

**AGENDA of the
Portfolio Committee : Investment & Infrastructure
2 August 2023
(Also the agenda for the Mayoral Committee Meeting : 16 August 2023)**

**5.
ERF 170 HAWSTON (“HAWSTON INDUSTRIAL HUB”): SHORT TERM LEASE -
THE HAWSTON DEVELOPEMENT FORUM NPC**

**A Le Roux
24 April 2023**

Manager: Property Administration

(028) 316 - 5623

1. Executive Summary

To obtain approval from Council to deviate from several paragraphs of the Administration of Immovable Property Policy of 2015 in order for the Municipality to enter into an agreement with the Hawston Development Forum NPC for the lease, management, maintenance and sublease of the municipal property, being a portion of Erf 170 Hawston (±2,300m² in extent) for a period of 3 (THREE) years from 1 March 2023 at an initial rental amount of R2,427.20 per month (VAT included).

See Locality map attached marked Annexure “A”.

2. Service Delivery and Budget Implementation Plan - IGNITE

Economic and Social Development
Manager: Local Economic Development

3. Compliance with Strategic Priorities

Provision of democratic, accountable and ethical governance
Promotion of tourism, economic and social development

4. Delegated Authority

None

5. Legal Requirements

- Administration of Immovable Property Policy of the Overstrand Municipality (2015)
- Municipal Asset Transfer Regulations (R. 878 of 2008)

6. Background/Discussion/Evaluation/Conclusion

Background

In response to the direct need for economic infrastructure in the Overstrand and following a feasibility study conducted in 2019, the Overstrand

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Municipality constructed two buildings of 164m² in extent each for light industrial purposes on a portion of Erf 170 Hawston (hereinafter referred to as the “property”). The so called “Hawston Industrial Hub” was built with the buildings consisting of 5 (FIVE) Units (Light Industrial Units) of 49m² in extent each, a storeroom, passage and toilet facilities (see extract of building plan attached marked Annexure B). The building was erected with external funding received and for the purpose of providing infrastructure in aid of the Local Economic Development: Enterprise Development Program that is aimed at addressing the challenge of limited business-zoned trading spaces. The units will serve as an initiative to facilitate the upliftment of small businesses in Hawston and to create job opportunities. As the building is built, it is necessary to enter into a lease agreement with the identified lessee, the Hawston Development Forum NPC (hereinafter referred to as the “HDF”). The process of identifying the lessee was done by the Economic & Social Development & Tourism Directorate which is in charge of the whole project and management of the subsequent lease agreement, if approved.

As per approval by the Accounting Officer, occupation of the property was given to the HDF on 1 March 2023 in order to have security on the property and to allow the subtenants an opportunity to set up their respective units for trading purposes.

The Accounting Officer subsequently, as duly authorised by delegation 4.2.51, on 11 July 2023 approved the following:

- (a) The lease, management, maintenance and sublease of the municipal property, being a portion of Erf 170 Hawston (final size to include the parking areas to be determined) to the Hawston Development Forum NPC for a period of 3 (THREE) years from 1 March 2023 at an initial rental amount of R2,427.20 per month (VAT included), subject to Council approving the following:
 - (i) the deviation from paragraphs 4, 21.2(a) & (b), 24, 36 and or any other relevant paragraph of the Administration of Immovable Property Policy of 2015 that might be applicable;
 - (ii) a 5 (FIVE) month rental free period in order for the rental also to be levied on the approved tariff for the 2023/2024 financial year;
 - (iii) that the rental per square metre only be calculated on the building sizes and not the total lease area (which will include the parking areas);
 - (iv) that the electricity tariff E1E1 – One part tariff (Pre-paid meters only) Local Economic Development Projects be applied to the lease; and/or
 - (v) that the water consumption tariff W1C1 – Consumption all other be applied to the lease,

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with the note that should Council not approve any or some of the above, the lessee will still be afforded an opportunity to proceed with the lease on the conditions as approved by Council (thus no suspensive condition).

- (b) The entering into a lease agreement with the Hawston Development Forum pending the outcome of all the approvals that must be obtained.
- (a) That the Economic & Social Development & Tourism Directorate, which is responsible for the project, manages the process further (with reference also to the comments of the Town Planning Department) as well as the lease to be entered into, if approved.

Discussion/Evaluation

The following paragraphs of the Administration of Immovable Property Policy are applicable:

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, rezoning, 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.*

The current approved application fee is R3,000.00 (VAT included) (no escalation for the last three years). As the purpose of the leasing is to accommodate and facilitate the upliftment of small businesses in Hawston and to create job opportunities, it is suggested that the application fee be waived. The request is thus that Council deviate from paragraph 4 to exempt the HDF from paying the prescribed application fee for the proposed lease.

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

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17.2 a direct lease.”

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.”

In this regard it will be recommended that a direct lease agreement be entered into for a short-term period of 3 (THREE) years. The lease will however be for a formal business, but not at a market related rental as will be motivated further in this report.

A competitive process need not be a tender process at all times. It can be any form that allows for every member of the public to be afforded an equal and fair opportunity to partake in a process. Due to the nature of the lease, with reference to paragraphs 18.2 to 18.4 above, it was necessary for the Municipality to follow some kind of competitive process to be fair, equal and transparent in the allocation of municipal property.

To facilitate this type of equal, fair and competitive process, an advertisement was placed to invite members of the public to attend a meeting at 18:00 on Thursday, 21 April 2022 at Hawston Thusong Centre to discuss the Hawston Light Industrial Hub and specifically.

- The guiding process for the application the lease a unit.
- The selection processes in allocating a unit.
- The documentation required when submitting the application for a unit.
- The way forward in allocating the unit.

The public was afforded an opportunity to, after the meeting submit proposals to the Municipality. Following this open and fair process for businesses to apply to lease a unit in the light industrial hub, the LED office received seven applications in total. The application process was open for five working days and assistance for struggling applicants was provided. The seven applicants were all invited to pitch or present their business cases to a panel of judges, independently duly appointed by the Overstrand Municipality.

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The assessment of the applicants was guided by the following nine pointers or indicators to understand each business case in depth, and this was communicated 5 days before presentations:

- The business idea – What are you going to sell or what services are you going to render in those premises?
- Start Up or Existing – Are a start-up or existing business (if existing, tell us about the operations of your business in the past 3 years?
- Economic Impact – What value will your business bring into the Community?
- Start Up Capital – Do you have a start-up Capital, if yes is it sufficient to sustain your business?
- Market analysis – Do you have customers? Present a detailed market analysis and trends in your field and demonstrate your target market.
- Marketing – What’s your marketing strategy? Given the area is new and a bit isolated from the community. Do you have signage?
- Social Responsibility or environmental impact – How will you contribute to the socio-economic issue of Hawston. How are you going to protect environment?
- Occupation Plan – If you get selected, when will you be very to move it? Can you share your timeframes with us?
- Vision- Where do you see your business in 5 years’ time?

The results of the presentation were as follows:

<u>No.</u>	<u>Applicant’s name</u>	<u>Outcomes</u>	<u>Business Idea</u>
1.	OD Fisher	Successful	Kelp and Sea Weeds Supplier
2.	P Basson	Successful	Laundry and Car Wash
3.	EF Carelse	Successful	Sells Gas Stoves and Tyre Fittings
4.	E Rudolph	Successful	Second Hand Tool Hiring and Laundry (Households)
5.	E Gillion	Successful	Mushroom Cultivation
6.	A van Kewerl	Unsuccessful	Hair Salon
7.	IL Sias	Unsuccessful	Refused to present business idea

As the property will have one bulk meter for water, one account for sewerage, refuse removal and water consumption, it was more effective to create / register an entity of which the successful candidates are members/directors, etc. For this reason, the Local Economic Development Department (“LED”) assisted the mentioned candidates to register the Hawston Development Forum NPC (2023/508129/08) who will lease, manage and sublease the property. The directors of this company, of whom

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will also be the individual entrepreneurs, are:

- Mr E Gillion
- Ms E Rudolph
- Mr EF Carelse
- Mr OD Fisher
- Mr P Basson
- Mr AI Rudolph

Due to the intended use of the property as well as the fact that one agreement will be entered into and not five, an approval to deviate from paragraph 18 must be obtained from Council in order to enter into a direct lease agreement.

Paragraph 21: *Short term lease of municipal immovable property:*

21.1 *The Municipality may grant a short term lease of municipal immovable property up to three years without the option of renewal only after the Accounting Officer has approved the lease in principle.*

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;***
- (c) *the lessee shall undertake in writing to compensate the Municipality for damages caused to the immovable property for whatever reason;***
- (d) *the lessee shall indemnify the Municipality against any claims; and***
- (e) *the Municipality may request proof of financial viability to honour the lease."***

The Accounting Officer approved in principle the lease of the property to Hawston Development Forum NPC, subject to the following approvals to be obtained from Council, being:

- (a) To enter into a direct lease instead of following a competitive process.
- (b) To waive the application fee.
- (c) To waive the payment of the valuation costs.
- (d) To exempt the HDF from paying connection of services fees if the latter is applicable.

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- (e) To exempt the HDF from paying rates.
- (f) To waive the payment of rental for the period 1 March 2023 to 30 June 2023 as the Municipality is still attending to maintenance on the building (vandalism before occupation was given) as well as the installation of electrical prepaid meters.
- (g) To waive the requirement of a market related rental amount.

The payment of a market related lease amount as well as for services will be discussed below under separate headings.

Paragraph 24: *“The fair market value for the alienation of, the rental amount for the leasing or compensation payable for a servitude over municipal immovable property shall be determined by an independent professional valuer or professional associated valuer registered in terms of the Property Valuers Profession Act, 2000 (Act 47 of 2000), or any ensuing act at the cost of the purchaser (in the case of a direct sale) or lessee (in the case of a direct lease)/servitude holder (in the case of a servitude).”*

HCB Property Valuations determined the market related monthly rental on 1 March 2023 at an amount of R30/m² (THIRTY RAND PER SQUARE METRE) (VAT excluded). If applied to the below scenarios, the rental per month (VAT excluded) can be any of the following:

	Total	Per unit (5 units)
• On the estimated size of the whole lease area (±2,300m ²):	R69,000.00	R13,800.00
• On the combined size of the two buildings (328m ²):	R 9,840.00	R 1,968.00
• On the lettable space – units only (245m ²)	R 7,350.00	R 1,470.00

Taking into consideration the purpose of the project and the fact that the subtenants (SMME’s) must still “find their feet”, buy stock and equipment, the market related rental is very high, irrespective of the scenario.

A similar lease was done in Zwelihle on a property that is zoned for the business purposes and for this lease the market related rental obtained was R25/m² (TWENTY-FIVE RAND PER SQUARE METRE) (VAT excluded). The final rental amount was also approved on the building size and not the size of the lease area which included the parking areas. This valuation is a little bit older than the above valuation but can also be considered. At this valuation the rental on the mentioned scenarios will be as follows:

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	Total	Per unit (5 units)
• On the estimated size of the whole lease area ($\pm 2,300\text{m}^2$):	R57,500.00	R11,500.00
• On the combined size of the two buildings (328m^2):	R 8,200.00	R 1,640.00
• On the lettable space – units only (245m^2)	R 6,125.00	R 1,225.00

However, in the above matter the individual businesses were already set up and running for a while.

The HDF has been given occupation of the property from 1 March 2023 at a rental amount of R1,701.00 (ONE THOUSAND SEVEN HUNDRED AND ONE RAND) (VAT included) per month, as per the motivation which was done when occupation was given. This was calculated on the lettable space (the 5 units) only (on estimated sizes of the units being between 48m^2 and 49m^2) at R7.00/ m^2 (SEVEN RAND PER SQUARE METRE) (VAT included). For this purpose and as a valuation was not available and the proposed lease was only for one year, the following tariff as approved by Council was used.

Tariff Code	Detail	2023/2024		2022/2023	
		VAT excluded	VAT included	VAT excluded	VAT included
		R	R	R	R
S34	PROPERTY ADMINISTRATION				
S34G	Leases				
S34G1	Temporary use (≤ 12 months) of municipal land for the storage of building materials next to building sites or for general purposes (per m^2 per month)	6,43	7,40	6,09	7,00

Taking the above into consideration, it will be recommended for approval by Council that the tariff be used for the calculation of the rental be payable on the total size of the two buildings (328m^2 as per the building plan) excluding the parking bays for the whole lease period, to be implemented as follows:

•	1 March 2023 – 31 July 2023:	Rental free to establish the business and for municipality to finish all the maintenance to the building and installation of the prepaid meters.
•	1 August 2023 – 30 June 2024:	R2,427.20 per month (VAT included)

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		– tariff. The subtenants’ rental will be approximately R485.44 per month (VAT included) or as decided by the HDF.
•	1 July 2024 – 30 June 2025:	Tariff increases for that year.
•	1 July 2025 – 28 February 2026:	Tariff increases for that year.

Should any further renewal be considered after the initial 3 years, the renewal should be at a market related rental for that period (to be established before expiry of the initial period).

Please note that the HDF had to open a municipal account within 10 business days from 1 March 2023 which it has failed to do. Currently no services are being provided and no rental charged as the HDF do not have full use of the property.

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.”

As a form of competitive process was initially followed for which a valuation would have been obtained by the municipality, it is recommended that the Municipality bears the costs of the valuation, being R2,500.00 (VAT included).

Paragraph 40: “Rental, except where it is decided otherwise by the Municipality, shall escalate on the 1st of July every year, by a percentage fixed in accordance with the prevailing consumer price index (all items).

The rental will escalate every year on the 1st of July, with the first escalation being 1 July 2024. If approved by Council with regards to the rental proposed, the rental will escalate in accordance with the tariffs as approved for each financial year.

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.”

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For the levying of rates and taxes, the building will have to be valued or a calculation will have to be made. It is suggested that the HDF be exempted from paying rates and taxes at this stage and that the position be reconsidered when the renewal of the lease agreement is considered, or a new lessee is identified. At that stage a valuation would have been done via the Valuation section of the municipality.

The property currently has one water meter (BKLW558) and 6 pre-paid electrical meters. The cost associated with water consumption and basic as well as the one additional electrical meter for the toilets and storeroom must be apportioned by the HDF amongst its tenants. The cost associated to all the services involved are:

Electricity

If levied on the tariff E1E1 (below), which is the same tariff the Red Sheds at the Old Harbour in Hermanus is being levied on, no deposit will be required and no basic monthly charge will be levied, but the unit cost will be higher (the basic is included in the cost per unit):

E1E	One part tariff (Pre-paid meters only) Local Economic Development Projects			
	kWH Unit cost			
E1E1	IBT BLOCK 1 0 - 350 kWh	c	312.54	359.42

If levied on the tariff E1C, a deposit per account of R789.00 will be payable as well as a basic monthly charge per meter levied above the unit cost. In this regard, the unit cost will be lower. The following will be levied every month for each electricity meter if applied to this lease:

E1C	SINGLE PHASE : COMMERCIAL			
E1C1	Basic Monthly charge per meter	R	504.90	580.64
E1C2	kWH Unit cost - Credit Meters	c	289.94	333.43
E1C3	KwH Unit cost - Pre-paid meters	c	273.22	314.20

The basic monthly charge will be $R580.64 \times 6 = R3,483.84$.

It is recommended that the tariff E1E1 be used in respect of this lease.

Water

As the proposed use of the property is business related, a deposit of R2,782.00 is payable as per the following tariff:

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Tariff Code	Detail	2023/2024	
		Exclude VAT	Include VAT 15%
WD	CONSUMER DEPOSITS		
WD1	Domestic - Water	719,00	no vat
WD2	Commercial - Water - Consumption < 40kl	2 872,00	no vat

The basic monthly charge will be R208.37, which will be levied on the account for apportionment between the subtenants.

The other water meter on Erf 170 Hawston (to service the Medina informal camp/settlement) is on the name of the Municipality and the water consumption is levied according to the following tariff:

W1D	OTHER CONSUMERS		
W1D1	Departmental per Kl (Including temporary connection for municipal purposes)	29.63	34.07

For businesses, in line with the proposed lease, the following tariff is applicable:

W1C	CONSUMPTION - ALL OTHER		
	Normal Tariff & Level 1 water restrictions		
W1C1	0 - 18 kl per kl	15.45	17.77
W1C2	19 - 30 kl per kl	Consolidated into 19 - 45 kl	
W1C3	31 - 45 kl per kl	Consolidated into 19 - 45 kl	
W1C3	19 - 45 kl per kl	34.90	40.14
W1C4	46 - 60 kl per kl	45.32	52.12
W1C5	>60 kl per kl	60.43	69.49

However, the one unit will be used as a laundromat and car wash, which again has the effect that the following tariff must in effect be used (for which a separate meter should be installed):

W1E	WET COMMERCIAL, SPORT, PARKS etc (must apply for this tariff)		
	Normal Tariff & Level 1 water restrictions		
W1E1	0 - 500kl per kl	22.48	25.85
W1E2	501 - 1000kl per kl	34.01	39.11
W1E3	>1000kl per kl	45.34	52.14
	Restriction Tariff 1 (level 2 & 3 water restrictions)		
W1E4	0 - 300kl per kl	29.22	33.61
W1E5	301 - 700kl per kl	44.21	50.84
W1E6	>700kl per kl	58.94	67.78
	Restriction Tariff 2 (level 4 & 5 water restrictions)		
W1E7	0 - 250kl per kl	35.97	41.36
W1E8	251 - 500kl per kl	54.42	62.58
W1E9	>500kl per kl	72.54	83.43
	Restriction Tariff 3 (level 6 water restrictions)		
W1E10	0 - 100kl per kl	44.96	51.70
W1E11	>100 kl per kl	90.68	104.28

One can however not determine with certainty that the unit will at all times be used as a laundromat and car wash, thus it is not advisable to install another water meter at the cost of the municipality.

Taking the above into consideration, the Accounting Officer approved in principle that the tariff for businesses be use (W1C). The HDF will then

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have to apportion the water consumption amongst the subtenants. It is recommended that Council approve the same.

Refuse and Sewerage

The following tariffs will be applicable as to sewerage services:

SE7D	CONSUMPTION - ALL OTHER (Including Commercial, Industrial, School, Sport, etc)		
SE7D1	per kl (based on 90% of water usage) per unit per month - this percentage may be adjusted according to the Tariff Policy after investigation	16.69	19.19
SE8	BASIC CHARGE		
SE8A	Basic Monthly Charge Developed sites per erf/unit per month	147.40	169.51
SE8F	<u>Infrastructure</u>		
SE8F1	Fixed Infrastructure Basic Charge per erf/unit per month (No 1 end date 30 June 2026)	9.60	11.04

The following will be applicable as to refuse removal if the service is only used once a week:

	BUSINESS WASTE		
SAN1C	Commercial/Business (Hostels, Old Age Homes, Caravan Sites, Semi-permanent Resorts etc) (R/Month)	228.00	262.20

If the proposed tariffs for services is approved, the basic monthly charge will not be very high and therefore no request will be made for the HDF to be exempted from this. These costs can be apportioned between the HDF's subtenants.

The proposed monthly account (VAT included), without rates, taxes, electricity basic charge, insurance and services consumption will most likely be as follows:

•	Rental per month	R2,427.20
•	Water basic	R 190.60
•	Water infrastructure	R 17.77
•	Sewerage basic	R 169.51
•	Sewerage infrastructure	R 11.04
•	Refuse removal once a week	R 228.00
	Total	<u>R3,044.12</u>

The above will result in each subtenant paying a basic monthly charge of R608.82 and a once off water deposit of R556.40 each. The lease and water deposit will only be levied on the HDF's account at the latest from 1 September 2023 (the services are available, but not yet used by the HDF). This is to finalise the COC's for the electrical meters. With the minor works outstanding, the HDF can start trading as soon as the COC's are issued. Rental will, if approved, be levied backdated from 1 July 2023.

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Other levies - Insurance

Once the building is listed on the insurance portfolio of the Municipality, the HDF will have to pay the applicable calculated amount in insurance, which will be levied on the account once it is available.

Paragraph 48: “The lessee shall be responsible for maintaining the leased property including all improvements thereon to the satisfaction of the Municipality.”

The HDF will be liable for the upkeep of the total lease area, which includes the two buildings.

It is further confirmed that all the other applicable Conditions of Lease as stipulated in the Administration of Immovable Property Policy, will be included in the lease agreement.

It must be noted that the proposed lease agreement will contain a condition that any future subtenant of the HDF must first be approved by the Municipality before a sublease agreement may be entered into.

Conclusion

Considering the above discussion, it is recommended that:

1. the deviation from paragraphs 4, 18, 21(a) and (b), 24, 36, 40 and 41 of the Administration of Immovable Property Policy of 2015 be approved in order for the Municipality to enter into a lease agreement with the Hawston Development Forum NPC for a period 3 (THREE) years from 1 March 2023 for the lease, management and sublease of a portion of Erf 170 Hawston (“Hawston Industrial Hub”), ±2,300m² in extent, for light industrial purposes at an initial rental amount of R2,427.20 (TWO THOUSAND FOUR HUNDRED AND TWENTY SEVEN RAND AND TWENTY CENTS) (VAT included);
2. the tariff S34G1: “Temporary use (≤12months) of municipal land for the storage of building materials next to building sites or for general purposes (per m² per month)” be used in calculating the monthly rental instead of a market related rental;
3. the monthly rental per square metre be calculated on the total building sizes (328m²) and not the total lease area (2,300m²);
4. the monthly rental amount mentioned in 2 above escalates 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 2024;

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5. the lessee be afforded a 5 (FIVE) months rental free period from 1 March 2023 to 31 July 2023 as motivated in the report;
6. the electricity tariff E1E1: “One part tariff (Pre-paid meters only) Local Economic Development Projects” be applied to the lease for this lease period;
7. the water tariff W1C: Consumption – All other” be applied to the lease for this lease period;
8. the Hawston Development Forum NPC not be exempted from paying the required lease deposit and water deposit;
9. the Hawston Development Forum NPC be exempted from paying rates and taxes on the property as well as any connection fees for this lease period only;
10. the Hawston Development Forum be exempted from paying the required application fee and costs of the market related rental valuation obtained;
11. the Hawston Development Forum NPC not be exempted from paying the pro rata insurance of the property from date the amount is calculated and implemented;
12. the delegated authority of the Municipality approves every subsequent subtenant of the Hawston Development Forum NPC during this lease period; and
13. the Economic & Social Development & Tourism Directorate, which is responsible for the project, manages the process further (with reference also to the comments of the Town Planning Department) as well as the lease to be entered into if approved.

7. Financial Implications

The Municipality stands to gain a minimum rental in the amount of R2,427.20 (TWO THOUSAND FOUR HUNDRED AND TWENTY-SEVEN RAND AND TWENTY CENTS) (VAT included) per month, such rental to escalate every year on the 1st of July in accordance with the approved tariffs. The Municipality will further gain an income from the services rendered to the property.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Town Planner – Mr H Olivier

“In terms of planning records Erf 170, Hawston is zoned Authority Use Zone.

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The land uses proposed are:

1. *Processing of kelp and seafood.*
2. *Laundry and carwash.*
3. *Selling of gas stoves and tyre fittings.*
4. *Tool hire and laundry*
5. *Mushroom farming lab.*

The proposed land uses are not primary uses i.t.o the zoning of the property, and application will have to be made for Consent Use to allow such land uses. A planning application for such land uses will be circulated to all relevant Municipal and State Departments for their comments, and their comments/conditions will have to be complied with. The proposal for the mushroom farming lab could trigger Environmental studies and there are also strict health regulations and to my knowledge requirements from the Department of Agriculture for such land use. The mushroom lab, carwash and kelp and seafood processing activities also will create grey water that need special treatment or holding tanks, which would require additional costs and building work.”

Response from Mr Kosi, Manager: LED: *“The telephonic conference held with you both on Tuesday and Wednesday afternoon refers. The issues raised here below by Town Planning are duly noted and consequently, LED, further requests that the relevant officials mentioned in the report, Infrastructure Development and Municipal Environment Services to advise accordingly.*

LED is ceased of the responsibility to ensure that the Hawston Light Industrial Hub is ready for occupation and trading by the awaiting lessees and entrepreneurs hence the appeal for speedy response to assist in the delivery of the specified service.

PS. Both directors Mr Madikane and Mr Muller are copied for information and Mr Dennis Hendricks, Mr. Riccardo Andrew and Ms. Liezl de Villiers for their contribution.”

Comments from the Property Administration Department: *The HDF does not have the means to attend to this, thus Council will have to address the zoning via the Economic & Social Development & Tourism Directorate as the intention is at all times that the property remains a municipal asset to be used to benefit the community in the creation of jobs, etc. A limitation should however be placed on the type of businesses that can be accommodated on the property.*

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Senior Manager: Expenditure & Assets, Hermanus - J Vorster

As this is a revenue generating proposal with no intention to dispose of the asset, there is no objection.

10. Annexures

- Annexure A: Locality plan
- Annexure B: Extract from building plan

RECOMMENDATION TO THE COUNCIL:

1. that the deviation from paragraphs 4, 18, 21(a) and (b), 24, 36, 40 and 41 of the Administration of Immovable Property Policy of 2015 **be approved** in order for the Municipality to enter into a lease agreement with the Hawston Development Forum NPC for a period 3 (THREE) years from 1 March 2023 for the lease, management and sublease of a portion of Erf 170 Hawston ("Hawston Industrial Hub"), ±2,300m² in extent, for light industrial purposes at an initial rental amount of R2,427.20 (TWO THOUSAND FOUR HUNDRED AND TWENTY SEVEN RAND AND TWENTY CENTS) (VAT included);
2. that the tariff S34G1: "Temporary use (≤12months) of municipal land for the storage of building materials next to building sites or for general purposes (per m² per month)" be used in calculating the monthly rental instead of a market related rental;
3. that the monthly rental per square metre be calculated on the total building sizes (328m²) and not the total lease area (2,300m²);
4. that the monthly rental amount mentioned in 2 above escalates 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 2024;
5. that the lessee be afforded a 5 (FIVE) months rental free period from 1 March 2023 to 31 July 2023 as motivated in the report;
6. that the electricity tariff E1E1: "One part tariff (Pre-paid meters only) Local Economic Development Projects" be applied to the lease for this lease period;
7. that the water tariff W1C: Consumption – All other" be applied to the lease for this lease period;

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8. that the Hawston Development Forum NPC is not exempted from paying the required lease deposit and water deposit;
9. that the Hawston Development Forum NPC be exempted from paying rates and taxes on the property as well as any connection fees for this lease period only;
10. that the Hawston Development Forum be exempted from paying the required application fee and costs of the market related rental valuation obtained;
11. that the Hawston Development Forum NPC not be exempted from paying the pro rata insurance of the property from date the amount is calculated and implemented;
12. that the delegated authority of the Municipality approves every subsequent subtenant of the Hawston Development Forum NPC during this lease period; and
13. that the Economic & Social Development & Tourism Directorate, which is responsible for the project, manages the process further (with reference also to the comments of the Town Planning Department) as well as the lease to be entered into if approved.

RESPONSIBLE OFFICIAL :	A LE ROUX X KOSI
TARGET DATE FOR IMPLEMENTATION:	15 SEPTEMBER 2023
TARGET DATE TO INFORM APPLICANT:	15 SEPTEMBER 2023
TARGET DATE TO INFORM OBJECTOR:	N/A

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**5.
ERF 170 HAWSTON (“HAWSTON INDUSTRIAL HUB”): SHORT TERM LEASE - THE
HAWSTON DEVELOPEMENT FORUM NPC**

**A Le Roux
24 April 2023**

Manager: Property Administration

(028) 316 - 5623

**THIS MATTER SERVED BEFORE THE INVESTMENT & INFRASTRUCTURE
PORTFOLIO COMMITTEE ON 2 AUGUST 2023, WHICH COMMITTEE
RECOMMENDED AS FOLLOWS:**

RECOMMENDATION TO THE COUNCIL:

1. that the deviation from paragraphs 4, 18, 21(a) and (b), 24, 36, 40 and 41 of the Administration of Immovable Property Policy of 2015 **be approved** in order for the Municipality to enter into a lease agreement with the Hawston Developement Forum NPC for a period 3 (THREE) years from 1 March 2023 for the lease, management and sublease of a portion of Erf 170 Hawston (“Hawston Industrial Hub”), ±2,300m² in extent, for light industrial purposes at an initial rental amount of R2,427.20 (TWO THOUSAND FOUR HUNDRED AND TWENTY SEVEN RAND AND TWENTY CENTS) (VAT included);
2. that the tariff S34G1: “Temporary use (≤12months) of municipal land for the storage of building materials next to building sites or for general purposes (per m² per month)” be used in calculating the monthly rental instead of a market related rental;
3. that the monthly rental per square metre be calculated on the total building sizes (328m²) and not the total lease area (2,300m²);
4. that the monthly rental amount mentioned in 2 above escalates 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 2024;
5. that the lessee be afforded a 5 (FIVE) months rental free period from 1 March 2023 to 31 July 2023 as motivated in the report;
6. that the electricity tariff E1E1: “One part tariff (Pre-paid meters only) Local Economic Development Projects” be applied to the lease for this lease period;
7. that the water tariff W1C: Consumption – All other” be applied to the lease for this lease period;

**AGENDA of the
Portfolio Committee : Investment & Infrastructure
2 August 2023
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8. that the Hawston Development Forum NPC is not exempted from paying the required lease deposit and water deposit;
9. that the Hawston Development Forum NPC be exempted from paying rates and taxes on the property as well as any connection fees for this lease period only;
10. that the Hawston Development Forum be exempted from paying the required application fee and costs of the market related rental valuation obtained;
11. that the Hawston Development Forum NPC not be exempted from paying the pro rata insurance of the property from date the amount is calculated and implemented;
12. that the delegated authority of the Municipality approves every subsequent subtenant of the Hawston Development Forum NPC during this lease period; and
13. that the Economic & Social Development & Tourism Directorate, which is responsible for the project, manages the process further (with reference also to the comments of the Town Planning Department) as well as the lease to be entered into if approved.

RESPONSIBLE OFFICIAL :

**A LE ROUX
X KOSI**

TARGET DATE FOR IMPLEMENTATION:

15 SEPTEMBER 2023

TARGET DATE TO INFORM APPLICANT:

15 SEPTEMBER 2023

TARGET DATE TO INFORM OBJECTOR:

N/A



