

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
22 August 2017
(Also the agenda for the Mayoral Committee Meeting : 30 August 2017)**

**5.
HERMANUS, A PORTION OF PORTION 3 FARM 585 (BEESEMHOOT KLOOF):
DEVIATION FROM SEVERAL PARAGRAPHS OF THE ADMINISTRATION OF
IMMOVABLE PROPERTY POLICY OF 2015 TO ACCOMMODATE SUBSISTENCE
AND EMERGING FARMERS (PIG AND RABBIT FARMING) ON MUNICIPAL
OWNED LAND BY MEANS OF SHORT TERM LEASE AGREEMENTS**

7/2/3/1

A Le Roux & S Müller

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Hermanus Administration

15 July 2017

1. Executive Summary

To obtain approval for the deviation from several paragraphs of the Administration of Immovable Property Policy of 2015 allowing the Municipality to enter into lease agreements with subsistence and emerging farmers for pig and rabbit farming on a portion of Portion 3 of Farm 585 (total extent of approximately 5 000 m²).

To allocate units ("pens") of approximately 20mx10m within the ±5 000m² to subsistence and emerging farmers for pig and rabbit farming on a first come first serve basis subject to the farmer qualifying in terms of criteria to be set for subsistence and emerging farming.

2. Service Delivery and Budget Implementation Plan - IGNITE

Infrastructure and Planning
Property Administration

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Creation and maintenance of a safe and healthy environment
Promotion of tourism, economic and social development

4. Delegated Authority

None

5. Legal Requirements

The Administration of Immovable Property Policy of the Overstrand Municipality of 2015.

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6. Background/Discussion/Evaluation/Conclusion

Background

The Overstrand Municipality has identified an increase in the need for suitable land to accommodate subsistence and emerging farming, in this regard pig farming, within the Overstrand area. In order to accommodate subsistence and emerging farming, an area of approximately 5 000m² was identified on Portion 3 of Farm 585. The idea is to establish the facilities on the said portion of property for temporary use (up to 1 year with a re-evaluation) to identify subsistence and emerging farmers. Lease agreements will be entered into with the identified farmers at a nominal rental amount. This will afford the farmer time to accommodate and grow his/her farming activities until more permanent land is obtained.

In order to enter into these temporary lease agreements (up to a maximum of 3 years), it is necessary to deviate from several paragraphs of the Administration of Immovable Property Policy (as amended from time to time).

The leases will be for units of approximately 20mx10m within the identified ±5 000m² to subsistence and emerging farmers on a first come first serve basis subject thereto that the farmer qualifies as a subsistence or emerging farmer. Only approximately 20 units can be allocated with each unit having a specific number of pigs that can be accommodated. Strict conditions will be set in the lease agreement as to the care of the animals and the responsibilities of the farmers.

Discussion

Subsistence Farming

Subsistence farming can be defined as self-sufficiency farming in which the farmers focus on growing enough food to feed themselves and their families. The typical subsistence farm has a range of crops and animals needed by the family to feed and clothe themselves during the year. The output is mostly for local requirements with little or no surplus trade.

Subsistence and small-scale farmers need to have access to sufficient land and water resources with which to carry out their farming activities. Subsistence farmers are self-employed and as such do not earn a salary from an employer. Cash income is generated by selling surplus produce – agricultural products that are produced over-and-above what is needed for household use.

Most subsistence farmers learn the necessary skills from their parents or relatives who are also involved in subsistence farming in the local area, and

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who know the farming methods best suited to the area as well as information related to local markets for the sale of produce. They will gain additional skills through personal practical experience.

The characteristics of subsistence farming are:

- (a) Farmers produce crops and raise livestock mainly for their own subsistence and sell nothing in the local market. Since they earn no cash income, they cannot afford to buy modern machinery and good breeding stock.
- (b) The methods employed to grow subsistence crops and to raise the low-grade animals are primitive.
- (c) Seeds are of poor quality and animals are poorly husbanded.
- (d) Labour is intensively applied to the land under cultivation, but little attention is paid to the land meant for grazing.
- (e) The farming is generally subsistence in nature and the bulk of the farm produce is consumed directly by farmers and their families.

Emerging farming

An emerging farmer is a farmer that was previously disadvantaged, was given land by government via the land reform process, has operating knowledge of farming or may have even been a previous employee on the same farm, lacks technical knowhow, farm and risk management skills and also lacks access to formal markets with defined off take agreements. This type of farmer needs constant mentorship and training. These farmers also lack access to finance and usually rely on government grant funding to kick start their operations

The emerging farmer sector is made up of new farmers created by government land reform programs or existing smallholder subsistence farmers who are attempting to make a transition to commercially based agriculture.

Thus the purpose is to assist these farmers for a specific period in order for them to obtain more permanent and suitable land. This will assist them to develop to more commercialized farming.

Allocation of units ("pens")

The units ("pens") will be allocated on a first come first serve basis. Only approximately 20 units ("pens") can be allocated with a limited amount of pigs that can be allocated per unit ("pen"). It must be noted that as need may arise, the allocation of units ("pens") can be extended to accommodate rabbits and poultry. No sheep, goats or cattle will be allowed.

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Management of lessees

The lease agreements will be managed by the Property Administration Department. The lessee will have to open a municipal account for the levying of the rental which will then be managed by the Finance Income Department. The activities in the lease area ($\pm 5\,000\text{m}^2$) will be managed by the "Pound Master" (a Law Enforcement Official) who will also be situated on the Farm.

Evaluation

The request for the necessary deviation is in terms of the following conditions of the Administration of Immovable Property Policy of the Overstrand Municipality:

- (1) Paragraph 4: "No application for the purchase, lease of or encroachment on immovable property (save for the instances mentioned in paragraphs 58 to 62 and 64.1 below) shall be processed unless the prescribed application fee as per tariff approved in the annual budget for that financial year has been paid, nor shall any proposed lease or encroachment (save for the instances mentioned in paragraphs 58 to 62 and 64.1 below) be advertised unless the applicant has confirmed, in writing, that he/she will bear all costs involved in such transaction including - but not limited to - legal, survey, re-zoning, sub-division, consolidations, advertisement, relocation or provision of services and, where applicable, a deposit as per prescribed rate to cover incidental costs has been paid."**

Currently the application fee is an amount of R2,718.90. As the purpose of the leasing is to accommodate and uplift subsistence and emerging farmers, it is suggested that the application fee be waived. In this regard it must be noted that the mentioned farmers (due to their status) will not be able to afford the application fee

- (2) Paragraph 17: "Taking into consideration the nature and duration of the lease to be entered into, the leasing of immovable property may be affected by means of either:**
17.1 a competitive process, which may include a closed or public tender or proposal call, specifically in circumstances listed in paragraph 18 below; or
17.2 a direct lease."

AND

- (3) Paragraph 18: "A competitive process must at all times be followed in circumstances where:**

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- 18.1 the lease is for a long term with an income value in excess of R10 million;**
- 18.2 the lease is for a formal business premises with a market related rental;**
- 18.3 more than one party, in discretion of the municipality, is interested in the lease of the subject property; and/or**
- 18.4 by discretion of the municipality, a competitive process will best serve the interests of the community.”**

A competitive process will not serve a purpose as most of the identified subsistence and emerging farmers do not have the necessary ability and skills to complete complicated tender documents. It is rather proposed that the allocation of units (“pens”) to farmers be dealt with similar to the allocation of stalls, being on a first-come-first serve basis subject to certain criteria to be established.

- (4) Paragraph 21.2: Immovable property let according to paragraph 21.1 above need not be advertised in terms of paragraph 10.1 and 10.2 and need not be subsequently approved by the Executive Mayor, but shall be subject to the following:**
 - (a) the lessee shall be responsible for all costs regarding the connection of services, service fees and any other costs associated with the lease;**
 - (b) the Municipality shall, if it is not prescribed that market related rental must be charged, determine the rental;**

It is recommended that nominal rental be charged as most of the farmers will not be able to afford a market related rental amount. It will also not be fair to request them to pay for a valuation if the lease period will be of a short term nature (up to 3 years). The normal costs of a valuation is approximately R3 420.00. Should a valuation be requested, we run the risk of a high valuation which we might be bound to.

- (5) Paragraph 36: “All costs pertaining to a transaction, e.g. survey, advertisements, valuation, relocation or provision of services where necessary, shall be borne by the Lessee. The Municipality may, however, waive its right to claim all or any portion of the costs. Where necessary a deposit to cover the costs may be required.”**

It is requested that any costs involved be waived. As only short term leases will be entered into, it will not be necessary to advertise the leases. Should any further costs arrive, it is requested that it be borne by the Municipality in an attempt to accommodate the farmers and not put any further financial strain on them.

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- (6) **Paragraph 41: “The lessee shall, as a rule, be liable for the payment of rates, taxes and service charges in respect of the leased property. In the case of leases to certain social care users and sports facilities at rentals lower than market value the Municipality may consider granting a rebate on rates in accordance with the rates policy of the Municipality.”**

It is requested that the identified farmers not be liable for the payment of rates and services as they will not be able to afford it, and that the farm is not connected to any municipal service networks.

Conclusion

It is recommended that the deviation from paragraphs 4, 17, 18, 21.2, 36 and 41 of the Administration of Immovable Property Policy of 2015 be approved in order to enter into lease agreements with identified subsistence and emerging farmers at a monthly rental amount of R34.20 (VAT included) (THIRTY FOUR RAND AND TWENTY CENTS VAT INCLUDED) per unit (“pen”). This amount will escalate annually on the 1st of July in accordance with the prevailing consumer price index (all items).

7. Financial Implications

The Municipality stands to gain a monthly lease income in the amount of R34.20 (VAT included) (THIRTY FOUR RAND AND TWENTY CENTS VAT INCLUDED) per unit (“pen”) where after the rental amount will escalate annually on the 1st of July in accordance with the prevailing consumer price index (all items). The total expected income for approximately 20 units (“pens”) is R684.00 (VAT included) (SIX HUNDRED AND EIGHTY FOUR RAND VAT INCLUDED) per month.

The Municipality will be liable for all costs involved for the rezoning of the subject portion of property to accommodate the usage, should it be necessary.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Locality Map

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RECOMMENDATION TO THE COUNCIL :

that the deviation from 4, 17, 18, 21.2, 36 and 41 of the Administration of Immovable Property Policy of 2015 and as discussed in the item, be approved in order to enter into short term lease agreements on a portion of Portion 3 of Farm 585, Beesemhout Kloof, with identified subsistence and emerging farmers at a monthly rental amount of R34.20 (VAT included) (THIRTY FOUR RAND AND TWENTY CENTS VAT INCLUDED) per unit ("pen") to be allocated on a first come first serve basis, **be approved.**

RESPONSIBLE OFFICIAL :	A LE ROUX
TARGET DATE FOR IMPLEMENTATION :	14 SEPTEMBER 2017
TARGET DATE TO INFORM APPLICANT :	N/A
TARGET DATE TO INFORM OBJECTOR :	N/A

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7/2/3/1

**A Le Roux & S Müller
15 July 2017**

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Hermanus Administration

**THIS MATTER SERVED BEFORE THE JOINT PORTFOLIO COMMITTEE ON
22 AUGUST 2017, WHICH COMMITTEE RECOMMENDED AS FOLLOWS:**

RECOMMENDATION TO THE COUNCIL :

that the deviation from 4, 17, 18, 21.2, 36 and 41 of the Administration of Immovable Property Policy of 2015 and as discussed in the item, be approved in order to enter into short term lease agreements on a portion of Portion 3 of Farm 585, Beesemhout Kloof, with identified subsistence and emerging farmers at a monthly rental amount of R34.20 (VAT included) (THIRTY FOUR RAND AND TWENTY CENTS VAT INCLUDED) per unit ("pen") to be allocated on a first come first serve basis, **be approved.**

RESPONSIBLE OFFICIAL :

A LE ROUX

TARGET DATE FOR IMPLEMENTATION :

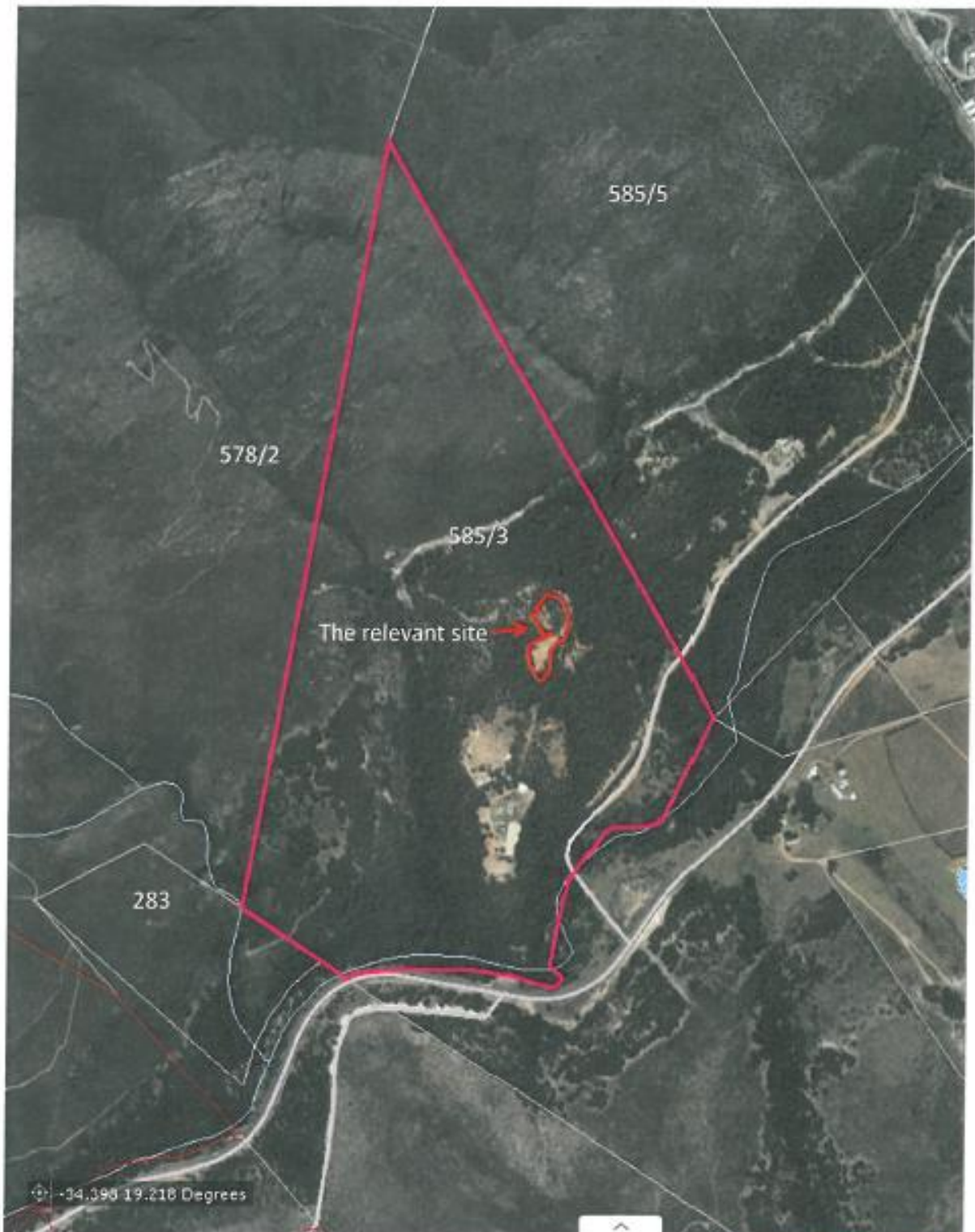
14 SEPTEMBER 2017

TARGET DATE TO INFORM APPLICANT :

N/A

TARGET DATE TO INFORM OBJECTOR :

N/A



LOCALITY MAP: PTN 3 FARM 585

