

City of Johannesburg Council 2021-03-24/25

COJ : MAYORAL COMMITTEE 2021-03-16

HOUSING

10 AMENDMENT OF TARIFF CHARGES IN RESPECT OF RENTALS AND CHARGES FOR COUNCIL OWNED, RESIDENTIAL STOCK ADMINISTERED BY THE HOUSING DEPARTMENT FOR THE 2021/22 FINANCIAL YEAR

1 STRATEGIC THRUST

Financial Sustainability and Resilience
Sustainable Human Settlement

2 OBJECTIVE

The objective of the report is to table the proposed amendment of the rental tariffs in respect of Council Owned Rental Stock that is administered by the City of Johannesburg Housing Department subject to inputs from public participation processes.

3 SUMMARY

The Council's residential rental stock is administered by the City of Johannesburg Metropolitan Council (CoJ) Housing Department and Johannesburg Social Housing Company (JOSHCO). This report is however restricted to the Council owned rental residential units that are administered by the Housing Department.

The Council owned rental units are rented out (leased) to qualified tenants who are required to sign a lease agreement that outlines duties and obligations of tenants and that of CoJ Housing. Currently CoJ Housing is administering, with 10,423 billable rental units made up as follows:

- 2052 Old Age Retirement Rental Units comprising of single units and double units respectively. A **double** unit is a bigger unit intended to accommodate two pensioners who are married.
- 5171 units comprising of Flats, Duplex flats and Row houses.
- 3200 of Public Hostels by means of beds.

| Typology | Description & Unit no. | Description & Unit no | Total |
|----------------------------|------------------------|-----------------------|--------|
| Old age homes | Single units 1693 | Double units 359 | 2052 |
| Flats, duplex & row houses | Flats & Duplex 4349 | Row houses 822 | 5171 |
| Public hostels | Beds 3200 | | 3200 |
| Grand Total | | | 10 423 |

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In addition, Housing Department is administering Staff Hostels that are meant to accommodate the General Workers of the City of Johannesburg municipality including those that are employed by the Municipal Owned Entities (MOE.s).

The tariffs are in line with the City's rental principles as guided by the Budget office in terms of the inflation increase.

Table 1 Proposed Rental tariffs

| Rental Tariffs Charges | | | | | |
|----------------------------------|---------------------|-----------|-----------|-----------|-----------|
| Rental tariffs for Housing | | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
| | Typology | Current | Proposed | Proposed | Proposed |
| | | | 4.30% | 4.40% | 4.50% |
| Old Age retirement Home | Single Unit | 180 | 188 | 196 | 205 |
| | Share facility unit | | | | |
| | Double Unit | 360 | 375 | 392 | 410 |
| | | | | | |
| Other Typologies | | Current | Proposed | Proposed | Proposed |
| | | | 4.30% | 4.40% | 4.50% |
| Flats | Bachelor | 358 | 373 | 390 | 407 |
| | 1 bedroom | 613 | 639 | 667 | 698 |
| | 2 bedroom | 630 | 657 | 686 | 717 |
| | 3 bedroom | 769 | 802 | 837 | 875 |
| Duplex flats | 1 bedroom | 636 | 663 | 693 | 724 |
| | 2 bedroom | 653 | 681 | 711 | 743 |
| | 3 bedroom | 1158 | 1208 | 1261 | 1318 |
| Row Houses | 1 bedroom | 636 | 663 | 693 | 724 |
| | 2 bedroom | 653 | 681 | 711 | 743 |
| | 3 bedroom | 1158 | 1208 | 1261 | 1318 |
| Free Standing Row Houses | 2 bedroom | 653 | 681 | 711 | 743 |
| | 3 bedroom | 1158 | 1208 | 1261 | 1318 |
| Public Hostels | 1 bed | 73 | 76 | 79 | 83 |
| | Family units | 410 | 428 | 446 | 467 |
| MBV, Moth and Old, Perm building | 1 bed | 146 | 152 | 159 | 166 |
| Staff Hostels | Single bed | 1222 | 1275 | 1331 | 1391 |
| Staff Hostels family units | 1 bedroom | 1391 | 1451 | 1515 | 1583 |
| | 2 bedroom | 1822 | 1900 | 1984 | 2073 |
| | 3 bedroom | 2038 | 2126 | 2219 | 2319 |

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5 POLICY IMPLICATIONS

The proposed tariffs are in line with the City of Johannesburg's budget guidelines and principles that state that the rental tariffs should be equitable and affordable.

6 LEGAL IMPLICATIONS

The report has been prepared in consultation with Legal and Compliance Departments to ensure compliance with all relevant legislations. The City of Johannesburg has legislative powers in terms of Section 11(3)(i) of the Municipal Systems Act, 2000 (Act 32 of 2000) read with Section 10G(7) of the Local government Transition Act, 1993 (Act 209 of 1993) as amended with Section 80 (B) of the Local Government Ordinance, 1939 to levy and amend Tariffs of Charges in respect of any function or service of the municipality.

It must, nonetheless, be pointed out that in terms of Section 28 (6) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) the new tariffs as proposed shall be determined in respect of the 2021/22 Financial Year and shall not be increased during the said financial year, except when required in terms of a financial recovery plan as contemplated in the Act. For that reason it is essential to ensure that the proposed determination complies with the budgeted needs of the Council in respect of the 2021/22 financial year.

7 FINANCIAL IMPLICATIONS

The current rental charges in respect of Council owned residential stock shall be increased by 4.3% for the 2021/22 financial year and new tariffs shall also be applicable to all tenants, with inclusion of old age homes.

The 4.3% increase in rental tariffs will have the same significant financial implication as the increase is in line with expected increase in running costs of Council owned rental units.

8 ECONOMIC IMPLICATIONS

(1) Economic Development Initiative/Projects

Provision of affordable rental accommodation to the vulnerable members of the community as a social development initiative

(2) Job Creation

The Job creation is achieved by sourcing vendors/suppliers from supplier chain database in line with CoJ SCM policy guidelines. Suppliers/vendors are required to utilize local labour when they do business with the CoJ.

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(3) Skills Development

Suppliers/vendors are required to utilize local labor when they do business with the CoJ.

9 COMMUNICATIONS IMPLICATIONS

The relevant information regarding the amended tariffs will be communicated to all role players in the manner prescribed by Municipal Finance Management Act and Municipal Systems Act.

IT IS RECOMMENDED

- 1 That in terms of Sections 11(3)(i) and 75A (1) of the Local Government: Municipal Systems Act 2000, (Act 32 of 2000) as amended, read with Section 16(2) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), the City of Johannesburg declares its intention to amend with effect from 1 July 2021 its Tariff of Charges:**

For: Amendment of Tariff Charges in respect of Rentals and Charges of Council Owned Residential Stock as set out in Annexure A.

- 2 That in terms of Sections 17(3)(a)(ii) and 22(a)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and Sections 21, 21A(1) and 2 of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, the City of Johannesburg:**

- (1) Display the notice and the documents and notice in the manner prescribed;**
- (2) Seek to convey to the local community by means of radio broadcasts covering the area of the City, the information contemplated in Section 21A(c) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended; and**
- (3) Publish a notice in the manner prescribed and invites the local community to submit written comments or representations in respect of the City's declared intention to amend or determine Tariffs of Charges.**

- 3 That, if no objections are received, the amended Tariff of Charges be published in the Provincial Gazette and be effective from 1 July 2021.**

- 4 That a report be submitted to a relevant Section 79 Committee for comments.**

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- 5 That in terms of Section 22(b)(i) and (ii) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003) a copy of the notice and documents be sent forthwith to the National and Provincial Treasury; MEC for local government; as well any other organ of state or municipality affected by the budget to solicit their views.**

- 6 That the Executive Director : Finance in conjunction with Director: Legal and Compliance, in consultation with the Council's relevant Departments and all interested parties, report on the comments received in terms of Paragraph 2 above with recommendations on the final draft of the Tariffs of Charges for approval.**

(HOUSING)
(M Buthelezi)
(Tel. (011) 018-6741)
(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM

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HOUSING**ANNEXURE A****CITY OF JOHANNESBURG****AMENDMENT OF TARIFF OF CHARGES IN RESPECT OF RENTALS AND CHARGES FOR COUNCIL OWNED RESIDENTIAL STOCK ADMINISTERED BY THE HOUSING DEPARTMENT OF THE CITY**

In terms of Sections 17(3)(a)(ii) and 22(a)(i) and (ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) and Sections 21(1) and (3), 21A and 75A(3) and (4) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, it is hereby notified that the City of Johannesburg has, in terms of Sections 11(3)(i) and 75A(1) and (2) of the Local Government: Municipal Systems Act, 2000 (Act 32 of 2000) as amended, read with Section 24(2)(c)(ii) of the Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003), determined its rental tariffs in respect of rentals and charges for Council owned residential stock administered by the City's Housing Department with effect from 1 July 2021.

The following tariffs will be effective as from 1 July 2021:

Table 1 Proposed rental tariffs

| Rental Tariffs Charges | | | | | |
|-----------------------------------|---------------------|------------------|------------------|------------------|------------------|
| Rental tariffs for Housing | | 2020/2021 | 2021/2022 | 2022/2023 | 2023/2024 |
| | Typology | Current | Proposed | Proposed | Proposed |
| | | | 4.30% | 4.40% | 4.50% |
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| | 2 bedroom | 630 | 657 | 686 | 717 |
| | 3 bedroom | 769 | 802 | 837 | 875 |
| Duplex flats | 1 bedroom | 636 | 663 | 693 | 724 |
| | 2 bedroom | 653 | 681 | 711 | 743 |
| | 3 bedroom | 1158 | 1208 | 1261 | 1318 |

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| | | | | | |
|---|--------------|-------------|------|------|------|
| | | | | | |
| Row Houses | 1 bedroom | 636 | 663 | 693 | 724 |
| | 2 bedroom | 653 | 681 | 711 | 743 |
| | 3 bedroom | 1158 | 1208 | 1261 | 1318 |
| Free Standing Row Houses | 2 bedroom | 653 | 681 | 711 | 743 |
| | 3 bedroom | 1158 | 1208 | 1261 | 1318 |
| Public Hostels | 1 bed | 73 | 76 | 79 | 83 |
| | Family units | 410 | 428 | 446 | 467 |
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| Staff Hostels | Single bed | 1222 | 1275 | 1331 | 1391 |
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| | 2 bedroom | 1822 | 1900 | 1984 | 2073 |
| | 3 bedroom | 2038 | 2126 | 2219 | 2319 |

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TITLE OF THE REPORT

1) **Purpose of the Report:**

The purpose of the report is to propose the amendment of the tariffs in relation to all categories of council owned rental stock other than Old Age Retirement units by 4.3% effective from 1 July 2021.

2) **Summary/background of report:**

The report is in relation to the amendment of tariffs of Council owned rental units that are administered by COJ Housing Department.

Currently CoJ Housing is administering 10,423 Council Owned currently billable rental units made up as follows:

- 2052 Old Age Retirement Rental Units comprising of 1693 single units and 359 double units respectively. A double unit is a bigger unit intended to accommodate two pensioners who are married.
- 4349 units of Flats, Duplex flats and 822 Row houses. (5171)
- 3200 beds in Public Hostels.

All categories of rental units with inclusion of the Old Age Retirement Units will be subject to inflationary increase of 4.3%.

3) **Project implications and report recommendations:**

The proposed increase will have no significant financial implication as the increase is inflationary increase in line with expected corresponding inflationary increase in running costs of Council Owned Rental Units. .

4) **Recommendations**

It is proposed that the rental tariffs of all categories of rental residential units with the inclusion of the Old Age Retirement Village Units be increased by 4.3% in line with budget guidelines, effective from 1 July 2021.

It is therefore proposed that the Old Age Retirement Village Rental Units tariff's charges for a single unit to increase from R180.00 by R8 to **R188** and R360.00 by R15 to **R375** for a double unit. The proposed rental tariffs rates is in acknowledgement of the fact that the tenants in the retirement villages are struggling to make ends meet due to the fact that they need to priorities other debts in the midst of electricity, medical and food costs that have been rising at rates that are above the official inflation rate in the past 5 years.

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5) **Project challenges and mitigation strategies:**

The proposed 4.3% increase is intended to provide for the inflationary adjustments. No major challenges are expected.

There is however some level of expectation from small number of tenants that municipality should rent out residential units for free or at rental tariffs that are significantly lower than current approved tariffs.

The Councilors of all wards in which Council Owned Residential Rental units are located are aware of the rental tariffs increase yearly. The reason being that they're mandatory together with the officials to inform the tenants with regards to the yearly rental tariff rates.

Furthermore they are expected to encourage tenants to pay rental payment in order to cover portion of operational costs in a manner outlined on the proposed tariffs for 2021/22 financial year.

6) **Additional Comments:**

None