 and 79 of the MPRA;
- (ii) objection and appeal decision roll adjustments;
- (iii) the corresponding valuation roll property valuation database of all property data, and;
- (iv) the corresponding GIS Valuation Roll cadastral layer (registered and unregistered property),

ALL of which must be aligned to the “definition of property” namely (a) registered deeds office records (full title and sectional title), (b) registered rights against immovable property, (c) land tenure rights, (d) public service infrastructure (PSI) records and all other rateable property by way of apportionment in terms of section 9 of the MPRA.

Rate—Though this is defined in the MPRA, in a simple language a “rate” can be understood to be meaning a compulsory charge levied by a municipality against the market value of a property, owned by a person, natural or corporate, for the common benefit of all citizens.

The term does not include specific charges made against particular persons or property for current or permanent benefits and privileges accruing only to those paying such charges, such as licenses, permits, and specific assessments.

Rating—A synonym for imposing a “rate”.

Ratio Study—A study of the relationship between market value (assessed value) and sales price.

Real Property—Consists of the interests, benefits, and rights inherent in the ownership of land plus anything permanently attached to the land or legally defined as immovable; the bundle of rights with which ownership of real estate is endowed. To the extent that “real estate” commonly includes land and any permanent improvements, the two terms can be understood to have the same meaning. Also called realty.

Reliability—The degree to which measures are free from random error and therefore yield consistent results; the extent to which a procedure yields consistent results on repeated trials.

Revaluation—A revaluation of all property for municipal rating based on defined or legislated revaluation cycles. The mass valuation of all property within a municipal jurisdiction accomplished within or at the beginning of a revaluation cycle.

Review—A formal assessment of something with the intention of instituting change if necessary and in valuations relates to investigations and decisions of change due to quality assurance queries, objections and appeals.

Sales Comparison Approach—One of three approaches to value, the sales comparison approach estimates a property’s value (or some other characteristic, such as its depreciation) by reference to comparable sales.

Sales Data—(1) Information about the nature of the transaction, the sale price, and the characteristics of a property as of the date of sale. (2) The elements of information needed from each property for some purpose, such as appraising properties by the direct sales comparison approach.

Sales Ratio Study—A ratio study that uses sale prices as proxies for market values.

Software—(1) Computer programs. (2) Those parts of a computer system that are not machinery or circuits; procedures and possibly documentation are included along with programs.

Statute—A written law that comes from a legislative body.

Time-adjusted Sale Price—The price at which a property sold, adjusted for the effects of price changes reflected in the market between the date of sale and the date of analysis.

Trending—Adjusting the values of a variable for the effects of time. Usually used to refer to adjustments of values intended to reflect the effects of inflation and deflation and sometimes also, but not necessarily, the effects of changes in the demand for micro-locational goods and services.

Trending Factor—A figure representing the increase in cost or selling price over a period of time. Trending accounts for the relative difference in the value of a Rand between two periods.

Uniformity—The equality of the burden of taxation in the method of rating.

Unique property identifier— A code, usually alpha / numerical, representing a specific property's legal description. The purpose of property identifiers is to permit reference to legal descriptions by using a code of uniform and manageable size, thereby facilitating record-keeping and handling. Code variations are being used in the industry such as the property identification number and surveyor general code.

Unit of Comparison—A property as a whole or some smaller measure of the size of the property used in the sales comparison approach to estimate a price per unit.

Valuation—(1) The process of estimating the value— market, investment, insured, or other properly defined value—of a specific property or number of properties, or of an item or items of personal property as of a given date. (2) The process or business of appraising, of making estimates of the value of something. The value usually required to be estimated is market value.

Valuation Model—A representation in words or in an equation that explains the relationship between value or estimated sale price and variables representing factors of supply and demand.

Valuation Roll (consolidated)—Means a valuation roll prepared for a General valuation and then updated and comprises all records of the valuation roll, the supplementary valuation roll adjustments and any objection and appeal decision adjustments of the valuer and the appeal board. Typically required and used for reconciliation at the end of each financial year and for budgeting during February/March annually.

Valuation Roll Management System (VRMS)—Is software which supports the production of the property register, the production of valuation rolls, the management of data such as property / valuation / sales and provides a solution for the valuation of property and the processing of objections and appeals.

Value—(1) The relationship between an object desired and a potential owner; the characteristics of scarcity, utility, desirability, and transferability must be present for value to exist. (2) Value may also be described as the present worth of future benefits arising from the ownership of real or personal property. (3) The estimate sought in a valuation. See also Market Value.

Value Review—A formal assessment of the value of a property with the intention of instituting change if necessary, applicable for general valuations, supplementary valuations, objections and reviews as contemplated in section 78 (5) of the MPRA.

Valuer —One who estimates the value of property; more commonly, one of a group of professionally skilled persons holding themselves out as experts in valuation.

Verify—To check the accuracy of something. For example, sales data may be verified by interviewing the purchaser of the property, and data entries may be verified by check digits.

(IAAO acknowledgement 2014)

SAIV 107: We would draw your attention to the letter addressed by the President of the SAIV to the LGSETA dated 29 July 2015 in which reference is made to the misleading and various usage of the terms ‘Appraiser’ and ‘Assessor’.

- 1 We re-iterate that Appraisers are in fact appointed by the Chief Director, Court services on behalf of the Director General, Department of Justice and constitutional development and not the magistrates (on a point of correction).

The term appraiser has led to some confusion regarding property valuations and despite the fact that they are appointed in terms of the administration of the estates act for a particular district, many appraisers undertake appraisals outside of the district for which they are appointed. Furthermore, appraisers are restricted to the appraisal of property for deceased estate purposes only however, they often exceed this boundary and value properties for other reasons which they are prohibited by law from doing so.

- 2 Assessor:
The term Assessor is globally more generally applied to one who monitors competency in generally any field of business or Academia.

An Assessor may also be an assistant to a judge or magistrate, usually selected for a special knowledge in a particular field of expertise. In the USA, within most Property Tax Jurisdictions, an Assessor is one who determines the value of real property within a tax (rating) jurisdiction.

Due care needs to be exercised to ensure that the adoption of the term Assessor doesn’t mislead the public nor the municipalities. It is noted that the name has been altered by LGSETA from ‘valuer’ to ‘assessor’ and so the risk for confusion still exists.

The title “Municipal Property Assessor” brings together the broad role of an assessor into the domain of Municipal Property.

Our concern is that ‘Municipal Property’ in this instance is intended to mean all property within a municipal jurisdiction and NOT just property owned by a Municipality.

It follows then that the valuation of all property within a municipality on the basis of Market Value, must follow all the rules of Best Practice and Valuation Standards applied by a Registered Professional or professional Associated Valuer. The fact that the opinion is presented for property taxation purposes does not lessen the integrity of the opinion.

Added to the Basis of Valuation of Market Value, are the options presented by the MPRA which include techniques of Automated Value Modelling within the CAMA process which are still in the infancy stages in South Africa where very limited local skills exist. Indeed, we would suggest that – as with most parts of the world - the majority of South Africa’s most experienced and qualified valuers do not possess the skills and experience needed to develop, operate and test sophisticated statistics and value models. We are further of the view that the minimum requirement needed for any person attempting such techniques must be;

- Associated or professional valuer, without restriction;
- A post graduate course in statistical modelling or similar.

In conclusion, we reject the use of the word ‘Assessor’ in context with the word ‘Property’.

15 APPENDICES

15.1 DATA TEMPLATES

- 15.1.1 Appendix “A” – Templates “A1-2” (1) Roll Data and (2) Roll Summary Ver6 2015
 - 15.1.2 Appendix “B” – Template “B” GIS Cadastral Data Ver6 2015
 - 15.1.3 Appendix “C” – Template “C” Property Data Ver6 2015
 - 15.1.4 Appendix “D” – Template “D” Sales Data File Ver6 2015
 - 15.1.5 Appendix “E” – Templates “E1-2” (1) Rates Data and (2) Rates summary Ver6 2015
- 15.2 MPRA PRACTICE AND GUIDANCE

- 15.2.1 Guidance: Agricultural Property Valuation MPRA interpretation (2014)
- 15.2.2 Guidance: General Valuation (GV) Time Schedule Estimate (2014)

SAIV 108: *There is a need to align (or, if different, to distinguish between) Practice and Guidance. Is there a difference?*

The above appendices are separately provided and managed by versioning.

SAIV 109: *The following comments have been limited due to time. The contents of Annexures A, B & C must cross reference to standards and Practice notes. It is anticipated that all 3 will require substantial re-working as a result:*

- 1 Annexures
- 1.1 A1, B & C
Refer to notes on templates.
The creation of a national data base will go a long way to standardise data and ensure the availability. All role players need to provide data and will also have access to the data base.
- 1.2 Template “A1”
To be able to comply with section 9(2), provision should be made to cater for all the uses on properties used for multiple purposes.
- 1.3 Unique identifier
The identifier should make provision for property types LTR & PSI
If it is linked to a specific property the SG code should be supplemented with the 5 digit extension suggested in paragraph 7.1.1.
Special rules must be developed for linear PSI such as roads and power lines that is not linked to a number of land parcels.
- 1.4 Extent of property
Valuation roll data must provide for the extent of the property.
- 1.5 Agricultural Property Valuation Guidelines
- 1.6 The term ‘Market Value’ must be used instead of ‘Open Market Value’. Market value is defined and by definition it is determined in the open market.
- 1.7 Suggest to replace ‘Act’ as reference to the Municipal Property Rates Act with ‘MPRA’.
- 1.8 It must be indicated that the definition of agricultural property is the MPRA definition.
- 1.9 Is the melon plant not an annual plant? If correct, plant must be disregarded with the crop.
- 1.10 The document refers to ‘Fixed Date’ instead of ‘Date of Valuation’.

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