

Welcome to the second of our three issues for volume 24 of the *Journal of Financial Management of Property and Construction (JFMPC)*. You may have noticed that moving forward the issues comprise a minimum of seven papers, reflecting the growing number of submissions that *JFMPC* is receiving. We thank our authors and our reviewers for continuing to help increase the journal's presence in this way.

I would like to take the opportunity of this Editorial to do several things. The first of these is to thank Professor William McCluskey, African Tax Institute, University of Pretoria, South Africa for his role as Guest Editor for this Special Issue. William has long experience in both academia and policy consultancy, with a global reach that would be hard to match and even harder to detail against our Journal word limits! He is at the forefront of his field and is playing a significant role in setting the agenda for property tax policy and practice internationally. We have been very lucky to have him curate this special issue – so a big thank you from the Editorial team!

The second thing I would like to do is pass on my great thanks to my recently departed editorial colleagues, Professors Akin Akintoye and Gary Holt. Akin was involved in the Journal from relatively early in its life and was instrumental along with the founder Dr Jim Birnie in building its reputation, notably in the area of construction research. He was a great editorial colleague after I joined the Journal and provided excellent leadership along with valued advice and friendship until his recent departure. Gary joined the Journal shortly after me and was a real rock for team at that time of transition and beyond. Gary provided incredible editorial judgement and drove the high standards which have helped the Journal retain and restate its leading role in the field. I personally was very sad to see them leave the editorial team. On behalf of myself and the Journal team, I wish them all the best in their current and future endeavours and I look forward to future dealings in their capacity as Editorial board members, authors, reviewers and as ongoing supporters of the Journal. I have particularly enjoyed fishing for Salmon and Trout with Gary's exquisitely hand tied flies! So, thank you to Akin and Gary for all that they have done for the Journal and best wishes for the future!

Finally, I would like to formally welcome on to the Editorial team Kaushal Keraminiyage who has taken over as Editor for Construction. I first met Kaushal on my annual trip to Salford as external Examiner and it is with great pleasure that I welcomed him to the team. Kaushal is a very active and respected academic in his field and has brought insight, judgement and commitment to the role. It is also very pleasing to re-establish the link between Ulster University and the University of Salford, which was first established during a joint Conference to bring together the two disciplines of Property and Construction, which eventually led to the Journal being created. It is doubly poignant that the Guest Editor of this issue, Billy McCluskey, was one of the organisers of that conference, much earlier in his career! So – welcome Kaushal and may we look forward to many years of future success of the Journal to match those that have gone before.

Peadar T. Davis
SCOB, University of Ulster, Belfast, UK, and
Kaushal Priyankara Keraminiyage
University of Salford, Salford, UK



This special issue of the journal brings together seven papers that have a common theme in terms of property taxation. The property tax is widely used as a revenue-raising instrument in almost all countries in the world. Its level of importance varies considerably, between

developed countries where property tax as a percentage of GDP is around 3-4 per cent. For countries in the OECD, the average is around 1 per cent, and for developing countries, the average is around 0.5 per cent. Some of the biggest challenges facing countries or jurisdictions relates to the administration of the property tax, particularly in terms of the use of manual systems. The lack of investment in ICT to support administration is a key problem. For some countries the continued use of a value based property tax is problematic given the lack of a robust and transparent property market, the lack of valuers and the effects of high transfer taxes which tend to result in under-declaration of transaction prices.

The range of papers in this special issue includes the application of advanced valuation models using artificial intelligence and techniques to evaluate the performance of the valuation model in terms of equity. In addition, papers contribute to the importance of the property tax and issues around the administration. Finally, valuable contributions are made in terms of the impediments to countries wanting to develop value based property tax systems, the role of land value capture in revenue raising and the local role played by the property tax.

The opening paper is provided by *Fjeldstad, Ali and Katera*. Their paper goes to the heart of the debate concerning municipal finance in the developing world. As the authors attest, there are considerable ongoing challenges and debates concerning the relative merits of local or centralised administration of key revenue sources such as the Property Tax. Prevailing orthodoxy considers that key revenue sources such as the property tax should be decentralised “own source” revenues, whilst acknowledging that central administration can provide much needed efficiency and administrative capacity. They examine reform in an East African context which has moved towards a re centralisation, reporting mixed success and distilling out some key policy messages. Such insights from acknowledged subject and region experts should be of great value to policy makers and academics alike.

The second paper from *Radvan* takes a more focussed look at a particular policy area which is of broad interest – the interface between charging for individual municipal services (in this case waste collection) and the broader property tax – asking the question as to whether, in the Czech case, they are complimentary or cannibalistic in terms of their effect on municipal finance. The author examines the extent to which municipalities have reduced or removed one to expand the other. This is of broader interest, as many commentators argue that where individual charges can be levied, they should be, with the property tax “sweeping up” the remainder of the municipal cost burden. Many jurisdictions are grappling with these issues and this paper provides some much needed empirical evidence to inform this debate.

The third paper by *Grover, Walacik, Buzu, Gunes, Raskovic and Yildiz*, provides valuable case study evidence on the challenges facing the introduction of value based property taxes to replace area and inventory based tax bases. The many advantages of value-based systems are offset to an extent by the challenges facing jurisdictions in maintaining accurate valuation lists and the challenge of capturing the market transactional evidence that underpins such valuations in what are frequently opaque markets. The research suggests that these problems can be overcome in the market settings it examines and inquires why there is such little appetite for facing these challenges.

The fourth paper, provided by *Nyabwengi and K'Akumu*, provides an in depth case study of the Property Tax base in Nairobi, one the major municipalities in East Africa. Nairobi, like other cities in Africa, has undergone a significant economic renaissance in recent years, with considerable urban development taking place. Despite this, it has struggled to revalue the existing land value tax base, which is now significantly outdated,

and has not embarked upon any significant modernisation towards a value base. The paper examines in detail the factors contributing to this apparent hiatus.

The fifth paper, by *Mangioni*, takes the focus towards an important potential revenue source for municipal finances, one which has been gaining considerable attention in recent years. Value capture taxation related to infrastructure developments has been a valuable source of infrastructure finance in South American metropolitan jurisdictions and is increasingly seen as a solution elsewhere. This paper looks at the potential of the approach in an Australian context, providing key insights in how both developed and developing cities can harness the considerable wealth created by public investments.

The sixth paper by *Oshodi, Thwala, Odubiyi, Abidoye and Aigbavboa* provides insight into another strand of concern in operating property taxes – efficient and effective assessment of the values making up the tax base. The paper investigates one of the emerging “cutting edge” approaches which harness recent advances in machine learning – Neural network analysis. The research applies the approach to a data set drawn from Cape Town in South Africa. It highlights the increasing feasibility of such methods generally and shines a light on some of the particular value influencers in the selected market.

The final paper from *Bidanset, McCord, Davis and Sunderman* also looks at this area of tax base assessment, but from a spatial econometric perspective and with a particular focus on attempts to reduce vertical and horizontal inequity. Location is widely recognised as a fundamental component of property valuation. This research harnesses absolute location within a geographically weighted regression and examines how this allows attribute to vary locally to achieve more accurate valuations and better performance against standard (IAAO and other) tests for inequity. These explorations of advanced assessment methodologies are vital to demonstrate efficacy and to foster an environment of confidence which will facilitate their future adoption by tax authorities seeking solutions to often-intractable valuation challenges.

William McCluskey
University of Pretoria, Pretoria, South Africa