

City of Johannesburg Council 2024-03-19/20

COJ : MAYORAL COMMITTEE 2024-03-13

HUMAN SETTLEMENTS

64 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 2024/25 FINANCIAL YEAR

1 STRATEGIC THRUST

Financial Sustainability and Resilience.
Sustainable Human Settlement.

2 OBJECTIVES

The objective of this 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 the duties and obligations of tenants and that of CoJ Department of Human Settlements. Currently CoJ Human Settlements is administering 10 567 billable rental units made up as follows:

- 2046 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.
- 5319 units comprising of Flats, Duplex flats, and Row houses.
- 3202 Public Hostel units by means of beds.

Typology	Description & Unit no.	Description & Unit no	Total
Old age homes	Single units 1684	Double units 362	2046
Flats, duplex & row houses	Flats & Duplex 4712	Row houses 607	5319
Public hostels	Beds 3202		3202
Grand Total			10 567

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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 (MOEs). 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		2023/2024	2024/2025	2025/2026	2026/2027
Old Age retirement Home	Typology	Current	Proposed	Proposed	Proposed
		5,3%	4,8%	4,5%	4,5%
	Single Unit	207	217	227	237
	Share facility				
	Double Unit	415	435	454	475
Other Typologies					
		Current	Proposed	Proposed	Proposed
		5,3%	4,8%	4,5%	4,5%
Flats	Bachelor	413	433	452	473
	1 Bedroom	707	740	774	809
	2 Bedroom	727	761	796	832
	3 Bedroom	887	929	971	1015
Duplex flats	1 Bedroom	733	768	803	839
	2 Bedroom	753	789	825	862
	3 Bedroom	1335	1399	1462	1528
Row Houses	1 Bedroom	733	768	803	839
	2 Bedroom	753	789	825	862
	3 Bedroom	1335	1399	1462	1528
Free Standing Row Houses	2 Bedroom	753	789	825	862
	3 Bedroom	1335	1399	1462	1528
Public Hostels	1 Bed	84	88	92	96
	Family units	473	495	518	541
MBV, Moth and Old Perm building	1 Bed	168	177	185	193
Staff Hostel: Bed	Single Bed	1339	1403	1466	1532
Staff Hostels family units	1 Bedroom	1605	1682	1757	1837
	2 Bedroom	2101	2202	2301	2404
	3 Bedroom	2350	2463	2574	2690

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4 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.

5 LEGAL IMPLICATIONS

The report has been prepared in consultation with Legal and Compliance Departments to ensure compliance with all relevant legislation. 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 2024/25 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 2024/25 financial year.

6 FINANCIAL IMPLICATIONS

The current rental charges in respect of Council owned residential stock shall be increased by 4.8% for the 2024/25 financial year and new tariffs shall also be applicable to all tenants, with the inclusion of old age homes. The 4.8% increase in rental tariffs will have the same insignificant financial implication as the increase is in line with the expected increase in running costs of Council owned rental units.

Summary of Human Settlements Collection rate for period ending 30 June 2023			
June 2023			
Details	Billed including interest (Public)	Collected	% Collected
Public Flats	6 572 254,04	(11 751,34)	0,18%
Houses	2 147 781,41	(16 608,00)	0,77%
Old Age Home	693 615,71	(169 376,82)	24,42%
Public Hostels	634 005,36	(41 402,00)	6,53%
Staff Hostels	263 321,00	(210 417,00)	79,91%
Total	10 310 977,52	(449 555,16)	4,36%
Cumulative from July 2022 to June 2023			
Details	Billed including Interest (Public)	Collected	% Collected
Public Flats	78 254 901,33	(197 809,66)	0,25%
Houses	24 928 857,89	(214 442,68)	0,86%

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Summary of Human Settlements Collection rate for period ending 30 June 2023			
June 2023			
Old Age Home	7 820 664,08	(2 008 235,27)	25,68%
Public Hostels	7 370 516,20	(686 626,85)	9,32%
Staff Hostels	3 338 830,00	(2 447 482,00)	73,30%
Total	121 713 769,50	(5 554 596,46)	4,56%

The Billing and collection for July 2022 to June 2023, accumulative amounted to R121 713 769,50 as per billing and collection amounted to R5 554 596,46 at a percentage of 4.56% being collected.

7 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.

8 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

- 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 2024 its Tariff of Charges:

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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 2024.**
- 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.**
- 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.**

(HUMAN SETTLEMENTS)
(M Buthelezi)
(Tel. (011) 021 7871)

THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM

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HUMAN SETTLEMENTS**ANNEXURE A****CITY OF JOHANNESBURG****AMENDMENT OF TARIFF OF CHARGES IN RESPECT OF RENTALS AND CHARGES FOR COUNCIL OWNED RESIDENTIAL STOCK ADMINISTERED BY THE DEPARTMENT OF HUMAN SETTLEMENTS IN 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 Department of Human Settlements with effect from 1 July 2024.

The following tariffs will be effective as from 1 July 2024:

Table 1 Proposed rental tariffs

Rental Tariffs Charges					
Rental tariffs for Housing		2023/2024	2024/2025	2025/2026	2026/2027
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Free Standing Row Houses	2 Bedroom	753	789	825	862
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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 4.8% effective from 1 July 2024.

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 **10 567** Council Owned currently billable rental units made up as follows:

- **2046 Old Age Retirement Rental Units** comprising of 1684 single units and **362** double units respectively. A double unit is a bigger unit intended to accommodate two pensioners who are married.
- **5319** comprising of **4712 units of Flats, Duplex flats and 607 Row houses.**
- **3202 beds in Public Hostels.**

All categories of rental units with inclusion of the Old Age Retirement Units will be subject to inflationary increase of 4.8%.

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 4.8% in line with budget guidelines, effective from 1 July 2024.

It is therefore proposed that the Old Age Retirement Village Rental Units tariff's charges for a single unit to increase from R207.00 by R10 to **R217** and R415.00 by R20 to **R435** 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 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 4.8% 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 2024/25 financial year.

6) **Additional Comments:**

The report also indicated the amount of billing and collection from July 2022 till June 2023 financial year.