

Property owners affected by July unrest potentially eligible for rates relief - SAIV

There may be economic relief for property owners affected by the July civil unrest in KwaZulu-Natal and parts of Gauteng in the form of rates relief, according to the South African Institute of Valuers (SAIV), as set out in the Local Government: Municipal Property Rates Act, 6 of 2004 (MPRA).



Janet Channing, a member of the SAIV and managing director of MetGovis

According to Janet Channing, a member of the SAIV and managing director of MetGovis, this legislation can aid with relief. “The MPRA details recourse for property owners whose properties were adversely affected during the unrest. It is premised by the assumption that municipalities are committed to relieve the financial burdens of affected property owners and fully support the recovery of our local economy.”

There are realities and there is policy. There are two policy routes that extend relief to affected property owners. Channing explains that this relief is not granted on an ad hoc basis. “Section 15(1)(b) provides that a municipality may, in terms of criteria set out in its rates policy, grant to a specific category of owners of properties, or to the owners of a specific category of properties, rates relief in the rates payable in respect of their properties.” This includes “owners in a disaster area and other serious adverse social or economic conditions”, section 15(2)(d)(ii).

Reduction in municipal valuation

“The relief provided will be in the form of a reduction in the municipal valuation of the property in relation to a certificate issued for this purpose by the respective municipal valuer, effective from the date of the disaster,” explains Channing. While Premier Sihle Zikalala declared a disaster area in KwaZulu-Natal on 29 July 2021, this has not been gazetted so no relief funds are allocated as yet.

The other recourse for property owners affected by the unrest is through section 78(1)(d). This provision states that a municipality must, whenever necessary, cause a supplementary valuation to be made in respect of any rateable property - of which the market value has substantially increased or decreased for any reason after the last general valuation. These supplementary valuations must be raised from the date of the incident, circa 12 July 2021, with the amended (market) value reflected on the earliest billing following the preparation of the supplementary valuation, section 78.

The MPRA requires that all properties are valued according to their market value on the date of general valuation for rating purposes. There are various valuation methodologies used to determine market value. The methodology most appropriate for business and industrial properties is known as the Income Capitalisation Method. Business and industrial properties will have been valued using this valuation approach. The key inputs for the determination of market value are: rentals, operating expenses, and market capitalisation rates.

A totally destroyed property may be revalued as vacant land, taking into consideration the salvage and clearing costs. Partially destroyed buildings pose a greater challenge as reinstatement cost adjustments do not equate to market value.



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Avoid further financial hardship

Supplementary property valuations must proceed with haste as a prolonged process will mean incurring further financial hardship for those ratepayers who have already lost their businesses or had their buildings either partially or completely destroyed during the unrest. "Therefore, professional valuers have an obligation to support the process of rebuilding the economy and seeking the available relief for clients, whether they be municipalities or private property owners. We need the close collaboration of property valuers, municipalities, quantity surveyors and architects," says Channing.

According to the SAIV, there is no doubt that the market value of properties that were looted and torched have decreased in value. Supplementary valuations thus need to be raised from the date of the incident, with the amended value reflected on the earliest billing following the preparation of the supplementary valuation, section 78. Property owners who are concerned about their revaluation process are encouraged to get in touch with the SAIV or their local chamber of commerce.

The Ethekwini Metro has been proactive and on 5 August 2021, council approved the extension of an immediate 75% rates relief for affected businesses for an initial period of 6-12 months. Consideration should be given to smaller urban centres where the re-build progress may be less robust.



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Employee relief

In addition to property rates relief, there is supportive coordination between IDC, NEF and DTIC for businesses that were uninsured, small and micro traders in townships, small towns and rural areas. On 6 August 2021, minister of employment and labour TW Nxesi gazetted 'Destroyed, Affected or Looted Workplaces: Temporary Relief Scheme 2021'. This extends relief to employees whose workplaces were adversely affected.

According to the SAIV, it is too early to make any inferences on valuation trends emerging from the July 2021 unrest. There is, as yet, insufficient reliable data to draw any reliable conclusions about increased property risk or any potential shifts to online shopping.

“There is no doubt that the impact of ‘our winter of discontent’ July 2021 will be with us for many years to come. As South Africans, we acknowledge that resilience is part of our heritage and genetic makeup. It’s been tough and the rebuild journey will test us all again. But as Nelson Mandela once said, ‘Do not judge me by my success, judge me by how many times I fell down and got back up again’,” concludes Channing.

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