

How does the eThekweni municipality know the value of your property?

By Peter Klausli

Recently the municipality reminded the residents to check the values in the valuation roll and launch an objection if they do not agree. I thought it might be interesting to know how these values went into the roll in the first place. In 2005 I had the opportunities to lead the valuation project of eThekweni, one of the more challenging projects in my career as project manager.

As you may remember in 2004 South Africa implemented the new Properties Act. According to this Act all property rates had to be calculated from now on based on their market value. Therefore eThekweni had to value every single property within the municipality limits from Scottsborough in the south to Tongaat in the north to Camperdown inland, an area roughly 1.3 times the size of the canton of Zurich. They outsourced the project to the company I was working for.

Right from the word go we were confronted with a number of challenges:

- EThekweni was the first municipality in the country starting their project, so we had no other project to learn from, to see how it is done.
- Although there was an Act, there were no regulations to this Act. For example the Act said every property must be valued according to its market value. So what is the market value of the Westville prison for example, or the market value of the City Hall? You need detailed regulations.
- We had 2 years to finalize the valuation, however a valuation must be done by a licensed valuer. There were about 40 to 50 licensed valuers in Durban at that time, at least half of them employed by banks or insurances. So how to value a half a million properties with about 25 valuers, providing that you need at least to visit a property once if you want to determine the value.
- Up until 2000 each of the bigger municipality areas (e.g. CBD) had their own property register. When eThekweni emerged to one big municipality they just put all the information into one big

database. Unfortunately in some areas they had a well maintained system in others the property roll was a disaster. Therefore the existing property roll we had available was unreliable.

- People didn't like us doing our job, because they regarded us as property police. A lot of people do alterations without the necessary permits and they were scared we would report them.
- The property market did not freeze during our project. What we would have valued one day could change due to alterations the next day.

Just to name a few of the challenges.

So our job was it to determine the market value of a half a million properties as the first team in South Africa with about 20 licensed valuers in 2 years based on an unreliable property roll without useful rules and regulations. And the whole job in a highly political mine field with property owners who didn't want us. And all the time shooting at a moving target.

By now you may ask what exactly a market value is. According to the act it is the value a willing buyer would pay a willing seller. So let's say I want to leave the country, the departure comes nearer and I am under pressure to sell I might give it cheaper. Or let's say the same property is in a preferred area and I can choose the best offer. The difference might be up to 20 or 30%. So which is the right market value?

Sales value as market value works well for residential properties but what about commercial properties or public buildings or roads (yes they are also properties to be valued).

So first we had to categorize the properties and define different calculation procedures for these different types.

This is how we did the residential properties (about 90%):

First we collected about 20000 title deeds from the deeds office in Pietermaritzburg. Properties which had been sold over the last 1 or 2 years. We analysed them for common calculation criteria such size of the land, condition, quality, number of rooms, with or without swimming pool, sea view etc. A property with sea view can be sold 10%

higher for example, at least in high value areas such as Umhlanga or Musgrave, but not in Umlazi or Kwamashu. So we had to categorize them into high, medium and low value areas. To do all this we used high sophisticated computer software with specific mathematical models, GIS (Geographical Information Systems) and aerial photography (this was before google map).

Once we had it about right we had to organize the visits of each and every property. For that we recruited about a 150 people and trained them. They also had to be carefully screened for criminal records, we could not afford to send some crooks to people's homes. These people, data collectors, went with a specific form to each house to collect the necessary information. Just to manage these people was a project of its own, they needed badges, specific equipment and so on. We also had to consider that people leave and need to be replaced.

Then we had to organize the logistics. We could not send the same people for one property to the south in the morning and to Tongaat in the afternoon. We had to develop a roster with the least amount of travelling involved (which is a science on its own). Furthermore we could also not afford to send them back if the forms were not correctly filled in.

Therefore we used a new technology. Each collector was equipped with a cell phone and a special pen (there were no tablets at this time). When he/she filled in the paper form this pen, which was equipped with a memory, would store the information and the data collector would send the information via the phone to our offices. Here we had a team of about 50 people who checked the incoming forms and if something was missing they could advise the data collector while he was still on site.

During this whole exercise we experienced also a number challenges:

- People would not let the data collectors in because they didn't trust them (racial issues, I remember that in one case some even chased the dogs after them)
- In some townships we had to organize protection because it was too dangerous to let them go there with expensive equipment on their own

- Some criminal gangs pretended to be data collectors to get access to a property (in fact my own boss was the first victim of such a robbery)
- Some data collectors tried to cheat, sitting in the shadow of a tree and fill in the forms with fantasy information rather than go and visit them.

However this exercise took us more than a year.

Once finished we ran all information through our calculation software. We then took another lot of about 20000 sold properties and compared the actual sales prices with the calculated ones. Were differences within an acceptable limit everything was fine, otherwise we had to send somebody back (there were a few such cases). Now we had a roll with values which could be signed off by only one licensed valuer. The last thing we had to organize was to print and send off about a half a million letters to all property owners.

Now the next challenge was that during the one and a half years of the valuation many properties changed, people did renovations, altered the properties and so on. Meaning we were actually always shooting at a moving target. Therefore we had to do 2 more rounds (supplementary rolls).

For the commercial properties we had to use a different approach. There we used about 20 licensed valuers with small teams who had to visit the approximately 30000 commercial properties. Also the valuation was based on a so called rental value rather on a sales price. The same for all the government buildings and roads the rebuild value (what would it cost to rebuild the property from scratch again?).

Other challenges came from political meddling. For example the DA accused us that all our values were far too high and therefore people had to pay to high rates. Even if that would had been true it would not have changed the rates at all. The rates are calculated by dividing the operational budget of the municipality by the sum of all the values and then each property rate gets calculated by using the resulting factor. So if this sum of all properties would have been too high the factor would just have been lower and the resulting rate would have still been the same. The only way to bring the rates down is a lower operational municipality budget.

We also got accused that the city managers son was working for us and therefore we had gotten the contract. Fact is that about 10 years before this project he really did a half a year's internship with our company.

One day a journalist interviewed me. I told her that we had about 7 % objections to the values. Internationally 5 to 10% objections (which is used as recognized measurement for the quality of the results) is considered as a good results, meaning we had done quite a good job. Next day I could read in the newspaper that we had done a lousy job as we had more than 5% objections. And so on.

Some statistics: The overall budget was 130 million rand, we kept well within the budget; at peak times we had about 250 people working on the project, at the end we had about 2 weeks delay (on a two years project of this magnitude).

Since we did this original valuation, every few years the values get adjusted and a new value will be published.