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When City's general valuation of properties will be completed

The City says its next general valuation (GV) is under way and property owners will have the opportunity to inspect the GV 2018 roll as from February next year.

The GV roll assessed about 870 000 registered properties in Cape Town and was conducted for the purpose of billing fair rates to each property owner, said Mayco member for finance Johan van der Merwe.

He said the value of an individual property was not the basis for the amount of rates income that is collected by the City as a whole.

"The main factor is the City's budget. As an example, if we require R6 billion of rates income to ensure that our City operates efficiently and sufficiently, the valuation roll serves as the basis on which we calculate the rate-in-the-rand or the applicable property tax rate," said Van der Merwe.

The City calculated what rebates should be made to the vulnerable in its society, and saw how they could apply the rates in the most affordable manner for ratepayers.

"We also do not raise more than what is needed from rates. That is why you will find that the rate-in-the-rand can decrease after a new general valuation roll is implemented," Van der Merwe said.

"The money that is raised goes toward shared services such as fire services, the installation, maintenance and operation of traffic and street lights, and providing services that stretch across neighbourhoods. It also helps us to help our most vulnerable residents.

"In return, we provide arguably some of the best services of any metro in South Africa.

"This has been evident even during the past year of extreme crisis, which has included the unprecedented drought that we as a City, in collaboration with our residents, have had to deal with largely on our own.

“In addition, we also experienced the largest humanitarian crisis which we have ever faced when approximately 10 000 people in Imizamo Yethu were displaced after a large fire devastated the area just over a year ago.

"Valuations based on sales, not speculation."

The City chooses to conduct a GV every three years.

“By law, we are required to do so at least every four years but we have chosen a shorter time span in an effort to mitigate major shocks to ratepayers.

"The last general valuation in Cape Town was conducted in 2015 (and implemented on July 1, 2016). The new valuation roll will be implemented as from July 1, 2019."

Joburg won’t demand rates on disputed valuations – Mashaba; 40 000 objections to property valuations received.

Joburg mayor Herman Mashaba announced on Sunday that his administration won’t require property owners to pay rates according to disputed property valuations while objections and appeals are pending.

This follows after the city received 40 000 objections related to new property valuations contained in the 2018 General Valuations Roll that attached new valuations to all properties in the city, totalling about 900 000.

Property owners will start paying property rates in accordance with the new valuations on July 1.

Moneyweb earlier reported that the South African Property Owners’ Association (Sapoa) asked for assurance from the city that it would refrain from charging rates on disputed valuations.

Many owners reported sharp increases of more than 100% in their valuations and feared that maintaining payments accordingly while waiting for the finalisation of their objections and appeals could bankrupt them.

Sapoa, in a letter to the city, earlier stated that:

- Ratepayers were not liable to pay disputed rates pending the outcome of objections or appeals;
- The city was not entitled to cut off services such as electricity if ratepayers fail to pay the portion of their rates, which they are disputing, nor may it threaten to do so;
- The city was not entitled to claim interest on any shortfall on rates payable by ratepayers on finalisation of objections or appeals.

Sapoa said it was prepared to fight the city in court on these issues.

Mashaba said in a statement on Sunday that “those who have objected to their property valuations, will be allowed to continue paying what they have been paying historically until the objection process is finalised”.

He said the city would ensure no credit management processes would be initiated against objectors, as long as they continue to pay the city the same amounts they used to pay for rates, along with their invoiced service charges.

“Their invoices will still reflect the rates charge on the new valuation, because the law prescribes this,” Mashaba said.

“I believe that this additional effort by the city to support those who feel they have received unfair valuations is an important further step implemented by the city.

“It will mean that in the period of time in which their objection is being handled, these objecting residents will not have to pay the disputed portion of their rates payments.

“A flag will be placed on the accounts with outstanding objection decisions to prevent debt collection action until such time as the objection is resolved. This flag on the account is with respect to the disputed rates account, however the affected account holders will be expected to continue to pay for all other services.

"Once the objection process is finalised, the objecting property owners will be required to make payment with interest, back-dated to July 1 2018, for the valuation arising from the objection outcome," Mashaba said.

It is not yet clear whether Sapoa will pursue the charging of interest Mashaba refers to, since it differs from its interpretation of the relevant legislation.

Mashaba said the city has received 40 000 (4.4%) objections to the 2018 General Valuations Roll, which included 879 000 properties. "This is worth noting as this is less than half of the 89 000 objections lodged in the 2013 General Valuations Roll."

Mashaba earlier responded to the outcry about sharp increases in property valuations when he announced that the seemingly "problematic" evaluations of 8 000 properties would immediately be revised.

He further proposed to council to increase the residential rates rebate from R200 000 to R350 000 and the pensioner rebate from R2 million to R2.5 million.

Communication key to understanding City of Cape Town's valuation model

Referring to the article entitled 'City is playing valuations games' published on the 4 April by the Cape Argus, Swindon Property would like to address key factors and discuss opposing views written in this article.

It is our belief that the Computer Assisted Mass Appraisal system (CAMA) used by the City of Cape Town is very effective in some areas and a more transparent relationship between the City and property owners would have a positive impact on the valuation process.

The statement made by Mr Phillip Bam reads as follows:

"But the system that the City is using is really outdated and unfair. They use the market value of the properties and that in itself is a problem. The markets are affected by so many other factors. Let's take an area like Grassy Park where the roads are not often maintained. Go to Constantia or Bishopscourt where roads are much better. Now the same system or formula is used for both areas. Now in certain respects, the market values between areas are different, but that does not mean that the same system should be used for the City."

With all due respect to Mr Bam, we would like to highlight some of our opposing views. Although the City's system is not perfect, it does value the lower to middle-income neighbourhoods accurately. The reason for this is that the value band in these neighbourhoods are small when compared to the upmarket neighbourhoods.

With this CAMA system, sales from the same area as the valued property are applied. In essence, if the roads are bad for the property being valued, it impacts on the values derived from the sales applied by the City's valuation system.

The problem is more evident in the upmarket areas. In these nodes, the value bands are quite broad. For example, a house of R5,000,000 could be situated adjacent to a house of R25,000,000. Should a few of the houses in the upper region of this parameter sell, this would impact heavily on the average rate per m2 applied to this node.

For different reasons to Mr Bam, we consider the communication between departments within the City a problem more so than the system.

Our Valuations Division have first-hand experience for an excess of 20 years as well as being involved on both sides of the General Valuation, we have strong knowledge and thorough understanding of the system and the application thereof.

Where the City is lacking in our opinion, is the valuing the commercial sector. If this was undertaken in a more thorough manner, the burden would not be placed on the residential market to assist the City to make up their budget requirements. When valuing the commercial sector, there are two impacting problems:

Firstly, there is a lack of communication between the building department and the valuations department. With daily valuation work, it is often noted that a property which was previously vacant and now redeveloped has not been revalued as an improved site. This affects income for the City.

Secondly, the method used to value commercial property is the same as residential property, this should not be the case. It may work to some degree for Sectional Title commercial sites but freehold cannot be valued on the same ?method. There are too many factors to consider and this cannot be reflected in a common rate per m2 indicated by this computerised system.

The statement by Mr Johan van der Merwe, Mayco member for Finance, mentions that properties should be valued every year. This is not a practical solution as the City can barely cope with the General Valuations which take place every three years. Yearly valuations would not assist in resolving this matter.

By having an alternative system in place whereby owners of commercial properties are requested to complete income and expenditure on the website, as with the GV2000 exercise, would assist in making commercial properties values more accurate. In our opinion, the residential market carries the burden of the budget as commercial properties are not valued correctly.

If commercial properties were valued correctly, monies could be collected more fairly and the burden, especially on the lower income nodes, could be alleviated to some degree. In agreement with Mr Bam, property prices are too expensive for first-time owners and the further burden of overstated rates and taxes makes it almost impossible for first-time buyers to enter the market.

In conclusion, the City needs a more effective and transparent attitude to property owners, enabling the city to support property owners rather than hinder them. Making information more freely available to all property owners will bring more clarity and confidence to the property market.

The second factor noted in this article is the increase in tariffs. In the defence of the City, the rates and taxes tariffs were decreased with the implementation of the previous General Valuation 2015 effective 01 July 2016. If the municipal valuations increase to the same degree as previously it would be prudent for the City to do the same this time around.

This takes into account the increases foreseen for other costs that include refuse and sewage, that will significantly impact the lower to middle-income nodes. In our opinion, The City is treading on thin ice. The increased VAT increases food and transport, the most significant costs other than housing, places a further burden on property owners. How far is the City prepared to go to justify their increases? The proposed increases are substantially higher than increases in salaries with families living on the breadline already.

In closing, we believe that the City should be building a relationship with property owners as opposed to breaking down communication channels. If people were more informed and privy to the intentions of the City a better relationship could be established with property owners. It can be said that most property owners do not argue with paying property expenses but more so disagree with the exploitation of the money collected.

Property rates: Joburg is acting unlawfully, says Sapoa. Will go to court about pay first, object later practice.

The South African Property Owners' Association (Sapoa) is prepared to tackle the City of Joburg in court about its requirement that property owners pay property rates according to new valuations while objections or appeals against those valuations are pending.

Sapoa represents most large commercial and industrial property owners in South Africa. Its members own and manage property worth billions of rands in Johannesburg.

The organisation is taking this stand against the background of huge controversy about the new general valuation roll that saw all properties in Johannesburg being revalued. The role takes effect on July 1.

Moneyweb earlier reported that some owners saw their valuations multiply. They fear that paying according to the new valuation while waiting for objections or appeals to be finalised could bankrupt them.

Joburg mayor Herman Mashaba intervened and had 8 000 "problematic" valuations revised. He also increased the rebate on residential property rates from R200 000 to R350 000. This means that owners won't pay rates on the first R350 000 of their property valuation.

Sapoa said in a press release that the City of Joburg failed to respond to a letter from it about the matter.

The association asked for assurance from the city that it will change its ways and follow the correct practices with regard to property rates. If the city does not respond to Sapoa's satisfaction by the end of the month, it will go to court to ensure that the city acts lawfully, Sapoa says.

The association is concerned about three aspects of the city's rates practices and set out the legal positions as it sees it. According to Sapoa:

- Ratepayers are not liable to pay disputed rates pending the outcome of objections or appeals;
- The city is not entitled to cut off services such as electricity if ratepayers fail to pay the portion of their rates which they are disputing, nor may it threaten to do so;
- The city is not entitled to claim interest on any shortfall on rates payable by ratepayers on finalisation of objections or appeals.

Director of valuations at Rates Watch Ben Espach, says to the best of his knowledge Cape Town is the only municipality that does not insist on owners paying according to the new valuation while the objections or appeals are still pending.

"It is possible to arrange for an extension of payment with the City of Joburg, but it must be done monthly and they will allow it for three months only. It means that from October the ratepayer has no option but to pay the full amount that is levied."

Espach says it could take up to a year for the municipal valuer to finalise all objections and at least a further 12 months to finalise all appeals.

Sapoa also points out that the City of Cape Town's interpretation of the applicable law differs from that of Joburg. Moneyweb has confirmed that Cape Town requires property owners disputing a new valuation to pay their rates according to the previous valuation, but at the new tariff, until their objections or appeals have been dealt with.

Espach advises ratepayers to never stop paying rates unless they are no longer the owner or the property no longer exists. "Keep on paying the old rates plus an increase or pay the rates based on the value suggested in the objection or appeal."

Sapoa says that in terms of the Municipal Systems Act, municipalities are prohibited from terminating municipal services in relation to amounts under dispute. This, it argues, also applies to amounts based on disputed valuations.

The association further states that where there is a shortfall on rates payable by ratepayers on finalisation of objections or appeals, the city must recover the shortfall in terms of the Local Government: Municipal Property Rates Act (MRPA) "without adding interest". "It is only when the municipality is required to refund surplus rates paid by the ratepayer that interest must be added."

Sapoa says that in the past, the city "did not follow the correct practices and indications are that the city does not intend to do so with the current valuation process".

The city has so far not given Sapoa any assurance that it will change its ways.

"Should the city transgress the MPRA, Sapoa intends approaching the courts," the organisation states.

The City of Joburg did not respond to questions from Moneyweb prior to publishing.

Joburg property rates relief

Johannesburg - Light relief has been granted to some 900 000 Joburg property owners who are up in arms over massive increases in rates and tariffs set to kick in on July 1.

The City of Joburg on Wednesday announced that residents would get a rebate on the first R350 000 of their property values - up from R200 000.

This means that residential property owners will not pay rates on the first R350 000 on their properties.

The new property valuation roll was released last month, which resulted in a general increase of about 18.5% in property rates, with some rocketing by 45%.

There was a huge outcry when some owners had their valuations increased by up to 5000%.

Residents feared that the hefty property valuation increases could result in some of them losing their homes and businesses.

The increases would not only result in massive monthly rates statements, but would also influence the cost of other services such as water, refuse and electricity, which fuelled ratepayers' fury.

Although values have dropped in some areas, it is estimated that over 44% of properties in Joburg faced valuation increases of between 60% and 5000%.

Many residents, who are on a fixed monthly income, complained that they were being "squeezed out" of their homes, with businesses that may be forced to shut down resulting in job losses.

They decided to fight back with a petition #JhbRatesMustFall.

In the face of this outcry, the city also agreed last month to review about 8000 commercial property increases, which appeared to be grossly overvalued.

"The timing between the publication of the new general valuation roll and the tabling of our draft budget did not afford us the requisite time to make these considerations.

"After analysing the impact of the new valuation roll on residential rates, we initiated this relief, subject to the council's approval in May," said mayor Herman Mashaba.

The city had to consider the economic pressure and financial strain on household income, he added.

"As a part of the public consultation process that informs the budget development, the reaction to the 2018 roll must be considered.

"Its impact must be softened to reduce the shock on residential household income," Mashaba said.

"The ability to collect from those who can pay, but do not, must be the focus of the city's efforts, rather than continuing to penalise those who obey the law and pay their rates and services," he added.

Objections to the valuation roll close tomorrow, and this week the city's Sandton walk-in centre had three-hour-long queues. But residents still face massive tariff increases from July 1, including a whopping 45% in sewer costs for small properties measuring less than 300m^2; those above this face an average of 14.2%, depending on the size of the property.

Water is set to increase by 16.9% for the average households using between 6 and 10 kilolitres a month, with the rest rising by up to 17.7%, depending on kilolitres used.

Another shock increase, which is likely to affect Joburg tenants in rented buildings with pre-paid water meters, is a 30% increase for the purchase of between 0 and 10 kilolitres. The provision of the first six kilolitres free of charge was done away with last year.

Electricity is set to rise by an average of 7.37%, depending on the amount consumed. Refuse charges are up by 6.8%.

Other proposals which are likely to hit customers hard, and which many residents regard as hidden costs, will include the scrapping of the demand side management levy of 2 cents/KWh electricity, which will be replaced with a 6c/kWh municipal surcharge placed on all categories, except the first 500kWh per month for residential customers.

The increase in the monthly service charge for domestic accounts is expected to rise from R114 to R123.

Pensioner rebates have been proposed for properties valued up to R2.5million - up from R2m.

Residents have until April 22 to object. The proposed tariffs can be found on www.joburg.org.za under “key documents”

ANC studies new tax to help drive shift in land ownership

Enoch Godongwana, head of the ANC’s economic transformation subcommittee, says there are many views on the idea of a land tax

The ANC is investigating a land tax as another way to drive its redistribution, according to the final resolutions from its Nasrec conference released by the party.

The head of the ANC’s economic transformation subcommittee, Enoch Godongwana, said on Monday there were many views on the idea of a land tax, and he confirmed the governing party was investigating a tax instrument to drive land redistribution. He said one view was for taxing land held for speculation, but this would be discussed further at a party workshop on land.

The party’s final conference resolutions were publicly released last week. Interestingly, the final resolution released is silent on amending Section 25 of the Constitution.

This is in line with public comments by ANC leaders last week, including MPs Vincent Smith and Mathole Motshekga, who are on Parliament’s joint committee on constitutional review. They said at a dialogue on land last week that it was not a foregone conclusion that the Constitution would be amended.
Amending the Constitution needs time for proper consultation

Motshekga told Business Day that the committee would be crisscrossing the country in the coming months to gauge the views of ordinary South Africans on the matter. He said experts, as well as former judges who have expressed views on amending the Constitution, would also be free to contribute during the public hearings.

Deputy Public Works Minister Jeremy Cronin, who leads a government task team on land, said the emerging view in the ANC was not to amend the Constitution but to beef up existing legislation. He said while the Constitution had been amended many times, amending Section 25 would be the first time the Bill of Rights was changed.

The ANC’s resolution on land redistribution, released last week, also contains more detail than the much-debated land expropriation without compensation, which the ANC voted for in a parliamentary motion brought by the EFF.

The conference resolution says the expropriation of land without compensation "should be among the key mechanisms available to government to give effect to land reform and redistribution. In determining the mechanism of implementation, we must ensure that we do not undermine future investment in the economy, or damage agricultural production and food security.

"Furthermore, our interventions must not cause harm to other sectors of the economy." It says the governing party’s approach to land reform had to be based on three elements: security of tenure, land restitution and land redistribution

"Concrete interventions are required to improve the functioning of all three elements of land reform. These interventions should focus on government-owned land and should also be guided by the ANC’s Ready to Govern policy document, which prioritised the redistribution of vacant, unused and under-utilised state land, as well as land held for speculation and hopelessly indebted land," the resolution reads.

It also says the acceleration of the land reform programme should be done in an "orderly manner" and that "strong action" must be taken against those who occupy land unlawfully.

There have been recent reports of land occupations in various parts of the country.

The ANC resolution says the government should further put in place measures for the land tax, support for black farmers and preferential allocation of water rights and infrastructure provision to black farmers. It should also accelerate the roll-out of title deeds to black South Africans to guarantee security of tenure and provide instruments for financial collateral.

Measures should also be put in place to "democratise control and administration of areas under communal land tenure".

Godongwana said the NEC subcommittee might hold a workshop on land reform at the end of April. This formed part of the resolutions and was aimed at developing a more detailed approach to accelerating land reform and reporting back on the land audit, he said.