

GROUP FINANCE

25 DRAFT DETERMINATION OF PROPERTY RATES TARRIFS FOR TABLING 2021/2022

1 STRATEGIC THRUST

The City identified nine (9) Priority Areas that the SDBIP, IDP and budget aim to achieve. The applicable Priorities for this Report are:

Priority 7: Financial Sustainability.

2 OBJECTIVES

- To obtain approval for tabling of the Draft Property Rates to be levied.
- To table the proposed granting of rebates in respect of the 2021/2022 financial year.

3 SUMMARY

Property Rates are levied in terms of the Local Government: Municipal Property Rates Act, 6 of 2004 (the Act) as amended read with the Council's Rates Policy.

The adoption of the various rates for the 2021/2022 financial year is based on the provisions of the Act and the Property Rates Policy. A separate rate in the Rand is being proposed for each category of property as listed in the Rates Policy and mentioned in the body of the report.

(1) Financial Overview

Rates revenue is one of the major funding sources for the City of Johannesburg. The services funded from the rates revenue include, inter alia, health, safety and security, roads and public parks, as well as many other community related services. The factors influencing the cost structure of providing such services, is the inflationary pressure and cost of supplies required to maintain these services and assets.

In keeping with the requirements of the City's tariff policy, Council tariffs should continue to be affordable, competitive and promote economic development.

This rationale has guided the Council in the formulation of the budget and the rates tariff proposals for the ensuing financial year. There were numerous factors that were considered in recommending the tariffs for the 2021/2022 financial year, including but not limited to the following:

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- The market values of properties in the General Valuation Roll 2018.
- The ratios as previously determined by Council.
- Budgetary requirements.
- Compliance with the tariff policy.
- The Economy of the country
- The impact of the pandemic

(2) The Property Market Valuation Base

The 2018 General Valuation Roll extracted on the 31st January 2021 consists of a total of 917 245 properties and the tariff modelling is based on this number. There are 455 properties that are yet to be valued therefore they are called Nulls and are excluded in the calculation of projected revenue. Included in the figure of 917 245 are municipal owned properties that don't generate revenue for the City, therefore these are also excluded from the modelling.

Changes in the property base used to determine the rate in the Rand can be summarised as follows:

Category	Nr Properties	Market Value 31/01/2021
<i>To be valued</i>	455	
Agricultural Business	1 066	R19 840 112 000
Agricultural Other	122	R538 842 000
Agricultural Residential	6 016	R23 015 039 600
Business & Commercial	25 217	R291 492 025 000
Consent Use	63	R158 459 000
Education	1 714	R25 209 704 000
Farming	80	R269 372 000
Mining	74	R254 972 000
Multiple Purpose Business	368	R4 235 368 000
Multiple purpose due to consent use	0	0
Multiple Purpose Residential	1 419	R9 925 528 000
Municipal	2 277	R11 264 667 000
Private Open Space	677	R2 025 471 100
Public Benefit Organisations	6	R152 150 000
Public Open Space	2 507	R8 033 215 000
Public Service Infrastructure	12 305	R3 110 023 100
Public Service Infrastructure Private	681	R391 458 000
R.E. of Township	763	R14 896 139 440
Religious	2 403	R8 097 690 000
Residential	573 101	R652 613 288 904
Sectional Title Business	22 916	R37 544 342 440
Sectional Title Other	7 805	R478 699 500
Sectional Title Residential	229 065	R221 635 385 020
State	801	R21 048 771 800

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Category	Nr Properties	Market Value 31/01/2021
Vacant Land	25 344	R35 949 748 580
Total	917 245	R 1 392 180 471 484

(3) Sectional Title

Provision is made in the tariff calculation for residential rating to be applied to Sectional title units where the zoning is not residential, but the apparent usage is residential. An application should be submitted by the property owner or the Body Corporate (having provided all the necessary information) confirming usage. The adjustment will be applied from date of application and no retrospective adjustments will be made. The properties under this category qualify for an additional 5% rebate where they meet the City's requirements for Densification. The rebate can be applied for by individual unit owners or by the body corporate representing all sectional title unit owners.

(4) Prevailing Rate in the Rand

The prevailing Rate in the Rand was set by the Council at its meeting held on July 2020. This rate was based on differential rating and it was estimated to yield a net amount of R13.215 billion after rebates.

(5) Revenue Projection 2021/2022

On a base rate increase of 2%, the residential rate in the Rand will increase from R0.008059 to R0.008220 for 2021/2022 financial. The business rate will increase by 2% from R0.020147 to R0.020550. This increase is based on retaining the business ratio at 1:2.5. Total rates revenue, after rebates is estimated at R13.479 billion after revenue foregone.

(6) Proposals

It is proposed that the income levels for pensioners be increased from the lower amount of R10 338 to R10 545 and the higher amount from R17 719 to R18 073. This renders an average increase of about 2%.

It is proposed that the threshold of property values for qualifying pensioners be retained at R2.5 million.

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(7) Differential Rating

The concept of differential rating means that the rate in the Rand is not constant across all categories of property. This is authorised in terms of Section 8 of the Municipal Property Rates Act. The residential tariff is used as the base rate and the other tariffs determined in relation to the residential tariff, calculated on the proposed ratios between categories.

In order to realise the income required to finance the envisaged operational activities of the Council for the ensuing financial year, the proposed differentials for categories and application of the ratios and tariffs, are as indicated in the table below.

No	Category	Ratio 2020/2021	Rates for 2020/2021	Ratio 2021/2022	Rates tariffs for 2021/2022	% Increase
1	Agricultural residential	1:1	0.008059	1:1	0.008220	2%
2	Agricultural business	1:2.5	0.020147	1:2.5	0.020550	2%
3	Agricultural other	1:1	0.008059	1:1	0.008220	2%
4	Residential	1:1	0.008059	1:1	0.008220	2%
5	Residential Consent use	1:2	0.016118	1:2	0.016440	2%
6	Business and commercial	1:2.5	0.020147	1:2.5	0.020550	2%
7	Sectional Title Business	1:2.5	0.020147	1:2.5	0.020550	2%
8	Sectional Title residential	1:1	0.008059	1:1	0.008220	2%
9	Sectional Title other	1:1	0.008059	1:01	0.008220	2%
10	Municipal property	0	0	0	0	
11	Farming	1:0.25	0.002015	1:0.25	0.002055	2%

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No	Category	Ratio 2020/2021	Rates for 2020/2021	Ratio 2021/2022	Rates tariffs for 2021/2022	% Increase
12	Mining land	1:2.5	0.020147	1:2.5	0.020550	2%
13	Vacant Land	1:4	0.032236	1:4	0.032881	2%
14	PSI	1:0.25	0.002015	1:0.25	0	
15	PSI privately owned	1:0.25	0.002015	1:0.25	0.002055	2%
16	Private open space	1:0.25	0.002015	1:0.25	0.002055	2%
17	Public open space	1:0.25	0.002015	1:0.25	0.002055	2%
18	State	1:1.5	0.012088	1:1.5	0.012330	2%
19	Education	1:0.25	0.002015	1:0.25	0.002055	2%
20	Religious	0	0	0	0	
21	Multipurpose*					
22	R E of a township	1:2.5	0.020147	1:2.5	0.020550	2%
	Category of ownership					
1	Public benefit organisation	1:0.25	0.002015	1:0.25	0.002055	2%
	Penalty Tariff					
1	Unauthorised use	1:6	0.048354	1:6	0.049321	2%

***Multipurpose properties will be rated according the multiple purposes as defined in the Act. This can be defined as properties that have multiple categories, however all the categories will be billed on the same stand and account.**

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The ratio for unauthorised use (penalty tariff) will be determined by Council on a yearly basis. It is proposed that the unauthorised tariff be retained at the ratio of 1:6. And be increased by CPI as determined by Council on a yearly basis.

Rebates on Rates tariffs for 2020/2021

Residential Value Exclusion	First R350 000 of value of all residential property to be excluded from rating
Other rebates:	
Pensioner owners whose gross monthly household income is lower than R10 545 Property value not more than R2.5 million	100%
Pensioner owners whose gross monthly income is higher than R10 545 but lower that R18 073 in a property value not more than R2.5 million	50%
Pensioners owners who are seventy years old and above irrespective of income with a property value equal to or less R2.5 million	100%
High density rebate	5%
Expanded social Package pensioners who live in a property not more than R2.5 million	100%
People who are on Expanded social package who are not pensioners who's property value does not exceed R500 000	100%
Heritage Sites	20%
Organizations with purpose of Animal Protection	100%
Property Owned by Organizations in terms of the Housing Development Schemes For Retired Persons Act	50%
Vacant Land subject to conditions	50%
Private Sports Clubs	40%
Child headed family with a property value not exceeding R2.5 million	100%
Residential Value Exclusion	First R350 000 of value of all residential property to be excluded from rating
People who are on a government grants because of disability whose gross monthly household income is lower than R10 545 with a Property value not more than R2.5 million	100%
People who are on pension because of disability whose gross monthly income is higher than R10 545 but lower that R18 073 in a property value not more than R2.5 million	50%

The increase to the income levels for this category of rebates is inflation (CPI) related.

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Special Cases

Various instances arise where the Council is requested to consider relief in respect of the payment of rates. This type of relief can be granted in terms of the rates policy to specified categories of property ownership. Special reports will be submitted to council to request the necessary approval should the special cases arise.

In the case of pensioners who own and live in those properties, the pensioner rebate benefit will be granted for four years or for the duration of the prevailing valuation roll. Pensioners will be required to reconfirm/re-apply, at the end of the four-year period or at the end of the duration of the valuation roll, for the continuation of pensioner rebate. Pensioners applying for expanded social package are now required to complete the pensioner's application form in order to qualify for the pensioner rebate. The period of granting the ESP to pensioners will be same as the ordinary pensioners.

Life right pensioners, who live in sectionalised units registered in their names, will be treated as pensioners as per the definition above.

Life right pensioners who reside in life right schemes registered in the name of the Trust or company will continue to receive a 50% rebate on the whole retirement village. Where a pensioner owns more than one property, the rebate is restricted to the property used as the place of primary residence.

Exemptions, Reductions and Rebates

Section 15 (2)(e) of the Act permits a Council to allow rebates to the owners of residential properties with a market value lower than an amount determined by the municipality. The Act provides that the first R15 000 of the value of all residential property be exempt from rating. The Council granted an additional threshold rebate of R335 000 giving the total threshold of R350 000 of market value for residential property.

Residential high density rebate

The policy of the Council aims encourage the improved utilisation of land. The development of Sectional Title is an appropriate avenue through which the Council's objectives are to achieve densification. The category consists of properties that are developed with a minimum density of 80 dwelling units per hectare, including sectional title units. A rebate of 5% of the current monthly rates will be applied.

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Vacant Land where Council is not able to provide infrastructure services

Certain pockets of land may be vacant owing to the Council not being in a position to provide infrastructural services within the ensuing financial year. Under such circumstances, a rebate of 50% of the vacant land tariff will be proposed.

The granting of this rebate is dependent upon successful application by the property owner concerned and the application has to be supported by the technical service departments concerned. Provision has been made in the estimates for a rebate 50% for property situated outside the urban development zone since development is presently not permitted owing to lack of infrastructure services.

4 POLICY IMPLICATIONS

The provisions of the Rates Policy of the Council have been complied with.

5 LEGAL AND CONSTITUTIONAL IMPLICATIONS

This report has been finalised in conjunction with Legal Services to ensure compliance with all relevant legislation. It should be pointed out that in terms of Section 28(6) of the Local Government: Municipal Finance Management Act, 56 of 2003, the new proposed rates, once determined in respect of the 2021/2022 financial year, may not be further increased during that financial year. Care should thus be exercised to ensure that the proposed increases comply with the budgeted needs of the Council in respect of the 2021/2022 financial year.

6 FINANCIAL IMPLICATIONS

The proposed rates in the Rand have been based on the funding requirements of the City as well as the 2018 General Valuation roll and subsequent supplementary valuation rolls.

7 ECONOMIC IMPLICATION

(1) Economic development initiatives/project

None.

(2) Job creation

None.

(3) Skills development

None.

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8 COMMUNICATIONS IMPLICATIONS

Public participation meetings will take place in April 2021, in addition to the promulgation of the rates tariffs as prescribed by the applicable legislation.

9 OTHER DEPARTMENTS/BODIES CONSULTED

Budget Office
Legal and Compliance

10 KEY PERFORMANCE INDICATORS

Implementation of revised annual rates tariffs in alignment with Rates Policy

IT IS RECOMMENDED

- 1 That in terms of Sections 2, 7, 8 and 14 of the Local Government : Municipal Property Rates Act 6 of 2004 ("the Act"), read with Sections 4(1)(c)(ii) and 11(3)(i) of the Local Government : Municipal Systems Act 32 of 2000 ("the Systems Act") and Section 24(2)(c)(i) of the Local Government : Municipal Financial Management Act 56 of 2003 ("the MFMA"), The Council of the City of Johannesburg Metropolitan Municipality hereby declares its intention that the following draft rates in the Rand are to be levied for the financial year 1 July 2021 to 30 June 2022, on the market value of property or on the market value of a right in land within the area of jurisdiction of the Council as appearing in the valuation roll, in respect of the various categories of properties set out below:**

Category Ratio for 2021/2022

No	Category	Ratio 2021/2022
1	Agricultural residential	1:1
2	Agricultural business	1:2.5
3	Agricultural other	1:1
4	Residential	1:1
5	Residential Consent use	1:2
6	Business and commercial	1:2.5
7	Sectional Title Business	1:2.5
8	Sectional Title residential	1:1
9	Sectional Title other	1:01
10	Municipal property	0
11	Farming	1:0.25

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No	Category	Ratio 2021/2022
12	Mining land	1:2.5
13	Vacant Land	1:4
14	PSI	1:0.25
15	PSI privately owned	1:0.25
16	Private open space	1:0.25
17	Public open space	1:0.25
18	State	1:1.5
19	Education	1:0.25
20	Religious	0
21	Multipurpose*	
22	R E of a township	1:2.5
	Category of ownership	
1	Public benefit organisation	1:0.25
	Penalty Tariff	
1	Unauthorised use	1:6

***Multipurpose properties will be rated according the multiple purposes as defined in the Act. This can be defined as properties that have multiple categories, however all the categories will be billed on the same stand and account.**

- 2 That the rates so levied in terms of Paragraph 1 above shall become due and payable in twelve equal installments on fixed days for twelve consecutive months, these being the due date stipulated in the account sent to the ratepayer. The ratepayer who wants to pay the rates twelve months in advance would be required to make an application. The ratepayer will receive the rebate that would be determined by Council as set in the body of this document.
- 3 That in terms of Section D Paragraph 3(c) of the Council's Property Rates Policy interest is charged on rates not paid on or before the fixed days, at the rate determined by the Council from time to time.

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- 4 That the following rates which are proposed to be levied for the financial year 2021/2022 to any owner of rateable property in the following circumstances:

No Category Ratio 2021/2022 Rates tariffs for 2021/2022 % Increase

No	Category	Ratio 2021/2022	Rates tariffs for 2021/2022	% Increase
1	Agricultural residential	1:1	0.008220	2%
2	Agricultural business	1:2.5	0.020550	2%
3	Agricultural other	1:1	0.008220	2%
4	Residential	1:1	0.008220	2%
5	Residential Consent use	1:2	0.016440	2%
6	Business and commercial	1:2.5	0.020550	2%
7	Sectional Title Business	1:2.5	0.020550	2%
8	Sectional Title residential	1:1	0.008220	2%
9	Sectional Title other	1:01	0.008220	2%
10	Municipal property	0	0	
11	Farming	1:0.25	0.002055	2%
12	Mining land	1:2.5	0.020550	2%
13	Vacant Land	1:4	0.032881	2%
14	PSI	1:0.25	0	
15	PSI privately owned	1:0.25	0.002055	2%
16	Private open space	1:0.25	0.002055	2%
17	Public open space	1:0.25	0.002055	2%
18	State	1:1.5	0.012330	2%
19	Education	1:0.25	0.002055	2%
20	Religious	0	0	
21	Multipurpose*			
22	R E of a township	1:2.5	0.020550	2%
	Category of ownership			
1	Public benefit organisation	1:0.25	0.002055	2%

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No	Category	Ratio 2021/2022	Rates tariffs for 2021/2022	% Increase
	Penalty Tariff			
1	Unauthorised use	1:6	0.049321	2%

*** Multipurpose properties will be rated according the multiple purposes as defined in the Act. *This can be defined as properties that have multiple categories, however all the categories will be billed on the same stand and account.***

5 That in terms of Section 15(1)(b) of the Act read with Sections B of the Council's Property Rates Policy, the Council grants exemptions reductions and rebates as stipulated below.

- (1) Residential property owned and occupied by natural persons have limited income and who are not pensioners and the value of their property does not exceed R500 000 but can show that his or her annual income falls below the limit determined by Council from time to time in terms of the Expanded Social Package: dependent on points rating.**
- (2) Residential property owned and occupied by natural persons who are dependent on a State social security grant in terms of the Social Assistance Act 59 of 1992 as their sole source of income: 100% rebate.**
- (3) Residential property owned and occupied by pensioners who are not persons contemplated in Paragraph (2), if the total income of the household does not exceed the maximum of R10 545 per month over the previous income tax year: 100% rebate.**
- (4) Residential property which is occupied by a household headed by a minor or minors whose parents have pass on while they were owners of the property: 100%.**
- (5) Residential property owned and occupied by pensioner who is seventy years and above whose value of the property complies with the criteria set out above would be exempted from paying rates.**
 - (a) and above whose value of the property complies with the criteria set out below would be exempted from paying rates,**
 - (b) Residential property owned and occupied by pensioners who are not persons contemplated in Paragraph (2), if the total income of the household does exceed the average of R10 545 per month over the**

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previous income tax year but does not exceed the maximum of R18 073 per month over the previous income tax year: 50%: Provided that the rebate contemplated in Subparagraphs 5(1) to (3) above shall only be granted where:

- (c) The market value of the property as recorded in the prevailing valuation roll does not exceed R2 500 000 and in the case of a pensioner, such pensioner has attained the age of 60 or be 70 years or older; and in the case of dual ownership at least one of the owners has attained the age of 60 years or older; and
 - (d) The property owner personally occupies the property.
 - (e) A property owner who is a pensioner and is seventy years and above who live in a property not more than R2 500 000 qualifies for 100% rebate.
 - (f) A pensioner rebate will be applied to one property per pensioner or pensioner and spouse only.
- 6 That properties owned by organisations that are registered in terms of the Housing Development Schemes for Retired Persons Act: 50%. (1) Property owned by pensioners in terms of the Housing development Scheme for Retired Persons who are sectionalized and registered in their name would be treated as per Paragraph (2) to (4).
 - 7 That property owned by private sports clubs that are used primarily for sports purposes: 40%.
 - 8 That property declared as heritage sites in terms of Section 27, 28 and 31 of the National Heritage Resources Act 25 of 1999: 20%.
 - 9 That residential sectional title properties meeting the requirements set by the City for high density can apply for high density rebate and will qualify for: 5%.
 - 10 That property registered in the name of an institution or organisation which has as its exclusive objective the protection of animals: 100%
 - 11 That property that is vacant but that may not be developed as a direct result of the inability of Council to provide services, subject to the owner to provide written confirmation from the service entity stating that no development to be allowed for the duration of the ensuing financial year, as a result of lack of services: grant 50% rebate of the vacant land tariff.
 - 12 That the first R350 000 of the value of all residential property shall be exempted from rating.

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- 13 That properties agricultural residential rebate can be applied for by properties that are reflected in the General Valuation Roll categorised as agricultural residential and used for residential purpose: 10%.**
- 14 That the properties situated within an area affected by a disaster within of the Disaster Management act 57 of 2002. Property owner must apply to the Property Branch for a rebate. Property Branch may require proof before the rebate is granted. The rebate will be granted for a limited period as prescribed by Council: 100%.**
- 15 That properties developed within the identified Trans Oriented Development (Corridors of Freedom) qualifies for:**
- (1) During construction rebate 25% of the rate as per the category of land for period not exceeding two years during construction, and**
 - (2) Post construction rebate property owner qualifies for half the rates payable as per the category assigned in the General Valuation Roll for a period not exceeding one year.**
- 16 That in terms of Section 14 of the Act read with 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:**
- (a) Display the notice and the documents and notice in the manner prescribed.**
 - (b) 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**
 - (c) Publish a notice in the manner prescribed and invite the local community to submit written comments or representations in respect of the City's proposed Property rates tariffs.**
- 17 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 and Housing; as well any other organ of state or municipality affected by the budget to solicit their view.**

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