



**SUSTAINABLE TOURISM
PARTNERSHIP PROGRAMME**

**SUBMISSION TO THE PORTFOLIO
COMMITTEE OF COOPERATIVE
GOVERNANCE AND TRADITIONAL
AFFAIRS**

**LOCAL GOVERNMENT: MUNICIPAL
PROPERTY RATES AMENDMENT BILL**

30 JANUARY 2014

ACT RESPONSIBLY, GROW SUSTAINABLY



1. BACKGROUND

"Every profession bears the responsibility to understand the circumstances that enable its existence."

— Robert Gutman

The Sustainable Tourism Partnership Programme (STPP) was established to facilitate the implementation of Sustainable Tourism Practices in Smaller Accommodation Establishments (SAEs) and Tourism SMMEs across South Africa. The aim of the programme is to contribute significantly to the objectives of **National Tourism Sector Strategy** as well as the **National Development Plan Vision 2030**. In addition, the programme is closely aligned to the recommendations from the United Nations Environmental Programme, which shifts the focus of **sustainable tourism development to SMMEs**, which includes SAEs.

2. PROGRAMME OBJECTIVES

The key objectives of the programme are to:

- To provide a **holistic management approach and framework** for the implementation of Sustainable Tourism within **SAEs and Tourism SMMEs** across South Africa in the context of NTSS and NDP 2030. The programme is targeting 1000 establishments per year over 5 years;
- To source funding support **establishments and businesses**, both on the supply and the demand side, to Implementation of Sustainable Tourism Practices, thereby **catalysing and incentivising** local economic development;
- To develop or support local programmes and community based businesses to provide goods and services to tourism businesses, thereby increasing the "Multiplier Effect" of tourist spend and reducing "Leakage" from local economies;
- To form partnerships with "programme enablers" across the entire tourism value network so as to source products and / or service to address the needs of **SAEs and Tourism SMMEs** in the context of Sustainable Development;
- To **pro-actively set up local community forums** and promote collaboration amongst stakeholders, including, but not limited to, municipalities, business chambers, associations, tourism organisations, SAEs and SMMEs;
- To conduct baseline audits as well as on-going **industry surveys** and **collect data** throughout the programme so as to track qualitative and quantitative benefits and assist with the development of SAE and Tourism SMME benchmarks;
- To provide **on-going education and training** through localised support centres and to transfer skills to tourism regions, thus ensuring on-going implementation after de-commissioning of the programme;
- To become a **feeder programme** for **certification bodies** to ascertain greater effectiveness and collaboration across the industry, thus ensuring a win-win for all participants in Sustainable Tourism.
- To engage regulators across multiple sectors at local, regional and national level to influence regulation and policy development to create enabling environments for Sustainable Tourism Implementation.



3. Smaller Accommodation Establishments

These are establishments that offer paid accommodation with less than 15 rooms. Bed and Breakfasts, Guest Houses, Lodges, Farm Stays and the like.

| | |
|--|----------------------|
| Estimated No of Smaller Accommodation establishments:- | 30 000 |
| Average number of Rooms: | 5 |
| Direct Jobs | 1 per room |
| Indirect jobs | 5 – 7 per Direct Job |

According to the UNWTO 1 Billion Tourists travelled in 2012 which contributes 1 job for every 12 Tourists

Smaller Accommodation Establishments traditionally come into being, for the following reasons:-

“empty nest” syndrome – Children leave home. House is paid for and some bedrooms come available and are rented out from time to time

“Retirement” – Home owners wish to keep active, have the space and rent out available rooms to subsidise their retirement.

“necessity” – in difficult economic climates, many people lose their jobs and utilise available rooms as an income.

“Demand” – Special Events, mining towns, University Towns

There are many regulations, by-laws and licences that are required for the running of a Smaller Accommodation Establishment. Many of these have a cost implication. These costs differ from municipality to municipality

Municipalities see Smaller Accommodation Establishments as “low hanging fruits”. They request the properties to rezone or not, but charge commercial rates as well as additional charges for electricity, water and sewerage. Depending on where a property is situated “consent use” is a solution.

In 2012/2013 over 300 Guest Houses/BnB’s closed their doors due to the increasing costs and decreasing occupancy due to the world economic climate. In many instances, it is simply not viable to run a guest house.

The Increase in the Rates and Service costs has consequences:-

Many of the Smaller Accommodation Establishments operate “below the radar”.

Rezoning the properties to business has consequences:-

When a property that has been rezoned to business and gets sold, it is very difficult to sell the property as it may not be sold as a going concern. In many instances the properties are sold as “residential” properties again. The buyer will **not** be able to obtain a conventional bond but would have to apply for commercial loan with a 30% deposit and 10 years in which to pay off the property.

Smaller Accommodation Establishments are not going away and create valuable employment opportunities.



According to the **Spatial Planning and Land Use Management Act, 2013. Act 16 of 2013**

The definition of property used for “residential purposes”

Means purposes normally or otherwise reasonable associated with the use of land primarily for human habitation, including

A dwelling house

Group housing

Hotels

Flats

Boarding houses

Residential clubs

Hotels

Residential clubs and

Rooms to let

We would like to highlight a 4 tiered scenario which actually exists in Mossel Bay

This scenario is in relation to the occupation of 4 identical properties directly next to each, with the following accommodation:- 4 Bedrooms with en-suite bathrooms, the usual reception rooms, 1 guest toilet, a granny cottage with 1 toilet. (7 toilets)

| Item | Residential Home | Rental Home | Guest House | Self Catering |
|-------------------------------|--|--|--|--|
| Occupation | Owner, (family of 5) live in; grandparents in granny flat, contributes to expenses | Owners live elsewhere; rents house long term to family of 5 & granny flat to 2 persons | Owners live in granny flat and uses dwelling as GH /B+B (Short term rental) | Owner lives in house, and uses granny flat for self catering on guests that come and go (short term rental) |
| Additional Income | Owners earns income through grandparents contributions | Owner earns 2nd income through trading his product (available accommodation) which he offers to a willing hirer for an agreed price and duration | Owner earns 2nd income through trading his product (available accommodation) which he offers to a willing hirer for an agreed price and duration | Owner earns 2nd income through trading his product (available accommodation) which he offers to a willing hirer for an agreed price and duration |
| Municipal Requirements | None | None | Must obtain consent use for 5 yrs at a cost of +-R25 000 | Must obtain consent for 5 yrs |
| Municipal Rates | Residential | Residential | Accommodation The GH is not rezoned to business, has consent use to operate a GH on a “residential” property | Accommodation The GH is not rezoned to business, has consent use to operate a GH on a “residential” property |



| Item | Residential | Rental | Guest House | Self Catering |
|---------------------------|--|--|---|---|
| Electricity | Single Phase, 60 Amp with pre paid meter | Single Phase, 60 Amp with pre paid meter | Single Phase, 60 Amp with pre paid meter | Single Phase, 60 Amp with pre paid meter |
| Electricity Tariff | Residential | Residential | Business. No extra cost for the Mun. to bring electricity to the property as it comes from the same sub station | Business. No extra cost for the Mun. to bring electricity to the property as it comes from the same sub station |
| Water | 25mm outlet from mains | 25mm outlet from mains | 25mm outlet from mains | 25mm outlet from mains |
| Water Tariff | Residential | Residential | Business. No extra cost for Mun. to supply water. | Business. No extra cost for Mun. to supply water. |
| Refuse Removal | Pays for 2 Units | Pays for 2 Units | Pays for 3 units | Pays for 3 units |
| Sewerage | Linked to Mun. system | Linked to Mun. system | Linked to Mun. system | Linked to Mun. system |
| Sewerage Tariff | Residential. R2,649.05 per jaar | Residential. R2,649.05 per jaar | Business,also used for private. R4,415.35 per jaar. | Business,also used for private. R4,415.35 per jaar. |

All the above properties receive an income and can therefore be “deemed” as business. All the above properties are however, “residential” by Nature and should be treated as such

Art 3,3 of the “Municipal Property Rates Act”: Act 6 of 2004 reads *“The rates policy must treat persons liable for rates equitably”*. The only difference between a Rented house and a Guesthouse or a Self Catering property is the length of stay of the occupants

- a. According to Art 8.1.b of Act 6 which reads *“Subject to section 19, a municipality may in terms of the criteria set out in its rates policy levy different rates for different categories of rateable property, which may include categories determined according to the permitted use of the property, etc”*
- b. *“A municipality may not levy- different rates on residential properties, except as provided for in sections 11(1)(b), 21 and 89”*
- c. *“The MPRA Act section 8(2) reads : Categories of rateable property that may be determined in terms of section (1) include the following :*
 - a. Residential properties
 - b. Industrial properties etc.
 - r. Properties used for multiple purposes , subject to section 9.”*the Minister of Finance by notice in the Gazette.”.*

Services

1.
 - a. Art 74.2.a. *“users of municipal services must be treated equitably in the application of tariffs”*
 - b. Art 74.2.d. *“Tariffs must reflect the costs reasonably associated with the rendering of the service, including capital, operating, maintenance, administration and replacement costs, and interest charges”*
2. Although water tariffs for residential is the same for business, the only difference being is that the the business charges exclude the free 6kl water allocation to residential properties.
3. Similar applies for electricity
4. Accommodation properties pay per toilet for sewerage whilst residential have fixed sewerage rates



The above just highlights how Smaller Accommodation establishments are affected.

These are issues that are constantly brought to our attention. We wanted to find out if it was just a “Mossel Bay” issue or whether it was wide spread.

Surveys

The STPP run a number of Surveys amongst small tourism businesses focussing on the needs of Smaller Accommodation Establishments.

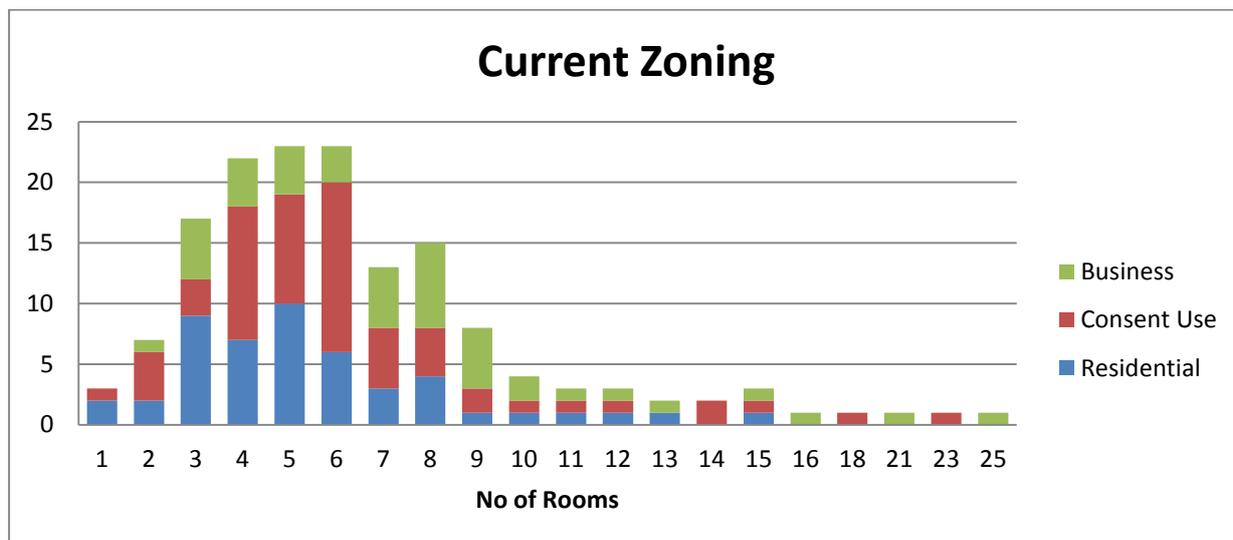
A Survey was under taken in April 2013 regarding rates and zoning and service charges

1500 Surveys Sent out to Smaller Accommodation Establishments

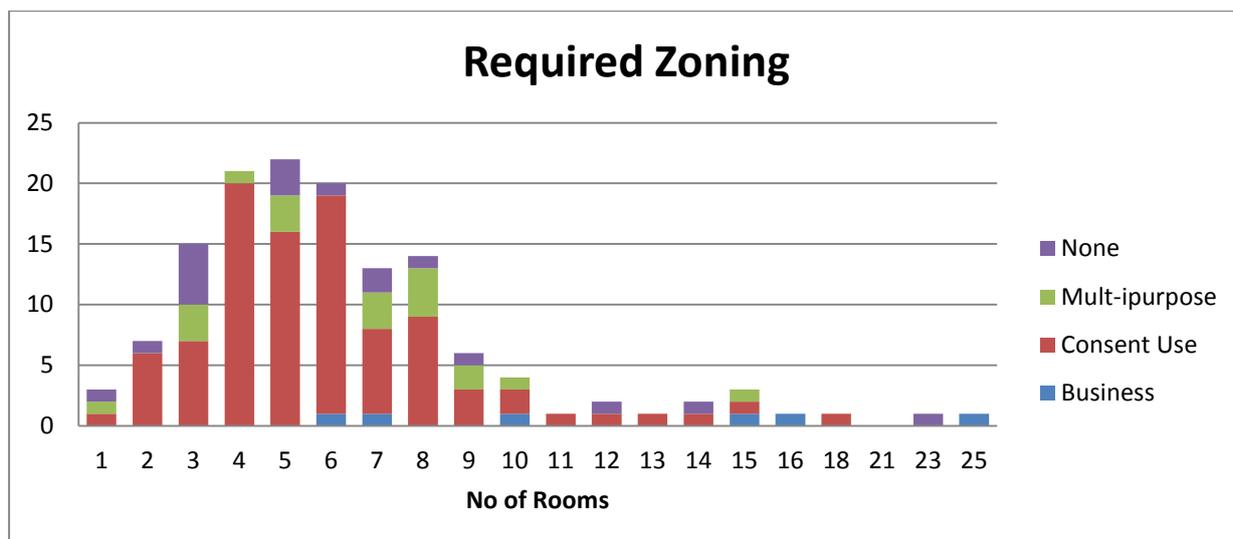
163 Responses were received

The outcomes are illustrated in graphs below.

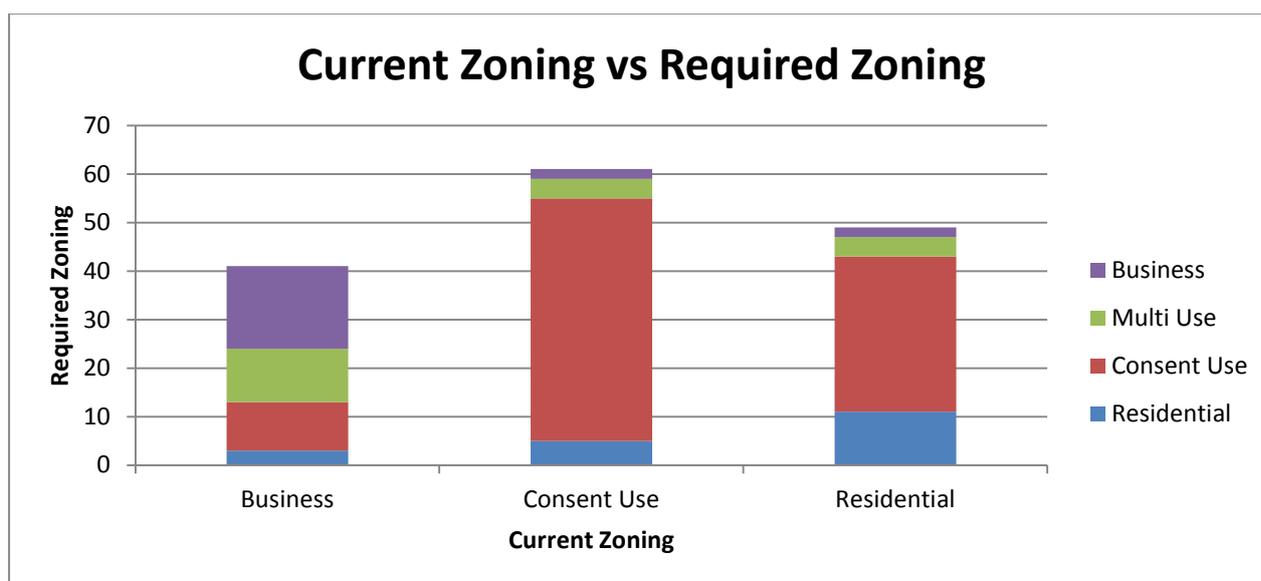
GRAPHS



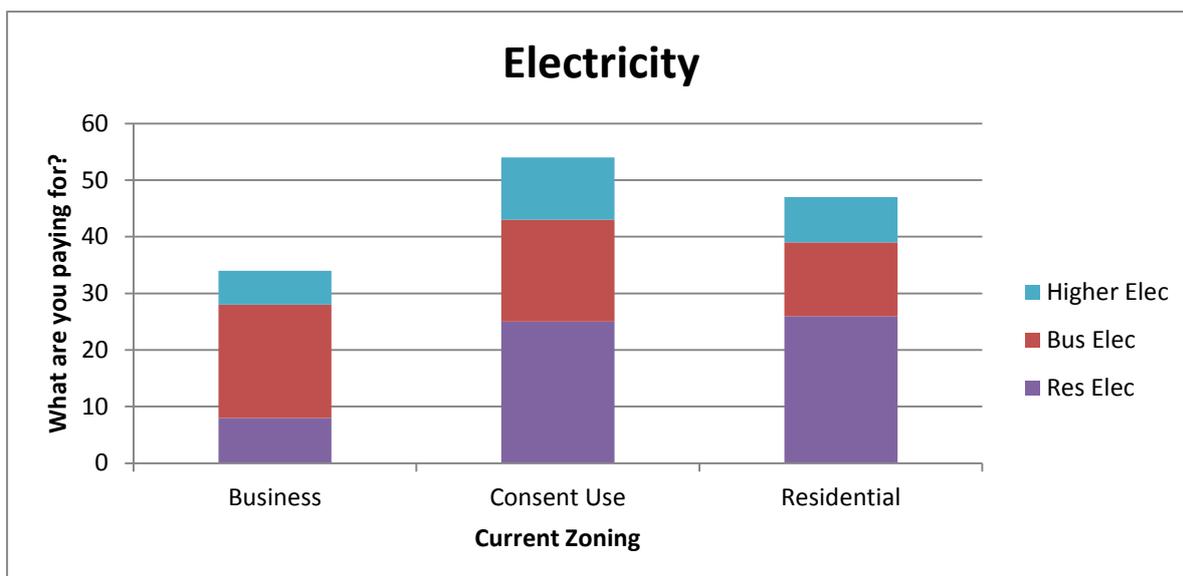
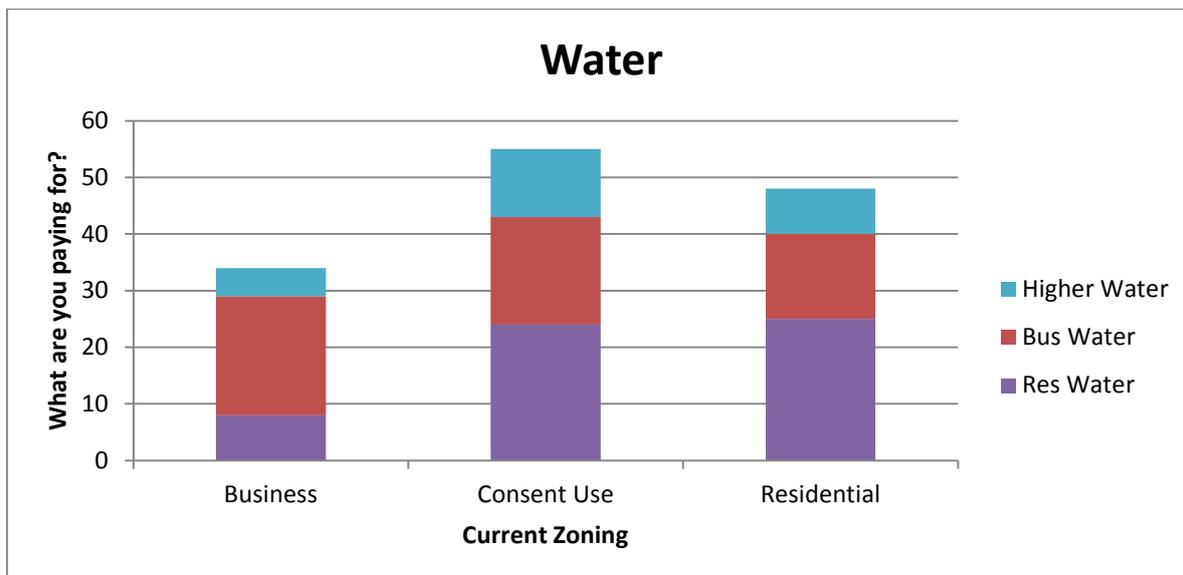
There is an interesting spread here, and clearly no consistency. It seems that various establishments sizes are zoned differently depending on the municipality, but what is clear is that some smaller establishments are business zoned, which should not be required.



Consent use seems to be the norm in most cases, but once again, in smaller establishments, this should not really be necessary.



It seems that in many cases business zoning has been done where it was not a requirement. Consent use is the most consistent with what is required and what is reality. In many cases, establishments have not been rezoned from residential where this is a requirement.



While it seems that there are a significant number of establishments that are residentially zoned but paying higher rates of business rates, the opposite is also prevalent, i.e. business zone properties paying incorrect rates (I only looked at water and electricity, but the sewerage, refuse and Municipal rates follow the same trends)



General Comments

Please read through these comments. It is very critical to understand some of the concerns and issues, which is not reflected in the numbers.

| No of rooms | Comment |
|-------------|--|
| 1 | We do get a 50% discount. This has to be applied for every year. If you don't apply for it you don't automatically get it. |
| 1 | They combine the two rates and divide it in half so it is equal |
| 2 | Annual Rates Rebate application serves to apply a rebate which has the effect of reducing the business rates charge to equate to a residential rate charge |
| 2 | Q. 4 We are zoned agricultural and pay higher than we were zoned for. We lost our 80% subsidy! |
| 2 | receive 50% rebate on rates |
| 3 | Residential Stand, initially needed consent, now business rates are being charged, with 50% rebate.. |
| 3 | Until now I have been classified as residential, but on the new classification I am Business. Many Bib's in this area with more rooms have been classified Residential/Business |
| 3 | I have a three bedroom one study house. One room is mine. I should not be in business category |
| 3 | When I started the municipal official said I should just do my thing and there is nothing to register. Through all the years I have never had any official papers signed, but I have only 2 rooms which are real guest rooms, The 3rd is a room as part of the house and used in emergencies. |
| 3 | Property is presently being changed from Agricultural Holding to Residential by Tshwane and the 75% discount that has been applicable is no longer allowed which means the Rates and Taxes will be increasing by 4x |
| 3 | I do appreciate that we get a Bed and Breakfast rebate. If it was not for that I would consider closing down. Our business in Umdloti is very seasonal and we never know what the next month is going to be like. |
| 3 | THE RATES DON'T MATCH THE SALE VALUE OF THE HOUSE |
| 3 | Discount applies for retired owners |
| 3 | 50 % rebate which brings it back to residential rates |
| 3 | I get 50% rebate which still very high for rates! |
| 3 | I have done this survey through BBAPT and nothing has changed. I am operating since 1997 starting with one room then adding another in 2001 and now sometimes a 3rd if needs demand |
| 3 | I am not sure what the actual residential rates of the above are gut I KNOW we are charged more for garbage collection and sewage than ordinary residential properties. |
| 4 | We pay rates, water and electricity based on 'business rates' which is crippling for a small business like a guest house. There should be another form of rates for B&B's and Guest Houses that are required to pay on a 'business basis' as we have far lower volume and therefore income than medium to large businesses. |
| 4 | Our water is, I am told charged at one of the highest in the country! So are our rates - we live in an old house, built in the 60s, we are being charged R1520.00 per month. We pay the Municipality almost R6, 000 a month! |
| 4 | I actually don't know. Other than we have recently been re-valued and rates and taxes and water & light have almost doubled- not quite! How does one find out if we are residential etc. and not stir up a hornets nest if they have got it wrong? |
| 4 | Due to property valuation increase our rates will increase with 50,7% due to the new calculation formulation |
| 4 | We were successful in an appeal against being classified Business/Commercial - but only on the basis of not having 5 or more rooms, at which point the rate level leaps by more than 50% above the Residential rate. |
| 4 | We have just rezoned and it would take a few months to evaluate the rates and taxes and compare it with residential rates |
| 4 | As from May 2013, Ethekwini does not want to grant us the B&B rebate as I the owner do not live on site. However, the Assistant Manager does live on site in a Self-Catering unit. If we do not get this rebate, we will seriously have to consider closing. Our B&B is too small with too low a turnover for us to be able to pay this extra R1554.00 per month. Two people will lose their jobs - the Assistant Manager, Thumeka Sogoni (750719066 9082), a single mother of three who delivers a most professional service, and Walter Mthembu (600102 6110 082). Our accountant can be contacted to see that we are running at a loss. This loss will be exacerbated if we do not qualify for a rebate and we will close. A great pity. The municipal "Property Category" lists us as "Business & Commercial" and the rates are exorbitant. |
| 4 | Hilton is in a weird place - water goes to the district, electricity to PMB, and rates to Howick. |
| 4 | We are charged Business Rates and then need to apply for a rebate - it is all dependent upon the number of rooms 4 rooms and below receives a 50% rebate which then means the rates are residential - as far as I know and obviously depend on the value of the property. |



| | |
|---|--|
| 4 | There is no transparency about the rates. They will not give quotes for residential, consent and business rates. All we know is that we pay double what we would if we did not operate a B and B. Also there are MANY guesthouses and b and bs operating without municipal approval and they only pay residential rates. We have put in formal information to the land use and all continue to operate and their rates have not changed on the database. Nothing is done about illegal businesses. Business is booming without correct authorisation from residential homes. It is difficult to compete with "illegal" businesses who do not have the overheads of a legitimate correctly registered business. |
| 4 | WE HAVE APPLIED FOR A RATES DEDUCTION. |
| 4 | B and B rebate on municipal rates. |
| 4 | On the valuation of my property, this was one of my arguments that they were valuing the property as business, but yet it was zoned as special residential with only consent to operate as a B&B. |
| 4 | I have put residential for all based on the fact that I receive a monthly rebate on rate, so presume all the other charges are also residential. |
| 4 | We have just been contacted by the municipality and they want to apply business rates despite the fact that we are zoned as general residential!!! |
| 4 | If one has a business license, special consent and belongs to CTI (which central Durban does not have as yet) one is entitled to a 50% rebate of the business rates. I am hoping to get my license this week and it has taken me 21/2 years to get to this point. I have been assured that the 50% extra I have been paying will be back dated but this remains to be seen. |
| 5 | We are rated the same as Durban although we do not have storm drains, water born sewerage, beaches etc. We are unable to charge high rates in our establishments as well as we are only operating at about 30 to 40% occupancy. About 10 of our establishments have closed due to the commercial rates and we are being forced to cut back on staff due to minimal wages and high rates and taxes. |
| 5 | Drives me crazy as my home is not any fuller than when I had my children staying here. Rates R1000 per month more, utilities about R2000 per month more. I have retrenched a staff member and a lot of B&B have closed with a loss of about 15 staff members. One can't afford to run in PMB with fewer than 3 rooms. |
| 5 | Have unresolved dispute. Far too high as NO services are provided! |
| 5 | Rezoned Residential 5 on agricultural land, No refuse removal or water borne sewerage |
| 5 | municipal account is high a1 kynaston is always higher than a1 bay view (one reason we de registered a1 kynaston could afford it |
| 5 | Business at the BNB hasn't been very prosperous. Our monthly bill from Ethekwini amounts to approx. R11000.00. any help with a reduction in our rates would be excellent:) |
| 5 | THE MUNICIPALITY PUT OUR RATES & TAXES UP FROM R1400PM TO R6500 PM THEY ARE ALMOST KILLING MY BUSINESS AND IT RAISES EVERY YEAR FURTHERMORE WE ARE RESTRICTED TO ONLY 5 ROOMS NO ONE CAN EVER SURVIVE ON THAT KIND OF INCOME BENITA STEENKAMP |
| 5 | I pay double for refuse removal and sewerage. |
| 5 | Although we have consent use, Tshwane wants to classify us as multipurpose and then apply business rates to the guesthouse portion |
| 5 | In Knysna they work on a scale of rates, depending how many rooms are being operated on the property. Between 1-9 we are get billed residential rates, but we do qualify for any rebates or rates discounts that some business properties might get. |
| 5 | Rates rebate offered: 1-4 rooms = 50% 5-10 rooms = 25% * Applicable to us Rates etc = 45,2% of our total annualised costs for the business! Bank finance is set as a business rate over 10 years maximum too, as a result of this consent use - eliminates 90% of the potential buyers |
| 5 | NAA/KWABABA members get rebates on their municipal rates as negotiated with the municipality several years ago 1-4 rooms 50% rebate and 5-10 rooms 25% rebate. |
| 5 | There is not a Zoning as Consent Use |
| 5 | The house with 4 bedrooms has being charged Business for Rates and Services for many, many years. The house with 1 lettable bedroom (where we live) has been charged Business Rates and Services since July 2012, despite numerous objections in writing. |
| 6 | Inconsistence in the rates as some Guest Houses are paying commercial rates and some residential, this has a great impact on profitability. |
| 6 | We have just had the valuator around and they have asked for our rate and occupancy figures so that they can adjust the rates accordingly so those who are not doing so well can get a lower rate. I think this is totally wrong and unethical and allows for fraud whereby B&B are giving lower occupancy figures in order to get a better rate charge. |
| 6 | We have conference facility but only for up to 20 delegates max. To host a conference we are not able book accommodation as we use the living area/ lounge of the house for the conference. Ethekwini municipality offers a reduction in the business classification of rates but only if the establishment does NOT have conference facilities |
| 6 | We should receive beneficial rates as per item 6 above as we boost the economy of the local municipality by bring tourism to the area.... |



| | |
|----|--|
| 6 | For us a huge bone of contention is this doubling of our rates recently. Other equivalent establishments in our network are still paying residential, we need a level playing field it's hard enough for business here as it is, and we can't compete on price now. Why are resorts exempt???? like San Lameer - not holiday homes - pure business for profit, see advertising !!. Valuations is another bone, we are valued higher than a similar establishment on the beach !!!! |
| 6 | one third rebate for B& b,s |
| 6 | Water: Residential and Business pay the same |
| 6 | We are apparently only 9 establishments which is taxed as business?? |
| 6 | As the owners we live on the premises (62%) and applied at our local authority to use (38%) of our property as a B+B. We are currently levied at full industrial/commercial property rates (0.0118 BO5) which is unlawful. We have a single residential property with consent use. What is the way forward for us ? |
| 6 | Septic tanks |
| 7 | Rates are charged on B&B basis but we get a 50% rebate |
| 7 | We cannot continue absorbing increases in rates without increasing our accommodation rates and then we risk becoming too expensive. Corporate business is already cutting back by reducing the number of visits and length of stay in accommodation establishments. |
| 7 | Please ignore the info I've put in on another survey (* 6), it was not the correct information. |
| 7 | Our rates and services bill has doubled in three years to 18-22,000 per month which means we must pay the bill over 3 payments to meet it. We are a reasonably successful guesthouse with 60-70% occupancy this year and yet we have to rely on savings to meet our family's expenses. We employ 3 full time and 1 part time staff on well above minimum wages. If our basic expenses were not so high we could employ another staff full time. |
| 7 | Our Rates are proposed to go up a further 21% this month which will cause us to seriously rethink keeping our business open. Possibly resulting in 4 staff to loose their jobs. |
| 7 | It is totally hit and miss (Russian Roulette) The vast majority of B&BS etc are illegal and thus operate on a residential low cost basis. I cannot answer question 5 accurately as we are rezoned to guesthouse as a residential zoning |
| 7 | Our Rates Invoice reflects our property as being zoned "Commercial". To our knowledge this was never registered as such with the deeds office. We had to obtain consent from neighbours and the municipality in order to operate as a guesthouse. |
| 8 | Unfair to have to pay commercial rates for 8 rooms, which only once a year are fully booked! |
| 8 | Self catering is still charged as residential. Why must B&B owners pay Commercial rates. We get charged for 8 rooms, which only once a year are all filled. OUT RAGEOUS! |
| 8 | Electricity partially business partially residential. Rezoned on addition building for business The higher the water bill, the higher the sewage tariff |
| 8 | Rezone to residential with mixed use |
| 8 | We are a on a farm, so we do not get water, electricity, sewerage or roads supplied by the municipality, we are off a provisional road. Yet, I pay taxes as if we were an 8 bedroom hotel in town. |
| 8 | I LODGED A COMPLAINT LAST YEAR ON THE 10/07/2012 RE THE VALUE OF MY PROPERTY BEING OVER VALUATED BUT NO ONE CAME BACK TO ME IN THIS REGARD.I HAVE FOLLOWED UP BUT NO RESPONSE. MY PROPERTY WAS NOT LODGED WITH THE RATES DEPARTMENT (AN ERROR ON THEIR SIDE) AT THE TIME WHEN A WINDOW PERIOD WAS OFFERED TO DISPUTE THE NEW RATES AMOUNT. |
| 9 | Rates and taxes currently the subject of a High court dispute |
| 9 | electricity charger at higher rate due to 3-phase supply |
| 9 | The by-laws of the municipality states that the owner must reside on the property, why must I be paying business rates on the portion that I am staying on. |
| 10 | Please note: I chose no 3 at *5 because of my comment in the block at no 3 that we are GR2 Zone Don't know whether 3 is correct. We are charged by Eskom itself for electricity, we do not pay a sewage charge. We are bringing our side in paying every month but we get LESS THAN ZERO in return for our rates and taxes. Now they want to incorporate another bankrupt municipality into our region and they cannot even fix our roads and cut the roadside edges, etc. etc. Speak to the local residents and you will hear the truth or rather come and see for yourselves |
| 12 | ALL guest houses and b and b's no matter the size should be treated the same |
| 14 | We are in the bush, have Eskom directly from Eskom, I do not know the rate, we do not have sewerage, so do not really pay rates, only water & electricity. |
| 14 | How would I know what it would have been as residential or business - I am guessing... |
| 15 | The B&B covers three separate properties - all three have special consent to conduct a B&B from a residential property, but are treated as business properties by the council. |
| 16 | Severely impacting profitability and sustainability |
| 18 | We are charged business rates and taxes yet we do not enjoy full business rights. |
| 23 | Too high. |
| 25 | Ridiculous very high when property is rezoned. Residential use with the same quantity of rooms do not pay the same rates and taxes as when rezoning has been done. |



COMPANY INFORMATION

Niki Glen | 079 872 3160 | niki@stpp.co.za

Caroline Ungersbock | 082 880 6350 | caroline@stpp.co.za

Or visit our website | www.stpp.co.za

Company Registration Number: NPC 2012/126418/08

Directors: N. Glen Adv. L. Nel C. Ungersbock

Address: 3 Gleneagles Road, Emmarentia, 2195