

2023/24 Quarter 3
March 2024

SFPO NPC Quarterly Report

Welcome to our third quarterly report for Year 6 of the SRA. We issue three quarterly reports and an annual report each year. The Quarter 3 Report consists of:

- Executive Summary
- Projects
- Financial Reports
- Proposal to Fund an Accelerated Long Term Coastal Protection Solution

Executive Summary

The SRA (Special Rating Area) was established on 01 July 2018 for the Canals and Village demarcated area. The focus was to restore our beach, resurface our arterial roads, and establish a CCTV camera infrastructure to fight the escalating crime in our area.

We required the majority of the 1,590 property owners in the proposed Canals and Village Areas to vote for the introduction of the SRA levy (i.e. 50%+1 votes). We received a majority vote.

We are now in our 6th year of operation and the positive impact the SRA has had on St Francis Bay is clearly visible.

Value

We have delivered significant value to all of our members, the property owners and SRA levy payers in the SRA demarcated area:

- The arterial roads we included in our Business Plan have been resurfaced
- The Village entrance is an attractive first impression for anyone entering our town
- We have extensive CCTV camera coverage that has transformed the security of our Village
- We have environmental authorisation to restore our river, spit and beach
- We have, with generous third party funding, upgraded the George Road Car Park and built an attractive pathway linking our Village Centre with the Sea Vista Township
- We have started our Long Term Coastal Protection Solution project

Kouga Municipality

The Municipality has played its part in accelerating the resurfacing of our arterial roads, building an emergency revetment on the spit to protect the Canals and Canal properties, building a revetment to protect the ablution block, car park facilities and adjacent private properties at Main Beach, and providing electrical power to our CCTV infrastructure.

Property Boom

We continue to witness an unprecedented demand for property in St Francis Bay that has resulted in property values increasing significantly over the past couple of years in the Canals and Village areas. This recovery of property values, after a decade of property value stagnation, has also benefitted Santareme, St Francis-on-Sea, the Port and Otters Landing properties where demand for property has risen significantly, and values have risen accordingly.

This increase in demand for property has also seen an unprecedented boom in building activity that is providing many jobs and injecting millions into our local economy to the direct benefit of local business. This is the result of establishing St Francis Bay as a premier property investment destination for holiday makers and permanent residents.

We have several retirement home complexes in various stages of approval and development, which will fill the retirement village facility void that forced many residents to relocate when they needed such a facility.

Legal Challenge

The Appeal hearing against the High Court Ruling declaring the SRA and levy unlawful was held on 13 November at the Supreme Court of Appeal in Bloemfontein. A panel of 5 judges heard the Appeal. They gave their judgment on 1 December, 2023 in which they overturned the High Court ruling. This has removed the uncertainty of continuing to collect the SRA levy, and allows us to now focus on the restoration of our beach.

Projects

The SFPO NPC has three projects funded by the SRA levy:

- River, Spit and Beach
- Roads
- CCTV Cameras

The SFPO NPC also actively engages in obtaining additional external funding to uplift and improve the infrastructure serving the Sea Vista residents. We have completed one project, funded by the Kouga Wind Farm Community Trust:

- The Pathway linking the Village CBD to Sea Vista

River, Spit and Beach

Long Term Coastal Protection Solution (LTCPS)

The Preliminary Design of the Long Term Coastal Protection Solution (Beach Project) was completed by Advisian in 2018, prior to the submission of our application for the SRA. The EIA application for this long term coastal protection solution was approved by DEDEAT in April 2022, after a 4 year process.

All work on the Beach Project and the fundraising to accelerate this project was delayed until the Appeal Court gave its judgement in favour of KLM (the appellant) on 01/12/2023.

The next phase of the Long Term Coastal Protection Solution project was initiated on 05 December 2023 with the following appointments:

- Worley (rebranded Advisian) was instructed to proceed with the Detailed Design (Phases 1 & 2) of the Long Term Coastal Protection Solution i.e. groynes and sand nourishment (by the SFPO NPC)
- CES to provide Environmental Management oversight (appointed by the SFPO NPC)
- Bathymetric and Topographical survey contractors (to be appointed by the SFPO NPC)
- Environmental Officer (appointed by KLM)
- Environmental Control Officer (appointed by KLM)

LTCPS Project:

Approach

- **Step 1- Preparation**
 - appointing the various parties (see above)
 - surveying the coast and ocean where the Long Term Coastal Protection Solution will be constructed : completed
 - completing the detailed design of Phases 1 & 2 of the Long Term Coastal Protection Solution : Draft completed
 - securing funding to accelerate this project, the amount which will be used to determine the scope of the construction i.e. Phase 1, Phases 1 & 2, etc. See the picture below showing the areas/phases constituting the Long Term Coastal Protection Solution : R103m committed to-date
 - preparing the construction tender documents
 - invitation of contractors to tender
 - adjudicating the tenders submitted and making the appointment of contractor(s)
- **Step 2 – Construction**

Timelines

- Step 1 Preparation : December 2023- May 2024
- Step 2 Construction starting June/July 2024. The completion period will be determined by the tenderer whose proposal is accepted in the RFP process. We have been advised by Worley to expect a construction period ranging from 13-25 months, depending on the capacity that the contractor(s) bring to the project and the mobilisation time the contractor requires to make the resources required for this project available. This will only be clear once we have received the RFP submissions. Similarly, the pricing as presented in the

RFP will be compared to the cost estimate prepared by Worley and the available funding and the scope of work adjusted accordingly before awarding the contract.

Other Considerations:

- **Acceleration of the Project**

The project can be accelerated with access to additional funds. We currently have R42m of funds committed through the SRA levy, and commitments from the Riparians (St Francis Bay Riparian Homeowners NPC), the Kromme Joint River Committee NPC, and a number of Kromme River Estates

- **Funding Options**

We had set up a separate NPC, called Saving St Francis Donors NPC, to accumulate additional donation and loan contributions from existing St Francis Bay property owners. We registered this NPC as a Public Benefit Organisation (PBO) to provide the Section 18A tax benefit applicable to donations to this organization. These funds can only be used for the LTCPS project.

We have consulted widely with SFPO NPC property owners, and decided to focus on 3 contribution options offered by this NPC:

- Donation
- Loan - at Zero Rate of Interest
- Loan - at an Inflation Linked Rate of Interest

- **Funding Structure**

The Saving St Francis Donors NPC (also known as the PBO NPC) has tax exempt status and will do the following:

- Pay LTCPS contractor/suppliers from its Donation fund
- Provide a loan (s) to the SFPO NPC from its Loan fund
- Administer its Loan fund obligations to those property owners who have contributed loans to the Saving St Francis Donors NPC
- Repay these loans when repayment has in turn been received from the SFPO NPC as per the loan agreements

- **Funding Targets**

We used the cost estimates included in the Preliminary Design of the LTCPS and escalated these from 2018 to 2024 at inflation. We estimated the overall increase from R105m for the 5 phase LTCPS to an amount of R150m-160m. We estimated that Phases 1 and 2 (Spit and Main Beach) would be approximately R110m of the total project amount. We calculated that we could afford to repay a loan of R60m over 10 years at an inflation linked rate of interest (i.e. currently circa 5%) from our future SRA levy stream. This would enable us to complete Phases 1 and 2. Phases 3, 4 and 5 would require an additional R50m, and would be funded through our future SRA levy stream as and when we could afford it, additional donations, and other funding sources such as the Kouga Local Municipality.

Focus in Year 6 Long Term Coastal Protection Solution



Emergency Plan for the Spit

The Municipality constructed an emergency revetment and breakwater along the Spit, following the multiple breaches of the Spit.

Roads

Arterial Roads

We completed the Village Entrance project 3 years ago, which provides an attractive first impression of our Village.

The Municipality, as part of their contribution to the restoration of the roads infrastructure in the SRA demarcated area, have re-surfaced all of the arterial roads included in the SRA Business Plan, i.e. St Francis Drive from Lyme Road North to Assissi Drive, Lyme Road South and Lyme Road North. In addition to this the Municipality resurfaced St Francis Drive from Lyme Road North to Sea Glades Drive, and St Francis Drive from Assissi Drive to a point 0,5km past Harbour Road (towards the Port). They have also resurfaced the full length of Tarragona, and two streets in Sea Vista. They also repaired the dip in the road between Lyme Road North and the Fire Station. The SFPO upgraded the storm water pipe in the dip near the United Church, and the dip itself was levelled.

The Roads project in the SRA business plan is now complete with the exception of some road furniture (i.e. pedestrian paths and pedestrian shelters), which will be completed after the beach has been restored.

Car Parks

The George Road Car Park was paved with the assistance of donations from two property owners some time ago. A road was demarcated for access to the beach for repairing revetments. It is on the southern side of the car park. Bollards were installed.

Anne Avenue Car Park was renovated some time ago.

CCTV Cameras

The CCTV cameras contractor continues to meet their performance targets. The cameras have been very effective in fighting crime in St Francis Bay. Several streets have purchased additional cameras. We have 9 streets/areas also wanting to install more cameras, but we had no choice but to delay these requests until we were certain of the future collection of the SRA levy to continue funding the CCTV infrastructure and monitoring service.



FIGURE 1 CCTV COVERAGE MAP



Figure 2 Typical CCTV pole

The Pathway

The Pathway is complete, and is a wonderful facility for our Village, and especially for our Sea Vista residents. The pathway has a concrete surface with 25 mosaics made by township artists from school children inspired artwork, imbedded in the surface. The bush along the length of the pathway has been cleared and landscaped. CCTV cameras, LED streetlights, rubbish bins and benches have been placed at intervals along the pathway.

Financial Reports

The Income Statement and Balance Sheet, as at 31 March 2024, are included below.



Income statement

St Francis Property Owners NPC

Year ending 30 June 2024

July 23 - March 24

Income	
Interest Received	48 810
Spit Income & Donations	-
Recoveries	-
Third party project contributions	-
SRA Levy Income	8 408 721
Total Income	8 457 531
Expenses	
Accounting Fees	99 000
Auditors remuneration - other	1 570
Bank Charges	4 280
Communication to Members	2 268
Computer Expenses	3 163
Employee Costs	
Salaries & Wages	51 750
Insurance	6 533
Kouga admin fees	252 262
Legal expenses	3 200
Marketing & communication	104 000
Projects	
1 - Special Project - Roads	
1.1 - Upgrades	-
2 - Special Project - River & Beach	
2.2 Phase 2	-
2.2.1 Engineering	62 347
2.2.2 Environmental	-
3 - Special Project - CCTV	
3.1 CCTV Rental & Surveillance	1 318 123
4 - Non SRA Projects	-
Rent Paid	21 853
Repairs & Maintenance	-
Subscriptions	2 845
Telephone & Internet	3 757
Total for Expenses	1 936 951
Profit /(Loss) before Taxation	6 520 580



Balance Sheet

St Francis Property Owners NPC

31 March 2024

Assets

Market value

Non-Current Assets

		31-Mar-24
Truffle Investment Account	16 658 571	17 952 569
SASFIN Investment Account	16 221 282	17 056 905
Total Non-Current Assets	32 879 853	35 009 474

Current Assets

Deposits Paid	2 250
Saving St Francis Donors NPC	59 824
Trade Receivables	1 099 978
Prepayments	17 778
Money market	699 097
Cash at bank	950 200
Total Current Assets	2 829 127
Total Assets	35 708 981

Equity and Liabilities

Equity

Retained income	
- At the beginning of the year	28 678 188
- For the year	6 520 580
- At the end of the year	35 198 768
Total Equity	35 198 768

Split as follows:

- Levy income	28 799 687
- Non levy income	6 399 081
Total Equity	35 198 768

Current Liabilities

Trade Payables	-
VAT Payable	546 207
Income Tax Payable (1st provisional 2024)	(147 023)
CCTV deposits in advance	96 608
Aldabara Revetment Project	806
SF Property Owners Association	13 615
Total Current Liabilities	510 213
Total Equity and Liabilities	35 708 981

Proposal to Fund an Accelerated Long Term Coastal Protection Solution in St Francis Bay

December 2023

Introduction

St Francis Bay is experiencing a property boom aided in part by the visible benefits that the SRA has brought to the town since 2018. Property prices have doubled over the past 5 years, and given the current level of development activity, will continue to rise in value. We have delivered a network of 180 CCTV cameras that have substantially improved the security of our town, and resurfaced the arterial Roads carrying the heaviest traffic.

Notwithstanding the extremely positive developments in St Francis Bay, the very serious outstanding issue for us as a community is the extremely serious and eroding state of our beaches and our “spit”. We have to fix this.

The Supreme Court of Appeal ruled on 1 December 2023 that our SRA is legal and properly construed. This judgement allows us to move ahead with the construction of the Long Term Coastal Protection Solution to restore our river, spit and beach.

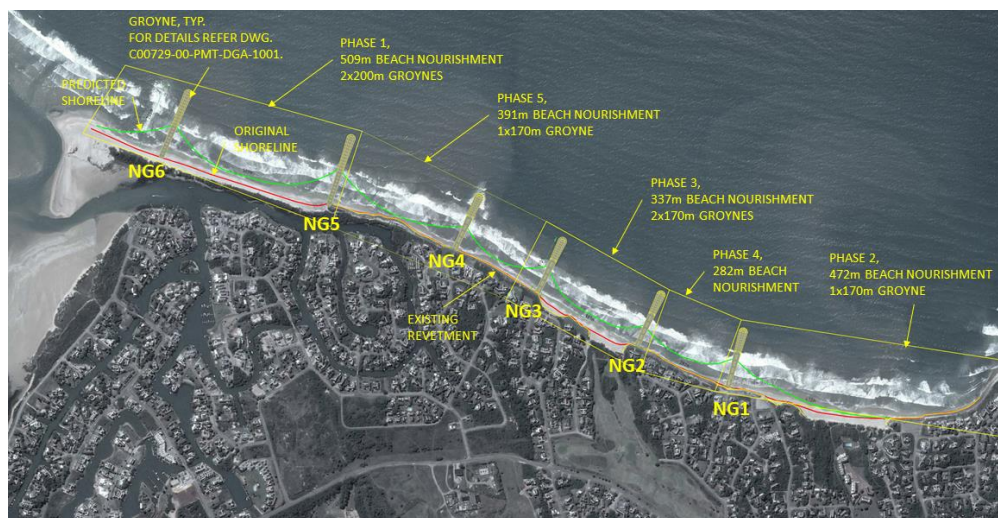
Long Term Coastal Protection Solution

We have now turned the focus of the SRA onto the implementation of the Long Term Coastal Protection Solution.

Advisian completed the Preliminary Design for the Long Term Coastal Protection Solution in 2018, and this formed the basis of our EIA Application. We received the EIA Authorisation from DEDEAT (Department of Environmental Affairs) on 7 April 2022 to construct the Long Term Coastal Protection Solution which is designed to restore our beach.

The St Francis Bay Long Term Coastal Protection Solution comprises beach nourishment and the construction of a set of groynes, as shown in the map below. The beach created through beach nourishment will dissipate wave energy and in doing so protect the properties and infrastructure along the coastline. Sand at St Francis Bay is lost due to a northward long-shore drift, and the function of the groynes is to intercept

and retain sand placed on the beach. Sand will be sourced from the Kromme River Estuary, which will improve navigability of the Kromme River. This is a win-win project. The design of the overall project was completed by Advisian (a multinational Consulting Engineering group with Coastal Engineering expertise). Their design encapsulated a possible 5 phases as follows:



Map showing the Long Term Coastal Protection Solution's 5 phases

We have recently appointed Advisian to proceed with the Detailed Design of the Groynes and Sand Nourishment, including the completion of various surveys required for this design, and the preparation of the Contractor Tender documents, including the calculation of the bill of quantities to support the cost estimates, for the construction work.

The Kouga Local Municipality (KLM) have appointed the Environmental Officer (EO) and the Environmental Control Officer for this project, and formally set up the Environment Monitoring Committee (EMC).

We have collected to-date R54m of cash for this project. We would ideally like to accelerate the construction of the Long Term Coastal Protection solution to include at least Phases 1 and 2. This will entail:

- Raising additional funding of R50m – R60m
- Completing the detail design by the end of March 2024
- Issuing and awarding tenders for the construction during April 2024
- Starting construction of the Long Term Coastal Protection by mid 2024

The construction options, based on the work done in 2018 and refreshed in 2020, included 3 options, as described in Appendix 1. In summary:

- **Option 1** includes Phases 1 and 2 (see the diagram above) i.e. a groyne at both the northern and southern end of the Spit and sand nourishment of the Spit, and a groyne at the northern end of Main Beach and sand nourishment of the Main Beach
- **Option 2** includes Phases 1 to 4
- **Option 3** includes Phases 1 to 5

Our proposal is to proceed with **Option 1**.

Option 1 will yield an affordable yet impactful start to the project. This will require, we estimate, around R108 m and provide 3 groynes (2 to protect the Spit, and 1 at the northern end of Main Beach to protect Main Beach). The beaches would also be nourished with sand from the river. We expect the preparatory surveys, detailed design and tender process, as well as the construction of Option 1 (Phases 1 and 2) to be completed in approximately 1 year i.e. end of 2024. Further phases of development are anticipated as financing allows.

We can only execute Option 1, and thus accelerate this project, if we can raise additional funding. To rely solely on the cash receipts from the SRA levies would result in a drawn out and much more expensive project. Our intention is to commence with the funding round whilst the detailed design and costing is done in parallel. This will enable us to start construction before mid 2024 and hopefully allow us to walk on the beach next year this time. Imagine that!

We have funds available of R54m and our proposal is to raise a similar amount via loans and donations. The key benefit is that we would get the benefit of the restored beach upfront, and pay back any loans raised from the levy income over the next 8 to 10 years, depending on the quantum of loans.

We have included an estimate of the ongoing maintenance costs for the Long Term Coastal Protection Solution in Appendix 2, which will be funded out of future levy income in the same way as the CCTV cameras and NPC Administration.

Current Status

We have:

- Completed the Preliminary Design for the restoration of the Spit and Beach and the Long Term Coastal Protection Solution for the St Francis Bay beach, which was prepared by Advisian in 2018. In 2020 the Preliminary Design was augmented by Supplementary Shoreline Modelling and Hydrodynamic Modelling of the Kromme River Estuary
- Obtained Environmental Authorisation from DEDEAT in April 2022 for the implementation of the long-term solution. We have a maximum of 3 years to start the project from that date
- Consulted extensively with a wide spectrum of stakeholders
- Set up a second NPC (Non Profit Company) to hold and control revenue from sources other than the SRA levy. Such sources include donations, soft loans, grants, etc. We applied to SARS and have been granted PBO (Public Benefit Organisation) status for this new NPC, specifically limiting the collection and

spend of money on environmental projects, i.e. the restoration of the Spit, Beach and River

- Used both the levy income and some of the R4.5m donations received prior to the SRA approval to fund the work done to-date on the Long Term Coastal Protection Solution
- Received assistance from the Municipality when they spent some R10m on installing the emergency revetment along the Spit following its breaches over the past few years and repairing revetments elsewhere, e.g. at Main Beach
- We have raised and have available R54m:
 - The SFPO NPC has cash available from the SRA levies : R34m
 - The S12J finance raised : R12m
 - The Riparians (St Francis Bay Canal Home Owners) : R6m
 - Kromme Joint River Committee (River Estates) : R2m

The benefit to property owners of an accelerated restoration of the River, Spit and Beach include:

- reduction in maintenance costs on beach revetments, and improved protection for beachfront properties
- improved protection for the Canals and Canal properties
- improved river navigability for River Estates
- enhanced surfing conditions and tourism benefits
- restored beaches for everyone

Investor Proposal

Implementing the project as our SRA funds accumulate from time to time will result in a very long and drawn out project. Costs will be much higher as we bring on the solution in 5 separate phases and the project will be far from fully efficient.

Our proposal is to raise funding so that we can accelerate the project somewhat by doing the first two phases per the Advisian report as our Step 1, and then repay the financing that was raised in a 7 to 10 year timeframe.

Our cash available as we start construction is forecasted at R54m.

We expect to raise approximately R8m per annum for the Long Term Coastal Protection Solution from the SRA levy. The balance of the levy income received will continue to fund the CCTV infrastructure and service, ongoing sand nourishment of the beach, and overheads.

From an engineering perspective 3 options have been tabled. Option 1 at R108m, option 2 at R158m and option 3 at R191m. When one considers these options it is necessary to balance the engineering options with the cash flows that the SFPO NPC can afford to repay. There is a financing constraint.

From a financing perspective the proposal is that we aim at a project with a total cost of around R110m. This is the amount that the SFPO NPC can reasonably afford as a 7-10 year funding structure.

The proposal is that with R110m in mind we set about finalizing the engineering alternative that results in that level of expenditure.

We ideally need to raise in the order of R50 – R60m (as we have R54m)

The additional funding to accelerate the long-term solution is proposed to be raised through the provision of donations and loans.

■ **Loan**

The commitment by a property owner to a loan, that will be re-paid from the future stream of SRA levy revenue paid to the SFPO NPC. The loan will be offered at:

- a zero rate of interest, or
- earn an interest rate that will offset inflation, and thus ensure the lender is neither out-of-pocket nor making a profit from this loan.

The loan gives the lender, a property owner, the following benefits:

- the opportunity to recover their loan capital (inflation adjusted if this option is selected)
- receive the accelerated benefit of an increase in the value of their property that the River, Spit and Beach restoration is expected to provide. Property prices have already doubled in St Francis Bay in the past 5 years (since the start of the SRA), and there is currently both an unprecedented demand for property in St Francis Bay as well as substantial property development in progress. We expect property values to continue to rise and provide attractive returns to investors in the next few years
- enjoy the restored beach, spit and river amenities

Contractual arrangements will be put in place to administer the loans made between:

- an individual investor and the PBO NPC. This “Not For Profit Company” was set up specifically to manage both loans and donations made for the exclusive use of the Beach restoration project
- the PBO NPC and the SFPO NPC

A loan made to the PBO NPC will be repaid over a period of 10 years.

■ **Donation**

Some property owners may prefer to make a donation and receive the immediate tax relief that a PBO status affords them.

A donation made by a tax payer would entitle them to the Section 18A tax deduction benefit. Taxpayers: Natural Persons, trusts, companies or close corporations can claim as a deduction from their taxable income, amounts donated to a S18A approved organisation up to 10% of their taxable income. SARS has granted our company PBO and Section 18A status.

The choice of funding method is dependent on each property owner’s own circumstances and preferences.

In closing

We need your support and commitment to accelerate the restoration of our beach.

The SRA, partnering with the Kouga Municipality, have focused on restoring confidence in St Francis Bay as a property investment destination over the past 5 years.

The significant improvement in property prices in St Francis Bay, estimated by some Estate Agents to have doubled over this period, is in some part, the result of our focus on restoring our infrastructure.

To-date this has been achieved through the improvement of our security (CCTV Cameras) and the upgrading of our arterial roads.

Now, we need to restore our beach and spit. It is simply essential to our continued enjoyment of St Francis Bay.

Imagine the impact that the restoration of our beach will have on our great St Francis Bay. We will achieve our aspiration to be a world class lifestyle town.

We can accelerate a beach for all to enjoy. Our properties and families will be safer and perhaps we can also accelerate the expected increase in our property investment values.

A loan or a donation to accelerate these financial and lifestyle benefits will be one of the better investments we can make. Please join this group of responsible and community minded investors and property owners by committing to a loan or donation.

Please contact:

- **Wayne Furphy : 083 375 4516, wayne@furphyventures.com**
- **Brett Dawson : 082 370 3306, brett@campan.co.za**
- **Murray Stewart : 082 372 1980, murray@hsam.co.za**
- **Garth Wright : 082 800 2929, garth@wrightcms.co.za**

Appendix 1

Construction Options

Table 1

- *Note: All amounts in the table exclude value added tax.*

OPTION	OPTION 1	OPTION 2	OPTION 3
Phases completed	Phases 1& 2	Phases 1, 2, 3 & 4	All phases (1 to 5)
Description	Option 1 will provide substantial benefit as a starting point as it restores the Main Beach and the Spit area. The sand shifted from Main Beach will feed the full length of the beach to its north, benefitting Areas 3, 4 and 5	Option 2 includes the construction of 5 of the six groynes, and nourishment of Areas 1, 2, 3 and 4. Area 5 will benefit from the movement of sand northward from Areas 2, 3 and 4	Option 3 includes all areas. It is the complete solution, unphased
Estimated construction cost (Base Date: Oct 2020)	R73.0m	R107.2m	R130m
Professional fees, surveys, environmental and ancillary costs	R7.3m	R10.7m	R13.0m
Escalation from Base Date (+3 year at 5% pa)	R27.7m	R40,1m	R48,6m
TOTAL	R108.0m	R158m	R191,6m
Cash accumulated (as at end of year 5: June 2023)	R54m	R54m	R54m
Estimated shortfall	R54m	R104m	R137,6m
Time to complete	12 months	15 months	17 months

Appendix 2

Anticipated Maintenance Costs

Ongoing maintenance of the beach and groynes after completion of construction will be necessary. Funding will have to be set aside for such maintenance, and this will influence the repayment of the loans.

Maintenance nourishment is expected to be undertaken annually, whilst groyne maintenance is expected to happen approximately every 10th year. The intention is to set funds aside annually for groyne maintenance so that it is available when such maintenance becomes necessary.

It is assumed that the Riparians will be able to perform annual nourishment for the Phase 1 area as part of their normal canal maintenance dredging activities. Phase 1 nourishment costs have been excluded from the costs shown in Table 2.

The estimated annual maintenance costs are set out in the Table 2 below.

Table 2

ANNUAL MAINTENANCE	
After completion of	OPTION 1
Beach nourishment	R640,000
Groyne maintenance	R150,000
TOTAL	R790,000

Notes: (1) Amounts exclude VAT. (2) All amounts are June 2023 estimates, and will escalate annually.

In addition, as restoration may be required after a major storm event, it is proposed that a fund be built up until sufficient funding has been set aside to deal with major storm event damage. The estimated required funding is shown the Table 3 below.

Table 3

MAJOR STORM EVENT DAMAGE RESTORATION COST	
After completion of	OPTION 1
Beach nourishment	R640,000
Groyne repair work	R2,540,000
TOTAL	R3,180,000

Notes: (1) Amounts exclude VAT. (2) All amounts are June 2023 estimates and will escalate annually