

**AGENDA of the  
Portfolio Committee : Investment & Infrastructure  
6 February 2022  
(Also the agenda for the Mayoral Committee Meeting : 14 February 2022)**

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**18.**

**IN PRINCIPLE APPROVAL FOR THE ALIENATION OF REMAINDER ERF 4324  
KLEINMOND (SITUATED AT 59 FOURTH AVENUE, KLEINMOND), 564M<sup>2</sup> IN  
EXTENT, BY MEANS OF A COMPETITIVE PROCESS**

**A Le Roux**

**Senior Manager: Property Administration**

**27 September 2022**

**(028) 316-5623**

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**1. Executive Summary**

To obtain in principle approval for the alienation of Remainder Erf 4324 Kleinmond, 564m<sup>2</sup> (FIVE HUNDRED AND SIXTY-FOUR SQUARE METRES) in extent (the "Property"), for residential purposes by means of a competitive process.

The locality of the Property is indicated on locality plans attached per "Annexure A" and "Annexure B".

**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  
The encouragement of structured community participation in the matters of the municipality

**4. Delegated Authority**

None

**5. Legal Requirements**

- Administration of Immovable Property Policy of the Overstrand Municipality, as amended
- Local Government: Municipal Finance Management Act, Act 56 of 2003 ("MFMA")
- Municipal Asset Transfer Regulations (R. 878 of 2008)
- Municipal Supply Chain Management Regulations (Notice 868 of 30 May 2005)
- Overstrand Municipality Supply Chain Management Policy, as amended

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## **6. Background/Discussion/Evaluation/Conclusion**

### **Background/Discussion**

An application was received to purchase the Property for residential purposes.

The Property is 564m<sup>2</sup> (FIVE HUNDRED AND SIXTY-FOUR SQUARE METRES) in extent, vacant and situated at 59 Fourth Avenue, Kleinmond. The Property was recently subdivided to create Erf 8679 (a portion of Erf 4324 Kleinmond) which is 31m<sup>2</sup> (THIRTY-ONE SQUARE METERS) in extent on which an electrical substation is situated. This will remain municipal property for own use and is zoned Authority Zone. The Remainder of Erf 4324 Kleinmond was rezoned to Residential Zone 1: Single Residential and is sufficient for a residential development. Services are available in the vicinity of the Property.

As there is a need for residential erven and as the Property is suited for residential purposes, it is recommended that it be made available in the open market by means of a competitive process.

### **Evaluation**

A. Evaluation in terms of the Administration of Immovable Property Policy of the Overstrand Municipality

The following conditions of said policy apply to this report:

**Paragraph 9.1(a): “The Municipality may transfer ownership or otherwise dispose of a non-exempted immovable property only after the Municipal Council has, in terms of sections 14(2)(a) and (b) of the MFMA decided on reasonable grounds that the immovable property is not needed to provide the minimum level of basic municipal services.”**

The comments received from the relevant officials confirmed that the Property is not needed for the provision of the minimum level of basic municipal services.

**Paragraph 9.1(b): “The Municipality may transfer ownership or otherwise dispose of a non-exempted immovable property only after the Municipal Council has, in terms of sections 14(2)(a) and (b) of the MFMA considered the fair market value of the immovable property and the economic and community value to be received in exchange for the immovable property in accordance with Section 14(2) of the MFMA.”**

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HCB Valuation and Services (Pty) Ltd determined the market related value of the Property on 1 October 2022 at an amount of R850.00/m<sup>2</sup> (EIGHT HUNDRED AND FIFTY RAND PER SQUARE METRE) (VAT excluded) which amounts to a total value of R479,400.00 (FOUR HUNDRED AND SEVENTY-NINE THOUSAND FOUR HUNDRED RAND) (VAT excluded).

**Paragraph 9.1(c):** *“The Municipality may transfer ownership or otherwise dispose of a non-exempted immovable property only after the Municipal Council has, in terms of sections 14(2)(a) and (b) of the MFMA has as a consequence to 9.1(a) and (b) above approved in principle that the immovable property may be transferred or disposed of, and the method of disposal or transfer.”*

The purpose of this report is to request in principle approval from Council for the alienation of the Property by means a competitive process.

**Paragraph 15.1:** *“The transfer of immovable property must, except in the case of non-viable immovable property, be affected by means of competitive process, which may include a public or closed tender, auction or proposal call.”*

It is recommended that the Property be alienated by means of a competitive process.

**Paragraph 28:** *“All costs pertaining to a transaction shall be borne by the successful bidder/purchaser, e.g. survey, advertisements, valuation, rezoning, relocation or provision of services where necessary, etc. The Municipality may, however, waive its right to claim the costs should it be to its advantage to bear the costs.”*

The successful bidder will be liable for all costs pertaining to the transaction, excluding the cost for the valuation of the Property. Costs for the successful bidder will include, but is not limited to, a Section 14 advertisement, transfer costs, connection of services and any other costs pertaining to the transaction.

**Paragraph 29:** *“Should existing services need to be relocated or secured by means of the registration of a servitude in favour of the Municipality as a result of the alienation of the immovable property, all related costs shall be for the account of the successful bidder/purchaser.”*

No services need to be relocated and no servitude needs to be registered.

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**Paragraph 32. “Save with prior approval, the immovable property alienated may only be used for the purpose for which it was originally sold and purposes permitted by town planning scheme regulations pertaining to such purposes.”**

A clause to this effect will be included in any deed of sale to be entered into between the Municipality and the successful bidder.

**Paragraph 34: “A 10% deposit of the agreed/tendered purchase price will be due and payable by the purchaser/successful bidder within 10 days of date of request in writing thereof by the Municipality.”**

A clause to this effect will be included in any deed of sale to be entered into between the Municipality and the successful bidder.

**Paragraph 35: “Interest on the purchase price, as from date of signature of the deed of sale, must be charged by the Municipality should payment or transfer be delayed due to an action or failure on the part of the successful bidder/ purchaser.”**

A clause to this effect will be included in the deed of sale to be entered into between the Municipality and the successful bidder.

**B. Advertisement/Notification**

The necessary advertisement in terms of Section 14 of the MFMA will be published after the tender is duly awarded. The successful bidder will be liable for the costs of the Section 14 advertisement.

**Conclusion**

It is recommended that the Property be alienated for residential purposes by means of a competitive process, at not less than the market related value.

Furthermore, it is recommended that the successful bidder be liable for all costs, excluding the costs for the valuation of the Property. Subsequent costs will entail the aforementioned Section 14 advertisement, transfer costs and connection of services.

**7. Financial Implications**

The Municipality stands to gain a market related purchase price to the minimum amount of R479,400.00 (FOUR HUNDRED AND SEVENTY-NINE THOUSAND FOUR HUNDRED RAND) (VAT excluded) for the Property.

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**8. Staff Implications**

None.

**9. Comments from other Departments, Divisions and Administrations**

**Senior Manager: Expenditure and Assets: Mr J Vorster**

*“Erf 4324 Kleinmond (situated at 59 Fourth Avenue, Kleinmond) is currently reflected in the fixed asset register for PPE: Land at a carrying value of R450’000-00 as at 30 June 2022. Once the proposed alienation has been concluded the erf will have to be written out of the fixed asset register at the applicable selling price in order to account for actual gain / (loss) on the disposal of an asset.*

*There is no objection against the alienation.”*

**10. Annexures**

Annexure A: Locality Map 1  
Annexure B: Locality Map 2

**RECOMMENDATION TO THE COUNCIL:**

1. that the alienation of Remainder Erf 4324 Kleinmond (564m<sup>2</sup> in extent) for residential purposes by means of a competitive process at a market related price **be approved in principle**;
2. that all the costs pertaining to the transaction, for example the transfer costs, water, sewer and electricity connections and the section 14 advertisement, but excluding the valuation costs, be paid by the successful bidder/purchaser; and
3. that it is hereby confirmed by Council that the municipal property herewith envisaged to be alienated is not required for the provision of basic municipal services in terms of paragraph 5 of the Administration of Immovable Property Policy approved by Council on 25 November 2015 and Section 14 of the Local Government: Municipal Finance Management Act (Act 56 of 2003).

<b>RESPONSIBLE OFFICIAL :</b>	<b>M ERASMUS</b>
<b>TARGET DATE FOR IMPLEMENTATION :</b>	<b>31 MARCH 2023</b>
<b>TARGET DATE TO INFORM APPLICANT :</b>	<b>N/A</b>
<b>TARGET DATE TO INFORM OBJECTOR :</b>	<b>N/A</b>

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**THIS MATTER SERVED BEFORE THE INVESTMENT & INFRASTRUCTURE PORTFOLIO COMMITTEE ON 6 FEBRUARY 2023, WHICH COMMITTEE RECOMMENDED AS FOLLOWS:**

**RECOMMENDATION TO THE COUNCIL:**

1. that the alienation of Remainder Erf 4324 Kleinmond (564m<sup>2</sup> in extent) for residential purposes by means of a competitive process at a market related price **be approved in principle;**
2. that all the costs pertaining to the transaction, for example the transfer costs, water, sewer and electricity connections and the section 14 advertisement, but excluding the valuation costs, be paid by the successful bidder/purchaser; and
3. that it is hereby confirmed by Council that the municipal property herewith envisaged to be alienated is not required for the provision of basic municipal services in terms of paragraph 5 of the Administration of Immovable Property Policy approved by Council on 25 November 2015 and Section 14 of the Local Government: Municipal Finance Management Act (Act 56 of 2003).

**RESPONSIBLE OFFICIAL :**

**M ERASMUS**

**TARGET DATE FOR IMPLEMENTATION :**

**31 MARCH 2023**

**TARGET DATE TO INFORM APPLICANT :**

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**N/A**



