

## REPORT TO SUBCOUNCIL 2

DATE

### 1. ITEM NUMBER **02SUB13/10/20**

### 2. SUBJECT

PROPOSED GRANTING OF IN-PRINCIPLE APPROVAL FOR THE TRANSFER, BY WAY OF A PUBLIC COMPETITIVE PROCESS, OF VACANT ERVEN 7018 AND 7019, (UNREGISTERED PORTIONS OF REMAINDER ERF 362, KRAAIFONTEIN) SITUATED AT 2 AND 4 MILDRED STREET, WINDOR ESTATE, KRAAIFONTEIN, FOR RESIDENTIAL PURPOSES

#### ONDERWERP

VOORGESTELDE SLUITING EN TOESTAAN VAN BEGINSELGOEDKEURING VIR DIE OORDRAG VAN ONBEOUDE ERF 7018 EN 7019 (GEDEELTE VAN RESTANT ERF 362 KRAAIFONTEIN), GELEË IN 2 EN 4 MILDRED STRAAT, WINDSOR VASTE EIENDOM KRAAIFONTEIN PER OPENBARE MEDEDINGING RESIDENSIËLE DOELEINDES

#### ISIHLOKO

ISIPHAKAMISO      SOKUVUNYELWA      KWESIPHUMEZO      NGOKOMTHETHO-SISEKO  
KOKUTHENGISWA      NGOKWENKQUBO      ENGOKHUPHISWANO      LOLUNTU      KWEZIZA  
EZIVULELEKILEYO      EZINGU-7018, KUNYE      NO-7019 (IZIQEPHU      EZINGABHALISWANGA  
ZENSANSALELA YESIZA-362 KRAAIFONTEIN), EZIME KU-2 NO-4, MILDRED ROAD, WINDSOR  
ESTATE, E-KRAAIFONTEIN, KULUNGISELELWA IMIBANDELA YOKUHLALA

### 3. DELEGATED AUTHORITY



For noting by Subcouncil 2

The legal provision for this non-delegable authority can be found in section 14 of the Municipal Finance Management Act 56 of 2003 and regulation 5 of the Municipal Asset Transfer Regulations of 2008 (MATR).

In terms of the provisions of the Municipal Finance Management Act (MFMA) and the associated Municipal Asset Transfer Regulations (MATR), the City may only transfer immovable property after;

- (a) the Council has made a determination that the asset is not required for the provision of basic municipal purposes and has considered the fair market value of the asset and the economic and community value to be received in exchange for the asset, and
- (b) Approved in principle that the asset may be transferred.

#### 4. EXECUTIVE SUMMARY

PURPOSE OF REPORT	To inform Subcouncil 2 of the City's intention to obtain in-principle approval from Council for the transfer by way of a public competitive process of City-owned vacant Erven 7018 and 7019, (unregistered portions of remainder Erf 362, Windsor Estate), Kraaifontein.				
PROPERTY DESCRIPTION	Erven 7018 and 7019, Kraaifontein, are vacant undeveloped sites located in the surroundings characterized by low density residential developments and various public amenities.				
PROPERTY LOCATION	The subject properties are respectively situated at 2 and 4 Mildred Street, Windsor Estate, Kraaifontein.				
AREA	1	SUBCOUNCIL	2	WARD	102
SITE EXTENT	Approximately 510m <sup>2</sup> and 527m <sup>2</sup> respectively, as shown lettered ABCDE and ABCD on attached plan LIS 2144 and LIS 2145 ( <b>Annexure A1 and A2</b> )				
VIABLE	YES	x	NO		
CURRENT ZONING	Both zoned Single Residential 1 (SR1): Conventional Housing				
CURRENT USAGE	Vacant and undeveloped				
PROPOSED USAGE	Residential purposes				
INTERNAL AND EXTERNAL STAKEHOLDERS COMMENTS	The proposed transfer of the property was circulated for internal and external stakeholder's comments, and it emerged that the property will not be required for provision of basic municipal services, therefore it can be transferred for residential purposes. ( <b>Annexure B</b> ).				
	PUBLIC PARTICIPATION				
AUTHORITY FOR PUBLIC PARTICIPATION	Authority granted	Director: Property Management	Date	16/08/2019	
PUBLIC PARTICIPATION PROCESS	Date of advertising	07/09/2019 11/09/2019	Public comments	No comments received.	
WARD COUNCIL COMMENTS	Date of notification	13/09/2019	Comment	No comments received.	
FACTORS MOTIVATING DECISION	<ul style="list-style-type: none"><li>▪ The sale of the land will relieve Council of the maintenance burden;</li><li>▪ A market-related income will be generated;</li><li>▪ The sale will enable better utilization of City land;</li><li>▪ Vacant land will be developed to its highest and best use.</li></ul>				
STRATEGIC INTENT	INTEGRATED DEVELOPMENT PLAN (IDP)				
	SFA 1: An Opportunity City		Objective 1.1 (g) Leverage the City's assets, to rationalise and optimally utilise City assets to stimulate economic benefit for Cape Town.		
	ORGANISATIONAL DEVELOPMENT AND TRANSFORMATION (ODTP)				
	Optimisation & Rationalisation		The optimal utilisation of Council assets		
	SPATIAL DEVELOPMENT FRAMEWORK (SDF)				
	Area Plan		The development of the property for residential purposes is in line with the SDF.		
	TRANSIT ORIENTATED DEVELOPMENT (TOD)				

	Category 2	<p>The properties are all located in a future TAP (Transport Accessible Precinct) of the future BRT route along Brighton Road. The properties are also located in close proximity to schools and other public amenities. Given the location of the vacant properties, as well as the extent thereof, the properties definitely have TOD potential.</p> <p>Therefore, it is recommended that the subject properties, plus the adjacent vacant properties be further investigated for disposal for the purpose of developing higher density residential units. (different typologies for different income groups) on the larger site.</p>
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## 5. DISCUSSION/CONTENT

### 5.1 BACKGROUND

Erven 7018 and 7019, situated at 2 and 4 Mildred Street, Windsor Estate, Kraaifontein are vacant undeveloped sites located in the surroundings characterized by low-density residential developments and various public amenities, measuring approximately 510m<sup>2</sup> and 527m<sup>2</sup> respectively in extent, see **Annexures A1** and **A2** for plans LIS 2144 and LIS 2145. The properties are zoned Single Residential 1: Conventional Housing. It is intended that the subject properties will be transferred via public competitive process, in exchange of a fair market value of the assets to be received.

### 5.2 CONSULTATION WITH INTERNAL DEPARTMENTS AND EXTERNAL STAKEHOLDERS

The various Council Departments and external stakeholders were consulted and have no objection to the sale of the property. A summary of the relevant branch comments is attached hereto as **Annexure B** and will form part of the conditions of sale, where applicable. Spatial Planning and Environment department provided a comment outlined below:

#### SPATIAL PLANNING AND ENVIRONMENT – Gert Kruger

The subject properties measure approximately 2400m<sup>2</sup> (including other adjacent vacant erven circulated) in extent, are all zoned SR1 and is located along Mildred Street in Zoo Park/ Windsor Estate, Kraaifontein. The properties are all located in a future TAP (Transport Accessible Precinct) of the future BRT route along Brighton Road. The properties are also located in close proximity to schools and other public amenities.

City of Cape Town is also the owner of the adjacent vacant properties, i.e. erven 6925 – 6930, 6999 – 7002, 6972- 6979, 6960- 6955, 6957, 10190, altogether measuring approximately 1.5ha and zoned for residential purposes.

Given the location of the vacant properties, as well as the extent thereof, the properties definitely have TOD potential. Therefore, it is recommended that the subject properties, plus the adjacent vacant properties be further investigated for disposal for the purpose of developing higher density residential units (different typologies for different income groups) on the larger site.

The proposal complies with Section 14 of the Municipal Finance Management Act, Act 56 of 2003, in that the relevant branches of Council have confirmed that the subject property is not required for the provisions of the minimum level of basic municipal services and therefore can be transferred for residential purposes.

## PUBLIC PARTICIPATION

In accordance with the authority obtained from the Director: Property Management on 16 August 2019, Council's intention to sell the subject property was advertised as follows:

### 5.3

ADVERTISING AND NOTIFICATION		
Advertising	Weekend Argus and Die Burger	07 September 2019
	Tyger Burger Kraaifontein	11 September 2019
Notification	Provincial & National Treasury	13 September 2019
	Sub-council Manager, Sub-council Chairperson & Ward Councillor	
Outcome	No objections were received.	

## VALUATION

### 5.4

The City's Professional Valuers were requested to determine the market valuation of the subject property. The subject property was valued as at 31 July 2019. In this regard the following is of relevance:

The market value of the subject property, which is defined by International Valuation Standards Committee (IVSC) as:

*The estimated amount for which an asset or liability should exchange on the date of valuation between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties acted knowledgeably, prudently and without compulsion.*

Implicit in the market value of a property is the notion of highest and best use, which the IVSC defines as:

*The most probable use of a property which is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value of the property being valued.*

They applied the comparable sales method in valuing the property, which entail the following steps:

- i) Identifying recent sales transactions of similar properties in the same neighbourhood (or further afield if need be) for which information is available.
- ii) Comparing the comparable properties' value-forming characteristics with those of the subject properties, viz. location, stand size, zoning restrictions, etc.
- iii) Adjusting the sale's price of the comparable properties for effluxion of time between their sale's date and valuation date (if deemed necessary).
- iv) Deducing the value of the subject properties after taking due cognisance of all incomparable characteristics and their potential influence on the sale's price.

It should be noted that the market value of the subject property is deemed appropriate at this stage of the MATR process carried out.

It was concluded that the marked value of Erven 7018 and 7019 are in the order of **R 500 000**

**(excluding VAT)** each.

Notwithstanding the above, and to allow for the efflux in time, following escalation and validity period have been applied to the valuation:

- a. The transfer price shall escalate at 5% per annum compounded annually on a pro rata basis commencing 6 months after the date of valuation (i.e. as from 2020-02-01) until date of registration.
- b. The market values are to be reassessed if the transactions are not approved by the relevant decision making authority of Council within 18 months from date of valuation (i.e. by 2021-02-01).

The escalation rate has been adjusted to 5% from 1 April 2020 on account of the global pandemic (Covid 19) and the resultant economic fallout, which has dampened growth prospects for the property market.

## **5.5 CONSTITUTIONAL AND POLICY IMPLICATIONS**

- The proposal complies with Section 14 of the Municipal Finance Management Act, Act 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 basic municipal services;
- Chapter B of Council's policy relating to the Management of certain of the City of Cape Town's Immovable Property (approved 26 August 2010), permits the sale of immovable property.

## **5.6 FINANCIAL IMPLICATIONS**

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

## **5.7 SUSTAINABILITY IMPLICATIONS**

Does the activity in this report have any sustainability implications for the City?

No ☒ Yes ☐

## **5.8 LEGAL COMPLIANCE**

The proposal complies with section 14 of the Municipal Finance Management Act, Act 56 of 2003 (MFMA);

The sale of municipal capital assets is governed by Chapter 2 of the MATR.

Council may, in terms of **Reg 5(1)(b) of the MATR**, transfer or dispose of non-exempted capital assets after it has, in a meeting open to the public, made the determinations required by section 14(2)(a) and (b) of the MFMA:

- The erf (asset) is not needed for provision basic municipal services;
- Considered the fair market value of the asset and the economic and community value to be received in exchange for the asset.

In terms of Regulation 7 of the MATR, the municipal council must, when considering any proposed

transfer or disposal of a non-exempted capital asset in terms of regulation 5(1)(b), take into account the factors highlighted in bold below:

**Factor A: Whether the asset is required for municipality's own use at later date;**

Council's service branches have confirmed that the asset is not required for its own purposes. (refer to **Annexure B**) for inter-departmental comments.

**Factor B: Loss or gain expected to result from proposed transfer or disposal;**

Council will not make a loss, but a gain on receipt of market value for the transfer of the subject property and future rates, taxes and the sale revenue will stimulate economic growth.

**Factor C: Extent to which any compensation to be received in respect of the proposed transfer will result in a significant economic or financial cost or benefit to municipality;**

Council will receive financial benefits in the form of the sales price as well as future rates revenue in respect of the property. The desktop value of Erven 7018 and 7019, Kraaifontein using comparable sales method is estimated to be in the region of **R 500 000 (excluding VAT)** each.

The transfer price shall escalate at 5% per annum compounded annually on a pro rata basis commencing 6 months after the date of valuation (i.e. as from 2020-02-01) until date of registration.

The market value is to be reassessed if the transaction is not approved by the relevant decision making authority of Council within 18 months from date of valuation (i.e. by 2021-02-01).

**Factor D: The risks and rewards associated with the operation or control of the capital asset that is to be transferred of in relation to the municipality's interest;**

The rewards are anticipated in a form of future rates revenue. There is no envisaged operational or control risk anticipated against the City's interest.

**Factor E: Impact of the proposed transfer on credit rating of the municipality, its ability to raise long-term or short-term borrowings in the future and its financial position and cash flow;**

The proposed intention in relation to the subject property will attribute positively into the financial position of the City, through sales income, future rates revenue anticipated. The envisaged transaction is not expected to have negative impact on the credit rating of the City, due to anticipated cash inflows.

**Factor F: Limitations and conditions attached to capital assets or the transfer or the disposal of the asset, and consequences of any potential non-compliance with these conditions;**

None.

**Factor G: Estimated cost of proposed transfer or disposal;**

The normal costs related to advertisements and land surveying, if applicable, will be incurred by Council. The purchaser will be responsible for the transfer costs.

**Factor H: Transfer of liabilities and reserve funds associated with the asset;**

None.

**Factor I: Comments or representations on the proposed transfer received from the local community and other interested persons;**

The Council's intention to sell the subject property was duly advertised to the public in The Weekend Argus and Die Burger on 7 September 2019, and in the Tyger Burger Kraaifontein on 11 September 2019. The relevant Subcouncil chairperson, Subcouncil manager, Ward Councillor, Regional Offices were notified. No objections to the intended transfer were received.

**Factor J: Views and recommendations on the proposed transfer by National and Provincial Treasury;**

There were no views or recommendations received from National Treasury.

**Factor K: The interest of any affected organ of State, the municipality's own strategic, legal and economic interest and the interests of the local community;**

None of these interests will be compromised through the proposed intention - in fact they will support these interests through enhancing City's strategic objectives, and promoting socio-economic development for the benefit of the local communities.

**Factor L: Compliance with legislative regime that is applicable to proposed transfer or disposal.**

The proposed transfer of the asset is compliant with the MFMA, Municipal Asset Transfer Regulations, Reg. 12(1) and Council's Policy on the Management of Certain of the City of Cape Town's Immovable Property (2010).

## 5.9 STAFF IMPLICATIONS

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

No

☒

Yes

☐

## 6. RECOMMENDATIONS

For noting by Subcouncil 2:

It is recommended that:

- a) In terms of section 14(2)(a) and (b) of the Municipal Finance Management Act (MFMA), Act 56 of 2003:
  - i) Council resolve that Erven 7018 and 7019 (unregistered portions of remainder erf 362 Kraaifontein), respectively situated at 2 and 4 Windsor Estate, Mildred Street in extent approximately 510m<sup>2</sup> and 527m<sup>2</sup>, zoned Single Residential 1: Conventional Housing, shown lettered ABCDE and ABCD on the attached Plans LIS 2144 and LIS 2145 (**Annexure A1 and A2**), not be required for the provision of the minimum level of basic municipal services;
  - ii) Council confirm that the fair market value of the asset described in (a)(i) and the economic and community value to be received in exchange for the asset described in (a)(i) have been considered.
- b) In terms of Regulation 5(1)(b) of the Municipal Asset Transfer Regulations (MATR), R.878 promulgated on 22 August 2008, Council approve in principle the transfer of Erven 7018 and 7019, Windsor Estate, Kraaifontein as described in (a)(i);
- c) Erven 7018 and 7019, Windsor Estate, Kraaifontein be transferred by way of public

competition, subject to conditions to be imposed by the Director: Property Management in the exercise of her delegated authority.

## AANBEVELINGS

Vir kennisname deur subraad 2:

Daar word aanbeveel dat:

- a) Ingevolge artikel 14(2)(a) en (b) van die Wet op Plaaslike Regering: Munisipale Finansiële Bestuur (MFMA), Wet 56 van 2003:
  - i) Die Raad besluit dat erf 7018 en 7019 (ongeregistreerde gedeelte van restant erf 362 Kraaifontein), geleë in 2 en 4 Mildred straat, Winsdor vaste eiendom Kraaifontein per openbare mededinging residensiële doeleindes ongeveer 510m<sup>2</sup> en 527m<sup>2</sup> groot, gesoneer enkelresidensieel 1, aangetoon deur die letters ABCDE en ABCD op die aangehegte plan LIS 2144 en aangehegte plan LIS 2145 (**bylae A1 en A2**), nie nodig word vir die voorsiening van die minimum valk basiese munisipale dienste nie;
  - ii) Die Raad bevestig dat die billike markwaarde van die bate beskryf in (a)(i) en die ekonomiese en gemeenskapswaarde wat in ruil vir die bate beskryf in (a)(i) ontvang sal word, oorweeg is.
- b) Ingevolge regulasie 5(1)(b) van die regulasies oor die oordrag van munisipale bates (MATR), R.878, gepromulgeer op 22 Augustus 2008, die Raad die oordrag van erf 7018 en 7019, geleë in 2 en 4, Mildred straat, Winsdor vaste eiendom Kraaifontein, soos beskryf in (a)(i), in beginsel goedkeur;
- c) Erf 7018 en 7019 geleë in 2 en 4 Mildred straat, Windor vaste eiendom, Kraaifontein per openbare mededinging oorgedra word, onderworpe aan voorwaardes opgelê deur die direkteur: eiendomsbestuur in die uitvoering van haar gedelegeerde bevoegdheid.

## IZINDULULO

Zezokuba ziqwalaselwe liBhungana-2:

Kundululwe ukuba:

- a) Ngokwamacandelo-14(2)(a) no-(b) oMthetho ongoLawulo lweziMali zikaMasipala (MFMA) ongunomb.56 wangowe-2003:
  - i) IBhunga lithabatha isigqibo sokuba iziiza-7018 kunye no-7019 (iziQephu ezingabhaliswanga zentsalela yesiza 362 e-Kraaifontein), ezime ku-2 no-4 Mildred Street, Windsor Estate, e-Kraaifontein, ezibukhulu obumalunga nama-510m<sup>2</sup> no 527m<sup>2</sup>, eziicandwe njengendawo yokuhlala-1 usapho olunye, esibonakaliswe ngoonobumba abakhulu u-ABCDE kunye no ABCD kwiiplani ezingu-LIS 2144 no LIS 2145 eziqhotyoshelwe **kwisihlomelo-A<sub>1</sub> noA<sub>2</sub>**, azifuneki nganto ukubonelela ngomlinganiselo eenkonzo ezingundoqo zikamasipala;
  - ii) IBhunga maliqinisekise ukuba kuthi kuthathelwe ingqalelo ixabiso lasemakethi lobulungisa lweempahla elichazwe kumhlathi-(a)(i), elezoqoqosho neloluntu eliyakuthi lifunyanwe ngokutshintshelana kweempahla ezichazwe kumhlathi-(a)(i).

- b) NgokoMigaqo-5(1)(b) yeMigaqo engokuTshintshelwa kweMpahla kaMasipala (MATR), R. 878 owamiselwa ngowama-22 kweyeThupha 2008, iBhunga maliphumeze gokomthetho-siseko ukunikezelwa kweziza-7018 kunye no 7019, Windsor Estate, ezise-Kraaifontein, njengoko kucacisiwe ku-(a) (i) ngentla apha;
- c) Iziza-7018, no-7019, eziku- Windsor Estate, e-Kraaifontein, mazinikezelwe ngokokhuphiswano loluntu, ngokuxhomekeke kwimiqathango eyakuthi inyanzeliswe nguMlawuli woLawulo lwePropati esebenzisa amagunya akhe awagunyaziselweyo.

## **ANNEXURES**

Annexure A1 - Plan – LIS 2144

Annexure A2 - Plan – LIS 2145

Annexure B - Summary of branch comments

NAME	ANALIZE RAINHO	CONTACT NUMBER	021 400 1123
E-MAIL ADDRESS	ANALIZE.RAINHO@CAPETOWN.GOV.ZA		
DIRECTORATE ECONOMIC OPPORTUNITIES & ASSET MANAGEMENT		FILE REF NO	HO 14/3/4/3/1682/A73



**MANAGER: PROPERTY ACQUISITIONS AND DISPOSALS**

NAME ANDRE HUMAN COMMENT: \_\_\_\_\_

DATE \_\_\_\_\_

SIGNATURE \_\_\_\_\_

**DIRECTOR: PROPERTY MANAGEMENT IN HER CAPACITY AS NOMINEE FOR THE EXECUTIVE DIRECTOR:  
ECONOMIC OPPORTUNITIES AND ASSET MANAGEMENT**

NAME RUBY GELDERBLOEM COMMENT: \_\_\_\_\_

DATE \_\_\_\_\_

SIGNATURE \_\_\_\_\_