



the dplg

Department:
Provincial and Local Government
REPUBLIC OF SOUTH AFRICA

**LOCAL GOVERNMENT:
MUNICIPAL PROPERTY RATES
ACT NO. 6 OF 2004**

**GUIDELINES ON VALUATIONS
FOR MUNICIPALITIES**

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INTRODUCTION

We set out below certain key issues that need to be addressed by municipalities embarking on the compilation of a valuation roll and supplementary valuation rolls in terms of the Local Government: Municipal Property Rates Act, 2004 (Act No.6 of 2004), hereinafter referred to as the “Act”.

Section A relates to processes that a municipality should follow in initiating the valuation process, whilst **Section B** relates to certain more important issues that the municipal valuer needs to address in the valuation process of the Act.

Department of Provincial and Local Government have compiled a comprehensive guideline relating to the specifications for the procurement of private valuers.

The guideline specifications for the procurement of private valuers document should be carefully considered by the various municipalities requiring the services of private valuers.

However, municipalities may well have to make changes or adjustments to this document to cater for their specific and/or unique needs.

SECTION A: PRE-VALUATION REQUIREMENTS

Prior to engaging a municipal valuer and/or an assistant municipal valuer, municipalities should ensure that the following criteria have been met by them.

1. CRITICAL DATA

Where a municipality does not have a valuation roll, they will have to ascertain the following:

1.1 A Land Audit of all property falling within their demarcated area.

1.2 Obtain a copy of the municipal boundaries as verified by the Demarcation Board.

1.3 In such cases the municipality may undertake this function themselves or else require that this function forms part of the valuation process.

1.4 Where a municipality does have a valuation roll, it should undertake a complete land audit verifying all properties within its demarcated boundaries, compare the valuation roll with the latest deeds download of the municipality, reconcile all cadastre data with the valuation roll and a spatial representation of the

valuation roll to assist in the matching and reconciling of data be undertaken.

Where the municipality is unable to perform these functions, they should require that it form part of the valuation tender.

The following is a basic summary of the information that is required before a valuation roll can be compiled:

- A schedule of all Sectional Title Schemes within the municipality together with their sizes, participation quotas and registered owners;
 - Ownership details of all properties, including part owners;
 - Purchase Price;
 - Date of Purchase;
 - Registration Date;
 - History of owners and transactions (where available);
 - Endorsements (i.e registered leases, servitudes etc);
 - 21 digit code as implemented by the Surveyor General;
 - Hard copy of all general plans, sub-division diagrams depicting all properties within the municipality;
 - Town Planning Zoning;
 - Postal addresses wherever possible;
- Sources could include:-

Eskom, agricultural unions, post offices, Telkom & from rates clearance certificates.

Where the municipality has no valuation system of its own, it must ensure that the valuation system to be used by the municipal and/or assistant municipal valuer will adequately cater for all the valuation and other requirements set out in the Act.

In particular, the system must be capable of storing and retrieving data to enable both the valuer and the municipality to comply with the Promotion of Access to Information Act, Act 2 of 2000.

2. RATES POLICY

Before the valuation process can be finalised it will be necessary for the municipality to have drafted its rates policy with specific reference to the categories of properties it has defined in terms of the Act.

These categories will be used by the valuer in the compilation of valuation roll in terms of the Act.

3. BILLING SYSTEM

It is critical for the municipality to ensure that the valuation system used by the valuer is compatible with the billing system of the municipality.

The municipality should ensure that this condition is fulfilled well before the rates accounts are prepared.

4. PROPERTY INSPECTIONS

Section 45(2)(a) of the Act states that inspection of properties is optional.

In general, in the absence of high quality aerial photographs being used from which electronic measurements can be obtained, it is doubtful whether inspections of properties can be avoided.

Municipalities must ensure that notwithstanding this provision, correct and accurate data of each and every property is obtained and verified by the valuer.

The market value of the immovable property (land and buildings) is the amount the property would have realised if sold in the open market by a willing seller to a willing buyer.

If the municipal valuer is unable to fully verify and substantiate what is erected on the property, municipalities will sustain revenue losses resulting from reductions made by the city valuer during the objection process as well as further reductions made by the valuation appeal board.

5. PUBLIC AWARENESS

Municipalities are encouraged to involve and educate the community in the valuation process.

The Rates Policy specifically calls for public participation.

It is important that the following persons be enlightened in regards to the valuation process:

- Councillors and municipal officials;
- Ratepayers;
- Agricultural unions and farming associations;
- Ratepayer associations;
- Business associations;
- Civic associations.

It is suggested that the municipality as part of its tender conditions require the valuer to implement a programme of public awareness.

This could include:-

- Call centres
- Attendance by the valuer to ward committee meeting

- Brochures
- Workshops
- Radio and television interviews

SECTION B: VALUATION PROCESS

1. DEEDS DATA

This data can be obtained from the Registrar of Deeds relating to properties within the jurisdiction of the municipality.

The municipality may contact Office of the Chief Registrar of Deeds: Registration and Support Systems, with regard to data that can assist with the compilation of the valuation roll at this telephone number: (012) 338 7000, or at this postal address: Private Bag X918, Pretoria, 0001.

Deeds Web is a web-based interface to the Deeds Registration System (DRS) database which allows its registered users to search for deeds registration information via the Internet. The website of the Registrar of deeds is www.deeds.gov.za. Information with regard to registration, tariffs (presently in 2005 the data is available at 50 cent per property), etc. can be found on the said website.

2. GENERAL DATA

The collection of data is crucial and vital in the process of compiling market related municipal valuations.

Municipalities must ensure that a database is developed that can be incrementally added or built upon in perpetuity.

All data belongs to the municipality and the must ensure that such data is adequately protected.

The valuer may choose to use a mass valuation system especially with regard to residential properties.

It may not be economically viable to use such a system in the smaller towns and in such cases the more traditional mass valuation approaches will have to be followed.

Irrespective of how the data is collected or how the properties are inspected, all data must be accurate, capable of verification and able to withstand scrutiny at the valuation appeal board hearing.

The municipality must understand that the development of an accurate and dependable database may take several valuation cycles to achieve.

What is important is the requirement by municipalities that all data obtained by the valuer and/or data collector is collected in a format that can easily be added to the database.

Municipalities should ensure that the database is fully maintained and updated during the period and duration of the valuation and supplementary valuation rolls.

3. GENERAL MARKET REPORTS

The municipality should as part of its tender specifications require that the valuer set out in full the basis of the various valuation calculations and valuation compilations.

The following are examples of typical reports that should be made available to either the municipality or the monitors as referred to in the Act:-

- Central business district – growth, trends and basis of valuation within specific nodes;
- Specific industrial nodes;
- Residential categories;
- Specialised buildings;
- Rentals, vacancies, expenses, capitalisation rates, construction costs etc.
- Sales information and data relating to different zonings etc.

4. SPECIALISED PROPERTIES

Municipalities generally have a spread of properties unique to their area.

Certain municipalities may have properties of a highly specialised nature that will require special valuation skills.

Municipalities must ensure that private valuers appointed by them have the necessary skills, expertise and knowledge to compile valuations of this nature.

Examples could include, mining, forestry, substantial public infrastructure such as major harbours, airports etc.

In these cases, municipalities must satisfy themselves that they have clearly identified these properties in their tender requirements and that the valuer has the necessary expertise or professional assistance to draw upon in the compilation of these highly specialised properties.

In the case of mining land, municipalities and valuers must have a clear understanding of the definition of a “mine” and “mineral” as defined in the Act.

Valuers must clearly understand what constitutes equipment and what is deemed to be buildings or improvements with regard to such land and the resultant implication on value.

In the case where the freehold owner of land is not the mining title holder, it is essential that both the municipality and the municipal valuer fully understand that the freehold is encumbered by the mining title and that the value of the freehold in such circumstances is a residual land value.

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ISBN: 0-9585020-5-2

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