

# FREQUENTLY ASKED QUESTIONS

## Special Rating Areas (including City Improvement Districts)

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

A Special Rating Area (SRA) refers to a clearly defined geographical area, approved by the City of Cape Town, in which property owners can raise levies to fund 'top up' services for that specific area.

### ***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 Cape Town's City Improvement District By-law of 2004.

### ***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 issues of 'crime and grime' such as additional public safety measures, cleansing services, maintenance of infrastructure, upgrading of the environment, and social services to deal with vagrancy, etc.

### ***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 16 SRAs in the City of Cape Town. Four communities have applied 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 upgrade the environment within the boundaries of a certain area. They then compile a business plan 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. A majority of more than 50% has to give written consent to the formation of an SRA.

Once this has been obtained, the steering group has to submit the business plan, motivation report and implementation plan, as an application to the City. The proposal is then advertised in the media to allow affected parties at least 30 days to render any comments or objections. The City then considers the application and the objections.

After the City has approved the application, a board is elected and a Section 21 company is set up with VAT registration, a bank account, Tradeworld accreditation, 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. 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 business plan.

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

An SRA is funded entirely from the levies paid by its members. It does not receive any subsidies from the City, but does have the powers to raise additional loans and sponsorships.

### ***How is the SRA levy calculated?***

The SRA management confirms the details of the database of property owners 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 based on the specific needs of the area. The individual levies 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 budget formula allows for a differentiation in levies for the different types of properties – be it residential, commercial or industrial.

This levy 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 levy have to be approved by the City, and advertised for comments and objections prior to implementation on 1 July.

### ***How is the SRA levy collected?***

The City collects the levy on behalf of the SRA. The levy income goes to the SRA for the services it provides. It does not go to the City, although they share an invoice to save on collection costs. The levy appears as a separate item on the monthly municipal account of each SRA member. Each month, the City pays over a twelfth of the SRA budget after retaining 3% of the budget as a provision for bad debts.

### ***Is the SRA levy 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.

### ***How does the SRA budget work?***

The SRA sets its own 3 year budget according to input from its members. 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 and three-year budget. If there is a material deviation, an application in terms of Section 11 of the SRA By-Law is required.

### **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 levy.

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

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

### **How does the City resolve levy arrears?**

The City provides the SRA board with a regular update of levy payments so that the board can assist in pursuing those who are in 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.

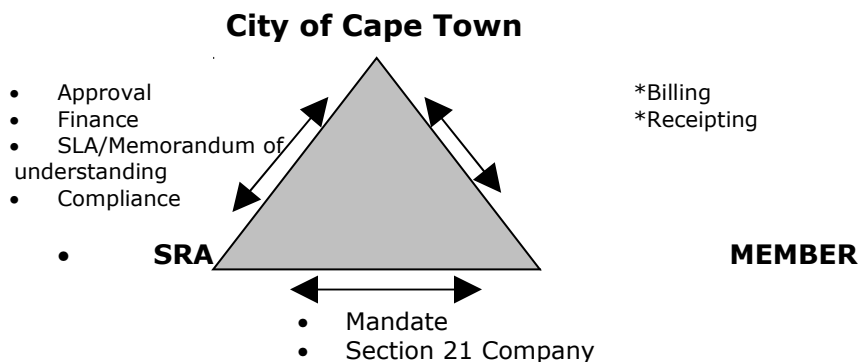
### **Does the formation of an SRA mean that the City can reduce the level and quality of its services?**

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.

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

Absolutely! Every property owner should register for membership of the Section 21 company once it has been established, attend annual general meetings, get involved in the election of board members and provide input in the SRA budget.

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



### **Ends**

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