

# FREQUENTLY ASKED QUESTIONS

As amended on 18 November 2009

## Special Rating Areas

*(including City Improvement Districts)*

### ***What is an SRA?***

A Special Rating Area (SRA) refers to a clearly defined geographical area, in which property owners contribute additional rates to fund 'top up' services for that specific area as per the approved Business Plan.

### ***What is the regulatory framework governing SRAs?***

SRAs are governed by Section 22 of the Municipal Property Rates Act (MPRA), the Municipal Finance Management Act (MFMA), Section 21 of the Companies Act, the SA Constitution, and the City of Cape Town's Special Rating Areas By-law of 2009.

### ***Why establish an SRA?***

According to the SA Constitution (Sections 152 & 153), the objective of a local authority is to provide all its residents with certain basic services such as water, electricity, sanitation and refuse removal, etc – up to an equitable standard. For communities who wish to enjoy municipal services of a higher level, an SRA provides them with the option of paying for these additional services, which should be affordable and sustainable.

### ***What types of 'top-up' services are provided in a SRA?***

Typically, these would be services dealing with additional public safety measures, cleansing services, maintenance of infrastructure, upgrading of the environment, and social services, etc.

### ***Does the formation of an SRA mean that the City can reduce the level and quality of its services?***

No. The City is obligated to sustain existing service levels. It has to conclude a Memorandum of Understanding with each SRA indicating the level of services to be provided by the municipality. This enables the SRA to decide on the 'top up' services required.

### ***What are the benefits for SRA members?***

By pooling their resources in an SRA, individual property owners can enjoy the collective benefits of a well managed area, a shared sense of communal pride, safety and social responsibility, and access to joint initiatives such as waste recycling, energy-efficiency programmes, etc. In the end, these all translate into a tangible boost in property values and capital investments.

### ***Are there different types of SRAs?***

No, but an SRA can consist of industrial, commercial and residential components, or a combination of all three.

### ***How many SRAs are there in Cape Town?***

There are currently 19 SRAs in the City of Cape Town. Four communities are applying for establishment, and another 25 have expressed interest in establishing an SRA.

### ***How does one establish an SRA?***

An SRA is always initiated by a community, and not by the City.

It usually starts with 'champions' within a community who feel the necessity to improve the environment within a defined area. They then compile a five-year business plan (including the motivation report, the implementation plan and a budget) indicating how the improvements are to be achieved, and present this to the community at a public meeting. Thereafter property owners are lobbied for their support where a majority (more than 50%) has to give written consent to the formation of a SRA.

Once this has been obtained, the steering group has to submit an application to the City. The application is then advertised in the media and property owners are also notified to allow them at least 30 days to render any comments or objections. The City then considers the application with the objections.

After the City has approved the application, a Section 21 company is set up and a board is elected. The Section 21 Co. has to register for VAT, open a bank account and be registered as a vendor with the City, etc. This must all be in place before the City bills the property owners and pays over the levies to the SRA.

### ***Who manages the SRA?***

An SRA is a Section 21 company managed by a board elected by its members, and operated by a management team appointed by the board. Property owners must sign up for Section 21 Co. membership to allow them to participate in the SRAs affairs. The City is not involved in their day-to-day operations, but merely exercises financial oversight and legal compliance.

### ***Who monitors the finances?***

An SRA manages its own finances and appoints its own auditors. The audited financial statements form part of the City's consolidated accounts, which are reviewed by the Auditor-General. In addition, monthly financial reports are submitted to the City to monitor that expenditure is incurred according to the budget.

### ***How is an SRA funded?***

An SRA is funded from the additional rates paid by its members. It does not receive any subsidies from the City, but does have the powers to raise additional income.

### ***How are the SRA additional rates calculated?***

The SRA management confirms the properties within the boundaries of the SRA, which is then linked by the City to the municipal valuations according to the most recent general valuation roll.

The SRA management prepares an overall budget for the year. This is based on the specific needs of the area as set out in the approved Business Plan. The individual contributions are then calculated by dividing up the budget total according to the municipal valuations of each SRA member proportional to the total valuation of the SRA.

The SRA Policy allows for a differentiation in tariffs for the different types of properties – be it residential, commercial or industrial.

This tariff is then expressed as a cent in the rand and is applicable over a financial year, which starts on 1 July.

The SRA budget and proposed tariff have to be approved by the City, and advertised for comments and objections as part of the City's budget process prior to implementation on 1 July.

### ***How are the SRA additional rates collected?***

The City collects the additional rates on behalf of the SRA. It does not go to the City, although they share an invoice to save on collection costs. The additional rate appears as a separate item (improvement levy) on the monthly municipal account of each property owner within the SRA.

### ***Is the payment of the additional rates mandatory for all properties within the SRA?***

Yes. Once the City has approved an SRA, the participation of all property owners within the boundaries of the SRA is mandatory. However, there are exceptions in terms of relief.

### ***Who can be exempted from paying the SRA additional rates?***

The following categories of owners / properties will be 100% exempted as per the SRA Policy:

- Indigent, Senior Citizens and Disabled Persons who meet the criteria for rates relief
- all improved residential properties that have a municipal valuation of R88 000 or less
- properties registered in the name of and used primarily as a place of worship
- Council owned properties used predominantly for official municipal business

The SRA Board can apply additional criteria for further relief.

### **How does the SRA set its budget?**

The SRA sets its own budget according to input from its members as per the approved five-year Business Plan. The City does not get involved in this process. Each year, the SRA board has to submit a detailed budget to the City by 31 January. The proposed budget may not deviate materially from the approved business plan. If there is a material deviation, an application in terms of Section 11 of the SRA By-Law is required. The City evaluates the proposed budget for affordability and sustainability.

### **What if the valuation base changes within a financial year?**

The valuation base is a snapshot at a point in time (end February) and is used to calculate the cent-in-the-rand for the following financial year. However, municipal valuations can change within a financial year due to interim valuations, Valuation Court rulings, sub-divisions, rezoning or other technical adjustments. Should the valuation base decrease or increase substantially, the City must inform the SRA in order to recalculate the SRA tariff.

### **Can my SRA additional rates be spent anywhere in the City?**

No, it is ring-fenced to be ploughed back *exclusively* into the SRA.

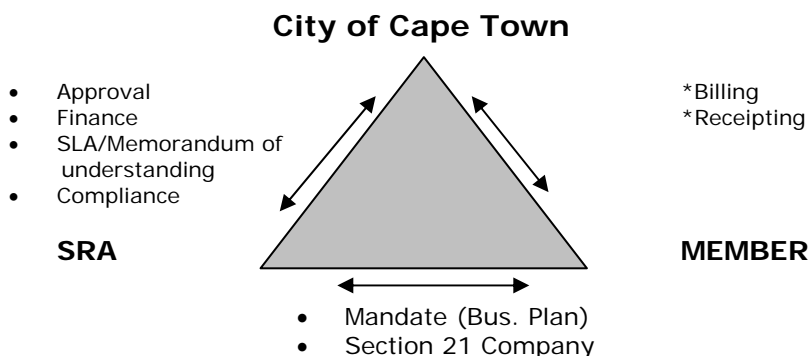
### **How does the City resolve additional rates arrears?**

Defaulters are subject to the City's credit control and debt collection policies. As such, they can have their water and electricity services suspended or their rates clearance certificates withheld.

### **Do members have a say in an SRA?**

Absolutely! Every property owner within the SRA should apply in writing to the SRA Board for membership of the Section 21 company. Only then are they able to participate in SRA affairs.

### **What is the relationship between the City, SRA and member?**



### **Ends**

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