



Relevant and fast-paced continuity

Outgoing SAPOA President Peter Levett reflects on his year's tenure

A year ago, I was afforded the opportunity of being at the forefront of SAPOA as its President in the 51st year of its existence. I would like to thank CEO Neil Gopal for his continued assistance during my tenure, and for his leadership in captaining a formidable and capable team.

It has been a fast-paced year, filled with many events. Just like the tenure of SAPOA Presidents before me, mine kicked off immediately with a visit to the annual BOMA Conference in Nashville, Tennessee with Neil. It was refreshing to see how SAPOA has maintained its global connections to ensure that it has its finger on the pulse of the international property market.

We made continued progress in many areas during the year, including education, advocacy, transformation and research.

Education a key priority

In terms of education, it is always great to see experienced property people enhancing their skills and knowledge through the programmes we offer.

I was honoured to attend the graduation ceremony of the Property Development Programme class of 2017 at the UCT Graduate School of Business in July 2017. We will continue to offer this flagship programme, which turns 49 years old this year.

SAPOA was approached by the Department of Public Works (DPW) in 2016 to train 400 of its employees in the various courses offered via in-house training. Some of the courses include the Certificate for Commercial Property Programme, Property Management, Facilities Management and Property



FROM LEFT Henry Chamberlain, Lisa Chamberlain, SAPOA CEO Neil Gopal, Hannelie van der Merwe, Lisa Prats and SAPOA President Peter Levett

Development Programme. In the past year, 111 of those employees were trained, and we will continue to train staff throughout 2018. It was gratifying to attend certification ceremonies for the Property Management Programme at Wits University in February, as well as the Certificate for Commercial Property Programme at the University of Pretoria in April. DPW students achieved the top three positions in both courses. SAPOA is very committed to our partnership with the DPW.

SAPOA has worked closely with the University of Johannesburg to develop a new course targeted at the public sector – the Public Sector Property Programme. We have also created a new Property Management course, offered as a one-year part-time course with UJ.

Strengthening Bursary relationships

SAPOA has continued with its Bursary Fund, and we have continued to strengthen our relationship with the Services SETA.



SAPOA President Peter Levett with Mark and Scott Kelly, NASA Shuttle Pilots, Nashville



“As part of our advocacy initiatives, SAPOA establishes important links with the mayors of various municipalities. Since last year’s municipal elections, there has been a shake-up of political power in a few of the key municipalities, making it a challenge to maintain new relationships with the respective mayors”

The SAPOA Bursary Fund supported 27 students last year. Ten of the students have graduated, and eight have already secured employment opportunities. The students’ overall pass rate increased to 88% (from 79% in the previous year). The reason for this positive increase in results is largely driven by our mentorship programme, which focuses not only on academic support but also on personal development, time management and improving student demeanour. Students get to attend workshops that cover a range of topics including study techniques, personal finance and financial planning.

Assistance is also provided in the creation of professionally designed CVs and LinkedIn profiles, and improving business acumen. We will continue to build and solidify the relationships with the various universities in which SAPOA students are based, to ensure that the remaining Bursary Fund students receive adequate academic support.

We welcome financial support from our members as well as from non-member companies to ensure that the Fund can assist more students.

Last year, 38 students were funded through the Services SETA Bursary Scheme, which is administered by SAPOA. This year, third-year students will be added to the programme, in line with the agreement timelines. The contract with the Services SETA ends in December 2019 – but we are currently working on securing additional funding for the continuation of the project.

SAPOA supports transformation

On the topic of transformation, there was an address by Dr Sedise Moseneke and Portia Tau-Sekati during the REIT conference in March on the way in which legislation has adjusted with regards to transformation ratings of companies within the property industry.

The key objective of the new Property Sector Charter scorecard is to increase the speed of ownership distribution of property and land to the benefit of previously disadvantaged South Africans. SAPOA continues to be a major supporter of various transformation initiatives in the industry; to date, we are the largest contributor to the Property Sector Charter Council (PSCC), contributing about R2,5-million towards its running expenses. SAPOA participates in PSCC structures, and is represented by various members who collectively drive transformation in the industry.

Advocacy plays a pivotal role

Advocacy provides targeted participation in any legislative development that will affect SAPOA members directly. Advocacy also provides SAPOA with an authoritative voice that participates in matters relating to the laws that govern South Africa’s built environment.

As part of our advocacy initiatives, SAPOA establishes important links with the mayors of the various municipalities. Since last year’s municipal elections, there has been a shake-up of political power in a few of the key municipalities, making it a challenge to maintain new relationships with the respective mayors.

It is imperative that SAPOA continues to be visible in the big metros, and that the property owners’ interests are not only attended to, but also prioritised. In this way, we have successfully managed to have a significant impact on the various metros. From time to time, members have asked for SAPOA’s assistance in resolving pertinent matters at their respective municipalities; through our interventions, the matters have been resolved satisfactorily.

The SAPOA Legal Committee works tirelessly to represent the industry, offer opinion on the Bills that are in Parliament, and decode the many laws that affect the industry and members’ business interests. SAPOA’s legal department has dealt with several matters and pieces of legislation that affect our members.

The following matters have taken centre stage over the past 12 months:

1 Land expropriation without compensation

In February, the National Assembly proposed a motion to amend the Constitution in order to allow for land expropriation without compensation. SAPOA has raised concerns, particularly in relation to food security, agricultural production and the economy. We believe that while the historical background of land ownership needs to be addressed, it is critically important that South Africa navigates through the sensitivities with a greater vision – one of ensuring that the imbalance is dealt with and that economic stability continues to be reinforced. SAPOA supports a land expropriation process where the rights of present and future landowners are balanced with the need to ensure stability and economic growth.

2 Rates increases at municipal level

There has been an outcry from property owners about some of their properties facing increases of up to 1 000% in the City of Johannesburg. Also of concern to SAPOA is not only the revaluation of properties but also the high rates tariffs in certain municipalities compared to others.

In such municipalities, the increased property valuations will result in the rates payable being higher than the neighbouring counterparts.

SAPOA has, in the past, been vocal in challenging the legality of increased municipal rates charged to its members. Not only is this unsustainable, but property owners also pass these increases down to tenants, which has a material impact on the health of businesses in the economy. SAPOA acknowledges that rates are necessary to fund municipal service delivery and outputs – but these must be levied correctly. An ever-increasing rates environment kills investment and has negative consequences when it comes to job creation. Our team of consultants at Rates Watch will continue to monitor this on behalf of members.

3 City of Jo’burg’s General Valuation Process for objections and appeals

SAPOA is concerned about the lack of feedback from the City of Johannesburg on the latest General Valuation Process. In correspondence to the City Manager, SAPOA highlighted the legal position on the three key factors that affect the valuation roll:

- Rate-payers are not liable to pay disputed rates pending the outcome of objections or appeals.
- The city is not entitled to cut off services such as electricity if rate-payers fail to pay the portion of their rates that they are disputing, nor may it threaten to do so.
- The city is not entitled to claim interest on any shortfall on rates payable by rate-payers on finalisation of objections or appeals.

Although the new values and tariffs will be introduced from 1 July 2018, the city has commented that rate-payers will not pay the disputed rate subject to the outcome of the objection process being finalised.

4 City of Johannesburg’s Draft Inclusionary Housing Policy

The draft policy by the city, which was out for public comment, did not address



FROM LEFT Professor Samuel Azasu, Neil Gopal, Fredah Maseko (DPW), Nomvula Magagula (DPW) and Peter Levett

the many complex matters associated with the question of affordable housing and inclusionary housing, including residential market realities, or what the financial and social consequences may be for introducing such a policy.

SAPOA believes that the proposed mandatory 20% inclusionary housing requirement may influence the feasibility of residential developments and is potentially burdensome to private developers experiencing a decline in returns and profit margins.

Inclusionary requirements inflexible to underlying economic conditions and health of the residential property market may have a detrimental impact on housing delivery. On incentivising the developer, SAPOA believes limiting of incentives to merely the inclusionary units has little cost-reducing effect for the developer.

To incentivise the developer, one would expect the inclusionary units to be either entirely free or largely free from any contributions. SAPOA proposed the following recommendations to the City of Johannesburg, which it believes are essential to the inclusionary housing policy envisioned by the property industry:

- Increased emphasis on negotiation-based approach to inclusionary housing provision and incentives, rather than mandatory, blanket approach to implementation.

- Requirements should be limited to selected large housing developments, the scale of which supports the feasible inclusion of housing units for low-income households.
- The inclusionary housing requirements must thus be flexible based on the underlying economic and residential property market conditions.
- To increase the feasibility of inclusionary projects, the target affordability threshold must be location flexible and incorporate a broader income range. This will ensure smaller income differences between affordable and market units, mitigating potential private developer revenue loss.

SAPOA does not believe that the draft policy is a workable solution and may, in its current form, possibly deter the private sector from developing residential units.

5 City of Johannesburg draft outdoor advertising by-laws omissions

The City of Johannesburg published its outdoor advertising by-laws for comment in June 2017. However, SAPOA is concerned over fundamental omissions in the City of Johannesburg’s proposed outdoor advertising by-laws.

Upon considering a comparison of the initially proposed by-laws published in 2017 for public participation and comment and the new by-laws that will come into effect at the end of May, although certain amendments had been made, none of the fundamental submissions made by SAPOA and other important industry role-players were included in the report or the proposed by-laws at the time of submission to Council for consideration and adoption.

SAPOA, in conjunction with OHMSA, Abland and Jinja 2 Outdoor Advertising issued urgent court papers challenging the City's adoption of the By-laws. Deputy Judge President Mojapelo ordered the enforcement of the By-laws to be suspended until such time as judgment is handed down. The matter will be heard on 15 and 16 October 2018.

In the application before the court it is contended that:

- The City failed to implement and follow proper public participation processes as it ignored important comments and objections raised by various industry members.
- Certain provisions of the By-laws are unconstitutional as it infringes certain rights contained in the Bill of Rights enshrined in the Constitution.
- The City failed to obtain approval from the Minister of Trade and Industry, as required by the National Building Regulations, prior to promulgation of the By-laws

IDPs

SAPOA, in line with its mission statement, participated in the 2017/2018 Integrated Development Plan (IDP) process at a regional level, with planning consultants appointed to assist in Polokwane Municipality, City of Johannesburg Municipality, eThekweni Municipality, Buffalo City Municipality and Nelson Mandela Bay Municipality.

SAPOA Western Cape (with specific focus on City of Cape Town Municipality) and Mpumalanga (with specific focus on the Mbombela Municipality) regional offices participated in this process through their respective committee representatives. The key municipal

performance areas targeted by the IDP are spatial analysis, service delivery, local economic development, municipal transformation and organisational development, municipal financial viability, good governance and public participation. All of these are important to the property sector.

The IDP is a five-year plan (aligned with the municipal elections period), and is reviewed on an annual basis, after a 10-month process. The current IDP process was initiated around September 2016; once approved, it will be implemented from 1 July 2017 to 30 June 2018.

Polokwane Municipality Bus Rapid Transport Service Project

SAPOA raised concerns with the Municipal Manager in November regarding the survey conducted by Great North Transports. An article published in *The Observer* newspaper on 2 November 2017, headed "Market survey to advise city's bus project", states that the market survey results were signed off. SAPOA Limpopo Council Members were invited to various meetings to discuss the planning and implementation of the BRT project. At each meeting there were numerous requests from participants to receive feedback.

We have not received any feedback from the city, and have taken up the matter with National Treasury.

Rates and taxes

SAPOA re-appointed the specialist consultants Rates Watch on a five-year contract to monitor rates policies. Rates

Watch's mandate from SAPOA was to focus on unearthing municipal budget information on key property-related costs – such as rates and taxes, electricity or water – in South Africa's 11 largest municipalities. They focused on City of Cape Town, Nelson Mandela Bay Metro, Buffalo City, Mangaung, eThekweni, Msunduzi, Ekurhuleni, City of Johannesburg, City of Tshwane, Polokwane and Mbombela. They will be responsible for identifying, analysing and collecting information on relevant municipal policies and legislation, as well as the municipalities' medium-term revenue and expenditure frameworks, at 11 of the largest metropolitan municipalities throughout South Africa.

While some of our comments have implemented by the municipalities, we are finding that some municipalities do not adhere to legislation.

For example:

1. The draft tariffs are not published on their websites as prescribed by legislation;
2. Some of the categories in the tariff determination differ from the rates policy wording.

There is general consensus that municipalities are performing better with residential properties than commercial properties. When it comes to commercial properties, there is little consistency and accuracy with regard to the municipal values.

In our view, the fault does not lie with the Act as such. We believe that the main weaknesses can rather be attributed to:

- Inexperienced valuers being appointed to perform valuations;
- Municipalities not grasping the vital relationship between a complete and accurate valuation roll and tariff setting, i.e. the assessment rates budget;
- The complete lack of property information that would enable the municipal valuer to perform accurate and consistent valuations.

The MPRA allows for a process of objections and appeals to correct certain specified errors in a valuation roll. However, with the current inefficiencies at municipalities, these objections and appeals processes take too long to be finalised and implemented, resulting in the property owner having to face the financial burdens in the interim, which is clearly undesirable. It is particularly difficult for commercial property owners who have to adjust and/or pass on rates and taxes to their tenants.

We will be addressing our concerns with the respective City Managers and with the Department of Corporate Governance and Traditional Affairs.

SAPOA's comments on CIDs

There is a call from the eThekweni Municipality for the private sector to organise itself and present a meaningful point of engagement. A strategic partnership between SAPOA, the Durban Chamber of Commerce and the Growth Coalition and some yet-to-be-identified NGOs needed to be established. This



Peter Levett, Councillor Brett Herron, Lesley Lombard, Mandisa Shandu and Khalied Jacobs

took the form of a nonprofit organisation to be co-funded by the government and the private sector.

SAPOA has been identified as the right organisation to drive this process because it represents the asset base in terms of property. One of the first projects would be to establish managed precincts consisting of UIPs, SRAs, management associations and the like across the city to clean the city up and add value to the asset base, which benefits the private sector and the public sector in terms of rates generated.

SAPOA and the eThekweni Municipality have held two workshops to deal with several issues. One pertinent matter is the establishment of the NPO whose objectives are to:

- Promote public/private partnership in the management of urban spaces;
- Facilitate the establishment of such partnerships for this purpose;
- Promote the economic growth of eThekweni and its strategic urban nodes.

SAPOA is also currently partnering with National Treasury and the Department of Corporate Governance and Traditional Affairs on the SA Precinct Management Initiative, to draft legislation and policy to govern Central Improvement Districts.

Day Zero

The most current piece of legislation is to do with the water crisis gripping parts of the country, with a drought charge proposed by the City of Cape Town.

The city called for comments in December last year. According to a statement released, it is not receiving the necessary income. To overcome this problem, the city wanted to impose a monthly drought levy of between 10% and 11% of the rates portion of the municipal account. We are uncertain as to how the city determined this calculation.

SAPOA submitted comments and strongly objected to the proposed drought charge. The current status is that the City of Cape Town will not be proceeding with the intended drought charge but will be imposing heavy penalties on excess water usage.

The city also called for comments on the Draft Water Amendment By-Law, which it believes will enhance Cape



SAPOA President Peter Levett and CEO Neil Gopal host the Gauteng media at the annual Meet the Media lunch

Town's ability to become a more water-sensitive and resilient city in the future.

Data reports and analysis

In its commitment to actively advance commercial property interests within the property industry, SAPOA commissioned the services of Urban-Econ Development Economists to embark on an analysis of the commercial private property industry in Mpumalanga, with specific reference to the City of Mbombela Local Municipality. The analysis of the commercial private property sector in the City of Mbombela forms part of a series of comparable reports formerly published by SAPOA, and I was honoured to have been in attendance for that occasion. The research was aimed at:

- Highlighting the economic value of the sector within Mpumalanga, with specific reference to the City of Mbombela Local Municipality;
- Investigating if and why there are certain misconceptions in relation to the application process;
- Interrogating the Ordinances against SPLUMA;
- Emphasising the responsibilities of all stakeholders with regards to private property development;
- Identifying any shortcomings in the application process.

Based on the analysis of the economic value of the commercial property sector in the City of Mbombela, it is evident the contribution made by the sector is growing. But when developments are delayed, the impact and multiplier effect on the economy will also be delayed. This amounts to economic losses equal to the injection that would have been added by the development.

SAPOA and the City of Mbombela have agreed to set up a joint forum with the intention of finding resolutions to some of the impediments.

Positive Board oversights

Working with the SAPOA Board and making sure financial matters were being dealt with satisfactorily was an all-round positive experience. The Board

exercises an oversight on how the finances have been spent, and these matters have worked out quite well.

Something I have been fascinated to observe at Board meetings and at National Council meetings during the year is the sheer volume of work that goes on behind the scenes of the powerful SAPOA machine. I realise now that it would be impossible to manage without being able to rely on SAPOA when it comes to monitoring legislation that affects the industry, the town planning issues, educational efforts, marketing and research, and generally representing all of us in this industry.

I have a great admiration for the people who volunteer their time and share their knowledge and expertise for the benefit of the greater industry through the SAPOA committees.

It has been enriching to work with National Council members, and I want to extend a very special thank you to all the committee members for their generous contribution and the time you spend on furthering this industry that we all love and care about.

Networking

The networking opportunities at the SAPOA Convention are vast, and the interesting people you meet provide a lot of insight. I invite you to enjoy the next two days of the 2018 SAPOA Convention under the theme "The Future we Create. Imagine the Possibilities.

During tough economic times, many companies are tightening their belts and cutting back on the numbers of staff that attend the SAPOA conferences. We greatly appreciate the support that we continue to see, and the value that our members find in attending this Convention.

Gratitude

In closing, I would like to mention that I am truly very grateful to Old Mutual Property, a company that has been incredibly understanding and generous to me, and that has enabled me to spend the time that was required to participate in SAPOA's various initiatives.

Old Mutual accommodated me not

just at an executive level: it is also my team members who have been tremendously loyal and hard-working enabling us to forge on with our company's objectives despite my tenure as SAPOA President. It would have been impossible to achieve what I have achieved this year without the support of my colleagues, friends and family whose love is unconditional and treasured.

Building on its solid foundation of 52 years, SAPOA has a strong vision for the future.

My aspirations for SAPOA are that it strives:

- To continue to be recognised as an authority in specialised fields;
- To be a trusted source of information and research in property;
- To constantly evolve as a dynamic and innovative organisation;
- To promote and enable the transformation of the property industry; and
- To always unwaveringly serve its members.

It has been an absolute pleasure to have served you this year.



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