

CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

REPORT TO SUBCOUNCIL 20

12

LC24129

- 1 ITEM NUMBER 20SUB25/01/2020
2 SUBJECT

PROPOSED LEASE OF CITY-OWNED LAND FOR RESIDENTIAL PURPOSES, ERF 53011 CAPE TOWN, SITUATED AT 6 IMAM HARON ROAD CLAREMONT: MR RON CHETTY

VOORGESTELDE VERHURING VAN STADSGROND VIR RESIDENSIËLE DOELEINDES, ERF 53011 KAAPSTAD, GELEË TE IMAM HARONWEG 6 CLAREMONT: RON CHETTY

ISIPHAKAMISO SENGQESHISO NGOMHLABA WESIXEKO
KULUNGISELELWA IMIBANDELA YEZOKUHLALA, ISIZA 53011 EKAPA,
ESIME KWA-6 IMAM HARON ROAD CLAREMONT: KUMNU RON CHETTY

K3701,L2504

PTMS NO: 130005307

File Ref No: Prop Ho 14/2/2/1/2/210/A00

(Category 02)

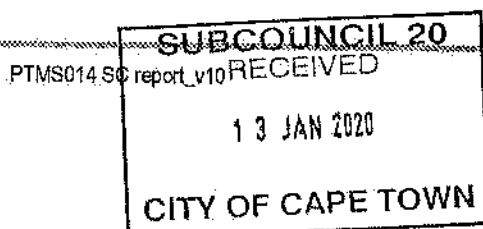
3 DELEGATED AUTHORITY

- ☒ The report is for comment by subcouncil to the competent authority in terms of Part 24, Delegation 10(1).

"To comment to the competent authority on the granting of rights to use, manage or control City immovable assets such as land, property and buildings and to recommend conditions of approval where deemed necessary."

- ☐ In terms of delegations Part 27B paragraph 19 (5), the following delegation was conferred upon the City Manager. The City Manager has sub-delegated this delegation to the Director: Property Management.

"To approve the granting of rights to use, manage or control capital assets of a value less than R10 million and for a period not longer than 3 years, provided that this delegation may only be exercised after considering the



Mr Ron Chetty

Making progress possible. Together.

Page 1 of 11

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comments of the Sub-council in whose area of jurisdiction the capital asset is situated.

☐ Final decision lies with Director: Property Management.

4 EXECUTIVE SUMMARY

| | | | | |
|--------------------------------------|--|---|------|--|
| PURPOSE OF REPORT | This report is submitted for comment by the subcouncil in order to adhere to Council's System of Delegations to allow the Executive Director: Economic Opportunities and Asset Management to exercise her Executive Authority in respect of the proposed lease of a residential property situated at Erf 53011, Cape Town to Mr R Chetty | | | |
| | Property Management is submitting the subject report to regularize the lease agreement to exercise its mandate on compliance management. | | | |
| Site extent | 499m ² | | | |
| Submission date | 3 October 2019 | | | |
| Current zoning | Single Residential 1 and Transport 2 | | | |
| Current usage | Residential | | | |
| Proposed usage | Residential | | | |
| WARD CLLR | NOTICE DATE | | WARD | |
| Sharon Cottle | 29 October 2019 | | 58 | |
| Internal circulation date | 28 October 2019 | | | |
| Internal department comments | Yes, no objections | | | |
| Public participation outcome summary | Advertised in the Cape Argus and Die Burger on 7 June 2019. No objections were received. | | | |
| Viable | Yes | X | No | |

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| | | | | |
|--|--|---|--|---------|
| | <p>The subject land is considered to be viable, however it is affected by the City's Catalytic Land Development Programme.</p> <p>A competitive process is followed when an improved property is tenanted. Standard application forms are available to all interested parties and applicants who qualify in terms of the said criteria are registered on the PM Database.</p> <p>The requirements are:</p> <ol style="list-style-type: none"> 1. Applicants must earn 3 x the rental to qualify; 2. Positive references of previous lessor(s); 3. Must be employed for at least 6 months; 4. No default judgments against applicants name. <p>When a residential property becomes available, the property is refurbished, a market related rental determined and tenants are selected from the database based on affordability and best fit.</p> | | | |
| | Recommended decision | Approval | X | Refusal |
| | Regulation 34(1) In-principle approval | Bulk advert | | |
| | Factors motivating recommendation | Council will receive a financial benefit in the form of a market related rental | | |
| | Strategic intent | SFA 1 : an OPPORTUNITY City of Cape Town | | |
| | | Objective 1.1 | Positioning Cape Town as forward looking globally competitive City | |
| | | Programme 1.1(g) | Leveraging the City's assets | |

5 RECOMMENDATIONS FOR CONSIDERATION AND COMMENT BY THE RELEVANT SUBCOUNCIL

It is recommended that the lease of City-owned land, being Erf 53011 Cape Town situated at 6 Imam Haron Road, shown hatched and lettered ABCD on the attached sketch marked annexure A, in extent approximately 499 m², to Mr. Ron Chetty, be approved subject to inter alia the following conditions:

- a) A market rental of R10 000 per month, inclusive of rates and excluding VAT where applicable, be payable;
- b) The rental will escalate at 8% per annum;
- c) The lease will endure for a period of three (3) years;

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- d) The property be used for residential purposes only;
- e) The rental is exclusive of all municipal services i.e water and electricity;
- f) Subject to such further conditions to be imposed by the Director: Property Management in terms of her delegated authority;
- g) Subject to compliance with any other statutory requirements;
- h) No compensation will be payable for any improvement made to the property;
- i) The lessee is to ensure that the necessary land use permissions, if applicable, are in place for the duration of the lease period.

AANBEVELINGS VIR OORWEGING EN KOMMENTAAR DEUR DIE BETROKKE SUBRAAD

Daar word aanbeveel dat die verhuring van Stadsgrond naamlik erf 53011, Kaapstad, geleë te Imam Haronweg 6, gearseer en en met die letters ABCD op die aangehegte skets, bylae A, aangetoon, ongeveer 499 m² groot, aan Ron Chetty, goedgekeur word onderworpe aan die volgende voorwaardes dat:

- a) 'n Markverwante huurbedrag van R10 000 per maand, eiendomsbelasting ingesluit en BTW waar van toepassing uitgesluit, betaalbaar is;
- b) Die huurbedrag teen 8% per jaar sal styg;
- c) Die huurooreenkoms vir 'n tydperk van drie jaar geld;
- d) Die eiendom slegs vir residensiële doeleindes gebruik word;
- e) Alle munisipale dienste, d.w.s. water en elektrisiteit, word by die huurbedrag uitgesluit;
- f) Onderworpe aan sodanige verdere voorwaardes wat die direkteur: eiendomsbestuur ingevolge haar gedelegeerde bevoegdheid opleë;
- g) Onderworpe aan die nakoming van enige ander statutêre vereistes;
- h) Geen vergoeding betaalbaar sal wees vir enige verbeteringe aan die eiendomme nie;
- i) Die huurder moet toesien dat die nodige grondgebruikmagtigings, indien van toepassing, vir die duur van die huurtydperk verkry is

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IZINDULULO UKUBA ZIQWALASELWE KWAYE KUVAKALISWE ULUVO LIBHUNGANA ELIFANELEKILEYO

Kundululwe kwakhona ukuba makuphunyezwe ingqeshiso ngomhlaba weSixeko osisiza-53011 eKapa, esime kwa-6 Imam Haron Road, esibonakaliswe ngemigca ekrweliweyo noonobumba ABCD kwisazobe esiqhotyoshelweyo nesiphawulwe isihlomelo A, esibukhulu bumalunga nama-499 m², kuMnu Ron Chetty, okanye abangena ezihlangwini zabo ngokwetaytile, ngokuxhomekeke phakathi kwezinye izinto kule miqathango ilandelayo:

- a) Makuhlawulwe ixabiso lerenti elihambelana nelemarike elingama-R10 000 ngenyanga, kuquka iintlawulo zobuhlali ngaphandle kweRhafu-ntengo apho kufanelekileyo;
- b) Imali yerente iya konyuka ngomyinge we-10% ngonyaka;
- c) Ingqeshiso iza kuhlala isithuba seminyaka emithathu (3);
- d) Ipropati mayisetyenziselwe kuphela imibandela yendawo yokuhlala;
- e) Ixabiso lerenti alizibandakanyi iinkonzo zikamasipala ezifana namanzi nombane;
- f) Ngokuxhomekeke kweminye imiqathango ezakumiselwa nguMlawuli woLawulo lweePropati ngokwamagunya akhe awagunyaziselweyo;
- g) Ngokuxhomekeke ekuthotyelweni kwayo nayiphina imimiselo yomthetho engeminye;
- h) Akusayi kuhlawulwa mbuyekezo ngophuculo oluthe lwenziwa kwipropati;
- i) Umqeshi kufuneka aqinisekise ukuba iimvume zosetyenziso lomhlaba ezifunekayo, ukuba kufanelekile, zimi ngendlela ngeli xesha lengqeshiso

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6 DISCUSSION/CONTENTS

6.1 BACKGROUND:

The lease agreement between the City and Michael Arnold Pienaar commenced on 28 April 2017, for an indefinite lease period (open-ended lease).

The subject property is located in Imam Haron Road Claremont and is affected by the Stanhope Bridge Road Scheme.

In terms of Property Management's Business Improvement Plan, the lease agreement was reviewed for compliance, pertaining to the Customer Protection Act (CPA), the Municipal Asset Transfer Regulations and the Management of Certain of the City of Cape Town's Immovable Property Policy. The lease agreement was non-compliant in terms of the below market related rental charge, non-CPA compliant in terms of the lessor and lessee contractual obligations.

A valuation process was initiated to review the current rental and the new market related rental was determined at R10 000 per month, inclusive of rates and exclusive of VAT and services. The new proposed rental was communicated to Mr Pienaar, who objected to the new rental. The negotiations between the City and the lessee was unsuccessful and subsequently the lease was cancelled, and a one months' notice to vacate was served in terms of the lease agreement.

Mr Ron Chetty, a family member of the lessee approached the City to conclude a lease with him as the principal lessee at the proposed market rental. His proposal was accepted on this basis. Once supported and approved by the Director Property Management will a new lease be signed by Mr Chetty which will allow the Pienaar family to remain in occupation.

The applicant meets the minimum requirements and is considered a suitable candidate for the subject property.

The applicant is not employed by the City of Cape Town.

6.2 CONSULTATION WITH INTERNAL BRANCHES:

The various Council Departments were consulted and have no objection to the lease subject to the following conditions that will form part of the lease agreement:

Erf 53011 Roseville Road, Claremont might be affected by IRT Phase 2 infrastructure and therefore Public Transport Infrastructure section's comments must be obtained with regards to possible use of the property.

6.3 VALUATION

The City's Professional Valuers on 13 May 2019, assessed the rental value of the Subject Property at R 10 000 excluding VAT (if applicable). The valuation synopsis is attached to the report as **annexure B**.

6.4 CONSTITUTIONAL AND POLICY IMPLICATIONS

6.4.1 The proposal complies with Section 14 of the Municipal Finance Management Act No.56 of 2003 in that the relevant branches of Council have confirmed that the land is not required for the provision of the minimum level of a basic municipal service.

6.4.2 Chapter C of Council's policy entitled the Management of Certain of the City of Cape Town's Immovable Property (approved by Council 26 August 2010, C 54/08/10), permits the leasing of immovable property.

6.5 FINANCIAL IMPLICATIONS

All costs involved in this transaction will be for the applicant's account.

6.6 TAX COMPLIANCE

In terms of the City's Supply Chain Management Policy, approved by Council on 30 May 2019 (C18/05/19), paragraph 98.3 stipulates the City may not consider a bid or quote unless the bidder who submitted the bid or quote has submitted a valid tax clearance certificate certifying that the provider's tax matters are in order.

In terms of the City's Supply Chain Management Policy, approved by Council on 30 May 2019 (C18/05/19), paragraph 99 stipulates "Irrespective of the procurement process, the City may not make any award above R15 000,00 to a person whose tax matters have not been declared by the SARS to be in order."

Paragraphs 372 – 375 of the afore-mentioned policy deal with the sale and letting of City owned immovable property and are silent on the SARS requirement. Property Management adopted the principle as per paragraph 99 above and applicants need to submit a SARS clearance certificate or exemption certificate for the sale of all City owned immovable property. Except for tariff based rentals, which do not exceed R15 000,00 all applicants need to submit a SARS clearance or exemption certificate for the leasing of City owned immovable property.

Applicant has complied. See Tax Clearance Certificate attached hereto as **annexure C**.

6.7 FINANCIAL DUE DILIGENCE

The applicant's debt profile has been verified and it is confirmed that the debt profile is not in arrears.

6.8 SUSTAINABILITY IMPLICATIONS

| | | |
|---|--|------------------------------|
| Does the activity in this report have any sustainability implications for the City? | No <input checked="" type="checkbox"/> | Yes <input type="checkbox"/> |
|---|--|------------------------------|

6.9 LEGAL IMPLICATIONS

Regulation 36 of the MATR

In terms of the above Regulation, Council must take into account a number of factors (highlighted in bold) when considering any proposed granting of rights to use, control or manage municipal capital assets, and it is herewith confirmed that:

Whether asset may be required for the municipality's own use during the period for which the right is to be granted

Council's service branches confirmed that the asset is not required for own purposes.

Extent to which any compensation to be received, estimated value of improvements or enhancements to party the right is granted to will be required to make, economic or financial benefit to the City

Council will receive a financial benefit in the form of a market related rental, being R10 000 per month, escalating at 8% per annum.

Management of Risk

No operational or control risk to the City.

Stakeholder comments and recommendations

Executive Director: Economic Opportunities & Asset Management, in terms of her delegated powers, has approved the public participation process as required, resulting in the proposed lease being advertised in the Cape Argus and Die Burger on 7 June 2019. Closing dates for objections were 7 July 2019. Copies of the advertisement were sent to the Ward Councillor, Manager and Chairperson of the relevant Sub-Council and registered local community organisations. No objections or comments received.

Views from National and Provincial Treasury

In terms of Regulation 34 of the MATR the subject property falls within the category of a capital asset in respect of which the proposed right to

be granted has a value less than R10 million and a period exceeding 3 years (Non-Significant Property Right). National and Provincial Treasury have been notified. No objections or comments received.

Strategic, Legal and Economic Interests

None of these interests will be compromised through the granting of the right to use, control or manage the asset. In fact, they will be supported.

Compliance with Legislative Regime that is Applicable to Proposed

Granting of the right to use, control or manage the asset is compliant with the Municipal Finance Management Act, Municipal Asset Transfer Regulations and Council's policy on the management of certain of the City of Cape Town's immovable property.

6.10 STAFF IMPLICATIONS

Does your report impact on staff resources, budget, grading, remuneration, allowances, designation, job description, location or your organisational structure?

No ☒

Yes ☐

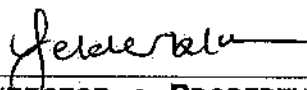
ANNEXURES

Annexure A: Sketch Plan
Annexure B: TAX Compliance Status
Annexure C: Valuation Synopsis

FOR FURTHER DETAILS CONTACT:



| | |
|---|---|
| NAME | GARY DAMMERT |
| CONTACT NUMBERS | (021) 400 1131 |
| E-MAIL ADDRESS | GARY.DAMMERT@CAPETOWN.GOV.ZA |
| DIRECTORATE | ECONOMIC OPPORTUNITIES & ASSET MANAGEMENT |
| FILE REF NO | PROP Ho 14/2/21/2/210/A00 |
| MANAGER: PROPERTY HOLDING RACHEL SCHNACKENBERG | <i>Schnackenberg</i> |



DIRECTOR : PROPERTY MANAGEMENT IN HER
CAPACITY AS EXECUTIVE DIRECTOR : ECONOMIC
OPPORTUNITIES & ASSET MANAGEMENT NOMINEE

NAME RUBY GELDERBLOEM

DATE 2019-12-20

Comment:

LEGAL COMPLIANCE

☒ REPORT COMPLIANT WITH THE PROVISIONS OF
COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS
AND ALL LEGISLATION RELATING TO THE MATTER
UNDER CONSIDERATION.

☐ NON-COMPLIANT

NAME

Jocari-Mari Holt

TEL


021 400 2753

DATE

03/01/2020

Comment:

24th
declared as legally compliant:
based on the contents of the report.


RICHARD WHITE
SUBCOUNCIL MANAGER

Tel No. 021 444 8112

DATE: *14 January 2020*



CITY OF CAPE TOWN
ISIXEKO SASEKAPA
STAD KAAPSTAD

ECONOMIC OPPORTUNITIES AND ASSET MANAGEMENT
PROPERTY MANAGEMENT

Aneesah Abrahams
Professional Valuer

T: 021 400 2301 F: 086 2028562
E: Aneesah.abrahams@capetown.gov.za
Ref: Job 7553 Your Ref: Case ID 1300003207

| | |
|-----------|---------------------------|
| DATE | 2019-05-13 |
| TO | Head: Improved Properties |
| ATTENTION | Isaac Martin |

DESKTOP VALUATION REPORT

DESKTOP RENTAL VALUATION OF ERF 53011 CAPE TOWN SITUATED AT 6 IMAM HARON ROAD, CLAREMONT: MICHAEL PIENAAR

1. Brief

We were requested by the Head: Improved Properties, to provide a desktop market rental of the improvements on Erf 53011 Cape Town at 6 Imam Haron Road, Claremont (hereafter 'the subject property').



2. Date of Valuation

2019-05-31

3. Date of Inspection

A physical inspection was not deemed necessary for the purpose of this exercise.




4. Caveats

The reader is forewarned of the following:

- (i) The valuation is for internal requirements only and must not be made available to the applicant/public without prior written consent from the Head: Market Valuations.
- (ii) This report has been prepared in conformity with recognized standard procedure regarding the leasing of City property.
- (iii) All values in this report exclude VAT.
- (iv) This is a desktop valuation and therefore for indicative purposes only. A more comprehensive valuation to be requested before rental implementation.

<https://doi.org/10.1016/j.cpr.2019.01.001>

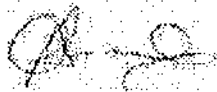
8. Findings

| Table 2: Comparable residential property rentals | | | | | | | | | | | | |
|--|---|-------------|-----|---------------|------|---------|--------|--------|--------|--------------------|--|---|
| # | Description | Extents(m²) | | Accommodation | | | | | | Rental Incl. rates | Comment / Photos | |
| | | Site | Dwg | Bed | Bath | Kitchen | Living | Dining | Garage | | | |
| 1 | Erf 52882 Cape Town 65 Imam Haron Road, Claremont | 215m² | 128 | 4 | 1 | 1 | 1 | 1 | 1 | R12 740 | City property valued in June 2018 at R12 000, effective 2018-09-01. In a fair-good condition and similar location. Superior accommodation, interior site extent. |  |
| 2 | Erf 53881 Cape Town 40 Hartfield Road, Claremont | 317m² | 142 | 4 | 1 | 1 | 1 | 1 | 1 | R11 678 | City property valued in June 2018 at R11 000, effective 2018-09-01. In a fair-poor condition. Superior accommodation and location. Interior site extent. |  |
| 3 | Erf 138878 Cape Town 6 Meyer Street, Claremont | 213m² | 52 | 3 | 1 | 1 | 2 | 1 | 2 | R13 000 | Semi-detached property currently on the market. Superior features and accommodation, but inferior extent. |  |

9. Recommendation

We considered rentals in the immediate vicinity and also further afield in similar submarkets and, based on the evidence, as well as recent valuations conducted in similar areas, are of the opinion that the market rental value is in the region of R10 000 per month inclusive of rates with an 8% escalation per annum being applicable.

It is to be noted that no inspection was undertaken and the current condition was therefore not determined. This will be established when the full valuation is undertaken.



Aneesah Abrahams
Professional Valuer (Reg. no. 7367/1)

RP



Paul Pendlebury
Head: Market Valuations

Date: 2019-05-14



TAX COMPLIANCE STATUS

PIN Issued

RJ CHETTY
PO BOX 103
WOODSTOCK
7915

Enquiries should be addressed to SARS:

Contact Detail

SARS
Alberton
1528

Contact Centre Tel: 0800 00 SARS (7277)
SARS online: www.sars.gov.za

Details

Taxpayer Reference Number: 0524069036

Always quote this reference
number when contacting SARS

Issue Date:

2019/10/14

Dear Taxpayer

TAX COMPLIANCE STATUS PIN ISSUED

The South African Revenue Service (SARS) has issued your tax compliance status (TCS) PIN as indicated below:

| TCS Details: | |
|--------------------------|---------------------------|
| Taxpayer Name | Ronald Joseph Chetty |
| Trading Name | Not applicable |
| Tax Reference Number(s) | IT - 0524069036 |
| Purpose of Request | Good Standing |
| Request Reference Number | 0005050500GS1410191602285 |
| PIN | 85333F117F |
| PIN Expiry Date | 14/10/2020 |

You may authorise a third party to view your TCS by providing them the PIN. The PIN only allows the third party access to your TCS. All other tax information remains secure.

Your TCS displayed is based on your compliance as at the date and time the PIN is used.

You may cancel this PIN at any time before the expiry date reflected above. Once cancelled, a third party will not be able to verify your TCS.

SARS reserves the right to cancel this PIN in the event that it was fraudulently issued or obtained.

Should you have any other queries please call the SARS Contact Centre on 0800 00 SARS (7277). Remember to have your taxpayer reference number at hand when you call to enable us to assist you promptly.

Sincerely

ISSUED ON BEHALF OF THE SOUTH AFRICAN REVENUE SERVICE

Result Summary

Entity Details

Registered Name:

RONALD JOSEPH CHETTY

Registration No:

5404235005013

INCOME TAX:

0524069036

PN:

85333F117F

Date/Time:

2019-11-26 07:42:16

The response represents the taxpayer's compliance status at the date and time of this response. It is important to note that the overall compliance status is not static and will change as the compliance status changes.

| Indicator | Description | Purpose | Refresh | Open |
|---|---|---------------|---------|------|
|  | The taxpayer is registered for tax and is currently compliant in respect of filing and payment responsibilities | Good Standing | Refresh | |