

Commission 9 – Valuation and the Management of Real Estate

Work Plan 2011-2014

1. Title

Valuation and the Management of Real Estate.

2. Terms of Reference

- Valuation, being the estimating of value of all kinds of real estate by valuers and appraisers for various purposes, including market value, property taxation, eminent domain, investment, redevelopment and refurbishment, and for both public and private purposes;
- Investment in real estate, investment planning and real estate investment vehicles;
- Real estate finance, development finance, land use feasibility planning;
- Real estate economics, markets and market analysis;
- Management of all kinds of real estate at all levels;
- Asset management for corporate private and public sectors;
- Management of the use of buildings to ensure optimum benefits to occupiers.

3. Mission Statement

The mission of Commission 9 is:

- To advance the professional practice of valuers and property managers working in all areas of real estate valuation and management;
- To research and publish “best practice” for the benefit of valuers and property managers in different jurisdictions and sectors of the industry, for the benefit of the surveying community and to improve our services to the wider public;
- To facilitate and generate the exchange of information, knowledge and experience between surveyors for the benefit of the profession, our clients and the wider public;
- To publicise and promote the work of surveyors to the public, particularly to young people, governments and non-government organisations and to enhance their perception of the value of surveyors and the services they can deliver, especially in support of the global sustainability agenda and the Millennium Development Goals;
- To co-operate and work with fellow surveyors in all specialisms of the profession to further the objectives of FIG.

4. General

This work plan focuses on three highly relevant themes. Property taxation recognises the social and economic value of real estate and provides revenue which (normally) funds public services, for the benefits of the wider community. Commission 9’s Working Group 9.1 comprises three study groups which focus on three increasing important areas of study: the choice of tax base (9.1A); the use of mass appraisal valuations (9.1B); and successful and

efficient tax systems for emerging economies (9.1C). Each of these addresses international and pressing issues in the use of property taxes for the benefit of local communities and demonstrates an important opportunity for FIG to use the international experiences of its members to contribute to and inform the global debate on property taxation.

Following on from the highly successful previous four years work on compulsory purchase and compensation, Working Group 9.2 will investigate the issue of land grab – a highly topical and controversial issue which is causing international concern, as well as severe individual and social hardship in relevant communities. It is anticipated that this work should link into the interests of the wider international community, thereby providing opportunities for inter-organisational collaboration.

It is well recognised that, within both the residential and commercial worlds, the asset with the largest single value is likely to be real estate. All sectors of the global and local communities, therefore, rely on valuation and management advice to achieve the optimum use of their land and buildings and to ensure that such assets continue to provide a suitable and adequate ‘setting’ in which other activities can take place, as well as maintaining or increasing their monetary value to the owners, occupiers and the wider community who rely on such asset values for pension rights and collateral, amongst other things. Recently, attention has focused on the role of the public sector and how it manages real estate assets on behalf of the community. Working Group 9.3 will investigate the management of public property assets in developing countries with a view to presenting guidelines on best practice for the public sector management community.

5. Working Groups

Working Group 9.1 – Property Tax

Policy issues

Property taxation is ubiquitous – there are very few countries which do not impose some kind of tax specifically on land and / or buildings. It is usual for such a tax to be levied, collected and spent by local authorities, even if the rate of tax is fixed by a higher tier of government, but this is not always the case.

The working group will comprise three study groups, the work plans of which are presented below.

Study Group 9.1.1 – Tax Bases

Policy issues

Land taxation policy includes many aspects.

- On the one hand, land taxation should bring fiscal revenues. Which tax base is most easy to administer and to assess? Which tax base is justifiable? Which brings sustainable and high fiscal revenues? Will the tax be accepted by the tax payers? Particularly for valuation purposes it has to be asked whether the tax is levied annually and in a comprehensive way (as the property tax) or only occasionally (e.g. betterment tax). Does it make sense to use the same tax base and the same valuation methods for different sort of taxes (land taxation, income tax, property transfer tax)? Especially if the tax is levied annually and in a comprehensive way, mass valuation is necessary. Mass valuation always

faces a trade-off between efficiency and justice. Hence, group 9.1. A will work in close co-operation with group 9.1.2.

- On the other hand, aspects beyond fiscal revenues also have to be considered. Land taxation is discussed more and more as a tool for land use policy and settlement policy. It is required to support land use planning and ecological targets. Is there any trade off between the targets to be taken into account? Are there any distortions of the market to be considered? These and other questions need systematic analysis and examination. Maybe different answers have to be given for different institutional environments.

Moreover, different countries have different stages of institutional development and governance. Is there one size that fits all? Or do different stages of development, different cultures etc. have to be taken into account?

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Specific projects and workshops:

Basically compound tax bases or only the taxation of unimproved land is possible. The tax might be based on the value of property or on auxiliary tax bases, e.g. the size of a plot.

Research objects:	Value	Auxiliary tax base (e.g. size)
Land (as isolated tax base)	Site value tax Betterment tax (Income tax)	Site tax
Land and building (as compound tax base)	Property tax (Property transfer tax) (Income tax)	Simplified property tax

Based on this understanding, workshops shall assess the subsequent topics:

- Support of land use planning:

Land taxation may pursue other purposes than only fiscal revenues. Some tax bases may support the planning system, others may set disturbing incentives. Hence, urban sprawl etc. might be supported, which is not desirable for many (in particular ecological) reasons. Regarding alternative tax bases, the subsequent research questions should be asked:

- Is the planning supported or foiled by the tax (base)?
- What are the incentives in regard of ecology (uncontrolled development, urban sprawl etc.)

- Distribution and justice:

It has to be analyzed whether a tax base is lifting prices and rents or gives pressure on them. Can the tax be shifted (distribution impacts)? The impacts on distribution and social consequences have to be assessed. Furthermore, tax bases have to be analyzed in terms of equity: Do they put in place systematically advantages or disadvantages for certain groups? A just tax base would treat all tax payers equal. Efficiency affords simplifying methods. On the

other hand, a just valuation needs to be accurate. How much simplification is just and reasonable without a violation of the essential principle of equality in taxation?

- Effects on the (real estate) markets

Are there any distortions of the market to be considered (e.g. a tax wedge)? Is the economic activity stimulated or hampered? Which are the impacts on the transaction volume of land and buildings? Is the construction industry blocked or supported?

- Tax revenue

Which tax base is most easy to administer and to assess (applicability for mass appraisal, close cooperation with group 9.1 B)? Which tax base is justifiable? What valuation methods are favorable for which kind of property and for which circumstances? Which tax base brings sustainable and high fiscal revenue?

- Justification

A land tax is always an attenuation of property rights. Hence, it needs a sound justification. Which tax might be justified best? What is the experience with courts in different countries?

- Evidence

The group has to look for evidence and to collect experiences.

- Value concepts / international comparison: Does it make sense to base different kind on taxes (income tax, inheritance tax, property tax) on the same value concept and on the same assessment methods?
- Empirical evidence: Collecting and analyzing experiences from different countries.
- What institutions have to be built up in order to implement the FIG-recommendations?

Publications

- Technical papers presented in annual meetings
- Final report and FIG Guidelines at FIG congress

Timetable

- 2011: Discussion of basic issues and allocation of tasks
- 2012 – 2013: research papers for Technical Sessions
- 2014: First draft of FIG recommendations and FIG guidelines
- 2015: Presentation of final FIG recommendations and FIG guidelines

Beneficiaries

All FIG member organizations, UN, other professional international and national organizations, agencies and governments.

Study Group 9.1.2 – Mass Appraisal Systems

Policy issues:

- Valuers contribute to an efficient, effective and socially acceptable property tax in their role as assessors of the tax base. Technical valuation skills support appropriate methodologies, in particular, the use of Computer Assisted Mass Appraisal (CAMA) techniques, as well as ensuring improved access for the public to relevant information, advice and data.

- However, the use of mass appraisals involves a degree of technical skill and knowledge which is beyond the understanding of the average taxpayer and which may involve a trade-off between efficiency and ‘justice’. This therefore imposes an additional responsibility on the valuation profession to ensure that the highest degrees of equity and ‘fairness’ are achieved within the limitations of the technology, and that acceptable levels of explanation and reassurance are available to all parties, particularly taxpayers.
- This working group will investigate and publish appropriate guidelines for the development of mass appraisal techniques to support property tax assessments, including the appropriateness original data sources (property characteristics, sales, rents, yields, costs asking prices, or valuations) and of indices to monitor the property market, which will be particularly useful during the current economic climate.

Chair

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Workshops/Seminars:

- Not yet discussed.

Publications:

- FIG reports, focusing on guidelines as to how best to develop, manage and implement mass appraisal techniques.

Timetable:

- Not yet discussed.

Beneficiaries:

- Increasingly, property tax systems around the world are developing, implementing, and refining mass appraisal techniques to support tax assessments with the overall scope to generate public income to provide public services for the benefit of the community. By doing this, there is a multi benefit effect, due to the fact that these assessments can also be used as the basis to support single property valuations by private or public bodies for advisory purposes, for Capital Gains Tax Assessments, for Transfer Fee assessment, for compulsory purchase purposes, as well as to publish property indices in order for the property market to be more transparent and efficient. . Thus, the outcome of this working group will support such initiatives as well as providing local authorities/municipalities, valuation standards organisations and those international organisations with an interest in securing equitable, effective and efficient public services for increasingly sustainable communities. While focusing on the needs of property taxation, this investigation into mass appraisal techniques will also benefit mortgage lenders who use such techniques in their assessment of loans and in monitoring the fluctuations of the property values and where appropriate to take precautionary measures either at booming or recessionary times. Also benefiting will be FIG member organisations, UN and other professional international and national organisations, agencies and governments and local authorities.

Study Group 9.1.3 – Successful and Efficient Taxation Systems for Emerging Economies

Policy issues:

- This working party will investigate property tax systems in emerging economies focusing on a case study approach, seeking examples of best practice.
- Regions of interest for the sourcing of case studies are likely to be South America, and potentially Africa and Central and Eastern Europe, depending on interest and data availability.

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Workshops/Seminars:

- To be decided.

Publications:

- An FIG report proposing guidelines for emerging economies to achieve a stable and sustainable property tax system.

Timetable:

- To be finalised.

Beneficiaries:

- Beneficiaries of this research will be central and local governments in emerging economies as well as property valuers / assessors, taxpayers and the wider community. Valuers and assessors from developed countries should also find the output of benefit, as should international organisations with an interest in the wider effects of property taxation to support such economies. All FIG member organisations, UN and other professional international and national organisations, agencies and governments will also benefit.

Working Group 9.2 – Large Scale Land Acquisition for Agriculture

Policy issues:

- This working party builds on the earlier of 2007-2010 Working Group 9.1 (Compulsory Purchase and Compensation in Land Acquisition and Takings, led by Professor Kauko Viitanen), which has resulted in the Hanoi Declaration (FIG Publication 51) and the Compulsory Purchase and Compensation. Recommendations for Good Practice (FIG Publication 54).
- There remains an appetite within the Commission 9 delegations to continue FIG work in this area and, of increasing international concern is the related topic of land grab, being the acquisition by foreign corporates of productive farmland from indigenous land holders. Certain international organizations has expressed concern about the possibility of exploitation.

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Co-Chair
Not yet identified

Workshops/Seminars

- To be decided.

Publications:

- An FIG report on the relevant experiences, problems and, in particular, proposed solutions for the underlying issues.

Timetable

- To be confirmed..

Beneficiaries

- Given the level of impact on the food productive capabilities of the ‘host’ country, issues of food availability and pricing, as well as human rights mean that this topic will have relevance for international organisations, including the FAO and the World Bank, as well as corporate purchasers (concerned about their global ethical reputation) and members of communities which are adversely affected by the long term effects of land grab. This work therefore has huge relevance for FIG, as an organisation, FIG member organisations, and UN and other international organisations.

Working Group 9.3 – Management of Public Property Assets in Developing Countries

Policy issues:

This working group will investigate fixed public property assets within developing countries with a view to establishing how such real estate assets are managed and to develop “best practice” guidance within such environments. This working group will focus on management issues, rather than legal frameworks (which vary between countries); and it will not cover the technical, computer tools involved in management.

The programme will cover three components:

- documentation, defined as the permanent process of collecting, preparing, evaluating, and updating of the necessary information. The working group will seek to define a generalised and simplified data structure for fixed public assets in combination with recommendations for a professional inventory system;
- administration, to define the needs, duties and responsibilities of a property management unit in public administration (principles, tasks, organisation, equipment, personnel etc.). This will reflect on the clients of property management and their needs; the organisation of processes; and the definition of the interfaces to the clients and other processes; and
- operation of public properties. Recognising that the operational costs during the life cycle of real estate are higher than the original construction costs, the working group will consider the following issues:
 - the principles/responsibilities of public/corporate real estate management;
 - optimising the use of public properties;
 - optimise/reduce the operational costs (e.g. cleaning, maintenance, rebuilding, energy, waste, insurance, security catering);
 - optimisation of occupancy;
 - development/redevelopment of public properties;

- increasing economic revenues;
- capacity building of staff;
- cost transparency; and
- the creation of a consistent documentation system for the operating processes.

Chair

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Members of this group should ideally consist of those experienced in property asset management from both developed and developing countries. They should be willing to participate and contribute to the group's programme based on their experiences in property asset management.

Workshops/Seminars:

- Not yet discussed

Publications:

- FIG report with Guidelines for public property asset management in developing countries, based on the experience of the group members, available literature and other contributions.

Timetable

- FIG report will be launched in 2014 in Kuala Lumpur

Beneficiaries

- Beneficiaries of this research will be public sector asset managers in developing countries as well as their client owners, occupiers and the wider community, as well as all FIG members and UN and other international agencies and investors. Property asset managers from developed countries should also find the output of benefit, as should international organisations and investors in public sector assets.

6. Co-operation with Other Commissions and organisations

Commission 9 will support and contribute to FIG task forces, to the Standards Network and, in particular, to the Young Surveyors Network. In addition, where useful, links will be developed with both the World Bank and FAO. It is envisaged that such international organisations will be particularly interested in the work of the Working Group 9.1 (Property Taxation) and 9.2 (Land Grab). The possibility of joint events will be investigated.

7. Co-operation with United Nation Organisations, Sister Associations and other Partners

Commission 9 is co-operating with FAO and UN-HABITAT on Commission 9 related issues.

Commission will investigate co-operation opportunities with a range of relevant international organisation, including the Internal Property Taxation Institute (IPTI), International Association of Assessing Officers (IAAO) and the Lincoln Institute of Land Policy.

8. Commission Officers

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