

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
17 November 2015
(Also the agenda for the Mayoral Committee Meeting: 25 November 2015)**

**14.
HERMANUS: IN PRINCIPLE APPROVAL FOR THE ALIENATION OF ERF 6214 (A
PORTION OF ERF 914), HERMANUS, BY MEANS OF A COMPETITIVE PROCESS**

7/2/3/2

D Taljaard

(028) 316 - 3724

Hermanus Administration

10 September 2015

1. Executive Summary

To obtain approval in principle for the alienation of Erf 6214 (a portion of Erf 914), Hermanus, (361m² in extent), by means of a competitive process.

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
Promotion of tourism, economic and social development

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
- Municipal Asset Transfer Regulations (R. 878 of 2008)
- Overstrand Municipality Supply Chain Management Policy, as amended

6. Background/Discussion/Evaluation/Conclusion

Background/Discussion

Erf 6214 (a portion of Erf 914), Hermanus, (361m² in extent) was originally used as a Municipal Residence and is currently leased to Ms R Theron, an employee of the Municipality, on a yearly basis, which agreement will expire on 31 May 2016. It is situated in Mitchell Street, East Cliff, Hermanus.

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In 2010 during the discussion and compilation of the Municipal Residence Policy it was suggested that all the municipal residences not required or linked to a specific position within the Municipality be alienated. The residence situated on Erf 6214, Hermanus, was one of the residences which is not required for operational purposes (linked to a specific position) anymore.

The Administration of Immovable Property Policy, as amended in 2014, clearly stipulates that the transfer of immovable property (which includes the disposal) must be affected by means of competitive process, which may include a public or closed tender, auction or proposal call. As the property is not needed for the provision of a minimum level of basic municipal services and not required for operations services, it is recommended that the property be sold by means of a competitive process.

Evaluation

6.1 Application process in terms of the Administration of Immovable Property Policy of the Overstrand Municipality:

The following conditions of the Administration of Immovable Property Policy of the Overstrand Municipality apply:

- (1) 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 subject property is not needed for the provision of the minimum level of basic municipal services.

- (2) Paragraph 9(1)(b): The Municipality may transfer ownership or otherwise dispose of a non-exempted immovable property only after the municipal council, 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,**

Boland Valuers determined the market related value of Erf 6214 (a portion of Erf 914), Hermanus in September 2015 at an amount of R1,160,000.00 (**ONE MILLION ONE HUNDRED AND SIXTY THOUSAND RAND ONLY**) (VAT excluded).

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- (3) Paragraph 27: 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 costs should it be to its advantage to bear the costs.**

The successful bidder/purchaser will be liable for all costs related to the section 14 advertisement, transfer of the property and the connection of services. As this is an established and improved property, the costs associated with the surveying and rezoning are not relevant.

- (4) Paragraph 28: 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 cost shall be for the account of the successful bidder/purchaser.**

The successful bidder/purchaser shall be liable for all cost in this regard should it be necessary.

- (6) Paragraph 31: 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 condition to this effect will be included in the Deed of Sale.

6.2 Advertisement/Notification

The necessary advertisement in terms of Section 14 of the Local Government: Municipal Finance Management Act (Act 56 of 2003) will be placed 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 Erf 6214 (a portion of Erf 914), Hermanus (361m² in extent) be alienated by means of a competitive process at a market related value.

Furthermore, it is recommended that the successful bidder/purchaser be liable for all costs, excluding the costs for the valuation and surveying of the property. Subsequently the costs will entail the Section 14 advertisement, transfer costs and the connection of services.

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7. Financial Implications

The Municipality stands to gain a market related purchase price of the property.

The current rental received from the leasing of the property is R4,672.38 (VAT included) per month, which rental the Municipality will receive until the expiry of the lease agreement on 31 May 2016. The total expected rental for the lease period 1 June 2015 until 31 May 2016 amounts to R56,068.68 (VAT included).

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Environmental Officer: Ms Aplon – (028) 316 3724

This office has no comment on the proposed sale of this property.

Chief: Traffic and Licences: Mr R Fraser – (028) 313 8165

I have no objection.

Senior Manager: Operational Services: Mr P Burger – (028) 313 8092

Not required for basic services.

Senior Town Planner: Ms H van der Stoep – (028) 313 8906

Noted.

Senior Superintendent Projects: Mr J Klem – (028) 316 2630

No comment on the proposal.

Chief Fire and Disaster Management: Mr L Smith – (028) 313 5041

No comment on the proposal.

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

As at 30 June 2015 the property was reflected at the following value in the Fixed Asset Register:

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Building (at Cost)	R 749'000
Less: Accumulated Depreciation	<u>R 126'567</u>
Building (at Book Value)	R 622'433
Land	<u>R 602'000</u>
Total Property Value	<u>R1'224'433</u>

Once the property is sold and the title transferred, it will have to be written off and removed from the Fixed Asset Register. The proceeds from the eventual sale of the property must be accounted for against the value thereof and the profit / loss recognized in the statement of financial performance.

The above comments received from the internal Departments, Divisions and Administrations indicated that the subject property is not needed for the provision of basic municipal services.

Comments from the User Department in support of abovementioned comment:

The property is currently recognised in the Fixed Asset Register as Property, Plant and Equipment at a value obtained from the 2008/2009 general valuation roll. As we apply the Cost Model, it is not necessary to value Property, Plant and Equipment every year. The valuation obtained in September 2015 established the market related price for the property at an amount of R1,160,000.00 (Vat excluded).

10. Annexures

Annexure A: Locality plan

RECOMMENDATION TO THE COUNCIL:

1. that the alienation of Erf 6214 (a portion of Erf 914), Hermanus, (361m² in extent), by means of a competitive process be **approved in principle**;
2. that the costs pertaining to the transaction, e.g. transfer costs, water-, sewer and electricity connections, , the section 14 advertisement, etc., be paid by the purchaser,
3. that it is confirmed that Council has taken cognisance of the fact that the Municipal property herewith alienated is not required for the provision of basic municipal services in terms of the provisions of paragraphs 5 of Council's Administration of Immoveable Property Policy and Section 14 of the Local Government: Municipal Finance Management Act (Act 56 of 2003), and
4. that the Municipal Manager be authorised to sign all documentation related to the alienation of the subject property.

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RESPONSIBLE OFFICIAL :	D TALJAARD
TARGET DATE FOR IMPLEMENTATION :	7 DECEMBER 2015
TARGET DATE TO INFORM APPLICANT :	N/A
TARGET DATE TO INFORM OBJECTOR :	N/A

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Hermanus Administration

10 September 2015

THIS MATTER SERVED BEFORE THE JOINT PORTFOLIO COMMITTEE ON 17 NOVEMBER 2015, WHICH COMMITTEE RECOMMENDED AS FOLLOWS:

RECOMMENDATION TO THE COUNCIL:

1. that the alienation of Erf 6214 (a portion of Erf 914), Hermanus, (361m² in extent), by means of a competitive process be **approved in principle**;
2. that the costs pertaining to the transaction, e.g. transfer costs, water-, sewer and electricity connections, the section 14 advertisement, etc., be paid by the purchaser,
3. that it is confirmed that Council has taken cognisance of the fact that the Municipal property herewith alienated is not required for the provision of basic municipal services in terms of the provisions of paragraphs 5 of Council's Administration of Immovable Property Policy and Section 14 of the Local Government: Municipal Finance Management Act (Act 56 of 2003), and
4. that the Municipal Manager be authorised to sign all documentation related to the alienation of the subject property.

RESPONSIBLE OFFICIAL :

D TALJAARD

TARGET DATE FOR IMPLEMENTATION :

7 DECEMBER 2015

TARGET DATE TO INFORM APPLICANT :

N/A

TARGET DATE TO INFORM OBJECTOR :

N/A

