

## **SRA Initiative - Some More Questions for SFPO**

Rod Suter, 22 Feb 2017

I would again like to compliment SFPO on its work and achievements since its establishment, and in particular the enormous effort evident in developing the SRA Initiative and 'Vision 2030'.

I support the SRA concept as possibly the only way to 'save St Francis'; however, I believe that the present structure is flawed, inequitable and may well result in this SRA initiative being unsuccessful - and there will only be one opportunity to get it right.

Having recently been summarily ejected by Chris Meyer from the WhatsApp "Save St Francis" Group for apparently having the unmitigated cheek to post a dissenting comment in his Group, and then castigated (unjustly) by Peter Mountford of SFPO NPC for being negative, but not proposing alternative courses of action, I thought it prudent to assemble some questions that are being posed in various forums by myself and many other property owners in St Francis. And as for my proposed alternative course of action, scroll to the end.

In view of the promise by SFPO of full transparency in the ongoing process, and with the objective of making full detailed information available to property owners so that they might make an informed decision on their vote, I request that SFPO respond in the public domain to the following:

### **1. Business Plan.**

Please make available on your website the full and detailed business plan for the SRA, even if it is only the draft form that was presented to the DA Caucus. The level of detail would be expected to include cash flows, individual construction project budgets and their associated timelines, the allowances made for project contingencies and escalation, and most importantly, all the business risks. The significant amount of construction, engineering, and business expertise available within the St Francis community will quickly be able to evaluate and confirm (or otherwise) the level of confidence we can have in what is currently on the table.

## **2. Payment of SRA Levy Income from Kouga Municipality.**

I believe that the Municipality intends to withhold 3% of the SRA Levies for 'administration fees'; please confirm that this means 3% of the 50%, i.e. equal to 1,5 % out of the proposed 50% SRA Levy; and is this fee fixed such that it cannot be increased in the future ?

In the situation that the Municipality does not receive payment of all the Levies due each month (both basic and/or SRA) from a ratepayer; please confirm that the Municipality will only pay to SFPO NPC what is actually received, not what should have been received.

Have SFPO considered the possibility of a SRA Levy payment boycott by some ratepayers ?

Have these circumstances been taken into account in the Business Plan ?

## **3. SFPO NPC.**

If the SRA initiative is successful, SFPO NPC will be directly responsible for the expenditure of more than R470 million (at today's prices) of St Francis property owner's SRA Levies over 10 years. Please advise how this company will be structured and operate - e.g. who will be the shareholders, how will Directors and staff be appointed, etc., etc.

If the SFPO NPC Construction Projects go financially wrong (as many of these projects seem to do on a regular basis), will SFPO NPC be able to increase the 50% Levy figure to get themselves out of trouble ?

If not, property owners need to know how they will get themselves out of trouble.

Who at SFPO NPC will have the legal and fiduciary responsibility for the company and projects, and what recourse will ratepayers have if things do go wrong ?

## **4. Private Estates, Links, River Estates.**

These entities make up 40% of the property owners in the greater St Francis. Apparently SFPO is currently in negotiation with the governing bodies/boards of these entities regarding an equitable contribution to the SRA Initiative.

Meaningful participation by the Private Estates, Links and River Estates is obviously a key factor in the success of the SRA, as it is clearly unfair for 40% of the property owners in the area to be subsidised from the mandatory extra SRA Levies paid by the other 60%.

It is assumed that the various governing bodies/boards will democratically consult the property owners in their estates before reaching a decision. Can SFPO confirm that this is taking place ?

In order that all property owners can objectively evaluate the fairness of the contributions that are being negotiated, SFPO is requested to 'make available on the SFPO website full details of the contributions from each entity as they are finalised – including those that refuse to contribute.

## **5. Voting.**

The current vote count and trend does not look particularly positive, especially considering the planned start date of 1 July 2017 and the legalities of a new Rates Policy and Rates By-Law that will have to be implemented by the Kouga Municipality prior to 1 July 2017.

Is SFPO considering an attempt to use the common-law principle of "Acquiescence" (which is where anyone who doesn't vote is considered a 'YES' vote) to push the SRA proposal through with the Municipality ?

Additional SRA Levy income, which does not accrue directly to the Municipality anyway, does not appear to have to be linked to the Municipality's annual budget cycle. Is the 1 July 2017 date therefore fixed, and if so, why ?

The SFPO Voting Forms merely ask for either a NO or a YES vote to establish a SRA; there is no commitment regarding the actual Levy % now or in the future, or the areas of St Francis to be included (or not included).

This would appear to be a blank cheque for SFPO NPC in the future, so would SFPO comment on this aspect ?

## **6. “Exemptions” from SRA Levy.**

SFPO appear to have set up a committee to consider applications for exemptions from property owners. From my research, a property rate rebate is the sole prerogative of the Municipality, and is granted according to strict guidelines. Please inform us if the Municipality has formally delegated this function to SFPO?

If SFPO has been delegated this function, please provide:

- detail of the exemption criteria which will be applied
- progress to date and the number of exemptions granted

I would add that to dictate that someone who is constrained financially must share their personal information with some random committee of locals appears both presumptuous and arrogant.

## **7. Levy Increases.**

If the Kouga Municipality increase general property rates for the whole of Kouga (which will surely happen regularly), please confirm that will result in the rand value of the proposed 50% SRA Levy to ratepayers increasing as well.

## **8. Maintenance and Upkeep.**

SFPO have stated that the SRA Levy funding will be used for the initial repair and/or upgrade of the roads, stormwater and sewerage, to install security, protect the spit, install beach Groynes and to dredge the river; thereafter the routine maintenance and upkeep will be carried out by the Kouga Municipality. In view of the acknowledged and ongoing shortage of funds, have the Municipality formally agreed to accept this additional financial burden ? If not, what is the SFPO plan going forward ?

## **9. Why must the SRA Levy be 50% ?**

It is well understood that the 50% SRA Levy figure is derived from cost estimates made by the consultants for the proposed construction work and the timing thereof.

For information, the average SRA Levy for the 30+ successful SRA's in Cape Town is only 17%.

The term 'rate randage' indicates the number of cents to be paid per Rand of property value, per year, to a Municipality.

The current 2016/17 residential property rate randage in Kouga is 0.6681, and it is due for the annual increase on 1 July 2017.

For the previous 2015/16 year the rate was 0.6129, i.e. it increased by 9% year-on-year; this trend is likely to continue or even increase. Rate increases are a regular annual occurrence.

However, the Kouga Municipality has not yet announced the rate increase for the next financial year 2017/18 (effective from 1 July 2017). Extrapolating the previous trend and including the 50% SRA Levy, the rate randage could then be in the order of 1.092. For an average R3 million home, this translates to an extra R1,060 per month onto what you are paying today.

Comparisons of current 2016/17 rate randage with other Municipalities like Cape Town (0.6397), Plett (0.554), Knysna (0.704), Grahamstown (0.467), Port Elizabeth (1.066), East London (0.972), Pretoria (1.11), Bloemfontein (0.701) and Durban (1.270) give cause for concern.

The key question for SFPO is what is being done to investigate ways to reduce the 50%, or is it just going to be accepted as is ?

Following are some of the suggestions made over time by various property owners, which could have the effect of reducing the 50% Levy to a more palatable figure. SFPO is requested to advise if any action is in progress, or contemplated, on these issues:

1. The DA, in their election manifesto, promised to attend to the infrastructure problems of St Francis, and was duly elected into control of the Kouga Municipality (KM) – is anything being done by SFPO to pressurise the democratically elected DA Council to, in a reasonable time, deliver on their promise to their voters ?

2. The KM was acknowledged to be bloated and inefficient under the ANC - is anything being done by SFPO to pressurise KM for a reduction in the workforce and an increase in efficiencies ?

3. Some property values, on which the rates are based, seem grossly out of sync with actual market values – one example quoted by Benno Dippenaar : Erf 837, with a valuation of R9.5 million, recently sold for R27 million – and there are undoubtedly many others. A General Valuation is due in 2018, but is SFPO pressurising KM for a Supplementary Valuation to address these apparent inequities and increase rate income now ?

4. The Business property rate randage in Kouga is currently 0.6948, which is 4% more than the residential rate. Comparisons nationally show that the average norm is about 150% more than the residential rate. A realistic re-rate of the +/- 70 local Business properties could bring in useful income, and should be done as part of the SRA Levy. As Business in SFB will be a prime beneficiary of a successful SRA, this seems to be a fair suggestion. Will SFPO consider this suggestion when formulating the SRA Policy and By-law with KM ?

5. An independent audit of the projected construction costs and the engineering solutions proposed could yield good information and possibly savings (i.e. something like a second opinion in the medical field). For example, the latest proposals for the beach is Groynes – and it must be asked if this is the correct solution this time, and if it has been properly benchmarked and validated. Is SFPO considering such an independent audit prior to implementation ?

6. A critical review of the scope and timelines of all the various projects is indicated to investigate if cost savings are possible; will SFPO undertake such a review ?

7. Has SFPO investigated all possible sources of outside government funding, e.g. Provincial and National Departments of infrastructure, tourism, labour, etc.; and if so, which are they and what has been the response ?

8. Has SFPO considered Neil Brent's suggestion of pressurising KM to apply a suitable additional 'availability charge' for water, lights, and services (not used for +/- 10 months of the year by +/- 90% of the holiday homes) to recoup portion of the shortfall in usage charges ?

### **10. Change of Vote.**

Should a property owner, who has already submitted a Voting Form to SFPO, wish to change that vote, should this be communicated to SFPO or the Kouga Municipality ?

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### **Suggested Alternative Course of Action for the Next 6 Months**

1. Get agreement from Kouga Municipality to postpone the implementation date. The risk of proceeding without complete structures and general acceptance is high.
2. Allow voting to continue.
3. Continue to utilise the available donated funds in SFPO NPC for ongoing restoration work.
4. Use the additional time to properly address the concerns and questions raised above, and address new issues that are certain to arise.
5. Pay specific attention to completing negotiations with the Private Estates, Links and River Estates, publicize the results and satisfy most property owners that the negotiations have resulted in an equitable and fair situation for all concerned.
6. Pay specific attention to reducing the proposed 50% Levy figure.
7. Concurrently carry out the independent audit of the projected construction costs and the engineering solutions.
8. Review, update and refine the complete Business Plan, down to detailed project level.
9. Prepare the Tender Enquiry documentation for the engineering and construction work in anticipation of inviting competitive bids.

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