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Development of A Mass Valuation System for Rating and Taxing Purposes

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INTRODUCTION

The undertaking of cost efficient valuations for rating and taxing purposes has been a dilemma for many years – what information should be collected, what is fair cost, how should costs be apportioned if there is more than one user, how or what methods can be applied to carry out such valuations?

In 1997, the State of Victoria, Australia, changed the legislation governing rating and taxing valuations. The new legislation decreed that properties had to be reassessed at a specific date every 2 years, with this legislation binding on the 78 individual rating authorities in State. Existing systems are far from up-to-date, and do not cater for all the data elements now required to be captured, and a real problem has arisen. Property Staff at RMIT are well on the way in the development of a computer program that meets the new requirements of the State Government and yet remains “field work” friendly.

This paper will discuss the core issues of legislation, the features of the computer program being developed, and a working demonstration of the data capture component of the program will be displayed.

In common with most governments around the world, the state of Victoria, Australia, has for decades been taxing land (and improvements) to raise revenue. In Australia, this revenue has for the most part been redirected into expenditure on local government services – roads, drainage, rubbish collection, libraries, local health matters and the like.

The State of Victoria in recent years has attempted a rationalisation of government services and infrastructure. This is a familiar story in the rest of Australia, and of course elsewhere around the globe. If we look back some five years or so there were some 300 individual government/local government rating or property taxing organisations. These comprise the State Government itself, together with numerous water and sewerage authorities, with by far the largest number of authorities being the local government bodies – i.e. local councils.

The past 5 years has seen many of these councils amalgamate to become super councils by comparison to what they were. Compared to some countries, many of the councils would be tiny, but the amalgamations were a big deal when they were occurring. Clearly this presentation is focusing on rating and taxing, and one can imagine the confusion and inconsistencies, and apparent inequities that arise when councils that might be rating at different levels, using individual systems, and have separate staff are melded together to form a larger ‘homogenous’ area. Issues over levels of resources being applied equitably across the super council areas were of concern. It is not difficult to appreciate the problems of councils that had say half the municipality with good roads and the other half with poor roads – should all ratepayers contribute equally to the upgrade of the poorer area?

The outcome of the amalgamations saw a total of 78 councils created from the 258 previously existing councils. Municipalities range in size from the numerically smallest rural areas of about 7000 properties spread over a large physical area, to the bigger metropolitan councils of around 100,000 properties.

These councils are the principle land based rating organisations in Victoria and are the authorities responsible for setting the levels of value- Site Value, Capital Improved Value, and Net Annual Value, upon which they, and any other authority must base their rates or taxes.

Two years ago it was decided that greater uniformity was to be introduced into the rating and taxing processes, and these processes would be standardised across the State. At that time, and until June 2000 rating valuations may be set at different base dates and this causes great problems for authorities that tax state wide, as indexes and adjustment factors have to be included when trying to rate equitably across councils that have different levels of value. Legislation of April 1998 prescribed that valuation processes were to be standardised and valuations were to be completed every two years, and all councils would set values based on a common date. Presently there is some uniformity in date and frequency of valuations, but this is by no means total. The new standardised system will see every council set rates based on the level of value of land at 1st January 2000, and are to be in place for rates and taxes to be levied on 30th June 2000. In

addition the State effectively prescribed the minimum requirements for a general valuation, and all councils are now attempting to meet these requirements.

‘Valuation Best Practice’ is the process that has been declared by the State as the standard for the operation of all rating and taxing valuation systems. Best Practice is in fact set out in a document of that name and has been supplied to all councils, valuers and persons interested in rating and taxing valuations. The document is quite specific and comprehensive in what it requires of various parties involved in the whole valuation process. The mainstay of Best Practice is that all valuations must be undertaken by electronic means (i.e. computer). Best Practice does not blatantly specify that a computer must be used in the actual valuation but requires electronic supply of data in certain forms and the only efficient way of doing this is to use a computer from start to finish. Whilst to many this concept was of no major consequence, for some it was and is a real problem.

The dilemma in this whole concept of Best Practice and standards etc. is that there was no council currently meeting Best Practice. A small number, about four, could have been considered close, but most were and still are, a long way from Best Practice. The legislation really caught most municipalities and valuers off-guard. Whilst all new, it was coming and had been discussed at different levels for some years, when the State seemingly jumped up and legislated, many were stunned. The drama for most councils was that they did not have the information that was needed to run a Best Practice compliant valuation process. As we will see below, Best Practice specified a range of material to be collected and dealt with, and nominated the way in which much of this was to be actually treated. As we speak here today I am not aware of any council that has a fully operational Best Practice system, although some have almost achieved it.

One of the contributing factors to the problem was, and really still is, that there is yet no Best Practice compliant software in place. There are two small software developers who, together with valuers, have systems working, however these are really built as custom products to convert valuation programs and data that was already being used. Two major local government software suppliers are racing to deliver Best Practice programs, although the delivery dates keep getting deferred.

Prior to the Best Practice legislation coming in to force the Department of Natural Resources (the government department responsible for Best Practice and government related valuation issues), approached the Property Studies Education Unit, a commercial unit within the Property Group, Faculty of Business at RMIT, to run a series of briefing workshops for valuers and councils on Best Practice. These two-day workshops were held in early 1998, and attended by representatives from councils and contract valuers. An outcome of these workshops was the massive concern, almost visible panic in some cases, that no systems then existed that were any where near Best Practice compliant, yet councils were being forced to adopt this new process. Following quite vocal and some aggressive meetings with interested parties, the Department of Natural Resources decided to at least partly overcome the problem by sponsoring the development of the first stage of a Best Practice system.

In May 1998 the Department approached the Property Studies Education Unit (PSEU) to develop the first part of best Practice system. What was to evolve was a data capture program that complied with Best Practice, and allowed councils and valuers to get on with the job of data collection necessary in progressing towards June 2000.

The PSEU was fortunate in having a strong working relationship with Dr. Hugh Williams of RMIT's Computer Science Department, and employed Hugh to help us effectively handle the problem. The outcome of many hours of programming, and the related sleepless nights was the development of RIVal. This is an RMIT Best Practice compliant data capture program that not only met Best Practice, but also matched the requirements of the State Revenue Office in its need for information to equitably apply a State based land tax on many properties. As an aside to this presentation, it was amusing to sit in at meetings of the State Revenue Office (Land Tax) and the Department of Natural Resources and hear each of them telling the other what should be in their respective systems/requirements. The PSEU ultimately was contracted by the State Revenue Office to research and deliver a confidential report on the relationship and payments of money to local government by the Office.

RIVal contained the elements of Best Practice that are shown on the attached extract from the manual.

Whilst there are 68 elements of information, when looked at closely it can be appreciated that many of the elements can have a number of parts – rural property improvements for example can lead to a huge number of entries.

As the system is intended to be uniform across the state, RIVal had to be built to take into account all the conceivable elements of all likely properties that it would come across. In reality that is virtually impossible, particularly considering the time constraints imposed on delivery of the program. Ultimately RIVal has been built so that its appearance, and data elements cannot be altered by users. Drop down boxes have been included for almost all data elements to allow uniform insertion of information. In some cases these boxes can be customised to suit particular needs – for example an urban municipality would have little need for much of the rural information.

RIVal was supplied by the Department of Natural Resources to every council and interested valuers and contractors in Victoria. In total some 200 copies of RIVal have been distributed.

In operation, information can be downloaded into RIVal from existing council databases.

The ease, or perhaps better expressed as the difficulty, with which information is transferred depends upon the quality of data held, and the actual way it is stored. For example in the address fields, RIVal separates 'Street' and 'Street Number', whereas many councils have this as one field. Obviously this can be corrected on download, but councils need to ensure all this is monitored properly.

RIVal is built with the valuer in mind. It is fieldwork friendly, runs on a laptop, and does not require a mouse for operation. To minimise the need for field insertion of data on a one off basis, RIVal has the capacity to have many of its fields populated by default. For example a council may not have information on house wall material – if the area is predominantly brick the program can default the sub-market group to brick. In these cases, the valuer would need to alter only the weatherboard houses.

Many of the features of RIVal are best explained by demonstration:

Here follows a demonstration of the RIVal Rating Valuation Data Capture Program.

Conference participants then view and discuss the samples of the RIVal program screened at the session. The electronic version of this paper includes a full copy of the RIVal program. Conference participants are welcome to view, and demonstrate this program. Commercial use of the program must first be discussed and agreed with RMIT. Contact john.leigh@rmit.edu.au.

Once installed, the program can be opened by selecting any of the fields in the 'Street Selection' screen and entering * into that selection, then press the ENTER key twice. Workshop manuals and training may be purchased from RMIT Property Group.