

City of Johannesburg Council 2023-03-22/23

COJ : MAYORAL COMMITTEE 2023-03-17

HUMAN SETTLEMENTS

119 AMENDMENT OF TARIFF CHARGES IN RESPECT OF RENTALS AND CHARGES FOR COUNCIL OWNED, RESIDENTIAL STOCK ADMINISTERED BY THE DEPARTMENT OF HUMAN SETTLEMENTS (DoHS) FOR THE 2023/24 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 Department of Human Settlements 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) the Department of Human Settlements and Johannesburg Social Housing Company (JOSHCO). This report is however restricted to the Council owned rental residential units that are administered by the Department of Human Settlements. 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 Department of Human Settlements.

Currently CoJ Human Settlements is administering, 10 504 billable rental units made up as follows:

- 2039 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.
- 5265 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 1680	Double units 359	2039
Flats, duplex & row houses	Flats & Duplex 4670	Row houses 595	5265
Public hostels	Beds 3200		3200
Grand Total	10 504		

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In addition, the Department of Human Settlements 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 in accordance to CoJ budget guidelines.

Table 1 Proposed Rental tariffs

Rental Tariffs Charges					
Rental tariffs for Housing		2022/2023	2023/2024	2023/2025	2023/2026
	Typology	Current	Proposed	Proposed	Proposed
		5,00%	5,30%	4,60%	4,50%
Old Age retirement Home	Single Unit	197	207	217	227
	Share facility				
	Double Unit	394	415	434	453
Other Typologies		Current	Proposed	Proposed	Proposed
		5,00%	5,30%	4,60%	4,50%
Flats	Bachelor	392	413	432	451
	1 Bedroom	671	707	739	772
	2 Bedroom	690	727	760	794
	3 Bedroom	842	887	927	969
Duplex flats	1 Bedroom	696	733	767	801
	2 Bedroom	715	753	788	823
	3 Bedroom	1268	1335	1397	1459
Row Houses	1 Bedroom	696	733	767	801
	2 Bedroom	715	753	788	823
	3 Bedroom	1268	1335	1397	1459
Free Standing Row Houses	2 Bedroom	715	753	788	823
	3 Bedroom	1268	1335	1397	1459
Public Hostels	1 Bed	80	84	88	92
	Family units	449	473	495	517
MBV, Moth and Old, Perm building	1 Bed	160	168	176	184
Staff Hostels family units	1 Bedroom	1524	1605	1679	1754
	2 Bedroom	1995	2101	2197	2296
	3 Bedroom	2232	2350	2458	2569

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.

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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 2023/24 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 2023/24 financial year.

7 FINANCIAL IMPLICATIONS

The current rental charges in respect of Council owned residential stock shall be increased by 5.3% for the 2023/24 financial year and new tariffs shall also be applicable to all tenants, with inclusion of old age homes. The 5.3% increase in rental tariffs will have insignificant financial implication as it is below inflation rate and in-line with budget guidelines

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.

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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.

10 OTHER DEPARTMENTS/BODIES CONSULTED

Finance Department

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 2023 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 2023.**
- 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 : Human Settlements 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.**

(HUMAN SETTLEMENTS)

(ASSISTANT DIRECTOR: DEBTORS)

(M Buthelezi)

(Tel. (011) 021-7871)

(tc)

THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM

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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 Department of Human Settlements with effect from 1 July 2023.

The following tariffs will be effective as from 1 July 2023:

Table 1 Proposed rental tariffs

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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 5.3% effective from 1 July 2023.

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 **10 504** Council Owned currently billable rental units made up as follows:

- **2039** Old Age Retirement Rental Units comprising of 1680 single units and 395 double units respectively. A double unit is a bigger unit intended to accommodate two pensioners who are married.
- **5265** units of Flats, Flats & Duplex flats and 595 Row houses 4670
- **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 5.3%.

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 5.3% in line with budget guidelines, effective from 1 July 2023.

It is therefore proposed that the Old Age Retirement Village Rental Units tariff's charges for a single unit increase from R197.00 by R10 to **R207** and R394.00 by R21 to **R415** for a double unit. The proposed rental tariffs rates are in acknowledgement of the fact that the tenants in the retirement villages are struggling to make ends meet and are forced to priorities other debts essential basic needs including 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 5.3% 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 2023/24 financial year.

6) **Additional Comments:**

None