

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
22 May 2017
(Also the agenda for the Mayoral Committee Meeting : 31 May 2017)**

**9.
HERMANUS, A PORTION OF ERF 4831: LEASE OF MUNICIPAL PROPERTY TO
NATIONAL SEA-AND-SAND INSTITUTE**

7/2/3/1

**M Erasmus
5 March 2017**

(028) 316-3724

Hermanus Administration

1. Executive Summary

To obtain approval to enter into a further lease agreement with National Sea-And-Sand Institute, hereafter referred to as "Sea-And-Sand", in respect of Municipal Property, being a portion of Erf 4831 Hermanus ($\pm 5\,398\text{m}^2$ in extent) for a period of 9 (NINE) years and 11 (ELEVEN) months for the purpose of a training camp for Sea-And-Sand.

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

Sea-And-Sand has been leasing the said portion of municipal property being a portion of Erf 4831 Hermanus for the purpose of a training camp for Sea-And-Sand since 1989. The current agreement will expire on 31 August 2017.

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

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Discussion

Sea-And-Sand has been utilising the said property since 1989 for the purpose of a training camp for life savers and related activities and has applied for a further lease agreement of 9 (NINE) years and 11 (ELEVEN) months.

In terms of the Administration of Immovable Property Policy the Municipality may grant a long term lease if the Accounting Officer has approved the lease in principle, a public participation process is followed and Executive Mayor's (as delegated authority) approval is gained in terms of the above policy.

The Accounting Officer approved in principle the lease of the property to Sea-And-Sand subject thereto that the required processes are followed. As the training of life savers in the Overstrand area is an advantage to the Municipality and the community and further as the property is not classified as a commercial property it is recommended that the property be leased directly to Sea-And-Sand.

During 2014 a valuation was done to determine the market related rental for the said portion. The current rental will escalate again on 1 July 2017 with the consumer price index and it is recommended that the rental amount after the said escalation be stipulated as the rental in the further lease agreement.

Sea-And-Sand's municipal account is up to date and no complaints have been received during the previous periods 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".

As the training of life savers in the Overstrand area is an advantage to the Municipality and the community and further as the property is not classified as a commercial property it is recommended that the property be leased directly to Sea-And-Sand.

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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 has approved in principle the lease of the subject portion of Erf 4831 Hermanus ($\pm 5\,398\text{m}^2$ in extent) to Sea-And-Sand subject thereto that a public participation process be followed. The proposed lease was advertised in the Hermanus News on 31 January 2017 and no objections were received.

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 a 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)”.

The fair market value for the rental of the said property was determined in 2014 which rental amount escalated annually on the 1st of July with the prevailing CPI (all items). The current rental amount is R2 818.33 (TWO THOUSAND EIGHT HUNDRED AND EIGHTEEN RAND AND THIRTY THREE CENTS) (VAT excluded) per month. The said rental amount will escalate again on 1 July 2017 and it is recommended that the rental for the further lease agreement be stipulated as the rental amount as determined after the escalation on 1 July 2017.

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.”

Sea-And-Sand will pay the costs relating to the advertisement. No survey or valuation was done and therefore no costs were incurred in this regard.

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Paragraph 40: “Rental, except where it is decided otherwise by the Municipality shall escalate annually by a percentage fixed in accordance with the prevailing consumer price index (all items).”

A clause to this effect will be inserted in the lease agreement.

Paragraph 47: “Subject to paragraph 46 above, immovable property let by the Municipality shall be inspected at least once a year by the 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 4831 Hermanus ($\pm 5\,398\text{m}^2$ in extent) to Sea-And-Sand was placed in the Hermanus News on 31 January 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 further lease agreement with Sea-And-Sand be approved for a further period of 9 (NINE) years and 11 (ELEVEN) months from 1 September 2017 at a total rental amount equal to the rental amount after the escalation on 1 July 2017. The lease amount will escalate every year on the 1st of July in accordance with the prevailing consumer price index (all items).

7. Financial Implications

The Municipality stands to gain the rental amount as will be escalated on 1 July 2017 where after the lease amount will escalate every year on the 1st of July in accordance with the prevailing consumer price index (all items). All expenses pertaining to the proposed lease will be borne by Sea-And-Sand.

8. Staff Implications

None

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9. Comments from other Departments, Divisions and Administrations

J Vorster – Senior Manager: Expenditure & Assets

As this is an income generating proposal involving an institution who delivers an essential service to the community, concluded in terms of the conditions set out in the Administration of Immovable Property Policy of the Municipality and with no intension to dispose of the asset, there is no objection to the report.

10. Annexures

Annexure A: Locality Plan
Annexure B: Site Map

RECOMMENDATION:

1. that the lease of Municipal Property, being a portion of Erf 4831 Hermanus (±5 398m² in extent) to National Sea-And-Sand Institute for the purpose of a training camp for National Sea-And-Sand Institute at the rental amount of R2 818.33 (TWO THOUSAND EIGHT HUNDRED AND EIGHTEEN RAND AND THIRTY THREE CENTS) (VAT excluded) plus the escalation to be done on 1 July 2017 for a period of 9 (NINE) years and 11 (ELEVEN) months from 1 September 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 by a percentage fixed in accordance with the prevailing consumer price index (all items).

RESPONSIBLE OFFICIAL :	M ERASMUS
TARGET DATE FOR IMPLEMENTATION :	30 JUNE 2017
TARGET DATE TO INFORM APPLICANT :	15 JUNE 2017
TARGET DATE TO INFORM OBJECTOR :	N/A

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**THIS MATTER SERVED BEFORE THE JOINT PORTFOLIO COMMITTEE ON
22 MAY 2017, WHICH COMMITTEE SUPPORTED THE RECOMMENDATION**

RESPONSIBLE OFFICIAL :	M ERASMUS
TARGET DATE FOR IMPLEMENTATION :	30 JUNE 2017
TARGET DATE TO INFORM APPLICANT :	31 MAY 2017
TARGET DATE TO INFORM OBJECTOR :	N/A

HKR 4831 - National Sea-and-Sand Institute lease area



