

City of Johannesburg Council 2016-03-18

COJ : MAYORAL COMMITTEE 2016-03-03

HOUSING

38 **AMENDMENT OF TARIFF CHARGES IN RESPECT OF RENTALS AND CHARGES FOR COUNCIL OWNED RESIDENTIAL STOCK ADMINISTERED BY THE HOUSING DEPARTMENT FOR THE 2016/17 FINANCIAL YEAR**

1 STRATEGIC THRUSTS

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 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 11,134 Council Owned billable rental units made up as follows:

- 2152 Old Age Retirement Rental Units comprising of 1771 single units and 381 double units respectively. A double unit is a bigger unit intended to accommodate two pensioners who are married.
- 5750 units of Flats, Duplex flats and row houses.
- 3232 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).

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The current rental charge of a single Old Age Retirement Rental Unit is R230.00 and for a double unit is R400.00. The double units are occupied by married pensioners with double income. COJ Housing has factored the inputs and submissions from various tenants of Old age retirement units , in relation to affordability level of rental as compared to current government social grant..

It is therefore proposed that the Old Age Retirement Rental Units tariff's charges for a single unit to be reduced from R230.00 to R180.00 for a single unit and from R400.00 to R360.00 for a double unit. The proposed rental reduction is in compliance to the Gauteng Rental Housing Tribunal ruling made on 13 July 2015.

The tariff's for all other categories of rental units except for Old Age Retirement Rental Units should be increased by inflationary margin of 5.9% in line with budget guidelines and as outlined in Table 1.

Table 1 Proposed rental tariffs

Tariffs Charges for Housing Rental Units		2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Description	Typology	Previous	Current	Proposed		
		5.80%	6%	5.90%	5.60%	5.50%
Old Age Retirement Home	Single unit	R 230.00	R 230.00	R 180	R 190	R 201
	Single –share facilities	R 230.00	R 230.00	R 180	R 190	R 201
	Double Unit	R 400.00	R 400.00	R 360	R 380	R 401
Flats	Bachelor	R 273.00	R 289.00	R 306	R 323	R 341
	1 Bed room	R 468.00	R 496.00	R 525	R 555	R 585
	2 Bed room	R 480.00	R 509.00	R 539	R 569	R 601
	3 Bed room	R 586.00	R 621.00	R 658	R 694	R 733
Duplex Flats	1 Bed room	R 486.00	R 515.00	R 545	R 576	R 608
	2 Bed room	R 498.00	R 528.00	R 559	R 590	R 623
	3 Bed room	R 883.00	R 936.00	R 991	R 1 047	R 1 104
Row Houses	1 Bed room	R 486.00	R 515.00	R 545	R 576	R 608
	2 Bed room	R 498.00	R 528.00	R 559	R 590	R 623
	3 Bed room	R 883.00	R 936.00	R 991	R 1 047	R 1 104
Free Standing Row Houses	2 Bed room	R 498.00	R 528.00	R 559	R 590	R 623
	3 Bed room	R 883.00	R 936.00	R 991	R 1 047	R 1 104
Public Hostels	1 Bed	R 56.00	R 59.00	R 62	R 66	R 70
	Family Units	R 312.00	R 331.00	R 351	R 370	R 391
MBV, MOTH and Old Perm	1 Bed	R 111.00	R 118.00	R 125	R 132	R 139
Staff Hostels	Single Bed	R 932.00	R 988.00	R 1 046	R 1 105	R 1 166
Staff Hostels - Family Units	1 Bedroom	R 1 060.00	R 1 124.00	R 1 190	R 1 257	R 1 326
	2 Bedroom	R 1 389.00	R 1 472.00	R 1 559	R 1 646	R 1 737
	3 Bedroom	R 1 554.00	R 1 647.00	R 1 744	R 1 842	R 1 943

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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. 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 2016/17 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 2015/16 financial year.

7 FINANCIAL IMPLICATIONS

The current rentals and charges in respect of Council owned residential stock excluding Old Age Retirement Rental Units shall be increased by 5.9.0% for the 2016/17 financial year and new tariffs shall also be applicable to all tenants.

The 5.9% increase in rental tariffs will have no significant 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 labour 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.

IT IS RECOMMENDED

- 1 That, 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), the City of Johannesburg declares its intention to amend with effect from 1 July 2016 its Tariff of Charges:**

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 75A (3)(a), (b) and (c) of the Local Government : Municipal Systems Act, 2000 (Act 32 of 2000) as amended, the City of Johannesburg:**
 - (1) displays a copy of the resolution and notice in the manner prescribed;**
 - (2) seeks to convey to the local community by means of radio broadcast covering the area of the City, the information contemplated in Section 75A(3)(c) of the Local Government : Municipal Systems Act, 2000 (Act 32 of 2000) as amended; and**
 - (3) Publishes the notice in the manner prescribed and invites the local community to submit written comments or representations in respect of the amended rental tariffs.**
- 3 That, if no objections are received, the amended Tariff of Charges be published in the Provincial Gazette and be effective from 1 July 2016.**
- 4 That a report be submitted to a relevant Section 79 Committee for comments.**
- 5 That the Executive Director : Finance in consultation with Group Head : Legal and Contracts and other 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 rental tariffs for approval.**

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- 6 That monthly rental tariffs of the Old Age Retirement Rental Units be reduced from current rate of R230.00 for a single unit to R180.00 and from current rate of R400.00 to R360.00 for a double unit.**
- 7 That a copy of the finally approved amended Tariff of Charges be sent forthwith to the National Provincial Treasury in terms of Section 24(3) of the Local Government : Municipal Finance Management Act, 2003 (Act 56 of 2003).**

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(Tel. (011) 018-6730)

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THE NEXT ITEM FOLLOWS THE ANNEXURE TO THIS ITEM

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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 2016.

The following tariffs will be effective as from 1 July 2016:

Table 1 Proposed rental tariffs

Tariffs Charges for Housing Rental Units		2014/2015	2015/2016	2016/2017	2017/2018	2018/2019
Description	Typology	Previous	Current	Proposed		
		5.80%	6%	5.90%	5.60%	5.50%
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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 5.9% effective from 1 July 2016.

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 11,134 Council Owned billable rental units made up as follows:

- 2152 Old Age Retirement Rental Units comprising of 1771 single units and 381 double units respectively. A double unit is a bigger unit intended to accommodate two Pensioners
- 5750 units of Flats, Duplex flats and row houses.
- 3232 beds in Public Hostels.

All categories of rental units other than Old Age Retirement Units will be subject to inflationary increase of **5.9%**.

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 except that of Old Age Retirement Units be increased by 5.9% in line with budget guidelines, effective from 1 July 2016.
- It is further proposed that the monthly rental tariffs of single Old Age Retirement Units be reduced from **R230.00 to R180.00** and **from R400.00 to R360.00** in respect of double units effective from 1 July 2016. The proposed reduction in rental amount is in compliance to the Gauteng Rental Housing Tribunal made on 13 July 2015.

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

The proposed 5.90% increase is intended to cater 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 will be briefed so that they can also assist officials in informing the tenants that they are expected to make some contribution in the form of rental payment in order to cover portion of operational costs in a manner outlined on the proposed tariffs for 2016/17 financial year.

6) **Additional Comments:**

None