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Cape Town homeowners hit by steep new municipal valuations - even Cyril Ramaphosa has been affected

- Cape Town has published new municipal valuation rates of local properties.
- One estate agency says some of her clients saw their valuations triple.
- The new valuations will determine your municipal rates bill.
- You still have time to object.

Many Cape Town property owners have seen their municipal valuations shoot higher after a new round of revisions.

One estate agent reports that property valuations have tripled following the city's newly published General Valuation Roll (GV2018).

Even President Cyril Ramaphosa has been affected. He has two plots in Fresnaye via the Tshivhase Trust. According to data on the City of Cape Town website, the municipality has adjusted its valuation of a plot held by the Tshivhase Trust following a 'substantially incorrect valuation' in 2015. From R7.3 million, it has now been re-valued at R12.1 million.

While Ramaphosa has been building a house on the plot over recent years, the property is still listed as "vacant land" on its rolls. The other plot went up from R12 million to R13.1 million.

The city says that valuations have been adjusted by 30% on average.

But Kapstadt International Properties agent Elisabeth Kretschmer says some of her clients saw their new municipal valuations triple.

She has received dozens of requests from unhappy home owners for assistance in their objections to the new valuations.

“Some are way above market value, and we find there is no norm in the way these valuations were done. Properties on the same street in similar condition but on different size erven were for instance valued at R11.8 million for a double erf of 932 m2 versus R14.8 million for a property on 699 m2,” said Kretschmer, who deals with properties in the City Bowl area.

In one case, a property valuation was reduced to a value of R0.

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The rates Cape Town property owners pay are determined by the city's valuation of their property - a so-called "cent-in-the-rand" tariff structure. (Your rates bill will be a fraction of your home value.) The new valuations will affect 875,000 Capetonians.

"Some people are not in a position to pay more rates on their properties. I am speaking to those who are retired, who bought their houses long ago when their properties were much cheaper in the 70s and 80s, and who now cannot afford to live elsewhere. Downscaling has been made very difficult because the current prices of homes which make it too expensive for them to move," says Kretschmer.

Every metropolitan municipality is legally required to produce a GV roll at least once every 4 to 5 years, but the City of Cape Town produces theirs every 3 years, to accommodate big fluctuations in property values.

According to the City of Cape Town, all properties on the GV Roll were valued at market value as of 2 July, 2018. The GV2018 is now available online via the City of Cape Town's website or alternatively through post.

Comparing the valuation is important

Ben Espach, a professional valuer and director of municipal valuation watchdog Rates Watch, advises home-owners to compare their 2015 valuations with the new values.

"With mass valuations, there will always be mistakes and it is not possible to be spot on with all the values."

In Johannesburg last year, some 8,000 properties were disproportionately valued.

Most of the cases Espach deals with are either properties that have been overvalued in the new valuations, or that the properties were under-valued in 2015 and then have been corrected to more accurately reflect the surrounding market in a specific area.

Those living in Clifton, along the Atlantic Seaboard, may see their municipal rates go up significantly. Average house prices have more than doubled since 2015, and apartment prices up 75%.

Owners will know exactly what their new municipal rates will be once the "cent-in-the-rand tariff" is released later in March, with the tabling of the City budget.

Because residential valuations have gone up on an average of 34% in the City, the cent-in-the-rand will be adjusted by some 30% to compensate, Cape Town's deputy mayor Ian Neilson said in an interview with Cape Talk.

The city says property valuations are determined objectively, according to market values and based on international standards and prescribed methodology. Processes are audited by a qualified external auditor to ensure compliance.

The new municipal rates are due to be implemented July 2019.

The deadline to lodge objections is on 30 April 2019 for online and 29 March 2019 in person.

Property owners could soon pay lower rates

The rate-in-the-rand calculation, which determines the rates a property owner will be paying in Cape Town from July 1 2019, will soon be published for public comment – and locals will be happy to know the City has said a lower rate can be expected.

The new rates will go up for public comment after the Council meeting at the end of March 2019, together with the Rates Policy, which sets out the 10 rating categories.

The revenue requirement for the 2019/20 budget is the main consideration when deciding on the rate-in-the-rand.

"The City will determine how much money it requires to provide the optimum range of services to its residents, as well as the likely provision that needs to be made for rebates and indigent support. The City does not raise more money than is required to provide necessary services such as fire services, clinics, traffic services, libraries, cleaning and parks. There is no profit on municipal rates. Given the average market-related increase of residential properties in Cape Town of 34% in the three years

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between the GV2015 and GV2018, a significantly lower rate-in-the-rand can be expected than the current rate,” said the City’s Mayoral Committee Member for Finance, Alderman Ian Neilson.

The rating categories included the proposed Rates Policy that are in line with national regulations are:

- residential properties
- business and commercial properties
- industrial properties
- agricultural properties (any agricultural property not used for bona fide farming does not fall within this category)
- mining properties
- properties owned by an organ of state that are used for public service purposes
- public service infrastructure properties (PSI)
- properties owned by public benefit organisations (PBOs) and used for specified public benefit activities
- properties used for multiple purposes
- vacant land

An indication of the rates payable for each category will be available on the City’s website in April 2019, following the determination of the new rate-in-the-rand by Council, based on the City’s budget requirements for the 2019/20 financial year.

Shock over municipal valuations

WITH the new general valuation roll set to come into effect on July 1 this year, many city residents have reacted with shock at the new municipal valuation of their properties, some of which have jumped by 400%.

In terms of the Municipal Property Rates Act the valuation roll needs to be undertaken every four years.

Municipal spokesperson Sello Matsie explained yesterday that the General Valuation Roll contained the municipal valuations of all the properties within the boundaries of the Sol Plaatje Municipality.

“All the properties on the GV2019 Roll are valued at market value as at the date of valuation, January 1 2019, in order to ensure fairness,” he said.

“The market value is the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.”

The General Valuation Roll 2019 will come into effect on July 1 this year – and this will be the value that rates, payable to the municipality, will be based on.

According to Matsie, an official notice of the valuation was sent by ordinary mail to the postal address of all residents. The valuation roll is also available on the municipality’s website at www.solplaatje.org.za and all its satellite offices.

Residents who want to object to the valuation of their properties can do so until March 25 2019.

“The objection period for the GV2019 closes on March 25 2019. No late objections will be accepted for these valuation rolls,” Matsie said.

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Widespread reaction has been received from various residents regarding the new valuation of their properties, with some residents reporting that the value had increased fourfold.

In one instance, a local church in Beaconsfield went up from R420 000 to R2.2 million.

Another resident said the valuation of his house increased by 39.5%. He questioned whether the municipality could value a house without physically inspecting the house, as well as how this would affect rates and taxes. "Is this a new way to milk residents for more money so that the municipality can pay its debts?"

A local valuator, Thys Beukes, from MRB Property Valuation in the city, explained that the last municipal valuation was based on 2015 information.

"The roll is only valid for four years, which means that in terms of legislation the new roll must be implemented this year. The Property Rates Act determines that the roll must reflect the market value of a particular property. Residents are given an opportunity to object to the value that the municipality has determined for their property."

Beukes stated, however, that residents who objected needed to have the necessary proof that the market value of their property was over- or under-valued. "The municipality will only consider objections that carry value."

He pointed out further that the municipal valuation was based on the most recent sales of properties in a specific area.

"Obviously, in the more popular areas the market value will be higher. However, the value can also be property specific, for example where properties have deteriorated or are in a dilapidated condition."

Beukes said residents who were unsure or wanted to object could contact him for advice.

"If we feel the objection is valid, we will put together the objection on the resident's behalf, together with all the supporting documentation and submit it to the municipality.

"Although there are some properties where there is a glaring error, the municipality has appeared to have done their work fairly thoroughly and most valuations appear to be fair."

He added that while it was difficult to pinpoint certain areas where the value had increased or decreased substantially, most properties in the city would have gone up by between 40 to 60%.

"It is fairly rare that the value of properties would have decreased."

The municipality launched a campaign in 2017 and 2018 already where data collectors and valuers did inspections and gathered information on properties throughout the city. According to a statement issued by the municipality at the time, this entailed the measuring of buildings and the taking of photographs where necessary by municipal officials.

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