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COVID-19 RELIEF:

- **TEMPORARY AUTO CLASSIFICATION STATUS ADJUSTMENT FOR HOLIDAY ACCOMMODATION ESTABLISHMENTS - APPLICATION OF RESIDENTIAL RATES TARIFF**
- **EXTENDED PAYMENT ARRANGEMENTS**
- **LEASED PROPERTIES RENTAL EXEMPTION**

5/B

S Reyneke-Naude

Director : Finance

11 May 2020

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1. Executive Summary

The purpose of the report is to present council with a recommendation to:

- 1) bring about municipal rates relief to alleviate the financial burden on HOLIDAY ACCOMMODATION ESTABLISHMENTS;
- 2) lengthen the extended terms of payment agreements in terms of the Overstrand Customer Care, Credit Control and Debt Collection Policy, due to the impact of the national state of disaster and subsequent lockdown on the local hospitality industry; and
- 3) exempt tenants of the Overstrand Municipality who cannot make use of their leased premises such as but not limited to business premises, stalls, etc for the purpose of its lease, for the payment of their rental for an extended period.

2. Service Delivery and Budget Implementation Plan - IGNITE

Directorate: Finance
Department: Finance

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Provision and maintenance of municipal services

4. Delegated Authority

None

5. Legal Requirements

Local Government: Municipal Finance Management Act, 2003 (Act 56 of 2003) (MFMA)
Local Government: Municipal Systems Act, 2000 (Act 32 of 2000)
Customer Care, Credit Control & Debt Collection Policy

Property Rates Policy
Administration of Immovable Property Policy of the Overstrand Municipality,
as amended

6. Background/Discussion/Evaluation/Conclusion

RATES RELIEF FOR HOLIDAY ACCOMMODATION ESTABLISHMENTS

The COVID-19 pandemic currently has an unplanned and severe impact on the tourism and hospitality industry in the Overstrand area, this sector is also instrumental in terms of providing employment in our area. The Overstrand is world renowned as a tourist destination for its pristine Blue Flag beaches, shark cage diving, whale watching and many more attractions.

According to the recent LG-MTEC Assessment, the tourism sector would be extremely hard hit as travellers cancel trips due to the restrictions on travel and this will have an impact on the supply value chains. Wholesale and retail trade and catering and accommodation accounted for 19.5 per cent to the Gross Domestic Product in the Overstrand Municipal area.

Registered holiday accommodation establishments are classified as business properties and are therefore liable for payment of commercial municipal property rates, and thus are not the same as ordinary residential properties.

The following property rates tariffs would be applicable in terms of the Overstrand Property Rates Policy:

- All business, industries,: General Tax: Commercial (BUS)
- General Tax: Tourism and Recreational Resorts outside the municipal service areas: (BUSO)

The options currently available to these establishments in terms of the Overstrand Property Rates Policy are as follows:

- Continue to operate without change and be classified as a business property. If the account falls into arrears the account holder can apply for payment arrangements;
- Close the operation and formally apply for the reclassification of the property as a residential property in which case, the account holder will not be able to operate as an accommodation facility in future, but the rates will be reduced because of the formal reclassification and all service related tariffs and charges will be amended accordingly;

It is however anticipated that local stakeholders will rather opt to survive the current crisis, although it will be for a prolonged period, due to the inherent value and attraction of the Overstrand as a popular tourist destination.

It is thus recommended that Council considers measures to facilitate a transit period in order to allow this industry to adopt strategies and put plans in place to ensure their survival for the duration of the period of the most severe impact of COVID-19 forecasted, which is currently indicated to peak in the third quarter of 2020.

A COVID-19 relief measure can be facilitated through approval of a temporary auto *classification status adjustment* for holiday accommodation establishments, in order to charge these establishments the residential rates tariff for a period of three (3) months retrospectively from April to June 2020.

In instances where a rebate for the difference between Business rate and Residential rate were already allowed in accordance with lettable number of rooms, the calculated difference in rate will take the adjustment for these amounts already granted, into account.

The financial implications for the implementation of the rates relief for a period of three (3) months (April to June 2020) will amount to approximately R950 000 reduction in municipal property rates income.

LENGTHENING OF THE EXTENDED TERMS OF PAYMENT AGREEMENTS IN TERMS OF THE OVERSTRAND CUSTOMER CARE, CREDIT CONTROL AND DEBT COLLECTION POLICY AND THE EXEMPTION PREVIOUSLY APPLIED FOR RENTAL BE EXTENDED TO INCLUDE JUNE 2020

The Executive Mayor, Ald D Coetzee, submitted a motion of exigency in terms of Rule 28 of the Rules of Order for Internal Arrangements at the Council meeting on 25 March 2020, to inform Council on special arrangements to be instituted regarding businesses and residents who will not be able to pay their municipal accounts during the lockdown period which was announced by the President to combat the spread of the Covid-19 virus.

The Council Resolution at the time, stated as follows -

- “1. that businesses who find themselves under financial stress and cannot pay their accounts due for March 2020 and April 2020, may enter into an extended term of payment agreement in terms of the Overstrand Customer Care, Credit Control and Debt Collection Policy in order for their payments of the said amounts to be done in equal payments over a six-month period without the payment of a deposit;
2. that residential customers who find themselves under financial stress as a result of the lockdown and cannot pay their accounts for March 2020 and April 2020 may enter into an extended term of payment agreement in terms of the Overstrand Customer Care, Credit Control and Debt Collection Policy in order for their payments of the said amounts to be done over a period of 12 (twelve) months without the payment of a deposit;”

It was furthermore also approved by Council that -

3. all tenants of the Overstrand Municipality who cannot make use of their leased premises such as but not limited to business premises, stalls, etc for the purpose of its lease, be exempted for the payment of their rental for the months of April and May 2020.”

It is thus also now recommended that Council acknowledge the severe and prolonged impact of the CPVID-19 pandemic on these businesses and residents of the Overstrand who will not be able to pay their municipal accounts during the lockdown period, in extending the period for Businesses and Residential Customers as follows:

1. that the period for businesses who find themselves under financial stress and cannot pay their accounts due, be extended to include accounts for May 2020 and June 2020 respectively, and that they may enter into an extended term of payment agreement in terms of the Overstrand Customer Care, Credit Control and Debt Collection Policy in order for their payments of the said amounts to be done in equal payments over a six-month period without the payment of a deposit;
2. that the period for residential customers who find themselves under financial stress and cannot pay their accounts due, be extended to include accounts for May 2020 and June 2020 respectively, and that they may enter into an extended term of payment agreement in terms of the Overstrand Customer Care, Credit Control and Debt Collection Policy in order for their payments of the said amounts to be done over a period of 12 (twelve) months without the payment of a deposit;
3. that all tenants of the Overstrand Municipality who cannot make use of their leased premises such as but not limited to business premises, stalls, etc for the purpose of its lease, be exempted for the payment of their rental for a further period of one month, to include June 2020;

7. Financial Implications

A loss in revenue (rates relief) of approximately R950 000 and a loss of rental income of approximately R1 050 000 for the current financial period (2019/2020).

8. Staff Implications

N/A

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

None

RECOMMENDATION TO THE COUNCIL:

1. that the period for businesses who find themselves under financial stress and cannot pay their accounts due, be extended to include accounts for May 2020 and June 2020 respectively, and that they may enter into an extended term of payment agreement in terms of the Overstrand Customer Care, Credit Control and Debt Collection Policy in order for their payments of the said amounts to be done in equal payments over a six-month period without the payment of a deposit;
2. that the period for residential customers who find themselves under financial stress and cannot pay their accounts due, be extended to include accounts for May 2020 and June 2020 respectively, and that they may enter into an extended term of payment agreement in terms of the Overstrand Customer Care, Credit Control and Debt Collection Policy in order for their payments of the said amounts to be done over a period of 12 (twelve) months without the payment of a deposit;
3. that all tenants of the Overstrand Municipality who cannot make use of their leased premises such as but not limited to business premises, stalls, etc for the purpose of its lease, be exempted for the payment of their rental for a further period of one month, to include June 2020;
4. that a temporary auto *classification status adjustment* for holiday accommodation establishments to residential, be approved, in order to charge the residential rates tariff for the period of three (3) months, retrospectively from April to June 2020; and
5. that, in instances where a rebate for the difference between Business rate and Residential rate were already allowed under point 4 in accordance with lettable number of rooms, the calculated difference in rate be adjusted for these amounts already granted.

RESPONSIBLE OFFICIAL :

**S REYNEKE-NAUDE
E HOONEBERG**

TARGET DATE FOR IMPLEMENTATION :

30 JUNE 2020