Fiscal Cadastral Reform and the Implementation of CAMA in Cape Town

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Outline of this presentation ....

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

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Introduction to the research

Part I

Introduction to the research

Case study of fiscal cadastral reform in the General Valuation Project 2000 of the City of Cape Town

Involves identification of:
- predominant forces driving reform
- key variants, especially risks
- the role of Computer Assisted Mass Appraisal (CAMA) in fiscal cadastral reform
- the mechanisms to resolve disputes

Fiscal Cadastre – is it our domain?

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

  a multipurpose cadastre (McLaughlin: 1975)
Juridical Cadastre: an official record of land parcels and their attributes, including boundaries and tenure, established for legal purposes.

Fiscal Cadastre: an official record of values of land parcels and their improvements established for fiscal reasons; often called the valuation roll.

Functioning of the fiscal cadastre is:
- the basis for property taxation
- key to local government independence
- critical for service delivery
- key to transformation in the South African context

Some more working definitions...

- **Fiscal Cadastre System:** the input required in order to determine the value of land and improvements, the processes of valuation and taxation, the output of income generation. A range of elements are identified in a systemic approach.

- **Fiscal Cadastre Reform:** occurs when one or more aspects of the fiscal cadastre or its immediate context (e.g., enabling legislation) is subject to substantial change in any one cycle.

What can Geomaticians offer?

- Long history of, and knowledge and skills in, the collection, modelling, analysis, representation of spatial data

- Wide diversity of applications – now includes computer assisted mass appraisal (CAMA) using GIS and statistical packages

Part II

The legacy of apartheid and the need for fiscal cadastral reform

The City of Cape Town

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

- Urban duality:
  - > 16% population live in informal settlements (shacks)
  - Housing backlog in 2005 = 345 000 dwellings, 190 000 sub-economic
  - Formal, wealthy property values = 1000 times value of entry level housing
  - International property market in wealthy suburbs
  - HIV/AIDS, poverty, and unemployment

  - Social transformation challenges demand adequate finance for local government

The State of the Fiscal Cadastre – need for reform

- In the 8 yrs following democracy in 1994:
  - Municipal boundaries changed
  - Merging of former municipal structures defined along racial lines
  - Change in political control of local governments
  - Property taxation governed by Municipal Ordinances – hence non-uniform
  - Valuation rolls inconsistent, incomplete, out of date (1979), incorrect
  - Inequity in property valuation and taxation – regressive - rich pay less, poor pay more than their “fair share”

The General Valuation Project 2000

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

Part III

- The case study – introduction

Part IV

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

- Key variants in the process have the power to change process outcomes:
  - Favourable variants yield better results
  - Neutral variants yield results of similar desirability
  - Risk variants yield worse results

- Identification and management of risk is important in change management

Dispute Resolution Processes

- Use of, and outcomes from, dispute resolution processes indicate the success of fiscal cadastral reform

- Processes are:
  - Informed review processes (non-legislative) check on property characteristics
  - Formal objection processes to property valuations of particular properties by a juristic person
  - Valuation Appeal Board: arbitration by a panel of experts
  - Use of market value of property as a basis for taxation is recognized as a "wealth tax" and is upheld

- Ordinary Courts (Cape High Court):
  - Issues of legality of the valuation and taxation process, which generally affect more than one property

Part V

Conclusions

- Implementation of CAMA shows:
  - Interest mix of driving forces
  - CAMA, taking the latest legislative reforms into account, has an impact on internal and external factors
  - High level of risk
  - Use of market value of property as a basis for taxation is recognized as a "wealth tax" and is upheld

- Formal dispute resolution processes used extensively

- The project has largely been a success
Risk Factors

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

- Additional risks identified in the research:
  1. Security situation
  2. General wariness of the process, lack of support for local government
  3. New municipal structures not in sympathy with existing legislation leading to confusion of powers and responsibilities

Dispute Resolution Processes

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

- Valuation Appeal Boards:
  - 30,669 cases
    - 1276 withdrawn
    - 2012 still outstanding, of which 1849 are City objections
  - 1344 cases in the additional valuations
    - 108 withdrawn
    - 1110 still outstanding

- Ordinary Courts...