

THE SOUTH AFRICAN VALUER



Wind farms

Discounted cash flows

The CPA and its impact on leases

Valuation of irrigation land

Blast from the past

GUIDELINES FOR THE MPRA

The project led by the Institute to develop operational guidelines for valuers and stakeholders working with the MPRA is well under way. The initial phase consists of six guidelines, a number of which look at critical topics emerging from the MPRA and Amendment Act and which are frequently tested against valuation standards in their interpretation and application by valuers.

Guidelines: Phase 1 of 6

1. Step by Step Business Process for the Compilation of a compliant General Valuation Roll
2. The determination of 'Actual Use' and the application of Use Categories in determining Rates Categories in terms of Section 8 of the MPRA, as amended
3. Determination of Permitted Use, including where such use is excluded from or undefined by Town Planning
4. Market Value Apportionment on Multiple Use Properties: Adherence to Valuation Standards
5. The valuation of property, part/s of which are excluded from paying rates (Impermissible)

Valuers will be aware that the SAIV has, for a number of years, adopted the IVSC Standards of Valuation (International Valuation Standards Council). This framework serves as a preamble to all other standards by describing valuation principles and concepts that are necessary for their proper application. Amongst these are the RICS Standards; TEGoVa Standards (Europe); USPAP (USA); CUSPAP (Canadian) and the IAAO Technical Standards (USA and limited affiliate organisations).

Legislative background

In South Africa, the basis of valuation for municipal rating is market value. Section 45 of the MPRA states that a municipal valuer must value property in accordance with generally recognised valuation practices. A municipal valuer must be a registered professional valuer or an associated professional valuer in terms of section 39 of the MPRA. Tenders for valuation rolls which are advertised by municipalities also specify a minimum experience requirement for nominated municipal valuers or assistant municipal valuers.

Purpose of the MPRA operational guidelines

The overriding purpose of the guidelines is to bring together the proper application of IVSC Standards with the business end of the Municipal Property Rates Act. The guidelines are intended to:

- 1.1 make clearer those provisions in the Act which directly or indirectly affect the determination of market values;
- 1.2 to assist valuers who engage in valuations for rating purposes to

adhere, in these instances, to existing global valuation standards, in particular, the principles and concepts that determine market value; 1.3 to assist all MPRA stakeholders, including valuation practitioners, municipalities, ratepayers, legislators, treasury and Rating Appeal Boards to understand the business process of valuations for rating purposes more effectively.

Chairman of the Working Group, Martin Fitchet, states that:

This initiative by the SAIV will focus on those provisions in the Act which have led to differences in their interpretation and application by valuers and stakeholders. The guidelines aim to narrow down possible ambiguities and to promote adherence with the IVSC standards. The project draws from the collective experiences of practising valuers as well as private/public sector municipal valuers who work within the IVSC framework.

The MPRA Working Group will remain dynamic in its composition. This will enable it to draw on the experience of specialists in their fields including valuers, legal practitioners, statisticians and financial officers. It would also like to open discussion with other built environment organisations and ratepayer associations on points of interpretation.

The Institute has adopted a phased approach with content which will be circulated initially to its membership for comment before publication. It will maintain and update the guidelines with new content including relevant court judgments. Forums will be convened to discuss and refine the guideline material.

Mass Appraisal Standards

Valuations and appraisals are synonymous in a global context. There is currently a National Steering Committee on MPRA-Mass Appraisal Strategy (MAS) which is being led by government (CoGTA). This initiative seeks to develop standards for property tax (rating) valuations through the adaptation of existing IAAO Technical Standards for Mass Valuations. These will be particularly relevant in setting standards for the application of Computer Assisted Mass Appraisals (CAMA) provided municipalities are the only users of CAMA techniques. For so long as market value forms the basis of valuation, IVSC Standards will continue to serve as the preamble to this and all other standards by describing valuation principles and concepts that are necessary for their proper application.

All practising valuers in South Africa are encouraged to participate and contribute toward the development of these standards. ■