



Johannesburg Social Housing Company

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SECTION 116 REPORT

Booyens Social Housing Development

Executive Directors: Mr. Themba Mathibe (Acting: CEO & ED), Mr. Floyd Rikhotso (CFO & ED), Mr. Melusi Ndima (COO & ED)
Mr. Theodore Dhlamini (Chairperson & NED), Adv. Mpendulo Magutshwa (Acting: Company Secretary), Ms. Thandeka Tshabalala (NED),
Mr. Musa Shibambo (NED), Dr. Thulani Mdadane, (NED), Ms. Tabisa Poswa (NED), Mr. Ntokozo Mjiyako (NED)



1. STRATEGIC THRUST

The proposed extension of contract supports the JOSHCO's strategic thrust of Provision of Housing to the residents of the City by enabling the completion of the service by the Review Consultant overseeing the development of the Booysens Place Housing Project.

2. OBJECTIVE

The purpose of this report is to present to the Development Committee and the JOSHCO Board of Directors the contract that is due for extension as per Section 116 of the MFMA, for noting and approval.

3. NAME OF THE PROJECT

Appointment of a project management consultant for Booysens Housing Project.

4. REQUIRED CONTRACT EXTENSIONS

4.1 Extension Details

Name of Service Provider	Discipline	Contract Period	Proposed Contract Extension
Bosele Consultants	Professional	30 June 2021 to 30 January 2026	30 June 2026

Table 1: Extension Details

4.2 Reasons for Extension

Background:

Bosele Consulting (Pty) Ltd was appointed on 23 July 2021 by the Johannesburg Social Housing Company (JOSHCO) to undertake the conversion of the existing Booysens Place building, which was previously utilized as office space, into a mixed-use development. The project officially commenced on the 7th of October 2021, and Bosele Consulting (Pty) Ltd successfully completed Stages 1 to 3 of the planning process. At the conclusion of Stage 3, the proposed development comprised of 40 residential units and 9 commercial spaces.

Prior to the completion of Stage 3 (tender procurement), the project consultants enquired with JOSHCO regarding the status of the existing tenants occupying the building. Following further investigations and engagements, JOSHCO confirmed that certain tenants had recently entered into five-year lease agreements. After numerous engagements with the relevant stakeholders, Bosele



Consulting was instructed to revise the proposed design. This resulted in a reduction of the commercial component from nine to three shops to accommodate tenants whose leases could not be terminated. It was, however, indicated that the remaining tenants would vacate the premises prior to the appointment of the building contractor.

Construction Stage

The Works “The Appointment of a Contractor for Booyens Project” as per the letter of appointment was handed over at Booyens Place, Corner of Mentz St & Booyens Road on 21 January 2025 to the Contractor, Downtown Spares CC. The project duration was eight (8) months with the contractual Practical Completion scheduled for 21 September 2025. The construction budget is R 48 968 713.20 (Forty-Eight Million, Nine Hundred and Sixty-Eight Thousand, Seven Hundred and Thirteen Rands and Twenty Cents) all-inclusive of 15% vat. The project entails the conversion of an existing office block into a mixed-use facility comprising forty (40) residential units, including bachelor, one-bedroom, and two-bedroom units, alongside three commercial shops on the ground floor. The works further include the construction of a guard house, refuse area, and boundary wall, as well as external works such as paving roads and parking, and the installation of water, sewer, and stormwater reticulation. In addition, demolition works will be carried out, including the removal of existing ground-floor commercial shops, the refuse area, and other associated structures.

Sequence of events:

- a. On 21 January 2025, the site was handed over to the Contractor with due cognizance of the risks posed by the existing tenants on site as highlighted in the risk register issued monthly with the latest report issued on 13 December 2024 before handing over site a month later.
- b. On 28 February 2025 a letter was shared with the Employer wherein the following was raised.
 - The baseline programme was accepted but could not be approved based on the uncertainty regarding the continued occupation of the building which had significant impact on sequencing and continuation of the works.
 - The delays in tenant relocation have significant implications for the project timeline and costs, with the Contractor’s preliminary costs amounting to R8,750 per calendar day.
- c. On 20 March 2025, the Contractor, Downtown Spares Cc, submitted a Notification of Delay to the Principal Agent citing limited access to the site caused by ongoing tenant occupation of the commercial ground floor. As a result, the Contractor reported being unable to commence with micro piling to foundation pads, a critical activity linked to subsequent load-bearing construction work. This notification was submitted with reference to Clause 23.2.1 of the JBCC Principal Building Agreement, which entitles the Contractor to a revision of the date for practical completion and a corresponding contract value adjustment for delays caused by: Clause 23.2.1 - Delayed possession of the site [12.1.5]. The Contractor argued that the restricted access constitutes partial site possession, thereby validating the delay under this clause.
- d. On 14 May 2025, a letter was submitted to the Employer outlining three proposed options for consideration in determining the way forward considering the delays.
- e. On 10 June 2025, the Contractor submitted Notification of Delay citing similar issues raised on their previous notification of delay submitted on 20 March 2025.
- f. On 7 July 2025 a meeting was held between the Employer, Principal Agent and Contractor wherein the following was discussed.

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- Tenant relocation issues remain unresolved
 - There are ongoing discussions with the tenants to explore alternatives
 - Employers are unable to terminate or suspend the works
 - Instruction was provided to proceed with minor works as proposed by the Contractor
- g. On 24 July 2025, the Contractor submitted a formal Extension of Time Claim in accordance with Clause 23.5.
- h. On 22 August 2025, the pharmacy relocated the facility.
- i. On 8 September 2025, a revised programme was submitted by the Contractor which proposed a revised of 12 May 2026. The current anticipated project completion date is 30 June 2026

Motivation for Extension of time

The following is referenced with regards to the excessive timelines on the project.

Discipline	Guidelines	Clause No.	Description
	Professional Construction Project Management Services		
Quantity Surveyor	Amendment Of Guideline Tariff Of Professional Fees Quantity Surveying Profession Act, 2000 (Act 49 OF 2000)	4.3	Should the actual construction period less any extension of time allowed for additional measured work exceed the initial contractual construction period by more than 10 per cent, through no fault of the appointed quantity surveyor, then an additional fee is charged which shall be calculated at the hourly rates according to the guidelines for professional fees together with all related reimbursable expenses. This additional fee shall be agreed to in writing, with the client prior to the commencement of additional work and / or any other extension of time as may be applicable.
Architect	Guideline for Professional Fees in terms of Section 34 (2) of the Architectural Profession Act, 2000 Act 44 of 2000 ("the Act")	28a	If the initial construction period is exceeded by more than 10% through no fault of the architectural professional, the architectural professional shall be remunerated for all additional work resulting from the extension of time at hourly rates according to the guidelines for professional fees together with related reimbursable expenses. The architectural professional shall inform the client in writing that the allocated period for providing professional services has been exceeded by 10% and therefore the services shall be charged at the hourly rates according to the current guidelines for professional fees together with related reimbursable expenses
Engineering	Guideline Scope of Services and Professional Fees (Scope of Services and Tariff of Fees for	14a	When the works Contract is extended beyond the awarded contract period due to poor contractor performance or any other circumstances not caused by any action

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Discipline	Guidelines	Clause No.	Description
Project Manager	Amended Guideline Scope of Services and Recommended Guideline Tariff of Fees For Persons Registered in terms of the Project and Construction Management Professions Act, 2000 In respect of	Clause 6.4d	Where the works are executed over an appreciably shorter or longer than normal or realistic time periods during any of the stages defined in clause 3, or where the client orders suspension of the services between stages for periods in excess of 21 calendar days in the aggregate for any stage.

5. FINACIAL IMPLICATIONS

5.1 Adjustment of Contingency Amount

- Allowed Contingency Amount: R1 509 482.93 (Excl. VAT)
- Used Contingency Amount: R1 328 348.04 (Excl. VAT)
- Remaining Contingency Amount: R157 508.60 (Excl. VAT)
- Remaining Contingency Amount: R181,134.89 (Incl. VAT)

5.2 Contract Adjustment Calculations

- Total Cost Implications: R5 068 610.28 (Incl. VAT)
- Remaining Contingency Amount: R181,134.89 (Incl. VAT)
- Proposed Additional Funds Required: R4 887 475.39 (Incl. VAT)
- Remaining Contingency after approval of cost variations and additional funding: R0.00
- Proposed Revised Contract Amount: R14 397 217.82 (Incl. VAT)
- % above the Project Value if Approved: 51.39%

PROJECT NAME	Discipline	Original Contract Sum (incl. Vat)	Contract Adjustment (incl. Vat)	New Contract sum (incl. Vat)
Booyens Place Housing Project	Project Manager Quantity Surveyor Architect Civil Engineer Structural Engineer Electrical Engineer Wet Services Engineer Fire Engineer Social Facilitator Town planner Health and Safety Consultant	R9 509 742.43	R4 887 475.39	R14 397 217.82

Table 2: Financial Implications of the Extension

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6. POLICY/LEGAL IMPLICATIONS

The above extension is made in adherence to Section 116 (3) of the MFMA.

7. COMMUNICATION IMPLICATIONS

Once approved the Section 116 notice will be published on the JOSHCO website.

8. OTHER DEPARTMENTS/BODIES CONSULTED

JOSHCO Executive Committee consulted and are presented with the report.

9. RISK TOLERANCE ASSESSMENT

Table 1: Risk Tolerance Score

Risk Category	Potential Risk	Impact Assessment	Residual Rating
UIFW	<ul style="list-style-type: none">Not completing the project	Critical	20

IMPACT	RATING
Critical	25
Major	20
Moderate	15
Minor	10
Insignificant	5



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10. RECOMMENDATIONS

In respect to the above, it is recommended that the Board of Directors notes the outcomes of the Section 116(3) of the MFMA Bid on the extensions of contract period for the development of Housing at Riverside View.

RECOMMENDED/NOT RECOMMENDED

THABO MTHEMBI
SUPPLY CHAIN MANGER

DATE

RECOMMENDED/NOT RECOMMENDED

MELUSI NDIMA
CHIEF OPERATIONS OFFICER

DATE

RECOMMENDED/NOT RECOMMENDED

FLOYD RIKHOTSO
CHIEF FINANCIAL OFFICER & BAC CHAIRPERSON

DATE

APPROVED/NOT APPROVED

THEMBA MATHIBE
ACTING CHIEF EXECUTIVE OFFICER

DATE