Fiscal Cadastral Reform and the Implementation of CAMA in Cape Town

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Key words: fiscal cadastre, CAMA, property tax, valuation, change management, local government.

SUMMARY

The City of Cape Town has recently implemented Computer Assisted Mass Appraisal (CAMA) for the purposes of generating market values of approximately 550 000 residential properties in the Metropolitan City of Cape Town. Market valuations are used as the basis for property taxation at local government level, and are critical in the provision of income for effective provision of services and management of the City. This paper begins with a general introduction of current research projects which focus on this case study in particular, and on fiscal cadastral reform in general. It then describes the General Valuation Project 2000 (GV2000) and identifies the technology of CAMA as a primary element within a complex system of fiscal cadastral reform. The paper identifies the predominant forces which drove reform in the case of Cape Town, and the risks associated with it. The mechanisms used to resolve disputes, and their outcomes, are described. A description of the current status of the GV2000 project concludes the paper.

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1. GLOSSARY AND OPERATIONAL DEFINITIONS

CAMA: Computer Assisted Mass Appraisal: It includes all aspects of data analysis and valuation modelling.
Fiscal cadastral system: This includes all elements of the input, process, and output for property valuation and taxation
Fiscal Cadastre: An official inventory of land parcels that provides the necessary information to be able to determine the value of property (land and/or improvements) for the purposes of taxation.
Fiscal Cadastral Reform: This refers to the reform of the system – it 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.

2. INTRODUCTION TO THE RESEARCH

Geomatics practitioners have a long history of collection, modelling, analysis, and representation of spatial data. This requires skill and knowledge which has a wide diversity of applications. One such application, which is relatively unexplored by the Profession, is that of the fiscal cadastre, involving the system of property valuation and taxation. At the Universities of Cape Town (South Africa) and Calgary (Canada), collaborative research projects are underway with the respective City valuation departments in order to address local problems and build capacity in fiscal cadastral and mass appraisal research and practice.

A doctoral-level exploratory and descriptive single case study of the reform process employed by the City in the General Valuation Project 2000 (GV2000), with a view to identifying substantive issues of implementation, is being undertaken by the first author. From this project, theory will be developed in the form of an appropriate framework to guide fiscal cadastral reform using CAMA in the public sector. This will include the identification of a number of metrics for measuring the effectiveness of a resulting fiscal cadastre. This framework is intended to guide fiscal cadastral reform policy and process, and thereby to reduce the uncertainty of the outcomes of reform in similar contexts. Masters-level students are focusing their research on modelling two of the most influential, and difficult to model, factors in the determination of property value in Cape Town – location and view. Geographic Information Systems are used extensively in these processes.

This paper describes the GV2000 Project and, in particular, the predominant forces which drove fiscal cadastral reform in Cape Town, as well as the risks associated with it. CAMA technology is identified as the predominant force and means to effect fiscal cadastral reform. The mechanisms used to resolve disputes and the current status of the Project are reported.

3. BACKGROUND

3.1 The City

The Metropolitan City of Cape Town (referred to as "the City") is situated at the south-western tip of South Africa and covers a land area in excess of 2100 square kilometers. It includes the Table Mountain chain and other conservation areas and open spaces. It is flanked on the west by the Atlantic Ocean and on the east by the Indian Ocean, and is home to over 3 million people.

Many large metropolitan cities are characterized by urban duality (the formal and informal city), and the City of Cape Town, due to its apartheid history and its image of safety and opportunity in the African context, as well as its scenic beauty, displays this duality more than most (Khan and Maharaj 1997). The legacy of apartheid (with its racial, and associated economic, and spatial segregation) still dominates the structure of the City. Large scale poverty, unemployment, and HIV/Aids infection exist alongside wealth, a growing economy and lead sectors such as tourism and the film industry. More than 16% (1998) of the urban population dwell in informal settlements. One of the aims of the Integrated Development Plan (IDP) of the City of Cape Town is to reduce the informal settlement population to 5% by 2020. The projected housing backlog by 2005 is 345 000 of which 190 000 is expected to be sub-economic. In contrast to this, high-end residential properties are valued over 1000 times the value of formal houses at entry level within the City, and there is great diversity of dwelling types, ranging from shacks to mansions. An international property market has developed in some upmarket areas. Local (in this case metropolitan) government structures attempt to realize new policies and to effect transformation at all levels, in order to minimize and manage this duality. This has been reflected in the management of the City finances, land use controls, service delivery, and through the reorganization of the City administration – boundaries, management, structures and processes.

The fiscal cadastre provides a basis for property taxation and generation of capital for the implementation of the City's transformation goals. About 8% of local government income is derived directly from property taxes (van Ryneveld and Parker 2002), while the remainder is recovered from service charges and national government grants. A systematic devolution of responsibility from provincial to local government (primary healthcare, public transport, policing) places added strain on the property tax system and demands greater efficiency and maximum tax collection. By 2002, approximately one third of the residents of the City were identified as being indigent and incapable of contributing to the City's income (Budlender 2004). In the light of the substantial social transformation challenges, it can be appreciated that the generation of adequate income to finance these initiatives is an imperative.

3.2 The Legacy of Apartheid Local Authority Structures and Property Taxation

Prior to local government transformation, a non-uniform and highly fragmented, and in many cases non-inclusive, system of local government existed. In the Cape Town Municipal Local Council (MLC), 55% of the population was classified "coloured" while the rest were more or less equally "black" and "white" (van Ryneveld and Parker 2002). "Coloured" areas were

never separated administratively from the former "white" areas, although they were still "white" controlled. Former "Black" areas mainly fell under two Local Authorities (BLA's), while many informal settlements were not included in any local government structure. The BLA's were incapacitated by shortage of funds and poor administration. A number of smaller local councils existed and these were generally administered by the Regional Services Council. Apartheid government structures and social engineering created a number of problems that still influence current taxation policies in South African cities (White Paper 1998). Amoung these are skewed settlement patterns, concentrations of wealth and poverty, and concentrations of poor infrastructure and public services.

Historically, the nuts and bolts of property valuation and taxation were spelt out in the Property Valuation Ordinances (PVO's) of the four provinces, prior to their redefinition in 1994 to include former "black homelands" into nine new provinces. Issues such as the period between valuations (10 years in the Cape), and the tax system (moving from land only - site tax to taxation of land and improvements either with uniform rates/flat rating or differential rates/composite rating) were addressed in the Ordinances. The registration of valuation professionals, as well as the provision for appeals was also specified (Bell and Bowman 2002). The MLC's within greater Cape Town each operated with valuation rolls of varying ages, completion, and correctness. The oldest roll, that of the Cape Town MLC, was based on a 1979 valuation. The method of increasing income using outdated valuations was to charge increasing rates (cents in the Rand of property value). Differential property rates were charged in order to improve equity accross the MLC's. In the Cape Province, the property taxation rate was uniform and capped at 2%, although legally this could be exceeded with provincial approval (Bell and Bowman 2002). The non-uniformity of property taxation in South Africa was thus supported by legislation.

The use of outdated valuation rolls substantially contributed to a state of inequity, as property values have change differentially, and not uniformly over time. In a comparison, conducted by Ward (2002), between the 1979 valuations and 1998 market valuations, it is evident that some properties had only increased three times their 1979 value (poorer suburbs generally created during periods of forced removal), whereas other properties had escalated 35 times above their 1979 value (Atlantic seaboard). Poorer suburbs hence carried more than their fair share of the rates burden; this is termed regressive taxation. In addition, most businesses (commercial and industrial) were established in the former White Local Authorities (WLA's). This resulted in a skewing of the tax base in favour of the WLA's, as businesses are taxed more heavily than residential areas.

With democracy, it became widely accepted that fiscal cadastral reform was required in order to promote greater equity and efficiency. This was to be realized in the GV2000 Project.

3.3 Introduction to Fiscal Cadastral Reform

Before introducing the GV2000 Project, which was instrumental in implementing the process of fiscal cadastral reform, it is necessary to introduce some concepts. A fiscal cadastre is an official inventory of land parcels that provides the necessary information to be able to determine the value of property (land and improvements) for the purposes of taxation. The

fiscal cadastral system, for the purposes of this research, comprises all elements of the input, process, and output for property valuation and taxation. It can be appreciated that the process of valuation of properties, for the purposes of taxation, is an important element in the system.

Fiscal cadastral reform (as opposed to simpler change) refers to the reform of the fiscal cadastral system: it 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. This could include (but is not limited to) the property tax base, property characteristics used for the valuation, use of land and/or improvements to define value, the definition of value (market value, adjusted sales price, highest and best use etc), the processes used to assess value (single property appraisal, mass appraisal, CAMA), the processes of taxation and definition of the tax base (for example inclusion/exclusion of government properties, churches etc, exemptions and rebates), property tax rate (what proportion of value makes up the tax, tax banding), billing/collection and enforcement, and the valuation cycle. Fiscal cadastral reform in the City of Cape Town has involved many of these aspects. International precedent advocates that piecemeal, or narrowly focused, approaches to fiscal cadastral reform are not successful, and generally result from a technocratic approach involving change in elements of the fiscal cadastral system without consideration of the system as a whole. A holistic approach to the management of successful and sustainable fiscal cadastral reform is recognized as being of significant benefit (Bahl and Linn 1992).

3.4 The Role of CAMA

Computer Assisted Mass Appraisal (CAMA) is a new technology, and its implementation in the developing world, and particularly in Africa, is in its infancy. CAMA is based on the principles of mathematical modelling involving the determination of a dependant variable (market value) from a number of independent variables (the property characteristics). It has been heralded by many as a technological solution to the requirement for frequent and rapid property valuations on a large scale, particularly in urban residential contexts. CAMA was conceived and gestated in North America and is now routinely applied in many first world cities. It is now also being implemented in a number of developing and emerging market cities in Eastern Europe and in Africa.

A general principle with modelling problems it that it is easier to develop a good functional model from homogeneous (smoothly varying, non-spiky) data, rather than from sparse or clustered, non-homogenous data (widely varying property prices and characteristics affecting value), or from outdated, incorrect, or inconsistent data. In addition, sufficient sales data, evenly spread over a market area, are required at the outset in order to determine the model structure and coefficients – this demands an active and established property market. In developing and emerging-market cities, these modelling essentials cannot be assumed to be in place, and data are often far from ideal. The use of CAMA in such situations has not been fully tested, adding to the uncertainty of the implementation process and its outcomes.

The upgrading of the fiscal cadastral system in Cape Town was facilitated through CAMA implementation. Significant challenges were presented by the restructured Municipal boundaries, particularly the integration of data from many previously separate municipalities

and the inclusion of former non-white areas into a common fiscal cadastre. In addition, use of CAMA technology and processes took place in the context of legislative transformation and a lack of clarity in the applicable legislative framework. A high degree of unpredictability thus dominated the decision-making and implementation stages of the project.

4. THE TRANSFORMATION OF LOCAL GOVERNMENT AND THE LEGISLATION AND PRACTICE RELATING TO PROPERTY VALUATION AND TAXATION

The first attempt at addressing the apartheid local government legacy was reflected in the reconstruction of the MLC boundaries to include both former White and Black Local Authorities (WLA's and BLA's), as directed by the Local Government Transition Act 209 of 1993 (LGTA). In 1996 the more than 70 racially based councils with 18 different administrations (Bell and Bowman 2002) were amalgamated under one umbrella body, the Cape Metropolitan Council (CMC), including six new sub-structures called Metropolitan Local Councils (MLC). These included Cape Town, Tygerberg, South Peninsula, Helderberg, Oostenberg, and Blaauberg. Legitimacy took a mammoth leap, as all adults were granted the right to vote for local councillors of their choice. The MLC of Cape Town inherited 80% of the taxable value included in the 1979 valuation while the remainder was included in other MLC's. It also included six areas taxed using a 1974 valuation roll, one area under a 1981 roll, and two BLA's where no valuation roll existed.

The aim of this two-tiered local government structure was to counter the social, economic, wealth, political and spatial duality and fragmentation of South Africa's post-apartheid cities. The CMC had three potential roles: functional, strategic, and resource allocation (Khan and Maharaj 1997). The functional role addressed service delivery in the metropolitan area. The strategic role addressed land use planning and economic development, in order to achieve the goal of economic growth. The resource-allocation role dealt with the articulation of policy and planning frameworks to be used by the MLC's and the allocation of resources to effect these. These roles all depended on the fiscal cadastre as the primary source of income for the City. The taxation system also had important secondary effects on the economy, land use and investment, and social and political environment.

The introduction of the Metropolitan structure of local government was partly inspired by the philosophy of "one city, one taxbase" (Khan and Maharaj 1997). It was to address efficiency of service delivery through large scale provision and resultant economies of scale, improving equity in the distribution of resources, and reducing the duplication of functions. The latter two involved amalgamation and co-ordination between MLC's (Khan and Maharaj 1997).

In a second phase of restructuring, the CMC and the six MLC's were disestablished and a new, inclusive metropolitan local government authority was established in their place (in accordance with the Municipal Structures Act of 1998). The two tier system was reduced to a one tier system in December 2000, ostensibly to address issues of accountability, resource sharing, land use planning and management, and the provision of land for low cost housing (van Ryneveld and Parker 2002). This body was initially called the UNICITY, and later the Metropolitan City of Cape Town.

At this stage a new valuation by African National Congress (ANC)-controlled MLC's was planned, but it was decided that this should be a simpler site-only valuation due to the high cost per property and implementation time. There was agreement amongst the main opposition MLC's (South Peninsula and Blaauberg) to do likewise, but the 1993 LGTA demanded market-based valuations of all immovable property. This ruled out the possibility of site only valuation. This Act had a specified time period and was due to expire in Jan 1999. It was generally envisaged that new property tax legislation at national government level would be in force by this time. In the meantime, in Cape Town, the property market experienced rapid and substantial increases in residential property values. This led to a change in the relative value of commercial/industrial properties and residential properties, with the resulting property taxation favouring the former (Franzsen 1999). The revaluation went ahead. However, in 1998 the South Peninsula's budget was challenged in court by a ratepayer grouping (civic organisation), called the Lotus River Grassy Park Residents Association (LOGRA), representing two former "coloured" areas. The court case was lost by LOGRA, but the tables would have been turned had the process of transformation of the fiscal cadastre not been underway. When the LGTA's life was extended in 1998, the site-only valuation, which was near completion, could not be implemented, and the 1979 valuation roll was reinstated in the Cape Town MLC. The discarding of the two-tier system, which allowed some flexibility in tax administration, led to the need for uniformity in taxation.

With due consideration, and not wanting to continue on a risky and probably only temporary path of site only taxation in three of the MLC's, in July 1999 it was decided to discard the site only valuations and adopt a new stance: that of differentiated rates based on existing valuation rolls, until a new valuation roll using the technology of CAMA, could be implemented for the UniCity (now called the City of Cape Town). This was proposed to be conducted in 2002, based on property values and charateristics as at January 2000.

5. THE GENERAL VALUATION 2000 PROJECT (GV2000)

About 550 000 formal residential properties were included in the General Valuation 2000 Project, requiring integration of property data from the six previous MLC's. The project team involved a public-private partnership with an emphasis on capacity building and knowledge transfer from the private valuation and management personnel to the public employees in order to ensure sustainability and repeatability of the process. The valuation profession, using traditional non-CAMA methods, undertook the assessment of non-residential properties.

CAMA was identified by the City as the only available means to generate a new, market value based, valuation roll at the large scale required, within a reasonble time period, and with the limited resources available. However, the Property Valuation Ordinance 1993 (PVO) did not accommodate the use of CAMA techniques. This delayed and extended the GV2000 project planning phase. The UniCity, at the end of June 2000, adopted the following recommendations which resolved the impasse (Project Plan Revision 4 2000):

- "That the General Valuation Process proceed in terms of the PVO (1993) in such a manner that a seamless transfer to mass appraisal valuation process is enabled once an appropriate legislative framework is in place"

– "That a CAMA system be developed and implemented as an integral part of the general valuation to ensure cost effective future valuation processes".

5.1 Identification of Risks

This decision was not without its risks, and the identification and management of risk are important factors in change management. Without correct identification, there can be no effective management and containment of the effects of risk. To this end, key risk factors were identified at the outset of the GV2000 as being that:

– legislation facilitating legal implementation of CAMA was required. If this was not effected timeously, the entire process could be challenged in court (Epstein, 2000);
– changes to many aspects of the fiscal cadastral system were required while the final legislation governing it was uncertain (van Ryneveld and Parker 2002). The draft Property Tax Bill was published for the first time in August 2000, and had not yet been passed by Parliament – this only occured (in May 2004) after the provisional valuation roll was published and new property rates levied;
– political will needed to be secured and retained in order to retain the mandate through the upcoming local government election process (Epstein, 2000);
– public opinion could be turned against the project (Epstein, 2000);
– timely resource provision (human, software, hardware) was required (Epstein, 2000);
– misaligned data between the billing systems and the valuation systems impacting on equity needed to be addressed (Minutes of the Steering Committee Meeting 2001);
– human and technical resources were not sufficient to address the issues of misaligned data. MLC's take too long to research and correct misaligned data (Minutes of the Steering Committee Meeting 2001);
– permanent staff may not be prepared to work overtime as the project timeframe requires (Minutes of the Steering Committee Meeting 2001);
– management and/or political decisions may not be made timeously in order to inform the project planning process (Minutes of the Steering Committee Meeting 2001);
– computer system amendments may take longer than estimated (Minutes of the Steering Committee Meeting 2001).

Additional risk factors have been identified as:

– the security situation makes homeowners cautious in allowing persons onto, and especially into, their properties. Many of the data collectors were unemployed, and not from the same population group, class, and residential area as the areas they operated in. This was especially true of the middle/upper class areas, leading to extra caution;
– general wariness of the process and lack of support for local government may lead to the deliberate decision by certain ratepayer associations not to allow data collectors access to properties;
– the newly created municipal structure of the City of Cape Town is not refered to directly in the existing laws relating to property valuation and taxation, creating confusion in powers and responsibilities.

5.2 Risk Management

Aspects of resources were dealt with by the Project Team. As part of the Project management, the following actions were to be undertaken:

5.2.1 Legal Opinion and Legislative Interventions

Senior Council would be solicited for opinion as to how to proceed. An assumption was made initially that advice to proceed with CAMA would be obtained (Epstein, 2000). The City conducted a legal audit which found that:

- the interim constitution came into effect on April 27, 1994 and provided that all laws in force immediately before its commencement would continue in force. Since the Property Valuation Ordinance (PVO) only came into operation on July 1, 1994 it was not law "in force";
- section one of the PVO defined a local authority as "a local council, a metropolitan local council, a representative council, a rural council and a district council". This was deemed to include the City, established under the Structures Act (Schroeder 2004).

The City approached Parliament in order to legalize the use of CAMA in GV2000 through an amendment to the Municipal Structures Act by means of Section 21 of the Local Government Laws Amendment Act (Act 51 of 2002) (Schroeder 2004). This amendment was believed to have created the necessary legislative framework for the GV2000 to proceed.

5.2.2 Security Issues and Interventions

Security issues were addressed from the communications side by providing adequate means of identification of data collectors and a phone-in service to verify a data collector's identification prior to a resident allowing entry.

5.2.3 Communication

A number of communications companies were sub-contracted to the Project to oversee and execute the communication at all levels outside of the project team. This included communication with all stakeholders outside of the local government structures, as well as communication within the City ie. Councillors and the Executive Committee.

The GV2000 Project Plan was accepted in July 2000 (Project Plan Revision 4 2000), and CAMA techniques were used for the first time for residential properties. The base date for the valuation was January 2000 and sales data up to one year prior, and six months after, this date were used in the modelling. The data collection process for the revaluation began in August 2000 and the CAMA modelling was completed in February 2002. This was followed by a process of informal review and hand-over of the project to the City in June 2002. The process of formal review is underway, after which the provisional valuation roll can be adopted, thus losing its provisional status. From July 2002 the new provisional valuation roll has been used to calculate property rates.

6. DRIVING FORCES FOR FISCAL CADASTRAL REFORM IN CAPE TOWN

As has been shown, reform of a system may be dogged by high levels of risk and hence uncertainty. In order for an organization, or system, to embark on a course of broad-reaching reform, there needs to be sufficient motivational forces for change. In the course of the research generating this paper, a framework has been developed to categorize the forces involved in fiscal cadastral reform. It is postulated that sufficient exogenous (external) and endogenous (internal) forces need to be present in order to provide a catalyst to initiate a process of sustained reform. These are supported by weaker additive forces, which together drive a successful change process.

6.1 Exogenous Forces

6.1.1 Technological Aspects

In Cape Town, initial results indicate that the predominant catalyst for reform of the system was the availability of the technology of CAMA and its perceived ability to deliver results within stringent specifications. It is the predominant exogenous technological force.

6.1.2 Social Aspects

The City has a social responsibility towards transformation, of which fair taxation is an important part. It is particularly important to ensure that the tax is non-regressive (does not favour the rich). Inclusion of former BLA's (estimated 71 000 formal properties in these areas in 1997 (Epstein 2000)) into the tax base and hence into the system of service delivery, is a key aspect of local government transformation.

6.1.3 Political Aspects

Regressive taxation due to outdated valuation rolls has been a political "hot potato": there was growing agreement that ensuring equity in taxation across the City required attention. The urgency of revaluation, while recognising the threat of popular rejection of the process, was stimulated by the LOGRA court case. Local government restructuring also resulted in significant forces of a political nature (Presentation to IEMT 2001).

During the course of the GV2000, local government elections took place, and the ANC party won a majority in the City in October 2002. A new Mayor and Council were then appointed and City operations redirected in line with national government policies. This was reflected in the determination of the budget and allocation of expenditure, with a focus on poverty relief and basic service provision.

6.1.4 Legal Aspects

Legislative transformation resulted in overlaps and gaps, and hence uncertainty, in the legislative framework at the outset of the GV2000. The publication of the Property Rates Bill,

and the explicit need for fiscal cadastral reform contained therein, contributed a significant additive force for reform of the system.

6.2 Endogenous Forces

6.2.1 Technological Aspects

The primary objective of fiscal cadastral reform is to increase the income generated through property taxation by increasing the effectiveness of the system. Sub-objectives are to narrow the gap between current fiscal cadastral performance and its goals, and also relate to the adherence of the reform process to various underlying principles. An interesting observation is that this was not the case in the case of the GV2000 in the City of Cape Town. The process was driven primarily by identified key principles of reform:

- Use of cutting-edge technology (Presentation to IEMT 2001)
- Best international practice (Presentation to IEMT 2001)
- Efficiency of repeat processes (Presentation to IEMT 2001)
- "Sound and accurate" outcomes (Presentation to IEMT 2001)
- Up-to-date fiscal cadastre through technology implementation and institutional capacity building (Presentation to IEMT 2001)
- Equity is demanded by the Constitution (Minutes of the Steering Committee Meeting 2001)
- Equity in valuation should be developed and maintained (Terms of Reference for the IPTI Review 2001)

CAMA technology was identified as able to deliver on all of these key principles. It was therefore acknowledged as the primary endogenous catalyst to effect change.

6.2.2 Social Aspects

At this stage of the research, no significant internal social aspects have been identified.

6.2.3 Political Aspects

A strategy for maximizing the potential financial income from property taxation was required in order for the City to realize its goal to become a world-class city. A "sound foundation for generating income" and an "accurate municipal valuation roll" were key motivators for change (Presentation to IEMT 2001).

The change of political power at local level in October 2002 led to the need for the endorsement of the GV2000 Project by the new City leaders. Internally, the ANC control of local government added an additional driving force in that the justification for expenditure at all levels in the organisation needed to be brought in line with national government political imperatives (the ANC had been in power since 1994 at national level).

In addition, a report was commissioned internally to ascertain the means by which the City could recover the cost of services (Budlender 2004). This report resulted in a fundamental

shift in the methods of cost recovery and thus further reform of the fiscal cadastral system. This eventually resulted in the court case of the Rates Action Group vs. City of Cape Town detailed in section 7.2.

6.2.4 Legal Aspects

In accordance with the Constitution, the City has a responsibility to assist national and provincial government in delivery of services in accordance with basic human rights. It also has a responsibility to uphold the law in the execution of its duties.

7. DISPUTE RESOLUTION PROCESSES AND OUTCOMES

One of the main indicators of the success of fiscal cadastral reform is the use of, and outcomes from, dispute resolution processes. Apart from the informal review processes (which are not legislated), the formal processes begin with a formal objection. If this is not satisfactorily resolved it results in an appeal against the valuation being heard at tribunal level by the Valuation Appeal Boards. These Boards deal with issues of individual valuation and each appeal must be related to a specific property. Issues of the legality of the processes of valuation and taxation, which are at a more general level than those of individual properties, are heard in the ordinary courts (the Cape High Court and the Constitutional Court).

7.1 Valuation Appeal Boards

The Valuation Appeal Board personnel are appointed by the Member of the Executive Council (MEC) for local government in the relevant province. Each board is chaired by a legal professional such as a retired magistrate or advocate, with experience in the administration of justice. The Board consists of two to four individuals who have extensive experience in the property market, including realtors and at least one Professional Valuer (not subcontracted to the City for the initial valuations for the GV2000 Project). Each former MLC has its own board.

The numbers of formal appeals for the GV 2000 were 31 433. Of these 764 were discarded as invalid (according to the legal grounds for appeal) and 30 669 appeals have been resolved through the Valuation Appeal Boards. There are 2032 appeals outstanding which include 1745 timeous City objections and 104 late City objections. 3276 objections have been withdrawn, of which 2665 are City objections. It is evident that the City, as a property owner, is entitled to dispute its own property valuations and to have equal access to the dispute resolution processes.

Additional valuations have been undertaken by the City in order to include previously excluded and new properties in the valuation roll, and hence into the fiscal cadastral system, as well as to correct anomalies and errors in the GV2000 valuation roll. The objections to the additional valuations of 2002 and 2003 have resulted in 1344 objections, of which 1124 have been resolved, 111 are outstanding, and 109 have been withdrawn. Again, City objections are included in these.

7.2 Cape High Court and the Constitutional Court

Three cases against the City of Cape Town relating to the processes of the GV2000 and subsequent property taxes have been brought before in the Cape High Court. The cases of Robertson versus the City of Cape Town and the Minister of Provincial and Local Government (4995/02) and that of Truman Baker versus the City of Cape Town (9507/02) were heard in the same proceedings. Judgment was passed down for both cases by J Bozalek in May 2004. Bozalek found that the City was not a local authority as contemplated in the Provincial Valuation Ordinance, and could therefore not invoke the Ordinance. He ruled in favour of the applicants, arguing that the use of the interim property valuation roll (the interim roll is still in place as it can only become final once all appeals have been processed) to effect property taxation was unconstitutional and invalid, as was an element of the enabling legislation (Sect 21 of the Local Government Laws Amendment Act 51 of 2002). He found that due process requiring the Financial and Fiscal Commission to be informed had not been undertaken in the publication of the Bill, and particularly its amendments, which were motivated by the process of revaluation already underway. The City of Cape Town was interdicted and restrained from levying property taxes based on the provisional valuation roll of 21 May 2002. The constitutionality of the legislation was referred to the Constitutional Court. In order not to incur undue disruption of the running of the City, the public confidence in the fiscal cadastral system, and the reform of the fiscal cadastre, which would occur should the City be forced to retax properties based on the multitude of former valuation rolls from July 2002, Judge Bozalek ordered a suspension of these orders for a year from date of the conclusion of the Constitutional Court proceedings, to allow the competent authorities to correct the defects which led to these litigations (Bozalek 2004).

The third case involved the use of taxes based on property value for the purpose of recovering the costs of sewerage and refuse services, in addition to measured-use charges. The judge, AJ Budlender, mainly examined whether property rates could be used for services which can be directly attributable to individual property owners, and for which the usage could be measured. He determined that the legislation does not prohibit this method of raising income for the purposes of financing service delivery. He argued that the legislative framework displayed gaps and overlaps, but he ordered that the relevant legislation be harmonized so that the intention of the legislation could be given effect. Judge Budlender further concluded that, because of the legacy of apartheid with respect to the racial settlement patterns were largely consistent with wealth patterns in the City, differentiation, and hence indirect discrimination, took place in the taxation based on property value. This was, however, not deemed to be unfair discrimination. The contention that property value is not a good indicator of wealth was acknowledged, but did not result in any order, as there appears to be little viable alternative for local government income generation, and none within the existing legislative framework. The application was dismissed with costs in June 2004 (Budlender 2004).

In May 2004, the Property Rates Act (which replaced the Provincial Valuation Ordinances) was passed. This effectively standardized and modernized the property tax legislation at national level. Disputes are now less likely, and the use of CAMA has been legalized.

8. CONCLUSIONS

The implementation of CAMA in Cape Town for the GV2000 Project displays an interesting mix of driving forces, a high level of risk, and hence uncertain outcomes largely due to the urgency of the process and its timing in the context of broad reaching changes in legislative, structural (local government), societal, and political arenas. The availability of CAMA technology, its potential to assist the City in meeting its goals of fiscal cadastral reform, and general goals of transformation, thrust it into the position of being the main catalyst driving the reform process. The management and direction of the process of reform, led by the implementation of technology, proved to be far from mechanistic, with the project management team having little control over the effects of the dominant exogenous forces such as legislative change and changes in local political control. Despite extensive and lengthy dispute resolution processes, and the mix of successful and unsuccessful High Court cases, the project is an overall success in that the main goals of reform have been met and are likely to be sustained.

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