How the Numbers Stack Up

BaysideUIP NPC, Registration No. 2026/611197/08

1. Why Join the UIP

It's reasonable for a property owner to feel the Additional Rate is a “grudge purchase” — security, cleanliness, and maintenance can feel like things the Municipality should already be delivering, not something owners should pay extra for. This document doesn't dismiss that view. A UIP is simply the mechanism that lets an existing, built-up precinct access the same standard of coordinated security, cleaning, and maintenance that a business park or private estate provides by design — the difference is that this precinct already exists as a built environment. It has simply never been unified under one name or one system of coordinated management; that is what “Bayside” and the UIP are being established to provide. It sets out why, in Rand terms, the contribution is small relative to what owners stand to gain from being in a well-managed precinct.

This is not a tax that disappears into general municipal revenue. Under the SRA Policy (Clause 3.8), eThekwini holds a separate, ring-fenced account for the precinct's Additional Rate specifically, and transfers 100% of what is collected back to the SRA Management Company — in eleven equal monthly tranches, plus a twelfth reconciliation tranche once the year's actual collections are finalised. Every Rand a property owner contributes is spent within the precinct itself, on the precinct's own security, cleaning, and maintenance. The UIP effectively funds its own urban regeneration — owners are not subsidising the rest of the city, and the rest of the city is not subsidising Bayside.

2. What This Actually Costs — Per Million of Valuation

The Additional Rate is calculated to fund the full precinct budget each year. Year 1's working rate is set out in the Business Plan, pending eThekwini's confirmation; Years 2 & 3 are projected using the same cost escalation already applied throughout the Business Plan, assuming no re-valuation of the property.

Year	Cost per R1 million of property valuation	Cost per R1 million, per month
Year 1 (working rate)	R3,700	R308.33
Year 2 (projected)	R3,922	R326.83
Year 3 (projected)	R4,157	R346.42

Worked example — a R19.56 million property:

Year	Annual	Monthly
Year 1	R72,372	R6,031
Year 2	R76,714	R6,393
Year 3	R81,317	R6,776
3-Year Total	R230,403	—

R230,403 over three years is 1.2% of this property's value — just over one cent in every Rand the property is worth.

The Calculation, With a Worked Example

South African property rates are expressed in cents per Rand of municipal value. To calculate the contribution: divide the cents rate by 100 to get a decimal, then multiply by the property's rateable value. At the working Year 1 rate of 0.370 cents in the Rand, that is 0.0037 × the property's value.

For a R10,000,000 property, applying the same calculation:

Year	Annual Contribution	Monthly Equivalent
Year 1 (working rate)	R37,000.00	R3,083.33
Year 2 (projected)	R39,220.00	R3,268.33
Year 3 (projected)	R41,573.20	R3,464.43

R117,793.20 over three years is 1.18% of this property's value — consistent with the pattern shown throughout this document, regardless of the specific property's value.

3. The Cost Against Ordinary Market Movement

This is not a claim that BaysideUIP causes property values to rise — it is a comparison against ordinary market appreciation, to show how small the levy is relative to the normal volatility property owners already experience. The picture below uses the same R19.56 million example and its R230,403 three-year levy total, at a range of illustrative annual growth rates:

Assumed annual growth	3-year capital gain	Levy as % of that gain
1% p.a.	R592,688	39%
2% p.a.	R1,197,228	19%
3% p.a.	R1,813,740	13%
5% p.a.	R3,083,145	7%

At low growth, the levy is a meaningful share of the gain. At typical or stronger growth, it falls to a small fraction — in every scenario modelled, the levy remains smaller than the capital gain itself.

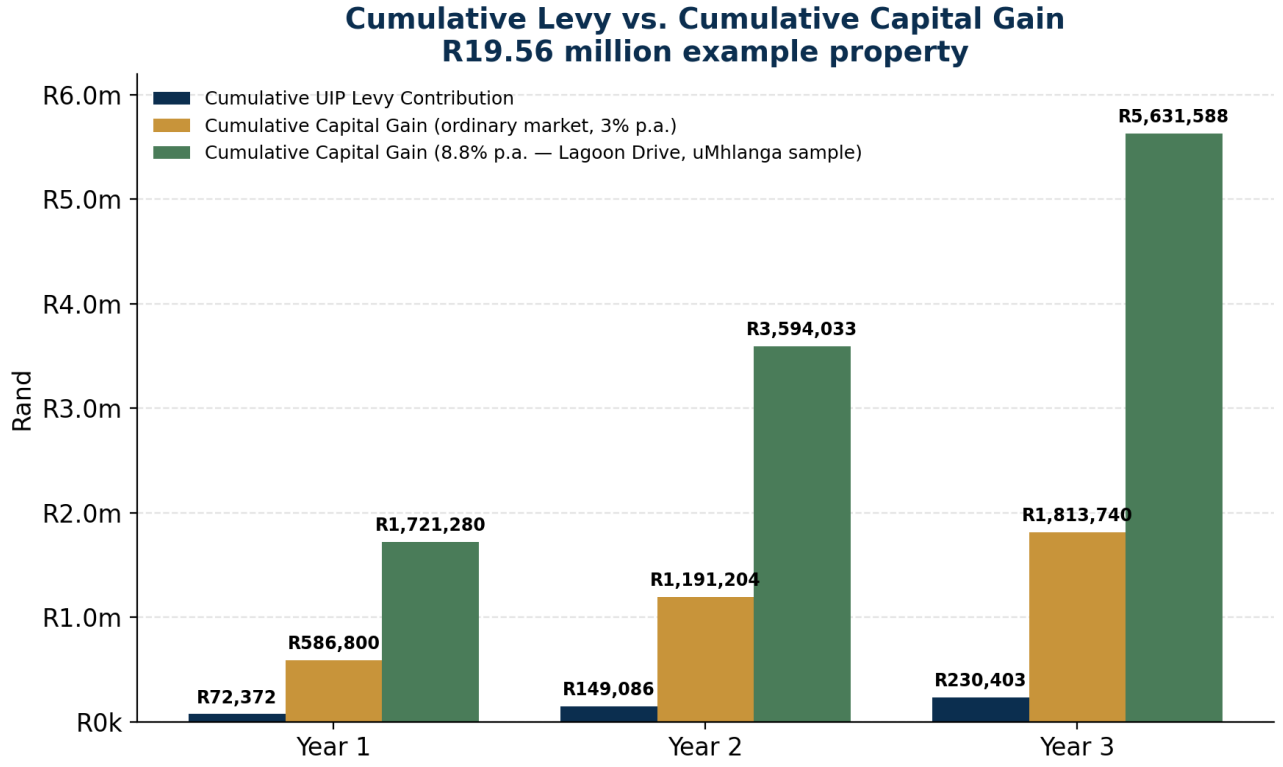


Figure 1 — Cumulative levy against cumulative capital gain at two rates: 3% p.a. (the same conservative, ordinary-market assumption used in the sensitivity table above — this is not attributed to the UIP), and 8.8% p.a., the growth rate found for resold sectional title units on Lagoon Drive, uMhlanga, under coordinated SRA management (Section 4 below). The 3% line represents growth that would occur with or without BaysideUIP; the 8.8% line shows what a comparable, coordinated precinct has delivered for that specific sample elsewhere in eThekwini.

The valuation base itself is also conservative

There is a further, structural factor worth understanding. The Municipal Property Rates Act requires eThekwini to conduct a General Valuation at least once every four years, and its own published history bears this out: GV2008, GV2012, GV2017, GV2022, and GV2026, a consistent four-to-five-year cycle. Each roll's "date of valuation" is itself set roughly a year before the roll takes effect — GV2022, for example, was dated 2 July 2021 but only applied from 1 July 2022, and remained in force until 30 June 2027. By the end of a cycle, the figures used to calculate rates can reflect market conditions from nearly six years earlier. This is a function of how municipalities value roughly half a million properties at once — through Computer-Assisted Mass Appraisal, a statistical model built from comparable sales data at a single fixed point in time, then applied unchanged for years, since individually reappraising every property annually is not feasible. A precinct experiencing genuine, above-average value growth — which is the entire premise of what BaysideUIP is working toward — will see real market value pull further ahead of the static valuation roll than a stagnant area would. The better the precinct performs, the wider this gap becomes in owners' favour: contributions continue to be calculated on a base that understates the property's true current worth.

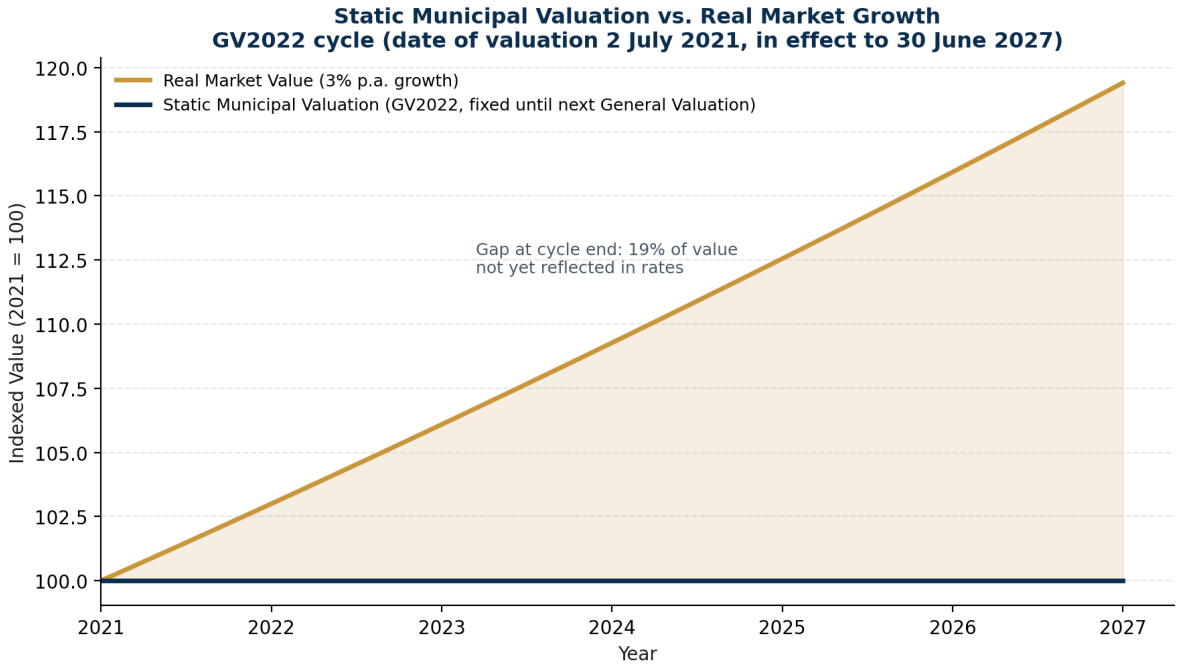


Figure 2 — Illustrative, using the GV2022 cycle's actual dates and the same 3% p.a. growth assumption used elsewhere in this document. Actual growth in a well-managed precinct may exceed this conservative baseline.

4. Evidence That Coordinated Management Moves the Needle

The stronger case isn't that property values rise regardless — it's that coordinated precinct management, specifically, has been linked to faster growth, and relevant evidence sits inside eThekwini itself. The uMhlanga Urban Improvement Precinct — the same Special Rating Area mechanism proposed for Bayside, established by commercial property owners in 2007 — is associated with average property price growth of 8.8% per annum against a national average of 5.9% over the same period. This figure comes from a Tyson Properties analysis of Deeds Office resale data for sectional title units on Lagoon Drive specifically — a matched-pairs comparison of each unit against its own prior sale price, not a precinct-wide study or an independent valuer's report, and not a citywide investment total. The analysis itself attributes the outperformance to the UIP as its own assessment, not an independently verified causal finding. This is the same municipality, the same legal instrument, and the same funding model being proposed for Bayside.

Florida Road, also in Durban, was established in 2013 explicitly modelled on uMhlanga's early success, using the identical mechanism. Its precinct manager reports enhanced property values and a marked improvement in the quality of tenants attracted to the road. Florida Road's history is also an honest one: the area cycled through genuine decline more than once before the UIP, a reminder that the model's real value is as much about arresting decline and sustaining recovery as it is about pure growth.

A third KwaZulu-Natal example: the Ballito Urban Improvement Precinct, established in December 2015 by KwaDukuza Municipality and local property owners — also explicitly modelled on uMhlanga's success, using the identical SRA mechanism, with commercial properties legislatively obligated to contribute and residential properties joining voluntarily. Over a single recent 12-month period, Lightstone data recorded 468 property transfers worth approximately R1.3 billion in Ballito, with property values rising over the preceding decade; it is now

widely regarded as one of South Africa's better-performing small-town economic nodes. Three separate KZN precincts, three separate property-owner groups, all choosing the same model.

For a larger-scale, longer-run comparison, and the most independently corroborated figures in this section: Cape Town's Central City Improvement District, the same model at greater maturity (26 years), recorded a 41% single-year increase in new property investment in 2025/26 and a 34% drop in reported crime incidents during a security campaign, per CCID's own reporting. Independently, the Western Cape MEC for Economic Opportunities has stated that R16.2 billion has been invested in Cape Town's city centre since 2012, as reported by the Cape Times — a government-sourced figure, not self-published by CCID. Cape Town's growth trajectory is exceptional even by South African standards and shouldn't be read as a like-for-like benchmark for Bayside, but of the precedents cited here, it carries the strongest independent corroboration.

5. The Real Cost, Per Square Metre

For commercial leases with standard operating-cost recovery provisions, the levy translates into a genuinely small addition to occupancy cost. Illustrative example, at 3,000 sqm (Year 1):

Per sqm, per year	Per sqm, per month
R24.12	R2.01

This assumes a standard cost-recovery lease structure; treatment will vary by individual lease terms.

6. A Further Avenue Worth Exploring — the UDZ Tax Incentive

Beyond the Additional Rate itself, property owners investing in or improving buildings within the precinct may already be eligible for South Africa's Urban Development Zone (UDZ) incentive under Section 13quat of the Income Tax Act — an accelerated depreciation allowance for erecting, extending, or substantially improving buildings within a designated inner-city zone. eThekwini is a designated UDZ municipality, and the incentive has been extended by National Treasury to 31 March 2030.

This is a genuinely active, government-backed incentive, distinct from the Additional Rate and not dependent on BaysideUIP's establishment — the Bayside precinct falls within eThekwini's demarcated UDZ boundary, and several corporate property owners in the precinct are likely already familiar with it. Individual qualifying criteria — building size, improvement thresholds, and trade-use requirements — still vary property by property and are worth confirming with your tax advisor.

7. The Levy Itself Is Also Tax-Deductible

The Additional Rate is an operating expense on income-producing property, and is deductible under Section 11(a) of the Income Tax Act — the same treatment as ordinary municipal rates. This reduces the after-tax cost of the levy by a property owner's marginal or corporate tax rate; it is not a full recoupment of the amount paid, but it is a genuine, standing reduction in the real cost shown throughout this document.

8. A Fair Note on Payment Reliability

eThekwini's broader financial governance record includes real, documented payment disputes with contractors and service providers, including ongoing 2026 disputes over invoicing delays and multiple lost court cases relating to unpaid settlements. We looked specifically for evidence of eThekwini failing to pay over SRA/UIP contributions to a management company and found none — Umhlanga, Florida Road, and Ballito all continue operating, which would be inconsistent with unreliable fund transfers, and eThekwini's own UIP governance process includes dedicated monthly collection reporting and a year-end reconciliation, distinct from the general contractor payment system where the documented problems above actually sit. A fair, evidence-based distinction, not a guarantee — and one worth stating plainly rather than leaving unaddressed.

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