

Mutual Heights

Darling Street Cape Town.

NEWS FROM YOUR TRUSTEES

Edition 4.

May 2006

Dear Fellow Owner,

I am writing to tell you that the Annual General Meeting of the Body Corporate will be held on Thursday 15th June next and to ask you please to note this in your diary. It will take place at 6.00 pm and will be in the Fresco Hall on the 8th Floor. In addition to the usual business the meeting will consider changing the Conduct Rules to improve the appearance of window dressings (particularly important in relation to those windows facing onto the atrium). It will also be invited to give guidance to your trustees as to what time the main entrance doors (onto Darling street) shall normally close in the evening. There is also a suggestion that we should change the name of the Body Corporate to a name that reflects the name of the Mutual Building itself.

As a result of various errors made on the plans before the Body Corporate came into existence various corrections are needed. One of these relates to the common areas on the 8th Floor. The area involved is small but nevertheless the resolution to change the plan requires a special resolution and the votes of 75% of the members present in person or by proxy. This is to be moved on behalf of Old Mutual Properties Ltd. As yet they have not given us the requisite documents and may miss the deadline next week for the required formal notice to be given.

Overleaf you will find a note about our liability for rates and its impact on the budget just approved by the Trustees and which must of course be approved by the AGM.

You will be hearing more of all this in due course but the matter does underline the importance of securing a good turn out at the meeting. If you cannot come, I urge you to sign and return the proxy form that you will receive shortly. There will also be an important opportunity for members to raise any other matters relating to the building and its management that they wish. So please start thinking about this.

As an encouragement to you to attend and another opportunity to get to know one another we shall adjourn hopefully before 9pm to enjoy a glass (or two) of wine together. By its nature this meeting is only open to owners and not to tenants.

I am about to write the chairman's annual report which will cover much that has been going on. However I must respond to the many enquiries that I have received concerning the much heralded Old Mutual Gym. This is generously being provided by Old Mutual Properties within their own central sections on a *non profit making basis*. Your trustees are considering funding the running costs out of the levy thus enabling individual owners to obtain access free of charge. The final organisational details are now being put into place and your trustees hope that the gym will be open within the next few weeks.

I look forward to seeing you on the 15th June, and with every good wish,

Yours sincerely,

Paul Rippon
Chairman.

The love of money is the root of all evil, yet while wine makes merry, money answers everything.

FIRST THE GOOD NEWS. The budget just approved by your trustees broadly reflects the costs approved last year which were much as forecast and in fact the total came to just over the anticipated amount.

NOW THE BAD NEWS. It's a complicated story so please bear with me. That budget covered the present rates bill for the building. The rateable value of the building has increased very considerably in consequence of its conversion from offices to the present 170 apartments. We have been setting aside rates based on the original value. Sooner or later the City Council will decide to reassess us according to its present value as a block of highly desirable apartments. With the exception only of the newest members of the Body Corporate, each of us has enjoyed a gratifying increase in the value of our units. Somewhere in the depths of City Hall there is an official who is also pleasurably anticipating increasing the income of the City from our transformed building.

To make matters seemingly more favourable to the City, a few months ago they changed the basis upon which the building was valued to a full market basis from what was known as a "municipal" valuation. The apparent good news (and it is only apparent) is that the basis of the valuation is an assumed value of the building had it been as it now is...in 2000 at the last valuation of the entire city. It's a hypothesis based on a hypothesis based on an illusion. This latter apparent advantage is no real advantage at all since the appetite for revenue of City Hall has not changed – only the value which is assessed. Shortly there will be a new general valuation when everybody's rateable value will increase, the rates collected will not change (perhaps "should not change" would be better), only the percentage of the value which will drop as old and lower values are replaced by modern and greater values

As I said we have been paying rates as if we were still a somewhat run down block of offices. One day there will be a new dawn and we can expect to pay quite a bit more. And what's worse the City will backdate the new dawn to the date of the building's transformation. Last year. Problem is nobody knows what the new value will be. The process will be complicated and a matter for experts but when they have finished sucking their pens and fiddling with their abacuses (abacae?) they will land us with a large bill for "arrears" which they have magically created. And we shall have to cough up.

The last link in the chain is something encapsulated in recent amendments to the Municipal Ordinance dealing with rates which states that as from the 1st July 2006- just around the corner, rates are to be assessed on individual owners and not on bodies corporate. Nobody seems to know how in a sectional scheme the burden will be shared between the values of the individual units and the common areas administered by the trustees.

Our indefatigable managing agent does not see any of this coming into effect for a long time but the day of reckoning will assuredly come and we must plan for it. Your trustees have taken discreet soundings and have been advised that it would be prudent to assemble a treasure chest so that we can meet the demand. Please do not press us on the precise calculations because we do not want to create to detailed a self fulfilling prophecy for that man in City Hall to leap upon, but the upshot is that we need the product of an increase in the levy from the present R12.30 per square metre to R15.99 per square metre. Those of you who traded in your abacuses for electronic calculators will have long since realised that this is an increase of 30%. This item in our accounts should drop back to a more modest level next year when the chest is full and we are used to putting aside month by month the anticipated amount (or even as individuals be paying the current rates month by month to City Hall).

I might add that your parsimonious trustees, whose careful husbanding had kept within last year's budget and indeed allowed almost no increase elsewhere in this year's calculation, treated this news with gloomful despair. However we would not be doing our duty to you by ignoring the portents. Your trustees hope that you will support their proposals at the AGM.

Paul Rippon

