



KANNALAND
MUNISIPALITEIT | MUNICIPALITY

CAPITAL CONTRIBUTION POLICY 2022 / 2023



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1. DEFINITIONS

The following meanings apply in this policy document, unless indicated otherwise by the context:

“Infrastructure”, regarding municipal services – all external bulk services as well as internal services, networks, and conduits;

“Municipal services”, regarding –

- (1) **Water Supply** – reservoirs and main water conduits from reservoirs that are also referred to as external bulk services.
- (2) **Sewerage Disposal** – purification plants, oxidisation dams, main drainage conduits and pumping stations also referred to as external bulk services.
- (3) **Electricity** – main conduits also referred to as external bulk services.
- (4) **Streets and Storm Water** – all laid out streets for use by the public, with accompanying storm water drainage systems;
- (5) **“Transfer”** – transfer in relation to immovable property, transfer of the relevant property in terms of the Deeds Registries Act 47 of 1937 or any suchlike transfer of ownership.

“Municipality”, the Kannaland Municipality;

“Fixed capital contribution”, a financial contribution determined in accordance with the provisions of paragraph 4 of this policy taking into account any exemptions as intended in paragraph 6.2;

“Real cost capital contribution”, a financial contribution based on the estimated actual costs of the immediate upgrading, extension or construction of infrastructure; and

“Residential unit”, the same as the meaning attached to it in the regulations promulgated under Provincial Notice 1048 dated 5 December 1988 in terms of section 8 of the Land Use Planning Ordinance No. 15 of 1985.

2. POLICY OBJECTIVE

The Municipality's area of jurisdiction has resulted in an increasing number of applications for subdivision of land and applications for deviations in land use.

Granting such subdivisions and applications for rezoning and deviation frequently causes a heavy burden on existing municipal service infrastructure and necessitates upgrading and/or extension of such infrastructure at a significant cost, if not immediately, then at a later stage.

It is therefore seen as fair and equitable that a land-owner who applies for the subdivision of an area of land, or for particular departures, should be obliged to make a financial contribution (henceforth referred to as capital contribution) to the upgrading and/or extension of existing municipal services.

The aim of this document therefore is to establish a policy to indicate in which cases and to what extent such capital contributions will be levied by Kannaland Municipality.

3. BASIS FOR CALCULATION OF CAPITAL CONTRIBUTIONS

How capital contributions will be calculated -

- 3.1 The calculation of capital contributions is based on the principle that current inhabitants of a municipal area should not benefit from a new development at the cost of the developer or subsequent inhabitants, or that the developer should not benefit at the cost of the current inhabitants.

Calculation of fixed capital contributions is therefore based on specific applications and guidelines for Engineering Services developed by the Western Cape Provincial Administration

- 3.2 The aim of the policy is to institute a uniform basis for the calculation of fixed capital contributions in the Municipality's area of jurisdiction as a whole and to grant exemption from specific components of the capital contributions with regard to those municipal services that are not yet available in a specific area or are not yet provided to a specific standard.
- 3.3 This policy differentiates between Fixed Capital Contributions and Real Cost Capital Contributions.

- (1) **Fixed Capital Contributions** are financial contributions payable to the Municipality to maximum limits and according to calculations as set out in paragraph 4 hereof, subject to exclusions, exemptions and other conditions as contained in this policy.

It is intended to provide the necessary bulk services to property development. It does not necessarily imply that the Municipality has to upgrade or extend services with immediate effect.

- (2) **A Real Cost Capital Contribution** is a financial contribution payable to the Municipality in cash and is based on the estimated real cost of immediate upgrading or extension of infrastructure necessitated by property development for the purpose of facilitating the provision of services to such a development. Such infrastructure could include external bulk services as well as internal networks and conduits.

4. CALCULATION OF CAPITAL CONTRIBUTIONS

- 4.1 The fixed capital contributions payable on the different components of municipal services have been calculated on the basis of guidelines, adjustments, suppositions and recommendations as set out in their report and are summarised in the following table:

MUNICIPAL SERVICE	GROSS CAPITAL CONTRIBUTION	“REBATE”	NET CAPITAL CONTRIBUTION
<u>1. Water</u> 1.1 Reservoir 1.2 Main water conduit from reservoir	See Council Approved Tariffs		
<u>2. Sewerage</u> 2.1 Waste pipe to sewage works /oxidation dams. 2.2 Pumping station 2.3 Purification plant/Oxidation dams	See Council Approved Tariffs		
<u>3. Streets & storm water</u> 3.1 Streets with permanent surfaces and storm water systems	See Council Approved Tariffs		
<u>4. Electricity</u> 4.1 Network	See Council Approved Tariffs		

4.2 In the case of guest houses and bed and breakfast establishments, fixed capital contributions with regard to the different components of municipal services have been calculated according to the following formula:

$$\text{Capital contribution} = \left(\frac{\text{number of bedrooms}}{3} \right) - 1 \times (\text{WC} + \text{SC} + \text{EC})$$

representing –

- WC - the R value in paragraph 4.1 of the water component
- SC - the R value in paragraph 4.1 of the sewage component
- EC - the R value in paragraph 4.1 of the electricity component.

The fixed capital contributions payable to the Municipality in this instance are summarised in the following table:

TOTAL NUMBER OF BEDROOMS	CAPITAL CONTRIBUTION
3	NIL
4	Municipal Tariffs + use formula
5	Municipal Tariffs + use formula
6	Municipal Tariffs + use formula
7	Municipal Tariffs + use formula
8	Municipal Tariffs + use formula
9	Municipal Tariffs + use formula
10 +	Municipal Tariffs + use formula

4.3 The cost on which the fixed capital contributions as set out in paragraphs 4.1 and 4.2 is based must be revised at least once yearly on the basis of the latest available data, and the necessary adjustments to the capital contributions must be made, where necessary.

4.4 The amount payable to the Municipality as a real cost capital contribution as contemplated in paragraph 3.3(2) hereof is the estimated amount as determined by the Director: Technical Services or by consulting engineers assigned for this purpose.

5. LEVY AND COLLECTION OF CAPITAL CONTRIBUTIONS

[How and when capital contributions are collected]

5.1 Fixed capital contributions, subject to exclusions and exemptions as set out in paragraph 6, are levied and collected on all properties in accordance with the provisions of paragraphs 4.1 and 4.2.

(1) In respect of which applications for subdivision are received and which could be utilised for the erection of a residential building on any of the following use zones:

- single residential
- general residential
- group housing
- town housing
- residential 1, 2, 3, 4 and 5

The applicable fixed capital contribution is levied on each subdivided section on which the erection of a residential building is allowed in any of the above use zones in terms of the municipality's scheme regulations, with the exception of the last subdivided portion remaining after all other portions have been transferred.

(2) That are not cadastral subdivided and that, in the case of developed premises, are already lawfully utilised for the following land uses or, in the case of undeveloped premises, can be used for the erection of a residential building within any of the use zones indicated below:

- general residential
- group housing
- town housing

The appropriate fixed capital contribution is levied on each independent residential unit erected for any of the above-mentioned use zones, including an additional residential unit erected on a single residential premise.

(3) That are subject to an application for a departure in terms of section 15(1) of the Land Use Planning Ordinance No. 15 of 1985, with the purpose of using the property as –

- a guest house; or
- a bed and breakfast establishment.

5.2 A real cost capital contribution is levied and collected according to the provisions of paragraph 3.3(2), read in conjunction with paragraph 4.4 and subject to paragraph 5.3 –

- 1) As an alternative to the payment of fixed capital contributions or a component thereof, in accordance with the provisions of paragraphs 5.1(1), 5.1(2) and 5.1(3). The Director: Technical Services, in the case of streets and storm water, sewerage and water services, and the Director: Electrical Engineering Services, in the case of electricity services, will have authority to decide that a real cost capital contribution has to be paid instead of a fixed capital contribution or a component thereof, with regard to each relevant service.

Where a component of a real cost capital contribution is required instead of a fixed capital contribution, the relevant Director: Civil Engineering Services or Director: Electrical Engineering Services may also determine that the remaining components of the fixed capital contribution will be payable, together with such real cost capital contributions.

- 2) Regarding any other development, regardless of land use (that is, inclusive of business premises, industrial premises, etc.), whether such development is the result of rezoning, subdivision, an application for a departure or whether it occurs on premises that have already been zoned for the relevant purpose.

5.3 A real cost capital contribution as intended in paragraph 5.2 will only be payable if the Director: Technical Services is of the opinion that a proposed development will have such a material and immediate impact on existing infrastructure that immediate upgrading or extension of the infrastructure will be required to enable the provision of the necessary services to such a development. Such infrastructure could include external bulk services, as well as internal networks and conduits.

5.4 Capital contributions are payable and must be collected as follows:

Under conditions as signified in –

- paragraph 5.1(1) - on or before the date of transfer of a subdivided portion – by the applicant for the subdivision;
- paragraph 5.1(2) - on or before the date of approval of the building plans with regard to the relevant development – by the owner of the property connected to the building plan;

- paragraph 5.1(3) - on or before the date of the approval of the departure – by the applicant applying for such departure;
- paragraph 5.2 - on or before the date of transfer of the subdivided portion of the relevant subdivision, building plans or application for a departure – by the applicant for the subdivision or departure, or the owner of the property related to the building plans, as the case may be. Upgrading or extension of infrastructure will only be executed when the real cost capital contribution has been paid.

5.5 The official responsible for Planning and Development will be responsible for the application of this policy and will take all administrative and organisational steps that may reasonably be required in this regard to ensure that capital contributions are levied correctly, consistently and in accordance with the provisions of this policy and will communicate as such to the Director Financial Services.

The responsibility is that of the Planning and Development official (Manager: Administration) to communicate in writing to the Director: Financial Services and the Director: Technical Services, when building plans are received that require the collection of capital contributions in accordance with the stipulations of paragraphs 5.1(2) or 5.2(1) or 5.2(2).

5.6 Municipal areas as indicated with regard to which fixed capital contributions, can be levied and collected, will be deemed to be within and /or on the urban fringe area of each of the relevant towns, as indicated in the Municipality's spatial development plan.

NOTE: The rural area will be deemed to be that area of land that does not fall within the urban fringe areas referred to above and no fixed capital contributions will be payable with regard to these land areas, if no municipal services are utilize.

6. EXCLUSIONS AND EXEMPTIONS

6.1 Exclusions

No capital contributions of any nature whatsoever are payable on subdivisions regarding land to be used for low-cost housing that is to be funded from state funds.

6.2 Exemptions

6.2.1 Fixed cost contributions levied in accordance with the provisions as per Council approved tariffs but will not be payable under the following circumstances:

- 1) where existing municipal services or components thereof that have been established in specific municipal areas, were financed mainly from sources other than municipal funds, for instance allocations and/or subsidies, or where such services or components of services were established by a private developer for own account;
- 2) where no municipal services or components thereof have been provided in a specific municipal area or to specific properties in a municipal area;
- 3) where streets in specific municipal areas predominantly have not been constructed to a permanent surface standard;
- 4) where, with regard to the electricity supply service, the Municipality is not the authority providing electricity in a specific municipal area;
- 5) where, regarding a specific municipal service or component thereof, a developer or landowner is expected to upgrade or extend such a municipal service or component thereof, or to create it, for his own account; and
- 6) with regard to a subdivided portion as intended in paragraph 5.1(1).

6.2.2 The effect of the exemptions referred to in paragraph 6.2.1 and the practical application thereof, are as follow:

- (1) The fixed capital contributions payable after specific adjustments have been made and exemptions in terms of paragraph 6.2.1 have been taken into account, will however be subject to the provisions of sub-paragraphs (2), (3) and (4) below.

- (2) An exemption lapses as soon as the Municipality establishes or provides any municipal service or component thereof from municipal funds, that is, by means of a loan or from its income account to an area that was previously exempt from a fixed capital contribution as a result of the application of paragraph 6.2.1. The capital contribution that is payable in the relevant area therefore has to be adjusted by increasing it by the appropriate component of the capital contribution.
- (3) Where some streets in a specific municipal area, for instance, are built to permanent surface standard and some are merely gravel roads,
- the capital contribution component with regard to streets in the case of subdivision of property bordering on an asphalted street, for instance, will only be payable with regard to the subdivided portion bordering the asphalt street;
 - subdivided portions that only border on gravel roads will be exempt from the payment of the relevant capital contribution component.
- (4) The principle contained in subparagraph (3) above is equally applicable in the case of sub divisional portions of a property where portions of a property can be physically connected to the sewerage network while other portions cannot be linked up.

6.2.3 The exemptions set out in paragraph 6.2.1 will not be applicable to fixed capital contributions payable for guest houses and bed and breakfast establishments.

7. RECORD OF MUNICIPAL SERVICES FINANCED FROM MUNICIPAL FUNDS

Municipal services financed in the various areas by the Kannaland Municipality mainly for its own account by means of loans and/or from the income account.

DOCUMENT CONTROL

This policy will be tabled as part of the annual budget policies. Updating this policy will rest with the Director Financial Services – Confirmation of contents to be received from the Director Technical Services, Director Corporate Services and / or Manager Administration.

Summary: This document describes the principles of the Capital Contribution Policy that will be acceptable to Kannaland Municipality, with effect from 1 July 2022.

Municipal Manager

Mayor

Date

Date