

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
21 November 2017
(Also the agenda for the Mayoral Committee Meeting : 29 November 2017)**

**8.
KLEINMOND, A PORTION OF ERF 5462: LEASE OF MUNICIPAL PROPERTY TO
CHILD WELFARE SOUTH AFRICA (KLEINMOND)**

7/2/3/1

M Erasmus

(028) 316-3724

Hermanus Administration

5 October 2017

1. Executive Summary

To obtain approval to enter into a further lease agreement with Child Welfare South Africa (Kleinmond), hereinafter referred to as "Child Welfare", in respect of municipal property, being a portion of Erf 5462 Kleinmond ($\pm 450\text{m}^2$ in extent) situated in Proteadorp, for the management of the child welfare offices and related purposes.

2. Service Delivery and Budget Implementation Plan - IGNITE

Infrastructure and Planning;
Property Administration

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

Executive Mayor

5. Legal Requirements

- Administration of Immovable Property Policy of the Overstrand Municipality (2015)

6. Background/Discussion/Evaluation/Conclusion

Background

Child Welfare, a registered social care facility, has been leasing the subject portion of Erf 5462 Proteadorp in Kleinmond from the Municipality since 2002 for the purpose of managing the child welfare offices. The most recent agreement will expire on 30 November 2017.

The locality of the proposed lease area is indicated on a locality plan attached per "Annexure A".

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Discussion

Child Welfare applied to lease the subject portion of the property for a further period of 9 (NINE) years and 11 (ELEVEN) months for the purpose of managing the child welfare offices and related purposes.

Child Welfare delivers an essential service to the community of Proteadorp. The management of the child welfare projects in and around Kleinmond is co-ordinated from the office and counselling services are further provided on the property. The administration is of utmost importance for any of the projects to be successful and therefore the utilising of the office space is very important.

Child Welfare's municipal account is up to date and no complaints regarding the use of the property for the office have been received during their previous period of lease.

Evaluation

A. Administration of Immovable Property Policy of the Overstrand Municipality

The following conditions of said policy apply:

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

Paragraph 18: "A competitive process must at all times be followed in circumstances where:

- 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".**

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As the site is not classified as a business site and the leasing of the said property to Child Welfare (as registered social care organisation) is in the interest of the community, i.e. not a commercial lease, and they have been leasing it successfully for several years it is recommended that the property be leased directly to Child Welfare without following a competitive process.

Paragraph 20.1: "The Municipality may grant a long term lease of municipal immovable property with a value less than R10 million only after:

- a) **The accounting officer has approved the lease in principle;**
- b) **In the case of a direct lease, the proposed lease was advertised in terms of paragraph 10.1 and 10.2 above to invite the local community and other interested parties to submit comments or representations; and**
- c) **The municipal council has approved that the right may be granted."**

The Accounting Officer (Municipal Manager) approved in principle the lease of the subject portion of Erf 5462 Proteadorp in Kleinmond to Child Welfare for the management of an office on condition that the public participation process is followed. The proposed lease was advertised in the Overstrand Herald on 14 September 2017 for a 30 (THIRTY) day comment/objection period.

Paragraph 26: "In cases where a rental amount has been approved in the annual budget of the Municipality for certain types of leases and encroachments, the approved amount will be used for purposes of determining the rental amount".

In this regard the rental charged will be in accordance with the tariff approved in the annual budget.

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."

Child Welfare will pay all costs relating to the renewal of the lease agreement which in this case so far is only the advertisement costs.

Paragraph 47: "Subject to paragraph 46 above, immovable property let by the Municipality shall be inspected at least once a year by the

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Municipality to ensure compliance with the terms and conditions of the agreement of sale or lease.”

The property will be inspected by the Property Administration Department at least once a year.

It is further confirmed that the other Conditions of Lease as stipulated in paragraph 36 – 50 of the said policy will be included in the lease agreement with the Applicant.

B. Advertisement/Notification

An advertisement for the lease of a portion of Erf 5462 Proteadorp in Kleinmond, ±450m² in extent, was placed in the Overstrand Herald on 14 September 2017 for a 30 (THIRTY) day objection/comment period. No objections/comments were received.

Conclusion

With reference to the above discussion it is recommended that the lease agreement with Child Welfare be approved for a further period of 9 (NINE) years and 11 (ELEVEN) months from 1 December 2017 at a total rental amount of R131.58 (ONE HUNDRED AND THIRTY ONE RAND AND FIFTY EIGHT CENTS) (VAT excluded) per month.

7. Financial Implications

The Municipality stands to gain rental in the amount of R131.58 (ONE HUNDRED AND THIRTY ONE RAND AND FIFTY EIGHT CENTS) (VAT excluded) per month where after the lease amount will escalate every year on the 1st of July in accordance with the tariffs stipulated in the Annual Budget as approved by Council, the next escalation to be on 1 July 2018. All expenses pertaining to the proposed lease will be borne by Child Welfare.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Senior Manager: Expenditure and Assets, Mr. J Vorster - (028) 313 8046

As this is an income generating proposal involving an institution who delivers an essential service to the community of Proteadorp, with no intention to dispose of the asset, there is no objection to the report.

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10. Annexures

Annexure A: Locality Plan

RECOMMENDATION:

1. that the lease of municipal property, being a portion of Erf 5462 Proteadorp ($\pm 450\text{m}^2$ in extent) situated in Kleinmond to Child Welfare South Africa (Kleinmond) for the purposes of managing an office and related purposes at the rental amount of R131.58 (ONE HUNDRED AND THIRTY ONE RAND AND FIFTY EIGHT CENTS) (VAT excluded) per month for a period of 9 (NINE) years and 11 (ELEVEN) months as from 1 December 2017 in terms of the Administration of Immovable Property Policy of the Overstrand Municipality, **be approved**; and
2. that the rental amount mentioned in 1 above escalate every year on the 1st of July in accordance with the tariffs stipulated in the Annual Budget as approved by Council, the next escalation to be on 1 July 2018.

RESPONSIBLE OFFICIAL :	M ERASMUS
TARGET DATE FOR IMPLEMENTATION :	30 JANUARY 2018
TARGET DATE TO INFORM APPLICANT :	31 DECEMBER 2017
TARGET DATE TO INFORM OBJECTOR :	N/A

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**M Erasmus
5 October 2017**

(028) 316-3724

Hermanus Administration

**THIS MATTER SERVED BEFORE THE JOINT PORTFOLIO COMMITTEE ON
21 NOVEMBER 2017, WHICH COMMITTEE SUPPORTED THE RECOMMENDATION**

RESPONSIBLE OFFICIAL :	M ERASMUS
TARGET DATE FOR IMPLEMENTATION :	30 JANUARY 2018
TARGET DATE TO INFORM APPLICANT :	31 DECEMBER 2017
TARGET DATE TO INFORM OBJECTOR :	N/A

