

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
20 September 2016
(Also the agenda for the Mayoral Committee Meeting: 27 September 2016)**

**8.
HERMANUS: IN PRINCIPLE APPROVAL FOR THE ALIENATION OF ERF 189
ZWELIHLE, BY MEANS OF A COMPETITIVE PROCESS**

7/2/3/2

M Erasmus

(028) 316 - 3724

Hermanus Administration

8 August 2016

1. Executive Summary

To obtain approval in principle for the alienation of Erf 189 Zwelihle, 252m² 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 189 Zwelihle, 252m² in extent, is an unimproved Erf situated in Kepkey Street, Zwelihle. The property is zoned as Residential Zone I: Single Residential with certain additional consent uses for which can be applied for at the Town Planning Department.

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
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(Also the agenda for the Mayoral Committee Meeting: 27 September 2016)**

The locality of Erf 189 Zwelihle is indicated on a locality plan attached per “Annexure A”.

The Municipality received an application and further interest by the community for the purchase of the said property. The alienation of Erf 189 Zwelihle by means of a competitive process (i.e. tender) was circulated to the relevant officials for their comments. No objection to the alienation of the said property was received.

The Administration of Immovable Property Policy, as amended in 2015, clearly stipulates that the alienation of immovable property must be affected by means of a 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 operational services, it is recommended that the property be sold by means of a competitive process.

Evaluation

A. Administration of Immovable Property Policy of the Overstrand Municipality

The following conditions of said policy apply:

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.

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, and

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Boland Valuers determined the market related value of Erf 189 Zwelihle in April 2016 at an amount of R21,000.00 (TWENTY ONE THOUSAND RAND ALONE) (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 reason for this report is to request an in principle approval from Council for the alienation for the said 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 proposed 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/purchaser will be liable for all costs, excluding the cost for the valuation of the property. Subsequently the cost will entail the Section 14 advertisement, transfer costs and the connection of services.

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.”

A clause to this affect will be included in the Deed of Sale.

Paragraph 31: “Where immovable property is alienated for development, a condition, taking into consideration the nature of the development, might be included in the Deed of Sale stipulating

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that such development must be completed within two years from date of registration. Likewise a condition may be included in the agreement to provide for forfeiture in the event that the development has not been completed within the required time period, unless a written extension has been granted by the Municipality”

A clause to this affect will be included in the Deed of Sale.

B. 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/purchaser will be liable for the costs of the Section 14 advertisement.

Conclusion

It is recommended that Erf 189 Zwelihle (252m² 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.

7. Financial Implications

The Municipality stands to gain a market related purchase price for the property. At minimum the Municipality stands to gain the market related valuation, determined at R21,000.00 (TWENTY ONE THOUSAND RAND ALONE) (VAT excluded).

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

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

Erf 189, Zwelihle, is currently reflected in the Fixed Asset Register for Property, Plant and Equipment: Land with a carrying value of R3'000. The disposal of the erf will have to be accounted for at the selling price in order to remove it from the Fixed Asset Register and to account for the gain / (loss).

**AGENDA of the
Portfolio Committee : Infrastructure & Planning
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There is no objection as the application complies with the Administration of Immoveable Property Policy.

10. Annexures

Annexure A: Locality plan

RECOMMENDATION TO THE COUNCIL:

1. that the alienation of Erf 189 Zwelihle (252m² 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. but excluding the valuation costs, 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.

RESPONSIBLE OFFICIAL :	M MÜLLER
TARGET DATE FOR IMPLEMENTATION :	1 NOVEMBER 2016
TARGET DATE TO INFORM APPLICANT :	N/A
TARGET DATE TO INFORM OBJECTOR :	N/A

