

**AGENDA of the
Portfolio Committee: Infrastructure & Planning
22 October 2019
(Also the agenda for the Mayoral Committee Meeting: 30 October 2019)**

**5.
HERMANUS: A PORTION OF ERF 76 ZWELIHLE: RENEWAL OF LEASE OF
MUNICIPAL PROPERTY TO CHILD WELFARE SOUTH AFRICA: HERMANUS**

7/2/3/1

N Liebenberg

(028) 316-3724

Hermanus Administration

10 September 2019

1. Executive Summary

To obtain approval to enter into a further lease agreement with Child Welfare South Africa: Hermanus for a period of 9 (NINE) years and 11 (ELEVEN) months in respect of municipal property, being a portion of Erf 76 Zwelihle ($\pm 427\text{m}^2$ in extent) situated at 28 Petros Ntlapo Street, Zwelihle, for the purpose of housing children in the care of Child Welfare South Africa.

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 South Africa: Hermanus has been using a portion of Erf 76 Zwelihle for several years and has developed the property during the years at own cost. Although the agreement preceding 2010 could not be found, the property has supposedly been used for close to 30 years now.

The last agreement was for a period of 9 (NINE) years and 11 (ELEVEN) months which will expire on 31 December 2019.

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

Discussion

Child Welfare South Africa: Hermanus applied for a further lease agreement of 9 (NINE) years and 11 (ELEVEN) as from 1 January 2020.

The area applied for has been used by Child Welfare South Africa successfully for approximately 30 years. No complaints regarding the use of the property by them have been received. Child Welfare South Africa's municipal account is paid to date.

Child Welfare South Africa delivers a very important service to the community of Zwelihle and has proven their commitment and sustainability.

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."

The property is not classified as a business site and Child Welfare South Africa: Hermanus (a registered non-profit organisation) has been using the said property successfully for the last approximately 30 years and has proven their commitment and sustainability. Taking into consideration the nature of the lease and benefit to the community, the property can be leased directly to Child Welfare South Africa: Hermanus without following a competitive process.

Paragraph 20.1: "The Municipality may grant a long term lease of municipal immovable property with an income value of 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**

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- 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 Executive Mayor, as delegated authority, has approved that the right may be granted.***

The Accounting Officer (Municipal Manager) approved in principle the further lease of a portion of Erf 76 Zwelihle to Child Welfare South Africa: Hermanus subject to a public participation process being followed and further subject to the approval from the Executive Mayor. The proposed lease was advertised in The Village News on 18 September 2019 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 for non-profit organizations.

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 South Africa: Hermanus 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 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.

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B. Advertisement/Notification

An advertisement for the renewal of the lease of a portion of Erf 76 Zwelihle was placed in The Village News on 18 September 2019 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 South Africa: Hermanus be approved for a further period of 9 (NINE) years and 11 (ELEVEN) months from 1 January 2020 at a rental amount of R147.83 (ONE HUNDRED AND FORTY SEVEN RAND AND EIGHTY THREE CENT) (VAT excluded) per month as approved in the Annual Budget for the 2019/2020 financial year.

7. Financial Implications

The Municipality stands to gain rental in the amount of R147.83 (ONE HUNDRED AND FORTY SEVEN RAND AND EIGHTY THREE CENT) (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 2020. All expenses pertaining to the proposed lease will be borne by Child Welfare South Africa: Hermanus.

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

Town Planner: Mr H Olivier – (028) 313 8900

“The Property is Zoned Community Zone I and with a Consent use for an Institution. The Creche and Childrens Home can be accommodated on this property, and any extensions of leases for such activities is therefore supported by this office”

Manager: Social Development: Mr G Smit – (028) 313 8035

“Please note that the social development department has no objections to the renewal of the lease with Child Welfare for a portion of Erf 76 Zwelihle.”

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

“As this is an income generating proposal involving an institution who delivers a service to the community of Zwelihle, with no intention to dispose of the asset(s), there is no objection to the report.”

10. Annexures

Annexure A: Locality Plan

RECOMMENDATION:

1. that the lease of municipal property, being a portion of Erf 76 Zwelihle ($\pm 427\text{m}^2$ in extent), to Child Welfare South Africa: Hermanus for the purpose of housing children in the care of Child Welfare South Africa at the rental amount of R147.83 (ONE HUNDRED AND FORTY SEVEN RAND AND EIGHTY THREE CENT) (VAT excluded) per month for a period of 9 (NINE) years and 11 (ELEVEN) months as from 1 January 2020 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 2020.

RESPONSIBLE OFFICIAL:	N LIEBENBERG
TARGET DATE FOR IMPLEMENTATION:	30 NOVEMBER 2019
TARGET DATE TO INFORM APPLICANT:	13 NOVEMBER 2019
TARGET DATE TO INFORM OBJECTOR:	N/A

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Hermanus Administration

10 September 2019

**THIS MATTER SERVED BEFORE THE JOINT PORTFOLIO COMMITTEE ON
22 OCTOBER 2019, WHICH COMMITTEE SUPPORTED THE RECOMMENDATION**

RESPONSIBLE OFFICIAL:

N LIEBENBERG

TARGET DATE FOR IMPLEMENTATION:

30 NOVEMBER 2019

TARGET DATE TO INFORM APPLICANT:

13 NOVEMBER 2019

TARGET DATE TO INFORM OBJECTOR:

N/A

