

City of Johannesburg Council 2019-03-14/15

COJ : MAYORAL COMMITTEE 2019-03-06

HOUSING

101 AMENDMENT OF TARIFF CHARGES IN RESPECT OF RENTALS AND CHARGES FOR COUNCIL OWNED, RESIDENTIAL STOCK ADMINISTERED BY THE HOUSING DEPARTMENT FOR THE 2019/20 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 11, 017 billable rental units made up as follows:

- 2090 Old Age Retirement Rental Units comprising of 1724 single units and 366 double units respectively. A **double** unit is a bigger unit intended to accommodate two pensioners who are married.
- 4738 units of Flats, Duplex flats and 991 Row houses.
- 3200 beds in Public Hostels.

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

101.2

City of Johannesburg Council 2019-03-14/15

COJ : MAYORAL COMMITTEE 2019-03-06

HOUSING

		2018/2019	2019/2020	2020/2021	2021/2022
Rental tariffs for Housing	Typology	Current	Proposed	Proposed	Proposed
				5.5%	5.4%
Old Age retirement Home	Single Unit	180	180	190	200
	Share facility				
	Double Unit	360	360	379	400
OTHER TYPOLOGIES					
		5.4%	5.4%	5.5%	5.4%
Flats	Bachelor	323	340	359	379
	1 bedroom	553	583	615	648
	2 bedroom	568	599	632	666
	3 bedroom	694	731	772	813
Duplex flats	1 bedroom	574	605	638	673
	2 bedroom	589	621	655	690
	3 bedroom	1045	1101	1162	1225
Row Houses	1 bedroom	574	605	638	673
	2 bedroom	589	621	655	690
	3 bedroom	1045	1101	1162	1225
Free Standing Row Houses	2 bedroom	589	621	655	690
	3 bedroom	1045	1101	1162	1225
Public Hostels	1 bed	65	69	72	76
	Family units	370	390	411	434
MBV, Moth and Old Perm Building	1 bed	132	139	147	155
Staff Hostels	Single bed	1102	1162	1225	1292
Staff Hostels family units	1 bedroom	1254	1322	1394	1470
	2 bedroom	1643	1732	1827	1926
	3 bedroom	1838	1937	2044	2154

In 2021 the previously proposed tariffs was at 5.9%, but it was reduced to 5.4%. Therefore the proposed rental tariffs has decrease from R201 to R190 on old age homes, and respectively this will also apply to other financial year typologies.

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.

City of Johannesburg Council 2019-03-14/15

COJ : MAYORAL COMMITTEE 2019-03-06

HOUSING

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 2019/20 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 2019/20 financial year.

7 FINANCIAL IMPLICATIONS

The current rental charges in respect of Council owned residential stock shall be increased by 5.4% for the 2019/20 financial year and new tariffs shall also be applicable to all tenants. The 5.4% increase in rental tariffs will have no 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.

(3) Skills Development

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

City of Johannesburg Council 2019-03-14/15

COJ : MAYORAL COMMITTEE 2019-03-06

HOUSING

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 2019 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 2019.**
- 4 That a report be submitted to a relevant Section 79 Committee for comments.**
- 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.**

101.5

City of Johannesburg Council 2019-03-14/15

COJ : MAYORAL COMMITTEE 2019-03-06

HOUSING

- 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

City of Johannesburg Council 2019-03-14/15

COJ : MAYORAL COMMITTEE 2019-03-06

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 2019.

The following tariffs will be effective as from 1 July 2019:

Table 1 Proposed rental tariffs

Rental Tariffs Charges		2017/2018	2018/2019	2019/2020	2020/2021
Rental tariffs for Housing	Typology	Current	Proposed	Proposed	Proposed
				5.5%	5.4%
Old Age retirement Home	Single Unit	180	180	190	200
	Share facility				
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City of Johannesburg Council 2019-03-14/15

COJ : MAYORAL COMMITTEE 2019-03-06

HOUSING

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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 5.4% effective from 1 July 2019.

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 11,019 Council Owned currently billable rental units made up as follows:

- 2090 Old Age Retirement Rental Units comprising of 1724 single units and 366 double units respectively. A double unit is a bigger unit intended to accommodate two pensioners who are married.
- 4738 units of Flats, Duplex flats and 991 Row houses.
- 3200 beds in Public Hostels.

All categories of rental units other than Old Age Retirement Units will be subject to inflationary increase of 5.4%.

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. .

City of Johannesburg Council 2019-03-14/15

COJ : MAYORAL COMMITTEE 2019-03-06

HOUSING

4) **Recommendations**

- It is proposed that the rental tariffs of all categories of rental residential units except that of Old Age Retirement Village Units be increased by 5.4% in line with budget guidelines, effective from 1 July 2019.

It is therefore proposed that the Old Age Retirement Village Rental Units tariff's charges for a single unit to stay at **R180.00** and **R360.00** 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 over the past 5 years.

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

The proposed 5.4% 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 have been briefed. The reason being that they required to contribution together with the officials in informing the tenants with regards to the 2019 tariff rates. Furthermore they are expected to make contribution in the form of rental payment in order to cover portion of operational costs in a manner outlined on the proposed tariffs for 2019/20 financial year.

6) **Additional Comments:**

None